

## Summary Translation of Question & Answer Session at ESG Briefing for Analysts

Date: March 28, 2022  
Location: Live-streamed from Fujitsu Headquarters, Tokyo  
Presenters: Yumiko Kajiwara, EVP and Chief Sustainability Officer  
Hiroki Hiramatsu, EVP and Chief Human Resources Officer

### **Questioner A**

*Q1: You talked about KPIs for numerical values regarding diversity and employee engagement, but how do you plan to publicly announce your progress in the future? For example, will you do it once a year when you announce your earnings or in an ESG briefing? Please tell us how you will share your progress.*

**A1 (Kajiwara):** We will disclose it once a year as data on our financial and non-financial indicators. Or, for example, CEO Tokita could announce our progress from time to time throughout the year at the time of our earnings announcements. Currently we are disclosing it every year in our integrated report.

### **Questioner B**

*Q1: I would like to ask about Fujitsu's HR strategy. I think you have extensive training programs, such as for business producer transformation and career ownership, but how are you measuring the effectiveness of the programs you are emphasizing? You mentioned that you are already implementing a transformation program for 8,000 business producers, but, rather than just being about the number of employees, I believe the quality is also important. You also mentioned that you have certified 32 engineers in your Global Fujitsu Distinguished Engineer program, but, from an outside perspective, how should we evaluate this? In addition, there was talk this month of a resource shift, and I would also like you to talk about how much progress you have made at this point toward your ultimate goals.*

**A1 (Hiramatsu):** Regarding KPIs for various training programs, because there is not just one indicator that would give us a view of the effectiveness of everything, we believe we need to take a multifaceted look at progress and KPIs. For example, regarding our career ownership program, an increase in the number of applicants to posted jobs would likely be one KPI. In addition, for topics in the engagement survey, if we can find a metric that corresponds with an increase in career ownership, that would be another KPI. Regarding business producers, as you point out, the 8,000 number just tells us how many people complete the training program. If the skills of business producers increase and we can confirm it based on their job performance, we will work to continuously increase the number of business producers. Ordinarily, we would look to see whether our DX business is increasing, but this is an issue for the future. Regarding the FDE program, as well, the engineers have just become certified, and we want to see how we can mobilize their abilities to the maximum extent, what impact they have internally, and whether the program helps us to recruit engineers from outside. We want to think about appropriate KPIs for these areas. Regarding the overall level of sufficiency in our portfolio of human resources because of the resource shift we implemented, we are not yet at the point at which I can answer

you specifically. We have launched the new Fujitsu Uvance business brand, and in the course of business discussions over the medium term, we will address such issues as whether our capabilities are insufficient, or whether we need to foster the development of capabilities. We are now at the stage at which we are formulating the portfolio of human resources we will need as we move forward with Fujitsu Uvance.

*Q2: I would like to ask about your use of the job-based human resources system. You also talked about expanding your job postings, but I would like to know where Fujitsu stands at the current time. Is your main objective to increase the mobility of your internal human resources, or is your main objective to recruit talented people from outside? In recruiting people from outside, in what ways do these outside people view Fujitsu as being attractive, or what issues have emerged? Please tell us what kinds of responses you have received.*

**A2 (Hiramatsu):** In senior management, we have appointed outside personnel to important positions. We feel that, when that kind of outside talent is inserted into internal teams, it can have a variety of positive impacts throughout the company. In changing to become a DX company, there is a company-wide recognition that we need to bring in a lot of outside capabilities, or we will not be able to quickly expand. We have heard from a lot of front-line units that they want to move ahead with mid-career outside hires as well as internal job postings. Up until now, we had not made many mid-career hires, so when we were trying to recruit people, front-line executives came to realize that, unless they could make a good case for growth opportunities and fulfilling work within their units, or if they failed to present a compelling future vision of the unit, they would not be able to hire the necessary talent. I think that this is an important step, and I want my unit to provide support for Fujitsu to be able to deal with this. I want us to actively move ahead with outside hires and not just internal job postings.

### **Questioner C**

*Q1: Regarding your announcement the other day that 3,000 manager-class employees retired, how is this number being evaluated? Of the 15,000 manager-class group employees in Japan, about 20% is leaving the company, but is this number more or less than you anticipated? In addition, how is the impact on the continuity of Fujitsu's work being evaluated? Lastly, by how much will your overhead costs be reduced?*

**A1 (Hiramatsu):** In the past, this kind of measure was implemented for limited groups within the company, such as units whose business was struggling, or indirect administrative units. This time, for Fujitsu to transform into a DX company, while there is a need for reskilling of employees and for them to take on the challenge of changes in their work, it was also an opportunity for them to think about diversifying their careers, so we temporarily expanded the existing "Self-Produce Support System," a system to support employees seeking career course redirection outside of the Fujitsu Group. We did not have any particular number of employees in mind. It is true that 3,000 employees is a large number. Another way of viewing it, however, is that this was the number of employees who wanted to take advantage of the "Self-Produce Support System" to think about changing their careers. 3,000 people raised their hands, and so going forward, business unit managers are saying that work productivity will increase, and that, by implementing digital transformation, unit operations will become more efficient. In addition, because manager-class employees raised their hands, it will lead to opportunities for the next

generation to be able to take on the challenges of new jobs, making it a measure that will bring greater dynamism to both individuals and the organization as a whole. Regarding reductions in overhead costs, although 3,000 people raised their hands, we are thinking we may need to expand the number of mid-career outside hires in some areas. Therefore, for that reason as well, I cannot give you a simple answer on what the specific amount of cost reduction will be. While we did not implement this measure solely to reduce the cost, we will continue to pursue improvement in our operational efficiencies without negatively affecting our business.

*Q2: In the spring wage negotiations, what kind of discussions did you have with the labor union about implementing the job-based human resources system for ordinary employees? Please think back and give us your evaluation. In addition, for such positions as business producers, I expect that some employees felt there was a considerable mismatch, so are you thinking of expanding the “Self-Produce Support System” to ordinary employees? Please tell us whether you are thinking that your moves to replace employees and promote employee job mobility should be highly evaluated.*

**A2 (Hiramatsu):** During the spring wage negotiations, I think we were able to have good discussions with the labor union about implementing the job-based human resources system for ordinary employees. We had already implemented it for manager-class employees in April of 2020, so there was already some degree of understanding about it among ordinary employees. There are some employees who are apprehensive about the switch to the job-based human resources system, but the company has also been working hard on employee career formation efforts and reskilling as measures to promote new opportunities and growth for employees in order to try to eliminate that apprehension, and we have been able to convey to the labor union that it is a step forward in terms of new challenges and that they should work together with management on this. The transformation from sales to business producers is also an example of this, but I think there will be many more examples in the future in which changes in business lead to changes in the skills needed. There naturally will be mismatches because of this, but we have prepared reskilling programs and training programs for different types of work, and we want to provide the maximum support for employees raising their skills through these programs and taking on the challenges of new jobs. With changes in our business will come reassignments and reskilling, and we want employees to think about their own careers and use the variety of options available to them to design their own careers. This will require continued efforts.

#### **Questioner D**

*Q1: To strengthen the likelihood of meeting the targets for your non-financial indicators, will incentives for meeting the targets be reflected in bonuses of manager-class employees?*

**A1 (Hiramatsu):** In the “balanced scorecard” system to evaluate VPs and above, in addition to financial indicators, we include three non-financial indicators in performance evaluations. These are the unit’s customer NPS, employee engagement, and the DX promotion index.

*Q2: Are targets relating to the environment included in your non-financial indicators?*

**A2 (Hiramatsu):** Regarding the environment, we are encouraging the inclusion of targets for enabling contributions in the category of innovations in one’s area of responsibility. If we can

create KPIs that can measure the environment digitally in the future, they would be important indicators that we could implement across the board.

*Q3: Currently, are the important indicators among your non-financial indicators mainly relating to human resources?*

**A3 (Hiramatsu):** Yes, that is correct.

*Q4: Over the medium- to long-term horizon, what are your thoughts regarding the number of employees and their skills? Currently, Technology Solutions has 110,000 employees. How will that change in 3-5 years? From the perspective of the balance of age groups and skills, how are you thinking to change your human resources?*

**A4 (Hiramatsu):** Over the medium- to long-term horizon, Fujitsu will be focused on the Uvance business areas. Accordingly, over the medium- to long-term horizon we will think about our business plans and portfolio of human resources in conjunction with Uvance. Because this is a big change in our business, we think we need to carefully consider what organizational structure and human resources will be most appropriate for Uvance, including M&A activity. Regarding age groups and the number of employees, in terms of the composition of our workforce, we have come to realize that the biggest proportion is in the low- to mid-50s age group, and a lower number of mid-level employees is an issue for us. In a position-based human resources system, however, age is irrelevant, and the premise is that the people with the right skills and experience for the position will perform the best. Building a hiring system that enables us to quickly assign personnel, whether from inside or outside, is one of our current challenges.

*Q5: Regarding the current number of 110,000 employees, do you think you can generate further efficiencies?*

**A5 (Hiramatsu):** We will generate efficiencies where we can. For the Uvance business model, we have a very considerable shortage of talent in the consulting field, and we also have shortages in areas pursuing cutting-edge technologies. At this time I cannot say whether 110,000 employees is a lot or too little.

### **Questioner E**

*Q1: In implementing Purpose Carving, you said it started from the executive level and is expanding from there, but what proportion of total employees have implemented it? In addition, what are the specifics of your implementation, such as how long it will take?*

**A1 (Hiramatsu):** We started first in Japan, so regions outside Japan are a little behind, but this is a global initiative for all employees. I will have our public relations unit get back to you on the status of our progress. In terms of the roll-out, it started with top management, and we are working down from there, with people who have experience in Purpose Carving acting as facilitators, and we are holding workshops on writing one's purpose. The human resources unit is taking the lead in implementation, and rather than e-learning, this is implemented through dialogue, so I think it will take some time. We consider this to be a starting point for

transforming our culture to become a DX company, so I do not know how long it will take, but rather than emphasizing speed, we placing importance on dialogue and promoting understanding.

*Q2: It appears that your internal job posting system is functioning well, with many applicants for the number of positions you have sought to fill, but how were you able to create a culture in which employees raise their hands and make their own choices in building their careers? In addition, how are you thinking of evolving this system in the future? I think you have good training programs and support systems, but how will you further foster a culture in which employees raise their hands?*

**A2 (Hiramatsu):** It takes courage to take on the challenge of applying to the job posting system. When we wanted to greatly expand the system, at first I was concerned because the majority of employees were taking a wait-and-see attitude, even if they wanted to take on new challenges. Therefore, to demonstrate that the company was fully behind the idea of employees taking it upon themselves to go after job opportunities that are attractive to them, we first had all new managerial appointments posted, instead of having supervisors make nominations or recommendations. For an ordinary employee to become a manager makes a big impact on both the employee and the company, and since we posted all of those positions, employees came to understand that we were serious, and the number of applicants rose, and seeing more people around them want to take on these challenges, in turn, spurred even more people to get the courage to raise their hands. I am hoping this flow will further accelerate in the future.

#### **Questioner F**

*Q1: Recently, many companies have been emphasizing the indispensability of highly skilled personnel. Could you please tell us what differences your company has relative to your competitors in the same industry, such as NEC or NTT Data, or compared with companies like Accenture and Deloitte that have offices in Japan?*

**A1 (Hiramatsu):** I think the companies that are most attractive to highly-skilled technical personnel are the companies that will provide the greatest opportunity to employ their technical capabilities and room for growth. Therefore, while there are many companies that compete with Fujitsu, I think that the true appeal of Fujitsu and our unique characteristics are found in such areas as the urgency with which we are transforming into a DX company, and in the ability of high-skilled technical personnel to participate in creating value, alongside our front-line business producers and our systems engineering personnel, in a way that resolves issues in society, as stated in our purpose. We want to be able to attract the sort of high-skilled technical personnel who will empathize with those sorts of characteristics.

#### **Questioner G**

*Q1: In light of recent international events, some are taking the view that initiatives such as sustainability management and the SDGs should be shelved for the time being, or may need to be pushed back, but what are your thoughts on these issues?*

**A1 (Kajiwara):** It is true that among the various international situations recently, there have been those who have pointed out that even as we work to decarbonize, for example, CO<sub>2</sub>

emissions may end up increasing. In resolving these problems, however, we must aim for 2030 or 2050, and companies also understand that they cannot disregard these issues in their role as global citizens, or push them to the back of the queue. There are all sorts of problems, such as ensuring economic security, so there are definitely areas where this is not straightforward, but I feel that we need to have the intelligence, or the insight and sensitivity, to know where the balance is in those circumstances and move in an optimal direction, while also keeping an eye on the directions people are heading around the world.

*Q2: Will you be applying your job-based system to newly hired employees as well? There are companies who are applying their traditional membership-based systems to new hires, or using a mix of systems, but what is Fujitsu doing? In addition, will the job-based system apply to managers as well? This is a simple question about whether you will be able to train excellent managers with a job-based system.*

**A2 (Hiramatsu):** For those new hires who have the expertise and experience to be able to contribute to Fujitsu's businesses right away, they will be assigned to some sort of job from the beginning, and a Fujitsu Level will be applied based on that job, which will naturally mean that sometimes they will receive the same compensation as employees who have greater seniority. At the present moment, however, many new employees are considered trainees within Fujitsu, so rather than being assigned to a job, their compensation will be determined based on what job they will be doing after finishing their training, at which point the job-based system will apply. Looking forward, we feel that it would be beneficial, not just for the company, but for the recent college graduates as well, for there to be more graduates who can be immediately assigned to a job, and who can be expected to contribute to our businesses immediately, based on their experiences and learning in university or graduate school, so we would like to consider what can be done in this area in consultation with academic institutions, including discussions on topics such as how internships are handled. Moreover, with respect to your question about applying the job-based system to managers as well, we spoke earlier about the fact that for Fujitsu's management structure, we have assigned many outside personnel to positions at the level of Corporate Executive Officer or above, and executives are also naturally taking the lead in managing and implementing the job-based system, rather than the old membership system. As for the question of training managers, we are making the requirements for the various positions clearer than ever before through measures such as succession plans, talent management for management candidates, and training to develop next-generation management leaders. We also recognize that there are places where our efforts still fall short, so in addition to assigning the optimal person for the job, whether from inside or outside the company, we are also focusing on developing next-generation leaders and management training internally in parallel.

### **Questioner H**

*Q1: I understand you have implemented the Fujitsu Learning Experience program, and that you are working on reskilling your digital personnel. I believe the level of freedom has increased, as employees can study training content that interests them, unlike the previous position-based training system, and that learning methods have changed significantly. How do you view the results of this on-demand training model? I understand it may be difficult to share quantitative evaluations such as KPIs, but could you please give us a sense of how it is going, even if only qualitatively?*

**A1 (Hiramatsu):** We have made it possible for employees to take Udemy courses for free, so long as they sign up for a user account. We expected that users would primarily be in their 20s or 30s, but people in their 40s and 50s have also signed up on Udemy at similar rates, and are taking courses. The trainings based on job level that we had conducted previously were primarily provided to young and mid-career employees. I think this has led us to learn the extremely valuable fact that our employees have a mindset in which they want to learn, as well as to reflect that people have that desire without regard to age, even in their 40s and 50s, and that we were not sufficiently meeting that need. We are able to look at how long people are watching Udemy and Edge Talk videos for, and we look at that as a sort of KPI, but I think the most important question is whether people are using what they learn effectively in new careers or in their day-to-day work. We would like to revise the content and put some work into the presentation methods while evaluating effectiveness through interviews with managers.

*Q2: In the disclosure of non-financial information, there is a global trend toward also disclosing human capital information, in particular. Are there any areas of information relating to human capital that you have not previously disclosed, but that you are considering disclosing going forward?*

**A2 (Hiramatsu):** We have explained that Fujitsu's greatest management resource, and the source of customer value, is our employees. If we can conduct effective information disclosures relating to human capital, that will not only be useful in securing personnel but also in appealing to customers, so we would like to consider a variety of possibilities. As the executive in charge of HR, I think it would be great if we had data that could show that we have sufficient resources and capabilities to be trusted as a DX company, or if we had data that could show that we are improving in these areas, and I think it would be even better if we could publicize a reference model based on data analysis showing that non-financial indicators are extremely effective in pursuing DX, or which initiatives are effective in improving the various non-financial indicators.

*Q3: Your target for employee engagement for FY22 is 75, but what is the scale here? Is there some sort of international measurement index for engagement?*

**A3 (Hiramatsu):** We are looking at a comparison with the average of global companies that have adopted the system and index used in engagement surveys from Qualtrics, which is becoming a global standard. This is not an index unique to Fujitsu

**(Kajiwara):** We also disclose our non-financial indicators and our Global Responsible Business KPIs in our integrated report. Standards for information disclosure methods for non-financial indicators, which are in-demand around the world, are beginning to be established, but there are also parts that are changing from year to year. We are aware that we need to keep up with standardization trends and provide appropriate disclosure of non-financial information. We will be working to fill out our new integrated report while working internally to determine whether the information provided is sufficient or not from all sorts of perspectives, not just human capital. We have not yet reached a clear decision on what will be new for FY22, but we would like to disclose the many elements that we ought to disclose.

### **Questioner I**

***Q1:** Do you have a sense of whether your series of bold transformations to your personnel systems have increased your ability to recruit new graduates, or whether you have been able to secure those who are wavering between your company and a competitor? How do you think Fujitsu is being seen by young people?*

**A1 (Hiramatsu):** According to what I have heard from those in charge of graduate recruitment, I understand that the fact that we announced the Work Life Shift concept, which allowed employees to choose the time and place where they work, early in the COVID pandemic, and then implemented it quickly, has been positively received by students. It seems that this has increased the desire to work at Fujitsu among these students. I have also heard that people are saying the speed of our transformation into a DX company has been quite fast, and that they would like to transform with us. I think that over the past couple of years we have been able to strengthen our recruitment capabilities.

### **Questioner J**

***Q1:** You have said that the job-based system will be extended to general employees starting in April, but I think that means that there will be some amount of time where people who joined the company under the membership-based system and those who joined under the job-based system will be working alongside one another. Is it because of these circumstances that you are trying to shift all personnel to the job-based system? Also, could you please tell us more about the issues that became apparent when you initially implemented the job-based system in FY2020, and the effects of resolving those issues?*

**A1 (Hiramatsu):** The employees here now have worked under the previous HR system. We are working on a major company-wide shift to a job-based system, and while the basis for compensation and the way we think about careers are different under the job-based system versus a membership-based system, I am certain that all of the employees here now will be able to adjust to these differences. For this reason, we are shifting all employees to a job-based system at once, rather than just a portion, and we will fully provide all necessary training and support. There was some talk in our discussions with the labor union that some people would have uncertainties, or would not have the courage to take on this challenge, but these are things that lead to growth and a sense of worth in one's work for the people in question, so we are talking about labor and management working together to support them in gathering their courage to take this step. In terms of issues that came up, personnel mobility increases under a job-based system, and we needed to provide management that was suited to self-directed career formation for each individual, so the fact that we had not been using that sort of management style up to this point was a major realization, and is an issue we are facing. We had previously tried to convey to management that they needed to provide management that was suited to each individual employee, and we had been conducting management training, but we had not been able to break through with a sense of impending crisis to the point of changing management. Now, with the job-based system, as the mobility of personnel is increasing, I think we have a major opportunity in the fact that that all manager-class employees have realized that they will have to change. This is not included in the presentation materials, but we have started a program to promote the permeation of the job-based system aimed at manager-class employees, and a little under 20,000



manager-class employees have taken the course. They are realizing that they will have to change the way they themselves manage their employees.