

MESSAGE TO SHAREHOLDERS AND OTHER INVESTORS



Fujitsu is driving the breakthrough represented by business model transformation in pursuit of global competitiveness and sustainable growth.

Rapid advances are being made in turning information and communication technology (ICT) into services across all industries throughout the world. In this process, ICT is being used to resolve challenges facing customers and to create new value. Fujitsu calls ICT-based services "connected services" and positions expansion in this area as a growth driver for the future.

Our commitment to expanding connected services lies at the heart of the Management Direction we announced in October 2015, which sets out a roadmap to becoming a globally competitive ICT company. Fujitsu is embracing business model transformation with a clear vision of where we need to be in the future, as we aim to achieve sustainable growth.

Tatsuya Tanaka
Representative Director and President

Since October 2015, we have been radically overhauling our business structure in line with business model transformation. The main thrust of this effort consists of concentrating management resources on the Technology Solutions business and moving away from the vertically integrated operations we had pursued, centered on the three business domains of Technology Solutions, Ubiquitous Solutions, and Device Solutions. We have already achieved considerable results with the two engines of our reforms, "business structure transformation," which targets structural reforms to concentrate management resources on the Technology Solutions business, and "growth strategy transformation," which targets expanding connected services, based on digital technology.

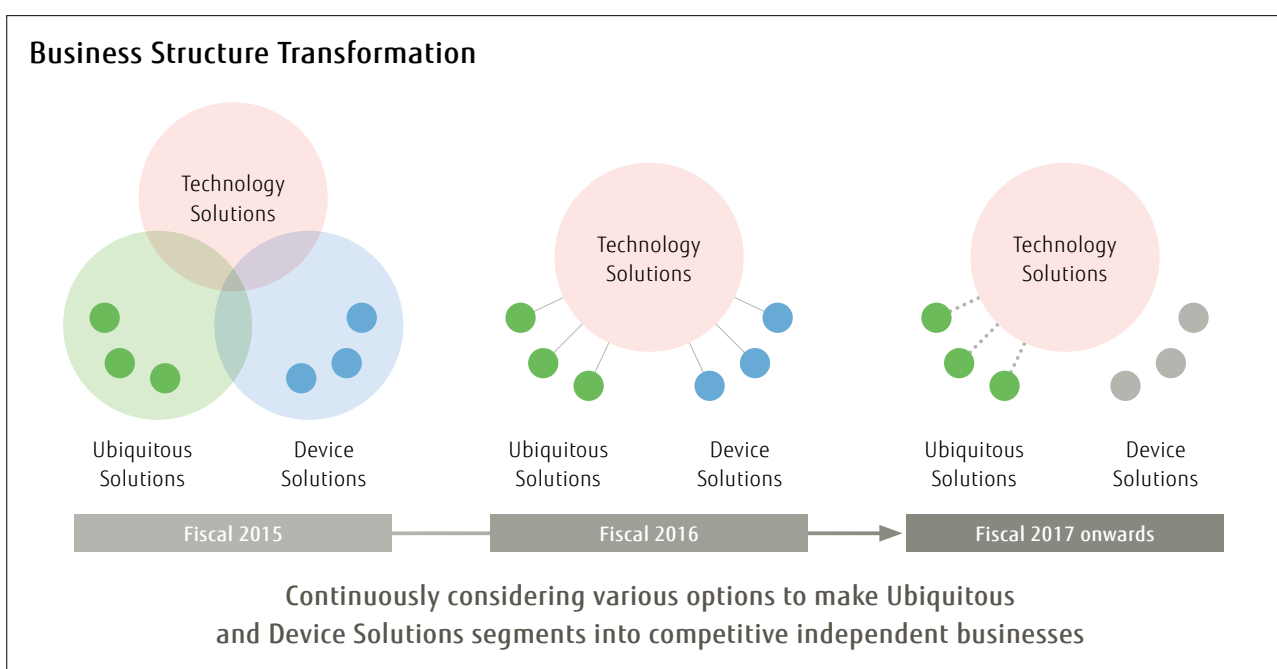
Progress in "Business Structure Transformation"

As part of our business structure transformation initiative, we have closed the hardware development center in Paderborn, Germany, and improved efficiency at our manufacturing base in Augsburg, Germany, thereby nearly completing reductions of about 700 personnel by autumn 2016. We have also made good

progress in raising efficiency in the Ubiquitous Solutions business, which handles the development and manufacture of PCs, mobile phones, car navigation systems, and other products.

Specifically, in February 2016 we established two wholly owned subsidiaries to handle the PC and mobile phone businesses. In September 2016, DENSO CORPORATION, Toyota Motor Corporation, and Fujitsu reached an agreement to consider changing the capital structure of car electronics manufacturing subsidiary Fujitsu TEN Limited with a partial transfer of shares to DENSO. In the PC field, we announced in October 2016 that we had begun exploring a strategic alliance with Lenovo Group Limited. The Device Solutions business, meanwhile, which handles the semiconductor business, had already completed significant structural reforms by fiscal 2014.

With our business structure transformation initiative, we are pushing ahead with reform in phases. We are considering new relationships with external stakeholders, which may also involve M&A deals, with a view to further strengthening our core Technology Solutions business. We plan to disclose more when we are in a position to announce specific projects with external partners.



Progress in “Growth Strategy Transformation”

We are promoting three key initiatives to strengthen our digital businesses: (1) establishing a business unit structure best suited to promoting digital businesses; (2) consolidating and upgrading products and technologies related to digital services; and (3) strengthening the front-office sales structure. Regarding (1), in April 2016 we established a new Digital Services Business within which we have integrated the technologies and planning, development, and manufacturing functions for Internet of Things (IoT), artificial intelligence (AI), and cloud-related technologies that had been dispersed throughout the Group. In November 2016, we absorbed our three major systems-engineering subsidiaries in Japan as part of efforts to bolster the structure of the Global Services Integration Business. Regarding (2), to strengthen the “FUJITSU Digital Business Platform MetaArc”^{*1} we have added our proprietary core public cloud K5^{*2} as a key component and introduced AI platform services with cutting-edge technologies. We have also formed alliances with leading global partners including Microsoft, Oracle, and BOX. Regarding (3), we have established a new frontline organization specializing in digital services in Japan. We have also reorganized the EMEIA management setup to better meet demand for digital services by adopting a business line organizational structure in place of the previous country- and region-based structure. In addition, we have integrated sales operations in Japan and Asia with the “One Asia” framework and adopted an integrated,

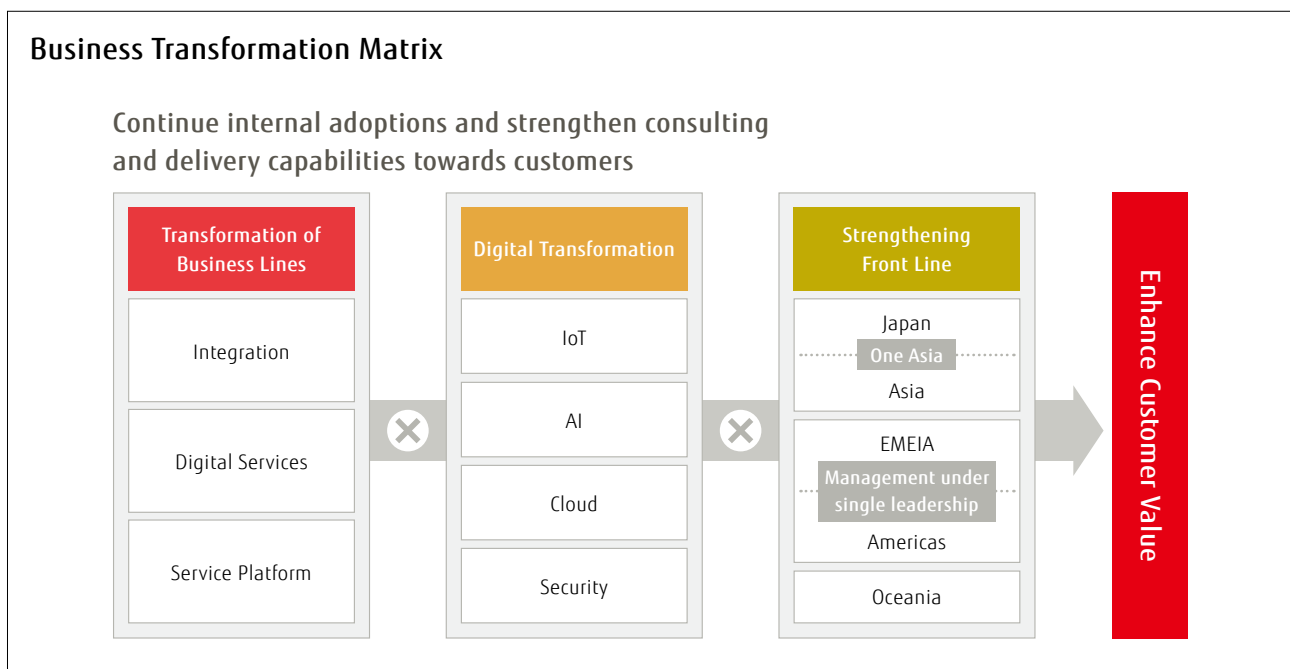
single-leadership management approach for EMEIA and the Americas. We expect these moves to generate synergies in the future.

Between May and June 2016, we completed a tender offer for the shares of NIFTY Corporation, a listed company with three business segments: the ISP Business, the Web Service Business, and the Cloud Business. We are pursuing a growth-oriented scenario in which NIFTY’s operations are divided into two businesses, one in charge of businesses for enterprises centered on the Cloud Business and the other in charge of businesses for consumers centered on the ISP Business. With the former, in particular, we see prospects of expanding business opportunities for the Fujitsu Group as a whole by adding services to MetaArc.

In terms of staff deployment, we are shifting our focus toward digital services as we continue to expand our Global Delivery Center network of offshore and nearshore digital services and development bases. In EMEIA, meanwhile, we have been increasing the number of personnel assigned to digital services while scaling back more traditional roles.

*1 Digital business platform with K5 at its core harnessing mobile, IoT, AI, and other cutting-edge technologies. The platform provides services to support the smooth migration of customers’ core systems to the cloud and the rapid launch of new businesses.

*2 A new cloud service that integrates Fujitsu’s expertise and experience in the application and operation of systems and open technology to enhance the efficiency of customers’ systems development and operations.



Current Position and Challenges for the Future

In such ways, we have been steadily moving forward with business model transformation. I have repeatedly sought to convince people within the Company—particularly corporate executive officers and other senior managers—of the necessity for change, and I believe our Management Direction is steadily gaining traction. There is also spreading awareness that each and every employee needs to reexamine their role and consider how best to accomplish it under the overarching policy of realizing sustainable growth through the twin engines of business structure transformation and growth strategy transformation.

I am, however, far from satisfied with the progress we have made. In order to accelerate growth in our digital services business and to compete globally as an ICT service company, we must entrench the mindset of providing customers with connected services on a day-to-day operational level much more deeply throughout the Company. The global matrix organization holds the key here.

“Deepening” Customer Value through Penetration of Integrated Services

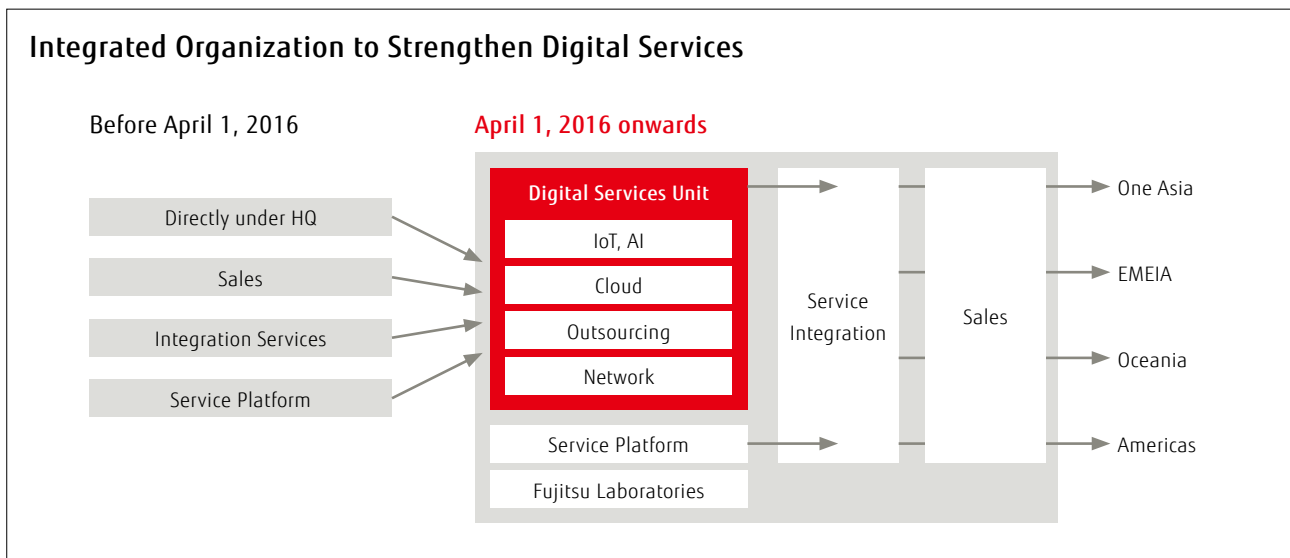
What our business model transformation aims to achieve is to “deepen” the value we provide to customers through our integrated services, which is to say our connected services. To understand what integrated services are all about, field innovators*³ provide a helpful example. A field innovator is a specialist who understands business at the field level and works to identify problems together with customers and find optimal solutions. However, a field innovator is just one of the members of Team Fujitsu providing services to the customer. In terms of communications with customers, frontline sales

personnel are the focal point, and system engineers handle most of the service delivery work. In other words, in providing services to customers on the ground, the field innovator must work hand-in-hand with frontline sales personnel and system engineers as Team Fujitsu. This is the sort of integrated service that we are aiming for. (▶▶ For more information, please refer to “Interview: Change Seen from the Digital Innovation Front Lines” on pages 20–23.)

The global matrix organization aims to facilitate such cooperation throughout the entire Group. This is as demonstrated in the above example, where we provide services by bringing to each region responsible for frontline sales the Global Services Integration, Digital Services, and Service Platform business lines in which field innovators and system engineers are engaged. (▶▶ For more information, please refer to “Evolution of the Global Matrix Organization” on pages 24–27.)

ICT is now used as commonly as air, energy, and water—becoming essential to people’s lives, to what companies do, and to the functions fulfilled in central and local governments. In this environment, ICT professionals will clearly be playing an ever-greater role in expanding the range and depth of ICT applications to create new value. We are offering customers higher-value services by bringing business model transformation to the day-to-day operational level through the global matrix organization. In doing so, we are promoting the use of ICT in planning, delivery, and operations to a level to which only Fujitsu can aspire.

*³ Field innovators hold in-depth discussions with customers and other related parties as a facilitator, assisting customers to identify solutions by organizing and systematizing business flows and management issues.



Fiscal 2016 Themes and Financial Targets

The priority for fiscal 2016 is to complete the decision-making process relating to business model transformation. The execution of some aspects of that may be pushed back to fiscal 2017, but recognizing the importance of speed we intend to make decisions and announce them as quickly as possible. Other key themes include offering integrated services as One Fujitsu in all regions based on the global matrix organization and providing customers with services that incorporate the experience we have gained in migrating internal systems to the cloud and utilizing AI.

In fiscal 2016, we expect to book business model transformation costs totaling ¥45 billion, comprising about ¥30 billion for digital transformation centering on EMEA and about ¥15 billion in other expenses. Allowing for costs related to business model transformation, we project that revenue will decline 5.0% year on year, to ¥4,500.0 billion; that operating profit will fall 0.5% year on year, to ¥120.0 billion; and that net profit attributable to owners of the parent will contract 2.0% year on year, to ¥85.0 billion. (▶▶ For more information on structural reform costs and earnings, please refer to "Financial Capital: CFO Message" on pages 50–51.)

Fiscal 2015 Results and Fiscal 2016 Full-Year Consolidated Forecast (As of October 31, 2016)

(Billions of yen)

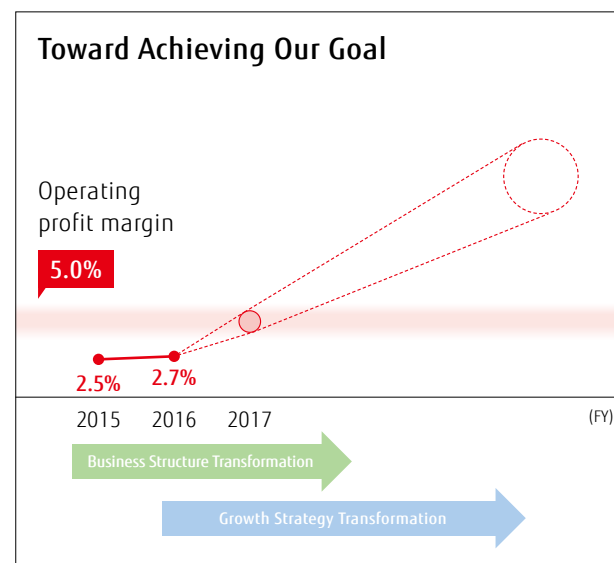
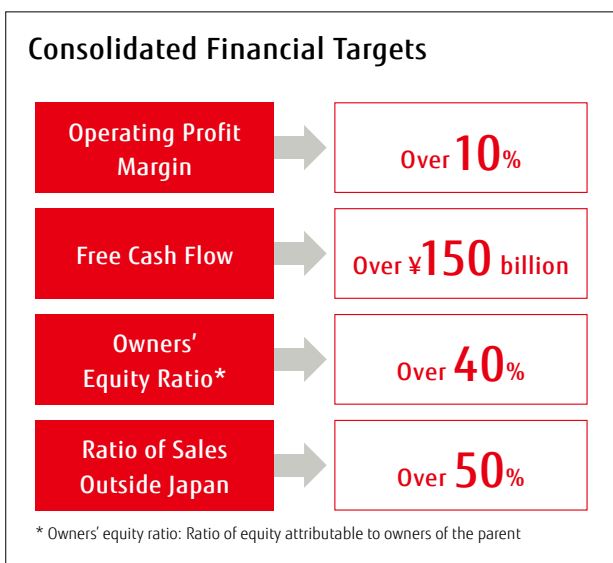
	Fiscal 2015 Results	Fiscal 2016 Forecast	YoY Change	YoY Change (%)
Revenue	4,739.2	4,500.0	-239.2	-5.0
Business Model Transformation Costs	41.5	45.0	-3.4	–
Operating Profit	120.6	120.0	-0.6	-0.5
Profit Attributable to Owners of the Parent	86.7	85.0	-1.7	-2.0

Medium-Term Financial Targets and Shareholder Returns

Regarding the medium-term consolidated performance targets we announced in October 2015, some investors have pointed out that the target for an operating profit margin of 10%, in particular, looks very high from the perspective of the current position. In my view, however, an operating profit margin of 10% is imperative if we are to make the reinvestments essential to being competitive and achieving growth at the global stage while also returning profits to shareholders and other investors. What I would emphasize here is that our business model transformation is not aimed at raising profit margins simply by making improvements to what we do now. Rather, business model transformation is about achieving a breakthrough, going above and beyond our current trajectory.

An operating profit margin around 5% already looks within range for fiscal 2017, thanks chiefly to efforts made with our business structure transformation initiatives. Further out, we can see a path to accumulating operating profit through the contribution of growth strategy transformation.

In fiscal 2015, we maintained annual dividends per share at ¥8, unchanged from the previous year, even though revenue and profit declined. I hope that can be taken to demonstrate our confidence that the successful execution of business model transformation will lead to sustainable growth. We are determined to meet the expectations of shareholders and investors who support Fujitsu with its business model transformation with stable shareholder returns and enhanced corporate value over the medium to long term.



Enriching People's Lives with ICT

We are anchored by our principle of contributing to human happiness and wellbeing through ICT and making that the bedrock of all our business operations. That commitment to contributing to wellbeing is predicated on having an open and highly transparent organization with respect to business activities and information disclosure. Put differently, I believe that businesses that help people enjoy life are those that respond to the needs of people and society, thereby generating growth in revenues and profits and, by extension, raising corporate value.

As has been widely recognized, creating corporate value requires not only financial capital but also non-financial capital or "intangible assets." Those invisible assets take the form of human capital to drive corporate activities, the technologies and experience that are the source of added value, and the trust of customers, supply-chain business partners, and society as a whole. In other words, conducting business that enriches people's lives and conducting management which includes non-financial capital come down to much the same thing. That pursuit can be said to be a prerequisite for companies to operate in society.

As I have already noted, ICT is inseparable from the lives of people, corporate activity, and the work of central and local governments. It is hard to imagine that its importance will not continue to increase. What I believe Fujitsu needs to become in the future is a company that earns the recognition of all stakeholders as an irreplaceable and essential element in people's lives, business activities, and public administration. I pledge that we will do everything in our power to see to a successful conclusion all we are now doing to support people with ICT, create value as a company dedicated to human happiness, and ensure Fujitsu's sound development to meet the expectations and needs of all stakeholders.

Tatsuya Tanaka

Tatsuya Tanaka
Representative Director and President