The Fujitsu Group’s Organizational Restructuring

Strengthening the Solutions and Services Organization in Japan

Fujitsu Limited
COO & CTO
Hidenori Furuta
“Our Purpose is to make the world more sustainable by building trust in society through innovation”
Priority Issues in Achieving Our Purpose

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

1. Reinforcing data-driven management
2. DX talent development and productivity improvement
3. Full participation and ecosystem-based DX promotion
Strengthening the Services & Solutions Business

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

**Further enhance existing strengths**
A partner that grows together with our customers

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

**Pursuing global growth**
Global best practices

- Standardized solutions and services
- Concentrated on services focused on societal issues
- Overwhelming efficiency (speed x volume)
Creating a New Foundation for the Services Business

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

01 Reforming service delivery

- Global Resources
  - GDCs
  - Alliance partners

- SI Group Companies (restructured)
- Japan Global Gateway (newly-established)

Integrate

02 Enhancing sales unit for services in Japan

- Fujitsu Solutions Business
- Fujitsu Japan (newly-established)

Providing value to customers

*GDC: Global Delivery Center
Creating a New Foundation for the Services Business

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

- Achieve high productivity through focus on standardization and shift in global personnel
- Support customer management investments in IT for business expansion
- Bring together special skills spread within the Group to mobilize comprehensive strengths
- Improve earnings though greater efficiencies under the new SI structure
- Resolve Japan’s societal issues through digital technologies
- Establish the dominant position in the Japanese market

01 Reforming service delivery

02 Enhancing sales unit for services in Japan
Reforming Service Delivery
Fujitsu will establish a near-shore center for the Japanese market to organize and standardize the unique needs of each region or country for offshore development.

Management Direction Briefing July 2020
Acknowledging Current Issues

**IT Services Market**
- Shortage of IT engineers in Japan
- Unique structure of IT industry in Japan
- Further contributions to customers’ DX

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

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

Gap in sense of urgency between internal transformation and customers’ DX needs
Mission of Japan Global Gateway

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

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

For Growth
- New areas, such as DX and new business
- Shift toward high-level talent in DX area
- Standardized hybrid and agile organization
- Improving productivity and quality through use and development of global personnel

For Stability

- Global knowledge sharing
- Globalization
- Diversity
Scope of Services and Functions/Roles

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

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

**Project-based model**
- Consolidate within JGG the project teams that plan the use of GDCs

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**Japan Global Gateway**

**GDCs in each country***

- Customized development
- SAP
- Infrastructure services/IaaS
- Customized AMS**

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*GDC : Global Delivery Center

**AMS : Application Managed Service
Consolidation of the Delivery Functions within the Fujitsu Group

To accelerate the transformation, we will first restructure Fujitsu’s SI companies.

- Restructuring of 15 SI companies in Fujitsu
- Consolidate each companies’ delivery functions in regional centers

For each business group, transfer development and operations services functions used by GDCs (Shared function/project-based organization)

Japan Global Gateway
Plan for 7,000-employee organization when fully operational
Restructuring of SI Companies: Transition to Date

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

**Organization of SE companies**

- **Period of establishing SE companies**
  - To cope with the sudden expansion of SI business, SE companies were established in each region throughout Japan.

- **Integration of companies and consolidation of functions**
  - Issues due to the fact that the company is subdivided become apparent, and reorganization is carried out to improve efficiency and strengthen the management system.

- **Bundled organization by industry**
  - Reformed structure to create a bundled organization along industry lines.

- **Enhancing core organization’s capabilities**
  - Building new service delivery organization to expand digital and global business.

**SI business environment**

- **Sudden business expansion**
  - Shortage of SE resources

- **Intensified competition with vendors from specialized industries**
  - Concentration of business in major urban areas

- **Shift toward services**
  - Enhance global capabilities

**New-Normal**
Restructuring of SI Companies: Objectives

**Enhance competitiveness**
by mobilizing comprehensive strengths

- Expand business by consolidating strengths and mobilizing the Fujitsu Group’s comprehensive strengths
- Enhance comprehensive strengths by activating organizational capabilities and resources

**Improve earnings**
generation through greater efficiencies

- Expand profitability by putting new SI organization in place and improving productivity
- Make corporate administration and management more efficient to reduce costs
Leverage Comprehensive Strengths to Enhance Offerings

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

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

** Provision of individual services **

Services business of each individual companies

- Fujitsu Limited (parent entity)
- Group company A
- Group company B

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

Concentrating business resources to further enhance existing services strengths

- High-end consulting
- Building systems
- Operational support

Higher level of trust
Strengthen specialization
Strengthen specialization

Total support throughout the lifecycles of customer systems
Leverage Comprehensive Strengths to Enhance Offerings

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

(Example) Enhancing cross-industry business through delivery integration

Each company had its own packaged solutions and delivery capabilities and provided individualized services

New areas, such as DX business and digital government business (local governments, healthcare, education x manufacturing, distribution)
Enhancing Sales Unit for Services in Japan

Full Launch of Fujitsu Japan
**Strengthening Issue Resolution Capability in Japan**

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

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**Fujitsu Japan Limited**

Optimizing Group Companies in Japan

- Abundant industry and operational know-how
- Business-centered proposals
- Cloud First

Notes:
- Management Direction Briefing July 2020
- Fujitsu Japan Limited Optimizing Group Companies in Japan
- Cloud First
- Launched October 1, 2020
Earlier than other countries, Japan is facing many of the issues that will ultimately face other advanced industrial nations. On top of that, because of restrictions in the form of laws, regulations, and norms in such fields as local government, healthcare, and education, little progress is being made in business transformation and digitization.

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

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

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

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

- Unified point of contact with customers
- Providing high-quality services to customers and areas we previously were unable to reach
- Providing one-stop service
- To Customers throughout Japan
- Transforming sales methods
- Addressing societal problems and actively expanding DX business
- Rebuilding relationships with partners
- From a focus on hardware to a focus on SI/solutions
Steps in the Establishment of Fujitsu Japan

**Step1**
- Launched October 1, 2020

**Fujitsu Japan**
- Fujitsu Marketing
- Fujitsu FIP
- Fujitsu SEs for private-sector businesses

**Step2**
- Integrated April 1, 2021

**Fujitsu Japan**
- Fujitsu Marketing
- Fujitsu FIP
- Fujitsu SEs for private-sector businesses
- JAPAN-BG (Sales・SEs)
- FSAS/FNETS
- Sales for Fujitsu Japan Market
- YFC、FJN、FYC、FOM

- Newly integrated organization and SE companies
Positioning of Fujitsu Japan

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

Target market

- Major Corporations and Financial Institutions (Global entities based in Japan)
- Central Government Agencies and Ministries, Social Infrastructure
- Japanese Market aside from the above areas (local governments, healthcare, education, other private sector businesses)
- Market Outside Japan

Fujitsu Group System

- Global Solutions Business
- Japan Region (Sales, SE)
- Fujitsu Japan
- 5 International Regions
Transforming Fujitsu’s Organizational Structure

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

Front-line Sales Group
(Divisions for 6 Areas)

- Branches
  - BP・SE
  - BP・SE
  - BP・SE

Integrate sales and SEs, organize by area

BP : Business Producer

Delivery Group

- Solutions Delivery Organization
- Solutions Promotion Organization
- Cross-Industry and DX Promotion Organization
- Partner Business Promotion Organization

Administration Office
(Adjustment functions to maximize overall company profits)

Corporate
(Administration, HR, Accounting)
Business Strategy

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

**Traditional IT Areas**

- Expand earnings of industry-specific business
  - Keep ahead of policy trends (secure competitive advantage)
  - Shift business from SI to packaged software

**Digital Business Areas**

- Accelerate cloud business and expand share
  - Shift to standardized and shared use clouds
  - Use AI to add high value to offerings
  - Encroach into areas of competitors/areas not yet reached

- Invest in growth areas
  - Offerings focused on addressing societal issues
  - Sales organizations to accelerate cross-industry approach
  - Validate and commercialize strategic areas

**Modernization/Cloud**

**DX**

**Business Strategy**

**Channel Strategy**

Transformation of partner business

- Shift business focus from hardware to SI/solutions business
- Market-driven “sales collaboration” and development of “new solutions” for partners’ areas
Toward the realization of Fujitsu’s Purpose

Make the world more sustainable by building trust in society through innovation
Meet FY22 management targets

Full launch of Fujitsu Japan
Resolve Japan’s societal issues using digital technologies

Integration and restructuring of Group SI companies
Integration of Group resources

Japan Global Gateway
Consolidate delivery capabilities
Utilization of global resources
Thorough standardization and high productivity

Providing value in traditional IT areas
Growth in digital business areas
Contribute to resolving societal issues

Provide optimal global solutions

Dominant services in Japan
Accelerate Execution of Growth Strategy

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

<table>
<thead>
<tr>
<th>Year</th>
<th>Legacy IT (Billions of yen)</th>
<th>Digital (DX, Modernization)</th>
<th>Technology Solutions Target</th>
<th>Operating Profit Margin</th>
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<td>2018</td>
<td>3,161.2</td>
<td>880 (28%)</td>
<td>4.4%</td>
<td>6.0%</td>
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<tr>
<td>2019</td>
<td>3,212.9</td>
<td>985 (31%)</td>
<td>10%</td>
<td>3,500 (CAGR 3%)</td>
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<tr>
<td>2022</td>
<td>3,500 (CAGR 3%)</td>
<td>1,300 (37%)</td>
<td>6.0%</td>
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(CAGR 3%)
FUJITSU

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