

**Summary Translation of Question & Answer Session at
FY 2009 Second-Quarter Financial Results Briefing for Analysts**

Date: October 28, 2009
Location: Fujitsu Headquarters, Tokyo
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Corporate First Senior Vice President & CFO, Fujitsu Limited

Questioner A

***Q1:** You said that there will be a 20 billion yen charge in fiscal 2009 for restructuring operations outside Japan, and that 3 billion of this has been recognized in the second quarter. Is it correct to assume that the remaining 17 billion yen to be recognized in the second half of the year is mainly for costs related to Fujitsu Services's redundancy measure to reduce its workforce by 1,200 employees in the UK?*

A1: In Europe, Fujitsu employs more than 30,000 people. The restructuring taking place this year will affect about 5%, or 1,600 of those employees. Of those 1,600 employees, we are in discussions with representatives of about 1,200 employees of Fujitsu Services in the UK. The remaining 400 are based in continental Europe. In April, we started to carry out restructuring measures for a reorganization of functions between Fujitsu Services and Fujitsu Technology Solutions (converted from Fujitsu Siemens Computers into a wholly owned subsidiary) in Europe, and the overall regional reorganization was largely completed at the end of September. We're just now in a position to expand our business. Recently, we've won public-sector contracts in Europe, and overall in September and October we've been able to win significant new business outside Japan. Despite the global economic slump, our operations outside Japan are showing some resiliency.

***Q2:** For the first half of fiscal 2009, your operating loss was 16.7 billion yen less than expected. In what areas of the business were results better than the targets?*

A2: Compared to our forecasts, there was a 1-billion-yen improvement in the Technology Solutions segment, a 3-billion-yen improvement in both the Ubiquitous Product Solutions and Device Solutions segments, and a 5-billion-yen improvement in the results of Other Operations.

***Q3:** Please explain the results for new orders for the second quarter in Japan, as well as the impact the change in government in Japan has had on your business. Also, please explain your second-quarter Technology Solutions sales trends in Japan by industry sector.*

A3: In the first quarter, our orders in Japan improved compared to the previous year, but in the second quarter there were areas of weakness. Right now, there are no areas of our business where orders are improving beyond expectations, so it will be a matter of making a final sales push in the second half of the year. As for the impact of the change in government in Japan, there have been rumors of lost opportunities, but at the same time there appear to be new opportunities as a result of revisions to various laws. This is just speculation right now, and we'll have to wait and see what the actual impact will be. As the new government creates its budget for fiscal 2010, there's a possibility that our public-sector systems integration projects will be affected, and that government agencies

will have their budgets for IT hardware deployment and other projects cut. Right now, the government isn't placing orders for new systems, so we're working on orders that we've already received. It's difficult to see ahead to the fourth quarter, but the situation will become clearer around January.

In Japan, we're currently forecasting a 4% decline in sales in the Technology Solutions business for the full year. In the vertical industries, we expect sales in the manufacturing/distribution industry to decline by 10%, compared with our previous forecast of a 7% decline. Our forecast for the social infrastructure business is unchanged at a 3% decline. We revised downward the financial services sector sales forecast from 2% to a 3% decline. We expect a 1% increase in public-sector sales and a 1% decline in regional business sales, both estimates unchanged. In the regional business, private-sector sales are very sluggish, but healthcare-related sales were very strong in the first half and we expect the momentum to continue into the second half. For the second quarter alone, our results and expectations for each vertical industry are as follows: manufacturing/distribution, 17% decline (previous estimate, 9% decline); social infrastructure, 16% decline (previous estimate, 24% decline); financial services, 23% decline (previous estimate, 15% decline); public-sector, 15% increase (previous estimate, 1% increase); regional, 6% decline (11% decline). Overall, our Technology Solutions sales in Japan declined 13% compared with the estimate of a 12% decline, as manufacturing/distribution and financial services suffered significant drops.

Questioner B

***Q1:** Your president, Mr. Mazuka, has said that the company's direction will not change even with the change in management, but what about the speed and ability to execute the business plan? For example, the previous president, Mr. Nozoe, told us that if your network products business remained unprofitable in the current fiscal year, Fujitsu would consider exiting the business. What's the current status of some of your management initiatives?*

A1: Our management speed and ability to execute haven't changed at all. We announced today, for example, that our subsidiary FDK will purchase a subsidiary of Sanyo Electric. This was an acquisition we moved quickly on. As far as the network products business goes, I believe that it's on track, especially the North American business. With a little more time, I think the business will improve even more, so right now we're not considering exiting the business.

***Q2:** In the Device Solution business, you now expect a larger operating loss for the full year. Is a lower outlook at subsidiary Shinko Electric Industries the main reason for the downward revision? Also, how large was the operating loss in the logic LSI business in the second quarter, and what are the trends in capacity utilization rates for both advanced technology and mature technology logic products?*

A2: A downward revision at Shinko Electric was the reason for the downward revision to our estimates. For the second quarter alone, the logic LSI business had an operating loss of about 2 billion yen, but the business turned profitable for September alone, with a profit of a couple billion yen. As for orders, the peak came in June, and then orders declined in July and August before recovering again in September. October orders are tracking to the same level as September. Device orders from electronics makers stocking up for the Christmas season have peaked. One of the key indicators for our device business will be whether there will be any temporary surge in orders to meet year-end

demand. Looking at the book-to-bill (BB) ratio for September, however, there's still some concern about the second half. We're not changing our plans, but we'll be watching inventory levels of our customers around the year-end sales season to see what effect we can expect on our fourth-quarter results.

Our capacity utilization rate in the second quarter was above 80% for advanced technology logic products and above 70% for mature products. For the third and fourth quarters, we expect capacity utilization to be around 80% and mid-80%, respectively, for advanced products, and around mid-70% and mid-80%, respectively, for mature products. The rate for mature products should improve as we consolidate manufacturing facilities. We'll be in a better position to judge the trend in capacity utilization by watching the orders trend through the middle of November.

***Q3:** When does Fujitsu plan to adopt the International Financial Reporting Standards (IFRS)? In addition, as other companies adopt IFRS and make changes to their IT systems, how will this impact your business results?*

A3: We haven't decided yet when to adopt IFRS. We are now holding seminars within our company to discuss all the issues, such as how it will affect our financial results. Since employee bonuses are tied to operating profitability, our labor union also wants to have input. For example, under IFRS, the definition of operating profit/loss will change, so we need to discuss how to calculate employee bonuses and obtain the understanding of our employees on evaluation methods. We've just begun discussing these issues.

On IFRS-related business, Japanese accounting standards are gradually converging with IFRS standards. Many of our customers are requesting proposals from us on how to make their accounting systems compliant with IFRS. We can provide them with proposals, but we can't start building a system until the customer decides from a management perspective how they will deal with IFRS. Given that, I think it will be three years or so before we see much business. Until then, there will be consulting projects, but few projects to build systems.

Questioner C

***Q1:** You announced the establishment of an executive nomination and compensation committee. Currently, Mr. Mazuka is serving as your chairman and president, but is there a possibility that he could continue serving as president? For example, could Mr. Kurokawa, your former president and current advisor, be called on to serve as chairman and Mr. Mazuka continue as president?*

A1: The committee will be nominating board members to the Board of Directors. The Board will discuss the proposal, and if its members do not think the proposal should be submitted to a shareholders' meeting, then they will send it back to the committee for reconsideration. The committee is well balanced, with Mr. Oura, an inside board member with executive experience in the Fujitsu Group, and Mr. Nonaka, an outside board member from academia, and Mr. Mazuka, a company veteran, making up its members. This committee will be in charge of making the recommendation on the next president.

***Q2:** What is your outlook for the economy in fiscal 2010? In Japan, there are concerns about economic trends, including the impact of the change in government, but outside Japan, there are expectations of growth in some regions and some areas of the IT*

industry, for example, the PC market in China and Taiwan. What is your current outlook for IT investment?

A2: We use a rolling forecast, with quarterly targets for the next four quarters. Based on the current forecast through the first half of fiscal 2010, we see 2010 improving over 2009, but with some of the severity remaining. The regions that are showing the most IT investment growth right now are China and other Asian countries besides Japan. On the other hand, we expect minus growth in developed countries. A key factor for us will be how well we can compete amid this business environment. Infrastructure services will be important to our success. To succeed globally, we have to maintain our ability to provide industry-leading service, distinguishing ourselves from other companies by the quality and care with which we provide the services. Recently, some contracts that we signed in the past for five or seven years have come up for renewal. The fact that we renewed those contracts was testament to the high level of satisfaction customers have of our services. One of the reasons why our global business outside Japan has yet to take off is that we have been weak in China. It will take more time to build up our China business, but we are seeing some new areas of opportunity in the second half of this year, including datacenter-related business, and we're building up the local organization to respond to these opportunities. Looking at 2010 from the viewpoint of the device and electronic components business, there are some signs of recovery, due in large part to the economic stimulus measures being implemented in various countries. If these stimulus measures end in fiscal 2009, then the economy may turn downward again in the first half of fiscal 2010. In China, for example, auto demand is still growing strongly thanks to strong financial support from the government, but since the government support will end this fiscal year, some people expect a severe downturn from the first quarter of next year. On the other hand, for the same reason, others expect an upturn in demand through next March. In any event, future demand is still uncertain at this point.

Q3: *What about the IT investment trends in Japan?*

A3: At this point, there are few positive indicators. Most of our customers are very uncertain about the future. Many of them are pessimistic about the second half of this year, and are planning cost-cutting measures to cope with the situation.

Questioner D

Q1. *For the first half of fiscal 2009, you said that operating income for Other Operations was 5 billion yen better than expected. Is this segment mostly automotive-related business? In addition, in this segment, you are forecasting a significant loss in the second half of the year. What are the main factors?*

A1. This segment is mostly automotive products-related business. Consumer demand for these products tends to fluctuate greatly, so there's a possibility that the operating loss will not be as large as we currently expect.

Q2. *The estimate for elimination and corporate is 15 billion higher for the second half of this year compared with the first half. Is the increase for restructuring-related costs?*

A2. We are being conservative in our cost estimates.

Q3. When you made Fujitsu Business Systems a wholly owned subsidiary, it appeared there was a firm plan to reorganize your sales structure for the medium-sized business market in Japan, but looking at the financial reports, it seems you are still planning the new organization. What is the status?

A3. We had a plan in mind when we made Fujitsu Business Systems a wholly owned subsidiary, but after that, the medium-sized business market conditions became very severe, and it was decided that to make major changes under these conditions would be very risky. The priority right now is on winning new orders. Rebuilding the organization will take more time.

Questioner E

Q1. What was the profit/loss for the HDD business in the first half?

A1. The HDD business lost about 10 billion yen.

Q2. You said your logic LSI business was profitable in September, but what's your outlook for the third quarter?

A2. I think the third quarter will show an improvement over the second, but there's a possibility of an operating loss, depending on the capacity utilization rates.

Q3. Why did you revise your earnings targets upward for the first half, but not for the second half?

A3. There are many uncertainties with regard to the second half of the year. For the first half, our operating loss represented a 56.7-billion-yen deterioration from the same period in 2008. Lower prices pushed our results down by 95 billion yen, but we were able to offset that with lower costs. Lower sales volumes reduced our results by 110 billion yen, and though we were able to reduce fixed costs by 80 billion yen, we could not offset the remaining 30 billion yen. Besides those factors, there were higher pension- and currency exchange-related expenses of about 25 billion yen in total. Our operating loss for the first half was therefore 18.2 billion yen. Though we were able to reduce fixed costs by 40 billion yen in both the first and second quarters, we currently expect costs to rise in both the third and fourth quarters. We'd like to cut costs further in the second half by the same amounts as in the first half, but we're trying to develop new PC-mobile phone hybrids and other new products, so it will be difficult.

Q4. The IT services business is more severe than you expected, but you haven't changed your profit forecast. Does this mean there's room for cost-cutting in the business?

A4. We see some risks in the fourth quarter. For the full fiscal year, we expect Technology Solutions sales in Japan to decline 4% compared with last year, and this estimate hasn't changed much from the start of the year, but if this figure declines even 1-2 points, then there will be an effect on earnings. Looking at our business in and outside Japan, and considering the risks for the fourth quarter, the third quarter will be pivotal for meeting our annual targets. The 5% headcount reduction in Europe will incur a charge of about 20 billion yen, but from next year, we will see a positive impact.