

# Management Direction Briefing Fiscal 2014

**May 29, 2014**

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**President**

**Fujitsu Limited**

# Roadmap to Earnings Growth

FY2012-2013

FY2014-2016

## Structural Reforms

- Taking action to restructure specific businesses
  - Semiconductors
  - Ubiquitous Solutions
  - Businesses outside Japan

## Growth Strategy

- Expand ICT usage areas for enterprises
  - Modernization
  - Business innovation
- Expand into new ICT usage areas
  - Social innovation
- Expand business areas globally

Group-wide efficiencies / Management transformation  
Organizational changes and efficiencies /  
Adoption of IFRS

# Review of Fiscal 2013

# Fiscal 2013 Financial Results

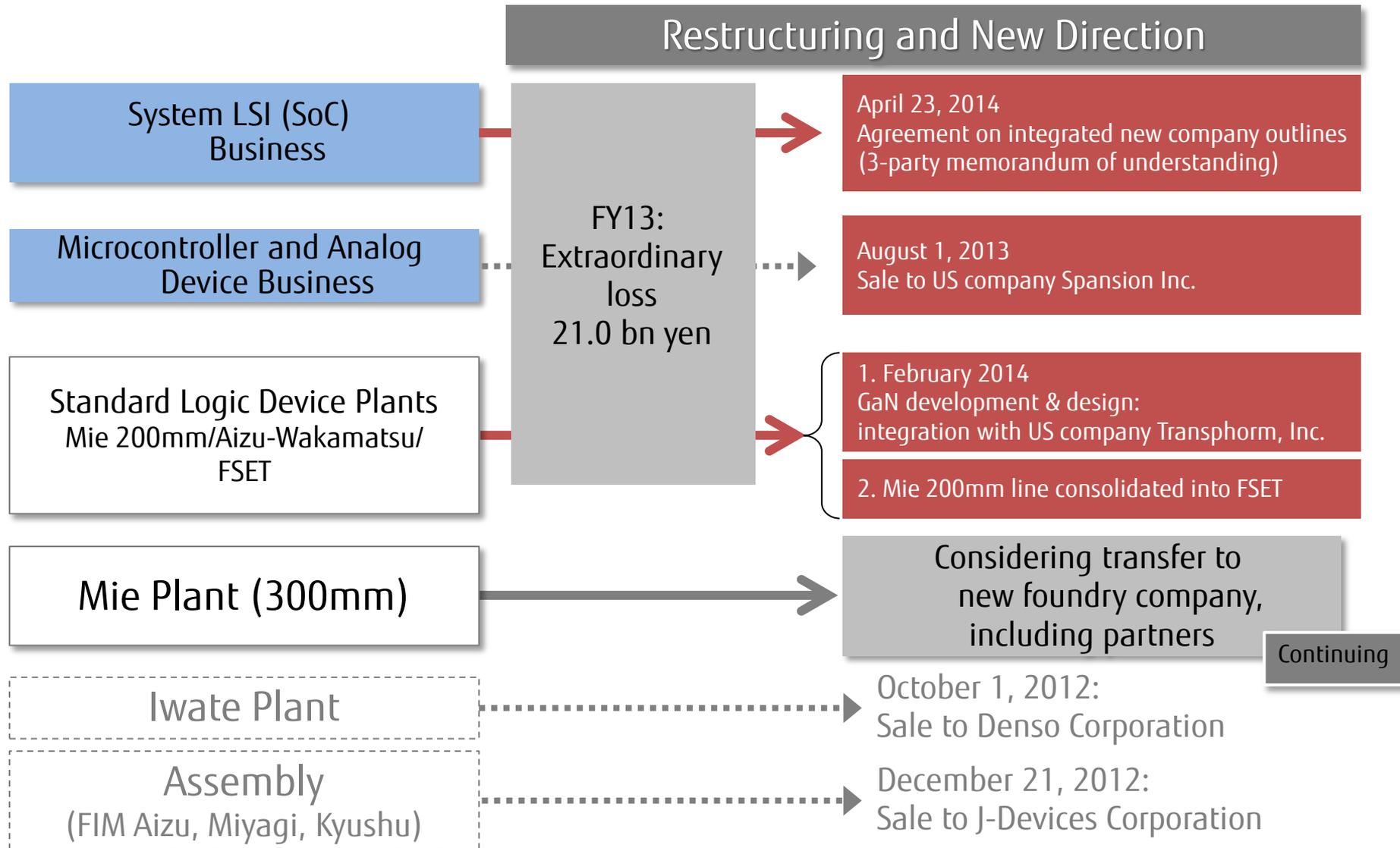
- Overall sales growth of 8.6% due to strong contribution from the Technology Solutions segment
- Earnings rebounded as a result of structural reforms and efficiency measures, on path to recovery and sustainability through company resources

(Billion Yen)

|                                    | FY2012                           | FY2013<br>(J-GAAP) | Change vs.<br>FY2012 | FY2013<br>(IFRS) |
|------------------------------------|----------------------------------|--------------------|----------------------|------------------|
| Consolidated<br>Results            | Net Sales                        | 4,381.7            | +380.7               | 4,762.4          |
|                                    | Operating Income                 | 88.2               | +54.2                | 147.2            |
|                                    | Extraordinary Gains<br>or Losses | ▲150.5             | ▲47.7                | —                |
|                                    | Net Income*                      | ▲79.9              | 48.6                 | 113.2            |
| Operating<br>Income<br>(by Sector) | Technology Solutions             | 173.9              | +35.1                | 233.0            |
|                                    | Ubiquitous Solutions             | 9.6                | ▲31.7                | ▲26.8            |
|                                    | Device Solutions                 | ▲14.2              | 28.3                 | 11.5             |

\* In IFRS, profit attributable to owners of the parent company

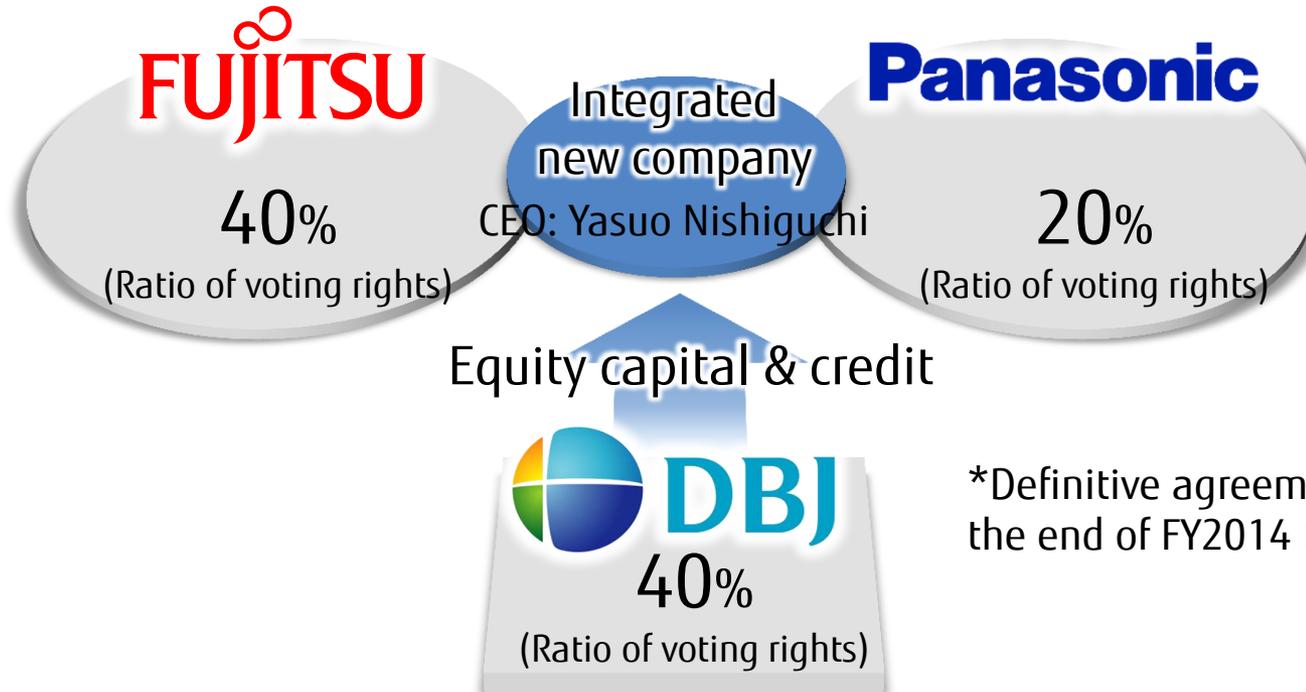
# Structural Reforms 1: Semiconductors



FIM: Fujitsu Integrated Microtechnology; FSET: Fujitsu Semiconductor Technology. FIM and FSET and wholly owned subsidiaries of Fujitsu Semiconductor

# Structural Reforms 1: Semiconductors

- Establishment of integrated new company in the system LSI business



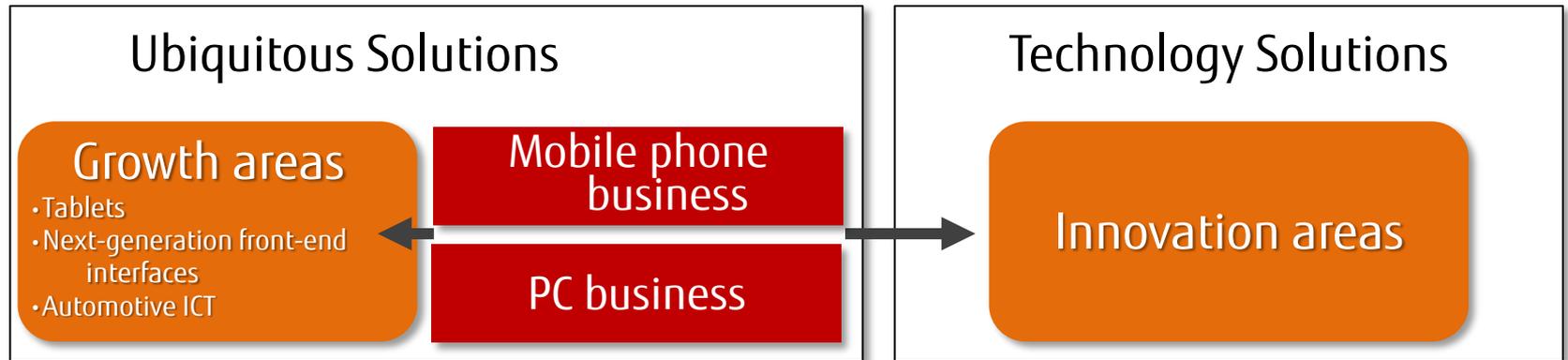
\*Definitive agreement expected by the end of FY2014 first quarter

- Focus corporate resources on areas of video and imaging, as well as networking
- Switch to a fabless business model
- Will aim to launch an initial public offering (IPO) as an independent company

# Structural Reforms 2: Ubiquitous Solutions

## ■ Structural reforms in Ubiquitous Solutions business

Resource shift of 1,000 employees into growth areas



## ■ Structural reforms in carrier-oriented mobile phone business

With lower break-even point, now on track for profitability

1. Flexible allocation of 40% of development resources
2. Reduced expenses through consolidation of mobile phone handset manufacturing subsidiaries FPE and FMPL (Nasu)
3. Reduced costs, improved quality of products

# Structural Reforms 3: Companies Outside Japan

## ■ Completed structural reforms at Fujitsu Technology Solutions (FTS) (reduced workforce by 20%)\*

\*includes natural attrition

- Cost reduction to cope with intensified competition in hardware products
- Expansion of services and solutions business on foundation of hardware products
- Enhanced efficiencies through greater visibility and process improvements



FTS Headquarters  
(Germany)

## ■ Addressing unfunded retirement benefit obligation in UK pension plan

- Completed special contribution (£800m) to pension plan
- Reduced risk of future unfunded liabilities

- Shifted 500 employees from HQ and other divisions to sales (in Japan)  
Also contributing to sales increase in Japan

- Shifted resources into growth areas through selection and concentration of business areas

Approx. 1,100 employees

- Workforce-related measures

1. Total number of employees (consolidated basis)

| End of FY12 |   | End of FY13 |
|-------------|---|-------------|
| 168,700     | ⇒ | 162,400     |
|             |   | <hr/>       |
|             |   | ▲ 6,340     |

2. Reduction of contract workers

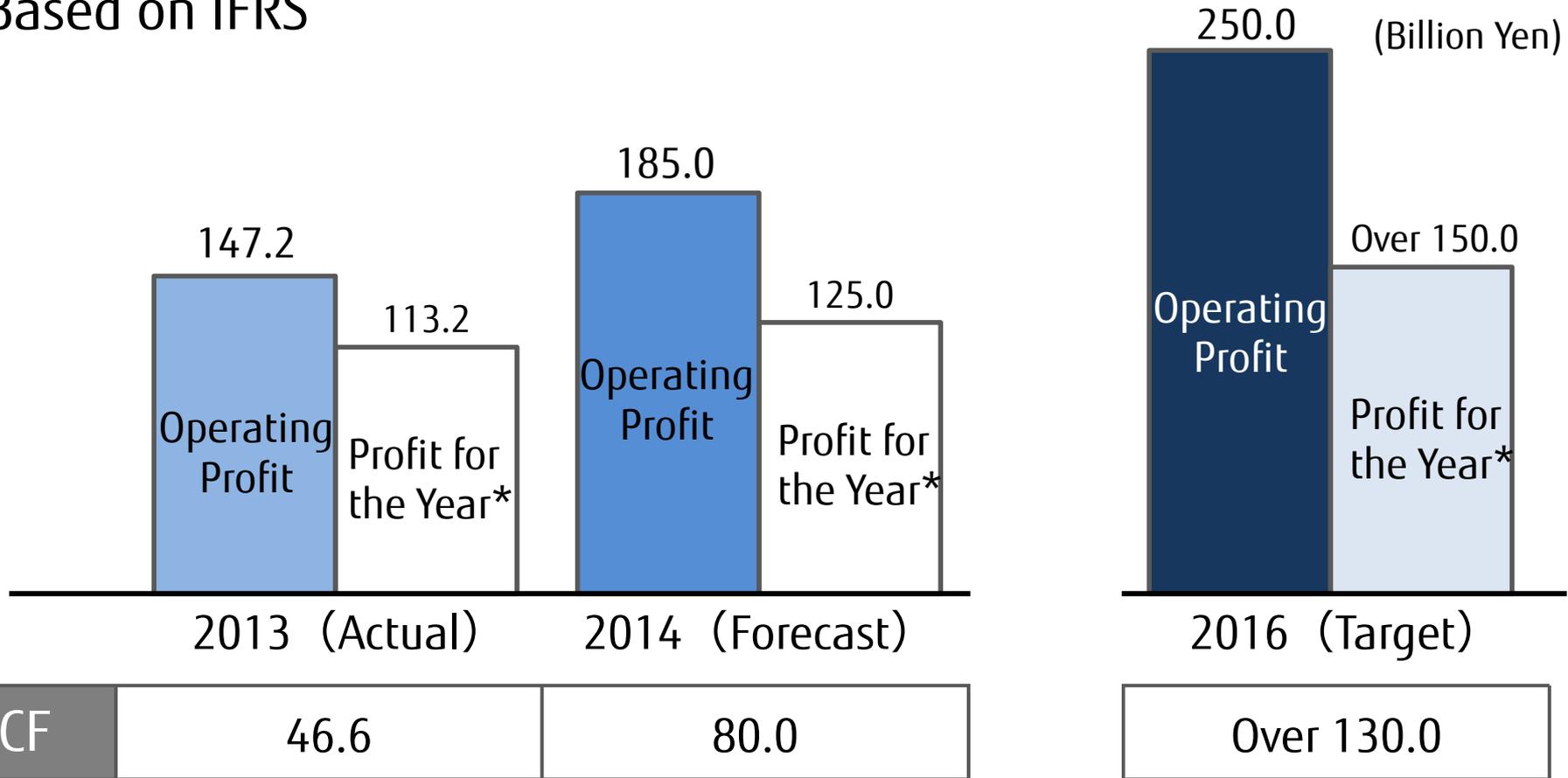
Approx. 1,000

# Medium-Term Management Plan (FY2014 – 2016)

# Medium-Term Targets

- Achieve profit growth while expanding investments

Based on IFRS

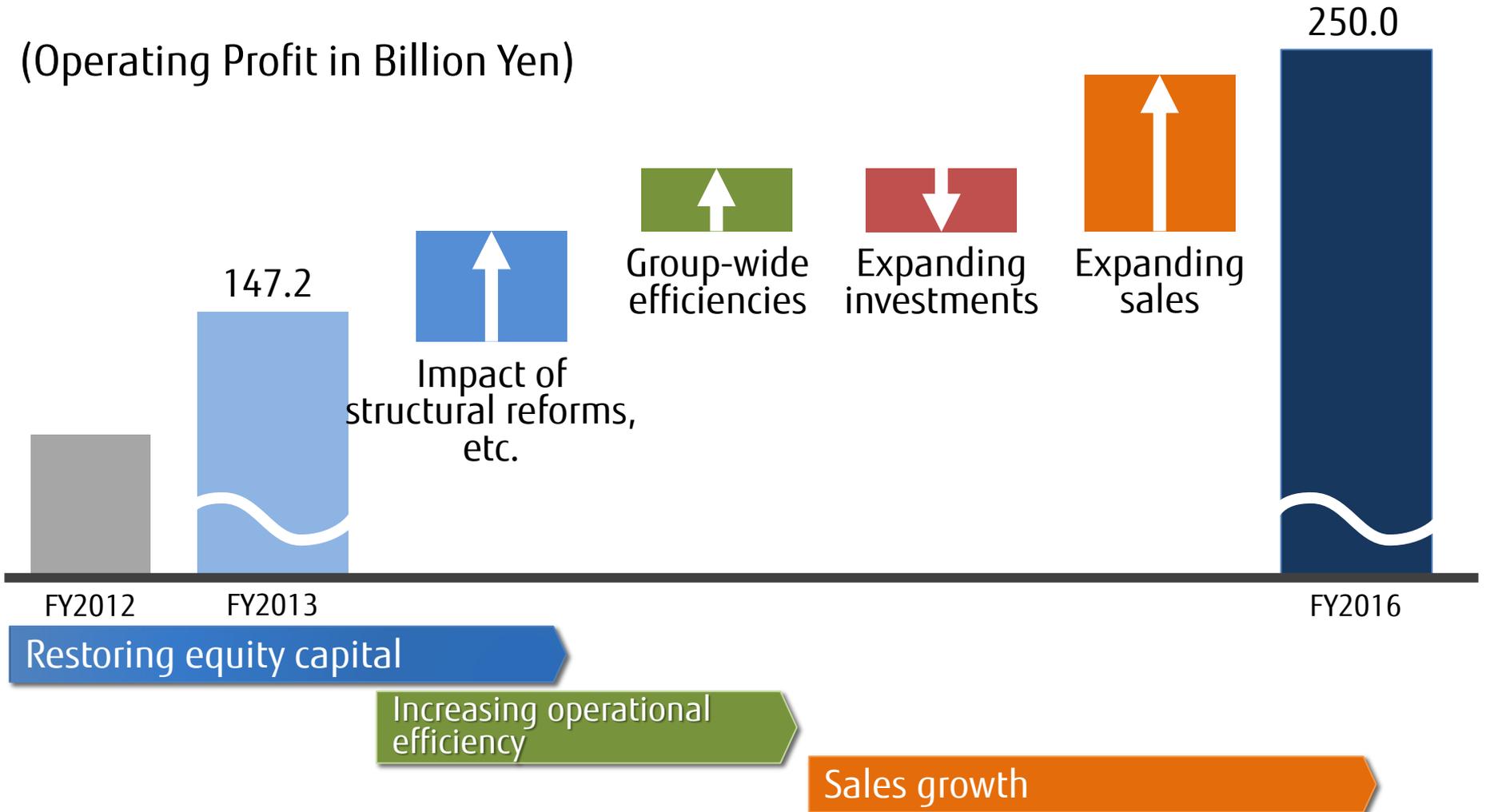


\* Profit attributable to owners of the parent company

# Profit Growth Roadmap

## ■ Investment expansion and profit growth

(Operating Profit in Billion Yen)



# Growth Strategy: Expanding into New Business Areas

FY2012-2013

FY2014-2016

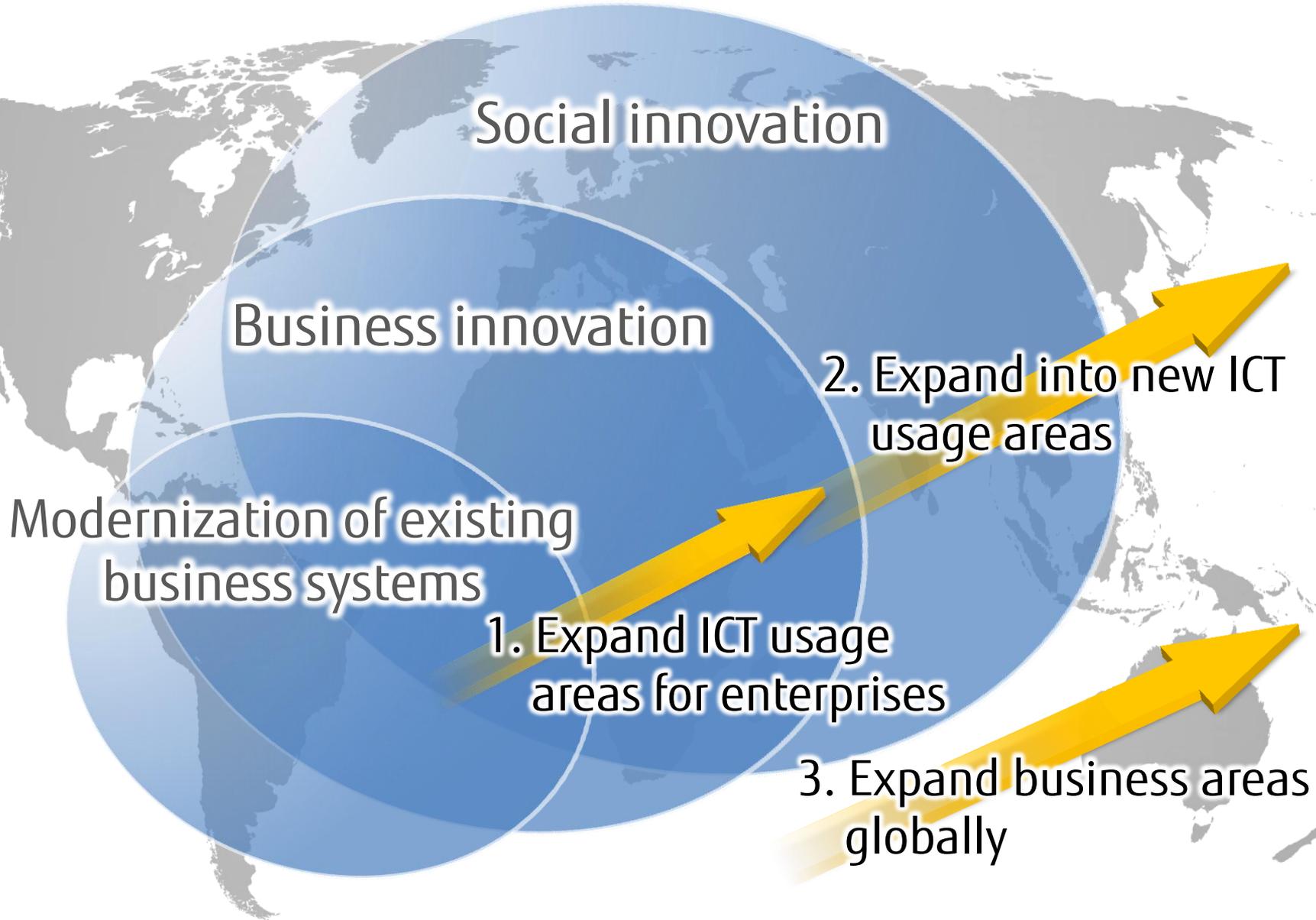
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# 1. Expand ICT Usage Areas for Enterprises Business Innovation

# Examples of Initiatives in Business Innovation Field

- Transforming business front lines through use of Big Data
- Focusing on ICT usages that can directly contribute to customers' sales and profit

## Marketing innovation



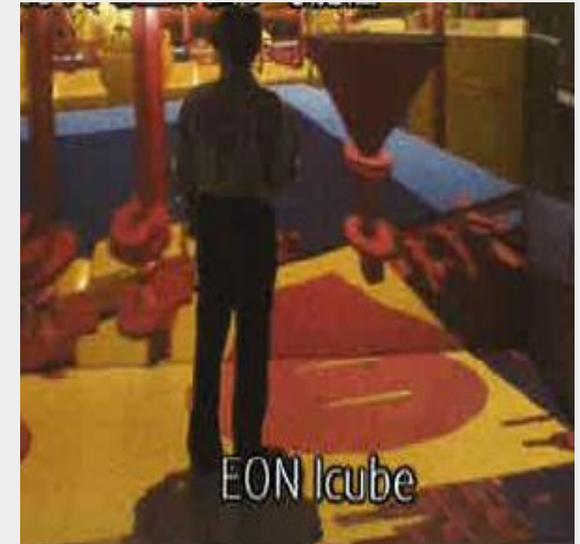
- Omni-channel utilization
- Social media analytics
- O2O (Online to Offline)

## Work style innovation



- Frontline use of smart devices
- BYOD (Bring your own device)
- Integration of communication platforms

## Manufacturing innovation



- Virtual reality simulations
- 3D printing
- Big Data utilization in production lines

- Systemization of concepts, offerings, and products in expanding fields
- Continue to enhance "Initiatives," expand solutions for specific industries, work tasks



Cloud  
FUJITSU Cloud Initiative

(Announced May 2013)



Big Data  
FUJITSU Big Data Initiative

(Announced June 2013)



SDN  
FUJITSU Intelligent Networking  
and Computing Architecture

(Announced May 2013)



Security  
FUJITSU Security Initiative

(Announced January 2014)



Mobile  
FUJITSU Mobile Initiative

(Announced August 2013)

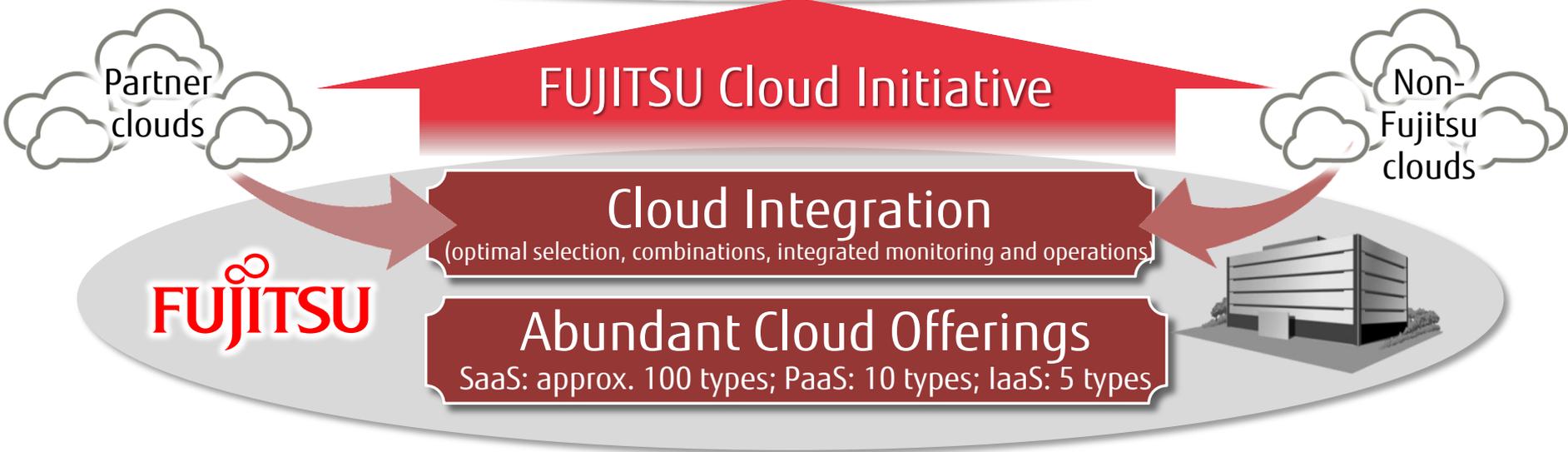
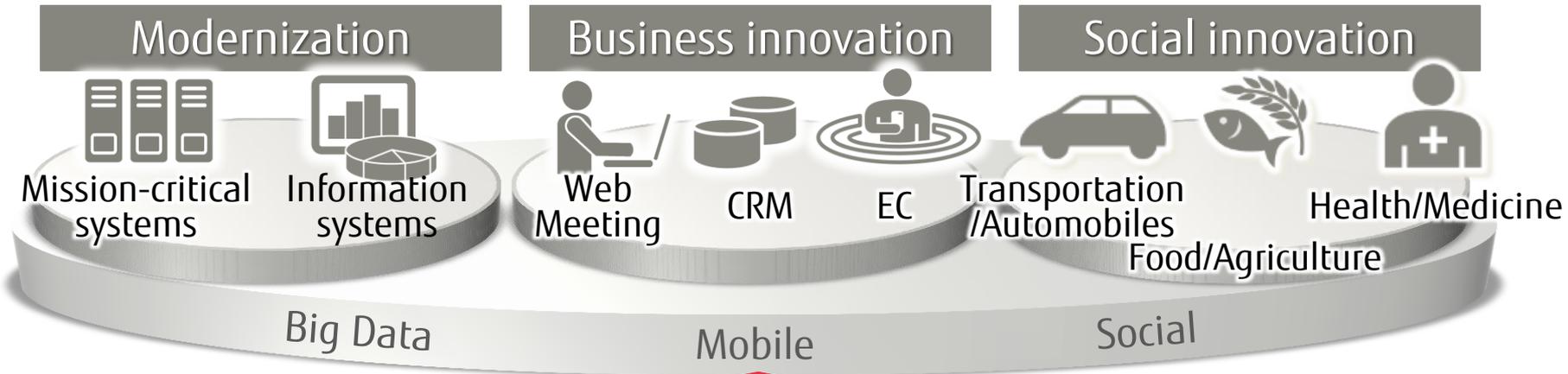


System Integration



# Cloud Business Strategy

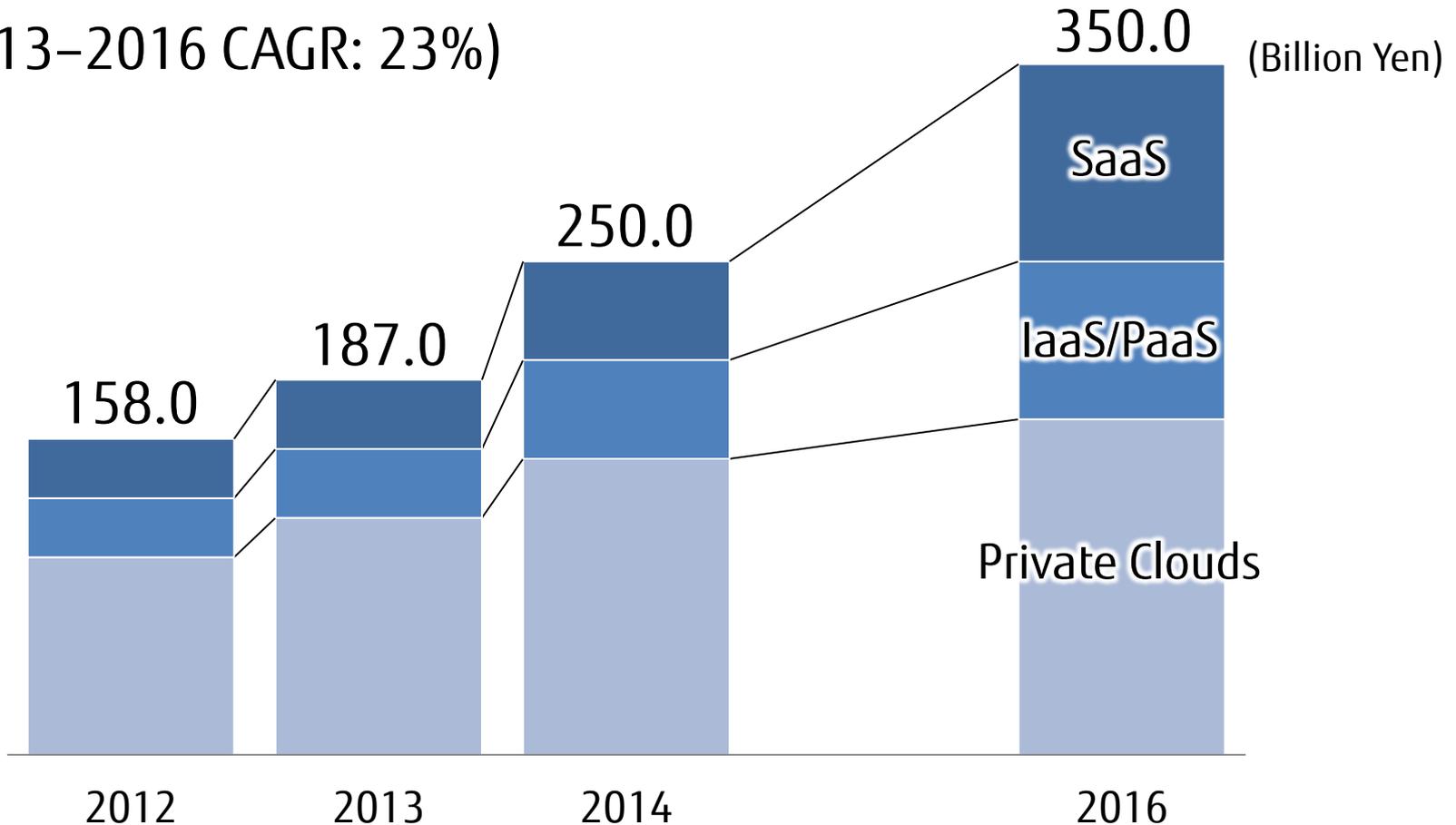
- Service diverse needs through cloud integration
- Systematize products and offerings through FUJITSU Cloud Initiative





# Status of Cloud Business

- Leveraging comprehensive strengths in cloud business, from private clouds to public clouds, expand business by applying hybrid clouds tailored to customer needs (FY2013–2016 CAGR: 23%)



\*Sales based on cloud business deals



# Developing Next-Generation Cloud Platforms

- Develop next-generation platforms with flexibility for innovation fields in the emerging cloud and IoE\* era
- Established a new team that comprises both service and platform experts and directly reports to the president

Business innovation fields

Social innovation fields

Use of Big Data, Use of mobile

Community

Standards organizations

SDN

Massively distributed processing

WebAPI

DevOps

Open source

Cutting-edge technologies

Next-Generation Cloud Platforms

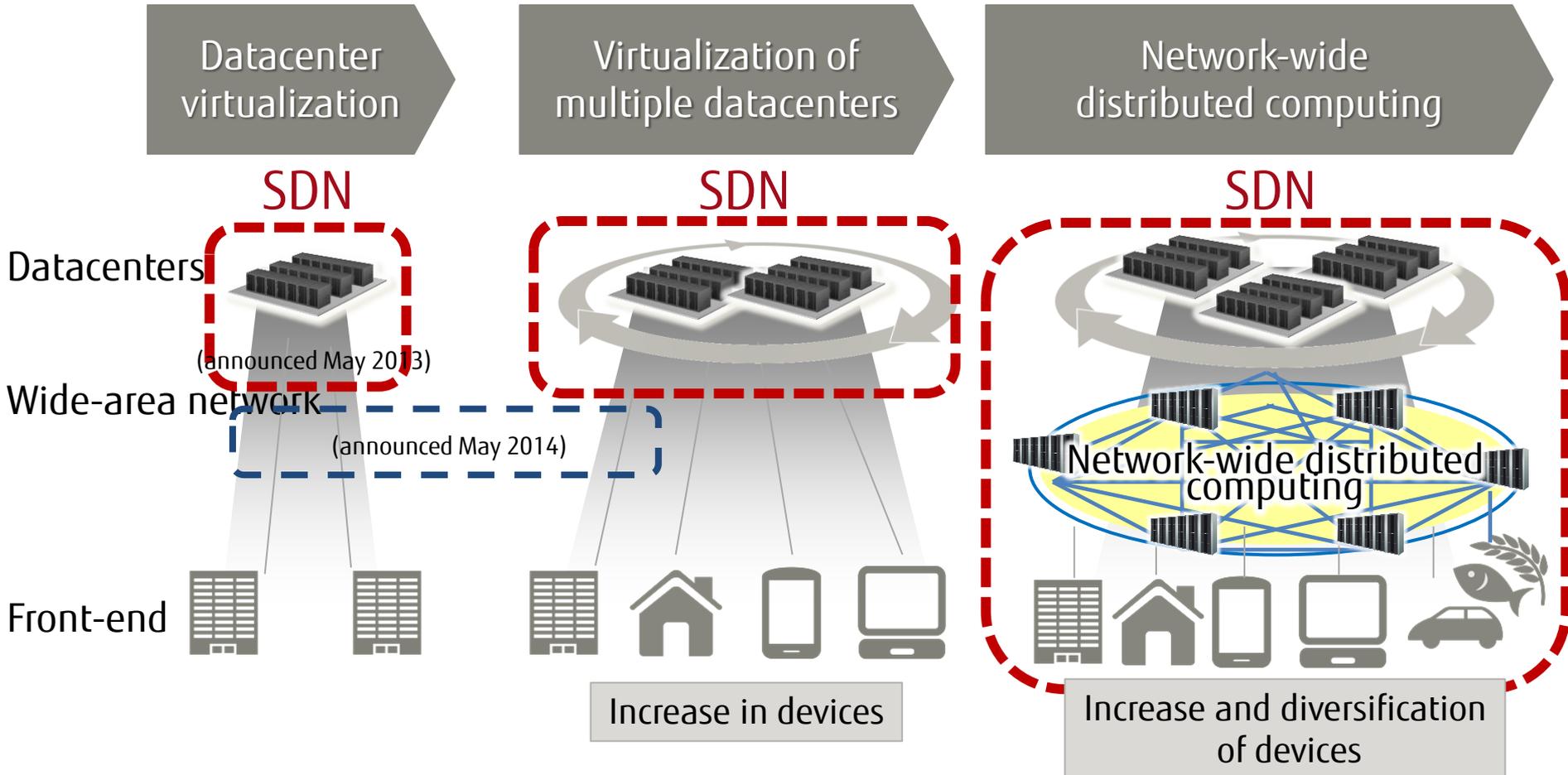
Open Innovation

\*IoE: Internet of Everything



# Enhanced Network Virtualization with SDN

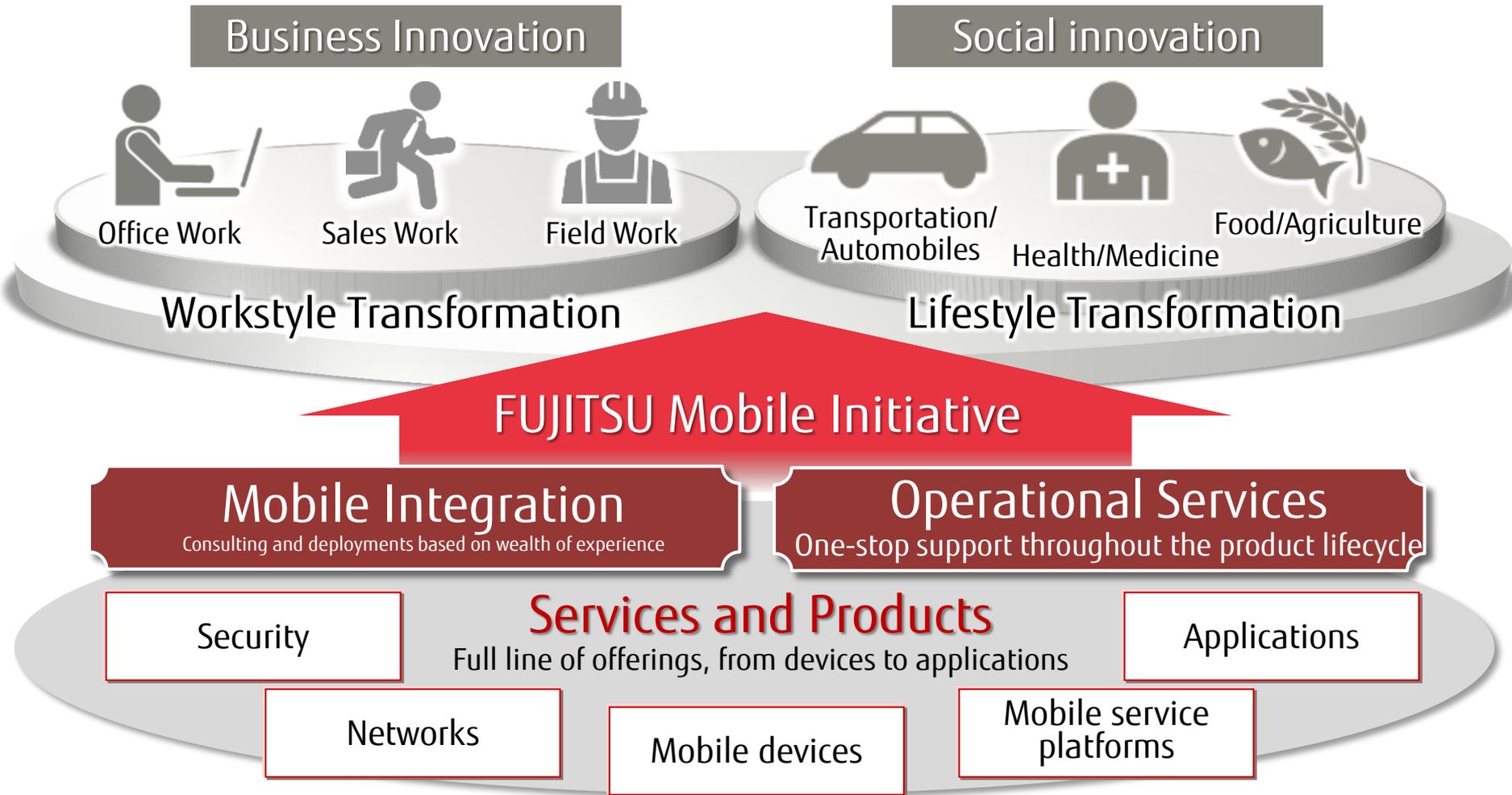
- Building on datacenter virtualization, now support virtualization among multiple datacenters
- Strive to enable network-wide distributed computing for the emerging cloud and IoE era





# Mobile Business Strategy

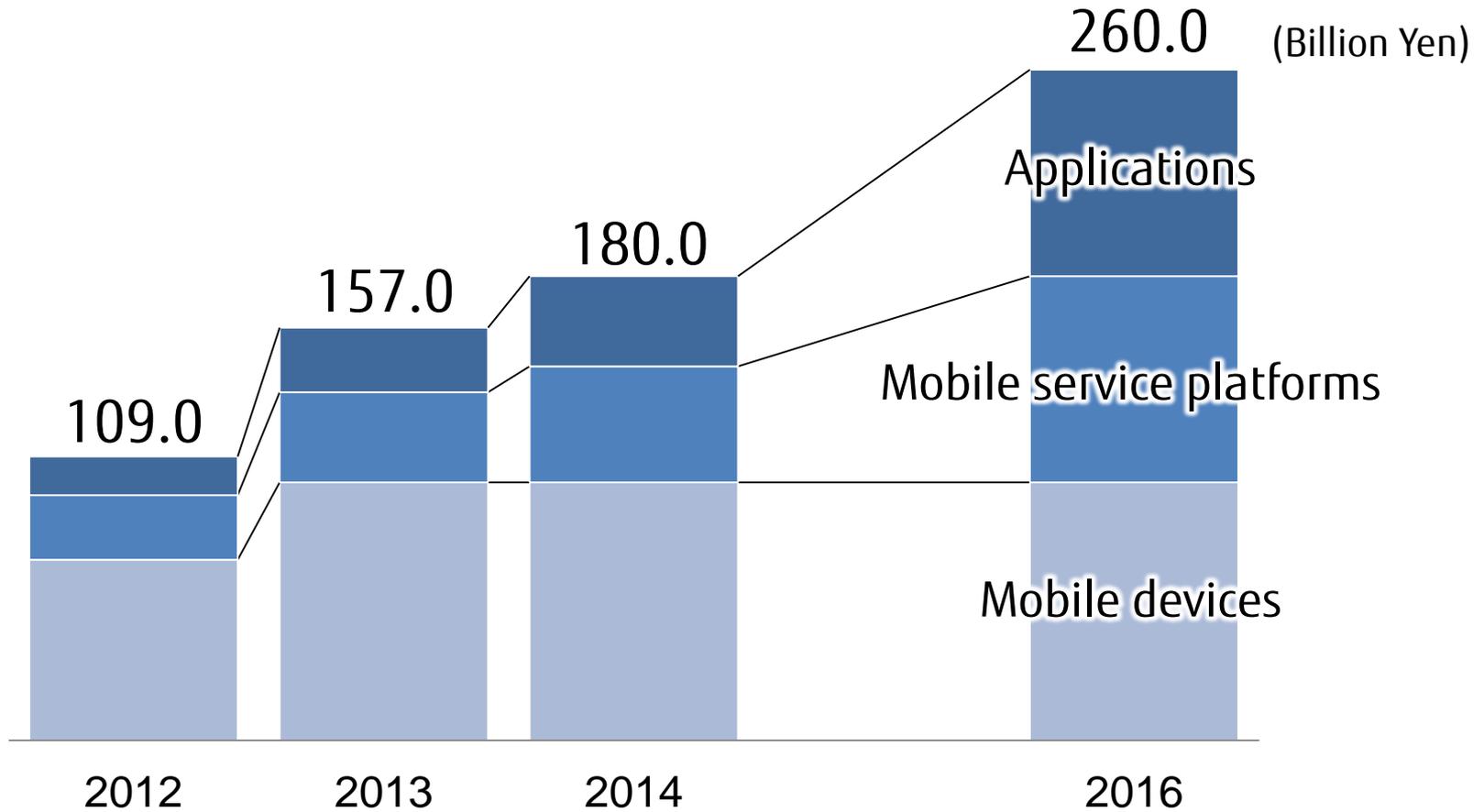
- Expand business by meeting enterprise needs through vertical integration and customization
- Systematize products, offerings through FUJITSU Mobile Initiative





# Enterprise-focused Mobile Business

- Shift focus from mobile devices to applications and services, where profitability is higher (FY2013–2016 CAGR: 18%)

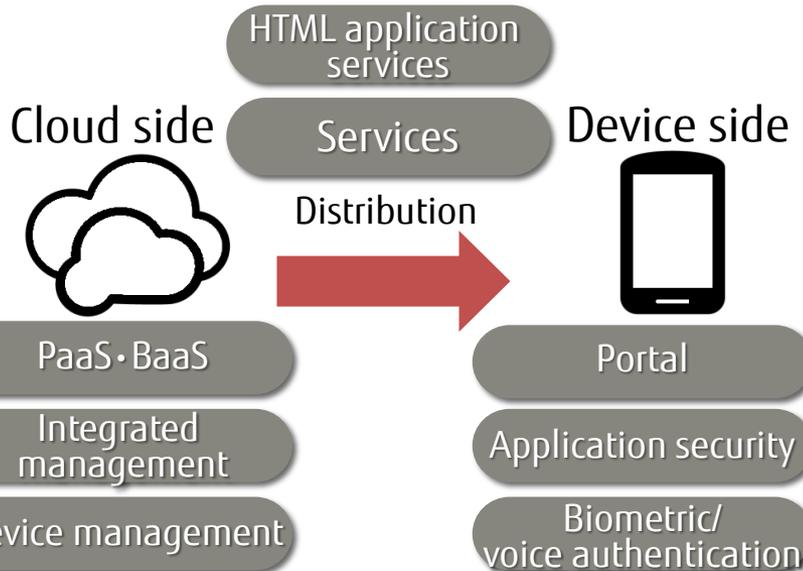


\*Sales based on mobile business deals to enterprises



- Offering a service platform that facilitates mobile application development, and creating an ecosystem of application developers
- Enhancing vertically integrated solutions that bring together devices, networks and services

## Mobile Services Platform



MobileSUITE

## Vertically integrated services for both devices and networks

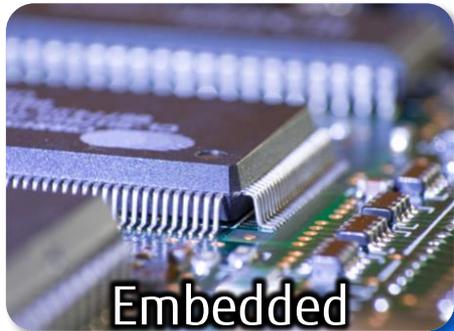


- Service platform
- Mobile networks (3G/LTE)
- Services/Applications
- Service desk/Help desk
- Device/Maintenance

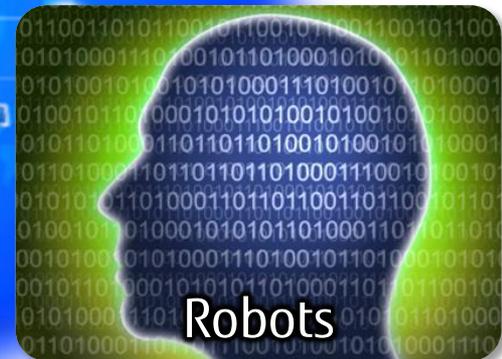
Mobile Value EX Pack



- Strengthening development and sales of autonomous/remote control system machines  
(next-generation front-end interfaces, from automobiles and industrial equipment to health management devices)



Next-generation  
front-end  
devices

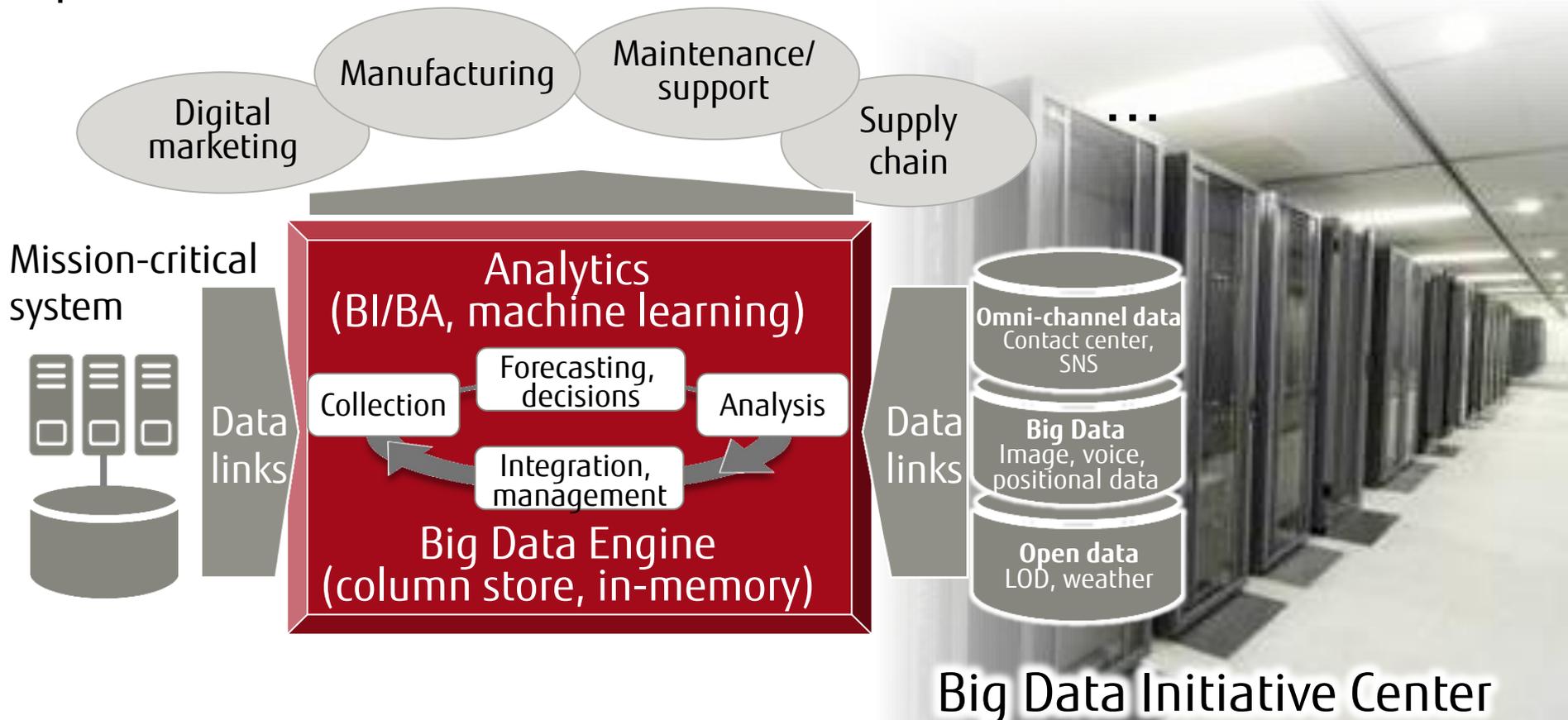


\*IoE: Internet of Everything



# Big Data Business Strategy and Focus Areas

- Broaden offerings and solutions in fields where needs are high
- Strengthen software and appliances that support real time decision-making
- Big Data Initiative Center to promote collaboration with customers and partners





# Security Business Strategy and Focus Areas

- Providing solutions based on security measures implemented internally, operational know-how
- Increase number of security engineers to 700
- Maintain government and financial services customers, expand into private enterprises, global markets

## Fast, reliable response to cyber attacks

- ✓ Automated detection and response to attacks
- ✓ Incorporates operational strategies from internal experience



Automated response (operational scenarios)

Time to initial response cut by **97%**

Time handling incidents cut by **60%**

Systemwalker Security Control

## Full-fledged customer support organization

- ✓ Enhanced organization

Increasing number of security engineers to 700 (expected in FY2016)

- ✓ New facility

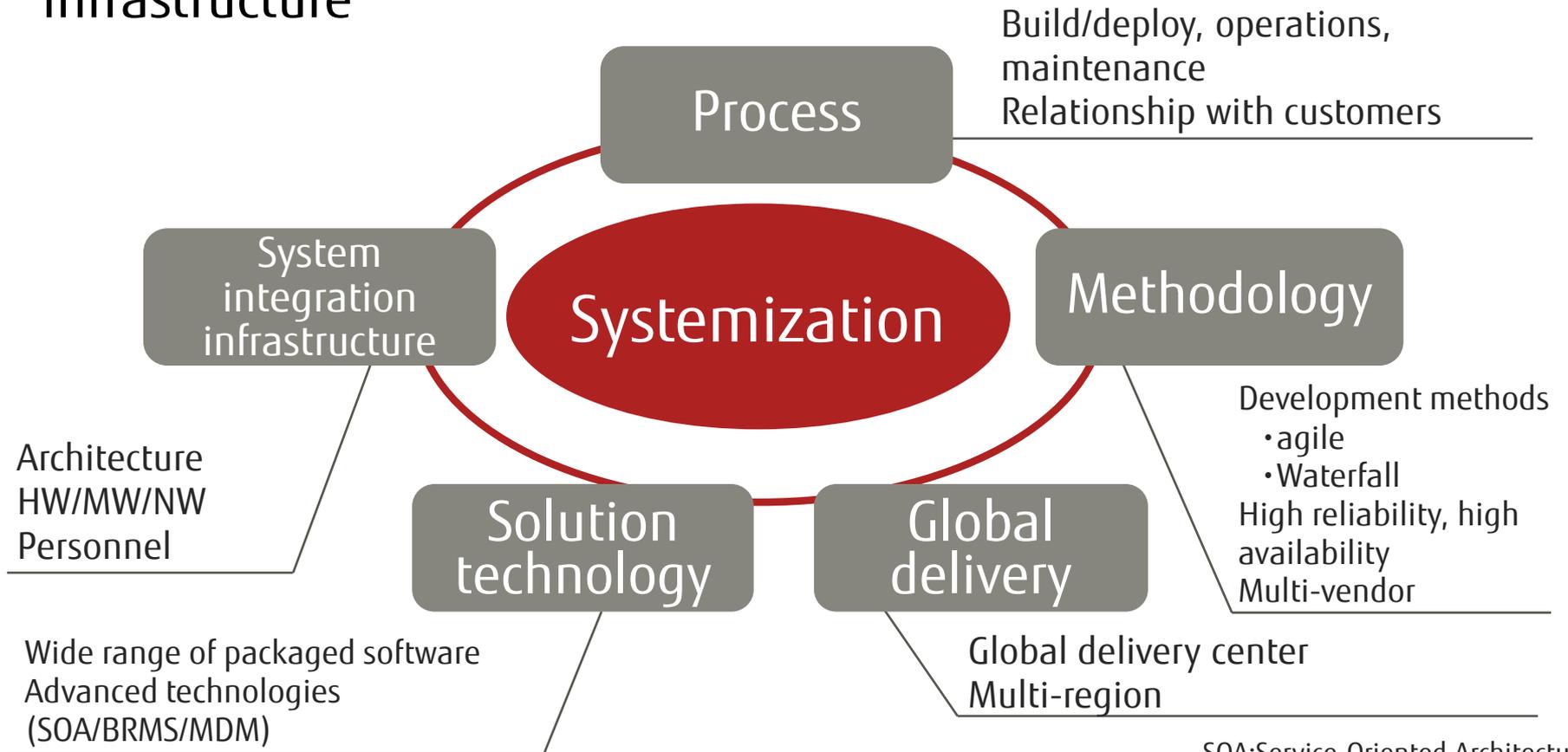
- To verify adequacy of security measures
- Dedicated cyber range



Security Initiative Center



- Enhance agile development capability, deliver integration services tailored to customers
- Systemize process, methodology, and system integration infrastructure



SOA:Service-Oriented Architecture  
 BRMS:Business Rule Management System  
 MDM: Mobile Device Management



- Evolving into new type of integrated organization by bringing field system engineers together with specialist system engineers



Customer

Integration

- Information systems that utilize Big Data
- New network services that support mobile usage
- Operations of both cloud and on premise systems

Contact point with customer



Field system engineer

Applications/  
middleware



Engineer

Network services



Network SE

Operations



Service managers

Established a newly integrated organization in May, 2013

## 2. Expand into New ICT Areas Social Innovation

# Examples of Initiatives in Social Innovation Field

- Develop initiatives that, as a business, resolve societal problems
- Deliver new value through partnerships with variety of companies, organizations

## Health/Medicine



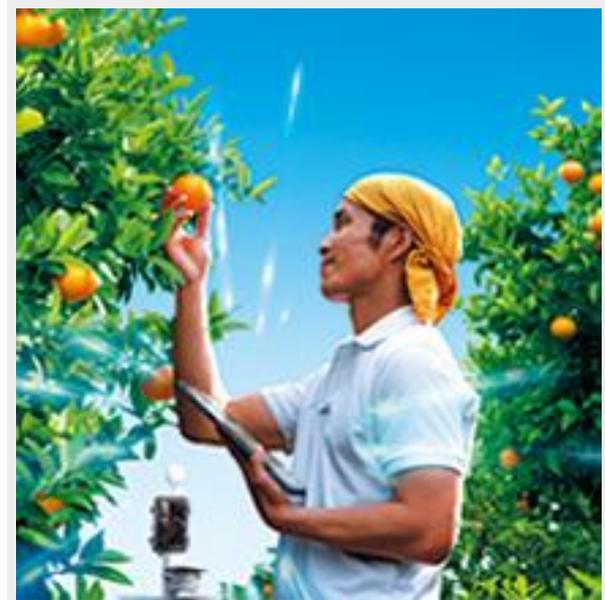
Enable medical services tailored to individual needs

## Transportation/Automobiles



Develop new services using positional data

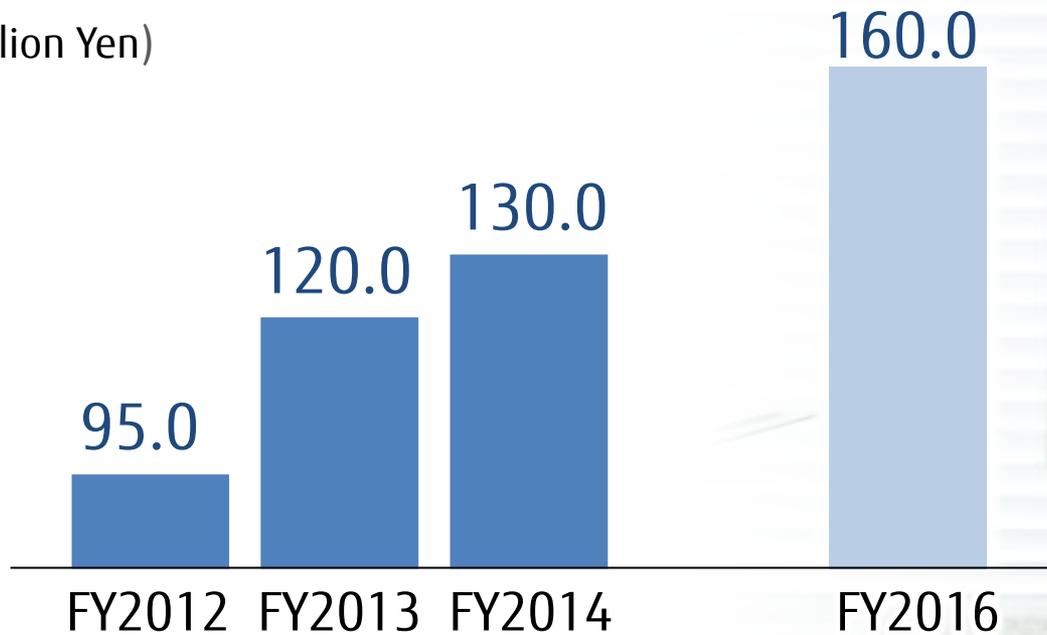
## Food/Agriculture



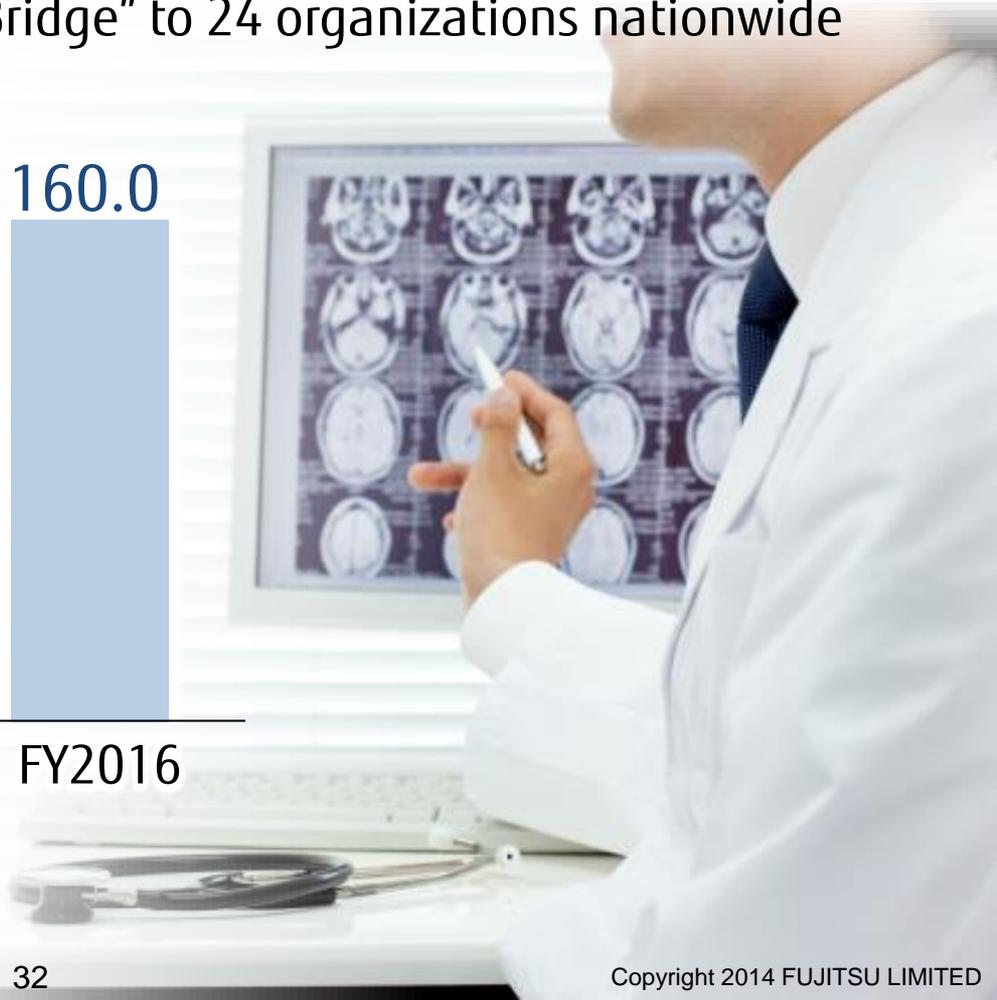
Build safe and secure food value chain

- Top share in Japan's electronic medical record systems market  
49% in academic medical centers, 34% share in all hospitals
- Contributing to creation of regional medical networks  
Deployed our medical cloud "HumanBridge" to 24 organizations nationwide

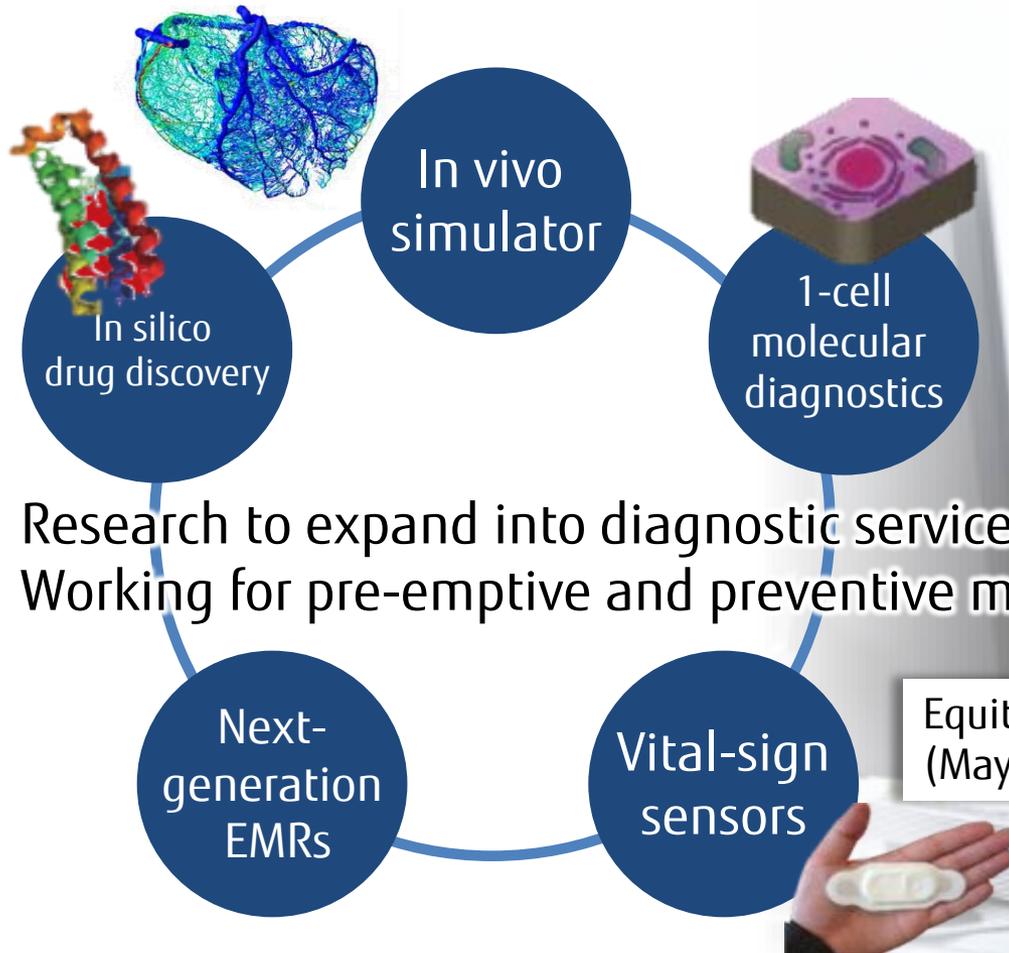
(Billion Yen)



Healthcare Business Sales



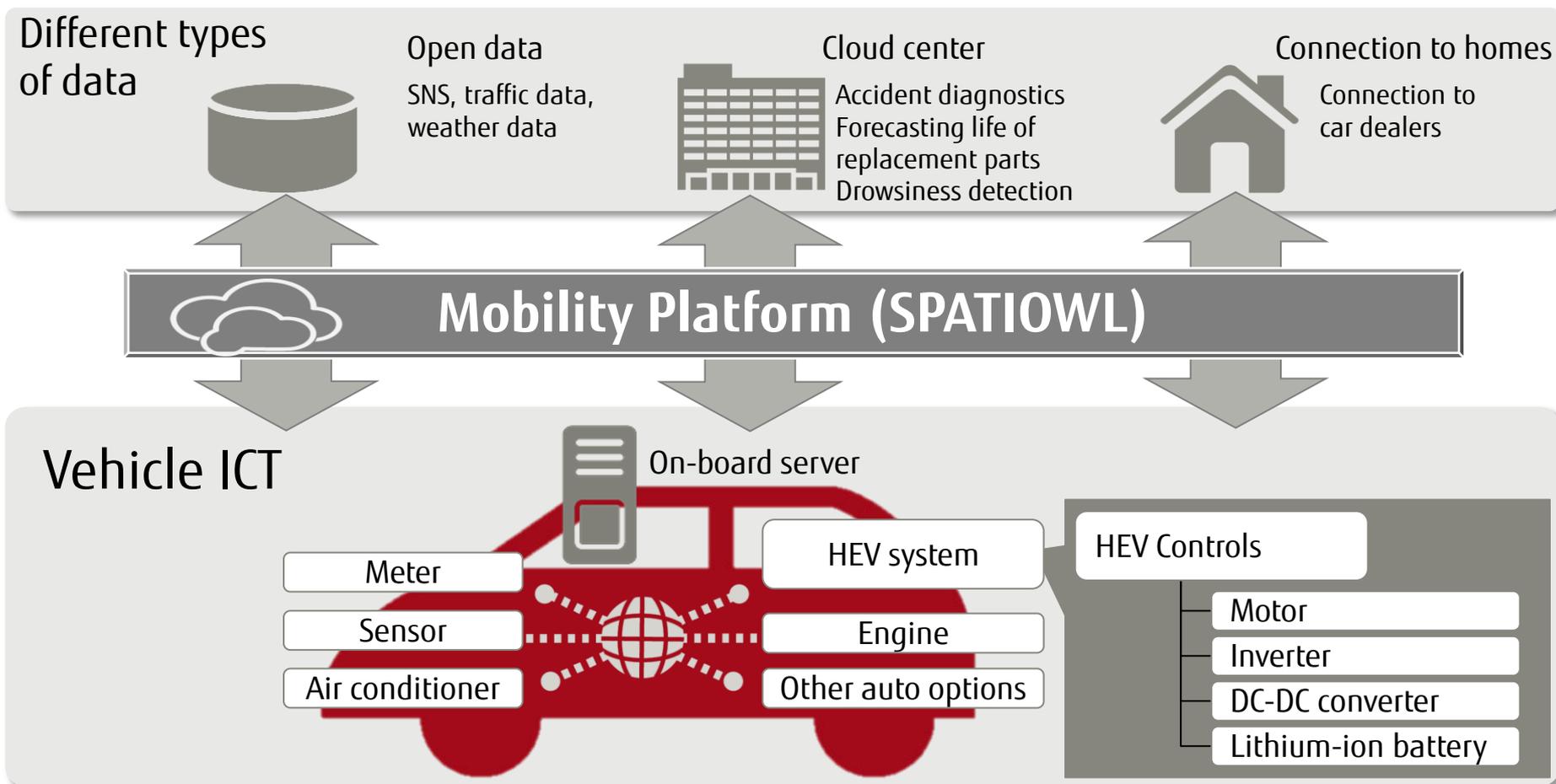
- Established Future Medical Care Center in December 2013
- Developing business in next-generation medical and health information services based on advanced technologies



Research to expand into diagnostic services  
Working for pre-emptive and preventive medicine

Equity investment in Yokogawa Medical Solutions  
(May 2014, Memorandum of Understanding)

- Develop Vehicle ICT as next-generation front-end systems
- Realize Mobility Platform that uses advanced technologies for a multi-modal, intelligent transportation society



## ■ Akisai food and agriculture cloud announced July 2012

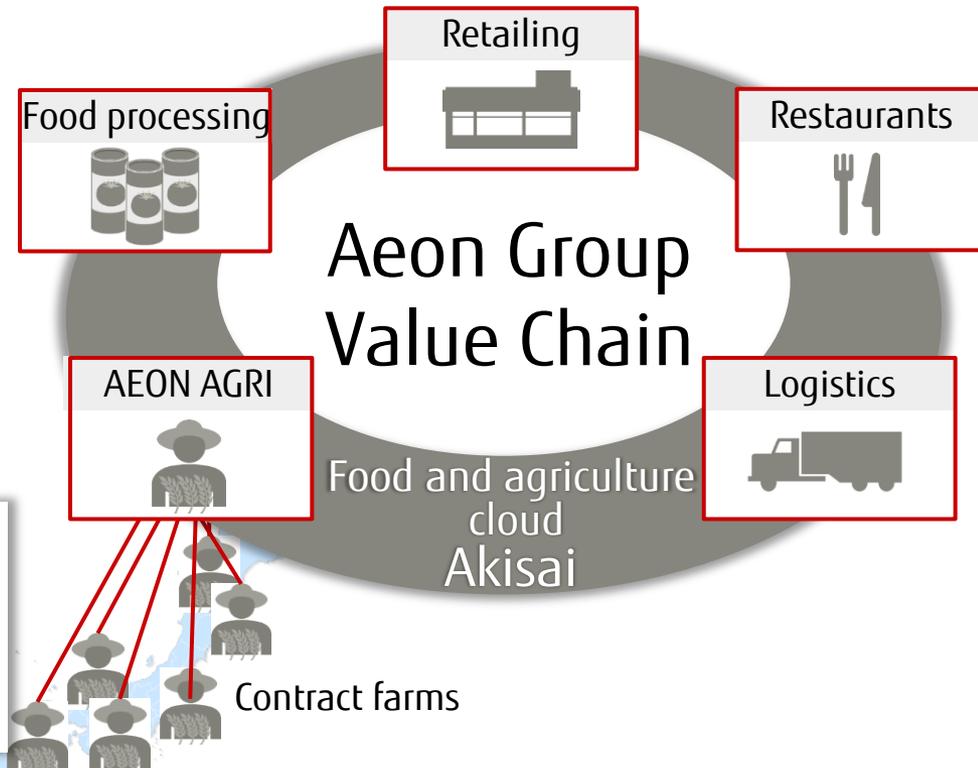
Used by over 200 organizations, including agriculture companies, retailers and logistics companies, local governments, agricultural cooperatives

## ■ Example: AEON AGRI CREATE

- Deployed at 15 directly managed farm sites, rolling out to 3,000 contracted farms in Japan and to other countries in Asia
- Brings visibility to management, production, and quality, to be used in Aeon Group's value chain

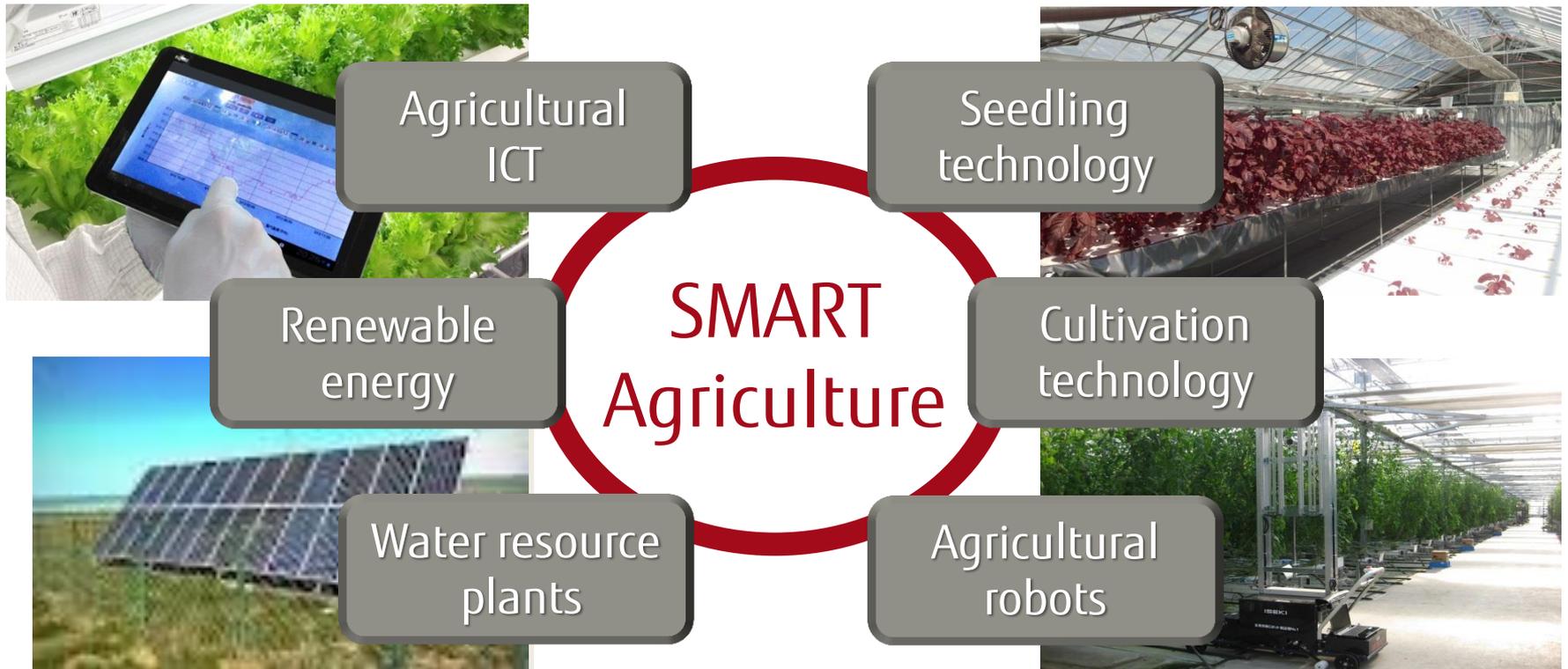


Fujitsu launched "Kirei Yasai" brand of vegetables grown at the Aizu-Wakamatsu Akisai Plant Factory (May 7, 2014)



# Modernizing Food and Agriculture

- Established a consortium that promotes a new agricultural production model that leverages Japan's technological capabilities
- In line with Japanese government strategy, developing export industries with participating companies



# Japan's "My Number" System (From January 2016)

- Will raise efficiency of social welfare and tax systems, promote the creation of social platforms to provide highly convenient services to residents and companies

Potential benefits from expansion of Japanese Public Key Infrastructure:  
Better medical care through sharing of clinical data, better residential services, etc.



- Systems relating to My Number used by national government bodies
- Upgrades to local government/enterprise systems, change operational processes

# Initiatives in Preparation for 2020 Events

- Contribute to Japan's further progress through ICT

1964



Social  
infrastructure

2020

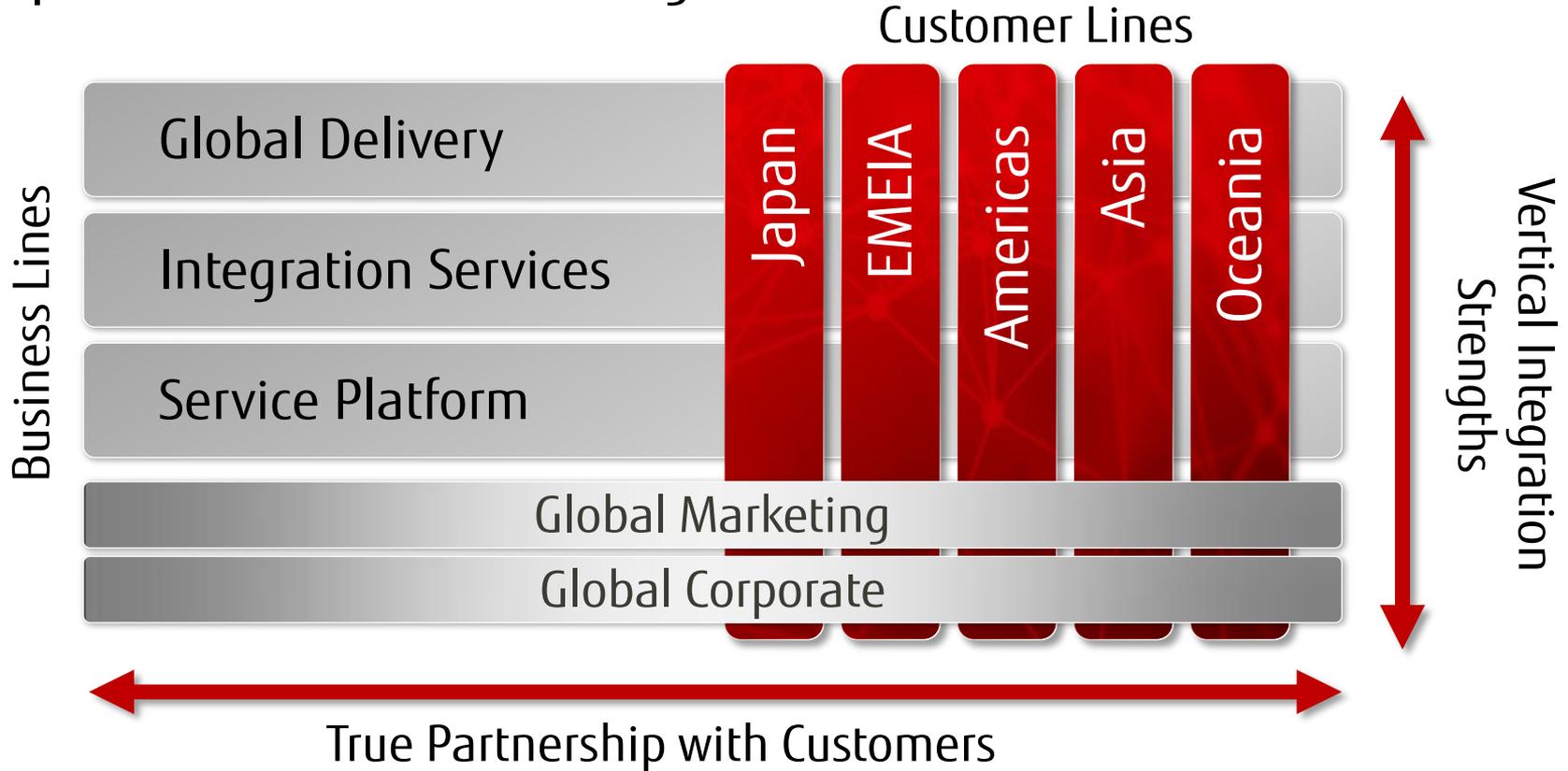


ICT infrastructure

# 3. Expand Business Areas Globally

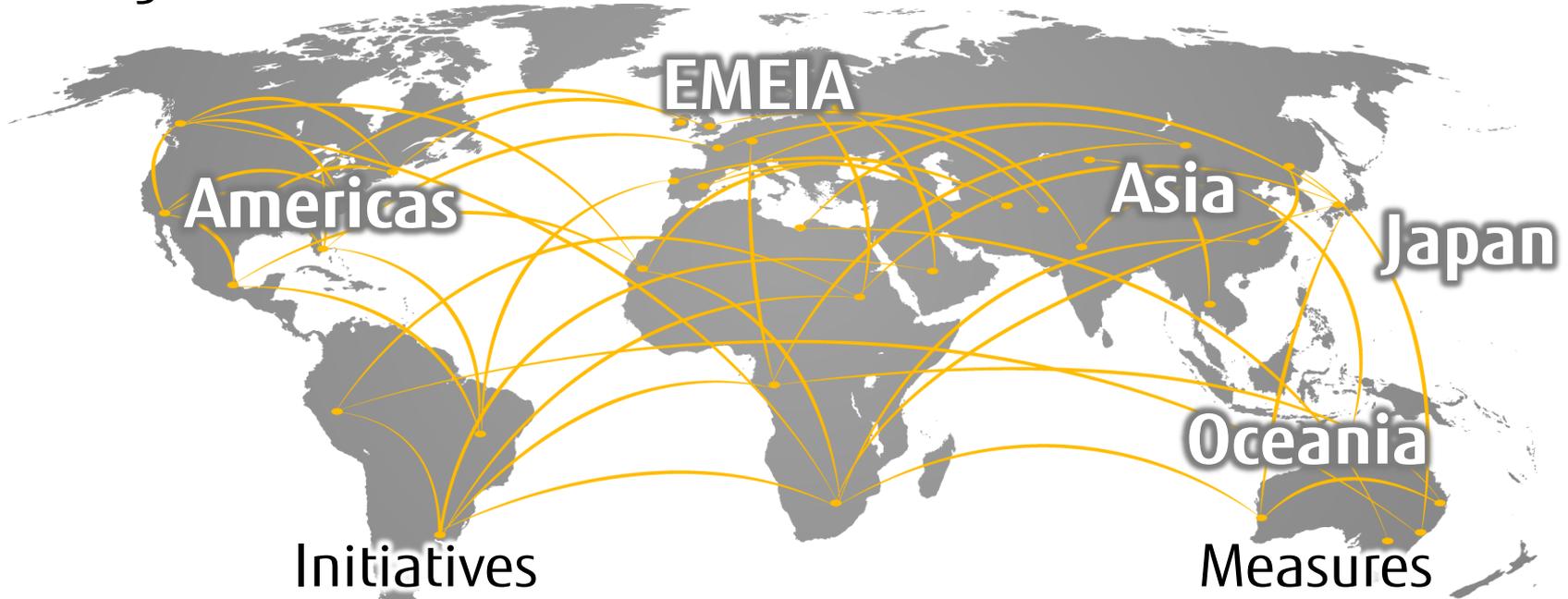
# Changes to Organizational Structure

- Reorganized previous "Japan" and "International" categories into five regions
- Reorganized and strengthened Global Delivery group to enhance products and services for global market



# Strengthening Global Delivery Capabilities

- Expanding global provision of uniform services and solutions
- Managed services, innovation solutions



- Initiatives**
1. Build and expand global services locations
  2. Global standardization of tools, platforms
  3. Enhance global products, solutions

- Measures**
1. Development investments
  2. Human resource development and training
  3. Upgrade internal IT infrastructure for global uniformity
  4. M&A

## ■ Financial Services Organizations Outside Japan

- Switched 50,000 PCs from multiple vendors to virtual desktop environment
- Costs for security and disaster preparedness kept in check, improving group-wide profit
- Through managed services in 20 countries around the world, contributes to enhanced global competitiveness through improving ICT infrastructure



# Global Delivery Case Study

## ■ Airbus

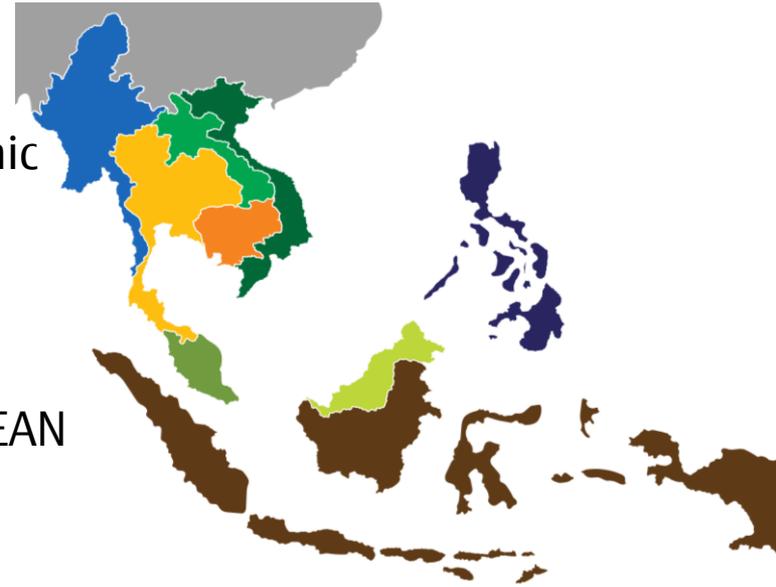
- RFID tags affixed to major components on all Airbus planes in manufacturing stage, enabling visibility of components across the aviation industry and optimization of supply chain
- Sale of RFID tags, readers, software for writing tag data and printing tags, peripheral equipment, and services to Airbus



## ■ Fujitsu's initiatives in ASEAN, a region on its way toward a new stage of growth

### ● Market characteristics

- Growth in the greater Mekong and Malay economic region
- Development of East-West corridor linking economies around the Indian Ocean (including Myanmar)
- Growing presence of Japanese corporations in ASEAN
- ASEAN Economic Community to launch in 2015

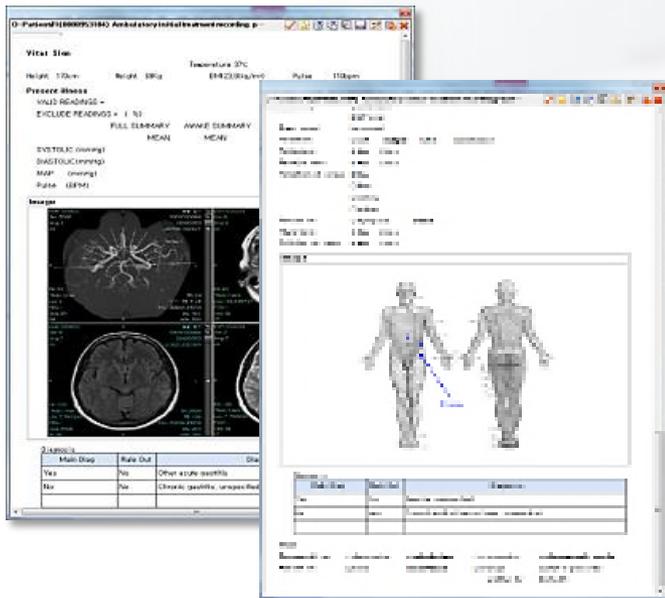


### Fujitsu's initiatives

- Promoting ODA and government projects (special economic zones, smart city projects, accelerated building of social infrastructure)
- Expanding markets for made-in-Japan solutions (medical care, transportation, financial services)
- Developing business in Myanmar (opening of office in Yangon)
- Using ICT to support Japanese companies' accelerating expansion in the region

# Global Delivery Case Study

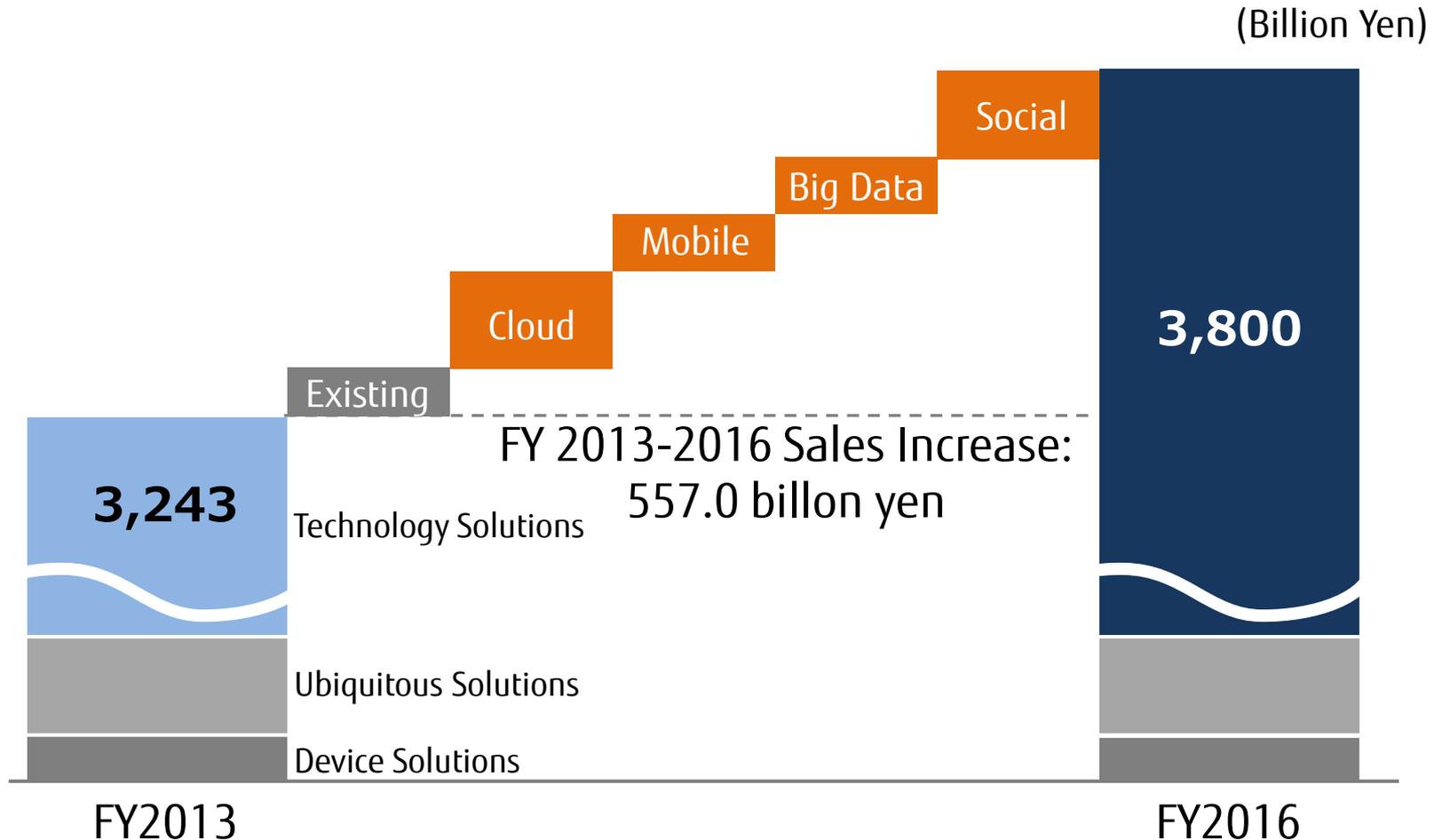
- Taking electronic medical record solutions to ASEAN
  - Moving forward on deals to offer electronic medical records to large-scale hospital groups
  - Fujitsu's proprietary EMR system holds top market share among large-scale hospitals in Japan and Korea
  - Experts from Japan and Korea working together with the local staff as a team



# Sales Targets and Investment Plan

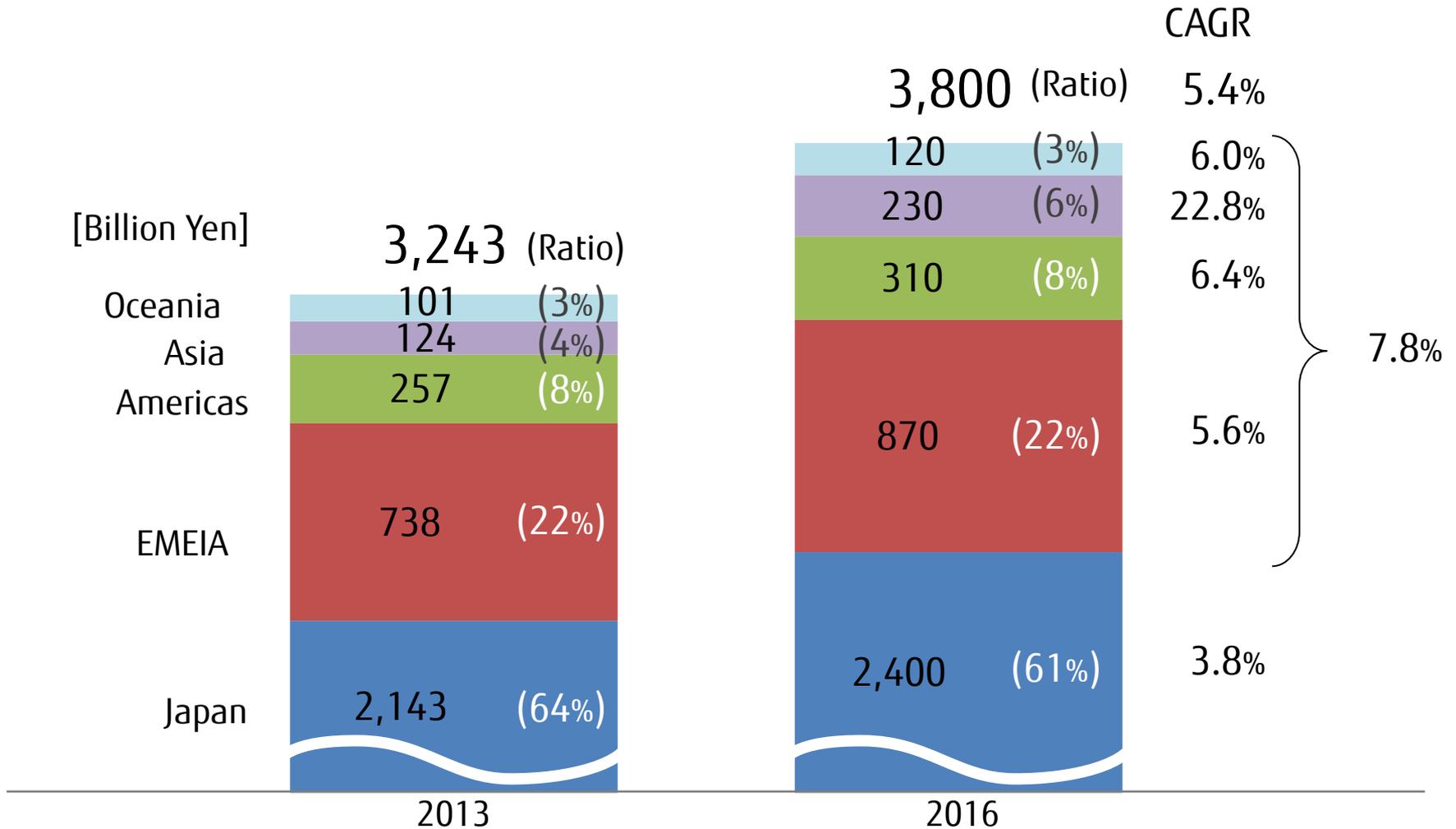
# Expand Sales in Growth Areas

- Aiming for sales of 3.8 trillion yen in Technology Solutions



# Sales Targets by Region (Technology Solutions)

■ 300 billion yen increase in sales in the four regions outside Japan



\*Regional sales include sales made between regions

# Investments in New Areas (Cumulative FY2014-2016)

■ Plan to invest 200 billion yen to achieve growth strategy

Strengthen global delivery capabilities

**50 billion yen**

Social innovation

**50 billion yen**

Business innovation

**100 billion yen**

Modernization of existing business systems

Sales targets for products and services supporting innovation\*

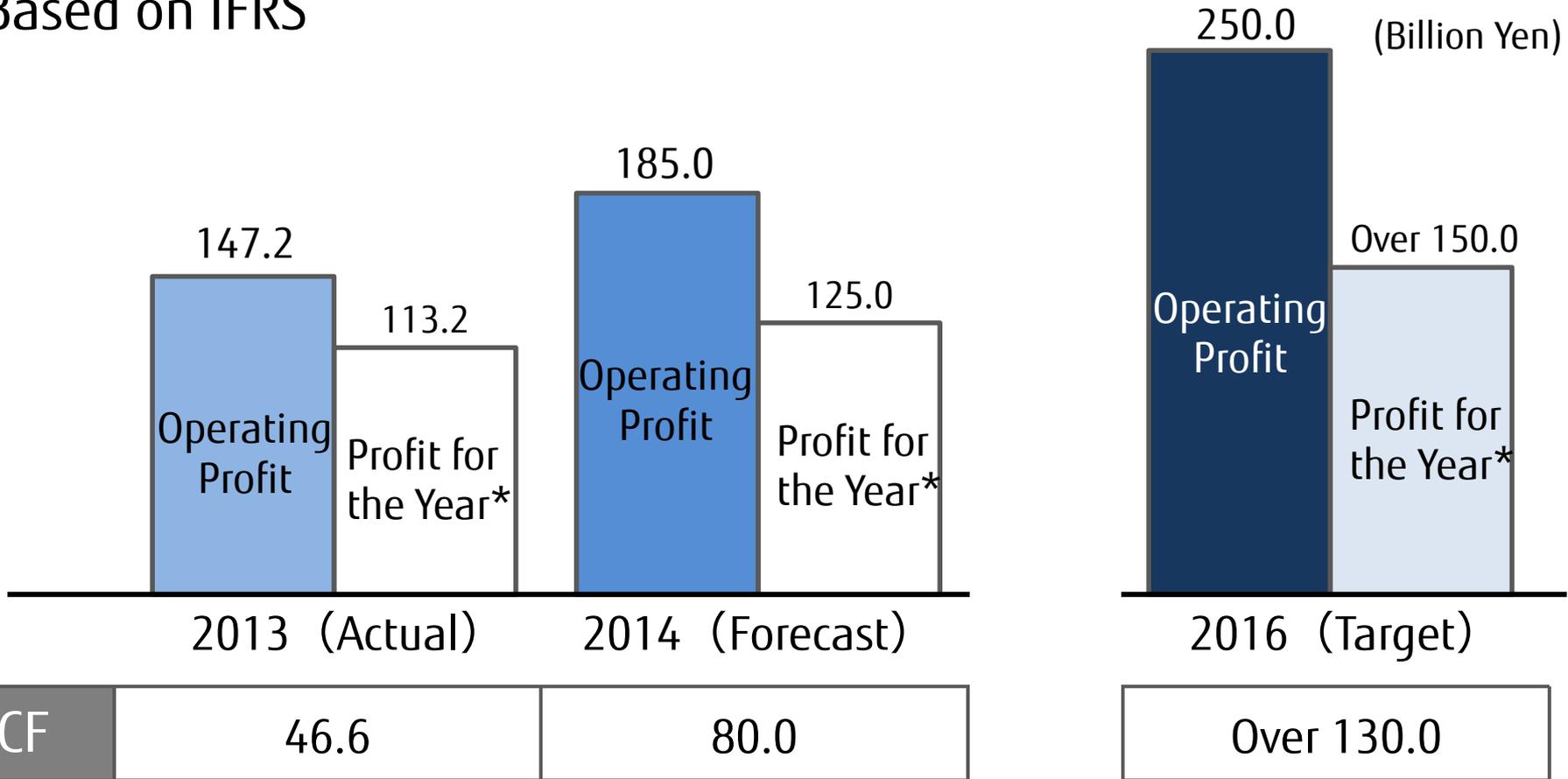
- Cloud : **350 billion yen**
- Mobile : **260 billion yen**
- Big Data : **250 billion yen**
- Social : **240 billion yen**

\* Sales based on business deals (includes double-counting among categories)

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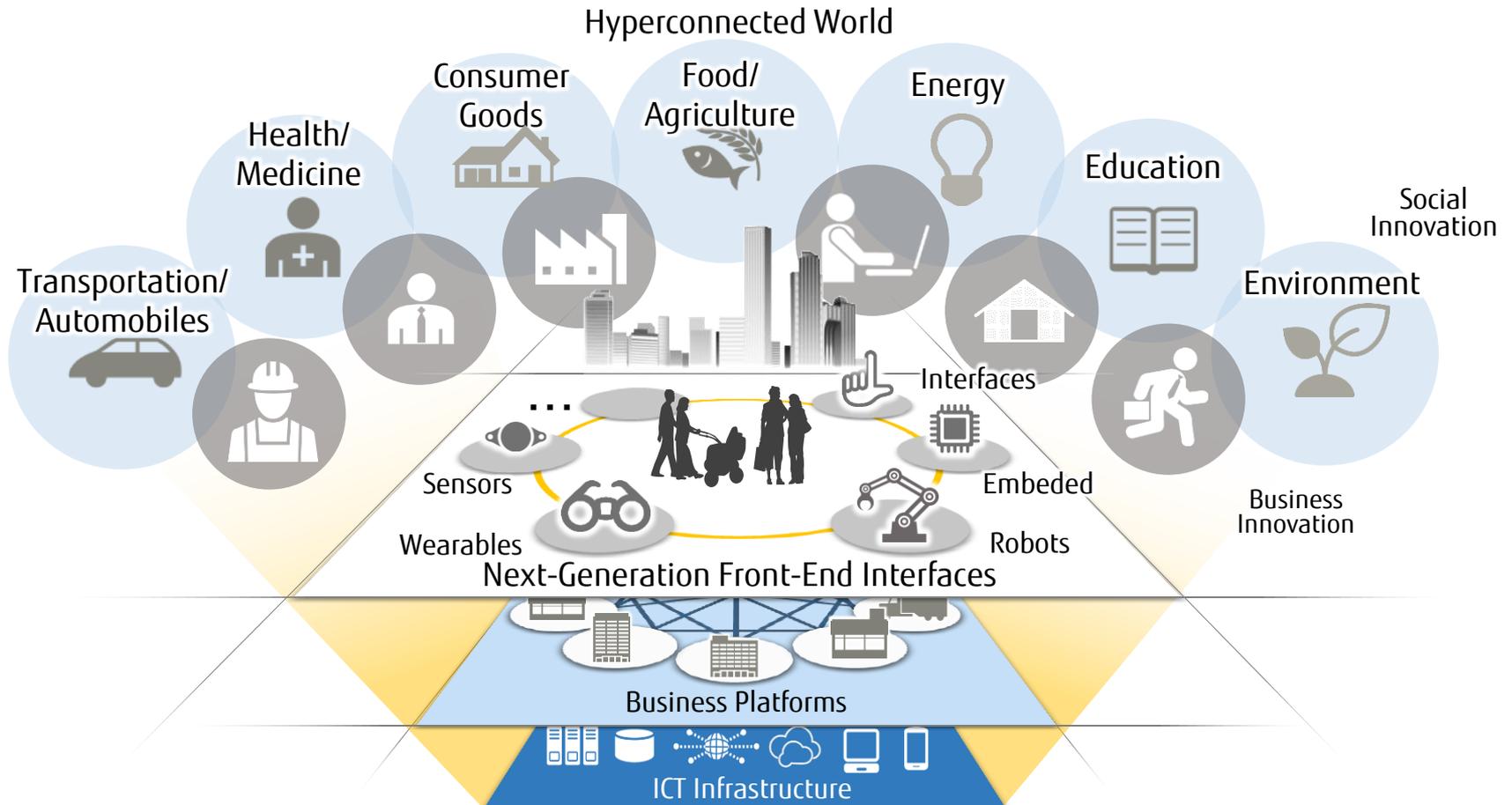
Based on IFRS



\* Profit attributable to owners of the parent company

# What Fujitsu is Striving to Achieve

- To realize a Human Centric Intelligent Society, Fujitsu will work with customers to generate innovation in business and society



Open ecosystem connecting people, information and infrastructure



**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.