

Summary Translation of Question & Answer Session at Briefing for Analysts to Introduce Nominee for President

Date: January 30, 2015
Location: Fujitsu Headquarters, Tokyo
Presenters: Masami Yamamoto, President and Representative Director
Tatsuya Tanaka, Corporate Executive Officer and SVP, Head of Asia

Questioner A

Q1: Mr. Tanaka, you came out of Fujitsu's sales division in Japan, and I am wondering what you think the competitive environment in Japan's ICT market will be like five years from now. How do you think Fujitsu should position itself for that environment?

A1 (Tanaka): I think there are a few points to consider. Fujitsu's strength lies in our vertical integration that combines hardware, software and services to support our customers, but the system environments of our customers are shifting from assets they own to services they use.

Furthermore, when considering the markets for our customers' businesses in the future, we can expect that they will be investing globally, not just in Japan. They will hold onto the ICT assets they are using now and, based on their own decisions, will likely choose to invest globally. I would like Fujitsu to support them with ICT proposals in the form of services they can use.

Q2: In the stock market, there are expectations about how high Fujitsu can raise its earnings. What are your thoughts about that?

A2 (Tanaka): I think there are two major things we need to do. One is, for the infrastructure that supports our customers, to tailor products that enable our customers to compete globally. I will promote this by coordinating with the business units.

The other has to do with applications upstream of system integration. The business processes of our customers vary by industry. As we have shown in our social innovation initiatives, in recent years the scope of ICT usage has broadened to include new areas and industries, including agriculture. Applications, which are the part of ICT that are most integral to our customers, vary by industry, but they also vary by geographic region. There are differences, of course, within Asia and between the US and Europe, and, unlike infrastructure, we cannot take a simple cookie-cutter approach. We need to understand how various countries differ and put together teams for sales, systems engineering, and services that can tailor offerings in light of those differences. We need expertise in the industries and work processes of each country. Using that expertise as a differentiator, it is by combining the infrastructure with the applications that we can create a platform for earnings growth.

Questioner B

Q1: Mr. Yamamoto, you have been president for five years, and I am wondering if there is anything you wanted to do or needed to do that you have not yet been able to accomplish?

A1 (Yamamoto): There are many things that I wanted to do but was unable to accomplish. For example, in terms of structural reforms, I think the structure of the Fujitsu Group is still far from ideal. I think there will be an ongoing need to make fine-tuned reforms so that we have a strong organization that can compete in every market environment. I had also wanted to accelerate the pace of Fujitsu's globalization a bit more. When I became president, we spoke of our desire to raise the ratio of sales outside of Japan to at least 40% of total sales. This year, because of the impact of foreign exchange movements, it will be near 40%, but the ratio of sales outside of Japan is still much too low to call Fujitsu a global ICT company, and our level of profits outside of Japan is also still too low. Under the leadership of Mr. Tanaka as president, one of the issues facing Fujitsu will be to expand our business outside of Japan while maintaining our solid organization in Japan. As chairman, I will continue to support these initiatives. I wanted to visit all of our important customers outside of Japan, but since I was unable to do so, I think that will also be part of my responsibilities as chairman. I would like to continue to work on accelerating the pace of Fujitsu's globalization.

Q2: What is your view of changes in the global competitive environment, and what will Fujitsu do to deal with these changes?

A2 (Tanaka): In addition to our traditional competitors, which were vendors focused on ICT, such as IBM, HP, and Accenture, I think we will continue to see new competitors emerging that are service providers. We need to continue to keep a close eye on those developments.

In the Asia region, where I serve as Fujitsu's region head, in addition to the global ICT vendors, there are local ICT vendors and software vendors in each country that are building their capabilities. Five years or so in the future, those local vendors that are building their capabilities may become our competitors. In competing in this environment, in some areas we may consider teaming up with strong local vendors.

The ability to globally provide infrastructure platforms is the strength of a global vendor. In addition to that, we have all kinds of know-how and experience in Japan in working with a variety of industries and work processes. Earlier I referred to this as our "expertise," and we will use this expertise to differentiate ourselves.

Today our customers, themselves, are taking up the challenge of seeing to what extent they can leverage big data to enhance their competitiveness. So when Fujitsu competes, it is not simply on the basis of having certain technologies; it is also on the basis of having the expertise to help our customers, and that is how we will differentiate ourselves.

Questioner C

Q1: Mr. Tanaka, please tell us your views on investor relations. For example, what kind of dialogue do you want to have with the capital markets, and what kind of relationship do you want to build?

A1 (Tanaka): In internal meetings, President Yamamoto has always conveyed a consciousness of the capital markets, telling us the importance of keeping our promises to shareholders and the markets, and describing how the stock market is viewing Fujitsu. In addition, through management direction briefings, earnings announcement briefings, and individual meetings with investors and analysts, his stance has always been to communicate effectively with the capital markets. I agree with that stance and want to follow his example. I want to be able to communicate Fujitsu's situation in a way that is as easy to understand as possible. I am from the sales division, so I have experience in working on my communication skills with customers, and I would like to work on applying those skills to Fujitsu's investor relations activities.

Q2: For companies, I think there needs to be a balance between managing for the benefit of the capital markets and managing for the benefit of other stakeholders, such as employees and customers. What is your view of Fujitsu's current approach to this balance, and is there a possibility of changing it in a better direction?

A2 (Tanaka): I will need time to gather my thoughts on that matter, but what I feel now is that, when we think about benefiting our shareholders, an important element is our human resources. We have many talented employees, but going forward we need to leverage the talents of our employees globally and make sure that we capture the synergies of their efforts in the form of increased contribution to shareholders and investors. I think that supporting our employees is also extremely important, so I would like to strike an appropriate balance on both of those objectives.

Questioner D

Q1: Fujitsu's earnings from outside Japan appear to be quite low. In Asia, for example, what do you think are the reasons why Fujitsu was not able to improve its sales and earnings? I can imagine that there may have been differences between the headquarters and your locations outside of Japan in terms of levels of commitment, but what differences have you observed in returning to the headquarters? Now that you have a global matrix organization, what is it that needs to be changed in your locations outside of Japan?

A1 (Tanaka): One thing I felt in heading the Asia region is that each region has too many administrative staff. While I was heading the region I wanted to improve that situation, so I streamlined the regional headquarters.

Another thing I felt is that our business outside Japan is too skewed towards hardware and infrastructure equipment. We should have been taking the solutions we have in Japan and, while checking local conditions, applied them to other countries around the world, but I think we were weak at that. Right now, outside of Japan the ratio of our sales of hardware and infrastructure equipment is quite high, but we are quickly trying to change

that. In coordination with our systems divisions in Japan and our Global Delivery Group, we are trying to assemble systems engineers and salespeople who can help to expand our solutions business outside Japan. We are also expanding our network of datacenters outside of Japan, but our business still remains skewed toward hardware. We are working to expand our managed services business, but we are still a small player in relation to the size of the market, and we are quickly trying to change that now.

Questioner E

Q1: How will you divide the responsibilities between the chairman and president?

A1 (Yamamoto): We have not decided any clear division of responsibilities between the chairman and president, and I think there needs to be some degree of overlap. If we have to decide, I would want the president to handle the daily internal work of leading the organization and also to determine the direction of the company. My role as chairman is to support those efforts and focus on playing more of a public role.

Q2: So the president essentially will assume the responsibilities of a CEO?

A2 (Yamamoto): The president will assume most of the responsibilities of a CEO.