

MESSAGE TO SHAREHOLDERS AND INVESTORS



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To realize Fujitsu's Purpose, we will enhance our ability to stay in tune with global society, continue to make agile changes, and create value.

Empathy with Society as a Force to Change the Status Quo

This year the Fujitsu Group reformulated its corporate philosophy, the Fujitsu Way, setting out its Purpose, why Fujitsu exists in society, which is "to make the world more sustainable by building trust in society through innovation," and providing a basis for the actions of each person in the Group.

While endeavoring to transform our business model, I have continued to contemplate what value only we as the Fujitsu Group can create. I came to believe that it was essential for each of the 130,000 Group employees to pose and answer this question themselves in order to achieve the transformation we are working toward. These deliberations led to repeated discussions with many people inside and outside the Company, which resulted in Our Purpose and the reformulation of the Fujitsu Way.

Since becoming CEO in June 2019, I have been continuously impressed by the high abilities of Fujitsu Group employees, their outstanding technical capabilities, and the sincerity of their work in various situations. I do, however, feel that the efforts of employees tend to be focused too narrowly on the particular tasks before them. Such observations make me keen to encourage employees to grasp the broader implications of their work, based on empathy for social issues that lie ahead, beyond our immediate customers.

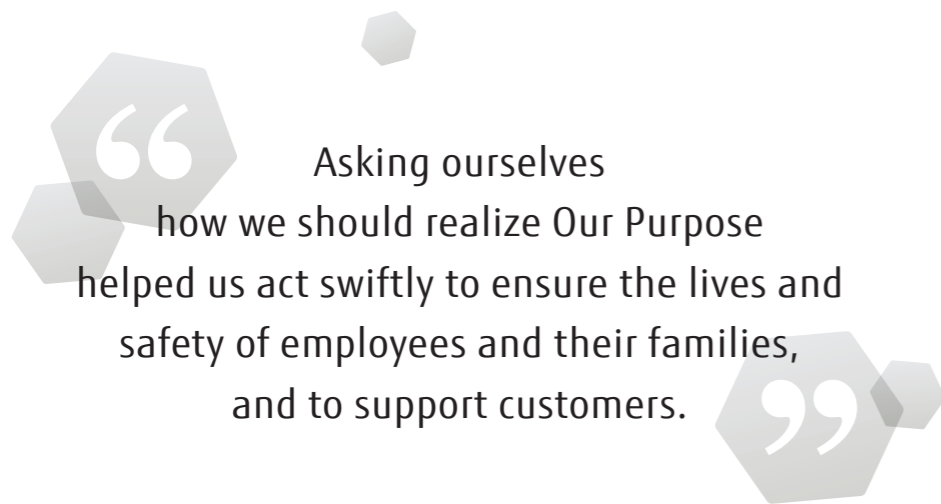
Our Purpose declares the Fujitsu Group's commitment to society. At the same time, it is also a theme designed to cultivate the ability of every employee to broaden their horizons to a global society and to think beyond their own immediate work and have a greater sense of empathy with society. I ask each employee as a member of Fujitsu, a large group with sales of about ¥3.8 trillion (in fiscal 2019) and about 130,000 employees, to have the will to make bold proposals for tackling issues facing society and to help lead major transformation. As a leader, I intend to integrate the will of employees as a driving force for transformation and medium- to long-term growth by communicating my vision on what the Fujitsu Group should aspire to be.

COVID-19 Response That Emphasizes Prompt Management Decisions and Action

Looking back on the roughly 18 months since I became CEO, I am humbled by the magnitude of the impact of COVID-19 on society, the economy, and people's lives. As CEO, I have a renewed sense of responsibility to protect the lives of employees and their families.

From the fall of 2019, we have held repeated discussions internally on the Group's Purpose. In a sense, that helped us prepare for COVID-19, as we asked ourselves how we should realize Our Purpose "to make the world more sustainable by building trust in society through innovation." In addition to ensuring the lives and safety of employees and their families, we were able to act swiftly to support customers who are at the forefront of preventing the spread of COVID-19, such as local governments and healthcare institutions.

Of course, with hindsight, even more could have been done. As the situation evolved from moment to moment, however, in order to swiftly implement necessary measures, we made



prompt management decisions, took quick action, and as we did so, disseminated information about our response both inside and outside the Group. I think **we did the best possible under difficult circumstances.** As a related issue, the Board of Directors' meetings held since March have switched to a remote format; **our decision making was supported by the same intense discussions and exchanges of opinions** on our COVID-19 response and business continuity as at face-to-face meetings, led by Mr. Atsushi Abe, the Chairman of the Board of Directors.

A Shift in Values Caused by the Pandemic

The reason why the impact of COVID-19 is so great is that the infection is still spreading all over the world, including Japan. What I see as more significant from a medium- to long-term perspective is that social changes that were expected to emerge gradually in the next two to three years have been forced by the outbreak of the pandemic to take place within two to three months. I believe that this is causing a shift in values, and that our everyday and work lives, as reflected in corporate management, are undergoing rapid changes.

Remote working, introduced by many companies of all sizes to prevent the spread of the virus, was rapidly adopted at levels that would have taken years without such a crisis. COVID-19 is not only prompting reviews of individual workstyles but also changes in approaches to the management of human resources, organizations and customer relationships, the rethinking of supply chains and business portfolios, and the restructuring of business models. Such developments look sure to gather steam in the future. That suggests the possibility of an even greater need for innovative services and business process transformation, making full use of digital technology and data—that is, “digital transformation (DX).” Growing DX momentum points to growth in businesses that support it.

Creating Value for Customers with “For Growth” and “For Stability”

In the Management Direction announced in July 2020, the Group expressed its determination to **deliver value to customers in the two business areas of “For Growth,” which contributes to business growth of customers, and “For Stability,” which contributes to the stable operation of customers’ businesses.** “For Growth” encompasses such areas as DX, which aims for the creation of new businesses and business process transformation that utilizes digital technology and data, and “modernization,” which replaces and upgrades conventional IT systems with cloud-based services. “For Stability” covers “traditional IT services,” which are at this point the mainstay of the Group’s earnings. By creating value in ways unique to Fujitsu in the two business domains of “For Growth” and “For Stability,” we aim to **achieve our fiscal 2023 financial goals** of revenue of ¥3.5 trillion and an operating profit margin of 10% in Technology Solutions.* To achieve Our Purpose, we are working on four priority areas in value creation.

* New segment classification. See page 37 for more information on segment changes.

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▶ Discussion with independent directors ▶ P16-19

▶ Creating value in two business areas ▶ P21

▶ Achieving financial goals ▶ P35-36

Rebuilding Our Global Business Strategy

Structural reforms in our business in Europe, underway since 2018, have been making progress. As a result, overseas business rebounded, achieving operating profit in the fiscal year ended March 31, 2020. In addition, the level of communication between each regional head and Fujitsu headquarters has been increasing. At this point, however, we have not yet turned the corner toward growth, and frankly, we recognize that rebuilding our global business is the most challenging of the four priority issues.

Being a global company is part of the Fujitsu Group’s identity, and the diversity of talent and networks gained from global business operations are also the source of our resilience and robust management capital. **We will continue to rebuild our global business strategy** in order to fulfill Our Purpose by providing services unique to Fujitsu globally.

Strengthening Issue Resolution Capability in Japan

In the Japanese market, where the Group has established a leading position, we are vigorously promoting “For Growth” in order to further bolster that position. There are a number of Japan-specific factors that we need to address in market segments including local government, education, healthcare, and private-sector demand among medium-sized enterprises. Proposals must be tailored to meet their unique situations, including the current state of IT systems and legal and regulatory trends. With the aim of meeting these needs and expanding business, **on October 1, we launched Fujitsu Japan Limited, a new company responsible for business in Japan.** In tandem with this, we plan to optimize the roles and systems of domestic Group companies.

Contributing to Greater Business Stability

We are continuing to reinforce our delivery system. The “Japan Global Gateway,” established for the Japanese market in 2020, is an example of a new initiative in this area. We established the Gateway organization to further expand the use of our Global Delivery Centers that offer efficient development and support services through globally standardized processes. The Gateway organization analyzes the distinctive needs of Japanese customers and specific requirements of individual projects and streamlines them into tasks workable in standardized processes. Incorporating competitors’ best practices, we will expand remote support and standardization to enhance the quality and speed with which we deliver services to customers and **raise the profitability of existing IT services business.**

Becoming Our Customers’ Best Partner in Digital Transformation

Regarding business that supports our customers’ DX, Ridgelinez, a new company that we had been developing since last year, started operations in April 2020, providing one-stop support for customers’ DX from consulting to implementation of advanced technology. Ridgelinez is one example that embodies Fujitsu’s transformation into a DX company. Under a new culture distinct from that at Fujitsu, Ridgelinez has established its own structures and in-house systems. I am looking forward for **Ridgelinez to work on DX with a freedom of thinking** that demonstrates flexibility and agility.

We are also working to build an ecosystem that supports DX through **M&As and investments in venture companies.** For example, in light of the now widespread view that data will be the “new oil” of the global economy, we are collaborating with companies that have advanced software platforms for data analysis. By doing so, we are keen to create new markets that did not exist before and establish a competitive advantage in them. In another initiative, we have started a joint project aiming to create a payment coordination platform that enables exchange of the *value* of multiple companies in different industries in the form of digital currencies and points.

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▶ Launching Fujitsu Japan ▶ P28

▶ Raising profitability of IT services business ▶ P26-27, 28

▶ Ridgelinez ▶ P32-33

▶ M&As and venture investments ▶ P31

These initiatives mark the start of our challenge to open up a new market by developing unprecedented DX solutions, combining our powerful customer base in Japan and our relationships of trust with our customers with the platforms and data of external partners.

Promoting DX Internally

We are also accelerating transformation within the Group to create new value. We are creating a “data-driven management” system that accumulates and analyzes various management-related data in a timely manner with a view to utilizing such information for decision making; we have **launched an ambitious Companywide DX project** in which all divisions participate; and we are **formulating a marketing strategy** that utilizes customer feedback in real time. We are also promoting measures to facilitate internal transformation, such as the **“Work Life Shift” campaign**, which reimagines the role of offices and workstyles for the “new normal” era.

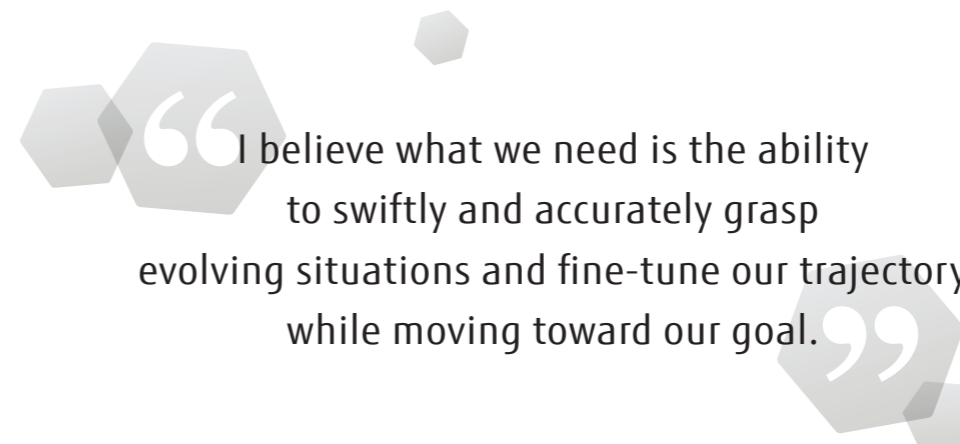
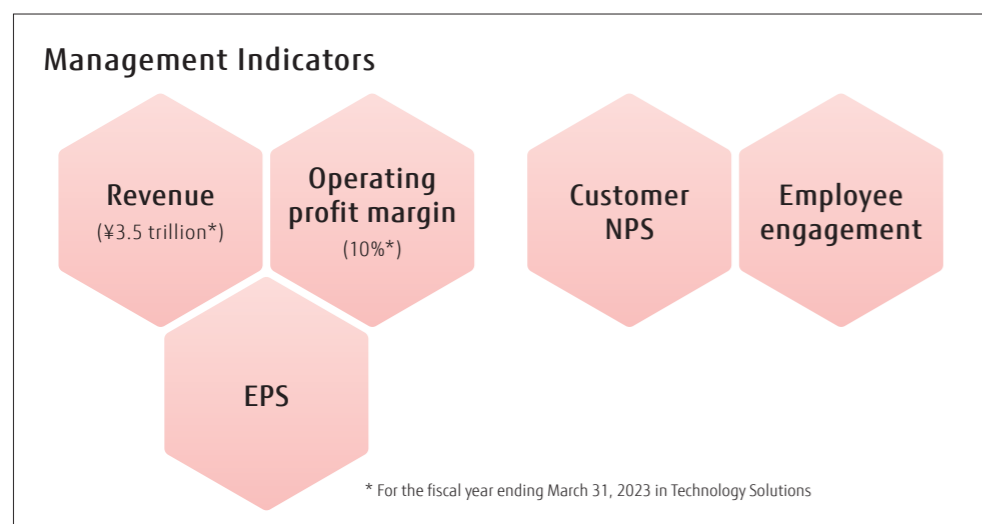
We took the deliberate decision to come up with a series of measures in quick-fire succession. In order to realize the essential changes that pave the way for the Fujitsu Group’s future, it is not enough to gradually address some of the problems that are visible on the surface. I believe we need to change everything, including the surroundings and the foundations.

The effect of the talent we acquired as members of the executive team in fiscal 2020 to accelerate transformation has been more than I had expected. They bring new insights to the Group, underpinned by their wide range of knowledge and experience, including global best practices, and act as “influencers” within the Group. The “Fujitsu native” executives, including myself, have been greatly inspired. I believe this has helped us overcome groupthink—the internal logic and tacit understanding that hinders change.

Commitment to Transformation Expressed in Non-Financial Indicators

Recently, I have come to think that the ability required for the Group to succeed in the future could be described as **“agile change.”** A rigid body bound by rules and policies, such as a structure consisting of steel frames bolted tightly together, cannot move. Of course, without tightening the bolts, the structure will not hold up. But if there are too many bolts, it becomes difficult to remove them; it is impossible to change the structure. With that in mind, I believe what we need is the ability to swiftly and accurately grasp evolving situations and fine-tune our trajectory while moving toward our goal.

In the management policy announced in July 2020, we **included non-financial management indicators alongside financial indicators** as a way to facilitate “agile change.” Our aim is to



- ▶ Companywide DX project ▶ P29
- ▶ Marketing strategy ▶ P30
- ▶ Work Life Shift ▶ P24-25

- ▶ Systems for promoting change ▶ P34

- ▶ Management Indicators and GRB ▶ P22-23

create value by swiftly and accurately grasping changes in important factors for the Group and reflect them in management. To achieve that, we are targeting customer Net Promoter Score (NPS), which shows the trust of our customers, and “employee engagement,” which shows the enthusiasm of employees toward their work and a sense of belonging to the organization.

Looking back on my own experience of servicing customers as a system engineer, I believe that customer NPS and employee engagement are meaningful indicators. Customer satisfaction with the IT system that is finally completed and the motivation of colleagues working together go beyond the success or failure of a single project. They are directly linked to the reputation of the entire Group. And the added value and competitive advantage accrued by such reputation are reflected in financial indicators such as revenue and profit. In short, financial performance and non-financial performance are two essential wheels for sustainable value creation and, in turn, for us to achieve Our Purpose.

We have just begun data collection and analysis, and set non-financial indicators without presenting specific numerical targets. There may be criticism that such a move is not convincing. We also recognize that we will have to clarify the correlation between the non-financial indicators and the seven priority issues we promote under the banner of **Global Responsible Business (GRB)**, which the Fujitsu Group is working on as a responsible global company. We have decided, however, that it is important to express our commitment to change and demonstrate data-driven management as we practice it, even if it may appear hasty. Going forward, we hope to deepen our understanding of the factors and initiatives that contribute to the value creation of the Group through global data collection and analysis, and utilize them in dialogue with stakeholders.

I find great encouragement in having more opportunities to come into direct contact with the strong interest of employees in the future of the Fujitsu Group, thanks to our improving internal communications infrastructure. I would like to see their interest to bring about changes in their actions in a way that our customers also appreciate, and that all stakeholders, including shareholders and investors, realize that the Fujitsu Group has evolved through such change.

By drawing the future of our customers and society from new perspectives and creating value through “agile management,” we are determined to strive for the sustainable growth of the Fujitsu Group and the realization of Our Purpose. I hope you will join me in looking forward to the continuing changes in the Fujitsu Group.

Takahito Tokita
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- ▶ Global Responsible Business (GRB) ▶ P41