

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

Date: January 31, 2008
Location: Fujitsu Headquarters, Tokyo
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Questioner A

***Q1:** Could you break out operating income by sub-segment for your third-quarter results and full-year projections?*

A1: In the System Platforms sub-segment, in the third quarter system products was profitable, mainly because of servers, but network products posted a loss, mainly because of the burden of investment in developing next-generation networks, such as the BT 21CN project in the UK. For the full year, as well, we expect system products to post a profit and network products to post a loss. Shipments of multi-band base stations for mobile systems will improve profitability, but development expenses for photonics are expected to continue into fiscal 2008.

In the Services sub-segment, profits continue to expand in solutions/SI, and we expect the same for the full year. Profits in infrastructure services are also solid.

In Ubiquitous Product Solutions, operating income in the third quarter for PCs/mobile phones was approximately 12.0 billion yen, and we managed to post a small profit in hard disk drives (HDDs). For the full year, we expect about 50.0 billion yen in operating income from PCs/mobile phones. For HDDs, we expect the profit from new PMR (perpendicular magnetic recording) models to contribute to a profitable fourth quarter, following a profitable third quarter, but it will not be enough to offset the loss we posted in the first half of the fiscal year, so we expect there will be a small loss for HDDs for the full year. As a result, we are projecting 50.0 billion yen in operating income in Ubiquitous Product Solutions for the full year.

In Device Solutions, for LSI products we posted a low, single-digit billions of yen profit in the third quarter, and we are expecting a similar level of profit for the fourth quarter. The unit posted a 10.0 billion yen operating loss in the first quarter, and we expect that will be offset by the operating income posted in the second, third, and fourth quarters, so we expect to break even for the full year.

***Q2:** You have revised down your full-year sales projection for infrastructure services by 20.0 billion yen. Is that a result of the exchange rate impact on sales from Fujitsu Services? In the solutions/SI area, which includes Fujitsu Consulting, do you expect any exchange rate impact?*

A2: This downward revision is largely due to expected exchange rate impacts on sales from Fujitsu Services. For Fujitsu Consulting, we expect the exchange rate impact to be fairly insignificant, so we have not reduced sales projections for the sector.

Q3: What is your view of the macroeconomic environment, both inside Japan and outside of Japan?

A3: There is concern that we are heading into a global economic slowdown, so I think we need to carefully monitor the situation to see what impact it will have on our business, but currently we do not see any immediate effect on IT spending. On the other hand, when we see what is happening with financial institutions in the US and Europe, it is possible that they will cut back on IT spending. Our business with US and European financial institutions, however, is not very large, and fortunately, because of firm IT spending trends in Japan, we have not yet been adversely affected. IT is a basic management tool for our customers, so IT spending typically is sustained. For that reason, we do not expect a sudden decline in spending, but if the current economic slowdown continues, there is a possibility that gradually we will begin to see an impact on our business.

In previous financial results briefings for analysts, I have discussed IT spending in each of the major vertical industry categories using order trends, but starting with this briefing we are basing our figures on sales trends. As part of our efforts to strengthen internal controls, we have changed our standard for booking orders, making it difficult to compare with previous figures, so now we are using sales planning data, which are more precise for forecasting market trends. For your reference, the overall trends in sales are very similar to the order data.

Overall, for all industries in the third quarter, sales increased by 4%, and we expect a 1% increase for the full year. This is in line with our projections announced with our first half results. Excluding the telecom sector, all-industry sales increased by 9%, and we expect an increase of 2% for the full year. For manufacturing and retailing, third-quarter trends in our sales of outsourcing services and system products, especially servers, were solid, resulting in a 5% increase over the previous year. For the full year, too, we anticipate that sales will increase, rising 1%.

Sales in the telecom industry fell 19% in the third quarter compared to the same period in the previous year. For the full year, we expect positive contributions from such areas as multi-band base stations and next-generation network-related business, narrowing sales by 9%.

In financial services, sales in the third quarter rose 22%, thanks to large-scale integration projects and the replacement of competitor systems for such customers as megabanks, regional banks, and insurance and securities companies. For the full year, we expect sales to increase by 4% on sales of next-generation systems, upgrades of front-end systems for insurance and securities companies, and system upgrades for compliance requirements.

In the public sector, sales trends for large-scale projects for government agencies are very solid. Sales in the third quarter rose 26%, thanks to partial sales bookings on longer-term projects as well as strong sales in the fields of education and academic research. For the full year, because of privatization business, particularly for government agencies, as well as system optimization projects, sales are expected to rise 5%. Last November, when I talked about trends in orders, I mentioned an 11%

increase for the full year, but this reflects orders of longer-term projects, and overall trends remain firm.

In terms of regional business, sales relating to the new health care system for older senior citizens are strong, and the primary areas of growth for the third quarter were for health care-related systems and systems for local governments, resulting in a 3% rise in sales for this area. For the full year, business is gradually expanding in the Kansai region, in particular, as well as the Chugoku, Shikoku, and Kyushu regions, and we are expecting overall sales to increase by 1%.

For the media and energy industries, because of strong sales of new systems to enable companies to cope with market deregulation in the energy sector as well as business related to IP networks, sales increased by 9% in the third quarter. For the full year, we'd like to increase sales by 4% by cultivating new markets in the media industry as well as new solutions for billing, facility management, and accounting systems for the energy sector.

Third-quarter sales rose 48% in the health care sector, primarily as a result of sales of upgraded hospital information systems to university hospitals. For the full year, we expect sales to rise 3% on higher sales of electronic medical record systems, order entry systems, and related systems.

Questioner B

Q1: Your results in the third quarter exceeded your expectations, and these results are attributed to a rebound in your server business and continued strength in your Services business. Do you expect these trends to be sustained?

A1: In the third quarter, strong sales of the SPARC Enterprise UNIX servers both inside and outside of Japan, as well as higher sales of PC servers resulted in higher operating income.

For the fourth quarter, however, we have a more conservative forecast for our server business. Sales tend to be concentrated in the fourth quarter, and so we have to account for this risk in our projections, but based on current business conditions, I think there is a possibility that we might exceed those figures.

For Services, third-quarter trends in both solutions/SI services as well as infrastructure services were solid, and we expect these trends to continue in the fourth quarter.

Q2: What is Fujitsu's outlook for the IT industry in fiscal 2008?

A2: IT system sales continue to be strong, and we would like to sustain this trend and improve our results. Through the growth in Fujitsu's core business and the efforts of our systems engineering subsidiaries to generate new business, we are building a stream of earnings.

Questioner C

Q1: Please describe the impact of exchange rate movements.

A1: We are basically neutral to currency exchange. For US dollars, our projections were based on 115 yen per dollar, but we have now changed that to 105 yen per dollar. The average exchange rate for the third quarter was 113 yen per dollar. Based on the new exchange rate projection, we expect a 3-billion-yen reduction in fourth quarter operating income. With respect to the euro, we do not expect any significant impact.

In the case of the British pound, however, our projections were based on 230 yen per pound, but we have now changed this to 210 yen per pound. As a result of this change, the projection for operating income in the fourth quarter is further reduced by more than 1 billion yen.

Our figure for the total impact of dollar exchange rate fluctuations also includes amounts from Shinko Electric Industries Co., Ltd., which accounts for a large proportion of the total expected impact.

Q2: How is the environment for semiconductor orders now compared to three months ago? What is your outlook for fiscal 2008?

A2: There is a possibility that market weakness will persist longer than we previously anticipated. Last fall, we anticipated that the market would recover at the start of 2008, but now we think the recovery will be delayed until at least the spring. That is having a negative impact on sales and profits, and for the full year, we are expecting to just break even in the logic LSI business. The market for standard logic device products, in particular, is weak.

At our last briefing in November, we projected that capacity utilization in our fiscal second half would be around 95% in advanced logic products and around 85% in standard products. For the third quarter, capacity utilization in advanced products was 100%. For the fourth quarter, we expect a decline in orders primarily for logic products used in mobile phones, so we anticipate capacity utilization to decline to about 90% for advanced products. There is a possibility that this could impact our fourth quarter results as well as the first quarter of fiscal 2008.

On the other hand, for standard logic products, capacity utilization in the third quarter was 80-85%, and we expect that it will rebound to around 85% in the fourth quarter.

For the fourth quarter, we expect the market for devices used in mobile phones, industrial equipment, and semiconductor production equipment will be sluggish.

Q3: Profitability in your server business appears to be improving, but could you indicate the relative contribution of domestic business versus business outside of Japan to this improvement? Please also tell us what industries your new users are from.

A3: The recovery in our server business has been strong. In Japan, PC servers are improving. For SPARC Enterprise servers, the profit contribution improvement is from both in and outside of Japan. A majority of our customers are in the telecommunications and financial services industries, but the improvement is not coming from dramatic growth in just those industries. In addition, for the financial services industry, we will have to closely monitor trends in the next fiscal year.

For UNIX servers, there happens to be a wave of replacements, and the trend of new sales to replace older models is very strong.

Questioner D

Q1 Please explain the reason why operating income in the third quarter exceeded your projections. Also, despite the fact that operating income was 26.7 billion yen over your projections during the quarter, why are you making an upward revision of only 5.0 billion yen in operating income for the full year?

A1: The reason that we limited our upward revision to 5.0 billion yen was due to such factors as risk associated with the concentration of sales in the fourth quarter, risk of further price erosion in HDDs, and an anticipated deterioration of the semiconductor market.

Reduced costs and greater efficiencies in the server business contributed to solid profitability trends. The trend for PCs was also strong, especially high volume models, and lower component costs, particularly for memory, likewise helped us exceed our forecasts. Results in Services were also solid and exceeded forecasts. Group-wide, success in generating cost efficiencies enabled us to exceed our projections.

Q2: Please tell us about results of your subsidiaries outside Japan during the third quarter and your forecast for their performance for the full year.

A2: For Fujitsu Services, operating income in the third quarter was 46 million pounds, and we are forecasting 165 million pounds for the full year. For Fujitsu Computer Systems, operating income in the third quarter was 10 million dollars, and we are forecasting 25 million dollars for the full year. For Fujitsu Consulting, operating income in the third quarter was 7 million dollars, and we are forecasting 25 million dollars for the full year.

Q3: Please explain the business structure of your semiconductor operations following the planned reorganization.

A3: We have decided to establish a wholly owned subsidiary, but have not yet decided on other details.