Fujitsu’s Initiatives in the Outsourcing Field

September 6, 2007

Fujitsu Limited
Market Share Ranking and Sales Targets

- The Fujitsu Group has had the highest revenue in Japan’s outsourcing market for three straight years.
- Our 9.2% sales growth outpaced overall Japan market growth of 6.7%*.

*Japan market growth rate is for calendar year 2005 to 2006; Fujitsu growth rate is for fiscal year 2005 to 2006.

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Japan Market Share Ranking

<table>
<thead>
<tr>
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<th>Company</th>
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<tbody>
<tr>
<td>1</td>
<td>Fujitsu</td>
</tr>
<tr>
<td>2</td>
<td>IBM</td>
</tr>
<tr>
<td>3</td>
<td>NTT Data</td>
</tr>
<tr>
<td>4</td>
<td>NEC</td>
</tr>
<tr>
<td>5</td>
<td>Hitachi</td>
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Source: IDC JAPAN, August 2007 (J7250105)

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Outsourcing Sales Targets (Japan)

<table>
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<tr>
<th></th>
<th>2004</th>
<th>2005</th>
<th>2006</th>
<th>2007*</th>
<th>2008*</th>
<th>2009*</th>
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<tbody>
<tr>
<td></td>
<td>380</td>
<td>415</td>
<td>460</td>
<td>(510)</td>
<td>(600)</td>
<td>(680)</td>
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</tbody>
</table>

Billion Yen

Outsourcing Business Areas:
- Data Center
- Network
- Onsite (LCM)
- APM
- Support Desk
- BPO

Operating income margin above 10%

680 bn yen in FY 2009

Source:
Outsourcing Business Model

Generate long-term, recurring revenue by leveraging continuing customer relationships to deliver value through stable operations.

### Product Model
(Increase Value)

- Tangible
- Higher prices for value added
- Vendor decides specifications
- Vendor determines end product

### Outsourcing Model
(Increase Value, Maintain Competitiveness, Respond to Change)

- Intangible
- Added value increases customer satisfaction
- Joint work with customers
- Emphasis on both end result and process

Value Enjoyed by Customers
(IT Value Curve)

- Grasp Needs
- Increased Value
- Stable Operations
- Needs Change, Value Declines

Increased Value
Expanding Business Potential of Outsourcing

From system operations partner to business partner

Part of IT Function
- Cost reduction
- Safety, robustness
- Security
- Co-location

Part of Corporate Value
- Business partner
- Asset-lean management
- Offload IT operations
- Energy conservation/environmental measures

Goals of Outsourcing

Outsourcing Effectiveness

Management Operations
Business Operations
System Operations

Customer/Vendor Relationship
Toward business partnership

Requirement for new types of value

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Our Outsourcing Strategy
Our Outsourcing Services Menu

◆ Business Process Outsourcing (BPO)
◆ Application Outsourcing (APM)

◆ Data Center Outsourcing
◆ ASP/SaaS
◆ On-Demand, Organic

Focus of today’s presentation

◆ Onsite Outsourcing
  • PC-LCM Services / SV-LCM Services
  • Support Desk (SDK) Services

◆ Network Outsourcing
  • FENICS Network Services
  • FENICS IP Phone Services

Total Outsourcing Business
Steady growth in customers, dramatic jump in systems as a result of shift toward open standards, but able to restrain growth in personnel through efficiencies, standardization

<table>
<thead>
<tr>
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<th>1995</th>
<th>2000</th>
<th>2006</th>
<th>Increase over past 10 years</th>
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<tbody>
<tr>
<td>Customers</td>
<td>350 cos.</td>
<td>1,300 cos.</td>
<td>2,100 cos.</td>
<td>6x</td>
</tr>
<tr>
<td>Systems</td>
<td>1,600</td>
<td>12,000</td>
<td>21,000</td>
<td>13x</td>
</tr>
<tr>
<td>Locations</td>
<td>13</td>
<td>34</td>
<td>50</td>
<td>4x</td>
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<tr>
<td>Personnel</td>
<td>400</td>
<td>700</td>
<td>1,200</td>
<td>3x</td>
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</table>

Consolidated data for data center outsourcing and ASP services in Japan.
Expansion of Data Centers

50 data centers throughout Japan at present

Four main large-scale centers

- Tatebayashi, Gunma Est.: Dec 1995
- Akashi, Hyogo Est.: Sep 1997
- Tokyo Est.: Oct 2001
- Tokyo No. 2 Est.: Late 2007

- Hiroshima Center
- Osaka Center
- Nagano Center
- Kyushu Center
- Tatebayashi System Center
- Kawasaki Center
- Business Operation Center
- Yokohama Center
- Tokyo System Center

Regional IDC Center
Competitive Positioning of Service Offerings

Only Fujitsu can create and provide uniform offerings extending to high-value-added services, products and networks.

- Business operations
- Applications
- HW/SW resources
- Operations/monitoring
- Land, facilities, power
- Networks

Functional Layer

Service Offering Layer

Areas requiring product technologies, operations technologies, operational know-how

SaaS
ASP
BPO
APM
Demand

Value-added services

Co-location services
Housing services
Hosting services

IT companies

Telecom carriers, electrical utilities

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Future Growth Areas
Outsourcing Business Growth Strategy

Raise competitiveness and improve earnings by controlling costs and aggressively investing in growth areas to generate profits.

- Establish Advanced Data Centers
- Employ Latest Technology
- Cultivate Human Resources
- Conserve Energy and Manpower

Profit Generation

Invest in growth areas

Costs

Cost-control initiatives
1. Establish Advanced Data Centers
Tokyo System Center No. 2

Opening dedicated services hosting center based on next-generation IDC model (December 2007)

1. Respond to Customers’ Changing Needs
   - Greater electrical capacity (2x higher than current center)
   - Fewer operational staff (1/10 that of current center)
   - Improved accessibility (1 min to nearest station); direct Internet exchange point

2. New Technology Platforms
   - RFID (intrusion detection, automated alerts) to prevent unauthorized entry
   - Heat build-up monitoring, power consumption monitoring
   - Global standard specifications (highest tier standards/FISC compliant)
1. Establish Advanced Data Centers

Next-Generation Facility Concept

Building state-of-the-art data center with countermeasures for environmental, energy saving, Tier 4, natural disaster, and terrorism contingencies

Environment, Energy-Saving
- Solar power system
- Rooftop greenery
- High-efficiency UPS

Security
- RFID entry gates
- Image recognition
- Palm vein authentication

Network
- Supports ultra-broadband NGN
- Carrier-free environment
- Multi-carrier redundancy

High Integration
- Floor load capacity (1.5t/m²)
- Electrical capacity (20 KVA/rack)
- Heat flow simulation

Safety
- Partial float seismic isolation
- Windowless equipment building
- Earthquake sensing & warning devices

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Multi-location Concept

Deploying dedicated centers for particular access and specification requirements
Responsive to diverse customer needs; opens possibility for multifaceted business deals

- **60km and beyond**
  - Remote control location

- **Up to 10 km**
  - Near Internet access

- **10-60km**
  - Metro region disaster prevention*

*Contingency measures to deal suspended metro road traffic in event of disaster

10-60km
Metro region disaster prevention*

* Contingency measures to deal suspended metro road traffic in event of disaster

Front-end center functions

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2. Employ New Technology

SaaS (Software as a Service)

Providing application functionality over the network as a service

Business development using SaaS as a springboard for creating a new model of linking people and businesses (to be announced in 3rd quarter)

Customer’s Viewpoint

Change to flexible, agile management operating environment

• Shift from “making” & “owing” to “using”
• Improved flexibility, operability, usability
• Minimize investment, expedite operational start-up

Fujitsu’s Viewpoint

Consolidate new technology on data center platform

• Change from selling products to selling services
• Expand “long tail” market horizon beyond large companies
• Realize cost efficiencies through consolidation and use of templates
2. Employ New Technology

On-Demand Data Center

Making customer investment in IT operations a variable cost

Fujitsu Data Center (On-Demand Data Center)

Shared Resource Pool
(servers, storage, etc.)

Create and expand pool of shared resources
using virtualization technology

Work Process A
(night batch processing)

Add resources

Increase processing volume

Lower access volume

Work Process B
(online processing)

Replace resources
Deploying PC-price-level disk nodes in data centers

Possible services include autonomic error correction, long-term archiving, usage-based fee structure
2. Employ New Technology

**Industrialization of Infrastructure**

From system configuration selection, design, construction (assembly) to verification, all processes are integrated at “infrastructure factory”

Reduces process costs and increases profitability

Making visible about 400 work items & processes

- Analyze requirements
- Proposal
- Configuration design
- Development, Verification
- Operation, Maintenance

SI / server integration deal

LCM

Outsourcing deal

Next-stage business proposal

Promote broad application, from SI to outsourcing (onsite data center)
2. Cultivate Human Resources

Responsibility for controlling and managing customers’ IT operations

Important factors for outsourcing services’ added value and quality improvement:

Customer Issues

• Top management doesn’t have someone to whom to communicate direction for next period
• Service elements are provided piecemeal
• No proposals for improvements
• Pricing is not transparent

Service Manager’s Role

• Maintain regular communication with top management
• Make operation of multiple services uniform
• Overall service control
• Control operators, related divisions
• Make proposals for optimization, improvement of operations

Service Manager Training System

Certification system, including:
- HR compensation system
- P&L management
- Operational management
- Application of operational technology tools

- Essay writing, interviews
- Candidates recommended based on certification standards

Managers

Customer Site

Data Center

Network
4. Energy Saving and Environmental Countermeasures

**Energy Environment Status**

Highly integrated servers consume 40x the power of 10 years ago and this trend will continue.

Facilities consume a greater proportion of power than systems and must be included in energy saving measures.

Conversion loss is common in power access facilities. More efficient use of supplied power is needed.

**Measures, Initiatives**

**Tatebayashi**
- Installed energy-efficient lighting / solar roof panels
- Added one in-house generator, built new electric power room
- Installed precision-mounted zone air-conditioning equipment (14 units)
- Installing high-efficiency turbo cooling equipment (2008)

**Tokyo Center No.1**
- Changed configuration based on heat flow simulation

**Tokyo Center No.2**
- Deployed 4 KVA per rack power supply (twice previous level)

**Other**
- Established new organization of first-class architects. Organized energy efficiency diagnosis and environmental strategy center and design services.

*In the event of a shortage in power supply, in-house power generation and multiple fuel oil delivery contracts ensure that customer systems are kept operating.*
Global Expansion Initiatives

We now have 80 data centers and operate call centers in 29 languages in 16 countries around the world.

**APAC**

- Expanding outsourcing affiliates (Korea, Thailand, Singapore)
  - Transfer of know-how from Japan, verification of offshore service

**Europe, Americas**

- Sharing know-how in advanced areas of specialization
  - Exchanges of high-level managers, standardization of various operating frameworks, business deal evaluation meetings

*For reference: Recent global outsourcing deals
  - UK Inland Revenue ¥230 billion (10 yrs.)
  - Reuters ¥130 billion (10 yrs.)
  - Allianz Insurance (Germany) ¥65 billion (5 yrs.)
  - Yarra Valley Water (Australia) ¥1.8 billion (7 yrs.)

<table>
<thead>
<tr>
<th>Vendor</th>
<th>Share</th>
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<tbody>
<tr>
<td>1 IBM</td>
<td>15.2%</td>
</tr>
<tr>
<td>2 EDS</td>
<td>12.8%</td>
</tr>
<tr>
<td>3 CSC</td>
<td>5.1%</td>
</tr>
<tr>
<td>4 Atos Origin</td>
<td>4.6%</td>
</tr>
<tr>
<td>5 Fujitsu</td>
<td>3.1%</td>
</tr>
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</table>

Advances in networks are bringing individuals closer to business

A platform providing consolidated security and content management of multiple user environments is what is necessary

- Virtual worlds (Second Life)
- Dual terminals for voice and data transmission
- Two-way networks
- Video image management
- High-volume data transmission
- Ultra-mobile PC
- Authentication Platform (IDs and usage logs)
- Ultra broadband transmission network
- Physical high security
- Peta-byte storage
- Multi-carrier networks
- Fee-based incubation facility
In Conclusion

Going forward, value-added outsourcing services that combine operational, product, and environmental technologies will become even more important.

We will leverage our unique strengths to pioneer new business areas in pursuit of further growth in our outsourcing business.
For Reference: What is Outsourcing?

Customer Issues

- Improve planning
- More stable operations
- Reduce Costs

Management Approach Alternatives

Definition:
Refers to the practice of contracting out or sourcing from outside vendors specific management functions or resources, such as general affairs, HR administration, sales, and manufacturing.

Definition in the IT Field:
Refers to strategically contracting to have an outside vendor design, provide or operate IT systems.

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IT Outsourcing in General

- Application Development
- Consulting
- Maintenance

Basic IT Outsourcing
- Data Center Outsourcing
- Onsite Outsourcing
- Network Outsourcing

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• Fujitsu’s ability to dispose of non-core businesses and related assets through strategic alliances and sales on commercially reasonable terms, and the effect of realization of losses which may result from such transactions;
• uncertainty as to Fujitsu’s access to, or protection for, certain intellectual property rights;
• uncertainty as to the performance of Fujitsu’s strategic business partners;
• declines in the market prices of Japanese and foreign equity securities held by Fujitsu which could cause Fujitsu to recognize significant losses in the value of its holdings and require Fujitsu to make significant additional contributions to its pension funds in order to make up shortfalls in minimum reserve requirements resulting from such declines;
• poor operating results, inability to access financing on commercially reasonable terms, insolvency or bankruptcy of Fujitsu’s customers, any of which factors could adversely affect or preclude these customers’ ability to timely pay accounts receivables owed to Fujitsu; and
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