

# ARCHIVED REPORT

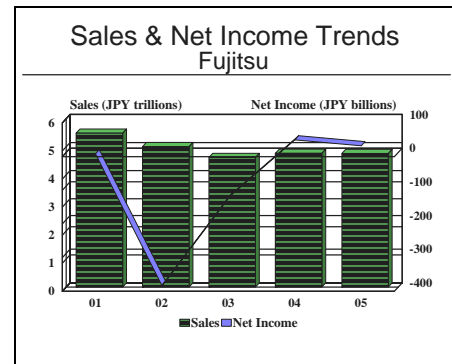
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## Fujitsu Ltd - Archived 7/2006

### Outlook

- Fujitsu's 2004 sales dropped slightly to JPY4,762 billion from the previous year's JPY4,667 billion
- The company posted net income of JPY31.9 billion compared to JPY49.7 billion for 2004
- Fujitsu provides electronic systems to the Japanese military, participating primarily as a subcontractor



### Headquarters

Fujitsu Ltd  
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Fujitsu Ltd was established in 1935 and has grown into one of Japan's top 20 defense firms. However, like many other Japanese firms, the company does not go to great lengths to make its defense market participation known.

Fujitsu, which derives most of its earnings from its civilian electronics programs, is Japan's largest domestic manufacturer of computer systems. However, the company also uses its expertise to compete in the Japanese maritime market, and at one time was the

primary supplier of naval sonar and sea-based surveillance radars to the Japan Maritime Self-Defense Force.

Fujitsu has positioned itself as a subcontractor and team member for various Japanese defense programs. This includes participation in the country's development of an indigenous family of anti-ship missiles, the Type 80s, to replace the Harpoon. Also, Fujitsu is involved in the Japanese anti-tank missile, armored vehicles, and space sectors. In each of these efforts, Fujitsu Ltd acts as a supplier of electronic equipment and components.

In the future, the company is expected to emphasize its civilian electronic products, such as telecommunication equipment, computers, and semi-conductors. Fujitsu is also expected to put its expertise to work in the space equipment market.

The company employs approximately 153,000.

### Structure and Personnel

#### Corporate Executive Officers

Hiroaki Kurokawa  
President and CEO  
Kuniaki Suzuki  
Executive Vice President, Head of President's Office  
Group President, Financial Solutions  
Masamichi Ogura  
Executive Vice President, Corporate Center  
Yuji Hirose

Executive Vice President  
President, Software and Services  
Michiyoshi Mazuka  
Senior Vice President, President, Solution  
Business Support Group  
Takashi Igarashi  
Senior Vice President, President, Industries and  
Distribution Solutions  
Hideaki Yumiba

Senior Vice President, President, Telecom,  
Utility and Media Industries  
Nobuo Nagaya  
Senior Vice President, President, Government  
and Public Solutions  
Hirohisa Yabuuchi  
Senior Vice President, President, Regional  
Business Group  
Hiroya Madarame  
Executive Vice President,  
President, Professional Support  
President, IT Services

Chiaki Ito  
Executive Vice President, President, System  
Products Business Group  
President, Ubiquitous Products Business Group  
President, Products Business Operations Group  
Toshihiko Ono  
Executive Vice President  
President, Electronic Devices Business Group

## Product Area

Fujitsu Ltd provides primarily electronic systems to the Japanese military, participating as the prime and subcontractor. However, the company's largest market area is the civilian sector, for which it produces semi-conductors, electronic equipment (such as cellular and digital phone systems), electronic system components, and computers. The company manages its products in the following manner:

1. Software and Services
2. Platforms
3. Electronic Devices
4. Other Operations

**Software and Services** provides systems construction (system integration services), introductory and operational support services, consulting services, comprehensive management of information systems (outsourcing services, IDC services), and provision of network environment for information systems, as well as various network and Internet services, software, information and network systems maintenance and

monitoring, information systems infrastructure construction, and network construction.

**Platforms** produces servers (UNIX servers, IA servers, Global servers), peripheral equipment for information systems (disk array, etc.), personal computers, storage equipment (magnetic and magneto-optical disk drives), terminals (financial terminals, POS systems), mobile phone handsets, IP systems (Geo Stream, etc.), fiber-optic transmission systems, and mobile communication systems (3G base station systems).

**Electronic Devices** manufactures logic ICs (system LSI, ASICs, microcontrollers, FRAM), Memory ICs (flash memory, FCRAM), semiconductor packages, compound semiconductors, SAW devices, electro-mechanical components, and LCD panels.

**Other Operations** produces electronic materials, electronics-applied components, audio navigation equipment, audio electronic devices, and batteries.

## Facilities

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<http://us.fujitsu.com> This is the company's U.S. representative office.

## Corporate Overview

Fujitsu is primarily a computer manufacturer. Its computer products include PCs, servers, peripherals, and software. The company also has interests in telecommunications network equipment, consumer electronics such as televisions and car audio components, semiconductors, and information technology services. Most of its defense-related work is done on a subcontracting basis in these areas.

### New Products and Services

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**Defence Information Infrastructure.** In June 2003, EDS and Fujitsu announced their team bidding for the U.K. MoD's Defence Information Infrastructure (DII) project under the Atlas consortium. The aim of the DII program, currently in its assessment phase, is to update and merge individual information systems to provide a common platform for business applications, enabling many current paper-based processes to be replaced by equivalent electronic services. In addition to EDS and Fujitsu Services, Atlas also includes three other key members: Cogent Defence and Security Networks, General Dynamics United Kingdom Limited, and

LogicaCMG. No one single Atlas member company will account for a majority of the workload, in accordance with the MoD's procurement criteria.

### **Plant Expansion/Organization Update**

**Gresham Plant Closed.** In January 2002, Fujitsu Ltd closed its Gresham (Oregon) semiconductor manufacturing facility, Fujitsu Microelectronics Inc (FMI). The closure reflects the continuing slump in the worldwide semiconductor market, as well as Fujitsu's intent to consolidate production of flash memory at Fujitsu-AMD Semiconductor Limited (FASL), its joint venture manufacturing facility in Aizu-Wakamatsu, Japan. This move is part of the global restructuring of its semiconductor factories.

### **Mergers/Acquisitions/Divestitures**

**BORN Acquired.** In May 2005, Fujitsu Consulting, part of Fujitsu's global software and services business, and BORN, a business and technology consulting firm headquartered in Minneapolis, Minnesota, signed a definitive agreement under which Fujitsu Consulting will acquire the capital stock of BORN. Additional terms were not disclosed. The acquisition will strengthen Fujitsu Consulting's North American team and extend its delivery capability in several key markets including Minneapolis, Denver, Dallas, Milwaukee, and Atlanta. BORN's staff of nearly 400 professionals brings significant experience and expertise in solution areas such as Enterprise Resource Planning, Microsoft solutions, enterprise data management, and application integration.

### **Teaming/Competition/Joint Ventures**

**Cisco.** In December 2004, Fujitsu Limited and Cisco Systems, Inc reached a fundamental agreement to enter into a strategic alliance focusing on routers and switches that will enable service providers and enterprises to build advanced Internet Protocol (IP) networks. Under this collaboration, Fujitsu and Cisco will carry out joint development of high-end routers, plan future cooperation in routing and switching, and collaborate on continuous quality improvement, enhanced support, and service.

**Alcatel.** In May 2000, Alcatel and Fujitsu established a joint venture to develop and manufacture next-generation mobile communications network systems. The new company will be majority-owned by Alcatel, which will hold 66 percent of the shares, with Fujitsu

holding the remainder. The agreement aims to leverage the technological strengths of both companies and to maximize development efficiency and economies of scale to attain a leading position in the Third Generation mobile communications market.

**Rocket Systems Corp.** In May 1990, 13 Japanese aerospace companies joined forces to market satellite launch services, with the H-2 launch vehicle as the centerpiece of their efforts. In all, 77 Japanese companies, including insurance companies and banks, are investing \$3.2 billion in the new company, called Rocket Systems Corp. Leading the group is Mitsubishi Heavy Industries, with additional members including NEC Corp, Toshiba, Nissan Motor Co, Hitachi, Fujitsu, Kawasaki Heavy Industries, Ishikawajima-Harima Heavy Industries, and Mitsubishi Electric. The primary focus of the new company is to place bulk orders for the H-2, thereby lowering the costs of an individual rocket; this might eventually allow the launcher to compete with comparable vehicles from the U.S. and Europe. At first, however, NASDA (National Space Development Agency of Japan) will be the only customer for the H-2, buying a launcher from Rocket Systems whenever it needs one.

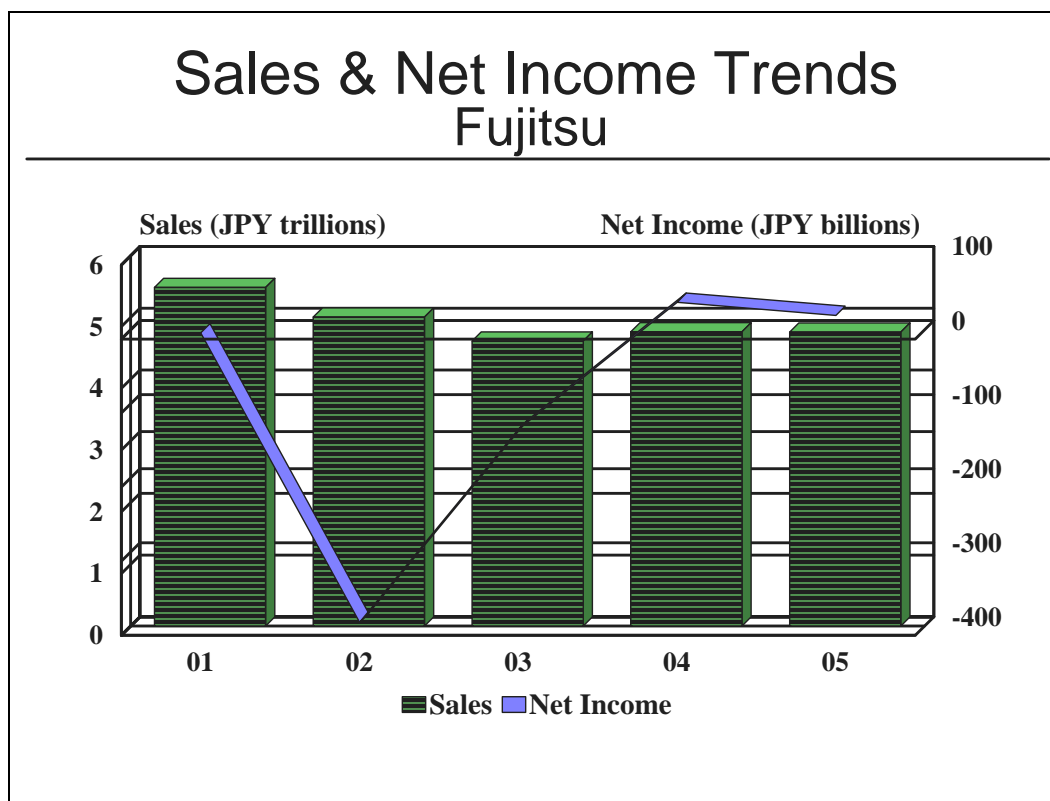
**Spacelab.** Fujitsu is involved with the Spacelab program as a potential user. Spacelab is a manned orbital scientific laboratory sponsored by the European Space Agency and the National Aeronautics and Space Administration. The prime contractor for this program is MBB-ERNO Raumfahrttechnik GmbH, Space Systems Group, now part of DaimlerChrysler's (DASA) Deutsche Aerospace, Bremen, Germany. This system is now operational. In addition, Fujitsu is involved in the Spacelab D-2 effort. A substantial number of inquiries concerning the availability of experiment facilities on board D-2 were received by Intospace GmbH, which is now responsible for promoting the commercial research side of the Spacelab program. For example, Japanese group STC (Space Technologies Corp) signed an agreement with Intospace for the leasing of microgravity experiment facilities. STC is a consortium of the following six Japanese companies: Fujitsu, Hitachi, IHI, MELCO, NEC Corp, and Toshiba. Also of interest is the robotic technology experiment, ROTEX, which has been proposed for D-2 by Dornier.

### **Financial Results/Corporate Statistics**

Fujitsu's 2004 sales dropped slightly to JPY4,762 billion from the previous year's JPY4,667 billion. The company posted net income of JPY31.9 billion compared to JPY49.7 billion for 2004. The losses for 2002/03 were attributed

to the deterioration in the global economic environment. Latest year statistics are provided below. U.S. dollar figures, in millions, translated as of March 2005 at the rate of USD1 = JPY107.55

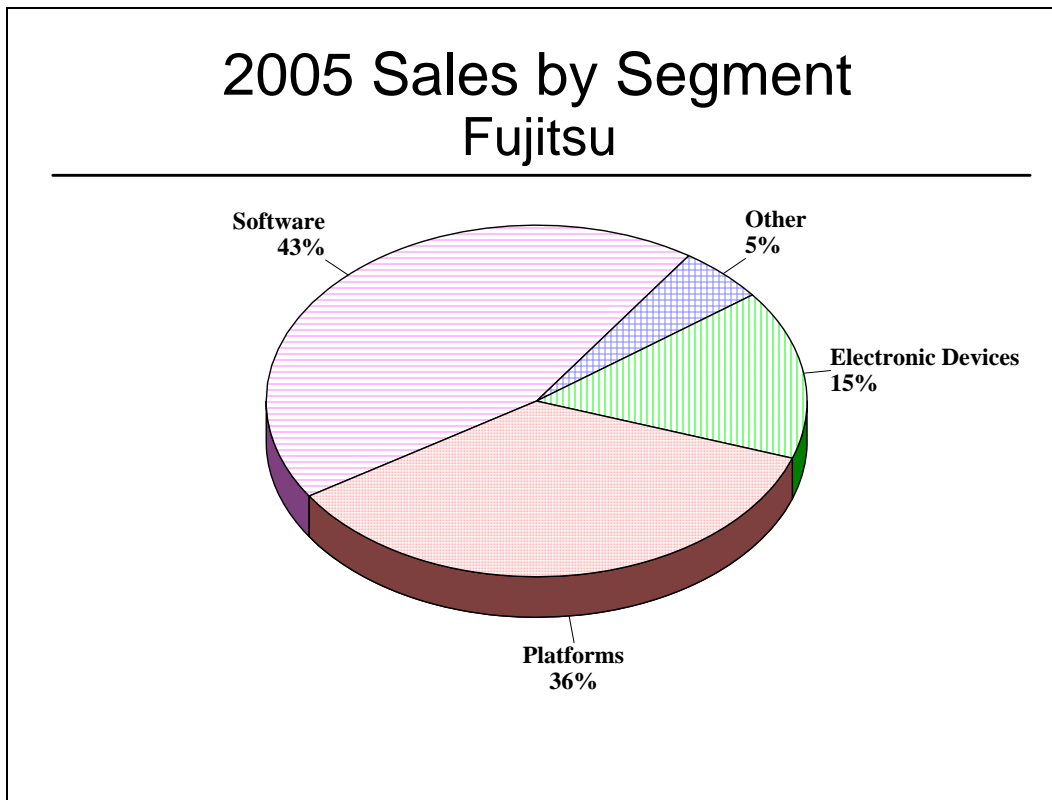
Y/E March 31	2001	2002	2003	2004	2005	2005
(JPY millions)						<b>USD</b>
Net Sales	5484426	5006977	4617580	4766888	4762759	44284
Net Income	8521	-382542	-122066	49704	31907	296



#### Industry Segments

A breakdown of Fujitsu's sales by major market segment for the past three years is provided below. Totals may not add due to rounding.

SALES	2002	2003	2004	2005
(JPY billions)				
Software and Services	2085863	2025790	2094261	2070444
Platforms	2015226	1612016	1608178	1705124
Electronic Devices	546555	618632	734320	733866
Financing	114472	119279	50391	-
Other	244861	241863	279738	253325
<b>TOTAL</b>	<b>5006977</b>	<b>4617580</b>	<b>4766888</b>	<b>4762759</b>



### Strategic Outlook

The effects of the financial crisis that burned through Asia, and of the recent downturn in the world economy, appears to have died down as Fujitsu's pulled itself out of the ashes in 2004. While sales of semiconductors have not taken off of late, they appear to have stabilized enough for Fujitsu's restructuring efforts to have an

impact on the company's performance. The current economic environment is showing a slight demand for IT-related products, and Fujitsu, thanks to the tightening of its operations, should benefit from any increased business spending.

### Prime Award Summary

Information on Fujitsu prime awards is not available.

### Program Activity

Some important aerospace and government programs currently under way at Fujitsu are listed below. The following are the company's business interests:

- Naval Electronic Equipment
- Sonars
- Radars
- Missile System Components
- Vehicle Electronics and Components
- Space Systems and Components
- Civilian Electronics, Computers, and Equipment

#### Electronic Programs

##### Sonars

The Japan Maritime Self-Defense Force (JMSDF) has released very little information on its sonar programs. JMSDF surface ships are known to use the OQS-4A II, which is an upgraded version of the OQS-4, itself an improved version of the U.S. Navy's SQS-23. Submarines use the ZQQ-5, which builds on the technology of the previous ZQQ-4. Hitachi, Fujitsu, and Mitsubishi were the major sonar manufacturers in

Japan, but little has been heard from Fujitsu in the market recently. Hitachi and Mitsubishi are known to be manufacturing sonars for the Japanese Navy, although Fujitsu could be supplying to one or both of these companies. Fujitsu is believed to be participating in the design/development/production of sonars for the Japanese indigenous market.

### Sea-Based Radars

Fujitsu once dominated the Japanese naval radar market, supplying a number of systems for various indigenous warships. At one time, all JMSDF major surface combatants were equipped with Fujitsu-produced radars. Fujitsu apparently began to lose this position in the late 1980s, when the Japanese Navy decided to procure AEGIS-equipped destroyers and give the contract to Mitsubishi. Also, a new company, Furuno, slowly began to take over Fujitsu's leading position as the JMSDF's main surface radar supplier.

### Missile Programs

#### Type 87 Anti-Tank Missile

Developed and manufactured by Kawasaki Heavy Industries Ltd, the Type 87 medium-range anti-tank missile is currently in production for Japan Ground Self-Defense Force requirements. The Type 87 (KAM-40 or Chyu-MAT) is designed as a medium-range, anti-tank/anti-amphibious vehicle missile. Fujitsu provides the missile's imaging-infrared seeker/sight systems. The Type 87 uses a semi-active command-to-line-of-sight guidance with optical sighting and command via wire link.

#### Type 80 Anti-Ship Missile

This is an air-to-surface and surface-to-surface anti-ship missile family sponsored by the Japan Air and Maritime Self-Defense Forces. Mitsubishi Heavy Industries is the prime contractor. Fujitsu produces the XASM-2 variant's imaging infrared seeker. The XASM-2 will replace the Type 80 ASM-1 in Japanese inventory.

### Military Vehicles

#### Type 90

Japan's newest battle tank, the Type 90, will replace the older Type 74. Prime contractor is Mitsubishi Heavy Industries Special Vehicle Division. An advanced fire control suite, featuring a neodymium/yttrium-aluminum garnet laser rangefinder, thermal imaging equipment, and digital fire control computers – including an advanced ballistic computer and extensive night vision

devices, has been developed for this tank. The gunner's primary sight utilizes a thermal sensor provided by Fujitsu.

### Space System Programs

#### H-2A

The H-2A is a two-stage heavy satellite launch vehicle. Mitsubishi Heavy Industries (MHI) is responsible for the design and construction of the H-2 vehicle structure. Kawasaki Heavy Industries (KHI) is responsible for the design of the large satellite/payload fairing for the H-2 and also for the construction of the launch pad facilities at Tanegashima Space Center. Other major contractors include Ishikawajima-Harima Heavy Industries Ltd (IHI), NEC Corporation, Fujitsu, and Nissan Motor Company Ltd. The H-2A is in production; first H-2 launch took place in February 1994. The H-2A's commercial popularity is expected to increase a bit now that the rocket has performed a number of successful consecutive missions and its insurance premiums are subsiding.

#### Japanese ETS

The Japanese ETS is an engineering and scientific test satellite. Prime contractors for the NASDA's ETS program are NEC Corporation Space Development Division (ETS-I), Mitsubishi Electric Corp (ETS-II/IV/V), and Toshiba (ETS-II). All three companies cooperated on the ETS-VI program. Fujitsu Ltd developed a high-performance robotic hand for the ETS-VII spacecraft, which was launched in 1997. The robotic hand was used to test remote operations in space as a forerunner to future space station operations.

#### JEM

The Japanese Experiment Module (JEM) has a Pressurized Module, an Experiment Logistics Module, and an Exposed Facility for attachment with the NASA space station. NASDA (National Space Development Agency of Japan), SAC (Space Activities Commission), ISAS (Institute of Space and Aeronautical Science), NAL (National Aerospace Laboratory), STA (Science and Technology Agency), and MITI (Ministry of International Trade and Industry) are promoting this program. Mitsubishi Heavy Industries is the lead company on the JEM program and is responsible for the module's pressurized and supply portions. Subcontractors include Ishikawajima-Harima Industries, Nissan Motor Co's Aeronautics and Space Division, Toshiba Corp's Space Station Program Division, Kawasaki Heavy Industries Ltd, Mitsubishi Electric

Corp, and Hitachi Ltd. NEC Corp has formed a Space Station Division specifically relating to JEM R&D work. Additional contractors include Mitsubishi Space Software and Fujitsu. Spar Aerospace's Advanced

Technology Systems Division is providing engineering support to Toshiba for the JEM remote manipulator system. The JEM facility will be launched in three parts once Shuttle flights resume.

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