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

Date: July 29, 2010
Location: Fujitsu Headquarters, Tokyo
Presenter: Kazuhiko Kato, Corporate Executive Vice President & CFO

Q1: *Which segments exceeded their targets for operating income in the first quarter, and by how much?*

A1: Overall, we exceeded our operating income projections by 10 billion yen, with the Technology Solutions segment accounting for half of this amount, and with the remainder split fairly evenly between Ubiquitous Solutions, Device Solutions, and the "Other" category. Moreover, with Technology Solutions, the amount was split roughly evenly between Services and System Platforms. All segments, therefore, exceeded their targets.

Q2: *How were conditions in Japan's IT market? Could you also update us on how conditions are so far in July? To what extent did first-quarter sales include business that was booked ahead of schedule and would otherwise have occurred in the second quarter or later?*

A2: Looking at overall Technology Solutions sales in Japan for Fujitsu on an unconsolidated basis, we projected first-quarter sales to be 8% lower than first-quarter sales last year, but they turned out to be just 1% lower. Breaking them out by industry sector, sales to the manufacturing sector were 5% higher, sales to the retailing and distribution sector were 3% higher, sales in the social infrastructure sector were 8% lower, financial services sales were 2% higher, public-sector sales were 18% higher, and regional business sales were 5% lower. Sales in the manufacturing, retailing/distribution, social infrastructure, financial services, and public sectors all exceeded our projections. Compared to last year, business conditions in July so far have been good. There are just a few more days left in the month, and there are no indications that conditions deteriorated in the month. For the full year, we expect sales to increase 4% over fiscal 2009, and that has not changed since we announced our projections in April. There has, however, been some change to our projections, with an improvement over the previous projections expected in the manufacturing sector, but we have lowered our projections for sales to the retailing sector, as there is a possibility that the sluggish trends in personal consumption will continue. We have also lowered our projections for regional business sales because of severe current conditions. We have not changed our projections for financial services or social infrastructure.

In our network products business, we booked about 5 billion yen in sales in the first quarter that we had anticipated occurring later. Here, we were helped by favorable trends in optical broadband lines for television in anticipation of the shift from analogue to digital terrestrial television. Also, in comparison with last year, North American telecom carriers are increasing their investments in optical transmission systems to keep up with the increase in traffic from higher video communications associated with the expansion in smartphone usage, and our order flow has also been much stronger.

For our network products business in Japan, the annual investment budgets by telecommunications carriers are fixed, but we remain hopeful about the extent to which the increase in network investments in North America will continue, and a key issue will be the extent to which our manufacturing units can keep up with demand.

Through June, overall orders for the Technology Solutions business in Japan have been roughly equivalent to last year's levels. Since last year, orders had been down on a year-to-year basis, but it appears that they are finally leveling off. If orders in the July-to-September quarter exceed the previous year's levels, then we will be able to speak with more confidence.

Q3: *How were the sales and operating income results for your subsidiaries outside Japan for the first quarter, and how did these results compare to your projections? In particular, with the British government planning to cut its budget by 25-40%, what impact will that have on the business of Fujitsu Services in the UK?*

A3: Unfortunately, overall our subsidiaries outside Japan started off the year with a loss in the first quarter. Fujitsu Services posted a loss for the first quarter, but if not for higher retirement benefit costs, it would have broken even. The budget cuts of the British government are cause for concern, but overall it is what we anticipated. With our existing government-related business, even if we are asked to lower our pricing, there are no signs that contracts will be terminated early. Moreover, to some extent we anticipated that pricing may need to be lowered, and we have already factored this effect into our projections. On the other hand, our projections for the UK also assume that we will get some new contracts from local governments and private-sector corporations, and our results hinge on the extent to which this business materializes by the fourth quarter. For business outside Japan as a whole, if we can get a few more big deals like the one we recently landed in the Nordic region, we will be able to meet our targets. In Australia, we are seeing results from our acquisitions, and business is brisk, primarily deals involving our datacenters. It appears that we will get another large-scale deal in the near future, so we are making very solid progress. On the other hand, our operations in North America started out with a large loss for the first quarter, and we may need to implement further structural reforms in order to expand our sales. Market conditions in North America are not bad, so we would like to be generating more business, but it appears as though it may take some time.