Summary Translation of Question & Answer Session at
FY 2011 Financial Results Briefing for Analysts

Date: April 27, 2012
Location: Fujitsu Headquarters, Tokyo
Presenters: Masami Yamamoto, President
Kazuhiko Kato, Corporate Executive Vice President & CFO

<u>Questioner A</u>

Q1: *Please tell us what the effect of the 15.1 billion in restructuring expenses will be in fiscal 2012 and beyond in each of the restructured units.*

A1 (Kato): The restructuring expenses can be broadly categorized into the following three categories; the business transfer of the Iwate semiconductor plant, the restructuring of the production operations in Japan of Fujitsu Ten, and expenses related to streamlining personnel in our services businesses outside of Japan. For the expenses relating to streamlining personnel in our services businesses outside of Japan, we will begin to see a portion of the effects starting in April of fiscal 2012, and we should be able to recoup the expenses within this fiscal year. But the streamlining of personnel in Europe is not easy, and it will take time. For Fujitsu Ten, reducing fixed costs is one key to improving profitability in the Mobilewear sub-segment business, and we expect to be able to recoup the expenses in a little over a year. In our semiconductor business, we are transferring the ownership of the Iwate plant, but Fujitsu Semiconductor will continue to sell the products that are produced at the factory. In that sense, it will take some time to see results, but the transfer does have the effect of significantly reducing our future business risks.

Q2: *You have decided to let go of your Iwate plant for semiconductors, but what are your thoughts about your two remaining semiconductor plants? Do you plan to take further steps of this type?*

A2 (Yamamoto): The decision to transfer the Iwate plant was taken in accordance with our fab-lite business model, where we seek to reduce our fixed costs over the longer term. We will continue to pursue structural reforms as we seek the right form for our semiconductor business, and we will make announcements to inform you as decisions are made.

Q3: *Please tell us about your IT sales results for the fourth quarter in Japan by industry sector and your forecast for the full fiscal 2012.*

A3 (Kato): Overall IT sales in Japan in the third quarter increased by 5%. Year-on-year sales growth in the manufacturing sector was 10%. For the retailing and distribution sector, sales rose 10%. Sales in the social infrastructure sector also rose by 10%. Unfortunately, for the financial services sector, sales declined by 9%. For the regional and public sectors, including healthcare, sales increased by 5%. In that sense, one could say that Fujitsu regained its cruising speed in the fourth quarter. For fiscal 2012, we are projecting overall sales growth in Japan of 3%. In the manufacturing sector, we are projecting 13% sales growth. We already have a rough idea of what projects we will have, so we do not expect major fluctuation in that figure. For the retailing and distribution sector, we expect year-on-year sales growth in both the first half and second half, and for the full year we are projecting sales growth of 7%. We are projecting growth in the second half for social infrastructure, for a full-year increase of 3%. We expect the first half to be flat, but we might be able to improve upon that. For financial services, we expect a weak first half, but we expect to make up for it in the second half, with a full-year increase of 1%. We are also expecting a difficult first half in our regional and public sector business, but as soon as the government budget allocations are set, activity should pick up, and we are hoping to make up for it in the second half, with flat growth projected for the full year.

<u>Questioner B</u>

Q1: *What are your plans for fiscal 2012 in the Services sub-segment? For fiscal 2012, you are projecting a 48.7 billion yen increase in sales and a 5.9 billion yen increase in operating income compared to fiscal 2011. You explained that dealing with the pension issue in the UK will eat away half of the gains from higher sales. Moreover, for the Technology Solutions segment as a whole, capital expenditures are increasing by 11.6 billion yen, and most of that is for the Services sub-segment, so we would expect depreciation expenses to increase. Please explain the factors that will raise or lower your profits, including the impact of the restructuring of your services businesses outside Japan.*

A1 (Kato): If not for the increase in pension expenses outside of Japan, I think we would have been in a position to generate over 10.0 billion yen in operating income in fiscal 2012. Our plans are built on the assumption that we will be able to hold down the emergence of unprofitable projects. Nearly half of the company's total depreciation expenses are from the Services sub-segment, and most of those are from datacenters. Number of our datacenter business opportunity increased at an annual rate of 25%. We need to make upfront investments in order to have additional capacity, or else we will be unable to meet customer demand. The increase in depreciation expenses stemming from investments in datacenters will be approximately 2.0-3.0 billion yen.

<u>Questioner C</u>

Q1: *My understanding is that, in fiscal 2010, the loss from unprofitable projects was about 20.0 billion yen overall. How much were the loss associated with unprofitable projects in fiscal 2011?*

A1 (Kato): The amount of the loss associated with unprofitable projects in fiscal 2011 was far lower than that in fiscal 2010. Particularly outside of Japan, because of the discipline provided by our project assurance group, there was a sharp decline in unprofitable projects. In fiscal 2011, there were unprofitable projects in Japan, but these were not very big projects when they started, so they fell below the criteria of our project assurance group's supervision. As troubles mounted, however, the costs in the end grew very large. We took all necessary measures to deal with these problems in fiscal 2011, so these costs will not increase again in fiscal 2012 or beyond.

Q2: *You explained that sales outside Japan that failed to materialize in fiscal 2011 will be pushed forward into fiscal 2012, but is it true that all of them will simply be pushed forward, or will you end up losing some of those orders?*

A2 (Kato): Because of the impact of the Thai floods, we were unable to get some high-end HDDs, and that resulted in some deals in Europe getting delayed. As soon as we get the parts, these deals will result in sales in April or May. But not everything was pushed forward. We did end up losing some deals.

Q3: *You are projecting a loss of 85.0 billion yen in the "Other/Elimination and Corporate" category, and it seems that these loss amounts have been increasing every year. Do you really intend to use the budget at this high level? Or is there any chance the loss could be reduced?*

A3 (Kato): We have no intention of including a buffer in that category. The category includes budgets for a variety of strategic investments. To make progress in the global expansion of our business, we need to enhance some shared tools that will help the Fujitsu Group as a whole address customer needs globally. We are also continuing to make strategic investments in the cloud and other areas, and compared with the previous year, these costs are increasing. In the second half of fiscal 2012, however, we would like to monitor the return from these investments more closely.

Q4: *Does that mean the loss in "Other/Elimination and Corporate" will be lower in fiscal 2013?*

A4 (Kato): Yes, that is what we are thinking.

Questioner D

Q1: *You said you wanted to bring the UK pension issue closer to a resolution within the first half of the fiscal year. Specifically, what is the status of your progress?*

A1 (Kato): I think there is a possibility that interest rates in the UK will fall further. To deal with this high-risk situation, therefore, I would like to take measures to reduce the pension benefit obligations. On asset management side, as well, I think it is a mistake to concentrate our investments in the UK. We need to take a globally-based asset allocation strategy for our investments.

Q2: *Please tell us about the current environment for orders in your services businesses outside Japan broken out by region.*

A2 (Kato): In our business outside of Japan, we have not had any significantly large-scale orders in March and April. We are, however, bidding on a number of large-scale deals, and the growth in our services businesses will be determined by how many of these deals we are able to win. The average size of UK public sector deals has gotten smaller, so we will need to continue to accumulate a number of small deals. In addition, for private sector deals, our competitors are now focusing on this market, so the competition is heating up. A key point will be how many of these deals we will be able to win.

In fiscal 2011, sales increased because we got a large-scale deal in the Nordic region. In Australia, we won a services business deal to build out a national broadband network, and that will contribute to sales this fiscal year. In every country, the environment for public sector deals is difficult, so our basic policy is to go after private sector business. The large-scale deals that we have won up through fiscal 2011 provide the baseline for our current sales. To add to that, our ability to win new private sector deals will determine our sales level in fiscal 2012 and 2013. In North America, we won two large deals. One of them started to contribute to sales in the fourth quarter of fiscal 2011 and will continue to contribute to sales throughout fiscal 2012. The other deal will begin to contribute to sales in the second half of fiscal 2012.

In Asia, we built a datacenter in China. Our ability to win new customers, including government-related business, will impact our future sales in China.

Q3: *What is your ultimate objective in restructuring your semiconductor business? Is it simply to reduce Fujitsu's risk exposure? Or are you seriously thinking about creating a competitive semiconductor manufacturer and, for that purpose, cannot avoid bearing a certain burden. To the extent that you can, please tell us whether the transfer was made just to reduce risk or for some other objectives.*

A3 (Yamamoto): First, for Fujitsu, semiconductors will continue to be one of the core technologies underpinning our products. On the other hand, from the perspective of Fujitsu's overall profits, semiconductors are not necessarily one of our core businesses, and generating stable profitability has been a big challenge. Another consideration we have to make is the fate of Japan's semiconductor industry, which has supported the growth of the country's industrial base. We need to find an answer to solve all three of these problems. We will continue to carefully and boldly consider a variety of alternatives.

Q4: *To avoid future pension-related risks, are you considering an early cash-out to fill a pension asset shortfall?*

A4 (Kato): We are aware that it is one way of addressing the issue.

<u>Questioner E</u>

Q1: *Operating income for the Device Solutions segment in the fourth quarter of fiscal 2011 was 3.1 billion yen. Please break out operating income by product category. Please also tell us your outlook for the segment in the first and second quarters.*

A1 (Kato): For the 3.1 billion yen in operating income, half was from our LSI device business and half was from Electric Component sub-segment, which includes Shinko

Electric. In our LSI device business, the three-month moving average book-to-bill ratio was over 1 in March, but the March single-month ratio points to a very difficult environment. Based on the status of orders in March, the first quarter of fiscal 2012 is going to be difficult. We expect demands to shift higher in the second quarter compared to the first quarter, and if we are able to convert the demands into confirmed orders, we can be more confident about the second quarter and beyond.

Q2: *In terms of advanced products versus basic products, what is the outlook for your LSI business in fiscal 2012?*

A2 (Kato): In terms of capacity utilization rates, for advanced products we are assuming a rate of over 90%. For basic products, in the first quarter we are expecting a capacity utilization rate of 70%, but it could trend lower, and we expect it to be around 70% starting from the second quarter.

Q3: *In your explanation of IT sales in Japan by industry sector, you mentioned that IT sales to the financial services sector were weak. When will the large-scale deal with the megabank in Japan start to contribute to earnings?*

A3 (Kato): It has not yet been decided which company will win a larger share in the large-scale deal from the megabank. Of course, we are hoping it will be Fujitsu.