

Medium-term Management Policy

April 2019
Fujitsu General Limited

Any forward-looking statement in this report speaks only as of the date on which it is made; Forward-looking statements are based on the company's current assumptions regarding future business and financial performance; these statements by their nature address matters that are uncertain to different degrees.

Forward-looking statements involve a number of risks, uncertainties and other factors that could cause actual results to be materially different.

Note:

This report is a translation of Japanese version. In case of any difference between English version and Japanese version, Japanese version shall prevail.

Corporate Philosophy

— Living together for our future —

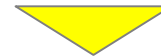
Through innovation and technology, we deliver a brighter future with the peace of mind to our customers and societies around the world.



Slogan

INNOVATION & GLOBALIZATION

Providing a Brand New Tomorrow to Everyone on Earth

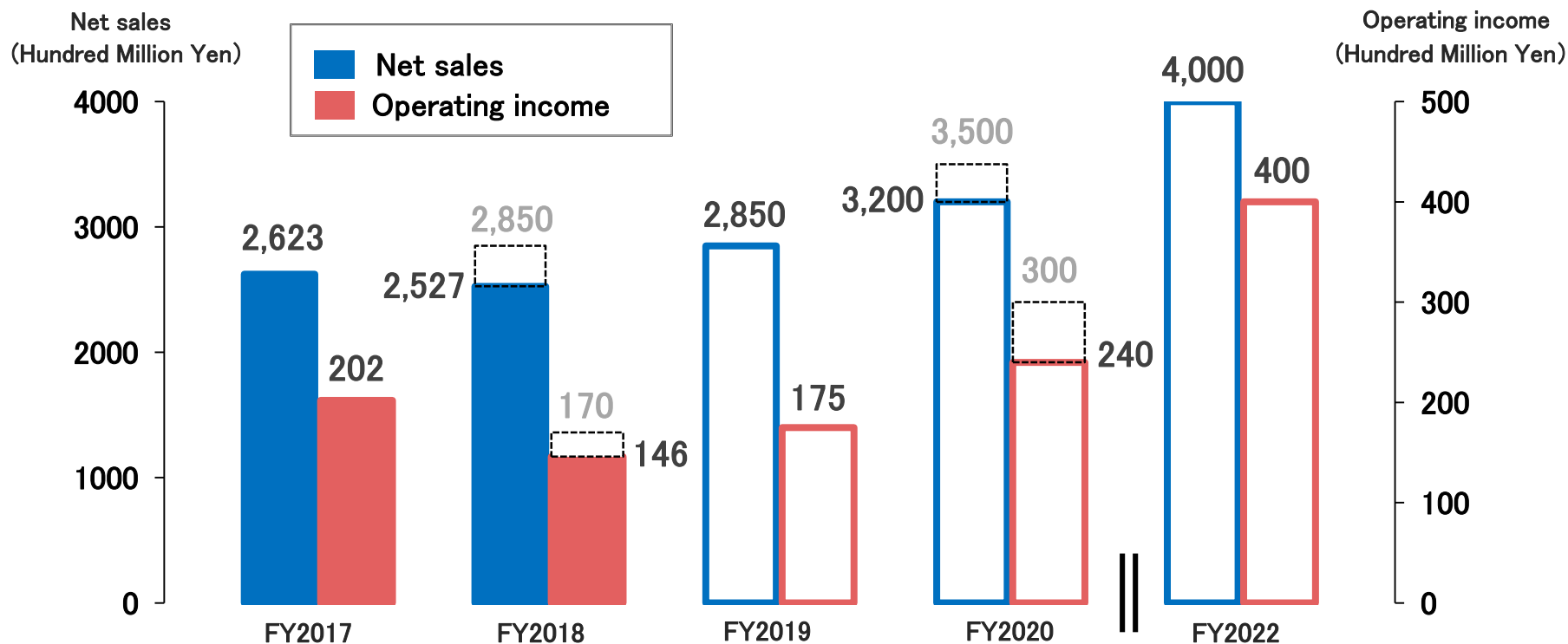


Our Vision

Achieve a healthy, secure and safe society by providing new value while getting close to customers and societies.

Progress of Medium-term Plan

Based on business environment and business alliance, reviewed partially



	FY2017	FY2018		FY2019	FY2020		FY2022
	Actual	Initial plan	Actual	Plan	Previous Plan	Revised Plan	Plan(no change)
Net sales	2,623	2,850	2,527	2,850	3,500	3,200	4,000
Operating income	202	170	146	175	300	240	400
(%)	(7.7%)	(6.0%)	(5.8%)	(6.1%)	(8.6%)	(7.5%)	(10.0%)

Change (compared with initial plan)

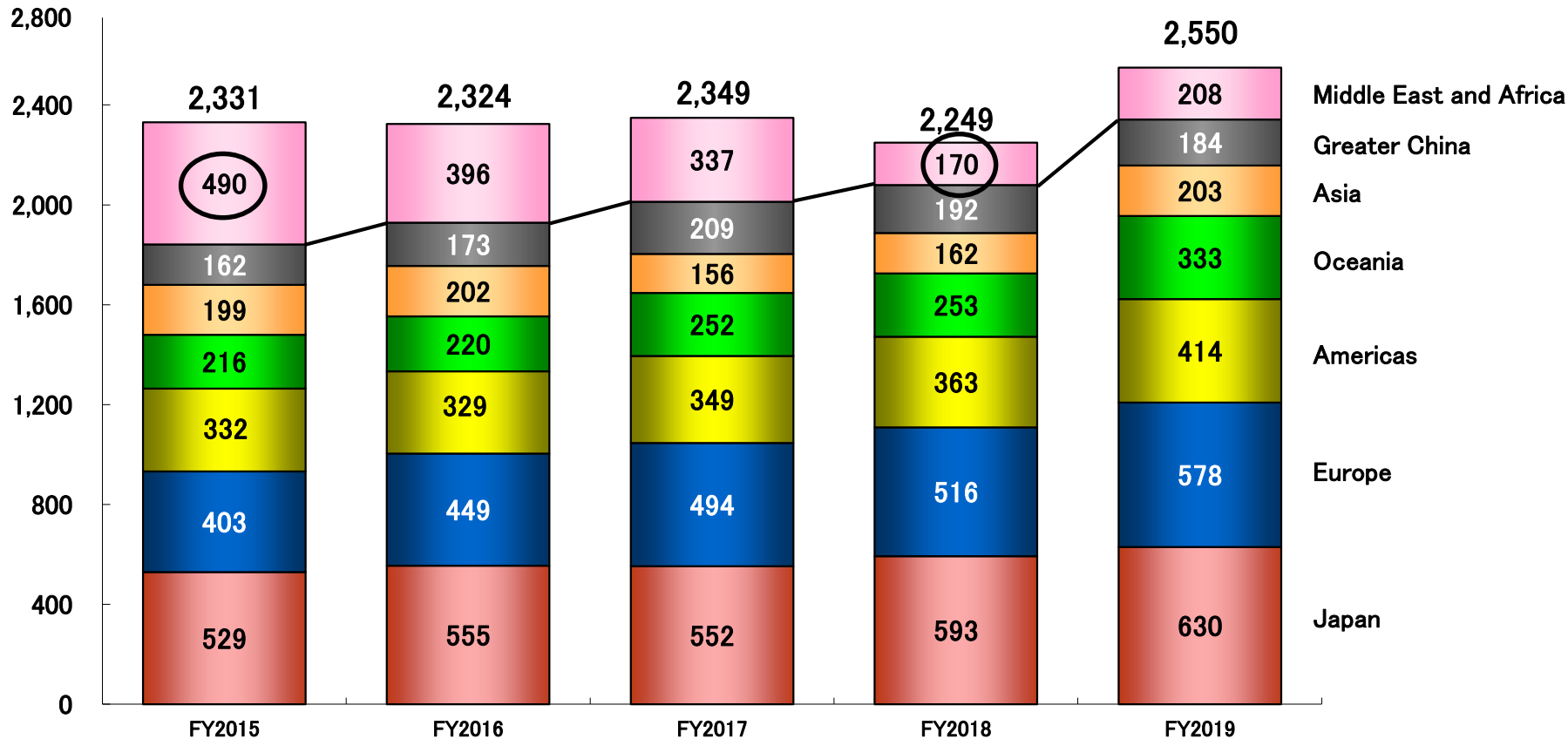
Net sales	▲323
Operating income	▲24

Change (compared with previous plan)

Net sales	▲300
Operating income	▲60

Progress of A/C sales

(Hundred Million Yen)



Looking back by FY2018

Middle East: Stagnation of the personal consumption, intensifying competition, inventory compression

China: Decrease big project for commercial (2018~)

India: Bad weather (2018), delay of consolidating joint venture

North America, Europe, Oceania, Japan : Grow steadily

FY2019 Plan

Expect to increase sales from the 2nd half

Demand stagnation continues

Market recovery, release standard model

Grow steadily

Other looking back by FY2018 and future plan

	~ FY2018	Future Plan (FY2019~FY2022)
Net sales	<ul style="list-style-type: none"> ▪ A/C <ul style="list-style-type: none"> – Stagnation due to getting worse more than expected in the Middle East – Except Middle East, grew steadily (an annual average growth rate 6% from FY2015) – Expansion of business area and sales channels by M&A (India, Australia, Italy) – Acceleration of collaboration with European and American cooperation ▪ Telecommunications <ul style="list-style-type: none"> – Grew steadily ▪ Electronic Devices <ul style="list-style-type: none"> – Affected by a decrease in robot demand 	<ul style="list-style-type: none"> ▪ A/C <ul style="list-style-type: none"> – Sales of Middle East recover steadily after FY2018 – Existing business expand steadily – Enter concrete phase for M&A from FY2019 and consider new project actively (America, India, Europe) – Contribute to sales and profits from FY2019 ▪ Telecommunications <ul style="list-style-type: none"> – Expand demand for update after FY2021 ▪ Electronic Devices <ul style="list-style-type: none"> – Expand new business development and China business
	Operating income	<ul style="list-style-type: none"> ▪ Deterioration of supply environment ▪ Deterioration of foreign exchange rate ▪ Rising raw material price (copper)

I . Expansion of A/C business

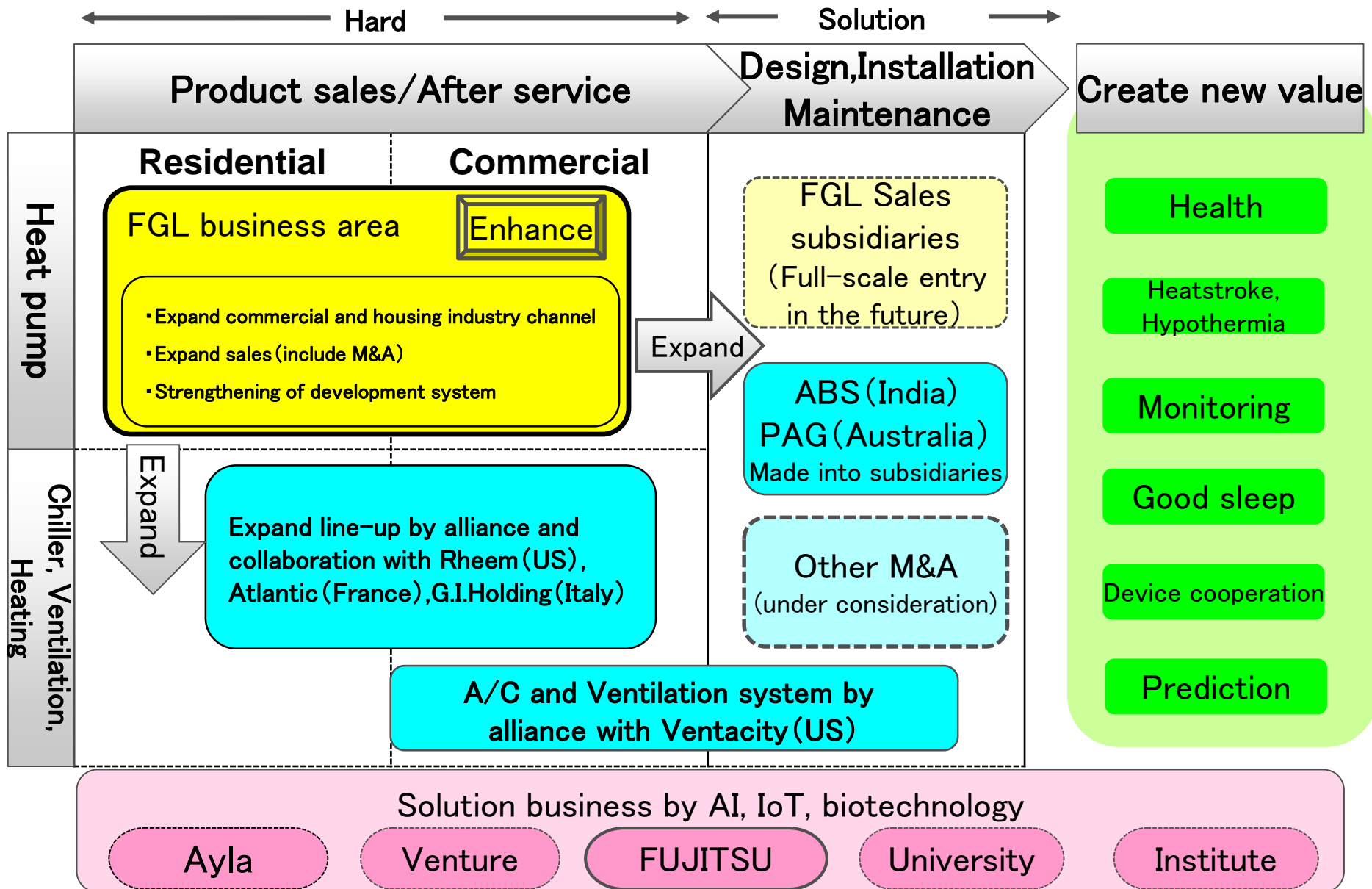
- 1) Construction of A/C business model**
- 2) Innovation of A/C development system**
- 3) Strengthening of A/C sales activities**

II . Strengthening of business foundation of Telecommunications and Electronic Devices

III . Promote cost reduction in order to meet the goal of operating income ratio for more than 10%

IV . Strengthening of power to generate cashflow

Construction of A/C business model (Conceptual scheme) **FUJITSU**



Construction of A/C business model

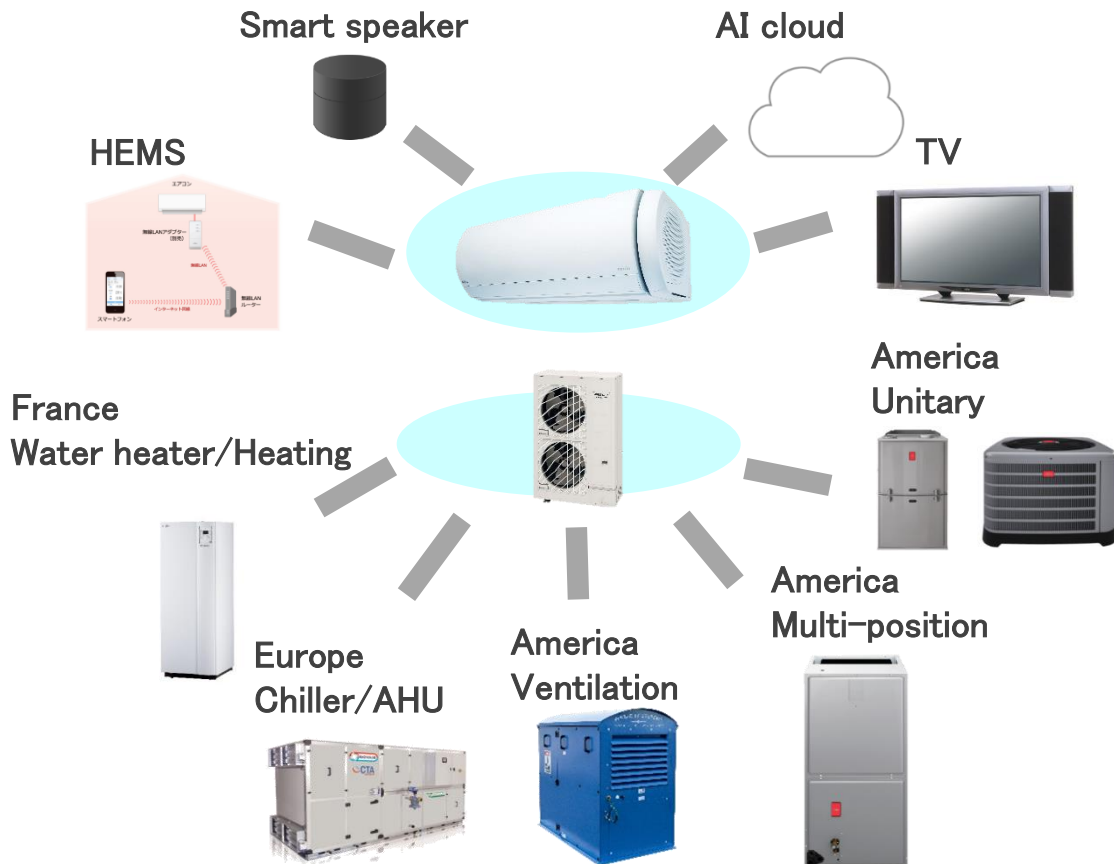
Expand new business area

Expand hard area

Cooperation of device and service

(Correspond commercial business)

(Integrated control and energy-saving)



Entry into solution business

Made PAG and ABS which have good customers into subsidiaries

PAG (Australia)



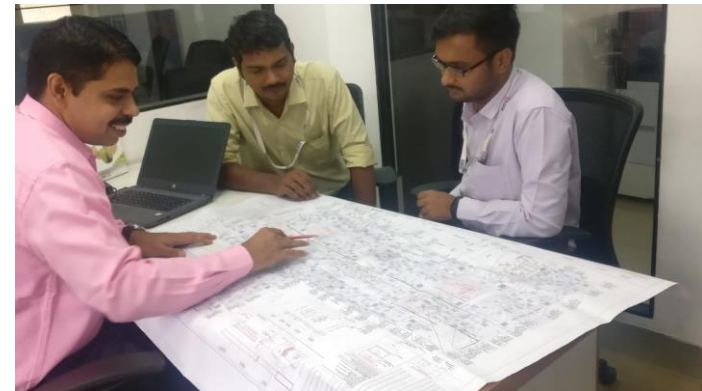
Location: Australia Sydney (headquarters)
Main 4 cities (branch)

Sales: 7.4 Billion Yen※ (estimated in FY2017)

Employee number: 396 (As of End of March 2019)

※Australian dollar = 80 yen

ABS (India)



Location: India Bangalore (headquarters)
Chennai, Hyderabad (branch)

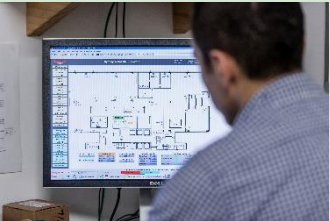
Sales: 1.3 Billion Yen ※ (estimated in FY2017)

Employee number: 212 (As of End of March 2019)


※ Indian rupee= 1.7 yen

Propose solution over all life cycle for A/C system


Design



- Proposal of adequate A/C system

Replace device 

Manufacture/Sales



- Strengthening of product value of own development (energy-saving, comfortable, easier to install)
- Expand line-up by alliance and collaboration (chiller, ventilation and so on)



Maintenance

- Device cooperation by AI, IoT



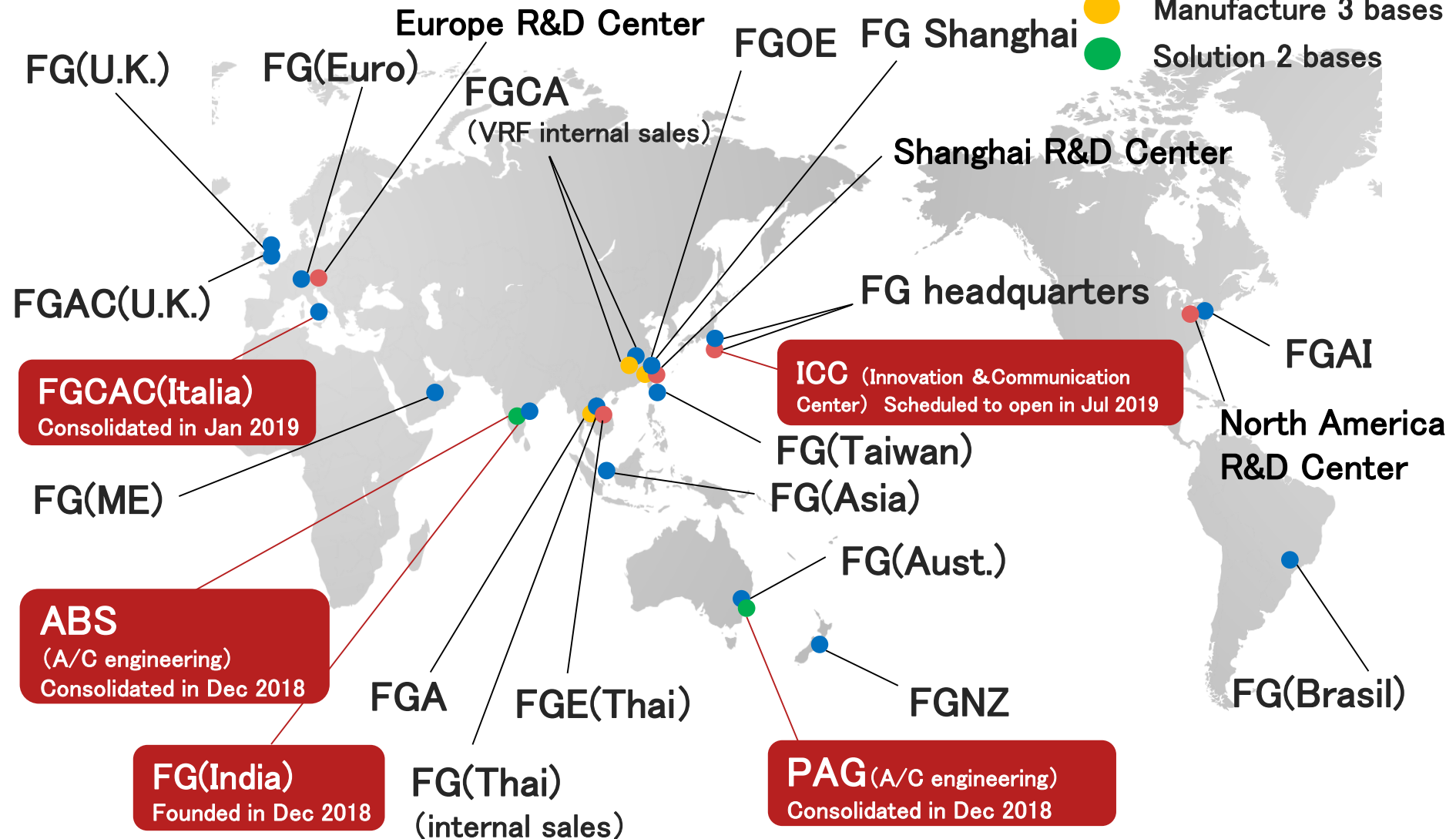
Installation/Construction

- Reliable quality and process control

Construction of A/C business model

Main global bases

- Sales 16 bases
- R&D 5 bases
- Manufacture 3 bases
- Solution 2 bases



① Strengthening of development system

- Strengthening of 3 development bases (Japan, China, Thailand) + α (North America, Europe)
- Promote activities to innovate software development ➡ Evolving and growing A/C by AI-IoT
- Promote development of standardization design
- Strengthening of operation process (include strengthening of IT base)
- Promote open innovation (alliance with industry-academia-government)

② Improvement of human resources development and teamwork

- Strengthening of team management, team activity and human resources for software development
- Expand engineer development program (Technical academy is scheduled to be established in 2019)

③ Utilization of external forces

- Utilization of external alliance in ODM/OEM and production/supply area
- Product area not hold in our company (Chiller, AHU, Unitary and so on)

④ Create innovation

- Transition from giving an idea to manufacturing prototype for field tests

Strengthening of A/C sales activities

Promotion of 5 key “expansion projects”

	Theme	2022 Sales Goal	Sales Measures
Existing Business	①Expansion of international commercial business	130 Billion	<ul style="list-style-type: none"> ● Strengthening of technical support and training ● Strengthening of line-up of medium/small VRF and PAC ● Line-up of Chiller and Air Handling Unit
	②Aggressive capture of domestic housing industry channel	30 Billion	<ul style="list-style-type: none"> ● Expand organization for installation and service and sales (Further strengthening our strengths) ● Efficient business operation by promoting IT
New Business	③Capture and expansion of Indian market	40 Billion	<ul style="list-style-type: none"> ● Consolidate of joint venture and strategic investment ● Expand sales (release suitable products and consider local production) ● Synergy with design business of ABS
	④Expansion of North America business by acceleration of collaboration	20 Billion	<ul style="list-style-type: none"> ● Start to sale American A/C and Ventilation by acceleration of collaboration ● Expand market by developing southern area and strengthening R&D ● Entry into design and maintenance business
	⑤The promotion of business alliance	30 Billion	<ul style="list-style-type: none"> ● Create synergy with existing partner (expand sales and joint development) ● Develop new partners and M&A project

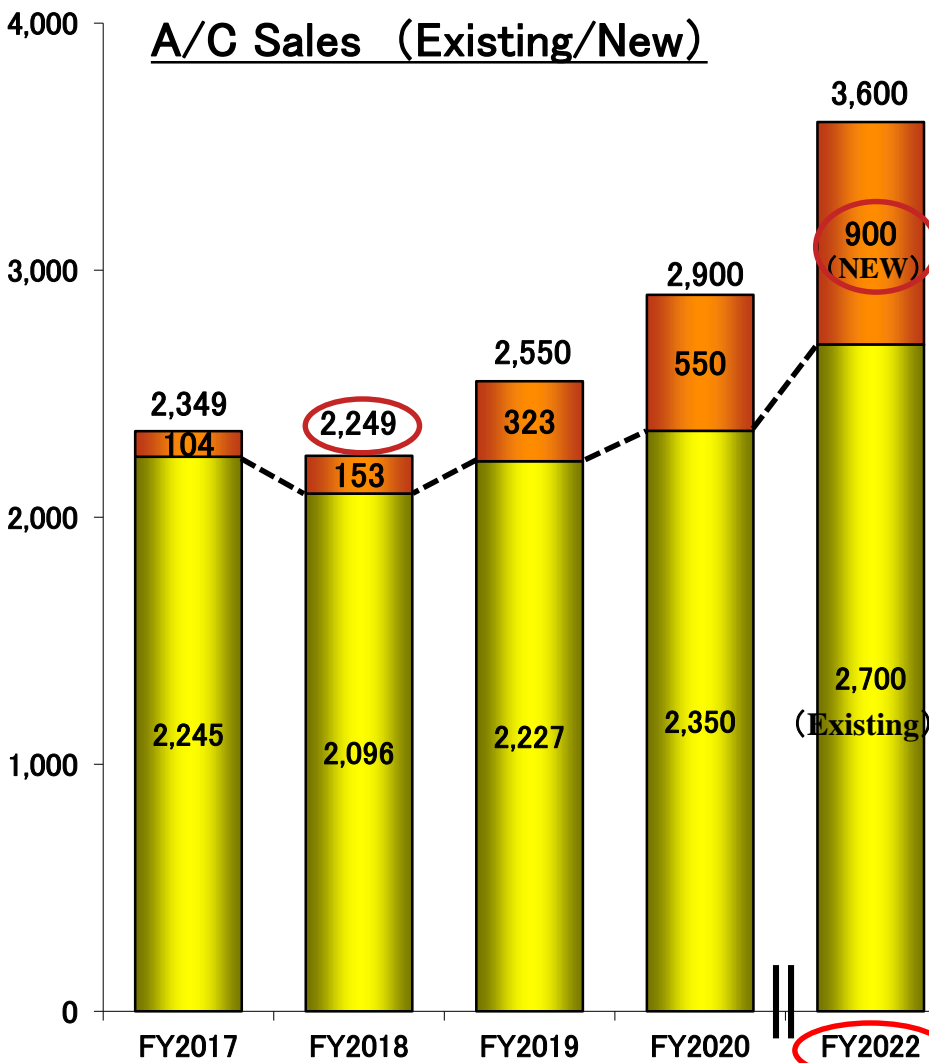
✳️Most important market : North America, India

Important market : Japan, Europe, Australia

Strengthening of A/C sales activities

(Hundred Million Yen)

[New business]

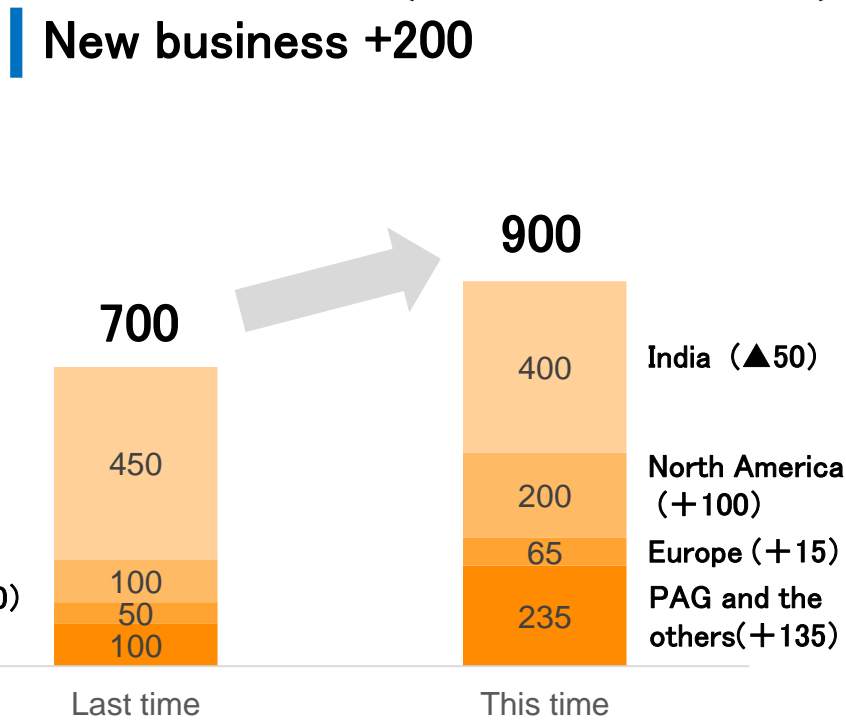
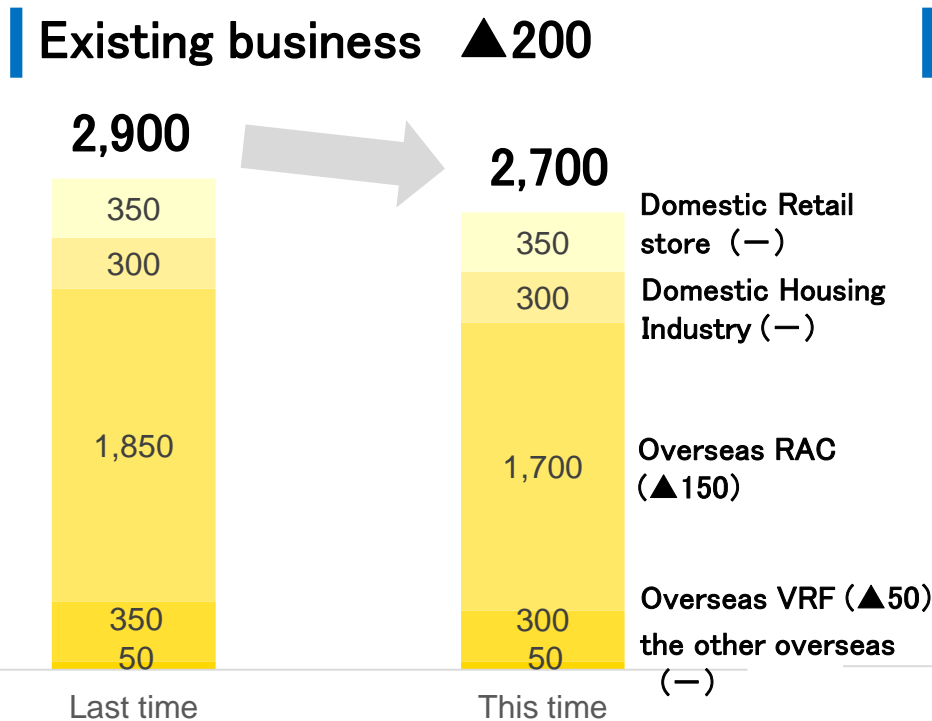


	FY2018	FY2019	FY2020	FY2022	4year average growth
[New business]					
India※	102	139	250	400	+41%
North America	21	36	80	200	+76%
Europe	-	44	50	65	-
Australia (PAG)	20	98	100	150	+66%
the others	10	6	70	85	+71%
Total	153	323	550	900	+56%
[Existing business]					
Retail store	360	374	350	350	-1%
Housing Industry	223	249	270	300	+8%
Domestic total	583	623	620	650	+3%
RAC	1,301	1,384	1,460	1,700	+7%
VRF	179	186	230	300	+14%
the Others	33	34	40	50	+11%
Overseas total	1,513	1,604	1,730	2,050	+8%
Total	2,096	2,227	2,350	2,700	+7%
A/C Total	2,249	2,550	2,900	3,600	+13%

※ Including consolidation results of joint venture

Change points of A/C sales plan in FY2022

[Hundred Million Yen]



● Major change point

- Stagnation and compressed inventory in the Middle East and decreasing in China market (RAC▲150, VRF▲50)

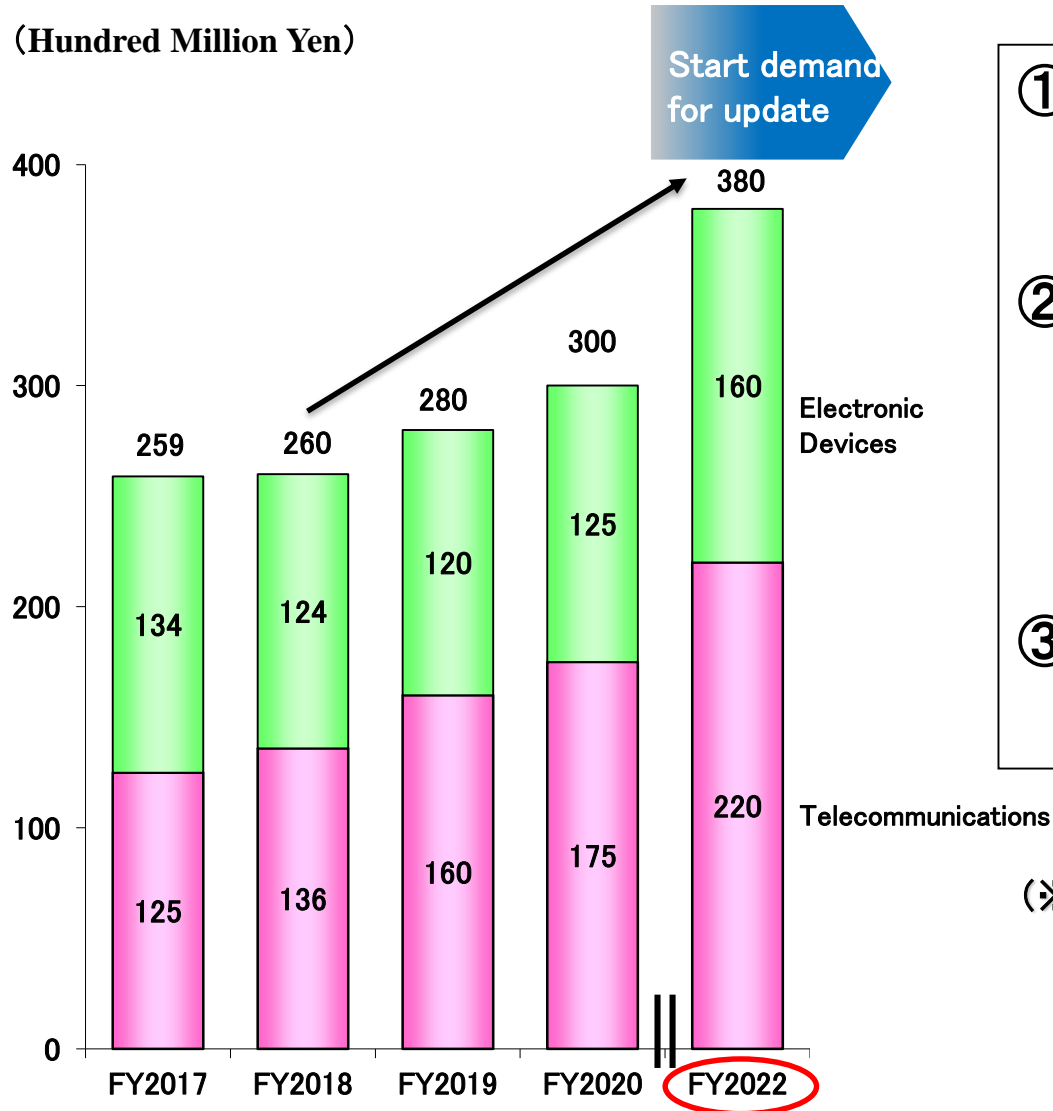
● Major change point

- Add PAG (Australia) sales and other projects of alliance/M&A (+135)
- Expand business alliance in North America (+100)
- Reflect delay in launching M&A in India (▲50)

Strengthening of business foundation of Telecommunications and Electronic Devices

【Net sales】

(Hundred Million Yen)



- ① Secure uptake demand for update for disaster prevention digital radio (from FY2021)
- ② Expand business area for private demand
 - Promote BPO (※) total service by Fujitsu General OS Technology (founded in March 2019)
- ③ Acceleration of new business development in Electronic Devices

(※) BPO: Omission of Business Process Outsourcing
 Consigning continuously to specialized company for a part of own business process

Promote cost reduction in A/C business

- Promote development of standardization design
 - Cost reduction/promote VE (VE design, in-house production, multiple supplier)
 - Development of regional products by overseas R&D center
 - Strengthening of quality
- Strengthen manufacturing (“monozukuri”)
 - Productivity improvement by suitable production area and ICT utilization

Other activities

- Improve product/regional composition and maintain prices by strengthening of brand
- Promote “AKASURI campaign”

Basic policy

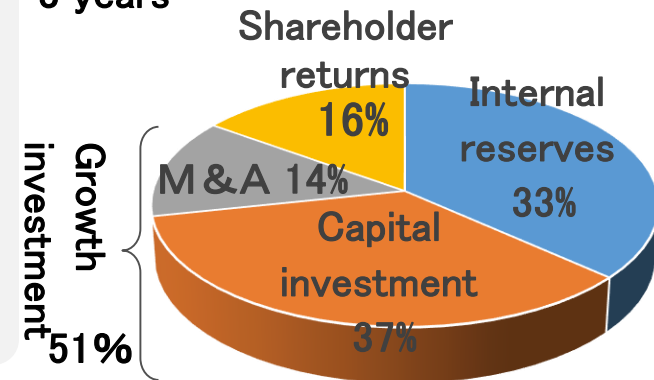
- Expand operating CF by further improving profitability and efficiency while maintaining the financial soundness
- Balanced allocation of cash generated from operating CF to growth investments, shareholder returns and internal reserves

Promote operational efficiency and effective use of cash

- Promote CCC improvement
Target : shorten more than 65 days in FY2022
- Investment for growth (include M & A)
Strengthen R&D, develop sales, expand new business
- Shareholder returns
Based on sustainable and stable profit distribution, target is keeping a dividend payout ratio of more than 30% in the future

[Reference]

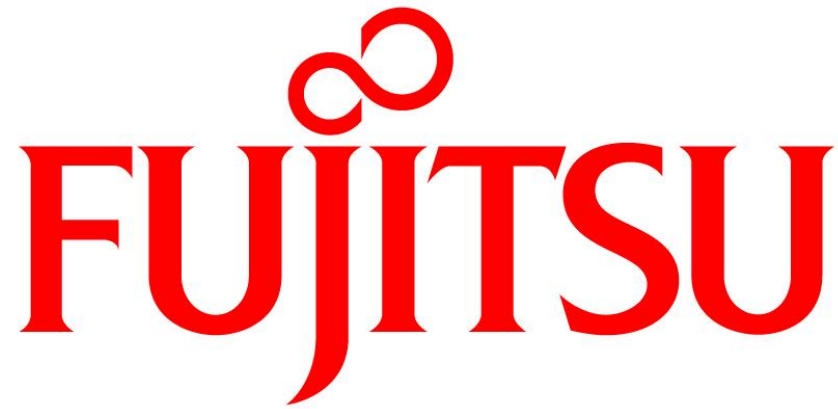
The use of operate CF in the past 3 years



Motivate employees and improve their productivities

- Innovate corporate culture based on new corporate philosophy

~ Living together for our future ~

The logo features a red infinity symbol positioned above the word "FUJITSU". The word "FUJITSU" is rendered in a bold, red, serif typeface. The letter 'J' is stylized with a long, downward-pointing tail that curves to the left.

FUJITSU GENERAL LIMITED