

# Financial Results for FY2016 and Medium-term Management Policy

April 2017

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.



1. Financial Results for FY2016 and Financial Plan for FY2017
2. History of the company
3. Medium-term Management Policy (FY2017~FY2020)



# 1. Financial Results for FY2016 and Financial Plan for FY2017



## Sales by Segment

FUJITSU GENERAL LIMITED

(Hundred Million Yen)

	FY2015		FY2016		Change			
	Actual		Actual				%	
Air conditioners	83%	2,331	89%	2,324	6%	-7	6%	-%
(Japan)		(529)		(555)		(26)		(5%)
(Overseas)		(1,802)		(1,769)		(-33)	(7%)	(-2%)
Telecommunications		365		146		-219		-60%
Electronic devices		100		117		17		17%
Telecommunications and Electronic devices	16%	465	10%	263	-6%	-202		-44%
Others	1%	14	1%	14	-%	-		3%
Total	100%	2,810	100%	2,601	-%	-209	-2%	-7%
Japan	36%	1,000	32%	823	-4%	-177		-18%
Overseas	64%	1,810	68%	1,778	4%	-32		-2%

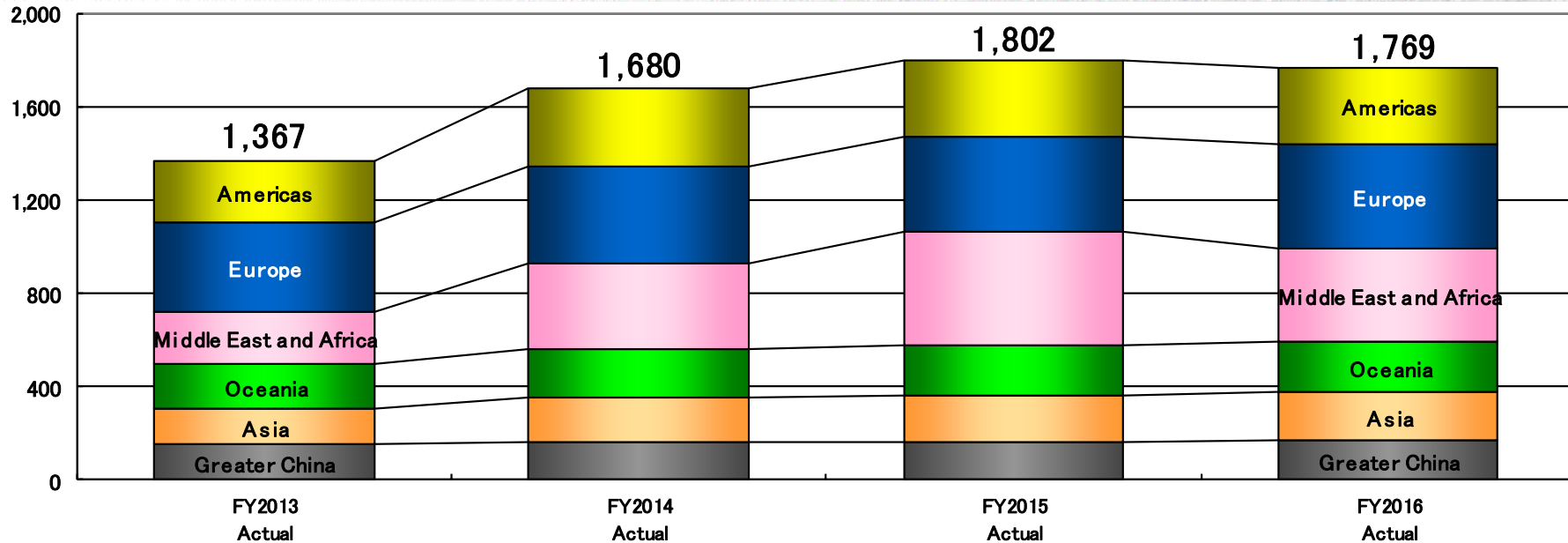
[Note1: subscripts(%) of sales is proportion to Total]

[Note2: subscripts(%) of change % is local currency base]

# Overseas A/C Sales by Geographic area

FUJITSU GENERAL LIMITED

(Hundred Millions Yen)



## 【Sales by Geographic area】

(Hundred Million Yen)

	FY2013 Actual	FY2014 Actual	FY2015 Actual	FY2016 Actual	Change			
					%	Local currency base	%	
Americas	20% 265	20% 333	19% 332	19% 329	-%	-3	-1%	6%
Europe	28% 378	25% 415	22% 403	25% 449	3%	46	12%	22%
Middle East and Africa	16% 224	22% 368	27% 490	22% 396	-5%	-94	-19%	-13%
Oceania	14% 195	12% 211	12% 216	12% 220	-%	4	2%	8%
Asia	11% 150	11% 188	11% 199	12% 202	1%	3	1%	11%
Greater China	11% 155	10% 165	9% 162	10% 173	1%	11	7%	22%
<b>Overseas Total</b>	<b>100% 1,367</b>	<b>100% 1,680</b>	<b>100% 1,802</b>	<b>100% 1,769</b>	<b>-%</b>	<b>-33</b>	<b>-2%</b>	<b>7%</b>

[Note1: sales to external customers] [Note2: subscribers(%) is proportion to Overseas Total]



## Consolidated Financial Results

FUJITSU GENERAL LIMITED

## Consolidated Statements of Income

[Note: subscrips(%) of change % is local currency base ] (Hundred Million Yen)

	FY 2015		FY 2016		Change		
	Actual	(ratio)	Actual	(ratio)		%	
Net sales	2,810	(100.0%)	2,601	(100.0%)	-209	-2%	-7%
Gross profit	786	(28.0%)	787	(30.3%)	1		-%
Operating income	275	(9.8%)	265	(10.2%)	-10		-4%
Non-operating profit or loss	-16	(-0.6%)	-25	(-1.0%)	-9		-%
(exchange gain and loss)	(-18)	(-0.6%)	(-28)	(-1.1%)	(-10)		(-%)
Ordinary income	259	(9.2%)	240	(9.2%)	-19		-8%
Extraordinary loss	-	(-%)	80	(3.1%)	80		-%
Net income※	175	(6.2%)	100	(3.9%)	-75		-43%

※Net income attributable to Owners of the Parent

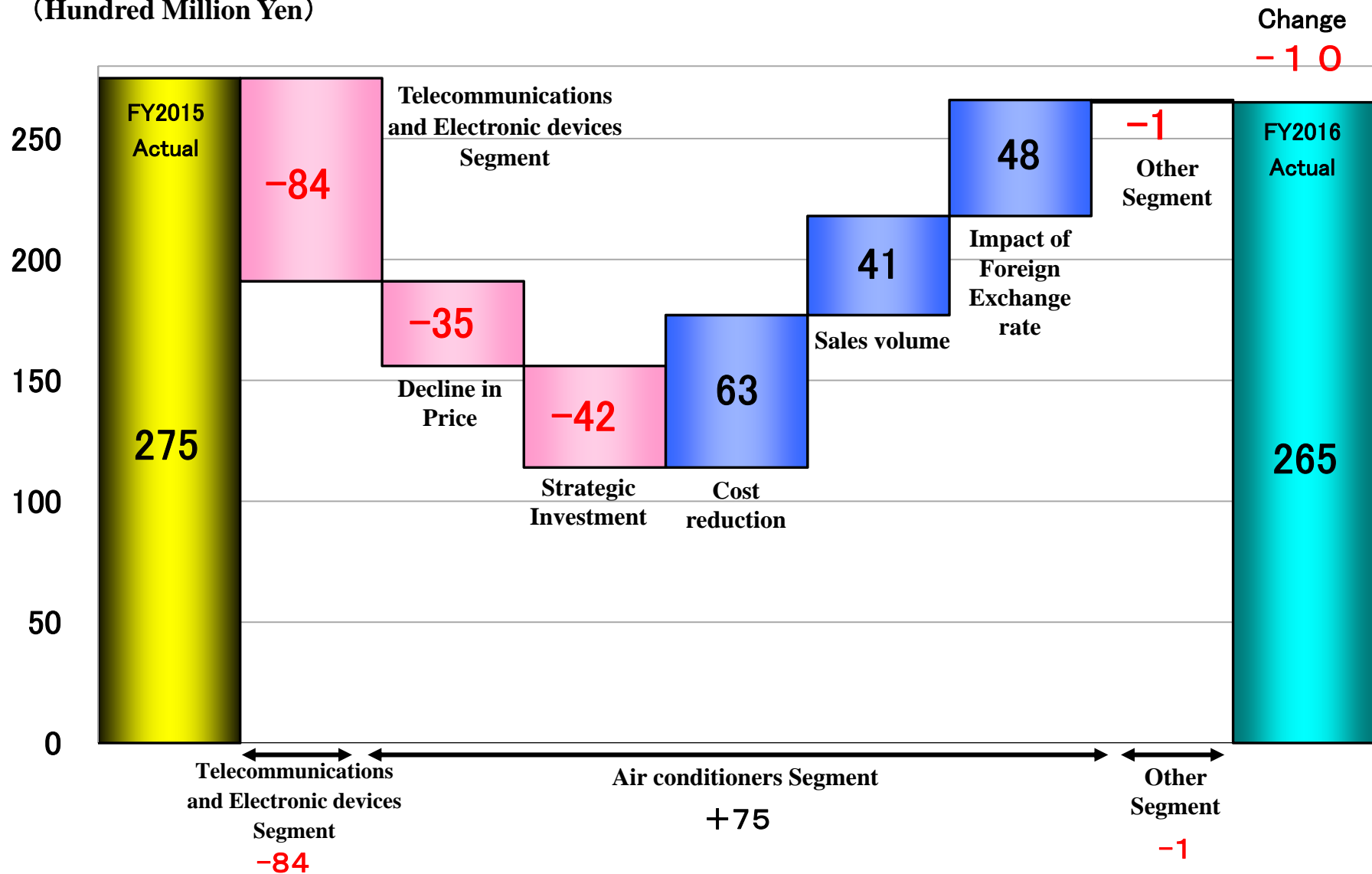
Net income per share	¥167.55	¥95.88	¥-71.67
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Foreign Exchange rate	Average	(Closing)	Average	(Closing)	Average	(Closing)
Yen/1USD	120	( 113)	110	( 112)	-10	( -1)
Yen/1AUD	88	( 86)	81	( 86)	-7	( -)
Yen/1EUR	131	( 128)	120	( 120)	-11	( -8)
BAHT/1USD	34.7	( 35.1)	35.0	( 34.3)	0.3	( -0.8)
RMB/1USD	6.29	( 6.46)	6.69	( 6.90)	0.40	( 0.44)

# Analysis of Consolidated Ordinary income [FY2016] (vs previous year)

FUJITSU GENERAL LIMITED

(Hundred Million Yen)





## Segment Information

FUJITSU GENERAL LIMITED

(Hundred Million Yen)

		FY2015	FY2016	Change		
		Actual	Actual		%	
Air conditioners	Net sales	2,331	2,324	-7	6%	-%
	Operating income	171	246	75	44%	
	(Operating income margin)	(7.3%)	(10.6%)	(3.3%)		
Telecommunications and Electronic devices	Net sales	465	263	-202	-44%	
	Operating income	108	24	-84	-77%	
	(Operating income margin)	(23.3%)	(9.3%)	(-14.0%)		
Others	Net sales	14	14	-	3%	
	Operating income	-4	-5	-1	-%	
	(Operating income margin)	(-30.1%)	(-40.0%)	(-9.9%)		
Total	Net sales	2,810	2,601	-209	-2%	-7%
	Operating income	275	265	-10	-4%	
	(Operating income margin)	(9.8%)	(10.2%)	(0.4%)		

[Note1: sales to external customers] [Note2: subscrip(t)s(%) of change % is local currency base]



## Main Financial Data

FUJITSU GENERAL LIMITED

(Hundred Million Yen)

	FY2015 Actual	FY2016 Actual	Change	
				%
Operating Cash Flow	232	268	36	16%
Investing Cash Flow	-68	-49	19	-28%
Free Cash Flow	164	219	55	34%

R&D Expense	4.4%	124	4.7%	121	0.3%	-3	-2%
Capital Expenditures		50		55		5	10%
Depreciation Expense		46		54		8	18%

[Note: subscripts(%) is proportion to Net sales]

ROE	22.0%	11.3%	-10.7%
Shareholders' equity ratio	47.0%	47.8%	0.8%

Inventory	200	233	33
Days Inventory Outstanding	31.1days	31.7days	0.6days
CCC*	81.8days	74.5days	-7.3days
Net D/E ratio (times)	-0.25	-0.44	-0.19

\*CCC (Cash Conversion Cycle): Days Sales Outstanding + Days Inventory Outstanding - Days Payable Outstanding



## Sales by Segment

FUJITSU GENERAL LIMITED

(Hundred Million Yen)

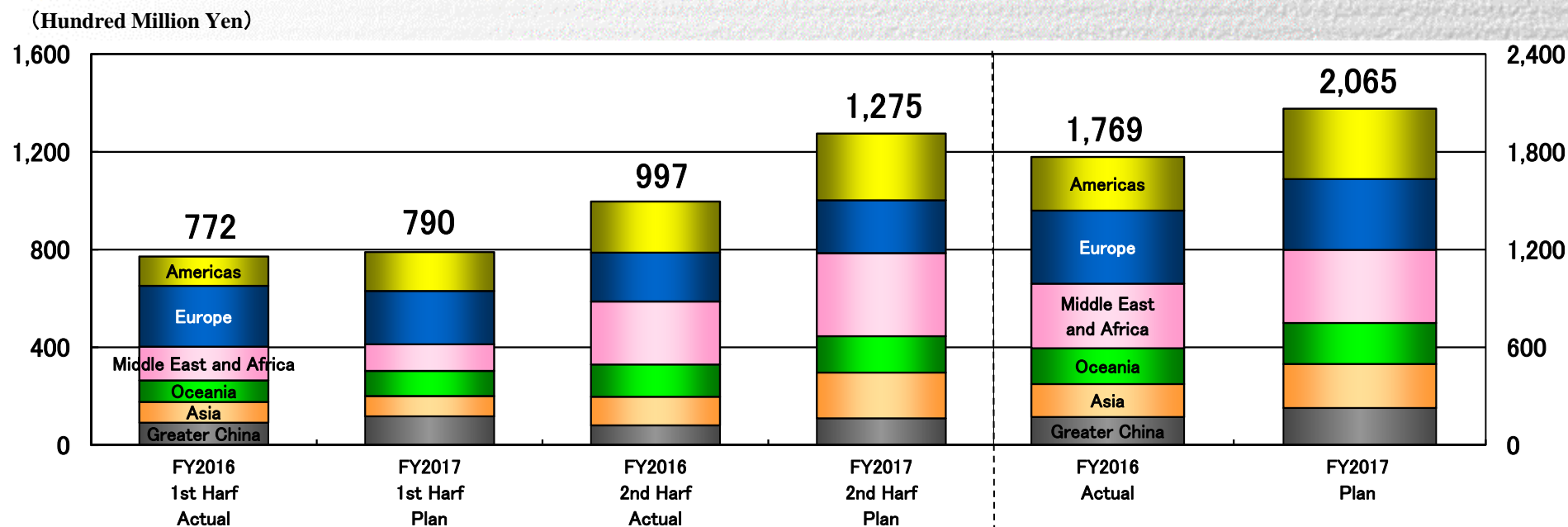
	FY2016 (Actual)			FY2017 (Plan)			Change	
	1st Half	2nd Half	Full Year	1st Half	2nd Half	Full Year	Full Year	%
Air conditioners	1,105	1,219	89% 2,324	1,140	1,505	91% 2,645	321	11% 14%
(Japan)	(333)	(222)	(555)	(350)	(230)	(580)	(25)	(4%)
(Overseas)	(772)	(997)	(1,769)	(790)	(1,275)	(2,065)	(296)	(13%) (17%)
Telecommunications	55	91	146	45	80	125	-21	-14%
Electronic devices	57	60	117	60	60	120	3	3%
Telecommunications and Electronic devices	112	151	10% 263	105	140	9% 245	-18	-7%
Others	7	7	1% 14	5	5	-% 10	-4	-30%
Total	1,224	1,377	100% 2,601	1,250	1,650	100% 2,900	299	9% 12%
Japan	447	376	32% 823	460	375	29% 835	12	2%
Overseas	777	1,001	68% 1,778	790	1,275	71% 2,065	287	16%

[Note1: subscripts(%) is proportion to Total] [Note2: subscripts(%) of change % is local currency base]



# Overseas A/C Sales by Geographic area

FUJITSU GENERAL LIMITED



## 【Sales by Geographic area】

(Hundred Million Yen)

	FY2016 Actual			FY2017 Plan			Change				
	1st Half	2nd Half	Full Year	1st Half	2nd Half	Full Year	1st Half	2nd Half	Full Year	%	Local currency base
Americas	120	209	329	159	273	432	39	64	103	31%	24%
Europe	249	200	449	218	216	434	-31	16	-15	-3%	-5%
Middle East and Africa	138	258	396	109	340	449	-29	82	53	14%	10%
Oceania	88	132	220	103	149	252	15	17	32	15%	16%
Asia	85	117	202	83	187	270	-2	70	68	34%	27%
Greater China	92	81	173	118	110	228	26	29	55	32%	25%
<b>Overseas Total</b>	<b>772</b>	<b>997</b>	<b>1,769</b>	<b>790</b>	<b>1,275</b>	<b>2,065</b>	<b>18</b>	<b>278</b>	<b>296</b>	<b>17%</b>	<b>13%</b>

[Note: sales to external customers ]



## Consolidated Financial Plan

FUJITSU GENERAL LIMITED

[Note1: subscripts(%) of change % is local currency base] (Hundred Million Yen)

	FY2016 (Actual)			FY2017 (Plan)			Change	
	1st Half	2nd Half	Full Year	1st Half	2nd Half	Full Year	Full Year	%
Net sales	1,224	1,377	2,601	1,250	1,650	2,900	299	9% 12%
Operating income (Operating income margin)	126 (10.3%)	139 (10.1%)	265 (10.2%)	60 (4.8%)	170 (10.3%)	230 (7.9%)	-35 (-2.3%)	-13%
Ordinary income (Ordinary income margin)	89 (7.2%)	151 (11.0%)	240 (9.2%)	60 (4.8%)	170 (10.3%)	230 (7.9%)	-10 (-1.3%)	-4%
Extraordinary loss	-	80	80	-	-	-	-80	-%
Net income※ (Net income margin※)	57 (4.7%)	43 (3.1%)	100 (3.9%)	40 (3.2%)	120 (7.3%)	160 (5.5%)	60 (1.6%)	60%

※Net income attributable to owners of the parent

Dividend per share (Yen)	11	11	22.9% 22	12	12	15.7% 24	2
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[Note2: subscripts(%) of dividend per share is dividend payout ratio]

## Foreign Exchange Rate (Average)

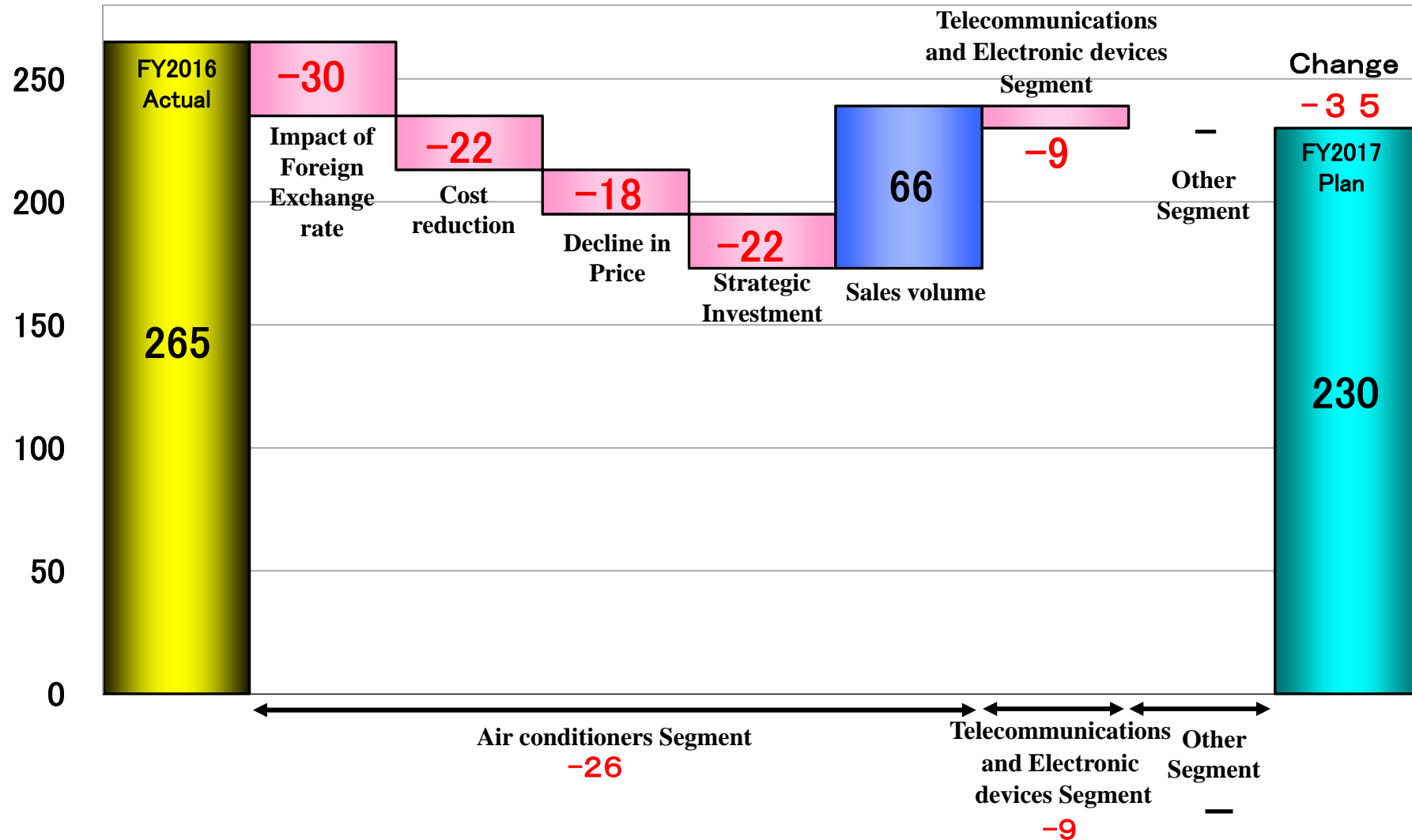
Yen/1USD	106	113	110	115	115	115	5
Yen/1AUD	78	83	81	80	80	80	-1
Yen/1EUR	118	120	120	120	120	120	-
BAHT/1USD	34.9	35.1	35.0	34.5	34.5	34.5	-0.5
RMB/1USD	6.57	6.87	6.69	6.80	6.80	6.80	0.11



# Analysis of consolidated Operating income [FY2017] (vs previous year)

FUJITSU GENERAL LIMITED

(Hundred Million Yen)





# Segment Information, R&D Expenses, Capital Expenditures, Depreciation Expenses

FUJITSU GENERAL LIMITED

(Hundred Million Yen)

		FY2016 (Actual)			FY2017 (Plan)			Change		
		1st Half	2nd Half	Full Year	1st Half	2nd Half	Full Year	Full Year	%	
Air conditioners	Net sales	1,105	1,219	2,324	1,140	1,505	2,645	321	11%	14%
	Operating income	122	124	246	60	160	220	-26		-11%
	(Operating income margin)	(11.0%)	(10.2%)	(10.6%)	(5.3%)	(10.6%)	(8.3%)	(-2.3%)		
Telecommunications and Electronic devices	Net sales	112	151	263	105	140	245	-18		-7%
	Operating income	6	18	24	2	13	15	-9		-39%
	(Operating income margin)	(5.8%)	(12.0%)	(9.3%)	(1.9%)	(9.3%)	(6.1%)	(-3.2%)		
Others	Net sales	7	7	14	5	5	10	-4		-30%
	Operating income	-2	-3	-5	-2	-3	-5	-		-%
	(Operating income margin)	(-31.0%)	(-49.4%)	(-40.0%)	(-40.0%)	(-60.0%)	(-50.0%)	(-10.0%)		
Total	Net sales	1,224	1,377	2,601	1,250	1,650	2,900	299	9%	12%
	Operating income	126	139	265	60	170	230	-35		-13%
	(Operating income margin)	(10.3%)	(10.1%)	(10.2%)	(4.8%)	(10.3%)	(7.9%)	(-2.3%)		

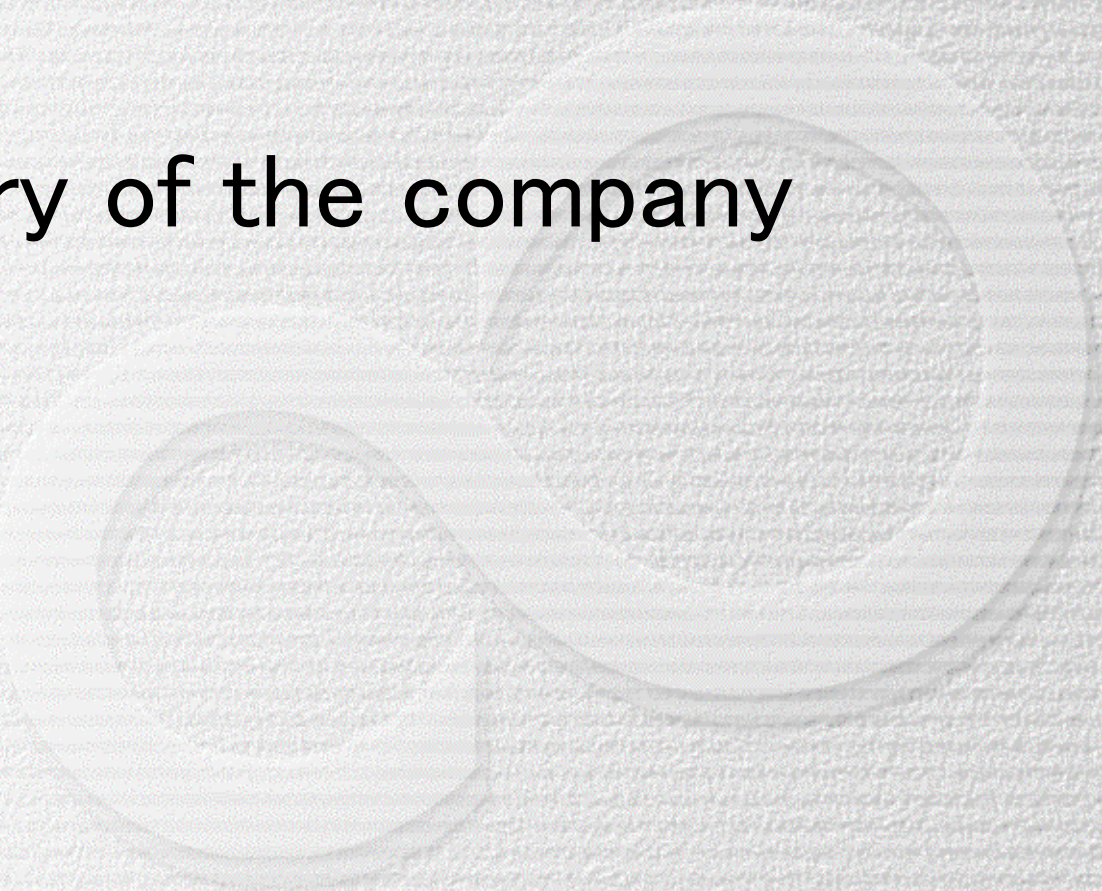
[Note1: sales to external customers] [Note2: subscribers(%) of change % is local currency base]

R&D Expenses	4.8%	59	4.5%	62	4.7%	121	5.1%	64	4.0%	66	4.5%	130	-0.2%	9	7%
Capital Expenditures		27		28		55		38		32		70		15	26%
Depreciation Expenses		30		24		54		27		28		55		1	2%

[Note3: subscribers(%) is proportion to Total Net sales]



## 2. History of the company

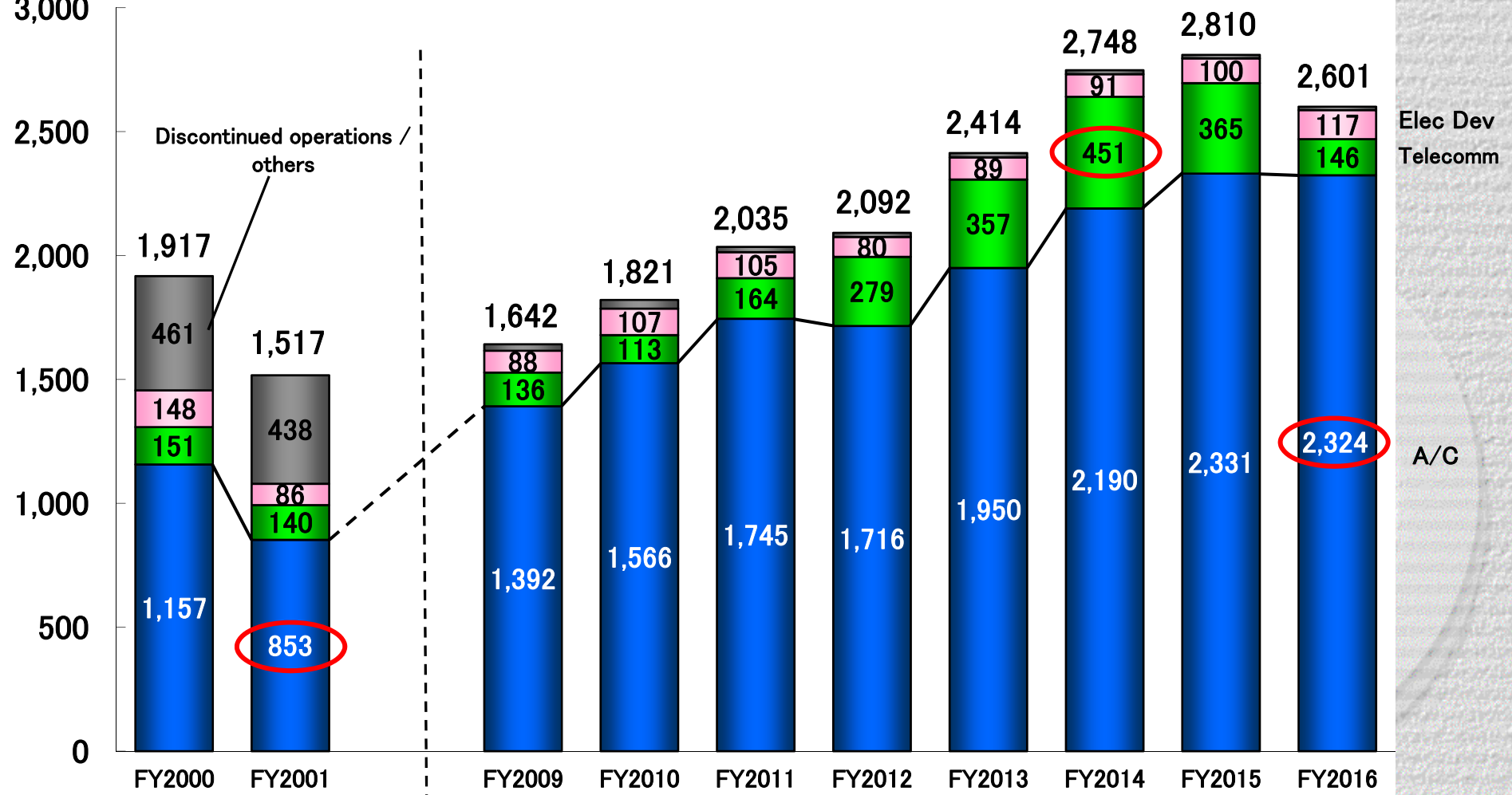




# Sales by Segment

FUJITSU GENERAL LIMITED

(Hundred Million Yen)  
3,000



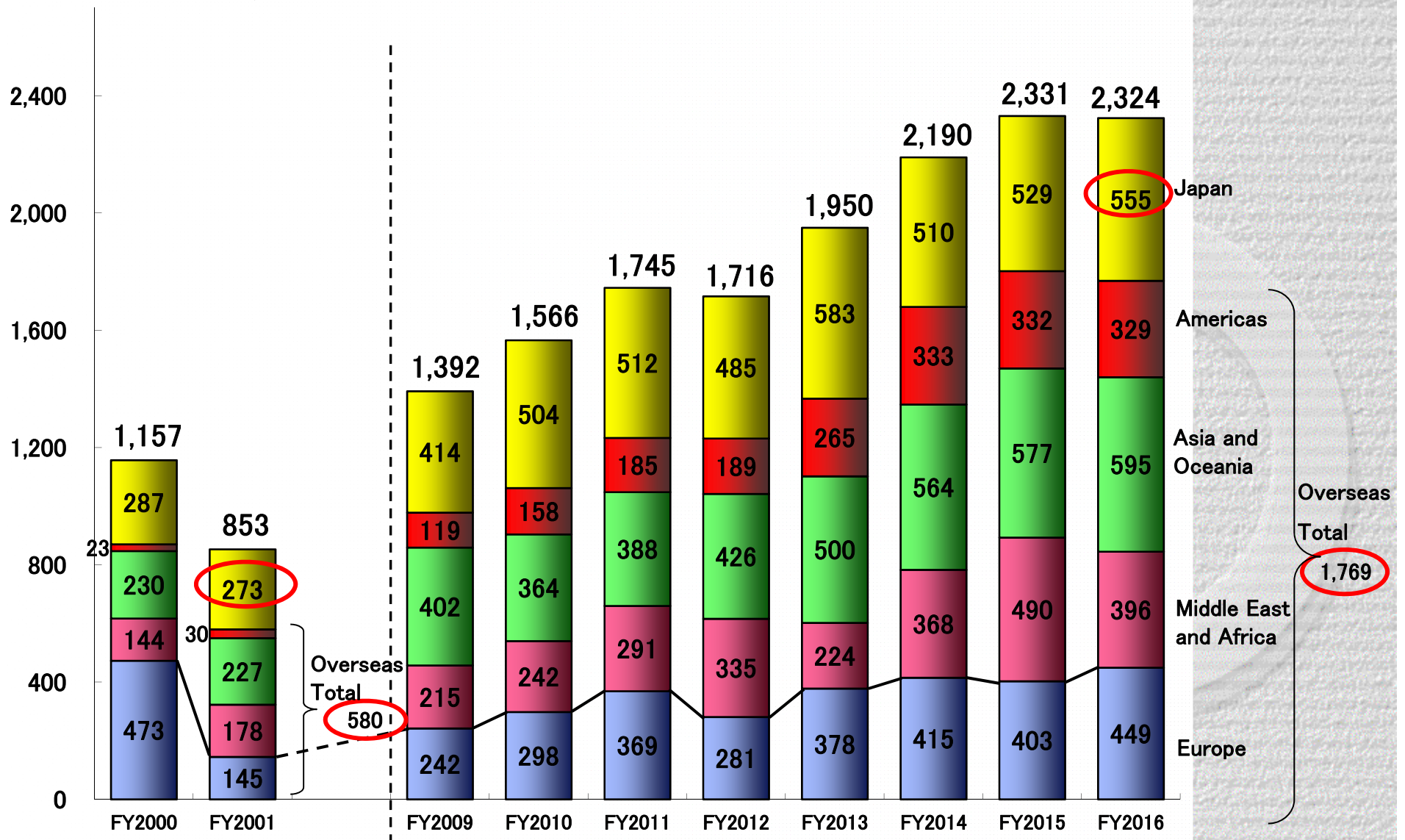
← A/C business heavily dependent on Europe
Restructuring (Selection and Concentration)
← Special demand for Fire-Ambulance system
→ Growth stage focusing on A/C



# A/C Sales by Geographic area

FUJITSU GENERAL LIMITED

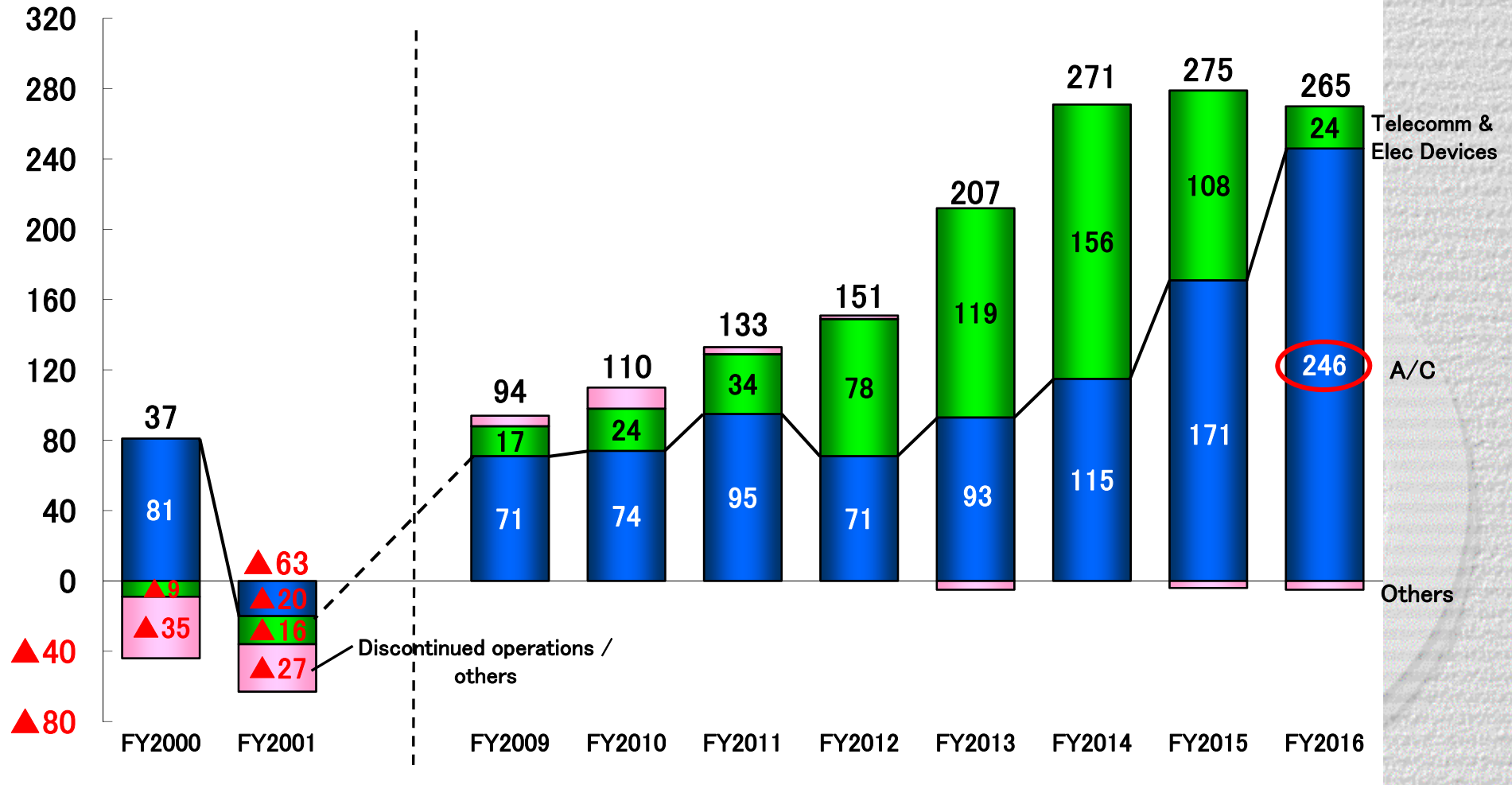
(Hundred Million Yen)



# Operating income by Segment

FUJITSU GENERAL LIMITED

(Hundred Million Yen)



← A/C business heavily dependent on Europe
← Restructuring (Selection and Concentration)
← Special demand for Fire-Ambulance system
→ Growth stage focusing on A/C



### 3. Medium-term Management Policy (FY2017~FY2020)



## Medium-term Management Policy

FUJITSU GENERAL LIMITED

### (1) Management Policy

Slogan : **INNOVATION & GLOBALIZATION**

**Peace, richness, smile in the hearts of people all over the world**

Management Policy : **Brush up and enhance 3 powers,  
“technological power,” “realization power” and “human power”  
and challenge the reform**

◆ **Technological Power**

- Creation of new value from a long-term perspective and evolution of operations  
— Enhance company value based on creating innovation

◆ **Realization power**

- Improve management speed by making decisions and taking actions speedily

◆ **Human power**

- Enhance productivity by creating a system that promotes employees' exertion of ability and growth



# Medium-term Management Policy

FUJITSU GENERAL LIMITED

## (2) Medium-term Plan

**FY2020 : Net sales 400 billion yen**  
**Operating income 40 billion yen**  
**Operating income ratio 10%**

[Assumptions: 1US\$ = 120yen, copper \$7,000/t]

(Hundred Million Yen)

		FY2014 (Actual)	FY2015 (Actual)	FY2016 (Actual)	FY2017 (Plan)	FY2020 (Plan)
A/C	Net sales	2,190	2,331	2,324	2,645	3,600
	Operating income	115	171	246	220	350
	(%)	(5.2%)	(7.3%)	(10.6%)	(8.3%)	(9.7%)
Telecomm & Elec Dev, Others	Net sales	558	479	277	255	400
	Operating income	156	104	19	10	50
	(%)	(28.0%)	(21.7%)	(6.8%)	(3.9%)	(12.5%)
Total	Net sales	2,748	2,810	2,601	2,900	4,000
	Operating income	271	275	265	230	400
	(%)	(9.9%)	(9.8%)	(10.2%)	(7.9%)	(10.0%)



## Medium-term Management Policy

FUJITSU GENERAL LIMITED

### (3) Important challenges

#### I . Expand the air conditioner business

- 1) market environment and basic policy
- 2) innovation of development system
- 3) strengthen sales activities

#### II . Restructure the information & communication systems/ electronic devices segment

#### III . Promote cost reduction to improve operating profit ratio: more than 10%

#### IV . Generate cash flow

#### V . Develop human resources



## I -1) Market environment and basic policies

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### Forecast of the world demand for air conditioner: Continuous growth at an annual rate of around 6%

- ◇ Emerging countries: higher volumes owing to increased uptake
- ◇ Developed countries: high price owing to improved energy efficiency and performance, along with increased demand for heating applications

### Market Environment

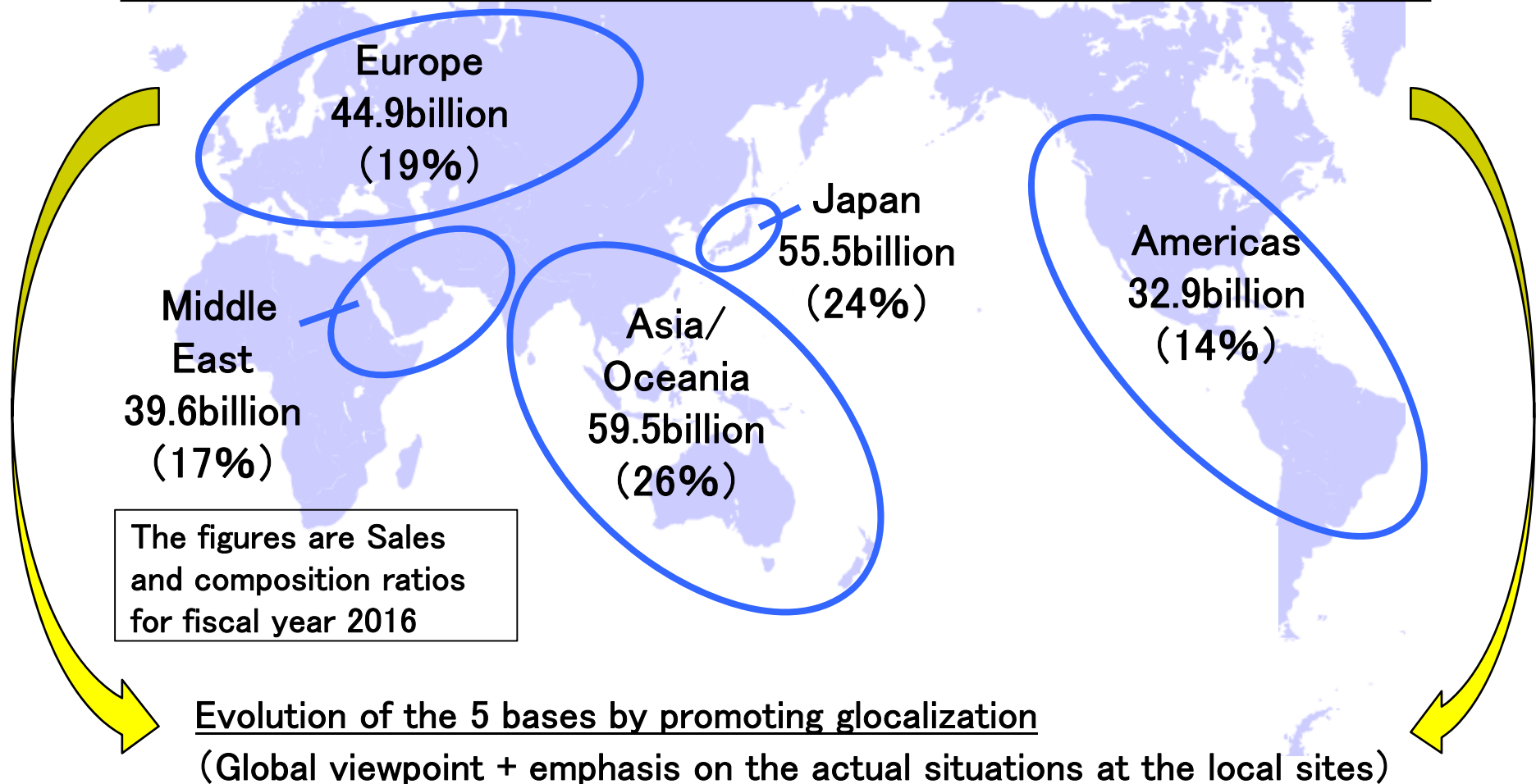
- ◇ Environmental problems (global warming, Paris Agreement at COP 21)  
Introduction and raise of environmental regulations in each country
- ◇ Intensifying competition  
(Aggressive M&A of competitors, improvement of Chinese and Korean manufacturers' technologies, American manufacturers entering the North American ductless market)
- ◇ The progress of IoT and AI both in the areas of functions of air conditioners and manufacturing industry



I -1) The environment of the air conditioner business and basic policies

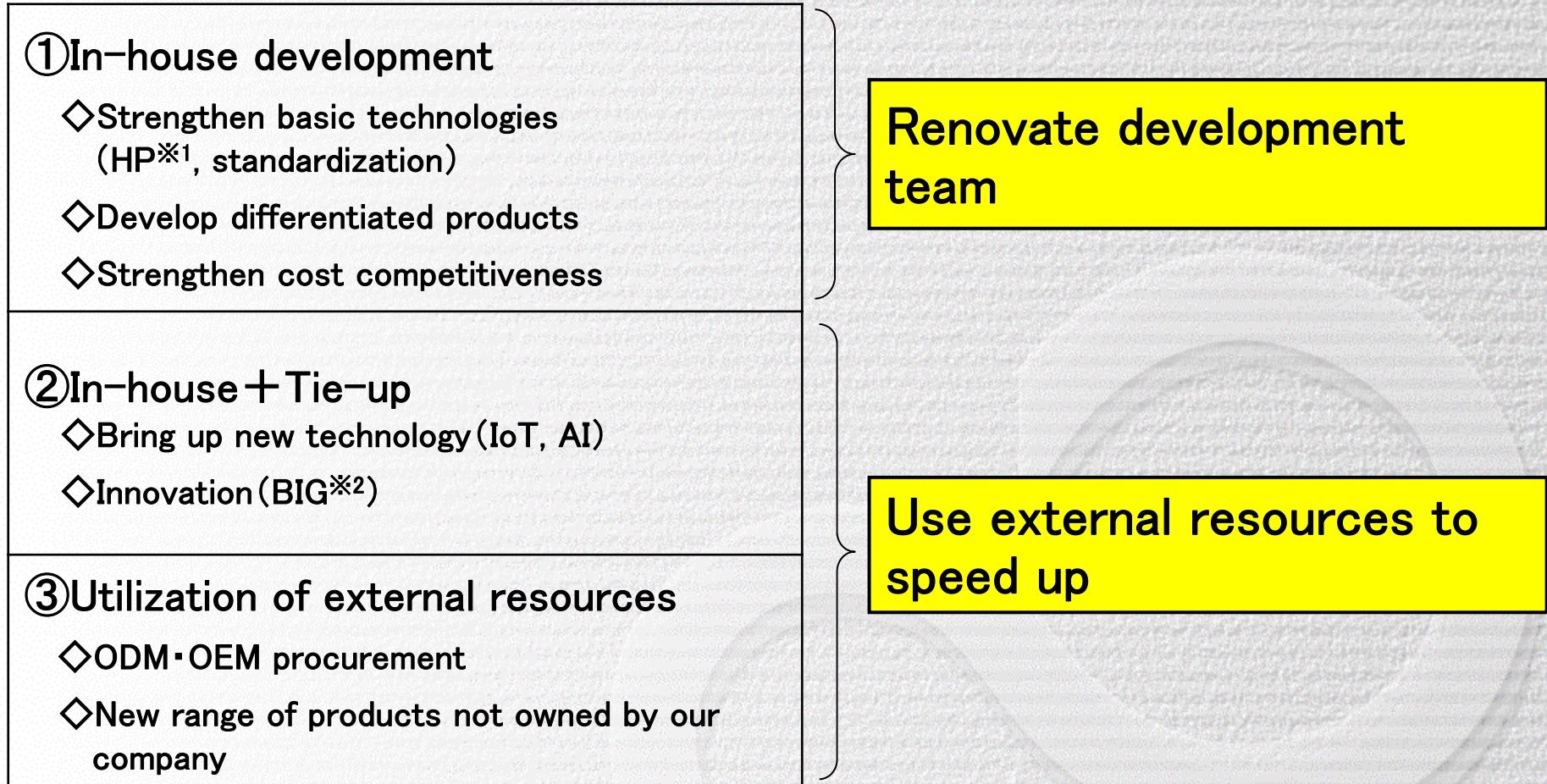
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- ◇ Maintain 5 bases to diversify risks and to create opportunities
- ◇ In the medium term, we concentrate on strategy targets





# I -2) Innovation of A/C development system



※1: heat pump  
※2: Being Innovative Group (Newly organized group in Nov 2016)

**Double the number of models**



## I -3) Strengthening A/C Sales Promotion

FUJITSU GENERAL LIMITED

**Net sales : (FY2016)232.4billion → (FY2020)360.0billion 55%UP**

### Five major growth projects

[Overseas] (1)Growth in commercial business: sales increase of 90% versus FY2016

- Boosting personnel to build support structure for design offices and consultants
- Expanding in peripheral equipment, ventilation field (considering M&A)  
⇒ Responding to Chinese manufacturers by increasing system product sales

(2)Speeding up cooperation with Rheem in North American manufacturer (generating sales of 20.0 billion)

- Mutual OEM supply
- Promotion of joint development  
(startup of North American R&D center in April 2017)

(3)Reestablishment sales strategy for India: doubling sales versus FY2016

- Allocating personnel and resources, reviewing of JV operations
- Strengthening product strategy, considering local production



## I -3) Strengthening A/C Sales Promotion

FUJITSU GENERAL LIMITED

**Net sales : (FY2016)232.4billion → (FY2020)360.0billion 55%UP**

### Five major growth projects (continued)

[Overseas](4)Product development using external resources

- Increasing development resources by outsourcing design of low-priced products and lineup items

[Japan] (5)Aggressively targeting household equipment route and share up of volume retailer: sales up 20% versus FY2016 level

- Improvement of Works/services and sales system
- Efficient business operations through increased use of IT

### Strategic investments for expanding business

- ◇M&A to accomplish the 5 major growth projects
- ◇Expand business in both hard (peripheral equipment,etc.) and soft (service)
- ◇Expand R&D center (Japan, North America, Europe)



## II. Restructure the business system of Telecommunications / Electronic Devices

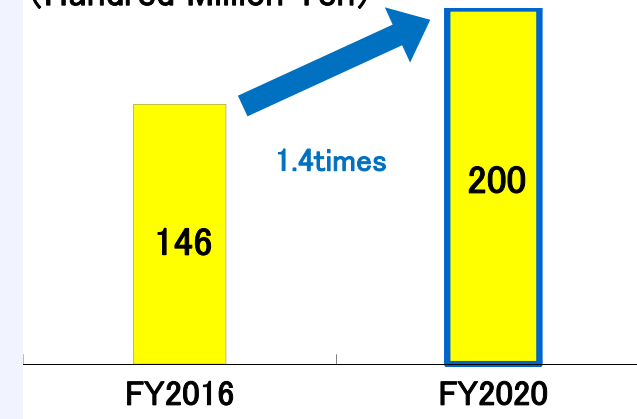
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### Telecommunications Electronic Devices

- ① Expand business centered on wireless technology (fire-fighting/ disaster prevention) Replacement of fire-fighting digital system
- ② Expand private sector business
- ③ Foster new business (public BB, etc.)

## Sales

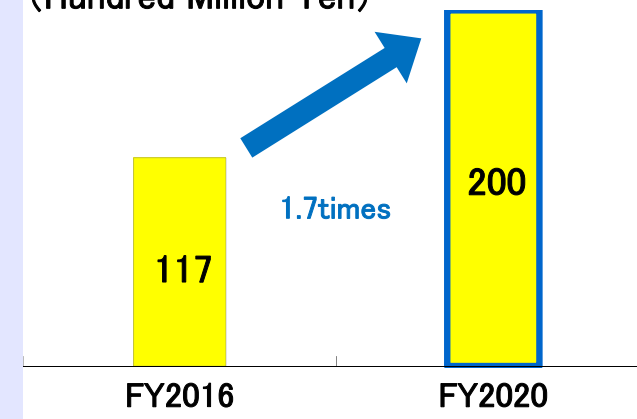
(Hundred Million Yen)



- ① Narrow down products and concentrate resources
- ② Speed up of cost reduction activities
  - ◇ Cost reduction activities
- ③ New business: develop in-house products

## Sales

(Hundred Million Yen)





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

## Promote cost reduction

- ① Promote “AKASURI campaign”
- ② Cost reduction/VE
- ③ Quality improvement
- ④ Strengthen manufacturing (“monozukuri”)
- ⑤ Innovate IT system

## Efforts for sales

- ① Absorbing fixed cost by expanding sales
- ② Improve product mix (Expand sales of high-end products and large-sized systems)
- ③ Improve brand image (Increase sales price)



## IV. Generate cash flow

### Promote operational efficiency

- ◇ Promote CCC improvement  
(Goal: shorten more than 10% versus FY2016 in FY2020)
  - Improve inventory turnover period, shorten collection period

### How to use the cash

- ◇ Investment for growth (strengthen R&D, improve peripheral equipment, develop sales, etc.)
  - ⇒ Consider M&A
- ◇ Shareholder returns: sustainable and stable profit distribution.  
Target a dividend payout ratio of 20% for the time being
- ◇ Investment in human resources  
(human resources development, increase motivation)



## V. Promoting and strengthening the management to think of and make use of persons

FUJITSU GENERAL LIMITED

Realization of a workplace that keeps employees' high spirit and to tackle our reform

◇ Motivate employees and improve their productivities

- ① Health management
- ② Reduce overtime work
- ③ Education/ Training
- ④ Enrichment of welfare benefits
- ⑤ Promote diversity



# Financial Results for FY2016 and Medium-term Management Policy

**-END-**

**FUJITSU GENERAL LIMITED**