**Summary Translation of Question & Answer Session at
Management Direction Briefing for Analysts**

Date: July 23, 2009, 16:00 ~ 18:05
Location: Keidanren Kaikan, Tokyo
Presenter: Kuniaki Nozoe, President

Questioner A

Q1: *Though the business environment in fiscal 2009 continues to be very severe, you still expect to achieve record income in fiscal 2011. Please give us some background on how you came up with this target.*
A1: From fiscal 2003, former President Hiroaki Kurokawa and I began reforming the profit structure of the solutions business, which has been one of the pillars of our company, and we've made significant progress. Another positive factor is the ongoing strengthening of the structure for business outside Japan—issues that ended in discussions in the past are now actually being resolved, so I see progress there, too. These factors were behind the setting of a target for record income.

Q2: *What are the biggest issues Fujitsu faces right now?*
A2: The two businesses where we need to continue structural reforms are device solutions and the networks business. As for the device solutions business, instead of creating hasty tie-ups with other companies, we've booked impairment losses on the Mie Plant as part of our plan to return to profitability from the second-half period of fiscal 2009. In the networks business, we've placed Corporate Senior Vice President Hiroshi Nagatomi, who was previously the president of subsidiary Fujitsu Network Solutions, in charge of the Network Business Group. Under his structural reform plan, the group is expected to return to profitability in mid-fiscal 2010.

Q3: *Is growth in the Japanese IT market in fiscal year 2010 and 2011 a premise to achieving your medium-term targets?*
A3: In conversations with the presidents of our client companies, there is a strong interest in using cloud platforms and other new types of IT investment in areas like internal control and strengthening corporate structure. When analyzing our opportunity pipeline database, we find that the underlying demand for system upgrades is still strong, so we expect there to be continued growth in Japan.

Questioner B

Q1: *At last year's Management Direction Briefing, you commented that the monthly inventory turnover ratio of 2 times was a challenging target. You also commented about the SE project turnover ratio. What's your view on your progress in improving these indicators?*
A1: The monthly inventory turnover ratio target of 2 times was set by former President Kurokawa, and to be honest, I've been somewhat skeptical of our ability to meet it. Considering the current economic environment, I think it will take at least until fiscal

2011 to meet this target. As for the SE turnover ratio, through better management of large-scale projects, there's been clear improvement in the turnover ratio for expert SEs. In 2003, when we were facing growth in the amount of losses generated from unprofitable solutions/SI projects, we tried to deal with it by assigning expert SEs to the problem projects, and that created new problems because the expert SEs were tied to these problem projects for long periods of time. So lower-level SEs were in charge of other projects and project management didn't always go smoothly, which generated further losses. We've extracted ourselves from that vicious cycle and reached a point where the losses have been significantly minimized, so the expert SE turnover has improved considerably.

Q2: *In your previous medium-term targets, you aimed for an operating margin of 7% for Technology Solutions segment as a whole and 4% for the System Platforms sub-segment. Do you have any similar targets in the new medium-term plan?*
A2: In fiscal 2009, the margin for the System Platform sub-segment will probably be lower than 4%, but for fiscal 2011, we are aiming to increase the margin to over 8% for the entire Technology Solutions business. The main profit engine will be the Services sub-segment, and though we can't expect the profitability of the System Platform sub-segment to be as high, we do expect the business to be a profit contributor.

Q3: *Considering that you plan to become a global player in the IT industry, do you think that your current owners' equity ratio is sufficient?*
A3: I don't think the current level is at all sufficient. As for the fiscal 2008 results, if we had posted the size of net loss that other Japanese companies in the same industry had posted with our current owners' equity level, we would have been in a very serious financial situation. Our cash flow is still solid, and therefore I'm confident we will have the cash needed to carry out our business activities. At this time, I can't make any comments about increasing our capital or carrying out share buybacks going forward, but I can assure you that internally I will determine and inform respective departments of certain levels for critical financial indices like ROI and owners' equity ratio to reach by the end of fiscal 2009.

Questioner C

Q1: *Your sales target for fiscal 2009 is 4.8 trillion yen, rising to 5 trillion yen in fiscal 2011. That seems like minimal growth. Are you planning to sell off any other businesses in this period?*
A1: Some businesses may be sold off to help improve financial results, but this won't have a major impact on our consolidated sales. In creating the new medium-term targets, we put a priority on our income targets, and we see 5 trillion yen as the minimum we need to meet the fiscal 2011 target of a 5% operating margin. In terms of Group management, we are aiming to realign Group companies and clarify the mission of each of them in order to improve consolidated sales and income. Given the current economic environment, we had to be cautious about setting the target for growth to 5 trillion yen, but at this point I think we can make the target.

Q2: *As you expand business globally, what will be your next priority area after Europe—North America or APAC/China? Though your business in Europe has grown to more than 500 billion yen, how long will it take to grow North America and APAC/China into the same size? Are you planning M&As?*
A2: In North America, we are adopting the business model used by Fujitsu Services in the UK to grow our services business in the region. But there is a limit to expansion based on this model because the model depends heavily on specialized human resources, and it is difficult to make investments to grow fixed assets in the North American business to the same level as Fujitsu Services has. In our business outside Japan, we're focusing right now on improving the operating margins in EMEA to the same level as in Japan, and for growth, we are looking towards BRICs markets next. While we do not think we can be successful expanding into China from Japan, we do think we can expand from EMEA into China. We also believe there are opportunities in Russia by expanding through Fujitsu Technology Solutions, the successor company to Fujitsu Siemens Computers, which we converted into a wholly owned subsidiary in April 2009. Our first priority is to strengthen the business structure in EMEA, including Russia, the Middle East, and continental Europe, and then during fiscal 2009, to clarify the direction of our business.

<u>Questioner D</u>
Q1: *You plan to expand sales of x86 servers globally, but I think it's rather difficult for Fujitsu to differentiate its servers from competitors. What's your strategy?*
A1: The era of making large profits on hardware products is over. Though the goal is to sell 500,000 units of x86 servers in fiscal 2010, the longer-term goal is to add services to these deals. We can improve profitability by following up server sales with operational and maintenance services, along with outsourcing. There are also other types of Product-Related Services (PRS) that we will aim to grow, including system and network redundancy and storage systems.

Q2: *What is Fujitsu's strategy on cloud computing?*
A2: In the cloud computing era, server consolidation, network integration, and security are some of the technologies and capabilities that will grow in importance, and these also happen to be core competencies of Fujitsu developed from the start of our mainframe business. We have built up various technical strengths and capabilities through the development of IT assets and networks. We are transitioning from an era in which the company owns IT assets internally to a cloud computing era in which people utilize services offered over networks. We are now deploying "Trusted-Service Platform" services for cloud computing that leverages these strengths.
We have deployed some 200,000 customized applications in Japan, and to upgrade these for a cloud computing model will require great technological resources. Cloud computing combines many different applications to build an optimized Internet-based architecture, and Fujitsu's applications alone will not be sufficient to meet customer needs. To be successful in the cloud computing business, companies need to partner and collaborate on applications, networks, and other areas. I think, however, that customers using large-scale

systems will need more time before shifting to cloud computing. The initial demand will be from small- and medium-sized enterprises.