

**Summary Translation of Question & Answer Session at
Fiscal 2011 Management Direction Briefing /
FY 2011 Financial Forecasts Briefing for Analysts**

Date: June 17, 2011
Location: Fujitsu Headquarters, Tokyo
Presenters: Masami Yamamoto, President
Kazuhiko Kato, Corporate Executive Vice President & CFO

Questioner A

***Q1:** For fiscal 2011 sales in your Technology Solutions segment in Japan, please break out your projections by industry sector. In addition, please tell us how you view trends in Europe.*

A1 (Kato): For the first half of fiscal 2011, we expect a difficult sales environment for nearly all industry sectors. One exception, however, is manufacturing, where sales trends for the first half appear solid. We expect those trends to continue into the second half as well for an increase of 7% for the full year compared to fiscal 2010. Sales to the manufacturing sector have been on a recovery path since the second half of the previous fiscal year, and we see that trend continuing. In the retail sector, retailers whose distribution centers were damaged in the earthquake are now focused on deciding where they should open new centers, so their ICT spending has essentially stalled. We see a recovery in the second half, with full-year sales expected to increase by 5%. The social infrastructure sector includes electric utilities whose facilities were damaged in the earthquake, and we expect that they will halt their ICT spending for the foreseeable future. Demand from telecom carriers is extraordinarily high, but we have only been able to fully restore manufacturing since June, so the first half will be difficult, and we expect full-year sales to increase by 3%. We are anticipating demand from the telecom sector stemming from the effort to rebuild after the earthquake, too, so if the production-side can recover, there is a chance that sales could be even higher. In the finance sector, financial institutions in the Tohoku region have suspended their ICT spending, and we project a weak first half overall. We expect a recovery in the second half, with full-year sales essentially even with the previous fiscal year. The situation in the public sector is even more severe, with budgets being redirected to the rebuilding effort, so we expect full-year sales to decline by 2%. For regional business, here, too, we expect project that sales will rebound in the second half, resulting in flat full-year sales. For all sectors combined, we are projecting sales to increase by 2% over fiscal 2010.

Demand in April and May, particularly the trend of orders in our services business, has been strong. From here on in, whether we will be able to fulfill that demand will really depend on whether we will be able to produce things or not.

The market trend in Europe, including for hardware, is strong. In the PC market, there is heavy price competition because some other companies have an oversupply of inventory,

but we have a policy of keeping our inventories low, so we have been able to avoid discounting our prices. The reception given to our new slate PCs has been exceptionally strong, and if we are able to keep up production, we expect to be able to catch up with demand. The British government's austerity measures continue, so trends for public sector business in the U.K. remain difficult, but we see our private sector business increasing. In addition, we are getting some large services contracts in the U.K. and Central Europe. Overall, for fiscal 2011 we expect demand outside Japan to be higher than demand in Japan. We also see a strong pickup in business from emerging markets handled out of our European subsidiaries, such as business from Russia and the Middle East.

Q2: You did not disclose specific timelines for the targets in your medium-term plan. What is the nature of the uncertainties that prevented you from disclosing a specific timeframe?

A2 (Yamamoto): I assume you are asking when we expect to meet our "near-term" targets, and the timeframe I have in mind is fiscal 2013. The reason why we did not specify a timeframe in our presentation materials is because, as a result of the disruptions caused by the earthquake, we do not have a clear read on future trends in the ICT market. There is a possibility that it could be sooner than 2013. If we make good progress on each of the strategic measures I outlined in the presentation, especially in our business outside of Japan, we think we can accelerate this timeframe.

Q3: With respect to the reasons why you were not able to achieve your previous medium-term targets (operating income of 250 billion yen, with an operating income margin of 5%), setting aside the external factors, what do you think are some of the internal factors within Fujitsu that prevented you from achieving these targets?

A3 (Yamamoto): Partly we think it was because we were overly optimistic. After the Lehman shock of 2008, the recovery in ICT spending was not as strong as we had anticipated. In addition, in terms of internal problems, the fact that we were slow to address the issue of unprofitable projects in our business outside of Japan was one major reason why we were unable to achieve our targets overall. Through the measures I discussed today, however, we are turning things around.

Q4: Mr. Kato, when you mentioned products for telecom carriers a minute ago, were you referring to base station products?

A4 (Kato): Yes, but in addition to that, transmission equipment for the North American market was also partially affected.

Questioner B

Q1: I understand that Fujitsu's services business outside Japan was unprofitable in fiscal 2010. What is your forecast for fiscal 2011? In addition, what do you think is needed to increase the operating income margin of your services business outside Japan to bring it in line with your business inside Japan? How many years will this take?

A1 (Yamamoto): We plan to return our services business outside Japan to profitability in fiscal 2011.

(Kato): In fiscal 2010, we were involved in unprofitable projects outside of Japan. In fiscal 2011, however, this is no longer the case. With the creation of the new assurance organization, at the present time we are not involved in any unprofitable projects. We believe the first half of the fiscal year will be a time to fortify our internal assurance structure, and therefore we currently are not taking on any low-margin, high-risk deals. We are, however, pursuing deals that have strategic importance globally.

Now let me address how we intend to bring our income outside Japan in line with our business in Japan. On several occasions in the past, we had very large, unprofitable projects, so if we are simply able to eliminate unprofitable projects, we will significantly improve our margins outside Japan. The next priority is to standardize our services. Until now, Fujitsu has offered services that are deeply rooted in the region where they are delivered, and we have been slow to standardize these services. Global enterprise customers are looking for uniform services. By taking a cross-cutting global perspective and standardizing our operations, we can cut costs and improve our margins.

(Yamamoto): To accelerate Fujitsu's globalization, an important priority for us is to determine how to expand our Japanese success model to operations in other parts of the world. With respect to cloud services and the systems integration services around application packages, we are beginning to offer services that are standardized throughout the world.

Q2: What is your thinking with regards to restructuring your remaining low-margin businesses?

A2 (Yamamoto): We are constantly exploring structural reforms. Our priority for subsidiaries in the Device Solutions Segment right now is that each company raises profitability individually. Once we have succeeded in implementing these enhancements, we will be able to progress to the next stage, including possible group reorganization.

Q3: You mentioned that you will be eliminating unprofitable projects in your business outside Japan. Do you expect this business to be profitable in fiscal 2011?

A3 (Kato): We think our business outside Japan will be able to return to profitability in fiscal 2011.

Questioner C

Q1: Please break out your first-half projections for operating income by business segment. Please also let us know your projection for operating income in the first quarter.

A1 (Kato): For the first half, we expect Device Solutions to post a small profit, and for Technology Solutions, although conditions are very difficult because of continued

disarray in the market stemming from the earthquake, we expect the segment to remain profitable. On the other hand, the lingering impact of earthquake on our Ubiquitous Product Solutions segment is expected to be quite large, and we are projecting an operating loss.

With respect to the first quarter, because of production stoppages at our production plants as a result of the earthquake, it will be a very difficult quarter. For a specific figure, please wait until our first-quarter financial results announcement in July.

Q2: In your presentation, you talked about a shift from systems integration business to cloud business, but how are you viewing the erosion in income in your systems integration business? You talked about aiming for an 8% operating income margin in your Technology Solutions business, but as the shift from systems integration to the cloud accelerates, how will that affect profitability?

A2 (Yamamoto): It is not as if our systems integration business will disappear overnight. We expect that, even as income from systems integration gradually declines, it will be more than offset by higher income from the development of our cloud business. In addition, we expect that there will be fewer vendors able to offer high-quality systems integration services in the future, so we expect the competitive environment to improve. Much of the cloud business is really volume-driven, so if we can get a lot of business, we can improve our profitability. Currently we are in a period in which initial investment requirements are heavy, but as the cloud business expands, we think we will be able to generate higher profitability than our existing systems integration business.

Q3: You also spoke about shifting resources from systems integration to services, but will that weaken Fujitsu's systems integration capabilities?

A3 (Yamamoto): We are currently pursuing development efficiencies in our systems integration business. That should free up some systems engineers, and we plan to shift them into services. Accordingly, it will not in any way diminish Fujitsu's systems integration capabilities. On the contrary, it will result in Fujitsu having an exceptionally strong group of systems engineers who are capable of delivering comprehensive services, from applications development to infrastructure services.

Q4: I listened with great interest to your discussion of new business models leveraging data. Could you describe the business model using a specific example?

A4 (Yamamoto): As one example, I will talk about our new SPATIOWL services that we announced the other day. Fujitsu has a contract with one of the taxi companies serving the Tokyo metropolitan area, so we are getting operating data on 4,000 taxis. Using this data, we can understand traffic patterns. If that is all it amounted to, it would just be information about traffic jams, but if we expand it, whole new areas of services open up, such as the ability to get around traffic jams by coordinating with the police and adjusting traffic signals. What is important here is how you convert huge volumes of data into

practical knowledge. If you can do that, it is possible to create new businesses in collaboration with a variety of companies.

Q5: How will Fujitsu's business model be transformed through this? Also, does the "practical knowledge" you mentioned represent intellectual property that can be protected?

A5 (Yamamoto): The key point is the extent to which you can convert huge volumes of data into practical knowledge. Doing so requires various platforms, so it generates business for us in supplying the platforms. In addition, the practical knowledge can be the intellectual property that generates value, so we could supply that practical knowledge to companies that need it, receiving a fee in return. That is one type of business model that we could create. As to who owns the data, I think that is something that will need to be worked out in the future.

Questioner D

Q1: You mentioned that you have established a new assurance group that is designed to eliminate unprofitable projects in your business outside of Japan. Up until now, how did you handle profitability management of projects outside of Japan? In addition, what was the cause of the problems, and how will these new measures improve matters?

A1 (Yamamoto): Of course we also had an assurance function outside of Japan, and it adopted many of the practices we had put in place in Japan for dealing with unprofitable projects. One point of regret, however, is that we did not do a good job of providing oversight from Japan. For example, when there were problems, we were late to learn about it in Japan, and we were late in implementing countermeasures. Our newly established assurance group is managed from headquarters and reports directly to me, so we now have an organization that is able to respond much more quickly to problems. Moreover, we are planning to send a senior executive with experience as a systems engineer from Japan to be based in the U.K. and that executive will have responsibility for assurance issues in our business outside of Japan.

Q2: Do you feel that there is a risk that Indian service providers could enter the market in Japan? If that happens, how would Fujitsu respond?

A2 (Yamamoto): It is certainly true that Indian vendors have made great strides in the U.K. and the U.S., but they face a language barrier in Japan, and my understanding is that they have not been able to make a deep inroads into this market. Nevertheless, we need to think of more ways to improve the efficiency of our development work, and we need to consider using resources in India in our development work.

Q3: You are projecting that the effects of the earthquake will reduce operating income by 37.0 billion yen in fiscal 2011. Please break out that amount for the first half and second half as well as by business segment, and please indicate the corresponding impact you have projected on sales.

A3 (Kato): For the full year, we are projecting that the impact of the earthquake will reduce sales by about 80.0 billion yen. We expect most of the impact in the first half, with only a minor impact in the second half of the fiscal year. On a segment basis, we expect the impact on our Ubiquitous Solutions segment to be quite significant. Because of component shortages, results in our mobile phone business will be weak, and monthly sales in our mobilewear business have declined by around 50%. Most of the impact on sales and profitability will likely be in the first half. Annual sales in our Device Solutions segment are also projected to be significantly lower.

Questioner E

Q1: What is the significance of the long-term targets you have set for achieving an operating income margin of 10% and having sales outside Japan account for 50% of total sales? Mr. Yamamoto, did you set these targets with the intention of achieving them while you are still president?

A1 (Yamamoto): When we benchmark ourselves against competitors outside of Japan, we see that large vendors in the U.S. have operating income margins of 10% and higher. If we execute our strategy, we feel that Fujitsu, too, should be able to achieve a high operating margin. In addition, as business shifts to a services model, if we can get customers to let us handle everything from ICT planning to operations, there is an opportunity for us to generate substantial added-value. In new business areas, too, although upfront investments are required, if we can get on that growth trajectory and ride it out, we can expect growth in businesses with recurring revenues and almost no marginal costs. If we are able to do a good job in controlling our business, an operating income margin of 10% is within reach. First we have to achieve an operating income margin of 5%, and once we do that, we think we will see the steps needed to achieve a 10% margin.

Q2: In your presentation, you talked about raising earnings by taking the services you offer in Japan and offering them outside of Japan, but my understanding is that your competitors outside of Japan are raising their earnings primarily by offering packaged systems installations and services around application packages. Can Fujitsu simply apply outside of Japan the services you offer in Japan and still capture the same level of earnings as your competitors outside of Japan?

A2 (Yamamoto): To take an example, the Fujitsu Global Cloud Platform/S5, which was developed in Japan, extends to five locations around the world the same level of service quality that is offered in this market. In addition, in services based on application packages, we are now applying outside of Japan the model we created here based on SAP and Oracle products in partnership with those companies. When Japanese corporate customers expand their business outside of Japan, they want to have the same quality of services that they receive in Japan. We have now created a point of contact and organization for delivering cross-cutting, uniform services for Japanese customers that are expanding their business outside of Japan. This will enable us to provide uniformly high-quality services globally.

Q3: Please tell us about the performance of Fujitsu's business in North America in the most recent year. Have you made progress in strengthening your business? If not, what are the factors hindering your performance in that market, and what measures are you taking to deal with them?

A3 (Yamamoto): We have managed to stem the losses from our business in North America, but it has yet to reach the level that it is contributing to the profits of our business outside of Japan. Last fiscal year, we planned to expand sales of x86 servers in North America, but sales were disappointing. Starting from this fiscal year, we have shifted the headquarters of our x86 server business to Germany, and we have created an organizational structure in which the North American business is managed from Germany. I would like us to make another push to expand sales of x86 servers in North America. If you are wondering why I am so focused on x86 servers, it is because when we sell one server, we are also able to sell related software and storage systems. In Japan, the value-added sales amount to 4-5 times the original sale. From that perspective, under the leadership of the team from Germany, we want to make another push in the North American market.

Q4: Going forward, how do you intend to utilize your free cash flow?

A4 (Yamamoto): I assume you are asking whether we will use our free cash flow to make acquisitions. Many of our subsidiaries outside of Japan are based on past acquisitions, and I think Fujitsu has considerable know-how in M&A. Because we understand both the merits and the drawbacks of M&A, we approach these matters very cautiously. However, if we see a transaction that makes sense to us, we intend to move quickly.

Questioner F

Q1: If you are more selective in the projects you take outside of Japan, what impact will that have on your growth rate? We see that you are projecting 2.7% growth in sales outside of Japan on a consolidated basis for fiscal 2011, but please tell us how you intend to achieve that rate of growth.

A1 (Kato): In terms of the screening criteria for projects outside of Japan, after submitting our bid, we first perform due diligence. If we look at the mistakes we made on projects in the past, we often see that we failed to have a basic common understanding with customer over key terms and conditions upfront. On the other hand, even if a project is technologically challenging, if it is a strategic project for a global corporation, we will aggressively go after the business. We plan to be more selective in the criteria we apply to projects in the first half of the fiscal year, but once we have confirmed that our enhanced assurance procedures are working, we will aggressively go after new business.

Q2: In the medium- to long-term, ICT is expected to play a more prevalent role in the field of healthcare. Please discuss Fujitsu's initiatives in this area.

A2 (Yamamoto): During the Great East Japan Earthquake, there were instances in which hospitals were washed away by the tsunami, resulting in the loss of medical information. By raising the adoption of electronic medical records, one of Fujitsu's strongest areas, and by making them accessible to other hospitals and doctor's offices over the network, we can improve disaster preparedness. Telemedicine is another area we expect to gain momentum in the near future. Telemedicine solutions are effective in areas like Iwate, a large region in Japan in which patients have to travel far distances to visit a doctor. There is also an increasing need in telemedicine to be able to connect with electronic medical record systems over the network. We think these kinds of packaged solutions present a business opportunity not only in Japan but worldwide.

Within the Fujitsu Group, we are currently performing field testing of a cloud-based personal health management system. By having users upload information about the condition of their health to the cloud on a daily basis, the system can monitor signs indicating that users may have contracted an illness and let them know when they should consult a clinic or health management center. Although this is just one example of what is possible, I think we can say with confidence that we are entering a period in which ICT will be employed to manage people's daily health.

There is another interesting project I would like to mention. This is an ICT-enabled simulation aimed at drug discovery. We are engaged in this joint research with Tokyo University and it has already reached a fairly practical stage. The discovery of a single drug has the potential to result in tremendous sales, and if Fujitsu's software and services are employed in the drug discovery process and, as a result, we are able to receive royalties, this could be a promising source of revenue for us. We are employing a supercomputer to run the simulations. It is in applications like this where we think we can find very interesting ways to leverage IT.

Questioner G

***Q1:** Some companies, such as Apple and Google, operate their own datacenters. On the other hand, with the recent incidents involving personal information leaks and the earthquake, there are managers who are beginning to evaluate the risks of owning their own datacenters from a business continuity plan (BCP) perspective. What is your view on these recent trends?*

A1 (Kato): Datacenter demand remains very strong, and we are expanding usable floor space by October in our datacenters to accommodate these customers. With this said, all customers are not immediately able to migrate to Fujitsu's datacenters. At the present time, we are handling requests to utilize our datacenters on a case-by-case basis. In addition, because sales from our datacenter business are billed monthly, they do not result in immediate major increases in sales.

***Q2:** For the current fiscal year, although you are projecting the use of 200 billion yen in net cash in investing activities, you only anticipate 160 billion yen in capital expenditures on tangible fixed assets. What accounts for this difference?*

A2 (Kato): The difference comes from software-related investments. It is not associated with M&A or goodwill.

Questioner H

***Q1:** You mentioned that you aim to achieve an operating income margin of 10% in the medium- to long-term. Assuming you raise the margin of your services business to above 10%, it seems to me that your hardware business will still remain a challenge. With this in mind, do you intend to change the nature of Fujitsu's business?*

A1 (Yamamoto): The operating margin of our services business is certainly higher than that of the hardware business and we are not satisfied with the current level of margins in our hardware business. We plan to take all necessary measures to improve the business's profitability, gradually increase its margin, and achieve an overall margin of 10% for both our software and hardware businesses combined. Instead of achieving this 10% target by divesting low-margin businesses leaving only those that are highly profitable, our current approach is, to the greatest extent possible, to preserve our business portfolio as it currently stands while working to strengthen individual segments.

Questioner I

***Q1:** With respect to the bidding process for the national citizen ID system in Japan, how do you think Fujitsu is positioned amongst other leading vendors?*

A1 (Yamamoto): We believe that Japan should move quickly to adopt national citizen ID system and have been saying so to the government on various occasions. If the government actually decides to implement such a system, we think it will present a tremendous business opportunity. There will, of course, be direct business opportunities associated with the construction of the national ID system itself. Moreover, we expect there will be secondary opportunities in which, for example, we can apply the new system to the area of healthcare. As a result, we expect there will be growing demand for IT in a wide range of fields. At Fujitsu, we would like to be a primary contributor for the initial work, and in this regard we think our track record speaks for itself.