

SPECIAL FEATURE

# Progress Toward Becoming a DX Company

The Fujitsu Group conducts all business activities to realize its Purpose “to make the world more sustainable by building trust in society through innovation.”

In 2020, the 85th anniversary of its founding, the Fujitsu Group, starting from its Purpose, is looking ahead to future changes in society, envisioning what it should be as a technology company that operates globally and accelerating transformation on all fronts, from business and human resource management to organizational management.

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

Please see the inside cover and page 1 of this report for details on the Fujitsu Way, and its Purpose, Values, and Code of Conduct.

The Fujitsu Group is working to evolve from a conventional ICT company into a digital transformation (DX) company that realizes innovation by making full use of digital technology and data. To realize Our Purpose, we aim to create innovative services and business processes as our customers' DX partner.

In order to gain the trust of our customers as a DX partner, we need to tackle not only problems at hand but also look ahead to the future of our customers' businesses and together draw up their visions and goals. To that end, we must increase our empathy with social needs and global issues and have the foresight to anticipate change.

Individuals, society, and the economy are connected globally and in complex ways, as evident in the impact of COVID-19 on society and climate change in the form of more frequent extreme weather events. Besides our Group, many companies, governments, and organizations around the world—including our customers—are taking tougher stances in facing up to these connections and conducting activities with a greater focus on social value. The Group will work to transform itself and create value by enhancing empathy with social issues and spearheading these efforts as a “DX company” that brings trust to society.

## Creating Value in Two Business Areas

The Fujitsu Group creates value in two business areas: “For Growth,” in which we contribute to customers' business transformation and growth, and “For Stability,” in which we provide continuous support for the stability of customers' businesses.

We aim to expand our business and improve profitability by providing services in these two areas while leveraging the strong relationships of trust that we have built with our customers and our competitive advantages in our understanding of industries and sectors cultivated through our business.



“For Growth” encompasses both DX and the modernization of IT systems for the realization of DX. DX realizes business transformation and new business creation by making full use of the vast amount of data generated by connecting people and things and digital technologies such as artificial intelligence (AI) and edge computing. We also replace and upgrade “traditional IT systems,” or companies' servers operated in-house and complicated systems hosted by them, with cloud-based services. The Group partners with customers in realizing DX through the global delivery of specialized solutions in such fields as mobility, manufacturing, finance, and retail; and by providing versatile services that support multi-cloud and hybrid cloud computing at a global level.

“For Stability” consists of a wide range of products and services, building core systems that control the heart of a company's business; supporting it by providing a platform centered on various servers and storage systems; and stabilizing and maintaining the IT environment through operation. The stability of the IT environment is essential for the growth of our customers' businesses. This is an area where highly reliable products and services are indispensable, and in this field the Group has built powerful business foundations centered on Japan. To bolster competitiveness and enhance added value, the Group continues to expand the functions and scale of its Global Delivery Center (GDC) offshore bases, which handle a wide range of functions including software and application development, and maintenance and operation services. We are also working to enhance maintenance services by utilizing digital technology.

## Management Indicators and Global Responsible Business (GRB)

In order to objectively grasp changes and achieve sustainable growth as a DX company—and demonstrate it to all stakeholders—the Fujitsu Group has, in addition to financial indicators, established indicators to evaluate its activities in non-financial areas.

Going forward, we will develop systems for global and continuous monitoring of data from two non-financial indicators that evaluate our relationships with customers and with employees, and reflect the insights gained from these in various activities.

Fulfilling Our Purpose is predicated on the Fujitsu Group achieving sustainable growth. To that end, we need to build relationships of trust with all of our stakeholders. In addition to revenue and operating profit margin as financial indicators, we have set customer Net Promoter Score (NPS) as a new non-financial indicator for trust from customers, and employee engagement as an indicator for employees of their mindsets and empathy with the organizational culture.

Since the fiscal year ended March 31, 2020, the Group has set seven priority issues that it should focus on as a responsible global company under the heading of Global Responsible Business (GRB). The evaluation criteria and priority activities for each of these issues, including human rights and diversity and inclusion, and wellbeing, are different, but they are related to each other. We believe that focusing on these seven issues will lead to greater trust from customers and employees, which in turn will be reflected in the non-financial indicators. By working on the GRB issues, the Group seeks to promote its transformation to a DX company while strengthening its management base as it builds relationships of trust with all stakeholders and achieves sustainable growth.



## Internal Reforms and Work Life Shift

Human resources are the source of innovation and trust set out in Our Purpose and how we provide new value to customers and society as a DX company. The Group is introducing new ways of working that promise a more empowering, productive, and creative experience for employees; an environment in which employees feel motivated to take on challenging work, that supports collaboration between diverse people, and in which all employees constantly learn and grow. In light of the COVID-19 pandemic, under the name "Work Life Shift," we are promoting new workstyles and organizational and human resource management changes for the "new normal" era.

### Eliminating Restrictions and Improving Efficiency

We achieve more efficient time management by easing the rigid work rules on time and location by, for example, eliminating the "core" hours applied with the flextime system, abolishing commuter pass payments premised on going to work every day, and ending the system of assigning employees to work away from home by enabling them to handle their work through remote working and business trips as needed.

### Smart Working

Achieve workstyles that allow employees to flexibly use their time according to the contents of their work, business roles, and lifestyle

We have overhauled established work systems, allowances, welfare programs, and IT environments that have been based on the assumption that everyone goes to work in a fixed office, taking a flexible approach to the use of time and place.

### Financial Support for Home Work Environment and Expenses

A monthly "smart working allowance" of ¥5,000 per person is provided to assist covering costs related to remote working, such as communications and utility fees, home office furniture, and other improvements to personal work environments. In addition, we create a system in which all employees use company-supplied or BYOD\*1 smartphones connected to business systems to improve work efficiency, while also improving the convenience of employee training programs.

\*1 Bring Your Own Device is the practice that allows the use of personal devices for work purposes.

### Hub Office

Hub offices are established as spaces for innovation, encouraging collaboration and networking with customers and partners, and team building through discussion and information exchange across different divisions and organizations. They also serve as venues for in-house demonstrations and showcasing of cutting-edge technologies and services such as 5G and cross-industry solutions.

### Satellite Office

Satellite offices have infrastructure on a par with hub offices and are equipped with high-performance video conferencing systems to enable online multi-site meetings between employees with the aim of creating a comfortable work environment and a sense of unity with multiple locations and encouraging global communication.

### Organizational Design Based on Business Strategy

We rigorously design the organization and job positions according to the business strategy for value creation as a DX company and assign the most suitable people. We intend to eliminate vagueness in positions of responsibility and authority, and clarify managers' scope of responsibility.

### Implementing Position-based Human Resource Management

We have introduced a system for senior managers\*2 that uses a globally unified standard to rate the magnitude and importance of the jobs in terms of roles, skills required and expected behaviors, and compensation according to these qualifications. The goal is to encourage senior managers to take on the challenge of more significant jobs and to more promptly reward those who achieve results.

\*2 Scheduled to start discussions with the labor union during the fiscal year ending March 31, 2021 on the expanded implementation of the job-based personnel system to regular employees

### Borderless Office

Enable location-flexible workstyles and provide a comfortable and creative office environment

We inspire employees' creativity by creating a seamless system that allows employees to freely choose the place where they want to work, including hub offices, satellite offices, and home & shared offices, depending on the type of work they do.

### Home & Shared Office

Working from home is suitable for desk work that requires concentration, and online learning can be undertaken according to individuals' schedules. By utilizing external "Shared Offices," which are located in convenient locations such as city centers or near suburban train stations, we intend to make it possible to work efficiently at any time and place.

### Culture Change

Create a new organizational culture through human resource management based on employee autonomy

We create a corporate culture that encourages taking on challenges and value creation through organizational structures based on trust, the shared understanding of duties, roles and expectations between supervisors and subordinates, appropriate evaluation, and support for the physical and mental health of employees.

### Support for Self-Driven Learning

We stimulate employees' awareness and motivation to design their careers and enhance specialist knowledge through the on-demand learning platform "Fujitsu Learning EXperience," which supports self-learning and growth and challenging oneself for new jobs and posts.

### Workstyle Reforms with Contract/Temporary Staff

Under certain requirements such as the use of company-supplied PCs and ensuring a secure working environment, we have already enabled remote working for some contracted and temporary employees, and we plan to gradually expand the scope of this initiative.

### Promoting Diversification of Career Paths

We aim to enhance in-house communication between supervisors and subordinates by utilizing the Zinrai for 365 Dashboard,\*3 expanding the internal posting system\*4 in which employees take on new tasks on their own initiative, and using our Compensation Plan for Highly Talented Professionals.\*5 In such ways, we seek to support the mobility and active participation of diverse human resources.

\*3 Fujitsu's proprietary service that enables enhanced productivity and realization of diverse workstyles, using AI to visualize business operations and processes

\*4 A system in which recruitment positions are open to the entire Fujitsu Group, with all Fujitsu Group employees encouraged to take up the challenge and apply for those positions

\*5 A system that allows compensation to be designed flexibly for specialists with a high degree of talent in such areas as AI and IT security

### Use of IT Tools

We are introducing a location information platform that utilizes IoT technologies to visualize people's movement and office usage. Through utilizing data, we are enhancing the ease of use of the office and supporting safe and comfortable workstyles, including measures to prevent infectious diseases.

### Adding Value to Offices

By increasing the added value of offices with spaces and devices that contribute to improving the physical and mental wellbeing of employees, in addition to offering functions that facilitate the formation of internal and external communities, we expect to improve employee engagement.

## FUJITSU'S DX: VIEWS OF KEY PEOPLE

## Message from the COO

## Achieving Growth by Changing Culture Built on Sharing Goals and Pursuing Value Unique to the Fujitsu Group

### Strengthening Governance of Global Business

In restructuring the global business—one of the priorities for the Group's transformation—we are shifting our focus from business centered on the sale of hardware and its operation and maintenance to business centered on services.

Measures to transform business and improve profitability have already brought about significant changes, the greatest of which is the strengthening of governance in each region by headquarters. It started with the reorganization of the global business into a six-region system including Japan in April 2020. Regarding business plans, which had essentially been left to the regions except for the setting of sales targets,

we shifted to deciding the details of these and their timelines through discussions between headquarters and regional management leaders. As a result, not only have communications between headquarters and each region improved dramatically, but the global strategy formulated by headquarters and the business plans of each region have become interlocked, and more consistent. From the perspective of headquarters, the progress of measures promoted by each region can be quickly grasped, which enables us to analyze causes when things do not go as expected and make timely adjustments as necessary.

We believe that the strategic direction of unifying global offerings and strengthening the delivery system is appropriate for the Fujitsu Group to demonstrate its competitive advantage, and we will consider M&As as a means to achieve restructuring of global businesses more effectively and swiftly.

### Changing Mindsets and Culture with KPIs

We are also strengthening and optimizing systems in Japan. We are reorganizing domestic Group companies centered on Fujitsu Japan Limited, and in April 2020, we established Global Solutions as a new organization, integrating sales and system engineer (SE) divisions (see page 28). Communication is also key to organizational integration. We modified organizational management to enable sales and SE leaders to scrutinize each other's key performance indicators (KPIs) and clarify expected outcomes.

Sharing KPIs also encourages a shift in employee mindsets and organizational culture. Staff from the sales and SE divisions will combine their knowledge on how the Fujitsu Group is viewed by customers, and whether the developed technology will be accepted by the market and can be scaled up. By discussing with both customer needs and our technological capability perspectives in mind, we are trying to clarify the "value provided by Fujitsu" that goes beyond the compartmentalized logic of each division.

With regard to "For Stability," we are bolstering our delivery system, centering on Global Delivery Centers (GDCs). The use of GDCs has been expanding in Japan, mainly for projects involving package-management systems. The newly established Japan Global Gateway (JGG) will further advance the expansion by organizing customer-specific needs of custom-development projects and overcoming language barriers—matters that were difficult for GDCs to handle—into standard work that can be handled by the GDCs. We expect this to improve the speed and quality of service delivery and help avoid resource volatility.

### Creating a Rewarding Environment for Engineers

From a CTO perspective, creating an environment in which engineers can find Fujitsu Group work truly rewarding is as important as strengthening AI, cloud, and other technological capabilities that support DX. We are also acutely aware that there is intensifying competition for engineers among other IT services companies, venture companies, and major companies in various industries.

Today, the open source communities centered on the United States and Europe play an important role in software development. Since the early 2000s, Fujitsu's engineers have been actively participating in such communities and making significant contributions. We are proud to be among the leading Japanese companies that encourage engineers to expand their horizons in this way. In addition, our customer base, which is one of the Group's strengths, is unique in that it allows us to keep up with cutting-edge developments in various industries and combine it with our core competencies to create new value. It also creates opportunities for our engineers to take on challenges.

Nonetheless, as demonstrated by the inclusion of employee engagement as a non-financial indicator, we are determined to pursue transformation in an organization offering greater career path diversity. Especially for young engineers, we are strengthening continuous support and feedback, by such means as providing opportunities to participate in projects that involve agile development and a mechanism to certify highly skilled personnel as "talent" and supporting their activities. Just as we reviewed the dispatching of engineers to work at our customers' offices amid the spread of COVID-19, we must also further respond to workstyle changes in the "new normal."

Looking back at my own career, I think that rewarding experiences for many engineers lie in the fact that the technology they are involved in leads to the creation of new value. We are pursuing employee satisfaction and business growth by accelerating the expansion of global offerings into the market, such as mobility solutions and "smart manufacturing" solutions, for which we expect growing demand, and accumulating a track record of value creation as a DX partner for our customers.

### Hidenori Furuta

Representative Director  
COO, CTO  
Head of Global Solutions Business  
Head of International Regions



## Overcoming the "2025 Digital Cliff" Together as a Partner

### A Shared Sense of Urgency for Change

Sales personnel communicating directly with customers are keenly aware of the challenges faced by Japanese companies in overcoming the so-called "2025 Digital Cliff"\* and the difficulty to solve critical issues simply by meeting the customer's request for proposal (RFP). The sales style under COVID-19 premised on remote working is also heightening the sense of urgency on the sales front lines that we must transform our own operations.

Against this backdrop, we are advancing sales transformation to become a "business producer" that solves problems faced by customers. Through the organizational restructuring undertaken in April 2020, we have combined sales and SE forces to provide services that integrate insights from the production and sales front lines. We are also striving to improve profitability with a keen eye on profits as a KPI.

Input from executives who have joined Fujitsu from outside the Company has also been a great stimulus in generating growing momentum for sales transformation to incorporate best practices. We expect the expanding use of digital tools, together with the development of mechanisms to collect customer feedback that is currently underway in collaboration with the marketing team, will change conventional sales approaches and enhance the Fujitsu brand.

### Fujitsu Japan—Bringing Together Key Group Strengths

Fujitsu Japan Limited, established in October 2020, will be the Group's core company supporting local governments, medical and educational institutions, and second-tier companies and SMEs in the private sector to overcome the "2025 Digital Cliff," stemming from a shortage of IT human resources and delays in digitalization. Based on our understanding of industries and sectors—a Group strength—we will be a partner that actively leads the transformation of companies that play significant roles in local economies. We will also support forging cooperation between the private and public sectors, academia, and medical institutions. The necessity of such cooperation has been thrown into sharp relief by COVID-19.

We will reskill sales personnel to enhance abilities to make the high-value-added proposals required of us as a partner. At the same time, the Fujitsu Group will leverage the strengths of each subsidiary to reinforce our capabilities.

Determined to help Japanese companies replace and update conventional IT systems and committed to solving critical issues, Fujitsu Japan will be a company that embodies the Fujitsu Group's Purpose.

\* "2025 Digital Cliff" is an expression used by the Ministry of Economy, Trade and Industry that highlights the possibility that many Japanese companies will face increasingly serious problems including shortages of IT human resources, the obsolescence of core systems, and the aging of human resources involved in maintenance, with risks of huge economic losses for Japan from 2025 due to the failure to achieve DX.



**Masaki Kubota**

Senior Executive Vice President  
Head of Japan Region

### Yuzuru Fukuda

Executive Vice President  
CIO, Assistant CDXO

Yuzuru Fukuda joined SAP Japan in 1997 and served as president of SAP Japan from 2014 to March 2020. He joined Fujitsu in April 2020.



## Leading Change with "Redesign," Starting from Square One

### Reshaping Fujitsu through "Fujitsu Transformation"

Transformation—the "X" of DX—means letting go of past experience and embracing transformation with a different approach. Fujitsu now has at its core a Companywide DX project team whose members include CEO and CDXO Takahito Tokita, Senior Executive Vice President Hidenori Furuta, CFO Takeshi Isobe, and myself, as well as representatives from related divisions. This project, dubbed "Fujitra" for "Fujitsu Transformation," is tasked with realizing our management vision with Our Purpose as its guiding light as we take on breaking the conventional mold. The project seeks to transform Fujitsu through future-oriented "redesign," spanning management, business operations, human resources, and organizational culture. Fifteen DX officers from business divisions and corporate functions throughout Fujitsu play key roles in promoting the project from the perspectives of both management and the front lines. Together with the "DX designers," the members of a newly designated team directly reporting to the CEO, the DX officers facilitate transformation across divisions while maintaining Companywide consistency.

Key themes with this project are participation and ecosystems. We have introduced a digital platform that collects the "voices" of customers and Group employees (see page 30). In fact, every time we send out an update on the progress of DX on our intranet, we receive a flood of responses from employees—informing me of their high expectations and keenness to participate in shaping the future of the Company. We are determined to incorporate their enthusiasm in the project.

### Turning Data into a Driving Force for Change

DX can be likened to a voyage where everyone overcomes various difficulties as they head to their destination. While Fujitra charts the route and ports of call for the "ship" Fujitsu, the driving force is the data collected using the power of digital technology. As CIO, I also oversee the IT systems that collect and analyze the data necessary for the Fujitsu Group to make strategic decisions and develop its business in a timely manner.

Of course, we have existing IT systems, but they are not optimized for digital business. In the future, IT systems will be required to have a DX platform that goes beyond improving operational efficiency and reducing costs. We are working to realize systems that promptly grasp information on all businesses around the world and enable effective management and on-site decision making based on that information, while at the same time realizing diverse and flexible workstyles and boosting productivity by using data and digital technology.

Fujitsu is, in a sense, the "IT headquarters" of "Japan Inc." We are confident that by spearheading DX we will advance digital innovation throughout Japan, spurring its transformation for the future. With this aspiration in mind, we continue to forge ahead with our transformation.



**Taeko Yamamoto**  
CMO  
Corporate Executive Officer

As a marketing specialist, Taeko Yamamoto held executive positions at IBM Japan and Microsoft Japan. She joined Fujitsu in April 2020.

## Supporting Management Transformation through the Use of Marketing Data

### All Employees Are Marketing Channels

Brands are a promise of value to customers. Good marketing encourages customer action by conveying the value a company can offer through a simple, unified message. Fujitsu has strengths in powerful name recognition in Japan, the trust gained by providing services directly to customers, broad technological capabilities, and wide-ranging, high-quality services and solutions. At this point, however, we have not yet clearly shared with our customers Fujitsu's superiority in the area of global DX business. In addition to undertaking unified and impactful marketing activities, what I aim for as CMO is for all employees of the Fujitsu Group—a vital channel for interacting with customers—to further improve the value of the "Fujitsu brand" through impactful branding and marketing activities.

### Best Customer Experience through Leveraging Data via Marketing

I believe the Chief Marketing Officer (CMO) should also be the Chief Customer Officer. Marketing makes it possible to stay connected to tens of thousands of customers with whom we have had contact, aggregate and analyze customer reactions

in the form of data, and provide proposals and support that better meet customer needs. The purpose of marketing is to provide optimal and actionable proposals and experiences for customers while always looking at future changes in society from customers' perspectives.

With this in mind, our marketing team has been working with Assistant CDXO Yuzuru Fukuda to build a system that aggregates, analyzes, and visualizes customer feedback—the voices of customers—as data. This will enable us to share with the entire Group a wide range of customers' management issues and needs as well as projected future trends, with the aim of offering higher quality services to customers and society. These activities support our own DX for data-driven management. Transforming our own business by utilizing data will put us in a good position to showcase our own practices to our customers as a reference.

In the post-COVID-19 world, multidirectional communication utilizing digital technology is bound to become more important. We will facilitate Fujitsu's transformation by incorporating leading-edge marketing methods including AI and other technologies and the use of external data.

## Contributing to Group Strategy with Acquisitions and Venture Investments

### A Means to Accelerate Our Transformation

Fujitsu is undergoing major transformation. Our customers' needs are shifting, becoming more sophisticated. The market to supply these transformational services is very competitive, especially in regions outside Japan. To build the capability we need to deliver what our customers need, we must move fast to evolve what we do. Inorganic growth, encompassing both acquisitions and venture investments, is a powerful tool for accelerating this evolution.

Inorganic growth is most effective when it is done programmatically. This means doing a number of deals each year and not just one or two every few years. At Fujitsu, to get to the programmatic level, we must first build up our M&A "muscle." We need to build the systems, processes, and governance necessary to manage a full pipeline of deals and build the team to drive the activity. To that end, we have established the M&A Committee and the Venture Committee as core governance mechanisms. We have also clarified the responsibilities of the business unit that sponsors acquisitions or ventures. Finally, we have established a standard model to evaluate corporate value. For now, our mission involving the M&A Strategy & Execution Team is to embed our methodology into the fabric of the organization so that we become accustomed to doing deals on a regular basis.

M&A is just a tool to help realize our company strategy. Whatever the investment project is, we always look for alignment with the Fujitsu Way, which lays out the Company's reason for existence in "Our Purpose," and with the DX strategy orchestrated by Mr. Tokita and Mr. Fukuda.

### Nicholas Fraser

Corporate Executive Officer, in charge of Acquisitions and Ventures

Nick Fraser joined Fujitsu in March 2020. His experience includes serving as a leader for acquisitions, venture investments, and partnering activity at global firms such as Accenture and McKinsey. Over his career, he has executed dozens of acquisitions, venture investments, and alliance projects.



DX is about both digital (technologies) and transformation (capability). We are filling our investment pipeline with opportunities that help us on both of these fronts: gaining differentiation in digital technologies such as AI, advanced data/analytics, or cybersecurity, and gaining capability to engage customers in transformative discussions.

### Management from a Long-Term Perspective Engenders Trust

Fujitsu has the technical capabilities to develop advanced technologies such as the Digital Annealer on its own. It has also imbued the organization with a culture that approaches management from a long-term perspective and pursues sustainable value creation. Although competition is intensifying in the pursuit of quality assets, I firmly believe our culture is a strength that helps us earn the trust of target companies.

As I noted earlier, a programmatic approach to M&A is vital. In the end, though, it is the commitment of all stakeholders involved in a transaction that determines its ultimate success or failure. Working closely with all our staff, I am determined to make maximum use of my experience and network to help accelerate Fujitsu's transformation through inorganic growth.



Interview with the President of Ridgelinez



**Toshiya Imai**  
Chief Executive Officer  
Ridgelinez Limited

After joining Fujitsu, Toshiya Imai worked for Booz Allen Hamilton for 14 years and then went on to positions at SAP Japan (Vice President), Bain & Company (Partner), Booz & Company (Representative Director), and PwC Consulting LLC (Deputy Chief Executive Officer). He has been in his current position since April 2020.

## Looking to Build a Track Record and Establish the Brand as a Trusted Transformation Partner

**Q** What is Ridgelinez?

**A** We are a consulting company that accompanies our client companies on their "transformation journey." We provide comprehensive support from identifying and analyzing management issues, to formulating strategies for change, and to implementing and testing technology.

**Q** What does DX mean?

**A** Let me give a specific example. Currently, apparel companies are being forced to review the management of physical stores due to the growth of e-commerce and the influence of COVID-19. What customers are looking for in physical stores, meanwhile, is something that reflects their tastes and provides products when needed. Perhaps that would persuade them to make the trip. Leveraging digital technology to restructure the retail business based on data can enhance the customer experience in the store and create new value. DX is what realizes such innovation.

**Q** Why a consulting service? The Fujitsu Group is strong in technology, but it is a latecomer in the consulting field.

**A** The kickoff point with the work of a conventional system integrator is a customer's request for proposal (RFP), but starting from there, you cannot grasp the core management issues. To really understand the issues behind the RFP requires interaction with management and key business unit leaders and repeatedly asking questions. To make creative proposals that will realize transformation, we need to start with consulting that explores the "why" rather than RFPs that focus on the "how."

**Q** How do you differentiate yourself from your competitors?

**A** Frankly, it's challenging. The greatest differentiating factor is the brand, but in consulting, the brand boils down to your track record. With that in mind, I believe we must create an organization that can produce results. That in itself will lead to differentiation.

**Q** What is the key to creating an organization that can produce results?

**A** I think what is essential is to secure talented people, the core of a consulting firm, and the human resource system for that purpose, especially the performance appraisal system. Having been in this business for more than 30 years I believe that the consulting methodology itself can be acquired through training. That is why we need a system to identify talent that can produce results and a performance appraisal system to evaluate the talent appropriately. Ridgelinez has introduced a 360-degree performance appraisal system that collects feedback from people inside and outside the company other than direct supervisors to minimize the arbitrariness of personnel appraisals. Objective results-based evaluations and feedback have the greatest impact on the development of people and the acquisition and retention of excellent talent.

**Q** At the start of operations in April 2020, most of the company's employees are from the Fujitsu Group. How will you create the culture required of a consulting firm?

**A** Changing a culture is a limitless task. But you can change how people act. I believe that changes in how we act will encourage a shift in mindsets and create a culture. Take, for example, the materials we use for presentations to our customers. We have unified the formats that our people in the past used to prepare individually. Each page has one main point and a few subpoints to back up that point from different perspectives. This approach involves people undertaking analysis of information and testing it according to a certain protocol. By repeating this process, the basic task of "structuring the problem" required of consultants is shared by

all members; communication with customers will change, and eventually it will lead to the emergence of an organizational culture.

**Q** Ridgelinez is not a division of Fujitsu but a highly independent subsidiary, and your offices are physically separated from the Fujitsu headquarters. What is your relationship with Fujitsu?

**A** I think of us as a doubles tennis team. We both play with our special skills toward the unified purpose of promoting the transformation of our customers. The worst thing with doubles teams is to be diffident with each other. Rather, it is better to go aggressively after the ball. We also play a role as a "reference," showcasing where the Fujitsu Group will be in five years from now. With that in mind, we will expand our network with companies outside the Group, create joint ventures, and work with other consulting companies that are strong in specific fields. We would like to develop our business while taking a flexible approach to cooperation and other options.

**Q** What are your current goals?

**A** The first is to work on projects commensurate with our capacity and to build a track record of success. In order to keep the transformation pot bubbling multiple teams work on different projects, and I am asking our people to do things three times faster than before. However, we do not intend to expand regardless of the projects. What is important for us today is less scale than quality. Our immediate aim is to make our customers realize the benefits of DX and to be regarded as a reliable partner in that process.



**Kyoko Mizuguchi**  
General Counsel and CISO

### Contributing to the Creation of Essential Value through the Provision of Systems to Promote Change

#### Taking Charge of Implementing Measures with a Sense of Ownership

The Legal, IP, and Internal Control Promotion Unit, which I oversee, is often considered to play a “defensive” role because it manages mechanisms for enforcing rules, including laws and regulations. However, it also plays an active role in promoting change. One of the important functions of the unit is to determine the actions so that our values are shared across the Group, and to review and update management systems and mechanisms accordingly. I believe the unit must try to take action with a sense of ownership.

The development of our corporate governance illustrates how the continuous review-action cycle of the system works. Over the past few years, we have increased governance effectiveness by being open to the opinions and advice of independent directors and the Audit & Supervisory Board members and taking sincere actions in response. Behind these actions is the sense of ownership shared in the secretariat; we believe that by supporting the operation of the Board of Directors, we, the secretariat, are able to transform the Company and enhance our corporate value. Our sense of ownership permeates in such initiatives as holding in-depth briefings with Chairman Atsushi Abe before and after Board of Directors’ meetings; supporting the operation of the Independent Directors & Auditors Council, which provides a forum for information sharing and discussions for the members to better understand the Company; and assigning a junior employee to each independent director and Audit & Supervisory Board member as support staff to help with addressing various questions and requests.

Regarding Group governance overseeing subsidiaries, the Group Business Unit, established in February 2020, is taking the lead in considering the optimal Group formation, and the emphasis on ownership and action remains the same for the unit. In light of our Management Direction, we are reviewing the roles of subsidiaries and their fundamental relationships with headquarters. We are not only planning what the Group should be but also implementing the measures needed to get there.

#### A High-Speed “Challenge Cycle”

What I believe will become even more important in the future is to imagine the unknown, beyond the past patterns. To that end, we must openly incorporate knowledge and information generated inside and outside the Group; calmly and enthusiastically think through and make decisions and execute them; and accept failures and take actions based on lessons learned. I think of this as a high-speed “challenge cycle.” Our effective corporate governance structure and solid internal control systems that employ both active and defensive measures enable us to implement such a cycle.

We are facing new challenges on a global level every day in the fields of intellectual property, risk management, information security, compliance including export controls, AI ethics, and legal systems that support innovation. Guided by our values, we are determined to tackle these challenges in collaboration with frontline business divisions through the provision of legal services.

#### Message from the CFO

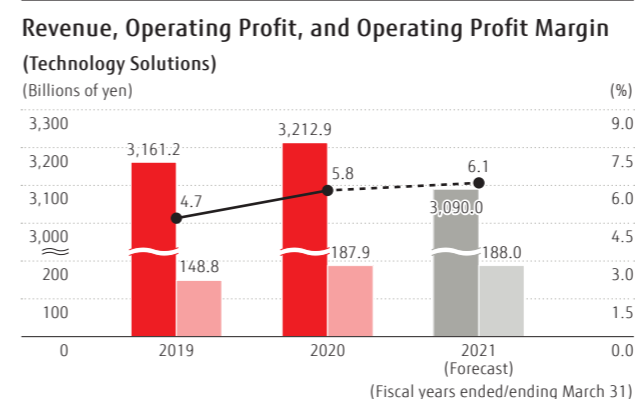
We are pursuing sustainable improvement in corporate value by strengthening our capability to generate cash flow and optimally allocating it to strategic growth investments and stable shareholder returns.



**Takeshi Isobe**  
Director  
SEVP, CFO

#### Overview of Financial Performance in the Fiscal Year Ended March 31, 2020

The consolidated financial results for the fiscal year ended March 31, 2020 began to show the fruits of the transformation we have undertaken over the past few years. On an actual business basis that excludes special items such as the impact of business restructuring, consolidated revenue was ¥3,857.7 billion, an increase of ¥87.4 billion year on year. Consolidated operating profit was ¥225.2 billion, an increase of ¥84.9 billion year on year, and the operating profit margin was 5.8%, an improvement of 2.1 percentage points from the previous fiscal year. We are making good progress toward achieving our financial targets of revenue of ¥3.5 trillion and an operating profit margin of 10% in the Technology Solutions business for the fiscal year ending March 31, 2023.



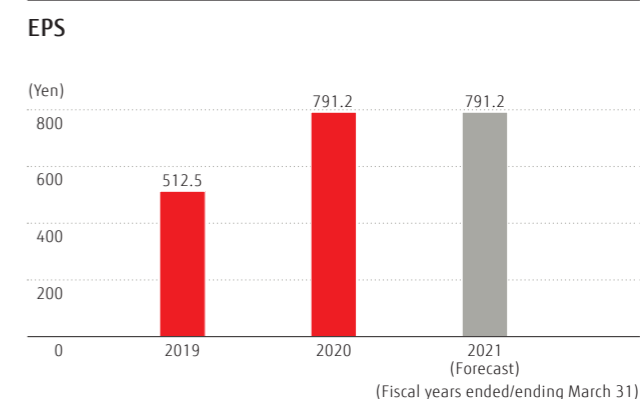
Note: Figures presented are based on new segments. Forecast for the fiscal year ending March 31, 2021 is as of July 30, 2020.

As a result, profit attributable to owners of the parent amounted to ¥160.0 billion. In addition, we strengthened cash flow generation by optimizing the assets we own and achieved steady growth in dividends per share with an increase of ¥30 from the previous fiscal year, to ¥180.

In a business environment in which the impact of COVID-19 is of great concern, the Group has continued to maintain a net cash position since the fiscal year ended March 31, 2018, and has been working to maintain a sound and stable financial position by such means as securing approximately ¥500 billion in cash on hand.

#### Progress with DX and the Impact of COVID-19

We have also been making steady progress in value creation in the two business areas of “For Growth” and “For Stability.”



Note: Forecast for the fiscal year ending March 31, 2021 is as of July 30, 2020.



In the "For Growth" business area, to monetize the value created by DX we have begun to build new revenue models including those based on subscriptions and success fees in addition to the conventional "person-month" based model. In the "For Stability" business area, we have been taking measures to improve the profitability of domestic service businesses, the mainstay of our earnings, through such means as establishing and utilizing Japan Global Gateway (JGG), a new initiative aimed at maintaining and enhancing service quality and improving efficiency.

The spread of COVID-19 has had a negative impact on the customer front, prompting reviews of the timing of project implementation, and hampering business talks. On the other hand, there have been accelerated moves to promote DX to solve problems. This has been stimulating demand for services that support the realization of workstyle reforms such as remote working, utilizing automation solutions in remote environments, and migrating IT systems to cloud environments. For these reasons, while paying close attention to risks that affect short-term business performance and taking prompt action, we are determined to move forward to build growth areas from a medium-term perspective, regardless of the current situation.

### Capital Allocation Policy

In July, we presented our capital allocation policy against the backdrop of progress with business model transformation and increased stability of the business foundation.

In regard to cash flow, which forms the source of capital, we expect to be able to generate more than ¥1 trillion in free cash flow (FCF) over the next five years through business growth and optimal allocation of assets held. We are earmarking this FCF to growth investments and shareholder returns.

Strategic investments for growth are a high priority. We expect such investments to amount to ¥500-¥600 billion over the next five years. Value-creation investments will focus on

customer services and offerings—specifically the development of technologies and solutions that support DX. We will also move rapidly to expand the ecosystem that underpins DX through such means as M&As, alliances, and venture investments.

We also regard the promotion of in-house DX as a very important theme underpinning our own evolution. We have already begun recruiting highly skilled talent, reskilling existing human resources, and building in-house systems for data-driven management, aiming for predictive model management on a global basis based on objective data. When making investments, we will thoroughly monitor return on investment and promote disciplined implementation.

Our shareholder return policy is to provide stable shareholder returns over the medium and long term commensurate with the stage of growth in business and profits. With dividends, we aim for stable dividends in line with profit growth. In addition, while paying close attention to the balance between fund supply and demand, we are taking an agile approach to share repurchases funded from long-term retained earnings.

### Aiming for Sustainable Improvement in Corporate Value

We are strengthening our ability to generate cash flow and, through its optimal allocation, achieve business growth, and increased profitability and capital efficiency. We are focusing on the financial KPIs of revenue and operating profit margin to measure business growth and profitability, while focusing on earnings per share (EPS) to measure capital efficiency. We are targeting sustainable growth in EPS over the medium and long term.

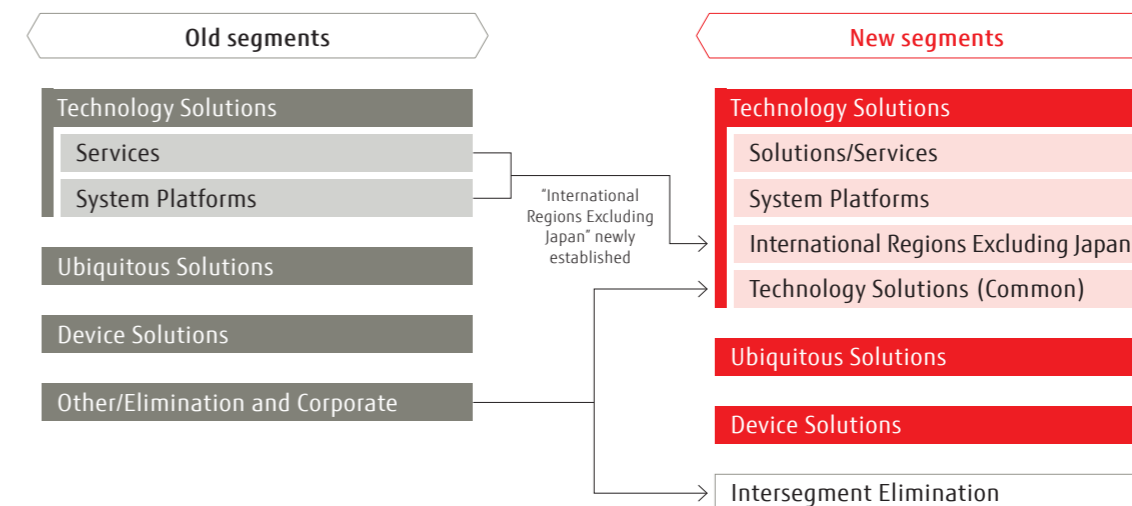
In the "new normal" era, our own sustainable growth is essential for us to make long-term, stable contributions to our customers and greater society. Based on this policy, the Group is promoting sustainable improvement in corporate value from a medium- to long-term perspective.

### About Partial Segment Changes

In July 2020, Fujitsu decided to make certain segment changes in order to more clearly demonstrate its progress toward the achievement of its medium-term goals and its transformation

into a DX company dedicated to the achievement of its Purpose. At the same time, we sought to more closely reflect the management's approach in information disclosure by aligning the segments to the current organizational structure.

### Comparison of Old and New Segments



For "Other/Elimination and Corporate," Groupwide common expenses have been allocated to the "Technology Solutions (Common)" subsegment; and elimination of intersegment sales has been moved to the new "Intersegment Elimination" segment. The international businesses included in "Services" and "System Platforms" under "Technology Solutions" have been integrated into the newly established "International Regions Excluding Japan" subsegment. At the same time, the "Services" subsegment has been changed to "Solutions/Services."

Reflecting organizational changes and changes in the management system of subsidiaries, we have made the following changes to segmentation: (1) we have moved various software (middleware) from System Platforms to Solutions/Services; (2) we have moved front-end technologies (ATM, POS systems, etc.) from Solutions/Services to System Platforms; and (3) we have changed the segment for automotive control units and in-vehicle information systems from Ubiquitous Solutions to System Platforms.

### Major Subsidiaries in Each Segment

#### Technology Solutions

- Fujitsu Frontech
- Fujitsu IT Products
- Fujitsu Telecom Networks
- Fujitsu Advanced Engineering
- Fujitsu Kyushu Systems
- Fujitsu Research Institute
- Ridgelinez
- Fujitsu Social Science Laboratory
- Fujitsu Broad Solution & Consulting
- Fujitsu Japan
- Fujitsu FSAS

- Fujitsu Network Solutions
- PFU
- Transtron
- Fujitsu Isotec
- Fujitsu Network Communications
- Fujitsu Services
- Fujitsu America
- Fujitsu Australia
- Fujitsu Technology Solutions
- Fujitsu Asia etc.

#### Ubiquitous Solutions

- Fujitsu Personal System\*
- Fujitsu Technology Solutions etc.

\* The shares of the new company that will succeed the mobile phone retail store business of FUJITSU PERSONAL SYSTEM LIMITED are due to be transferred to T-Gaia Corporation on November 2, 2020.

#### Device Solutions

- Shinko Electric Industries
- FDK etc.

### Capital Allocation Policy

