Market Trend: Accelerating Digitalization

Expectations for the delivery of higher-value ICT services

Customer Issue: Securing specialized talent required for an IoT society
Fujitsu’s Business Opportunities

New ‘Fields’ in a Digital Society

Tasks

Innovation

(Across industries, new business areas)

Smart cities

Fintech

Self-driving vehicles

Digital Marketing

Food and agriculture

Smart factories

Fujitsu’s Business Opportunities

Field

Healthcare

Finance

Retail

Government

Industry sector

Tasks

Fujitsu

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Enabling better automated decisions

Customer value

- New Business
- Investment
- Operation Costs
- Customer Satisfaction

Algorithm

Fujitsu

Data → Analysis → Decision-making → Customers

Device → BI/BA/PA* → Automation/AI

Customer value

*PA: Predictive Analysis
Enhancing “Connected” Core Technologies

- Add new functions to MobileSUITE (Dec 2015)
- Enhance IoT Platform (Feb 2016)
- Launch new cloud service K5 (Dec 2015)
- Announce new brand for AI (Nov 2015)
- Enhance technologies against cyber attacks (Nov 2015)
Transforming Our Business Model toward a Growth Path

1. Business Model Transformation
2. Digital Innovation
3. Strengthening Global Presence

Connected Services

Stronger Customer Engagement
Consistent Growth
Business Model Going Forward

Focus on Technology Solutions

Today

Ubiquitous Solutions
Technology Solutions
Device Solutions

To Be

Connected Services
Services
Software
SDx Core hardware

“Devices”
Competitive independent businesses
Ubiquitous Solutions Business Reform

Current formation

Technology Solutions

IoT

PCs

Mobile phones

Ubiquitous Solutions

Transformation for new growth

Organizational integration to accelerate focus on services

IoT Technology

Independent businesses (Enhance growth)

New PC company (100% subsidiary)

New mobile phone company (100% subsidiary)
Strengthen EMEIA Businesses

Services-oriented business model transformation

**EMEIA Business**
Accelerate focus on services

- Connected services model throughout EMEIA
- Strengthen sales dedicated to services and digital
- Improved efficiency for common functions across EMEIA
- Better serve Fortune 500 customers

**Product Operations**
Strengthening Cost Structure

- Close R&D center in Paderborn, Germany
- Improve efficiency at manufacturing and logistics site in Augsburg, Germany

Subject to consultation and negotiation with employee representative bodies
Taking Leadership in the ‘Fields’ of the New Digital Society

High added-value solutions  New proposals for innovation

FUJITSU Knowledge Integration

Standardizing knowledge and expertise of SEs

- Industry and distribution
- Social platforms
- Energy
- Finance
- Government
- Healthcare
- Education

Implementing SE knowledge in the cloud  Core technologies for the IoT era  Multi-cloud integration

FUJITSU Digital Business Platform MetaArc
Deepening Our Relationships with Customers

Industry-specific sales and SE teams operating across regional boundaries
(Examples are for illustrative purposes only)

One Asia
- Manufacturing transformations
- Cloud, big data/AI, mobile, security

EMEIA
- Healthcare and nursing
- Fintech
- Digital marketing

Oceania
- Self-driving vehicles

Americas
- E-government

Account Sales

* One Asia: Japan Sales & Asia Region
Digital Innovation

Co-creating over 300 trials with customers

- Marketing: about 60 projects
- Transportation: about 40 projects
- Logistics: about 30 projects
- Manufacturing: about 30 projects
- Healthcare / Nursing Care: about 30 projects
- Food / Farming: about 30 projects
- Social Infrastructure: about 20 projects
- Distribution: about 20 projects
Unification of Japan and Asia Sales Organizations

One Asia:

- Accelerating growth of Asia business
- Leveraging Japan’s robust delivery capabilities
- Integrating human resources from Japan and Asia

*One Asia: Japan Sales & Asia Region*
A Flexible Global Delivery Organization

- **One Asia**: Sales, Services
- **EMEIA**: Sales, Services
- **Oceania**: Sales, Services
- **Americas**: Sales, Services

**Global Delivery Center (GDC)**

Expand personnel (currently 5,000 people → expand to around 18,000)

Optimization of service delivery cost by utilization of offshoring

*The Global Delivery Center, as a group-wide off-shore location, provides customers with applications, services, a multi-lingual support service desk, and remote infrastructure management*
Migrating all of Fujitsu’s internal systems to K5, use experience as reference model.

**FUJITSU Cloud Service K5**

Accumulation of experience from migrating 640 systems

- Curtailing development and operations costs, internal TCO

- Reference model
  - High-value proposals

**Customers**

**SaaS providers**
Transforming Our Cost Structure

Enhancing cost-competitiveness through company-wide projects

- Thorough utilization of offshoring: JPY 30 billion cost reduction (cumulative over 3 years)
- Migrating all internal systems to K5: JPY 35 billion cost reduction (cumulative over 5 years)
- Company-wide cost reduction projects: JPY 40 billion cost reduction (cumulative over 3 years)
Consolidated Financial Targets - To Be

- Operating profit margin: over 10%
- Free cash flow: over JPY 150 billion
- Owners’ equity ratio: over 40%
- Ratio of sales outside Japan: over 50%

*Owners’ equity ratio: Equity Attributable to Owners of the Parent Ratio
Management to Achieve Goals

- 2015: Ongoing business model transformation
- 2016: Speed of profit margin growth
- 2017: Securing a stable profits base
- 2018: An expansion in profits for core businesses
- 2019: Growing with our customers in a digital society
- 2020: Consistent profit growth

Global Services Integrator

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- Uncertainty as to the performance of Fujitsu’s strategic business partners;
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