

## FEATURE 2: ACCELERATING GLOBAL EXPANSION—INITIATIVES BY REGION

### Japan

#### ■ Market Trends

Japan's IT market is projected to grow by around 2% in 2008. While fallout from the subprime mortgage crisis should have a limited impact on this market, cost increases in Japan's corporate sector from soaring prices for crude oil and raw materials will likely grow more pronounced. At the same time, however, further market growth is anticipated on the back of stronger IT investment demand as companies look to maintain and enhance competitive advantages, and to promote greater business efficiency.

The server market is primed to expand mainly due to growth in open-standard servers. This particularly applies to PC servers, where the shipment of Windows Server® 2008 is expected to spur market expansion. The communications market, meanwhile, is likely to record modest growth thanks to an expected increase in Next-Generation Networks (NGN)-related investments, which should outweigh declining investments in mobile phone base stations.

The services market, as in the previous fiscal year, will see firm demand, especially for system integration and outsourcing services. Investment levels are projected to remain relatively high despite some fall back following sudden expansion in the financial and healthcare markets in the previous fiscal year. Demand is also projected to rise in other markets, led by the push for greater system optimization in the public sector and NGN-related business in the communications sector. More extensive use of outsourcing, too, is likely to gain momentum as a means to pare back costs. In addition to greater utilization of data centers, this trend is set to spur increasing demand for business process outsourcing with respect to certain or all business operations.

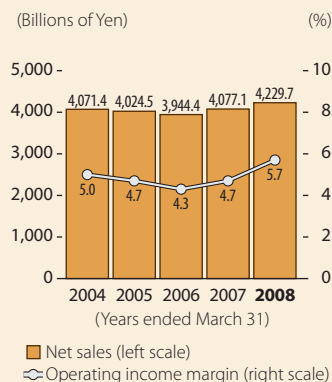
#### ■ Initiatives Going Forward

We will take aggressive steps to expand business in Japan, especially in the server and services markets.

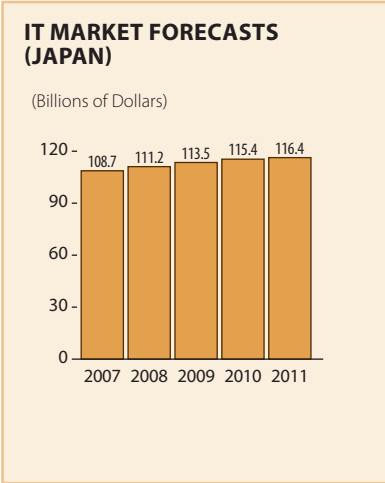
Where System Products are concerned, particularly servers, we aim to expand our share in the server business with the rollout of new UNIX server models—SPARC Enterprise (co-developed with Sun Microsystems, Inc. of the US), PRIMEQUEST mission-critical IA servers, and the PRIMERGY line of PC servers—to answer increasing demand for open-standard systems. We will offer highly reliable products built on virtualization and green technologies that are quiet, compact and power efficient. These products specifically address environmental issues and the reinforcement of internal control systems, as well as infrastructure integration requirements.

In the services business, our goal is to extensively enhance quality and efficiency on every front, from initial proposals to system integration and operation. At the business deal stage, we will reinforce the ability of our Field Innovators to propose optimal solutions and use pipeline management to promote more thorough management of the business deal process. Our aim here is to boost orders from promising business negotiations. Where system integration is concerned, in tandem with more robust specification confirmation procedures at the engineering phase, we will apply the Toyota Production System (TPS) and industrialize software development at the development phase to achieve higher quality at lower cost. We also plan to expand system operations work by offering a broader menu of outsourcing services, particularly in response to business continuity needs and customers who want to make their operations greener—two areas where demand has grown in recent years. Here, we have built one of the industry's most advanced data centers, a facility that will enable us to provide high-value-added outsourcing services while keeping costs down. Additionally, in step with the full-scale commencement of NGN services, we will propose new ways to optimize IT utilization by expanding the provision of SaaS (Software as a Service) application services utilizing NGN.

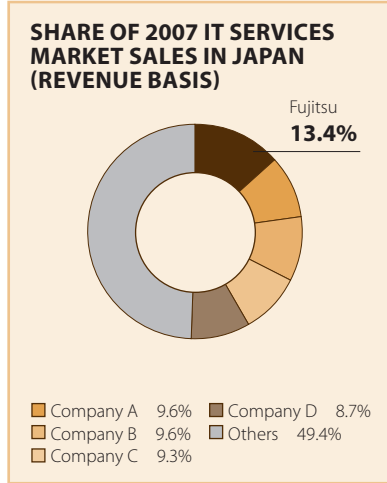
#### NET SALES\* AND OPERATING INCOME MARGIN



\* Including intersegment sales



(Source: IDC's Worldwide IT Spending Patterns: The Worldwide Black Book Q1 2008)



(Source: Gartner, April 2008, GJ08335)

## The Americas

### ■ Market Trends

Growth in the North American IT services market in 2008 is expected to slow to around 4%, as the subprime mortgage crisis, soaring prices for crude oil and other negative factors take their toll on the pace of economic growth. The server and storage market is expected to see growth rates fall to around 2% from 2008 onward, despite the anticipated full-scale uptake of virtualization technology. In contrast, the IT services field is likely to witness growth in outsourcing, particularly for application management and hosting, and in business process outsourcing (BPO). Growth will be supported by healthy demand from the corporate sector, as companies seek to leverage the effectiveness and convenience of network-based systems.

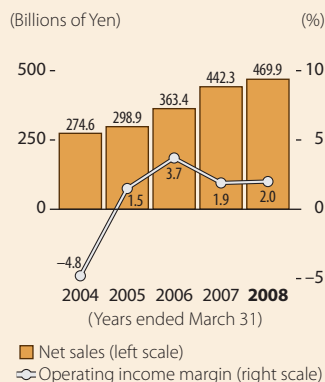
Despite an anticipated decline in capital investment by telecommunications carriers in response to the emerging economic slowdown, the communications market is expected to grow further thanks to an ongoing increase in the number of optical fiber subscribers as the demand for so-called "Quadruple Play" (voice, data, wireless and video streaming) services increases. Moreover, as the move to IP networks accelerates, this will spur a switch from Synchronous Optical Network (SONET) to Wavelength Division Multiplexing (WDM), and stimulate increased demand (Packet Transport and Wireless Access) with respect to next-generation communications equipment. Another steadily emerging trend is to merge functions once spread across various communications equipment into a single, integrated solution.

### ■ Initiatives Going Forward

In the North American IT services market, we conduct business primarily through three companies—Fujitsu Consulting, Fujitsu Computer Systems and Fujitsu Transaction Solutions. Through Fujitsu Consulting, we offer services ranging from consulting to system integration (SI) and business process outsourcing (BPO). Fujitsu Computer Systems sells and maintains servers, storage devices, PCs and other computing equipment. Fujitsu Transaction Solutions, meanwhile, has operations targeting POS, self-checkout and other areas in the retailing sector. The importance of our presence in the North American market is rising, both as a function of this market's growth potential and for the role that these bases play in supporting customers who seek to advance operations into North America. We will continue to pursue service-related M&A opportunities and will strengthen collaboration among Fujitsu Group companies. Our aim is to expand business by evolving beyond the simple provision of IT solutions to become a comprehensive business solutions provider for our customers. Specifically, this transformation will entail expanding sales of the servers and other system products for which Fujitsu is well-known, coupled with the promotion of a bigger, more robust infrastructure services business, such as data centers and outsourcing, and services business, such as managed services.

In North America's communications market, we operate in the optical transmission field through Fujitsu Network Communications. Here, we intend to increase Fujitsu's market share by leveraging our No. 1 ranking in next-generation SONET market for four years running to launch products for the growing WDM market. Together with efforts to concentrate development resources in the creation of integrated devices (i.e., devices compatible with SONET, WDM and packet-switching network configurations), we seek to grow Fujitsu's share in the North American optical transmission market by scaling back costs wherever possible to offer highly competitive products. We also plan to unveil aggressive initiatives for WiMAX™ and other areas in the wireless field going forward.

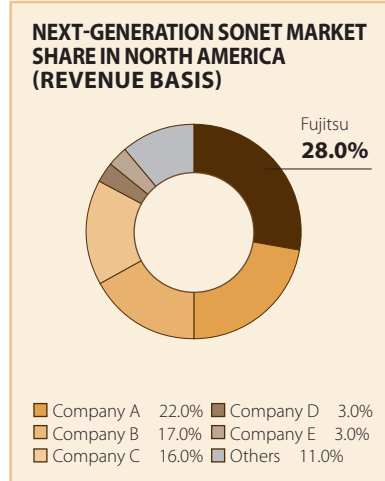
### NET SALES\* AND OPERATING INCOME MARGIN



\* Including intersegment sales



(Source: IDC's Worldwide IT Spending Patterns: The Worldwide Black Book Q1 2008)  
(AMERICAS: North and South America)



(Source: Ovum-RHK, March 2008)

## PROVIDING HIGH RELIABILITY AND HIGH AVAILABILITY FOR A GLOBAL SAP DEPLOYMENT

### —Dow Corning Corporation—

Established in 1943 to explore the potential of silicones, today Dow Corning has 10,000 employees and provides performance-enhancing solutions to serve the diverse needs of more than 20,000 customers worldwide. A global leader in silicon-based technology and innovation, Dow Corning offers more than 7,000 products and services.

Unlike many global companies, Dow Corning runs a single, centralized IT infrastructure for the entire company, and runs a single instance of SAP for its enterprise resource planning (ERP) solution. The company has only two enterprise data centers—a primary site and a disaster recovery site—and both are in the US. While this configuration significantly simplifies IT management, it also makes high availability an imperative. For this reason, Dow Corning has, over the years, continued to increase its reliance on Fujitsu server and storage products. Today, approximately 90% of the company's Unix-based database and application servers are Fujitsu PRIMEPOWER servers, while approximately 75% of the company's storage systems are Fujitsu ETERNUS.

The Fujitsu servers have proven so reliable that Dow Corning does not deploy clustering technology to avoid downtime; since downtime is simply not an issue, there is no justification for added cost and complexity. In addition to keeping users around the world productive, the reliability and high availability of Fujitsu servers enables Dow Corning to maintain an efficient IT staff and lower operational costs.

But the Fujitsu story at Dow Corning does not stop with reliability. Regular benchmarking validates that Fujitsu servers and storage solutions continue to deliver the high performance Dow Corning requires, and the company continues to value and trust Fujitsu for its ability to deliver such high-availability hardware at prices that beat its competitors.

Thanks to the performance, reliability and value of Fujitsu products, Dow Corning relies on PRIMEPOWER servers and ETERNUS storage systems for its SAP deployment.



## EMEA



### ■ Market Trends

The EMEA IT services market is projected to grow by roughly 6% in 2008. In contrast to Western Europe, where competition is heating up as the market matures, high growth rates are expected for Eastern Europe, Russia, the Middle East and other newly emerging markets. In the UK, a widely anticipated decline in business deals for large projects will likely follow major cuts in the government's IT budget in response to changes in the country's political and economic climate. In a prominent trend among IT firms, U.S.-based companies have gained greater cost advantages, and expanded their customer bases, by actively exploiting offshore resources. Among local firms, there is a pronounced move to expand the business scope beyond their own borders through M&As.

In the communications market, governmental deregulation is among the factors fueling more vigorous competition, leading telecommunications carriers to invest robustly in broadband and 3G technologies. Announcements of Next-Generation Network projects by British Telecom were closely followed by similar announcements from France Telecom and Deutsche Telekom, as progress on the construction of optical fiber-based access networks gains ground. For WiMAX, companies are trial testing the technology and cementing business alliances in the region ahead of the start of bidding for frequency licenses. The Middle East, Africa and other newly emerging markets, meanwhile, have hosted a series of communications license auctions as the opening of the markets for both fixed and mobile networks leads to more growth opportunities for foreign telecommunications carriers.

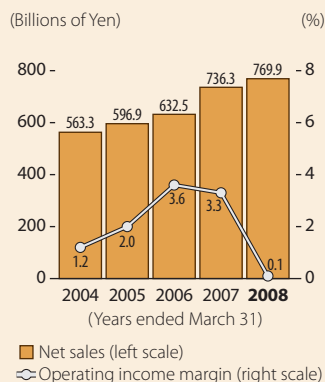
### ■ Initiatives Going Forward

In the IT services field, Fujitsu Services in the UK is spearheading efforts to improve our price competitiveness and earnings power, and expand business opportunities, through aggressive use of offshore and nearshore resources. M&As and alliances will be used, moreover, to enlarge our business area and enhance our capacity to develop global business deals. For the outsourcing business, we are striving to set Fujitsu apart from other companies by continually improving services through a collaborative approach with customers, industrializing services based on the TRIOLE approach, and by taking proactive steps to promote eco-friendly "green" IT services. We will reinforce proposal capabilities particularly for the financial services and retail sectors, while striving to further enhance service quality. Taken together, these actions should accelerate demand from private-sector customers.

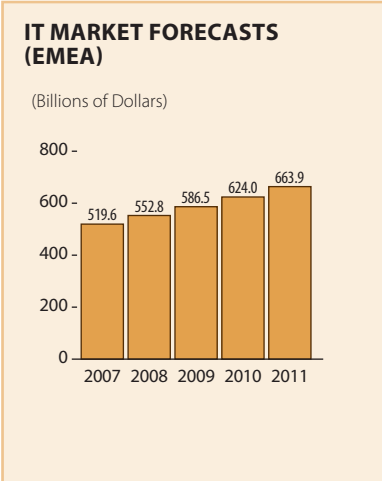
As for system platforms, reinforcing our partnership with Siemens AG of Germany will allow us to leverage a comprehensive portfolio of products and services to create added value. Promoting greater utilization of Fujitsu Siemens Computers' system products, moreover, will enable Fujitsu Services to avoid simple cost competition in the services that it offers, while retaining sales volume.

In the communications field, where we operate mainly through UK subsidiary Fujitsu Telecommunications Europe, we intend to focus on the access-related elements of British Telecom's 21st Century Network project. At the same time, we will set Fujitsu apart from competitors by strengthening ties with other EMEA bases and developing new business models.

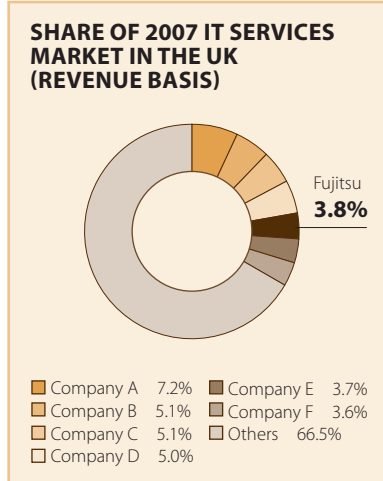
#### NET SALES\* AND OPERATING INCOME MARGIN



\* Including intersegment sales



(Source: IDC's Worldwide IT Spending Patterns: The Worldwide Black Book Q1 2008)  
(EMEA: Europe, the Middle East and Africa)



(Source: Gartner, April 2008, GJ08336)

## OUTSOURCING SERVICE TRANSFORMS IT INFRASTRUCTURE IN MORE THAN 100 COUNTRIES

—Reuters—

For Reuters, the world's largest news and information provider, competitiveness rests in being able to deliver intelligent information quickly, reliably and cost-effectively to businesses and professionals around the world. The demands of a global society that never sleeps mean that IT is critical to achieving this.

Like any large organization, Reuters has a range of legacy systems, with varied and complex approaches to managing and delivering IT services. Since 2006, Reuters had been looking to simplify its global IT environment, and chose Fujitsu due to its collaborative approach to deploying and managing IT systems.

Under the 10-year global deal, Fujitsu will transform, operate and maintain Reuters' internal IT infrastructure and corporate applications, supplying IT services to 17,500 employees based in over 100 countries. The contract will not tie Reuters to particular technologies, or even technology suppliers. More importantly, Fujitsu will simplify the management of a complex, global infrastructure, while saving Reuters over 20% in operational costs.

The solution will be supported by Fujitsu's multilingual service desks in Lisbon and Kuala Lumpur, with data center services provided from Singapore, the UK and the US, so users can gain access to services wherever they are in the world.

"Fujitsu genuinely listened to us and shared a lot of valuable knowledge, insight and IPR with us—which added a lot of value to our thinking," said David Lister, the Reuters' CIO at the time of the contract, in an interview conducted March 30, 2008. "This is easily the best example of close collaborative working between two partners that I've seen in my 25 years in the IT industry. Driven from the start by the right behaviors on both sides, the relationship is going from strength to strength."

As prime contractor, Fujitsu will continue supporting Reuters to be first with the news by transforming its internal IT infrastructure.



## APAC, China



### ■ Market Trends

China's IT market is predicted to grow by 10% in 2008. Propelled by momentum from the 2008 Beijing Olympics and the 2010 World Expo in Shanghai, China's IT investment is poised for a high average annual growth rate of roughly 11% from 2007 to 2011. However, concerns abound that the business environment may worsen for foreign IT firms. One is China's new labor law, notable for its bolder protection of employees, which came into force in January 2008. Other concerns include scrapping of the country's preferential tax system for foreign-owned firms, as well as the ongoing advancement of China's home-grown IT.

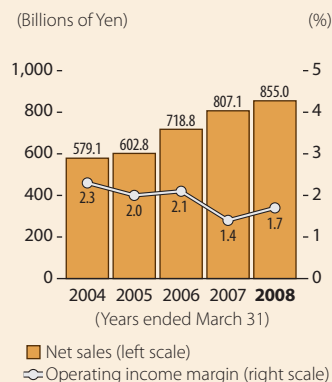
High market growth in APAC (excluding China) is expected to continue, with a projected growth rate of around 6% in 2008. In South Korea and Taiwan, although the market weight of hardware will likely remain substantial, overall IT market growth will be led by notable growth in services. In the ASEAN region, financial sector investment plans will possibly come under review in the wake of the US subprime crisis. On the other hand, active investment to upgrade IT infrastructure by the region's automobile and communications network sectors should continue. In Oceania, the IT market is expanding mainly due to growth in outsourcing and managed services, including a marked increase in data center demand. In India, robust IT market growth of around 11% is expected to continue from 2007 to 2011 due to increased foreign investment, reflecting the concentration of global offshore development work in the country. At the same time, this trend is triggering a commensurate increase in costs, leading to the search for new business models.

### ■ Initiatives Going Forward

In China, our initiatives will be spearheaded by efforts to further expand and upgrade one of Fujitsu's dominant business strengths—Technology Solutions. Going forward, we plan to reinforce our services business in the Chinese market, with particular emphasis on expanding IT operations services, outsourcing and offshore development operations. Here, we will look beyond service provision to Japanese firms, with whom we have extensive business experience, to cement ties with China's prominent system integrators and other companies to provide local customers in China with high-quality services. In the System Products sector, which includes servers and storage, we remain committed to supporting efforts by Chinese customers to fortify their IT infrastructure through the provision of cutting-edge technologies and services.

In South Korea and Taiwan, we will step up proposals for managed services, as well as propose solutions for optimizing IT infrastructure. In the ASEAN region, in addition to supplying servers and other products, our focus will be on IT infrastructure services, data centers, operations support and other outsourcing business. In Oceania, we plan to leverage our well-developed service menu to offer high-quality IT services specifically for the government and financial sectors. Data centers will also be expanded in parallel with growth in outsourcing demand. In India, we hope to use partnerships to promote servers and other system product businesses. Similarly, we intend to expand our offshore business in India to promote growth in business targeting Europe, the US and Japan.

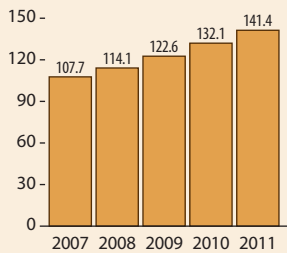
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\* Including intersegment sales

**IT MARKET FORECASTS (APAC)**

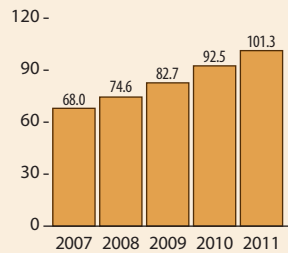
(Billions of Dollars)



(Source: IDC's Worldwide IT Spending Patterns: The Worldwide Black Book Q1 2008)  
(APAC: Excludes Japan, China, and Hong Kong)

**IT MARKET FORECASTS (CHINA)**

(Billions of Dollars)



(Source: IDC, April 2008)  
(China: Including Hong Kong)

**HELPING TO DEVELOP THE WORLD'S LARGEST IP NETWORK USING SUBMARINE CABLE SYSTEMS**

**—Reliance Globalcom—**

Reliance Globalcom (formerly FLAG Telecom) provides a full line of telecommunications services in Asia. Affiliated with India's largest business conglomerate, the Group boasts a base of over 35 million customers worldwide, placing it among Asia's top ten telecommunications carriers by number of customers.

Since 2003, Fujitsu has been the partner of choice for Reliance Globalcom in a series of projects to expand a backbone submarine cable network stretching across Asia, the Indian Ocean, the Mediterranean Sea and the Atlantic Ocean. Fujitsu has earned high marks for its ability to respond flexibly during the projects through prompt system delivery in step with growing cable demand, as well as for the outstanding stability of the systems delivered.

For the construction of Reliance Globalcom's global Next-Generation Network (NGN), Fujitsu was selected based on its cutting-edge photonics technology, its wealth of experience—with over 2,000 repeaters supplied—and a reputation for high reliability built upon a zero malfunction rate over the past 38 years.

Fujitsu's fiber optic submarine cable systems will serve as the backbone of Reliance Globalcom's global NGN, which is designed to meet rising worldwide demand for bandwidth as a result of the increasing transmission volume of video and other multimedia services. When all system segments are completed, Reliance Globalcom's global network will span 115,000 kilometers, nearly double its current length of 65,000 kilometers, and will become the world's largest IP network using submarine cable systems.

Fujitsu is committed to contributing to the expansion and construction of global NGNs and meeting customer needs, thereby building a solid position as an infrastructure supplier in the field of advanced broadband communications.

