

Summary Translation of Question & Answer Session at FY2012 R&D Strategy Briefing

Date and Time: April 5, 2012, 15:00-16:10
Venue: Okada Memorial Hall, Fujitsu Laboratories Limited
Presenter: Tatsuo Tomita, President, Fujitsu Laboratories Limited

Questioner A

Q: You talked about R&D expenditures - please tell us about the outlook for R&D expenditures going forward and how you plan to allocate your human resources.

A: Although it can vary depending on market conditions, Fujitsu's overall R&D expenditures were 5.2% of sales in fiscal 2010, and when we consider Fujitsu's business model, I think that level of spending is necessary. From an overall perspective, I would like to maintain that level going forward. Within that overall amount, when we think about what we will focus on and where we will concentrate our resources, we allocate resources in accordance with overall corporate priorities in a process of selection and concentration. Because Fujitsu Laboratories is pursuing long-term research, it is important that our focus not be overly influenced by short-term business considerations. While maintaining current levels of R&D expenditures, if short-term business conditions are tough, we may temporarily allocate resources to support our short-term business performance, but we must maintain our medium- to long-term projects to support Fujitsu's future growth. We would like to maintain a good balance between short-term and medium- to long-term priorities.

Questioner B

Q: Many countries in Asia are racing to catch up with Japan's knowledge-intensive industries. From the perspective of Fujitsu Laboratories, what approach are you taking with your researchers in order to compete with competitors around the world?

A: Fujitsu Laboratories has 1,500 employees, of whom 1,300 are based in Japan and 200 are outside of Japan. To support Fujitsu's medium-to long-term growth, in addition to enhancing the skills of our employees in Japan, we will deepen our collaboration with top-notch research institutes around the world, and thereby develop talent that can compete globally. Japan's manufacturers are in an extremely difficult position now because of the strong yen. However, Japan's manufacturers faced numerous crises in the past and were able to overcome them every time, wringing out every drop of excess costs to remain cost-competitive. It is true that there are limits to cost-cutting, and there were also missteps by some Japanese manufacturers that enabled the rise of companies from China, Korea, and Taiwan. Japan's manufacturers need to transform themselves to become even more knowledge-intensive, but they also continue to place great importance on their manufacturing front lines. In my view, this apparent gap is not altogether bad. I think Japan should strive to create new types of manufacturing industries that, while retaining Japan's emphasis on manufacturing quality, are even more knowledge-intensive, thereby staying a step ahead of China, Korea, and Taiwan.

Questioner C

Q: Fujitsu Laboratories is conducting various kinds of interesting research, but my feeling is that your researchers remain essentially anonymous outside of your company. Given that your research is carried out by people, if they were given greater exposure, such as through the media, for example, wouldn't that help in attracting talent?

A: Yes, I would like to create an organization where our researchers have greater exposure outside of the company. We have a number of extremely capable research fellows focusing on high-electron mobility transistors (HEMTs) and many other areas of technology, but in a sense they have become overly coddled

internally by focusing too much on Fujitsu's business. It is a difficult balance to strike, but if there is an excessive focus on new technological frontiers, it becomes difficult to tie our efforts into Fujitsu's business. On the other hand, if we focus too much on Fujitsu's business, it becomes difficult to generate innovative technologies. I would like to strike a good balance between these priorities. In terms of external communications, as well, I have been leading the way in strengthening our efforts in this area, and I have been engaging more actively with global media outside Japan, in addition to our continuing engagement with Japanese media. I would like our researchers to learn from these efforts so that we can become an organization where our researchers have greater exposure outside of the company.

Questioner D

Q: How many Fujitsu Laboratories employees have Ph.D.s, and how many non-Japanese employees do you have?

A: I think about 20% of our employees have Ph.D.s, and recently about 40% of our new hires have Ph.D.s. With respect to non-Japanese employees, of the 1,500 employees of Fujitsu Laboratories, almost all of our 200 employees outside of Japan are non-Japanese. In addition, of our 1,300 employees in Japan, about 40 are non-Japanese. Overall, therefore, out of 1,500 employees, about 240 are non-Japanese. I think our ratio of non-Japanese employees is slightly higher than is the case with the research laboratories of other companies in Japan.