

Summary Translation of Question & Answer Session at Press Briefing on New Management Appointments

Date: March 27, 2008
Presenters: Hiroaki Kurokawa, President, Michiyoshi Mazuka, Corporate Senior Executive Vice President, and Kuniaki Nozoe, Corporate First Senior Vice President

Questioner A

Q1: Mr. Kurokawa, when did you decide to select Mr. Nozoe as your successor?

Kurokawa: Since last December, I have been discussing this issue with Mr. Akikusa, our chairman. We each decided to think of some candidates and then afterwards discuss them. It turned out that we were thinking of the same person. In February, we informed Mr. Nozoe and Mr. Mazuka that they would be appointed as president and chairman, respectively.

Q2: What were Mr. Akikusa's reasons for selecting Mr. Nozoe?

Kurokawa: Because he is able to balance conflicting issues, is an excellent manager, and he is regularly out on the frontlines. Both Mr. Akikusa and I had the same view of his talents.

Q3: What was Mr. Nozoe's expression and response when you informed him of your decision?

Kurokawa: He had a very puzzled expression on his face—he couldn't quite accept it at first. I think it was because it came out of the blue.

Q4: Please tell us your current views on one or two management issues Fujitsu is facing and what specific steps you would take to address them.

Nozoe: The first issue facing Fujitsu is globalization. The structural transformation Mr. Kurokawa has brought about has demonstrated the ample strength of our domestic solutions business. Our operating income has significantly expanded. And our outsourcing business is growing at a double-digit rate. On the other hand, in trying to expand our global earnings base, we face some resource limitations. Based on our total system integration approach, TRIOLE, we need to create products that meet the needs of customers outside of Japan, but it would strain our resources to do it alone, and therefore I would like us to consider teaming up with a global player. I think it is important to be able to develop a global collaboration with a major IT vendor outside of Japan that would benefit both sides and enable us to grow. According to data from a market research company, in 2007 Fujitsu regained the top share (on a value basis) in the domestic server market for the first time in four years, and I would like to use this momentum to carry us into global markets.

The second issue is increasing operating income on a non-consolidated basis to stabilize the dividend payment. We need to address this issue in a systematic way, one step at a time.

Questioner B

Q1: Mr. Kurokawa, I understand that you will no longer be a member of the Board of Directors, but what is the intent behind your decision to no longer play a formal role in management?

Kurokawa: I have personally worked very closely with Mr. Mazuka. As a result, there is already a consensus, starting with Mr. Mazuka, on what we have decided to do. In deciding what my position should be in all of this, considering the very tight personal control I have exerted for many years, I decided it would be best to simply remove myself from management.

To enable Mr. Nozoe and Mr. Mazuka to have a freehand in managing Fujitsu as they see fit, we had to think of appropriate roles for me and Mr. Akikusa, and that is why we decided to do it this way.

Q2: I would like to ask about your policies going forward. You indicate that it will be an extension of the policies currently in place, but have you thought of something that would be different in any way that would put your own personal stamp on management?

Nozoe: I can say there will be no wavering from our commitment to a customer-centric perspective. The whole company is unified behind the goal of creating a strong company that seeks to be a trusted partner to our customers.

In addition, I want to deliver a message to our shareholders that will convince them to support our growth. For our employees, I would like them to be highly motivated, take pride in their work, and have dreams for the future. In this regard, in accordance with Mr. Kurokawa's instructions, because we have placed so much emphasis on developing our human resources, we have exceptional talent within Fujitsu. We will allocate our employees to positions best suited to their talents to fully leverage our human resources.

Questioner C

Q1: Considering your experience outside of Japan, how do you plan to change Fujitsu's strategy in global markets?

Nozoe: Earlier I mentioned partnerships, but there are various kinds of partnerships, and I think one of these partnerships contributed to our regaining the leading share in Japan's server market for the first time in four years. And in terms of our strategy for global markets, the emphasis is not just on servers. We can extend Fujitsu Services' business model from the UK to a global level. And because the strength of our products gives us an advantage in that business model, we can maintain a strong dialogue with Fujitsu Services, taking a unified approach to extending our strategy globally.

Questioner D

Q1: Mr. Kurokawa, why will both you and Mr. Akikusa step down as representative directors at the same time?

Kurokawa: I felt management would not function properly because of the detrimental effects of my micromanagement approach, and Mr. Akikusa has long been saying that he has been in that role for too long. For that reason, we decided to both become Senior Executive Advisors at the same time. But because of the impact on our external relationships, we were not both able to remove ourselves from management at the same time. Mr. Akikusa is in charge of our external relationships, so we decided that he will remain on in this role as a member of the Board of Directors.

What is important is for Mr. Nozoe and Mr. Mazuka to have a freehand in managing as they see fit. If they want to consult us on matters, we will give our advice, but we want them to utilize their full capabilities in managing Fujitsu.

Q2: The implementation of Field Innovation is only halfway complete, but what are your thoughts so far?

Nozoe: We started our “Field Innovator” development initiative in October 2007, and I have also been involved with that program. Regarding my thoughts, Mr. Kurokawa has already given you an explanation, so I will focus my comments on areas that have not already been covered.

The concept behind the Field Innovators is to develop an organizational structure and a cadre of managers suited to the needs of a new era. We started this program because we felt there was a need for Fujitsu to take a unified stand in developing managers with the ability to see and address the business issues from the same perspective as customers. I had felt that, even through acquisitions, Fujitsu could secure the required human resources from outside of the organization, but Mr. Kurokawa felt that, prior to promoting acquisitions, we first needed to develop a strong organizational structure and new cadre of managers by retraining managers who have considerable professional skill and experience at Fujitsu. We are using Fujitsu’s own work process models as reference models for customers.

At present, the first class of managers has finished four months of training, and they are now assigned to address a variety of specific individual issues within Fujitsu’s operations. After one year, they will be ready to support customers. This is a new model for Fujitsu, and I think it is an important initiative.

Questioner E

Q1: While you were president, you had to focus on restructuring and structural reforms. Is there any unfinished business you are leaving behind or other issues you would have liked to address?

Kurokawa: I have not thought about unfinished business. Corporations are going concerns that continue indefinitely. It is like a relay race with no ultimate finish line and undefined relay checkpoints, where the baton is passed to the next runner along the way for the next leg. In that respect, I do not have the sense that I have left unfinished business.

I am satisfied that the organization will continue under new leadership and take up new issues to address.

Q2: You mentioned that you would focus on expanding your business outside of Japan, utilizing partnerships, but do you have plans to continue, or even accelerate, your recent pace of overseas acquisitions?

Nozoe: Acquisitions can be an effective method of enhancing a company’s business base. The issues are how do you manage those acquisitions, and who will manage them. We need clear answers on these issues before considering each new acquisition. We are managing our business outside of Japan under four regional heads and we will continue to rely on this structure.

Q3: How would you like to position Fujitsu within Japan’s electronics industry?

Nozoe: I would like Fujitsu to help enable Field Innovation on the part of our customers, providing one-stop technology solutions, from servers, software, applications development services, and operational services, and have Fujitsu be positioned as the No. 1 vendor in providing competitive IT solutions. I plan on continuing to place importance on technology and our manufacturing innovation initiatives.

Questioner F

***Q1:** Mr. Nozoe, when you were head of the software and services business support group, you succeeded in eliminating unprofitable projects. Mr. Kurokawa talked of the detrimental effects of his micromanagement style, but is there not a risk that the same could happen with you? In addition, given that you have been in charge of marketing, what are your plans for marketing going forward?*

Nozoe: It is not as if all projects we accept will necessarily be profitable. There may be some unprofitable projects that we accept for strategic reasons. In that case, for projects that from the outset are unprofitable, it will be difficult to keep employees motivated. That is why we instituted the SI Assurance program, which subsidizes such projects to eliminate the deficit. So, on the one hand, there is rigid profit control, and on the other, there is the generous system of subsidies under the SI Assurance program. This system has been controlled directly by the president. If the president's decision was requested, the merits would be discussed by our Management Council, resulting in information being fully shared internally in order to reach a decision. I think it is very important to have the whole company involved in considering the strategic significance of our systems integration business.

There is also the pipeline management system, a structural reform that Mr. Mazuka instituted from the top of the sales organization. All current business negotiations are recorded into our Valuetsu project status management system, enabling more precise estimates of sales, which can be used as a basis for the PDCA cycle. Thousands of business negotiations we eventually lost are also recorded in the system, and an analysis of why we lost the orders can be used to refine our marketing approach.

I would also like to talk about the integration of sales and manufacturing. Mr. Mazuka is currently leading this effort. Whereas we used to be product-driven, we are now focusing on making what we can sell, and the marketing division is driving this process. Good results can be expected from this initiative.

Questioner G

***Q1:** When comparing Fujitsu to IBM, one of your rivals in global markets, in what areas do you think Fujitsu excels? In addition, if you were to exceed IBM on some benchmark, what benchmark would that be? For example, in terms of profitability, IBM's profitability target is 10% or higher.*

Nozoe: I do not wish to talk about other companies, but within the solutions/systems integration field, Fujitsu has exceptionally strong application development capabilities. In technology solutions, we are striving to achieve an operating income margin of 7%.

***Q2:** Is this a case in which the president is resigning to take the blame for the malfunction of a large-scale system?*

Kurokawa: No, these executive appointments are unrelated to any customer systems issues.

Questioner H

***Q1:** Mr. Nozoe is currently 60 years old and will turn 61 shortly after assuming his new position. He is younger than Mr. Kurokawa or Mr. Akikusa and about the same as the average age among corporate presidents in Japan, but that is about a generation older than other CEOs outside of Japan. What is your view of the age issue?*

Kurokawa: Rather than age, what is important is ability and character. I have never even thought about what significance the age of 61 may have. That said, however, in conjunction with these executive appointments, we did discuss whether we should bring in a younger generation of managers. I would like Mr. Nozoe and Mr. Mazuka to continue to consider the issue of age when thinking about how best to maintain the organization's dynamism.

Nozoe: It is true that I am not a young man. But there are many outstanding young people in Fujitsu who have been educated outside of Japan, such as in the US or UK. I am not going to try to expand our business globally on my own. I am going to join with them in seeing how far we can expand in global markets. We will focus on allocating people based upon their talents and managing that talent. If my age becomes a drawback in promoting our global expansion, I will find someone who can take over that responsibility from me.

Questioner I

***Q1:** Could you give a specific example of where your management style of tight personal control was a detriment? Have there been moments during your various initiatives and reforms when you felt it was a detriment? Was your decision to create a system of Corporate Executive Senior Vice Presidents related to this in some way?*

Kurokawa: When a particular project begins, the objectives as well as the timeframes are already decided. To accomplish your objectives within the given time constraints, it is important to have concentrated leadership authority and that the focus be on goal execution. In Fujitsu's large sphere of businesses, the environment, style, cycle, and competition all differ depending on the business. For that reason, we have given considerable latitude to the executives in charge of these businesses, but issues are ultimately decided at the Management Council meetings. But nobody was giving their opinion at these meetings, even though I had thought I had selected a fairly vocal group of senior executives. When I asked why people were hesitating to express their opinion, I was told that, for issues in which I had already decided a course of action, they did not in any way want to hold me back. But in that situation, the growth of the company will be limited by the limitations of my capabilities. This issue distressed me deeply.

In addition, in order to get information on actual conditions on the frontlines, I can visit the actual workplace or receive email messages about conditions, but some people told me that, if it became known they were telling me certain information, it would become difficult for them to perform their jobs, so I needed to be careful about keeping the source confidential. It is not as if this kind of thing did not happen before, but if correct information from the workplace is not making it up to my level, I figured that it must be a detrimental effect of my management style. A corporation is a going concern and must always continue to grow. I decided that it therefore must be time for a leadership change. It is true that I set up the Corporate Senior Executive Vice President meetings, but those were just for discussing issues. I was careful not to set up any decision-making bodies other than the Management Council meeting.

Questioner J

Q1: While you succeeded in eliminating losses in the systems integration business, it appears that your customers are not happy with Fujitsu's current way of handling systems integration business. We are hearing that your way of resolving issues is to focus on raising the customer's hardware capabilities rather than getting at the essence of the issue. Japanese users often have difficulty in defining what their needs are, so how do you balance customer satisfaction against profitability?

Nozoe: Losses on systems integration projects and other various problems are not just bad for Fujitsu. They are bad for the customer, too. It is true that it can often be difficult to define the needs of a project, but that is a matter of the contractual agreement. We confirm the terms we have promised on paper and then proceed ahead while confirming the process. Rather than saying that our elimination of losses has resulted in customer dissatisfaction, we are proud that we have been able to get customers to understand the proper division of roles and responsibilities between them and us.

Mazuka: We will do our best to ensure that we continue to deliver quality and stick to deadlines so that our relationships with customers do not deteriorate. Some people have said that we have changed our business style, but I think we now have a very solid and sure process in place for managing projects.