

HIGHLIGHTS BY REGION

Fujitsu Limited and Consolidated Subsidiaries

	Japan	Asia		Europe	Americas	Oceania																																																												
Market Environment	<p>In 2018, Japan's IT services market grew 2.3% year on year. From 2016, growth was stalled at the 1% level as major projects came to an end, but in 2018 it accelerated to the 2% level as the market expanded particularly in the system integration field. Between 2019 and 2023, we expect the market to keep growing, albeit at a low level; we estimate a CAGR of 1.9%. We anticipate a gradual increase in IT spending related to digital transformation (DX). We expect the modernization of companies' core systems to promote DX as well as the linking up of existing systems and new systems to become new growth fields.</p> <p>By industry, we expect to see sustained demand in the manufacturing sector for upgrading core systems in such areas as production management and supply chain management. With retail, we expect demand to be driven by building systems to improve logistics efficiency and strengthen customer contact points and sales channels. We also anticipate support for growth from demand for system integration accompanying M&As and for the construction of systems to raise productivity and automate operations to deal with labor shortages. In the financial field, we see concerns over market contraction accompanying the integration of branches, efficiency improvements, and the integration of regional banks, but we anticipate ongoing investment in creating new services in such areas as AI and FinTech. In the communications field, we expect major carriers to continue to rein in capital spending, but investment related to 5G started in 2019 and we expect it to gradually expand. In the national and local government sector, we expect to see ongoing IT demand in such areas as system upgrading, functional enhancements, and new administrative compliance efforts. However, public bodies are tending to curb spending on the operation and upgrading of existing systems, and we do not expect any rapid progress with initiatives related to DX. Overall, heading toward 2020, against the backdrop of projected growth in the number of overseas visitors to Japan, we expect growth in IT investment aimed at reinforcing related IT infrastructure and strengthening customer contact points.</p>	<p>In 2018, Asia's IT market expanded 5.3% year on year, sustaining the previous year's strong growth. From 2018 to 2021, we estimate a CAGR of 5.7%, with high growth supported by both such hardware markets as PCs, servers, and storage, and rapid expansion in IT service and software markets.</p>		<p>In 2018, Europe's IT market grew a substantial 5.3% year on year. From 2018 to 2021, we estimate a solid CAGR of 3.7%. Hardware markets, including PCs, servers, and storage, are contracting, but we anticipate growth driven by software and IT services. We expect consulting to account for a high proportion of IT services.</p>	<p>In 2018, the IT market in the Americas grew a substantial 8.7% year on year. We expect the market to expand steadily; between 2018 and 2021, we estimate a CAGR of 5.0%. As digitalization advances, we anticipate a continued high level of investment in security and cloud services going forward. In 2018, the North America optical transmission market decreased 3.6%* overall year on year due to the strong reining in of capital expenditures by telecommunications carriers, despite the steady growth of Data Center Interconnect (DCI). From 2019, we expect a CAGR of 2.9%* with DCI, cable operator Fiber Deep, and 5G infrastructure investment driving growth.</p> <p>* Source: Ovum ON Forecast 2019-24</p>	<p>In 2018, Oceania's IT market expanded 7.0% year on year. We expect the market to continue to grow solidly; between 2018 and 2021, we estimate a CAGR of 4.1%. We expect growth in software and IT services markets but contraction in hardware markets, including PCs and servers.</p>																																																												
Priority Tasks	<p>We see two key issues for our business in the Japanese market to further enhance profitability: strengthening our ability to meet demands associated with DX and improving efficiency.</p> <p>DX is becoming important as conventional ICT evolves into new forms as the way customers use ICT changes. Realizing DX requires not only new technology but also the ability to propose new systems that utilize that technology. Accordingly, an urgent priority is to acquire and train personnel with the requisite consulting effectiveness. In addition, to migrate existing systems to new ones, we must actively promote a system upgrading process known as "modernization."</p> <p>We also need to improve profitability. Until now, we have been working to enhance efficiency at the system integration front lines, but to further improve we are expanding the on-site deployment of AI-based "efficiency tools." Through the use of these tools, we can both enhance quality and more efficiently utilize system engineer resources that are very stretched. Another way to address resource issues is to make greater use of offshore resources. We have long been utilizing offshore resources, but going forward, we intend to expand their use not only to alleviate resource shortages but also to further improve cost efficiency and improve profitability.</p> <p>In addition, we will reinforce project management. Through thoroughly scrutinizing the necessary technologies and resources from business deal talks, we will prevent projects becoming unprofitable when they reach the realization stage. We will continually reinforce efforts here, aware that fewer unprofitable projects will greatly contribute to improving profitability.</p> <p>Through these initiatives, we will further improve the profitability of our services business in Japan.</p>	<p>The current Asian market is characterized by the exceptionally rapid uptake of advanced technologies and new business models. Our challenge is to meet its diverse and fast-changing needs. In the Asia region, we will provide solutions, services, and products to customers by addressing the needs of each country's market by enhancing our services, including DX responsiveness and consulting capabilities. We will use technology and data to realize DX among our customers, establish the Fujitsu brand as a company that solves issues facing society and customers in Asia, and aim for further business expansion.</p>		<p>In Europe, we will continue to pursue structural reforms to shift to services businesses and improve profitability. We are currently consolidating our European bases, which will enable us to conduct selection and focus with management resources, reduce fixed costs for indirect divisions, and shift to a more profitable business model. We have reorganized our European business into two regions, Northern & Western Europe (NWE), and Central & Eastern Europe (CEE), and are looking to promote the agile expansion of our businesses in each.</p> <p>In NWE, we have integrated the region's delivery group with the Global Delivery Group (GDG) of offshore development bases. By cooperating with offshore development bases, we aim to provide high-quality, cost-competitive, end-to-end integrated services to customers.</p> <p>In CEE, we are moving toward closing the Augsburg plant in Germany in September 2020. We are shifting our product business toward providing higher value-added products. In the services businesses, we will increase human resources in the IT consulting field to solve issues facing customers, strengthen service offerings by industry, shift to solution-type services, and expand our services businesses in continental Europe.</p>	<p>In the Americas, we are developing a wide range of offerings in addition to system products, including IT peripherals, terminals for industry, and IT services businesses. We do, however, recognize that management resources are dispersed and efficiency is compromised in some areas. We are focusing on fields where we can offer added value and promoting the transformation to a business model that can provide solutions to issues facing customers. We will enhance industry-specific services and solutions and provide high-value-added services to our customers. In North America, we will pursue management efficiency by promoting shared functions between the services business and the network products business. In the North American network business, we will focus on investments in developing operations in growth markets, use other companies' products to complement our portfolio, and work to actualize customer demand and turn sales around.</p>	<p>In April 2019, we revised our operation model and adopted a new organizational structure. The aim here was to promptly resolve issues facing customers and to provide them with higher value-added services. We have established a system in which engineers capable of proposing solutions to problems are located near customers, and we intend to respond flexibly as we build out the solutions business horizontally. We will also augment digital business while expanding consulting services and application services.</p>																																																												
Revenue (Years ended March 31)	<p>(Billions of yen)</p> <table border="1"> <tr><th>Year</th><th>Revenue</th></tr> <tr><td>2017</td><td>3,108.1</td></tr> <tr><td>2018</td><td>3,005.7</td></tr> <tr><td>2019</td><td>2,972.7</td></tr> </table> <p>Note: Includes intersegment sales</p>	Year	Revenue	2017	3,108.1	2018	3,005.7	2019	2,972.7	<p>(Billions of yen)</p> <table border="1"> <tr><th>Year</th><th>Revenue</th></tr> <tr><td>2017</td><td>285.6</td></tr> <tr><td>2018</td><td>277.1</td></tr> <tr><td>2019</td><td>270.4</td></tr> </table> <p>Note: Includes intersegment sales</p>	Year	Revenue	2017	285.6	2018	277.1	2019	270.4		<p>(Billions of yen)</p> <table border="1"> <tr><th>Year</th><th>Revenue</th></tr> <tr><td>2017</td><td>756.7</td></tr> <tr><td>2018</td><td>810.1</td></tr> <tr><td>2019</td><td>792.9</td></tr> </table> <p>Note: Includes intersegment sales</p>	Year	Revenue	2017	756.7	2018	810.1	2019	792.9	<p>(Billions of yen)</p> <table border="1"> <tr><th>Year</th><th>Revenue</th></tr> <tr><td>2017</td><td>284.7</td></tr> <tr><td>2018</td><td>280.7</td></tr> <tr><td>2019</td><td>247.9</td></tr> </table> <p>Note: Includes intersegment sales</p>	Year	Revenue	2017	284.7	2018	280.7	2019	247.9	<p>(Billions of yen)</p> <table border="1"> <tr><th>Year</th><th>Revenue</th></tr> <tr><td>2017</td><td>92.5</td></tr> <tr><td>2018</td><td>100.5</td></tr> <tr><td>2019</td><td>87.0</td></tr> </table> <p>Note: Includes intersegment sales</p>	Year	Revenue	2017	92.5	2018	100.5	2019	87.0																				
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