First of all, we’d like to thank you for taking the time to participate in today’s briefing on our financial results for the first quarter of fiscal year 2020. To help prevent the spread of COVID-19, today’s event is being held online.

Based on the explanation I provided to you in May, today I will present our management direction and targets for this fiscal year as we look ahead to achieving our medium-term management targets for fiscal year 2022.
Today I would like to start by discussing how Fujitsu is addressing and thinking about COVID-19. I would like to reiterate that our highest priority remains the safety of the lives of our stakeholders, including customers, partners, employees and their families, and everyone in the communities we serve. As we work to prevent the spread of the virus, we are engaged in business continuity activities, and we are committed to fulfilling our social responsibilities.

We are presently providing, free of charge, support to local governments and healthcare institutions in Japan as they address the challenges of COVID-19, as well as free support in areas including education and ways of working. We are simultaneously continuing initiatives to support research leveraging leading-edge technologies.

The impact of COVID-19 has led to unprecedented and rapid advances in digitization, shifting business and life online, while bringing about major changes to the normal patterns of social life. As data centered primarily on people becomes connected in increasingly complex ways, we view the role that is demanded of Fujitsu as leveraging technology to help create a society that is highly safe and secure, as well as convenient.

To this end, Fujitsu itself strives to become a reference model for the successful use of technologies in areas like remote work and web conferencing. As we demonstrated with the announcement of our “Work Life Shift” initiative, we are additionally working to change everything from our human resource policies, the role of our offices, and even our very business in accordance with new ways of living and working.

In the software development work we do for customers, as well, we have shifted around 5,000 people, including our partner companies, to remote development work.

Amidst the emergence of this “New Normal,” it will become essential to reexamine business with bold new approaches in close partnership with our customers and other stakeholders throughout society. To this end, we have initiated the “Reimagine” campaign, which will not only enable our customers to survive, but to prosper. Focusing on areas that urgently need to be addressed, such as the ways we work, manufacturing, and healthcare, we remain committed to delivering value that is optimized for our new age.

Fujitsu has already been aiming to bring about the realization of a digital society. Based on that perspective, and leveraging our insights and accomplishments to date in a variety of different industries, we are confident that we will continue to play a significant role in that journey.
As a technology company operating on a global scale, we have defined Fujitsu’s Purpose in the following way: Our purpose is to make the world more sustainable by building trust in society through innovation.

All of our business activities are geared toward achieving that purpose.
As we work to achieve that purpose, we recently revised the Fujitsu Way for the first time in 12 years, outlining the fundamental principles governing all Fujitsu Group employees.

The new Fujitsu Way, which provides the foundation for the independent decision and actions of employees as they work to achieve our purpose, is comprised of three components: our purpose, our values, and the code of conduct.

In the Fujitsu Group, the Fujitsu Way serves as our guidepost in determining all of our actions as we work to achieve our purpose.
This chart, which is based on data from a research company, shows trends in global IT market.

As a result of COVID-19, we expect IT spending to decline in 2020. While there are still uncertainties, afterwards we expect spending to gradually recover.

Compared to traditional IT, including traditional systems integration work and on-premises systems and system maintenance, spending on digital areas, such as digital transformation, modernization, and the cloud, is expected to trend higher, and represents an area in which Fujitsu should focus its efforts.
Fujitsu identifies the digital domain, which encompasses areas of business opportunity for our customers like digital transformation and modernization, as an area “For Growth.” “For Growth” represents an area for future expansion in which we will increase both the scale of our business and our earnings.

Traditional IT, including the maintenance and operation of systems and the provision and maintenance of hardware products, contributes to the stable operation of customer IT platforms and improves quality. We define this business domain as “For Stability,” and we will raise efficiency and profitability in this area.

To the greatest possible extent, we will endeavor to deliver value to customers and society in these two business areas.
To achieve our Purpose, we are working on four priority areas in value creation and three priority areas in our internal transformation. I will explain each of these.
The first is rebuilding our global business strategy.

We have revised our organization to create a 6 region structure, including Japan, to steadily implement our strategy on a global basis. With a 6-region structure, including Japan, we will expand our global business.

Under the new structure, we will have global portfolios, account plans, and offerings, while providing services that are optimized for each region.

For the technologies supporting these services, we will concentrate our resources in priority areas to establish strengths that differentiate Fujitsu in the market.

For example, in the field of computing, the Supercomputer Fugaku we jointly developed with RIKEN achieved the top ranking in the world in four difference measures of performance. The Fujitsu-designed ARM processor utilized in Fugaku will also be used in supercomputers from Cray (part of HP Enterprise), and their application in a wide range of areas are currently being considered. We will promote the use of this technology for resolving issues facing society, such as in making contributions in advanced healthcare and research areas.

In the field of 5G, we are building a team for actively expanding our business outside of Japan. We have started to deploy our 5G base station equipment, and DISH Network in North America has also recently announced their decision to use our 5G wireless units in an important milestone for our 5G efforts.

In addition, in the R&D project for the post-5G era being promoted by Japan’s Ministry of Economy, Trade and Industry, Fujitsu was selected for multiple projects. We will be working on future-oriented development and technology research.
The second point is strengthening our issue resolution capabilities in Japan.

To enhance our business rooted in the Japanese market, on October 1 we will launch Fujitsu Japan Limited, a new company responsible for business in Japan.

The new company will take responsibility for business in areas including the local government, education, healthcare, and medium-sized enterprises, where factors that are unique to Japan play a major role.

With demographic changes including an aging population and a falling birthrate, Japan is facing a variety of societal issues earlier than many other countries in the world. A number of other issues have also come into sharp relief in the face of the challenges of COVID-19. While leveraging digital technologies, we will work to resolve these issues through our business with customers.

In promoting our business, we will enhance our business-centered proposals using the Fujitsu Group’s wealth of expertise across many industries and areas of business.

We will shift to a cloud-first strategy in our approach to delivering solutions. We recently announced “Hybrid IT Service”, by which we upgraded our menu of cloud services and our brand including platforms with cloud functionality and overall operational services.

We will optimize the roles and organizational structure of our group companies in Japan, including Fujitsu Japan.

Today we additionally issued a timely disclosure for a tender offer for Fujitsu Frontech. The Fujitsu group will integrate the company’s solution services for financial and distribution customers as well as its front services such as palm vein authentication.

We will continue to strive for an optimal formation to increase the value we provide to society and customers.
As an example of the third point, which is contributing to greater business stability, I will introduce the Japan Global Gateway.

We established the Gateway organization for the Japanese market to expand the use of our Global Delivery Centers, which handle development work in accordance with our global standards. This will link our Global Delivery Centers with front-line units, enabling remote support while promoting standardization, leading to enhancements in the quality and speed with which we deliver services to customers.
The fourth point is to become our customers’ best partner in digital transformation, and to that end we are further focusing on enhancing our talent and organization.

Fujitsu has positioned its capabilities in design as an important management resource, and on July 1 we established Design Center to promote Design Management, which uses Design Thinking in all kinds of business activities.

Also on July 1, we established Social Design Unit to help make Society 5.0 a reality. It will create new businesses, from the perspectives of society or consumers, around different themes or markets, such as healthcare, education, and finance.

We are working on developing strategic solutions that will help us grow our digital transformation business.

We additionally embarked on an initiative to provide platforms that enable the mutual exchange of value in a variety of forms, including points and digital currencies. Through this we would like to create new markets or form ecosystems in an environment that enables transactions among parties that transcend industry boundaries.

To make a full-fledged entry into the data platform business, we have decided to use advanced platforms from Palantir, which is a world leader in the field of data analysis. We have already started an internal implementation to achieve data-driven management at Fujitsu. We will use the expertise we gain from this experience and combine it with Fujitsu’s technologies to support the use of data in problem-solving for customers working to address a variety of societal issues.

Ridgelinez, which started business operations as a new company in April, is now beginning its business in earnest.
For Fujitsu’s own digital transformation and evolution of the company, I would like to present three measures we’re undertaking to this end.

The first is data-driven management.
We will decide which indicators need to be monitored, and establish a system enabling the data to be accessed company-wide. We will also revamp our processes and systems to make rapid, data-driven management decisions. To lead the way, we have started a OneERP Project that will globally integrate such areas as financial accounting, procurement, and logistics.

The second is evolving into DX talent and raising productivity.
To make all 130,000 employees into DX talent, we will promote training in design thinking and agile approaches, while also seeking to create an atmosphere that values diversity. On the policy front, the job-based HR system was expanded to 15,000 employees in Japan from April. We will also promote the active placement of highly-skilled talent.

The third is promoting participatory, ecosystem-based digital transformation.
To advance these initiatives, myself, the Chief DX Officer, Yuzuru Fukuda, the Assistant CDXO, and DX Officers assigned to 15 divisions throughout the company, will be part of a "Companywide DX Project," which launched on July 1st. The DX Officers will work together as part of a dedicated team directly under my leadership as CDXO to promote a company-wide system.

We will also create a forum for collecting the “Voices” of customers and employees, and will promote an ecosystem-based approach, while widely incorporating this feedback into our decision-making.
To decisively advance the initiatives I have discussed thus far, we will actively make the necessary investments.

For value creation, we will develop services and offerings, make outside investments, including acquisitions, and make strategic investments to expand our digital transformation business with an eye toward the future.

For our internal transformation, we will recruit sophisticated talent and make investments to enhance our existing pool of employees and internal systems.

In terms of the scale of these investments, we are thinking to make growth investments of 500-600 billion yen over the next five years.
I will now discuss our management indicators.

To fulfill our Purpose, it is essential that Fujitsu achieves sustainable growth. To that end, we need to build relationships of trust with all of our stakeholders.

From that perspective, in addition to the financial indicators we have been using, we are establishing new indicators to evaluate our activities in non-financial areas, giving consideration to society, customers and employees, for example.

We have established seven priority issues under the heading of Global Responsible Business, including Human Rights, Diversity and Inclusion, and Well-being, that we should focus on as a responsible global company.

The evaluation criteria and priority activities for each of these issues is different, but they are related to each other.

We think that focusing on these seven issues will lead to greater trust from customers and employees.

For that purpose, we have set net promoter score as an indicator of trust from customers, and employee engagement as an indicator for employees, and we are currently making preparations for them.

In addition, we want to objectively measure progress in transforming our organization and culture using the Ministry of Economy, Trade and Industry of Japan’s DX promotion indices, and work toward continual improvements.

By working on both financial and non-financial management indicators, we seek to make stable contributions over the long term to society and our customers, and we seek to create, as a result, a positive loop that will lead again to Fujitsu’s own growth.
For fiscal year 2022, in our core business of Technology Solutions, we aim to achieve revenue of 3,500 billion yen and an operating profit margin of 10%.

Of that revenue amount, in our “For Growth” digital business area, we aim to achieve revenue of 1,300 billion yen.

There has been no change to these targets since last year.
Today we are briefing you on our capital allocation policy. The details will be discussed by CFO Isobe, but I would like to explain my thinking on this subject.

We aim to generate at least 1 trillion yen in free cash flow over the next five years. The cash generated will be optimally allocated.

First, we must maintain the current condition of our financial foundation.

On top of that, as I explained just now, we must make investments in growth, and we will be accelerating those investments.

In addition, we want to continue to generate stable shareholder returns.

In addition to the above, from the perspective of profitability and capital efficiency, we will place importance on earnings per share.
Lastly, I would like to briefly touch on our financial forecast for fiscal year 2020.

We are projecting revenue of 3,610.0 billion yen, operating profit of 212.0 billion yen, and an operating profit margin of 5.9%. While we expect revenue to decline because of COVID-19, we expect to maintain an operating profit margin that is essentially the same as in last fiscal year.

In our core business of Technology Solutions, for fiscal year 2020 we are projecting full-year revenue of 3,090 billion yen and an operating profit margin of 6.4%. By shifting more towards the services business, which has higher profit margins, we expect to improve our operating profit margin going forward.
In this New Normal era, Fujitsu hopes to contribute to the establishment of a more resilient society.

New life-styles and ways of thinking, which mark a departure from the pre-COVID-19 era, are starting to emerge.

Again, Fujitsu would like to contribute to making a more flexible and resilient society by leveraging our technologies to realize values in society, from the perspective of what would be an ideal state for society and customers.

With that I’d like to conclude my part. Thank you for listening.

Now Takeshi Isobe, our CFO, will give you further details in his presentation.
Cautionary Statement

These materials may contain forward-looking statements that are based on management’s current information, views and assumptions and involve known and unknown risks and uncertainties that could cause actual results, performance or events to differ materially from those expressed or implied in such statements. Actual results may differ materially from those projected or implied in the forward-looking statements due to, without limitation, the following factors listed below.

- General economic and market conditions in key markets (particularly in Japan, Europe, North America, Oceania, and Asia, including China)
- Fluctuations in exchange rates or interest rates
- Fluctuations in capital markets
- Intensifying price competition
- Changes in market positioning due to competition in R&D
- Changes in the environment for the procurement of parts and components
- Changes in competitive relationships relating to collaborations, alliances and technical provisions
- Risks related to public regulations, public policy and tax matters
- Risks related to product or services defects
- Potential emergence of unprofitable projects
- Risks related to R&D investments, capital expenditures, business acquisitions, business restructuring, etc.
- Risks related to natural disasters and unforeseen events
- Changes in accounting policies