## Apple, Inc.

Headquartered in Cupertino, California, Apple’s best-known products are the Mac line of computers, the iPod, iPhone, iPad, iTunes, iLife, and iWork. Apple software includes the OS X and iOS operating systems and the Safari web browser. Apple is the world’s second-largest information technology company by revenue after Samsung Electronics. Apple is also the world’s third-largest mobile phone make after Samsung and Nokia. As of November 2012, Apple has 394 retail stores in 14 countries and an online Apple Store and iTunes Store. For its fiscal year that ended in September 2012, Apple posted revenue of $22.5 billion in China, Taiwan, and Hong Kong, nearly double the amount from the prior year. However, partly as a result of Lenovo, Apple’s market share dropped to 4.2 percent of the China smartphone market in the quarter ended September 2012, from 5.8 percent the prior year. Another problem for Apple in China is that the China’s largest mobile carrier, China Mobile Ltd., does not sell the iPhone, although that company had 87.9 million subscribers to high-cost, third-generation mobile services at year end 2012.

## EXHIBIT 4 Lenovo’s Sales and Profit by Region (in U.S. dollars)

| **Including MIDH and non-PC revenue & results** | **Revenue US$ Million** | **Segment Operating Profit/(Loss) US$ Million** | **Segment Operating Profit Margin** |
| --- | --- | --- | --- |
| **FY13** | **Y/Y** | **FY13** | **FY12^** | **FY13** | **FY12^** |
| China | 14,539 | 17% | 678 | 569 | 4.7% | 4.6% |
| China - PC | 11,751 | 6% | 733 | 638 | 6.2% | 5.8% |
| APLA | 6,860 | 8% | 24 | 0 | 0.3% | 0.0% |
| EMEA | 7,535 | 20% | 147 | 83 | 2.0% | 1.3% |
| North America | 4,939 | 9% | 168 | 161 | 3.4% | 3.5% |

Note: EMEA = Europe/Middle East/Africa; APLA = Asia/Pacific/Latin America.

## EXHIBIT 5 A Financial Comparison of Lenovo with Rival Firms (in U.S. dollars)

|  | **Lenovo** | **Apple** | **Dell** | **HP** | **Toshiba** | **Fujitsu** |
| --- | --- | --- | --- | --- | --- | --- |
| Sales ($) | 34 B | 165 B | 58 B | 120 B | 63 B | 49 B |
| Income ($) | 631 M | 42 B | 2.7B | −12.6 B | 1.3 B | 279 M |
| Profit Margin | 1.86% | 25.35% | 4.44% | −10.5% | 2.27% | 0.55% |
| Market Capitalization ($) | 11.07 B | 424 B | 24 B | 32.5 B | 18.5 B | 8.5 B |
| Shares Outstanding | 518 M | 939 B | 1.75 B | 1.95 B | 4.25 B | 414 M |
| EPS ($) | 1.10 | 44.10 | 1.47 | −6.45 | 0.30 | 0.64 |

Note: EPS, earnings per share.

*Source:* Developed in February 2013 from a variety of sources.

An increasing number of companies are interested in purchasing Mac computers for all or part of their global operations. Apple focuses its business toward consumers and does not aggressively develop products and services for global enterprise customers. Organizations that have multiple-country operations oftentimes have to make separate arrangements in each region, with local partners making global deployments more complex. Apple has outstanding product design and innovation as well as financial stability, but the company lacks consistent global service and support. In September 2012, Apple unveiled the iPhone5, featuring an enlarged screen, more powerful processors, and running iOS6. The phone also includes a new mapping application (replacing Google Maps) that has attracted some criticism.

## Dell, Inc.

Headquartered in Round Rock, Texas, Dell is the third-largest PC vendor in the world after HP and Lenovo. Dell employs more than 103,300 people worldwide and is a strong corporate PC supplier with good global coverage and capabilities. Dell is positioning itself beyond its PC roots however and as such is becoming less competitive on PC pricing. To diversify away from PCs—although that product, like Lenovo, is still Dell’s best seller—Dell in 2012 acquired Wyse Technology and Quest Software and Gale Technologies and Credant Technologies. These acquired firms produce and market other high-technology products and services, but not PCs, smartphones, or tablets.

## Fujitsu

Headquartered in Tokyo, Japan, Fujitsu is the world’s third-largest IT services provider measured by revenues after IBM and HP. Fujitsu executes on a global basis and provides a good option for corporate purchasing for many organizations. Although its U.S. operations are still weak, Fujitsu has added desktops and bolstered its North American capabilities. Fujitsu is also a strong supplier of pen tablet PCs, an important segment with Windows 8. Fujitsu has a good desktop service portfolio across Europe and is strong in the Middle East, Africa, and Japan. In May 2011, Fujitsu entered the mobile phone market again and released various Windows Phone devices. Fujitsu offers a public cloud service delivered from data centers in Japan, Australia, Singapore, the United States, the United Kingdom, and Germany based on its Global Cloud Platform strategy. The platform delivers Infrastructure-as-a-Service (laaS) virtual information and communication technology (ICT) infrastructure, such as servers and storage functionality.

## Hewlett-Packard

Headquartered in Palo Alto, California, HP has a strong global PC presence and portfolio of services and products and is a viable supplier for global enterprise customers, regardless of business size. In May 2012, HP announced plans to lay off approximately 27,000 employees, after posting a profit decline of 31 percent in the second quarter of 2012. The profit decline is largely as a result of the growing popularity of smartphones, tablets, and other mobile devices that have slowed the sale of PCs. HP recently merged its printing and PC businesses under one executive, Todd Bradley. In November 2012, HP recorded a write down of around $8.8 billion related to its $11.3 billion acquisition of the U.K.-based software maker Autonomy Corp. HP accused Autonomy of deliberately inflating the value of the company before its takeover, but Autonomy flatly rejected the charge. The FBI is investigating but HP’s stock has fallen to a decades’ low.

## Toshiba Corporation

Headquartered in Tokyo, Japan, Toshiba provides a wide range of notebook computers targeted at businesses, but its global focus has shifted increasingly toward the consumer and small-business markets. Toshiba remains strong in Canada and Australia in commercial sales, but a lack of desktop offerings makes Toshiba inappropriate if a sole PC vendor is desired for a company. Toshiba’s focus has shifted toward the nonenterprise notebook market. Toshiba is no longer a major concern for Lenovo because the two firms’ product lines overlap less and less every day.

## Acer

Headquartered in Taiwan, Acer plans to build up its smartphone business, raising sales from 500,000 units in 2012 to 1.5 million in 2013, and 5 million in 2014. Acer is targeting specific operators individually instead of trying to offer models across entire markets. Acer has suffered two consecutive (2011 and 2012) annual losses, still struggling from its bad acquisitions of Gateway, Packard Bell, and eMachines. Of late however, Acer has posted strong sales of notebooks using Google’s Chrome platform.

## Nokia Corporation

Nokia is a communications and IT corporation headquartered in Keilaniemi, Espoo, Finland. Its principal products are mobile phones and portable IT devices. Nokia was the world’s largest vendor of mobile phones from 1998 to 2012 but over the past five years, the company has suffered declining market share as a result of the growing use of smartphones from other vendors, principally the Apple iPhone and devices running on Google’s Android operating system. As a result, its share price has fallen from a high of U.S. $40 in 2007 to under U.S. $3 in 2012. Since February 2011, Nokia has had a strategic partnership with Microsoft whereby Nokia smartphones will incorporate Microsoft’s Windows Phone operating system (replacing Symbian). Nokia unveiled its first Windows Phone handsets, the Lumia 710 and 800 in October 2011 but sales subsequently dropped and Nokia made six consecutive loss-making quarters from second quarter 2011 to third quarter 2012.. The fourth quarter of 2012 saw Nokia return to profit after strong sales of its new Windows Phone 8 handsets, particularly the high-end Lumia 920. In October 2012, Nokia said its high-end Lumia 820 and 920 phones, which will run on Windows Phone 8 software, will soon be available across Europe and in Russia. In December 2012, Nokia introduced two new smartphones, the Lumia 620 and 920T. In January 2013, Nokia reported 6.6 million smartphone sales for the fourth quarter in 2012, consisting of 2.2 million Symbian and 4.4 million sales of Lumia devices (Windows Phone 7 and 8). In North America, only 700,000 mobile phones have been sold including smartphones.

## Samsung Electronics

Based in Seoul, South Korea, Samsung makes the popular Galaxy smartphone. Samsung also makes DVD players, digital TVs, and digital still cameras; computers, color monitors, LCD panels, and printers; semiconductors such as DRAMs, static RAMs, flash memory, and display drivers; and communications devices ranging from wireless handsets and smartphones to networking gear; microwave ovens, refrigerators, air conditioners, and washing machines. Galaxy runs on Google’s android mobile-operating software.

## The Future

Lenovo’s diverse product brands overlap more and more, which is becoming confusing to many customers. The company’s current aggressive pricing may not be profitable in future years. The differentiation provided by Lenovo’s ThinkVantage software tools is eroding. Alternative offerings from Microsoft and third parties are improving, and are often free, reducing the value of Lenovo’s unique tools. Even for a strong firm such as Lenovo, rivals await at every turn to seize market share and customer loyalty. The global smartphone market increased by 39 percent in 2012 in terms of units shipped, according to International Data Corporation.

In the summer of 2013, Lenovo introduced another new product, a table PC that weighs 17 pounds and runs off Windows 8 and is called the Lenovo Idea Centre Horizon Table PC. The new product does everything and features a 27-inch high-definition display panel. Hundreds of fun games and educational apps come preloaded on the new product. Lenovo is engaged in discussions to acquire the maker of the BlackBerry smartphone, but a larger concern for the company perhaps is Xiaomi.

**Develop a clear strategic plan for Lenovo that will enable the company to continue its historical success.**