

**Summary Translation of Question & Answer Session at
FY 2012 Second Quarter Financial Results Briefing for Analysts**

Date: October 31, 2012

Location: Fujitsu Headquarters, Tokyo

Presenters: Kazuhiko Kato, Corporate Executive Vice President & CFO

Questioner A

***Q1:** Please give us a few more specifics about how you will deal with the unfunded retirement benefit obligations of your UK subsidiary's pension fund.*

A1: I will have to refrain from giving any details at this time, but we plan to calculate the unfunded amount by running simulations of interest rate movements, and we are thinking of making a cash contribution to cover the shortfall. In doing so, we want to avoid, as much as possible, the need for further cash outflows next fiscal year and beyond.

Questioner B

***Q1:** Approximately when do you think it will be possible to reap profits from Access Network Technology (the joint venture established in August 2012 that focuses on semiconductors for communication equipment)?*

A1: Access Network Technology is developing communications chips for mobile terminals. It will need to make development investments for new products that it will release next fiscal year and beyond.

***Q2:** You mentioned increased inventory as a reason for increased operating loss in the Other/Elimination and Corporate segment. Please elaborate.*

A2: These are unrealized profits associated with certain large-scale public sector projects. Such large-scale systems require longer time for integration and staging, leading to an increased level of inventory.

***Q3:** What are the external and internal factors behind the downward revisions you made to your projections? Also, when will you hold your Management Direction briefing and disclose your medium-term business plan?*

A3: In our view, external factors played a large role in the downward revisions to our projections. The downward revisions this time were largely attributable to lower demand in our Device Solutions segment and lower demand outside of Japan.

Deterioration in Germany and surrounding countries' economies is quite pronounced. Our business in emerging market countries is growing, but to expand our customer base, we raised the proportion of sales consisting of low-end PC products. At the same time, the decline in the value of the euro versus dollar has driven our costs up, and the decline in sales prices has been very severe in our competition with companies such as HP and

Lenovo, so our profitability has deteriorated. We need to take another look at how we compete, distance ourselves from price wars, and shift toward high-end products. On the other hand, unless we expand the volume of our sales, we will not succeed in lowering our costs, so we are in a challenging situation.

Another external factor has affected our Device Solutions segment. Looking at LSI devices, the capacity utilization rate of the 300mm line at our Mie Plant is extremely high, nearly 100%, primarily for chips used in smartphones. On the other hand, because of weak demand for digital audio-visual equipment, the capacity utilization rate on our production lines for standard product is very low. The transfer of ownership of the LSI assembly and test facilities to J-Devices Corporation should be wrapped up by the end of December, but it will take time before we see any effects in terms of improved profitability. In electronic components we have Shinko Electric, but 70% of its sales are Intel-related, and demand for Intel products is now declining.

If economic conditions in Europe deteriorate any further, we will have to pursue additional structural reforms.

With respect to the medium-term plan, we are thinking to have President Yamamoto give a briefing within this fiscal year. The downward revisions to our projections means that we need to offer direction, as a company, not just to investors and analysts, but also to our company to our employees.

Questioner C

***Q1:** Has the UK government requested price reduction on your existing contracts?*

A1: There has been no such request from the UK government.

***Q2:** With respect to PCs in Europe, you previously mentioned that sales promotion expenses had been very high. How were they in the second quarter, and what are your plans in the future?*

A2: We were able to keep PC sales promotion expenses in check, to some extent, in Europe in the second quarter.

***Q3:** Since you are facing big problems in semiconductors and in Europe, are you considering any actions or structural reforms? To the extent that you can comment, please let us know your thinking.*

A3: With respect to restructuring in the semiconductor business, I have no comment at this time. In regards to Europe, with the economy slowing so much, I think we will be forced to do something quickly.

Questioner D

***Q1:** Please tell us about the trend of your IT sales in Japan by industry sector.*

A1: When we made our first quarter earnings announcement, we expected our overall IT sales in Japan in the second quarter to decline by 1% compared to the previous year, but they actually rose by 2%, exceeding our projections. Excluding the retailing and distribution sector, sales in every sector, including manufacturing, social infrastructure, financial services, and the regional and public sectors, exceeded our projections. For the first half, overall IT sales in Japan rose by 4%, and we expect growth in the second half to moderate a bit, to 2%. For the full year, our forecast remains 3%. Also for the full year, we are projecting year-on-year sales growth by industry sector of 13% in manufacturing, 7% in retailing and distribution, 3% in social infrastructure, 1% in financial services, and zero growth in the regional and public sectors. We may be able to exceed our projections in the social infrastructure sector. Based upon our backlog of orders, we currently believe we will be able to meet our full-year projections of our overall IT sales in Japan.

Questioner E

Q1: *Can we assume that the reason your revised free cash flow projection for fiscal 2012 is mainly because there will be an outflow of cash associated with the contribution you will make to your UK pension fund? In addition, what impact will that contribution have on your income?*

A1: We project free cash flow to deteriorate by 140.0 billion yen on account of three main factors. One is the downward revision to projected income, and the second is the expenses we will incur at the time the semiconductor assembly and test facilities are transferred. The remainder is the contribution to the UK pension fund. The cash contribution is to cover unfunded retirement benefit obligations, and will have no impact on our income.

Q2: *For your business in Europe, are your immediate problems limited to your PC business? Can we assume there are no problems in your services business there? In addition, what are the problems in your PC business, and what can you do to improve your performance? Please tell us the problems in your European business and what you will do to resolve them.*

A2: In continental Europe, conditions in Germany and surrounding countries, in particular, are becoming quite severe. It is not just limited to PCs. The stance toward IT spending in general has become quite negative. On the other hand, in the UK we have made progress in shifting the focus of our business from the public sector to the private sector, so I am not overly concerned.

In an import-oriented business like PCs, our earnings are highly susceptible to fluctuations in foreign exchange rates, with the impact on our earnings in the first half alone amounting to several tens of millions of euros. For the field of infrastructure services, it, too, includes a hardware-related component, and that is the part that is weakening. Managed services are not the part that has declined. The problem is just the hardware-related business. If we set aside the market problems in Europe, I do not think it will be so difficult to address the problem areas to bring about a recovery in our

business in Europe. We will accelerate our services business so that we are less dependent on hardware.

With the PC business, we will shift our approach from one focused more on gaining volume to one focused more on profitability.

Q3: *In your semiconductor business, do you not have any plan to try to aggressively lower your breakeven point?*

A3: With respect to specific plans for structural reforms in our semiconductor business, please wait until the appropriate timing arrives.

Q4: *Regarding corporate expenses, when I saw the figure you projected at the beginning of the fiscal year, it seemed to me that the figure may have contained somewhat of a buffer. Is that the case? Are you holding down investment spending to try to meet your original income projections? Or has there been no easing of investment spending?*

A4: We have in no way constricted basic research and development or strategic investments for a multi-year time horizon.

We have, however, started company-wide activities to reduce costs. This mission is my responsibility, and we are working to produce results starting in the fourth quarter.

Questioner F

Q1: *It seems that you always take a fairly conservative view toward operating income in your mobile phone business. What are your thoughts about the second half?*

A1: With mobile phones, some products end up being hits, while others do not, so we really need to be conservative in our projections.