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

Date: July 26, 2007
Location: Fujitsu Limited Headquarters, Tokyo
Presenter: Masamichi Ogura
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Questioner A: *Could you explain how you were able to exceed the break-even level of operating income you had projected for the first quarter?*

Mr. Ogura: We exceeded our projections for operating income by roughly 2 billion yen in Technology Solutions and by 2 to 3 billion yen in Ubiquitous Product Solutions. Device Solutions, however, fell short of our expectations by 2 billion yen.

Questioner A: *What was operating income for the LSI Devices sub-segment in the first quarter and what are you now projecting for the full-year?*

Mr. Ogura: LSI Devices posted nearly a 10 billion yen loss for the first quarter. Regarding our full-year forecast, taking into account an expected 13 billion yen increase relating to the impact of changes to our accounting policies and projected business results roughly 2 billion yen less than originally expected, we are forecasting operating income for the full year in the low single-digit billions of yen.

Questioner A: *In Ubiquitous Product Solutions, you are now forecasting full-year operating income to exceed your initial projections by 5 billion yen. Could you give us a breakdown of this figure by sub-segment?*

Mr. Ogura: We believe that the PCs/ mobile phones sub-segment will exceed our initial projection by roughly 5 billion yen. There is no significant change to our outlook for HDDs.

Questioner A: *What impact will change to the depreciation method have on next fiscal year's results and beyond?*

Mr. Ogura: We are forecasting a slight positive impact from the change, but as of now these figures are still in the process of being calculated.

Questioner B: *Net sales in the Solutions/SI sub-segment increased 20% over last year's first quarter. Even after deducting 19 billion yen associated with ATM/POS business results, which are newly included in this sub-segment, it still represents a 10% increase. What is your view of this growth trend? Also, there are no changes to your full-year income forecast for Services segment, so what kind of risks do you anticipate in the second half?*

Mr. Ogura: Looking at our Solutions/SI sub-segment by customer industry sector, manufacturing and retailing sectors are performing favorably, as are financial services, due to robust IT investment by megabanks and securities companies, and the public sector, where privatization business is strong.

Regarding the lack of change to our full-year income projection for the Services segment, we are being cautious since it is only the first quarter. While we anticipate few risks to this business and believe that there are more positive factors than negative, we recognize that it is too early to make any revision to our forecast.

Questioner B: *Concerning the loss in LSI Devices, could you explain the present status and full-year forecast for both standard technology and advanced technology (90nm/65nm) products?*

Mr. Ogura: The primary cause for our loss in LSI Devices in the first quarter was advanced technology products. We have started to receive greater numbers of orders for advanced technology products, particularly 90nm devices, and speaking strictly in terms of 90nm products, we are expecting to become profitable within the current fiscal year. For advanced technology LSI products overall, however, amortization costs associated with the Mie Plant's 65nm Fab No. 2 are rising, so the profitability outlook continues to be severe. On the other hand, for standard technology LSI products, we are expecting a recovery in demand starting in the second quarter, and therefore improved profitability for this part of our business.

Questioner B: *Recently there was speculation in the media about joint-development work among some companies in the area of future-generation LSI devices. Some people believe this joint-development work may not succeed, but would you care to comment on this?*

Mr. Ogura: I do not have any particular comments about the veracity of the media reports. I will say, however, that I do not think the sort of joint development reported in the media would succeed. I think that simply entering into an alliance, jointly developing only the advanced technology, and then jointly manufacturing the devices would be problematic. There are all kinds of issues that would arise, such as what areas would remain with each partner company and whether it would be feasible to continue having areas of business overlap among the companies. Unless there is some kind of roadmap to deal with these issues, I do not think it could succeed. What is important is the business structure. Would each company operate independently, or would they work together? It would be necessary to create a concrete image of the relationships.

Questioner C: *What was the breakdown of growth rates for domestic and overseas sales in the Services segment?*

Mr. Ogura: On a geographic basis including intersegment sales, first-quarter growth rates in the Services segment were as follows: Japan: 6%; EMEA: 21%; the Americas: 6% and APAC & China: 19%.

Questioner C: *Please summarize first-quarter sales and income figures for your principal overseas subsidiaries in the Services segment as well changes in comparison with the same period in the previous fiscal year.*

Mr. Ogura: For UK-based Fujitsu Services, first-quarter sales were 580 million pounds and operating income was 25 million pounds. Sales increased by 30 million pounds over the first quarter of the previous year, while operating income decreased by 3 million pounds. Overall sales increased, with local public sector-related sales showing particular strength. Looking at the full year, the outsourcing business is performing well and we foresee income to be roughly on a par with the previous year.

For US-based Fujitsu Consulting, first-quarter sales were $176 million and operating income was $4 million. Sales were flat compared with last year's first quarter, and income decreased by $3 million. With regard to the effect of acquisitions, we are working to streamline sales offices, realign our organization, and strengthen our sales capacity, but these efforts have not yet produced results.

Questioner C: *Please describe your recovery scenario for HDDs and logic LSI devices in the second half of this year and the reasons behind it.*

Mr. Ogura: In HDDs, price competition is severe for 2.5 inch 80GB products. HDD prices declined by more than 30% last fiscal year. In the first quarter, moreover, prices fell by nearly 10%, making it extremely difficult to turn a profit. Looking ahead, however, there are signs that price reductions are coming to an end. In addition to this, Fujitsu leads other companies in volume production of 120 and 160GB perpendicular recording-method HDD products. We are aiming to ship 120GB models in August or September of this year and expect to increase shipment volumes during the third and fourth quarters. In addition, we expect to begin volume shipments of 160GB models in the fourth quarter. We believe that the 120GB models are the key to recovering profitability in HDDs, and about 70% of the units we ship for the full year will utilize the perpendicular recording method.

For logic LSI devices, I believe that overall demand was weak during the first quarter, including for audio-visual and consumer electronics applications. We expect that there will be a recovery in the second half, centering on audio-visual and consumer electronics products. We also expect that the overall balance will improve in terms of applications, including mobile phones, industrial equipment and automobiles.

Questioner D: *You mentioned that operating income in Technology Solutions exceeded your April projections by 2 billion yen, but to what extent did operating income in the System Platforms sub-segment fall short of your initial projections? In addition, please explain the status of your business in optical transmission systems and mobile phone base stations.*

Mr. Ogura: In System Products, which includes servers and related products, performance was relatively solid, especially with the launch of the new SPARC Enterprise line. Where we have had some significant problems, however, is in Network Products.

Particularly in mobile phone base stations, starting in the second half of fiscal 2006, mobile carrier investment patterns shifted from metro systems, an area in which we are quite competitive, to rural systems, an area in which our product line was not yet complete, so we suffered. For that reason we are now developing multi-band base stations, and we expect to be able to start shipping them in the second half.

In optical transmission systems, spending on optical-related equipment by the major domestic carriers in Japan was somewhat soft. In North America, investment in SONET systems, where we hold the top market share, is trailing off, and the shift in investment is toward WDM (wave-division multiplexing) systems, resulting in a difficult business environment for us. We expect investment in WDM systems to continue to expand. Development expenses for next-generation network products are quite heavy, so FY 2007 will be a difficult period for us in terms of profitability. In addition, in the UK, we are making progress on a large-scale next-generation network-related project, and I think our development expenses will peak in August.

Questioner D: *In your original forecast, you projected that, for the full year, System Products would have operating income of 15 billion yen and that Network Products would break even, but do you still believe you can meet these projections?*

Mr. Ogura: We expect that our Network Products business will rebound in the fourth quarter.

Questioner E: *What is the status of your Solutions business in Japan?*

Mr. Ogura: Our original forecast was for roughly 3% growth in Japan’s IT market this fiscal year, and that forecast has not changed, but our forecast for the growth in orders in our Solutions business has gone up slightly, from 3% in April to 4% now.

Breaking it out by customer industry sectors, in the manufacturing and retailing solutions sectors, we had projected 6% growth, but we now project 3% growth, mainly because some deals in the manufacturing sector have been delayed.

In the telecom sector, we had projected 3% growth, but we now project 4% growth. Business trends in areas related to next-generation networks and optical networks are strong.

In financial services, too, we have slightly raised our forecast from the previous level of 5% growth to 6% now, primarily because the megabanks and securities companies are expanding their investment spending.

In the public sector, we had projected 10% growth, and we now project 12% growth. Although the IT budgets of government agencies have been cut, prospects have improved for public-sector outsourcing work relating to the privatization of public-sector entities and municipality reforms.

In terms of regional business in Japan, we had projected 4% growth, but our forecast has now declined to 3%. Although business in the healthcare and nursing care sectors is solid, private sector demand in the regions has not quite recovered.

Questioner E: *There has been talk that inventories of mobile phones have been accumulating. Is that true?*

Mr. Ogura: At least with respect to Fujitsu, we have not seen such a trend.

Questioner E: *What is your outlook for PCs?*

Mr. Ogura: The uptake for Vista has not been very good. Corporate demand is still limited. We want to support customers in helping them to make full use of the many features of Vista PCs. For personal use, uptake for Vista is starting to gain momentum.

Questioner E: *What is your capacity utilization rate in LSI devices?*

Mr. Ogura: At the present time, our production lines for advanced technology products are running at nearly full capacity. For standard technology products we are running at under 80%, but I think we will exceed 80% in the second quarter, considering the level of orders. We do not expect to see a full-fledged recovery until the second half of the fiscal year.