

Media Briefing

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Fujitsu's Fully Participatory Digital Transformation Initiative:

~Japan originated DX with
management built on data and
front-line voices~

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CIO, Assistant Chief Digital
Transformation Officer

Corporate Executive Officer

Fujitsu Limited

福田 譲 Yuzuru Fukuda

- 1997 • Joined SAP Japan (enterprise sales; major chemical and petrochemical manufacturers)
- 2002 • Head of the second sales team for the process industry sector
- 2007 • Vice president, Head of the business process platform unit
- 2011 • VP, Head of the process and discreet industry sector unit
- 2013 • VP, Head of the sales administrative division
- 2014 • President and representative director
- 2020 • Resigned from role at SAP in March, joined Fujitsu in April

Graduated from the Waseda University School of Education (1997)

Completed RMDP program at INSEAD (2006)

Completed Advanced Management Seminar at Keio University Business School (2012)

Completed GRLP program at Waseda University Business School (2016)

Attended the 10th Ichiryu Associates Seminar (2018)

Outside Member of the Board for SHIFT Inc. (2018-19)

From Kashiwa, Chiba Prefecture

Interests: Good food, exploring history, skiing, swimming, driving, travel

Born January 30, 1975 in Aichi Prefecture, has two boys and one girl

Purpose: "To Empower Japan and the World!"



What is DX?

Ministry of Economy, Trade and Industry, DX Promotion Indices, July 2019

Digital transformation refers to companies responding to the dramatic changes in the business environment, using data and digital technology to transform their products, services, and business models based on the needs of customers and society, while also transforming their business processes and organization, as well as corporate culture and climate, and securing competitive preeminence.

DX = Digital + Transformation

DX Promotion Indices

Evaluation Indicators for Digital Management Transformation

Management Structures and Systems for Promoting DX

Framework for DX Promotion (Qualitative Indices)

- Vision
- Commitment by top management
- Systems
- Mindset and corporate culture
- Promotion and support structure
- Application to business
- Securing and training talent

Building the IT Systems That Will Become the Foundation for DX

Framework for Building IT Systems (Qualitative Indices)

IT Systems as a platform for achieving the vision

Sub-questions :
Elements needed from an IT system

Data usage

Overall optimization

Speed and agility

Governance and structures



Company-wide DX Project Kickoff in July 2020

Procedure of Company-wide DX Project

“Management” and “front-lines” working together to achieve transformation making maximum use of digital technology



Creating systems that will continuously carry out DX

- Making knowledge explicit/creating frameworks
- Not a transient need
- The goal is for projects to become unnecessary
- Think about and attempt a Japanese-style DX



Unified operation of

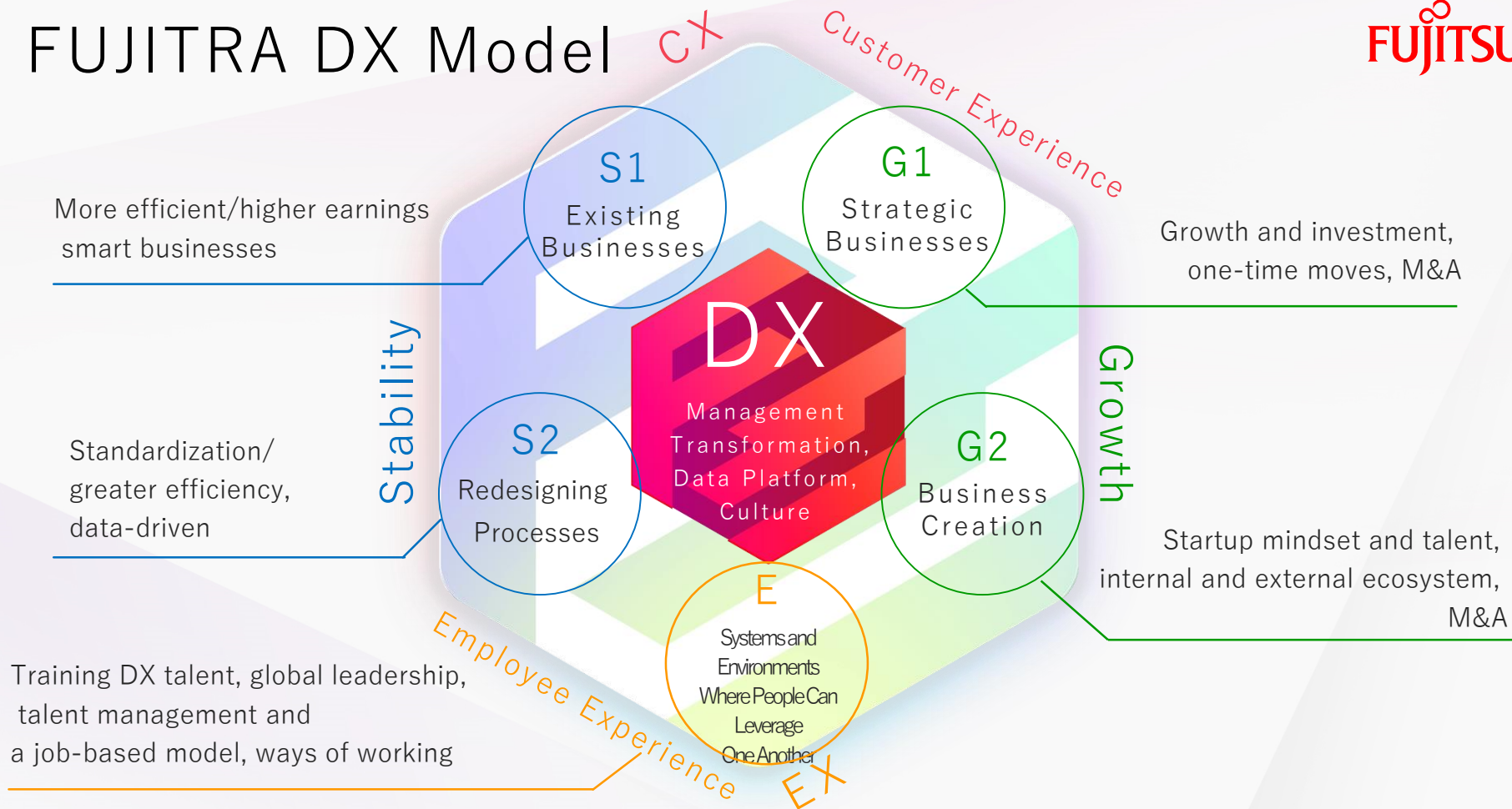
“management/business” and “IT/digital”

- Single control tower model for DX/IT
- Bi-directional loop of thinking “IT/digital technology as a tool” and “made possible by IT/digital technology”

Company-wide DX Project – Structure



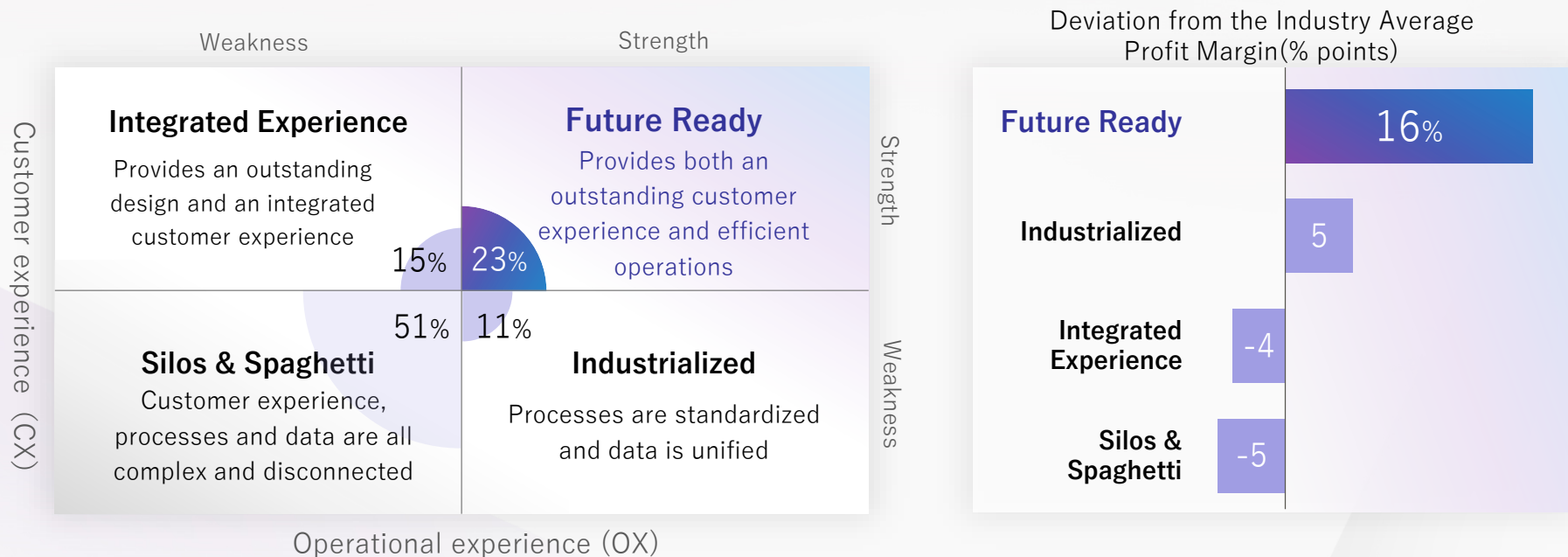
FUJITRA DX Model



Competitive Strength in the Digital Era (CX x OX)



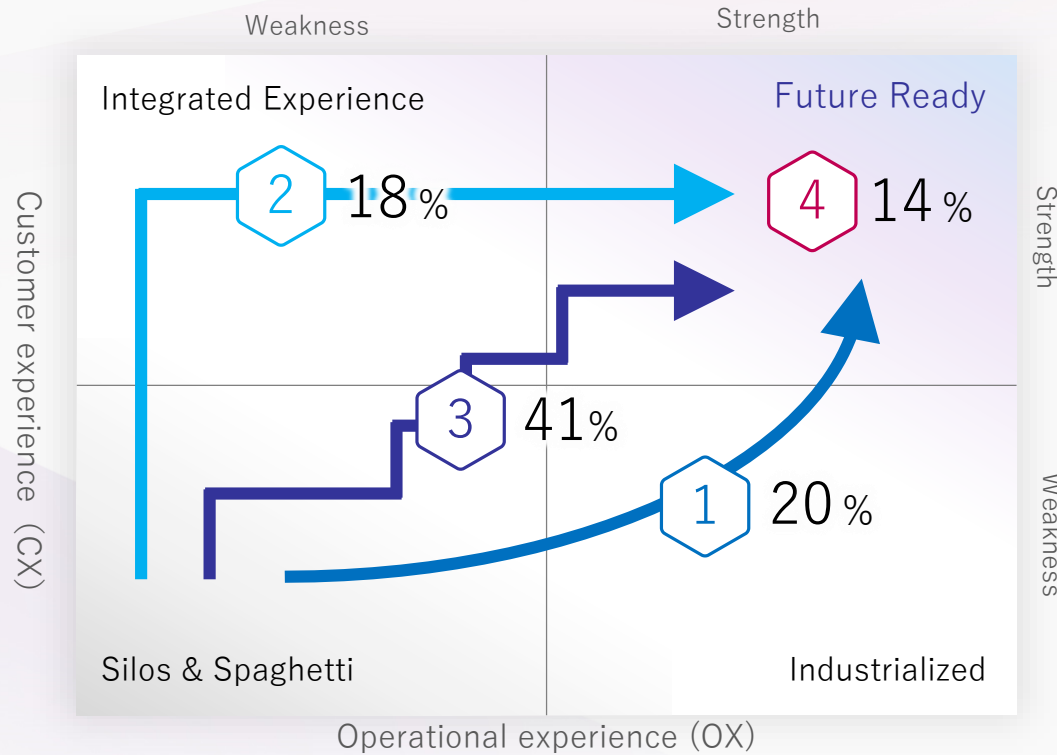
The relative quality of a company's customer experience (CX) and operational experience (OX) create significant differences in the company's profitability



Note: Customer experience is evaluated using factors such as omnichannel capability and net promoter score, operational experience is evaluated using factors such as degree of automation, productivity, API capabilities, and cost efficiency

Sources: MIT CISR "Digital Disruption Survey" (N=413), 2015, and executive interviews (N=50+), 2016, compiled by Ridgelinez

Competitive Strength in the Digital Era (CX x OX)



Four measures or paths to become a company with both outstanding customer experiences (CX) and outstanding operational experiences (OX) – Future Ready

Note: "Have not started" – 17%

Sources: MIT CISR "Digital Disruption Survey" (N=413), 2015, executive interviews (N=50+), 2016, and the MIT CISR "Digital Pathways Survey" (N=400), 2017, compiled by Ridgelinez

Fujitsu Transformation: Measures

CX / OX Transformation Route		Major Steps	Notes
1		Updating legacy systems while rethinking internal and external processes and connecting them digitally	One Fujitsu (Starting from One ERP) <ul style="list-style-type: none"> Becoming one Fujitsu at the global/Group-wide level Strategically using IT to unify sales and operations Beginning with mission-critical operations (ERP) and expanding to all operations Company-wide project led by the CEO Moving to data-driven management (Fujitsu Digital Twin)
2		Rapid improvement in customer experience	Rethinking the customer front-end VOICE Global Go-To-Market Reorganizing Group functions <ul style="list-style-type: none"> Unifying Sales and SE, creating business producers Including CX in key performance indicators Creating global organizations for manufacturing/logistics and finance/small business Conversion to global delivery Global Go-To-Market for strategic products Launch of Fujitsu Japan (Fujitsu, FJM, FSAS, FIP)
3		Important CX improvements, updating existing services and products, trialing and setting up new businesses and business models	Strengthening the co-creation business Finding new value delivery models M&A <ul style="list-style-type: none"> Reinvigorating the co-creation model using ecosystems Providing new value through new business models Created a new M&A unit Reorganizing our ecosystem framework (Fujitsu Accelerator, FUJIHACK, VC-collaborations, CVC, Fujitsu Laboratories)
4		Creating new business structures (internal startups) in a new environment	Established a new company, Ridgelinez <ul style="list-style-type: none"> Launched a company with new Fujitsu strategies, systems, processes, IT, etc. Actively hiring diverse talent (both CEO and COO are external talent) Trialing and implementing new ways of delivering value and new customer engagement models Trialing, providing feedback on, and modeling transformation measures for Fujitsu

DX Project Statements

Focusing on Cultural Transformation

Purpose driven

Open collaboration

Human centric
way to work

Customer experience

Data-driven
decision making

Giving it a try

Inclusion & Ownership

Re-Design future

First Penguin

DX Frameworks

Using existing methodologies and making them explicit knowledge



Creating Fujitsu's Digital Twin



Standardize global and group-wide management, business processes, data, and IT, and implement them in one function and one system. With standardized data, Fujitsu will create a digital twin to evolve its management and operations into a data-driven, forward-looking model.



**Begin with Enterprise Resource Planning (ERP),
implement Global Single-Instance ERP***

**The first Japanese company of this scale (4 trillion yen, 130,000 employees) to implement global single ERP*

A management project
(not an IT project)

Assigning
data & process owners
(DPOs)
directly under the CEO

Leverage **Palantir's**
data platform
(strategic collaboration)

➤ **Invest more than 100 billion JPY in Fujitsu's own DX, including this program**

Using IT (Methods) to Standardize Management and Operations (Goals)

Clarifying our goals and methods, **we will transform management, operations, and IT in a unified way**

By simultaneously planning and standardizing 7 cross-cutting elements, we will shift to data-driven management



Single Global ERP

The key to management in the digital era is accuracy, timeliness, and precision in the generation and use of data. Fujitsu Group will evolve into a data-driven company by globally standardizing management, operations, and IT.

Template Method Common to Many Japanese Companies (Deployment-based)

- IT projects are **supported** by management with **participation** from business units
- Tends to end up with ERP deployment (IT) as the goal
- Difficulty: Low to medium



Tendency for “similar but not identical” results
(IT projects)

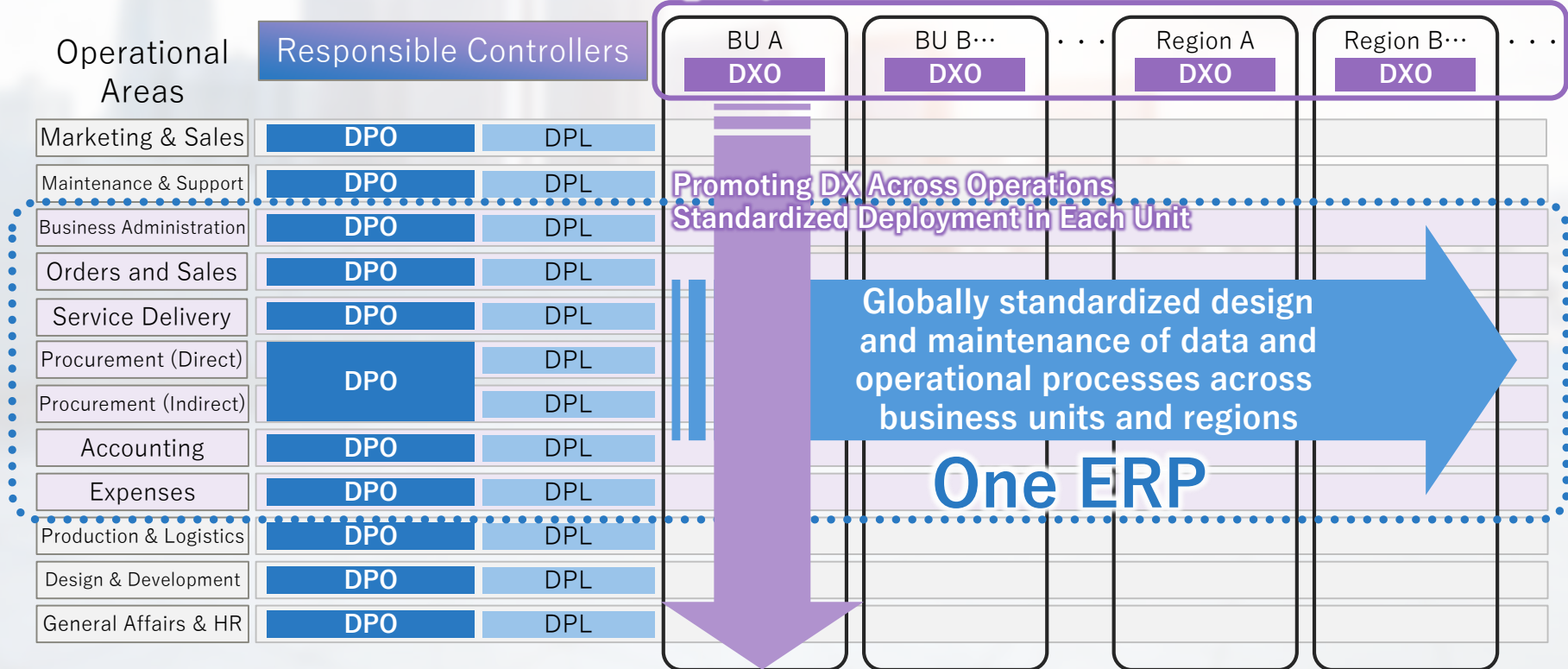
Global Single ERP (Convergence-based)

- Management/operations transformation projects, **led** by management, **focused** on business units
- ERP deployment is a method
- Difficulty: Extremely high



Establishing Company-wide Umbrella Organizations for Data and Operational Processes

Data and Process Owners (DPOs) will take responsibility for standardization across business units and regions, under the direction of the CEO



A hand is reaching up towards a hexagonal frame. Inside the frame, the word "VOICE" is written in large, white, sans-serif capital letters. The background is a chalkboard with faint, illegible chalk writing. Other hands are visible in the background, also reaching up.

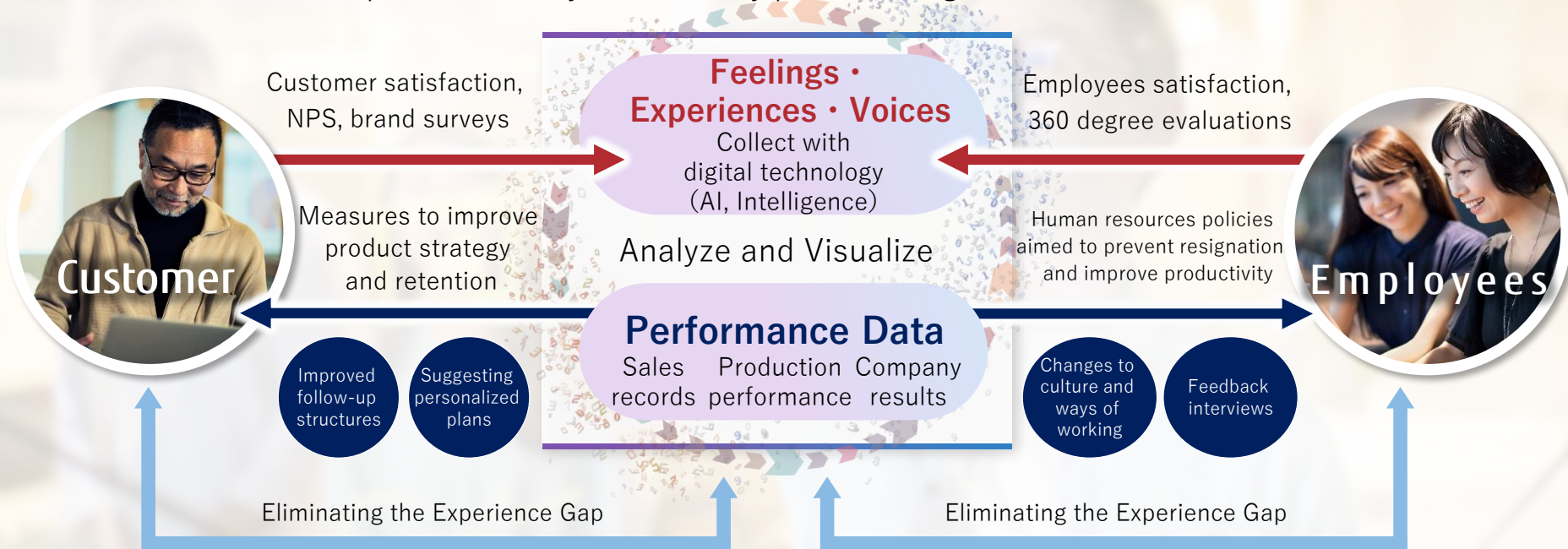
VOICE

VOICE Program

Based on the Voices of Customers and Employees



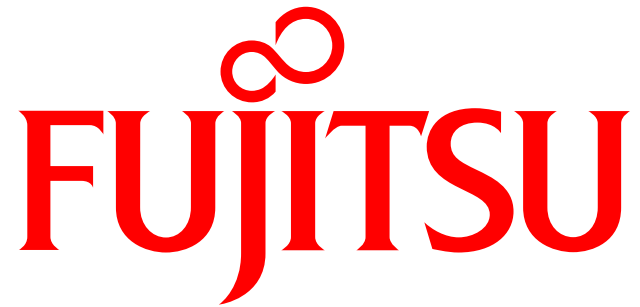
By intentionally and frequently obtaining vast amount of data including voices of customers and employees and combining with operational data, this program will enable the accurate understanding of the reasons why a phenomenon occurred (background and reasoning). We will take continuous action to identify issues, assess the cause and improve our ability to constantly predict changes.



Cautionary Statement

These materials may contain forward-looking statements that are based on management's current information, views and assumptions and involve known and unknown risks and uncertainties that could cause actual results, performance or events to differ materially from those expressed or implied in such statements. Actual results may differ materially from those projected or implied in the forward-looking statements due to, without limitation, the following factors listed below.

- General economic and market conditions in key markets (Particularly in Japan, Europe, North America, Oceania, and Asia, including China)
- Fluctuations in exchange rates or interest rates
- Fluctuations in capital markets
- Intensifying price competition
- Changes in market positioning due to competition in R&D
- Changes in the environment for the procurement of parts and components
- Changes in competitive relationships relating to collaborations, alliances and technical provisions
- Risks related to public regulations, public policy and tax matters
- Risks related to product or services defects
- Potential emergence of unprofitable projects
- Risks related to R&D investments, capital expenditures, business acquisitions, business restructuring, etc.
- Risks related to natural disasters and unforeseen events
- Changes in accounting policies



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