Summary Translation of Question & Answer Session at
FY 2010 Second-Quarter Financial Results Briefing for Analysts

Date: October 27, 2010
Location: Fujitsu Headquarters, Tokyo
Presenter: Kazuhiko Kato, Corporate Executive Vice President & CFO

Questioner A

Q1: *How were conditions in Japan's IT market in the first half of the fiscal year? Please also let us know what your projections are for the second half and full year.*

A1: Looking at Japan's IT industry, we projected overall first-half sales to be 2% below first-half sales last year, but they turned out to be 1% higher. Breaking them out by industry sector, sales to the manufacturing sector were 5% higher, sales to the retailing and distribution sector were 1% higher, sales in the social infrastructure sector were 2% higher, financial services sales were 5% higher, public-sector sales were 4% lower, and regional business sales were 3% lower. Only regional business sales were slightly lower than our projections. For the second half, we expect sales in all industry sectors except the public sector to be higher than in last year's second half. For sectors in which we had projected very high sales growth, such as the manufacturing sector and retailing and distribution sector, however, some large projects are being postponed, creating greater uncertainty for us in the second half. Accordingly, whereas in July we had projected an 8% increase in sales for the second half, we are now projecting a 3% increase. Similarly, for the full year, we are now projecting 2% growth, a downward revision from our previous projection of 4% growth.

Q2: *How is the performance in your subsidiaries outside Japan, such as UK-based Fujitsu Services and Germany-based Fujitsu Technology Solutions?*

A2: As of the first quarter of this fiscal year, we are no longer disclosing the sales or operating profit of individual subsidiaries outside Japan, but sales in the UK, Germany, and the US are all lower than the July forecast. In particular, we expect our results in the UK to be adversely affected by the British government's budget cuts.

Q3: *For operating income in each segment, to what extent did results deviate from your July projections?*

A3: Overall, we exceeded projections by 12 billion yen. For the Services sub-segment, results in our solutions/system integration business were according to plan, the infrastructure services business in Japan exceeded projections by 3 billion yen, and operating income outside Japan was 3 billion yen below projections. For the System Platforms sub-segment, results in System Products were as projected, and results in Network Products exceeded projections by 5 billion yen. For Ubiquitous Solutions, results exceeded projections by a total of 5 billion yen, about half from PCs and half from mobile phones, while results in Mobilewear were as projected. Operating income in

Device Solutions was as projected. Operating loss in the "Other/Elimination and Corporate" category was lower than the projections by 2 billion yen.

Questioner B

Q1: *In light of changes in the current business environment, which businesses do you expect to perform poorly in the second half, and for which businesses do you expect performance to improve?*

A1: For the second half and beyond, we expect solid performance in our Network Products business, but development costs will increase in the second half. We are increasing the investments in the second half in order to expand sales in fiscal 2011 and beyond. We think it will lead to expanded business with telecom carriers, including sales of servers.

Our Services business in Europe this year appears to be leveling off somewhat. In Europe, including the Nordic region, we have succeeded in winning deals with global customers. While the contribution of such deals in the current fiscal year is limited, if we are able to secure several additional wins in the second half from among the various projects out there, it will make a difference in fiscal 2011 and beyond. In Australia, as well, we are now among the top three IT vendors in the market. If we can get a few more wins, that region will become an important pillar of earnings. So we are not pessimistic about our prospects. We are becoming much more active in going after global business.

In our server business, talks with Oracle about strengthening our collaboration are progressing. If we can reach an agreement, we are hopeful that it will further accelerate our business growth, but since an agreement has not yet been decided, we are taking a more cautious stance in the current plan.

As for mobilewear, in light of market trends, we expect the deterioration in the market environment to result in lower sales starting in the second half. We need to come up with some countermeasures in the auto-related business.

In Device Solutions, we are getting hammered by the higher yen, but in our business using our foundry partner outside of Japan, we are receiving additional orders, and we will start volume delivery in the second half, so the sector is on target to achieve its projections.

Q2: *Although your public target for operating income for fiscal 2010 is 185 billion yen, you have said that the internal target is 200 billion yen. In light of your first-half results, are you now less optimistic about achieving this internal target?*

A2: We have not given up on our internal target of 200 billion yen. If we look at past years, when we achieved operating income of at least 40 billion yen in the first half, we were on pace to achieve over 180 billion yen for the full year. While there are differences in the market environment, I think we can achieve our targets in the second half. We will continue monitoring the situation and take measures as needed.

Q3: *Are you planning to strengthen your business relationship with Oracle, or is there a possibility that there will also be some kind of equity partnership, as well?*

A3: We are focused right now on strengthening our business collaboration. We recently participated in Oracle OpenWorld in the US, where one of our executives gave a keynote speech, and I heard that his speech was very well received. In addition, the new co-president of Oracle is from HP, so his background is in a business that is very similar to ours, and, culturally, I think there is an opportunity to generate significant synergies. The relationship is moving in a positive direction.

Questioner C

Q1: *For the first and second quarters combined, it appears that you have exceeded your projections for operating income by 22 billion yen. Does the fact that you have not raised your projections for the full year imply that the extra operating income you achieved in the first half will be fully absorbed in the second half?*

A1: That is correct.

Q2: *You mentioned the solid performance in your Network Products business. Outside of North America, could you give us some specifics about business conditions? Could you tell us about the pace at which you expect your sales in North America to expand?*

A2: In Japan, Next-Generation Network investment has passed its peak, so sales of Network Products in the first half slightly declined compared to the same period in the previous year and were lower in the second quarter than they were in the first. On the other hand, with the increase in traffic from higher smartphone use, our sales of routers and switches are increasing. We are seeing the same trends in North America, and we expect to see continued capital expenditures on the part of carriers in order to keep pace with the growth in traffic. Beyond just Verizon and AT&T, we are adding new customers, including in Canada. The number of customers for our new FLASHWAVE 9500 model has increased, and it includes relatively small-scale customers. In that sense, the business is becoming more stable. As our next step, instead of just selling network equipment hardware, we will expand our services business, such as network monitoring services. There is a good chance that our products and services will be used on a global basis for such customers as major investment banks in Europe and the US. Rather than just selling boxes, we plan to develop our business by delivering value-added services.

Q3: *Shinko Electric, one of your consolidated group companies, has lowered its projections for the fiscal year. When Fujitsu includes Shinko Electric in its consolidated projections, do you simply incorporate Shinko Electric's projections?*

A3: Shinko Electric assumed an exchange rate of 80 yen per US dollar for the second half, whereas we assumed an exchange rate of 85 yen per dollar, so there are differences.

Q4: *Fujitsu recently made an equity investment in Oki Electric, but is there a possibility that Fujitsu will acquire a portion of Oki Electric's business in the future? In looking at the example of other companies, it is often the case that relationships that were intended to be small in scale end up becoming much larger, especially between companies with the same main bank. If Oki Electric's financial condition deteriorates further, how significant could your investment become? In addition, depending on the circumstances, are you thinking of acquiring engineers from Oki Electric?*

A4: The capital investment is 1.0 billion yen, and we made the investment with the expectation that we would earn a sufficient return on it. We have no intention of being dragged into anything. From a strictly economic perspective, we expect a return that is appropriate to our 1.0 billion yen investment. In addition, we are collaborating with systems integration in the field of ATMs, and we first want to strengthen that collaboration. We would also like Oki Electric to use our datacenters and computers as the company expands its business. Moreover, it is also the case that Oki Electric has development resources in specific areas that are important to us.

Questioner D

Q1: *With a slowdown in PC shipments resulting in sluggish growth in the semiconductor market, what is the reason for the strong performance in Fujitsu's semiconductor business?*

A1: The main reason is that our portfolio of products is shifting. While we expect sales of products for automotive and industrial equipment applications will be slower in the second half, sales of LSI devices for use in audio-visual equipment, which is a major market for us, are increasing, as are sales of image processing chips for smartphones. In addition, we have established design teams in Chengdu and other parts of Asia, and that strategy is paying off, as our sales in Asian markets are beginning to grow.

Q2: *So, because you are focusing on audio-visual equipment applications, your business is relatively strong, but what impact will the completion of the government's "eco-point" system to support environmentally friendly appliance purchases have on your business?*

A2: It will take a little bit of time, but we are in the process of developing new applications. We want to take new products, such as our image processing-related LSI devices, and bring them into new fields to broaden their use. Although we are focused on competing in all markets throughout Asia, we are developing new products that are designed to enable us to generate more business in China.

Q3: *For your Network Products business, I believe that profits are increasing due to higher shipments of higher-margin products such as the FLASHWAVE 4000 series, which requires little additional R&D expenses, but how long do you expect this trend to continue? How is the profitability for your new FLASHWAVE 9500?*

A3: Customers are shifting from the FLASHWAVE 4500 to the FLASHWAVE 7500. Currently, we are seeing the biggest increase in customers for our new product, the

FLASHWAVE 9500. It is starting to be used in corporate networks, as well, so we are making a major effort to make sure that we are able to generate profits from this product.

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