Summary Translation of Question & Answer Session at FY 2012 Financial Results Briefing for Analysts

Date: April 30, 2013
Location: Fujitsu Headquarters, Tokyo
Presenters: Masami Yamamoto, President
Kazuhiko Kato, Corporate Executive Vice President & CFO

Questioner A

Q1: *Please describe in more detail how the effects of your structural reforms are reflected in your projections for fiscal 2013. In particular, to what degree will your personnel rationalization and emergency personnel measures have an impact?*

A1 (Kato): For the structural reforms in our semiconductor business and business outside Japan, we are projecting an impact of 25 billion yen. By segment, we are expecting an impact of 10 billion yen in the Technology Solutions, 2 billion yen in Ubiquitous Solutions, and 13 billion yen in Device Solutions. The 10 billion yen in Technology Solutions and 2 billion yen in Ubiquitous Solutions pertain to the impact of structural reforms in our business outside Japan.

In addition, we are anticipating an impact of 20 billion yen from other personnel-related measures and cost reduction measures to strengthen our management fundamentals. These consist of 4 billion yen related to corporate headquarters cost reduction measures, and the remaining 16 billion yen is from personnel-related measures. The personnel-related measures will have the greatest impact on the Technology Solutions segment, and they will have lesser impact on Ubiquitous Solutions and Device Solutions.

Q2: *With regard to the transfer of your Mie Plant and the creation of a new SoC (system LSI) company, in your projections for fiscal 2013, when do you assume that these transactions will be completed?*

A2 (Kato): Our projections are based on the assumption that Fujitsu will retain possession of its SoC and Mie Plant operations during fiscal 2013. These figures may change depending on the progress of our negotiations.

Questioner B

Q1: *Please tell us about your IT sales in Japan by industry sector in fiscal 2012 and your outlook for fiscal 2013.*

A1 (Kato): Looking just at the fourth quarter, in our previous projections we had expected overall IT sales in Japan to increase by 6%, but the actual increase was 4%, so the final stretch did not exactly turn out as we had expected. For the full 2012 fiscal year, however, sales increased as projected by 3%. Looking at the full 2012 fiscal year by industry sector, sales increased by 9% in the manufacturing sector, by 3% in the retailing and distribution sector, and by 2% in social infrastructure, whereas sales declined by 3%

in financial services, and sales in the regional and public sectors increased by 4%. In our full-year projections for fiscal 2013, we expect overall IT sales in Japan to increase by 4% compared to fiscal 2012. In terms of industry sectors, in manufacturing, we expect the momentum of fiscal 2012 to continue and sales to increase by 10%. We project sales to increase by 6% in retailing and distribution, and by 4% in social infrastructure. We expect sales to finally rebound in the financial services sector, with an increase of 4%, and we expect slower growth in the public and regional sectors, with an increase of 2%.

Q2: *You have emphasized that, in your Ubiquitous Solutions segment, the operating environment for your mobile phone business is severe. In fiscal 2013, in terms of mobile phone sales in the first half versus the second half, what are you projecting? In the second half, I think the telecom carriers may limit the number of models they offer, so how do you plan to regain market share?*

A2 (Kato): In fiscal 2012, sales in the second quarter were significantly boosted by the launch of new models, but we are not expecting much along those lines in fiscal 2013. We expect sales in the second half to be slightly higher than in the first half.

Q3: *For fiscal 2013, you are projecting higher sales in your System Platforms sub-segment, primarily from UNIX servers, but, viewed from the outside, we get the sense that a certain amount of distance is forming between Fujitsu and Oracle. Please talk about your strategic direction in this business.*

A3 (Yamamoto): Our System Platforms sub-segment can be broadly divided into server, storage, and middleware and other software products. Server products are comprised of x86, UNIX, or mainframe lines. In fiscal 2012, we had healthy growth in the sales of x86 servers, storage equipment, and middleware and other software, and we expect the momentum to continue in fiscal 2013. Fiscal 2012 was a transition period before the launch of new UNIX server models, but in January 2013 we began sales of the new M10 servers, and now we are starting to book orders. We are projecting a fairly significant impact from the sales of these M10 servers in fiscal 2013. The M10 servers were co-developed with Oracle, and Fujitsu did the actual commercialization. Fujitsu will sell them in Japan, and outside of Japan they will be sold primarily by Oracle. We continue to have a good relationship with Oracle, including in the field of systems development. We are not worried about M10 sales.

Questioner C

Q1: *In your fiscal 2013 projections, you indicated that the impact of personnel-related measures and reducing corporate headquarters expenses is 20 billion yen, but at the management direction briefing in February, I think we were told that, including the emergency measures implemented, the impact would be 40 billion yen. Why is the amount different?*

A1 (Kato): We will reduce annualized costs by 40 billion yen by fiscal 2015. We have included the emergency measures as part of our personnel-related measures. We are considering a variety of permanent measures, including further reductions in corporate headquarters expenses.

Q2: *You are projecting operating income of 8.0 billion yen for your LSI device business, but if the assumption is that you will be selling the business, normally we would expect the projection for operating income to be zero. If we were to take a cynical view, it might appear that you included the operating income figure in order to come up with total operating income for fiscal 2013 of 140.0 billion yen, but what is your reason for including the operating income of this business?*

A2 (Kato): Even if we succeed in concluding negotiations relating to structural reforms of the LSI device business, there are still approvals and other procedures that will be necessary, so it is not as if we will immediately be able to transfer the business. Even if we wrap up negotiations and enter into a final agreement in fiscal 2013, the closing may not take place until fiscal 2014. Accordingly, we felt it would be less complicated to make our projections for fiscal 2013 based on the premise that the SoC business and Mie Plant remained on the books. If we can close the agreements sooner, however, the impact may be reduced operating income.

Q3: *You are restructuring your operations in Europe, but when we look at Fujitsu Technology Solutions in Germany and Fujitsu Services in the UK, it seems that, in relation to Fujitsu's operations in Japan, there are too many employees. Considering the scale of the business, we have the impression that further personnel cuts may be necessary, but could you explain the measures you are implementing to improve the earnings of your business in Europe?*

A3 (Yamamoto): The full impact of the structural reforms at FTS is not reflected in our fiscal 2013 projections. We are moving ahead on procedures for personnel rationalization measures at FTS, but the impact reflected from these measures for fiscal 2013 is only a little more than 50 million euros. Ultimately we expect annualized savings of 150 million euros, and we expect to achieve something close to that amount in fiscal 2014. Moreover, it is not just the restructuring effects that are important. It is also important for us to build our business portfolio. We are working to build a uniform global business portfolio across regions.

Q4: *After your structural reforms, your operating income margin is projected to be around 5%, but are you satisfied with that level? Compared to the operating income margins of your global competitors, which range from the high single-digit to double-digit levels, it still appears low. What is your view on this issue?*

A4 (Yamamoto): We want to bring the operating income margin of our business outside of Japan up to 5%. As you point out, that is still low compared to our global competitors. But we are still in the process of making an upfront investment for building up our business outside Japan, and, as a first step, we think it is important to build an organization that can sustainably achieve an operating income margin of 5%. Fujitsu Australia has already reached that level, as has Fujitsu Services, if the pension expenses are excluded, so if we raise the profitability of our operations in the US and Germany, our business outside Japan will also be able to achieve an operating income margin of 5%.

Q5: *Of the 20 billion yen from the impact of strengthened management fundamentals in fiscal 2013, how much is from emergency measures, and how much is from permanent measures?*

A5 (Kato): Half is from emergency measures and half is from permanent measures.
(Yamamoto): We are also implementing measures that we have not yet included in the figure for cost reduction effects. The figure does include the reduction in personnel expenses from the early retirement incentive plan and the reduction in the use of external resources, but in addition we are shifting 300-500 employees from indirect support divisions into sales and other direct line positions, and the effect of this shift has not yet been included in the figure for the impact of strengthened fundamentals. In the future we would like to be able to show you concrete figures on how much of an impact this redeployment of resources generates in fiscal 2013.

Questioner D

Q1: *Your fiscal 2013 sales projections for your LSI business represent a year-on-year increase of 6% (excluding foreign exchange impact), which appears to exceed the growth rate of the market in general. Please describe what assumptions you are making for the market growth rate. Please also tell us about the impact of the transfer of your microcontroller and analog business.*

A1 (Kato): The reason the projected growth rate for LSI device sales in fiscal 2013 appears so high is because of the low level of sales we booked during fiscal 2012, along with our expectations for higher sales of LSI devices for smartphones in fiscal 2013. For the microcontroller and analog business, we will only be transferring our development operations, and, going forward, sales in Japan will continue to be handled by the Fujitsu Semiconductor Limited Group. Manufacturing will be contracted to our Aizu Wakamatsu Plant. The microcontroller and analog business generates annual sales on the scale of 50 to 60 billion yen. Of that amount, we expect sales to fall by about 10 billion yen, which represents the amount of the business outside of Japan to be transferred to Spansion.

Q2: Looking at IBM’s financial results, growth in the market seems to be softening. How does Fujitsu’s global business environment appear?

A2 (Yamamoto): Viewed on a global scale, we expect market growth to be flat. Although growth in the US is expected to remain strong, economic sentiment seems to vary by region, with China expected to experience slightly softening growth. Overall, however, the market growth is expected to be flat. With this in mind, we are exploring what kinds of measures will be most effective given the current market environment.

Questioner E

Q1: *How different is the corporate income tax rate you assumed in your projections for fiscal 2013 from your regular tax rate?*

A1 (Kato): We are anticipating a corporate income tax rate in the 30-40% range. Perhaps your question was with regard to the tax expenses appearing high, but we believe they are within the normal range. During the first half of the fiscal year, some of our loss-generating subsidiaries that are not able to take advantage of tax benefits will directly impact net income, making tax expenses seem high, but on a full-year basis the tax rate should be normal.