

Speech Points for Senior Executive Vice President Tanaka

Introductory Remarks

Thank you for gathering here today, despite your busy schedules.

I would like to express my sincerest gratitude to all of you, who have always supported us and taken care to be especially understanding of our company's activities.

After this, CFO Tsukano will present our fiscal 2014 financial results, as well as our projections for fiscal 2015. Before that, however, I would like to explain my own basic thoughts about Fujitsu's business.

Issues Considered in Formulating FY2015 Projections

First, I will review our results for fiscal 2014. Revenue was essentially unchanged from the prior year. Operating profit was 178.6 billion yen, but due to the impact of exchange rate movements and other factors, we fell short of our target by a little over 6.0 billion yen. Still, operating profit increased by over 20% from the prior year. Profit for the period was a record 140.0 billion yen.

At the management direction briefing we held last May, we announced our management targets for the three-year period beginning with fiscal 2014, but in formulating our projections for fiscal 2015, we once again identified the following two broad points as issues that we must urgently address.

The first point, regarding our Services business, is that, while we expect to be able to maintain a certain level of stable growth, we need to further accelerate our returns on the upfront investments we have made over the past several years.

Although we have no intention of easing up on upfront investments for future growth, we do intend to recoup our investments in very tangible ways as quickly as possible in order to improve the earnings capacity of our existing business and expand into new business areas.

The second point is that, in our hardware products business, we have not resolved our vulnerability to exchange rate movements, particularly at our European subsidiaries, where the unexpectedly rapid and sharp weakening of the euro is hurting our earnings.

Reaffirming that our hardware products business is one of Fujitsu's strengths, we aim to create a business model with a clear growth trajectory that is impervious to the influence of external factors.

Given this, we are projecting revenue for fiscal 2015 of 4,850 billion yen, a 96.7 billion yen increase from the prior year. We project operating profit of 150 billion yen, a decline of 28.6 billion yen.

These figures may be lower than you were expecting, but we decided that we needed to address these issues during fiscal 2015, and, in consultation with President Yamamoto, we decided to factor the costs of addressing these issues into our fiscal 2015 projections.

Addressing Management Challenges

For fiscal 2015, continuing from fiscal 2014, our basic expectations are to be able to generate steady revenue and profit in a firm market environment, particularly in Japan. Under these conditions, we are aware that to accomplish sustainable growth over the long term, it is essential that we take the following measures.

While the spread of digital technology presents Fujitsu with significant business opportunities, it is imperative that we face the changes in the competitive environment of global players. We must quickly address these urgent challenges, and also pursuing business models in which we concentrate all of our products on integrated digital platforms to deliver value. This will set us apart from the competition.

Our management is united in the direction we have set, and I have instructed each business unit head to quickly formulate specific measures so that we move to execute initiatives that can be addressed immediately.

Further details will be provided when appropriate, and I would like to provide additional explanation on a different occasion.

On the Medium-Term Plan

This fiscal year, I have stated that we are placing a priority on addressing our urgent challenges, even while lowering our target for operating profit, but this is not a short-term remedy. It means that we will identify the essence of these issues and fundamentally and concretely move to quickly address them.

In order to accomplish this, in addition to deciding what we will do to address these challenges this fiscal year, I personally plan to check each business unit and review each unit's medium-term targets.

With respect to the market changes and risks that Fujitsu faces, by taking a customer-first, market-driven approach—in other words, by taking the perspective of customers and the markets—and moving with a sense of urgency to overcome challenges, I am confident that we will be able to convert them into business opportunities.

I would like to formulate concrete plans to enhance our earnings capacity and solidify our growth trajectory, as well as the numerical targets that will underpin them.

Conclusion

We are putting forth very severe projections for fiscal 2015, with a projected decline in profits from fiscal 2014. For our investors who had high expectations for our growth strategy, this will come as a disappointment, for which I express my regret. However, we have a clear grasp of the essential issues we must address. I would like to move quickly to formulate specific plans to address them so that we can enjoy further growth in the future. I ask for your continued understanding and support.