Summary Translation of Question & Answer Session at
FY 2008 Financial Results Briefing for Analysts

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Location: Fujitsu Headquarters, Tokyo
Presenters: Kuniaki Nozoe, President
Kazuhiko Kato, Corporate First Senior Vice President & CFO

Questioner A
Q1: *Please give a breakdown by sector for your projections of Technology Solutions segment sales in Japan in fiscal 2009, in comparison with fiscal 2008 sales.*

A1 (Kato): Sales in Japan to the manufacturing/retail sector were slightly lower in fiscal 2008 compared with fiscal 2007, but in fiscal 2009 we are expecting severe conditions, with sales declining by about 11% compared with fiscal 2008. For the telecom sector, sales in fiscal 2008 increased over the prior year as customer investments peaked, and so we expect sales to decline in fiscal 2009 by about 3%. For the financial services sector, in fiscal 2008 there was an increase in demand from consumer loan companies due to regulatory changes, resulting in an increase in sales over fiscal 2007. For fiscal 2009, we expect financial services sales to decline by 5%. That said, for both telecom and financial services, we expect the relatively high level of sales achieved in fiscal 2008 to continue.

For public-sector business, sales increased in fiscal 2008, and we expect a further increase of 1% in fiscal 2009. For regional business, sales slipped in the fourth quarter, resulting in a decline in sales for fiscal 2008, and we expect sales in fiscal 2009 to be about the same as in fiscal 2008. Therefore, while conditions in Japan's IT market are difficult, sales vary significantly depending on the industry. As for markets outside of Japan, we do not expect sales in the UK to increase. Between tight government budgets and stronger pricing pressure, we expect it will be difficult to increase sales. We also expect the market in North America, as a whole, to be difficult. In fiscal 2008, we integrated three of our subsidiaries in North America. That move started to produce results for us in the fourth quarter, when we started to win some large-scale deals. Therefore, even amid a difficult market, we expect to be able to increase sales in North America in fiscal 2009.

Q2: *You project amortization expenses to decline from 223.9 billion yen in fiscal 2008 to about 180 billion yen in fiscal 2009. How much of that reduction stems from the effect of eliminating some amortization expenses in your semiconductor and HDD businesses as a result of recording impairment losses in 2008? For 45nm-generation devices and beyond, starting from April, are you consigning production to Taiwan Semiconductor Manufacturing Company (TSMC)? In addition, are you considering selling your Fab No. 2 facilities at the Mie Plant?*

A2 (Kato): For HDDs, rather than the effect of having recognized impairment losses, the main effect will come from the transfer of the business by the end of the first quarter. Starting in the second quarter, without this business, we expect to improve operating income by 20 billion yen as a result. In Device Solutions, we recorded impairment losses of approximately 50 billion yen for Fab No. 2 at the Mie Plant. As a result of this, we expect depreciation expenses in fiscal 2009 to be nearly 15 billion yen lower. Furthermore, we expect the reorganization of the production lines for standard logic devices to improve operating income by about 10 billion yen, with the effect phased in starting in the second half of fiscal 2009. In addition, rather than just the reduction in depreciation expenses, through joint development work with TSMC, development expenses for advanced process technologies will be reduced, and we also expect to reduce our related variable costs. In total, we expect cost savings of approximately 60 billion yen. On the other hand, lower sales are expected to have a negative impact on operating income of approximately 20 billion yen.

We have not talked with TSMC about selling them any facilities. We will produce devices up to the 45nm-generation in our own fab. For 40nm-generation devices and beyond, we will outsource production to TSMC's fab and produce them together. That is the essence of today's announcement.

(Nozoe): We have implemented structural reforms in fiscal 2008 so that, even in the event that sales decline in fiscal 2009, we still have a chance to generate higher profits. These effects will start to become apparent in fiscal 2009, so we think we should be able to post higher operating income in fiscal 2009 compared to fiscal 2008. Still, we created our fiscal 2009 forecast in the second half of fiscal 2008, so we will be closely watching the progress of the economy in the first half of this year to see how the environment develops.

Based on the premise that we could not return our semiconductor operations to profitability in fiscal 2009, we decided that we would need to move toward a "fab-lite" business model in fiscal 2009. As a first step, we reached an agreement to consign production of 40nm generation devices to TSMC, as we announced today, but we are still deciding what we should do about future development of advanced device technologies. In any case, our cost base will become much lighter in fiscal 2009, and we are taking steps to strengthen our organization so that, when the economy recovers in fiscal 2010 or later, we will be positioned to deliver strong performance.

Q3: *Currently, given the uncertainties regarding the second half of fiscal 2009, what level of risk have you factored into your projections?*

A3 (Kato): For our sales projections, we have been fairly conservative. When creating the projections, we did not start with the premise that we could increase sales. The projections reflect the input we received from our frontline managers.

Questioner B

Q1: *Could you break out your projections for each business segment for the first half and second half of fiscal 2009?*

A1 (Kato): For Technology Solutions, for the first half we expect operating income of 25 billion yen, and for the second half we expect operating income of 150 billion yen. Of that, for the Services sub-segment, we expect operating income of 35 billion yen in the first half and 130 billion yen in the second half. For the System Platforms sub-segment, we expect an operating loss of 10 billion yen in the first half and operating income of 20 billion yen in the second half.

For Ubiquitous Product Solutions, we expect our HDD business, which will be a consolidated part of the segment until the end of the first quarter, to generate a 10-billion-yen operating loss, but we expect the segment as a whole to post an operating profit for the full year. For the Device Solutions segment, we expect an operating loss in the first half and a slight operating profit in the second half.

Q2: *What is the capacity utilization rate of your semiconductor production facilities? In addition, while it is clear that you have recognized significant impairment losses, was that move designed to make it easier to enter into a partnership with another company?*

A2 (Kato): In the fourth quarter, the capacity utilization rate for standard logic devices was about 30%, and for advanced logic devices it was about 40%. We expect business conditions to remain severe in the first quarter, but as inventories wind down and our capacity is reduced through the reorganization of our standard logic device production lines, we expect our capacity utilization rates for advanced logic products to rebound to 70%, and for standard logic devices to recover to about 50%.

(Nozoe): We think our semiconductor business model is different from other companies. By realizing an impairment loss in fiscal 2008, we can improve the soundness of our business in fiscal 2009, pursue a "fab-lite" structure through our collaboration with TSMC and other initiatives, and aim to make the business structure profitable as an independent entity. In fiscal 2009, we want to determine a structure that is right for this business, where we need to streamline our operations, and what product areas we need to invest in.

Q3: *How large an impact do the sales of Fujitsu Technology Solutions (FTS) have on infrastructure services and Ubiquitous Product Solutions?*

A3 (Kato): For FTS, annual sales of infrastructure services are nearly 300 billion yen, and in Ubiquitous Product Solutions, sales of PCs are nearly 240 billion yen.

Q4: *It appears that you have made major changes among your corporate executive officers. Mr. Nozoe, could we hear your thoughts on this matter?*

A4 (Nozoe): We are making organizational changes to strengthen our Technology Solutions segment. We are planning to reform the management structure by consolidating the management of each business group in the hands of one corporate senior vice president. Then, we will consider the appropriate number of business units under each business group and appoint one top manager for each business unit. At the same time, we will make personnel changes among our top business unit management. I plan to explain details when I present the next medium-term plan.

Q5: *With FTS becoming a consolidated subsidiary, what will the impact be on operating income for infrastructure services?*

A5 (Kato): For FTS in fiscal 2009, there will be 15 billion yen in goodwill amortization expenses, of which approximately 10 billion yen is attributable to infrastructure services. With FTS becoming a consolidated subsidiary, excluding goodwill amortization expenses, operating income would be nearly 10 billion yen. Therefore, the impact on operating income for infrastructure services is neutral, because the added operating income is offset by the goodwill amortization expenses.

Q6: *Overall, what will your production capacity in semiconductors be like from now on?*

A6 (Kato): Right now we have excess capacity. We are consolidating our production lines for standard logic devices, so starting from the second half of fiscal 2010, our production capacity is expected to become tight.

<u>Questioner C</u>

Q1: *In your fiscal 2009 projections for your Services business, excluding special items stemming from business restructuring, you are projecting a 10 billion yen sales increase and an operating income increase of 15 billion yen. This is very bullish in comparison with the market outlook of other independent IT service companies. What is the reason for that?*

A1 (Kato): We promoted rigorous cost reductions from the fourth quarter of fiscal 2008, and the effects are steadily becoming evident. We believe that we will be able to further improve operating income in fiscal 2009 as the effects of these expense reductions take hold starting from the first quarter.

Moreover, our infrastructure services business in Japan, particularly outsourcing services, performed well in fiscal 2008, and we expect this trend to continue in fiscal 2009.

(Nozoe): We are planning to deploy Field Innovators, a new group of business consultants, whom we have been training in Japan. In addition, the productivity of our system engineers is improving, and we expect this to also have a positive effect on income.

Q2: *In regard to LSI devices, you announced that you would consign manufacturing of 40nm-generation products to TSMC. Does this mean that there will be no possibility of mergers or business tie-ups with other companies in the future? Would you give serious consideration to a tie-up if an ideal partner were to materialize in the future?*

A2 (Nozoe): We do not reject the possibility of mergers or partnerships with other companies in the future, and will consider them if we believe them to be ideal for us. Nevertheless, the market environment for the entire semiconductor industry is extremely severe at the present time, and achieving an effective merger or tie-up in such circumstances is by no means easy. Moreover, in order to proceed with negotiations for such a move, Fujitsu must first put itself in a place to do well in such negotiations. You should view the announcement of our current cooperation with TSMC as a step toward strengthening our organization.

Recently, when we made FTS a wholly owned subsidiary and announced the goal of selling 500,000 units of IA servers in fiscal 2010, we received many expressions of interest in more significant tie-ups than previously from companies around the world. Rather than pursuing negotiations on LSI devices, we would like to give priority to negotiations that are linked to this kind of further growth in Technology Solutions.

Q3: *What is the timing of your switch-over to International Financial Reporting Standards (IFRS)?*

A3 (Kato): We are prepared to make the switch at any time, but we have not yet set a specific time. When shifting to IFRS, it is not necessary to amortize goodwill, so there is a positive impact in regard to operating income. On the other hand, unfunded pension obligations must be posted under IFRS, so shareholder's equity would decline. Since credit rating agencies have said that this impact has already been taken into account, I think we can make the shift at any time.

Questioner D

Q1: *Results exceeded your projections in February, but it seems that operating income in your Services sub-segment was somewhat lower than what you projected when you reported results for the third quarter. Were results in your Services business in Japan good? Also, I would like you to confirm to what extent sales and operating income will decline for your solutions and system integration business in fiscal 2009 and to what extent sales and operating income for your outsourcing business will increase.*

A1 (Kato): We are expecting solutions and system integration sales to decline by several tens of billions of yen in Japan. Regarding operating income, our integrated and restructured US subsidiary received a large order in March, and we are expecting our North American business to grow, so we are projecting growth in operating income in fiscal 2009.

In infrastructure services, we are planning for solid sales growth in fiscal 2009, as well. Regarding operating income, when we take into account the impact of stronger pricing pressure in outsourcing services, especially in Japan, we are forecasting more-or-less the same level as the preceding year.

(Nozoe): In fiscal 2008, we covered declines in business outside of Japan with increases in our business in Japan. I believe this will continue in fiscal 2009. We are aiming to increase our overall operating income the Services sub-segment, for example, by expanding our solutions and systems integration business through the deployment of Field Innovators and by improving the productivity of our system engineers.

Q2: *What do you think will be the impact on Fujitsu of the acquisition of Sun Microsystems by Oracle?*

A2 (Nozoe): Comments by Fujitsu about the deal between Oracle and Sun might cause problems for the two companies, so we are refraining from making comments. I realize that Sun has a very large customer base in Japan. As Fujitsu is a customer-focused company, we will engage in negotiations so that Oracle continues to provide us with the license to sell the Solaris operating system. Fujitsu has a history of 20 years of collaboration with Oracle. We have announced plans to sell 500,000 units of IA servers around the world in fiscal 2010 and have received offers of collaboration from many companies. Oracle is one of them. If we move ahead with new collaboration with Oracle, Sun naturally would be included in it, and we believe that this would be very beneficial for Fujitsu and our Solaris-based customers. Speaking personally, I would like to begin talks on collaboration as soon as Oracle and Sun complete their deal.

Questioner E

Q1*: You are taking write-downs in semiconductors and other areas. Please comment on the risk of writing down deferred tax assets.*

A1 (Kato): At the present time, the write-down of our deferred tax assets is not an issue because we changed our business model to improve our profitability and this was a premise for us to move ahead with cooperation with TSMC.

In addition, in transferring our HDD business, we will eliminate future losses associated with that business, so that is also a positive factor in terms of deferred tax assets.

Q2: *Please explain why the debt/equity ratio temporarily became large.*

A2 (Kato): It exceeded 1.0 at the end of fiscal 2008, but this was because we borrowed to have funds on hand to repay 300 billion yen in straight bonds and convertible bonds that are scheduled for redemption this fiscal year. Since we do not plan any major fundraising in the future, I believe that the debt/equity ratio will fall to the 0.6 level after the bond redemptions at the end of June.

Questioner F

Q1: *Please explain the reason why operating income in semiconductors is projected to improve, even though semiconductor sales are projected to decline by 100 billion yen in fiscal 2009.*

A1 (Kato): We are carrying out measures to improve the health of our semiconductor business to make it profitable in fiscal 2010. Fiscal 2009 is the midpoint of these efforts. Among measures to reduce expenses, we recorded impairment losses in fiscal 2008 and are reducing advanced process development costs. Together, these expense reductions will result in savings of about 60 billion yen. In fiscal 2009, sales will decrease by about 100 billion yen, but the operating loss will shrink as a result of these effects.

Q2: *In fiscal 2009, since net cash used in financing activities is projected to be 160 billion yen, I assume that means that the redemption of 300 billion yen in straight bonds and convertible bonds will be partially offset by new borrowings of 140 billion yen. Is it correct to understand that the 0.6 debt/equity ratio will only be temporary and will be higher at the end of the year?*

A2 (Kato): As far as capital expenditures are concerned, as we keep an eye on our operating results, we are thinking of further reducing capital expenditures. Thus, there is a possibility that free cash flow will improve a little from the current projected level of 60 billion yen. If this happens, borrowing will also decrease, but since Fujitsu's business is weighted toward the end of the fiscal year, we have factored that in as a risk factor. I am aiming to bring the ratio down to under 1.0, or in the 0.6-to-0.7 range by the end of the year.