Fujitsu’s Products Business

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Corporate Executive Vice President

Fujitsu Limited
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Company Outline
Company Outline

Sales: ¥4,762.7bn
R&D expenses: ¥240.2bn
Employees (consolidated): 151,000

Sales breakdown

- Technology Solutions ¥2,860.4bn (60.1%)
  - System Products
    - Servers
    - Storage
    - Software
  - Network Products
  - Services
  - Other
- Ubiquitous Product Solutions ¥899.0bn (18.9%)
  - PCs
  - Mobile phones
  - HDDs, other
- Device Solutions ¥733.9bn (15.4%)
- Other Operations ¥269.5bn (5.7%)

Note: FY04 consolidated figures
Our Global Customer Base

Customer Example

Yahoo!

US Yahoo! is the world’s largest database user, and only exceeding 100 terabytes.


Uses Fujitsu PRIMEPOWER UNIX servers for its database systems

Financial
- CBOE
- Bank of Tokyo-Mitsubishi
- UBS
- citigroup
- Credit Suisse
- FIRST BOSTON

Manufacturing
- TOYOTA
- SONY
- DAIMLERCHRYSLER
- Dell
- BMW
- Canon

Telecommunications
- uodafone
- verizon
- spc
- NTT DoCoMo
- comcast
- BT

Government
- Home Office
-_PlayStation
- Hong Kong Special Administrative Region of the People’s Republic of China
- DNA Data Bank of Japan

Transport, Logistics
- TNT
- JAL
- KLM
- Royal Dutch Airlines
- Southwest
- Deutsche Post
- Manchester Airport

Healthcare
- Department of Health
- Government of Western Australia
- Japanese Red Cross Society
- Trinity Health System

Education
- DeVry University
- Yeungnam University

Resources, Utilities
- TransGrid
- Centrica

Retail
- Dixons
- STAPLES
- WH Smith PLC

Financial Manufacturing Telecommunications Government Transport, Logistics Healthcare Education Resources, Utilities Retail
Global Business Development

- Develop products business on a global scale
- Develop services business focusing on regional markets

**North America**
- Employees: 7,600
- Sales: ¥321.0bn

**EMEA**
- Employees: 24,400
- Sales: ¥1,389.0bn*

**Japan**
- Employees: 101,000
- Sales: ¥3,340.7bn

**Asia-Pacific**
- Employees: 24,800
- Sales: ¥467.9bn

Key:
- Services
- System Products
- Network Products
- Ubiquitous Products
- Electronic Devices
- Others

Note: Figures are FY 2004 actual.

*Includes FSC sales, excluding Fujitsu export to FSC
Basic Strategy for Products Business
# Products Business

## System Products (Server System Products):

<table>
<thead>
<tr>
<th>Category</th>
<th>Products</th>
</tr>
</thead>
<tbody>
<tr>
<td>Global Servers</td>
<td>GS21</td>
</tr>
<tr>
<td>Windows/Linux Servers</td>
<td>PRI MERGY, PRI MEQUEST</td>
</tr>
<tr>
<td>UNIX Servers</td>
<td>PRI MEPOWER</td>
</tr>
<tr>
<td>Storage</td>
<td>ETERNUS</td>
</tr>
<tr>
<td>Middleware</td>
<td>Systemwalker, Interstage</td>
</tr>
</tbody>
</table>

## Network Products:

<table>
<thead>
<tr>
<th>Category</th>
<th>Products</th>
</tr>
</thead>
<tbody>
<tr>
<td>Photonic Systems</td>
<td>FLASHWAVE</td>
</tr>
<tr>
<td>Carrier Routers</td>
<td>Fujitsu Cisco CRS-1</td>
</tr>
<tr>
<td>3G Systems</td>
<td>3G base station</td>
</tr>
<tr>
<td>Access Systems</td>
<td>FTTx/PON, ADSL</td>
</tr>
<tr>
<td>Network Servers</td>
<td>IPCOM</td>
</tr>
</tbody>
</table>

## Ubiquitous Products:

<table>
<thead>
<tr>
<th>Category</th>
<th>Products</th>
</tr>
</thead>
<tbody>
<tr>
<td>HDDs</td>
<td></td>
</tr>
<tr>
<td>Desktop PCs</td>
<td>FMV, DESKPOWER</td>
</tr>
<tr>
<td>Notebook PCs</td>
<td>BI BLO, STYLI STI C</td>
</tr>
<tr>
<td>Tablet PCs</td>
<td>Mobile Phones</td>
</tr>
<tr>
<td>Mobile Phones</td>
<td>PDAs, Pocket LOOX</td>
</tr>
</tbody>
</table>

Note: Figures are net sales for FY 2004 including intersegment sales.
Products Business Outlook

FY05 Net Sales Target: 1,760 Billion Yen

Operating Income Target: 65 Billion Yen

<table>
<thead>
<tr>
<th>Product Category</th>
<th>FY03</th>
<th>FY04</th>
<th>FY05</th>
</tr>
</thead>
<tbody>
<tr>
<td>System Products</td>
<td>Good</td>
<td>Good</td>
<td>Good</td>
</tr>
<tr>
<td>Network Products</td>
<td>Good</td>
<td>Good</td>
<td>Good</td>
</tr>
<tr>
<td>Software</td>
<td>Good</td>
<td>Good</td>
<td>Good</td>
</tr>
<tr>
<td>Networks</td>
<td>Good</td>
<td>Good</td>
<td>Good</td>
</tr>
<tr>
<td>PCs &amp; Mobile Phones</td>
<td>Fair</td>
<td>Fair</td>
<td>Fair</td>
</tr>
<tr>
<td>Mobile Phones</td>
<td>Difficult</td>
<td>Difficult</td>
<td>Difficult</td>
</tr>
<tr>
<td>HDDs</td>
<td>Good</td>
<td>Good</td>
<td>Good</td>
</tr>
</tbody>
</table>

Note: Figures include intersegment sales.
Fujitsu’s Products Business Sales (consolidated)

Fujitsu Siemens Computers’ Sales

Europe:
- 10%

Asia-Pacific:
- 14%

N. America:
- 17%

Japan:
- Flat

FSC:
- 14%

Note: Figures include intersegment sales.
Market View

**Situation**
- Strong growth outside Japan
- Weak domestic market
- Emerging problems with open systems (Need to improve operability and reliability)
- Increasing sophistication of IT use (Convergence of computing and telecommunications)

**Challenges**
- Business expansion limited if relying only on domestic market
- Reduce operating costs by eliminating complexity
- Solve reliability issues
- Select and focus based on technological trends
Products Business Strategy

Global Business Development

- Leverage strong products to expand business
- Enhance business capability through strategic partnerships, etc

System Products

- Target integration, server consolidation opportunities
- Focus on mission-critical, grid computing sectors

Network Products

- Focus on leading-edge technology
- Leverage optical and wireless expertise to expand in convergence domain
Global Business Development
Fujitsu Group’s market share
Worldwide: 6% (No. 5), Japan: 21% (No. 2)

Europe
- Fujitsu 1% (8th)
- IBM 34%
- HP 29%
- DELL 7%
- Others 9%
- FSC 9%
- Sun 12%
Total: $14,135M

Japan
- Fujitsu 21%
- IBM 22%
- HP 17%
- NEC 14%
- Hitachi 10%
- Others 10%
- Sun 6%
Total: ¥680bn

N. America
- Fujitsu 1% (8th)
- IBM 34%
- HP 26%
- DELL 15%
- Sun 10%
- Others 11%
Total: $17,809M

Asia-Pacific (ex Japan)
- Fujitsu 2%
- IBM 39%
- HP 31%
- DELL 8%
- Sun 13%
- Other 7%
Total: $5,773M

Source: IDC’s Quarterly Server Tracker, Q3 2005
IDC Japan, Japan Server Quarterly Model Analysis, Q3 2005

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Global Business Expansion
Synergies with FSC in the server business

Steady domestic business, strong growth outside Japan

PRI MEPOWER unit shipment trends

PRI MERGY unit shipment trends

Sales & Development Collaboration

Fujitsu
Focus on development of high-end servers

PRI MEPOWER

PRI MERGY

Focus on development of high-volume servers
Strong Partnerships with Global Players

Engaging in strategic collaboration with leading global companies to deliver world-class products

Mission-critical IA server—PRIMEQUEST
World’s premier IA server joint development structure through close collaboration with the technical units of each company

Inheritance of Solaris assets (UNIX server)
(Unified product line in 2006)

World’s First
Delivery of infrastructure for easy construction of SAP solutions (Flexframe)

World’s First
Joint development of next high-end routers
(Fujitsu and Cisco CRS-1)
Enhancing Global Business Capability

Strengthening global business, focusing on N. America and EMEA

Accelerating global expansion of server business

PRI MEQUEST mission-critical IA server incorporated in EDS solution offerings

With N. America as launch pad, expand PRI MEQUEST sales (targeting ¥70bn in FY08)

Strengthening support framework and customer interface

Acquired Product Related Service (PRS) division of Siemens Business Services

Siemens Business Services

Strengthening of EMEA operations and strategic alignment of global support organization
System Products Business
Trends in Information Systems Technology

From centralization to decentralization, and toward integration (data center)

Key technologies going forward

- **Non-stop operations**: Highly reliable processors, mainframe operating know-how
- **Connectivity**: Ultra high-speed optical network, interconnections
- **Autonomics/virtualization**: Grid Computing, SOA platform middleware
Fujitsu’s Strengths

Fujitsu is the only vendor with a mainframe technology heritage and in-house capability to develop processors, servers and networks.
Mission-Critical System Requirements

Reasons for continuing to use mainframes

- Stable operation: 54.8%
- Can use existing software assets: 53.7%
- No guarantee of problem-free migration to an open system: 29.2%
- Provides strong security: 27.6%

Merits of migrating to open systems

- Reduces costs: 57.2%
- Greater flexibility for system changes and expansion: 35.9%
- Easier to link up with other systems: 35.2%
- Wealth of applications and development tools: 23.1%

Source: Ministry of Internal Affairs and Communications, 2005 White Paper on Information & Communications in Japan
Mission-Critical Systems for Data Center Era

Mainframes
- Reliability
- Continuity

Open systems
- Flexibility
- Economy

Ecosystem of global players (strategic development partnerships)

Fujitsu’s technological strengths, DNA
- Mission-critical technology
- Network technology
- Reliability and quality

Realized mainframe-class mission critical system on an open platform using original approach
World-Class Technology

In-house development of mission-critical technology is key Fujitsu differentiator.

- World-leading 90mn semiconductor technology
- World’s fastest (1.3GHz) synchronous-type bus technology
- Hardware circuits for mainframe-class reliability and availability

Leading-edge semiconductor technology

In-house-developed processors, chipsets

Leading-edge network technology

Optical interconnects

Mainframe high-reliability technology

Processor development technology

Supercomputer high-speed technology

Ultra high-speed optical network technology

Mainframes with world-class performance and reliability
GS Series

UNIX servers with world-class performance and reliability
PRI MEPOWER

New class of mission-critical servers
(Linux/Windows servers)
PRI MEQUEST
World-Leading Performance

High-end open-standard servers deliver superior performance

PRI MEQUEST
PRI MEQUEST mission-critical IA server achieves world-record performance on Java application benchmark

PRI MEPOWER
PRI MEPOWER UNIX server boasts world’s top performance on 5 major benchmarks
- Delivers superior performance for wide range of applications
Fujitsu Technology for Data Centers

TRIOLE provides autonomic and virtualization technologies required by data centers.

TRIOLE (Systematization of our technology and know-how)

Ultra high-speed optical network and mission-critical technologies

Grid computing, autonomic & virtualization technologies

Business system

SDSOA

Middleware

Network

PCs

Mainframe

Open server

Storage
Network Products Business
## Carrier Network Technical Innovations

### All IP/convergence support ubiquitous networking

<table>
<thead>
<tr>
<th></th>
<th>to 2005</th>
<th>2006-07</th>
<th>From 2008</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>IP Network</strong></td>
<td>Faster processing</td>
<td>IP telephony</td>
<td>ALL IP/convergence</td>
</tr>
<tr>
<td></td>
<td>performance</td>
<td>• VoIP</td>
<td>• FMC</td>
</tr>
<tr>
<td></td>
<td>• 1.2Tb router</td>
<td>Greater robustness</td>
<td>• Super 3G/IMS*</td>
</tr>
<tr>
<td>**Mobile &amp;</td>
<td>Full-fledged 3G diffusion</td>
<td>High-speed data transfer</td>
<td>• IP-IT connectivity</td>
</tr>
<tr>
<td>Wireless**</td>
<td>• W-CDMA/ EVDO</td>
<td>• 3.5G</td>
<td>• Optical IP networking</td>
</tr>
<tr>
<td>**Optical</td>
<td>Broadband</td>
<td>Multifunction, larger</td>
<td></td>
</tr>
<tr>
<td>Transmission**</td>
<td>• FTTH/ WDM</td>
<td>capacity</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>• 40G optical transmission</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Optical switch/ GMPLS</td>
<td></td>
</tr>
</tbody>
</table>

*Note: IP Multimedia Subsystem (Technology for realization of SIP/IP-based multimedia service)*
Products Business for Carriers

- Focus on world’s most advanced carrier markets
- Pursue leading-edge technology fields

**FTELF**
- No. 1
- UK ADSL (50% *)

**Fujitsu**
- No. 1
- Products for Japanese carriers (23% *)
  - (Optical transmission, 3G base stations, others)

**FNC**
- No. 1
- North American Optical Systems (28% **)

* Source: Fujitsu  ** Source: Ovum-RHK 2004
From Optical & Mobile to Convergence

Next-generation network to enable more sophisticated services

- Building of next-generation broadband access network (WiMAX, FTTH)
- Rebuilding of telephone network through IP technology (BT’s 21st Century Network, etc)
- Effective network use (from connectivity to integration of fixed-line and mobile networks)

Optical transmission systems
Strong demand for greater bandwidth and IP (Triple Play, etc)

Mobile systems
Base stations for world leader NTT DoCoMo (3.5G: HSDPA)

Service platform
IP and existing phone network know-how

Middleware service applications

3G/3.5G mobile phones

WiMAX

ADSL/FTTH

Flashwave

CATV

Triple Play

Carrier

Phone, Internet, Imaging

SBC

Verizon

Comcast
Ubiquitous Products Business
Maintain and expand share through superior quality & technology

Concentrate resources on growth markets

- Secure No.2 position in major sectors*, maintain top quality within industry
- Expand current line of models, expand production capacity

Develop higher density technologies, pursue collaboration

- Shift to new technology for drive head/media (Perpendicular Recording)
- Speed up product development through strategic alliances (1.8” HDD)

*Notebook PCs: 2.5” ATA HDD, Servers: SCSI/FCAL HDD
Personal Computers

Pursue differentiated products, leverage Japan-based production

Share of PC Shipments in FY 2004 (Apr. 04 - Mar. 05)

**Worldwide***

- Acer
- Fujitsu/FSC Rank: No. 4 (4%)
- Market Size: 178.69 Million Units

**Japan**

- NEC
- Fujitsu Rank: No. 2 (19%)
- Market Size: 13.21 Million Units

Globally recognized innovative products

- 2006 PC World Innovations Award

Differentiated products through ample security features and enhanced AV functionality

Provide “Made in Japan” high quality

Source: *IDC’s Worldwide Quarterly PC Tracker, Q3 2005
**IDC Japan, Japan Personal Computing Quarterly Model Analysis, Q3 2005

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Leveraging our original products and advanced technologies to create convergent products of the future

In-house development of wireless core and platform technologies
- Platform technology development (Symbian camp)

Maintain and stabilize our business foundation through original products
- “RakuRaku” phone
- Efficient development through platform standardization

Develop next-generation integrated products
- Create a variety of new usage scenarios by combining IP & wireless LAN technologies
Manufacturing and Environmental Initiatives
Manufacturing Innovation

Quality improvements through frontline connectivity and automated testing

Example: Introduction of originally developed automated testing equipment for PRIMERGY PC server production
- Testing time: 1,250 hours $\rightarrow$ 270 hours, work stoppage rate 1/5 (2002$\rightarrow$2005)

TOC reduction through introduction of Toyota Production System

Example: Mobile base station production at Nasu Plant

- Improvements from 2003 to 2005:

**Before**

**After**

<table>
<thead>
<tr>
<th>Lead times</th>
<th>Processing costs</th>
</tr>
</thead>
<tbody>
<tr>
<td>-50%</td>
<td>-41%</td>
</tr>
</tbody>
</table>
Environmental Initiatives

Positive evaluation by environmental indexes

Member of Dow Jones Sustainability Indexes and FTSE4 Good Global Index

Innovations to reduce environmental impact

- Offering super green products with some of the industry’s leading eco-features
- Low energy consumption: cutting-edge semiconductors, high-efficiency amps

Conformance with RoHS directive and various national laws

Recycling, office environment

- Development and application of bio-based plastics
- Taking part in ‘Team -6%’ initiative to reduce energy consumption through adjustment of air conditioning and heating levels
Engaging in New Markets

Peta-scale computing

Advanced wireless technology

Security, palm vein authentication system

Innovative
Ubiquitous
Safety & Security

Ultra high-speed interconnect

Scientific innovation

Peta-scale computing system

Communications technology

Onboard milliwave radar

Intelligent/networked cars

Safety and reliability through IT

Peta-scale computing

Advanced wireless technology

Security, palm vein authentication system
THE POSSIBILITIES ARE INFINITE
Cautionary Statement

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 affect 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.