

Briefing Materials

February 25, 2021

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The Fujitsu Group's Organizational Restructuring

*Strengthening the Solutions and Services Organization in
Japan*

Fujitsu Limited
COO & CTO
Hidenori Furuta

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- My name is Hidenori Furuta, and I am the COO and CTO of Fujitsu.
- Thank you very much for taking time out of your busy schedules to participate in today's briefing.
- The point of today's briefing is to provide further specifics on a reorganization of the Fujitsu Group that was announced in a press release last month, on January 28, the same day we released our fiscal 2020 third quarter financial results. We would like to provide an explanation for the process and our thinking for achieving this reorganization in the context of acknowledging the issues we face at Fujitsu.

Fujitsu's Purpose



“Our Purpose is to make the world more sustainable by building trust in society through innovation”

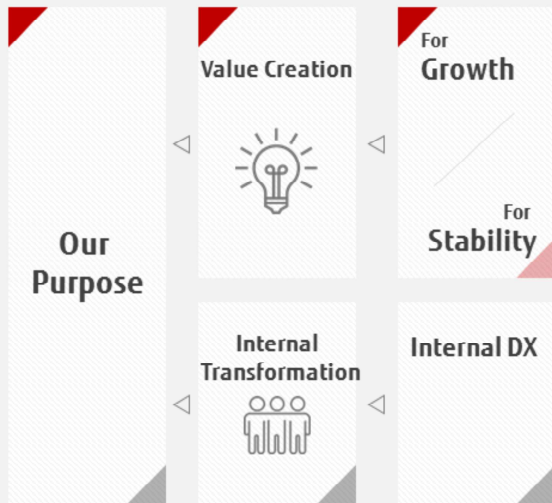


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- First, I would like to describe the broad direction of the Fujitsu Group.
- Our Purpose is to make the world more sustainable by building trust in society through innovation.
- Based on this Purpose, we are working to implement our management direction and business strategy.

Priority Issues in Achieving Our Purpose



1. Rebuilding our global business strategy
2. Strengthening issue resolution capability in Japan
3. Contributing to greater business stability
4. Becoming our customers' best DX partner

1. Reinforcing data-driven management
2. DX talent development and productivity improvement
3. Full participation and ecosystem-based DX promotion

- As priority issues in achieving our Purpose, we put forth four points under the theme of value creation and three points under the theme of internal transformation in our Management Direction Briefing in May of last year.
- Of these seven issues, for the second one, “Strengthening issue resolution capability in Japan,” we are optimizing the structure of our services organization in Japan and seeking to establish an overwhelming position in the Japanese market.
- In addition, for the third of these issues, “Contributing to greater business stability,” we seek to provide high-quality and highly-trusted services as a partner supporting the success of customers’ businesses.
- Today’s briefing on our reorganization will focus on the specific measures we have considered to address these two issues.

Strengthening the Services & Solutions Business



Building a services organization unique to Fujitsu to deliver even greater value to customers and society

Further enhance existing strengths

A partner that grows together with our customers

- Highly trusted, with an unrivaled customer base, in Japan
- Accumulated knowledge and both industry and functional expertise
- The strength of integration x technology

Pursuing global growth

Global best practices

- Standardized solutions and services
- Concentrated on services focused on societal issues
- Overwhelming efficiency (speed x volume)

- Transformations on the part of society, companies, and individuals to cope with the "New Normal," as well as advances in digitization, are dramatically accelerating.
- In the next era, as well, in which the world will undergo further major changes, the Fujitsu Group seeks to further enhance its existing strengths and, by pursuing further growth and efficiency, deliver services of even higher value that are characteristic of Fujitsu.
- To quickly achieve these goals, we are positioning this series of measures to enhance the organization of our services business as a very important initiative for Fujitsu.

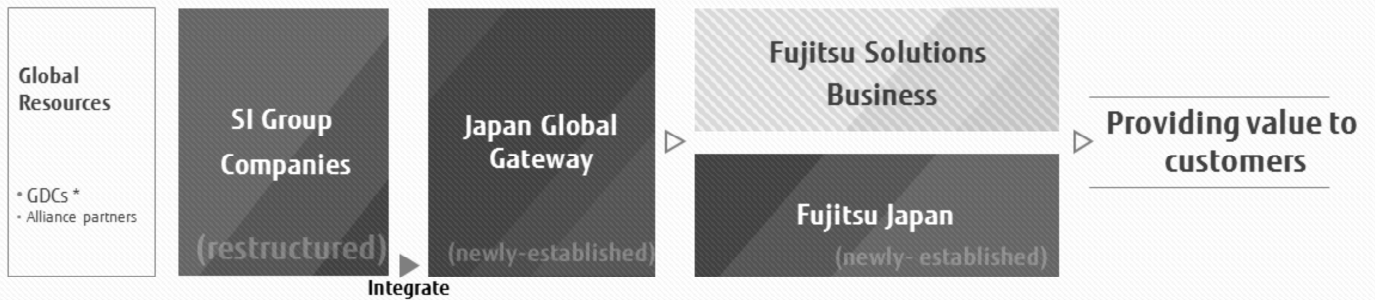
Creating a New Foundation for the Services Business



With customer value as the starting point, a services organization with integrated delivery and sales capabilities

01 Reforming service delivery

02 Enhancing sales unit for services in Japan



*GDC : Global Delivery Center

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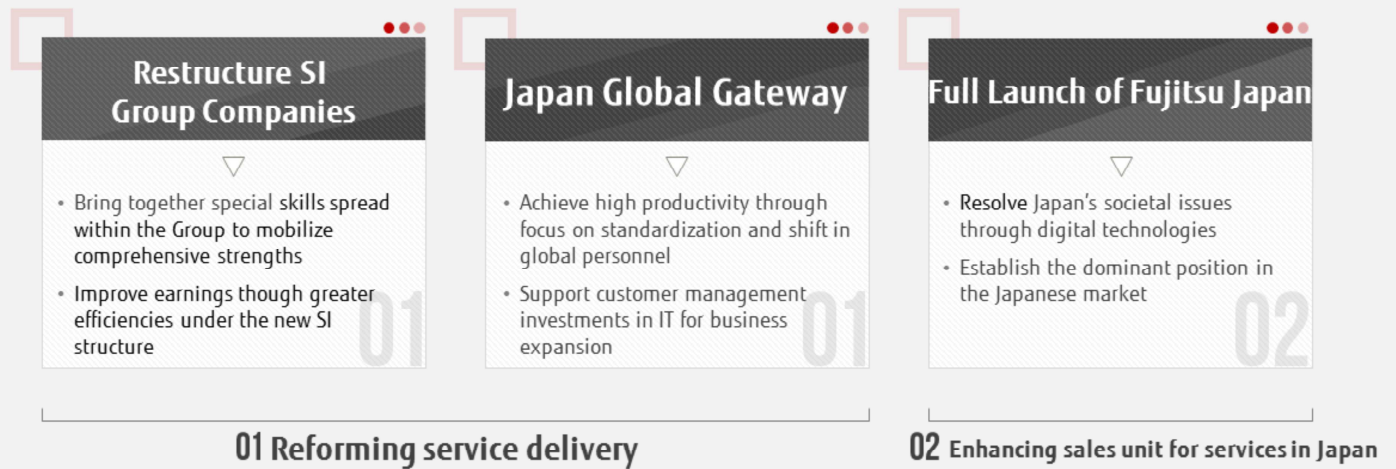
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- Today I would like to talk about reforming service delivery and enhancing our sales unit for services in Japan as major topics in the moves we are executing, mainly in Japan, for Fujitsu's solutions and services business.
- By reorganizing our structure to integrate delivery and sales, these initiatives seek to move us out of our old services model and significantly reform the foundation of our services business, which represents Fujitsu's core business.
- What we are seeking to do is have our delivery capabilities, which have been supported by knowledge in our global operations and digital technologies, generate even higher value services, and have our sales capabilities, which have deep understanding of our customers, deliver that value to an even broader array of customers in Japan.
- Through the success of our customers' businesses, we seek to help resolve societal issues while having Fujitsu, as a partner that grows in tandem with our customers, achieve further growth.

Creating a New Foundation for the Services Business



Bringing together capabilities spread throughout the Fujitsu Group, streamlining operations to enhance issue resolution and new business generation capabilities



- In terms of reforming our service delivery, the specific measures we are executing are consolidating our delivery capabilities in our Japan Global Gateway and, to accelerate that move, restructuring our system integration group companies in Japan.
- In addition, we will be enhancing our sales unit in Japan mainly through the full launch of Fujitsu Japan.
- I would now like to talk in greater detail about each of these two execution topics.

Reforming Service Delivery



Service Delivery Transformation

01

- The first is reforming service delivery.

Contributing to Greater Business Stability

Fujitsu will establish a near-shore center for the Japanese market to organize and standardize the unique needs of each region or country for offshore development.

Management Direction
Briefing July 2020



- The highest priority measure for “contributing to greater business stability,” which remains one of our focus issues for achieving our purpose, is launching our Japan Global Gateway.

Acknowledging Current Issues

IT Services Market

- Shortage of IT engineers in Japan
- Unique structure of IT industry in Japan
- Further contributions to customers' DX

Knowledge and Skills

- Skills and knowledge are dispersed
- Customers retaining in-house expertise for own specifications
- Lack of agility in allocation of expert resources

Organization within Fujitsu

- Organizational silos (mini-Fujitsu units)
- Functional overlaps among units and dispersal of personnel

Gap in sense of urgency between internal transformation and customers' DX needs

- First, I would like to review the issues we have acknowledged that have led to this launch.
- In relation to concerns about the so-called "2025 cliff," in which there is expected to be a shortage of IT engineers in Japan, the use in Japan of personnel outside of Japan remains very low. At Fujitsu, as well, the use in Japan of our Global Delivery Centers has not progressed as much as we had hoped.
- The unusual structure of the IT industry (such as the use of multi-tiered contracting) is also a factor behind this issue.
- In addition, the attachment of Fujitsu employees to specific customers, where they are stuck working on customer-specific specifications with little opportunity for broader growth, has resulted in growing disparities in skills and knowledge—this is another unique aspect of the industry in Japan.
- This is also making it difficult to allocate highly-skilled expert staff to work on customers' digital transformation projects.
- Moreover, in the process of establishing group companies or internal organizations, organizational silos have formed, resulting in such issues as functional overlaps between organizations and the dispersal of talent.
- Despite efforts at internal reforms made to date, we acknowledge that there is still an insufficient sense of urgency and that Fujitsu still has room for growth in meeting its customers' DX needs.

Mission of Japan Global Gateway



Achieve high productivity through focus on standardization in IT services and shift in global personnel

Shift customer IT spending toward management investments in IT for business expansion, such as in DX and new business

Global knowledge sharing

Globalization

Diversity

For Growth

New areas, such as DX and new business

Shift toward high-level talent in DX area

Standardized hybrid and agile organization

Improving productivity and quality through use and development of global personnel

For Stability

- The mission of this new organization is to respond to these sorts of issues, thoroughly standardize IT services, accelerate the use of global resources, transform the delivery model on a group level, and thereby optimize customer IT system investments.
- Through a service structure based on standardized hybrid agile development techniques, greater use of global personnel, and continued development of talent, we will deliver high levels of productivity, which will lead to a bold shift of personnel resources into growth areas such as DX.
- In addition, through these activities, we also aim to fulfill our major roles of global knowledge sharing, globalizing Fujitsu, and becoming a leader in diversity.
- We would also like to further deepen our collaboration with business partners in Japan in digital areas where growth is expected, while pursuing a more proactive strategy in markets with high added value.

Scope of Services and Functions/Roles

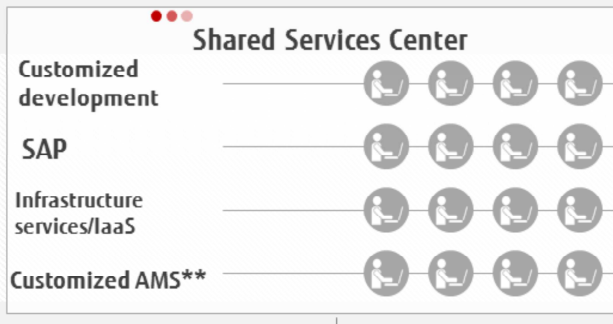
- Providing shared services through comprehensive standardization, company-wide integration of talent pool

Shared services model

JGG Shared Services Center takes end-to-end responsibility for systems development and maintenance

Onsite
(customer
locations)

PJ1 PJ2 PJ3 PJ4



Project-based model

Consolidate within JGG the project teams that plan the use of GDCs

PJ5 PJ6 PJ7

Company-wide Integration of talent pool

Japan Global Gateway

GDCs in each country*

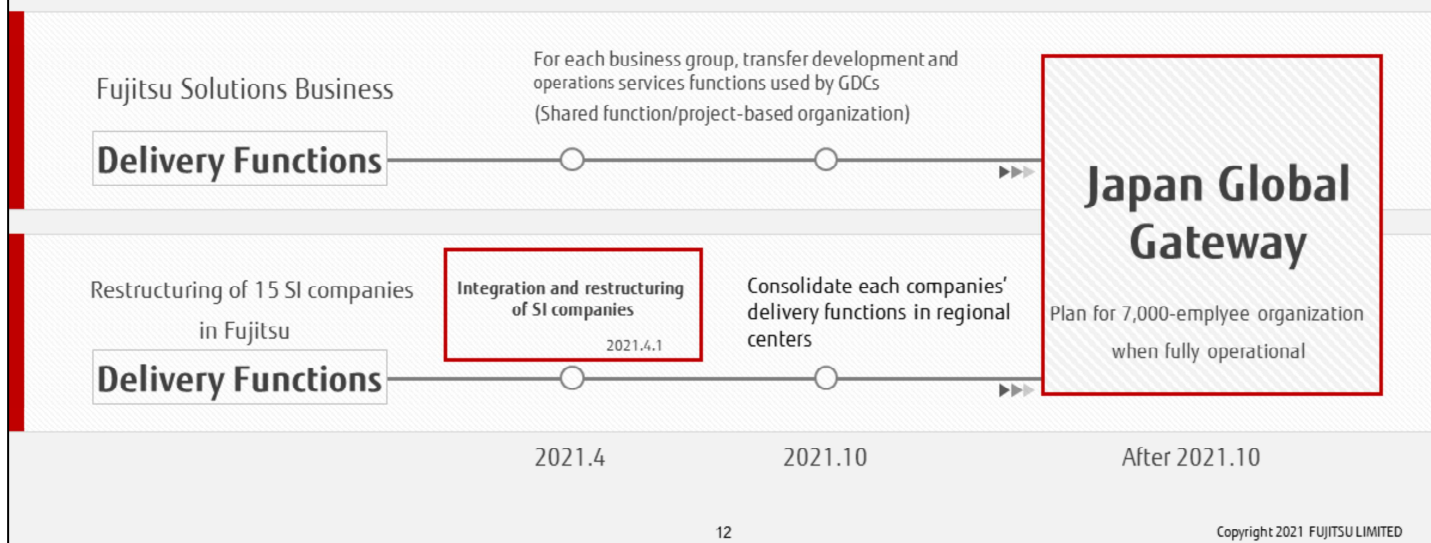
*GDC : Global Delivery Center

**AMS : Application Managed Service

- We will move away from our previous process of utilizing the GDCs on a project-by-project basis, and instead provide IT services based on a shared services model standardized for each solution, in a unified structure with personnel around the globe.
- We will provide two models for service delivery.
- Under the shared services model, which will apply to system-wide functions, we will create shared services teams for each solution, who will be involved in projects from the planning phase, and will be responsible for end-to-end system development.
- Under the project-specific model, we will move the project structure used in the Japan business group itself into the new organization, with the aim of expanding GDC utilization.
- By expanding service delivery in this way, we will also massively expand GDC utilization from our Japanese businesses, leading to increased efficiency and profit margins for Fujitsu's service business as a whole.

Consolidation of the Delivery Functions within the Fujitsu Group

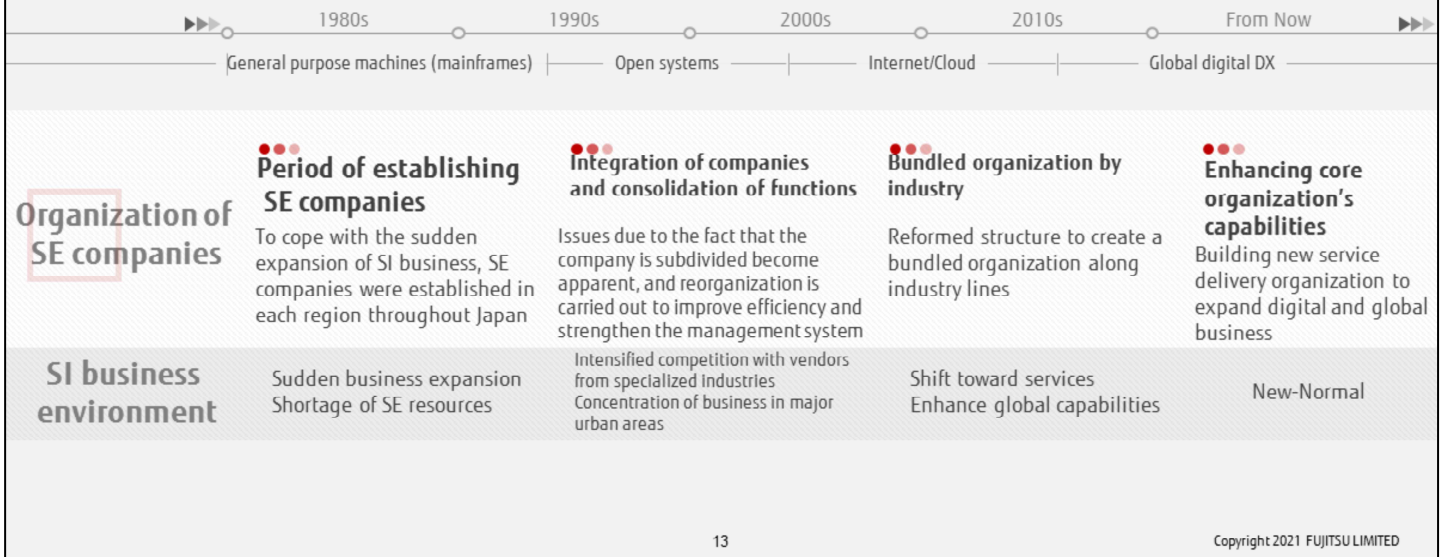
- To accelerate the transformation, we will first restructure Fujitsu's SI companies



- The concentration of delivery functions will proceed in stages. We are planning to have it fully set up sometime after October, with about 7,000 employees.
- In order to accelerate the concentration of functionality, we will first implement the reorganization of SI Group companies.
- Under this policy, as of April 1, we will integrate 15 major SI Group companies in Japan into Fujitsu and Fujitsu Japan.
- When they are integrated, the organizations of each company will be maintained as they are as units within Fujitsu, but over the course of the next six months, their delivery functions will be moved to and concentrated in the Japan Global Gateway, beginning their activities as regional centers.

Restructuring of SI Companies: Transition to Date

While providing support during the growth of Fujitsu's services business, these companies were formed and became part of the Fujitsu Group based on respective strengths that were not present in the Fujitsu parent company entity



- The SI Group companies provided complete coverage of Japan for Fujitsu's services business during its growth period, and they were established or made part of the Group based on their own histories as companies with unique strengths that are not present in Fujitsu itself.
- At the same time, however, as a result of each company focusing on its own strengths, the strengths of the Group as a whole have been dispersed, and the division of responsibilities between the various companies has not always necessarily been clear.
- Currently, the fact that each company is in a similar business category, focused on the SI business and the solutions business, has also become an issue.

Restructuring of SI Companies: Objectives

Enhance competitiveness by mobilizing comprehensive strengths

Expand business
by consolidating
strengths and
mobilizing the
Fujitsu Group's
comprehensive
strengths

Enhance
comprehensive
strengths by activating
organizational
capabilities and
resources

Improve earnings generation through greater efficiencies

Expand profitability
by putting new SI
organization in place
and improving
productivity

Make corporate
administration and
management more
efficient to reduce
costs

- In light of these circumstances, we are aiming for two major outcomes from this reorganization of Group companies.
- The first is increased competitive capability by mobilizing our comprehensive strengths.
- We will concentrate the insights and know-how in solutions that are spread throughout the Group, as well as the specialized techniques each company has, within Fujitsu (the parent company) and Fujitsu Japan.
- In addition, by removing the barriers between Fujitsu (the parent company) and the Group companies, we will make the flow of resources smoother. We will reallocate personnel to put the right people in the right places, and create space for autonomous career development.
- Next is improving earnings capability through greater efficiency.
- We aim to increase the profit margins of our SI business by concentrating delivery functions within the Japan Global Gateway that previously were spread across various companies, as well as improve productivity by standardizing operations and eliminating overlapping investments, among other measures.
- In addition, this will also contribute to the further stabilization of customer businesses by improving the quality of SI.

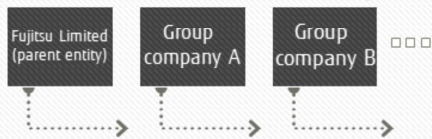
Leverage Comprehensive Strengths to Enhance Offerings **FUJITSU**

Generate services with global appeal through comprehensive strengths, bringing together the Fujitsu Group's strengths

(Example) Enhancing our solutions business in areas with a digital focus

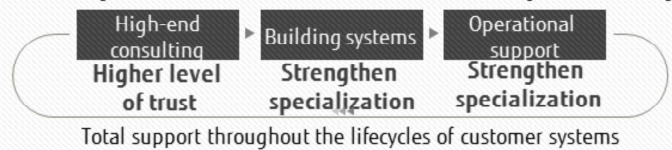
Provision of individual services

Services business of each individual companies



Bringing together the knowledge of each company and integrating the strengths of offerings

Concentrating business resources to further enhance existing services strengths

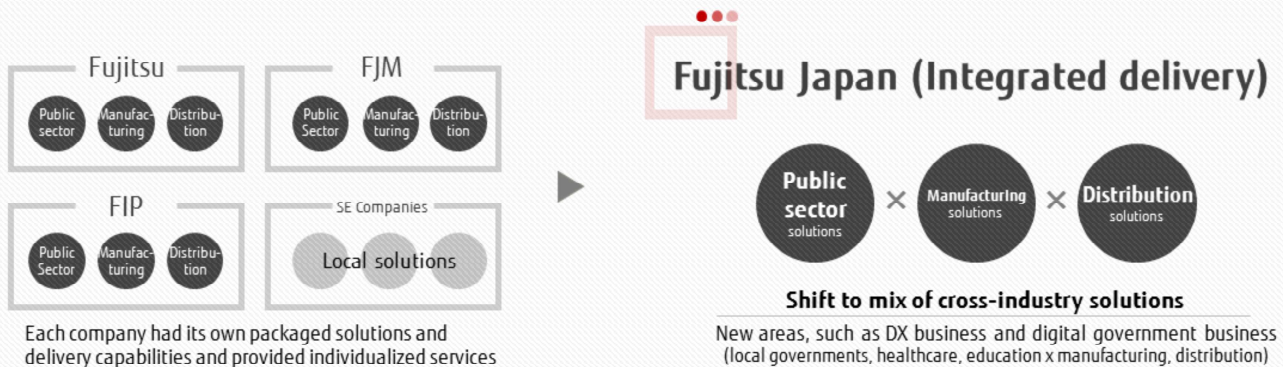


- By concentrating the strengths that were spread across the various companies, as well as concentrating business resources, we aim to increase investment efficiency, and provide services that are applicable around the world and solutions that are capable of resolving complex issues.
- As an example, we can look at the concentration of strengths in our security business.
- Our business is currently distributed across Fujitsu (the parent company) and a number of Group companies, based on loose collaboration. By concentrating business within Fujitsu (the parent company), however, we will create a structure capable of providing ongoing support across a customer's security lifecycle.
- By further enhancing our strong points in important service areas where we are focusing our efforts, we will grow our overall business.

Leverage Comprehensive Strengths to Enhance Offerings

- Enhance cross-industry-based delivery for previously unreachable areas

(Example) Enhancing cross-industry business through delivery integration



- Furthermore, using our comprehensive strengths, we will also strengthen our ability to support cross-industry businesses.
- Previously, Fujitsu, FJM, FIP, and the various SE companies all had separate packaged solutions and delivery functions and provided their own separate services for small and medium sized enterprises and for the public sector in various local regions in Japan.
- Now, by integrating delivery organizations from various Group companies, it will become possible for us to offer cross-industry and mixed solution delivery support for new fields, such as DX business and business related to digital government.

Enhancing Sales Unit for Services in Japan

Full Launch of Fujitsu Japan



Strengthen Service Front

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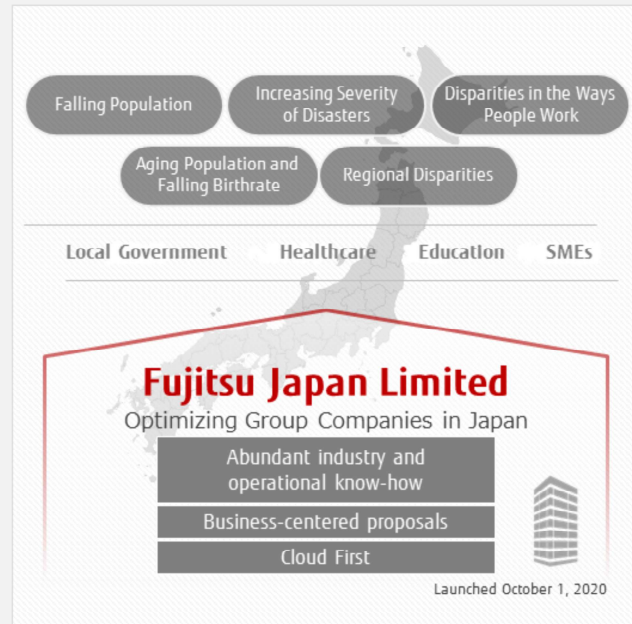
- Next, I would like to touch on our second execution topic, enhancing our sales unit for services in Japan.

Strengthening Issue Resolution Capability in Japan



Strongly promoting the modernization of customer systems and the digital transformation of customer businesses

Management Direction
Briefing July 2020



- One of the issues we need to address to achieve our purpose is to strengthen our issue resolution capabilities in Japan, and our top policy priority in doing so is setting up Fujitsu Japan Limited.

Fujitsu Japan – Significance in the Name



Think about what we can do for Japan, and
“Make Japan Stronger”

Earlier than other countries, Japan is facing many of the issues that will ultimately face other advanced industrial nations. On top of that, because of restrictions in the form of laws, regulations, and norms in such field as local government, healthcare, and education, little progress is being made in business transformation and digitization.

By tailoring solutions to these issues and resolving the problem of regional disparities through digital technologies, we are committed to making Japan more prosperous and overwhelmingly stronger.

That is the meaning invested in “Japan” in the company name Fujitsu Japan.

We then plan to introduce the solutions generated through these activities to other countries around the world as quickly as possible as reference models.

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- Japan is a country that is facing issues that other developed nations are also confronting, including societal issues such as a falling birthrate and an aging population, natural disasters, and the fact that we are falling behind in the shift to digital.
- In particular, industries that are closely connected to local regions, including local government, healthcare and medicine, and education, are restricted by Japanese laws, regulations, regional characteristics, and norms, leading to them falling behind in business transformation and digitalization.
- There are still countless areas where essential services and solutions are not being delivered.
- This desire to make Japan stronger and more prosperous through activities that resolve issues that are unique to Japan, and are rooted in local regions, is reflected in the “Japan” part of the name “Fujitsu Japan.”
- We also have high expectations that we will take the lead among developed nations in resolving these societal issues, creating know-how and solutions that can serve as reference models around the world.

The Mission of Fujitsu Japan



To apply and achieve Fujitsu's Purpose in Japan by resolving Japan's societal issues through digital technologies, establish a dominant position in the Japanese market, and maximize our market share, sales, and profit.

Unified point of contact
with customers

Providing one-stop service

Providing high-quality services
to customers and areas we
previously were unable to reach

To Customers throughout
Japan

Transforming
sales methods

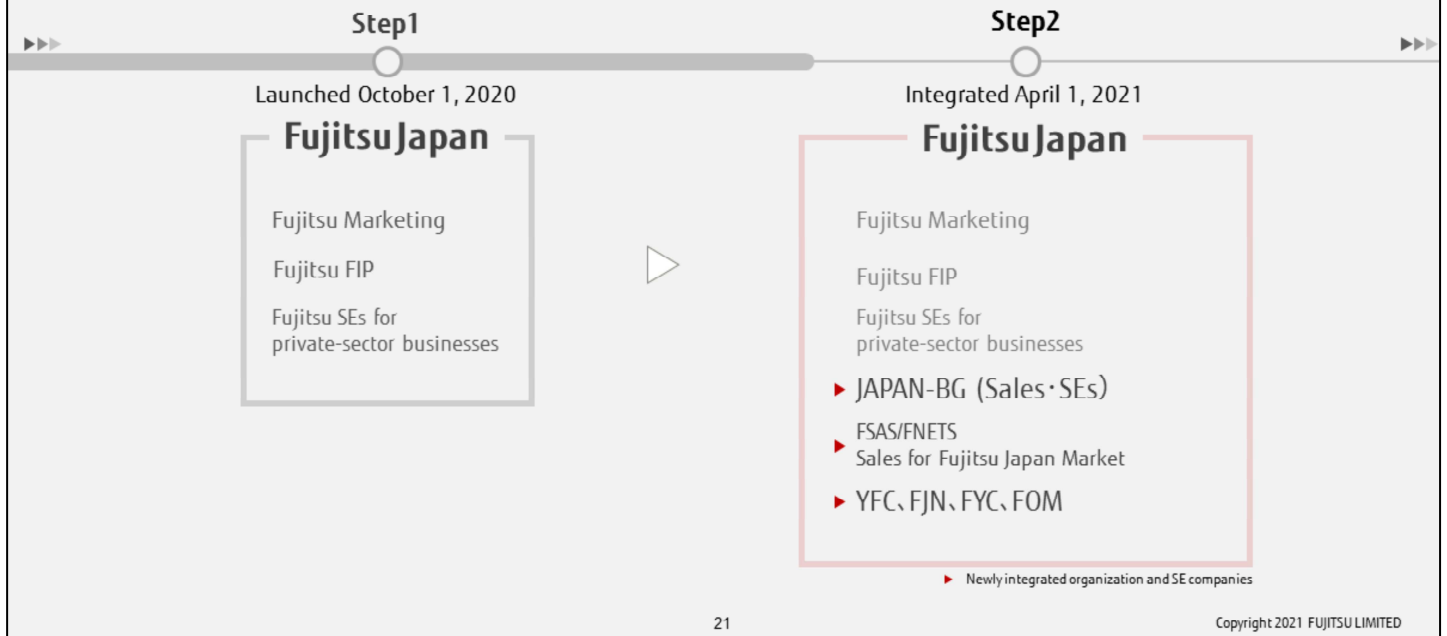
Addressing societal
problems and actively
expanding DX business

Rebuilding relationships
with partners

From a focus on hardware to
a focus on SI/solutions

- The basic policy of Fujitsu Japan is to implement and achieve Fujitsu's Purpose within Japan, using digital technology to resolve issues in Japanese society and securing a dominant position within the Japanese market with the aim of maximizing market share, revenue, and profits.
- First, we will continue to unify our points of contact with customers and concentrate our scattered product portfolios, providing one-stop solutions centered on Fujitsu offerings.
-
- Then we will provide high quality services and thoroughgoing support, including for customers and regions throughout the country where we have not previously been able to deliver services.
- In addition, by transforming our sales style and shifting our current sales personnel to business producers, we will create a structure that can strengthen our approaches to the DX business and to societal issues that we have not previously been able to address.
- Furthermore, for our partner (sales) businesses, we will shift our relative weight from our previous focus on product sales to a focus on SI and solution sales, rebuilding our relationships with our partners in accordance with this direction of change in our fundamental approach.

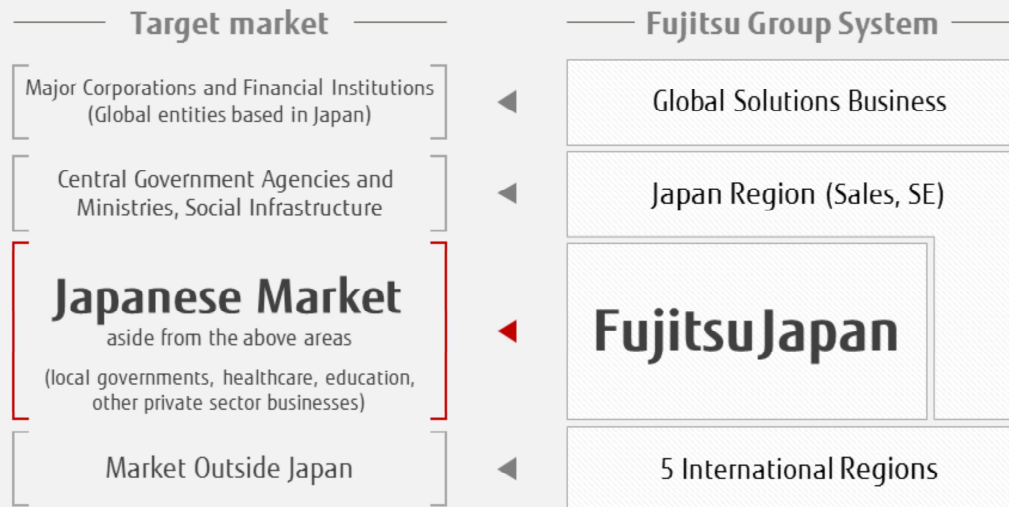
Steps in the Establishment of Fujitsu Japan



- The establishment of Fujitsu Japan will take place in two stages.
- We already launched Fujitsu Japan in October of last year, centered on the core of Fujitsu Marketing and Fujitsu FIP.
- Now in April of this year, we will add the Sales and SE portions of the Japan business group, the sales units in FSAS and FNETS responsible for markets that are under the purview of Fujitsu Japan, and four SE companies, marking the full-scale launch.
- By taking these steps, we are quickly reorganizing the relevant functions, creating space to thoroughly carry out administrative procedures such as switching over customer registrations, and thereby making it possible to smoothly set up this business.

Positioning of Fujitsu Japan

- Promoting business tailored to Japan as the core company in the Japan region
- Building an organization that can quickly and flexibly address customer needs



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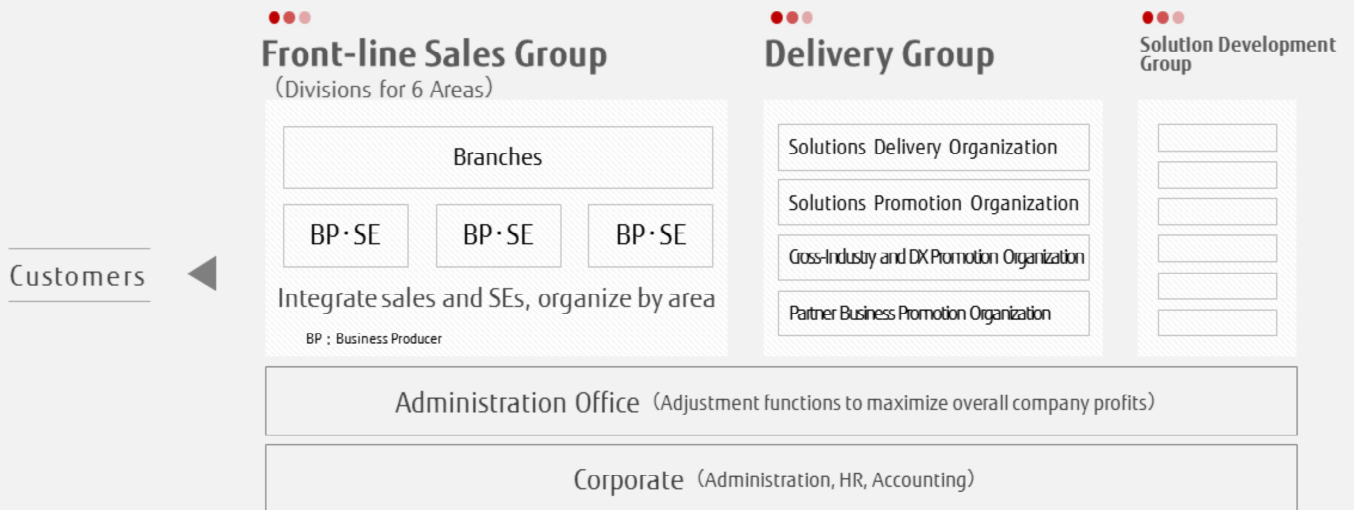
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- This is how we are positioning Fujitsu Japan within the Fujitsu Group. We are separating the market targeted by the Fujitsu parent entity, instituting a unified point of contact for each customer with Fujitsu Japan, and providing one-stop services for the delivery of solutions.
- The Fujitsu parent entity will be responsible for major corporations and financial institutions in Japan that have global operations, as well as central government customers and social infrastructure customers.
- Fujitsu Japan will be responsible for relatively large companies that just do business in Japan as well as small and medium-sized enterprises, local governments, healthcare, and educational institutions.
- To make Fujitsu an even stronger presence in Japan's domestic market, we are optimizing our organization and building a structure that is able to flexibly and quickly respond to customer needs.

Transforming Fujitsu's Organizational Structure



- Major restructuring into 3 groups: Front-line Sales Groups, Delivery Groups, and Solution Development Group



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- In addition, we are significantly reforming our structure and organization to enable us to better handle new business, such as cross-industry business and DX business.
- First, we are implementing a major restructuring into three groups: the Front-line Sales Groups, the Delivery Groups, and the Solution Development Group.
- For our Front-line Sales Groups, business producers (formerly known as “salespeople”), who are no longer organized by industry, and system engineers form unified groups that are divided into six areas across Japan, enabling them to make fast business decisions and develop business in accordance with each region’s characteristics.
- Moreover, within the delivery group, we are establishing the Cross-Industry and DX Promotion Organization to accelerate business resolving societal issues.

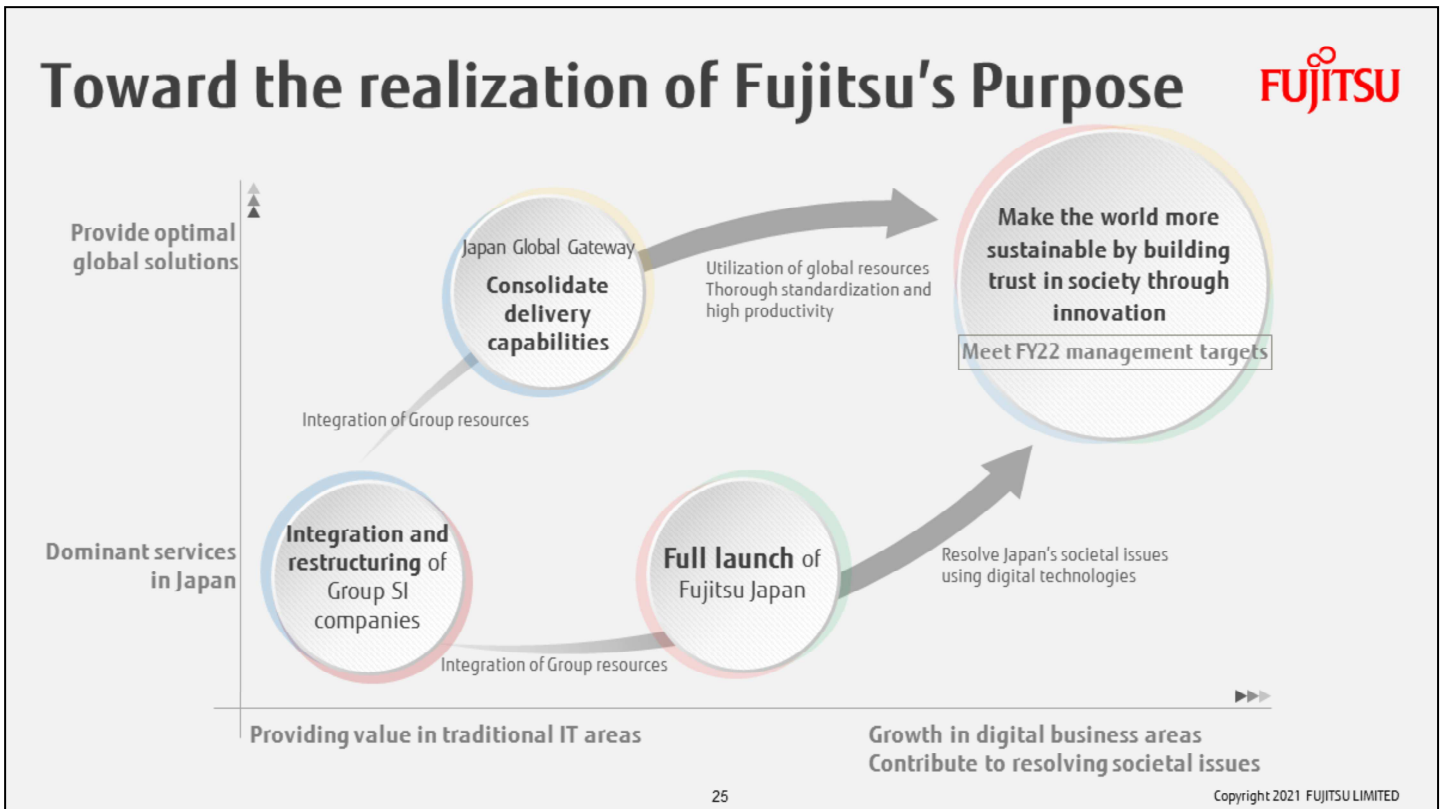
Business Strategy

■ Meeting revenue and profit targets and forming the foundation for the next stage of growth



- As the business strategy for Fujitsu Japan, we will expand business through both a business strategy focused on direct sales and through a channel strategy.
- In the areas of IT modernization and cloud business of the Digital Business Area, in addition to a shift toward standardized and shared-use clouds, we will add high value through such measures as the use of AI, and expand our cloud business, including by moving into the areas of competitors and areas that we have not yet penetrated.
- In addition in the DX area of the Digital Business Area, we will start by developing business based on offerings that address high-priority societal issues, and will actively invest in areas of future growth.
- In the traditional IT area, we will expand our earnings in industry-focused business by keeping ahead of policy trends and shifting from systems integration to packaged software.

Toward the realization of Fujitsu's Purpose



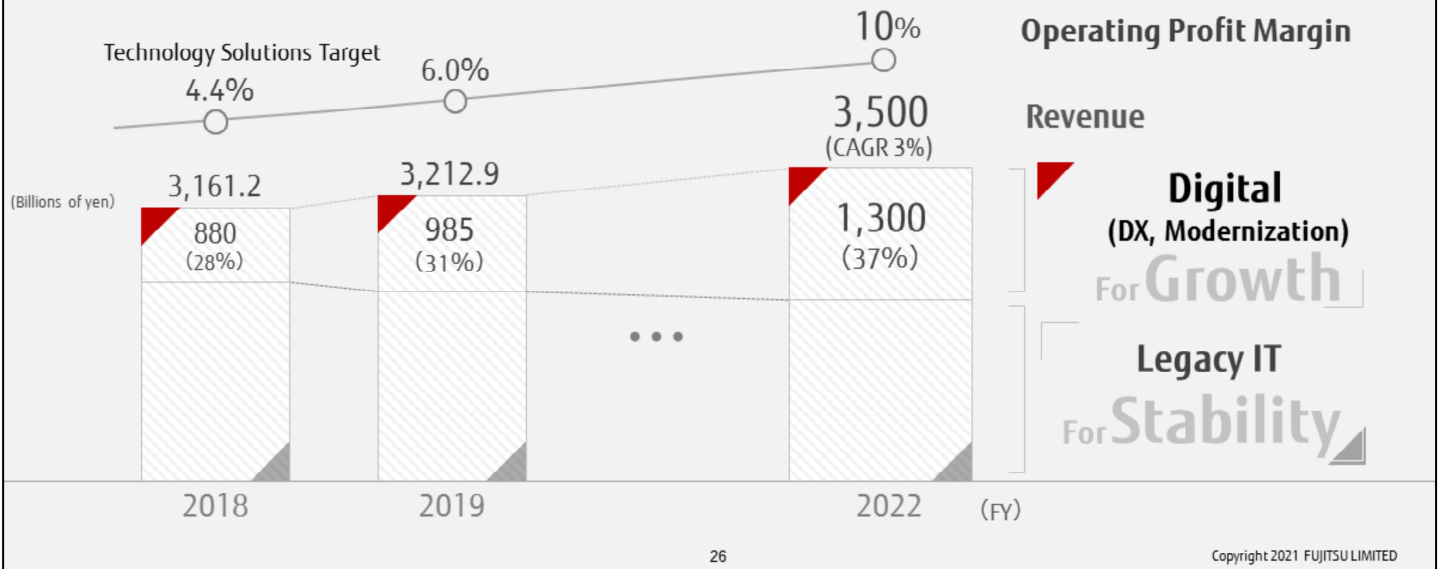
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- Today I have explained about our execution topics and specific measures for enhancing our solutions and services business.
- Rather than pursuing the mission of individual measures, these measures will be connected as a value chain for generating value for customers and society.
- As the first step in this reorganization, we seek to establish a strong services organization in Japan.
- Leveraging those strengths, we want to be able to provide optimal and uniform offerings to global customers, and greatly raise Fujitsu's presence in the expanding digital market.
- We will also work as one within the Fujitsu Group to achieve Fujitsu's Purpose.

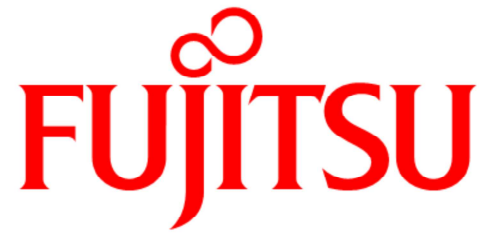
Accelerate Execution of Growth Strategy



- Clarify the path for achieving management goals by accelerating growth strategies that take advantage of the new core of the service business



- With these measures, we additionally seek to establish a common business platform that will greatly accelerate Fujitsu's growth strategy.
- As the direct effect on improved profits, primarily from cost efficiencies, we are expecting an improvement of approximately 20 billion yen in fiscal 2022 operating profit.
- By leveraging this new organization and generating even larger ripple effects, we would like accelerate innovation and growth in our overall services business and bring greater clarity to the path toward achieving our management targets.
- Fujitsu will continue its internal transformation and, through a variety of initiatives, we will seek to contribute to the resolution of societal issues and become an even more highly trusted company.
- I ask for your continued support and understanding.
- That concludes my presentation. Thank you for your attention.



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