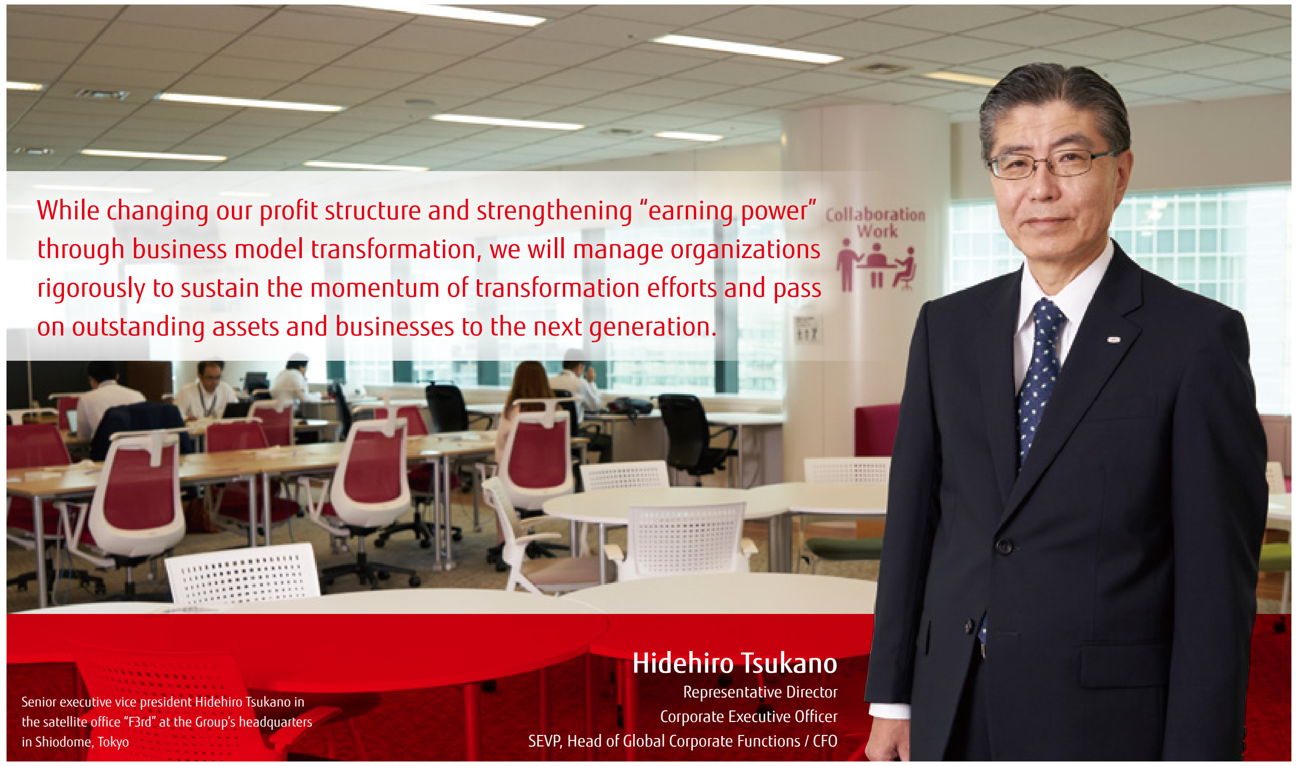
MESSAGE FROM A SENIOR EXECUTIVE VICE PRESIDENT



Senior executive vice president Hidehiro Tsukano in the satellite office "F3rd" at the Group's headquarters in Shiodome, Tokyo

Profit Structure after Business Model Transformation

Through business model transformation, the Fujitsu Group aims to establish competitiveness that will underpin it in the generation 30 years from now. The first step in this process is to strengthen earning power. Our average operating profit margin was only 2.7% in the 10 years through fiscal 2015, when we launched the Management Direction that is driving business model transformation. If we do not increase our earning power, we will be unable to heighten corporate value in the current competitive environment. Consequently, we are tackling transformation with a sense of urgency.

The current competitive environment has a character that is clearly different from that of the past. Competition for supremacy in the digital business field extends beyond IBM, Microsoft, and other traditional ICT companies. Competitors include over-the-top (OTT) service providers that offer various types of service mainly via the Internet, such as Amazon, Google, and Facebook; service providers that specialize in consulting and delivery, with Accenture being a well-known example; and telecom carriers in Japan and overseas that are extending their business areas into the services field. Against this backdrop, it is logical to reexamine our advantages and implement rigorous selection and concentration accordingly.

Through the selection and concentration of its business portfolio that is accompanying business structure transformation, the Group is selling noncore businesses or establishing them as wholly owned subsidiaries. In conjunction with these efforts, we are pursuing growth strategy transformation, which is heightening the specialization and delivery capabilities of core businesses while transforming their cost structures. As a result of the above measures, major changes are underway in the Group's profit structure. Going forward, we will increase the autonomy of the Ubiquitous Solutions and Device Solutions businesses. Meanwhile, we will establish digital services as a growth driver in and outside Japan during the period in which conventional services—such as the construction and renewal of large-scale systems and the integration of software—are able to continue generating a steady level of earnings.

Benefits of Business Model Transformation

From fiscal 2017, we will transition from a phase of transformation implementation to a "cruising" phase, and we expect the benefits of business model transformation to manifest as improvements in terms of the three below types of numerical measures.

First, we aim to establish a profit structure that continually generates operating profit of at least ¥200 billion. Utilization of Global Delivery Centers and other rigorous measures to reduce fixed costs are steadily building a profit structure that can consistently generate operating profit above ¥200 billion regardless of short-term economic trends such as market fluctuations.

Second, we aim to achieve the consolidated performance targets for operating profit margin, free cash flow, and owners' equity ratio that are set out in the Management Direction. Given progress relative to various operational benchmarks, I feel that we can advance close to targeted levels for all three of these indicators in fiscal 2018.

The third numerical measure is the percentage of sales outside Japan, which we aim to increase on a consolidated basis in accordance with the Management Direction. As a result of restructuring noncore businesses, the percentage of sales outside Japan in fiscal 2016 was 36.5%, down from approximately 40% before the beginning of business model transformation. Going forward, we will grow service businesses, which have been performing briskly thanks to changes in the regional management system, and raise the percentage of sales outside Japan to 50% while maintaining and increasing earnings levels in Japan.

Cash Allocation and Shareholder Returns

In fiscal 2016, free cash flow surpassed ¥100 billion for the first time in six fiscal years, reaching ¥104.8 billion. Furthermore, free cash flow of ¥120 billion is projected in fiscal 2017. In fiscal 2015 and fiscal 2016, respectively, the Group recognized business model transformation expenses of more than ¥40 billion. In fiscal 2017, however, we expect gains on sales of businesses in the period through March 2018 to offset business model transformation expenses.

As for cash allocation, investment for growth will remain a high priority. We have earmarked cash for investment in businesses, including investment in M&As aimed at expanding digital businesses, and for securing talented personnel and developing technologies. In addition, the introduction of an incentive scheme based on stock options is under consideration for personnel who will lead businesses that use AI and IoT for digital innovation and other future businesses.

With respect to shareholder returns, in fiscal 2016 we raised our initial target, increasing annual dividends from ¥8 to ¥9 per share. From fiscal 2017, while giving priority to dividends and in light of share price trends and the timing of business divestitures and M&As, we will consider measures to further increase shareholder returns.

Organizational Management for Growth

As the vice president in charge of global corporate management, I believe that establishing in-house rules is an effective method of creating corporate value. Here, I am referring to rules that break through obstacles to global growth and unify and align transformation efforts toward a common purpose. For example, one idea is to advance globalization from within the organization by creating a system that ensures all Fujitsu Group employees in Japan experience working abroad.

Establishing appropriate rules is essential to avoid "organizational slackening," which is the greatest risk going forward. While strengthening structural profitability so that we can post earnings constantly, I will remain vigilant for any signs of a lessening of our sense of urgency and determination with regard to transformation. The Group's corporate divisions will manage organizations effectively to maintain and increase the momentum of transformation efforts.

I view the senior management team as the bearer of the Fujitsu Group's corporate DNA. As such, we are committed to exhaustively implementing appropriate actions to ensure that we pass on to the next generation outstanding assets and businesses as well as an organization that creates corporate value continually.