FEATURE:
ON TRACK FOR GREATER GROWTH

FEATURE 1:
BUILDING ON OUR STRENGTHS
—FUJITSU’S OUTSOURCING BUSINESS

FEATURE 2:
ACCELERATING GLOBAL EXPANSION
—INITIATIVES BY REGION
“Outsourcing” is the general term for corporate efforts to shift certain business functions and resources to professionals outside one’s corporate domain, or to conduct external procurement. Broadly speaking, outsourcing can be applied to the full spectrum of business functions, from general affairs, personnel and accounting, to sales and production. In the IT field, however, outsourcing refers more specifically to the strategic entrustment of information systems, from construction to operations, as well as necessary equipment, to outside professionals. Fujitsu is expanding its outsourcing business, having positioned it as a key business to spearhead corporate growth going forward.

Status of Outsourcing at Fujitsu

Fujitsu has retained the top share*1 of Japan’s outsourcing market, in terms of revenue, every year since fiscal 2003 (ended March 31, 2004), and boasts the fourth leading share*2 of the market worldwide. In recent years, a growing need has emerged among corporate IT systems divisions to outsource the operation of their own IT systems, fueling annual growth in the market for such services in Japan. In fiscal 2007, Fujitsu recorded ¥514.3 billion in revenues from outsourcing in Japan, an increase of 9% year on year, and exceeding our revenue target of ¥510.0 billion for this business. We anticipate ¥600.0 billion in outsourcing revenues in fiscal 2008 and ¥680.0 billion in fiscal 2009, driven by projected double-digit growth for both years. We are also targeting an operating income margin of 10% or more for the same two-year period.

Outside of Japan, the outsourcing business is conducted mainly through Fujitsu Services, our UK-based subsidiary. Fujitsu Services has a wealth of experience in outsourcing for large government-related projects in the UK, and the company is now expanding business with the corporate sector. For example, Fujitsu Services recently received an order to deliver IT infrastructure services for news and information provider Reuters of the UK. Fujitsu Services also recently purchased TDS AG of Germany and Mandator AB of Sweden in a bid to expand its capacity to offer services on a global scale. Through these and other proactive steps to develop business, Fujitsu Services recorded sales of £2,567 million for the fiscal year ended March 31, 2008.

*1 Source: IDC, August 2007
*2 Source: Gartner, April 2008, GJ08334
Strengths of Fujitsu

The outsourcing services we offer can be broadly divided into four categories based on the level of service desired: collocation services (provision of data center facilities and related networks), housing services (provision of systems operation and monitoring, in addition to collocation services), hosting services (provision of hardware and software resources along with housing services), and value-added services. With a ready framework for providing everything from network infrastructure, facilities, and products through to high-value-added services, Fujitsu is the only outsourcing vendor able to serve as a one-stop source for this complete range of services.

Outsourcing Services Menu

The following are some examples of the main outsourcing services available from Fujitsu’s full-service menu.

Business Process Outsourcing (BPO)

Fujitsu manages a variety of common customer business processes in whole or in part, including human resources, accounting, purchasing, and contact centers.

Application Portfolio Management (APM)

Fujitsu assumes responsibility for maintaining, managing and safeguarding customers’ application assets; support is also offered for continual improvement of application quality and optimization of IT investment.

Data Center Outsourcing

Fujitsu uses its highly reliable data centers, equipped with robust security measures, to maintain and operate customers’ IT systems on a 24-hour, year-round basis.

On-site Outsourcing

Users of this service have the option of either allowing Fujitsu to remotely operate and monitor their on-site systems from its own center, or having these tasks performed by an on-site Fujitsu representative.

SaaS (Software as a Service)

Fujitsu utilizes networks to provide customers with cutting-edge applications on an on-demand basis directly from its own data centers, thereby eliminating the need for customers to own hardware, software and other IT assets. SaaS services are also highly flexible, enabling multiple applications to be linked together and customized to user requirements.

On-demand Outsourcing

Fujitsu offers not only system resources but a host of other IT-related resources, including systems and back-office operations, on an on-demand basis; fees are assessed based on the quantity of services used.

Organic Storage Service

Utilizing applied virtualization technology, Fujitsu offers “organic storage” tailored to specific customer requirements. Large-capacity organic storage for long-term data archiving is housed in Fujitsu data centers to serve as storage for business systems.

Network Outsourcing

Fujitsu not only provides network infrastructure but serves as an agent that manages all network operations.
**Global Development of Data Centers Supporting Outsourcing**

Fujitsu has a global network of some 80 data centers. These critical facilities play an indispensable role in the provision of outsourcing services. Fujitsu can also respond to customers’ varied language requirements with help desks available in 29 different languages.

In Japan, Fujitsu complemented its three main data centers—Fujitsu Tatebayashi System Center, Fujitsu Akashi System Center and Fujitsu Tokyo System Center—with the opening of the Fujitsu Tokyo No. 2 System Center in December 2007. Already used by many customers, the new center has double the permissible power usage of the older Fujitsu Tokyo System Center, and is equipped with more advanced security measures, such as cutting-edge palm vein ID and RFID technology.

At the start of 2008, Fujitsu began globally expanding its base for meeting customer needs, particularly in Asia, with the opening of data centers in Thailand and South Korea. In Japan, plans going forward will see a capacity upgrade for the Fujitsu Tatebayashi System Center (October 2009), as well as preparations for the opening of a new data center in Yokohama, as we take steps to further enhance competitiveness in this area.

**Reducing Customers’ Environmental Impact via “Green Infrastructure Solutions”**

Fujitsu leverages its technical expertise in achieving greater energy efficiency by offering its customers “Green Infrastructure Solutions”, which include diagnostic, design, construction and operation support services for improving the environmental performance of customers’ data center facilities.

Fujitsu Architects & Engineers, a group of in-house specialists with expertise in both IT and construction, helps customers optimize their entire IT infrastructure by evaluating and selecting the most effective and efficient air conditioning and power supply systems, and the most advanced server room equipment, all consistent with customers’ IT assets and system operation policies. In fact, the Fujitsu Tokyo No. 2 System Center, opened in December 2007, embodies many of these advanced technologies, including a building layout design based on heat flow simulation models. Apart from the technologies adopted for this center, Fujitsu utilizes know-how gained from energy-saving techniques applied at its 50 data centers across Japan to optimize the server rooms and data centers of its customers.

By offering Green Infrastructure Solutions, Fujitsu strives to assist customers in reducing power consumption related to IT infrastructure, thereby minimizing their environmental footprint. Reductions like these, in turn, help to reduce society’s overall impact on the environment.
Achieving Further Growth

Corporate thinking around outsourcing is evolving from a view of outsourcing as merely a part of IT functions, to outsourcing as a means to enhance corporate value. This climate is expected to stimulate growth in the outsourcing market, with a projected average annual market growth rate of 5.4%* in Japan and 8.4%** worldwide from 2007 to 2012. These are high growth rates in comparison to other service markets.

In light of this outlook, we are committed to expanding our outsourcing business, having positioned outsourcing as a core business that will spearhead future growth. Among specific expansion measures, we are aggressively investing in the establishment of advanced data centers, cutting-edge technology applications, workforce training, and other areas to further enlarge our business. In parallel, we are curbing operating costs by promoting more efficient power consumption and energy conservation at Fujitsu data centers, a step that will enhance both the competitiveness and profitability of our outsourcing operations. Finally, we intend to take full advantage of Fujitsu Services’ expertise in large-scale outsourcing projects in the UK to develop services in other regions as well, thereby encouraging the global expansion of this business.


Principal Outsourcing Business Deals in Fiscal 2007

- Start of four-year contract for operation and maintenance of mission-critical systems for Honda Motor (Japan)
- Construction of shared disaster backup system for the Hokuhoku Financial Group (Japan)
- Outsourcing contract signed with prominent home appliance manufacturer Electrolux AB (Sweden)
- Contract valued at £25 million (approx. ¥5.2 billion) signed with Cafcass (The Children and Family Court Advisory and Support Service) (UK)
- Shared services contract for provision of ERP solutions signed with two county councils (UK)
- Order received from Police Service of Northern Ireland for ICT management services worth a maximum of £100 million (approx. ¥21.0 billion) (UK)
- Large-scale outsourcing contract signed with Reuters (UK)
- Outsourcing contract worth 400 million euros (approx. ¥65.0 billion) signed with Allianz IT service provider AGIS (Germany)
- Outsourcing contract worth £80 million (approx. ¥19.0 billion) signed with Financial Services Authority (UK)