

# **Fujitsu Group Management Update**

**December 4, 2012**

**Masami Yamamoto**

**President**

**Fujitsu Limited**

# I. Fiscal 2012: Overview of First Half & Full-Year Projections

# Fiscal 2012: Overview of First Half (1)

		First Half FY2011	First Half FY2012	Year-on- Year Change	Change vs. July Projections
<b>Consolidated Results</b>	Net Sales	2,092.3	2,071.8	-20.5	-8.1
	Operating Income	7.0	7.6	+0.6	+ 2.6
	Net Income	5.7	-11.0	-16.8	-1.0
<b>Operating Income by segment</b>	Technology Solutions	45.7	47.0	+ 1.3	
	Services	30.0	37.3	+ 7.3	
	System Platforms	15.6	9.6	-5.9	
	Ubiquitous Solutions	4.3	10.4	+ 6.0	
	Device Solutions	-4.8	-7.0	-2.2	
	Other/Elimination and Corporate	-38.1	-42.7	-4.6	

(Billion Yen)

# Fiscal 2012: Overview of First Half (2)



## Structural Reforms (Strengthening Existing Businesses)

- Strengthen Services in Japan: Regional integration (FEAST/FWEST), SME (FJM)\*
- Restructure LSI Business: Transfer FSL's Iwate plant/FIM (assembly and testing)
- Ubiquitous Solutions: Established ANT (communication platforms development JV), Expanded FJ Ten's overseas production

## Global

- Large-Scale Wins: Lufthansa Systems (Germany), BAA (UK), BC Hydro (Canada) \*\*
- Build-Out Global Infrastructure: Datacenters, communications platforms

## New Services

- Using Big Data: Cloud-based, on-premises, software
- Cloud Services: Akisai cloud for food /agricultural industries, FGCP/S5 IaaS cloud
- Smart Communities: City of Aizuwakamatsu (Japan), Thailand, Saudi Arabia

## Technology

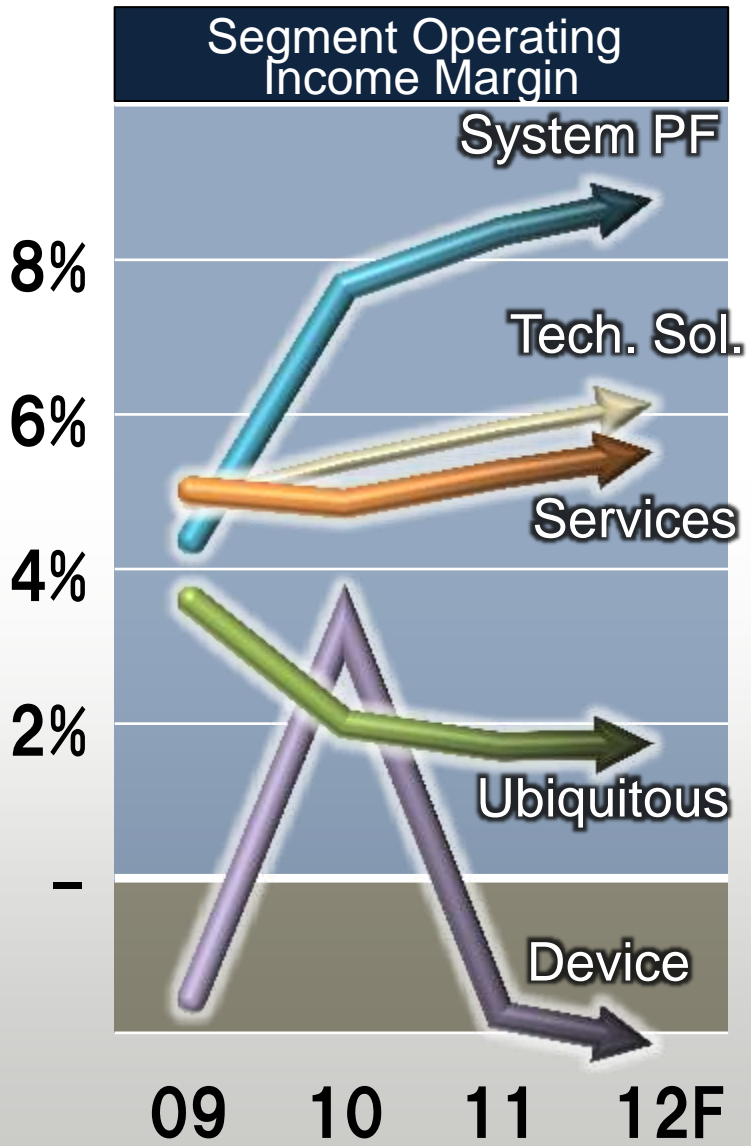
- Completion of K computer Assembly, Global HPC Wins  
Outside Japan: HPC Wales (UK), Central Weather Bureau (Taiwan), Australian National University  
Japan: Kinki University, Kyushu University, Kobe University, University of Tokyo

\* FEAST: Fujitsu Systems East/FWEST: Fujitsu Systems West/FJM: Fujitsu Marketing  
FSL: Fujitsu Semiconductor/FIM: Fujitsu Integrated Microtechnology/ANT: Access Network Technology/ FJ Ten: Fujitsu Ten  
\*\* Lufthansa Systems: ICT subsidiary serving the Lufthansa Group/BAA: airport operator/BS Hydro: electrical power company

# Fiscal 2012: Full-Year Projections (1)

		FY 2011	Projections for FY2012	Year-on-Year Change	Change vs. July Projections
<b>Consolidated Results</b>	Net Sales	4,467.5	4,420.0	-47.5	-110.0
	Operating Income	105.3	100.0	-5.3	-35.0
	Net Income	42.7	25.0	-17.7	-35.0
<b>Operating Income by segment</b>	Technology Solutions	171.2	180.0	+ 8.7	-
	Services	124.0	130.0	+ 5.9	-
	System Platforms	47.2	50.0	+ 2.7	-
	Ubiquitous Solutions	19.9	20.0	0	-5.0
	Device Solutions	-10.1	-12.0	-1.8	-27.0
	Other/Elimination and Corporate	-75.7	-88.0	-12.2	-3.0

(Billion Yen)



## Services

- Solid results, esp. in manufacturing, retailing, and public sectors
- Cost structure and organizational challenges, primarily in continental Europe

## System Platforms

- Solid IA servers and middleware
- Impact of investment trends among North American telecom carriers

## Ubiquitous Solutions

- Tough market for consumer PCs in Europe and Japan
- Solid performance in mobile phones

## Device Solutions

- Slowdown on major impact of sluggish economy
- Rebound forecast in second half with smartphone products, other new products

## II. Addressing Challenges



# Device Business

## Continuing further down the fab-lite model path

### FSL Iwate Plant      Transferred to Denso Corporation

- ✓ Iwate plant, strong in high-quality embedded auto system products, transferred to Denso
- ✓ Optimizes Fujitsu Group's upstream production capacity

Agreement signed April 27, 2012

- Transfer date: October 1, 2012
- Transferred to newly-formed, wholly owned Denso subsidiary, Denso Iwate



### FIM (Assembly)      Transfer to J-Devices Corporation

- ✓ Transferred to J-Devices (affiliate of Amkor), a leader in assembly and testing in Japan
- ✓ Through alliance with J-Devices, improve downstream quality and cost competitiveness

MOU signed August 31, 2012

- Transfer date: before the end of CY2012 (scheduled)
- Miyagi, Aizu facilities and equipment in Kyushu to be transferred (transfer of production)

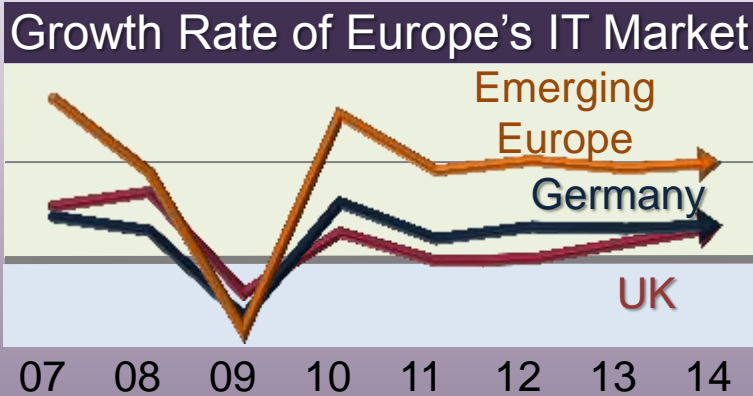
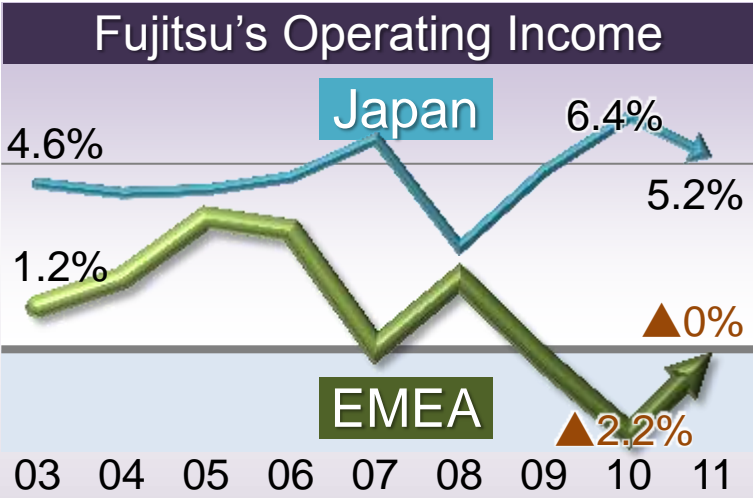


FSL: Fujitsu Semiconductor; FIM: Fujitsu Integrated Microtechnology

- Implemented further product restructuring (fixed cost reduction), but issues remain with cost structure alignment with demand
- Will continue to take decisive steps to structurally reform our device business



# Business in Europe



Source: IDC, Worldwide Black Book Query Tool, Version 3, 2012  
 Growth Rate of Europe's IT Market: Growth rate of Total IT- Telecom equipment total  
 Emerging Europe: Central and Eastern Europe + Middle East/Africa

### UK & Nordic Region

- Problem of large-scale unprofitable projects has been resolved
  - Priority on profitability through risk management
  - Losses of several tens of billion yen (2010), now insignificant (2012F)
- Strengthening private sector and cloud business
  - Winning large-scale orders (BAA, etc.), target of 50% private sector business
- Strengthening solid business in Nordic region
  - Investment in Sininen Meteoritti Oy (Finnish applications company)

### Continental Europe (and others\*)

- Shifting business structure toward services
  - Reinforcing products, organization, skills to raise ratio of cloud/services business
- Improve quality of sales
  - Emphasize profitable product mix, cost/expense efficiencies
- Growth initiatives in Emerging Europe, Middle East, India
  - Maintain high growth in Russia/CIS, Middle East, India

\*Central and Eastern Europe, Middle East, Africa, India

- Continuing difficult economic conditions in Europe. Pace of our earnings improvement behind plan.
- Urgent need to reform business structure (to emphasize services) and cost structure

## Problem with shifting to a new accounting standard

- Need to reflect on the balance sheet unrecognized pension obligations
- Would reduce owners' equity ratio

## Problem with UK pension Fund

- Pension obligations exceed pension assets
- Risk of lower market interest rates



- Deterioration in owners' equity ratio can be addressed through improvement in net income
- Special contribution to UK pension fund (planned) will reduce risk of expanding obligations

# Maximizing Cost Efficiencies

## Company-wide cost reduction project (2012-2014)

### 3 Initiatives

**Reduce procurement costs** (parts/materials, software)

**Transform operations** (reform organization, policies, work processes)

**Reduce expenses** (office products, travel, communication, etc.)

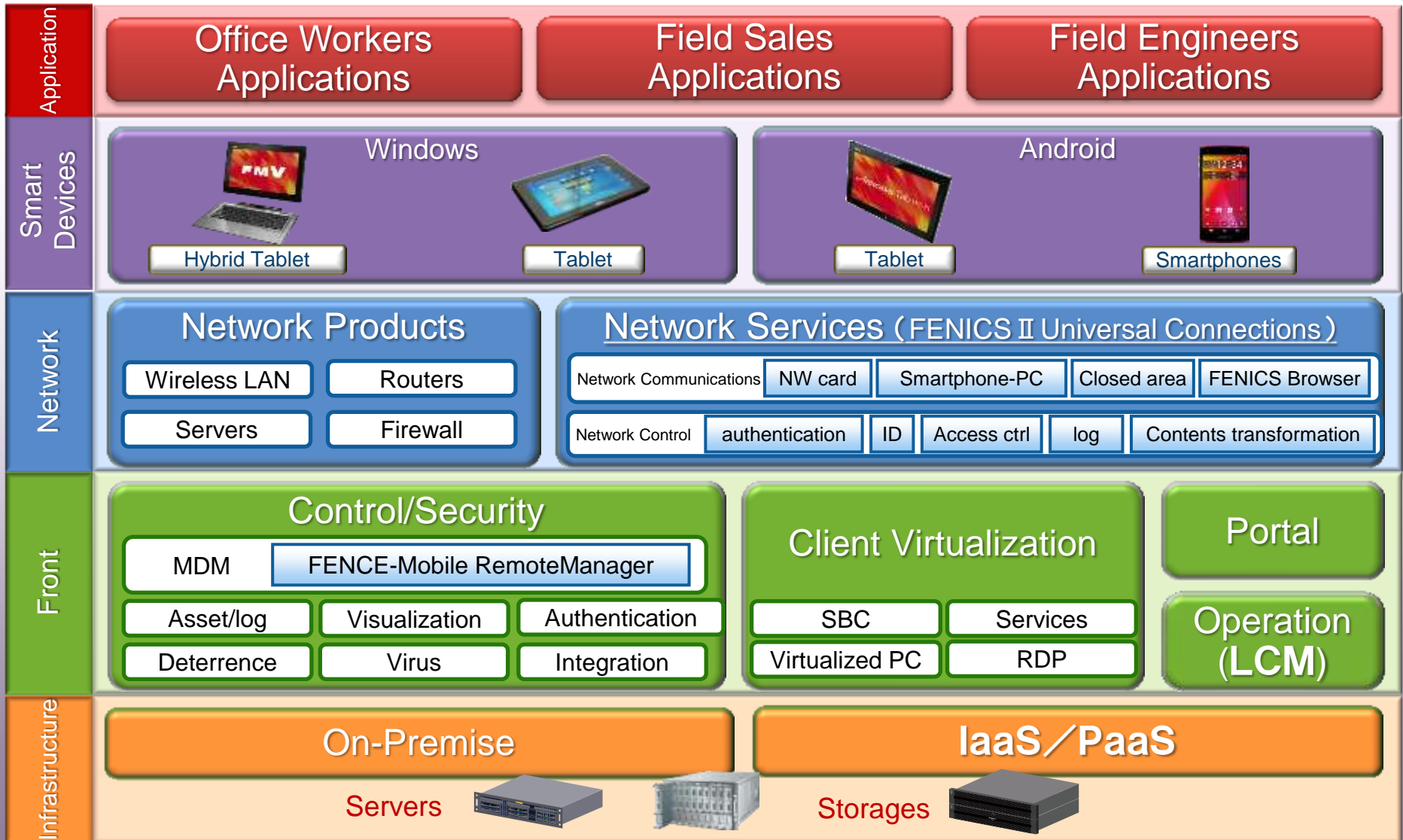
- Drive 3 initiatives to maximize cost-competitiveness
- Make group-wide expense structure completely visible
- Bring problems that cut across business groups up to company-wide action

#### Intended Effects



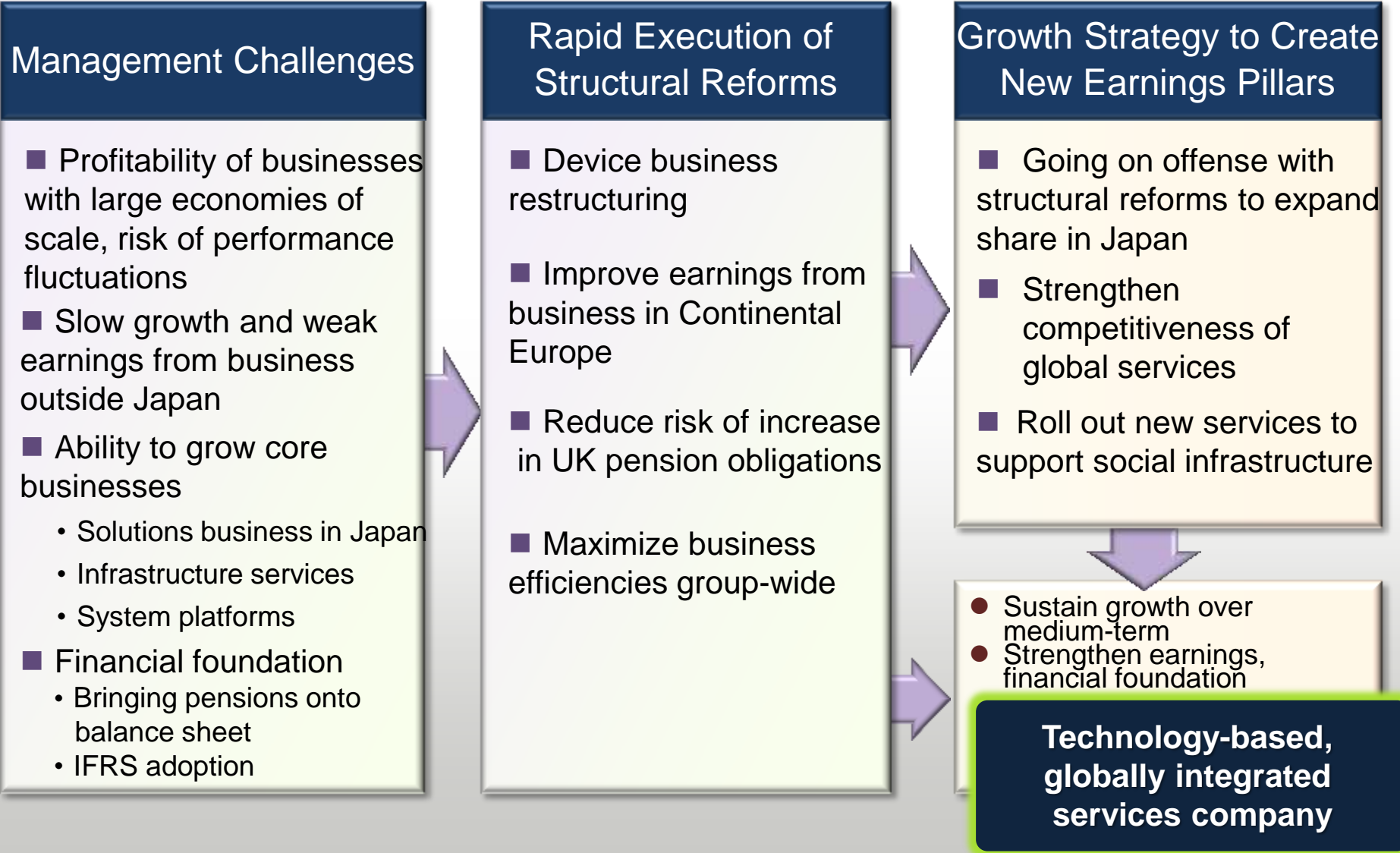
- Implement fundamental measures to halt rising trend in SG&A expenses
- Group-wide campaign to reduce costs, headed by CFO, in progress

# Hardware Business (Value Chain with Services)



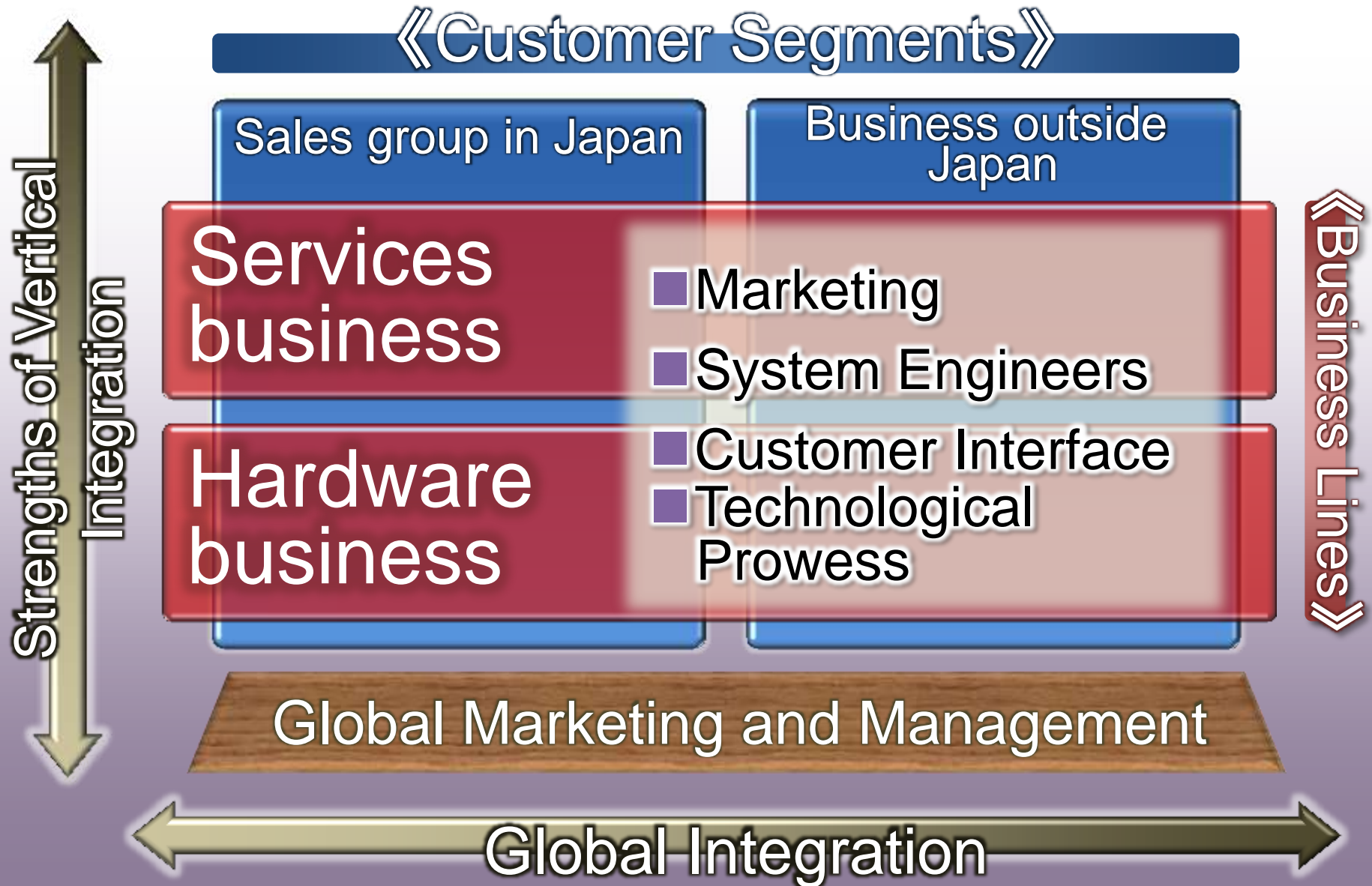
- Approx. 80% of PC (in/outside Japan) is for enterprise customers
- Synergy with solutions business

# III. Summing Up





# New Matrix Organization



# Global Service Platform Expansion

## Global Network of Datacenters

Stevenage  
Datacenter  
(London)



The UK  
Germany

Neuenstadt  
Datacenter  
(Southern Germany)



South China  
Datacenter  
(Guangdong Province)



China Japan

Tatebayashi  
System Center  
(Gunma Prefecture)



Sunnyvale  
Datacenter  
(California)



The US


Singapore

Fujitsu East  
Datacenter  
(Eastern Singapore)



Australia

Homebush  
Datacenter  
(Sydney)



- First data center in China “Fujitsu South China Data Center” opened April 2012
- 100 data centers globally Building a global platform to deliver uniform services

# Creating New Services (Toward a Prosperous Future) FUJITSU

Supporting the future needs of public infrastructure through innovation

## Work Style

- Remote maintenance (M2M Service)
- Take your office anywhere
- RFID utilization
- Smart-device products  
ARROWS Tab, FMV STYLISTIC...

## Community

- Transportation IC Cards
- Community-based tourism
- MyCloud

## Food & Agriculture

- “Akisai” Agriculture Cloud
- UECS Cloud  
(greenhouse cultivation, vegetable factories)

## Manufacturing

- “Manufacturing Innovation Team”
- Engineering Cloud
- “Riskmining Navigator,” a proactive risk analysis solution

## Smart City

- City of Aizuwakamatsu (Japan)
- Thailand
- Saudi Arabia

## Mobility

- Logifit
- Supporting commercial vehicle travel (incidents, environmental & safety)
- Supporting management for road network maintenance (bridges, road surfaces)


## Healthcare

- HumanBridge
- Supporting health integration (business, analysis)
- Elderly care cloud (home health care)
- Animal medical care / pet health management

## Energy

- Cloud-based smart house
- Energy management systems
- SSPF V01, FEMS
- Enetune
- Container datacenters

Constructing a value chain that transcends individuals, enterprises, and industry boundaries



**FUJITSU**

shaping tomorrow with you



# Cautionary Statement

These presentation materials and other information on our meeting may contain forward-looking statements that are based on management's current views and assumptions and involve known and unknown risks and uncertainties that could cause actual results, performance or events to differ materially from those expressed or implied in such statements. Words such as "anticipates," "believes," "expects," "estimates," "intends," "plans," "projects," and similar expressions which indicate future events and trends identify forward-looking statements.

Actual results may differ materially from those projected or implied in the forward-looking statements due to, without limitation, the following factors:

- general economic and market conditions in the major geographic markets for Fujitsu's services and products, which are the United States, EU, Japan and elsewhere in Asia, particularly as such conditions may effect customer spending;
- rapid technological change, fluctuations in customer demand and intensifying price competition in the IT, telecommunications, and microelectronics markets in which Fujitsu competes;
- 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
- fluctuations in rates of exchange for the yen and other currencies in which Fujitsu makes significant sales or in which Fujitsu's assets and liabilities are denominated, particularly between the yen and the British pound and U.S. dollar, respectively.