

Summary Translation of Question & Answer Session at the Sustainability Briefing for Media, Analysts and Investors

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Questioner A

Q1: Regarding your Employee Engagement Score, I think your target for this fiscal year is 75, but, looking at the most recent figures, the trend appears flat, and figures for Japan, in particular, seem relatively low. Please tell us how you are interpreting and analyzing these results, including the prospects for meeting your target.

A1 (Hiramatsu): The target score of 75 represents the average score for the global technology industry. We realized from the outset that it would be challenging for us to meet that score. As we are competing globally, however, we feel that our employee engagement should not be lower than other global companies. Regarding the potential for achieving our target this fiscal year, the final year of our Medium-Term Management Plan, we recognize that it is extremely difficult. Still, we think it is important to make gradual progress. As explained in the materials, over the past year or two, we have really focused on Action Taking registration, and that has resulted in our employee engagement score starting to move in the right direction. We intend to tirelessly continue our initiatives to advance this positive trend and translate it into ongoing engagement enhancement.

Q2: Can you expand on your explanation of why, over the past several years, the employee engagement score has essentially been flat?

A2 (Hiramatsu): In 2019 and into 2020, because of the transformations we implemented in the ways we work and our job-based HR management, employees had broader options available to them, and there was a high expectation that Fujitsu was transforming itself. That led to an immediate increase in the employee engagement score. Since then, in a company with over 100,000 employees worldwide, we realize how difficult it is to raise the employee engagement score by even one point. It is not that the score for all groups within the company has been flat. Some groups have improved, and some have declined. We think this flat trend coincides with a period in which we were implementing many measures on a trial and error basis. We have been dismayed that, despite active efforts to create a work environment that is meaningful and rewarding, from top management to middle management and all employees, it has not been easy to increase employee engagement. Most recently, we have returned to the fundamental belief that the most effective approach is Action Taking. As a result of thorough implementation of that approach, we are finally beginning to see an improvement over the past year or two.

Q3: Against the backdrop of a broadening of the job-based HR management, I think you have explained that, in addition to contributing to the company's growth, it would also lead to higher employee engagement. Looking at the employee engagement score, however, I wonder

how much impact it has had. What are your current thoughts on the effects of, and your aims for, the job-based HR management?

A3 (Hiramatsu): Since moving to a job-based HR management, some employees seize the opportunity to take the position they wanted through the job posting system and take advantage of training opportunities to prepare them for those positions. Among those employees, engagement improves. There are other employees who feel unease under the new system and struggle to take actions, and for them there was no improvement in engagement. While the job-based HR management has become institutionalized in terms of making the entire organization more dynamic and motivating all employees, we need to make further efforts to shift the mindset of both management and employees. Going forward, we understand that we need to deal with the issue that while leveraging data we need to provide greater personnel support and encouragement.

Questioner B

Q1: Regarding the job-based HR management, some suggest it may weaken cross-functional collaboration within organizations. How has your experience been so far? Please also share any challenges you encountered and any advice for other companies considering implementing job-based HR management?

A1 (Hiramatsu): With the job-based HR management, each job description clearly delineates the scope of responsibility which may lead to the concern you mentioned, but we feel that there have been no difficulties in cross-functional collaboration. Our vision, goals and KPIs cannot be achieved without internal collaboration among organizations. In addition to the necessity of collaboration, it used to be the case that careers were established by hierarchy within an organizational group, but with greater mobility of human resources, there has been a greater flow of information within Fujitsu about what each organizational group does and what their values are. As a result, compared to before, there is greater openness, and we think that it has improved internal collaboration. Before the job-based HR management, managers had personnel authority over their subordinates, and, while it may be something of an overstatement, they could “hoard” their subordinates within their groups. Now, however, managers never know when one of their subordinates will apply for an internal job posting, and if he/she leaves, they will need to hire a replacement, either through a job posting or a mid-career recruit. For that reason, managers would need to clearly communicate, both internally and externally, what the group’s vision is and what its growth opportunities and job rewards are. If they are not able to attract people that way, the group will not be able to sustain itself. I think that is a difficult task for managers. Still, by sustaining that communication, we think it will make each group stronger and more dynamic, while also playing a useful role in attracting the right human resources. If we can overcome those hurdles, it will result in better organizations, so we think it is a necessary difficulty to overcome. I think many companies are struggling with indecision about this issue, so if we can show how to overcome the obstacles, supporting employees who can smoothly transition while also supporting employees who have difficulty in making that transition to make changes, we would like to actively convey our own experience.

Q2: Will there not be overall organizational distortions because of the gaps between groups that are popular versus those that are not?

A2 (Hiramatsu): First, because, as a company, we optimize each group's human resources over our near and medium-term plans, there are no extreme cases in which the number of employees in popular groups increase, while the number in unpopular groups decreases.

Still, there are cases of groups where people leave and where they have difficulty in recruiting replacements. Those groups have not sufficiently conveyed their growth vision or have low employee engagement.

In those cases, just because they are unpopular does not mean that we remove them from our job postings. Groups exist because they generate needed value for Fujitsu and for our customers. We in human resources will work with the group to articulate the attractiveness of that value, whether conveyed by the group's head or in a way that is empathetic to the group's members.

We are also implementing workshops to enable groups to rediscover their attractiveness, and we think that is fundamentally the kind of initiatives that we should undertake.

Questioner C

Q1: You spoke about further advancing collaboration between humans and AI as a sense of direction for Fujitsu's next Medium-Term Management Plan. What changes do you think will need to be made to your human resource portfolio from increasing the usage of AI in work?

For example, I believe that there will be parts in which the work itself significantly changes, such as coding becoming automatized in systems development. Taking factors such as this into account, please tell us if there is a sense of direction for your human resources strategy, such as increasing the number of personnel in certain departments or types of jobs.

A1 (Hiramatsu): We are currently in the middle of discussing the next Medium-Term Management Plan itself. We are proceeding with various studies as we anticipate that, as you pointed out, thorough utilization of AI will impact our human resource portfolio and change the abilities required of employees. As I touched on a bit in the modernization explanation, AI's impact in the area of systems development is incredibly straightforward, and we know that using AI will result in a significant decrease in workload. In addition, there is a wide range of areas in which AI can be utilized outside of system development, such as creating proposals in sales and responding to employee inquiries in HR. It is not simply about the percentage of fewer people needed to do a task, but rather using the time that is freed up through the use of AI to further increase the added value for customers as well as handle tasks that can only be done by humans. It is important to view this from the perspective of considering what matters we have not been able to sufficiently address because our time was taken up by various tasks. We believe that this will take the form of increasing human capabilities through the support of AI. Along with this message, we would like to show you the human resources portfolio we aim to achieve in our next Medium-Term Management Plan, but as we are still reviewing it, I will leave today's explanation of it at this.

Questioner D

Q1: What do you believe the role of those in charge of human resources will be in the age of coexisting with AI? Could you please tell us your opinion on if it is necessary for those in charge of human resources to view the entire system as a whole, including not only humans but AI as well, in allocating human resources, considering the possibility that there may come an age in which AI becomes the boss?

A1 (Hiramatsu): In the age of coexisting with AI, we believe that, for those in charge of human resources, it is important to never forget that the key point is that it is “human-centric.” We will design organizations and work to enable the most effective collaboration between humans and AI from a company-wide perspective. To do this, we must advance such initiatives as HR systems, fostering executive and management roles, and the redefining of roles. It will be important to set forth these approaches and directions quickly. Currently, within Fujitsu, there are people who want to thoroughly use AI to improve their work efficiency, while others feel uneasy and wonder if AI may take their jobs away from them and try to avoid AI. If people continue to feel uneasy about AI, our efforts, such as achieving the most effective collaboration with AI and using AI to increase one’s capabilities, will fall behind. This would be a loss both for Fujitsu and these individuals. To avoid the situation where people are used by AI or people make ethical mistakes by using AI too much, we will quickly set forth our aims of a human-centric collaboration between humans and AI, and prepare an environment in which employees feel at ease using AI and can proactively engage in reskilling to shift their capabilities to areas that can only be done by humans. As someone in charge of human resources at Fujitsu, which provides AI to customers as well, I believe that this is the role we should play.

Q2: Regarding labor costs and fixed costs, while labor costs will decrease due to the use of AI, will there be an increase in IT investments to utilize AI internally? Could you please tell us whether the approach to indirect expenses and fixed costs will change going forward?

A2 (Hiramatsu): The balance for that will be determined by what direction Fujitsu’s business will take and, as a part of that, in what sort of combination humans and AI will be utilized. Once we have formed our portfolio, including AI, depending on the balance, our labor costs may increase, or they may decrease. On the other hand, our AI-related investments will certainly increase. It will ultimately depend on the design of the portfolio.