

MESSAGE TO SHAREHOLDERS AND INVESTORS



Takahito Tokita

Representative Director and President

Making full use of technology and driven by purpose, Fujitsu will achieve growth and transform its business model with a heightened sense of empathy toward society.

Immediately after my appointment as president, following approval at the Annual Shareholders' Meeting, I declared internally and externally that Fujitsu will change from an IT company to a digital transformation (DX) company. Digital technologies such as AI and IoT have the power to bring about disruptive change to everything. Fujitsu's approach to DX is to leverage that power to create a positive transformation in all aspects of business and the lifestyles of people around the world.

Founded as a communications device manufacturer, Fujitsu subsequently expanded and transitioned its business to the development and manufacture of computer hardware and IT services. In doing so, it has accumulated outstanding technological capabilities and expertise as a global company in the IT field. Becoming a DX company marks a new direction for the Fujitsu Group in which it aims for its own growth and the prosperity of society by integrating its long-cultivated management capital with digital transformation.

Before turning to the substance of our Management Direction, I would first like to explain about my awareness of the challenges we face, and why I declared that we will become a DX company.

Confidence in the Management Capital Garnered Through My Career as a System Engineer

As a system engineer, I was involved for many years in the development and construction of IT systems for major financial institutions in Japan. At the system design stage and the actual development phase of these large-scale mission-critical systems, close communication with customers is required, and a deep knowledge of the customer's industry

and sector inevitably becomes necessary. Moreover, leading a team of engineers totaling thousands in number, project managers must exercise leadership and bear responsibility for projects while coordinating with other divisions within the Group.

Building a large team and completing work on the front lines in the closest position to customers within the Fujitsu Group, I earned a sense of the important function performed by the resulting system in society. Looking back now, I was blessed with a good career with excellent managers and teams, in charge of work that demonstrated the full worth of Fujitsu's integration capabilities, one of its competitive advantages. Against that backdrop, I developed a great deal of confidence in the Fujitsu Group's management capital, such as its technological capabilities, understanding of customers' industries and sectors, trust from customers, and abundance of talent.

My assignment in London in 2017, however, gave me the opportunity to view the Fujitsu Group from a completely different angle. Although it was a short period at just under two years, I made several significant discoveries by viewing Fujitsu's headquarters in Japan from the outside.

The Importance of Diversity and Inclusion

My first discovery was the extent to which I had only ever considered Fujitsu in Japan. To be honest, until my London assignment, I couldn't relate to the fact that Fujitsu was a global corporation. For me, who focused on customers in Japan and worked with coworkers in the country, only the 30,000 employees in Fujitsu Limited and the 85,000 Fujitsu Group employees in Japan were the only people in scope.

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However, the Global Delivery Group—which I was entrusted to manage—worked on a worldwide basis that transcends national borders, developing software and hardware while offering support services including help desks. Global Delivery Centers (GDCs), which are organizations within the Global Delivery Group, have a workforce of 14,000 employees in eight countries. In the course of going back and forth between London and each location, I began to see more clearly the entire picture of the Fujitsu Group that consists of 130,000 employees, including 47,000 overseas, and I started to solidify my vision for our overseas business. I also learned through firsthand experience just how much vitality that diversity and inclusion bring to the organization, whereby colleagues of diverse races, genders, and ages leverage each other’s capabilities through the lively exchange of ideas.

My second discovery, which is connected to the first one, was just how distant the Fujitsu headquarters in Japan was from our overseas Group companies. By “distant,” I do not mean physical distance. I got the sense that there was a major difference, in terms of whether or not the same circumstances and the same targets were being shared. I understood that the Fujitsu Group has established a global matrix organization and conducted management encompassing overseas subsidiaries, but when actually stationed overseas, I was saddened by the weak unifying force of Fujitsu’s headquarters in Japan. This experience reinforced my belief that it is essential for the Group, which faces the challenge of growing and enhancing the profitability of its overseas business, to resolve the disconnect that hinders the sharing of a sense of purpose among its 130,000 employees.

Aligning the Direction of All Fujitsu Group Employees

My declaration that Fujitsu will become a DX company was, of course, a statement informing customers of our effort to become partners in digital transformation. However, even more than that, it was born out of a desire to make the declaration a slogan for Fujitsu Group employees to share the same circumstances and goals, and then to change the status quo.

I felt that the employees’ awareness of the Group’s goals had become diluted and their objectives had diverged, in the same way that I, as a former engineer, had only known of systems for financial institutions. Employees designing IT systems, employees developing high-performance computers, and employees developing 5G network devices, for example, have perspectives that only include their own operations and customer needs. In other words, their goals may have become misaligned from that of the Group. I fear that such discrepancy of purpose among employees is hindering Fujitsu’s transformation. Going forward, for the Fujitsu Group to provide value to customers amid global competition, it must heighten its ability to empathize with society and eliminate the organizational structures and cultures that create such different objectives.

The management’s duty is to communicate to Group employees a sense of urgency, its commitment to transformation, and the direction of the Group. Declaring that Fujitsu will become a DX company, I am determined to align the Fujitsu Group’s outstanding management capital and business activities for a clear objective.

Policies Designed to Realize Our Vision

The DX company that we’re aiming for is one in which we are an unequalled partner for customers and other stakeholders, making full use of digital technologies and data to realize innovative services and business process transformation. As a result of realizing innovative services and business process transformation, we will create unique value that only we can bring about, and as a result, achieve growth of the Fujitsu Group. Extending our ambitions further, the Fujitsu Group will become an indispensable member of society, bringing well-being, or happiness, to society at large. That is the vision I have in mind for the Fujitsu Group.

The Management Direction that we announced in September 2019 sets forth specific measures to realize this vision to which we aspire. Broadly speaking, these can be consolidated into the three pillars of cultivating growth fields through our DX business, strengthening the earnings base of our existing business, and undertaking internal reforms to align the objectives of the Group’s 130,000 employees. I will explain the aims of each measure as follows.

Creating a Breakthrough for Our DX Business

The driver of our DX business, a growth field, will be the new DX company that we are currently preparing to establish. As a company offering customers everything from DX proposals to planning, construction, and operation, we plan to focus on professional services centered on consulting by targeting customers’ management strategy divisions as well as customers with which Fujitsu is yet to make any inroads.

We are establishing a separate new company rather than creating a new division internally, because I believe it is necessary to remove the Fujitsu Group’s existing framework in order to seriously cultivate our DX business. In the course of providing conventional IT services, the Fujitsu Group formed an organization and culture optimized to a business model of manufacturing and selling products. Such an existing organization and culture are advantageous in terms of constructing highly reliable systems that are specific to a customer’s industry. On the other hand, based on my own experience, I feel that the Group created an environment that is not conducive to anticipate beyond the needs of customers and propose new business potential or to encourage creation of new value through imaginative thinking and approaches.

We intend to establish an environment for the new DX company that is optimized to the digital business by removing all precedents—from procedures for operations, to human resources and assessments, organizational frameworks, and employee mindset and culture. The new company will accrue engineers involved in artificial intelligence (AI), data analysis, and the development of software and middleware, in addition to consultants, thereby securing agility so that it can give shape to services while providing consulting at the same time. Of course, there is no prerequisite to use Fujitsu’s services or solutions. Determined to make inroads, we will create new services and earnings models that attract attention from inside and outside the Group, rather than being content with experiments and upfront investments.



Performance Targets (Fiscal 2022)

Technology Solutions



* Operating profit margin of Technology Solutions incorporating Other/Elimination and Corporate

Increasing the Competitiveness of Each Business

To strengthen our existing business, we will focus on initiatives to heighten profitability in IT services and improve the profitability of our global business. With regard to the profitability of our existing IT services in Japan, we will further increase the offshore utilization ratio. This indicates the ratio of system development work conducted at GDCs in India, the Philippines, and other locations, which we have been working on for several years. At the same time, we will promote the shift to DX in our work in Japan by expanding the utilization of AI and automated tools for programming and system operation.

In our global business, to strengthen GDC delivery functions under the leadership of headquarters rather than entrusting them to each region, we are already taking specific actions with the leadership team of the Northern & Western Europe (NWE) region mainly in the UK and Ireland. Using the NWE region as a precedent, we will also simplify the chain of command for other regions. In tandem with this move, we will more closely communicate strategy from headquarters and manage the progress of initiatives aimed at specific goals. In these endeavors, I would like to leverage my understanding of the Global Delivery Group and the network I acquired through my London assignment.

Resolving the disconnect that struck me in London is vital to correcting the course of our global business. As a means of breaking down communication barriers, I have been sending bilingual video messages in English and Japanese to all Group employees via our intranet since my appointment, and I have been personally looking through the responses from employees.

Pursuing Growth and Profitability

With regard to business results, the tangible outcome of the two measures mentioned earlier, we have set a revenue target of ¥3.5 trillion and an operating profit margin of 10% for Technology Solutions in fiscal 2022.

We will grow sales by maintaining the current business scale of our conventional IT services while growing our digital field, including DX. These figures reflect our strong desire to set the sales trend on a growth path, reversing the downward trend in sales resulting from the structural reforms we implemented in our non-core business through to fiscal 2019.

We will aim for an operating profit margin of 10%, which incorporates the Technology Solutions business and costs from the Other/Elimination and Corporate segment. As we believe that securing a double-digit operating profit margin is a prerequisite for the Fujitsu Group in order to compete alongside global companies that provide digital services, we will continue to pursue our original target.

As we would like to demonstrate to our stakeholders our growth in the digital field, we are currently reviewing how to show the breakdown of our business results and the progress of DX. We will work to disclose information that underpins constructive communication with stakeholders.

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Changing Our Culture, Organization, and Business Model

Creating a culture and organization that heightens the job satisfaction of our 130,000 employees is essential to our business model transformation and shift in course toward growth that began with my DX company declaration. That is because we will not be able to transform our business model unless our employees reexamine the value of their own work, aspire to harness creativity, and take on new challenges.

I introduced the relaxation of the employee dress code shortly after being appointed as president in the hope that it will prompt employees to re-examine a given way of doing things and encourage them to take their own initiative. Reform of human resource management for leveraging our talent pool from a global perspective is also aimed at pursuing diversity and inclusion while supporting talent who embrace the challenges of innovation and take risks to spur change. It is more than a system that recruits star talent in the cutting-edge technology field on condition of a high level of remuneration.

Continuously communicating internally on the Sustainable Development Goals (SDGs) and the initiatives demanded of us as a globally responsible business (GRB) is done with the intention of encouraging employees to change their conventional way of thinking and take on challenges. I believe our transformation going forward will be driven by envisioning what our work will lead to and what kind of value it will create, thinking beyond our day-to-day work of simply meeting the requirements stipulated by customers.

We must consider what type of value will be created by spurring innovation and solving customers' management issues and what meaning that value will have in society. Or, conversely, we must begin from an awareness of social issues and examine what kind of service the Fujitsu Group should provide in order to realize the transformation of customers that will help them solve those issues and determine what technologies are necessary for that transformation. Recognizing the SDGs and a GRB as the background to our work at hand and heightening our sense of empathy with society, I believe, will not only enhance the satisfaction of employees but also provide the driving force for transforming the Fujitsu Group's business model.

What kind of innovation can be accomplished by the Fujitsu Group? I'm thinking about that now and will continue to think it through going forward. Through the act of continuing to think about this question, we will transform our business model and realize growth. I will make a dedicated effort to execute that mission. I hope you will join me in looking forward to the upcoming changes in the Fujitsu Group.

Takahito Tokita

Representative Director and President