Creating Value for Customers with "For Growth" and "For Stability"

The Fujitsu Group is determined to deliver value to customers in the two business domains of "For Growth," which contributes to the transformation and growth of our customers, and "For Stability," which contributes to the stable operation of our customers' IT infrastructure and business operations.

To accelerate value creation in these two domains as the best partner for customers embracing digital transformation (DX), the Group is working to restructure its global business strategy, strengthen its ability to solve the problems of our Japanese customers, and create a framework that will contribute to further stabilizing our customers' businesses.

Message from the COO

We will create a new growth scenario for our global business and pursue medium- to long-term growth as a technology company by renewing our IT service delivery model in Japan.

Hidenori Furuta
Representative Director
COO, CDPO
Head of International Regions

Restructuring Our Business to Contribute to the Successful Digital Transformation of Japanese Companies

The Fujitsu Group's business structure in Japan has undergone a major transformation with the full-scale launch of **Fujitsu Japan** ▶ and **Japan Global Gateway (JGG)** ▶ in April 2021 and the reorganization of its systems integration subsidiaries. This shift is the Group's answer to the so-called "2025 Digital Cliff," an expression used by Japan's Ministry of Economy, Trade and Industry that highlights the risk of a delay in DX due to serious problems including shortages of IT talent and the obsolescence of core systems that many Japanese companies are facing.

As partners realizing DX with our customers, we technology companies have two missions. The first one is to make valuable proposals that contribute to solving the problems our customer companies and society are facing. The second one is to build a new service delivery model to replace the multiple contractor structure* in the software and service industry that is distinctive to the Japanese market.

Fujitsu Japan addresses the first one of these missions. "business producers" who have mastered design thinking and other essential methodologies for DX implementation propose ways to overcome the challenges using digital

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technology. In order to visualize results, we have established a set of KPIs to measure the actual quality of proposals aiming to realize DX and do not merely focus on the amount of orders we receive, as we did under the traditional KPI model used by our sales department. We are monitoring the progress on the KPIs using the data from the customer relationship management (CRM) system that we have introduced for managing business deals with customers. In addition, we have established six area headquarters across Japan, and are developing offerings tailored to regional characteristics by leveraging the knowledge of the reorganized and integrated subsidiaries.

JGG is addressing the second mission, the building of a new service delivery model to replace the multiple contractor structure. JGG is the core of this new service delivery model to standardize services and expand shared services. Under this model, JGG will promote the standardization of systems and software development operations, and will also be involved in the design, development, and testing of shared services in collaboration with the Global Delivery Centers (GDCs), the Group's overseas development locations. Collaboration between JGG and the GDCs will enable a speedier and more stable delivery of high-quality services than ever before and will also contribute to strengthening the medium- to long-term profitability of the Group's overall services business through improved productivity. By making greater use of our GDCs, we expect to be able to more effectively use the resources of our development partners in Japan, who have cultivated the know-how, experience, and expertise essential for providing services to specific industries and customers, and to increase the added value of our services.

Efforts to Prevent Recurrence of System Failures

Led by Our Purpose, we pursue the stable provision of high-quality services and the achievement of trusting relationships

with customers through our services. This pursuit is also the foundation and driving force in our "For Stability" business domain, which contributes to the stable operation of our customers' IT infrastructure. The system failure of the Tokyo Stock Exchange's trading system in October 2020 was a regrettable incident that shook this foundation, and we would like to apologize again for any inconvenience caused to the concerned parties.

The OEM products that caused the system failure ▶ were quickly inspected after the cause was identified, and the review of the incident has already been completed. We are also reviewing the systems delivered to our other customers by verifying whether there are any risks or issues that have not been covered by previous inspections. In addition, we have established a quality assurance organization directly reporting to the CEO and are making Groupwide efforts to strengthen our framework for improving the quality of our products and services.

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Region-specific Growth Scenarios

We are also making progress in restructuring our global business to achieve the financial targets for the fiscal year ending March 31, 2023, set out in our Management Direction. By the fiscal year ended March 31, 2021, we completed structural reforms to avoid losses in our global business. Currently, we are developing region-specific growth scenarios, incorporating the seven Key Focus Areas ▶ we set out in 2021.

In each region, we have almost completed the establishment of an organizational stance for deploying the four key elements of our global business strategy—a globally uniform portfolio, global account plans, global delivery, and global

alliances. Our global offerings ▶, for example, already include nine solutions. Together with the head of each region, the business units responsible for the development of these solutions set sales targets and investment plans, and review progress every month. Global accounts currently include 132 strategic global customers. Here, we are promoting the standardization of service plans we offer to our customers and are consolidating pipeline information for future orders.

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Achieving Management Goals and Setting a Course for the Future

The initiatives described so far will contribute to the domains "For Stability," aimed at the stable operation of our customers' IT infrastructure, and "For Growth," aimed at the transformation and growth of our customers' businesses, as set forth in our Management Direction. These initiatives are also a stepping stone toward the Group's growth in 2030 and beyond.

In 2021, we realized a new structure for R&D with the aim to leverage the development capabilities of cutting-edge technologies—as exemplified by Fugaku, the world's fastest supercomputer—in the seven Key Focus Areas and global offerings that will drive "For Growth" and lead to medium- to long-term growth of the Fujitsu Group.

We will steadily proceed with medium- to long-term efforts aimed at achieving Our Purpose, while constantly monitoring the progress and results of initiatives such as Fujitsu Japan and JGG to achieve the goals of our Management Direction.

Fujitsu's Key Focus Areas—Message from the Head of Global Solutions Business

We will capture new markets and growth opportunities by creating social value in the seven Key Focus Areas in order to contribute to a better world.

Megumi Shimazu
Corporate Executive Officer
SEVP, Head of Global Solutions Business

Significance of Social Issues as a Starting Point for Growth

The world in 2030 is expected to be a very different place from now. The United Nations estimates that the world's population will increase from 7.7 billion in 2019 to about 8.5 billion in 2030.[1]

The latest Intergovernmental Panel on Climate Change (IPCC) report predicts that global average temperatures will rise faster than previously expected.[2] On the other hand, there is no doubt that the evolution of digital technology is going to make possible the impossible. The year 2030 is also the time frame for the attainment of the 17 goals and 169 targets set out in the "Sustainable Development Agenda" of the United Nations Sustainable Development Goals (SDGs).

What kind of value will the Fujitsu Group provide to customers, to society, and to each individual during this process of change from now to 2030? The Fujitsu Group's growth strategy remains inseparable from imagining a better future for the world and thinking about the role we should play in realizing it. The needs and expectations of customers and society seeking change for the better will also offer new markets and growth opportunities. Based on this idea, we are now aiming for growth, focusing on social issues as a point of departure, and have specified seven Key Focus Areas that will drive business in the "For Growth" domain under the new business brand "Fujitsu Uvance."

*1 Source: UN, *World Population Prospects: The 2019 Revision*
*2 Source: IPCC, *Climate Change 2021: The Physical Science Basis*

Seven Key Focus Areas: Horizontal Areas and Vertical Areas

The seven Key Focus Areas are divided into two categories: Horizontal Areas, which are the foundation to support the offering of diverse services to our customers, and Vertical Areas, which are cross-industry business areas that relate to solving different issues confronting society.

The Horizontal Areas include three fields: "Digital Shifts," which support data-driven decision making, operations, and workstyle innovation; "Business Applications," which provide cloud integration and applications; and "Hybrid IT," which provides cloud computing and security services for customers' core systems. Within the three fields that compose the Horizontal Areas, we will make full use of the development and technological capabilities we have built up over the years to convert digital technology into value.

The Vertical Areas consist of the following four fields: "Sustainable Manufacturing," which realizes circular, traceable manufacturing focused on the environment and people; "Consumer Experience," which enables payment, retail, and logistics to deliver diverse experiences to consumers; "Healthy Living," which supports the wellbeing of all people; and "Trusted Society," which contributes to the creation of a safe, secure, and resilient society.

The Value We Provide and the Technology That Supports It

In the following section, we want to introduce the value we provide to stakeholders and the technology that makes it a reality, taking Trusted Society as an example. Natural disasters pose an increasingly serious threat in many parts of the world, and pandemics present another urgent, ongoing challenge to humanity. The Group will contribute to mitigating and minimizing the impact of such threats through predictions made possible by digital technology. The solutions used for risk prediction include technologies to process real-time data sent from sensors installed in various facilities and equipment with ultra-high speed and large-capacity computing infrastructure, as well as technologies to visualize the dynamics of society as a whole as a "digital twin." In this way, we aim to grow by combining computing with our various other proprietary technologies and "building new possibilities by connecting people, technology, and ideas."

Accelerating Transformation Based on Key Focus Areas

One reason for adopting terms like "Sustainable" and "Trusted" in the names of two of our Vertical Areas was to present the value we offer to our customers. Another reason was to clarify the value we offer and to carefully select services and solutions that match that value. In order for the Group to remain competitive and grow together with our customers in an ever-changing market, it would be meaningless if we were to just refresh the outer package and keep all the same services we have been offering.

To demonstrate Uvance's presence as a driving force behind the expansion of the "For Growth" sector as soon as possible, we are currently working rapidly to develop specific services, solutions, and service delivery systems organized and systematized for each Key Focus Area. We are also considering an organizational restructuring of the Group in order to achieve a better alignment between the Key Focus Areas and the organization and its human resources. To realize Our Purpose "to make the world more sustainable by building trust in society through innovation," we seek to provide real value to our customers and society at large by addressing social issues and seizing opportunities for growth.

Building new possibilities by connecting people, technology and ideas, creating a more sustainable world where anyone can advance their dreams.

Fujitsu Uvance

Vertical Areas	Sustainable Manufacturing	Consumer Experience	Healthy Living	Trusted Society
	Circular, traceable manufacturing with consideration to the environment and people	Payments, logistics and retail that provide consumers with diverse experiences	Supporting all kinds of people in living in ways that promote wellbeing	Creating communities that embody safety, security, and resilience

Horizontal Areas	Digital Shifts	Business Applications	Hybrid IT
	Data-Driven Work Style Reform	Cloud Integration Applications	Cloud Security

Interview with the President of Fujitsu Japan

"Our mission and final goal is to solve the problems of Japan's local communities and to be a leader in DX for FJJ's tens of thousands of customers."

Takayuki Sunada
President
Fujitsu Japan Limited

Q What are the specific roles of Fujitsu Japan (FJJ) in relation to Fujitsu Limited?

A Our main targets are medium-sized companies with sales of less than ¥100 billion, local governments that are rooted in the local communities of Japan and are already facing a variety of social issues, as well as organizations in the education and healthcare sectors.

Q What are the specific issues and needs of customers rooted in local communities, and how does FJJ plan to help customers in addressing those issues?

A The biggest challenges local communities are facing are the declining birthrate and aging population, and the resulting population decline. For example, the need to create cities with strong child-rearing support, in order to encourage the younger population to move to local areas and settle down can be traced back to this decrease in population. FJJ will offer solutions to respond to such needs of local governments. For example, we proposed to use AI-based solutions in daycare centers to efficiently match applicants with centers where vacancies are available, in order to avoid inconvenient cases where siblings are separated and assigned to different daycare centers. Currently, there is also a need for systems that enable online medical care and online learning in response to the COVID-19 pandemic.

Q The Japanese government established a new Digital Agency in September 2021, and there are plans to establish and provide a "government cloud" in the future. Business systems of local governments are also expected to be migrated to standardized core operating systems by the end of the fiscal year ending March 31, 2026. How will FJJ respond to these plans?

A We see this as a unique opportunity to make a significant change in regional businesses and propose solutions "beyond standardization." As a Fujitsu Group company with the largest market share in municipal business solutions, we will of course support standardization itself. But we will not stop there. We will propose DX using the resources generated by the cost savings through standardization. Solutions for basic resident registration operations and the childcare solutions mentioned earlier are possible candidates to start with.

From a medium- to long-term perspective, we aim to solve social issues and create new value in areas such as "smart cities," which are often referred to as cross- or inter-industry markets. What is needed here is the formation of an ecosystem through collaboration with the government and partners from areas such as mobility, energy, and healthcare. By developing an infrastructure that connects the data in each of the domains handled by partners, we will support the provision of data-based services including transport on-demand and the expansion

of the use of renewable energies. FJJ needs to add a "special extra" to its offerings in order to differentiate itself from regional IT vendors with strong price competitiveness.

Q **How do you approach medium-sized corporate customers? Are there any particular services or industries that you intend to focus on within the extremely wide range of medium-sized companies?**

A First, we will focus on offerings to migrate from conventional, customer-specific systems to IaaS.[*1] Ultimately, our goal is to provide cloud computing and SaaS.[*2] We will work with JGG ▶ on these migrations and cloud-based service delivery. Although there are differences among companies, many medium-sized companies are painfully aware of the fact that they need DX to survive. We want to produce results with such medium-sized companies at an early stage, before focusing on municipalities, where it may take a little longer for demand to materialize.

We understand that it is not realistic to provide comprehensive solutions for all industries. Our idea is to determine priority areas and offer packaged

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services and solutions provided by partners in these areas. We are currently working to organize the customer bases and product portfolios of the companies that have joined FJJ to create a business portfolio that enables FJJ to create synergies.

*1 Infrastructure as a Service: A cloud service that enables flexible use of virtual servers, storage, and other computing resources when needed
*2 Software as a Service: A cloud service that allows users to use a variety of software when needed, without the need to own or create their own network

Q **Please tell us about the progress of the integration process since the launch of FJJ in October 2020.**

A We have a lot of work to do, such as building our business portfolio, integrating our internal management systems including order and supply, and integrating our human resources development and evaluation systems. This is not surprising since the former Fujitsu business unit in charge of municipalities, education and healthcare, and eight former Fujitsu subsidiaries have been united under the umbrella of FJJ. I believe that my mission as president is to create an organization where our 12,000 employees with different backgrounds can feel comfortable as a member of FJJ. To achieve this, FJJ must create and present its own vision. We also need to make it clear to our employees what they need to do to realize this vision and what kind of efforts we expect from them.

Q **What is FJJ's unique vision and what employee evaluation system do you use to realize it?**

A FJJ's vision is to support medium-sized companies and communities in solving their problems, and to revitalize them through DX. To share this vision with our employees, we introduced an evaluation system based on their contribution to problem solving. We also classified both business producers and system engineers as profit centers, and designed our management system accordingly. Customer relationship management (CRM) data also shows that employees are changing their mindsets and are more active in making proposals to solve problems rather than just acquiring immediate orders from customers.

Q **What are FJJ's goals?**

A Achieving the Fujitsu Group's financial targets will require us to aim for an operating profit margin of 10% for FJJ on a non-consolidated basis in the fiscal year ending March 31, 2023. However, this is not our final goal. Our mission and final goal is to solve the problems of Japan's local communities and to be a leader in DX for FJJ's tens of thousands of customers. In this way, we aim to achieve growth and increase profits.

Interview with the Head of Japan Global Gateway

Q **Please tell us about the role of Japan Global Gateway (JGG).**

A JGG is a group of engineering specialists who are the backbone of the Group's IT service delivery. In cooperation with the Global Delivery Centers (GDCs), these specialists function as the execution force for the design, manufacturing, and testing of IT services, as well as the operation and maintenance of systems.

The initial goal of JGG was to expand the use of the GDCs in software development and system integration work. It had a relatively limited role as an intermediary responsible for the standardization of tasks between Japanese engineers and the GDCs. However, JGG now has the much larger mission to build a new service delivery model, and the scope is expanding.

Q **Can you tell us more about the enlarged scope? What do you mean by "building a new service delivery model"?**

A The Group's domestic business has traditionally been centered on the development and operation of custom-made IT systems for each customer company. This means, for example, that the architecture selection processes, the quality assurance system, the system for training and enhancing the skills of engineers, and the management structure have been developed in accordance with the conventional business model. Establishing a service delivery

model means structurally reforming the existing system to fit the new delivery model.

When we delve into the domestic business strategy of expanding shared services, we find that not only do we need to unify the "what," the content of the service, but we also need to unify the "how," the structure that enables the service. Based on this recognition, structural reform of service delivery was also brought within JGG's scope.

The structural reform of service delivery involves the consolidation of human resources as well as the consolidation and standardization of services. Up to now, services were provided in a vertical structure by each business group, but with this structural reform, organizational barriers have been removed and the services have been consolidated into JGG.

Q **What is the current state of progress with the role assigned to JGG?**

A First, we are steadily expanding the use of the GDCs. As of July 2021, the number of GDC employees engaged in IT services for the Japanese market had already doubled compared with the same period last year. The number of engineers working on services for Japan at the GDCs is also expected to expand to approximately 9,000 by the end of the fiscal year ending March 31, 2023, compared with an annual average of 3,000 until last year.

Second, we are building a new service delivery model, working on specific initiatives in accordance

"The top-down approach to promoting change is fostering an energy that is clearly different from that of our reforms in the past."

Katsuhiro Uramoto
Corporate Executive Officer
Head of Japan Global Gateway

with the annual plan and milestones approved by the JGG Steering Committee, which includes COO Hidenori Furuta, Senior Executive Vice President and Head of Japan Region Masaki Kubota, and Corporate Executive Officer SEVP, Head of Global Solutions Business Megumi Shimazu.

Q **If JGG's role has expanded, has the staffing structure also changed?**

A JGG started with 40 employees in November 2020. As of October 2021, we had 3,800 engineers, including engineers who belonged to the business groups of Fujitsu's head office and engineers from system integration subsidiaries that were integrated into Fujitsu's head office as a result of the strategic group formation reorganization. The number of employees is expected to increase to approximately 7,000 by April 2022.

Q **If the scope of JGG changes and the domestic structure is enhanced to such an extent, is there not a possibility that the initial objective of expanding the use of the GDCs will be given less priority?**

A I don't mean to diminish the use of the GDCs at all. Contributing to improving productivity in the services business is a priority for JGG, and we are currently increasing our hiring, especially in India and the Philippines, to achieve our goal of having 9,000 employees at the GDCs by the end of the fiscal year ending March 31, 2023. In terms of profit contribution,

we have set a target of raising profits by ¥20 billion from the fiscal year ending March 31, 2023, compared with the fiscal year ended March 31, 2021, by combining JGG, FJJ, and the reorganization of the overall Group formation.

Q **The standardization of services the Fujitsu Group has been working on over the past few years is growing rapidly under JGG. What are the reasons for this?**

A I think the biggest factor is the commitment of the management team to this reform. The management has directly shared the message within the Group that this structural reform is an indispensable measure for creating the future of Fujitsu. As a result, senior managers with the same aspirations and awareness are gathering at JGG. This top-down approach to promoting change is fostering an energy that is clearly different from that of our reforms in the past.

In addition, I would like to mention two points regarding the perspective of these measures. First, we have standardized design, development, and testing operations to a different level than before. Second, we have created a pool of talent around a system that we have named the "shared service model."

Regarding the first point, we subdivided the series of tasks into smaller ones and thoroughly clarified them. If we eliminate ambiguity in the tasks, the members of the GDCs who are not familiar with the culture of Japanese IT services, and therefore not

proficient in "reading between the lines" of IT development, would be able to clearly understand what needs to be done and to what extent. This is also helping us to visualize project progress management.

As for the second point, the "shared service model," Japanese engineers from JGG and engineers from the GDCs are pooled together in pairs within the team to deliver services for SAP systems, for example, and to provide the same service to different customers. Compared to the traditional way of assigning GDC engineers to a specific customer or project, we become able to deliver service with great speed. From the customer's point of view, the advantage is that skilled members are assigned to the project, and the customer can always receive speedy service at a stable quality.

Q **Please tell us about JGG's future challenges and vision.**

A I am proud to say that JGG is a unit that is at the forefront of diversity and inclusion (D&I) in the Fujitsu Group. Japan is expected to face a shortage of IT talent by 2025, so promoting D&I is of the utmost importance. In addition to contributing to the growth of the Group, I want to pave the way for new practices in the IT sector by shaking up the old structure in which Japanese men were responsible for most of the IT service delivery in Japan, and accumulate best practices originating in Japan as a standard bearer of a new delivery model.

Message from the Head of Global Services Business Group

We will provide a global portfolio that integrates the most outstanding technologies and know-how of the Fujitsu Group globally to drive sustainable growth in the services business.

Tim White
Corporate Executive Officer
Head of Global Services Business Group, Global Solutions Business

The Global Head Office team, the Global Services Business Group, which was established in the fiscal year ended March 31, 2021, is building a global portfolio for the whole Fujitsu Group, while pulling together business strategies and investments across all regions. Our goal is to provide high-value-added services to our customers by consolidating the most outstanding technologies, know-how and resources of our Group on a global scale. We are currently developing the final details around the services that will make up our global portfolio and their deployment in each region, under Enterprise Infrastructure Services Solutions (EISS) and Enterprise Business Applications (EBAS), and we plan to start providing specific service offerings for customers from autumn 2021.

EISS will focus on services around Hybrid IT, Work Life Shift, Enterprise Cyber Security, and our Microsoft alliance to meet our customers' needs, including the migration from on-premise to cloud. In the area of Hybrid IT, for example, we are unifying the content and methods of services, while

leveraging the experience each region has in providing cloud solutions as well as expanding the use of our Global Delivery Centers (GDCs) in delivery. In addition, with our cybersecurity-related services, which have established a strong position in the Australian, Japanese, and UK markets, we are consolidating our know-how in our "Centers of Excellence" and strengthening reference functions in each region.

EBAS provides services related to the implementation and integration of SAP, ServiceNow, Salesforce, and Fujitsu applications, helping customers to enhance their workflow and data analysis while flexibly incorporating the partner ecosystem. With SAP, for example, we have an extensive track record of service in Japan, as well as in Asia and in parts of Europe, namely Finland. We also have a particularly strong client base in the manufacturing sector. Looking ahead, EBAS will focus on strengthening our service capabilities and developing our global portfolio by leveraging the experience and knowledge from our Japanese business, looking to expand to other regions

and across other industry sectors. With ServiceNow, which is achieving impressive results as a pillar of Fujitsu's IT service management in Northern & Western Europe (NWE), we plan to apply the know-how we have in Europe to Japan, anticipating the growth of this area in the Japanese market. We are also expanding ServiceNow to be a platform beyond IT service management and to address both employee and customer experience workflows.

I believe the development of global offerings will allow an increasingly efficient investment in service development, and will also help the Fujitsu Group enhance its competitive advantage. We will also review our go-to market and business approach accordingly with a view to increase shared services, contributing to Fujitsu's Groupwide transformation under Project Fujitra. By bringing together the strength, diversity, know-how and experience of all the members of the Global Services Business Group, I am confident we will drive sustainable growth by providing the best of Fujitsu to our customers across the globe.