

Our strategy

To realize Our Purpose to “make the world more sustainable by building trust in society through innovation,” the Fujitsu Group is pursuing a medium-term management plan that ends in the fiscal year ending March 31, 2023, and is also implementing strategies for a global society in 2030. We will pursue sustainable growth and corporate value creation by executing strategic capital allocation based on the cash-generating ability we have enhanced through our transformation to date.



Message from the CEO

By achieving “growth with scale,” we will complete the transformation of the Fujitsu Group’s business model and take on the challenge of creating new value.

Takahito Tokita
Representative Director
CEO, CDXO



Moving our evolutionary stage forward

The Fujitsu Group is in the midst of the process of building a new business model that goes beyond the conventional business model. I see [Fujitsu Uvance](#), launched in 2021, as a bridgehead for this. We are determined to establish Fujitsu Uvance not only as a new brand but also as an embodiment of the future business model of the Fujitsu Group.

In June 2019, the Fujitsu Group declared its intention to become a “digital transformation (DX) company.” By doing so, we wanted to share with our stakeholders the business direction that the Group would take; one that measures up to the future of the IT services business, which is undergoing dynamic change. Above all, we believe that in order to realize Our Purpose of “making the world more sustainable by building trust in society through innovation,” we need to go beyond the traditional system integration (SI) business and create new value based on the criteria of “Aspiration,” “Trust,” and “Empathy,” which are the foundational values of the Fujitsu Way. Since then, we have been working to transform our business portfolio, and ourselves. Through the deployment of Fujitsu Uvance, which is the culmination of these efforts, we will raise the stage of the Fujitsu Group’s evolution to a new level.

Demonstrating the future of the Fujitsu Group's business model

To start with, just what is Fujitsu Uvance? Simply put, it is a new brand for a group of services with which the Group can competitively provide value toward the realization of a more sustainable world. Specifically, the brand consists of seven Key Focus Areas, encompassing four cross-industry Vertical areas that solve societal issues, and three technology-based Horizontal areas that support these Vertical areas. We plan to expand services in each of these Key Focus Areas and strengthen our delivery system, with full-scale deployment planned for 2023.

I envision that Fujitsu Uvance, which starts with societal issues and develops services as One Fujitsu on a global scale, will replace the traditional SI business and become the mainstay of the Fujitsu Group's business in the medium term. This is why I stated at the outset that Fujitsu Uvance is not simply a new service brand, but that it is intended to be a new business model for the Group. To realize this vision, we are currently focusing our energies on creating not only the offerings within our services, but also a global organizational management structure that encompasses the service development processes and reporting line within the organization.

Making sustainability our core business

Addressing sustainability issues is not a philanthropic contribution to society, but an indispensable challenge if we wish to remain at the forefront of value creation and to seize major business opportunities. The fact that sustainability is essential to the continuous enhancement of the Group's corporate value is clearly indicated in Our Purpose. This means that sustainability must be set as a core objective of the business from the outset, not as an "add-on." Fujitsu Uvance's clear commitment to sustainability is based on this idea.

I believe that for us to be successful and achieve Our Purpose in competitively innovating, and rapidly evolving sustainability-related business, we must develop a certain willingness to exercise power. Let us consider the creation of a carbon-neutral society, or more specifically, the creation of a supply chain to expand the use of alternative energy sources to replace conventional fossil fuels, as one example. To build a supply chain efficiently and quickly, it is essential to create an ecosystem that transcends industry boundaries. What is required here is the will to connect with various companies and public institutions and to use the influence of the ecosystem that has been formed. We need to collaborate with influential partners with whom we can generate synergies, quickly create best practices and disseminate information on their significance, and take part in rule-making in the international community. The willingness to exercise power refers to the ability to see the future of society from a big-picture perspective and to lead the move toward its realization.

I envision that Fujitsu Uvance, which starts with societal issues and develops services as One Fujitsu on a global scale, will replace the traditional SI business and become the mainstay of the Fujitsu Group's business in the medium term.

Financial targets

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Customer Net Promoter ScoreSM (NPS[®])

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Employee engagement

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DX Promotion Indices

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The Fujitsu Group is engaged in field trials and collaborations with various stakeholders, including our customers, to realize DX. We must expand these efforts to a scale that will have an impact on society, and not stay content with stand-alone projects. We will keep on leveraging the Fujitsu Group's strengths to pursue maximum impact.

Realizing scale through expansion of global business

Prior to Fujitsu Uvance, we had been aiming to achieve Our Purpose through value creation and internal transformation in the two business domains of "For Growth" and "For Stability." "For Growth" represents the domain in which we take on the challenge of creating new value and achieving growth as a partner to our customers. Specifically, we realize the modernization of customers' existing IT systems centered on their migration to the cloud, and the resolution of management issues through the use of digital technology and data. In the "For Stability" domain, we create value by contributing to improving our customers' management efficiency by developing IT infrastructure and supporting its stable operation. Specifically, we provide conventional system integration services that include the maintenance and operation of IT systems and the provision of related products.

As yardsticks for value creation in the two business domains of "For Growth" and "For Stability," the Fujitsu Group has set financial targets of ¥3.2 trillion*1 in revenue, a 10% operating profit margin for the Technology Solutions business segment by the close of the fiscal year ending March 31, 2023, and a compound annual growth rate (CAGR) of 12% for EPS. In addition, we have set numerical targets for three non-financial indicators that reflect trusting relationships with stakeholders and progress in internal transformation: Customer Net Promoter ScoreSM (NPS[®]),*2 employee engagement, and DX Promotion Indices.

In terms of value creation in the two domains of "For Growth" and "For Stability," we view our performance in the fiscal year ended March 31, 2022 as falling short of the expectations of our stakeholders. Although we achieved an increase in profit on a Groupwide consolidated basis, the breakdown of this increase shows that the Technology Solutions segment, the core business that is designed to drive the Group's growth, experienced declines in both sales and profit, and the Device Solutions segment, a non-core business, filled the gap. Certainly, there were external factors affecting sales and costs, such as disruptions in the global supply chain, and particularly delays in the procurement of semiconductors. However, in terms of demonstrating a shift in the Fujitsu Group's business model, the results were not enough. In particular, we consider an operating profit margin of 10% one of the prerequisites for developing a globally competitive business. Achieving it, therefore, is a priority for the fiscal year ending March 31, 2023.



As discussed next, at the level of specific measures and initiatives, there has been a lot of progress and the seeds of success are growing. However, I believe that "growth with scale" is essential for the Fujitsu Group to complete the transformation of our business model; and growth with scale necessarily involves expansion of global business. That is why we are focusing on Fujitsu Uvance—because we expect it to be a breakthrough for achieving medium- to long-term global business growth.



*1 In April 2022, we revised the previous revenue target for the fiscal year ending March 31, 2023 of ¥3.5 trillion to ¥3.2 trillion.




*2 Net Promoter[®] and NPS Prism[®] are registered trademarks of Bain & Company, Inc., Satmetrix Systems, Inc., and Fred Reichheld, and Net Promoter SystemSM and Net Promoter ScoreSM are service marks of Bain & Company, Inc., Satmetrix Systems, Inc., and Fred Reichheld.



Progress on “For Growth” and “For Stability” initiatives to realize Our Purpose

Fujitsu Uvance is built on the progress we have made since 2020 in the two business domains of “For Growth” and “For Stability.” In this section, I will report on the specifics of each of the four initiatives.

The first strategic initiative is the reformation of our global business strategy . With business restructuring on track, we achieved profitability in all regions for the fiscal year ended March 31, 2022. In addition, the progress made in organizing and expanding services to be promoted in all regions—that is, global offerings—led to the establishment of Fujitsu Uvance. Furthermore, in April 2022, we reorganized our organization from a six-region structure to a four-region structure (Japan, Europe, the Americas, and Asia Pacific) , which will allow us to execute our strategies more rapidly.

The second initiative is to strengthen our issue resolution capabilities in Japan. Fujitsu Japan  has begun full-scale operations and is steadily transitioning from conventional services catering to the needs of individual customers to solution-based business, despite facing a difficult situation in which the company’s main targets—medium-sized companies, local governments, and educational and medical institutions—were particularly affected by COVID-19. In addition, as a measure toward strengthening the consulting function, we completed the reskilling of 8,000 employees in domestic sales to become “business producers,”  and visually mapping their skills.

Our third initiative is to contribute to the greater stability of our customers’ businesses. We are strengthening the use of data and AI to improve quality in conventional SI business and prevent projects from becoming unprofitable. We also established a Global Information Security Unit and raised the level of information security  under the lead of the Chief Information Security Officer (CISO). Japan Global Gateway (JGG) , which holds the key to improving productivity in the domestic business, now hosts approximately 7,500 engineers and has standardized its service delivery model. The Global Delivery Centers (GDCs) , which develop and deliver services that cover all time zones of the world, now have 20,000 employees and stand ready for further utilization.

Our fourth initiative is becoming our customers’ DX partner of choice. Under the banner of “customer success,” we are strengthening our services focusing on solving customers’ business issues and creating new value, which we pursue in the “For Growth” domain. To accelerate this effort, we reorganized our organization and established the Global Customer Success Business Group  in April 2022. In parallel, Ridgelinez , established as a subsidiary dedicated to consulting services, is steadily gaining ground by advancing business activities and human resource policies that are not bound by the existing framework of the Fujitsu Group.

Global business strategy **P20–22**

Four-region structure
(Japan, Europe, the Americas, and Asia Pacific) **P24–27**

Fujitsu Japan **P24**

Business producers **P46**

Information security **P91–92**

Japan Global Gateway (JGG) **P25–26**

Global Delivery Centers (GDCs) **P25–26**

Global Customer Success Business Group **P24**

Ridgelinez **P23**

One Fujitsu Program

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Job-based human resource management

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Internal job posting (internal recruitment) system

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Fujitsu Learning EXperience

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Fujitra

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Non-financial task force

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GRB (Global Responsible Business)

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Work Life Shift

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Progress on internal transformation

We are also moving forward with our own reforms, based on the three pillars of “data-driven management,” “DX talent development and productivity improvement,” and “fully participatory, ecosystem-based DX promotion.”

The data-driven management that we are pursuing under the name of the One Fujitsu Program is dramatically changing the management systems that support the Fujitsu Group's global operations. First, OneCRM, which integrates information on customer relations, was launched in all regions in April 2022. The progress of all ongoing business activities around the world can now be visualized in real time, and orders and sales can be predicted not only for the quarter but for a longer period. This project heralds our goal of future-oriented management, in which we make decisions based on data-driven predictions. OneERP+, which integrates information on all assets essential for corporate management, including human resources and capital, was launched in the UK and Ireland in April 2022, with plans to gradually expand to all regions in the future.

The DX talent development for employees is also rapidly moving forward. In April 2022, job-based human resource management in Japan, previously applied only to executives, was extended to the 45,000 domestic Group employees, crossing a major hurdle toward establishing a globally unified HR system. In addition, as a result of expanding the internal job posting (internal recruitment) system, which allows employees to take on another internal job of their own volition, approximately 2,700 employees had been transferred or reassigned by the end of March 2022, increasing the mobility of human resources within the Group. To support our people

taking on challenges and assist their career development, we have also introduced programs such as Fujitsu Learning EXperience, which encourages the acquisition of new skills and knowledge by all employees. Furthermore, we have also expanded our “Self-Produce Support System” to support employees seeking career course redirection outside the Fujitsu Group.

The Groupwide project called Fujitsu Transformation, or “Fujitra,” which promotes DX with the participation of all employees with an ecosystem-based approach, is also making headway in standardizing operations at all levels of the Group organization. In April 2022, we established a non-financial task force that embarked on an initiative to use data to demonstrate how the non-financial indicators relate to financial indicators, as well as to demonstrate what GRB (Global Responsible Business) and other efforts do to effect changes in non-financial indicators. This project will be a touchstone for our DX, given that the realization of management transformation through the use of data is the very high road of the business that the Fujitsu Group is aiming for.

Internal change must not be a “flash in the pan”

“Work Life Shift” systematizes the transformation of human resource management and the development of working environments and systems for employees and has attracted a great deal of interest from external stakeholders. It has also been instrumental in fostering a sense of expectation that “Fujitsu will change” among employees in Japan, who have been the primary target of the program. I caution, however, that these internal transformations must not end as a one-off.

A truly purpose-driven organization is one in which employees spontaneously take on the challenge of creating value by thinking outside the existing business framework. I believe that the motivation for such thinking comes from the realization that change leads to growth.

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From this perspective, I am looking forward to finding out the correlation between the aforementioned non-financial indicators and financial indicators. I want to prove to our employees, in the form of visible data, that the efforts of each and every one lead to changes in non-financial indicators, and that changes in non-financial indicators in turn lead to the business growth of the Group. I believe that a real sense of contributing to the Fujitsu Group's growth, backed by data, will be the driving force behind ongoing change.

We have repeatedly been reminded over the past year that unpredictable changes, such as the disruptions in the supply chain caused by COVID-19 and the crisis in Ukraine, can actually turn into reality. Obviously, it is important to create a system that responds flexibly and quickly to change, but what I have become acutely aware of is the need to see beyond the surface of the changes that have occurred and discern their meaning. Moreover, the importance of the role that IT infrastructure and services play in the debate surrounding economic security has also come into the spotlight, and we see firsthand the growing influence of politics and economics on business. Against this backdrop, discerning the meaning of change has become increasingly important in global management.

Fujitsu Uvance, devoted to the creation of new value that contributes to global sustainability, is a breakthrough that will allow the Fujitsu Group to accelerate its global business development while enhancing such discerning abilities. We look forward to your continued support as we take on the challenge of realizing a more sustainable world through digital innovation, while keeping a close eye on changes in society.



Takahito Tokita
Representative Director
CEO, CDXO

Message from the CFO



While responding flexibly and speedily to the ever-changing environment, we will simultaneously pursue business growth and improved profitability to realize the sustainable enhancement of corporate value.

Takeshi Isobe

Director and Corporate Executive Officer
SEVP, CFO

Overview of financial performance in the fiscal year ended March 31, 2022

For the fiscal year ended March 31, 2022, consolidated operating profit excluding special items increased by ¥28.2 billion from the previous fiscal year, to ¥275.6 billion, an increase of more than 10%. However, in the core Technology Solutions segment, delays in the procurement of components, including semiconductors, had a negative impact and revenue and profit both declined. As a result, revenue excluding special items declined ¥31.3 billion from the previous fiscal year, to ¥3,056.3 billion; operating profit decreased ¥6.7 billion, to ¥193.9 billion; and the operating profit margin narrowed to 6.3%.

Although the overall consolidated results appear to have improved, we are not satisfied with the core business, which we want to expand, notwithstanding the effects of the external environment, including disruptions in the global supply chain. We recognize that the major challenge going forward is how to respond flexibly and promptly to changes in the environment, given that various risks arising from the changes in the external environment have become the norm.

On the other hand, we were able to make solid progress with measures for future growth. In tandem with the execution of strategic investments, we have steadily implemented moves for the future, such as restructuring our global business strategy, strengthening our ability to solve problems in Japan, and working to speed up DX. We are beginning to see the results of these efforts, including in improved profitability and an expanded pipeline of business deals.

Achieving the financial targets of the medium-term plan

Based on the results for the fiscal year ended March 31, 2022, the Fujitsu Group has revised its financial target in the medium-term plan ending March 31, 2023, for revenue in the Technology Solutions business from ¥3,500 billion to ¥3,200 billion.

While an unstable global economy with increasing inflationary pressures warrants caution, we set a target based on market growth projections.

We have maintained our operating profit margin target of 10%. Although this is a high hurdle, representing year-on-year improvement of 3.7 percentage points from the previous fiscal year, we have positioned this year as one in which the results of the various measures we have taken to date will be reflected in our business performance. Improvements in profitability through more efficient development and service delivery and the effects of workstyle reforms have already begun to produce results in the form of improved gross profit margins. We believe that to steadily advance these initiatives will surely lead to the achievement of our goals.

The financial targets for the fiscal year ending March 31, 2023 will be one milestone in the Fujitsu Group's medium- to long-term growth path. While we are determined to achieve our goals and meet the expectations of our stakeholders, we will boldly make the investments necessary to achieve further sustainable growth.

Pursuing both growth and improved profitability

Operating profit growth will be driven by strong top-line growth, which we pursue by accelerating investment to a greater degree than in the past. We project a total of ¥120 billion in growth investments in the fiscal year ending March 31, 2023, an increase of ¥35 billion from the previous fiscal year. Specifically, we are continuing to expand our global offerings as part of our "For Growth" initiative by shifting our focus to the development of Fujitsu Uvance's seven Key Focus Areas. We will also continue to invest aggressively in R&D to strengthen our competitive advantage in the five Key Technologies that will support Fujitsu Uvance into the future.

We will continue to focus on investments in human resources, including training and education and hiring to expand the Global Delivery Centers (GDCs). We are actually seeing that

such investments yield returns and lead to the improved performance of employees: successful examples of sales staff in Japan transforming themselves into “business producers” through training, and thereby expanding the scope of business talks with customers as consultants, have emerged since the second half of the fiscal year ended March 31, 2022.

We will also accelerate in-house DX investments, including in OneERP+. Analysis, forecasting, and decision-making based on real-time information, such as the content and progress of business deals and the order pipeline, have already been partially realized, demonstrating some of the benefits of full-scale data-driven management aimed for the fiscal year ending March 31, 2025 onward.

In parallel with investments, we will pursue further improvements in profitability and cost efficiency. Particularly in the business in Japan, there is still room for wider transformation in service delivery through collaboration between JGG and GDCs, and further improvement of profitability is possible.

Together with productivity improvements through standardization and automation, curtailment of unprofitable projects through enhanced quality and risk management, and fixed cost reductions resulting from borderless offices and optimal human resource allocation, we are targeting an effect of approximately ¥60 billion during the fiscal year ending March 31, 2023.

Capital allocation and shareholder returns

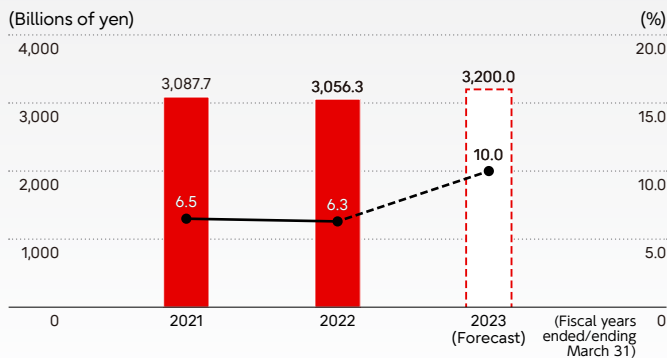
Compared to our initial plan of generating more than ¥1 trillion in base cash flow* over the five-year period from the fiscal year ended March 31, 2021 to the fiscal year ending March 31, 2025, the Fujitsu Group expects to generate ¥742.8 billion in cash flow over the three-year period ending March 31, 2023, and expects this to continue to grow steadily. Based on this outlook, in April 2022, we announced an increase in shareholder returns. Although the Company is still in the middle of its

medium-term plan, it can be said that it has moved ahead to the next stage of shareholder returns, based on the probability of future cash flow expansion.

By getting ahead of the curve, the balance of capital allocation may temporarily appear to prioritize returns. However, our goal at the end of the day is medium- to long-term growth. In the future the time may come when we accelerate strategic investments, such as mergers and acquisitions, for the purpose of acquiring human resources and intellectual property. In light of these assumptions, our target of 12% five-year average growth in earnings per share attributable to owners of the parent (EPS) reflects our commitment to pursue both growth and improved capital efficiency. As CFO, I will promote agile financial strategies to overcome changes in the environment and achieve sustainable corporate value enhancement.

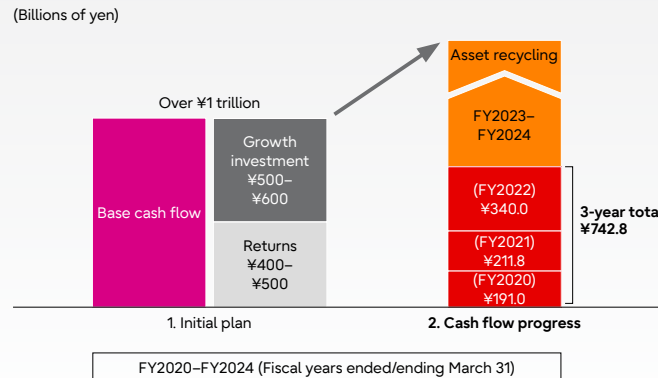
* Free cash flow before investment in growth plus lease payments.

Revenue and operating profit margin (Technology Solutions business)

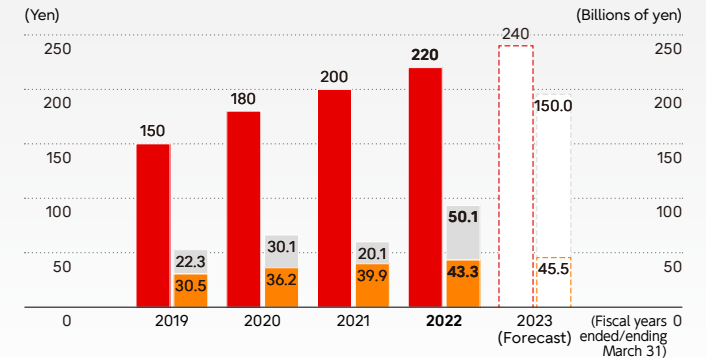


Note: Forecast for the fiscal year ending March 31, 2023 is as of April 28, 2022.

Capital allocation policy



Returns to shareholders: Increasing total payout to ¥200 billion in the fiscal year ending March 31, 2023



Note: Forecast for the fiscal year ending March 31, 2023 is as of April 28, 2022.