

MESSAGE FROM THE SENIOR EXECUTIVE VICE PRESIDENT



Our aim is to be a truly innovative company. To accomplish this, we are working to complete the transformation of our business model by investing in human talent, the most important management resource for a service-oriented company.

Hidehiro Tsukano
Representative Director
Corporate Executive Officer
SEVP / Assistant to the President / CFO

Revising Indicators and Targets to Exemplify Absolute Commitment

Our new Management Direction, announced in October 2018, aims to enhance corporate value through business model transformation and realize our vision for the Fujitsu Group 30 years from now. These goals have not changed from previous directions. However, as of March 31, 2018, while we have achieved a certain amount of progress with "business structure transformation," our efforts to promote "growth strategy transformation" had not proceeded at the speed we had anticipated, and as such, we had no choice but to conclude that we will need more time in order to further accelerate efforts and reap the rewards of doing so. We therefore partially revised our key performance indicators (KPIs) and targets to better reflect our current situation.

Specifically, out of our four KPIs—consolidated operating profit margin of over 10%, free cash flow of over ¥150 billion, owners' equity ratio of over 40%, and percentage of sales outside Japan of over 50%—we have pushed back the period in which we plan to achieve the operating profit margin KPI to fiscal 2022. In terms of the percentage of sales outside Japan, we believe we should prioritize the establishment of an even more robust profit structure, rather than simply pursue increased sales volumes, as we aim to further provide our customers with value. Accordingly, we decided that the percentage of sales outside Japan will be excluded from our KPIs for the time being.

We believe that an operating profit margin of over 10% is a level that is essential to maintain and enhance our competitiveness as an ICT services company in the global market. In fact, within our Technology Solutions segment, the services businesses (solutions/SI and infrastructure services), which primarily underpin our digital businesses, alone achieved an operating profit margin of 6.3% in fiscal 2017. In fiscal 2018, these businesses are expected to realize an

operating profit margin of 7.4%. Accordingly, an operating profit margin of over 10% in the Technology Solutions segment is more than achievable. Given the attainable nature of this KPI, we have compared our strategies against the time it takes to execute them and made efforts to once again communicate our determination to reach this KPI both inside and outside the Group.

In regard to our free cash flow KPI, following our performance in fiscal 2017 in which free cash flow reached ¥177.8 billion, we intend to realize free cash flow of ¥120.0 billion in fiscal 2018, bringing us well within range of reaching our KPI target. Also, as of September 30, 2018, our owners' equity ratio stood at approximately 38%, continuing on a course of steady improvement.

Accelerating Investment to Maximize the Value Created by Our Personnel

As we make progress in "business structure transformation" and begin to focus our efforts more heavily on "growth strategy transformation," the importance of human resources as part of our management capital has become much greater. In addition, as a service-oriented company, investment in human resources remains crucial to maximizing the value that our personnel create and enhancing our corporate value.

In light of the fact that we have established a foundation for the steady generation of free cash flow, we will work to offer returns to our shareholders based on a stable and high level of dividend payments, in combination with the acquisition of treasury stock. At the same time, we intend to accelerate investment in human resources in our aim to reach the next stage of transformation. While strengthening our recruitment practices and revising our training programs, we will introduce a system for moving Group personnel who are involved and have an abundance of know-how in accounting, purchasing,

human resources, and other business-related fields into positions where they can leverage such know-how through consulting services.

Transforming Our Structure and Organization to Enhance Profitability

As Assistant to the President, I will focus my efforts on developing human resources from the perspective of managing the Group as a whole. At the same time, as the CFO I am aware that the most important management issue for me to address is cutting costs. With this in mind, I will put forth my best effort to help us promptly implement structural reforms in our overseas business. Additionally, I will take steps to adjust indirect/support functions with the aim of significantly reducing indirect costs on a Groupwide basis.

In our business outside of Japan, over the past year we have proceeded with various efforts that have included revamping the structure of the boards of directors at local subsidiaries and reorganizing the chains of command. We are particularly aware of the importance of making drastic structural reforms in Europe, the Middle East, India, and Africa (EMEIA), which constitute the pillar of our overseas operations. As a specific measure under these reforms, we will close our site in Augsburg, Germany, thereby bringing the Group's development and manufacturing functions in the region to an end. Furthermore, we will reexamine the positioning of our locations throughout EMEIA and concentrate management resources on locations where we have a strong customer base. Meanwhile, we will reorganize smaller locations that have a high reliance on the hardware business and work to reduce overhead costs. Also, in the Americas, as the head of the region, I personally will take a proactive approach in providing guidance to ensure that we make strategic decisions aimed at enhancing profitability and that efforts to do so are carried out in a thorough and prompt manner.

Going forward, specific details regarding the closing of the Augsburg site and location reorganization will be determined through negotiations with employee representatives. We therefore intend to disclose the impact of these reforms on our performance from fiscal 2018 and beyond after carrying out appropriate investigations.

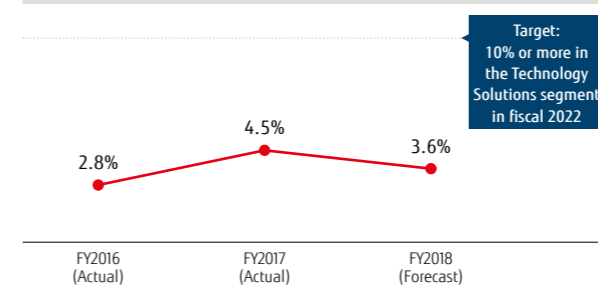
Determining Risks and Opportunities through Organizational Agility

The relationship between the United States and China and the practical application of 5G are two important factors that could potentially impact our ability to promote business model transformation. If friction between the US and China becomes more intense and lasts over a long period of time, the global strategies of not just the Group but also our client companies, in addition to the global economy, could be negatively impacted. In the domestic services market, which is currently performing steadily, solid demand is expected to continue from 2020 onward. However, we are examining strategies that we can implement should these favorable conditions change.

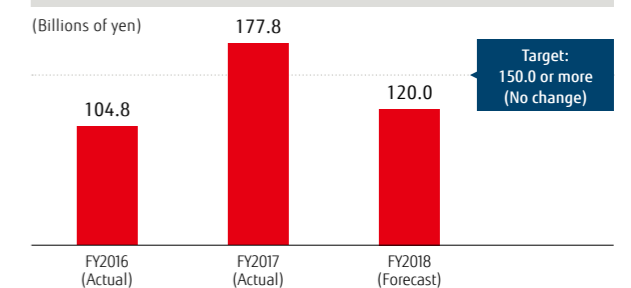
The practical application of 5G will not only boost network speeds, it will also provide a true foundation for integrating communication and information. Moreover, 5G will create opportunities to enter new businesses and eliminate barriers standing in the way of business creation. In these times of significant change, the exact same phenomenon can be viewed as both a business risk and an opportunity. I believe that the determining factor in this case lies in whether or not the Group can transform into a flexible organization through business model transformation. We therefore will push forward with our transition to a company that can realize true innovation in the new world that 5G will create.

Fiscal 2016–2017 Financial Results and Fiscal 2018 Forecast

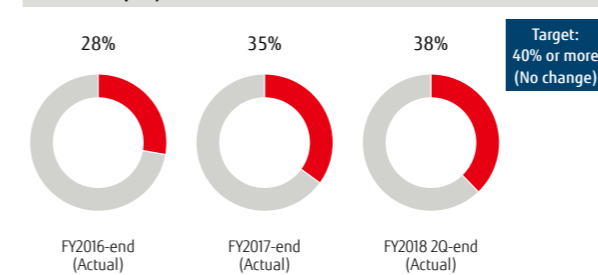
Operating Profit Margin (Consolidated)



Free Cash Flow



Owners' Equity Ratio



Percentage of Sales Outside Japan

