

# HIGHLIGHTS BY REGION

Fujitsu Limited and Consolidated Subsidiaries

	Japan	Asia		Europe	Americas	Oceania
<b>Market Environment</b>	<p>In 2019, Japan's IT services market grew 3.2% year on year. In addition to the contributions from increased demand for existing system renewal and update, and the full-fledged incorporation of cloud computing services, growth was supported by special procurements, which included PC replacement resulting from the end of the Windows 7 support period, the beginning of the Reiwa Era in Japan, and system measures accompanying a change in the consumption tax rate. On the other hand, in 2020 Japan's IT services market is expected to contract 3.0% year on year due to the COVID-19 pandemic. Although increased IT expenditure is likely to result from the introduction of online meeting systems, the introduction of virtual private network (VPN) lines, and the establishment of remote working environments, projects for the renewal and update of existing systems and projects for digital transformation and other new development—which have supported market growth until now—are expected to be postponed, see budgets cut, or become protracted if already underway. In addition, the operation and maintenance market is projected to shrink as customers request price discounts upon the renewal of agreements.</p> <p>Between 2019 and 2023, Japan's IT services market is expected to grow, albeit at a compound annual growth rate (CAGR) of just 0.7%, as domestic economic activities gradually return to normal from the second half of 2020. The market is forecast to transition toward positive growth from the fiscal year ending March 31, 2022. After the containment of COVID-19, we anticipate modest growth in Japan's IT services market over the medium to long term based on stepped-up IT expenditure for the building of remote working environments, accelerated investment in digital transformation by certain progressive companies, and concentrated government investment in ICT as an economic stimulus measure.</p>	<p>In 2019, although the growth rate of Asia's IT market slowed year on year to 3.3%, the market maintained modest growth. In 2020, however, the growth rate is expected to soften to 0.9% year on year due to the COVID-19 pandemic. With the market's return to a solid growth trajectory in 2021 as a premise, a CAGR of 5.5% is forecast between 2019 and 2022, which is roughly in line with pre-pandemic projections. The hardware market for PCs, servers, storage, and other equipment, the IT services market, and the software market are likely to experience high levels of growth.</p>		<p>In 2019, Europe's IT market continued the previous year's firm growth by expanding 5.7% year on year. Breaking down this growth by region, Central and Eastern Europe grew 7.3%, while Western Europe grew 5.5%. In 2020, however, respective markets are expected to shrink, with year-on-year decreases of 2.4% in Europe as a whole, 5.9% in Central and Eastern Europe, and 1.9% in Western Europe. In 2021, although Europe's IT market is projected to begin growing again, it is unlikely to reach the scale of 2019's market. Between 2019 and 2022, the forecast is for a low CAGR—1.5% in Europe as a whole, 0.3% in Central and Eastern Europe, and 1.7% in Western Europe.</p>	<p>In 2019, while experiencing a slight loss of momentum, the IT market in the Americas continued growing solidly, posting 5.8% growth year on year. Although likely to temporarily contract 2.2% year on year in 2020 due to the COVID-19 pandemic, this market is forecast to return to a growth trajectory from 2021. Between 2019 and 2023, the market is projected to grow gradually at a CAGR of 2.0%.</p> <p>In 2019, the North America optical transmission market saw rapid expansion of 10.3%* year on year, driven by increased investment by major telecommunications carriers in backbone networks for the provision of 5G services and growth in the Data Center Interconnect (DCI) market accompanying the construction of large-scale datacenters. From 2020 onward, we expect the market to continue to gradually grow in response to the projected increase in traffic spurred by the spread of 5G services; between 2019 and 2023, we estimate a CAGR of 0.7%.*</p> <p>* Source: Omdia ON Forecast 2020-25</p>	<p>In 2019, Oceania's IT market maintained strong growth, expanding 5.8% year on year. In 2020, while other regions flag amid the COVID-19 pandemic, this market is expected to grow, albeit at the low rate of 1.2% year on year. Between 2019 and 2022, the market is forecast to grow steadily at a CAGR of 2.2%.</p>
<b>Priority Tasks</b>	<p>In Japan's market, we will continue to bolster our leading position, by growing the DX business, and improving the profitability of existing IT services business.</p> <p>With the aim of growing the DX business, we launched Ridgelinez Limited in April 2020. By forming alliances with a wide range of companies inside and outside the Group, the new company will realize digital transformation by offering consulting services that resolve customers' business management or operational issues. With regard to improving profitability, we will continue to incorporate AI-based efficiency-enhancement tools into frontline operations, and further strengthen project management that is aimed at curbing the incidence of projects with low profitability.</p> <p>Further, we have launched the Japan Global Gateway with a view to making greater use of offshore resources through greater utilization of the Global Delivery Centers (GDCs). This initiative will enable us to provide better-quality services even more rapidly by linking frontline operations with the GDCs and by advancing the remote provision and standardization of services.</p> <p>Aiming to strengthen its position in Japan even further, the Company established Fujitsu Japan Ltd. in October 2020. With local governments, medical institutions, and educational institutions nationwide as well as second-tier and small and medium-sized companies in the private sector as its target customers, the new company will help address customers' ICT issues as well as the social issues of local communities.</p>	<p>In Asia, where the implementation of advanced technology trials and the adoption of new business models are proceeding at a rapid pace, the Company will utilize its latest technologies together with the insights of customers into their industries to enable digital transformation that addresses a wide variety of corporate and social issues.</p> <p>In response to the spread of COVID-19, which began at the outset of 2020 in Asia, we have been rapidly implementing our business continuity plans in accordance with the situation in each country and offering solutions, such as digital workplace creation, that help customers sustain their operations. By providing ongoing support to the business infrastructure of customers in Asia, strengthening consulting capabilities, and enhancing service delivery, we will contribute to the new workstyles and value creation that customers are introducing in anticipation of the "new normal."</p>		<p>We will concentrate management resources on the services business and enhance profitability. To that end, we will complete, by the first half of the fiscal year ending March 31, 2021, the restructuring measures we have been advancing in Europe, which have entailed closure of product manufacturing bases, withdrawal from countries where businesses were underperforming or unprofitable, and reduction of back-office fixed costs. We will also achieve efficient operations in our product business through the ending of the self-manufacturing of products and a changeover to electronics manufacturing services.</p> <p>In our Northern &amp; Western Europe (NWE) region, we face a challenging business environment due to the contraction of traditional businesses that have been pillars of revenue until now and the effect of the COVID-19 pandemic on business. Nonetheless, we will continue strengthening businesses in growth areas and establishing specialized solutions businesses for specific industries, invest in service delivery and the reinforcement of sales capabilities, and take steps to expand the services business and improve profitability.</p> <p>As for our Central &amp; Eastern Europe (CEE) region, we will intensively strengthen and expand our lineup of service offerings for each country's existing customer base in such sectors as public, manufacturing, and finance. In addition to rolling out COLMINA, which we provide to the manufacturing sector in Japan, and strengthening the foundations for the provision of proprietary services, we will proactively develop our alliances with such partners as SAP and Microsoft and grow the digital technologies field.</p>	<p>In the Americas, the Fujitsu Group is reforming its business portfolio by withdrawing from the product business, with the exception of the network products business and by reorganizing retail businesses within the Group. Going forward, we will heighten the profitability of the services business through such measures as the strengthening of solutions for specific industries.</p> <p>The network products business will maintain and increase business with existing customers in the optical transmission field while continuing to open up new growth fields, such as the Data Center Interconnect (DCI) market. Engaged in active promotion of open innovation in the 5G field, Fujitsu will aggressively grow the base station business.</p>	<p>In Oceania, April 2019 saw a change in our operation model. We are promoting digital transformation by building a system with the aim of resolving issues faced by customers through such measures as deployment close to customers of engineers who are able to propose solutions to customers' issues. We will focus on specific sectors, including government, distribution, healthcare, and finance. Opened in Australia's capital city Canberra in the summer of 2019, the Cyber Resilience Centre will form the core of our efforts to target the government sector and enhance our lineup of service offerings related to security—set to become an increasingly important field. Also, the southern hemisphere's first DX center, which we opened in Sydney in the fall of 2019, will partner with Macquarie University and a wide range of experts to support customers' digital transformation.</p>
<b>Revenue</b> (Years ended March 31)	<p>Note: Includes intersegment sales</p>	<p>Note: Includes intersegment sales</p>		<p>Note: Includes intersegment sales</p>	<p>Note: Includes intersegment sales</p>	<p>Note: Includes intersegment sales</p>
<b>Operating Profit (Loss) / Operating Profit (Loss) Margin</b> (Years ended March 31)						

Note: IDC Japan is a source of IT market information.