Fujitsu’s Intellectual Property Strategy

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President, Law & Intellectual Property Unit
Fujitsu Limited
The FUJITSU Way

Group-wide Activities
- JQA
- Production Innovation Environment Etc.

Business Principles

Business Plans

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
Intellectual Property Strategy
Maintain Superior Competitive Position

Actively secure intellectual property to more effectively differentiate our products and services.

Ensure Business Flexibility

Work to develop a strong intellectual property portfolio to ensure and enhance business flexibility and obtain more favorable terms in collaboration agreements with other companies.

Secure Business Profitability

Use specialist divisions to aggressively market our technologies, including efforts to generate revenue from licensing fees.
Linking Business, R&D and IP Strategies

1. Secure, maintain and utilize rights (patents, trademarks, industrial designs, and copyrights)
2. Measures to ensure respect for rights, including those of competitors
3. Carry out thorough management of information, including trade secrets
4. Actively engage in external policy-making activities
5. Cultivate and maintain strategic human resources
Palm Vein Authentication Device

- Have submitted over 120 related patent applications in Japan and other countries
- Actively working to secure rights for use of technology in such applications as bank ATMs, room access control, e-government services, digital medical records and travel systems
- “Black box” solution to protect items that can not be disclosed for security reasons
Link to Business and R&D Strategies: Example 2

- **Servers**
  - Fujitsu PRIMEPOWER Unix server achieves world record performance in SPECjbb®2005 Java Server benchmark (February 2, 2006)
  - Over 600 patent applications per year in Japan and other countries related primarily to processors and bus architecture

- **Optical Transmission Technology**
  - Implementing patent application activities at R&D stage with commercialized products in mind
  - Achievement of cutting-edge WDM technology (all-optical switching) for flagship FLASHWAVE 7500 product line
  - Pursuing early market introduction of next-generation ultra-high speed optical transmission technology (40G)
  - Over 250 patent applications per year in Japan and other countries related to these technologies
Link to Business and R&D Strategies: Example 3

- **Next-Generation Networks (WiMAX, 3.5G, etc.)**
  - Consolidating and pursuing standardization of Fujitsu technologies in areas such as communications and semiconductors that leverage our strengths
  - Over 100 patent applications per year in Japan and other countries

- **Semiconductor Miniaturization Technology (45nm and beyond)**
  - Regular implementation of joint activities by R&D, business and IP divisions to secure rights based on future direction
  - Priority efforts to establish rights in distorted Si (silicon) applications, wiring and process technologies, and low power consumption technologies
  - Filed about 60 related patent applications in FY 2005; targeting higher number of applications in FY 2006
Position of Law & Intellectual Property Unit

Board of Directors

President

Corporate Center

Law & Intellectual Property Unit

BG: Business Group
BU: Business Unit

Fujitsu Techno Research

- Survey of Public Domain
- Clearance Survey

- 6 divisions
- Create, promote & support basic policies
- IP management (budget, planning, rights management)
- IP creation activities (patents, designs, trademarks)
- IP utilization promotion
- Support of standardization activities

IP/Patent Promotion Depts.

Creation and Use of IP in Step with Business Operations

* Survey of Public Domain: Survey of other companies’ technologies prior to patent application
Clearance Survey: Survey of other companies’ patents prior to commercialization in order to avoid infringement.
Mission of Law & Intellectual Property Unit

- Maintain Front-Line Philosophy & Orientation
- Serve as General Counsel Office for Legal & IP Affairs
- Provide Legal & IP Services to Fujitsu Group
Basic Stance on Patents

- **Obtain Influential Patents**
  - Obtain patents that impact competitors
  - Increase patents held overseas

- **Utilize Patents**
  - Actively utilize patents in our business
  - Increase income from licensing royalties

- **Avoid Infringing on Competitors’ Patents**
  - Implement thorough early-stage surveys to avoid patent infringement
Global Patent Portfolio

Fujitsu Issued Patents & Pending Applications Worldwide

- Pending Applications 60%
- Issued Patents 40%
- Approx. 81,500 in Total

Issued Patents & Pending Applications by Region

- Japan: Pending 65%, Issued 35%
- North America: Pending 42%, Issued 58%
- Europe: Pending 69%, Issued 31%
- Asia / Oceania: Pending 64%, Issued 36%

As of September 30, 2005
Source: Fujitsu internal figures
Continuously Strengthening Overseas Applications
– to Support Overseas Business –

* Includes patent applications in Japan based on International Patent Cooperation Treaty

Source: Fujitsu internal figures
Policies for Building Patent Portfolio

- Focus on priority and strategic themes
- Carry out post-application review and revision for business deployment
- Obtain a wide range of rights to assure business stability
Patent Applications Aligned with Business


2,655 Published Applications

- **G06F**: Electric Digital Data Processing (716 applications, 27%)
- **H04L**: Transmission of Digital Information (276 applications, 10%)
- **H01L**: Semiconductor Devices; Electric Solid State Devices Not Otherwise Provided For (256 applications, 10%)
- **G11B**: (10%)

1,511 Issued Patents

- **G06F**: Electric Digital Data Processing (383 applications, 25%)
- **H04L**: Transmission of Digital Information (169 applications, 11%)
- **H01L**: Semiconductor Devices; Electric Solid State Devices Not Otherwise Provided For (146 applications, 10%)
- **G11B**: (10%)

G06F: Electric Digital Data Processing

H04L: Transmission of Digital Information

H01L: Semiconductor Devices; Electric Solid State Devices Not Otherwise Provided For

* Excludes patent applications in Japan based on International Patent Cooperation Treaty

Source: Internal Survey Based on Data from the Japan Patent Office
Efficiently Obtain Patents in Priority Fields

Trend of G06F Published Applications (JP)
Full Year Jan. – Dec Based on Publication Date

Trend of G06F Issued Patents (JP)
Full Year Jan. – Dec Based on Issue Date

* Comparison against top 7 companies for published applications (excluding Fujitsu)

G06F: Electric Digital Data Processing

Source: Internal Survey Based on Data from the Japan Patent Office
Fujitsu Group Patent Strategy

Initiatives for More Effective Patent Portfolio Creation

Certain companies deploying independent businesses

Group Company A

Group Company B

Group Company C

Group Company D

Most group companies (R&D, manufacturing, others)

Link
Education Programs for All Employees

Implementing educational programs to raise IP awareness, including information management, at each stage of employee career track

Newly Hired Employees
- Patent Basics (e-learning)
- Basic Knowledge of Company Network (e-learning)

Mid-level Employees
- Information Management & IP
- Fujitsu’s Patent Strategy (for Fujitsu Labs personnel)

Senior Managers
- Leveraging IP (e-learning)

Internet & Intellectual Property (e-learning)
Understanding & Writing About Discoveries (e-learning)

Information Security (e-learning)

Required Program for All Employees
Incentive Policy for Inventors

Patent Compensation System
- Two reward payments (at time of application and upon registration)
- Compensation amount based on evaluation level
- Impact on competitors is important factor in evaluation
- No ceiling to compensation payment

“Awards” System
- Awards given to inventors of breakthrough inventions
- Awards given to teams whose patent activities prove valuable to the company as a whole
Utilizing Intellectual Property
Leveraging Intellectual Property

- Strategic Alliances
- Standardization Promotion Activities
- Participation in Business Strategy Planning
- Licensing
- Technology Sales
- Intellectual Property Disputes
Strategic Alliances (HDD Business Examples)

Features
- Multiple cross-licensing deals concluded with domestic and foreign manufacturers
- Strong Fujitsu IP portfolio enables cross-licensing deals (Over 1,500 deals, including patent applications and registered patents)
- Placing priority on securing rights in magnetic transfer technology and write heads (high-density perpendicular recording technology)

Magnetic Heads
- Cross-licensing and joint development with TDK (Announced Jul. 2004)

Entering Market for 1.8” Drives for Consumers
- Joint development with Cornice Inc. (Announced Jan. 2006)
**Standardization Promotion Activities**

**An Essential Strategy in Pioneering New Markets**

- Established working group in IP Dept to promote standardization activities company-wide
- Representative examples of standardization activities:

<table>
<thead>
<tr>
<th>Name of Standardization Group</th>
<th>Area</th>
<th>Fujitsu’s Activities</th>
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<tbody>
<tr>
<td>ISO<em>1, ITU</em>2</td>
<td>Standardization of multimedia coding specifications</td>
<td>Obtain essential patents for H.264-based MPEG-2 (DVD, digital TV broadcasting), MPEG-4 Video, MPEG-4 Audio specifications</td>
</tr>
<tr>
<td>3GPP (2) *3</td>
<td>Standardization of mobile transmission specifications</td>
<td>Focus on advice for recognition of essential patents used in standardized specifications</td>
</tr>
<tr>
<td>RS i (Robot Service Initiative)</td>
<td>Standardization of service robot interface specifications</td>
<td>Founding member and active participant dedicated to setting specifications for communication and control of robots</td>
</tr>
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</table>

*1: International Organization for Standardization
*2: International Telecommunication Union
*3: 3rd Generation Partnership Project 2
Participation in Business Strategy Planning

- **Business Restructuring**
  - IP Unit participates from initial stage of project
  - IP is important factor in analysis and value measurement

- **Internal “Start-up” Companies and Spin-offs**
  - Provide support for new business creation from IP perspective, in cooperation with Corporate Planning & Business Development Office
Patent and Know-how Licensing (In/Out)
- Over 500 agreements concluded with domestic and foreign companies
- Cross-licensing agreements concluded with domestic and foreign companies
  (Lucent Technologies, IBM, Microsoft, Intel, Texas Instruments, Motorola, Samsung, and others)

Licensing Revenue
- Licensing revenues have exceeded payments since late ’90s, and net profits from licensing are expanding
Technology Sales

Applying Fujitsu Technology in Different Fields

Example of Materials: Titanium Apatite

Grant licenses in various fields (materials, agriculture, ink, etc.)

Air Conditioner Filters
Intellectual Property Disputes

Asserting Rightful Claims Is a Part of Fujitsu’s Identity

- 1980s: IBM dispute
- 1990s: TI patent dispute
- Current Decade: Samsung SDI patent infringement suit

* See supplementary materials for details
These presentation materials and other information on our meeting 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.
THE POSSIBILITIES ARE INFINITE
Supplementary Materials
Fujitsu Patents by Business Group

Composition of Fujitsu Pending Applications & Issued Patents by Business Group

- Labs: 28%
- Products: 30%
- Electronic Devices: 20%
- Solutions: 14%
- Other: 8%

Ratio of Pending Applications / Issued Patents within Business Groups

- Solutions: Pending 59% / Issued 41%
- Products: Pending 44% / Issued 56%
- Electronic Devices: Pending 46% / Issued 54%
- Labs: Pending 29% / Issued 71%
- Other: Pending 48% / Issued 52%

As of September 30, 2005
Source: Fujitsu internal figures
### Top 20 Issuing Companies for 2005

**Japan Patents**

1. Matsushita E.I.  - 3,913
2. Toshiba  - 2,874
3. Canon  - 2,389
4. Seiko Epson  - 2,236
5. Hitachi  - 2,084
6. Mitsubishi Elec.  - 1,938
7. Nissan  - 1,906
8. Sharp  - 1,784
9. Sony  - 1,694
10. Ricoh  - 1,674
11. Sanyo  - 1,544
12. Fujitsu  - 1,511
13. Honda  - 1,463
14. Denso  - 1,418
15. Toyota  - 1,411
16. Matsushita E.W.  - 1,197
17. NTT  - 1,146
18. Mitsubishi Heavy Ind.  - 1,060
19. NEC  - 991
20. Fuji Photo  - 934

**US Patents**

1. IBM  - 2,972
2. Canon  - 1,837
3. HP  - 1,801
4. Matsushita E.I.  - 1,720
5. Samsung  - 1,645
6. Micron  - 1,561
7. Intel  - 1,551
8. Hitachi  - 1,293
9. Toshiba  - 1,288
10. Fujitsu  - 1,168
11. Sony  - 1,149
12. GE  - 906
13. Seiko Epson  - 888
14. Infineon  - 804
15. Philips  - 767
16. Bosch  - 758
17. Fuji Photo  - 755
18. Microsoft  - 746
19. TI  - 736
20. Honda  - 730

*Based On Issue date
Source: Internal Research on Patent Data

*Based On Issue date
Source: IFI CLAIMS Patent Services
Japan Patent Volume Trends 1) - H04L

Trend of Published Applications
Full Year Jan. – Dec Based on Publication Date

Trend of Issued Patents
Full Year Jan. – Dec Based on Issue Date

* Comparison against top 7 companies for published applications (excluding Fujitsu)

H04L: Transmission of Digital Information

Source: Internal Survey Based on Data from the Japan Patent Office
Japan Patent Volume Trends 2) - H01L

Trend of Published Applications
Full Year Jan. – Dec Based on Publication Date

Trend of Issued Patents
Full Year Jan. – Dec Based on Issue Date

* Comparison against top 7 companies for published applications (excluding Fujitsu)

H01L: Semiconductor Devices; Electric Solid State Devices Not Otherwise Provided For

Source: Internal Survey Based on Data from the Japan Patent Office
Japan Patent Volume Trends 3) - G06T

Trend of Published Applications
Full Year Jan. – Dec Based on Publication Date

Trend of Issued Patents
Full Year Jan. – Dec Based on Issue Date

* Comparison against top 7 companies for published applications (excluding Fujitsu)

G06T: Image Data Processing or Generation, in General

Source: Internal Survey Based on Data from the Japan Patent Office
IBM Software Dispute (1980s)

- Legal protection of computer software (OS) was subject of dispute
  (utilization of copyright laws and use of interface data)

- Utilized ADR (Alternative Dispute Resolution)
  (arbitrator used to determine case in lieu of litigation in court)

- However, computer industry subsequently underwent dramatic changes
  (architecture, hardware, software)
TI Patent Dispute (1990s)

- Japanese Patent 320,275 was subject of dispute
  - TI Position: Basic patent for ICs
  - Fujitsu Position: No infringement by Fujitsu, validity of the patent is doubtful

- Although other companies settled, Fujitsu asserted its rightful claim (experience in the IBM dispute)

- The case took 10 years to obtain decision by the Supreme Court
  - Fujitsu's position on non-infringement was upheld

  New precedent was set:
  “Court can judge whether or not a patent includes invalidating factors”

- Watershed decision by Supreme Court to invalidate a patent
  - Case sparked Patent Law reform (implemented Apr. 2005)
Dispute arose over value of Fujitsu basic PDP patents

Legal action taken after 2 years of negotiation failed to resolve dispute

Fujitsu took the following actions in the face of infringement of its basic patents by Samsung PDPs

- Filed a civil law suite (temporary injunction from Tokyo District Court)
- Petitioned for suspension of imports under Customs Tariff Law (Customs & Tariff Bureau)
- Filed a civil law suite in US (US Federal Court, Central District of California)

Customs & Tariff Bureau accepted petition to halt imports due to patent infringement

Value of Fujitsu patents was upheld and parties subsequently reached a settlement