

# Management Direction

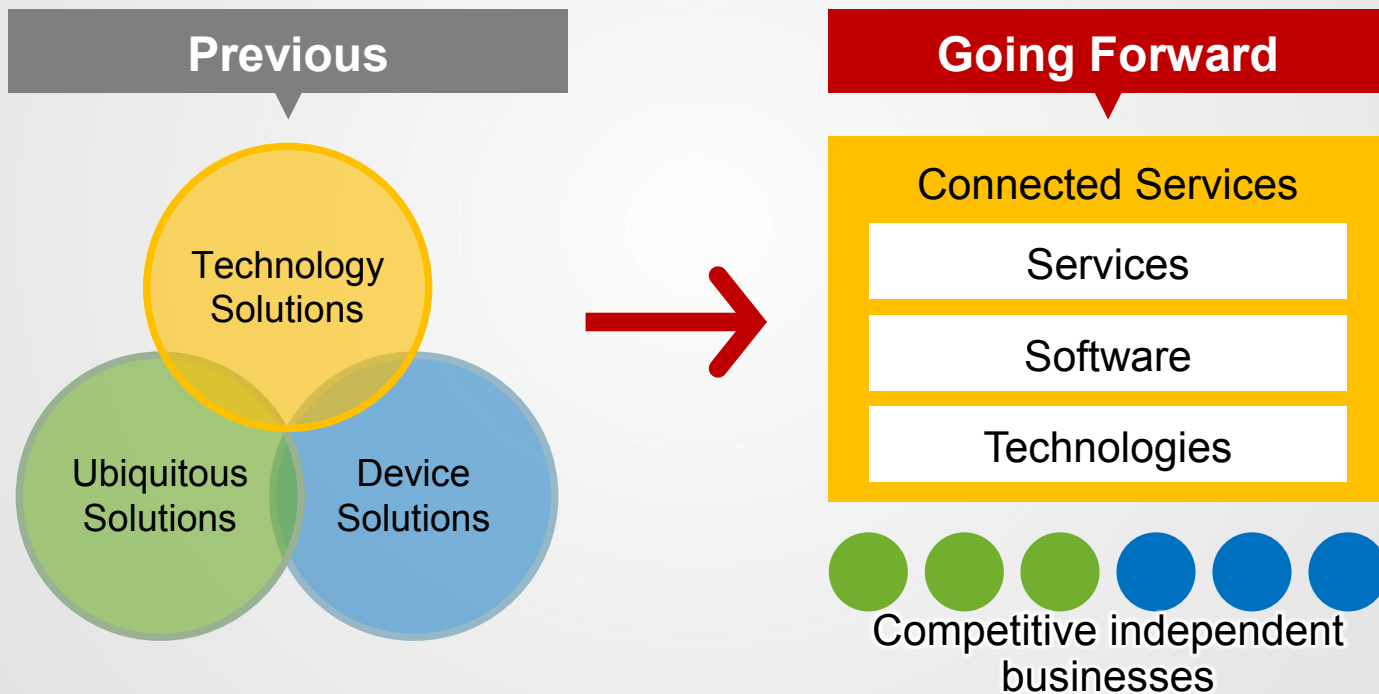
## FY2018 Progress Review

October 26, 2018

Fujitsu Limited

# 1. Business Model Going Forward

- Focus our management resources on Technology Solutions, as a services-oriented company



## 2. Financial Targets

Consolidated operating profit margin	→	over	<b>10</b> %
Owners' equity ratio*	→	over	<b>40</b> %
Free cash flow	→	over	<b>JPY 150</b> billion
Ratio of sales outside Japan	→	over	<b>50</b> %

\* Owners' equity ratio: Ratio of equity attributable to owners of the parent

### 3. Market Opportunities for Fujitsu



- **Systems integration market in Japan remains robust**
- **Nature of IT investments is changing**
- **Cross industry fields are expanding**
- **Commercialization of 5G cellular mobile communications systems**

# 4. Strategies for Growth

---



## **1. Transformation of Sales in Japan**

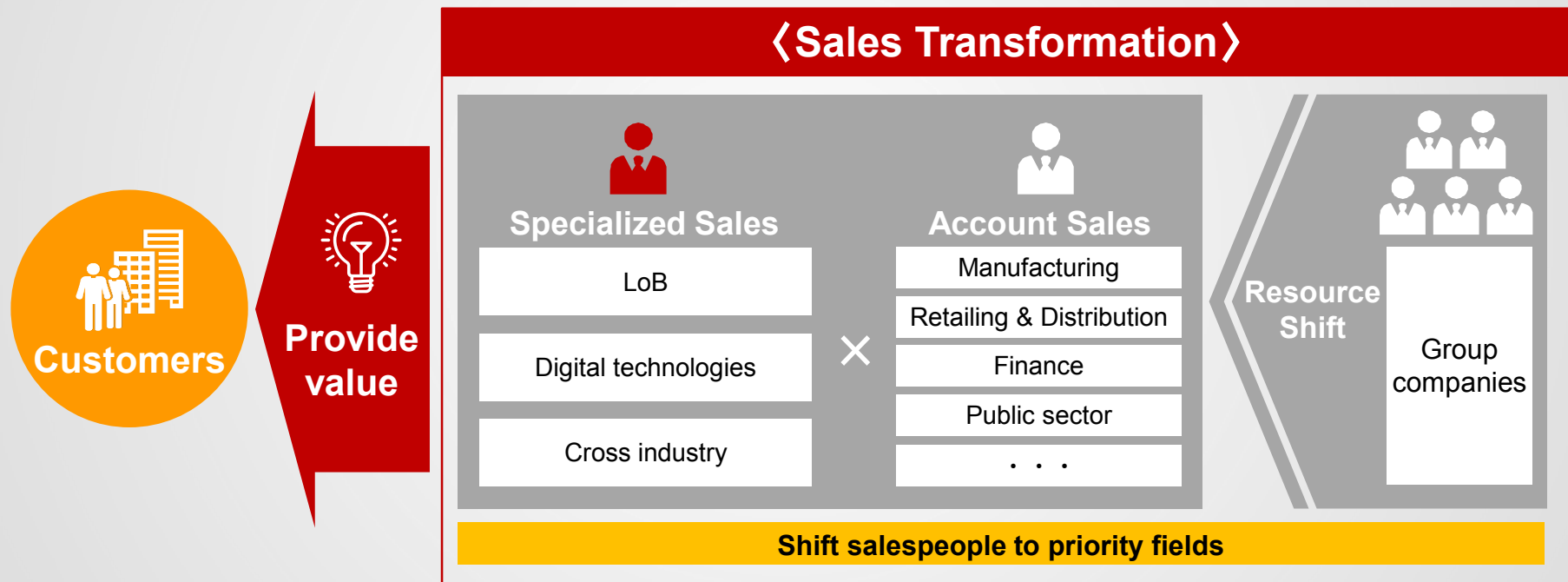
## **2. Strengthening Business**

- Basic policy
- Strengthen Service Integration business
- Increase product competitiveness
- Measures for individual businesses

## **3. Creation of a New Global Structure**

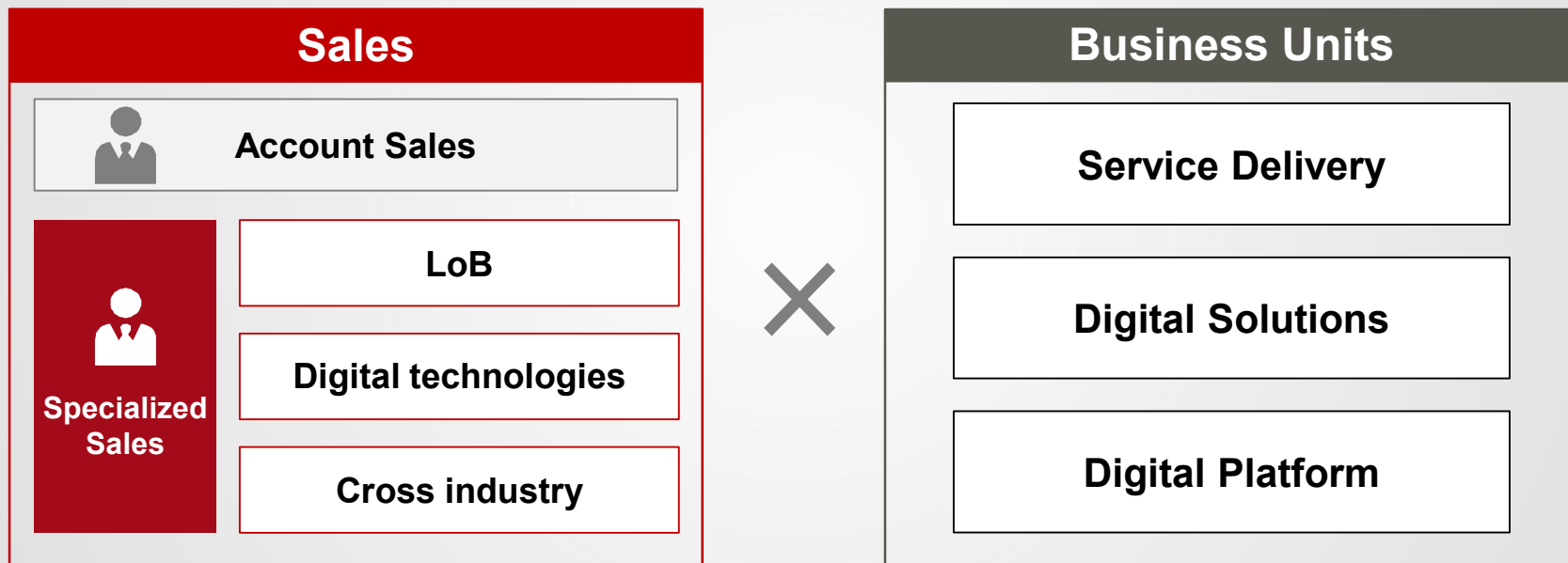
# 4.1 Transformation of Sales in Japan

- Thoroughly capture priority fields that are expected to grow



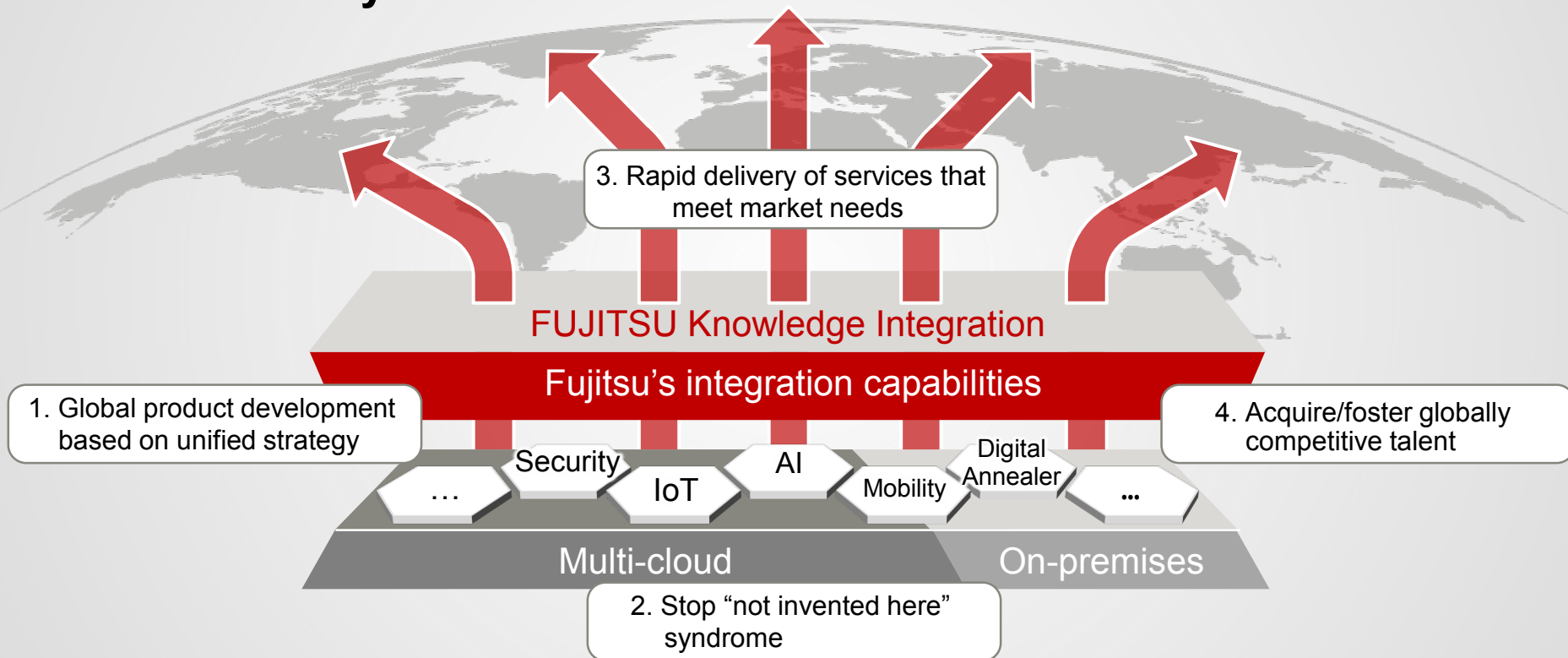
# 4.1 Transformation of Sales in Japan

## ■ Reinforce Specialized Sales



## 4.2 Strengthening Fujitsu's Business

### ■ Basic Policy

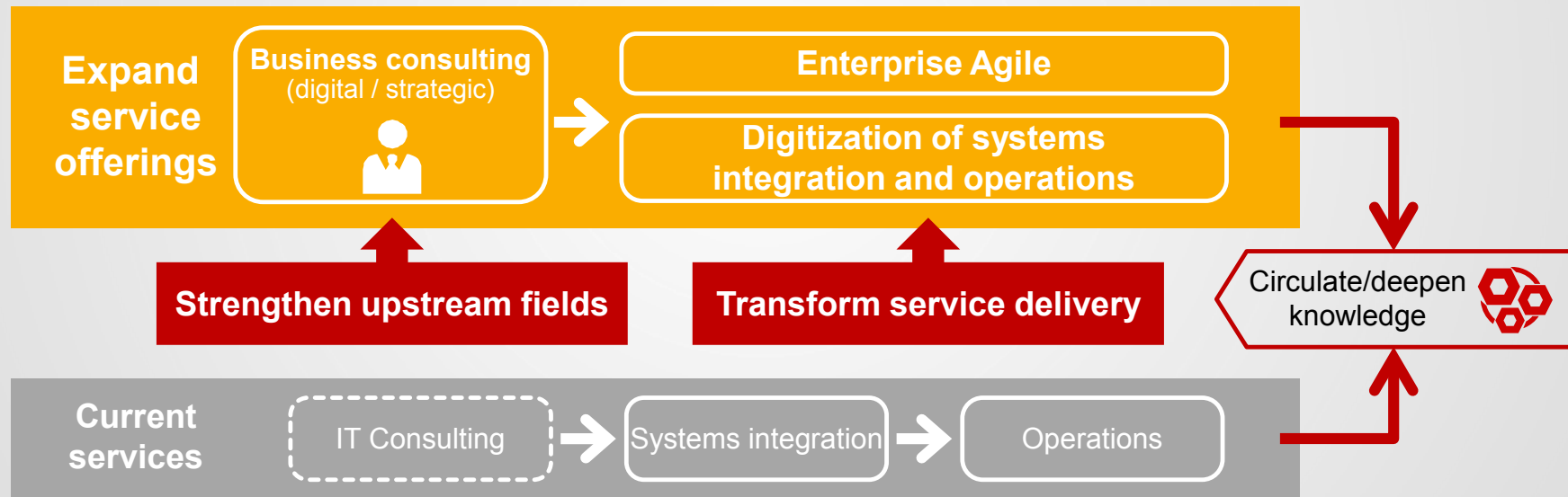




## 4.2 Strengthening Fujitsu's Business

### ■ Strengthen the Service Integration business

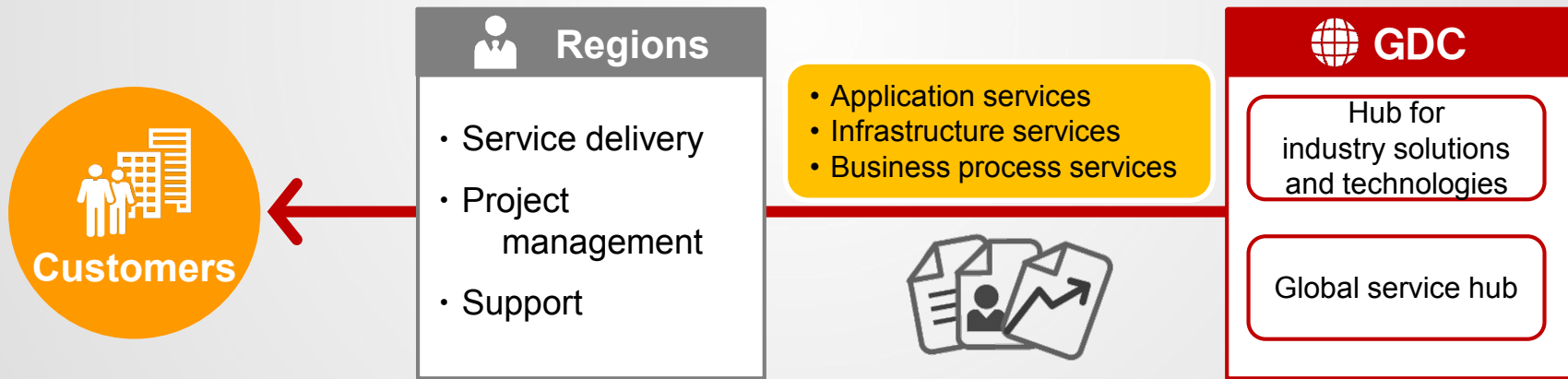
- Strengthen upstream (consulting) fields
- Transform service delivery



## 4.2 Strengthening Fujitsu's Business

### ■ Strengthen the Service Integration business

- Strengthen priority business fields in Japan
- Improve formation to grow business outside Japan
- Increase sophistication and capabilities of GDC\*

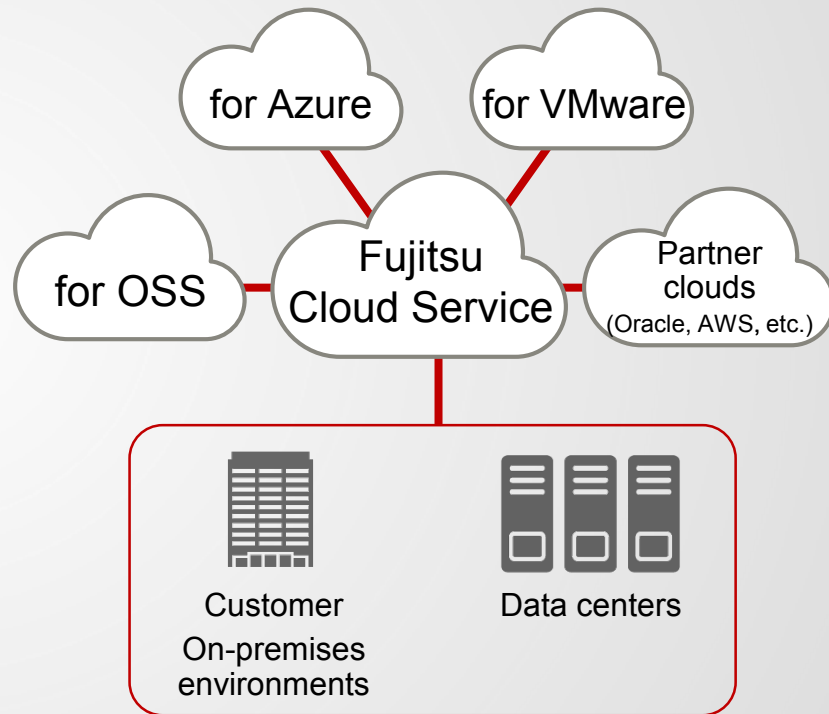


\*GDC: Global Delivery Center

## 4.2 Strengthening Fujitsu's Business

### ■ Increase product competitiveness (Cloud)

- Grow multi-cloud business by teaming with mega cloud partners
- Focus on Hybrid IT field
  - Develop and expand tool packages that can differentiate Fujitsu
- Strengthen governance structure to ensure globally uniform service delivery



## 4.2 Strengthening Fujitsu's Business

### ■ Increase product competitiveness (Digital businesses)



#### **AI / Digital Annealer**

- Build AI headquarters in Vancouver, Canada
- Team with companies and people in leading AI regions, including North America
- Digital Annealer has been proved effective in various industry sectors, and based on the results, will be promoted globally



#### **IoT**

- Using technologies developed by Fujitsu Laboratories, raise the competitiveness of IoT services for automobiles, manufacturing, retailing and distribution, etc.



#### **Security**

- Operate from structure of two headquarters, in Tokyo and London
- Increase the number of Security Meister security engineers to a force of 11,000

## 4.2 Strengthening Fujitsu's Business

### ■ Networks

#### Strategic partnership with Ericsson

- Co-development of 5G radio access network products for Japan market
- Integration of 5G mobile packet core products
- Future Plans
  - Deploy 5G radio access network products to global market
  - Complement portfolio for 5G mobile backhaul products
  - Offer IoT solutions
  - Utilize manufacturing facilities for network products

## 4.2 Strengthening Fujitsu's Business

### ■ EMEIA

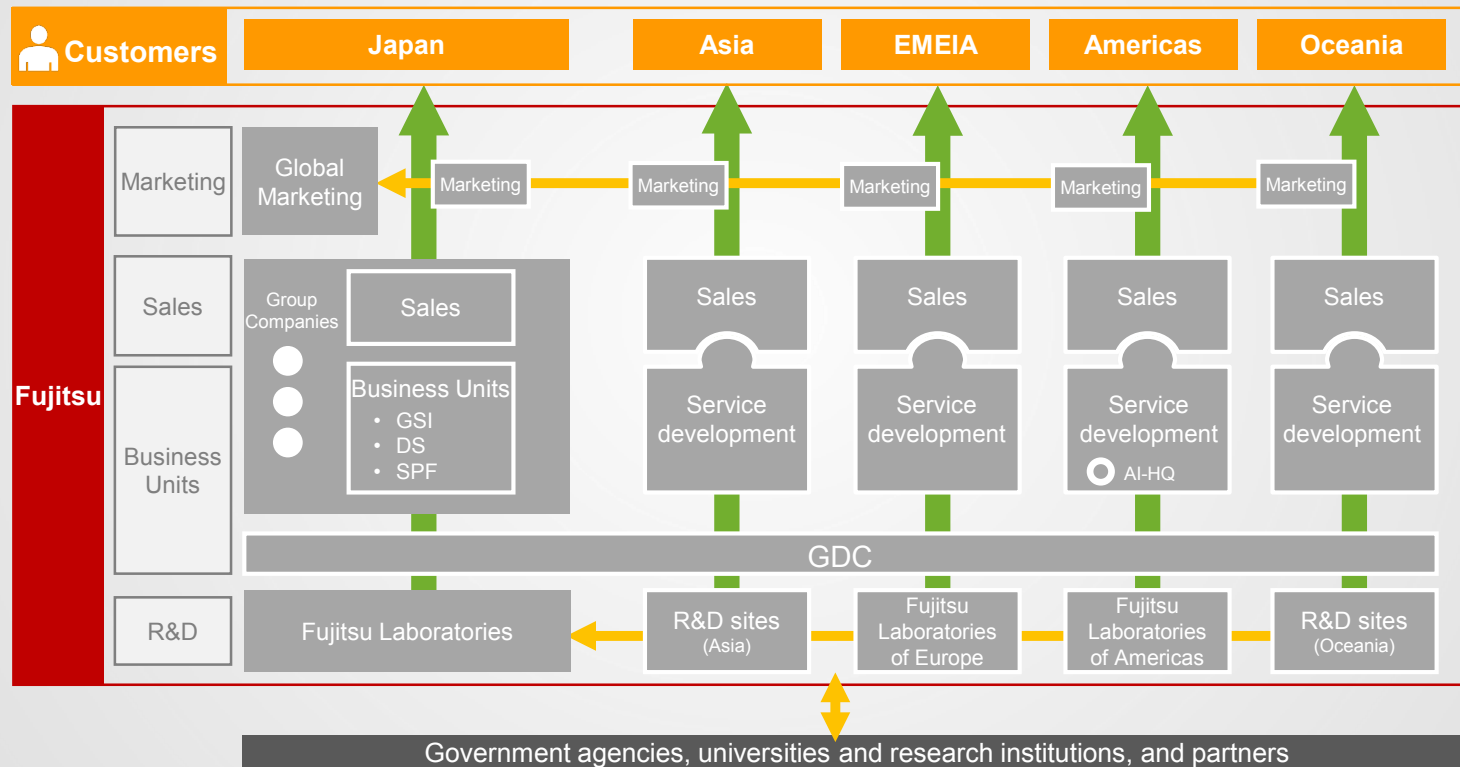
#### **Drastic structural reforms to improve profit margins**

- Global reorganization to strengthen our product business set up. Start consultation on closure of Augsburg site (Germany).
- Concentrate management resources in the countries where we have strong customer base. (Around half will be reviewed)
- Indirect costs will be reduced to achieve cost competitiveness.

※Impact on the financial results of this fiscal year onwards is currently being examined.  
※Subject to consultation and negotiation with employee representative bodies.

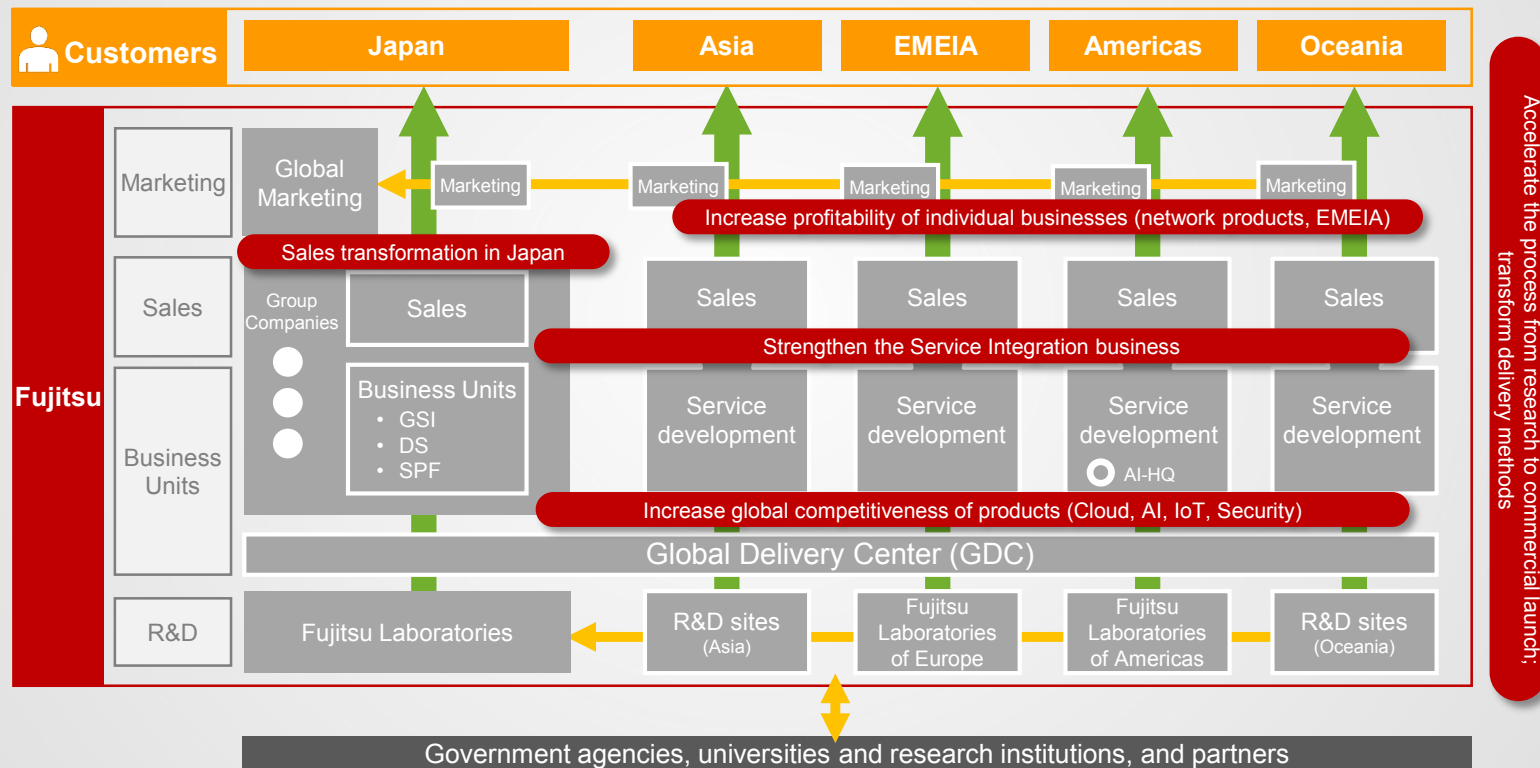
## 4.3 Creation of a New Global Structure

### ■ Global Matrix 5.0



## 4.3 Creation of a New Global Structure

### ■ Global Matrix 5.0





## 5. New Management Structure (effective from Jan.1 2019)

---



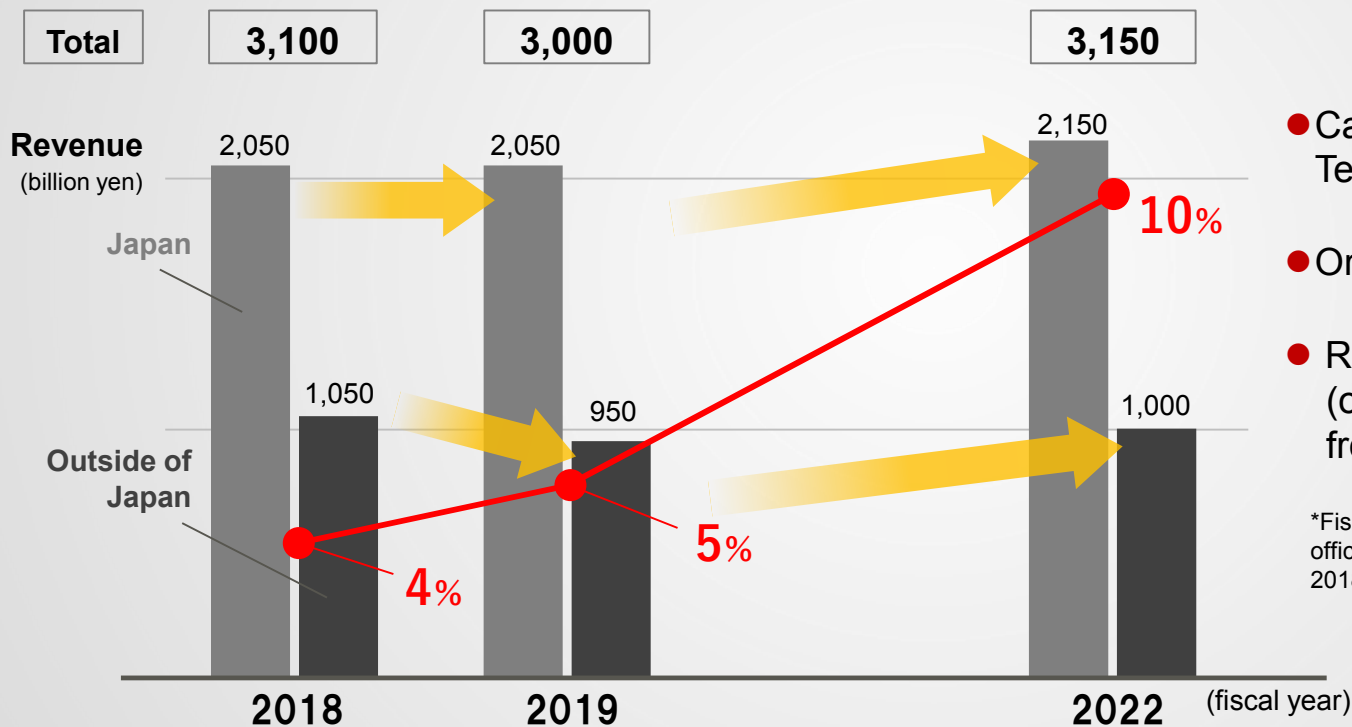
- **Speeding up decision making and execution, and clarifying responsibility and authority**
  - A two-person representative director structure - namely, the president and CFO (assistant to the president), resignation of two executive directors
  - Cutting by half the number of executive officers
  - Business groups consolidated as "Technology Solutions" segment
  - Fujitsu Limited corporate executive officers in charge will concurrently serve as presidents of certain major subsidiaries

## 6. Shifting Resources toward Growth

- **Strengthening in areas of prospective growth with a resource shift on a scale of 5,000 people in Japan, and streamlining and rationalizing indirect/support functions**
  - Nurturing personnel in sales, SE, business consulting and SAP consulting by utilizing knowhow in corporate functions and other business
  - Consolidate Group companies' indirect/support functions to Fujitsu Limited
  - Enhance investment into human resources suitable to a services company
  - Support with the career change or career course redirection to in or outside of the company
- **Manufacturing structure will be reviewed and its formation changed in line with business scale and conditions**

# 7. Financial Targets

## Target operating profit margin of 10% for Technology Solutions

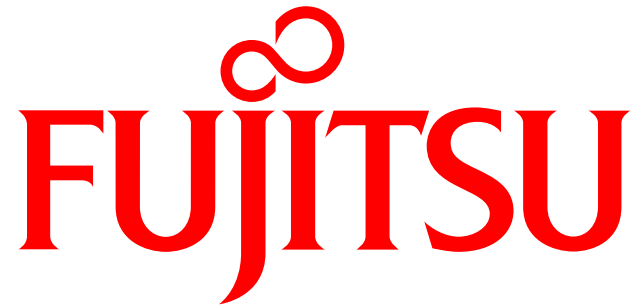


- Calculation base for KPI is Technology Solutions business
- Organic base, not including M&A
- Ratio of sales outside Japan (over 50%) currently excluded from KPI

\*Fiscal 2019 figures are as currently planned and official projection will be disclosed with the fiscal 2018 financial report

# Realization of a More Prosperous Society





shaping tomorrow with you

## Cautionary Statement

These presentation materials and other information provided at the 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. Actual results may differ materially from those projected or implied in the forward-looking statements due to, but not limited to, the following factors:

- Macro-economic environments and market trends in the principle geographic markets for Fujitsu's services and products, which are Japan, EMEA, Americas, Asia, Oceania and elsewhere, particularly such conditions that may effect customers' IT spending;
- Rapid technological change, fluctuations in customer demand and intensifying price competition in IT, telecommunications, and electronic device 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 impact of losses which may result from such transactions;
- Uncertainties 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 obtain financing on commercially reasonable terms, insolvency or bankruptcy of Fujitsu's customers, or any such factor that could adversely impact 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 and profits or in which Fujitsu's assets and liabilities are denominated, particularly between the yen and Euro, British pound and U.S. dollar.