

**Summary Translation of Question & Answer Session at
FY 2014 First Quarter Financial Results Briefing for Analysts**

Date: July 31, 2014
Location: Fujitsu Headquarters, Tokyo
Presenters: Hidehiro Tsukano, Corporate Senior Vice President & CFO
Youichi Hirose, Corporate Executive Officer

Questioner A

Q1: By how much did you exceed your projections for operating profit in the first quarter?

A1 (Tsukano): We had projected a very slight operating loss for the first quarter, but our actual results were an operating profit of 7.2 billion yen, so you could say that results exceeded projections by this amount of our operating profit.

Q2: What was your operating profit in PCs and mobile phones?

A2 (Tsukano): Our operating profit in PCs was 7.0 billion yen or more, and for mobile phones it was in the low single digits in billions of yen.

Q3: Is it correct to say that Ubiquitous Solutions accounts for nearly the full amount by which your overall operating profit exceeded projections?

A3 (Tsukano): PCs were the most significant factor in enabling us to exceed projections, moreover, results in Mobile phones also exceeded projections. Results in Services were essentially as anticipated. Comparing this quarter with the same period in the prior year, because results in the first quarter of fiscal 2013 were boosted by a one-time profit on retirement benefit buyouts in the Netherlands, operating income declined in this fiscal year's first quarter.

Q4: You made announcements regarding the restructuring of your semiconductor business. How will this affect operating profit for your system LSI device business for fiscal 2015? For fiscal 2014, you are projecting 8.0 billion yen in operating profit, but is it correct to assume that this will decline to zero in fiscal 2015?

A4 (Tsukano): Among the restructuring announcements we made today, it is just the newly-merged company in the SoC business that will no longer be included in our consolidated results. Even for that new company, the sales will be handled through our chip trading subsidiary, Fujitsu Electronics. Accordingly, we are projecting an impact in the low single-digit billions of yen, but there will not be much of an impact on sales. Other than that, the other companies will remain consolidated, so we do not anticipate that there will be an impact on our operating results, at least for fiscal 2015.

Q5: Is it correct to assume that the issue as to whether there will be an impact on fiscal 2016 results is dependent on whether the new manufacturing-related company that has been spun off will no longer be included in your consolidated results?

A5 (Tsukano): If we are thinking along the timeframe of fiscal 2015 to fiscal 2016, we do not think there will be significant changes. The newly-merged company in the SoC business, however, will be operated independently, so it is possible that it will consider taking a variety of new approaches, including establishing its own independent sales channel.

Q6: Will further changes to the new manufacturing-related company be made sometime after the start of fiscal 2016?

A6 (Tsukano): For the system LSI device business, you can assume that the path forward is already in place. That said, it is not necessarily the case that, as a result, there will be an immediate impact on operating results.

Questioner B

Q1: Were there any loss-making projects in the first quarter? I am concerned because other companies recently announced their earnings, and there were some significant losses. I think more projects are coming up soon, so do you foresee any risk of losses?

A1 (Tsukano): We have instituted strict project assurance capabilities, so we have tight control over the profitability of projects both in and outside Japan. In the first quarter, there were very few loss-making projects, but going forward we do not expect any more.

Q2: I think there were times in the past, when, even if the profitability was low, projects were taken on for their future potential. Are you saying that, even if there were such projects in the first quarter, you have developed the ability to control losses?

A2 (Tsukano): I think that this year is somewhat unique. Looking at our order backlog and pipeline, the services business in the first half of the fiscal year is relatively sluggish, but it will pick up in the second half. Please think of this as an environment in which we will be able to pick up some projects with fairly high profitability.

Q3: What was the status of ICT sales growth in Japan by vertical sector?

A3 (Tsukano): In the first quarter, manufacturing sales were essentially on par with the previous fiscal year, distribution was up 4%, financial services was up 8%, sales were up 12% in social infrastructure, up 13% in the public and regional sector, and up 8% overall. For the full fiscal year, we are still not seeing any traction in the public and regional sectors for the so called “My Number” national ID system, so for that sector we expect a year-on-year decline in sales. Revenue growth in other areas is solid. Factoring in some weakness in the second and third quarters, we expect overall full-year sales growth of 2%.

Questioner C

Q1: Please tell us about the status of IT orders in the first quarter. In addition, because orders increased starting from the second quarter of last fiscal year, we were told that momentum should weaken from the second quarter of this fiscal year, but how does the outlook appear now?

A1 (Tsukano): Since the start of the fiscal year, orders have been strong across the board. Figures for the first quarter were in line with projections. There is a slowdown in orders for the second and third quarters, but it is roughly as we had projected. Especially from the third quarter and into the fourth quarter, we see orders firming up, and we also have a strong pipeline, so our expectations are high.

Q2: Does that mean that orders will be slow, as projected?

A2 (Tsukano): Orders for services are solid, but the problem is that we cannot expect much of a contribution in terms of profit given the large-scale server-related deal we had last fiscal year. Another reason is that, while we succeeded in getting a new contract renewal with a North American telecom carrier, orders were frozen until the contract renewal was completed, and that has contributed to the slowdown.

Q3: So, although orders for services are strong, orders in the System Platforms sub-segment are somewhat lower than projected, and therefore, combining the two, progress is as you had projected at the start of the fiscal year?

A3 (Tsukano): Yes, that is right.

Q4: You stated earlier that the “path forward is already in place” for the structural reforms in your LSI device business. What kind of timeframe do you have in mind?

A4 (Tsukano): We have a medium-term timeframe in mind.

Q5: Does that mean that the impact in terms of profit or loss will be over the longer-term horizon?

A5 (Tsukano): We expect there will be some sort of transformation within the next 3-5 years.

Questioner D

Q1: Please give us further details on a region-by-region basis on the status of your IT services business outside Japan.

A1 (Tsukano): Performance in Europe is strong, particularly in the UK and Ireland. Results in Oceania are on track. Results in the Americas are essentially unchanged from the prior year. Results in Asia may appear to be somewhat bad, but this is not because of a decline in business opportunities or a deteriorating market environment. It was because we changed the way we do business in Asia, so please understand that is the reason for the results.

Q2: Among North American telecom carriers, some have made sharp downward revisions to their sales projections. What is your outlook for North American networks?

A2 (Tsukano): Currently what we are supplying to North American networks is optical transmission systems in the field of photonics. Fujitsu has shipped over a trillion yen in operating assets in this field, and we have strengths in specific areas. Therefore, we are maintaining strong relationships with our customers, and we think that gives us considerable leverage.

Q3: You talked of a 3-5 year path forward in your semiconductor business, but once that process is complete, what should we expect the scale of Fujitsu's sales of semiconductors to be?

A3 (Tsukano): I would not like you to understand that we have a specific time limit, but ultimately sales should be very close to zero.

Q4: In that case, does it mean that the portion that is currently sold through Fujitsu's subsidiary and the portion that the SoC company, which will become an equity-method affiliate, or the foundry will sell through Fujitsu's subsidiary will decline in the future?

A4 (Tsukano): I cannot tell you by when it will happen, but at the end of the day, we expect semiconductor sales to be essentially zero. As the CFO, I would like to remove these operations from our balance sheet as quickly as possible to reduce volatility. On the other hand, there is the enthusiasm and drive of the employees that work in those operations, and the fact of the matter is that we would also like to leverage this enthusiasm and drive. Particularly for the SoC business, because Fujitsu also has a server business, we would like to be able to use that technology in our development work. For the resources that cannot be sufficiently fed just with the demand from Fujitsu, alone, what we are now trying to do is look broadly for other sources of demand or bring in people with the capacity to invest in the business.

Questioner E

Q1: Regarding mobile phones, how will the second quarter's operating profit change compared to the first quarter? Please include an explanation of the background in your answer. Also, based on the course of domestic introduction of SIM card unlocking, please tell us Fujitsu's outlook on the mobile phone business.

A1 (Tsukano): In the first quarter, our mobile phone business returned to profitability, as planned. We hope to maintain profitability in the second quarter. With respect to SIM unlocking, Fujitsu is not committing to producing boxes. I think the proper way we have described our business is as a wireless business. Wireless technology is necessary for the world envisioned by the IoT or IoE, where everything is connected over networks, and we would like to utilize it in those areas. The subject of SIM locks is bound to come up, so we are thinking of ways to respond to it.

Q2: What is your outlook for shipment volumes and level of operating profit for mobile phones in the second quarter?

A2 (Tsukano): We would like to maintain our plan of shipping 3.1 million units this fiscal year, and we view this as a firm plan. In the first quarter we shipped a little under 900,000 units, and we expect units shipped to be 20% less than that in the second quarter. At this level, unless we implement further cuts in development costs and other expenses, we will only break even, so we are currently taking initiatives to further reduce costs.

Q3: What were unit sales of PCs in Japan in the first quarter, and what was the rate of growth compared to the prior year? What can we expect in the second quarter? What are your projections for profit and loss?

A3 (Tsukano): We sold 1.29 million units in the first quarter, an increase of 270,000 units compared to the same period last year. The current plan is to position the first quarter's profit from PCs to offset an expected decline in the second quarter, and to focus on our Technology Solutions segment as our main competitive stronghold.

Q4: What are unit sales projections for the second quarter?

A4 (Tsukano): We expect to sell around 1.20 million units.

Q5: For the semiconductor market, it seems that a favorable market cycle has arrived, but are you not taking advantage of this situation as an opportunity to lower your risk?

A5 (Tsukano): I think we can definitely do that in a certain period of time. But what I would like you to understand is, for example, our partner in Aizu specializes in analog production. That fact is very important. In the analog business, for 8 inch shells, as long as you can control the contents of it, we think the shell can have a lifespan of 20 years. We see products stemming from that, and if things go according to our plans, it will turn into an excellent production facility that will be a money-maker.

Questioner F

Q1: For the mobile phone business, please allow me to confirm if there are any variable factors in expenses between the first half of the year and the second half. Despite being in the black for the first half of fiscal 2014, is it possible for the situation to worsen again in the second half?

A1 (Tsukano): What held us back in regards to operating profit for fiscal 2013 were the number of models and the color variations for each model. In fiscal 2012, we increased the number of carriers in order to increase our shipment volume, and we also increased the number of models and their color variations. But because it was difficult to predict which model was going to be a hit, we had to carry a large number of products. In addition, because we also had technological defects, we were faced with a loss of confidence on the part of the market. Under these circumstances, we currently are

limiting the number of models and color variations. Because of these changes, we think there will be a reduction in future repairs and the manpower needed for them. Another point is that, in the past, emphasis was placed on flagship models equipped with cutting-edge technology, but we are currently changing our focus to more standard models. By controlling the technology in this way, we think that it will become possible to limit development costs that are otherwise prone to increasing. Of course, we have completed structural reforms implemented in the fourth quarter of fiscal 2013 to reduce development resources and consolidate production facilities, and we are seeing positive results from that.

Q2: Just because the mobile phone business broke even, or even slightly moved into the black, is that enough reason to continue with the business? Even if this business stabilized in remaining in the black, it does not seem that the profit contribution would be that significant. What are your thoughts on reconsidering your future strategy?

A2 (Tsukano): We do not intend to compete on the basis of hardware in PCs and mobile phones. We have positioned our mobile phone business as a wireless business, and we think that the ways in which we utilize that wireless technology will be what is important. I cannot give you a timeline, but a change in future strategy is something we think is necessary. Also, we are positioning mobile phones and PCs as human interfaces for mobility solutions, and by including that in our services business, we think that we can use it as one element in the services we provide.

Q3: Please explain why the services business posted higher revenue but lower operating profit in the first quarter.

A3 (Tsukano): For Japan, whether we are looking at our pipeline or our backlog of orders, we can clearly expect an expansion in business. Unfortunately, the first quarter ended only as planned, with no increases beyond what we expected. It is true that revenue increased overseas, especially in UK&I, where revenue had long been weak, and we are starting to see steady contributions to operating profit from continental Europe, especially Germany. But because operating profit in the first quarter of last fiscal year benefited from one-time income from a retirement benefit buyout in the Netherlands, the reality is that higher operating profit from other areas in this fiscal year's first quarter was not high enough to cover this.

Questioner G

Q1: Please allow me to confirm if there is a possibility of making upward revisions for the second half of the fiscal year if your pipeline develops as expected.

A1 (Tsukano): I cannot answer that now, but we will do our best.

Q2: By actually adopting IFRS for the last three months, have there been any changes in your thoughts on management?

A2 (Tsukano): The reality is that it is hard to understand the complete picture after only three months. We are absolutely enjoying the positive effects. But, on the other hand, there is also the reality that we are just not used to going up and down according to the gains and losses of certain items previously not included in operating profit.

Q3: In the past, the business groups based their management on operating profit, and it appeared that they would long hold onto extraordinary losses that would surface every time the CFO changed. Are the business groups now educated as to how to control extraordinary losses? Were they not in the past?

A3 (Tsukano): I think the various business groups are becoming sensitive to generating extraordinary losses and disposing of assets. As we transitioned to IFRS, we also made sure to conduct company training. I think everyone understands.

Questioner H

Q1: A yearly dividend of 8 yen, I think, yields a dividend payout ratio of 16-17%. There are demands in the market to raise the dividend payout ratio, some even want 30%, but what are your thoughts on the future dividends?

A1 (Tsukano): Fujitsu's approach is premised on a stable dividend. Currently, we are not planning to change the dividend payout ratio, but we definitely would like to give our shareholders a return. I think that when we reach a level of consistently positive results, that is when we need to have another look at it.

Q2: Does that mean that if there is a significant increase in profit for the period, you may raise the dividend?

A2 (Tsukano): Yes, that is exactly right.