

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

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Location: Fujitsu Headquarters, Tokyo  
Presenter: Kazuhiko Kato  
Corporate First Senior Vice President & CFO, Fujitsu Limited

**Questioner A**

*Q1: Your results for the first quarter were better than your estimates. What were some of the quantitative factors behind the improvement?*

**A1:** In our Technology Solutions segment, first-quarter sales of IT services were a little better than we expected in April, when we announced our annual targets. System platform sales, on the other hand, were slightly lower than expected. The results in the Ubiquitous Product Solutions business were overall better than expected, especially in the PC/mobile phone sub-segment. The HDD sub-segment was also better, as the operating loss narrowed. In the Device Solutions business, we expected our consolidated subsidiary Shinko Electric Industries Co., Ltd. to post a loss in the first quarter, but instead it turned profitable. We've revised our targets upward in the first half by taking the net improvement in the first quarter and adding it to the previous target.

*Q2: Please explain the status of orders in the IT services business, along with the status of solutions sales in each of your major vertical industries.*

**A2:** Orders in the Technology Solutions business were better than we expected in April and May, and we expected that momentum to carry into June, but it didn't. For the first quarter, IT services orders were better than the previous year, but system product orders were lower. Overall, Technology Solutions orders were about 10% lower than the same period of the previous year.

For vertical industry solutions sales, the business conditions are mixed.

Manufacturing/distribution sales were off by 5 percentage points in the first quarter and regional business sales were down 3 points compared to the previous forecast in April. Sales in the telecom/utilities and public-sector business units were higher than the previous plan. Overall, solutions sales were down by 10% compared to the previous year, in line with our April projections. For the full year, we estimate a sales decline of 4%, but it's very difficult to predict how the market will develop in the fourth quarter.

*Q3: You've reported that the book-to-bill (BB) ratio in your semiconductor business has improved significantly, but please explain how the BB ratio has changed over the first quarter and whether the firmness can be sustained.*

**A3:** The BB ratio has improved significantly, as production could not catch up with the orders increase and the shipments are behind schedule. Orders are definitely increasing. Orders are now more than twice the level of December 2008, when they hit bottom. The recent change we are seeing is that now we can see the orders with three months delivery schedule, whereas previously, the orders were mainly for short delivery times. That's given us some confidence in the outlook, and we now think that we can perform according to the sales plan. Another difference is that in the electronic components business, we've seen firmer demand from the US. Component sales to the mobile phone industry are also very firm, though orders for relays from automakers slumped until June, when orders started to pick up.

Relay orders have been slow to recover, but there is a good possibility business will pick up further.

### **Questioner B**

*Q1: What is the status of solutions/services business in Japan, particularly in the financial services sector?*

**A1:** Solutions sales to financial services companies in the first quarter were down 15% from the same period of fiscal 2008, compared with our April forecast of a 16% decline. For the full year, we've revised upward the sales target to a 2% decline, compared with previous expectations of a 3% decline. As the merger trend among financial institutions continues, we expect there to be opportunities for major system integration projects, and if we can win some deals, our new target will be achievable.

*Q2: How is the optical transmission system business in the US?*

**A2:** US telecom carriers had been keeping investments at a low level. But from June, we've seen some recovery in orders as carriers invest to handle the growing amount of data communications on their networks. The pickup in sales has continued into July, and we expect the same in the second half.

In Canada, the bankruptcy of Nortel has been a positive factor for us, and we've begun to win more business. We are carefully analyzing the market to see how the situation develops. A buyer has been found for Nortel's wireless communications business, but the future of its optical communications business hasn't been determined. When it is sold, that will shake up the industry, and there's a possibility the North American market competition will intensify from next year.

*Q3: How is your mobile phone business?*

**A3:** I've heard that there's a shortage of some of our products at stores. We will launch a new model of the bestselling Raku-Raku Phone series in August, and if this too is a hit product, then we can expect our mobile phone business to remain strong.

### **Questioner C**

*Q1: It's not often that Fujitsu revises projections upward in the first quarter. What are the main reasons for the upward revision to the annual targets?*

**A1:** We expect with high confidence the improvement in the profitability of the electronic components business to be sustained. In consideration of the order trends in other businesses, we're more cautious about the outlook for the overall business. The PC and mobile phone businesses are steady right now, but it's difficult to predict how the consumer markets will develop, so we've remained cautious on the outlook. In Technology Solutions, we didn't meet our overall target for the first quarter, mainly because of weakness in server demand, so we have to carefully watch how the market develops in and outside Japan.

*Q2: Given the postponement in the transfer of the HDD business, please explain the HDD profit/loss situation in the first and second quarters, as well as whether the postponement will affect the transfer price.*

**A2:** The HDD business posted an operating loss of approximately 2 billion yen per month in the first quarter, for a total quarterly loss of about 6 billion yen. We will continue to manage the business until the end of August, and from October at the latest, we expect the business

will no longer be in our consolidated results. In the second quarter, we expect the monthly operating loss to be about 1 billion yen. Orders are improving, so the impact of the postponement will not be significant. We also do not plan to revise the sales price because of the postponement.

***Q3:** Your infrastructure services business outside Japan is sluggish. Please explain the outlook for the business and how the business situation outside Japan is different from the situation in Japan.*

**A3:** Our main services subsidiary in Europe, Fujitsu Services, has had a slow start this year. The price competition for both private- and public-sector business has intensified outside Japan, so we're making greater efforts to control costs and improve efficiency.

As to the differences in the business, outside Japan we have many customers who do business globally, and so we must respond to a wide variety of requirements spanning many different countries and regions. In Japan, however, most of our customers' projects are limited to Japan in geographic scope.

In North America, we've built up the infrastructure services business so that we can compete for large-scale projects. We can expect steady growth there if the momentum continues to build.

***Q4:** In the IT services business, your sales to the public sector, as a percentage change from the previous year, were 5 percentage points better than your initial projection. Were you being overly conservative in your estimates? In addition, what benefit do you expect this year from the Japanese government's supplemental budget?*

**A4:** The main reason for the stronger performance was that public-sector customers moved forward their IT spending plans, and not because of a conservative forecast. For the entire year, we expect a small increase in sales over the previous year due to large projects for semi-governmental businesses and upgrades of legacy systems. At this point, we can't predict the impact of the supplemental budget, but once the details are hammered out, we expect there to be some positive effects on our business.

#### **Questioner D**

***Q1.** For the first half, you've revised the operating income projection by 15.0 billion yen, but for the full year, the revision is only plus 10.0 billion yen. What risks do you see in the second half?*

**A1.** The revisions include only profit gains that we are certain of at this time. The improvement of electronic component orders at our consolidated subsidiary Shinko Electric is the main factor behind our revision, and the profit we expect from this business has been added to the full-year targets.

***Q2.** What was the profit/loss situation in the Device Solutions business for the first quarter? For the semiconductor business, what was the capacity utilization rate?*

**A2.** In the Device Solutions business, the electronic components business was about break-even in the quarter, as the profit from Shinko Electric was offset by losses at Fujitsu Component Limited, Fujitsu Media Devices Limited, and other operations. The operating loss for the entire Device Solutions business in the quarter was about 15 billion yen, corresponding to the loss by Fujitsu Microelectronics Limited. For the year, we expect Fujitsu Microelectronics to have about the same level of operating loss.

The capacity utilization rates at our semiconductor plants in the first quarter were about mid-60% for advanced LSI logic products and about 50% for mature technology logic products. We expect the rates to improve by about 20 points in the second quarter for both types of products. The improved capacity utilization resulting from the higher production will have a positive impact on profit/loss. For the third quarter, we will begin consolidating production lines and reassigning affected employees to other Group operations, and with these measures, we expect Fujitsu Microelectronics to be profitable in the fourth quarter.

*Q3. How did major subsidiaries outside Japan perform in the quarter and what is the outlook?*

**A3.** Fujitsu Services had revenues of 594 million pounds, and an operating loss of 7 million pounds; Fujitsu Technology Solutions reported revenue of 906 million euros and an operating loss of 5 million euros. For the full year, we are maintaining our current forecasts for Fujitsu Services, but revising down our revenue forecast for Fujitsu Technology Solutions by 100 million euros, with no change to the profit forecast. For Fujitsu America, we expect revenue of US\$1.5 billion, and an operating profit of US\$50 million.

*Q4. Please explain the current trends in the PC business.*

**A4.** It's difficult to forecast developments in the consumer PC business. We are expecting the release of Windows 7 OS in the second half to stimulate PC demand, but we are not certain about the extent. In Europe, the share of netbooks continues to increase, which is putting more price pressure on the market.

*Q5. Please explain the impact of the consolidation of Fujitsu Technology Solutions and the impact of the deterioration in the value of pension assets, for each business segment.*

**A5.** In the first quarter, the total impact of goodwill amortization associated with the consolidation of Fujitsu Technology Solutions was about 7 billion yen, and of that amount there was a one-time charge of about 5 billion yen for expensing the fair value of in-process R&D. The impact of the consolidation was about 3 billion yen in the services business, 5.5 billion yen in the system platforms business, and a positive impact in the PC business. The deterioration of pension assets had a negative impact of 2.5 billion yen on services, 1 billion yen in system platforms, and several hundred of millions of yen each on the PC and Device Solutions businesses.