Remarks by President Masami Yamamoto at FY2012 Full Year Financial Results Announcement

I am Masami Yamamoto, the president of Fujitsu. Thank you all for taking time out of your busy schedules to attend today's briefing. Kazuhiko Kato, our CFO, will be giving an explanation of our financial results, but first I would like to make a few remarks on our performance in fiscal 2012 and our priority tasks for fiscal 2013.

For fiscal 2012, we recorded operating income of 95 billion yen, which was slightly below the target we announced in February, and a net loss of 73 billion yen for the period.

For operating income, performance in our Technology Solutions segment in and outside of Japan was strong, but the results of LSI devices and mobile phones businesses were, amid severe market conditions, worse than anticipated. At the same time, however, we did not slow down the pace of our advance investments for future growth.

For net loss, in accordance with the scheme I outlined at our management direction briefing on February 7, we have used 150 billion yen in extraordinary losses to implement specific measures to address our underperforming businesses and to undertake structural transformation to strengthen our management fundamentals.

With respect to specific measures to address our underperforming businesses, first, in accordance with the restructuring and new direction I outlined for our semiconductor business on February 7, we pursued negotiations with our counterparties regarding our LSI device business, and today we announced our decision to transfer our microcontroller and analog device business to Spansion Inc.

As for our SoC (System LSI) business and the 300mm line of our Mie Plant, although I cannot provide further details at this time, I can say that we are progressing in serious discussions with the related parties with the aim of bringing about ongoing development of the businesses.

In addition, as we start to see the cost benefits from the workforce rationalization measures in and outside Japan as well as the impairment loss on production facility, we expect the LSI device business to stabilize starting in the second quarter of fiscal 2013.

Next, regarding our European business, we took measures to shore up the financial position of Fujitsu UK & Ireland's pension scheme and, furthermore, at Fujitsu Technology Solutions, we wrote down the value of our goodwill and decided to implement a workforce rationalization measure affecting 1,500 employees. In cooperation with a variety of stakeholders, the plan is moving toward implementation.

In our PC business, as we have placed a renewed emphasis on profitability, and, as the weakness in the euro lifted, losses in the business were largely eliminated in the second half of the fiscal year.

While continuing to transform the cost structure of our hardware business, we will rebuild our sales and services organizations with an aim to shift toward a services-oriented business model.

Next, I would like to talk about the structural reforms to strengthen our management fundamentals. In order to create a foundation for growth and strengthen our value-added services business, we are moving forward with personnel-related measures and measures to raise the efficiency of our corporate headquarters functions and to reform our cost structure.

In terms of personnel-related measures, in addition to cutting the compensation levels of corporate executive officers and managerial-level employees and deferring pay raises for regular employees, which were implemented as emergency measures, we are also instituting an early retirement incentive plan for managerial-level employees and reducing our use of external resources.

In addition, in terms of streamlining our corporate headquarters functions and reducing costs, we are shifting personnel from the back office into direct sales groups and reducing indirect expenses.

Because this series of reforms has temporarily hurt our owners' equity on both a non-consolidated and consolidated basis, we have decided not to pay a year-end dividend for fiscal 2012, nor will we pay an interim dividend for fiscal 2013.

We want to accelerate our reforms and restore our fundamentals to a solid footing so that we can resume dividend payments to our shareholders as quickly as possible.

Next, our financial projections for fiscal 2013 are net sales of 4,550.0 billion yen, operating income of 140.0 billion yen, and net income of 45.0 billion yen.

Our projection for operating income represents an increase of 45 billion yen over our results for fiscal 2012. This is comprised of: 25 billion yen from the restructuring of our semiconductor business and European business; and 20 billion yen from the effects of personnel-related measures and reduced corporate headquarters expenses.

Aside from this, there are certain special factors, such as the increase in UK pension expenses, that will add approximately 15 billion yen in higher costs, but we expect to be able to absorb this amount through improved core earnings.

We have to assume a severe environment for our Ubiquitous Solutions businesses. We will accelerate such initiatives as reducing the number of models we sell and offering new services that employ mobile devices for the frontline field operations of our customers, but the difficult environment is likely to persist for some time.

On the other hand, the ICT market in Japan is rebounding strongly, and the trend toward cloud deployments by enterprise customers is gathering real momentum. In accordance with the Fujitsu Technology and Service Vision we recently announced, we will leverage our vertically integrated business model and launch a variety of competitive new products to strengthen our dominance in Japan's ICT market.

Going forward, we will not let up on addressing our underperforming businesses or on structural reforms to strengthen our management fundamentals. In fiscal 2013 we will accelerate and intensify reforms to our cost structure and initiatives for growth.

In doing so, we aim to meet our medium-term financial targets, which are to generate operating income of at least 200.0 billion yen, net income of at least 100.0 billion yen, and free cash flow of at least 100.0 billion yen.

That concludes my remarks.