

ROUNDTABLE DISCUSSION WITH INDEPENDENT DIRECTORS

Fujitsu's Corporate Governance as Seen in Its Change of President and Digital Transformation



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In March 2019, Fujitsu announced its new management structure. Following the Annual Shareholders' Meeting on June 24, digital transformation commenced under the guidance of a new management team, including President Takahito Tokita.

In our 2019 roundtable discussion, we asked what kind of discussions took place at the Board of Directors and its advisory body, the Executive Nomination Committee, pertaining to the appointment of President Tokita and the key points designed to realize digital transformation.

— The change of president was announced in March 2019. What was the process for choosing the new president?

Jun Yokota: At Fujitsu, the Executive Nomination Committee, whose principal members are independent directors, conducts assessments of a certain number of senior management candidates on an annual basis. Based on those assessments, we nominate several people each year with the potential to be a future president and shortlist them as candidates. In 2019, former president Tatsuya Tanaka proposed a change of president due to the greater shift in management focus toward technology solutions. From a shortlist of several candidates, we chose the new president, Takahito Tokita, as the most suitable candidate and recommended his appointment to the Board of Directors.

Chiaki Mukai: In the course of conducting the annual assessment, we carefully read a thick batch of files containing comprehensive assessments of each candidate, including evaluations by their superiors and peer reviews, while utilizing reviews by an external consulting company, and spending a considerable amount of time on face-to-face interviews with the candidates themselves. At those interviews, we have the candidates present their vision of what they would like to achieve at Fujitsu and carry out discussions with the members of the Executive Nomination Committee.

Atsushi Abe: The Board of Directors does not always accept all the recommendations from the Executive Nomination Committee without criticism. Since I am not a member of the Executive Nomination Committee, I had never met President Tokita. Having then spoken with him directly and

listened to his ideas after conveying my desire to meet with him in person, I concluded that he was well qualified and possessed the requisite personality for the position.

— On what kind of capabilities and attributes did you place particular emphasis in the appointment of the president?

Yokota: Centered on the financial industry, President Tokita refined his management capabilities through the development of large-scale systems as a system engineer. I considered that his experience in successfully completing major projects, sound judgment, and other qualities would be a major strength in leading the Fujitsu Group going forward.

Mukai: In addition, President Tokita knows the condition of our business in Europe, having recent experience of a stationing in London. I was impressed by the fact that he possesses the insight needed to grow the Fujitsu Group globally as we move forward.

Abe: I placed great importance on the ability of the new president to proactively seek change and successfully carry it out. When I had the chance to speak with President Tokita, he understood the problem areas while having a very clear vision for the future, and I sensed his strong determination to change the Fujitsu Group.

— With the management change in mind, what areas should be strengthened or reviewed going forward regarding succession planning for the president and nomination of candidates for director and Audit & Supervisory Board member positions?

Yoshiko Kojo: Preparation is vital. It is necessary to thoroughly conduct the nomination process on an annual basis so that we are prepared whenever the time comes for a change of president. In order to nominate the leader who is the right person in the right place, the role of the Executive Nomination Committee in nominating future candidates will continue to be of great importance.

Abe: As the Fujitsu Group draws considerable attention from the market, it is necessary for it to possess the ability to respond to the business environment and technological changes. While it is important to develop expertise in certain positions, we should more aggressively promote the cultivation of human resources from the perspective of acquiring the extensive knowledge needed for management.

Yokota: From the time of my appointment as a director, the issue of the limited number of personnel who are able to straddle the divisions and look at the Group in its entirety has been recognized as a matter for consideration, but how this matter should be settled is a difficult question. Although it is unusual for Japanese corporations, I think that not only internal personnel but also external personnel could be considered as candidates in the selection of the president. I feel that we should consider this going forward.

— What are your expectations of President Tokita as a leader aiming to bring about the shift to a DX company?

Abe: The Fujitsu Group must shift from its business model to date in which it listened to the needs of its customers and then provided systems to fulfill those needs, to a proposal-focused business that creates added value, such as by demonstrating to its customers what it can do and the economic benefits of its proposals. Even if there is discord during that process, I encourage President Tokita to overcome it by solving the problems one by one. As the Board of Directors, we will offer our full support.

Mukai: I feel that diversity and inclusion are important. For the Group to grow, its 130,000 employees must share their various perspectives and deftly use the knowledge and technological capabilities they have cultivated to date. Soon after his appointment, President Tokita set forth measures giving further concrete shape to diversity and inclusion, such as relaxing the dress code. I feel that initiatives giving greater freedom to employees are highly effective in helping Fujitsu grow as a DX company.

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Jun Yokota





I believe that the key is to encourage cooperation that goes beyond traditional vertical divisions, instill a new management strategy and corporate vision, and ensure that all employees understand where their goals lie.

Yoshiko Kojo

It is essential that we grow as a DX company. While we are still trying to develop the correct approach, I believe that it is necessary to think about ways to grow as a DX company over the next 10 to 20 years, such as through leveraging open data, for example.

Kojo: President Tokita emphasizes the importance of using internal transformation to promote a positive cycle for Fujitsu to become a DX company. The Group has a strong vertically divided organization, so unless we break that to a certain extent, I do not think we will be able to achieve transformation. I believe that the key is to encourage cooperation that goes beyond traditional vertical divisions, instill a new management strategy and corporate vision, and ensure that all employees understand where their goals lie.

Yokota: I hope that employees at all levels will move forward by relating the President's approach to what they should do. President Tokita has been talking directly with a variety of employees and creating opportunities to convey his approach. Despite having such incredible technological capabilities, I had always felt that Fujitsu lacked vigor. However, I now feel hopeful, as there is a momentum for taking on new challenges under the guidance of President Tokita.

Mukai: Followers who support a leader also play a very important role in helping to achieve a goal. I hope that the entire Group will make concerted efforts to realize President Tokita's vision and that each employee will maximize their individual performance in order to step up the pace of transformation.

— What do you think is needed to heighten employee engagement and to unlock the potential of human resources?

Abe: The cutting-edge technology field is vital for Fujitsu to become a DX company. While outstanding talent is required for achieving that, there is extremely fierce competition for the employment of such talent. We have increased the

possibility of hiring outstanding talent by introducing a new compensation plan focused on highly talented professional employees. However, we must be careful to introduce such measures in a way that is acceptable to existing employees. It is good policy to offer diverse growth opportunities so that both human resources acquired externally and existing employees are highly motivated by shifting to position-based human resource management.

Yokota: I think that position-based human resource management is a very innovative measure. While there may be some difficulties because almost no other Japanese companies have introduced such a measure, I think that the direction is sound. I believe that the process of moving forward while monitoring the extent to which employees utilize position-based human resource management and their sense of satisfaction with it will be important.

Kojo: From my experience teaching at a university, I have gotten the sense that the younger generation today are not contemplating lifetime employment. They want to build their careers by acquiring expertise. Therefore, in order to attract good human resources, we must establish a rewarding working environment. It is also necessary to have a framework that allows women to build their careers while taking into account the need for temporary leave for having children and other reasons.

— Mr. Abe was recently appointed as chairman of the Board of Directors. What is the significance of an independent director becoming the chairman of the Board?

Mukai: When an internal director is chairman of the Board, discussions often proceed on the premise that the information under discussion is understood to a certain extent. However, when the chairman is an independent director, debates proceed without such a premise. A benefit of this is that we can concentrate on the essential points while summarizing the information.

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Chiaki Mukai



Yokota: To date, Mr. Abe has spoken out at Board meetings to question the strategic value of initiatives. Moreover, he plays a major role such as through representing the independent directors in direct discussions with investors. I agreed that it would also be a good idea for Mr. Abe to become chairman of the Board in order to further enliven discussions at Board meetings.

Abe: The impetus for my appointment as chairman of the Board was not the result of a governance-related or other problem. I think that Fujitsu's stance of trying to further utilize independent directors in order to promote transformation is emblematic of its advanced corporate governance.

— Please tell us about your activities as a director over the past year and your aspirations going forward.

Kojo: I was concerned that opportunities for me to speak out would be limited because I came from a different field, and there were many matters I didn't understand. However, it was a pleasant surprise to find that Board meetings were very lively and conducted in an atmosphere that encouraged speaking out. Discussions are conducted freely. For example, in the event of a long report, there is a system for approving requests to shorten parts of reports that can be simplified in order to allow more time for discussion.

It was a disappointment to find that, despite being an IT company, Fujitsu is not adequately leveraging digital technology internally. President Tokita has initiated a policy of further leveraging digital technology in internal reforms, and I hope that Fujitsu will demonstrate greater flexibility in reviewing frameworks and systems.



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Atsushi Abe

Yokota: I have followed up carefully and provided feedback on the developments relating to the United Kingdom's prospective exit from the European Union. The UK is an essential part of the Group's overseas business. Depending on its conclusion, the issue of the UK's exit from the EU may affect our business in Europe. I would like to focus on points such as this and engage in strategic discussions going forward.

Mukai: Whenever I speak with young people from our Group companies, as well as candidates for management positions who will lead Fujitsu in the future, I am impressed by their spirit of dedication to the Company. I feel that, for the sake of the Group's approximately 130,000 employees, establishing a new business model that generates earnings is an urgent matter. I would like to contribute to the creation of sustainable profits and help Fujitsu make even greater strides in the future.

Abe: I am aware that I was appointed as chairman of the Board to help put the Company on a growth trajectory under the new management team. As chairman, I will change the way of reporting and strive to increase the time for discussion while linking each meeting of the Board to a meaningful action, such as deciding on the next relevant measure or reaching a conclusion to ongoing deliberations. Now that the direction of our management policy has been clearly determined, we will make a concerted effort in pursuit of that goal.