Vendor Rating: Fujitsu

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Initiatives: Sourcing, Procurement and Vendor Management Leaders

Fujitsu continues to focus on its digital business operating model, making organizational structure changes to drive growth. Fujitsu customer CIOs, ecosystem partners and competitors should determine whether Fujitsu’s transformation timelines align with the needs of their organizations.
Overall Rating: Variable

Fujitsu’s overall rating of Variable for 2021 is based on the company’s performance as a whole, its new initiatives, and each of its global strategic services and products.

Fujitsu continues to shift its organizational structure to deliver on its five-year strategic vision of creating “human-centric innovation.” Fujitsu has promoted its changing business model as a transition “from an IT company to a digital transformation (DX) company.” As the first step, Fujitsu continues to restructure and change its internal organization, prioritizing consolidation of Japanese subsidiaries. This includes reorganizing System Integration (SI) group companies in Japan, integrating 11 of 15 companies into Japan Global Gateway (JGG) and establishing a new, dedicated digital consultancy company called Ridgelinez, while rebuilding its global business strategy.

Gartner recognizes Fujitsu’s new direction and strategic vision, and that now is the time to deliver on the execution phase.
Although Fujitsu has rebuilt its strategy and vision to achieve its goals, the company is still working to finish the overhaul of its global business. In some areas, we see steady progress in new business models with specific measures and enhancements, such as internal skills transfers and education programs. However, the actual progress involving the three steps Fujitsu has defined (internal transformation, value creation and building trust in all parts of society) have taken longer than the company expected.

The issues of security leaks and trust have been raised. During the past year, Fujitsu has experienced some major system errors and security problems, as well as service outages. Customers and the public have begun to voice concerns, and Fujitsu must work to restore trust.

IT leaders should watch carefully to determine how changes in Fujitsu’s business unit (BU) capabilities, delivery models and product focus on DX impact its current contracts and status. Above all, the important question is what kind of company Fujitsu can become, and whether its transformation will achieve the results desired by both business and IT leaders.
Detailed Rating

Product/Service: Variable

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Gartner continues to rate Fujitsu as Variable in this category. Fujitsu’s broad portfolio includes traditional products and services, as well as new DX services, solutions and support offerings leveraged with third-party software through strategic partnerships. The company is focusing investment in its portfolio to enable the seven key technology areas of its DX strategic vision:

- 5G
- Artificial intelligence (AI)
- Computing
- Cybersecurity
- Data
- Hybrid IT (formerly called “cloud”)
- The Internet of Things (IoT)

To provide more certainty about the direction of these technology investments, Fujitsu has started to link technologies with its top vision, called “Fujitsu Purpose.” Fujitsu has also refocused its seven key areas segmented by vertical and horizontal in April 2021 as management policy announcements. ²

Fujitsu aims to deliver value to customers with two business domains:

- For Growth
- For Stability

For Growth focuses on DX and modernization, and For Stability focuses on traditional IT services (see Fiscal Year 2020 Financial Results/Management Direction Update). Fujitsu is segmenting these two categories by product and services available to the public. IT leaders can track the achievement as part of the financial information.
Fujitsu customers reported high satisfaction in certain market segments, demonstrating that the company's products and services align well with customer demands. These areas are addressed as For Stability for Fujitsu. The main challenge for Fujitsu is that it is still far from demonstrating a leading presence in the DX, or For Growth, area across global delivery. Fujitsu has made steady progress to convert its traditional core IT to DX-focused deliverables. However, Gartner does not see any indication of growth, as Fujitsu struggles to expand its momentum and market presence — especially in regions beyond Japan and some European countries.

Fujitsu has relevant market presence in many areas. It appeared in 17 Gartner Magic Quadrants and Critical Capabilities during the past 12 months. Fujitsu is well-positioned as a leader in Europe, but it is not a top vendor in most cases. See:

- **Magic Quadrant for Managed Workplace Services, Europe**
- **Magic Quadrant for Data Center Outsourcing and Hybrid Infrastructure Managed Services, Europe**
- **Magic Quadrant for SAP S/4HANA Application Services, Worldwide**
- **Magic Quadrant for Data Center Outsourcing and Hybrid Infrastructure Managed Services, North America**

In certain technology areas related to For Growth, for example, Fujitsu has a differentiated offering in high-performance computing (HPC) and quantum computing, with industry-leading technologies.

Fujitsu's Global Delivery Center (GDC) and JGG initiatives are key to the company's ability to broaden its global footprint and standardize efficient service delivery. According to Fujitsu, “The GDCs act as local hubs to strengthen global service delivery and consolidate the company's deep technological and customer industry knowledge. JGG focuses on consolidating the knowledge gained in Japan to improve quality and productivity through standardization and enhance the global delivery model.”

IT leaders should watch Fujitsu’s changes, which will affect its product and service solution offerings to take hold, defined as both For Growth and For Stability, especially through 2021.

**Support/Account Management: Positive**
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Gartner’s client interactions reflect a Positive rating for Fujitsu’s support/account management, especially with regard to its modernization of a legacy environment, called the For Stability sector, as defined by Fujitsu.

Many of Fujitsu’s customers are satisfied with its skill set and support capabilities around traditional outsourcing and data center segments, especially in Japan and some countries in Europe (see also the IT Services section in Additional Analyst Insights). In Japan, Fujitsu retains its position as the top-rated IT service provider among its enterprise customers. In 2020, some customers expressed concern about the service disruption in the Japan Exchange Group, but client relationships are normally very good. Fujitsu demonstrates that investing in and managing its service business with specific objectives for business outcomes and quality performance are relevant, based on Gartner client feedback.

The company launched Fujitsu Japan Ltd. with 11,000 employees in 2020 to establish a single point of contact for customers and provide one-stop services in Japan. Fujitsu also rebranded the Account Sales Engineer role, changing the title to Business Producer. These moves reinforce the company’s commitment to changing its traditional sales style; however, this is just in the beginning phase.

Training employees takes time, and the effects of this transformation, including human resources and the establishment of new companies, are still uncertain. Gartner has observed Fujitsu’s global rollout of sales models and global portfolio, including infrastructure, and it seems that Japan has started as a priority measure. In this regard, Fujitsu has commented, “Changes in Japan are necessary to ensure the globalization of our offerings, so it is a focus area.” IT leaders should recognize Fujitsu’s ongoing effort to ensure balance going forward with change and organization that affects the current support/accounts.

Furthermore, Fujitsu has strong partnerships with SAP, Microsoft and Amazon Web Services (AWS), and delivers service offerings globally. However, IT leaders should carefully evaluate Fujitsu’s ability to expand to new workloads with hybrid IT offerings for hybrid cloud environments in enterprises, compared with competitors, public cloud and alternative partner offerings.

**Pricing Structure: Variable**
Gartner rates Fujitsu as Variable in this category. Gartner clients sometimes struggle to compare Fujitsu's complex pricing structure with various pricing models with attached system integration, because contracts include the full stack of hardware and software, with full-scope outsourcing services.

Most Fujitsu customers report that the company is flexible on tailoring core contracts and that this matches their expectations and requirements. On the other hand, Fujitsu has reported that its pricing structure is under specific review to achieve a suitable balance based on customer needs. This also appears to mean that Fujitsu is trying to balance and make adjustments for some customers, and it’s still adjusting its policy and a pricing basis for others.

Fujitsu has tried to transform and standardize delivery models, including aligning pricing models with its internal transformation initiatives. This mainly involves leveraging GDC and JGG to end up with the traditional “man month” pricing used in many system integrator (SI) business models. Often, pricing has been packaged by each Fujitsu subsidiary.

If the standardization of SIs by GDC and JGG goes well, IT leaders can expect more pricing transparency than ever and review current contract terms and condition changes compared with the new pricing models, once DC/JGG operation is set. IT leaders must be more careful to detect changes in the pricing models offered by Fujitsu, as Fujitsu shows significant business results broken out with these new consumption models, compared with the traditional IT projects and funding success.

**Technology/Methodology: Variable**

Gartner continues to rate Fujitsu as Variable in this category. Fujitsu invests in R&D across the DX business capability service enhancements. To accelerate innovation, deliver value to customers and align execution with corporate strategy, Fujitsu integrated R&D under the CTO at corporate headquarters and consolidated research and analysis R&D functions in January 2021. ³
Fujitsu has redefined its research and analysis function for global technology trends survey to build technology strategy with midterm and long-term perspectives. The company split its R&D function into two focus areas. One focus is on basic and applied research to create future corporate value, and the other is the research function on practical use of products and services with relatively near term. Both functions use open standardized technologies, including mergers and acquisitions (M&A) and tie-ups with other companies, including startups. Fujitsu understands that it will be challenged to allocate its existing core technological research and development to mainstream new markets, and is preparing for this challenge.

Fujitsu’s R&D expenditure was approximately 5% 10 years ago. However, in recent years, R&D expenses-to-sales ratio was about 3% and getting lower year by year.

IT leaders should closely track Fujitsu’s innovative initiatives, especially those that are aligned with the company’s core value proposition shifting. By referencing Gartner’s Magic Quadrants and/or Critical Capabilities for the market-specific guidance on its services or products from the perspective of the seven key technologies, IT leaders can validate them. For example, IT leaders should watch the Fugaku supercomputer and AI as leading indicators of successful product development in the real market. Gartner recognizes that the HPC and quantum engines enable innovative technology solutions, offered in Japan, which Fujitsu can expand globally. In HPC, Fujitsu has delivered a path-breaking solution featuring disruptive innovation at every level in the stack, from processors, interconnects and system engineering to middleware and applications. Fugaku technology needs broadening into platforms for Fujitsu’s other offerings for similar differentiation. So far, this traction has limited crossover into the company’s seven global offerings, with only marginal leverage in the AI go-to-market.

**Strategy: Caution**

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Gartner rates Fujitsu as Caution in this category. There are three predominantly internal significant points in Fujitsu’s strategy:

- **Rebuilding Global Strategy** — Fujitsu heavily promoted reforming its service delivery organization outside Japan. In Europe, it completed structural reforms to product production systems. In the Americas, the company implemented business structure reforms. In Oceania, it strengthened its internal organizational structure based on industry sectors. In Asia, the company strengthened offerings to key industries.
Fujitsu’s shift from its core traditional business to DX after the second half of 2021 will change the traditional IT style of its customers’ on-premises private cloud approach to a cloud-native approach. As mentioned above, the company’s five-year strategic vision lacks speed. Nearly three of the five years have been spent on the first step of internal transformation, while the global pandemic also took effect. Although Fujitsu is making inward-looking reforms, its competitors and partners are pulling away, and its global presence continues to decline. Indeed, with the impact of the global pandemic, continuous change is the new norm and should be prioritized by vendors and accommodated into any ongoing strategy.

IT leaders should review the progress from the three points above and assess byproducts and services in the two business areas divided as For Growth transformation and For Stability transition by checking how Fujitsu drives revenue/profit (see Figure 2). The growth strategy is key for Fujitsu to expand its core and drive and prime accounts.

- **Organization Structure, Internal Transformation** — Fujitsu continues to enhance data-driven management, DX talent development and productivity improvement. The company’s Work-Life Shift initiative reconsiders offices and ways of working to enhance employees’ work-life balance. The company launched “Fujitra,” an internal project for participatory, ecosystem-based DX promotion that collects feedback from customers and employees to strengthen business initiatives.

- **Partnerships** — Fujitsu established a new company, PeptiAID, to develop treatments for COVID-19. Fujitsu formed DUCNET to provide cloud services that will enable DX in the manufacturing industry, and collaborated with Zippin to accelerate DX and enhance competitiveness for customer retail storefronts. Fujitsu demonstrated a strategic direction in its May 2020 announcement, which said, “Our purpose is to build trust in all parts of society through innovation, and to create a sustainable world.” Fujitsu has continued to promote the restructuring of its global strategy, including structural reforms in international regions, service delivery organization, and uniformity in its portfolio, account plans, offerings and alliances.
Fujitsu has strength in technologies such as HPC, AI, SAP S/4HANA, Oracle and Microsoft. However, the company must coordinate account management and project control with its software partners, because Fujitsu can be influenced by and has to follow the global strategies and directions of such powerful vendors. The transform strategy depends on technology, software and cloud partners. However, with this transformation, prime customer accounts will shift from Fujitsu to its partners. As Fujitsu targets its core expanded customers, its partners (e.g., Microsoft, SAP and Oracle) become strategic suppliers on the transformational journey. Fujitsu only drives tactical core managed services.

**Corporate Viability: Variable**

Gartner recognizes Fujitsu’s profit-margin improvement, which is generated by cost-efficiency with business model transformation.
Fujitsu is still in the preliminary stages of running a business based on the new organizational structure even in Japan, and uncertainty and the possibility of substantial business ripple effects in global markets remain. However, IT leaders should expect Fujitsu to introduce new capabilities for DX and maintain strong positioning against competitors with the use of GDC and JGG.

In its FY20 announcement, the company stated its intention to “accelerate investment for growth, aiming for sales revenue of 3.5 trillion yen and operating profit margin of 10% in technology solutions.” This target is unchanged since CEO/CDXO Takahito Tokita took office and announced his management policy. IT leaders should monitor Fujitsu's continued updates on strategy and investment from the perspective of the balance between the For Growth and For Stability domains, with improvements in profitability and increased sales revenue as the top line.

**Financial: Variable**

Fujitsu's financial rating is Variable, which was the same rating it received in the August 2020 iteration of this research. This rating reflects Fujitsu's trends in revenue (declined), profitability (improved) and cash flow (improved) in its FY20, which ended 31 March 2021. Gartner's Financial Statement Scorecard methodology is a quantitative score measuring growth, profitability, financial strength and financial risk relative to its peers (see Note 1 and Figure 3). Fujitsu's quantitative score of 21 (compared with 22 the year before) is on the lower end of the range of 20 to 26 for Variable.
Fujitsu made progress in FY20 in improving profitability through generating cost-efficiencies. Revenue declined 6.9%, to ¥3.6 trillion (approximately $33.1 billion), because of the impact of COVID-19 and the decline in PC revenue from the unusually high demand in the previous year. Despite this revenue decline, operating profit and profit for the year were both the highest in Fujitsu’s history, because of steady progress in improving margins and a one-time gain on the sale of some assets. Operating profit — excluding restructuring and special items — was ¥250.2 billion, which was an operating profit margin of 7.1%. This outcome represents an improvement in the margin of 0.9% over the previous year.

In terms of the geographic mix, Fujitsu’s revenue from Japan declined 8.4%, while revenue from the rest of the world declined 4.6%. The share of revenue from Japan decreased from 68.2% of total revenue in FY19 to 67.3% in FY20.

Fujitsu said that COVID-19 reduced consolidated revenue by ¥146.9 billion. Excluding the impact of COVID-19, revenue in Technology Solutions (which accounted for 85% of consolidated revenue) rose by ¥24.2 billion. In Ubiquitous Solutions (9% of consolidated revenue), revenue declined by ¥122.1 billion from last year, when demand for PCs was unusually strong. Device Solutions revenue (8% of consolidated revenue) rose ¥33.9 billion on strong results in electronic components.
Free cash flow was ¥236.3 billion. As in the prior year, Fujitsu was able to maintain free cash flow at a high level. Return on equity was 15.1%, compared with 13.5% in FY19 and 9.4% in FY18.

Fujitsu’s balance sheet also improved in FY20 because of better profitability and restructuring actions in FY19. Cash and cash equivalents as of 31 March 2021 were ¥481.8 billion. Interest-bearing debt was ¥316.6 billion at the end of FY20, resulting in a debt-to-equity ratio of 0.22, compared with 0.33 at the end of FY19. Fujitsu had total assets of ¥3.19 trillion.

Looking at FY21, Fujitsu forecasts 1.1% revenue growth, to ¥3.63 trillion, and a 1.1% expansion in its operating margin.

Additional Analyst Insights

IT Services

Firmwide Services

According to Gartner's estimates, Fujitsu’s IT service sales in 2020 were $19.9 million, the eighth largest in the world. However, about 74% of revenue is still from Japan, and business in global IT services continues to struggle. Against this background, Fujitsu continues to reform its global IT service business. Specifically, the Global Service Business Division has taken the initiative to set global offering fields, such as SAP, ServiceNow, Work Life Shift, Hybrid IT and Cyber Security, and is strengthening the service delivery in collaboration with each region. Japan is no exception. Although Japan has been a business centered on individual system integration, the direction is to set up a new Japan Global Gateway and develop efficient ongoing services that make effective use of global delivery resources. More timeliness will be required to meet user expectations of rapid introduction of effective IT services.

Managed Workplace Services

Fujitsu’s managed workplace services (MWS) follow a strategy of “Work Life Shift,” to focus on improving user productivity through enhanced user experience (UX). It aims to support hybrid working from anywhere through its borderless office solutions, enabled by its strength in desktop as a service (DaaS) and virtual desktop infrastructure (VDI), and underpinned by continuous culture change as new capabilities are rolled out to users. However, it has experienced falling MWS volumes in North America and Europe, and it has moved to a reseller-led sales approach in 10 markets, as it adopts a new business model. Elsewhere, it has extensive capability in Japan, and its Asia/Pacific (APAC) region footprint continues to be strong in more-mature markets.
To enable client transformation, Fujitsu has aligned its MWS sales teams to verticals, and is developing a process of linking technology to business outcomes. To support this, it has developed a range of end-user experience measures, with the aim of offering contractual experience-level agreements (XLAs). However, this approach penetrates to only 10% of its MWS contracts. In contrast, the majority of its other contracts retain a traditional service focus, with limited analytics and relatively little use of consumerized service options such as walk-up support. With a strong offering for midmarket clients, Fujitsu continues to invest in the support of subscription-based software through its Evergreen as a Service approach. In addition, its SelfOSS offering provides PAYG, on-demand field service offering in 180 countries and the ability to download standard applications on pay-per-download model. It is also actively investing in automation, where its slower success in rolling out to existing clients has left it behind its competitors.

**Data Center Outsourcing Services**

In its data center outsourcing (DCO) services, Fujitsu aims to deliver global hybrid hosting solutions, with a differentiating focus on sustainability in its operations for clients. It has a strong set of offerings targeted at its substantial base of midsize enterprise (MSE) clients (under $1 billion in revenue); however, it is also able to serve large global enterprise clients. It generally competes well in deals with strong elements of legacy technology or that require hybrid cloud, with a strong track record in hosting Oracle ERP solutions, but a smaller SAP footprint, compared with its competition. However, it remains focused primarily on Japan and Europe, which together account for more than 85% of its DCO revenue.

Fujitsu’s DCO strategy has changed several times in the past few years. After pulling out of public cloud hosting outside Japan in order to focus on hosting in hyperscale public cloud, it still has a very limited footprint in the three main hyperscalers, AWS, Microsoft Azure and GCP. It has, however, developed hybrid cloud managed security offerings, centers of excellence for emerging technologies, and strong IoT and edge offerings. It is developing an application modernization capability, although this still lags competitors. Fujitsu has little experience managing cloud-native environments, such as those based on containers, and is struggling to match the rates of DCO automation of its competitors.
Fujitsu aims to take a business-transformation-led approach to hybrid cloud, using its Human-Centric Experience design approach to link client needs to technical approaches. It aims to create a direct connection between the technology it implements and the business outcomes it can achieve using its Results Chain methodology. However, it lacks experience in contracting against business outcomes. To support the increasing need for agile deals to enable the co-creation process with clients, it is building up its bimodal sales approach, offering support for traditional tendered deals and consultancy-led engagements.

AI

Fujitsu positions AI as a key technology to promote DX. More than five years have passed since Fujitsu strengthened its efforts in AI. Meanwhile, Fujitsu is expanding AI for industries such as manufacturing, retail distribution, public and finance. It is also expanding its AI solutions for specialized areas such as operations management, work styles, meetings and contact centers.

One of Fujitsu’s AI strategies is to incorporate it into SI. Fujitsu is promoting an approach called Know-Flow DX that combines AI, such as natural language processing (NLP), together to deliver one-stop solutions.

Fujitsu has created many AI-related cases with its customers. Examples include contributing to the efficiency of credit-screening operations, vehicle anomaly detection on roads, river water-level prediction using a small amount of data, and advanced accident response using mobility digital twins.

Fujitsu is reorganizing 15 major SI group companies into its headquarters and Fujitsu Japan. As part of this, they are trying to strengthen their AI strategy by extending engineers with AI skills.

Fujitsu is developing Digital Annealer as an AI-related technology, and is working with Toyota Systems to optimize the distribution of automobile parts. It is also trying to apply it to optimizing workforce planning and developing drugs for COVID-19. In finance, a case study in which Melco-Investments realized combinatorial optimization of hundreds of stocks with Digital Annealer in about 10 minutes has been released.

Fujitsu is innovating AI, centered on Fujitsu Laboratories. It is developing an AI model called Actlyzer that learns human behavior patterns.
RIKEN and Fujitsu have made the supercomputer Fugaku available from March 2021. In addition, both are trying to strengthen the operation of AI on Fugaku. Fujitsu has already achieved the highest level of speed at the MLPerf HPC in November 2020 by Fugaku.

Fujitsu is working with universities to release applications in the medical field, including explainable AI using Deep Tensor and Knowledge Graph. At the same time, Fujitsu is strengthening discovery of causal relationships by Wide Learning, Durability Learning to prevent deterioration of AI accuracy, response to Deep Fake and cyber attacks, and thought leadership on AI ethics.

Fujitsu continues to strengthen AI capabilities through co-creation with various users, as well as universities and local governments. However, Fujitsu is a big company and has many field engineers. So users need to be careful not to expect all Fujitsu's engineers to have enough AI skills. This means users also need to have skill to evaluate Fujitsu's engineers to avoid high-priced, low-matured AI projects.

**Data**

Fujitsu founded a new subsidiary company called Ridgelinez, to help its clients achieve digital transformation, and has been working diligently to retrain its employees. Fujitsu has formed a strategic alliance with Palantir Technologies and is attempting to expand into the Japanese market, but has not achieved much. Fujitsu has hardware technology, such as the SPARC chip, and software technology, such as Symfoware, which it has cultivated over the years, as well as technology for implementing, deploying and operating solutions such as Oracle and PostgreSQL. Fujitsu's challenge will be to use these existing assets, increase the synergy effect with the products and services of new partners such as Palantir Technologies, and provide them to customers in the context of digital transformation. However, there are no concrete strategies or measures currently in sight.

**Blockchain**

Fujitsu is investing and seeking opportunities to expand its blockchain business through a variety of customers and use cases. Fujitsu's blockchain development/delivery centers today are located in Belgium, India and Japan. Fujitsu, as a technology partner, has succeeded to support Ricex Pte. Ltd. in Singapore, offering Hyperledger Fabric-based Digital Platform. It enables sellers and service providers to conduct trades and arrange insurance, shipping, inspection and settlement on the platform for rice trading.

In Japan, many blockchain-based PoCs have been conducted. However, Fujitsu has not deployed the technology on a large scale.
On its technical development side, Fujitsu Laboratories (now part of Fujitsu) has its own technologies to connect different blockchain platforms, named “Connection Chain,” which enable token exchange with extended smart contracts. In 2020, it started to open up its fundamental part of the technology as an open-source project, with Hyperledger Cactus working with Accenture. Fujitsu’s other initiatives include “IDYX,” which enables self-sovereign and decentralized digital identity exchange based on blockchain. In 2020, it started proof of concept (POC), with major Japanese financial companies, JCB and Mizuho Bank, to jointly test a system that enables secure transactions involving sensitive user ID information between companies and industries. Clearly, blockchain has been positioned as a “For Growth” technology in Fujitsu. Its success depends on how Fujitsu can capture demand from innovative users in the world flexibly and in an agile manner.

5G/Private 5G and IoT

Fujitsu has established a 5G and IoT-oriented internal initiative in 2020. This initiative is still a small (under 100d internal staff) organization but it has a unique vertical approach from device to service across its organizations. This initiative focuses on helping their clients to develop the digital ecosystem as a goal.

Fujitsu’s Key 5G and IoT-related products and services are from three defined business segments:

- Base station system of RAN (central unit/distributed unit [CD/DU], radio unit [RU])
- Optical transport system of telco (metro, mobile backhaul/fronthaul)
- Network integration for CSP and Enterprise (network orchestration/operation/virtualization)

Fujitsu has already had a lot of system integration experiences with its clients, both enterprise and telecom so far. However, few of them have started to develop their digital ecosystems with IoT or 5G. Fujitsu’s challenge is encouraging them to move forward with digital transformation during the next couple of years.

Here are sample activities of Fujitsu-related 5G and IoT from 2020 to 2021:

- DISH Network selected Fujitsu’s RAN unit as its infrastructure in June 2020.
- NTT and Fujitsu announced their strategic alliance focusing on NTT’s IOWN (Innovative Optical and Wireless Network) in April 2021.
Cloud

Fujitsu thinks of the cloud as an important social infrastructure. Fujitsu offers a resilient cloud that contributes to society, based on its recent principle of "purpose."

Fujitsu develops cloud offerings by categorizing areas, such as Digital Infrastructure Platform (DIP), Digital Application Platform (DAP), Managed Hybrid and SaaS. Fujitsu has its own cloud, FJCloud, and is strengthening proposals to realize management services and cooperation with Microsoft Azure at its core.

Fujitsu is increasing the number of cloud engineers. As of May 2021, 15,000 Fujitsu cloud engineers have acquired cloud-related certification (the number of net engineers is estimated to be about 5,000, due to duplication).

Fujitsu is strengthening FJ Cloud such as cloud-native DevOps and in private cloud such as the utilization rate of 99.9999%. These efforts are in line with market trends and demand, and are evaluated positively. However, as hyperscalers (e.g., AWS, Azure and Google Cloud) become widespread in the market, it will be a big challenge for Fujitsu to gain continuous understanding and evaluation from users and the installed base, especially for its FJ Cloud. In fact, Fujitsu withdrew from its own cloud globally as of March 2020, and Fujitsu's current global cloud strategy is limited to the aspect of being an Azure partner.

In Japan, from the perspective of the government and user companies, Fujitsu continues to have two aspects: the FJ Cloud supplier and the Azure and AWS integrators. At this time, users will be required to make more-careful judgments as to which one they should truly expect from Fujitsu in the future.

- Trend Micro and Fujitsu started testing for private 5G network security for IoT/OT migration in April 2021.
- NVIDIA announced its AI on 5G, with several partners including Fujitsu, in March 2021.
- Fujitsu announced IoT cloud service of FUJITSU Future Mobility Accelerator Digital Twin Collector in April 2021.

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Fujitsu continues to implement and strengthen cloud proposals as an SI business to users. It will be reassuring, at least in the short term, for users who expect Fujitsu to do most of the work. On the other hand, users who expect significant cost reductions and style changes will prefer in-house production, rather than fully depending on Fujitsu. As the number of such users increases, Fujitsu will have to reassess its raison d’etre as well as its cloud strategy.

Security

Fujitsu offers security consulting services for strategy, planning and design, as well as a range of managed security services (MSSs), including security event monitoring and response, management of various security technologies, vulnerability assessment and management, and cyberthreat intelligence. Fujitsu has positioned cybersecurity as one of the most important key technology fields for DX, and is further developing its efforts to achieve its purpose of “building trust in society.” Additional service offerings supporting Fujitsu’s Digital Trust initiatives include Industrial Control/OT Security and Multicloud Security.

Fujitsu has 24/7 security operations centers (SOCs) in Japan, the U.S., the U.K., Germany, Finland, Australia and Singapore, in addition to a non-24/7 SOC in Spain. Fujitsu’s marketing and footprint for MSSs are primarily in Japan and Europe, with some focus on the North American, Asian and Australian markets.

In addition to its own R&D, Fujitsu continues to provide security services through enhanced partnerships with global security technology vendors, standardization of its service portfolio, and integration with other Fujitsu services while leveraging its experience as a system integrator. Fujitsu has gradually increased its customer base in Japan and in other countries, but it remains to be seen how widely Fujitsu will be accepted by global customers in an increasingly competitive cybersecurity market.
To extend its security business in the future, Fujitsu will need to take several actions, some of which are already in motion. For example, Fujitsu will redefine required skills for the digital era and to build an environment that fosters modern skills among security professionals. To further increase the number of security professionals, Fujitsu plans to focus on training highly skilled professionals. Fujitsu is also adopting automation capabilities in its security services business, following the trend seen in the managed security services market, to be able to optimize and scale its offerings. Fujitsu has indicated it will be leveraging its lessons and expertise with security orchestration, automation and response (SOAR) technologies and making this available to customers as a service. However, Fujitsu will also need to identify opportunities in which complementary security services can be included with Fujitsu services and offerings, where the combination can be a differentiator to buyers.

Digital Infrastructure

Fujitsu continues to rationalize its hardware and platforms into common offerings, referred to as an “Infrastructure Platform.” These platforms logically bridge legacy segmented brands and installed bases into a combined offering that includes:

- x86 (PRIMERGY, PRIMEQUEST)
- Integrated systems (PRIMEFLEX)
- Mainframes (GS/BS)
- UNIX servers (SPARC servers)
- HPC/supercomputer (PRIMEHPC, Fugaku)
- Data management platform
- Data utilization platform
- Storage
These compute offerings are supporting a core legacy platform refresh market that fuels the overall DX modernization business — a trend that will continue through 2022. Fujitsu integrated the product planning in Japan and the European Union, and consolidated development and QA support in Japan and Taiwan to accelerate DX for customers. However, this fragmented portfolio creates platform and hardware lock-in. As a result, customers depend on Fujitsu’s services for modernizing legacy software, enabling cloud delivery and transforming applications around software partners. Moreover, software modernization and cloud delivery are allowing Fujitsu’s core installed base to update to DX or modernize software and the cloud through partners. As a result, account control stays strategically with Fujitsu, with its core platforms moving to DX with modernization. However, account control is at risk of shifting to its cloud and software partners as part of broader transformation efforts.

For this evaluation, we separate Fujitsu’s infrastructure offerings into general categories:

- **x86 servers.** This comprises PRIMERGY generic x86 offerings and includes PRIMEFLEX hardware and software solutions for Microsoft, Nutanix, SAP and VMware. This segment is Fujitsu’s strongest foundation to convert its core business to its DX value proposition. Fujitsu continues to keep the same measures as before for PRIMEQUEST. However, it also continues to introduce risk, as the software partners threaten to shift from Fujitsu’s transitional core systems approach to transformational, cloud-based delivery and services led by their partners.

- **Japanese new-market Fugaku supercomputer, Data Management Platform (Netapp and NVIDIA), Data Utilization Platform (Data-Driven Social Creation; see also “Storage” part in detail), and legacy BS and GS21 mainframes.** For instance, Fujitsu enhanced the x86 to target AI/machine learning (ML) data management, including ZDLS (Zinrai Deep Learning System) with technology alliances with NVIDIA and NetAPP. These infrastructures are offered in Japan and Europe, and leverage significant local mainframe and HPC installed bases.

- **Next-generation ETERNUS hardware.** Fujitsu has a firm roadmap with, and a client and market impact that is focused on, significant client investments and offerings. This is valid while Fujitsu can leverage the Japanese installed base of these platforms, moving to hosted Mainframe Virtual System Service.
Legacy UNIX built on SPARC M12 and Oracle Solaris. This segment is built on a significant history and a diminishing installed base that is transitioning to Linux on x86. The transition is further accelerated by Fujitsu’s continued relationship with Oracle. Fujitsu will keep its support with a clear roadmap until 2034, along with the Oracle Solaris support policy.

SPARC is a shrinking market that is transitioning to Linux and the cloud. Although Fujitsu is providing clear roadmaps, customers should only use SPARC products tactically, while evaluating strategic Linux and cloud options. Fujitsu also provides cloud services “FJCS for SPARC” and have delivered for on-premises and the cloud.

Based on its roadmap, Gartner believes that any UNIX RISC platform will be only a tactical installed base legacy, migrating to hosting or cloud and modernizing with software partners moving to an Oracle Cloud or Cloud at Customer solution.

Storage. Fujitsu has various storage products and also the other vendors’ products to fulfill its customer demand. Its relationship with NetApp started in 1998 as Fujitsu offered NetApp products under Fujitsu’s brand name in Japan. After that, Fujitsu kept its strategy to sell its own products as a default. However, as NetApp expanded its capabilities around cloud and virtualized environment, Fujitsu has been pushing NetApp products more than ever. In 2020, Fujitsu announced its new offerings, ETERNUS AB/HB (Fujitsu’s own block storage) and ETERNUS AX/HX series (NetApp products). The latter OEM products are planned to be available in the world (except Europe) for the first time. Fujitsu’s challenges include how to keep its loyal customers and its strength as a trusted storage vendor, while Fujitsu is focusing more on its businesses directly connected to DX.

Fujitsu’s mixed infrastructure platform portfolio lacks the delivering common management, tooling and hybrid offerings, although some new products and services are available for hybrid environments. Fujitsu continues to offer siloed technologies, but it is still overly dependent on third-party software vendors for cross-portfolio management, hybrid IT and cloud transformation.

Evidence

1. Fujitsu

2. Fiscal Year 2020 Financial Results/Management Direction Update, Fujitsu.
Note 1 Gartner’s Financial Statement Scorecard for Public Companies

Gartner’s Vendor Financial Statement Scorecard methodology measures a combination of growth, profitability and liquidity based on a company’s financial results from public financial statements according to generally accepted accounting principles (GAAP). Gartner uses a standard methodology to derive its vendor financial statement scorecard to provide a like-for-like view among a pool of more than 750 vendors using publicly available financial information. The four basic criteria are:

- Revenue growth (trailing 12-month year-over-year revenue growth)
- Profitability (trailing 12-month GAAP net profit margin), with net income as a percentage of revenue
- Balance sheet liquidity (current ratio) as current assets divided by modified current liabilities (which adjusts for the presence of deferred revenue)
- Cash flow based on the trailing 12 months of cash flow from operations as a percentage of the trailing 12 months of revenue

For companies with large amounts of net debt, a fifth criterion, net debt divided by trailing 12-month cash flow from operations, is incorporated. Gartner’s policy is to use financials based on GAAP in calculating the ratios needed for the Vendor Financial Statement Scorecard (see Understanding the Methodology Behind Gartner’s Financial Statement Scorecard for Public Companies).

Company Overview

Fujitsu

Headquarters: Tokyo, Japan

www.fujitsu.com/global

www.fujitsu.com/jp
Founded in 1935, Fujitsu is a large IT service and technology provider, with about 130,000 employees. Fujitsu has been on a journey of big transformation — including its vision, strategy, business and organizations. Fujitsu has released new services and products for cloud, mobile, IoT, analytics, AI, security, integrated computing and software-defined connected infrastructure.

**Overall Rating Definitions**

| Strong | Is viewed as a provider of strategic products, services or solutions:  
| Customers: Continue with planned investments.  
| Potential customers: Consider this vendor a strong choice for strategic investments. |
| Positive | Demonstrates strength in specific areas, but execution in one or more areas may still be developing or inconsistent with other areas of performance:  
| Customers: Continue planned investments.  
| Potential customers: Consider this vendor a viable choice for strategic or tactical investments, while planning for known limitations. |
| Variable | Shows potential in specific areas though still variable in more than one of the required categories:  
| Customers: Consider the short- and long-term impact of possible changes in status.  
| Potential customers: Plan for and be aware of issues and opportunities related to the evolution and maturity of this vendor. |
| Caution | Faces challenges in multiple required categories and execution is inconsistent:  
| Customers: Understand challenges in relevant areas, and develop contingency plans based on risk tolerance and possible business impact.  
| Potential customers: Account for the vendor’s challenges as part of due diligence. |
| Weak | Has difficulty responding to problems in multiple areas:  
| Customers: Execute risk mitigation plans and contingency options.  
| Potential customers: Consider this vendor only for tactical investment with short-term, rapid payback. |
Vendor Rating: Fujitsu - 24 August 2020
Vendor Rating: Fujitsu - 14 May 2019
Vendor Rating: Fujitsu - 21 December 2016
Vendor Rating: Fujitsu - 30 November 2015
Vendor Rating: Fujitsu - 29 September 2014
Vendor Rating: Fujitsu - 24 April 2013
Vendor Rating: Fujitsu - 29 December 2011

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Magic Quadrant for Managed Workplace Services, Europe
Magic Quadrant for Managed Workplace Services, Asia/Pacific
Magic Quadrant for Data Center Outsourcing and Hybrid Infrastructure Managed Services, Asia/Pacific
Magic Quadrant for Public Cloud Infrastructure Professional and Managed Services, Worldwide
Magic Quadrant for Data Center Outsourcing and Hybrid Infrastructure Managed Services, Europe
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