

Summary Translation of Question & Answer Session at R&D and Intellectual Property Briefings for Analysts

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Masanobu Katoh, Corporate Vice President, Fujitsu Limited

Questioner A

Q1: Mr. Murano, I have a question about your R&D direction and enhancement strategy for fiscal 2008. You mentioned sensor technology systems solutions and said that sensors would be important in getting real-world data and data from people, but please let us know what specifically you are aiming to achieve.

Murano: It is certainly true that, when one hears the word “sensor,” one simply thinks of a physical device and does not necessarily connect it with a systems solution. A sensor can give you a reading, but that alone is of no use. What is important is how you use the information you get from the sensor. Sensors are usually used in conjunction with something else. One often hears, for example, of “sensors and actuators.”

What Fujitsu could provide to customers might be a product or solution that would entail collecting the information from the sensor and processing it in some way to create a solution. That is the image we have in mind when we talk of combining sensor technology into a system solution.

Suppose, for example, that a beverage company deployed sensors in restaurants so that, when drinks are placed in a box, they could monitor the temperature inside the box. If all they wanted to do is monitor the temperature, a thermostat should suffice. Suppose, however, that the customer’s real objective was to create a system to supply a new product with guaranteed quality utilizing the temperature control system. If so, we could take the sensing results and create a feedback loop to the production line in order to deliver a product to the restaurant. That is a way in which we can connect the sensor device to an overall systems solution. Rather than simply get in the business of sensor devices, Fujitsu wants to apply it in the real world to comprehensive solutions, and that is why I explained it in that way.

Questioner B

Q1: Regarding Fujitsu Laboratories’ portfolio, compared to the previous year, the weight for development research and common base technologies is rising. Could you explain the background behind this increase?

Murano: Last year, advanced research accounted for 40% of our budget, but this year it is 30%. On the other hand, *development* research has risen from 15% to 20%, and common base technology research has risen from 30% to 35%. The reason for the decline in advanced research and the rise in *development research* is because projects such as WiMAX and IT system visualization have now shifted into the *development research*. We think this shift from advanced research into *development research* is evidence of the smooth progress of our research. The reason why the weight for common base technologies

has increased is primarily because of environmental technologies. As I explained before on the slide, environmental technologies involve all business areas, so we have positioned them as common base technologies, have shifted resources into that area, and will continue to enhance our efforts in that area.

Q2: For both R&D and intellectual property, could you tell us what your areas of emphasis will be for fiscal 2008?

Murano: There are many things that we need to do, but the area that we are emphasizing the most is environmental technologies. This is an area that the Fujitsu Group needs to focus on. The second area is security, where information leaks and other problems have become an urgent social issue. The third area is sensor technologies, and this will be a long-term R&D focus, but as the sphere of IT expands, we will also expand the sphere of our business. In that sense, we think it is a very important field for us.

Katoh: Rather than the intellectual property group deciding on our own what fields will be priorities, we think it is important for us to get patents and protect our position in the areas of our R&D emphasis. Accordingly, the areas identified by Mr. Murano as priorities are also our priorities. We try to estimate the number of patent applications that we can make in a particular area and we discuss these estimates with the researchers while trying to secure patents. For example, if the number of patent applications we make in a particular field does not reach a certain volume, then we may wonder whether we can really say it is an advanced field of technology. Moreover, it is not just Fujitsu Laboratories that is developing new technologies—the business units are also active in development. Our solutions business and other units are developing new technology and we will file patent applications for all areas of technology, including business method patents.

Q3: Please tell us about how significant the impact of patent licensing revenues and expenses have been on your financial results and what changes there have been over time.

Katoh: Currently, the direct impact on our financial results is not significant. But as intellectual property issues have grown in significance, both licensing revenues and expenses have grown in tandem with the importance of intellectual property. With respect to licensing expenses, I believe you have heard of what are called “patent trolls.” These are companies that do not produce anything but exist just to exercise intellectual property rights, and the number of these types of companies is increasing, resulting in an increase in our expenses. At the same time, our patent licensing is also increasing, so our licensing revenues are also increasing.

Q4: Please tell us about the patents you have relating to LTE.

Katoh: We have put a lot of effort into patents in the networking field, and it is an area we will continue to strengthen. In addition, in terms of standardization activities, we are actively participating in the IEEE and ITU. In these areas, there are many companies seeking to have their intellectual property become industry standards, so we will continue to enhance our standardization activities.

Questioner C

Q1: In the area of environmental technologies, you mentioned that you would like to take sensing technologies and turn them into solutions. In the electronic controls business, there are companies such as Yokogawa Electric and Yamatake, but do you intend to seek development collaborations with those types of companies? In addition, you have very strong relationships with companies such as Fuji Electric. In what areas, and in what type of arrangement, would you seek development collaborations with those companies? Finally, how significant a business opportunity do you think this represents for Fujitsu and how large are the sales you think could be generated?

Murano: We have not yet progressed to the level at which we can estimate potential sales. We are still at the stage where we are considering what specific areas to focus on.

I think that in some ways, there are differences between what we mean when we say “sensors” and what the instrument manufacturers mean.

For example, carbon dioxide emissions are a big problem, but there is an inability to accurately measure where and how carbon dioxide emissions are being generated. To give a specific example, in measuring electricity consumption in a household, it is possible to measure how much total electricity the household is consuming. But since we cannot measure how much each room of the house is using, even if the household tries to reduce carbon dioxide emissions, it is very difficult to accurately determine which areas to control in order to effectively reduce emissions. If we take the technology a step further and are able to visualize in detail how electricity is being consumed, we will make it possible for households to reduce carbon dioxide emissions, and we think this will inspire people to reduce their emissions.

Another area in which we think the market will grow in the future is the healthcare field. We think PCs and mobile phones will come to be even more actively used in the field of healthcare. For example, the “RakuRaku” mobile phone developed and made by Fujitsu is embedded with a pedometer function, but as these types of functions become more sophisticated, it will become possible to constantly monitor the phone user’s health status and automatically notify the hospital if there is some kind of problem. We can envision a variety of these types of applications.

Yet one more area is raising overall work efficiency. When we talk about sensing, we are not limiting it to physical matters. For example, we could monitor when a person uses a PC and find out how the person is going about his or her work in order to get insights into how to enable further gains in efficiency. By linking this to business solutions, it could develop into a very broad-based business.

Q2: Then, when you talk about real-world applications, you are not considering alliances with other companies?

Murano: I cannot currently say who we will collaborate with, but I think we need to consider a variety of alliances. Because environmental technology is a broad-based field, I would like us to collaborate with a variety of companies with specialized expertise, including venture businesses, in order to move forward.

Q3: In that case, would you primarily be thinking about alliances with your group companies? Or, rather than restrict yourselves to group companies, will you also actively consider alliances with companies outside of your group?

Murano: Where Fujitsu Group companies have the appropriate technology, we will work with them. Also, we would like to collaborate with Fuji Electric, Fujitsu General and other companies. Even with these collaborations, however, we will not be able to cover everything. We have a database that includes all companies, both inside and outside of Japan, that have good technologies and we would like to fully consider all options.