

## MESSAGE FROM A SENIOR EXECUTIVE VICE PRESIDENT

As a company that leads customers' digitization through the use of advanced digital technologies, we will leverage superior integration capabilities to co-create value with customers and sustain growth.

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SEVP, Head of Business Lines

SEVP, Head of Global Services Integration Business

Senior executive vice president Norihiko Taniguchi at  
FUJITSU Knowledge Integration Base PLY

### The Fujitsu Group's Advantages in Digital Businesses

In digital businesses, one of the Fujitsu Group's advantages is the insight we bring to customers' businesses and operations, accumulated as Japan's leading ICT service provider. Competence with regard to such leading-edge ICT as AI and cloud is, of course, a necessary condition, but that in itself is insufficient. What is critical to have is the conceptual ability to link ICT with customers' business strategies so as to advance true digital evolution that creates customers' future businesses. The expertise that we have garnered in customers' businesses and operations is an essential component of this conceptual ability.

In addition to this, the Group includes Fujitsu Laboratories, a research center that conducts basic research on ICT, with a long track record of developing hardware, middleware, software, and solutions from zero. As well as being critical for remaining at the forefront of digital technologies, these accumulated technological capabilities are an advantage when we need to adapt research results or technologies into forms that are useful to customers.

### Reorganization Aimed at Expansion of Digital Businesses

With a view to establishing competitive superiority in digital businesses, the Group needs to take maximum advantage of its integration capabilities, which comprise accumulated expertise and digital technologies. With this in mind, we are currently strengthening organizations and personnel skills

and transforming our business model. In other words, we are pursuing "growth strategy transformation."

As part of growth strategy transformation efforts, the Group has taken a series of reorganization measures over the past year. In November 2016, the Group merged three major domestic systems engineering subsidiaries with its headquarters. This brought together 14,000 systems engineers who provide customers with services at the leading-edge of digital businesses. In January 2017, within the Global Services Integration Business we established the Digital Transformation Business Group, which specializes in helping customers digitize their operations. Then in April, we launched the Global Cyber Security Business, which oversees the cyber security field for the entire Group.

### Transformation within the Group and Reinforcement of Integration Capabilities

Reorganization is only the beginning of growth strategy transformation. To further heighten our conceptual ability to link ICT with customers' business strategies, we are elevating collaboration among in-house divisions beyond previous levels and strengthening our integration capabilities. The key to the success of these initiatives is the above-mentioned Digital Transformation Business Group and its "digital innovators."

The role of digital innovators is to work with customers in considering issues and using digital technologies to co-create innovations. To advance digital innovation, digital innovators draw on a range of resources inside and outside the Group. Specifically, they form teams that include systems engineers

well versed in customers' operations; receive support from cyber security specialists, who have become more mobile with the establishment of the Global Cyber Security Business; utilize the results of research and development; and collaborate with external partners as required.

Attitudes to digital businesses have changed dramatically in the past couple of years not only among digital innovators but also among systems engineers and other Group employees. I believe this change reflects a growing realization among all Group employees that sustaining growth and becoming a corporate group with the ability to co-create value with customers and lead their digitization efforts through the use of advanced digital technologies are one and the same thing. The greatest testament to this change is the tangible intensification of open innovation activity—essential for digital businesses—at various sites. One such site is FUJITSU Knowledge Integration Base PLY,\* established for the advancement of co-creation.

\* A base established at Fujitsu Solution Square in Ota-ku, Tokyo, that regularly holds "ideathons" and "hackathons" with the aim of creating new ideas and software.

### Road to Higher Profitability

Digital businesses help increase profitability by creating more business opportunities. This is due to the fact that digital businesses cannot exist without data to underpin them or without systems to store, manage, and analyze this data, which means

that expanding digital businesses leads directly to more business opportunities related to the system development, construction, and operation field. In this field, the Fujitsu Group has an absolute advantage in terms of experience, technologies, and competitiveness, which are necessary to secure profitability. Therefore, as we establish a new business model, we will be able to increase profitability steadily.

The biggest hurdle to increasing profitability is overseas businesses. In fiscal 2016, focusing on Europe, we converted employees' skill sets. At this juncture, the benefits of this conversion are difficult to see because lower earnings are offsetting cost reductions that are resulting from the conversion. However, we envision raising profitability by leveraging employees' skill sets to provide more business application services, which are based on digital technologies.

Aiming to realize the above scenario in about two years, we are strengthening support for frontline operations that are tasked with engaging customers and expanding digital businesses in each region. Specifically, we are increasing the personnel and capabilities of Global Delivery Centers to reinforce them as hubs of digital technology know-how and best practices. Also, we will deepen external partnerships and continue enhancing solutions provision capabilities that are essential for the expansion of business application services.

### Global Matrix Organization

