

Nomura Investment Forum 2007

Q & A Summary

Time: 2:00 – 2:50 p.m., Thursday, December 6

Place: Mandarin Oriental, Tokyo

Presenter: Mr. Hiroaki Kurokawa, President, Fujitsu Limited

Questioner A

Q1. How significant an impact has the sub-prime problem had on IT investment? Please speak about both the domestic market and overseas markets.

A1. We believe that the greatest impact has been on the financial services sector. I am not aware of any impact on our business in Japan. Rather, our hope is that our financial services customers will become more motivated to invest in IT to transform their businesses, resulting in a plus for us.

As for overseas, both Fujitsu Services in Europe and Fujitsu Consulting in North America have limited business in the financial services sector, so we do not expect a significant impact.

Questioner B

Q1. I understand that Fujitsu is aiming for an inventory turnover rate of two times in fiscal 2009, but specifically how do you intend to achieve this target?

A2. In services, for systems development, there is a large balance of work in progress software, so we can reduce inventory by speeding up the process and making development more efficient. For HDDs, PCs, and mobile phones, we are moving ahead with improving our supply chain and shortening the steps in development to boost efficiency. Increasing speed is a company-wide goal, and I believe that every division in the company is paying careful attention to this target.

Q2. Please tell us how you will use cash generated from operations.

A2. Sales in our Technology Solutions segment account for over 60% of our total sales. To sustain growth in the future, rather than simply growing organically, we plan to use

our cash for M&A and other initiatives aimed at expanding our global business with a focus on services.

In addition, we are putting emphasis on fostering field innovators and cultivating our human resources. This will enable us to make stronger proposals to customers and thereby expand our business.

Questioner C

Q1. Please tell us about your strategy for differentiating Fujitsu from competitors in the LSI device field, such as Renesas, Toshiba and Sony.

A1. In our LSI device business, we maintain strong relationships with leading Japanese companies as well as overseas automobile manufacturers, and up to now our strategy has focused on ASIC devices. Taking into account the expansion of operations in Asia, in the future, using ASSPs as a base, we would like to get involved in our customers' product manufacturing and expand our business through closer relationships with them. Rather than receiving very large, one-time orders, we would prefer to minimize the risk and expand our business through a higher volume of mid-sized orders. To pursue this strategy, we have integrated sales units that used to be divided between Fujitsu and one of our subsidiaries, and by strengthening communication between manufacturing and sales, we will offer our customers a more detailed level of service.

Q2. For Japan, as well, wouldn't it be better to merge the LSI device operations of various Japanese companies?

A2. It is certainly true that some people think this would be a good idea. However, each company has a long history and culture as well as its own group of employees, so it would not be easy. But with the further miniaturization of semiconductors, we understand that it will become increasingly difficult for a single company to manage both development and production, and we are looking into counterstrategies.

Questioner D

Q1. What is the share of business outside of Japan in your overall business? In global markets where competition with other companies is intense, how will you expand sales of high-volume products, such as PCs and mobile phones?

A1. Overseas sales constituted 36% of overall sales in fiscal 2006. In regard to expanding our business in overseas markets, we handling this in the PC field through our tie-up with Fujitsu Siemens. Fujitsu itself is in charge of notebook PC development and manufacturing, and for commodity products, Fujitsu Siemens is using Taiwan and other locations. By keeping a careful eye on the market as well as delivery and cost, we will expand our business.

Regarding LSI devices, we are emphasizing the value of software. If you think only about cost competitiveness, countries such as Taiwan cannot be equaled, so Fujitsu will utilize its strength in software to expand our business.

In mobile phones, we are now providing products to only one company, NTT DoCoMo. Our unit volumes are much lower than those of Nokia or Ericsson, but we are working to reduce costs by limiting our target market and by collaborating with other companies in the industry in software development, which accounts for a significant portion of development costs.

Questioner E

Q1. There are several companies among Fujitsu's listed affiliates whose stock prices have been relatively flat. Have you considered the option of delisting them? Please tell us also about Fujitsu's thinking in regard to listed affiliates.

A1. While the stock prices of several Fujitsu affiliates, including Nifty, have been relatively flat, we are not considering delisting them at this time. Basically, in our Technology Solutions business, we have been converting affiliates into wholly owned subsidiaries. For other group companies, if their value can be raised by the introduction of people and technologies from outside of Fujitsu, we will consider bringing them outside of the Fujitsu Group through such ways as public stock listings. Three years ago, we made Fujitsu FSAS into a wholly-owned subsidiary, positioning it as an important player in our services business. Similarly, in Europe, we positioned Fujitsu Services as playing an important role in the expansion of our global business and therefore gave up the idea of listing it. On the other hand, we went ahead with the listing of Nifty, believing that the personnel and content it required in network services in the future were distinct from those of Fujitsu.