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**FUJITSU SERVICES HOLDINGS PLC
FUJITSU SERVICES LIMITED
FUJITSU SERVICES (INVESTMENTS) LIMITED
(the "Companies")**

**Minutes of a Meeting of the Fujitsu Services Management Committee
of the Boards of Directors of the Companies**

Held at 9.00 am on Thursday, 26 August 2004
by video link between
26 Finsbury Square
London EC2A 1SL
and
Fujitsu Solution Square
1-17-25 Shinkamata, Oota-ku
Tokyo 144-8588

Present in London: Mr. R. Christou (Chairman)
Mr. D. Courtley
Mr. B. Harris
Mr. A. Nagai

Present in Tokyo: Mr. T. Adachi
Mr. H. Madarame
Mr. H. Hirata
Mr. T. Moriya

Apologies: Mr. T. Yurino
Mr. K. Nozoe

In attendance:

GRO

 (Secretary)
Mr. H. Kubo
Mr. T. Matsuoka

04/32 Introduction

The Chairman welcomed those present to the Meeting.

04/33 Minutes of Meeting held on 9 June 2004

The Chairman asked if there were any comments on the draft minutes of the 9 June 2004 Meeting. The Meeting approved the minutes and it was agreed that they should be signed on behalf of the Meeting by the Chairman.

04/34 Chief Executive Officer's Report **FSMC/04/36**

Mr Courtley presented this paper. There were no questions.

04/35 Chief Financial Officer's Report **FSMC/04/37**

Mr Harris made a presentation by reference to the papers before the Board, namely, those comprised in the Q1 Actuals and in the Q3 Budget 2004/2005, including the attachments and the paper entitled "Q3 Budget

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- Commentary."

There were no questions.

04/36 Major Bids Report

FSMC/04/38

Mr Courtley presented this paper, adding that he would comment generally, not on every project.

Item 1, Ministry of Defence, Defence Information Infrastructure – This bid had the potential to have a beneficial long-term impact on the UK part of the business. FS was teaming with EDS (the “*Atlas consortium*”) and was in competition with a combination of CSC and BT. There was no doubt that FS and EDS were the stronger team, but CSC was fighting hard. A final offer would be submitted in October, and the decision itself would take some months. Price was still an issue. There were also some technical issues on security that were being addressed.

Item 2, Lloyds TSB – Here the competitors were IBM, the incumbent supplier, and Siemens. FS’s bid was innovative and was being considered seriously by the customer. This was an example of the need in the present market to take business from a competitor. An important factor was to understand the competitive landscape.

Item 4, Home Office IND – FS had lost this bid to Atos. Mr Courtley believed that this was a political decision connected with IND wishing to assert its autonomy from the main part of the Home Office where FS was the incumbent chief supplier. FS did, however, have a good relationship with the latter and Mr Courtley did not fear further encroachment.

Item 5, Metropolitan Borough of Walsall – This was a big opportunity in the local government area. Care was needed – it involved business process outsourcing (BPO) and therefore involved an extension to FS’s traditional lines of business. FS was teaming with companies which were capable of delivering the process elements – Vertex, which would provide the BPO and CapGemini, which would provide change management. The structure of the bid was not yet finalised – as FS would be prime contractor, a strong commercial and project management regime was needed. Mr Courtley added that bids of this kind, subsuming the IT element, were becoming more common and he believed that FS had no choice but to tackle them.

Item 9, Northern Ireland Government – This was a project similar to Walsall, though with a different collaborator, Capita, which was very strong in the UK. Together, they would be competing with Accenture.

The items under *Newly emerged bids* disclosed interesting activity with telecoms companies. The relationship with FTEL was improving and the two organisations were looking at opportunities together, with FS taking the lead (at FTEL’s invitation) as such opportunities were service-led.

Item 16, Foreign and Commonwealth Office – FS had not been selected as one of the final two bidders here. Although it had had a good proposal, as a non-incumbent bidder it had not possessed a sufficient understanding of the way that the FCO operated around the world.

In response to Mr Courtley’s invitation to ask questions, Mr Hirata

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enquired about the possible need for parent company guarantees (PCGs) on the MoD and Walsall bids; and whether the self-assessment form had been completed on the MoD bid. Mr Nagai replied that Mr Gilbert and Mr Allnutt had dealt with the self-assessment form. So far as PCGs were concerned, a PCG would be requested from Fujitsu Limited for the MoD bid, where a best and final offer was required in October, and a decision on such a PCG would therefore be required before that. If a PCG was required for the Lloyds TSB bid, Fujitsu Services Holdings PLC ("FSH") would offer one. With regard to the Walsall bid, consideration was being given to whether a Fujitsu Limited or FSH guarantee should be sought – a decision on this would be needed at the end of September. An FSH PCG would be given on the Transport for London bid (*item 6*) and a decision on what to do about the Northern Ireland bid would be made in due course.

Mr Madarame commented that, with the number of bids increasing, it was becoming more difficult to see the overall picture and any trend that might be developing. FS needed, in the medium term, to adopt a more focused approach to what it could offer – for example, in the financial services sector.

Mr Courtley replied that the reports prepared for these meetings were meant to deal with the major bids in hand and their progress (this was both to provide information and by way of good governance). The reports did not give a full picture of developing trends – they only hinted at that subject. Much clearer trends were, in fact, emerging in the organisation at present, both in the vertical sectors and as offerings changed. He agreed that there was a need to be very clear in the mid-term plan about strategies by offering as well as by major bid including competitive positions, and how they would work.

04/37 Major Projects Report **FSMC/04/39**

Mr Courtley presented this report to the Board. He explained that he proposed to make a few brief comments:-

- Post Office – This was going well. It was expected that a self-imposed amber alert would be lifted shortly.
- Inland Revenue – Transition had gone well in July and the customer was very pleased. Extra orders were being received. The proposed merger of the Inland Revenue with HMCE was expected to give FS the opportunity to win new business. The new chairman, David Varney, would start in September, and both Mr Courtley and Mr Christou had met him.
- NHS – There had been some sub-contractor problems with development. The sub-contractors in question, BT and IDX, were working to manage those problems. There had been some delay to milestone deliveries, partly due to specification changes by the customer. Mr Courtley was confident that FS could find a way through these issues with the NHS, although care would be needed with the commercial implications.
- Home Office – Generally, service delivery was going well. The results of the recent benchmarking exercise had, however,

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presented a problem and it would be necessary to reduce prices to the customer, although FS was working with the customer to recover the position. The adverse consequences this year would be covered by improvements elsewhere. The HMCE contract also contained a benchmarking clause, but it was less onerous and FS was better prepared, so it was hoped that there would be less impact.

04/38 Items for noting and questions**FSMC/04/40-43**

The Meeting noted the papers on the reorganisation of South Africa, major disputes and HR Manpower. There were no questions.

With regard to the appointments to the FSMC, the Chairman welcomed Mr Moriya (who was present) and Mr Yurino to the Committee and noted that the Board resolutions to appoint them with effect for and from this Meeting were being circulated for signature. He extended his congratulations to them and wanted to say that he was personally delighted by their appointments, which he felt would help FS. He also wanted to note Mr Kodama's resignation and to place on record his thanks for all Mr Kodama's contributions.

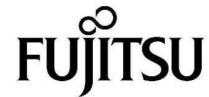
Mr Moriya thanked the Chairman for his welcome and support. He added that Fujitsu Limited was at present compiling its budget for the second part of the fiscal year and was pleased to say that FS had provided all the necessary figures, which was a good start.

The Chairman also referred to the agreement that there should be a brief conversation at this Meeting on progress with the development of a Long Term Incentive Plan for FS. He had reviewed progress and felt that the working party had done a very good job so far. Both he and Mr Madarame needed time to study the detail, recognising that setting some of the target numbers in the plans depended on the outcome of strategy discussions which were planned for November. He suggested that these studies proceeded in parallel with work on the Medium Term Plan and that at the meetings in November there should be, in addition to the Meeting of this Committee, a meeting of the Directors' Remuneration Committee to discuss strategy. Mr Madarame said that he was, in principle, in agreement with this. It was helpful, so far as the work on the Medium Term Plan was concerned, that FS had firmed up its business and he agreed that it would be helpful to look at strategy, which was, of course, very important. He would like to exchange views before the November meetings. The Chairman commented that the growth of FS must be seen as a part of the growth of Fujitsu Group as a whole. In this context, Project Family was, of course, in everyone's mind, but until FS heard from the other party (this was expected by October 2004), it was not possible to speculate. He would see that preparatory work started and perhaps engage in talks in Tokyo before November.

04/39 Other business

Mr Madarame said that he had been asked by Mr Akikusa to pass a message to the Chairman that Mr Akikusa was interested in Russia and would like to make a visit there with the Chairman. The Chairman said he would be delighted to join in such a visit and would agree a date with Mr Akikusa.

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There was no other business

04/40 Date and location of next meeting

The next Meeting of the Committee would be held face to face in November. The venue would be Tokyo.

There being no further business, the Meeting ended.

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Chairman