

Human Capital Management in Fujitsu

October 12, 2023

Corporate Executive Officer
EVP CHRO

Hiroki Hiramatsu



FUJITSU



Agenda



1. **Concept of Human Capital Management (HCM)**
2. **Initiatives during the previous Mid-term Strategy Plan**
3. **FY23 Mid-term Strategy Plan and People Portfolio**
4. **Key measures**
5. **Our ambition**

1. Concept of Human Capital Management (HCM)

Co-creation and transformation with other companies



CHRO Roundtable 1st Season

March 2022. We chaired the CHRO Roundtable (series of 6 discussions) to advance HCM practice with external Japanese companies.

Participants: CHROs from **Panasonic Holdings, Marubeni, KDDI, and Omron**

April 2023. We published "CHRO Roundtable Report " as the output of the discussions.

The 2nd season has opened in July 2023 with new companies.



Fujitsu Limited
Corporate Executive Officer, EVP CHRO
Hiroki Hiramatsu



Panasonic Holdings Corporation
Executive Officer, Group CHRO
Shigeki Mishima



Marubeni Corporation
Executive Officer, Head of HR
Koji Kashima



KDDI Corporation
Executive Officer, Head of HR
Toru Shirowa



OMRON Corporation
Managing Executive Officer
Senior General Manager, Global Human
Resources and Administration HQ
Masahiko Tomita



Globis Corporation
Globis Corporate Education Managing Director
Keichiro Nishi (Joined as moderator)

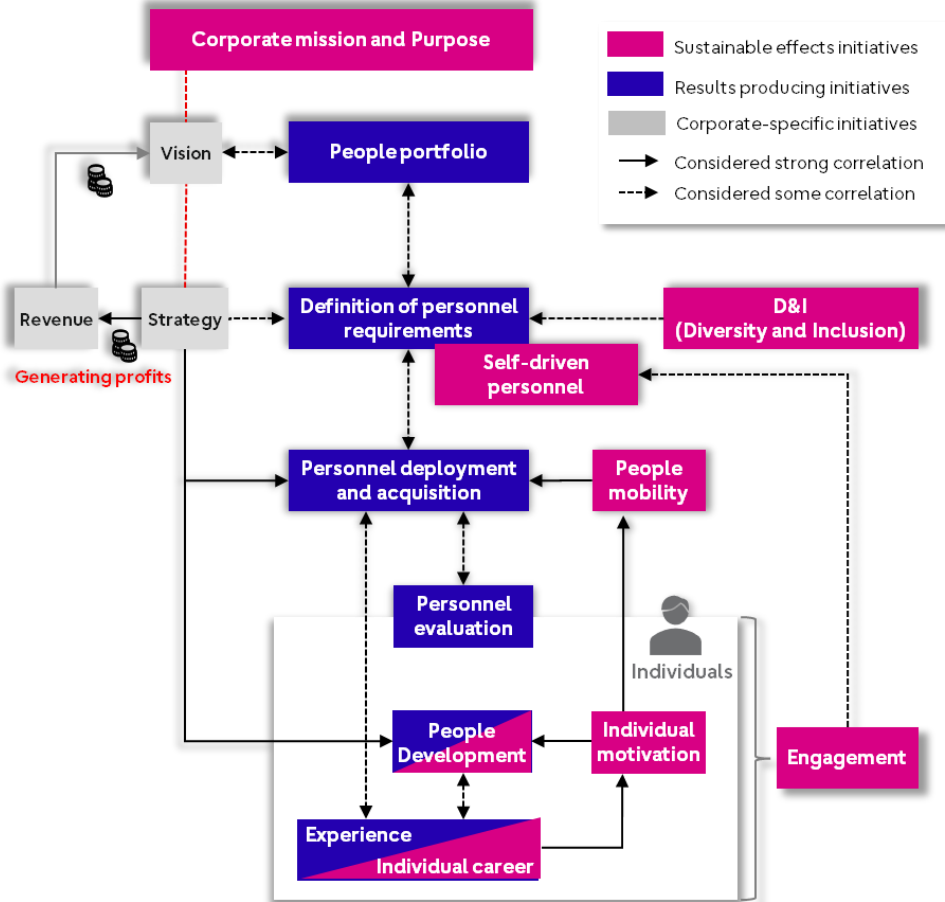
Themes in FY22

How should we put HCM in practice to increase corporate value?



▲ About CHRO Roundtable
powered by Fujitra news

Conceptual Framework for HCM: A Model for Improving Human Capital Value

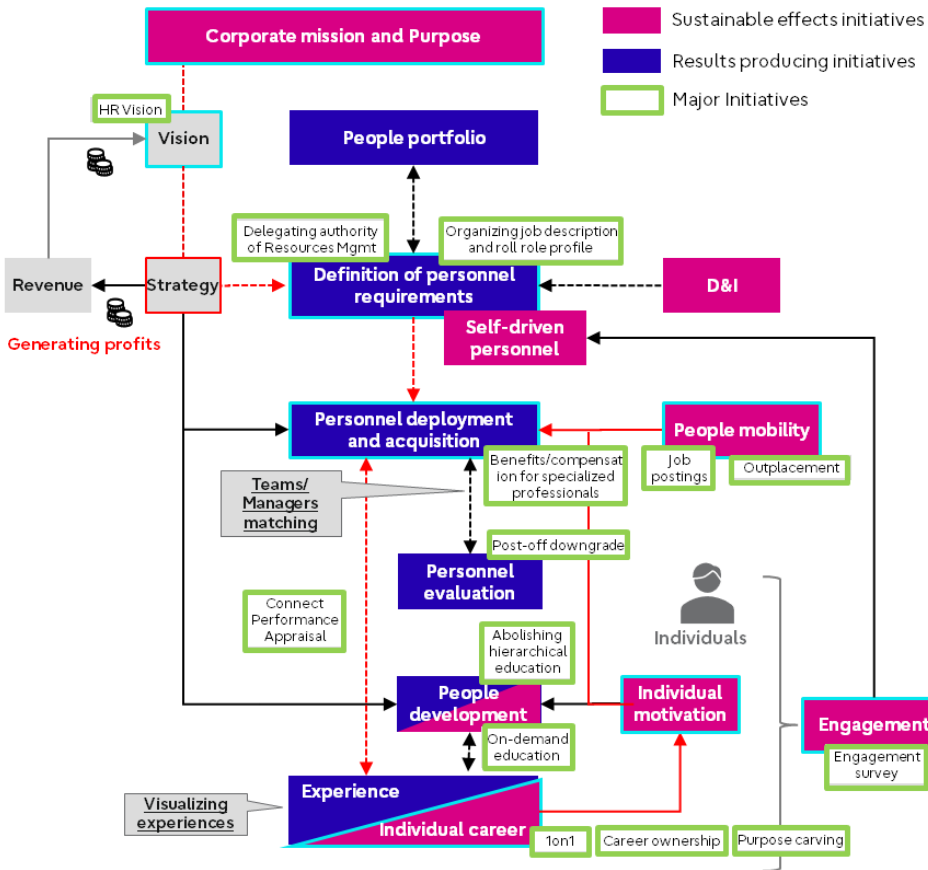


Enhancing corporate value through HCM practices and rethinking the narrative

- ✓ It is important to identify a consistent story that underpins how various HR initiatives are involved in the implementation of the strategy, as well as the company's own KPIs to support it, and to use them as indicators to advance our efforts.
- ✓ A single common framework called **Human Capital Value Enhancement Model** was developed to assess participant companies' human capital management.

What does this model explain?

- ✓ The model is comprised of two initiatives: **result-oriented initiatives** that contribute to business and strategic goals and **supporting initiatives** to sustain the results.
- ✓ Connection between initiatives are indicated by arrows. By putting the HR measures (related to HCM) that each company is working on into this model and reorganizing them, we can see the bigger picture and examine how each initiative contributes to the improvement of corporate value.



Story of Human Capital Management

1. Set Purpose and HR Vision to become DX Company
2. Shift to job-based HR management – “the right position to the right person.”
3. Develop vision, business portfolio, and People portfolio for next 3 years
4. In order to fulfill the resource gap, expanded our posting to enhance people mobility.
5. The compensation level increased to improve the competitiveness of talent acquisition.
6. As for the evaluation, introduced “Connect” globally, which evaluates the size of impact on purpose and vision.
7. Through purpose carving and one-on-one dialogue, Fujitsu’s purpose and vision has strong linkage with individual purpose.
8. Career ownership support measures are being expanded to foster self-led individuals
9. Setting employee engagement score as one of the Non-Financial indicators to measure our transformation

Correlation between human capital-related data and business performance

Opposite positive and negative correlations in sales, SE, and product

Absolute correlation coefficient : Positive correlation

↑ 0.7 or more ↑ 0.4 to 0.7

/ Negative correlation ↓ -0.7 or less ↓ -0.7 to -0.4

| | Indicator | Company | | | | Sales and SE | | | | Products | | | |
|---|---|---|------------------|----------------------------|---------------------------|-------------------|------------------|----------------------------|---------------------------|-------------------|------------------|----------------------------|---------------------------|
| | | Sales Growth rate | OPPL Growth rate | Sales per head Growth rate | OPPL per head Growth Rate | Sales Growth rate | OPPL Growth rate | Sales per head Growth rate | OPPL per head Growth Rate | Sales Growth rate | OPPL Growth rate | Sales per head Growth rate | OPPL per head Growth Rate |
| Constant for correlation with sense of satisfaction | fluidization | Posting Career Recruitment Rate (Indiv. Driven) [%] | ↑ | ↑ | ↑ | ↑ | | | | | ↑ | ↑ | ↑ |
| | DE&I | Female managers_ % | | ↑ | | | ↑ | | | | ↓ | | ↓ |
| | Self-led People/Org EE | degree of work discretion [point] | ↑ | | | | | | | | ↑ | | ↑ |
| | Self-led People/Org EE | degree of pride in working [point] | ↑ | | | | ↑ | | | | ↑ | | ↑ |
| | People development | Org Head _Globis Learning Time _ Per Person [h] | | ↑ | ↑ | ↑ | ↑ | ↑ | ↑ | ↑ | No data | | |
| | Talent defenition | JD creation correctness (Job Summary length %) | ↑ | | | | ↑ | | | | ↑ | | ↑ |
| | Self-led People/Org EE | Understanding of the change into DX company [point] | ↑ | | | | | | | | No data | | |
| | People portfolio | Successer Fulfillment Rate [%] | | ↑ | ↑ | ↑ | | ↑ | ↑ | ↑ | | | |
| | People fluidization | Number of post off people [people] | | | | | ↑ | ↑ | | | ↑ | | ↑ |
| | Self-led People/Org EE | degree of sense about using one's strengths [point] | | No data | | | | | | | ↑ | | ↑ |
| Self-led People/Org EE | Number of those with disabilities in organization [%] | | | | | | ↑ | ↑ | ↑ | | ↑ | | |
| Difficult to explain the correlation | People fluidization | Assignment Rate (Company) [%] | ↓ | ↓ | ↓ | ↓ | | | | | ↓ | ↓ | ↓ |
| | People fluidization | Entry and exit in organization | ↓ | ↓ | ↓ | ↓ | ↓ | | | | ↓ | ↓ | ↓ |
| | DE&I | Percentage of women [%] | ↓ | | | | | | | | ↓ | ↓ | ↓ |
| | Self-led People/Org EE | High stress judgment rate [%] | ↓ | | | ↑ | ↓ | | | | | | |
| | Self-led People/Org EE | overall health risk [point] | ↓ | ↑ | | | | ↑ | | | ↓ | ↓ | ↓ |
| | Self-led People/Org EE | support of colleagues [point] | ↑ | | ↓ | | | | ↓ | | ↓ | ↓ | ↓ |
| | Self-led People/Org EE | supervisor support [point] | ↓ | | | | | | | ↑ | ↑ | ↑ | ↑ |
| | Self-led People/Org EE | Org Head _Udemy Learning Time _ Per Person [h] | | | ↓ | ↓ | | ↓ | ↓ | ↓ | | | |
| | Self-led People/Org EE | Globis Learning Time _ Per Person [h] | ↑ | | ↓ | | ↑ | | | | ↑ | ↑ | ↑ |
| | People development | NetCampus Learning Time _ Per Person [h] | ↓ | | | | ↓ | | | | | ↑ | |
| | DE&I | own growth support [point] | | ↓ | | ↓ | | | | | | ↑ | |
| | Self-led People/Org EE | how rewarding the job is [point] | ↑ | ↓ | | ↓ | ↑ | | ↓ | ↑ | ↑ | ↑ | ↑ |
| | Self-led People/Org EE | contribution to Fujitsu's success [point] | ↑ | ↓ | | ↓ | ↑ | | | ↑ | ↑ | ↑ | ↑ |
| | Self-led People/Org EE | employee satisfaction with Mgr feedback [point] | | No data | | | ↑ | | ↑ | | | ↓ | |
| | Self-led People/Org EE | Working on purpose (ES Q31) | | | | | | | | | | | |
| | People fluidization | Number of Retirees by Organization [People] | | No data | | | ↑ | | | | | ↓ | ↓ |

2. Initiatives during the previous Mid-term Strategy Plan

HR Vision for the realization of our Purpose

As a sustainable company, the greatest management resource for providing value to society and the source of customer value is people.

We aim to build a team of multi-talented people that are highly engaged, realizing the wellbeing of each and every one of them, while sharing a common perspective and agility to solve the challenges of society and our customers, and creating innovation everywhere in society. To achieve this, we are promoting the creation of an organizational culture in which we can share our purpose and gather together in an agile manner to create innovation throughout society.

Purpose



Fujitsu HR Vision



Organizational design based on business strategy



1. Review of organization and position design based on business strategy
2. Clarification of responsibility authority and personnel requirements (Role Profile/ Job Description)

Job-based remuneration system to encourage challenges



1. Responsibility-based remuneration structure
2. Treatment for High-Level Professionals
3. Review of the evaluation system

Business unit-driven HR management



1. Review of Workforce planning
2. Post-off and downgrade
3. Significant expansion of posting system

Support for autonomous learning and growth



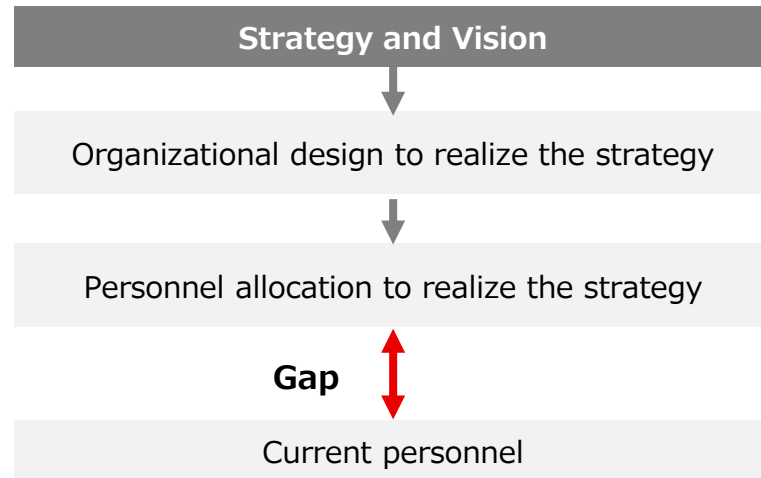
1. Review of human resource development policies (Introduction of On-demand education)
2. Promotion of 1on1 meetings

Review of organization and position design based on business strategy

Traditional Japanese HR Management ~ The right person to the right position ~



Job-based HR Management ~ The right position to the right person ~



**Assign appropriate personnel from inside and outside the company.
Delegation of human resource management authority to business units.**

Significant expansion of hands-up posting system

As is

The organization plans and implements reassignments/rotations/promotions, taking into account work availability and personal development.



Expansion of "posting"

Autonomous career plans that the individual wants to realize, and postings for transfers and promotion to senior management positions.



Mobilization of people, improvement of diversity, realization of appropriate resource allocation, substantially expand posting to foster an open and challenging culture

Initiatives to realize career ownership

Support for
career and growth

Provide
learning opportunities

Provide challenging
opportunities

Support for
autonomous way
of working

2020 1on1 Meeting

For communication
to support growth

On Demand Education

Variety of learning options

"Posting" system

Opportunity to try a new role or a
position

Work Life Shift

Options of how we work

2021 Career Café

Opportunity to consider one's career

ex Practice

Program to learn the way of
thinking as DX personnel

Job Challenge!!

Being **transferred** to another
department for a limited time to
experience different tasks and
culture from where you are

Management transformation

Management that elicits the empathy
of each employee and encourages
independent challenge

Reskilling and upskilling

Learning or relearning skills to respond
business changes

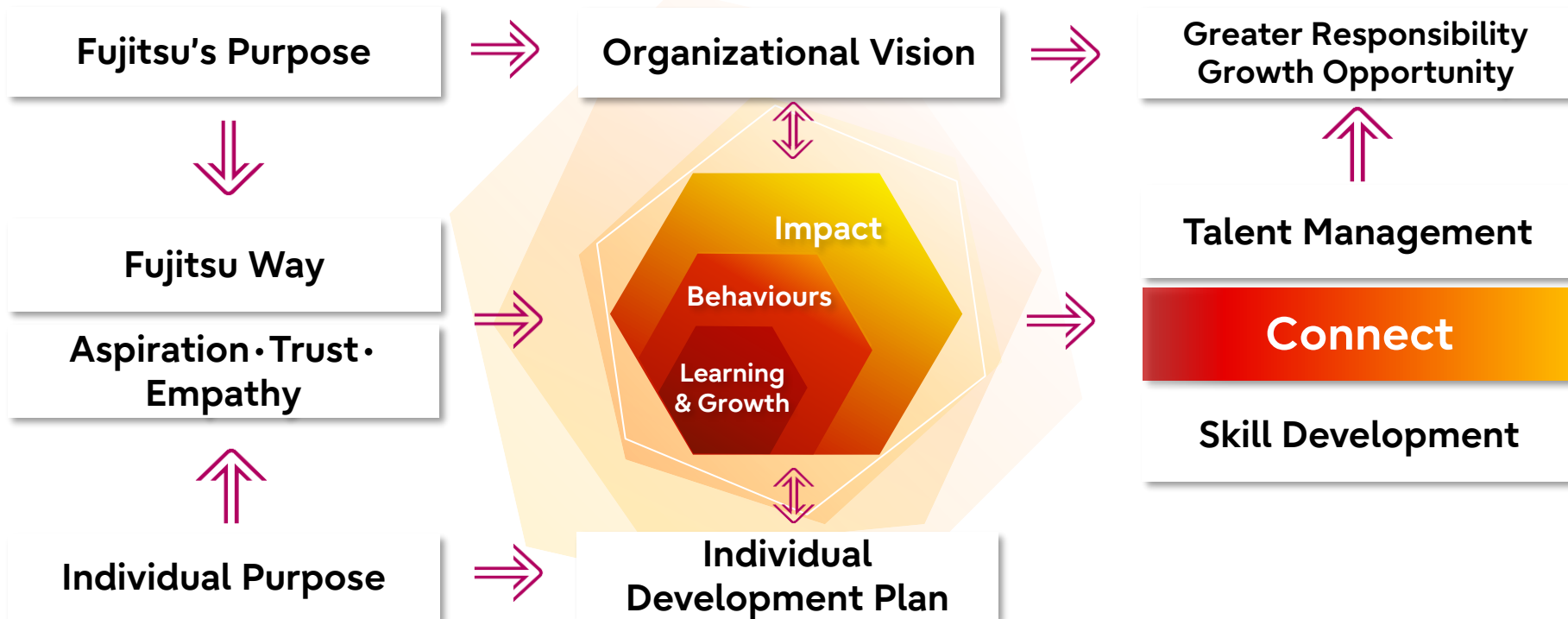
Assign Me

Opportunity to experience different
position without transfer

Connect - our new global evaluation scheme

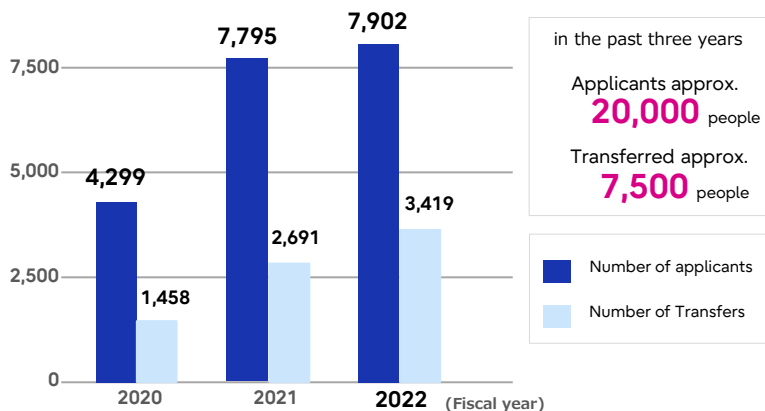
Connect is our communication tool focused on consistency for Fujitsu purpose.

Serving for linking the purpose and vision of Fujitsu, organizations, and individuals, as well as HR policies.

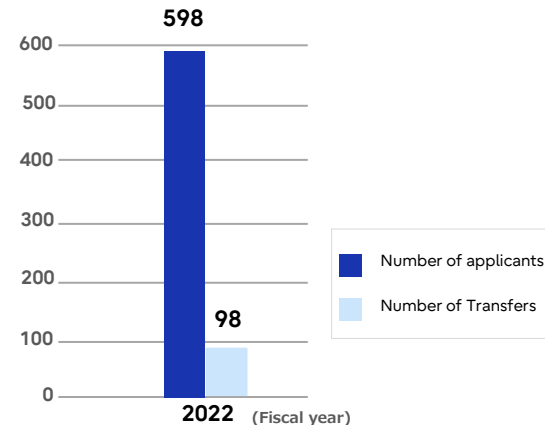


Increase of proactive people mobility

"Posting" (Japan)



Global "Posting" (*)

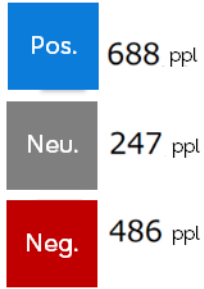


(*) Global posting started in FY 2022

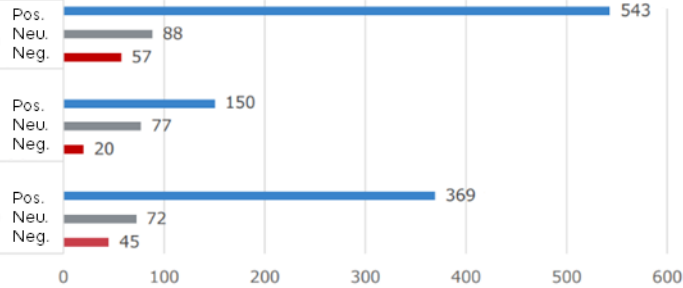
Changes in figures related to people (2)

Posting Transfer Survey

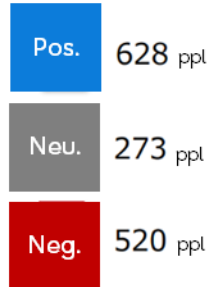
Feeling that I was using my strengths in my work before the transfer.



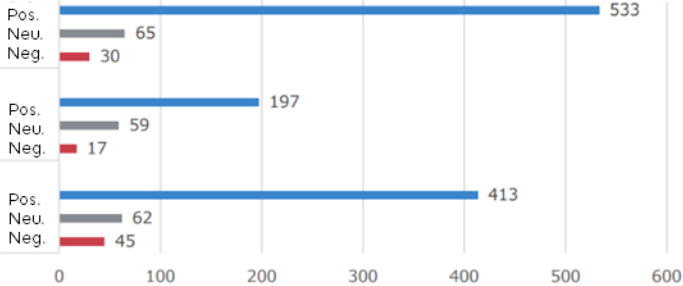
Feeling that I'm using my strengths in my new job



Feeling that I was growing in my work before the transfer.



Feeling that I'm growing in my new job



Majority of employees have positive feedback after transfer



Positive career ownership contributes to engagement improvement

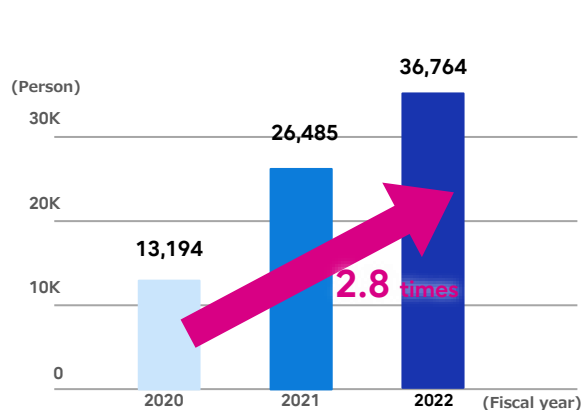
Posting Transfer Survey
Transfers from April 1 to November 21 in 2022

| Answered by | Survey Period | Responses |
|----------------------------|-------------------------|-----------|
| | | |
| Positing Transferee | 3 months after transfer | 1,421 ppl |

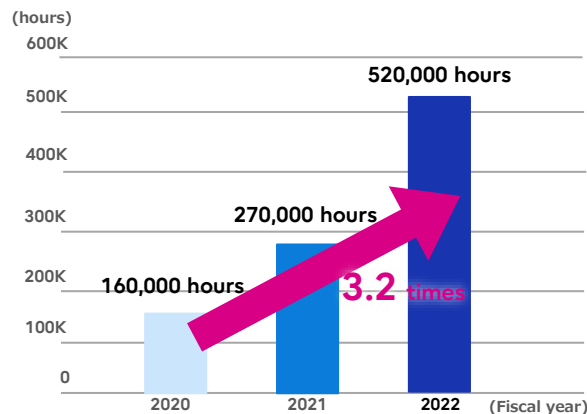
Changes in figures related to people (3)

Fostering career ownership

Number of UdeMy participants



Learning time on UdeMy



Career support



Number of Career Ownership Examiners

15,187 people



Number of Career Café Participants

8,296 people

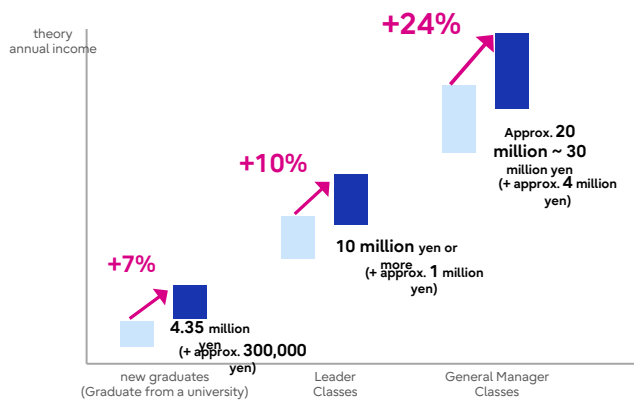


1on1 frequency (per person)

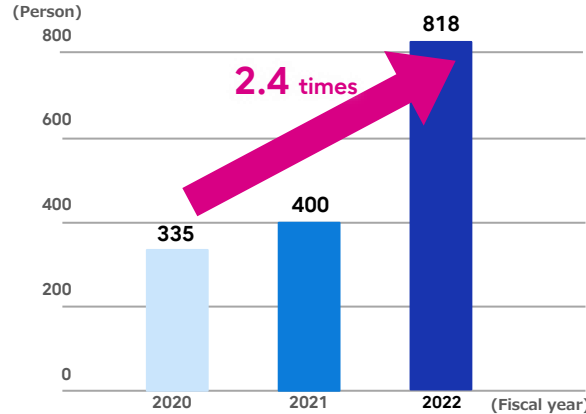
9.4 times a year on average

Increased investment in human capital

Remuneration system improvement



Mid-Career recruitment



Highly skilled personnel, reskilling and purpose carving



Number of certified people as highly skilled personnel | **78** people



Business producer training | **8,000** people



Purpose Carving | **70,000** people

3. FY23 Mid-term Strategy Plan and People Portfolio

Fujitsu's Materiality

Purpose

Make the world more sustainable by building trust in society through innovation

Fujitsu Way

Values

Aspiration Trust Empathy

Materiality
(Essential Areas for Contribution)



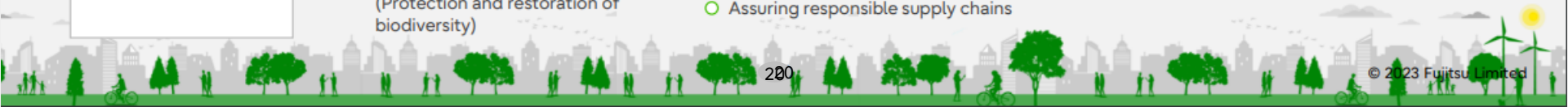
- Climate change (Carbon neutral)
- Recycling circulation (Circular economy)
- Living in harmony with nature (Protection and restoration of biodiversity)



- Maintaining information security
- Eliminating the digital divide
- Leading ethical AI and IT
- Ensuring a positive work environment and addressing labor shortages
- Assuring responsible supply chains



- Contributing to healthcare for an improved quality of life
- Promoting lifelong education and reskilling
- Improving customer/consumer experience



Value Creation Concept for 2030

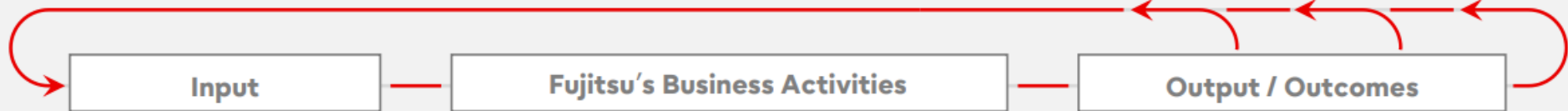
*Net positive:

In addition to maximizing financial returns, we are committed to solving global environmental problems, developing a digital society, and improving people's well-being. Technology and innovation will have a positive impact on society as a whole.



24 May 2023
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Being a technology company that realizes net positive* through digital services



Input
(FY2022 Results)

Fujitsu's Business Activities
Implement key strategies based on sustainability

Output / Outcomes

Financial capital

- Total assets **3.3** trillion yen
- FCF **177.5** billion yen
- Growth investment **131.0** billion yen

Human capital

- Number of employees **124** thousand people
- Ratio of female employees **24** %
- Ratio of female managers **14** %

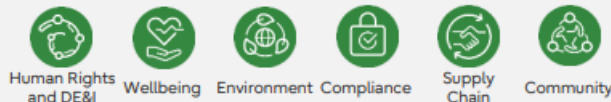
Natural capital

- Energy consumption **13** million GJ
- GHG emissions **490** thousand tons (FY2021 Actuals)

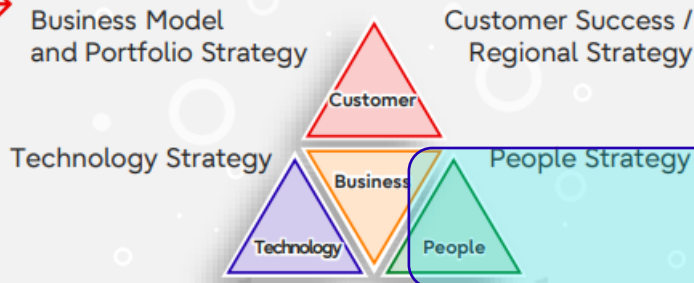
Technology and intellectual capital

- R&D investment **109.5** billion yen/year
- Internal DX investment **50.0** billion yen/year

Global Responsible Business



Key Strategies



Financial indicators

| | FY2022 | FY2030 |
|---|----------------------|-------------------|
| • Growth Area Fujitsu Uvance Revenue | 0.2 trillion yen | 1+ trillion yen |
| • Operating Profit Margin Service Solutions | 8% | 17+ % |
| • EPS | CAGR 12% (2020-2022) | 17+ % (2023-2030) |

Solving global environmental issues

- Contribute to reduced global GHG emissions (Global CO2 reduction impact in Service Solutions) **0.3** %
- Use of renewable energy in Fujitsu **100** %

Developing a digital society

- Digital accessibility **150** million people

Improving people's well-being

- Number of people receiving ICT skill training **12+** million people
- Employee Engagement **75+** %
- Diverse Leadership (e.g. ratio of female managers) **30+** %

Expansion of service solutions

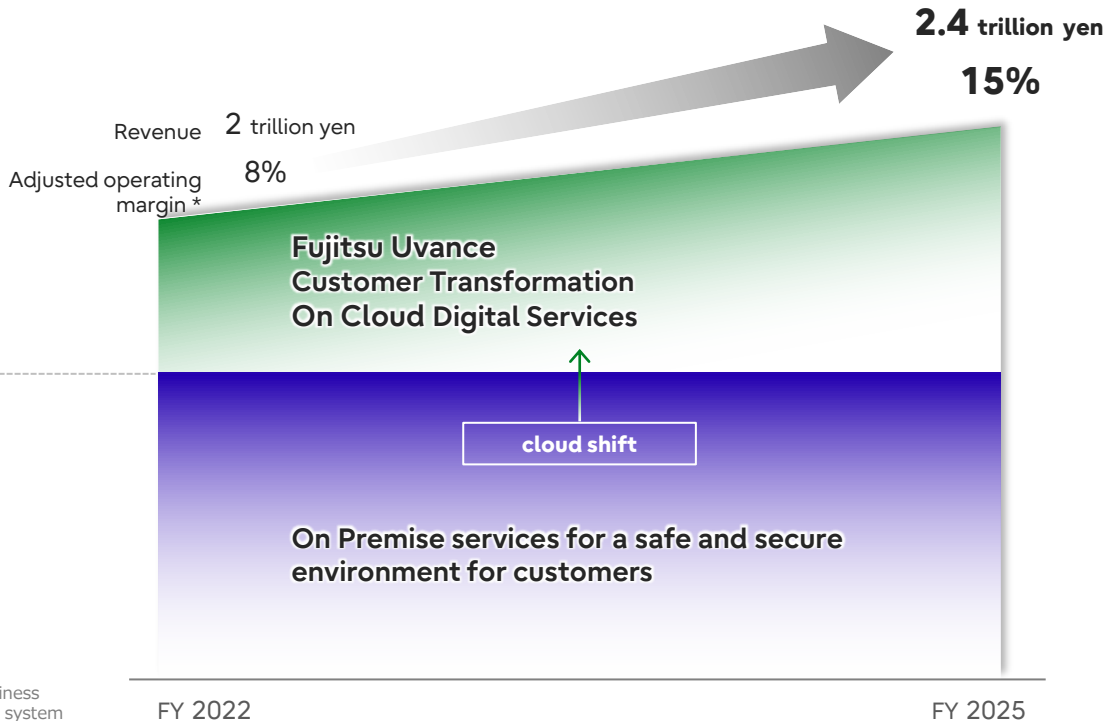
shift to the growth region

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Target growth around profitable digital cloud services, including Fujitsu Uvance

Measures to focus

- Consultancy Expansion
 - Development of strategic alliances
 - Technology enhancement and business implementation
 - Human resource development and reskilling
-
- Delivery standardization and productivity improvement
 - Modernization expansion
 - Quality stabilization and security enhancement

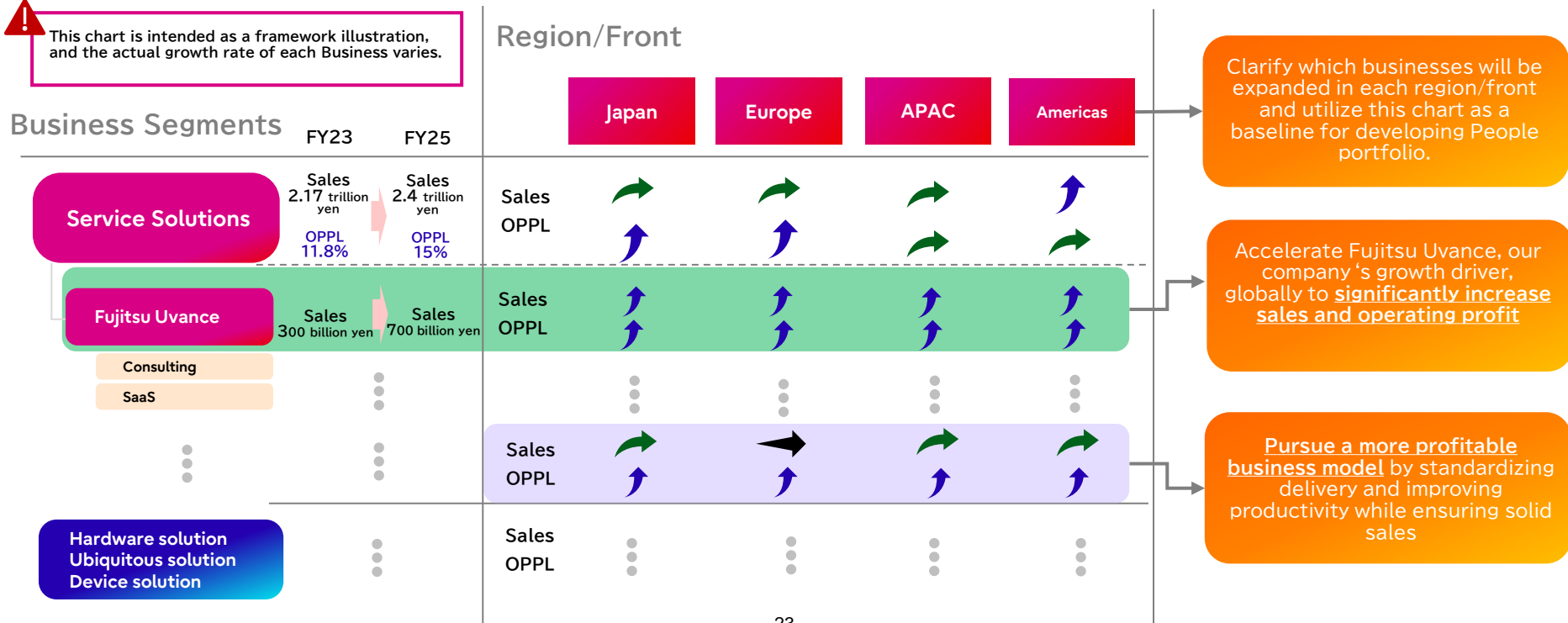


*adjusted operating profit margin;
a measure of real profit in the core business that deducts profit or loss from business restructuring, business restructuring, M&A, etc. and transient profit or loss from system changes, etc., from operating profit
(Same as those previously presented as core business profit)

Our business portfolio

Simulation of Business x Region/front axis growth rate up to FY 2025
Use this as a framework for building People portfolio

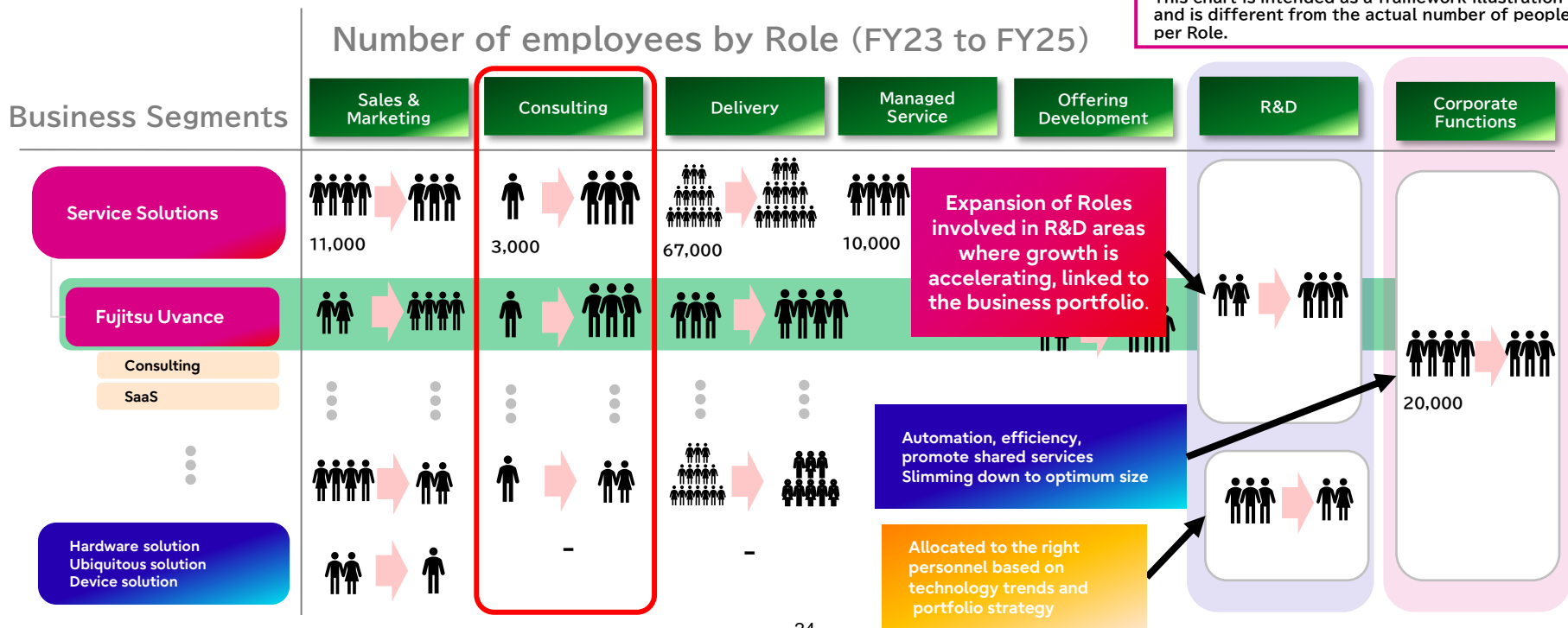
This chart is intended as a framework illustration, and the actual growth rate of each Business varies.



People portfolio (Business x Roles)

Mapping headcount by role aligned with the business portfolio, and strategically recruiting, deploying, training and reskilling/upskilling personnel to growth areas. In parallel, visualise areas of productivity improvement by promoting efficiency and automation.

! This chart is intended as a framework illustration and is different from the actual number of people per Role.

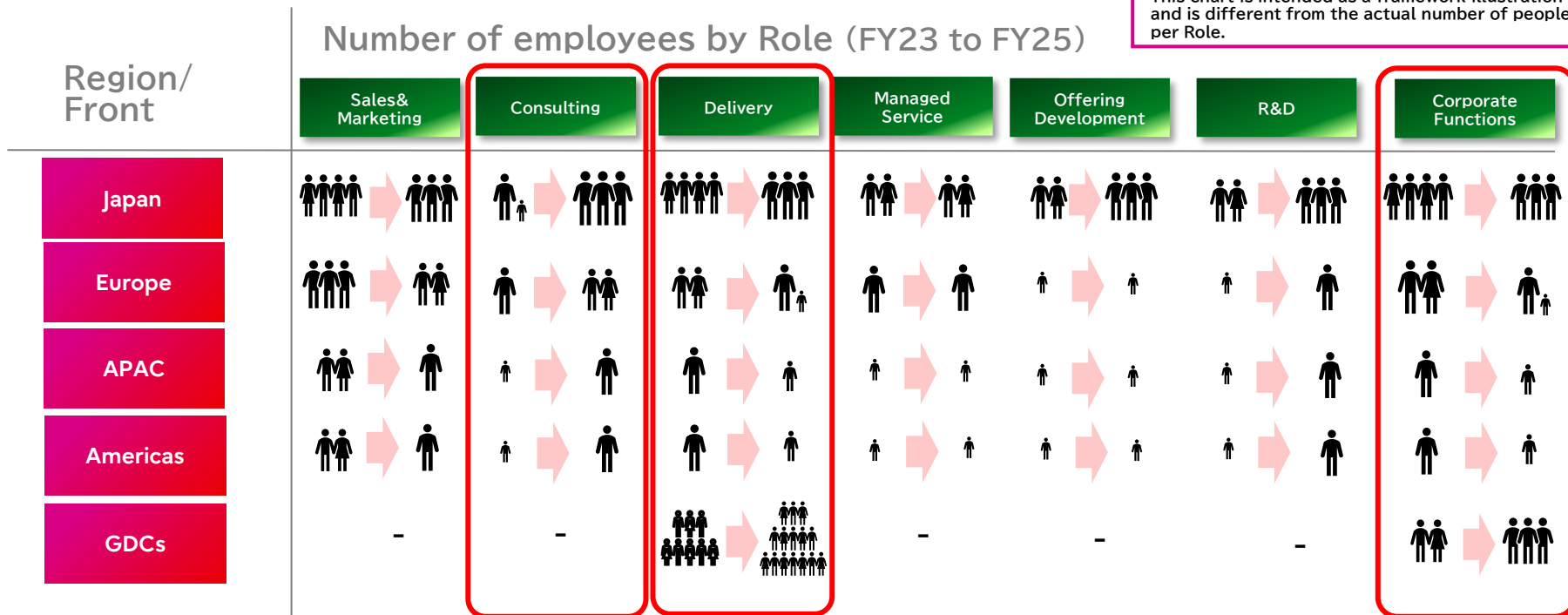


People portfolio (Region)

Using the globally harmonized Role Framework (GRF), the staffing plan by Role required to achieve the business strategy is developed by region, based on the market characteristics of each region/front, the human resources market situation, and gaps with the existing People portfolio.

This chart is intended as a framework illustration and is different from the actual number of people per Role.

Number of employees by Role (FY23 to FY25)



Measures and investments to realize the People portfolio

- Line-up of measures required to realize People portfolio linked to the business portfolio
- Establish KPIs for each measure and establish a system for regular monitoring and steady follow-up
- Clarify the amount of investment required to implement measures and utilize it for data-driven management
- Aim to build a portfolio in the future that captures the qualitative requirements (e.g. skills held) of the human resources required by the business, rather than quantitative changes alone.

Example List of measures to realize the people portfolio

This chart is intended as a framework illustration and differs from the actual number of people/KPIs by Role.

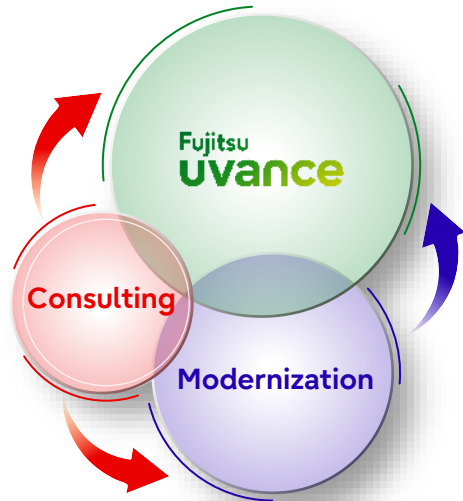
| Role | Number of personnel FY23-FY25 | Actions | KPI | Investment |
|---------------------|----------------------------------|--|---|------------|
| Consulting | +7,000 | <ul style="list-style-type: none"> • Internal transition target assessment → Reskilling • Recruitment from outside | <ul style="list-style-type: none"> • Number of assessments conducted • FY25 consulting | Xxxxx yen |
| Delivery | +8,000 | <ul style="list-style-type: none"> • Reskilling education with 3S resource shift • Hybrid-IT Talent Development Boot Camp • Establishment of Capability Up-skill Pool for GDC Personnel | <ul style="list-style-type: none"> • 3S: Number of personnel in each FY • H-IT: Number of personnel in each FY • GDC: Number of personnel in each FY | Yyyy yen |
| Corporate Functions | ▲ 900 | <ul style="list-style-type: none"> • Standardize and automate business processes | <ul style="list-style-type: none"> • Number of resource shifts | Zzzz yen |
| ⋮ | ⋮ | ⋮ | ⋮ | ⋮ |

4. Key measures

[Initiatives to achieve results] Strengthening consulting capabilities

To expand Fujitsu Uvance and modernization business, We increase the number of consultants to 10,000 by FY 2025

- Define consulting roles and areas as Fujitsu Group and set targets for regional enhancement
- Established a center of excellence (CoE) organization to oversee consulting business across regions, and is considering specific measures such as reskilling and hiring for each consulting area



Vision for FY 2025 (illustrative)

Scale of enhancement: Small Large

| | Japan | Europe | Americas | APAC | Areas |
|------------------------------|-------|--------|----------|------|---|
| Business Consulting | | | | | <ul style="list-style-type: none"> • Customer Experience • Management Excellence • Sustainability Transformation |
| Technology Consulting | | | | | <ul style="list-style-type: none"> • Applications • Agile • Data & AI |

[Initiatives to produce results] Further strengthening of front reform

Strengthen the realization of consulting approaches across industries and sectors to solve social issues

Business Production Transformation
(Programs for Skill Development)

2020~2021

From ICT to DX Company

Program for approximately 8,000 sales staff in Japan



Business Producer Skills Development

Business Production Transformation
(Programs for Practice)

2021~2022

Skill development to skill practice

Programs to implement business skills acquired through the program



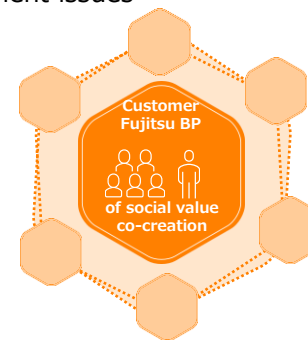
Practicing skills with business

Business Production Transformation
(Programs for Uvance Practice)

2023~

Consultative Approach Practice

Further development by implementing programs aimed at resolving customer management issues

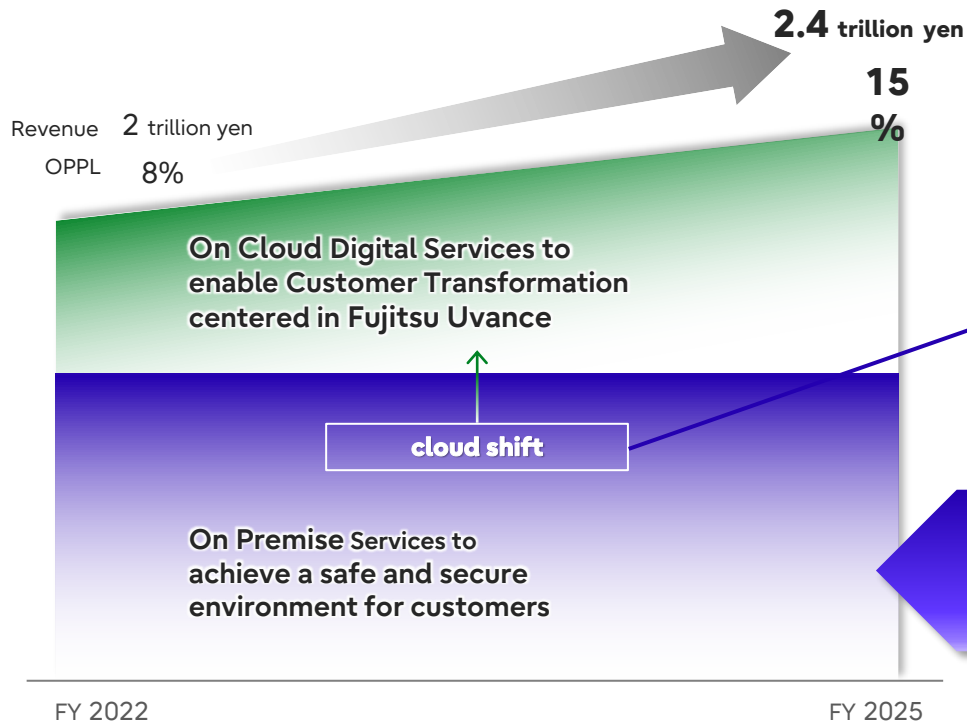


Working with customers to solve social issues

[Initiatives to produce results] Reskilling, education and training

The On Premise area provides upskilling for increased productivity (efficiency). Expand resources * to accelerate growth in priority areas by developing reskilling and certification promotion

*(i) Plan to increase the number of employees including re-skill and external recruitment



- **Reskilling training** to accelerate growth in focus areas
ex. Business Application, etc.
FY22 3,000 people → FY25 8,000 people
- **Promotion of acquisition of qualifications** necessary to achieve business plan
ex. Business Application, Cloud (Azure, AWS), Agile, etc.
FY22 7,000 certificates → FY25 17,000 certificates

upskill
• Quality improvement
• Operational automation

Targets for FY2025

Non-financial

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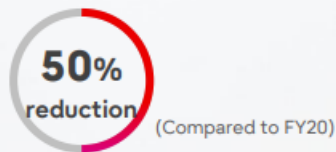


Business model and portfolio transformation is complete and 2025+ growth plans are on track.

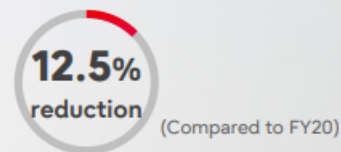
Environment

GHG emissions

Fujitsu Group
- Scope 1, 2 -



Supply chain
- Scope3* -



*Category 11: CO2 emissions due to product power consumption only

Customer

Customer NPS
+20
(Compared to FY22)

Productivity

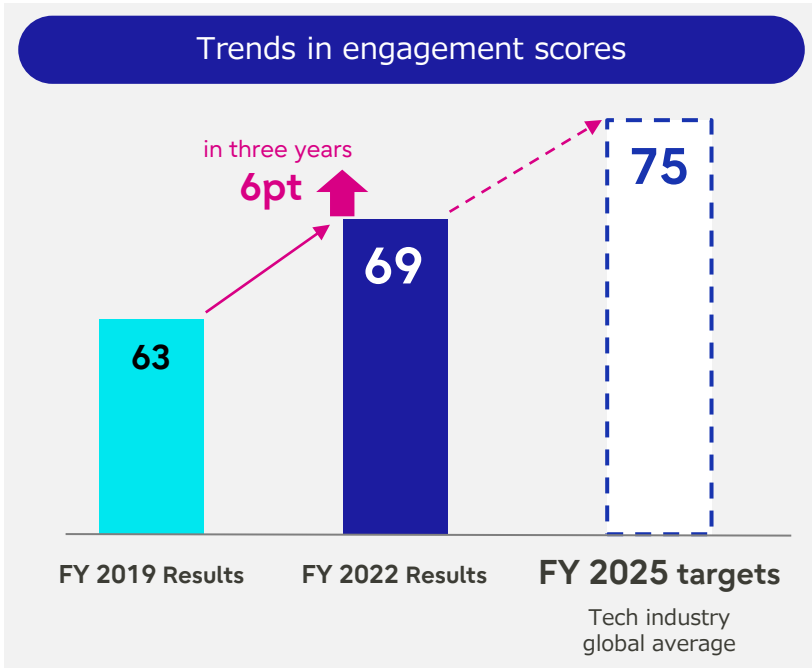
Per capita productivity (operating income)
+40%
(Compared to FY22)

People

Employee engagement
(FY22)
69 → **75**

Diverse leadership (e.g. ratio of female managers)
(FY22)
14% → **20%**

To achieve our non-financial indicator (engagement score of 75)
Timely implementation of measures for improvement based on the results of score analysis so far



■ Ensuring Action Taking for Engagement by All Top and Middle management

| | |
|------------------------|--|
| Head of Org. |  <ul style="list-style-type: none">● Declare actions to improve engagement at policy briefings and strategy meetings.● listen to the voices of the people on the ground at town hall meetings and make sure to respond to even small things. |
| Middle Managers |  <ul style="list-style-type: none">● On a team-by-team or one-on-one basis, identify gaps in perceptions of engagement concerns and challenges and take action with members to resolve them. |
| HR |  <ul style="list-style-type: none">● Sharing best practices on specific field actions.● Regular feedback on the registration status of Action Taking in each organization. |

In addition to achieving non-financial indicators (20% of FY25 female managers), we will promote diverse initiatives to create an environment and culture that enables each individual to take advantage of their different values and abilities.



DE&I Inclusion Wheel

Mindset Change

Achieving a state in which capable people can perform naturally in the right places



Unconscious bias training



Inclusive Leader Training



Use of engagement surveys

Positive Action

Deliberate recruitment, development, and promotion toward the ideal



Enhancement of community



Mentoring system



Career workshop

Work Life Shift



of Work and Life synergy exertion



Support Life Expansion of welfare measures

What we aim for: Well-being is rightly and widely understood and visualize it through data analysis to realize the ideal (Step 1: Each employee can understand and talk about their own well-being)

- Our Concept of Well-being



- FY 2023 Initiatives

① Well-being understanding and promotion measures

| | |
|--------------------------------|---|
| CHRO Messages | Sending messages globally from CHROs |
| CEO Session | "Let's talk about wellbeing with Tokita!" CEO/CHRO/Employee Panel Discussion Global and Hybrid Event |
| Seminar | We invited Yoshiaki Ishikawa, Japan's leading researcher on well-being, talk session |
| World Happiness Day (20 March) | Participated in cross-industry events. Communicate our company's Well-being Efforts internally and externally |

② Data-driven visualization and analysis

| | |
|---|--|
| KPI/KGI Settings | Quantitatively measure the feeling of well-being |
| Establishment of PDCA for analysis, improvement and policy planning | Examine the Well-being Score and its impact on employee engagement, finances, etc. |

5. Our ambition

Realization of People Portfolio Aligned with Management Strategies

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Data Driven

Thank you

