Initiatives by Region

Japan

Narita International Airport Corporation

A New Data Hub for Asia's Growing Travel Hub

As a gateway for air travel to and from Japan, Narita International Airport is one of Asia's best-known international hubs, used by some 35 million travelers every year.

Narita International Airport Corporation (NAA) is the organization responsible for the administration and management of Narita International Airport. In October 2009, NAA lengthened one of its two runways from 2,180 meters to 2,500 meters to accommodate larger aircraft. This project is expected to increase the annual number of flights the airport handles from 200,000 to 220,000 beginning March 2010.

To enable NAA to handle this increase in traffic, Fujitsu fully upgraded NAA's air-traffic information control system for centralized management of flight data, including arrival and departure schedules. NAA uses this core system to accurately track all scheduling, status and performance information for flights departing or arriving at Narita International Airport and assist in maintaining safe and smooth operations at the airport.

In the process of the full upgrade, in June 2009 the system was migrated from a mainframe to an open systems platform utilizing Fujitsu's UNIX and x86 servers. Fujitsu's own SPARC Enterprise servers were selected as the database and gateway servers that form the core of the system, with Fujitsu PRIMERGY x86 servers functioning as Web servers and Fujitsu ETERNUS storage systems adopted for the disk array system. To build in redundancy, each of these components was duplicated, and physical lines were also duplicated to achieve redundancy for network devices, too. This configuration allows operations to continue uninterrupted even in the unlikely event of a line malfunction.

The most recent upgrade has enabled NAA to solve the problem of passing on the know-how of retiring mainframe technicians in order to maintain regular system operations, while also dramatically lowering operating and maintenance costs.

As Narita International Airport continues to evolve as one of the top international hubs in the world, Fujitsu remains committed to leveraging its technological strengths and comprehensive capabilities to support efforts by NAA to contribute to dependable and comfortable air travel.

Market Trends

In 2010, the Japanese IT market is expected to contract by 2.2% year on year. → GRAPH 2

The Japanese economy is making a gradual recovery, but the yen is appreciating on economic instability in Europe, brought about by the debt crisis in Greece. The future therefore remains unclear for major Japanese manufacturers, and companies are taking a cautious approach to capital expenditure.

In the public sector, following a change in the ruling political party, the central government in Japan is screening various government programs as it reviews its budget. IT budgets are shrinking and the overall trend is for budget cuts, despite expectations for some demand for new

Initiatives Going Forward

In the Japanese market, Fujitsu is working to expand its business through the provision of services based on quality products and solutions. We will take advantage of the increasing focus on cloud computing to supply highly reliable cloud services that bring together our high-quality network, server, middleware, and application products.

In the System Products business focused on highly reliable servers, we will continue with the initiative begun last year to expand sales of the x86 servers. We have reinforced our product portfolio with the launch of new x86 server models in
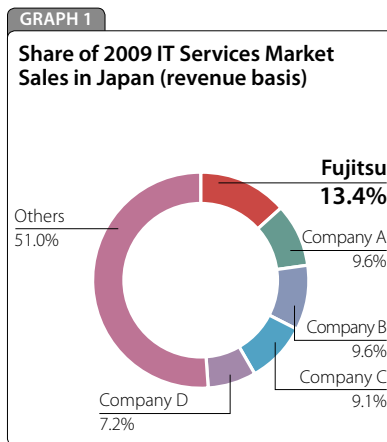
systems to comply with legal amendments.

In light of this, the server market in Japan is expected to contract by almost 10% compared with the previous year on a revenue basis. Although renewed demand is expected for hardware—mainly servers—in a rebound from recent years' curtailed IT investment, prices remain low and market value is expected to continue to decline.

In the communications market, the market is expected to contract compared with the previous fiscal year as the investment cycle in Next-Generation Networks (NGN) has passed its peak, and investment in mobile base stations awaits the full-scale transition to next-generation Long-Term Evolution (LTE) technology.
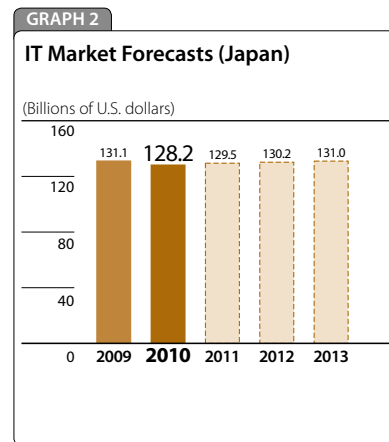
The IT services market is approaching the end of a substantial contraction that started in 2009. However, a full-scale recovery in investment is not anticipated until after September 2010, and the market is expected to contract 1–2% year on year. Although there is demand driven by the

need to improve business efficiency and strengthen and maintain competitiveness, investment is expected to be selective, focusing in areas expected to achieve cost cuts. As such, outsourcing services aimed at cutting corporate costs are expected to expand further and become a future

growth area. New modes of using IT are showing signs of wider uptake, especially cloud computing, which has recently been a focus. This is expected to spark a recovery in IT investment and to expand the ways in which new information and communication technologies (ICT) are used.

GRAPH 1

Share of 2009 IT Services Market Sales in Japan (revenue basis)

Fujitsu 13.4%

Company A 9.6%

Company B 9.6%

Company C 9.1%

Company D 7.2%

Others 51.0%

(Source: Gartner, "IT Services Market Metrics Worldwide Market Share: Database" 19 April 2010)

GRAPH 2

IT Market Forecasts (Japan)

(Billions of U.S. dollars)

2009	2010	2011	2012	2013
131.1	128.2	129.5	130.2	131.0

(Source: IDC The Worldwide Black Book Q1 2010)

the PRIMERGY series that feature excellent energy efficiency and server functionality, and the addition of new models of the highly reliable mission-critical x86 server PRIMEQUEST. Launched in 2010, the new PRIMEQUEST models use an Intel® Xeon® processor for improved price performance and reduced power consumption. We will continue to meet customer's needs with products that are highly reliable, compact, energy-efficient and quiet by design, and that solve customer issues such as cost and environmental performance.
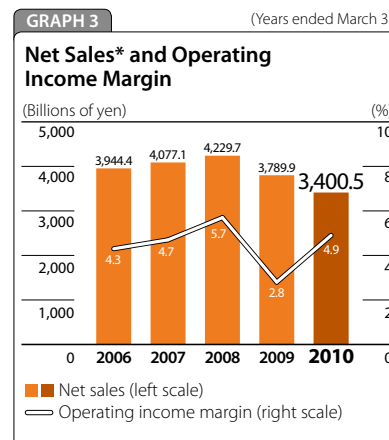
In the Network Products business, we will make a steady start in the LTE business and provide next-generation network platform products to support the creation of a smart ubiquitous society through the use of LTE, optical access and other broadband networks.

In the Services business, we will utilize our datacenters to provide a wide range of

services to meet customer needs. Our offerings range from provision of server or network infrastructure to software usage such as Software-as-a-Service (SaaS). We are also developing a highly reliable cloud platform as a shared global platform. These offerings will support global business development by Japanese companies and give our customers access to quality services on a par with those in Japan from anywhere in the world. As we expand our cloud computing business, we will actively invest in technology and product development with the goal of expanding applications into fields where ICT has yet to penetrate.

In order to support more effective use of ICT on the customer side, Fujitsu's new core of consultants, called "Field Innovators," are making proposals to customers from an operational perspective. We employ customer-focused analysis and

make optimal proposals from the planning stages in order to achieve smoother system construction, deployment and operation as we strive to meet customer expectations for ICT.

GRAPH 3 (Years ended March 31)

Net Sales* and Operating Income Margin

(Billions of yen) (%)

	2006	2007	2008	2009	2010
Net sales	3,944.4	4,077.1	4,229.7	3,789.9	3,400.5
Operating income margin	4.3	4.7	5.7	2.8	4.9

■ Net sales (left scale)
▭ Operating income margin (right scale)

* Including intersegment sales

Initiatives by Region   Japan

Initiatives by Region

EMEA
Europe, Middle East, Africa

Volvo Car Corporation

Fujitsu as a Global Partner Ensures All IT Requirements Are Met

Recently, the automotive industry has experienced a very challenging business environment resulting in a significant drop in sales. As a result, to curtail costs in most areas Volvo Cars proactively undertook reduction measures. Volvo Cars was looking for a flexible global partner operating on a local level that could assist with the rapid transformation of its services while delivering step-change improvements in costs.

Fujitsu has signed a contract with Volvo Cars to undertake operations in three service areas: Infrastructure outsourcing for about 1,000 servers; On-site IT support delivered in both offices and factories for about 15,000 desktops and users; and a Service Integration where Fujitsu monitors the functions of all IT service providers at Volvo Cars and combines the various service areas, including applications. The purpose of this is to build, operate and maintain a high-quality process for end-to-end services from all Volvo Cars' IT service providers. The goal is to create an efficient process to ensure that all Volvo Cars' requirements are met for all IT deliveries.

The agreement covers multiple locations and countries, including Belgium and Sweden. Fujitsu has successfully incorporated a total of approximately 50 personnel from Volvo Cars into its operations.

Fujitsu's extensive experience implementing the Lean Production Systems in its work processes was a cornerstone for Volvo Cars. Fujitsu's way of working closely with the client, being flexible, and combining these strengths with its global reach was the clear differentiator between the company and its competitors.

Market Trends
A mild recovery is expected in the EMEA IT market in 2010 following the acute downturn in IT investment in 2009 in the wake of the financial crisis of the previous year, with a forecast 1.6% growth year on year. → GRAPH 2 Eastern Europe and Africa are expected to lead the recovery, with IT investment in Western Europe remaining weak. IT investment is expected to be affected by public-sector spending cuts in particular, but is also likely to grow in areas where organizations use IT to make cost reductions, such

Initiatives Going Forward
Previously, Fujitsu's strategy in EMEA was driven by individual subsidiaries. We have reorganized our operations into sub-regions (UK and Ireland, the Nordics, and Continental Europe) to support further business expansion in Europe. This organizational transformation has established a framework that will allow us to offer customers integrated solutions, from products to services, as well as support business expansion and cost reductions.
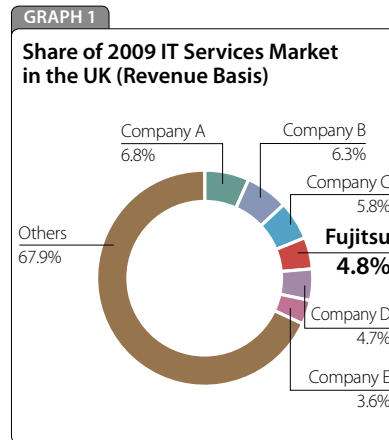
as procurement, shared services, off-shoring, and outsourcing of infrastructure and business processes.

The size of the IT services market is expected to be roughly on par with the previous fiscal year, edging up 0.7% year on year. The market condition remains uncertain however, with IT budget cuts by the UK government (the largest customer for Fujitsu's outsourcing business), and fiercer price competition from competitors.
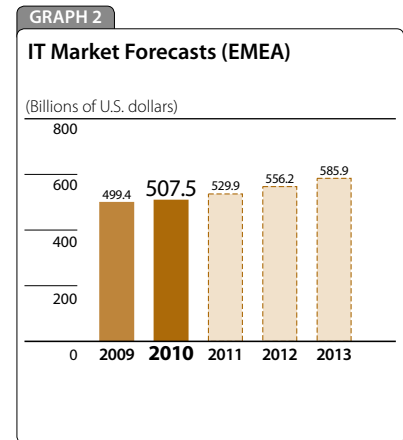
Server market conditions are expected to be harsh, particularly in Western Europe, but the rate of decline is forecast to improve substantially to a year-on-year decrease of 3.0%. The market for high-end servers in particular is expected to continue to fall sharply as customers curtail IT budgets and demands shift toward low-end servers. The market for x86 servers and mid-range servers is expected to recover

as a result of growing needs for cloud computing and other services. The storage market is expected to remain severe, in tandem with the server market, but the rate of decline is forecast to improve substantially from the previous year. The

PC market is expected to expand considerably in terms of units sold, with growth centered on such areas as Eastern Europe and Africa, but is forecast to shrink 1.9% in value as prices fall with the growing market share for netbook PCs.

GRAPH 1

Share of 2009 IT Services Market in the UK (Revenue Basis)

Company A 6.8%
Company B 6.3%
Company C 5.8%
Fujitsu 4.8%
Company D 4.7%
Company E 3.6%
Others 67.9%

(Source: Gartner, "IT Services Market Metrics Worldwide Market Share: Database" 19 April 2010)

GRAPH 2

IT Market Forecasts (EMEA)

(Billions of U.S. dollars)

Year	Value
2009	499.4
2010	507.5
2011	529.9
2012	556.2
2013	585.9

(Source: IDC The Worldwide Black Book Q1 2010)
(EMEA: Europe, the Middle East, and Africa)

By region, in the UK and Ireland, where we previously concentrated on providing outsourcing and other service businesses through Fujitsu Services Holdings PLC, we will now strengthen our consulting and applications solutions capabilities, as well as the products business, to meet growing private demand. In continental Europe, where we have focused on a products business centered on Fujitsu Technology Solutions (Holding) B.V., we will now expand our services business. Through these changes we will develop a total solutions business in each region under the "One Fujitsu" banner.
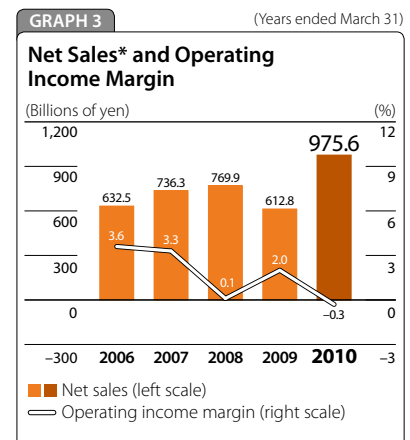
In the IT services sector, Fujitsu will actively pursue the use of offshore and near-shore resources to enhance price competitiveness. We will continually improve the customer-centric services in which we excel, enhance service quality

and reduce costs by adding service value to products, and actively pursue IT service standardization. We believe these steps will help us to win more large-scale outsourcing projects in the UK and continental Europe. For the expanding cloud computing business, Fujitsu will deploy a cloud computing platform in the UK and Germany during the fiscal year ending March 2011, in accordance with its global cloud computing strategy.

In products, Fujitsu aims to achieve sales of 500,000 units of x86 servers globally, mainly through Fujitsu Technology Solutions. We have centralized development of x86 servers in Germany, particularly blade servers that offer promising growth, in order to accelerate development, reduce costs, and offer products based on a global standard. For the storage product ETERNUS, we have begun a

full-scale roll-out in the European market, and we aim to expand the business together with servers.

Fujitsu will also bolster strategic alliances to expand its offerings and strengthen capabilities.

GRAPH 3 (Years ended March 31)

Net Sales* and Operating Income Margin

(Billions of yen) (%)

Year	Net sales	Operating income margin
2006	632.5	3.6
2007	736.3	3.3
2008	769.9	0.1
2009	612.8	2.0
2010	975.6	–0.3

■ Net sales (left scale)
▭ Operating income margin (right scale)

* Including intersegment sales

Initiatives by Region   EMEA

Initiatives by Region

The Americas

FLASHWAVE 9500

CUSTOMER SOLUTION PROFILE

Verizon Communications

Creating a Single, Higher-Capacity Intelligent Network for Advanced Packet-Based Services

Verizon Communications is a US$107 billion global leader in delivering broadband and other wireless and wireline communications services to consumer, business, government and wholesale customers. As one of the world's leading providers of communications services and global network transport services, Verizon needs its entire regional, national and global networks to be extraordinarily versatile, reliable and resilient. Critical to this goal is a system able to handle multiple protocols while supporting customers of all sizes. One of its key partners and strategic suppliers Verizon turned to to get the job done was Fujitsu.

"Our global network must have the flexibility to support both mission-critical business applications and mass market high-definition video, Internet access, and advanced voice services," said Ihab Tarazi, vice president of global network planning for Verizon. "With the launch of our multiyear packet optical transport platform strategy, Verizon is creating a single, higher-capacity intelligent network that combines optical transport with advanced packet-switching technology. Our network investment in packet optical transport platforms will allow us to create one of the most robust and diverse communications network foundations in the world."

Verizon is deploying the Fujitsu FLASHWAVE 9500 Packet Optical Networking Platform, along with other packet-enabled systems, to provide support for its strategic services and IP-based solutions for the future. By consolidating existing SONET, Ethernet and wavelength network technologies into a single platform to limit the number of touch-points in the network, new services can be deployed faster while achieving a significant reduction in network infrastructure and provisioning costs. Verizon's investment in the FLASHWAVE 9500 platform continues a 20-plus year alliance with Fujitsu, which has resulted in significant broadband service advancements for consumer and business customers, and operational and capital efficiencies for Verizon.

MARKET TRENDS

Market Trends

The IT market in the Americas in 2010 is expected to grow 5.0% year on year, reversing the 3.2% contraction in 2009. That contraction stemmed from the sharp decline in the economy that followed the financial crisis sparked by the collapse of the subprime mortgage market. → GRAPH 2

The IT services market is expected to gradually recover, rising 2.0% year on year. This does not indicate that market conditions have returned to their pre-crisis state, however—much of the growth is due to

INITIATIVES GOING FORWARD

Initiatives Going Forward

In April 2009, Fujitsu merged three of its North American subsidiaries to establish Fujitsu America. This strengthened the links between platforms, ICT services, system integration and application services, and laid the foundation for a total solutions business in North America. The integration of administrative divisions also streamlined duplicated functions, and reduced costs considerably.

Fujitsu America will play a central role as Fujitsu strengthens its vertical solutions business in North America to provide
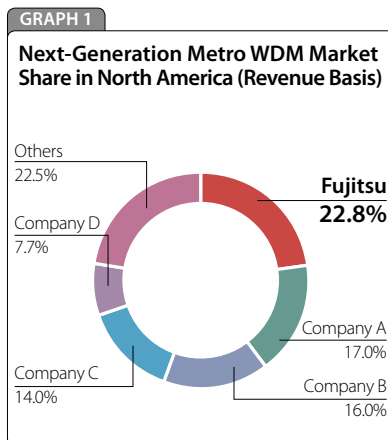
the influence of new businesses, such as the spread of cloud computing and the wider use of smartphones. Moreover, these rapid changes in the market are expected to redefine existing vendors' market positions, stimulating M&A activity among companies.

The hardware market is expected to emerge from the slowdown of 2009 caused by cutbacks in corporate IT investment, and move toward overall recovery. The server market overall is projected to recover sharply from the 17.6% year-on-year decline in 2009, to growth of 11.2%. The high-end server market is also expected to recover from the sharp 19.3% decline in the previous year, but continue to contract slightly. Strong growth is anticipated in the low-end server market, particularly for mid-range servers. The
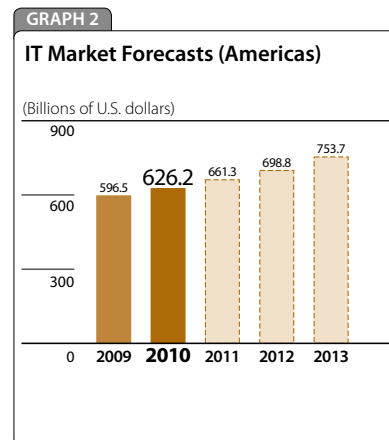
storage market is expected to recover from the 6.6% contraction of 2009, with growth of 5.6% anticipated for 2010. Despite downward pressure on prices from continued expansion of the netbook* market, the PC market is expected

to grow 3.8% in 2010, as declining shipment volumes due to market deterioration have bottomed out.

* Low-cost PCs with minimal functionality used primarily for Internet and email access.

GRAPH 1

Next-Generation Metro WDM Market Share in North America (Revenue Basis)

Others 22.5%

Company D 7.7%

Fujitsu 22.8%

Company C 14.0%

Company A 17.0%

Company B 16.0%

(Source: Ovum-RHK, April 2010)

GRAPH 2

IT Market Forecasts (Americas)

(Billions of U.S. dollars)

Year	Value
2009	596.5
2010	626.2
2011	661.3
2012	698.8
2013	753.7

(Source: IDC The Worldwide Black Book Q1 2010)
(Americas: North and South America)

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customers with optimal solutions, while also increasing sales of PC servers, x86, storage and other platform products. We will take further steps to expand our datacenter business, particularly management services for maintenance and operation of customers' ICT resources. As part of this effort, we will roll out a cloud computing platform in the US during fiscal 2010 following its launch in Japan from around October 2010. Fujitsu is also planning to broaden its offerings of related services, including point-of-sale and self check-out systems for retail industry customers. We will continue to utilize offshore assets in the United States and Canada, but also mainly in India, the Philippines, and Costa Rica, to further enhance cost competitiveness. In South America, Fujitsu's main focus has been on Brazil and the development of the
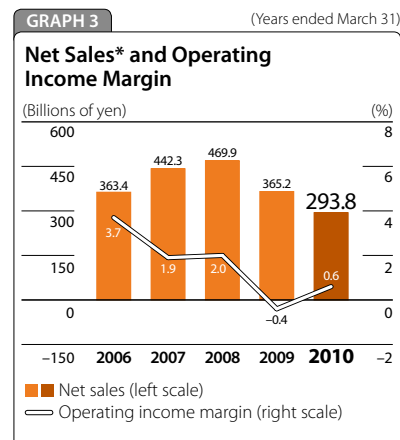
hardware business for the government, finance and communication markets. As we continue to deepen relationships with customers, we will aim to expand into the services business as well.

In North America's communications market, we are developing our optical transmission business through subsidiary Fujitsu Network Communications, and have gained the top market share for both SONET*[1] devices (FLASHWAVE 4500 series), and Metro WDM*[2] devices (FLASHWAVE 7500). → GRAPH 1

In fiscal 2010, Fujitsu will enhance its network quality to meet increased data traffic. Moreover, since investment in optical transmission systems is projected to rise with the launch of commercial LTE*[3] services, we plan to expand sales of Metro WDM-compatible FLASHWAVE 7500, and the advanced FLASHWAVE 9500 system

that integrates SONET, WDM, and packet communication functions.

*[1] SONET: Synchronous Optical Network. SONET is a high-speed digital communication system utilizing optical fiber.
*[2] WDM: Wavelength Division Multiplexing. WDM is a communications format that allows for multiple use of optical fiber lines by utilizing different wavelengths to transmit numerous signals simultaneously on a single line. Metro WDM is a type of WDM for large metropolitan areas.
*[3] LTE: Long-Term Evolution. LTE is a next-generation mobile communications format.

GRAPH 3   (Years ended March 31)

Net Sales* and Operating Income Margin

(Billions of yen)   (%)

Year	Net sales	Operating income margin
2006	363.4	3.7
2007	442.3	1.9
2008	469.9	2.0
2009	365.2	−0.4
2010	293.8	0.6

■ Net sales (left scale)
▭ Operating income margin (right scale)

* Including intersegment sales

Initiatives by Region

APAC, China

Weta Digital

End-to-End ICT Requirements Support for Academy Award Winning Visual Effects Company in New Zealand

Weta Digital is a five-time Academy Award winning visual effects company based in Wellington, New Zealand. Most recently, Weta Digital won the Oscar for Best Visual Effects for James Cameron's film, 'Avatar.' Weta Digital's work on the film involved using a new camera system and shooting on a virtual stage to deliver the film in 3D—an area in which ICT has played an increasingly significant role.

Infinity Solutions Limited, an ICT company that merged with Fujitsu in 2007, started working with Weta Digital for the supply of their network in 1999. Over the years, Fujitsu's contributions to Weta Digital have included supplying, delivering, installing, and supporting the network, their storage and their servers for the production of major motion pictures including 'Lord of the Rings,' 'King Kong' and most recently, 'Avatar.'

"Weta Digital is very dependent on the quality of its ICT service partners to deliver on the commitments we make to major studios. Fujitsu has provided exceptional support to all of our movie productions during the 11 years we have worked with them," states Tom Greally, General Manager at Weta Digital. "Fujitsu provides a significant proportion of our technology products and services and we look forward to continuing this great partnership for many future projects."

Weta Digital is one of Fujitsu's most highly-valued customers in New Zealand. We treasure our relationship with them and will continue to provide the utmost attention to their ICT requirements in 2010 and beyond.

MARKET TRENDS

Market Trends

China's IT market is expected to secure growth of around 13% in 2010, due mainly to public spending for pump-priming measures by the Chinese government. →GRAPH 1 China's 12th Five-Year Plan begins from 2011, with a focus on strategic development and cultivation of the fields of new energy/materials, energy conservation/environment, bioscience/medicine, leading-edge manufacturing, and information networks. The plan calls for massive, government-directed investment in a wide range of social infrastructure projects in line with the "Internet of

INITIATIVES GOING FORWARD

Initiatives Going Forward

In China, Fujitsu is seeking to expand earnings in its core business of technology solutions. For services, we intend to deploy the expertise and experience in ICT infrastructure services of our local operations in Hong Kong to expand throughout mainland China, supporting both Japanese and Chinese corporate customers with superior ICT infrastructure to aid their business expansion. For the offshore business, we plan to enhance our offshore development capabilities in response to demands for lower costs from
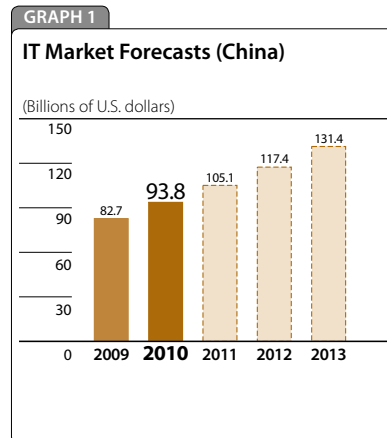
Things" concept, including environmental conservation, energy conservation, intelligent transport systems, remote medicine and smart grids.

Growth in the IT market in the rest of Asia-Pacific (APAC), excluding China, is expected to accelerate from around 4% in 2009 to 7% in 2010 amid an upturn in business confidence a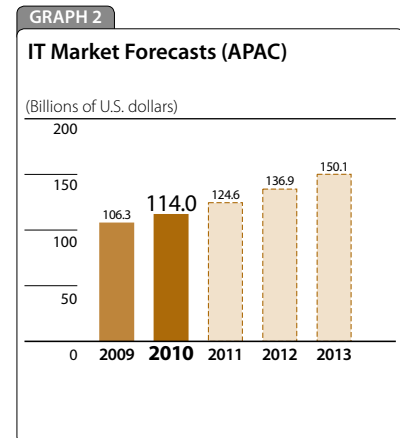nd signs of economic recovery across the region. → GRAPH 2 Development of streamlined and flexible corporate infrastructure is projected to drive a shift among users from a CAPEX to an OPEX business model, and make it easier for companies to adopt new technologies and services such as cloud computing and web-based services. Growth is expected to accelerate, with an average rate of around 9% annually between 2009 and 2013. In ASEAN countries, continued growth is forecast due to the large amount of key ICT investments, and robust global IT demand.

In India, large-scale economic initiatives are expected to promote rapid economic recovery, with strong growth in both internal and external demand. Growth is forecast to increase from around 5% in 2009 to 13% in 2010, with an average annual growth rate of 15% between 2009 and

2013. In the Oceania region, expenditures are projected to fall sharply for IT investment in both hardware and software. The IT services market is expected to remain steady, despite the postponement and scaling back of certain projects.

GRAPH 1

IT Market Forecasts (China)

(Billions of U.S. dollars)

2009: 82.7 | 2010: 93.8 | 2011: 105.1 | 2012: 117.4 | 2013: 131.4

(Source: IDC The Worldwide Black Book Q1 2010)
(China: Including Hong Kong)

GRAPH 2

IT Market Forecasts (APAC)

(Billions of U.S. dollars)

2009: 106.3 | 2010: 114.0 | 2011: 124.6 | 2012: 136.9 | 2013: 150.1

(Source: IDC The Worldwide Black Book Q1 2010)
(APAC: Excludes Japan, China, and Hong Kong)

Japanese companies. In servers, storage, and other products, we have strengthened our customer support framework by dividing the Chinese mainland into north and south sections, and will pursue business expansion mainly through increased sales to existing customers. We also plan to extend our partner business by boosting the number of local Chinese partners. Furthermore, we will pursue the regional development of the telecommunications business, and increase sales to public services clients. We will also seek to support the expansion in China of private companies from countries other than Japan.

In the ASEAN region, Fujitsu plans to implement measures across the region as a whole to further overall business growth. While business up to now has focused mainly on products, we plan to expand service businesses such as infrastructure,
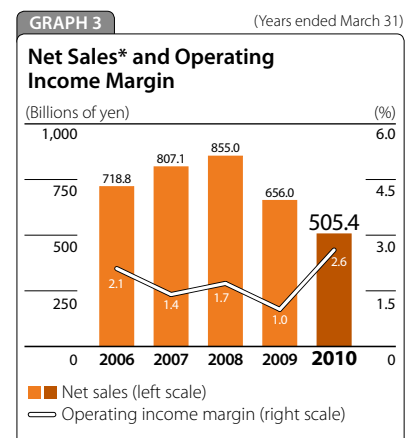
management and application services.

In the East Asian region, we will focus on the retail and distribution business, aiming to propose solutions to customers from the perspective of a business partner. These proposals will focus on high-value-added business such as managed services. In products, we will increase our local partners with the goal of expanding sales mainly of x86 servers and other Fujitsu platform products.

In the Oceania region, we will continue to invest in datacenters and expand our outsourcing business in order to increase the presence of the Fujitsu Group in the outsourcing business field. We will also utilize the subsidiaries acquired in fiscal 2009 to strengthen our presence among local governments and in financial markets.

In India, we plan to continue our efforts to increase business from Europe and the United States by expanding our

offshore resources. Fujitsu Technology Solutions will lead our strategy and planning of the ICT infrastructure business in India, which will improve business in terms of both scale and management quality. We will also aggressively expand our sales of system products such as x86 servers.

GRAPH 3 (Years ended March 31)

Net Sales* and Operating Income Margin

(Billions of yen) / (%)

2006: 718.8, 2.1 | 2007: 807.1, 1.4 | 2008: 855.0, 1.7 | 2009: 656.0, 1.0 | 2010: 505.4, 2.6

■ Net sales (left scale)
▭ Operating income margin (right scale)

* Including intersegment sales

Initiatives by Region   APAC, China