

Medium-Term Management Plan Progress update

Takahito Tokita

CEO

Fujitsu Limited

April 25, 2024



- Hello everyone. I am Tokita, CEO. Thank you very much for taking the time to join us today.

Agenda

- I **Progress in FY2023**
- II **Progress and plans of major initiatives**
- III **Targets for FY2024**

- I would like to explain our Company progress in FY23, the status of how we are progressing against our major initiatives, and our targets for FY24 with respect to our Medium-Term Management Plan which I announced in May 2023.

Our Purpose

Make the world more sustainable by building trust in society through innovation.

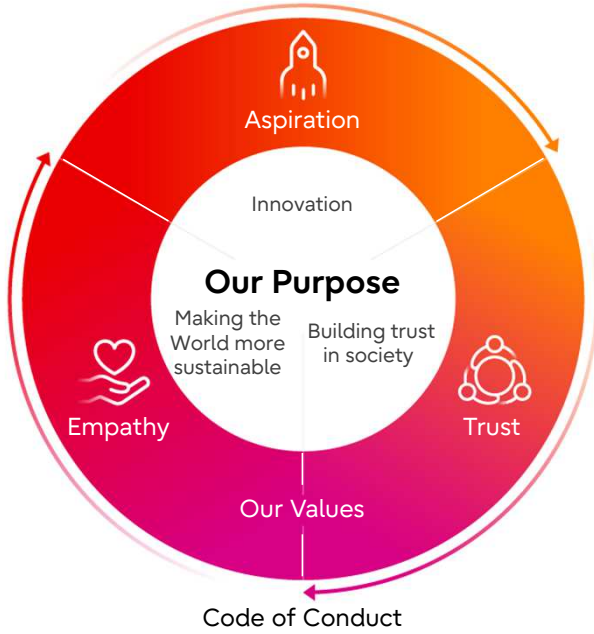


- First, I would like to start with the Fujitsu Group Purpose, which is to “make the world more sustainable by building trust in society through innovation.” All of our corporate activities are designed to achieve this purpose, which gives meaning to our existence and what we aim to be.

Fujitsu Way



Three elements of the Fujitsu Way



Our Purpose	Our purpose is to make the world more sustainable by building trust in society through innovation.	
Our Values	Aspiration	<ul style="list-style-type: none"> • Set ambitious targets and act with agility. • Embrace diversity and create original ideas. • Stay curious and learn from failures and experiences. • Deliver positive impact through human centric innovation.
	Trust	<ul style="list-style-type: none"> • Honor promises and exceed expectations. • Act with ethics, transparency and integrity. • Work autonomously and unite for common goals. • Contribute to a trusted society using technology.
	Empathy	<ul style="list-style-type: none"> • Strive for customers' success and their sustainable growth. • Listen to all people and act for the needs of our planet. • Work together to solve global challenges. • Generate shared value for our people, customers, partners, community and shareholders.
Code of Conduct	<ul style="list-style-type: none"> • We respect human rights. • We comply with all laws and regulations. • We act with fairness in our business dealings. • We protect and respect intellectual property. • We maintain confidentiality. • We do not use our position in our organization for personal gain. 	

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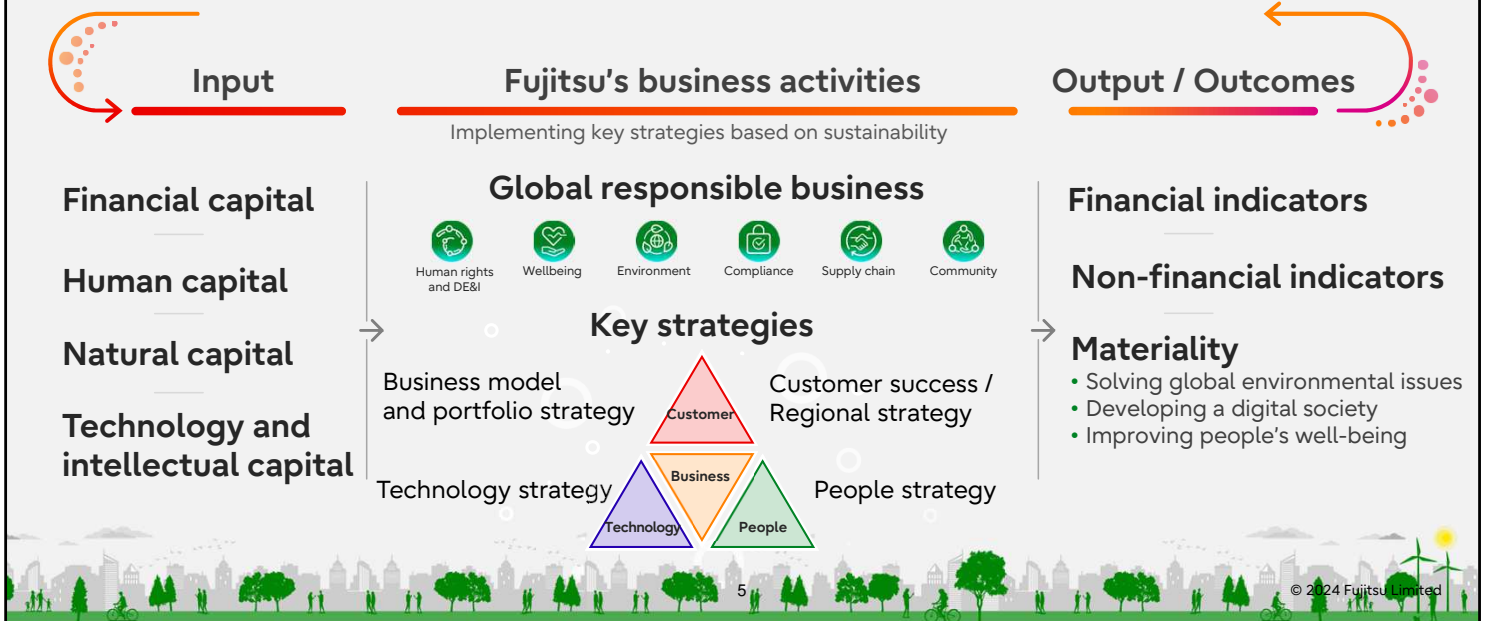
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- The Fujitsu Way, which all Fujitsu Group employees must abide by, sets out the three important values of aspiration, trust and empathy, as well as a code of conduct, which are all anchored in our purpose.

Value creation concept for 2030

Being a technology company that realizes net positive* through digital services

Net positive: - In addition to maximising financial returns, we are committed to solving global environment problems, developing a digital society and improving people's well-being. Technology and innovation will have a positive impact on society as a whole.



- I would now like to explain our approach to value creation for 2030.
- We have established a vision for 2030, "Being a technology company that realizes net positive through digital services."
- Fujitsu's vision for achieving a net positive is defined as "Fujitsu, which exists in society, must address the materiality of solving global environmental problems, developing a digital society, and improving people's wellbeing, in addition to maximizing financial returns, and making a positive impact on society as a whole through technology and innovation".
- To realize this vision, we are focusing on four key strategies, which are: Business model and portfolio strategy, Customer success and Regional strategy, Technology strategy, and People strategy.

5 Corporate Vice Presidents



- This is the management structure in FY24. From this fiscal year, we have five Corporate Vice Presidents.
- From left to right are Isobe - CFO, Mahajan - Chief Technology Officer (CTO) and Chief Portfolio Officer (CPO), and Takahashi, Shimazu, and Onishi, - our three Chief Operating Officers (COO).
- Takahashi is responsible for expanding the Fujitsu Uvance business, Shimazu is responsible for building and strengthening the global service delivery structure, and Onishi is responsible for implementing global customer and regional strategies as COO and Chief Revenue Officer (CRO).
- This structure enables us to accelerate business decision making and execution in and across each business area.

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I. Progress in FY2023

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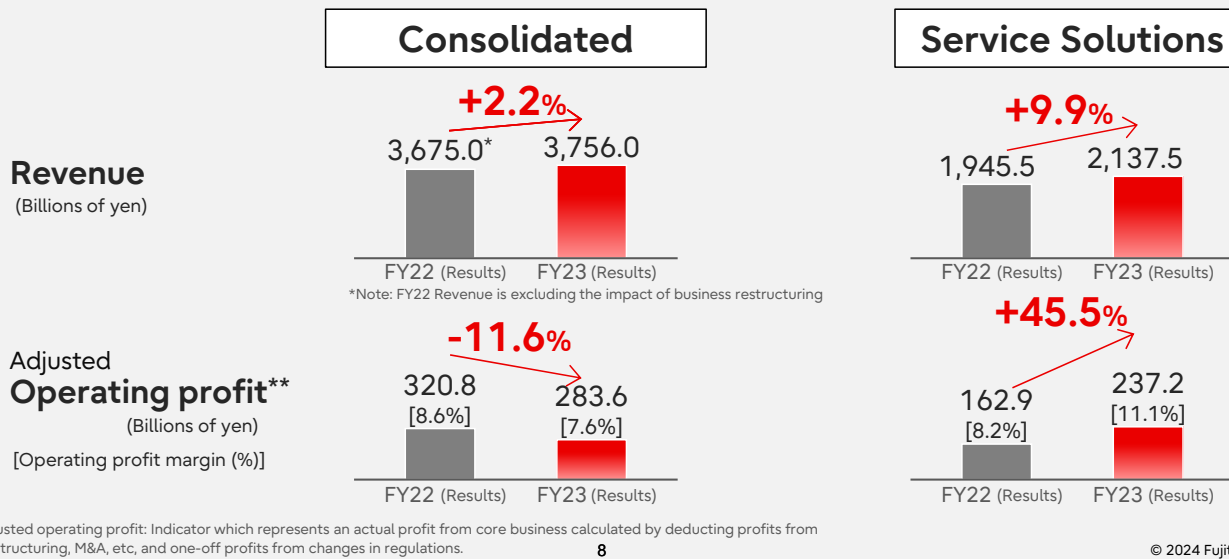
- Next, I will explain our Company progress during FY23.

Medium-Term Management Plan

Progress status of financial performance indicators



The business portfolio is transforming as planned. Service Solutions which is our growth area, increased in both revenue and profit.

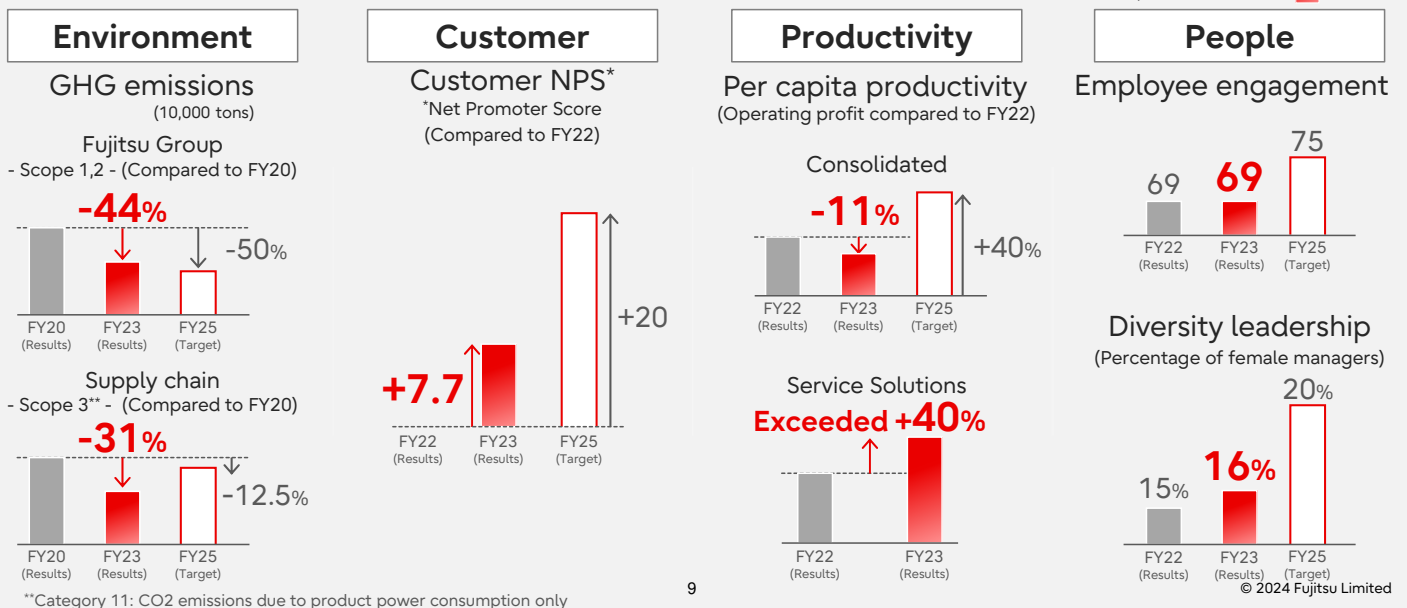


- Firstly, I will summarize the progress status of our financial performance indicators.
- In FY23, we started transforming our business portfolio, centering our efforts on Service Solutions as the pillar for growth.
- As a result, consolidated revenue in FY23 was 3,756 billion yen for Fujitsu as a whole, an increase of 2.2% from FY22. And Service Solutions revenue showed progressive growth, increasing by circa 10% from FY22, to 2,137.5 billion yen in FY23.
- Consolidated adjusted operating profit decreased 11.6% from the previous financial year to 283.6 billion yen, largely due to the impact of business restructuring in Europe and a decline in sales demand for networks and devices. We expect device sales to recover from FY24, and networks will remain at FY23 levels during FY24.
- As a result of our strategic initiatives, Service Solutions adjusted operating profit increased 45.5% year on year to 237.2 billion yen in FY23.

Medium-Term Management Plan

Progress status of non-financial performance indicators

Each non-financial indicator is tracking in line with planned changes in our business model and portfolio.



- Next is the progress status of our non-financial performance indicators.
- Fujitsu has set non-financial targets in the four categories of: environment, customer, productivity, and people.
- Generally, our performance has been smoothly progressing – there are three areas I will give more details on.
- Firstly, we have significantly reduced our Scope 3 greenhouse gas emissions, shown at the bottom of the environment metrics on the far left of the slide, ahead of the -12.5% target set for FY25 (which was baselined against emission volumes in FY20). A decline in network product sales contributed to this temporary sharp drop and we will still hold to the set target for FY25.
- Secondly, third from the left on the slide, is productivity per person, which has declined due to an overall reduction in Company operating income. However, in Service Solutions, our Company's growth area, productivity has increased by more than 40% compared to FY22.
- Finally, on the top right-hand side of the slide, we report the employee engagement score which remains the same as the previous year. Of the issues employees raised in the internal survey, those that are relatively easy to address have mostly been dealt with, and we are now tackling more complex issues. It will take a period of time between the issues being addressed and for employees to provide updated feedback, however we do then expect the scores to improve.

II. Progress and plans of major initiatives



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- Next, I would like to give more detail on how we are progressing in the key strategic focus areas I mentioned earlier.

Major
initiatives

01 |

Business model and portfolio transformation

02 |

Reliable support of customers' modernization

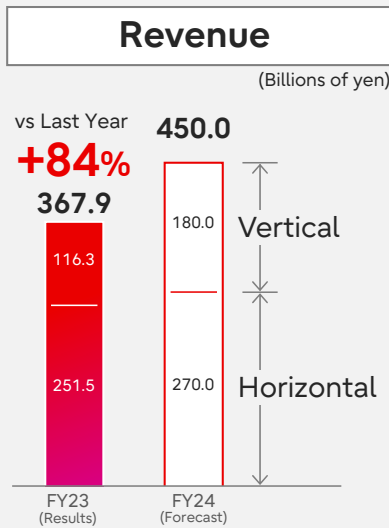
03 |

Improving international business profitability

- I will focus on three specific global initiatives, covering our progress during FY23 and plans in FY24, for each of them.

01 | Business model and portfolio transformation

The business model transformation led by Fujitsu Uvance is progressing to plan, offerings strengthening, and business has expanded, particularly in Japan.



Progress and Plans

FY23 Progress

- Strengthened 22 Uvance Offerings with embedded AI
- Launched AI service with PaaS model
- GTM* expansion, initially focusing on Japan based customers

*GTM: Go to Market

Plans

- Consulting led business growth
- Providing standardized offerings to grow global common services
- GTM expansion for international based customers



01

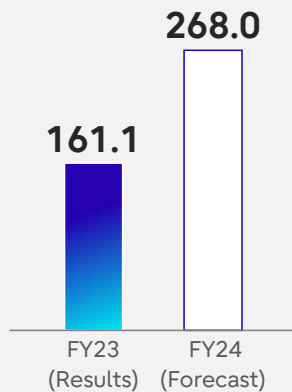
- First, our business model and portfolio transformation strategic initiative involves transforming both our business portfolio and our business model from traditional systems integration to an on-cloud, business application, and cross-industry business, that is exemplified by Fujitsu Uvance.
- Fujitsu Uvance sales in FY23 were 367.9 billion yen, far higher than the initial plan of 300 billion yen, and a significant increase of 84% from 200 billion yen in the previous financial year. In FY22, sales of Horizontal offerings, which provide technologies and solutions to support customer digital transformation, dominated. In FY23, sales of Vertical exceeded 30% of the Uvance total, resulting from the strengthening of Vertical cross-industry offerings in areas including Sustainable Manufacturing and Consumer Experience.
- Data collaboration and utilization is an important factor in cross-industry business. In FY23, we enhanced our approach to Fujitsu Uvance by embedding Fujitsu Kozuchi's AI engine into 22 Uvance offerings.
- During FY24, we will continue to expand our Fujitsu Uvance offerings.
- In addition, as we announced in February, we will grow our business through Uvance Wayfinders, establishing standard global consulting services with a view to full-scale, global expansion.

02 | Reliable support of customers' modernization

Leading the modernization of customer assets by harmonizing Fujitsu capabilities.

Revenue

(Billions of yen)



Progress and Plans

FY23 Progress

- Resource requirements are visualized to ensure effective demand fulfilment
- Consolidated expertise in CoE* (Modernization Knowledge Center)
- Collaboration with global partners and strengthening of tools

*CoE: Center of Excellence

Plans

- Agile and efficient assignment of resources, appropriate to the business situation
- Continuously develop and grow the number of skilled employees (Modernization Meister)

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- Next, I will explain our strategic initiative, offering reliable support for customers' asset modernization, and how we are expanding in this growing market, particularly in Japan.
- In FY23, we were able to start visualizing resource requirements to ensure business demands could be fulfilled. Opportunities and projects are streamlined through our Modernization Knowledge Center, utilizing proven global tools and techniques, in collaboration with global partners.
- In FY24 and beyond, we expect demand for modernization of existing systems to continue.
- Therefore, based on the visualized requirements, we assign resources flexibly according to the status of the opportunity to execute the project reliably and efficiently.
- We will continue to expand our skills and capabilities, responding to changes of business, to support customer modernization which includes developing cloud and DX capabilities.

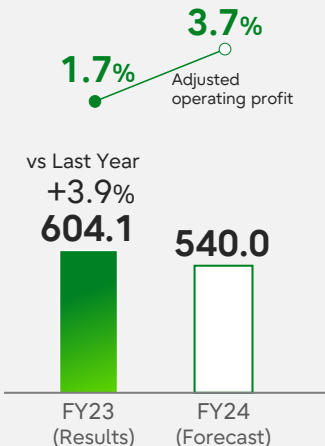
03 | Improving international business profitability

Accelerating structural reforms to being a services-based business and improve profitability.

Revenue

(Billions of yen)

Regions (International)



Progress and Plans

FY23 Progress

- Americas Region completed the shift to being a services-based business, resulting in revenue stabilization
- Europe Region structural reforms underway
 - Separation of Germany private cloud business
 - Withdrawal from low-profit areas and downsized management
 - Corporate restructuring (service / hardware business separation)

Plans

- Europe Region's structural reform will complete during FY2025 (Adjusted operating profit ratio FY2023: 0.5% → FY2024: 4.3%)
- Asia Pacific Region is planning to commence structural reforms

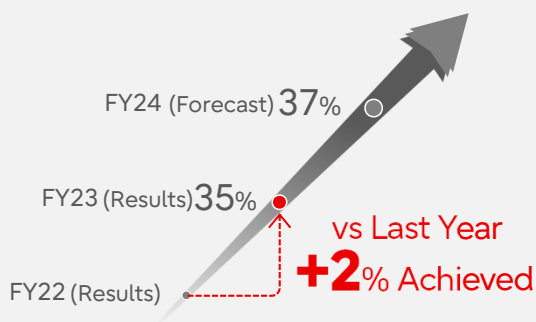
- Next, I will explain our strategic initiative to improve profitability of the international business.
- The graph on the far left of the slide, shows FY23 revenue in international regions increased nearly 4% from FY22 to 604.1 billion yen, and operating margin was 1.7%. Although profitability remains an issue, we expect a recovery through initiatives such as the transformation of our business portfolio.
- The status for each region is:
- The Americas Region has transformed its business portfolio to being heavily service based, resulting in improved operating margins in FY23. In FY24, we aim to start scaling our business and further increase profitability.
- The Europe Region has implemented structural reforms, including separation of the private cloud business in Germany, exiting from less profitable areas, and restructuring to separate the services and hardware business, all of which completes in FY25. As a result of these measures, we expect the adjusted operating profit to recover from 0.5% in FY23 to 4.3% in FY24.
- In the Asia Pacific Region, we are embarking on structural reforms to move away from the competitive infrastructure business to services, such as business applications.
- And in all regions, we will continue shifting to being a service business centered on Fujitsu Uvance.

Improving the profitability of Service Solutions

Driving delivery transformation and value-based pricing to ensure continued profit increases in Service Solutions.

Gross margin ratio

Service Solutions



Progress and Plans

Delivery transformation

- Increase insourcing ratio and offshore ratio with scaled GDC* resource
- Drive standardization and automation by utilizing JGG** and development platforms

*GDC: Global Delivery Center

**JGG: Japan Global Gateway

Enabling value-based pricing

- Improve customer value through increased specialisms, with investment in people development
- Develop a global, value-based, pricing strategy

- Finally, I will explain our strategic initiative to improve the overall profitability of Service Solutions.
- We are pursuing two major initiatives to improve Service Solutions' gross margin ratio; delivery transformation, and pricing based on value delivered to customers.
- Our delivery transformation includes the expansion of our Global Delivery Centers, where we will continue scaling resources, increasing the ratio of in-house work, and our overall Company offshore ratio.
- And through the Japan Global Gateway, we are standardizing and automating development work by utilizing company-wide development platforms, enabling us to reduce man-hours effort.
- We are moving away from traditional cost-based estimations to implementing value-based pricing for our offerings, aligned to the value they bring to customers. Since FY23, we have established a global common rate card for services such as SAP and ServiceNow which is now being applied in all regions.
- These strategic initiatives resulted in a 2% gross margin improvement during FY23.
- Going forward we will invest and develop our people in areas where we can differentiate, and in high-value services, enhancing the value Fujitsu offerings provide. We will also price appropriately, taking into consideration external environmental cost pressures, to drive improved levels of profitability and productivity.



III. Targets for FY2024



- Next, I will explain our targets for FY24.

Targets for FY2024

Financial



Continue progressing the business model transformation, increasing consolidated profitability predominantly in Service Solutions.

(Billions of yen)	FY2023 (Results)	FY2024 (Forecast)	vs Last Year
Consolidated			
Revenue	3,756.0	3,760.0	+3.9
Adjusted operating profit*	283.6	330.0	+46.3
Adjusted operating profit margin (%)	7.6%	8.8%	+1.2%
Service Solutions			
Revenue	2,137.5	2,230.0	+92.4
Adjusted operating profit*	237.2	280.0	+42.8
Adjusted operating profit margin (%)	11.1%	12.6%	+1.5%

*Note: Adjusted operating profit: Indicator which represents an actual profit from core business calculated by deducting profits from business restructuring, M&A, etc, and one-off profits from changes in regulations.

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- These are the financial targets for FY24.
- Consolidated revenue is 3.76 trillion-yen, adjusted operating profit is 330 billion yen, and adjusted operating profit margin, 8.8%.
- In Service Solutions, we are targeting 2.23 trillion-yen revenue, adjusted operating profit of 280 billion yen, an increase of 18% from this last financial year, and adjusted operating margin of 12.6% .
- We will continue to grow the Fujitsu Uvance business and improve profit margins through delivery transformation, with profitability predominantly increasing in Service Solutions.



Solving global environmental issues

Planet



Developing a digital society

Prosperity



Improving people's well-being

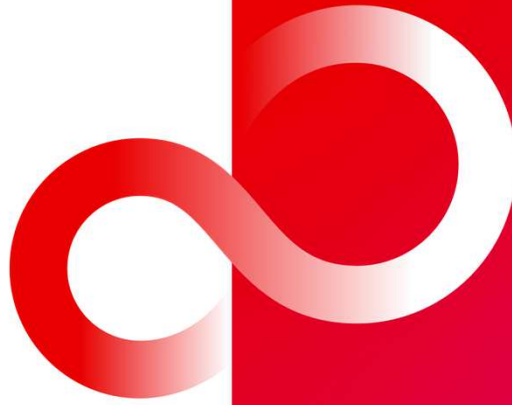
People

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- Fujitsu is pursuing several major reforms aimed at transforming the business model from a focus on products and contract-based system integrations to becoming a business that uses technology to create ideas, which result in value to customers and contributes to their business growth.
- The ratio of Service Solutions in our business is increasing year by year. Fujitsu Uvance, which was born from a new idea of contributing to the sustainability transformation of customers from a cross-industry perspective, is now showing practical examples of adoption by customers globally.
- Fujitsu will continue striving to become a company that can grow sustainably, while simultaneously contribute to solving global environmental issues, developing a digital society, and improving people's wellbeing through our business activities, which are three essential contributions to our Company's materiality.

Thank you



- That concludes my update.
- Thank you.

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