

**Summary Translation of Question & Answer Session at  
FY 2008 Third-Quarter Financial Results Briefing for Analysts**

Date: January 30, 2009  
Location: Fujitsu Headquarters, Tokyo  
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**Questioner A**

***Q1:** Looking at the IT services business in Japan, it appears that profitability has weakened somewhat even though sales are still firm. What is your outlook for the business heading into fiscal 2009?*

**A1:** We've revised our fiscal 2008 projections for domestic sales growth in the technology solutions business from 2% to 1%. This figure includes both services and platform products sales. Private-sector demand is sluggish, especially private-sector regional business. On the other hand, the outsourcing business, with its stable flow of income, remains strong and that has propped up the entire business.

One of the key areas of demand this year has been for hardware and services to respond to compliance regulations and other new legal requirements placed on corporations. In addition, in the services business, we're seeing growth not only for outsourcing, but also for disaster recovery and other business continuity services. This demand has grown despite the economic downturn.

We're also still seeing demand for solutions that help companies lower their costs, and we expect further growth in this area. We'll aggressively pursue this business with strong proposals to our customers.

***Q2:** Please explain how the mobile phone, PC and hard disk drive (HDD) businesses are doing and your plans to strengthen these businesses?*

**A2:** We expect corporate PC demand to remain sluggish. The PC business on the whole is still profitable because the stronger yen has lowered procurement costs of imported components. For mobile phones, the business was unprofitable in the third quarter as shipments fell below the break-even point. We're now taking measures to boost shipments to ensure profitability. In the HDD business, we continue to have discussions with other companies on tie-ups and other measures to reorganize the business.

***Q3:** For your LSI business, are the measures you've announced today enough to restore its financial health?*

**A3:** What we announced today was a reorganization of the production lines for standard-technology logic devices. Right now, the capacity at our Mie Plant alone is enough to serve the current demand from Japan, but for the time being we have no plans to make changes to the production lines at Mie. Our plans are to keep operating the most profitable standard-technology logic lines and consolidate the others so that the business turns profitable in fiscal 2010. In fiscal 2009, we will have to obtain the approval of our customers to shift the production of their products to the consolidated lines. These measures will take some time, so there will be a lag in seeing the effect on the bottom line, but overall the measures we announced today will make our operations more efficient.

*Q4: Please give us your thoughts on the restructuring of the entire semiconductor industry in Japan, including the positioning of your subsidiary Fujitsu Microelectronics.*

**A4:** I suspect that every semiconductor manufacturer in Japan wants to see some restructuring of the industry. But for each company, just improving their own operations will be a tremendous effort. Having said that, it won't be good for the industry to postpone restructuring, so we'll take a forward-looking approach to any positive proposals.

#### **Questioner B**

*Q1. Please tell us in further detail the revisions made to your earnings projections.*

**A1.** For PC/mobile phones, we have revised our operating income projection from 30 billion yen to about 25 billion yen. The PC business has been comparatively solid. At the same time, we expect mobile phones to be profitable for the full year despite being in the red for the third quarter. In our previous projections in October, we forecast a 10-billion-yen operating loss for HDDs, and that has been revised to 25 billion yen. We are taking measures to adjust HDD production to current demand to contain losses. Overall, we plan to break even in the Ubiquitous Product Solutions segment.

For the Device Solutions segment, we forecast an operating loss of slightly less than 60 billion yen. Electronic components have fallen into the red due to the significant deterioration of business at Shinko Electric Industries Co., Ltd. The overall results for this segment may be due in part to our delayed reaction in handling the downturn in market conditions. The two earthquakes in Iwate Prefecture also had a large impact.

One reason that our inventories did not fall was due to an increase in parts inventories in August and September after the earthquakes in Iwate convinced us that slightly higher inventories were preferable. However, we are currently adjusting our manufacturing production in response to lower demand and our remaining inventories are gradually falling.

*Q2: To what extent will the reorganization of your semiconductor manufacturing benefit your profitability from 2009?*

**A2.** Even if we intend on consolidating our manufacturing lines, it will be difficult to finish this within fiscal year 2008, and we see this continuing into 2009. Therefore, we do not expect to see results immediately, and anticipate an approximate 10-billion-yen improvement in 2009. 2010 will be when we see the true effects of these reforms and we are forecasting that the improvement will be in the 20-25 billion yen range. Looking at the past, it took one year to completely switch over from the Flash memory business to the logic business.

#### **Questioner C**

*Q1: Fujitsu appears to be less aggressive than other Japanese companies in taking measures to improve its semiconductor business. Do you have any numerical targets or other firm goals for the business?*

**A1:** I haven't compared our measures with those other companies are taking, so I can't comment on that directly. What I can say is that consolidating our production facilities was necessary considering the trends in orders from customers. But facilities consolidation is not a simple process, and so we won't see the benefits from the measures immediately. With fewer semiconductor lines and the reassignment of 2,000 employees to other operations,

fixed costs will decline. The benefits of this will be seen in the second half of fiscal 2009 and in fiscal 2010.

Next we are considering integrating four semiconductor design companies and shifting resources in the processing divisions in order to enhance our product development structure and deliver highly competitive products to the market. It's not realistic for us to be talking about turning the business around in a year and improving profitability by tens of billions of yen. Instead, we're focused on the development of strong products for 2010, and refocusing our resources on our strongest areas. Some of the measures we've announced today may seem somewhat backward-looking, but we will make an announcement once we firm up our new business plan.

**Q2:** *To what extent do you think you will be able to lower fixed costs for the entire company in fiscal 2009 in comparison with fiscal 2008?*

**A2:** For businesses with relatively high fixed costs, we will consider various measures, including selling them, to lower the fixed costs of the entire company. Our recent announcement to exit the HDD head business is an example. In the services business, instead of focusing on lowering costs, we plan to focus on investing resources to create added-value services. One example is our "Field Innovator" development program to nurture a new class of consultants who can help customers improve their entire businesses.

**Q3:** *I understand that you are in negotiations with other companies regarding the sale of your HDD business, but is price the main sticking point right now? Are there other factors that have prevented an agreement?*

**A3:** We are currently in negotiations with another party, so I cannot make any comments. I will say, however, that other parties have not turned down our proposals. The business is large, so many things must be discussed before an agreement can be reached.

#### **Questioner D**

**Q1.** *In the past, you've said that Fujitsu plans to decide on the business direction of its semiconductor business by the end of the current fiscal year in March. Even if you do not sign a contract with another company on technological collaboration, do you still plan to decide on the business direction by March?*

**A1.** Our stance is still basically the same. We still believe that it's not feasible for us to make large investments in 45 nm and more advanced processing technologies on our own, so we will continue to consider collaboration with other companies. As we consider tie-ups, we will also take measures to reduce costs. There is the possibility that negotiations with other firms will take some time, so in the meantime, we have to ensure that our losses in the business do not grow.

**Q2.** *With regard to the reorganization of your LSI processing facilities, you've announced that 2,000 employees from the semiconductor business will be reassigned to other operations. Will all of the 2,000 employees be reassigned from older production lines for which amortization has already been completed? In addition, does this mean you will be focusing on the 12-inch fabrication lines for advanced-technology products?*

**A2.** We value our employees and treat them with respect, in accordance with the Fujitsu Way. Once we've determined where there are openings in the Fujitsu Group, we will discuss opportunities carefully with each employee individually, and based on each employee's goals and the circumstances of each position, we plan to make reassignments.

### **Questioner E**

***Q1.*** *What was your overall capacity utilization rate for the LSI business in the third quarter?*

**A1.** The capacity utilization rate in the third quarter was mid-70% for advanced-technology logic devices, and slightly less than 60% for standard-technology logic. The expected capacity utilization rate in the fourth quarter is 40% for advanced logic and mid-30% for standard logic, close to the actual rates in December 2008. Capacity utilization started to decline rapidly around October and November last year.

***Q2.*** *With the elimination of three production lines, how are the overall capacity and capacity utilization rates going to change? Excluding the impact of depreciation and amortization, how long will it take to reach the break-even point? Are you expecting asset impairment costs for next year as well?*

**A2.** We are expecting about a 20% fall in capacity based on 8-inch wafer production volume. Although there will be some excess capacity in fiscal 2009, beyond then the capacity should be roughly in line with demand.

Based on discussions with our accounting firm, at the present time there is no need to recognize additional impairment expenses for the LSI business. Our current business plan is based on a forecast of lower sales in fiscal 2009 compared with this year. But if actual sales in the fourth quarter and the first half of fiscal 2009 decline significantly, then further impairment costs are a possibility. Based on our current simulations, the business will return to profitability starting from fiscal 2010.

***Q3.*** *Please give a breakdown of domestic sales of IT services by sector.*

**A3.** The regional business was weak. An increase in regional business for fiscal 2008 was forecast when we announced our first-half results in October, but we have revised the projection downwardly and now expect a decline for the year compared with fiscal 2007. The manufacturing/retail sector business is in line with the previous projections of even sales with fiscal 2007. In other sectors, we expect growth of 8% for telecoms, 1% for the financials on growth in the consumer credit area, 1% in public-sector business, and 11% growth in media/energy, up from the previous forecast of 6% growth.

***Q4.*** *Please give an overview of the IT business outside Japan.*

**A4.** Although the scale of our business is still relatively small in the US, we have recently been asked to take part in a large RFP due to the fact that we have our own datacenters and we have had success winning business in Asia.

We have managed to win numerous large-scale deals in Europe. One concern is that our business with government bodies in the UK might be affected by budget cuts due to the worsening of economic conditions. We will maintain the profitability of our outsourcing business by improving efficiency. In addition, although there are growing outsourcing opportunities, as the industry becomes increasingly competitive, we are facing intense price competition. However, generally speaking, our infrastructure services business in Europe is growing steadily.