

**Summary Translation of Question & Answer Session at
FY 2010 Financial Results Briefing for Analysts**

Date: April 28, 2011
Location: Fujitsu Headquarters, Tokyo
Presenters: Masami Yamamoto, President
Kazuhiko Kato, Corporate Executive Vice President & CFO

Questioner A

***Q1:** You said that it is difficult to make projections for fiscal 2011 because there are so many factors that are uncertain. When will each business be back to running as usual, and for each segment, what are the factors that are uncertain?*

A1 (Kato): The uncertainties are related to supplies of parts and materials. We have been able to narrow down the list of parts and materials at issue. Mainly they are semiconductor-related parts and materials. Most of the rest of the supply issues have been resolved. The supply issues are affecting our Services, System Platform, Mobilewear, and other businesses.

With respect to getting businesses back up and running, all of our semiconductor production facilities in Eastern Japan are running at 100% of capacity in terms of inputs. These facilities will begin churning out products from the latter half of May, and in June they will be running at full capacity in terms of output. The aftershocks that occurred on April 7 caused us to slip behind schedule a little bit, but since then the effects of the earthquake on our Device Solutions segment have been all been resolved.

In Technology Solutions, we do not have a good grasp of how customer demand will be affected. Our salespeople are meeting with customers to get a better handle on demand, but we still do not have a clear grasp of the situation.

In Mobilewear, we have also had problems in meeting our supply commitments. In addition, as the demand situation at our customers is not good either, we do not have a clear idea when that business will be back to running as usual.

(Yamamoto): By the end of May, we should have a clearer idea of the status of our production operations and customer demand, so sometime early in June we would like to announce our projections for fiscal 2011.

***Q2:** It is anticipated that the ICT market in Japan will be difficult. At the present time, what is your feeling about the outlook for your Technology Solutions segment for fiscal 2011?*

A2 (Kato): To be honest, we still do not have a clear idea. For Services, particularly in system integration services, orders in March were up in comparison with a year ago. We have not yet wrapped up April, but the situation does not seem to be too bad. Outsourcing

inquiries, mainly on the data center side, are increasing. It is important that we convert these into actual orders. On the other hand, if we were to convert all of these into orders, it would exceed the capacity of our data centers. There is a possibility that even our new facilities, such as our new datacenter at Tatebayashi and the FIP Yokohama center, will be full. Therefore we are looking to expand the floor space at our datacenters by September. With the electrical power shortages, we still have not set our targets for reducing our power consumption, so we do not know yet, but we might face that risk.

Breaking it out by industry segment, for manufacturing, it is not as if every company was affected by damage from the earthquake, and by making more proactive proposals, I think we can expect to be hopeful about new business. On the other hand, for public sector customers, it is unclear how much of the budgets will be allocated to IT. In June, a blueprint for the rebuilding process will be released, so I think we will be able to make a determination once we see that. Regional business is weak in general. In the financial services sector, there will likely be large payments on insurance-related claims, so we do not expect great opportunities from the insurance sector.

Q3: In your business outside of Japan, you dealt with some unprofitable projects, but with the continuing budget constraints on the part of the British government, should we expect things to get even worse than in fiscal 2010?

A3 (Yamamoto): While the situation varies by location, overall we feel our business outside of Japan is improving. Whether it is the US, Europe, or Australia and other parts of Asia, conditions are not particularly bad. Our main business in Europe is with the UK and Germany. Economic conditions in Germany are good, and our business there is strong.

In addition, our results in fiscal 2010 were adversely affected by some unprofitable projects, but we have strengthened our management systems for fiscal 2011, and by eliminating unprofitable business, we should be able to improve our earnings. Accordingly, we have also brought in new management for our business outside of Japan.

Q4: At the last financial results briefing, we were told that losses on unprofitable projects in your business outside of Japan would be about 20.0 billion yen. For fiscal 2011, if we assume that you can generate roughly the same amount of operating income from your core businesses as you did in fiscal 2010, and if there are no losses on unprofitable projects, should we expect that you can generate over 150.0 billion yen in operating income?

A4 (Yamamoto): It is difficult to answer because we do not yet have a clear grasp of business conditions in Japan, but my feeling is that, with an improvement in earnings for our business outside of Japan, I would like us to be able to maintain net income of at least 55.0 billion yen, the same level we generated in fiscal 2010. I really cannot talk about operating income at this time.

Questioner B

Q1: Specifically, what were the unprofitable projects in your business outside of Japan?

A1 (Kato): The provisions of the contracts with our customers prevent us from disclosing any details, but I can say that there were several unprofitable projects, all in Europe, but it is not as if they were all in a specific country. For some of those, we have cancelled the contracts, recording a loss of 20.0 billion yen. Because these contracts have been cancelled, there will be no further losses on them in fiscal 2011 or beyond.

Just to give some background on how the losses occurred, ordinarily we consider these types of long-term contracts to be a stable source of revenue, but when disagreements develop with customers before the operational phase even begins, problems tend to escalate from there. At a time when the complexity of each project is increasing, if we simply agree to requests to lower our costs, it becomes difficult to maintain profitability. Rather than simply trying to expand our sales, from now on we will carefully assess the risks of each project.

(Yamamoto): Up until now, it was left to each operating center of our subsidiaries outside Japan to determine on its own how best to deal with unprofitable projects. From now on, however, we want to have tight control from headquarters, so we have established an assurance group to oversee projects from outside of Japan. This group reports directly to me. Our objective is to share the expertise in project management that we have developed in Japan. By doing so, we should be able to improve the earnings of our businesses outside Japan.

Q2: How many PCs and mobile phones do you expect to ship in fiscal 2011?

A2 (Kato): For mobile phones, without knowing a better grasp on the supply situation of the parts and materials used in the mobile phones, I really cannot answer at the present time. To some extent we have a clear idea regarding shipments of smartphones, but we need to get a better grasp of the situation for feature phones.

(Yamamoto): As the front-end interfaces of ubiquitous computing, PCs and mobile phones have an important position in Fujitsu's solutions. We want to strengthen the global expansion of our PC business on our own.

Q3: What major capital expenditures do you plan for fiscal 2011?

A3 (Kato): We have completed our investments in buildings for datacenters in Japan. We will make investment in expanding the floor space of machine rooms, and we will also make investments relating to power generation, but these will not be very large. Recovery-related expenses were included in the extraordinary loss. If we win large-scale deals in our business outside of Japan, there is a possibility that we will make some large-scale capital expenditures. Overall, we expect capital expenditures in fiscal 2011 to be the same or slightly lower than in fiscal 2010.

(Yamamoto): With respect to investments, in the vision of the intelligent society Fujitsu has been advocating, in order to create an even more robust convergence platform, which is the platform we are envisioning for creating new businesses, we still need to make further investments, and these will be roughly the same level as we made in fiscal 2010.

Q4: What level of depreciation expenses do you expect for fiscal 2011?

A4 (Kato): We use straight-line depreciation, so depreciation should not be significantly different from the previous fiscal year.

Questioner C

Q1: In considering the risk of earthquakes in the future, do you have any plans to re-think your manufacturing locations, such as by shifting plants to western Japan or outside of Japan? In addition, with respect to supply chain issues, I believe your policy has been to not hold inventories, but are you thinking of reassessing this balance and possibly increasing inventories, even if it means slightly lowering free cash flow?

A1 (Yamamoto): It is a point of pride for us that the Fujitsu Group's Business Continuity Planning (BCP) capabilities with respect to our manufacturing operations are well ahead of the pack in our industry. For example, even in the recent earthquake, within one week we made it so that the desktop PCs that had been produced at our Fukushima Plant could be produced at our Shimane Plant, which makes our laptop PCs. For mobile phones, as well, we divide production between our Nasu Plant and our Hyogo Plant, so if there had been a problem, we were prepared to shift our production from Nasu to Hyogo. Production of networking equipment is split between Japan and Texas in the US, and production of semiconductors is split between Mie and Iwate/Aizu Wakamatsu, so in our other businesses, as well, we have diversified our production base to minimize risk from a BCP perspective. As a result of the recent earthquake, however, we learned that it is not enough to simply diversify our production base. In our supply chain, as well, in addition to having more than one vendor for each significant part that we purchase directly, we learned that we need to look to the second tier of vendors who supply our vendors, and the third tier of vendors who supply them, as we take a more comprehensive approach to risk management, including our approach to inventories. We need to do this on a global scale, not just in Japan. As for holding inventories, I think we need to re-think this issue from scratch and determine what is best over the long run.

Q2: Prior to the earthquake, what were your plans for fiscal 2011?

A2 (Yamamoto): Prior to the earthquake, of course we were planning for higher sales and profits in fiscal 2011. For our business outside of Japan, now that we essentially have addressed the unprofitable projects, our intention to create a plan reflecting higher sales and profits has not changed.

Q3: Will you report any extraordinary losses in fiscal 2011 stemming from any damages you incurred in the aftershocks that hit on April 7?

A3 (Kato): There were production stoppages at our Iwate Plant and other locations in April, but we do not yet know if these effects will be categorized as extraordinary losses. This really gets back to Mr. Yamamoto's earlier comment and explains why he said that he hopes we will be able to report net income in fiscal 2011 that is at least as high as that reported in fiscal 2010. It is clear that there are expenses relating to earthquake damages this fiscal year, too.

Q4: Is there a possibility of losses stemming from a restructuring of your manufacturing operations? In addition, as a result of the earthquake, what measures did you take regarding supplies of parts? For example, for general purpose parts, did you decide to hold three month's worth of inventories?

A4 (Yamamoto): Our BCP processes have already demonstrated their effectiveness, so we have no plans for any significant restructuring of our manufacturing operations. In our networking business, we plan to move forward with our pre-existing plans to reorganize our Nasu Plant and Oyama Plant. With respect to supplies of parts, we learned a lot from the recent earthquake, and we now know where the risks lie. For those parts, we have placed orders covering the first half of the fiscal year, and we are working to obtain those supplies. But we have not, for example, decided that we will always seek to have three month's worth of supplies on hand.

Questioner D

Q1: Compared to normal, what is the situation in your Mobilewear business for April and May? Will you initiate production in anticipation of a rebound in demand?

A1 (Kato): In Mobilewear, we are directly linked with our customers in the supply chain. We cannot ignore customer demand and simply go ahead with production. Supplies of needed semiconductors are tight, and if our customers' production levels decrease, our production levels will also decrease.

Q2: In the IT field, do you expect orders in Japan in the first quarter of fiscal 2011 to increase? If you expect orders to decrease, how far could they potentially fall?

A2 (Kato): As of now, we do not have a good grasp of demand trends in Japan in the IT field. We have not seen a dip in orders so far. Since April is the first month of the fiscal year, a portion of the order flows we are seeing might simply be a result of extra efforts on the part of our frontline staff, and a portion might simply be customer deals left over from the previous month. We will need to wait a bit more to get a better picture.

Q3: As a result of the recent earthquake, have you made any changes to your accounting plans regarding a shift to reflect unrecognized obligations for retirement benefits on your balance sheet or a shift to IFRS?

A3 (Kato): We have not postponed any changes as a result of the earthquake. We will implement a shift to reflect unrecognized obligations for retirement benefits on our

balance sheet as a result of changes to Japan accounting standards, but we have not yet determined the timing of our shift to IFRS.

As for pension obligations, to determine the impact on our balance sheet, please look at the amounts on page 51 of our financial results materials [in the English version] under the categories “iv. Unrecognized actuarial loss” and “v. Unrecognized prior service costs (reduced obligation)” in the retirement benefit plan section for Japan. You need to add these two amounts together and factor in the tax effect. Including the portion for the retirement benefit plan outside Japan, we expect the amount to be roughly 260.0 billion yen.

***Q4:** As a result of the earthquake, will there be any significant changes to your approach or the speed of your shift to “fab-lite” model you are pursuing in your LSI device business? Or will you simply seek to minimize risks in your existing approach?*

A4 (Kato): From April, we are shifting a portion of the production of our Iwate Plant to our Mie Plant. Our subsidiary Fujitsu Semiconductors is planning to shift up to 30% of the production of the plants in Iwate and Aizu Wakamatsu. In our alliance with TSMC, our business in 40nm products is steadily increasing. The earthquake had no effect on this business, and we are glad that we adopted the fab-lite model. The next step is to continue the fab-lite model in our alliance with TSMC in future leading-edge processes, such as working with TSMC on 28nm products. We plan to continue to produce the chips used in our mission critical servers at our Mie Plant.

***Q5:** In the wake of the financial crisis of 2008, you implemented various cost reductions, such as cutting bonuses. This time, for businesses or plants that are running at lower levels of production, do you plan to implement any such cost reduction measures?*

A5 (Yamamoto): You are making comparisons with the 2008 financial crisis, but that was a period in which demand fell all across the world. The situation this time is a temporary decline in production capacity in Japan, and it is not as if demand has gone away. Factoring in the impact of the rebuilding process, we expect demand to recover in the second half of the fiscal year. This is a time when we need to make extraordinary efforts, including in our global business, so we really do not want to think about extraordinary measures.

Questioner E

***Q1:** Are you having difficulty obtaining supplies of CPUs for your feature phones?*

A1 (Yamamoto): Immediately after the earthquake, we spoke with the manufacturer of the chips, and because measures to deal with the situation were taken, the problem really has not been as significant as you think.

***Q2:** On an industry-sector basis, how was your business in Japan in fiscal 2010?*

A2 (Kato): Compared to the previous year, sales to the manufacturing sector significantly improved, and sales to the retailing sector reversed their decline, but our regional business sales and public sector sales declined. Specifically, compared to the previous year, sales to the manufacturing sector increased by 5%, sales to the retailing sector were flat, social infrastructure sales declined by 2%, sales to the financial services sector declined by 1%, public sector sales declined by 9%, and regional business sales declined by 8%. Overall sales declined by 3%. For fiscal 2010, we had expected overall sales to be flat, so the 3% decline in relation to our plan represents the impact of the earthquake, and the effect was especially significant in sales in the manufacturing, retailing, and social infrastructure sectors. For fiscal 2011, we do not know what the budgets will be in the public sector, so it is difficult to assess, but we have received very positive feedback on the software we are providing free of charge to help public sector entities deal with the impact of the earthquake, so we hope that will result in future business.

Q3: *IDC announced that it expects IT spending in Japan to fall 4.5% in fiscal 2011. Mr. Yamamoto, what is your view?*

A3 (Yamamoto): I think the first half of the fiscal year might be as severe as IDC projects, but we are expecting growth in the second half.

Questioner F

Q1: *Have you seen any shifts in ICT spending patterns among customers that suffered damage from the earthquake?*

A1 (Kato): Among customers that suffered damage in the earthquake, I do not have the impression that there have been any significant changes, but more customers have said they want to use our data centers, and we are seeing an acceleration in the shift toward cloud-based business.