MESSAGE FROM THE CFO

We are carrying out the transformation necessary to become a widely trusted DX partner, while ensuring sustainable growth and improvements in profitability.

Takeshi Isobe
CFO and Executive Vice President

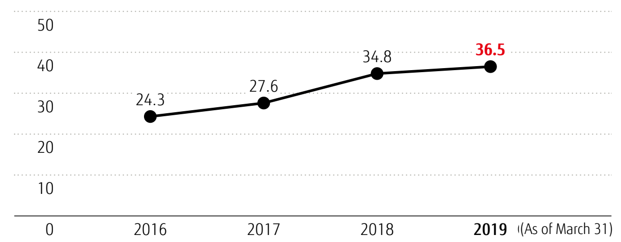
Promoting "Business Structure Transformation" and "Growth Strategy Transformation"

In the four years up until the end of fiscal 2018, the Fujitsu Group promoted "business structure transformation" to focus on core businesses and "growth strategy transformation" aimed at accelerating growth.

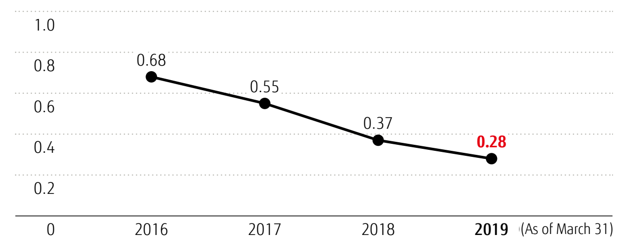
Regarding "business structure transformation," we have been concentrating management resources in the Technology Solutions segment, which we position as a core business. On a basis that excludes special items and the impact of business restructuring, consolidated operating profit in the fiscal year ended March 31, 2019 rose ¥34.1 billion, underpinned by a strong performance from our domestic services business, the cornerstone of our digital businesses. In addition, we strengthened our financial position. As of the end of the fiscal year ended March 31, 2019, equity attributable to owners of the parent ratio was 36.5%, an increase of over 12 percentage points compared with the fiscal year ended March 31, 2015, and free cash flow exceeded ¥100 billion for the third consecutive year, enabling us to increase dividends and other shareholder returns.

We were able to mitigate the impact of negative risk factors and volatility, achieving steady progress in consolidating our business foundations.

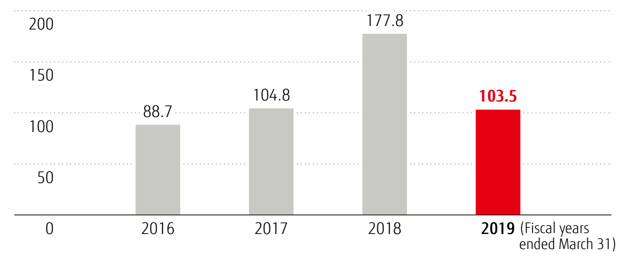
Equity Attributable to Owners of the Parent Ratio (%)



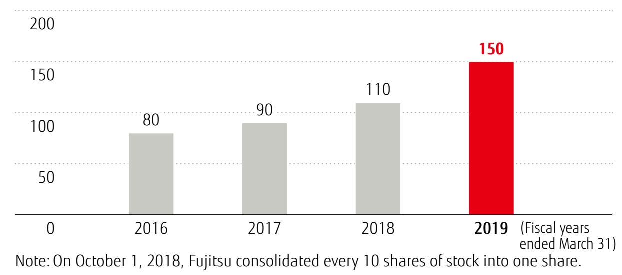
D/E Ratio (Times)



Free Cash Flow (Billions of yen)



Dividends Per Share of Common Stock (Yen)



Note: On October 1, 2018, Fujitsu consolidated every 10 shares of stock into one share. Dividends per share reflect this share consolidation.

We will now shift our focus to "growth strategy transformation," targeting further improvements in profitability and sustainable growth. In our Management Direction announced in September 2019, we set management targets for the fiscal year ending March 31, 2023 of revenue of ¥3,500 billion and an operating profit margin of 10%, as we accelerate our efforts to move forward with further transformation.

Executing Measures to Improve Profitability

The main engine for improving profitability is leveraging the robust foundations of our domestic services business.

Domestic services sales expanded to almost ¥1,800 billion in the fiscal year ended March 31, 2019, and demand remains very strong. I believe that there is a high level of interest and motivation among customers in such areas as system modernization to improve business efficiency, with a view to pushing forward with business model transformation.

System engineers and other resources for delivering services are, however, in short supply. To meet the needs and expectations of customers, we have expanded our Global Delivery Center capabilities and are making strategic use thereof as a resource pool for the expansion of offshore services. In addition, we are striving to improve productivity by automating development and operations. While steadily improving the profitability of our domestic services business through such measures, we also expect the network and overseas businesses to drive further profit growth. In the network business, we view the full-scale uptake of 5G as a major business opportunity. In the overseas business, our shift to a new organizational structure in Europe is due to be completed in the first half of the fiscal year ending March 31, 2021, which will involve a realignment toward the services business as we steadily consolidate our earnings base.

Shifting to the Services Business to Realize Sustainable Growth

Along with improvement in profitability, a key pillar of our efforts to achieve sustainable growth is the DX business. We are establishing a new company to drive the DX business to expand operations in this field. We are also stepping up investments for growth targeting the creation of business opportunities related to the DX business and the promotion of new businesses.

First, we are prioritizing investments in technologies that support the DX business, such as AI, 5G, and cybersecurity. Second, we are undertaking M&As and corporate venture capital investments to create new businesses. We intend to pursue active investments in this way to quickly nurture and expand new businesses.

Of course, we must ensure that we recoup returns on investments. DX technology investments have a relatively short investment–return cycle compared with the cycles for investments in conventional hardware development and large-scale capital investments in factories and other facilities. As we implement proactive investments, we will be scrutinizing investment returns more closely than ever. Although we are shifting our focus to target sustainable growth, I believe that it is my responsibility as CFO to take an objective and balanced approach in managing investments.

Becoming a Trusted DX Partner

To become a DX partner trusted by customers, it is vital that we at Fujitsu take the lead in implementing our own DX to serve as a point of reference for customers. Various business processes and information in a company, especially quantitative data, are all related to finance. I believe that upgrading information systems as well as reforming processes and procedures to accelerate internal DX are among my key missions as CFO, and we will promote these endeavors.

The Fujitsu Group plays a vital role in providing essential infrastructure to society. The Group also has great potential in offering new value to society. We understand that dialogue with stakeholders and enhancement in investor relations are extremely important to gain an understanding of Fujitsu and appropriately evaluate the value of the Group.

Going forward, we are determined to ensure sustainable growth and improve profitability as we embrace reforms to become a widely trusted DX partner.

Cash Flow Generation and Distribution

Aiming to generate stable levels of free cash flow of at least ¥150 billion each fiscal year

Cash flow distribution

• Investments for growth	Proactive investments in DX
• Shareholder returns	Stable dividends with higher shareholder returns in accordance with growth level
• Financial position	Strong financial fundamentals appropriate for a company supporting social infrastructure