Fiscal Year 2020

# Financial Results

April 28, 2021

FUJITSU

shaping tomorrow with you

## Management Direction Update

Takahito Tokita

CEO & CDXO

Fujitsu Limited

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# Fujitsu's Purpose

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**Our purpose is to make the world more sustainable by building trust in society through innovation**



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Results and Initiatives

01

# FY2020 Results and Initiatives

# Summary of FY2020 Financial Results

FUJITSU

- Despite a reduction in sales because of the impact of COVID-19, operating profit and profit for the year reached the highest levels ever

(Unit: Billions of yen)

| | 2019 (Actual) | 2020 (Actual) | Variance |
|---|---|---|---|
| Revenue | 3,857.7 | 3,589.7 | ▲268.0 |
| Operating Profit | 211.4 | 266.3 | 54.8 |
| Operating Profit Margin | 5.5% | 7.4% | 1.9% |
| Profit for the Year | 160.0 | 202.7 | 42.6 |
| **Technology Solutions** | | | |
| Revenue | 3,212.9 | 3,043.6 | ▲169.2 |
| Operating Profit | 187.9 | 188.4 | 0.5 |
| Operating Profit Margin | 5.8% | 6.2% | 0.4% |



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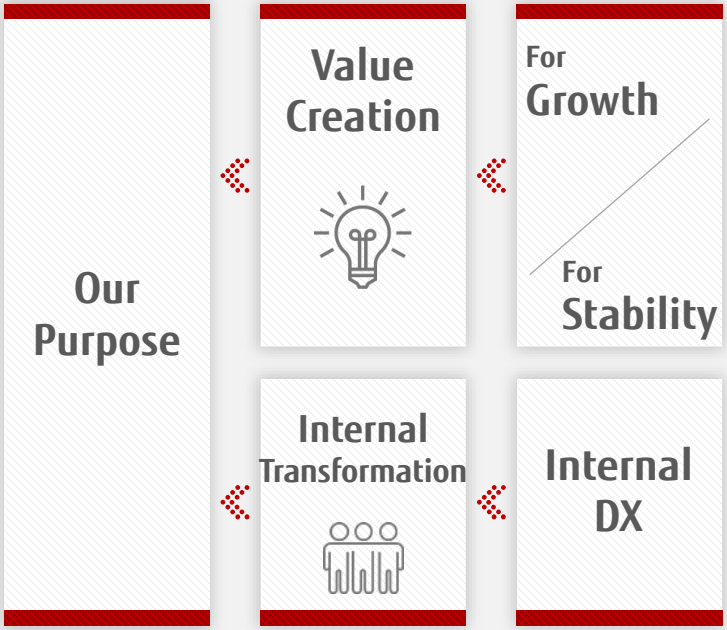
# Priority Issues in Achieving Our Purpose

- Creating value through “For Growth” and “For Stability” initiatives, and contributing to the growth and stability of our customers’ businesses
- Self-transformation through further implementation of internal DX initiatives




- Rebuilding our global business strategy
- Strengthening issue resolution capability in Japan
- Contributing to greater business stability
- Becoming our customers’ best DX partner

- Enforcing data-driven management
- DX talent development and productivity improvement
- Fully participatory, ecosystem-based DX promotion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# Rebuilding Our Global Business Strategy

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## Implementing a globally uniform portfolio, account plans, offerings, and alliances

## Reformed service delivery organization

## Structural reforms in International Regions



Europe (NWE/CEE): Completed structural reforms to product manufacturing organization

Americas: Currently implementing business structural reforms

Oceania: Transformed and strengthened organizational formation by industry

Asia: Enhancing offerings to priority industry segments



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# Strengthening Issue Resolution Capability in Japan

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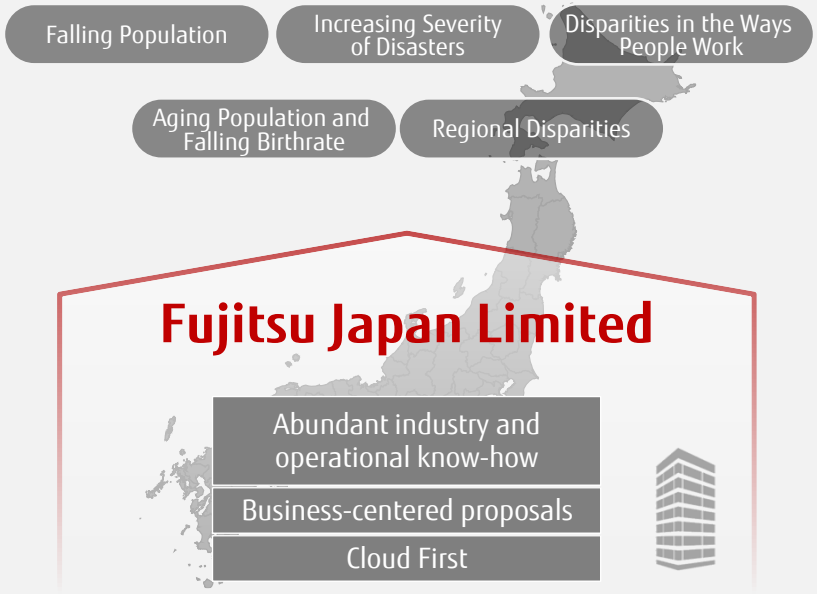
## Launched Fujitsu Japan with an 11,000-employee organization

Establish single point of contact for customers and provide one-stop services

Establish 6 regional headquarters nationwide and promote proposal activities aligned with regional characteristics

Aggressively expand DX business by changing sales style to deal with societal issues



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# Strengthening Issue Resolution Capability in Japan

FUJITSU

## Fugaku Continues to Dominate Global Rankings (Second Consecutive Term)

## Contributing to Resolving Various Issues Facing Modern Society

### The Environment

Contributing to improved accuracy in weather and climate change prediction with history's largest ever weather computation

### Disaster Prevention

Delivering high-resolution real-time tsunami and flood predictions

### Health

Providing network analysis of cancer genes in less than a day

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# Strengthening Issue Resolution Capability in Japan

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## Launch of Future Society and Technology Unit

Future Society Design

Social Implementation Architect

Cutting Edge Technology





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# Contributing to greater business stability

## Establishing Japan Global Gateway

- Improving quality and productivity through internal production and thoroughgoing standardization
- Building a delivery model that can apply globally

## Reorganization of SI Group Companies

- Improving productivity and profitability by reorganizing the SI structure of the Group as a whole
- Aggregating the technical strengths of each company, expanding business through integrated capabilities and resource utilization

## Stable Operation of Customer IT Platforms

- Establishing a company-wide risk management office under the CEO
- Conducting a company-wide inspection to prevent critical system faults


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# Becoming Our Customers' Best DX Partner

FUJITSU

## Enhancing Front-line Capabilities

- Developing Business Producers who can lead customers' DX with an ability to empathize
- Integrating Business Producer and delivery functions

## Activities of Ridgelinez

- Currently extending consulting services for achieving DX to around 300 customers in a variety of industries
- Building a professional human resources system to maximize performance



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# Becoming Our Customers' Best DX Partner

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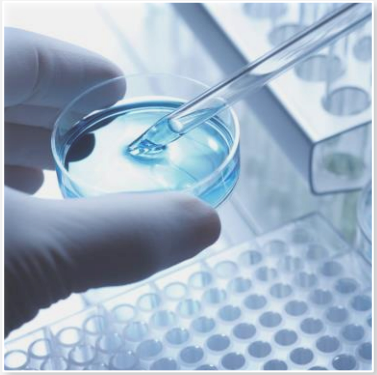
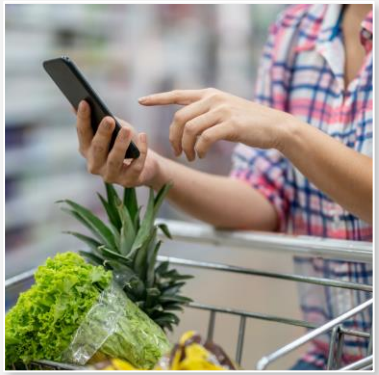
## Creating DX Business Through Collaboration with Partners



Established a new company (PeptiAID) with the goal of developing treatments for COVID-19



Established a new company (DUCNET) to provide cloud services that will enable DX in the manufacturing industry



Supported accelerated DX and enhanced competitiveness for customer retail storefronts (Collaboration with Zippin)



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# Internal Transformation

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## Enhancing Data Driven Management

- Promoting One Fujitsu initiatives to make all important business operations globally uniform
- Implementing data analysis technology internally

## DX Talent Development and Productivity Improvement

- Developing DX talent by promoting design thinking
- Support highly productive ways of working with job-based HR management and Work Life Shift

## Fully Participatory, Ecosystem-based DX Promotion

- Started internal DX project (Fujitra), with approximately 300 transformation plans underway
- Started “VOICE Program” which collects voices from our customers and employees to be reflected in our management and business initiatives



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# Financial Forecast for FY2021

- Working toward the achievement of the FY2022 management targets -

Financial Forecast

02

# Financial Forecast for FY2021

FUJITSU

- Aim for higher revenue and profit in Technology Solutions by fully executing the initiatives from last fiscal year

(Billions of yen)

| | 2019 (Actual) | 2020 (Actual) | 2021 (Forecast) | Variance from FY 20 to FY 21 |
|---|---|---|---|---|
| Revenue | 3,857.7 | 3,589.7 | 3,630.0 | 40.3 |
| Operating Profit | 211.4 | 266.3 | 275.0 | 8.7 |
| Operating Profit Margin | 5.5% | 7.4% | 7.6% | 0.2% |
| Profit for the Year | 160.0 | 202.7 | 205.0 | 2.3 |

## Technology Solutions

| | | | | |
|---|---|---|---|---|
| Revenue | 3,212.9 | 3,043.6 | 3,200.0 | 156.4 |
| Operating Profit | 187.9 | 188.4 | 240.0 | 51.5 |
| Operating Profit Margin | 5.8% | 6.2% | 7.5% | 1.3% |



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# Accelerate Growth Alongside Customers Based on Resolving Societal Issues

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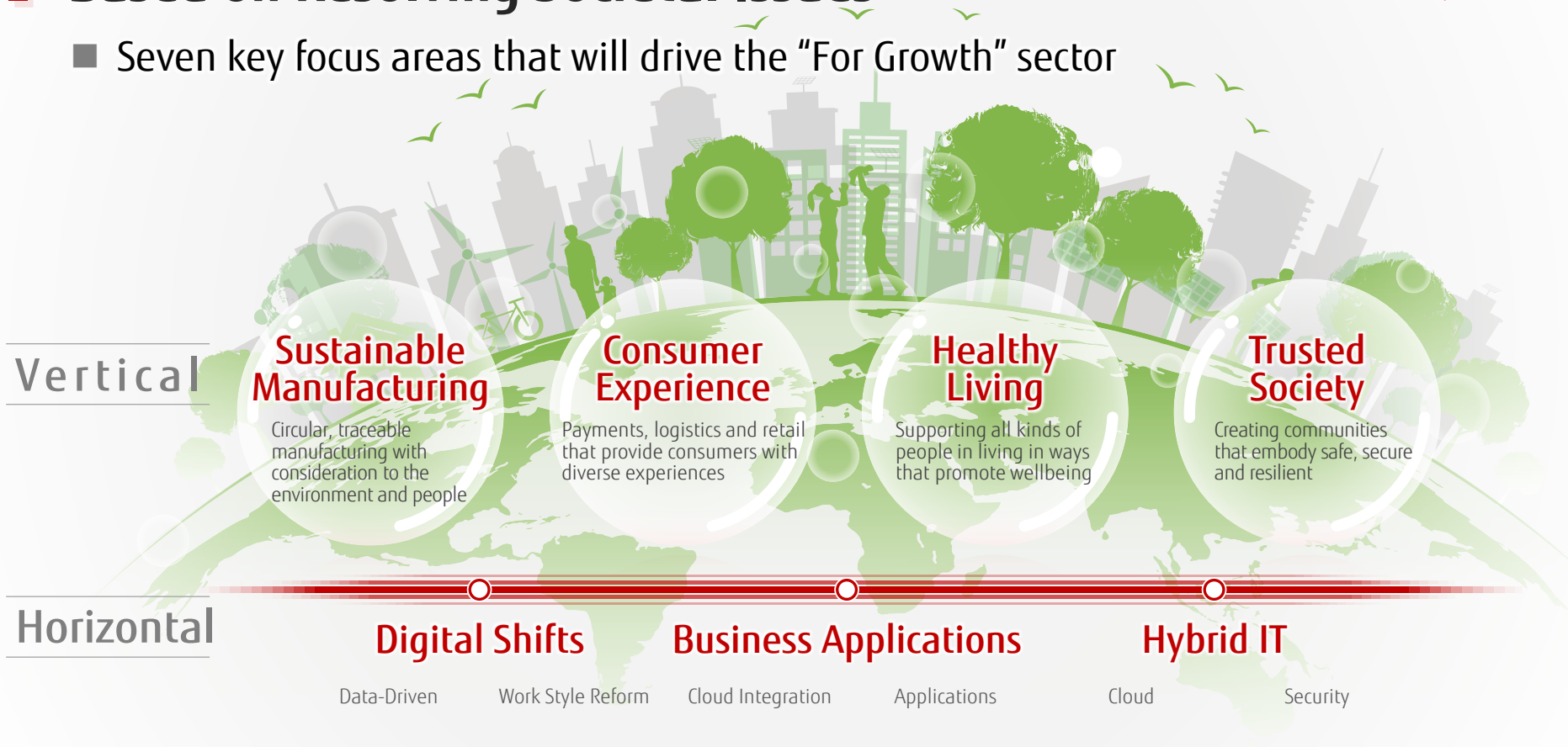
- Seven key focus areas that will drive the “For Growth” sector



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# Enhanced R&D to Accelerate Innovation

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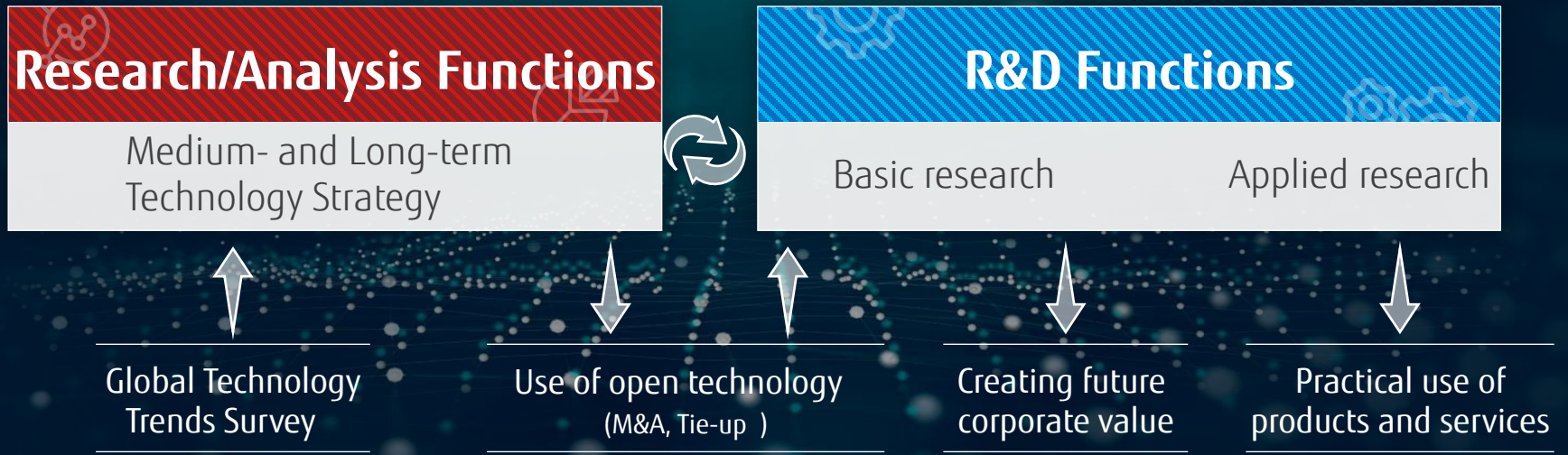
- Integrated Fujitsu Laboratories directly under the CTO and consolidated research and analysis functions and R&D functions
- Rapid execution of research and development aligned with corporate strategy



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# Capital Allocation Policy

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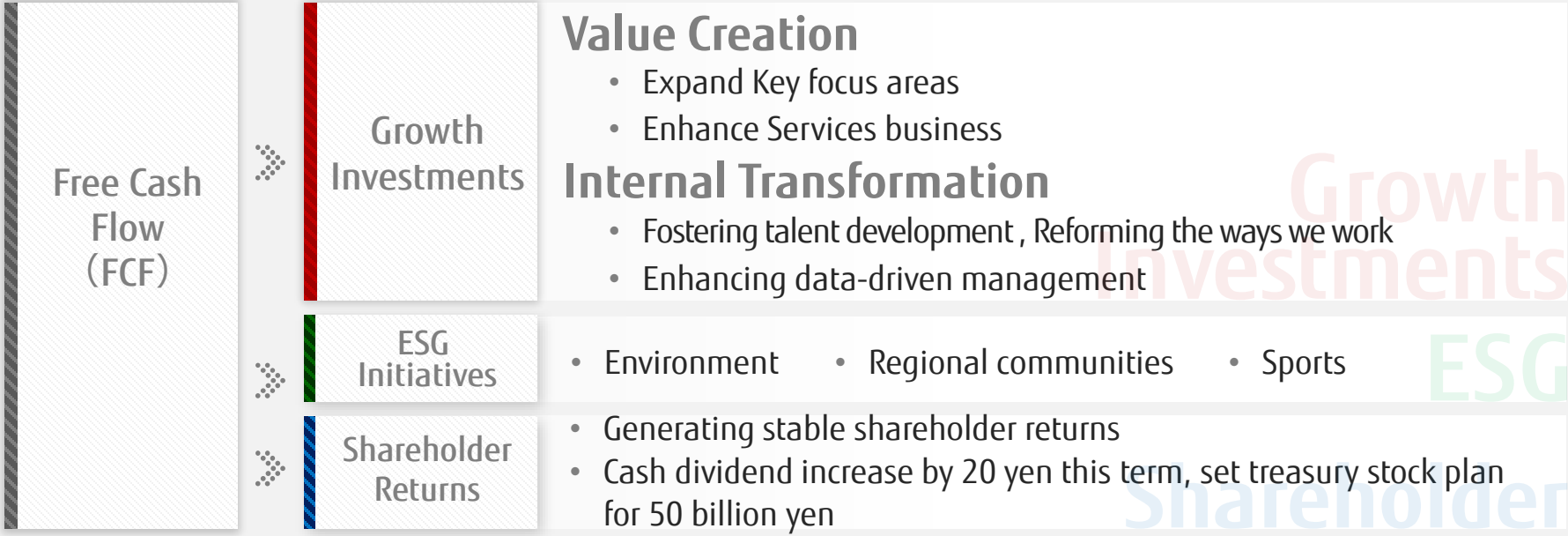
- To achieve the management target, Fujitsu is continuing its initiatives to generate over 1 trillion yen of free cash flow over 5 years , and over 500 billion yen in strategic growth investments.




In terms of capital efficiency, Fujitsu aims for sustaining growth (CAGR 12%) of Earnings Per Share.



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# Environmental Initiatives

## SBT* 1.5°C Certification

Greenhouse Gas Reduction Targets

- Upward revision of reduction targets from 2°C Certification(2017) to 1.5°C
- Accelerate comprehensive energy saving and utilization of renewable energy, with the goal of a 71.4% reduction by 2030 (compared to FY2013)

## Avoid Risks, Minimize Environmental Burden

In our Business Activities

- Make further progress in resource-saving designs for products and packaging with the goal of reducing plastics
- Reduce water usage across the supply chain, strengthen water risk evaluation

## Resolve Environmental Issues

Through Business

- 100% renewable energy will be used for operating our cloud service "FJcloud" by FY2022.
- Contributing customers to reduce $CO_2$ emissions through more efficient logistics routes using Digital Annealer

*Science Based Targets:

- Goals identified by initiatives established by organizations such as the UN Global Compact.
- Certified greenhouse gas emission reduction targets that are scientifically consistent with the levels required by the Paris Agreement



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# Non-Financial Indicators

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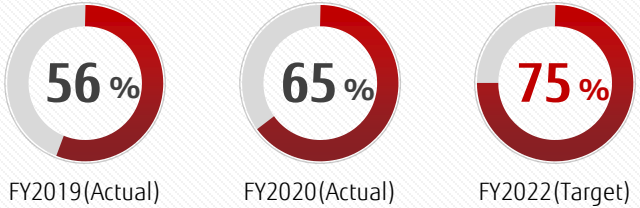
- Assessment of relationship of trust between stakeholders and Fujitsu's own transformation using objective indicators

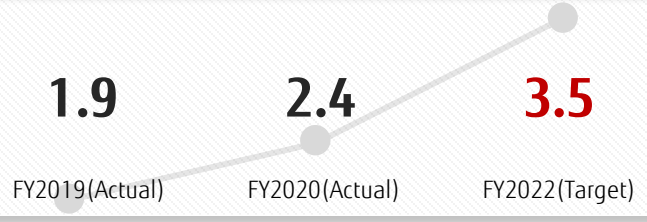
## Client Net Promoter Score

- Conducted global survey
- Plan to set target by this fiscal year

## Employee Engagement




## DX Promotion Indicator



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# Initiatives to Achieve Management Goals by FY2022

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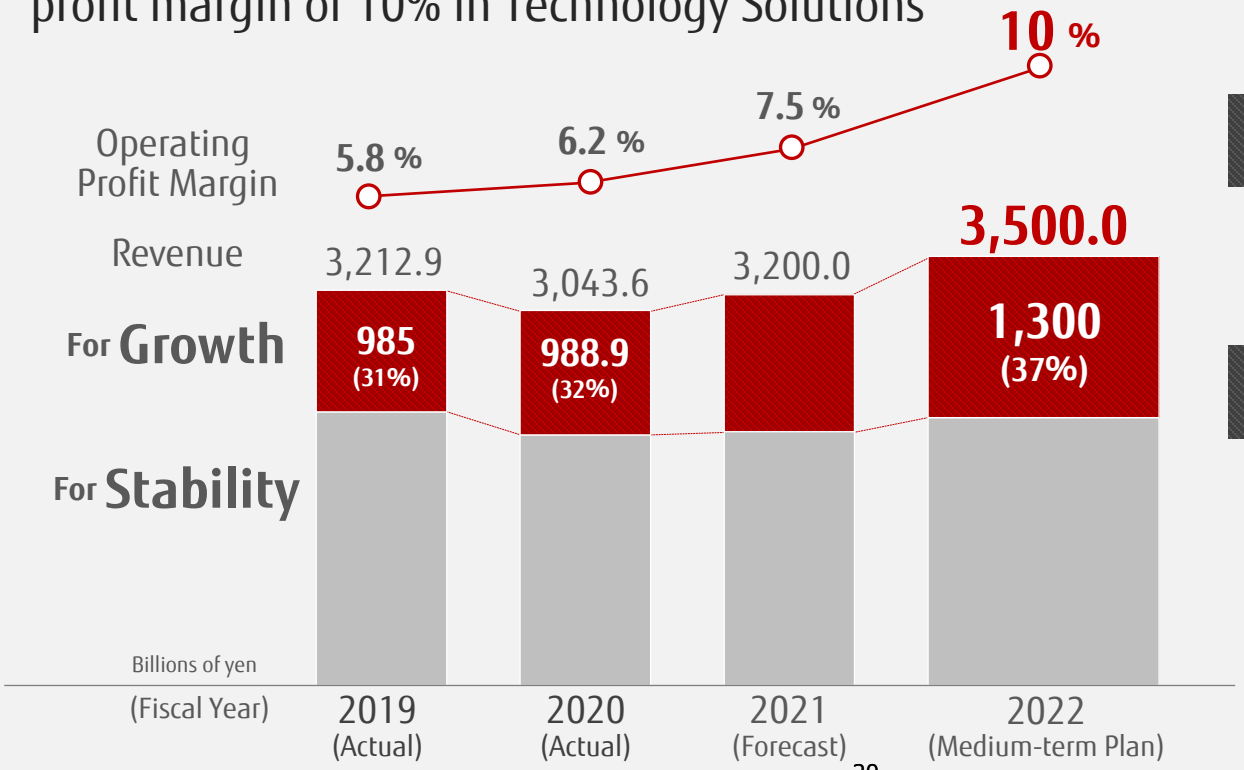
- Accelerate growth investments, aiming for revenue of 3.5 trillion yen and an operating profit margin of 10% in Technology Solutions




## Expanding Revenue

- Expanding on key focus areas
- Enhancing the services business

## Improving Profitability

- Transforming the service delivery structure
- Structural transformation in regions outside Japan
- Limiting unprofitable projects



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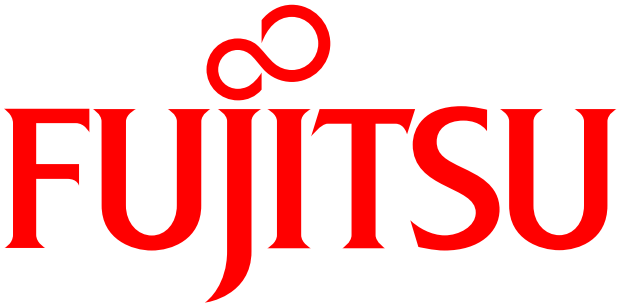


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# Cautionary Statement

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