

# Business Report for 42nd Term

April 1, 2004 - March 31, 2005

**FUJITSU**

THE POSSIBILITIES ARE INFINITE



**Fujitsu Broad Solution & Consulting, Inc.**

URL: <http://www.bsc.fujitsu.com>

Securities code: 4793

**FUJITSU BROAD SOLUTION & CONSULTING Inc.**

### Highlight of financial results for 42<sup>nd</sup> term

(Units: Millions of yen)

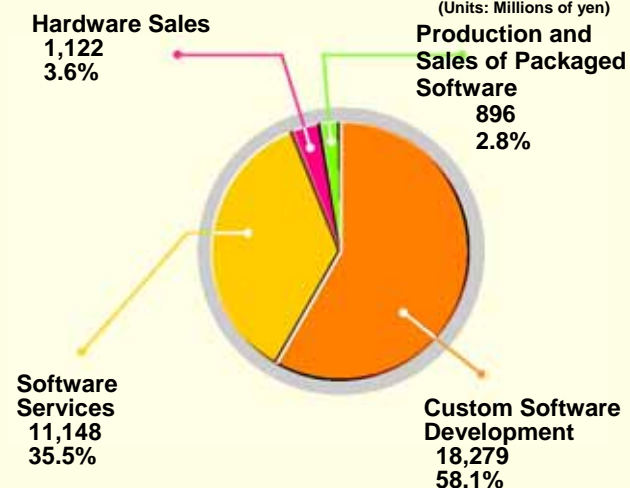
Results of operations	42 <sup>nd</sup> term	
Sales	31,447	Y/Y comparison -4.2%
Ordinary income	1,189	548.3%
Current term net income	662	Net loss of 1,392 million in the previous year

(Units: Millions of yen)

Financial standing	42 <sup>nd</sup> term	
Shareholders' equity	12,914	Y/Y comparison +4.2%
Total assets	22,823	-5.4%

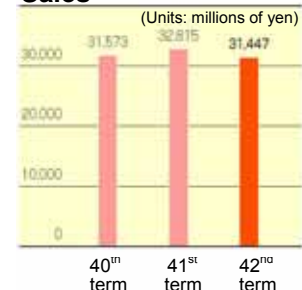
### Share of total sales by type of business

(Units: Millions of yen)



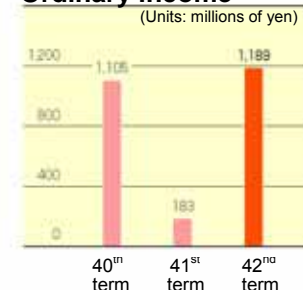
### Sales

(Units: millions of yen)



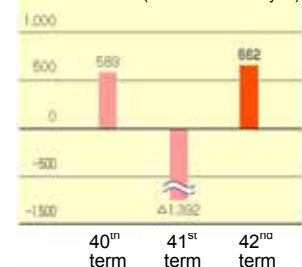
### Ordinary income

(Units: millions of yen)



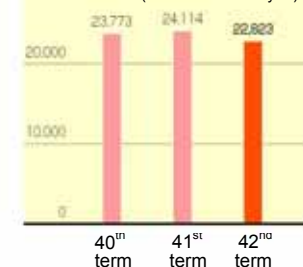
### Current term net income or loss (-)

(Units: millions of yen)



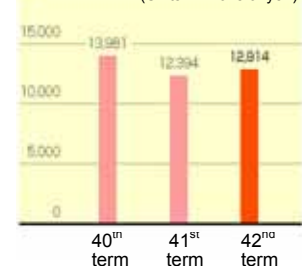
### Total assets

(Units: millions of yen)



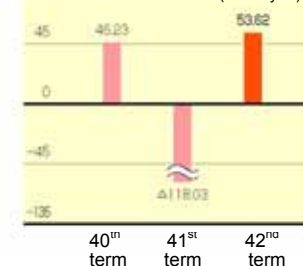
### Shareholders' equity

(Units: millions of yen)



### Current term net income or loss (-) per share

(Units: yen)



## To our shareholders

## TO OUR SHAREHOLDERS

### Business review

During the term under review, although investment in information technology recovered mainly in major companies thanks to their improved profits, the revenue environment for the information service industry remained severe, because there was an increasing demand for cost-effectiveness of investments, along with declining prices of development projects.

In response, we made efforts to stabilize quality and profitability in contract development, while improving efficiency of development, and we strove to expand our business in the areas in which we excel, by combining our know-how in this industry and by utilizing development tools. In particular, we focused our business on developing embedded systems for mobile phones or digital home appliances, and on selling security solution services to help companies take information management measures in response to implementation of the Personal Information Protection Law. We also reorganized our corporate structure to form units by customer-industry, aiming to establish a business system that appropriately meets customer needs and also to enhance project management.

With intensifying competition for orders caused by a declining trend in prices and fewer sales opportunities, we saw a drop in sales of software development activities compared to the previous term. However, as a result of our utmost efforts to prevent unprofitable projects through periodic project screening meetings, ordinary income improved compared to the previous term.

Consequently, sales for the term were ¥31,447 million (down 4.2% year-on-year), ordinary income was ¥1,189 million (up 548.3% year-on-year) and net income was ¥662 million (an increase of ¥2,055 million year-on-year).



Takao Kaneko, President (CEO)

We would like to express our sincere gratitude for our shareholders' special support.

In this report, we are pleased to provide a business overview of the Company for the 42nd term (April 1, 2004 to March 31, 2005).

During this term, we succeeded in conducting customer-oriented sales activities and reorganizing our corporate structure by improving our development system, while putting continued emphasis on the management of projects to prevent making any large-scale unprofitable projects.

As a result, we achieved sales of ¥31,447 million, an ordinary income of ¥1,189 million and a net income of ¥662 million.

We will pay ¥6 per share as the term-end dividend.

We look forward to having your continuing support and encouragement.

June 2005

An overview by type of business follows:

### Custom Software Development

Looking at our activities in software development, we mainly developed and shipped key systems for the information and telecommunications sectors, public sector, and financial services sector, which were the systems directly involved in each business operation. In the information and telecommunications sectors, we also received orders for developing fee charging systems or management systems of company information and shipped the systems to them on an ongoing basis. In addition, having received new orders from the public sector, we developed and shipped online administrative systems and integrated payroll systems.

In the business of embedded systems for a wide array of equipment, we won orders for developing systems for mobile phones and shipped the systems. We also developed and shipped systems for DVD recorders and photocopying machines in the digital consumer electronics area, as well as a variety of systems in the ITS area\*1, including vehicle information terminal-related systems, such as car navigation systems.

However, hit by slowing demand for development of large-scale key systems in the information and telecommunications sectors, sales came to ¥18,279 million (down 13.1% year-on-year).

### Software Services

In our software services, we succeeded in increasing sales by offering our clients support services to create network systems or to operate systems, as well as providing evaluation services for mobile phone functions by utilizing our

know-how in areas in which we excel.

With respect to outsourcing services (for which we obtained ISMS certification) using our data center, we also made achievements in the monitoring of customers' systems.

In our solution business, we offered BI solution services\*2 for business management and other diverse services for drug pharmaceutical companies, manufacturers and midsize construction companies.

In our temporary staffing service, we dispatched our staff to major electronic makers, among other clients, throughout the year. Sales were ¥11,148 million (up 8.2 % year-on-year).

### Production and Sales of Packaged Software

In sales of package software, with the Personal Information Protection Law being fully implemented, we enjoyed substantially stronger sales of the FENCE series\*3, our line of well-established security products, mainly to the financial services sector. We also recorded stable sales of the F\*TRAN series, our file conversion software.

As a result, sales came to ¥1,122 million (up 169.5% year-on-year).

### Hardware Sales

In sales of system equipment, we sold hardware products incidental to the package software SAGENT and the creation of network systems. Previously, we purchased this software from a supplier and sold it as part of our solutions business.

Sales were ¥896 million (down 15.0% year-on-year) because of decreased demand caused by Japan's sluggish economy.

### Challenges for the Company

During the term under review, the Company strove to improve productivity and quality of our software development activities and to reduce costs to increase profits. To strengthen our operating base and improve profitability by making further progress in this effort, we need to take the following measures:

#### [1] Tighten-up project screening

Through complete screening of projects, the management will directly evaluate current or potential risks incidental to development projects, and will ensure there are no reoccurrences of unprofitable projects or problems with customers, by discovering those risks early and avoiding or solving the problems.

#### [2] Promoting cost reductions

By introducing a new development tool and establishing it as a development method, we will improve efficiency in development, productivity and quality of our products. In addition, to reduce development costs, we will combine software techniques accumulated in our Company into a form of package software or software services, and will utilize the software or services in development planning stages according to customer needs.

#### [3] Promoting corporate social responsibility

To meet corporate social responsibility, we will not only seek an expansion of profits in our business activities, but also take into consideration information management and promote environmental measures, as well as obey laws, regulations and social orders.

#### Explanation of terms:

##### \*1 ITS (Intelligent Transport Systems)

ITS is a new traffic system that can be used to resolve road traffic problems, such as accidents and congestion, by networking people, vehicles, and roads using information and telecommunications technologies. It is comprised of several elemental technologies, including the advanced Vehicle Information and Communication System (VICS) that works with congestion information and Electric Toll Collection System (ETC).

##### \*2 BI (Business Intelligence)

BI is a system to classify, analyze and process data accumulated in a company systematically and methodically, and to utilize the data for prompt, accurate decision-making and greater business efficiency.

##### \*3 FENCE series

The FENCE series is our series of products that aim to prevent information leakage. During the term, in addition to FENCE-Pro, which is our existing product for data file encryption, we successively launched FENCE-G, which has a function to keep information from being taken out of an office, and FENCE-AP, which has a function to authenticate individuals. In March we also released FENCE-Tracer, a product for gathering access logs. The FENCE series has proven successful, with strong sales to the financial institutions sector, particularly the life insurance industry.

## Financial statements

### Balance sheet (as of March 31, 2005)

Account title	Amount
<b>Assets</b>	
<b>Current assets</b>	
Cash & cash equivalents	6,834,291
Notes receivable	11,354
Accounts receivable	8,247,041
Marketable securities	10,764
Inventories	1,731,187
Deferred tax assets	754,602
Other	153,065
Allowance for doubtful accounts	(7,000)
<b>Total current assets</b>	<b>17,735,306</b>
<b>Fixed assets</b>	
<b>Property, plant and equipment</b>	
Land	1,268,884
Buildings	1,854,110
Structures	30,466
Equipment	813,294
<b>Total</b>	<b>3,966,756</b>
Accumulated depreciation	(1,584,083)
<b>Net property, plant and equipment</b>	<b>2,382,672</b>
<b>Intangible fixed assets</b>	
Software	576,626
Other	26,232
<b>Total intangible fixed assets</b>	<b>602,858</b>
<b>Investments and others assets</b>	
Investment securities	138,043
Investment in affiliate	52,925
Deferred tax assets	1,510,018
Other	433,248
Allowance for doubtful accounts	(32,025)
<b>Total investments and other assets</b>	<b>2,102,211</b>
<b>Total fixed assets</b>	<b>5,087,743</b>
<b>Total assets</b>	<b>22,823,049</b>

Notes:  
1. Amounts are rounded down to the nearest one thousand yen.  
2. Claims in affiliates (short-term) 4,714,793 thousand yen  
3. Claims in affiliates (long-term) 28,545 thousand yen  
4. Debts due to affiliates (short-term) 177,167 thousand yen

## TO OUR SHAREHOLDERS

### Profit and loss statement (April 1, 2004 - March 31, 2005)

		(Unit: Thousands of yen)	
Account title		Amount	
<b>Net Sales</b>			<b>31,447,406</b>
Costs of sales			27,113,452
<b>Gross profit</b>			<b>4,333,954</b>
Selling, general and administrative expenses			2,980,978
<b>Operating income</b>			<b>1,352,976</b>
Other income			
Interest and dividend income	96,113		
Other	29,127		125,241
Other expenses			
Interest expense	2,171		
Other	286,476		288,648
<b>Ordinary profit</b>			<b>1,189,569</b>
Extraordinary losses			
Loss on revaluation of golf memberships	34,995		34,995
<b>Income before income taxes</b>			<b>1,154,574</b>
Income taxes, inhabitant taxes and business taxes	314,141		
Adjustment of income taxes	177,711		491,853
<b>Net Income</b>			<b>662,721</b>
Retained profits brought forward			145,573
Interim dividend amount			70,800
<b>Unappropriated retained earnings</b>			<b>737,494</b>

Notes:  
1. Amounts are rounded down to the nearest one thousand yen.  
2. Transactions with affiliates  
Amount of operating transactions  
Sales 18,386,725 thousand yen  
Purchases 438,286 thousand yen  
Amount of transactions other than operating transactions 162,152 thousand yen  
3. Net income per share 53.62 yen

### Statement of appropriation of retained earning

		(Unit: Yen)
Account title		Amount
<b>Unappropriated retained earnings</b>		737,494,918
<b>Reversal of reserve for:</b>		
Software programs		33,688,080
Special depreciation allowances		16,248,950
<b>Total</b>		<b>787,431,948</b>
<b>To be appropriated as follows:</b>		
Dividends (#6 per share)		70,800,000
Directors' bonuses		30,000,000
(Statutory auditors' bonuses)		(5,500,000)
Special depreciation allowances		18,584,113
General reserve		520,000,000
<b>Retained earnings carried forward</b>		<b>148,047,835</b>

Note: Interim dividends of ¥70,800,000 (#6 per share) were paid on November 30, 2004.

**Growing rapidly, accelerated by a full enactment of the Personal Information Protection Law**

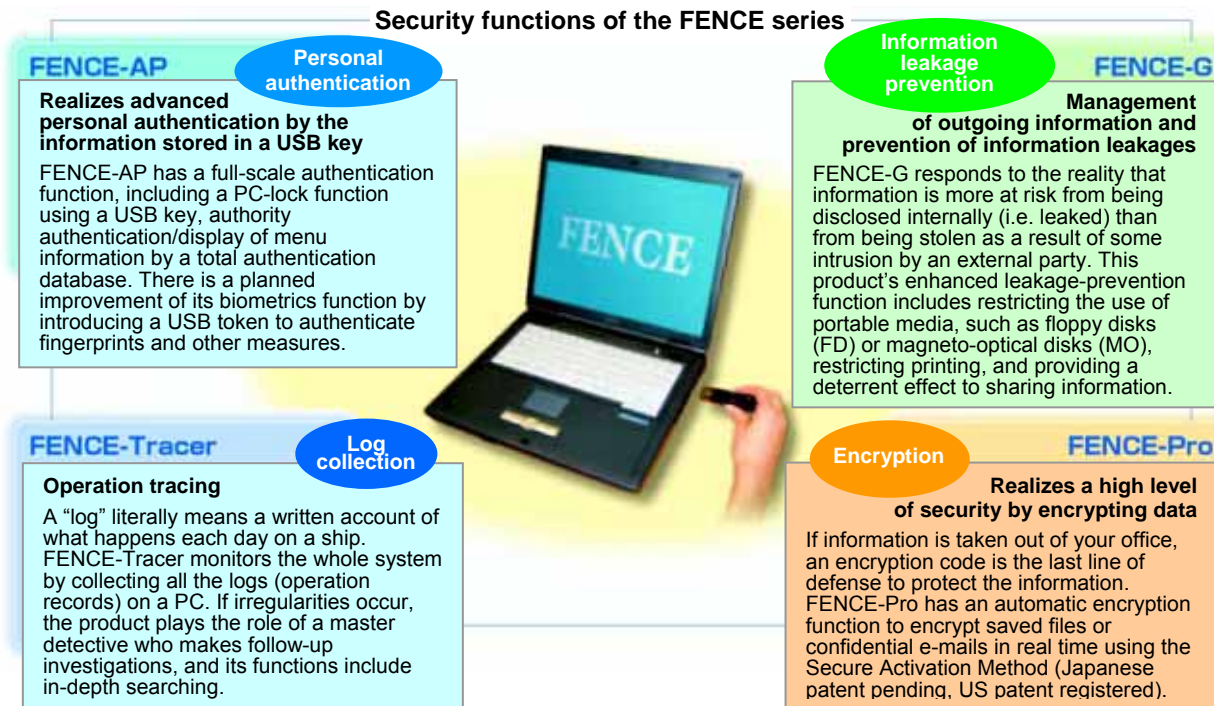
**Business prospects of the information security software FENCE series**

In accordance with the Personal Information Protection Law, which was fully enacted on April 1, 2005, private companies that have a personal information database or such like are required to establish a management system for protecting the information and to ensure the continuous operation of that system. However, it is thought that as many as about 600,000 companies have not developed these systems yet.

In these circumstances, the FENCE series of information security software, which does not need a network server once it is installed on a PC, has been very successful, and the total number of shipments is over 970,000 licenses for the three years to the end of March 2005. Ease of use and the reliability of the series have been supported by many user companies, and the total number of shipments is expected to be over 1 million licenses early in this fiscal year.

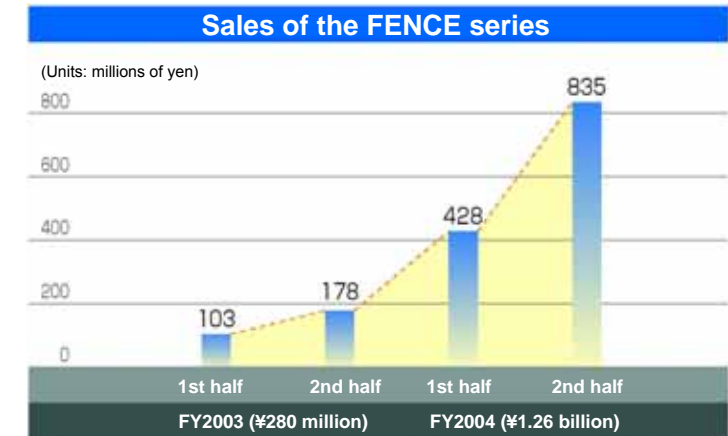
**It's best to take the initiative**

The concept of the FENCE series is to provide security measures to preempt any irregularities. With the FENCE series, customers can easily implement measures to protect the PCs around them. Its powerful products protect information as follows: FENCE-AP checks incoming data, FENCE-G controls the taking-out of information, and even if information leakage happens, FENCE-Pro guards the information by encrypting data, and further, FENCE-Tracer always keeps an eye on incoming and outgoing information, working as a kind of detective.



**Sales in 2004 have more than quadrupled year-on-year**

Sales in the security solution business have grown significantly, increasing by 450% over the previous year, thanks to stronger sales to major domestic life insurance companies and other companies, such as non-life insurers and financial institutions.



**Expanding into more industries**

The major customers of the FENCE series are companies in the financial and insurance industries that are very conscious of the need to protect personal information. However, we are steadily increasing the number of customers in other industries who are willing to introduce the FENCE series.



**Future prospects**

With growth in the security market accelerated by the fully-enacted Personal Information Protection Law, we will step up measures to improve our products and product lineup, including enhancing the log collection function or expanding into the business of digital consumer electronics, by cooperating with the embedded sections, while strengthening our sales activities of the solution business by nurturing professional engineers. Through these efforts, we will aim to increase sales compared to the previous term.

## Company profile

As of March 31, 2005

- **Trade name:** FUJITSU BROAD SOLUTION & CONSULTING Inc.
- **Establishment:** November 20, 1963
- **Capital:** 1,970,000,000 yen
- **Number of employees:** 1,826
- **Primary business lines**  
The Company engages in software development, software services, sales of package products, and sales of system equipment. Its primary businesses are as follows:

• Custom Software Development	Business application software Embedded systems Control systems for networks and precision instruments, etc. Basic software such as platforms and middleware
• Software Services	Solution service System integration service Creation/ operation service related to the Internet and LAN Outsourcing service Temporary staffing service
• Production and Sales of Packaged Software	Package software developed by the Company (Tool package, security package, groupware package, ERP package)
• Hardware Sales	System equipment and peripherals Package software of other companies

- **Directors and auditors** (as of June 29, 2005)  
President (CEO): Takao Kaneko  
Executive Director: Haruyuki Kodama  
Director: Kazuo Miyata  
Director: Tsuneyoshi Ishii  
Director: Kazuhiro Eguchi  
Director: Hirokazu Kadowaki  
Director: Tsugio Niijima  
Director: Hiroshi Asakawa  
Director: Chuzo Maruyama  
Standing Auditor: Seishi Osato  
Auditor: Kazuhiko Kato  
Auditor: Hideaki Yumiba

- Notes:
1. Kazuo Miyata, Director, is an outside director as stipulated in Article 188-2-7-2 of the Commercial Code.
  2. Kazuhiko Kato, Auditor, and Hideaki Yumiba, Auditor, are outside auditors as stipulated in Article 18-1 of the Law for Special Exceptions to the Commercial Code Concerning Audits, etc., of *Kabushiki-kaisha*.

- **Audit corporation:** Shin Nihon & Co.

## CORPORATE DATA

- **Primary offices**  
Head office:  
Gate City Ohsaki East Tower 11F, 1-11-2, Ohsaki, Shinagawa-ku, Tokyo 141-8581, Japan  
Development center:  
Tokyo Develop Center (Minato, Tokyo)  
Sendai Develop Center (Sendai City)  
Numazu Develop Center (Numazu City)  
Osaka Develop Center (Osaka City)  
Fukuoka Develop Center (Fukuoka City)  
Human resources center:  
Tokyo Human Resources Center  
Osaka Human Resources Center

### State of business combination

The Company's parent is Fujitsu Ltd., which holds 6,660,000 shares in the Company (share of voting rights: 56.48%). The Company has been commissioned by its parent to develop software, and sales from such activity account for 58.5% of total sales.

## Stock information

## STOCK INFORMATION

As of March 31, 2004

- **Authorized share capital:** 43,200,000 shares
- **Shares outstanding:** 11,800,000 shares
- **Number of shareholders:** 10,912
- **Major shareholders**

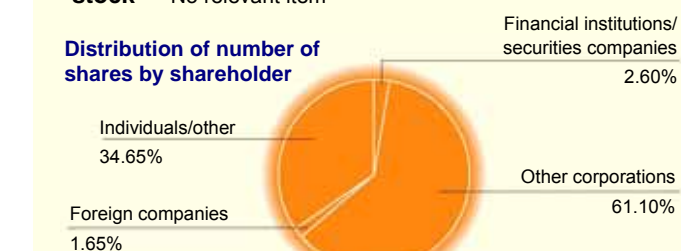
Name of shareholder	Equity stake in the Company	
	No. of shares held	Percentage
Fujitsu Ltd.	6,660,000 shares	56.48%
Onoe Kigyo K.K.	432,000	3.66
Fujitsu BSC employee stock ownership society	176,000	1.49
Nikko City Trust Bank Co.	153,700	1.30
The Chase Manhattan Bank N.A., London SL Omnibus Account	100,200	0.84
Japan Trustee Services Bank, Ltd.	67,500	0.57
UBS Luxembourg S.A.	64,500	0.54
Japan Securities Finance Co., Ltd.	56,200	0.47
Hidefumi Ito	50,000	0.42
Morimasa Kikuchi	32,000	0.27

Note: The Company has no equity in major shareholders.

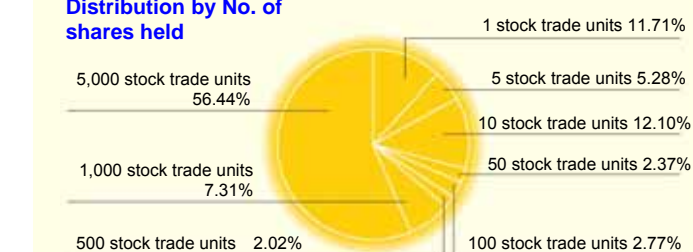
### Acquisition, disposal, and ownership of treasury stock

No relevant item

### Distribution of number of shares by shareholder



### Distribution by No. of shares held



Mail contact address  
Telephone inquiry address