

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

Date: February 7, 2013
Location: Fujitsu Headquarters, Tokyo
Presenters: Masami Yamamoto, President
Kazuhiko Kato, Corporate Executive Vice President & CFO
Masahiro Koezuka, Corporate Executive Vice President & CSO

Questioner A

***Q1:** With respect to the impact of personnel measures and structural reforms, please give us a quantitative breakdown of categories and monetary amounts.*

A1 (Koezuka): For each of the categories, including personnel measures, generating efficiencies to reduce corporate expenses, and the cost structure reforms we have already been undertaking, we will make a list of specific initiatives, and by creating indices to track and manage progress, we plan to improve earnings. We expect to save 30.0 billion yen through personnel measures. On top of that, by firmly implementing cost cutting in the corporate matters over which we have clear control, we will reliably achieve annual saving of 40.0 billion yen.

(Yamamoto): If we simply add together the amounts for the cost reduction categories, it amounts to more than 40.0 billion yen, but we want to be sure to achieve 40.0 billion yen in cost reductions as a baseline.

***Q2:** Please tell us about the effect of structural reforms in your semiconductor business and Fujitsu Technology Solutions (FTS).*

A2 (Koezuka): For semiconductors, this fiscal year we are projecting an operating loss in double-digit billions of yen, but that loss will be eliminated in the future.

(Yamamoto): For FTS, ultimately we are expecting annual cost savings of 150 million euros, and although we do not expect to realize this full amount in fiscal 2013, we are expecting to achieve at least 80 million euros in savings in fiscal 2013.

***Q3:** Please tell us the status of unfunded pension obligations in and outside Japan as of the end of December. Also, when these become reflected on your balance sheet, please tell us whether you will receive tax benefits in or outside Japan.*

A3 (Kato): In Japan, if we assume a Nikkei index level of 10,200 yen, our pension assets increase, and with the restructuring of our Iwate Plant and our LSI assembly operations, our pension benefit obligations decline by about 20.0 billion yen. Therefore, compared to the levels at the end of last fiscal year, we will see a significant improvement in unfunded obligations. At the end of last fiscal year, we talked about the level of unfunded pension obligations in Japan being about 300.0 billion yen, but going forward, with progress in

our structural reforms, if current stock market levels can be maintained, we should see big improvement. For the pension plan in the UK, there has not been a major change from the end of last fiscal year. Converted into yen terms, however, the unfunded obligation has increased.

We recorded a significant amount of impairment losses on shareholdings in subsidiaries, but we do not receive tax benefits unless the subsidiaries are liquidated, so we have a great amount of taxable income in Japan. Therefore, we will be able to receive tax benefits on the recognition of unfunded pension obligations in Japan, even as we implement further structural reforms. In the UK, on the other hand, because our income levels are low in relation to the unfunded pension obligations we will recognize, it is difficult for us to take advantage of tax benefits.

***Q4:** For FTS, you have recorded goodwill impairment losses and will implement workforce reductions, but how will FTS's business portfolio change after the implementation of your structural reforms?*

A4 (Yamamoto): Right now about 60% of FTS's revenue is from hardware products, 30% from services, and 10% from maintenance. By 2015, we would like to shift the composition to 50% from hardware products and 50% from services and maintenance. Of course, this is not easy to do, so to increase the percentage of revenue from services, we are thinking about changes in personnel and providing support from Japan.

Questioner B

***Q1:** Is there any risk that you will not be able to reduce costs by 40.0 billion yen during fiscal 2013?*

A1 (Koezuka): By implementing quite far-reaching measures, we are striving to ensure, with certainty, that we will be able to meet our cost reduction targets, primarily in areas where we can produce definitive results, such as personnel measures and those corporate costs that we can control.

***Q2:** Please give us a specific breakdown of the 40.0 billion yen in cuts.*

A2 (Koezuka): We are planning 30.0 billion yen from workforce reductions and 10.0 billion yen from corporate cost cuts. With regard to the details of the workforce reductions, there are items that still need to be discussed with the labor union, so we cannot provide specific details at this time.

***Q3:** I assume that the reason why your semiconductor business is unprofitable is because, between your standard logic device line (200mm) and advanced logic device lines (300mm), the capacity utilization rate of your standard logic device line is low. Although the burden of depreciation expenses for your standard logic devices line is already low, I assume you are still not able to cover labor expenses and other running costs. Please tell us about the future risk of the standard logic device line deteriorating in profitability.*

A3 (Yamamoto): We will increase the capacity utilization rate of the standard logic device line by taking the 200mm line at the Mie Plant and consolidating it in the Aizu-Wakamatsu Plant. At present, its capacity utilization is below 50%, so we have excess personnel, and that is something we plan to take steps to address.

Q4: Are you considering selling or getting rid of your standard logic devices line?

A4 (Yamamoto): The approach behind the structural reforms is that we feel it is crucial to be able to maintain a stable supply of products to our customers while at the same time saving as many jobs as possible. We have formulated a plan to streamline the 200mm line while bringing it to a level at which it can break even, even if capacity utilization rates remain low.

Questioner C

Q1: Why didn't you recognize an impairment loss on the Mie Plant's 300mm line? You mentioned TSMC by name, but if it is transferred to TSMC, won't you have to record a loss at that time?

A1 (Koezuka): It all depends on what the ultimate transfer price is, but our view is that we are not in a position at present to anticipate what a potential loss on the transfer would be. It ultimately depends on the outcome of negotiations. So please understand that when we view the current situation, we do not need to forecast a loss on the transfer.

Q2: As a result of recording extraordinary losses in the third quarter on your semiconductor business and FTS, to what extent will income improve in the fourth quarter? As you work to achieve 100.0 billion yen in operating income target, do you expect the benefits like reduced amortization expenses in the fourth quarter? In addition, with regard to restructuring costs I know you plan to take reserves in the fourth quarter but roughly when do you expect the layoffs to be completed? I think President Yamamoto often used the term "rapidly" in his presentation, but please let us know what timeline you have in mind.

A2 (Kato): We are expecting some benefits of the restructuring for the semiconductor business in the fourth quarter. There will be an improvement of roughly 1.3 billion yen in the fourth quarter from lower goodwill amortization expenses at FTS because of the goodwill impairment losses recorded.

(Koezuka): For the personnel measures, our stance is to start with what we are able to do and continue to make progress. With the semiconductor restructuring, there are other partners involved, so it is difficult for us to specify when it will be completed.

(Yamamoto): But we have factored in reserves for workforce reductions.

Q3: You revised down your projections for free cash flow for fiscal 2012. What is your current expectation for free cash flow next fiscal year?

A3 (Kato): We are yet to finalize a cash flow plan for the next year, but we expect the impact on cash flow from the structural reforms will be negative in the first half of next fiscal year, and then we expect to be able to conserve significant cash in the second half. Therefore, in terms of the net impact on cash flow from the structural reforms, we basically do not expect there to be a net negative impact on cash flow. There may even be a net positive impact.

Q4: In reducing your workforce by about 5,000 employees, to what extent do you expect to reduce your overhead costs?

A4 (Yamamoto): There are some aspects that are still uncertain, but of the 5,000 employees, about 2,000 are outside Japan and 3,000 are in Japan. And of the about 3,000 in Japan, that figure also includes outside personnel resources. In terms of cost savings, please understand that it is not something that can be calculated simply based on the number of people.

Questioner D

Q1: Of the 290.0 billion yen in LSI device sales expected for this fiscal year, what portion would no longer be included in consolidated sales in the future as a result of the restructuring? Also, is Access Network Technology Limited included in the restructuring measures you have announced?

A1 (Koezuka): About half of FSL's sales are SoCs, and the remainder consists of microcontrollers and analog devices and then the distributor. The part that will no longer be included in consolidated sales is the part that will come out as a result of the restructuring measures.

(Kato): We are not yet in a position to talk about Access Network Technology.

Q2: What level of sales have you assumed in your medium-term plan? Also, for fiscal 2015, can we assume that the semiconductor business will no longer be part of your consolidated results? In addition, in formulating your operating income targets, was the assumption made that you would be adopting IFRS?

A2 (Yamamoto): In asking about the level of sales, I can imagine that you are wondering about what became of the operating income margin of 5% that we had long put forward as a target. It is not the case that we have given up on the 5% target for our operating income margin. To quickly restore owners' equity, however, which will undergo significant erosion, we thought we had better establish a specific target of 100.0 billion yen in net income. In addition, with the restructuring of our semiconductor business, we will focus even more on our software and services business, and that should also help to improve our profit margins.

(Kato): We have a very strong interest in IFRS, but the financial targets in our medium-term plan were not premised on our adoption of IFRS.

Q3: *I can understand the rationale behind your vertically integrated model of hardware and services. I believe that, previously, for hardware (PCs, mobile phones, x86 servers), to a certain extent your intent was to focus on growing your sales volume. Have you changed your stance on that point? Please share your thinking with respect to achieving both volume gains and profitability.*

A3 (Yamamoto): At the beginning of the year, we had formulated plans to pursue volume, but the decline in prices and the shift toward tablets went much further than we had imagined, so we shifted to a policy more focused on profitability and made downward revisions to our unit sales plans for PCs. On the other hand, we still think volume is essential in x86 servers. That business in Japan is on the verge of becoming profitable, and we intend to pursue a certain volume in the future.

Questioner E

Q1: *Is my understanding correct that you will be shutting your standard logic devices line at the Mie Plant and consolidating production at your Aizu-Wakamatsu Plant?*

A1 (Koezuka): It may take some time to move the production of a product as we need to have customers' consent on the move, but yes, you are correct about our intention.

Q2: *How many employees involved in chip design will be transferred to the new system LSI company? In addition, could you provide us with more details with regard to the 4,500 employees that will be transferred, such as where they will be transferred to?*

A2 (Yamamoto): I wish I could give you a tidy breakdown, but some details are currently still under negotiation, so I am afraid I cannot disclose the specific number of employees.

Q3: *In terms of the improvement resulting from the restructuring of the semiconductor business, are you expecting an improvement of around the same amount as the 12.0 billion yen operating loss of your device solutions business this quarter?*

A3 (Koezuka): Yes.

Questioner F

Q1: *My understanding is that, for the new SoC company and the Mie Plant, these will be shifted and treated as equity method affiliates, but what kind of shareholding ratio do you envision? In addition, for the microcontroller and analog device business, you said you would consider various options, but do you plan on holding onto it? Please also tell us if you plan to hold onto the standard logic device business.*

A1 (Koezuka): The shareholding ratio for both the SoC business and Mie Plant will be decided in future discussions. The shareholding ratio of the SoC business will be structured on the premise that it will operate as an independent business entity that will grow globally. For the Mie Plant, we are considering a small equity stake in the new joint foundry company with TSMC. Regarding our microcontroller and analogue device business, all I can say at this point is that we are exploring all possibilities. For the standard logic device business, we are taking write-downs and making the business more compact, and our intention at this time is to continue with it.

Q2: What will happen to the intellectual property held by Fujitsu Semiconductor (FSL)?

A2 (Koezuka): We are aware that the intellectual property will be a topic to address when establishing the joint venture.

Q3: As the result of the structural reforms of the semiconductor business and FTS, to what degree will the assets on Fujitsu's balance sheet be reduced? In addition, what do you expect the owners' equity ratio to be in fiscal 2015?

A3 (Kato): The fixed assets in the semiconductor business have already become fairly small, but these will shrink even further. There are semiconductor-related inventory assets of 40.0-50.0 billion yen, but these will also be reduced. We have written off FTS's balance of goodwill and will implement policies to improve earnings, but the impairment to goodwill was the goodwill reflected on Fujitsu's balance sheet, so FTS's own assets will not be reduced. Our owners' equity ratio fell below 20%, but we will restore it through the generation of net income. We are not thinking of supplementing owners' equity by raising equity.

Q4: Please give your opinion on the economic environment for the full fiscal year. Starting at the end of January, there has also been a considerable change in economic sentiment, including the impact of the new Abe administration's fiscal policies. From now until the end of the fiscal year, how do you feel sentiment toward IT investment will lean? Please tell us how you feel economic sentiment among customers is, particularly in light of the "My Number" national ID proposal and talk of a possible merger among Japan's megabanks.

A4 (Yamamoto): Economic sentiment inside Japan is fairly positive, and we are anticipating IT sales in Japan for the year to experience solid growth of 3%. We believe this trend will also continue into fiscal 2013. We would obviously like to see the effects of economic revitalization efforts, including the policies of the Abe administration, but we believe trends will remain solid. Although there are many different opinions on the topic, from our standpoint, when our customers recover, we believe that Fujitsu will see an increase in the IT spending that comes our way. In this sense, a recovery in the real economy is far more beneficial for us than a weaker yen or rising stock prices. Regarding the megabank deal, I think the status is just what has already been announced, and with respect to the My Number proposals, they have not been passed by the Diet yet, so there

is nothing for us to say at this point. Construction-related projects account for a major portion of the supplementary budget, although there is also a budget for research and development-related projects, and we believe that from this budget there will be considerable resources available for ICT.

Q5: In that respect, IT spending should enjoy strong tailwinds in fiscal 2013 and fiscal 2014, so shouldn't we expect your existing businesses to grow a bit more than you are projecting? Aren't you being overly cautious?

A5 (Yamamoto): There were times that we were too optimistic in the past, so in our plan to generate over 200.0 billion yen in operating income, we have taken a fairly cautious view of market conditions. To express it in extreme terms, even if there is no year-on-year growth in sales, our stance is that we still want to be able to generate 200.0 billion yen in operating income.