Summary Translation of Question & Answer Session at
FY 2007 First Half Financial Results Briefing for Analysts

Date: November 22, 2007
Location: Fujitsu Headquarters, Tokyo
Presenter: Masamichi Ogura
Corporate Senior Executive Vice President & CFO, Fujitsu Limited

---

Questioner A

Q1: *Operating income for the first half exceeded the projections you announced in July by 24 billion yen. Could you break out for us which areas exceeded projections?*

A1: We exceeded our projections for operating income by roughly 12 billion yen in Technology Solutions, including 8 billion yen from System Platforms and 4 billion yen from Services. Ubiquitous Products Solutions exceeded projections by 5 billion yen, with results from PCs and mobile phones coming in above plan, while HDDs were slightly below plan. Device Solutions exceeded projections by 4 billion yen, as both LSIs and electronic components exceeded projections. Lastly, the "other" category also exceeded projections by about 3 billion yen.

Q2: *For your full-year projections, you have revised operating income for Technology Solutions down by 5 billion yen. What are the reasons for the downward revision?*

A2: The reason for the 5 billion yen downward revision is risk considerations in Network Products.

Q3: *In System Platforms, even though you exceeded projections for operating income by 8 billion yen in the first half, you have revised your operating income projections for the second half down by 13 billion yen. Please tell us about the risk considerations you see in Network Products.*

A3: In Network Products, one issue is that we are now forecasting the bulk of our sales in mobile phone base stations to come in the fourth quarter rather than the third quarter. Another issue is the risk in our overseas NGN-related business.

Q4: *What are the trends in IT spending in each of your vertical industry categories?*

A4: In Japan, overall we are projecting an increase of 2% this fiscal year compared to last year. Broken out by industry, in manufacturing and retailing, while we see spending levels that are roughly the same as last year, there are moves to upgrade core IT infrastructure in industries such as automobiles and steel, and there is continued investment by larger retailers to enhance their competitiveness. In financial services, IT investment spending by large banks and securities companies remains strong, and we expect an increase of 6%. We expect public sector spending to be up 11%, driven by new system installations and demand from privatized businesses.

In the areas of telecoms and regional business, we are projecting spending to be roughly flat, down 1% compared to last fiscal year. In the media and energy sectors, with the development of new media markets and growing business from the energy sector in solutions for collections, facilities, and accounting, we are projecting growth of 2% this fiscal year. And in healthcare, we have strengthened our product line for large and medium-sized hospitals, and we are projecting an increase of 4%.

Q5: *Please tell us about the results for Fujitsu Services and Fujitsu Consulting.*

A5: Results for Fujitsu Services continue to be solid. We have been pursuing acquisitions, purchasing IT companies in Germany and Sweden. Fujitsu Services also won several large-scale contracts, including a big outsourcing contract in Germany from Allianz and an outsourcing contract from Reuters in the UK. Fujitsu Consulting has also performed well and, like Fujitsu Services, has been pursuing acquisitions. Recently we acquired a company providing offshore services in India as well as an SaaS consulting company.

Questioner B

Q1: *Please break out operating income in your Ubiquitous Product Solutions segment for the first half. In addition, you have revised upward your projection for full-year shipments for mobile phones, but please let us know your full-year projections for operating income.*
It appears that you do not have high expectations for operating income in mobile phones for the second half, but please give us your reasons for that as well as the impact of carriers' elimination of sales incentives and your future plans for the business, including the possibility of spinning off the mobile phones business.

A1: Operating income for the Ubiquitous Product Solutions segment in the first half was 21.8 billion yen. For the full year, we are projecting 40 billion yen. Operating income in PCs and mobile phones was 20 billion yen, and HDDs had an operating loss in the high single-digit billions of yen. For the full year, we project operating income of over 40 billion yen in PCs and mobile phones, and we expect HDDs to swing back to profitability in the second half, but not quite enough to offset losses in the first half, thereby ending up with a slight loss for the full year.

Although we have revised upward our projection for full-year shipments of mobile phones, this reflects the higher-than-anticipated results for the first half, and we have not changed our projections for the second half. As a result of changes in the fee structures of telecom carriers, there are forecasts of a decline in demand for replacement purchases, so we are monitoring this trend very closely. We have no plans to spin off our mobile phone business. In the future, we anticipate demand for products that combine features of mobile phones and PCs, and we think that, with further progress in wireless technology, these products will be essential for future IT systems.

Q2: *Is the downward revision in operating income in Network Products primarily attributable to the base station-related business in Japan, or is it also related to your photonics business? Please also let us know about investment trends among North American telecom carriers.*

A2: With respect to results in Japan, the decline in sales of base stations is the main reason for the downward revision. In photonics, although development spending in

our UK business has peaked, we expect the difficult earnings environment to continue in the near term.
In the US, investment spending by telecom carriers has shifted from Sonet to WDM. In terms of our products, there has also been a shift from FW4500 to FW7500, but the FW4500 is more profitable, so improving the new product's profitability going forward is an urgent issue for us. With the transition to IP networks, the telecom carriers themselves are searching for a new business model and wondering what specification to use for new products. As for our business, we are trying to put ourselves in a position to offer technical support for our customers' business.

Q3: *What are your projections for the second half in your semiconductor business, and what is your current level of capacity utilization?*

A3: For the first half, we posted an operating loss in the single-digit billions of yen in our LSI device business, with a loss of nearly 10 billion yen in the first quarter before swinging back into profitability in the second quarter. For the full year, we hope to see an operating profit in the low single-digit billions of yen. In the first half, capacity utilization for our production lines was just over 80%, and we expect it to be 85% in the second half. In the first half, capacity utilization in standard products was low, while we were operating at near-full production capacity for advanced products, but there is uncertainty and risk with respect to the second half, particularly for the fourth quarter.

Q4: *With the recent decline in the stock market, there are concerns about a reduction in pension assets. What is the magnitude of the potential impact on operating income? Do you have any plan to try to avoid this potential market risk?*

A4: We are concerned about the decline in the stock market. This year we slightly reduced the allocation toward equities in our pension assets. We do not know what our amortization expenses will be for next period or beyond. We have not yet considered strategies to avoid the risk of exposure, but even if our amortization expenses were to increase, we would cover it with higher earnings from growth in our core businesses.

<u>Questioner C</u>
Q1: *In System Platforms, you are projecting a full-year operating profit of 10 billion yen, which is higher than the results you achieved last fiscal year, but for the first half of this fiscal year, your loss was larger than the loss you posted in the same period last year. You apparently are projecting higher operating income in the second half of this fiscal year compared to last year. What are your initiatives for improving profitability?*

A1: Operating income in System Platforms for the second half of fiscal 2006 was 12.6 billion yen, and we are projecting operating income of 19.3 billion yen in the second half of this fiscal year.
Starting in the second half of fiscal 2006, there was a sharp decline in demand for the products in which we excel in the area of mobile phone base stations, leading to a decline in our business results. With the launch of multiband base stations, we hope to be able to recover in the second half of this fiscal year.

Q2: *For the full year, your projections for eliminations and corporate-wide expenses are 65 billion yen, which is higher than the 52.7 billion yen you had in fiscal 2006. Since your figures for the first half this year were roughly the same as last year's first half, you are projecting higher expenses in the second half, but could you explain what these are for?*

A2: We expect our investments in next-generation servers to increase. Rather than allocating these expenses to the server division, we are allocating them to corporate-wide expenses, so corporate-wide expenses are projected to increase.

Q3: *Looking at your projections for operating income on a quarterly basis, you are projecting operating income of 20 billion yen in the third quarter, an increase of 12.8 billion yen over last year's third quarter, and operating income of 131 billion yen in the fourth quarter, an increase of 6.7 billion yen over the previous year's fourth quarter. Compared to the fourth quarter, you are projecting a large year-on-year increase in the third quarter. What is the reason for this?*

A3: In the third quarter of fiscal 2006, results in semiconductors and Network Products were not very good. A recovery in these areas is the reason why we are projecting a large increase in this year's third quarter compared to last year's.
On the other hand, what we really need to be conscious of is the risk we see in the fourth quarter. The market for semiconductors and HDDs will impact our results, but it is difficult to predict what the market will be in the fourth quarter for those areas.

<u>Questioner D</u>
Q1: *In Europe and the US, we are beginning to see the fallout of the sub-prime problem, particularly on financial institutions, but is there any impact on IT spending?*

A1: At the present time, we do not see any major impact, but if it begins to affect the underlying economy, I think there will also be an impact on IT spending, too. In the US, IT is viewed as a strategic management tool, so we do not anticipate an immediate impact on IT spending, but we have many customers in the financial services industry, which has been hurt most by the sub-prime problem, so there is a possibility that we will be affected. Still, in many cases, spending on IT investment is a function of each customer's business plan and is implemented with a long-term horizon, so we do not anticipate a sudden drop-off.

Q2: *Recently, as a result of the sub-prime problem, have you experienced any cases in which IT spending plans have been delayed or cancelled?*

A2: No, I have not heard of such cases.

<u>Questioner E</u>
Q1: *Please tell us what plans you have to improve earnings in Network Products next period and beyond.*

A1: We definitely want to be able to support NGN, but at the present time, telecom carriers are looking into such questions as what their customers' needs are, what services would deliver high value, and whether, in providing those services to their customers, they can adjust their fee models accordingly. They are not necessarily in a position to make large investments just to introduce NGN, so we think an important initiative over the medium term is for us to provide services that include applications, and we think that will lead to higher earnings. In the area of mobile infrastructure, as a development partner of NTT DoCoMo for next-generation networks, such as Super3G and even 4G, we face large development expenses, so the next one or two years will be difficult from an earnings perspective.

Q2: *How are pricing trends in HDDs, and is a restructuring occurring in the industry?*

A2: Since the second half of fiscal 2006, prices have fallen sharply, making for a very difficult business environment. Prices had been falling at about 15% each quarter, but during the first and second quarters of fiscal 2007, prices finally started to level off. In the second half, we expect prices to fall by another 5% or so, but we have to be cognizant that there is a risk that prices could fall further than that.

In the HDD industry, six companies are competing in 2.5” drives. In terms of strengthening our business, we need to consider possible collaboration. We have gradually expanded the scale of our business, shifted to internally manufacturing about half of the key components, such as heads and media, and have fully positioned ourselves in perpendicular magnetic recording, so we need to think hard about what kind of collaboration would further strengthen our business.