

# Fujitsu's Products Business

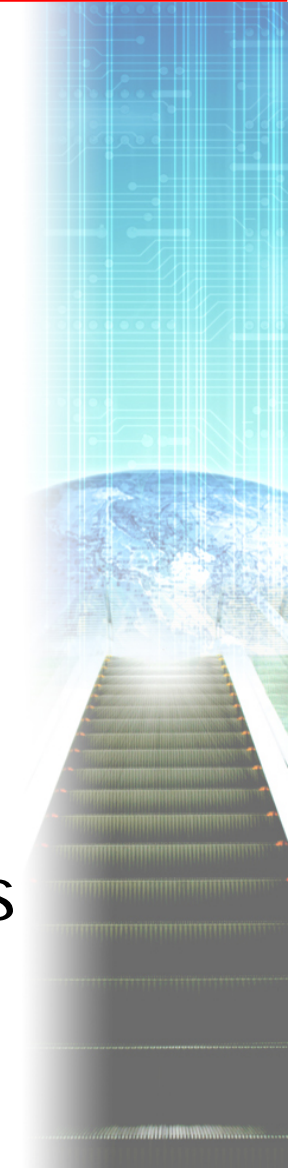
**January 19, 2006**

**Chiaki Ito**  
**Corporate Executive Vice President**

**Fujitsu Limited**

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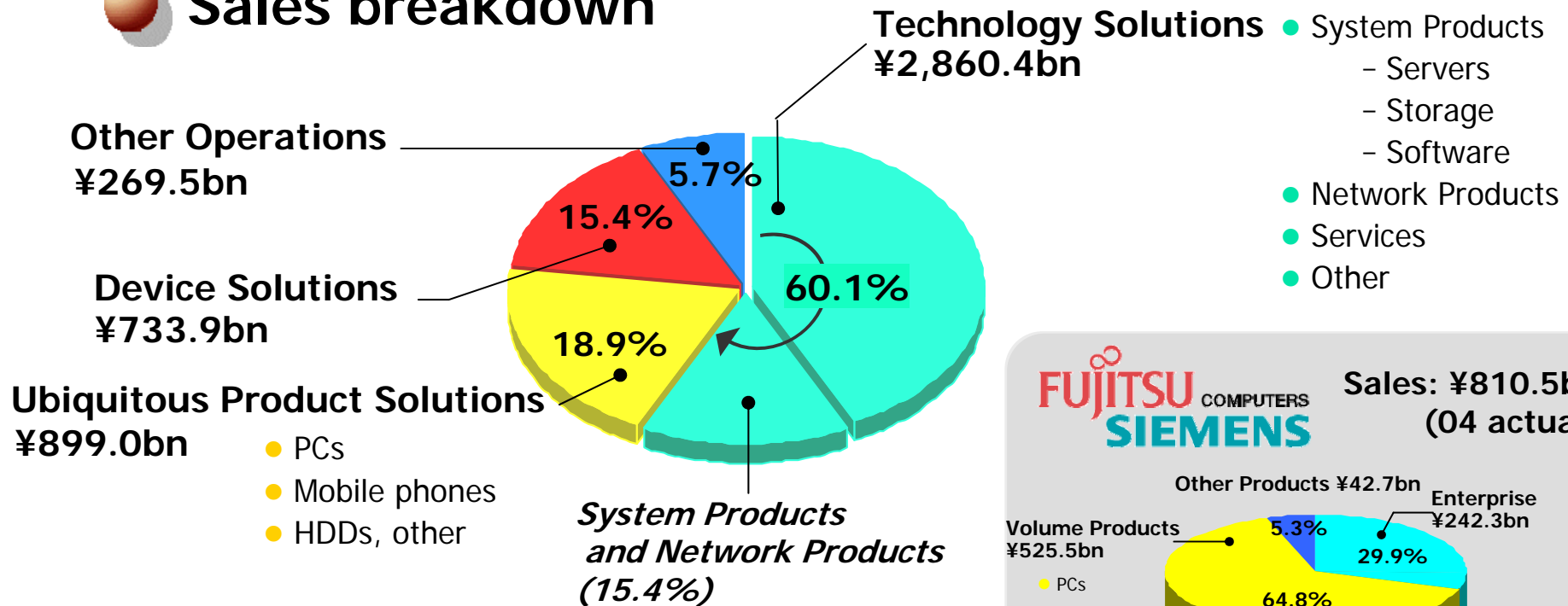




# Company Outline

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



# Our Global Customer Base

## Customer Example



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

(Source: Winter Corporation, Nov. 2005)

Uses Fujitsu PRIMEPOWER UNIX servers for its database systems

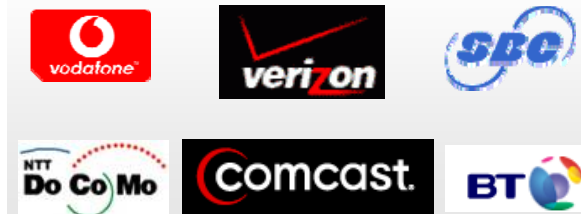
## Financial



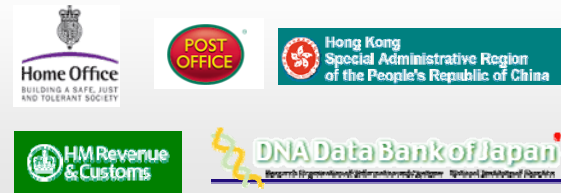
## Manufacturing



## Telecommunications



## Government



## Transport, Logistics



## Resources, Utilities



## Education



## Healthcare



## Retail

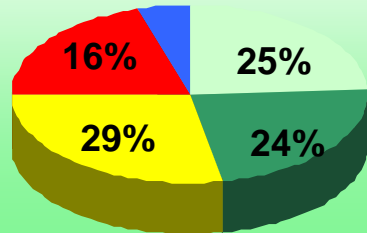


# Global Business Development

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

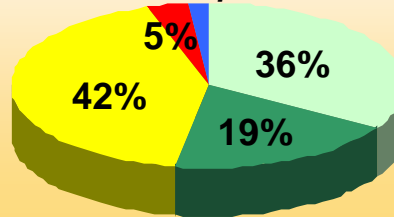
## North America

- Employees: 7,600
- Sales: ¥321.0bn



## EMEA

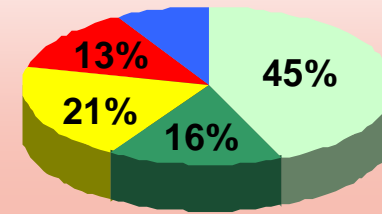
- Employees: 24,400
- Sales: ¥1,389.0bn\*



\* Includes FSC sales, excluding Fujitsu export to FSC

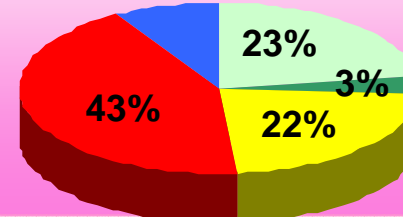
## Japan

- 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.



# Basic Strategy for Products Business

# Products Business

## System Products (Server System Products): ¥380.1bn

### Global Servers

Mainframe



GS21

### Windows/Linux Servers

Intel Architecture



PRIMERGY

PRIMEQUEST

### UNIX Servers

SPARC



PRIMEPOWER

### Storage



ETERNUS

### Middleware

Systemwalker

Interstage

## Network Products: ¥353.8bn

### Photonic Systems



FLASHWAVE

### Carrier Routers



Fujitsu Cisco CRS-1

### 3G Systems



3G base station

### Access Systems



FTTx/PON, ADSL

### Network Servers



IPCOM

## Ubiquitous Products: ¥1,031.4bn

### HDDs



### Desktop PCs



DESKPOWER

### Notebook PCs



BIBLO

### Tablet PCs



STYLISTIC

### Mobile Phones



### PDAs



Pocket LOOX

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



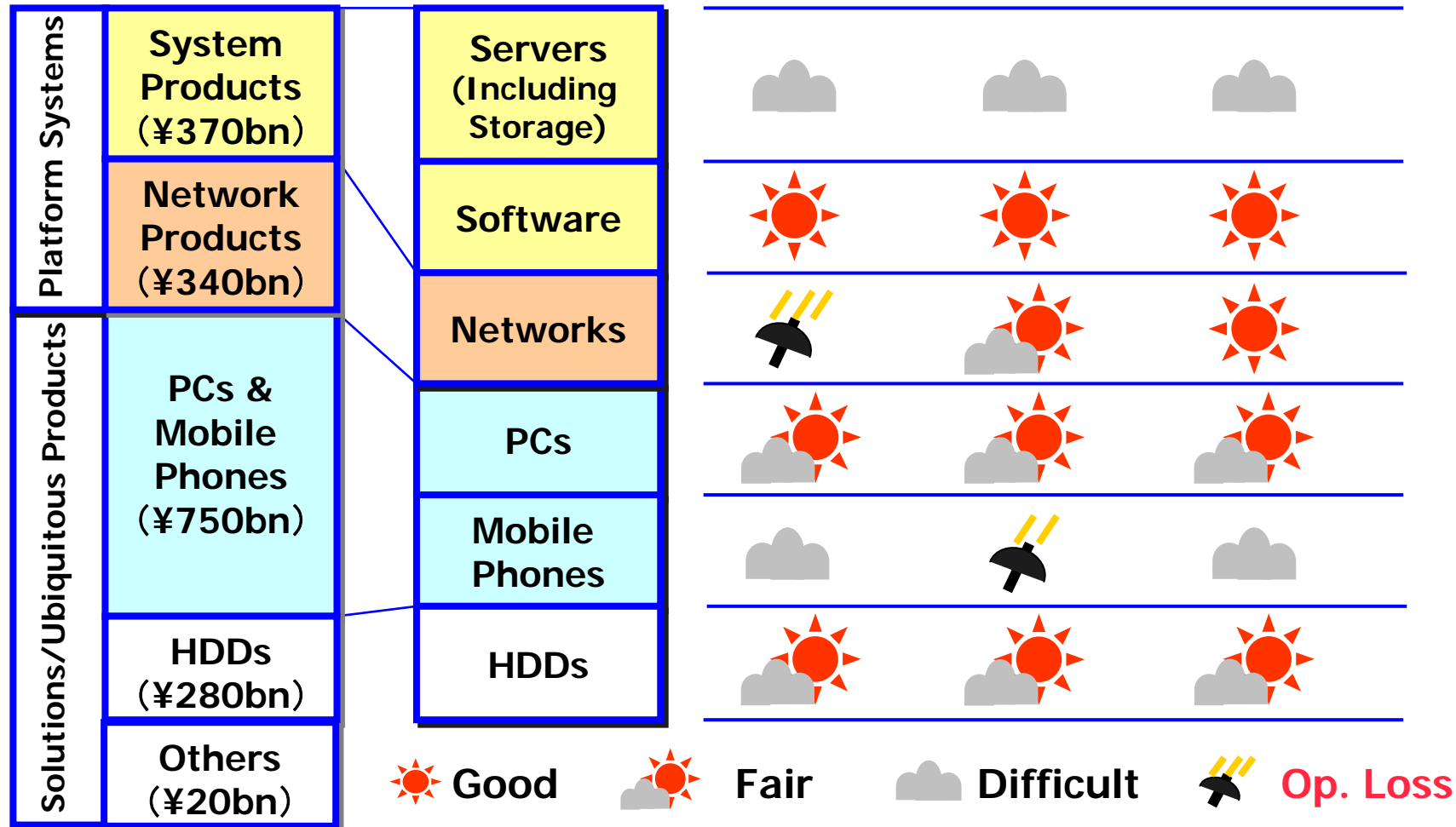
# Products Business Outlook

FY05 Net Sales Target

1,760 Billion Yen

Operating Income Target

65 Billion Yen

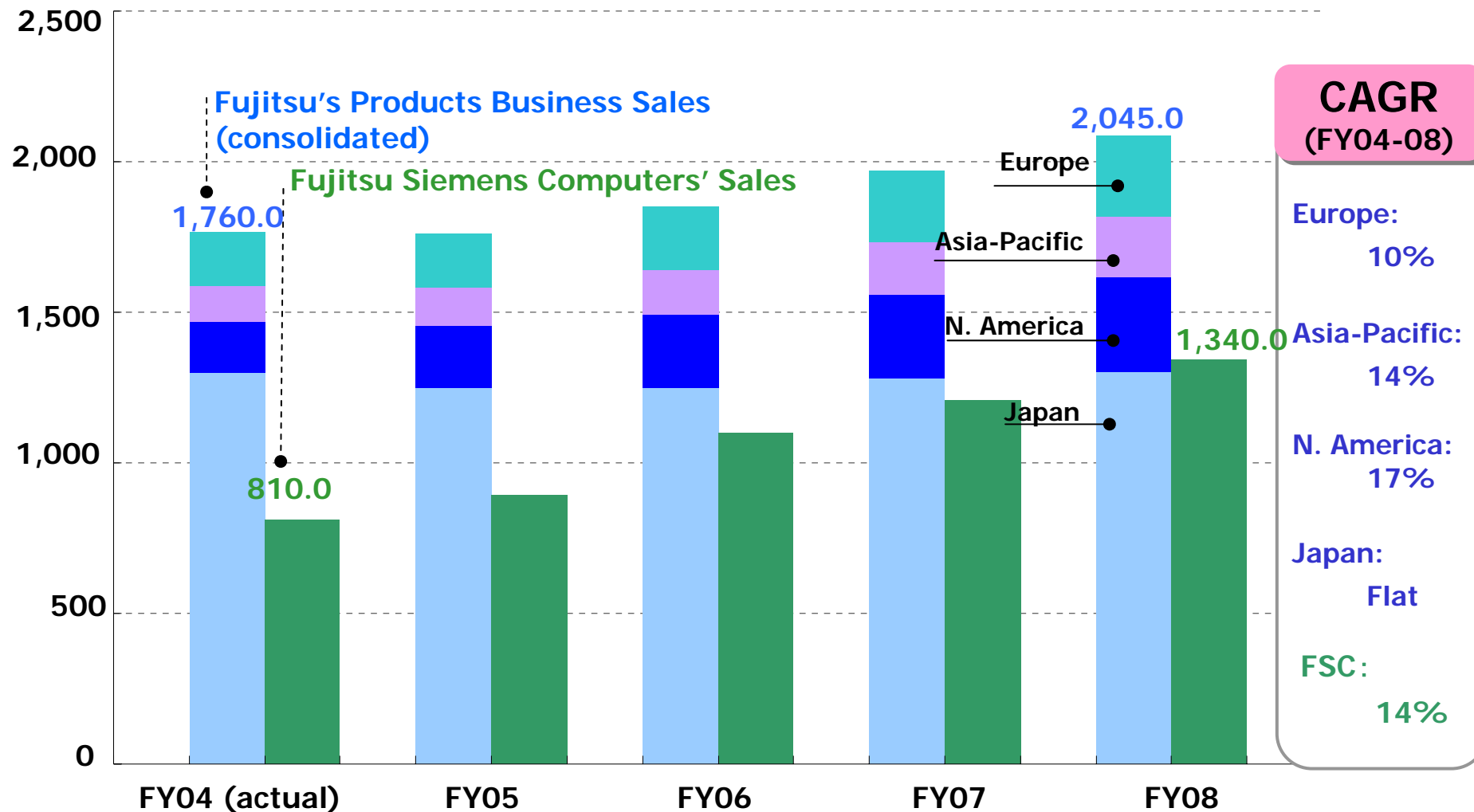


Making All Businesses Profitable

Note: Figures include intersegment sales.

# Products Business Projection (with regional breakdown)

(Billion Yen)



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

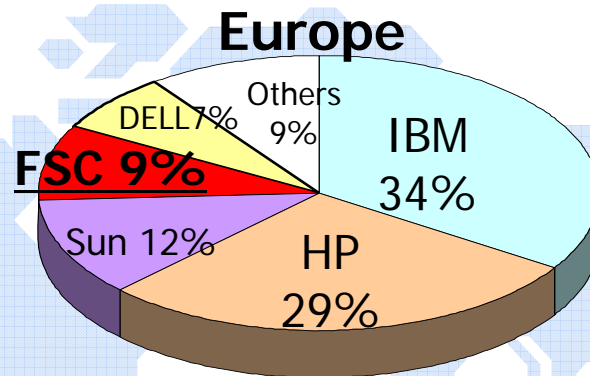
Fujitsu's core technologies, manufacturing



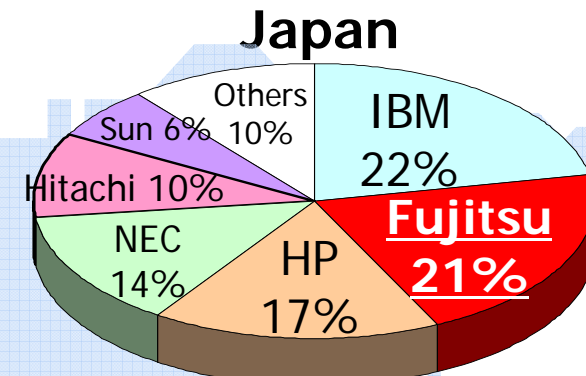
# Global Business Development

# Position in the Server Market

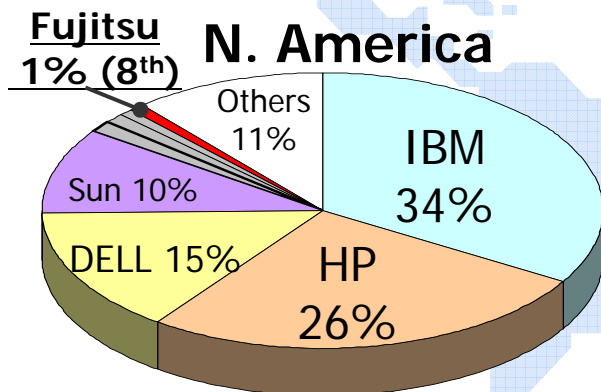
Fujitsu Group's market share \*FY04 (Apr. 04-Mar.05)  
 Worldwide: 6% (No. 5), Japan: 21% (No. 2)



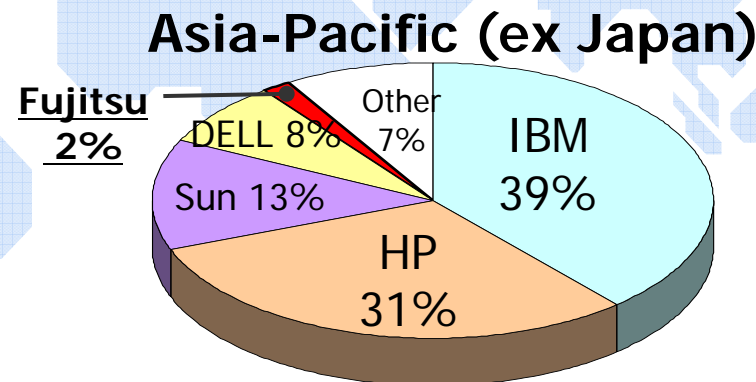
**Total: \$14,135M**



**Total: ¥680bn**



**Total: \$17,809M**



**Total: \$5,773M**

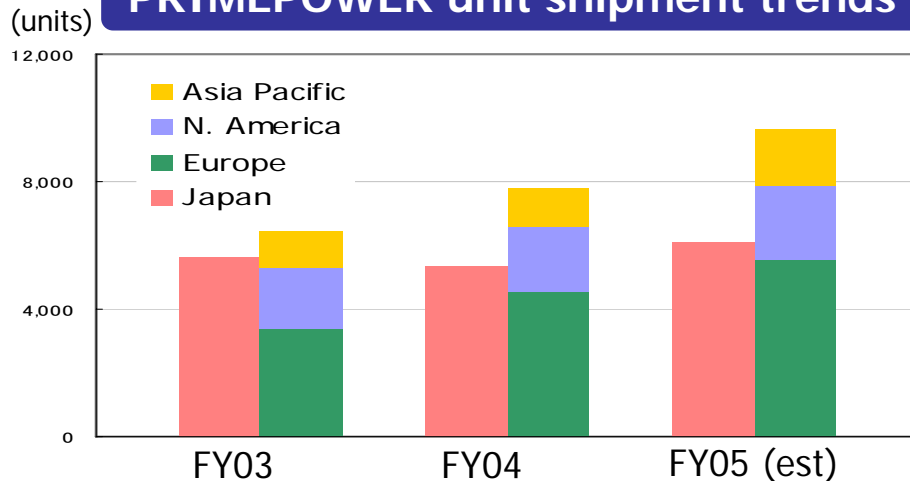
Source: IDC's Quarterly Server Tracker, Q3 2005  
 IDC Japan, Japan Server Quarterly Model Analysis, Q3 2005

# Global Business Expansion

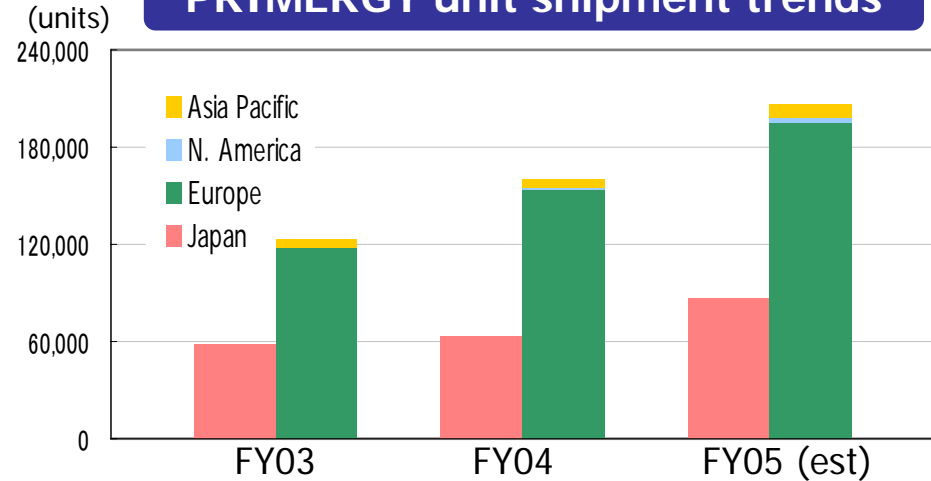
## Synergies with FSC in the server business

Steady domestic business, strong growth outside Japan

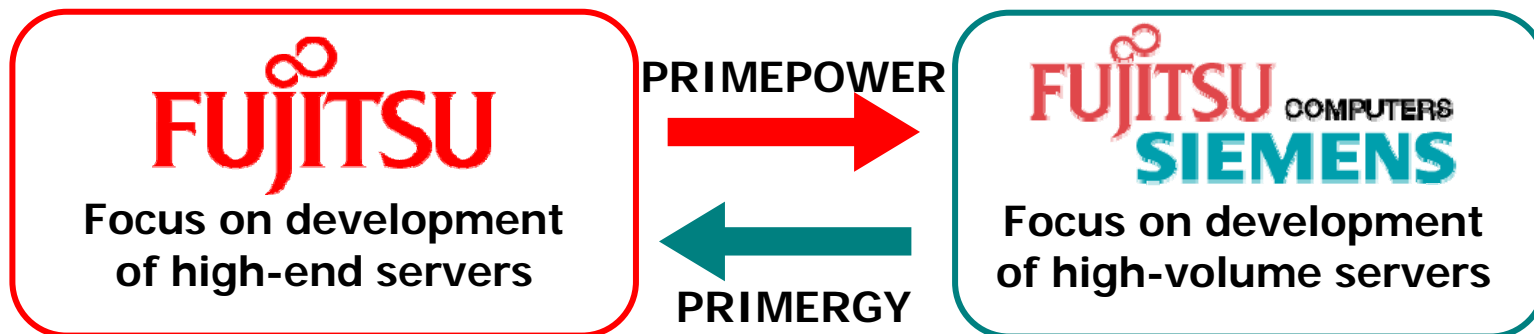
**PRIMEPOWER unit shipment trends**



**PRIMERGY unit shipment trends**



### Sales & Development Collaboration



# 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

PRIMEQUEST mission-critical IA server incorporated in EDS solution offerings

- ▶ With N. America as launch pad, expand PRIMEQUEST sales (targeting ¥70bn in FY08)



World's No. 2 IT services firm

## Strengthening support framework and customer interface

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

- ▶ Strengthening of EMEA operations and strategic alignment of global support organization



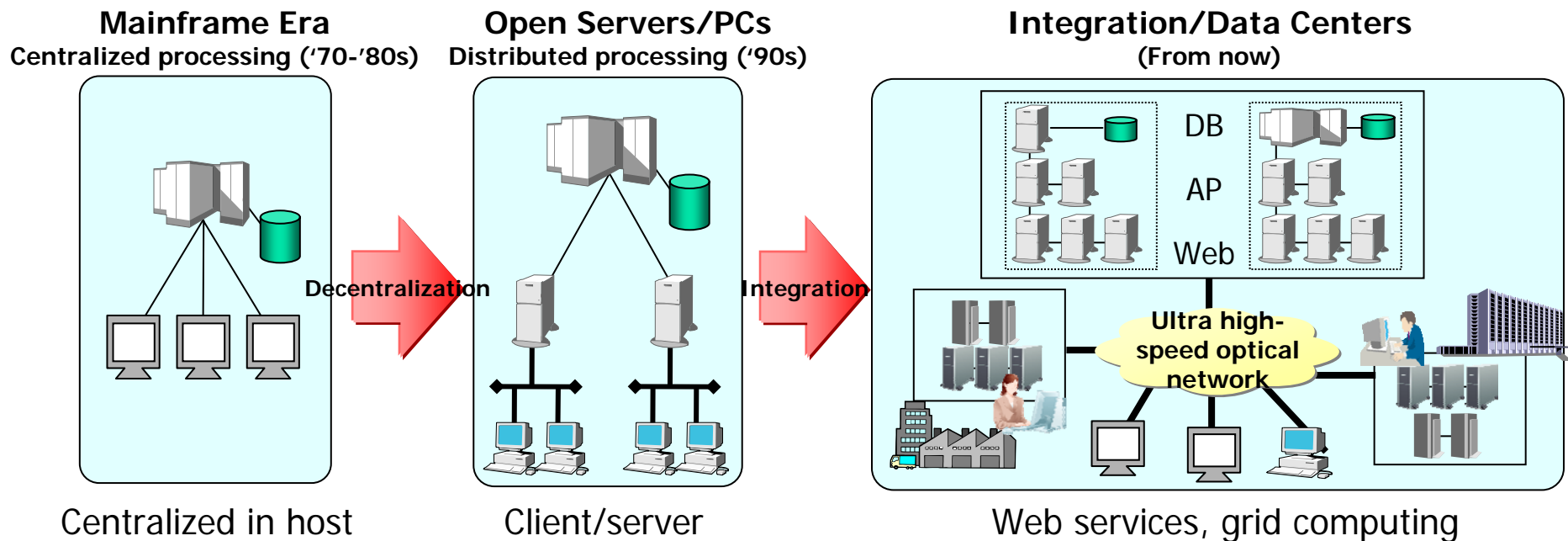
Siemens Business Services



# System Products Business

# Trends in Information Systems Technology

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

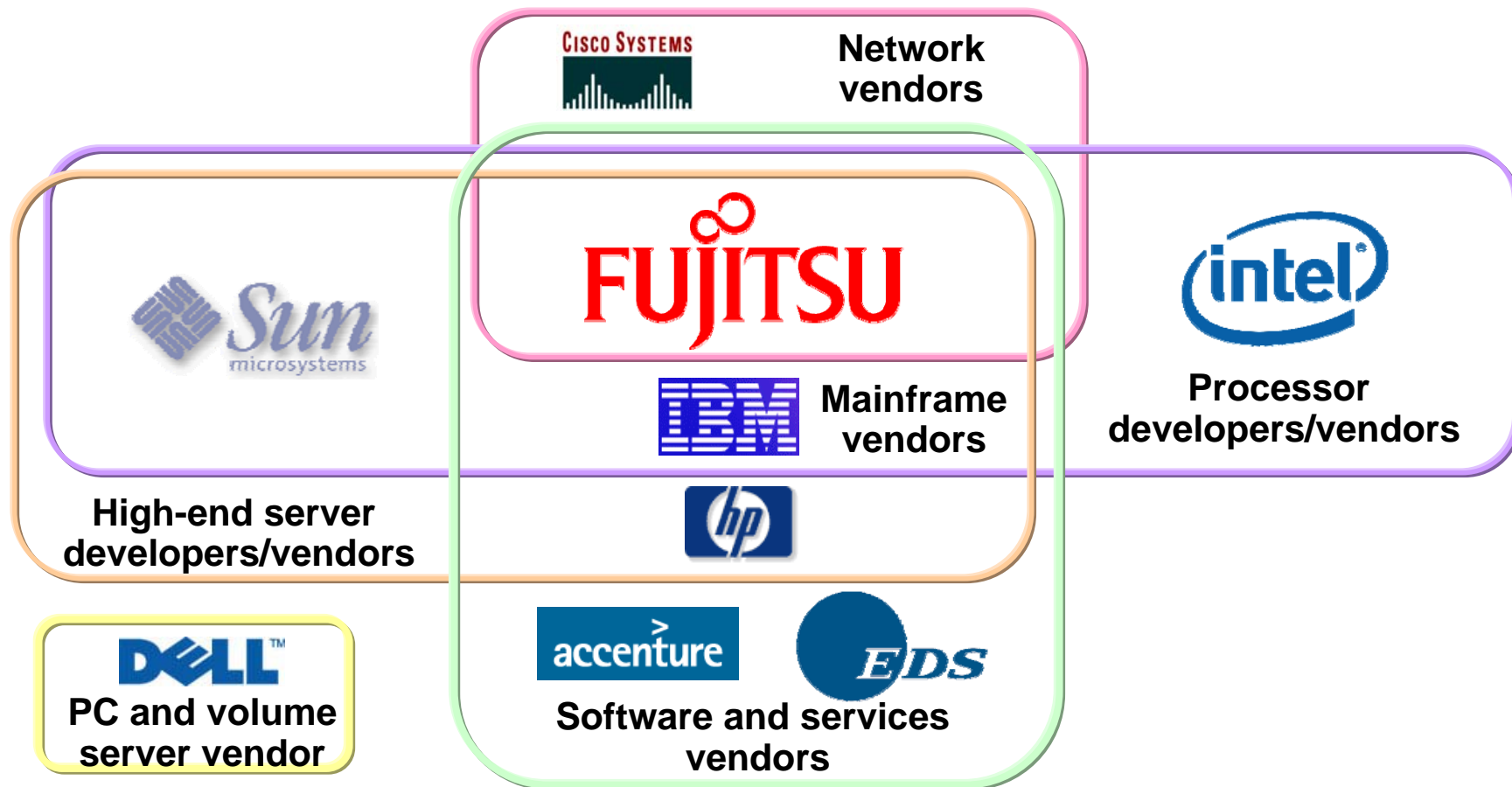


## Key technologies going forward

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

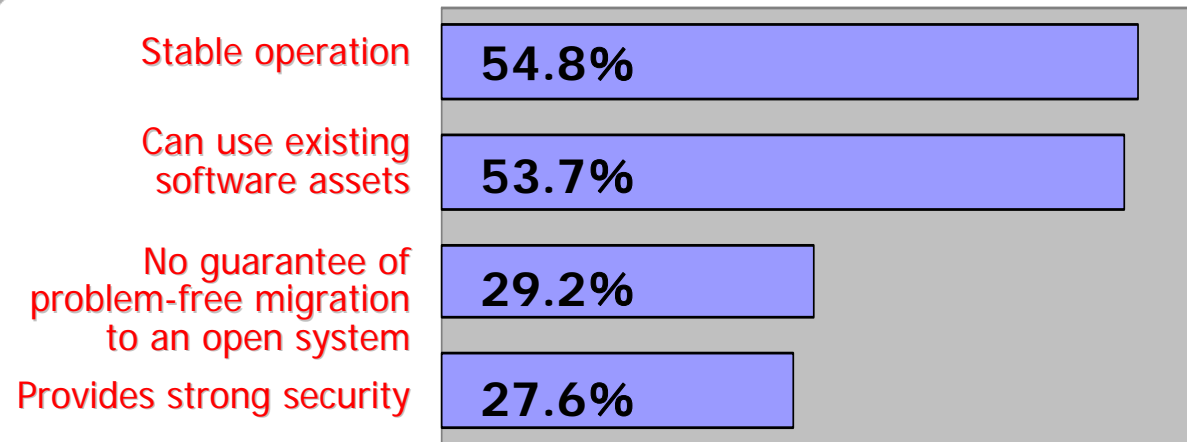
# Fujitsu's Strengths

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



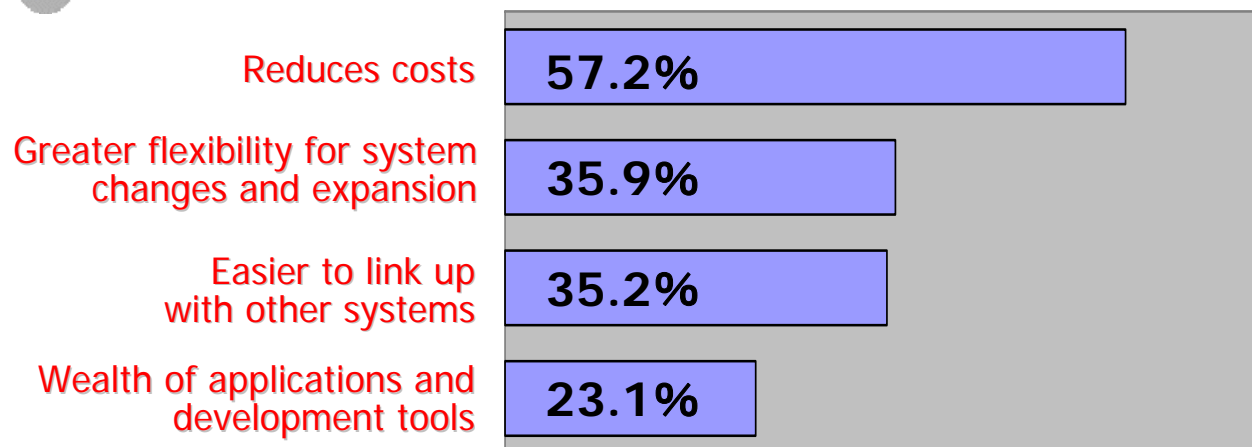
# Mission-Critical System Requirements

## Reasons for continuing to use mainframes



- Reliability
- Continuity

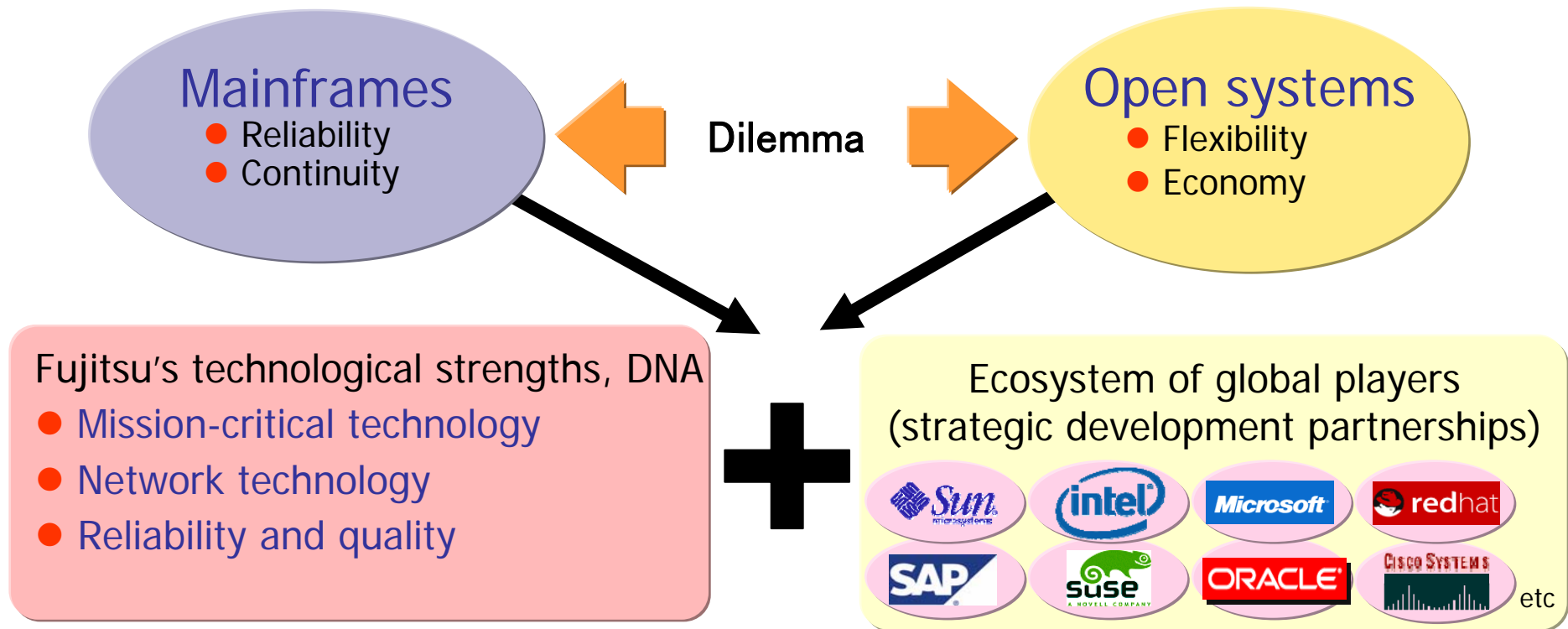
## Merits of migrating to open systems



- Flexibility
- Economy

Source: Ministry of Internal Affairs and Communications, 2005 White Paper on Information & Communications in Japan

# Mission-Critical Systems for Data Center Era



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

Mainframe  
high-reliability  
technology



Processor  
development  
technology

Supercomputer  
high-speed technology

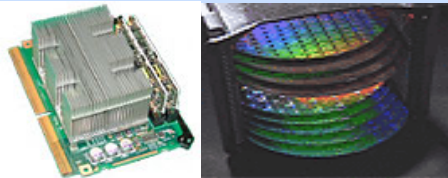


Ultra high-speed  
optical network  
technology



- World-leading 90nm 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



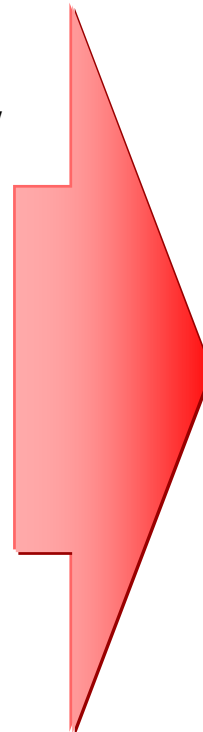
Mainframes with world-class performance and reliability  
**GS Series**



UNIX servers with world-class performance and reliability  
**PRIMEPOWER**

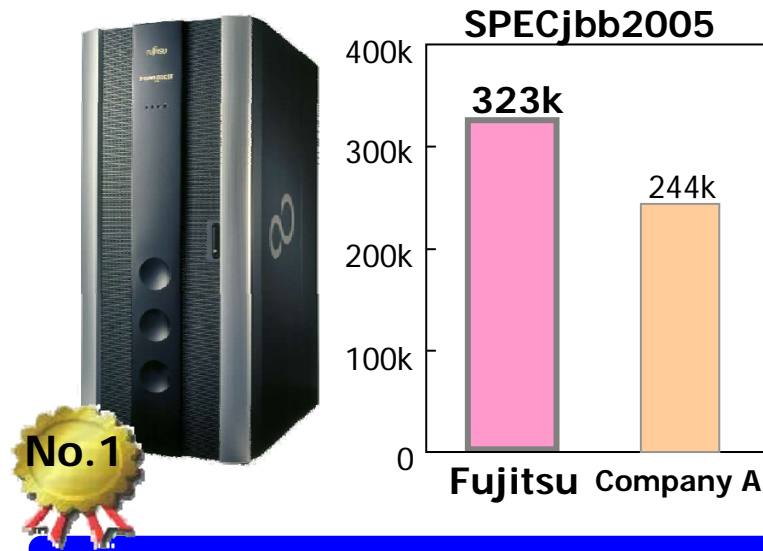


New class of mission-critical servers  
(Linux/Windows servers)  
**PRIMEQUEST**



# World-Leading Performance

High-end open-standard servers deliver superior performance



**PRIMEQUEST**

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



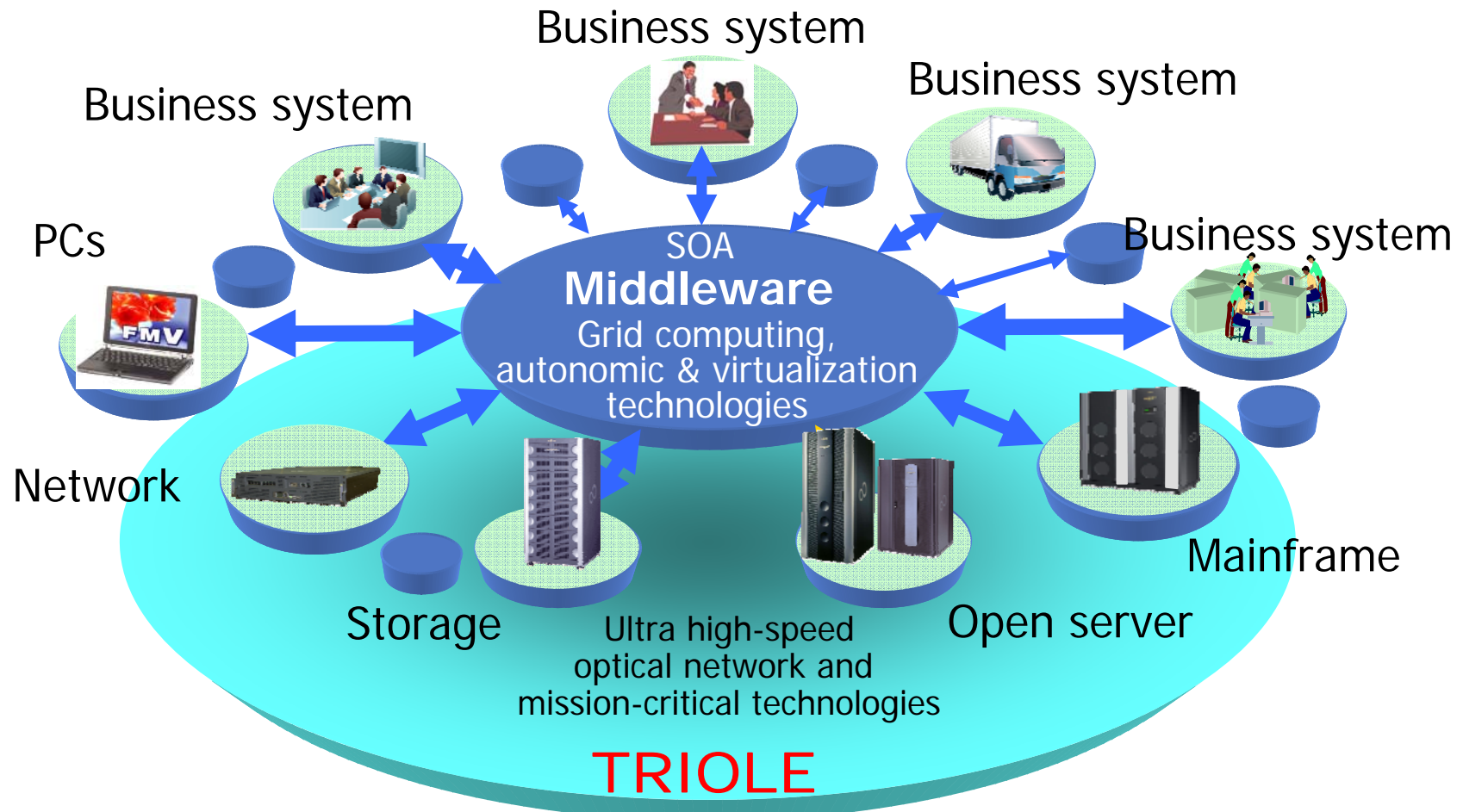
**PRIMEPOWER**

- PRIMEPOWER 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



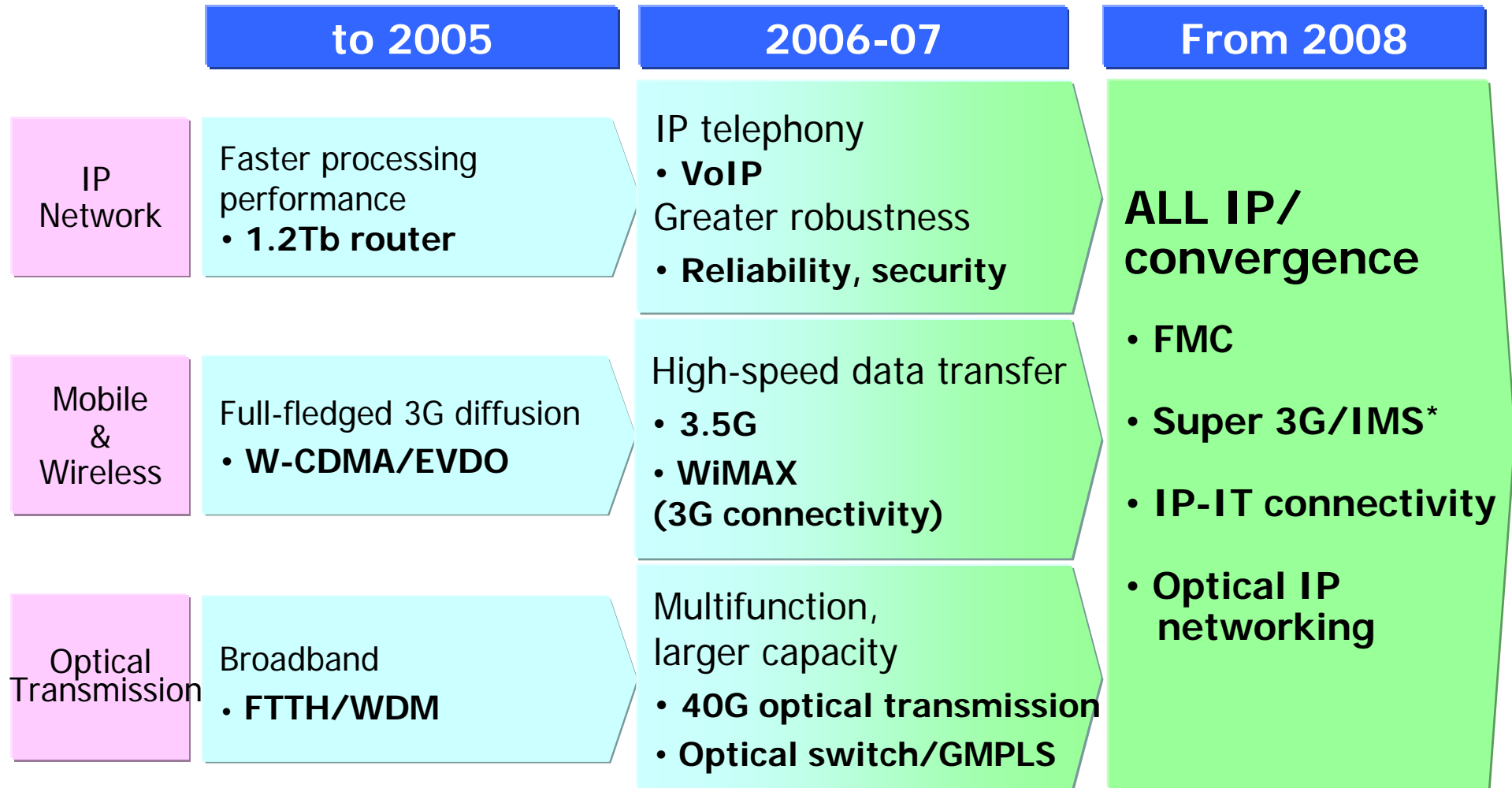
(Systematization of our technology and know-how)



# Network Products Business

# Carrier Network Technical Innovations

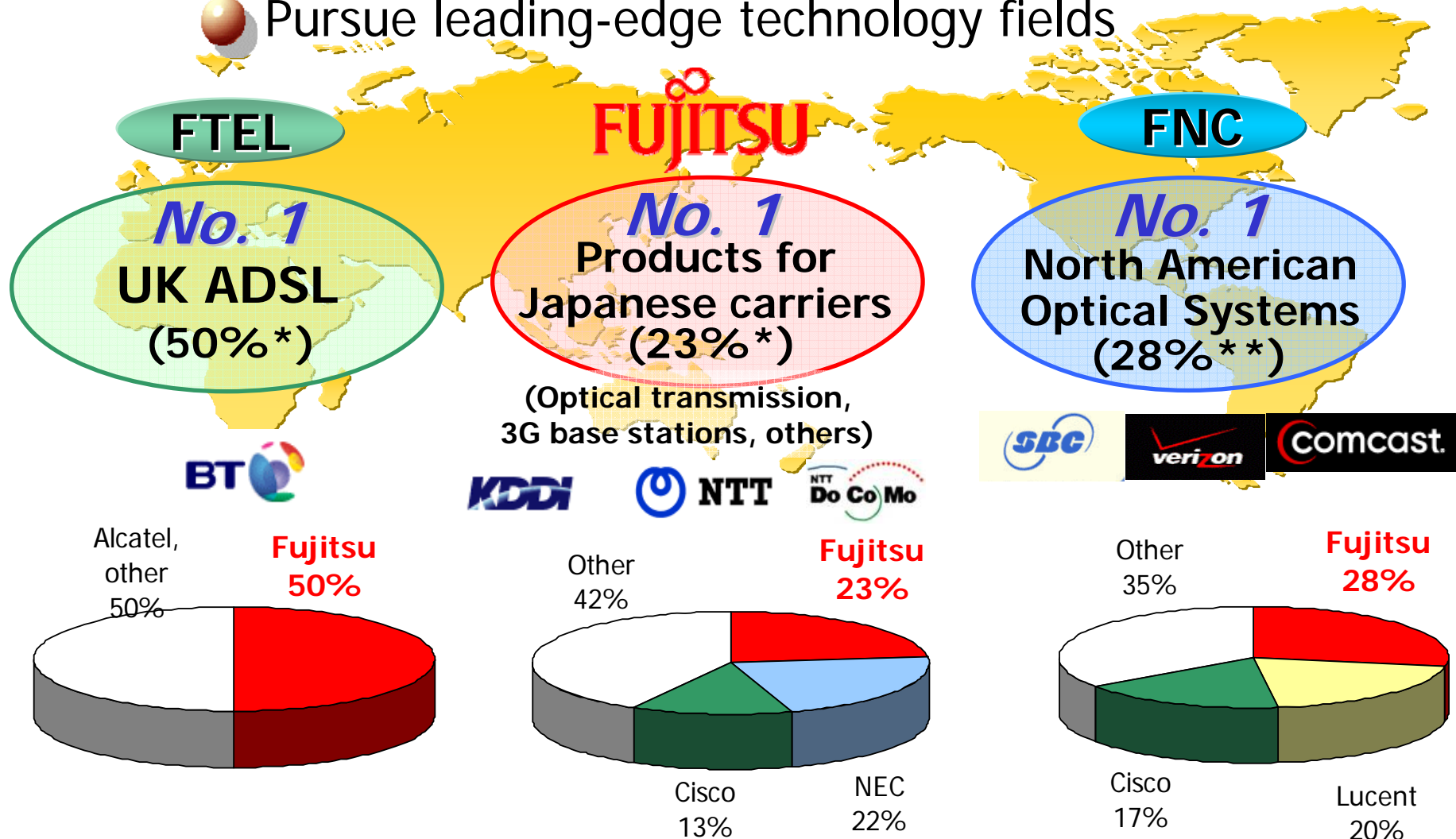
All IP/convergence support ubiquitous networking



\*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

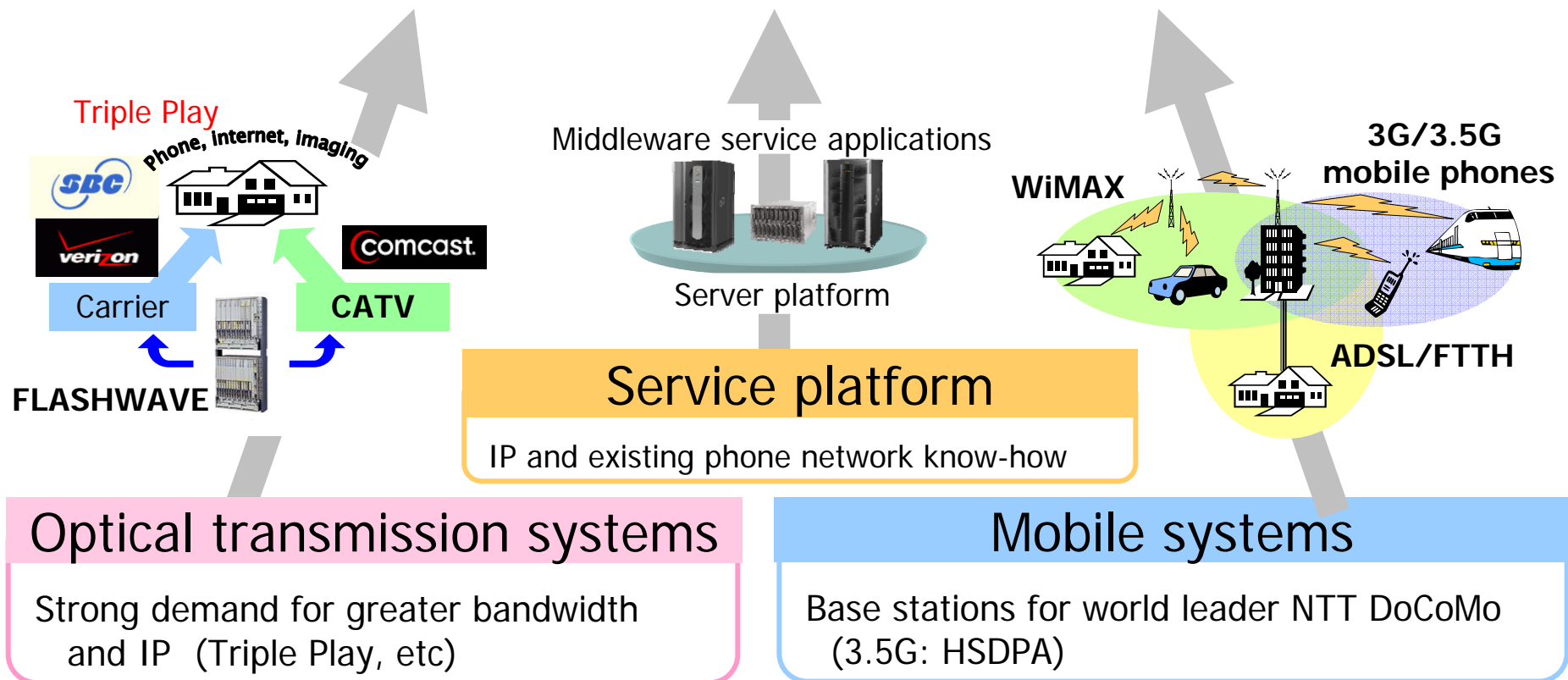


\* Source: Fujitsu \*\* Source: Ovum-RHK 2004

# 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 21<sup>st</sup> Century Network, etc)
- Effective network use (from connectivity to integration of fixed-line and mobile networks)



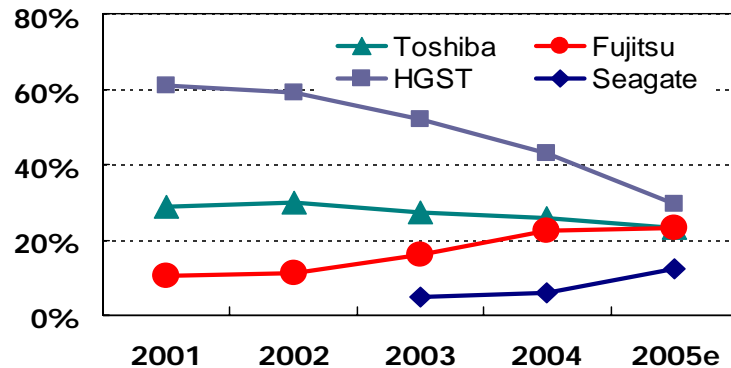


# Ubiquitous Products Business

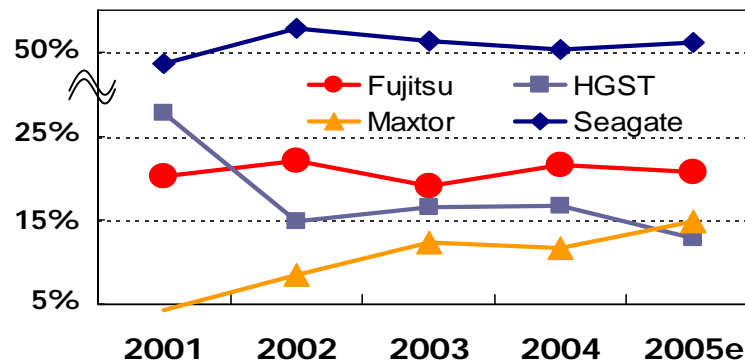
# Hard Disk Drives

Maintain and expand share through superior quality & technology

## Share Trends for Fujitsu's Main Markets (Top 4 Companies)



**2.5" ATA HDD Market**



**SCSI/FCAL HDD Market**

Source: Techno Systems Research Co, Ltd.



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

\*Notebook PCs: 2.5" ATA HDD, Servers: SCSI/FCAL HDD



Develop higher density technologies, pursue collaboration

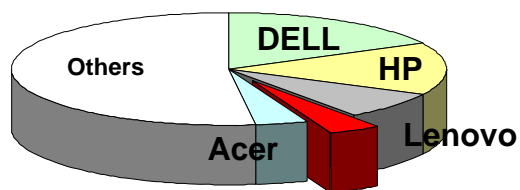
- Shift to new technology for drive head/media (Perpendicular Recording)
- Speed up product development through strategic alliances (1.8" HDD)

# Personal Computers

Pursue differentiated products, leverage Japan-based production

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

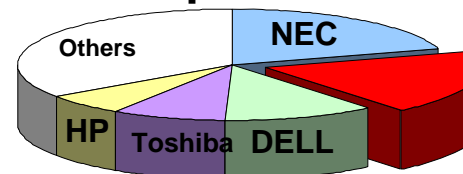
Worldwide\*



Fujitsu/FSC Rank: No. 4 (4%)

Market Size: 178.69 Million Units

Japan\*\*



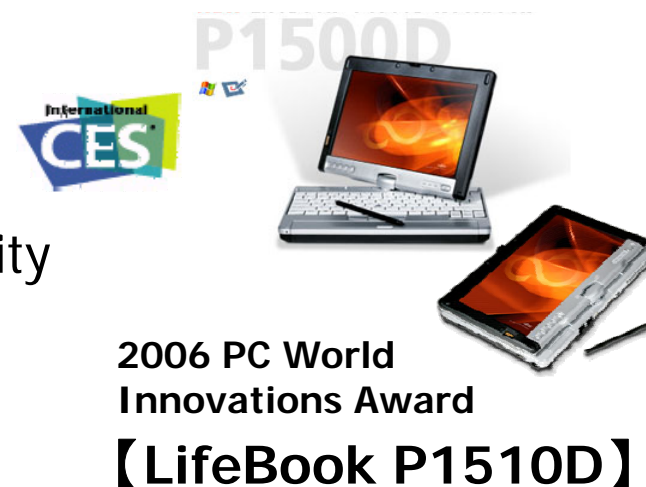
Fujitsu Rank: No. 2 (19%)

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 -32-



# Mobile Phones

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



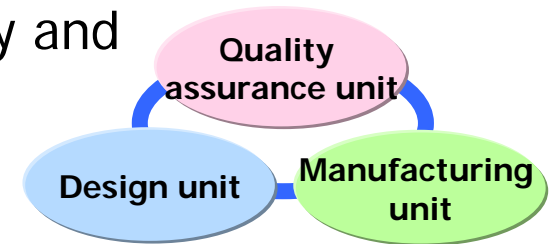
# Manufacturing and Environmental Initiatives

# 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 → 270 hours, work stoppage rate 1/5 (2002→2005)



- TOC reduction through introduction of Toyota Production System

**Example: Mobile base station production at Nasu Plant**

*TOC: total operation cost*

- Improvements from 2003 to 2005:

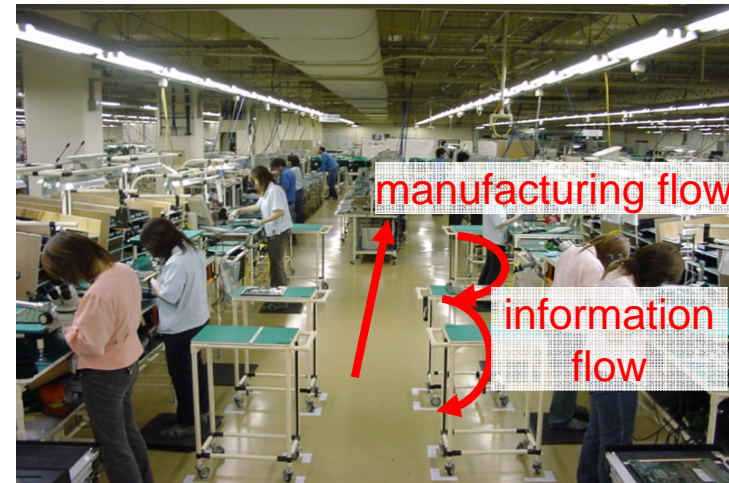
Lead times  
-50%

Processing costs  
-41%

**Before**



**After**



# 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

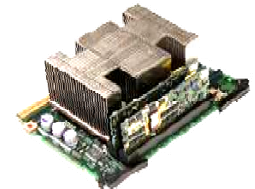
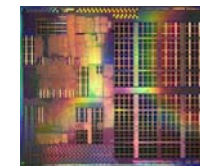
Super Green products



Network servers



Conformance with RoHS directive and various national laws



Processors for high-performance servers



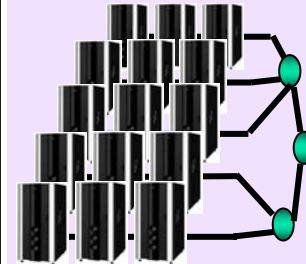
Recycling, office environment

- 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



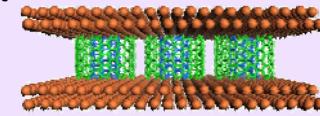
# Engaging in New Markets

Peta-scale computing



Peta-scale computing system

Ultra high-speed interconnect



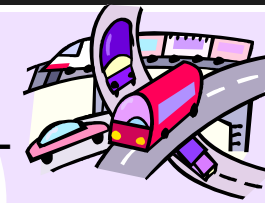
Scientific innovation

Advanced wireless technology

IT

Innovative  
Ubiquitous  
Safety & Security

Communi-  
cations  
technology



ITS

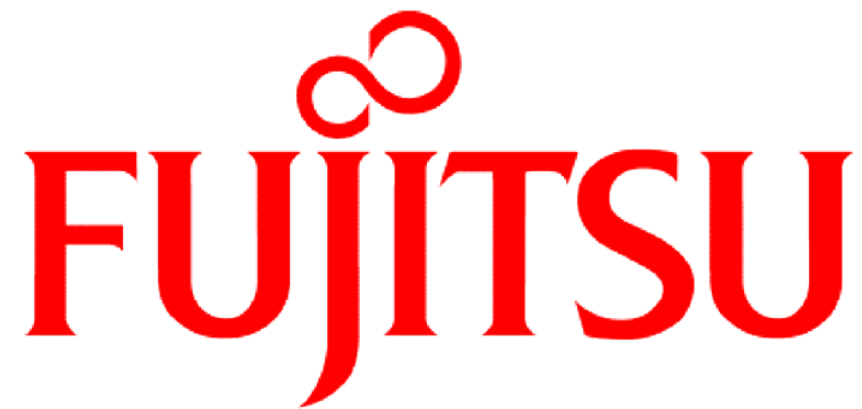


Onboard milliwave radar  
Intelligent/networked cars

Security, palm vein authentication system



Safety and reliability through IT



**FUJITSU**

**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 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.