

## Summary Translation of Question & Answer Session at Briefing for Analysts on Reorganization to Strengthen Position in Medium-Sized Business Market

Date: May 21, 2009  
Location: Imperial Hotel, Tokyo  
Presenters: Koichi Hironishi, Corporate Senior Executive Vice President, Fujitsu Limited  
Kuniaki Suzuki, President, Fujitsu Business Systems Ltd.

### **Questioner A**

*Q1: You want to increase sales in the medium-sized business market to 500 billion yen, but the specific initiatives you have outlined appear to focus primarily on generating greater efficiencies. How will greater efficiencies lead to higher sales?*

**A1 (Hironishi):** Right now, issues such as the division of responsibilities between Fujitsu and Fujitsu Business Systems, or how far the business scope of Fujitsu Business Systems should extend, have not been clearly defined, so there are cases in which both Fujitsu and Fujitsu Business Systems are doing business with the same customer.

By clearly defining each company's respective role, Fujitsu Business Systems will extend its reach to customers with 10 billion yen or less in annual sales, and Fujitsu will focus its efforts on developing business with larger customers. This will lead to growth in both sales and profits.

**(Suzuki):** It is true that a part of our initiatives announced here today relates to generating efficiencies, but if we focus on raising the efficiency of inefficient areas of our business, we will be in a much stronger position. The small- and medium-sized business market represents a 5-trillion-yen market opportunity, and we are simply not in a position to adequately cover that market with our current organizational structure. By concentrating our resources, we will be in a stronger position to serve the market, and that will lead to higher sales. We also want to strengthen our coverage of smaller-sized companies.

*Q2: You mentioned that you plan to transfer Fujitsu's sales function for medium-sized businesses to Fujitsu Business Systems, but do you plan to transfer or reassign employees, and, if so, how many?*

**A2 (Hironishi):** Within Fujitsu, there are sales teams covering customers with 30 billion yen or less in annual sales, and within Fujitsu Business Systems there are sales teams covering large customers. For these areas of overlap, we need to make adjustments in terms of customer accounts and personnel, and we are considering transferring some people, but we have not yet decided how many or when.

### **Questioner B**

*Q1: You mentioned that you will phase in the integration of sales functions for the medium-sized business market, starting with Tokyo, Nagoya, and Osaka. If we take the specific case of Tokyo as an example, you also have Fujitsu System Solutions and other*

*systems engineering subsidiaries operating in the medium-sized business market. Will you also be shifting personnel from those types of subsidiaries?*

**A1 (Hironishi):** We have 17 regional systems engineering companies. In some cases, they are developing similar packaged software, and they also have overlapping administrative functions. We would like to eliminate waste and redundancies, but that does not necessarily mean that we intend to consolidate these companies through mergers. We are implementing shared administrative functions virtually, for example, and we are making strides to implement a unified approach to customers in project management.

With respect to the relationship with Fujitsu Business Systems, we will need to consider this further. We will need to consider how best to structure Fujitsu's own salespeople and system engineers, the system engineers of our system engineering companies, and the salespeople and system engineers of Fujitsu Business Systems to promote the overall efficiency of the Fujitsu Group. We will also further consider how to strengthen group-wide management.

*Q2: In terms of your products, you have WebAS and GLOVIAsmart, and GLOVIAsmart was originally a product of Fujitsu System Solutions. Do you plan to bring consistency to your product offerings?*

**A2 (Hironishi):** We have brought together the products made by each company and applied unified specifications, but our marketing in terms of knowing exactly what functions the customers really need has been insufficient. We will also consolidate the product planning division into Fujitsu Business Systems, and we want to make software packages that our partner network and Fujitsu Business Systems can really sell. Up to now, we have been selling software packages created from the large-company perspective of Fujitsu, but these have not always met the needs for small- or medium-sized businesses, and that is why we want Fujitsu Business Systems to take over that role.

*Q3: You spoke about strengthening your relationship with sales partners, but what specific aspects do you intend to change?*

**A3 (Hironishi):** Our partners want products that will support their sales efforts, but the software packages that Fujitsu provides are really not applicable for businesses with annual sales of 5 billion yen. Because Fujitsu Business Systems is focused on medium-sized businesses, they are closer to the customers and can plan, develop, and provide products that our partners can sell. That is how we plan to strengthen our cooperation with partners.

### **Questioner C**

*Q1: In terms of timing, why did you decide to make Fujitsu Business Systems a wholly owned subsidiary now?*

**A1 (Hironishi):** In fiscal 2009, we are continuing to push ahead on structural reforms. We need to strengthen group management and clearly define respective roles within the

group. If we don't, in the current economic environment we run the risk of not being able to increase sales. This was also a move we had been considering for many years.

#### **Questioner D**

***Q1:** In being converted to a wholly owned subsidiary, how will the scale of sales at the new Fujitsu Business Systems change? With responsibility for the medium-sized business market being shifted to Fujitsu Business Systems, what will happen to the business with large companies and public-sector customers that Fujitsu had contracted to Fujitsu Business Systems?*

**A1 (Suzuki):** We are in the process of devising our plans, so we would like to speak to you about that at a later time. Out of Fujitsu Business Systems's 150 billion yen in sales in fiscal 2008, about 50 billion yen was from medium-sized businesses, about 50 billion yen from large customers, about 20 billion yen from public-sector entities, and the rest was maintenance or construction-related work, so a fairly substantial portion of our sales is dependent on large customers and public-sector entities. To the 50 billion yen in sales to medium-sized businesses, we will add the medium-sized business from Fujitsu and seek to grow. We will gradually reassign responsibilities for our work with large companies and public-sector entities as needed. We will start with 150 billion in sales, with some business segments increasing in sales and some segments decreasing in sales, and seek to grow from there. Within a few years, if we have not grown our business to 300 billion in sales, then, considering the size of the medium-sized business market, there is no sense in targeting the market. We will be putting together detailed plans.

***Q2:** How will Fujitsu's SaaS products for medium-sized businesses be handled?*

**A2 (Suzuki):** J-SaaS is really for smaller businesses with 10-20 employees and annual sales of about 1 billion yen, and Fujitsu Business Systems is not especially strong in that segment. Fujitsu provides that platform and will continue to handle that business. Fujitsu Business Systems has taken applications for medium-sized businesses and converted them to a SaaS model, such the WebOffice groupware, and we would like to coordinate these offerings with Fujitsu's platform and SaaS technologies to create powerful tools to strengthen our position.

***Q3:** Fujitsu Business Systems has been relatively independent from Fujitsu, but how will your relationship change as a result of becoming a wholly owned subsidiary?*

**A3 (Suzuki):** Our independence stems from the fact that we have our own customers and are not dependent on business from Fujitsu. In terms of taking responsibility for our own market, I think we can preserve our independence. Even when the changed capital structure makes us a 100% subsidiary of Fujitsu, there will be no reason to change our corporate culture, and our employees understand that.

#### **Questioner E**

***Q1:** In your slide "Targets for Medium-Size Business Market," you have sales to medium-sized businesses growing from 350 billion yen in fiscal 2008 to 500 billion yen in*

*fiscal 2013, and you show fiscal 2008 sales in Japan for Technology Solutions of 2,126.7 billion yen, but do you have a corresponding projection for Technology Solutions for fiscal 2013?*

**A1 (Hironishi):** The 500 billion yen in sales to medium-sized businesses is our target, and I would like to see us achieve that level. Fujitsu simply was unable to adequately cover the market, but we will be in a stronger position to do so with our new structure. At this point, I am unable to discuss our overall targets for Technology Solutions.

*Q2: I don't understand the reason for making Fujitsu Business Systems a wholly owned subsidiary. You already had control with a 52.55% stake, so could you explain why it was necessary to have full ownership?*

**A2 (Hironishi):** As I explained earlier, there were cases in which both Fujitsu and Fujitsu Business Systems were doing business with the same customer. Even though Fujitsu had a majority equity stake, we cannot tell them to stop doing business with a customer. On the other hand, we also asked Fujitsu Business Systems to improve its earnings. Over time, some difficult issues had developed, and if Fujitsu Business Systems became a "mini Fujitsu" operating in the same style as Fujitsu, we would not be in a position to exploit the full power of the overall Fujitsu Group. By clarifying responsibilities and having each company focus its full efforts on its respective market, it becomes a win-win situation for all sides, and that was why we decided to make Fujitsu Business Systems a 100% subsidiary.

#### **Questioner F**

*Q1: From fiscal 2003 to fiscal 2007, Fujitsu Business Systems posted five consecutive years of declining sales, and if we include your projections for fiscal 2009, since fiscal 2003 your sales will have decreased by 20%. Could you summarize the overall trend over those these five years? In addition, in planning to increase sales to the medium-sized business market over 5 years, where do you see opportunities? For example, you spoke about volume sales of PC servers, but will sales increase by selling lower-priced products? Could you explain the strategy of Fujitsu Business Systems in focusing on selling high-volume products?*

**A1 (Suzuki):** From fiscal 2003 to fiscal 2007, our sales declined each year. For fiscal 2008, we increased sales of some of our hardware products, and we had some large public-sector deals, enabling us to post higher sales for the fiscal year, but there is still an overall declining trend. The reason has been a decline in our hardware and maintenance businesses. Our sales of services and solutions over the past 5 years have solidly increased. The needs of medium-sized business customers have also shifted from a focus on hardware to a focus on solutions and software, and Fujitsu Business Systems has changed to meet those needs. The steps we are taking now are designed to increase that business even more. Within the Fujitsu Group, overall sales to medium-sized businesses are 350 billion yen, of which Fujitsu Limited accounts for 100 billion yen, but it is the result of a fragmented approach to the market. By concentrating on this market, we will be able to generate efficiencies, and there are opportunities to increase our sales. We will

sell IA servers as a platform for solutions as part of Fujitsu's initiative. Our focus is still on solutions, and we will be selling platforms to support the growth in sales of solutions and software.

### **Questioner G**

*Q1: You mentioned that there will be some employee transfers, but which side will have a net increase in employees, Fujitsu or Fujitsu Business Systems? And will cost reductions be part of your plan to generate greater efficiencies?*

**A1 (Hironishi):** We are not yet in a position to give you a concrete answer. The new Fujitsu Business Systems will start on October 1, and we should be in a position to explain in more detail around that time. Generating efficiencies should result in an overall reduction in costs, but we do not have any projections on cost reductions.

*Q2: Is Fujitsu planning to restructure other IT services subsidiaries?*

**A2 (Hironishi):** The management strategy of strengthening overall group management has not changed. There are still many companies that have grown independently, such as FSAS and FIP, with their own salespeople and customer engineers, so of course we are considering structural reforms for those companies, as well. But physically consolidating the company as a 100% subsidiary, as we have done in this case, is not our only option. In the case of FSAS, for example, that company has its own customer engineers and salespeople, and of course we need to consider various issues, such as what we should do to generate efficiencies in maintenance services, or whether FSAS should continue handling infrastructure "industrialization" work. Rather than consolidating everything, our basic policy is to clarify responsibilities within the Fujitsu Group. We are considering various options, but we are not yet ready to discuss them. Reforms are needed throughout the Fujitsu Group, including in our operations outside Japan.

### **Questioner H**

*Q1: I suppose you have not yet had a chance to explain these changes to your partners, but just as Fujitsu and Fujitsu Business Systems compete in some areas, I assume there are many cases in which Fujitsu Business Systems and your partners compete. Even if you say that you want to sell through your partners, I am sure that there are many partners who will not accept your words at face value. To reassure them, are you considering such things as changing your method of sales incentives?*

**A1 (Suzuki):** What our partners are telling us is the biggest problem with the Fujitsu Group is the lack of powerful solutions for the medium-sized business market. Therefore, to meet their expectations, our biggest challenge is whether we can deliver the results they need through our new structure. There may be a sense that Fujitsu Business Systems may not be willing to hold back for perceived competitors, and under the structure in place up until now, perhaps, that would have been the case, but for us to fulfill our role as a full member of the Fujitsu Group, we need to convince people to change that way of thinking. In the end, however, what I think will be crucial to our success is our ability to provide full support for partner sales proposals. In addition, I would also like to come up

with ideas on how we could work together with partners to generate efficiencies in joint procurement and joint marketing, but the specifics will come later. There will be a variety of ways for us to reassure our partners about our plans.

**(Hironishi):** We cannot position this move as an attempt to have Fujitsu Business Systems handle the realm that our partners have handled. If we do things like marketing and provide products that will enable our partners to fully mobilize their strengths, I think we can get our partners to understand the benefits of this move. Mr. Suzuki will be visiting our major solutions partners with Fujitsu managers to explain today's announcement. In the past, we have gathered solutions partners together to introduce Fujitsu's products, and I think they appreciated those efforts, but they also asked what we could do for them, complaining that they did not have the right products to sell. For example, we may think that we have a software package that is appropriate for a local government district with 300,000 people or more, but we might not have a software package that is appropriate for a local government district with just 100,000 people. So we have heard partners tell us that we do not have the right products for them to sell. Because of that, rather than having Fujitsu think of new products, we decided that having Fujitsu Business Systems, which is much closer to the small- and medium-sized business market, handle product planning would be better. It is not the case that we intend for Fujitsu Business Systems to handle all customers in competition with our partners.