Delivery Strategy

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Fujitsu Limited
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Megumi Shimazu
SEVP, Head of Global Technology Solutions

Joined Fujitsu Limited in 1987 as a systems engineer in charge of large-scale system integration projects, mainly for construction and major oil companies.

I moved to the United States in 2009 where I was engaged in a local system integration project for a Japanese customer. In 2011, I took responsibility in the development of packaged software for the private sector.

From 2015, as the Head of the Infrastructure Service Business, I implemented improvements to realize a stable profit profile.

In addition to the Infrastructure Service Business, I have been in charge of the Global Delivery and Japan Global Gateway (JGG) since 2021. In 2022, I moved to the UK to deploy further improvements in our Global Solutions/Service Delivery.
Today's agenda

I. Standardize delivery and improve productivity

- Expand consulting
- Develop strategic alliances
- Develop core technologies and improve business utilization and value delivered
- Develop and reskill employees
- Standardize delivery and improve productivity
- Expand modernization
- Stabilize and enhance quality and security

Focused Measures

- Revenue: 2 trillion yen
- Adjusted Operating Profit Margin: 15%

Shift to cloud

On cloud digital services that contribute to customer's transformation, centered on Fujitsu Uvance

On premise core services that ensure a safe and secure environment for customers

II. Modernization Knowledge Center

Customer Success / Regional Strategy

Realize Customers' Optimal Modernization

Use Fujitsu's unique strengths to create greater customer value by supporting their DX / GX while optimizing their existing assets.

Value to the customer

- Safe and Secure
- Total Support
- The Right Solution

Fujitsu's modernization services

- Safe and Secure
- Total Support
- The Right Solution

Fujitsu capabilities

- Transformation Partner (Ridgeline)
- Specialized function (Modernization Knowledge Center)
- Delivery structure (35,000 employees by FY2025)

* An excerpt from Medium-term Management Plan materials (May 24)
I. Standardize delivery and improve productivity

- GDC/JGG initiatives
Established JGG, Merged domestic group companies

Number of Employees in GDC/JGG

<table>
<thead>
<tr>
<th>Year</th>
<th>Number of Employees</th>
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<tbody>
<tr>
<td>2021</td>
<td>23,200 (18,500/4,700)</td>
</tr>
<tr>
<td>2022</td>
<td>30,000 (23,000/7,000)</td>
</tr>
<tr>
<td>2023</td>
<td>30,000/10,000</td>
</tr>
<tr>
<td>2025</td>
<td>40,000</td>
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*GDC/ Global Delivery Center
Offshore Center

*JGG/ Japan Global Gateway
Standardization/Automation/
Offshoring Promotion

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Profitability improvement Initiatives by GDC/JGG

- **Productivity/Quality Improvement**
  - Expansion of leveraging JGG (Standardization/Automation)

- **Utilization Rate Improvement**
  - Expansion of internal IT development
  - Shift from partner dependency

- **Capability expansion into growth area**
  - Expansion of Uvance capabilities
  - Outgrowing optimal hubs
    - Global Resource Management
    - Increased resiliency (Responding to Geopolitical Risks)

- **High Employee Engagement**
  - Skills shift towards growth areas
    - Expansion of Uvance capabilities
  - Offshoring from early stages supported by improved demand forecasting
  - Fujitsu Developers Platform
  - Shared Service
  - AI technology
  - Offshoring from early stages supported by improved demand forecasting
Promotion of standardization and automation through shared services

Shared Services

- Delivery Team (GDC/JGG)
- Custom Development
- SAP, SFDC ServiceNow
- Infrastructure IaaS
- Application Managed Service

Standardized development process, technology and deliverables

Fujitsu Developers Platform
Common platform for project management and development technology
Secure library environment/Improve management productivity/Improve development quality by early risk detection

Organization infrastructure for shared services

- OneCRM
- Resource Assignment System
- Knowledge Management Cycle

Offshoring from early phase leveraging shared services
Automated resource Management through Palantir
Accumulation and enhancement of practical knowledge in delivery

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Improvement of Quality, Productivity, and Utilization

Improve quality, productivity, and utilization rate by expanding insourcing, offshoring and, standardization/automation

**Insourcing**
- Accumulation of technical capabilities and delivery knowledge
- Cash out suppression
- Using real time data in project management and preemption of unprofitability

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<tr>
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<th>2022</th>
<th>2025</th>
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<tr>
<td></td>
<td>59%</td>
<td>64%</td>
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**Offshoring**
- Cost reduction due to difference in unit price
- Stable resource supply
- Promotion of global standardization

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<tr>
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<th>2022</th>
<th>2025</th>
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<tbody>
<tr>
<td></td>
<td>11%</td>
<td>18%</td>
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**JGG use** (Standardization/Automation)
- Improvement of insourcing rate and GDC utilization rate
- Investment optimization
- Optimal assignment of engineers
- Securing capabilities for growth areas

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<th>2025</th>
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<td></td>
<td>30%</td>
<td>45%</td>
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Delivery Capability Expansion into Growth Areas - GDC

**Employee ratio**

<table>
<thead>
<tr>
<th>Year</th>
<th>Ratio</th>
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<tbody>
<tr>
<td>2022</td>
<td>10%</td>
</tr>
<tr>
<td>2025</td>
<td>45%</td>
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**Resource Management Enhancement**
- Data-driven management that links demand, operation status, and skill map
- Enhancement plans jointly formulated and implemented by business units and corporate functions

**Reskilling**
- Establishment of a reskilling program
- Utilizing knowledge from Enable (Australia) which has ample delivery experience
- Collaboration with strategic partners in creating and implementing learning programs

**Employees Engagement**
- Engagement Score: 83 (compared to global benchmark +8)
- Human resource management across GDCs
- Active participation in SDGs community activities
- Promoting challenge by providing reskilling opportunities
II. Modernization Knowledge Center
What is Modernization?

Platforms and application frameworks that make the most of valuable application assets of the client's system change and modernize architectures, transforming them into optimal IT infrastructures such as cloud systems.

Approach combining Fujitsu's capabilities

01 Visualization of operations and assets
02 Overall design framework
03 Comprehensive information systems streamlining
04 Modernization

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<tr>
<th>Process</th>
<th>Description</th>
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<tbody>
<tr>
<td>01</td>
<td>Visualization of operations and assets</td>
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<tr>
<td>02</td>
<td>Overall design framework</td>
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<td>04</td>
<td>Modernization</td>
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DX/GX – Uvance – Rebuild
- Rewrite
- Rehost

Leverage client’s system assets to achieve scalability, innovation, and cost efficiency.

Client’s System Assets
- Application assets
- Data assets
- Mainframe, UNIX, office computers, and on-premises open systems
- Architecture obsolescence, end of support, and out of sales issues

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Modernization Market

Japan Market

- As the “2025 Digital Cliff” identified by Japan’s Ministry of Economy, Trade and Industry DX Report approaches, the demand for modernizing existing information systems (modernization) increases as clients take the lead in DX initiatives.
- Accelerate the shift from legacy systems such as mainframes and on-premises open server systems to the cloud.
- Modernization’s market size will grow through 2026 in line with the growth in cloud adoption.

Expansion of modernization and On-Cloud (DX) business that will exceed the expected scaling down of mainframes and UNIX servers.

Source: Estimated by Fujitsu based on data from each research company.
Accumulated experience in customer business and systems over many years

Knowledge accumulation Through CoE function

- Deal, technical support
- Knowledge gathering and deployment
- Methods and tool improvement
- Providing global modernization tool "PROGRESSION" in Japan
- Following up the status of implementation of modernization of client systems
- Promotion of co-creation with strategic alliance partners
Contribute to GM +1%/year improvement through GDC/JGG and Modernization initiatives
Thank you