

THE POSSIBILITIES ARE INFINITE



2006

Intellectual Property Report

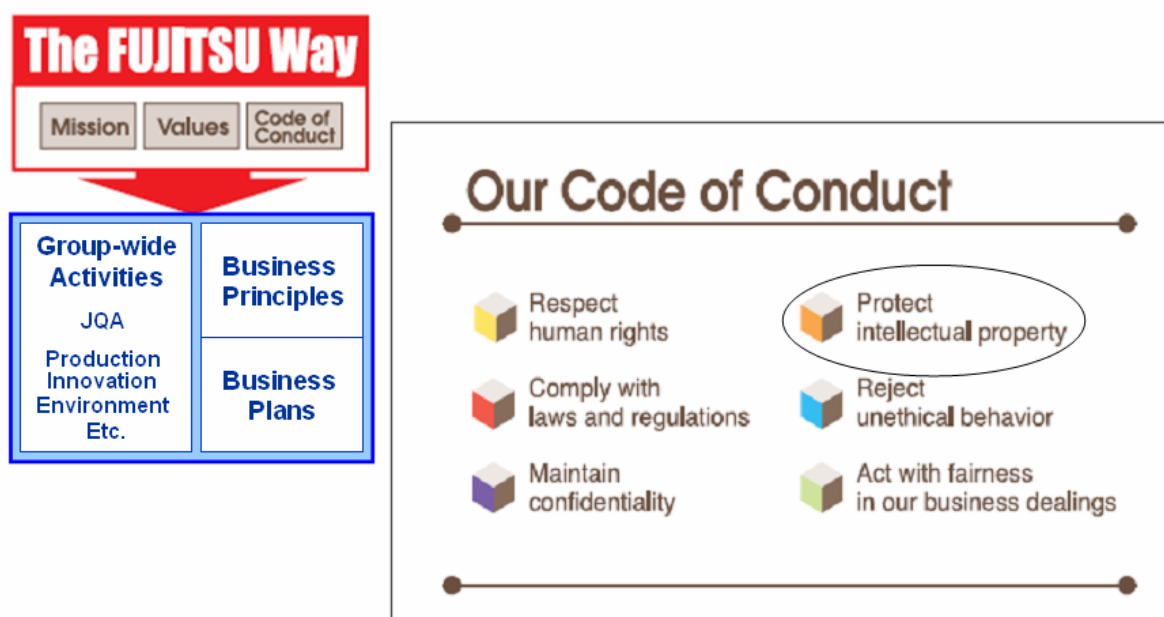
FUJITSU LIMITED

1. Our Concept for Intellectual Property

■ Activities based on The FUJITSU Way

The FUJITSU Way, issued in 2002, is the core set of principles guiding corporate and individual actions of the Fujitsu Group, and it represents a common understanding of the values and ethics underlying individual employees' business activities. One of these principles is "Protect intellectual property." Recognizing that intellectual property is an important business asset as a cornerstone for all of Fujitsu and that intellectual property rights are important, we are working to obtain, maintain, and utilize intellectual property rights.

The FUJITSU Way



■ Use of intellectual property in our business strategies

It is important for business management to be aware of intellectual property issues and committed to use them positively. When making managerial decisions and drawing up business strategies, we analyze data from many angles, including the legal and intellectual property perspectives at early stage of business projects.

■ Purpose and positioning of our intellectual property strategy

The purpose of Fujitsu's intellectual property strategy is threefold: maintain superior competitive position in business, ensure business flexibility, and secure business profitability. By taking action to support our technologies with intellectual properties, we can more effectively distinguish our products and services from others to maintain our superior competitive position in business. By partnering with other businesses on favorable terms, we can ensure our business flexibility. And by promoting licensing and other intellectual property-related activities through implementation of the intellectual property strategy, we can secure business profitability. An important role of the intellectual property strategy is to protect our technologies as intellectual properties and to support Fujitsu Group's business by them. We believe that to achieve this role, the intellectual property strategy must be combined with a business strategy and a research and development strategy into three-in-one.

Linking Business, R&D and IP Strategies



■ Trainings, compensations, and awards

Obviously, employees in intellectual property-related sectors are trained to be intellectual property professionals. Other employees are also given various opportunities, since they joined FUJITSU or the Fujitsu Group, to take a wide range of courses on intellectual property. These courses are help the employees to keep aware of intellectual property issues in their activities. All information handled in the Fujitsu Group can be considered as intellectual property that may become a source of Fujitsu's future activities. A mandatory course regarding information management is provided to all employees, so that information, which is important property of Fujitsu, should not leak.

The rights to any invention by an employee in connection to the employee's work activities are transferred to Fujitsu, followed by filling of a patent application. Then, the employee is compensated based on the valuation made at the time of the patent application. When the invention is patented, the inventors are compensated that reflects factors such as the perceived value of the invention to Fujitsu and that includes revenues from licensing the rights to other companies. In addition to such compensations, employees may receive awards when their inventions are acknowledged as excellent through an in-house evaluation procedure. Employees' contributions to Fujitsu are thus rewarded.

■ Organizations for implementing the intellectual property strategy

Fujitsu has established the Law and Intellectual Property Unit in the corporate center to promote intellectual property strategy activities. This unit not only deals with obtaining, maintenance, and utilization of patent, trademark, and other rights but also serves as a general counsel office helping to conclude agreements, establish various rules, and ensure the appropriate application of such agreements and rules. We also have Fujitsu Techno Research Limited, an affiliated company specialized in patent search.

In addition to the Law and Intellectual Property Unit and Fujitsu Techno Research Limited, each business group in Fujitsu has a sector supporting intellectual property activities to implement the intellectual property strategy.

2. Patent

- Three basic policies for patents

Patents are the key to the intellectual property strategy, and Fujitsu has defined three basic policies on patent-related activities. The first policy is to obtain high-quality patents. Fujitsu pursues obtaining patents that can provide a technological advantage over competitors. We are also making further efforts on patent applications in foreign countries to support business activities in expanding global environment. The second policy is to effectively capitalize on patents. Our patents can exhibit their true value as business assets only when used to full advantage to effectively realize their earnings potential in various business areas. Section 4, "Capitalizing on Our Intellectual Property," describes this in more detail and provides some examples. The third policy is to avoid infringement of other companies' patents. By monitoring other companies' patents and avoiding infringing on them, we can develop distinctive technologies. If we need to use another company's technology, we do not hesitate to contact the company to obtain a license.

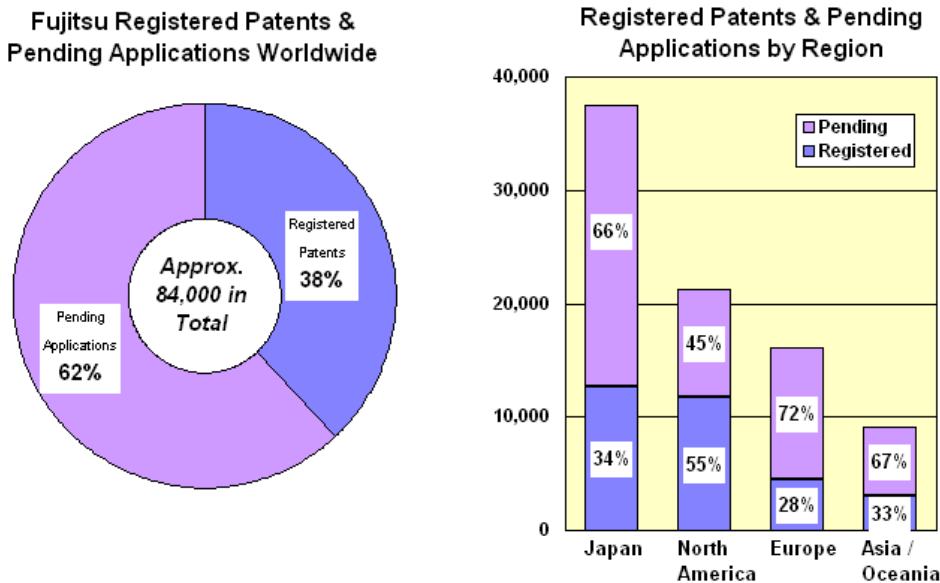
- Building a global patent portfolio

As shown in the left chart in Figure 1, Fujitsu owns about 84,000 pending applications and registered patents ("Patents") worldwide.

The right chart in Figure 1 shows the geographical distribution of Fujitsu's Patents. With our global patent promotion system centered on Japan, we are working to obtain profitable patents in not only North America and Europe but also the rest of Asia.

We are also actively engaged in finding and gathering inventions from development bases outside Japan, including North America, Europe, and China, to enhance our portfolio.

[Figure 1]



As of March 31, 2006
Source: Fujitsu internal figures

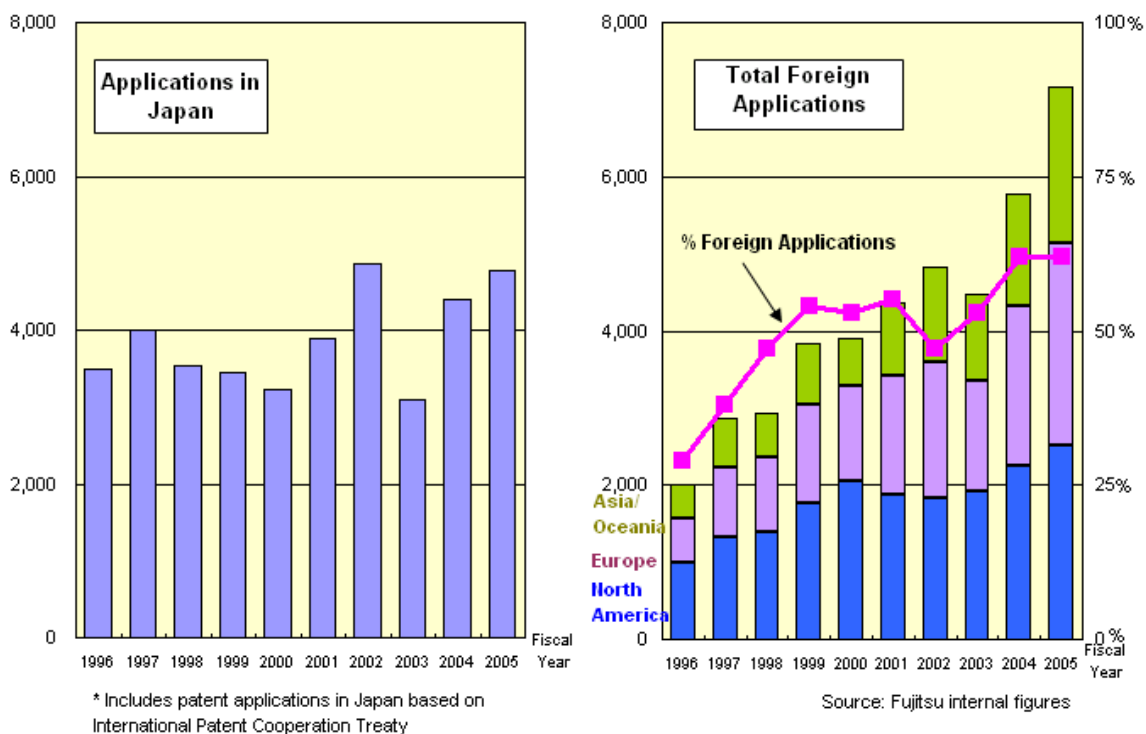
■ Continuously Strengthening foreign Applications - to Support Business abroad -

The left chart in Figure 2 shows the number of patent applications of Fujitsu in Japan over the last ten years. The average annual number of patent applications is about 4,000. The number of applications tends to be increasing slightly over the couple of years. In 2005, over 4,700 patent applications were filed.

The right chart in Figure 2 shows the total number of patent applications of Fujitsu in foreign countries over the last ten years. The number of applications in foreign countries is increasing steadily year by year. Of the three major market regions (North America, Europe, Asia and Oceania), Asia and Oceania has experienced the most remarkable and rapid rise in the number of patent applications.

Fujitsu's foreign patent application rate* is higher than 60% at present. This figure is extremely high among Japanese information and communication Technology companies.

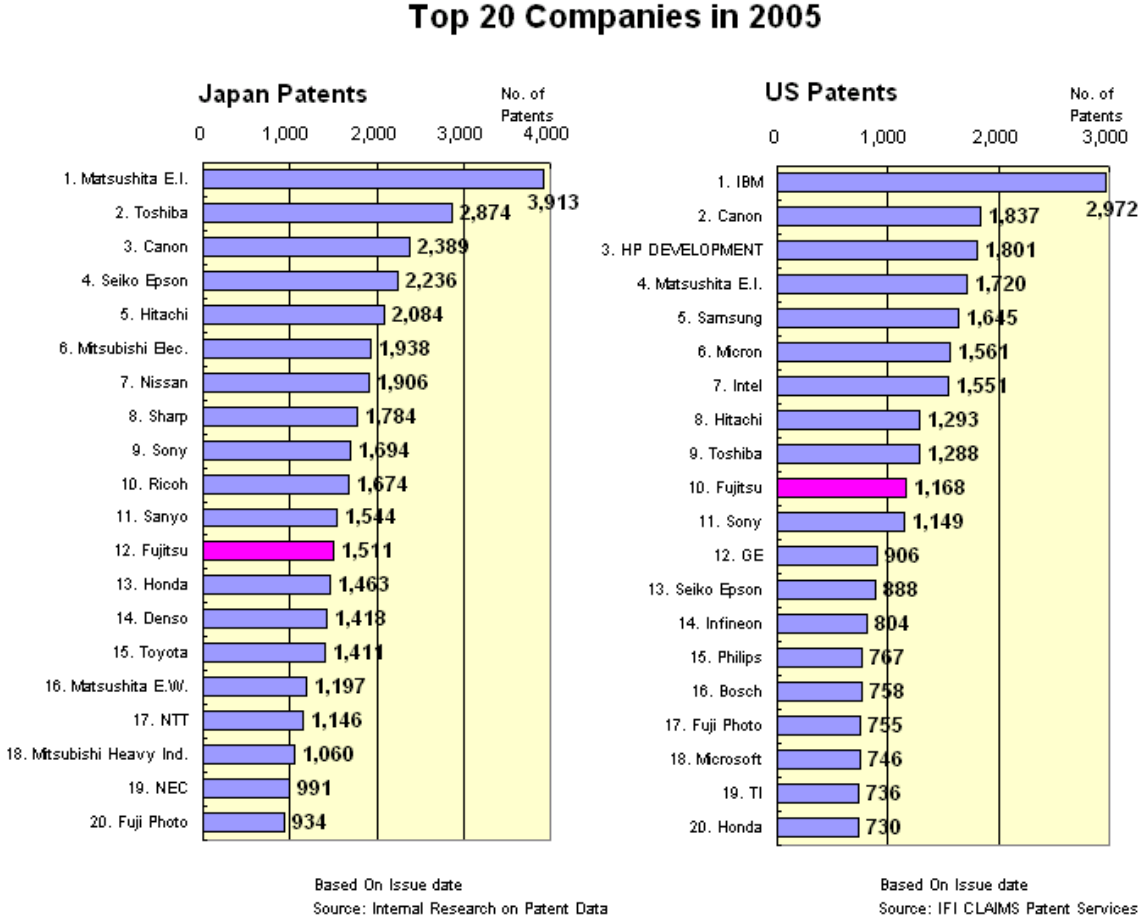
[Figure 2]



* The foreign patent application rate is defined as the percentage of the number of patent applications filed in one or more foreign countries based on an application in Japan to the total number of applications filed in Japan. An application that is filed in at least one foreign country is counted as one foreign patent application.

The charts in Figure 3 rank companies according to the number of patents issued in Japan and in the United States in 2005. Fujitsu ranked 12th in the number of Japanese issued patents, and 10th in the U.S. patents.

[Figure 3]



■ Policies for Building Patent Portfolio

Fujitsu is building a patent portfolio in accordance with the three policies described below.

The first policy is to actively work to obtain patents with a focus on priority and strategic themes defined during research and development activities.

The second policy is to obtain a wide range of rights to assure business stability. For each patent application, we attempt to ensure that the patent claim covers as many fields as possible. We carefully elaborate on details of the patent, considering that the patent may be applied not only in limited markets but also to various other fields.

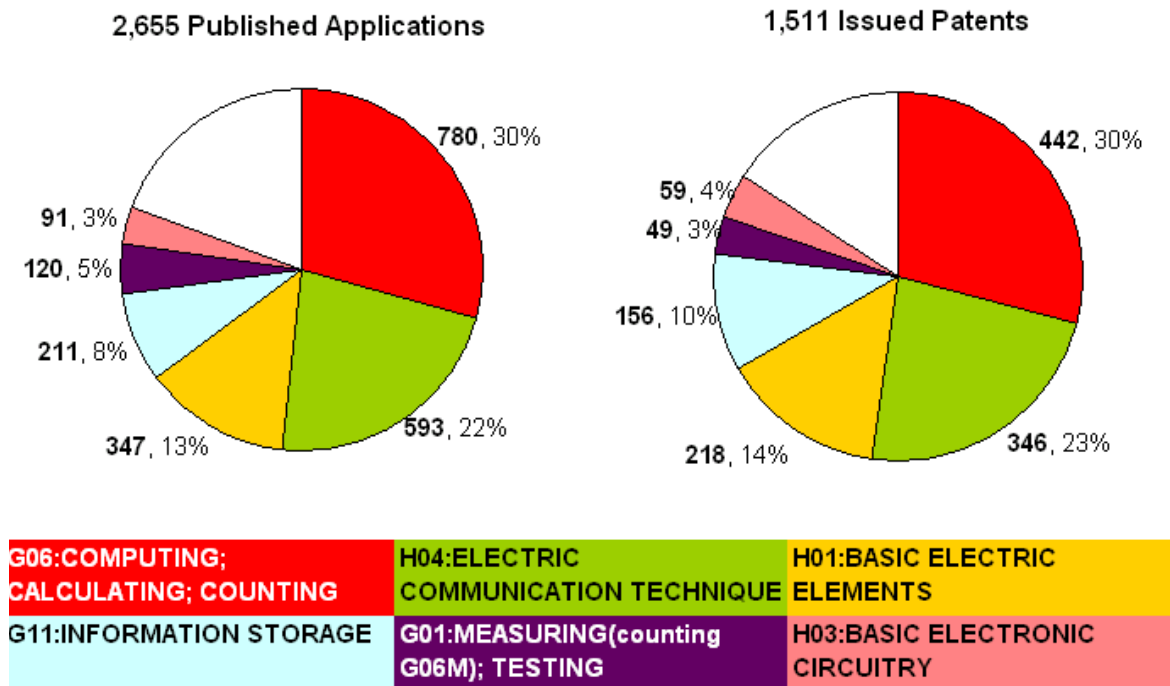
The third policy is to reevaluate patent applications after filing and revise them in response to business expansion. If a patent relates to a technological area becoming more crucial as the world progresses, we may be able to revise the patent from various perspectives, making it more profitable.

■ Patent applications aligned with business

The left chart in Figure 4 shows a breakdown of International Patent Classification (IPC) of Fujitsu's Japanese patent applications published in 2005. The right chart in Figure 4 shows a breakdown of IPC of Fujitsu's Japanese patents issued in the same term.

The classifications of patent applications filed and registered by Fujitsu include the categories of information processing (G06), communication (H04), and electronic devices (H01). Seen in this way, the categories of Fujitsu's patents are closely related to Fujitsu's business areas.

[Figure 4]



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

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

Fujitsu concentrates its research and development investments in selected technological areas, and obtains patents relating to not only basic technologies but also peripheral technologies in these selected areas. Here are some examples from Fujitsu's main business sectors (computers, communication, and semiconductors). In the area of server technologies, Fujitsu has filed more than 600 patent applications annually, including those relating to various peripheral technologies. Fujitsu has also filed more than 250 patent applications annually in the area of optical transmission technologies, and Fujitsu's more than 100 patent applications filed annually in the area of network technologies include applications relating to WiMAX and 3.5-generation cellular phone systems. In the area of advanced semiconductor technologies, Fujitsu filed more than 60 patent applications relating to 45-nm and finer miniaturization technologies in 2005. As planned, Fujitsu will file a greater number of patent applications in 2006. Fujitsu also promotes activities for obtaining patents related to its proprietary technologies. More than 120 patent applications relating to palm vein authentication technologies, such as those used for bank ATMs, have been filed in Japan and other countries. For these technologies, Fujitsu is promoting development and patent applications in application fields other than ATM field.

3. Branding, Design, and Software

■ Fujitsu's framework for symbol mark protection and brand promotion

Fujitsu uses the Fujitsu symbol mark in all its activities. To maintain a standard corporate image for itself, Fujitsu established the "FUJITSU BRAND PRINCIPLES" as guidelines for use of the Fujitsu symbol mark. Fujitsu also concluded contracts on use of the Fujitsu symbol mark with affiliated companies and partners to standardize how the symbol mark is used within the Fujitsu Group. To ensure that every Fujitsu Group company can use the Fujitsu symbol mark globally, Fujitsu has obtained trademark rights for the Fujitsu symbol mark in more than 150 countries and regions and maintains and manages these rights. The brand manager appointed to each business unit and affiliated company is responsible for establishing, maintaining, and managing the Fujitsu symbol mark as well as product and service brands of the business unit or affiliated company.



■ Unified Web sites

Fujitsu considers its Internet Web sites to be an important communication tool linking Fujitsu to customers. All Fujitsu Web sites are linked under www.fujitsu.com. We are working to improve their usability and accessibility, such as by standardizing Web site designs within the Fujitsu Group. As a result of these efforts, Fujitsu was ranked No. 1 in the "Corporate Site Usability Ranking 2006" by Nikkei Personal Computing, continuing to hold this top spot for three straight years (2004, 2005, and 2006).

■ Design

Fujitsu established an integrated design center to handle a broad range of design activities, including designing products such as PCs and cellular phones, designing graphical user interfaces (GUIs) for Web sites and business systems, designing office and retail space for use with information systems, and making visual designs for branding purposes. The top design policy in Fujitsu's various design activities, including those relating to universal design, Eco design, and advanced design, is "human centered design." To protect its designs, Fujitsu is actively working to obtain design rights in the course of these activities.

■ Measures against counterfeiting

Numerous counterfeit products with the Fujitsu symbol mark and Fujitsu's trademarks and product designs have been found in China, Hong Kong, and other countries around the world. Considering the negative impact of counterfeiting on customers in those countries and regions and the possible harm to Fujitsu's reputation, Fujitsu takes a hard line against counterfeiters by launching legal actions based on trademark and design rights. Other (non-legal) actions taken as necessary in conjunction include offering courses to local employees and cooperating with local law firms.

■ Software copyright protection and utilization of software copyrights

Software product protection based on copyrights is becoming more and more important to the software industry. Fujitsu's activities to maintain the copyrights to software products developed by Fujitsu not only help to keep any competitive advantages over competitors but also provide better products and services to customers because the ability to reuse copyrighted software leads to improved quality and shorter lead times. When using other companies' software, we take great care not to infringe on the copyrights owned by them.

4. Capitalizing on Our Intellectual Property

■ Strategic alliances

Although a company has plenty of excellent original technologies, the company sometimes forges alliances with other companies to strengthen our position in the market. One of Fujitsu's alliances in the hard disk drive (HDD) business field is described as an example below.

Fujitsu is engaged in the global HDD business. This business is based on many advanced technologies developed by Fujitsu. Fujitsu owns more than 1500 pending applications and registered patents ("Patents") worldwide. Cross-licensing agreements for these Patents have been concluded with various companies so that the Patents are used to full advantage. Not only does this help preventing disputes and ensure business flexibility, but it also leads to competitive advantages for Fujitsu in the HDD business. Aside from the above cross-licensing agreements, Fujitsu is promoting work to form other strategic alliances, including cross-licensing and joint-development agreements with a Japanese company for magnetic heads and a joint-development agreement with a U.S. company for 1.8-inch consumer HDDs.

■ Technology Standardization activities

In today's information and communication business, it is difficult for a single company to cultivate a market which depends on its own technologies only. In fact, markets are being developed through multiple companies' efforts to offer various products while maintaining interconnectivity and compatibility through standardized technologies. Under these circumstances, a company that owns patents relating to a technology included in an industry-wide standard can gain an edge in business.

Therefore, participation in technological standardization activities is an essential element in our business strategies. Fujitsu's research and development departments and sections participate in standardization conferences relating to their areas of expertise. Keeping in mind the outlook for the Fujitsu Group, we are promoting standardization activities while exchanging information.

Table 1 outlines examples of Fujitsu's participation in standardization activities.

[Table 1] Examples standardization activities

Related organization	Area	Fujitsu's activities
ISO *1 ITU *2	Standardization of multimedia coding specifications	Obtained essential patents for H.264 based on MPEG-2 (DVD, digital TV broadcasting), MPEG-4 Video, MPEG-4 Audio specifications
RSi (Robot Service Initiative)	Standardization of service robot interface specifications	Founding member and active participant dedicated to setting specifications for communication and control of robots
3GPP(2) *3	Influencing to standardization of mobile transmission specifications	Focus on advice for recognition of essential patents used in standardized specifications

*1 International Organization for Standardization, *2 International Telecommunication Union, *3 3rd Generation Partnership Project 2

■ Technology sales

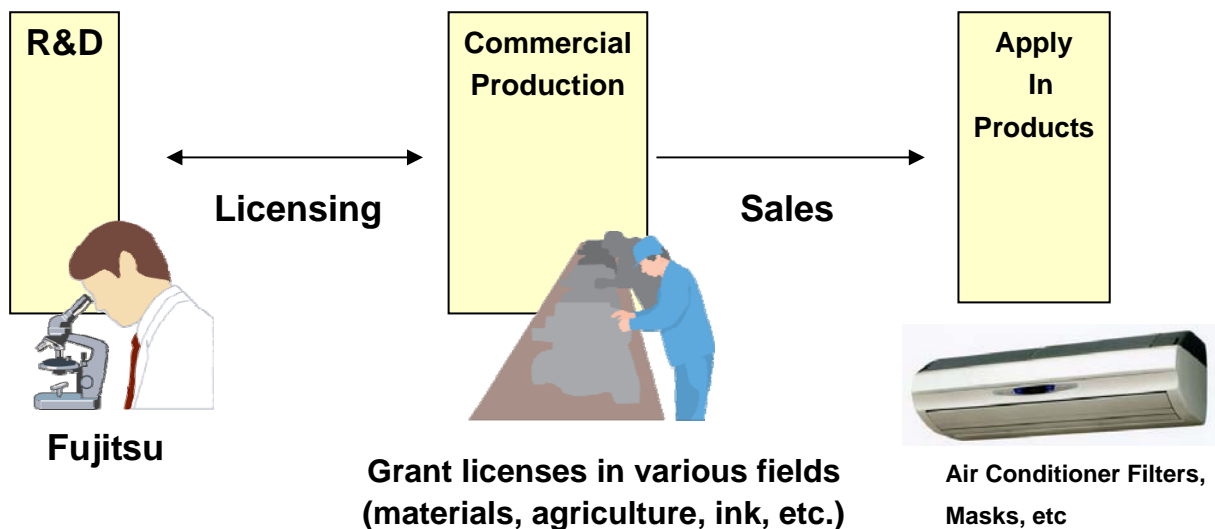
Fujitsu owns Patents that used to be important to Fujitsu's business but are no longer used by Fujitsu because of new business strategies. Fujitsu also owns Patents which should be used by other companies widely too as a result of Fujitsu's wide basic research.

Fujitsu capitalizes on such Patents by transferring their rights to other companies or licensing other companies to use their technologies, so these Patents resulting from the hard work of Fujitsu engineers not only generate profits but also are fresh revenue streams. Such activities are called technology sales activities. Our technology sales activities regarding titanium apatite are described below as an example.

Titanium apatite, which is a titanium compound, is one result from Fujitsu's research work. It reacts to light and promotes decomposition of odors, contaminants, bacteria, viruses, etc. This substance looks like white particles. When placed in ink, as an example, titanium apatite reacts on the surface coated with the ink. When embedded in plastic, the plastic itself becomes reactive. Believing that titanium apatite can be applied in numerous other fields, we are working on finding various ways to utilize this substance.

Aside from titanium apatite, other targets of similar research activities by Fujitsu include Pb-free solder, magnesium recycling, gas cleaning, carbon nanotubes, and steganography.

Technology sales for titanium apatite



■ Licensing status

Licensing of intellectual property is one basis for measuring whether intellectual property is utilized to full advantage. Fujitsu has concluded more than 500 licensing agreements. These licensing agreements include unilateral licensing agreements and mutual licensing (cross-licensing) agreements. The major companies in cross-licensing agreements with Fujitsu include Infineon Technologies AG, Intel Corporation, International Business Machines Corporation, Lucent Technologies Inc., Microsoft Corporation, Motorola Inc., National Semiconductor Corporation, and Samsung Electronics Co., Ltd.

■ Disputes

Fujitsu believes that negotiations between the parties concerned are the best way to reach a resolution to any intellectual property dispute that arises. However, if the parties cannot resolve the dispute by themselves, Fujitsu will rely on the courts or a third party to make a judgment.

It costs time and money to file a lawsuit and we take some risks. However, we may choose it as necessary to protect our intellectual property, which is an important business asset, and ensure that our engineers can continue their research and development activities while maintaining a sense of pride and confidence in their work.

Fujitsu's position on intellectual property right protection is to state what Fujitsu believes is right and file a lawsuit if necessary.

-- Fujitsu's major disputes over intellectual property rights --

Dispute over software copyrights in the 1980s

This was a dispute over copyrights of broad-ranging computer software.

For Fujitsu and Japanese companies, this case was the first full-scale intellectual property dispute. In this time, we choose arbitration in lieu of filing a lawsuit .

Lawsuit on basic IC patents in the 1990s

A U.S. company and Fujitsu had a difference of opinion regarding basic IC patents.

In this case, Japan's Supreme Court decided that the court can judge whether or not a patent includes invalidation factors. The patent law was revised based on this judgment, and the revisions were enforced in April 2005.

Lawsuit on PDP patents in the 2000s

Fujitsu filed a lawsuit for the value of basic PDP patents against a Korean company, after two years of negotiation failed to resolve dispute. This case is the first large-scale import prohibition application received by Japan Customs and Tariff Bureau for goods infringing on a patent.

Information contained in this document includes statements regarding future forecasts based on current business estimates or hypotheses. Actual results or events may differ from what is expressed or implied by these statements because of known or unknown risks and/or uncertain factors. Examples of risks and factors that may affect actual results and examples of events are listed below. (Note that these are only examples and actual risks and factors are not limited to those listed below.)

- Economic trends in major markets (especially in Japan, North America, and Europe)
- Possible changes in high-tech markets (especially in the semiconductor, PC, and cellular phone markets)
- Trends in foreign exchange and floating interest rates
- Capital market trends
- Intensification of price competition
- Changes of competitors' positions in a market as a result of technological developments
- Changes in component procurement environments
- Changes in competitive relationships resulting from tie-ups, alliances, and technological licensing
- Possibility of a project becoming unprofitable
- Accounting policy changes