

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

Date: July 31, 2008
Location: Fujitsu Headquarters, Tokyo
Presenter: Kazuhiko Kato
Corporate First Senior Vice President & CFO, Fujitsu Limited

Questioner A

***Q1:** Please explain the impact of the earthquakes in the Iwate region of Japan, including the damages sustained in the June earthquake as well as the July earthquake. Please tell us the amount of the damages as well as where on your income statement you are accounting for the losses.*

A1: We account for the losses in operating expenses. The losses sustained in the June earthquake were in the low single-digit billions of yen. We included estimates of opportunity losses and other types of losses, but it is not a definitive figure.

As for the July earthquake, though we are still investigating the extent of the damages, we know that some equipment was damaged. Plant operations are being gradually restored, and full operations are expected to resume in the first half of August. Our first priority is to our customers, and we are taking all necessary steps to support them and resume operations, including the procurement of equipment.

After the June earthquake, it took us one month to recover fully, but we expect it will take only two weeks to fully recover from the July earthquake. We have already restarted some chip testing processes, and we expect the losses from the July earthquake to be less than those from the June earthquake.

***Q2:** What is your IT spending outlook by sector?*

A2: We have not heard any bad news from any of the major industry sectors in Japan. In May, we forecast IT spending in the financial services sector to decline by approximately 3% this year because of strong spending by the sector last year, and we have not changed our view. Senior managers in Japan continue to invest in IT to enhance their companies' competitiveness, and we expect to see an increase in new business opportunities in areas such as fulfilling compliance requirements and enhancing risk management.

Outside Japan, we expect to see increased spending by large telecom carriers in North America to handle higher data traffic volumes. In addition, we expect orders from Verizon to be in accordance with plans. In Europe, on the other hand, in our business with British Telecom, it appears that they may slightly delay the deployment of their next-generation network services throughout the UK.

In the services field, we are negotiating many deals in the area of infrastructure services. In Europe, in particular, the number of potential deals is increasing, but the number of competitors is also increasing, resulting in a more severe competitive environment. In North America, there are many large-scale contract opportunities, but because of our resource limitations, we are focusing on expanding the number of small-to-medium-sized contracts, but not all proposals will translate into orders.

In China, there are no signs of a slowdown, and we recently received an order from a telecom carrier. In APAC, too, there is considerable activity in government-related business.

On an industry-by-industry basis, in the manufacturing and retail fields, including the auto industry, we see some signs of constraints on spending. In the public sector, we see no signs of significant changes. In the healthcare field, we have received orders from major hospitals, and we think there will continue to be demand from small- and medium-sized hospitals.

***Q3:** Regarding the system problems at the Tokyo Stock Exchange, how do you expect these problems to impact your business?*

A3: This was the third instance of systems problems at the Tokyo Stock Exchange. We deeply regret the problems and the inconvenience caused to the Tokyo Stock Exchange as well as the investment community as a whole. Right now, all of our efforts are devoted to preventing a recurrence of problems and ensuring smooth operation. In the latest system failure, we believe Fujitsu is at fault. Right now President Nozoe is taking leadership of this issue and is in the process of creating a new organization in Fujitsu to prevent the recurrence of a system failure. There has been no talk of liability for damages, but if the issue arises, we are ready to assume our share of the responsibility. There is a sense of urgency that, if such problems happen again, we will lose the trust of our customers, and therefore the whole company is focused on this issue. We greatly appreciate your understanding.

Questioner B

***Q1:** As new CFO, please share your thoughts about acquisitions in the US market as well as your thoughts about core versus non-core businesses.*

A1: In terms of acquisitions, we have no intention of pursuing large-scale acquisitions, such as H-P's acquisition of EDS. When I say "large-scale," I am referring to deals in excess of 100 billion yen. Unless we limit ourselves to medium-sized deals of less than 100 billion yen, we believe the risk is too great. Up until now, we have completed many small acquisitions. But acquisitions on the scale of 10 billion yen would be insufficient for establishing a solid foundation for our IT services business in the US.

In terms of business strategy, a strong solutions business is the foundation for a strong hardware business. In our medium-term plan, we are aiming for an operating income margin in excess of 5%. Rather than discussion relating to core versus non-core businesses, the issue is how best to manage low-margin businesses. For businesses that do not contribute to improving the operating income margin to 5%, we need to consider alliances with other companies.

***Q2:** Please tell us about first-quarter operating income in Services as well as the profitability of your businesses outside of Japan.*

A2: Compared to last year, first-quarter operating income in Services is weak, but it still exceeded our projections. What made the difference was that sales of system integration services in Japan exceeded our projections by 2-3%. Overall results in Services, however, were dragged down by lower performance in Europe and the US. First-quarter sales of Fujitsu Services in the UK were 630 million pounds, reflecting an increase in large-scale deals as a result of acquisitions, but operating income was 10 million pounds, a decrease of 15 million pounds, because of high upfront costs in expanding our services business to private-sector customers. First-quarter sales of Fujitsu Consulting in the US were 185 million dollars, an increase of 9 million dollars, but the company posted an operating loss. Fujitsu Consulting has acquired a number of IT services companies. Now we are trying to shift the business to more

of a project model like those using SAP (package-based solutions), but our current organization does not accommodate this, so we are not gaining sufficient market share. Starting from the second quarter, we will focus on reforming the organization.

As for hardware-related subsidiaries outside of Japan, sales at Fujitsu Computer Systems were 139 million dollars, a decline of 18 million dollars from the previous year, and operating income was \$1 million, a decline of \$4 million. Their results were affected by the decline in sales resulting from the end of marketing PRIMEPOWER UNIX servers. In addition, in Europe, Fujitsu Siemens Computers (FSC) recorded sales of 1,188 million euros, a decline of 179 million euros, and a net loss. What happened was that, because of intensified competition in the US PC business, H-P, Dell, and others have started to focus more on Europe, leading to the spread of low-priced PCs in that market. FSC is selling low-priced PCs built by an OEM, but still earnings have been squeezed by the intensified competition.

Q3: Why did EMEA post a loss in the first quarter?

A3: The main reason was that FTEL's development costs for British Telecom's 21st Century Network project are squeezing earnings. The development work should basically end during this fiscal year, and next year we should return to profitability.

Questioner C

Q1: Can you comment on the gap between projections and actual first-quarter results by segment?

A1: For Technology Solutions as a whole, operating income was several billion yen more than our projections at the beginning of the period, and System Platforms and Services each accounted for about half of the additional amount.

Results for Ubiquitous Product Solutions were more-or-less in line with projections. Breaking this down, HDDs exceeded projections, and thanks to cost efficiencies, mobile phones outperformed projections by a small amount. On the other hand, results for PCs were somewhat less than projected. In each case, the divergence from projections was not significant.

For Device Solutions, taking into account the impact of the earthquake damage, results were slightly under projections.

For the Others segment, results were basically in line with projections.

Generally speaking, the results in Technology Solutions were better than projected, and this enabled us to cover the negative impact of the earthquake.

Q2: Please tell us about the order status for your solutions business in Japan, breaking it down by industry.

A2: On the basis of sales, our full-year projections for this business in Japan are unchanged from the figures we announced at the beginning of the year, regardless of industry. We still expect sales for the solutions business as a whole to grow by 1% in comparison with fiscal 2007. On an industry basis, the industry in which we are expecting sales to decline is financial services, where we expect a decline of around 3%. For manufacturing, retailing and telecommunications, on the other hand, we are projecting modest sales growth. For public sector and regional business, we expect flat growth compared with last year, and we see the business environment for healthcare becoming a bit more difficult.

Questioner D

Q1: Please tell us about the current environment for LSI logic devices and the book-to-bill (BB) ratio. In addition, I would like to know about prospects going forward and capacity utilization rates.

A1: The BB ratio for the first quarter was 1.1. Regarding orders for the second quarter, because of the earthquake in July, we do not know how this will turn out. In order to continue to keep the confidence of our customers, we are dispatching senior executives to visit customers. We expect that market conditions will become severe in Japan, but we expect growth outside Japan, especially in Asia. Demand for our camera-related devices is strong, and we expect the fast-growing sales for these devices to drive our overall LSI logic device business. We also expect that performance in our automotive-related business will not be too bad, including in Europe. As for capacity utilization rates, it was over 80% for advanced logic products and at the mid-70% level for standard logic products in the first quarter. Utilization rates will gradually rise during the second quarter. Specifically, we anticipate a capacity utilization rate of over 90% for advanced product production lines in the second quarter and 100% for the entire second half. For standard products, without taking into account the impact of the earthquake in July, we had been projecting rates of a little less than 90% for the second quarter. Since the impact of the July earthquake is not clear, however, we do not know how the capacity utilization rate may change for standard logic products.

Q2: Operating income in the System Platforms sub-segment appears to be exceeding last year's level. Please give us a breakdown of operating income changes for system products and network products.

A2: Both system products and network products performed well in the first quarter, but network products is where the improvement since last year is especially large. In the first and second quarters of last year, the network products business was difficult. In the latter part of the fiscal year, however, next generation network business began to materialize, and multi-band BTS (base transceiver station) equipment continued to contribute to increased income from the third quarter last year.

Q3: Did your server-related business also improve since last year?

A3: Yes it did. In addition to making progress in reducing costs in our server business, the growth of blade servers as well as multi-core (dual- and quad-core) servers has increased demand for memory and peripheral option products, and this has helped boost income.

Questioner E

Q1: How are SPARC Enterprise servers selling?

A1: SPARC Enterprise sales orders are steadily increasing in Japan, but they are sluggish outside Japan. One obstacle is that there is a limit to just selling hardware. Therefore, our challenge right now is to create a business structure whereby the services business drives hardware sales.

Q2: Are you acting to curb unprofitable Services projects?

A2: The number of such projects is declining and is small overall.