

Outline of Comments at Analyst Briefing for the Fiscal 2010 Financial Results Announcement

Date: April 28, 2011
Place: Shiodome Headquarters Building, Tokyo, Japan
Presenter: Masami Yamamoto, President, Fujitsu Limited

Outline of Remarks

My name is Masami Yamamoto, the president of Fujitsu.

First of all, on behalf of everyone here at Fujitsu, I would like to say that our hearts go out to all those who have been affected by the Tohoku earthquake. We pray for everyone's safety and swift recovery.

At Fujitsu, it is our mission to leverage the power of information and communication technology to support the infrastructure of society. This is why we are making all-out efforts to facilitate Japan's recovery and rebuilding.

- In this overview of our fiscal 2010 financial results, my focus will be on what impact the earthquake had on our performance. Please refer to page 13 of FY 2010 Full-Year Financial Results.
 - In January of this year, we assessed the risks, both inside and outside of Japan, that could impact financial results. Consequently, we revised downwards our projections for operating income and net income, to 145.0 billion yen and 75.0 billion yen, respectively. Prior to the earthquake, we were on track to meet these revised projections. The figures in the right column ('Change vs. Jan. 2011 Forecast') reflect the impact of the earthquake.
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- In terms of production output following the earthquake, we were not able to fulfill all of our commitments to customers. In addition, some business was temporarily put on hold. As a result, sales fell by 41.5 billion yen and operating income declined by 12.4 billion yen. We also posted an earthquake-related extraordinary loss of 11.6 billion yen, and net income deteriorated by 19.9 billion yen.
 - Accordingly, net sales for fiscal 2010 amounted to 4,528.4 billion yen, a decline of 3%, or 151.1 billion yen compared to the previous fiscal year. However, excluding negative impact of foreign exchange rates, sales increased slightly.
 - Gross profit stood at 1,257.4 billion yen, with a gross profit margin of 27.8%. This was an improvement of 1.2 percentage points over the previous fiscal year. The negative impact of yen appreciation, declines in sales prices, and loss on some services projects outside of Japan was offset by the effects of higher unit sales volumes, cost reductions, and structural reforms.
 - Operating income amounted to 132.5 billion yen, an increase of 40.5%.

Fujitsu's operating income margin recovered to 2.9% owing to an improved margin rate and control of selling, general and administrative expenses. However, this still fell short of plans as we maintained proper forward-looking development investments for our future growth, even under such a difficult operating environment.

- The losses we sustained from the earthquake were partially offset by other extraordinary gains, but we recorded an extraordinary loss of 5.6 billion yen. As a result, income before income taxes amounted to 102.2 billion yen, and net income stood at 55.0 billion yen. Considering that net income in the previous fiscal year reflected gains on the sale of investment securities, our net income in fiscal 2010 demonstrates a rising trend in comparison with the previous year's results.

The earthquake impacted fourth-quarter results for each of our business segments. Figures are listed on the right of page 14.

- As you can see from the table on the top of this same page, fourth-quarter net sales were 1,284.5 billion yen, and operating income amounted to 64.1 billion yen, a year-on-year decline of 14.8 billion yen. Each segment had various positive factors, but they were not enough to cover the very significant negative impact of the earthquake.
- The other table on this page details the 11.6 billion loss incurred due to the disaster, and the table on page 15 shows the recovery status of the seven Tohoku region production facilities that were damaged by the earthquake. As of last week, full production capacity had been restored to all plants.
- This concludes my overview of financial results.
- Somewhat more time is required to develop financial projections for fiscal 2011. At present, although full production capacity has been restored to all of our plants, many uncertainties remain concerning such factors as electrical power shortages and our ability to procure components and materials. It is also extremely difficult to rationally assess demand trends in Japan's ICT market.
- We intend to determine our plans for fiscal 2011 dividends after developing fiscal 2011 financial projections. We have therefore postponed a decision on level of dividends at this time.

Fujitsu management will, however, keep in mind the following three points for fiscal 2011:

1. Rebuild a stable supply chain for our products, and in minimizing the earthquake's impact, we aim for recovery in the second half of fiscal 2011.
2. Realize the expeditious restoration of earnings power for businesses outside Japan, and position them as drivers of growth.

3. Retain forward-looking development investments to generate solid growth in fiscal 2011 and beyond.
- There are no fundamental changes to the Fujitsu Group's growth strategy. We need to thoroughly assess our immediate downside risks and upside potential, devise a realistic growth scenario, and put together action plans and targets. When this is completed I would like present the new plan.