• My name is Hidenori Furuta, and I am the COO and CTO of Fujitsu.

• Thank you very much for taking time out of your busy schedules to participate in today’s briefing.

• The point of today’s briefing is to provide further specifics on a reorganization of the Fujitsu Group that was announced in a press release last month, on January 28, the same day we released our fiscal 2020 third quarter financial results. We would like to provide an explanation for the process and our thinking for achieving this reorganization in the context of acknowledging the issues we face at Fujitsu.
• First, I would like to describe the broad direction of the Fujitsu Group.

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

• Based on this Purpose, we are working to implement our management direction and business strategy.
As priority issues in achieving our Purpose, we put forth four points under the theme of value creation and three points under the theme of internal transformation in our Management Direction Briefing in May of last year.

Of these seven issues, for the second one, “Strengthening issue resolution capability in Japan,” we are optimizing the structure of our services organization in Japan and seeking to establish an overwhelming position in the Japanese market.

In addition, for the third of these issues, “Contributing to greater business stability,” we seek to provide high-quality and highly-trusted services as a partner supporting the success of customers’ businesses.

Today’s briefing on our reorganization will focus on the specific measures we have considered to address these two issues.
• Transformations on the part of society, companies, and individuals to cope with the “New Normal,” as well as advances in
digitization, are dramatically accelerating.

• In the next era, as well, in which the world will undergo further major changes, the Fujitsu Group seeks to further enhance
its existing strengths and, by pursuing further growth and efficiency, deliver services of even higher value that are
characteristic of Fujitsu.

• To quickly achieve these goals, we are positioning this series of measures to enhance the organization of our services
business as a very important initiative for Fujitsu.
Today I would like to talk about reforming service delivery and enhancing our sales unit for services in Japan as major topics in the moves we are executing, mainly in Japan, for Fujitsu’s solutions and services business.

By reorganizing our structure to integrate delivery and sales, these initiatives seek to move us out of our old services model and significantly reform the foundation of our services business, which represents Fujitsu’s core business.

What we are seeking to do is have our delivery capabilities, which have been supported by knowledge in our global operations and digital technologies, generate even higher value services, and have our sales capabilities, which have deep understanding of our customers, deliver that value to an even broader array of customers in Japan.

Through the success of our customers’ businesses, we seek to help resolve societal issues while having Fujitsu, as a partner that grows in tandem with our customers, achieve further growth.
• In terms of reforming our service delivery, the specific measures we are executing are consolidating our delivery capabilities in our Japan Global Gateway and, to accelerate that move, restructuring our system integration group companies in Japan.

• In addition, we will be enhancing our sales unit in Japan mainly through the full launch of Fujitsu Japan.

• I would now like to talk in greater detail about each of these two execution topics.
Reforming Service Delivery

• The first is reforming service delivery.
The highest priority measure for “contributing to greater business stability,” which remains one of our focus issues for achieving our purpose, is launching our Japan Global Gateway.
First, I would like to review the issues we have acknowledged that have led to this launch.

In relation to concerns about the so-called “2025 cliff,” in which there is expected to be a shortage of IT engineers in Japan, the use in Japan of personnel outside of Japan remains very low. At Fujitsu, as well, the use in Japan of our Global Delivery Centers has not progressed as much as we had hoped.

The unusual structure of the IT industry (such as the use of multi-tiered contracting) is also a factor behind this issue.

In addition, the attachment of Fujitsu employees to specific customers, where they are stuck working on customer-specific specifications with little opportunity for broader growth, has resulted in growing disparities in skills and knowledge—this is another unique aspect of the industry in Japan.

This is also making it difficult to allocate highly-skilled expert staff to work on customers’ digital transformation projects.

Moreover, in the process of establishing group companies or internal organizations, organizational silos have formed, resulting in such issues as functional overlaps between organizations and the dispersal of talent.

Despite efforts at internal reforms made to date, we acknowledge that there is still an insufficient sense of urgency and that Fujitsu still has room for growth in meeting its customers’ DX needs.
• The mission of this new organization is to respond to these sorts of issues, thoroughly standardize IT services, accelerate the use of global resources, transform the delivery model on a group level, and thereby optimize customer IT system investments.

• Through a service structure based on standardized hybrid agile development techniques, greater use of global personnel, and continued development of talent, we will deliver high levels of productivity, which will lead to a bold shift of personnel resources into growth areas such as DX.

• In addition, through these activities, we also aim to fulfill our major roles of global knowledge sharing, globalizing Fujitsu, and becoming a leader in diversity.

• We would also like to further deepen our collaboration with business partners in Japan in digital areas where growth is expected, while pursuing a more proactive strategy in markets with high added value.
We will move away from our previous process of utilizing the GDCs on a project-by-project basis, and instead provide IT services based on a shared services model standardized for each solution, in a unified structure with personnel around the globe.

We will provide two models for service delivery.

Under the shared services model, which will apply to system-wide functions, we will create shared services teams for each solution, who will be involved in projects from the planning phase, and will be responsible for end-to-end system development.

Under the project-specific model, we will move the project structure used in the Japan business group itself into the new organization, with the aim of expanding GDC utilization.

By expanding service delivery in this way, we will also massively expand GDC utilization from our Japanese businesses, leading to increased efficiency and profit margins for Fujitsu’s service business as a whole.
• The concentration of delivery functions will proceed in stages. We are planning to have it fully set up sometime after October, with about 7,000 employees.

• In order to accelerate the concentration of functionality, we will first implement the reorganization of SI Group companies.

• Under this policy, as of April 1, we will integrate 15 major SI Group companies in Japan into Fujitsu and Fujitsu Japan.

• When they are integrated, the organizations of each company will be maintained as they are as units within Fujitsu, but over the course of the next six months, their delivery functions will be moved to and concentrated in the Japan Global Gateway, beginning their activities as regional centers.
• The SI Group companies provided complete coverage of Japan for Fujitsu’s services business during its growth period, and they were established or made part of the Group based on their own histories as companies with unique strengths that are not present in Fujitsu itself.

• At the same time, however, as a result of each company focusing on its own strengths, the strengths of the Group as a whole have been dispersed, and the division of responsibilities between the various companies has not always necessarily been clear.

• Currently, the fact that each company is in a similar business category, focused on the SI business and the solutions business, has also become an issue.
In light of these circumstances, we are aiming for two major outcomes from this reorganization of Group companies.

The first is increased competitive capability by mobilizing our comprehensive strengths.

We will concentrate the insights and know-how in solutions that are spread throughout the Group, as well as the specialized techniques each company has, within Fujitsu (the parent company) and Fujitsu Japan.

In addition, by removing the barriers between Fujitsu (the parent company) and the Group companies, we will make the flow of resources smoother. We will reallocate personnel to put the right people in the right places, and create space for autonomous career development.

Next is improving earnings capability through greater efficiency.

We aim to increase the profit margins of our SI business by concentrating delivery functions within the Japan Global Gateway that previously were spread across various companies, as well as improve productivity by standardizing operations and eliminating overlapping investments, among other measures.

In addition, this will also contribute to the further stabilization of customer businesses by improving the quality of SI.
• By concentrating the strengths that were spread across the various companies, as well as concentrating business resources, we aim to increase investment efficiency, and provide services that are applicable around the world and solutions that are capable of resolving complex issues.

• As an example, we can look at the concentration of strengths in our security business.

• Our business is currently distributed across Fujitsu (the parent company) and a number of Group companies, based on loose collaboration. By concentrating business within Fujitsu (the parent company), however, we will create a structure capable of providing ongoing support across a customer’s security lifecycle.

• By further enhancing our strong points in important service areas where we are focusing our efforts, we will grow our overall business.
• Furthermore, using our comprehensive strengths, we will also strengthen our ability to support cross-industry businesses.

• Previously, Fujitsu, FJM, FIP, and the various SE companies all had separate packaged solutions and delivery functions and provided their own separate services for small and medium sized enterprises and for the public sector in various local regions in Japan.

• Now, by integrating delivery organizations from various Group companies, it will become possible for us to offer cross-industry and mixed solution delivery support for new fields, such as DX business and business related to digital government.
Next, I would like to touch on our second execution topic, enhancing our sales unit for services in Japan.
One of the issues we need to address to achieve our purpose is to strengthen our issue resolution capabilities in Japan, and our top policy priority in doing so is setting up Fujitsu Japan Limited.
Japan is a country that is facing issues that other developed nations are also confronting, including societal issues such as a falling birthrate and an aging population, natural disasters, and the fact that we are falling behind in the shift to digital.

In particular, industries that are closely connected to local regions, including local government, healthcare and medicine, and education, are restricted by Japanese laws, regulations, regional characteristics, and norms, leading to them falling behind in business transformation and digitalization.

There are still countless areas where essential services and solutions are not being delivered.

This desire to make Japan stronger and more prosperous through activities that resolve issues that are unique to Japan, and are rooted in local regions, is reflected in the “Japan” part of the name “Fujitsu Japan.”

We also have high expectations that we will take the lead among developed nations in resolving these societal issues, creating know-how and solutions that can serve as reference models around the world.
• The basic policy of Fujitsu Japan is to implement and achieve Fujitsu’s Purpose within Japan, using digital technology to resolve issues in Japanese society and securing a dominant position within the Japanese market with the aim of maximizing market share, revenue, and profits.

• First, we will continue to unify our points of contact with customers and concentrate our scattered product portfolios, providing one-stop solutions centered on Fujitsu offerings.

• Then we will provide high quality services and thoroughgoing support, including for customers and regions throughout the country where we have not previously been able to deliver services.

• In addition, by transforming our sales style and shifting our current sales personnel to business producers, we will create a structure that can strengthen our approaches to the DX business and to societal issues that we have not previously been able to address.

• Furthermore, for our partner (sales) businesses, we will shift our relative weight from our previous focus on product sales to a focus on SI and solution sales, rebuilding our relationships with our partners in accordance with this direction of change in our fundamental approach.
The establishment of Fujitsu Japan will take place in two stages.

We already launched Fujitsu Japan in October of last year, centered on the core of Fujitsu Marketing and Fujitsu FIP.

Now in April of this year, we will add the Sales and SE portions of the Japan business group, the sales units in FSAS and FNETS responsible for markets that are under the purview of Fujitsu Japan, and four SE companies, marking the full-scale launch.

By taking these steps, we are quickly reorganizing the relevant functions, creating space to thoroughly carry out administrative procedures such as switching over customer registrations, and thereby making it possible to smoothly set up this business.
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

- This is how we are positioning Fujitsu Japan within the Fujitsu Group. We are separating the market targeted by the Fujitsu parent entity, instituting a unified point of contact for each customer with Fujitsu Japan, and providing one-stop services for the delivery of solutions.

- The Fujitsu parent entity will be responsible for major corporations and financial institutions in Japan that have global operations, as well as central government customers and social infrastructure customers.

- Fujitsu Japan will be responsible for relatively large companies that just do business in Japan as well as small and medium-sized enterprises, local governments, healthcare, and educational institutions.

- To make Fujitsu an even stronger presence in Japan’s domestic market, we are optimizing our organization and building a structure that is able to flexibly and quickly respond to customer needs.
In addition, we are significantly reforming our structure and organization to enable us to better handle new business, such as cross-industry business and DX business.

First, we are implementing a major restructuring into three groups: the Front-line Sales Groups, the Delivery Groups, and the Solution Development Group.

For our Front-line Sales Groups, business producers (formerly known as “salespeople”), who are no longer organized by industry, and system engineers form unified groups that are divided into six areas across Japan, enabling them to make fast business decisions and develop business in accordance with each region’s characteristics.

Moreover, within the delivery group, we are establishing the Cross-Industry and DX Promotion Organization to accelerate business resolving societal issues.
• As the business strategy for Fujitsu Japan, we will expand business through both a business strategy focused on direct sales and through a channel strategy.

• In the areas of IT modernization and cloud business of the Digital Business Area, in addition to a shift toward standardized and shared-use clouds, we will add high value through such measures as the use of AI, and expand our cloud business, including by moving into the areas of competitors and areas that we have not yet penetrated.

• In addition in the DX area of the Digital Business Area, we will start by developing business based on offerings that address high-priority societal issues, and will actively invest in areas of future growth.

• In the traditional IT area, we will expand our earnings in industry-focused business by keeping ahead of policy trends and shifting from systems integration to packaged software.
Today I have explained about our execution topics and specific measures for enhancing our solutions and services business.

Rather than pursuing the mission of individual measures, these measures will be connected as a value chain for generating value for customers and society.

As the first step in this reorganization, we seek to establish a strong services organization in Japan.

Leveraging those strengths, we want to be able to provide optimal and uniform offerings to global customers, and greatly raise Fujitsu’s presence in the expanding digital market.

We will also work as one within the Fujitsu Group to achieve Fujitsu’s Purpose.
With these measures, we additionally seek to establish a common business platform that will greatly accelerate Fujitsu’s growth strategy.

As the direct effect on improved profits, primarily from cost efficiencies, we are expecting an improvement of approximately 20 billion yen in fiscal 2022 operating profit.

By leveraging this new organization and generating even larger ripple effects, we would like accelerate innovation and growth in our overall services business and bring greater clarity to the path toward achieving our management targets.

Fujitsu will continue its internal transformation and, through a variety of initiatives, we will seek to contribute to the resolution of societal issues and become an even more highly trusted company.

I ask for your continued support and understanding.

That concludes my presentation. Thank you for your attention.