Summary Translation of Question & Answer Session at IR Day 2025

Date: September 9, 2025
Location: Fujitsu Marunouchi Office (in person and live-streamed)
Presenters: Takeshi Isobe, Representative Director, Corporate Vice President, CFO
Shunsuke Onishi, Corporate Executive Officer, Corporate Vice President, CRO (in charge of Consulting)
Megumi Shimazu, Corporate Executive Officer, Corporate Vice President, COO (in charge of Service Delivery)
Yoshinami Takahashi, Corporate Executive Officer, Corporate Vice President, COO (in charge of Solution Services)
Vivek Mahajan, Corporate Executive Officer, Corporate Vice President, CTO (in charge of System Platform)

Questioner A

Q1: In the US, Anthropic and OpenAI, which are creating AI models, have gained added value, while the share prices of SaaS companies, such as SAP, Salesforce, and ServiceNow, have been declining. Fujitsu is pursuing added value through consulting services and Uvance, but Uvance's Horizontal areas are areas in which profit margins are especially low, so will AI really add value? Amid concerns that important parts of your business are not taking advantage of AI, how do you plan to respond going forward?

A1 (Takahashi): In the world of AI agents, we think the way SaaS is used will change. Instead of an operator using software, AI agents will simultaneously use multiple types of software. Moreover, we think the time will come when agents within a company, among companies, and across industries will be connected to each other. In that world, we think Fujitsu's advantage is, first, our ability to build industry-specific AI agents. We think a major component of that is our industry-specific knowledge of major customers in such industries as manufacturing, retailing and distribution, and finance. For example, in the manufacturing industry, what makes Fujitsu stand out is our understanding—not just of design work—but our understanding pertaining to a broad variety of work processes, such as BOM (Bill of Materials) management and procurement management, and our ability to use that understanding in developing AI agents.

Second, the technology to enable the safe operation of AI is extremely important. With agents running autonomously, it is necessary to protect against inappropriate output caused by prompt injections as well as protecting against hallucinations. We will enable the safe operation of AI agents with "guardian agent" technologies developed by Fujitsu Research.

Third, we also think our partner ecosystem is an advantage. In addition to such companies as SAP and ServiceNow, we are also building strategic partnerships that include hyperscalers, while moving forward with such discussions as how different AI agents will interact in combination with each other. So, we think we are well-positioned to advance our business at a distinct advantage.

A1 (Mahajan): At the present time, almost all AI models are based on transformer models, which are extremely heavy. With AI agents, however, what is most important is the ability to immediately process functions on the edge and to operate at very high speeds. For the next generation of generative AI and agents beyond Transformer models, there will be advances in the models for quantization and to make them much lighter. Models that can run on one or two GPUs will be important. In addition, the areas we should pursue are security technologies and reliability, as well as the sovereign AI area for enterprise customers, and we believe we can significantly contribute in these areas.

A1 (Onishi): If I can just add something from the perspective of consulting services, as we shift over from the world of generative AI to the world of AI agents, enterprise customers, which up until now have mainly employed AI for non-critical tasks, will increasingly employ AI for mission-critical tasks, such as disaster recovery efforts to restore a company's supply chain. In the future, AI agents in dialogue with each other will make decisions and execute plans to address any issues that emerge. At that point, it will be necessary to describe how humans will be involved in business processes, and secure the quality and security of a business. It will be necessary to build new business processes, and that represents a business opportunity for consulting services. The reason why Fujitsu can take advantage of these opportunities is because we understand both the business and technology sides of this issue. Our consulting capabilities are still in the process of being fully developed. In contrast, the big four consulting companies and Accenture already have their human resources in place and are pursuing projects with their existing pyramid-style business models. However, we plan to proceed with projects using a new resource pyramid model, one that deviates from conventional approaches. We consider our ability to think flexibly a significant strength, precisely because we are unburdened by past constraints.

Q2: Because you are working on quantum computing and Fujitsu-MONAKA, I think you have a deep understanding of datacenter infrastructure technology, but in the future, is there a possibility that you will develop an AI datacenter business along the lines that SAKURA Internet has?

A2 (Mahajan): Quantum computing is a little bit further into the future, but we expect to start commercializing Fujitsu-MONAKA from 2027. It is a technology that enables the combination of CPUs and GPUs to be used in a datacenter, and we will provide these technologies to SAKURA Internet and other AI datacenter providers. We will pursue opportunities, including in Fujitsu's confidential computing, with datacenter providers and the area of datacenters for the government and governmental institutions. In quantum computing, our aim is to achieve 250 logical qubits by 2030. If we achieve this goal, I think quantum computing will be fully utilized in such areas as materials science and medical field. Moreover, by combining quantum computing with high-performance computing, because workloads could be optimized, we predict, conservatively, that the market could reach 4 trillion yen by 2030, and we want to pursue our opportunities in this market.

Questioner B

Q1: In terms of your investments during your next Medium-Term Management Plan, I get the impression that your operating expenses will increase, but that increasing your capital expenditures will not be very necessary. In each of your business areas, what level of operating expenses and capital expenditures do you think will be necessary?

A1 (Isobe): I think that, in the area of quantum computing, capital expenditures will be necessary, but operating expenses will increase in most other areas. On the other hand, because there may be investments in acquisitions to increase the scale of our business platform, in that case there accordingly may be investments in capital expenditures. Both within Japan and outside of Japan, we are getting to the stage at which we can make investments, and when thinking about scaling our business, we want to consider opportunities while still focusing on ROI.

A1 (Onishi): In the area of consulting services, my answer is roughly the same as CFO Isobe's. Our structural transformation outside of Japan is nearly over, and we want to focus on our growth path moving forward. Within Japan, although we do not have the full amount of human resources we would like to have, we will win additional market share. For that purpose, we still need to discuss what functions we need to acquire in what categories of business and from what perspective, but we will also consider acquisitions.

A1 (Takahashi): In terms of specific areas, we are focused on data engineering. We are already looking at startups that have IP in our Vertical areas. We think that, rather than an outright acquisition, there are advantages to buying equity stakes in companies that would enable us to integrate their IP, so we are looking broadly at both IP and technologies.

A1 (Shimazu): In the area of modernization, our investments will mainly be in people. We will invest in training people to become experts in using generative AI and other areas corresponding to the evolution of technology. There will also be investments in the development of automation tools to advance our modernization and delivery work.

A1 (Mahajan): There are three main areas of technology in which we will invest. The first is areas of technology relating to quantum computing, Fujitsu-MONAKA, and AI. The second is partnerships with such companies as Arrcus and Cohere. The third is in people. Because creating these technologies requires top-class talent, we will invest in recruiting talent, not limited to Japan, but also including such locations as Silicon Valley, the UK, Spain, India, and Israel.

A1 (Isobe): We are actively thinking about acquisitions, but that is not all. What is most important is to invest in people. It depends on the way we are able to recruit talent and augment our capabilities. If it is through acquisitions, our capital expenditures will increase. If it is through higher employment costs, our operating expenses will increase.

Q2: When you are able to commercialize quantum computing, to what extent do you think you will be able to resolve capacity issues, such as energy consumption and space requirements?

A2 (Mahajan): At present, as for whether quantum computing will be able to solve operational issues, it has not yet reached that point, so it is difficult to answer your question. There are three technologies that are required to develop quantum computer with 10,000 qubits and 250 logical qubits. One is error correction, the second is the STAR architecture that we are developing with Osaka University, and the third is diamond spin architecture. But the most important point is not just the architecture. It is quantum applications and software. But if, at the same time, we can resolve constraints for both the infrastructure and the applications, for example, the Monte Carlo applications used by the finance industry, and applications used for simulations by semiconductor companies, such as materials searches, including medical applications, I think we should be able to deploy these solutions starting in 2030.

Questioner C

Q1: You mentioned that, last year, about 50% of your modernization projects fell into the "rebuild" category, but is that ratio changing? In addition, I am very interested in how much progress customers are making in putting together their data platforms, but roughly when do you think customers will be "AI ready"?

A1 (Shimazu): In the modernization business, there are three components: rebuild, rewrite, and re-host. In our business, currently over 50% is in the rebuild phase, with the remainder about half each in the rewrite and re-host phases. I cannot give a flat answer to when customers will be "AI ready" because it varies by customer. Some customers go through the rebuild phase and then think about how to use AI, while others are increasingly using data outside their legacy systems targeted for modernization to employ AI.

Q2: Revenues are rising in your Uvance Vertical areas, but are they rising in a balanced way across all of your offerings? Or, could it be that specific offerings account for 70-80% of your revenues? In case of the latter, which are those offerings? In addition, I think Fujitsu has made upfront development investments in developing offerings and recorded them as assets, but if some of these offerings do not sell well, when do you expect to write down losses on them?

A2 (Takahashi): For offerings for which we expect strong acceptance and significant sales growth, and in which we have prioritized investments, if the sale growth fails to materialize, we will use appropriate accounting procedures.

For our offerings related to resilient supply chains that enable proactive responses in the event that some incident occurs, as well as offerings that support safer cities using an imaging analysis engine, sales have been solid. In addition, in the retailing and distribution field, offerings that increase customer engagement, leading to further willingness to make purchases because of an increase in lifetime value, rather than just POS-related products up to now, there has been a rise in the uptake of these customer engagement offerings.

On the other hand, there have been a few offerings whose sales have fallen short of expectations, and for some of these, we have already recorded write-downs. In analyzing the reasons why some of these offerings did not perform well in Japan, there were cases in which the market had not progressed to the point we had expected it to mature. Also, while we have not yet recorded write-downs in this area, one example of this is a data platform for healthcare institutions. We have been struggling to gain a user base for a variety of reasons, including the severe management environment that our healthcare institution customers are now facing. Still, despite the unfavorable environment right now, it is a fact that, looking to the future, customers in this field will not be able to manage without rationalizing their operations, so we feel that, ultimately, the need for these offerings will increase. For that reason, we think it is an important time to preserve the offerings for which we were too early in anticipating a rise in the market, until multiple opportunities emerge.

A2 (Isobe): Because decisions about developing Uvance offerings and their selection for adoption, or not, are time-sensitive, it is true that there will be cases in which we write down assets or dispose of assets. Still, putting aside assets that have the potential to have a significant negative impact, because we want to avoid anything that, ultimately, will blow up in our faces, we regularly get rid of potentially adverse investments while they are still small. Accordingly, please understand that their impact is already reflected in our performance projections.

Q3: I just want to confirm whether revenues in Uvance's Vertical area are skewed toward specific offerings, or whether they are rising across all offerings in a well-balanced way.

A3 (Takahashi): Looking in detail at the Uvance offerings, I previously stated that we have nearly 70 variations of offerings, but some of the offerings I touched upon earlier, such as the resilient supply chain offerings and safer city offerings, represent a broader classification of those numerous variations. There are about seven or eight of such categories that comprise the core of what is increasing our revenue.

Questioner D

Q1: Fujitsu's market growth rate appears to be incredibly large and has a sizeable deviation from the anticipated market growth rate for Uvance and modernization mentioned in the presentation. Could you please tell us more about this, and if it is due to a difference in how markets are defined for both? Also, could you please tell us if Uvance's growth rate will converge with the average market growth rate going forward?

A1 (Onishi): We calculate market growth rates through a definition that is based on market data. Uvance's growth rate is from the stable growth of our platform business, which is its foundation, and an increase in sales of standardized solutions. Standardized solutions are effective in terms of such things as the size of projects, so its growth is incredibly strong. In addition, beyond the rebuild modernization being advanced by COO Megumi Shimazu, there is also the aspect of these standardized solutions. Please think of these as growth factors. Regarding the future outlook for Uvance, I believe it will depend on what topics emerge after these efforts have been completed. We will aim for growth that exceeds that of the market through incorporating new technologies.

A1 (Takashi): The market growth rate of 19% is based on use case scenarios for Uvance in the current market conditions. It is possible that five years from now a new market will emerge from integration with AI. For example, it is possible for there to be explosive market growth in the fields of digital manufacturing and design optimization. Fujitsu, by identifying new use cases such as these and redefining markets, will aim for further growth. We will explain this once again in our next Medium-Term Management Plan.

Q2: During CTO Vivek Mahajan's presentation, he talked about physical AI and factory robots. But Fujitsu does not have a robotics or factory automation business. As such, how will you increase your competitiveness in this area?

A2 (Mahajan): With Physical AI, what is important is not the physical robots themselves, but rather the software, AI, computing, and sensor technologies that serve as the robots' brain. Fujitsu has formed partnerships with robot manufacturers, and will focus on these software technologies. In particular, software capable of real-time processing through the edge and Fujitsu-MONAKA, which is a low power consumption processor with high performance chips, are Fujitsu's strengths. We do not manufacture physical robots, but through the integration of AI and computing, we will promote their usage in factories and stores to create new added value. In terms of future developments, we anticipate that the physical world and software world will become increasingly more integrated with each other every two-to-three years, not just by timelines such as 2030 and 2035. Fujitsu would like to generate added value here.

Questioner E

Q1: Regarding your path to improving Uvance's profit margin, there is an incredibly large range for improvement in its Horizontal areas in particular. How will you achieve this? Also, I believe that standardization will lead to an improvement in profit margin, but your fiscal 2024 results included customization projects from customers, primarily in Japan. So, are you truly making progress on your standardization efforts? And, if you are facing some sort of hurdle in doing so, please share with us your solutions for this.

A1 (Takahashi): The profit margin in Horizontal areas has increased compared to fiscal 2024. One major reason for this is that the development of upstream workloads in 3S companies (SAP, Salesforce, and ServiceNow), where getting a profit margin is quite difficult, led to initiatives, including the enablement of an implementation that is unique to Fujitsu, which are improving our profit margin. In addition, Fujitsu's strength lies in the internal implementation of 3S. When we develop this for customers, we are not only providing one solution, but rather envision scenarios in which we tie in ServiceNow's automation service after process mining from SAP. We have case studies in which developments such as this have raised the profit margin. For Vertical areas, as you have said, there remains a strong demand for customization projects among major customers in the manufacturing industry. In addition, there is also strong demand among customers who want to use their own solutions. Due to these reasons, it is true that things were slightly skewed toward systems integration in fiscal 2024. But, even in the midst of this, we believe that we will be able to increase the standardization rate of our offerings through offering new solutions, from design to the automation of processes using AI. While it is a bit difficult to deliver things that 100% fit to standard to customers in Japan, we believe that a standardization rate of 60-70% will be sufficient. Standardization will further stabilize quality and allow us to

provide new functions to customers in a timely manner. Going forward, we would like to take on the challenge of increasing the standardization rate even slightly among our major customers as well.

Q2: What is the customer base or areas in which Fujitsu-MONAKA actually has the potential of entering? The presentation materials mention the size of the market for datacenters, but could you please explain your plan for the areas you are targeting, whether it is for hyperscalers, customers, or enterprise?

A2 (Mahajan): I mentioned that datacenters and field of security as two areas for Fujitsu-MONAKA's entry point. If there is need for sovereign cloud services, then we believe that Fujitsu-MONAKA will be able to generate an incredibly large amount of value. Fujitsu-MONAKA ensures security on a chip level, so even if, for example, the VMWare environment running on it were to be breached, the data would be safe. In addition, what makes it valuable for datacenters is that its chips have incredibly low power consumption and can generate value. In our simulation, we calculated that Fujitsu-MONAKA will consume approximately half of the power that is consumed by, for example, AMD and Intel's CPUs. In addition, in the security field, there is the issue of whether highly confidential data from Japan's defense agency and government should be provided to American companies such as OpenAI. So sovereign cloud services will become incredibly important. The technology is made in Japan, so it, of course, has value in Japan, but in addition to this, we have also received many inquiries from Europe, which does not have its own chips. These European customers are considering geopolitical factors, as well as taking into account the historical background that they can feel at ease using Japanese technologies.

Questioner F

Q1: Please tell us how you define the standardization rate for Uvance's Vertical areas. In addition, what percentage will you be able to raise this rate to within a few years? How much would gross profit margin improve if the standardization rate increased by 10 percentage points?

A1 (Takahashi): The standardization rate is defined as how much the architecture is standardized, if there is a standardized model for the data scientist work, and a template for when it is implemented. These three things together are called standardization. We would like to increase the standardization rate, as deploying standardized offerings will make it easier to deliver offerings to customers, while at the same time ensuring profitability and quality. Although the limit is unknown, we have heard that SaaS vendors are standardizing 90% of their offerings. While I don't believe Fujitsu will go that far, we will carefully consider where this limit lies as we make this determination. If the standardization rate were to increase by 10 percentage points, then I feel that it would lead to, at most, a 2% improvement in gross profit margin, but it is hard to say for certain as it is influenced by various factors. There is, however, no mistake that the standardization rate increasing by a certain amount would affect the gross profit margin.

Q2: With quantum computing, Fujitsu is a pioneer when it comes to building infrastructure, but will this lead you to having a leading position in quantum applications as well?

A2 (Mahajan): From the announcement of our quantum simulator two years ago, we have been making progress on developing quantum applications with Fuji Film, Tokyo Electron, and other customers in finance and manufacturing. But even if one were to make applications, hardware is needed to be able to test them. We believe that quantum computing, like mainframes from long ago, is a world of vertical integration. It is for this reason that we believe that hardware for quantum computing is incredibly important, and our full stack approach will become our strength.

Questioner G

Q1: Out of the various initiatives that you have advanced in the area you are in charge of, if there was something that failed or did not go according to plan, could you please briefly tell us about it? I would like each of the presenters to please give a brief answer to this question.

A1 (Isobe): It would be that we were slow to enter inorganic growth areas, including acquisitions, or that we failed to find good business opportunities, which led to the initiative not coming to fruition. Depending on the perspective from which one views it, you might say that there were aspects in which we were overly cautious. While we have no intention of making careless decisions going forward, we would like to make progress while carefully considering matters from a broader perspective.

A1 (Onishi): I believe that, over the past six years, I have been able to make significant progress in transforming our customer-facing frontline operations. But, in terms of how to implement consulting into Fujitsu's overall company structure, it was a struggle because there were not any global use cases. It would be relatively simple to launch it in a similar fashion to Ridgelinez and NTT Data. But forming an organization like that within Fujitsu, instead, proved to be quite a headache from the perspective of such things as organizational infrastructure and incentive schemes. Despite this, following lively discussions from February to March of this year, we launched the new consulting organization. It became clear that not only were there consultants in the organization, but there were also members with consulting experience or certifications in the teams of people who were in charge of sales in that area and Uvance's commercialization, and those in charge of delivery. These resources will lead to the overall standards being raised. I believe that we are finally beginning to see the organizational model that we should advance.

A1 (Takahashi): I do believe that we have produced a fair amount of results, but feel that we must further increase the speed at which we advance the business. In fiscal 2024, Uvance achieved revenue of 480 billion yen, but looking at the breakdown, compared to our initial plan, this was driven by growth in the Horizontal areas more than Vertical areas. This itself is not a bad thing, and I do think this was in part caused by the market's maturity and our internal KPIs, but I feel that we could have acted more swiftly. Over the past three years, I believe that we spent time discerning market conditions, which led to delays in making decisions in some respects. So, I intend to leverage what I reflected on this going forward.

A1 (Shimazu): On February 14, 2022, we announced that Fujitsu's mainframe and UNIX business was coming to an end. We then received harsh comments and criticism from customers for failing to adequately consider them in our unilateral announcement. This experience has, however, become the driving force for the members currently promoting modernization business within Fujitsu. I also feel that this led to the development of various tools and the launch of the Meister system at Fujitsu.

A1 (Mahajan): First, while Fujitsu has the best technologies in Japan, which includes quantum computing, MONAKA, and AI, this alone is insufficient. Our partners are located outside of Japan, particularly in the US, and we must build stronger relationships with them to advance our business. I believe that we should have advanced such initiatives sooner. Companies such as NVIDIA, AMD, Broadcom, and Supermicro have finally started to recognize Fujitsu as an incredibly valuable partner, so I would like to make an even stronger effort in advancing this going forward. Second, our technology supports the growth of customers, and is also a major growth driver that supports Fujitsu's growth. So, I feel that we must focus even more on our technology itself. I believe that we are a company that has the potential to further expand its business centered on its technology, so we will aim to achieve this. Third, I believe we need to take greater pride in our technology and foster an atmosphere in which we are second to none globally. Despite developing world-class technology, we have not yet been able to sufficiently call attention to this. It is only recently that companies such as NVIDIA, AMD, and Supermicro have started to recognize Fujitsu as an important partner. We should have demonstrated a global presence earlier. In addition, our engineers may have had insufficient opportunities to truly feel how our technologies are contributing to the growth of customers.

A1 (Isobe): We are not satisfied with the current status quo. While there is always room for improvement, I believe that our communication within the management team and speed have significantly improved. I believe that you could say that Fujitsu is a rather large-scale company, but I feel that our delegation of authority and healthy conflicts are functioning well.

Q2: I believe that executive compensation changed in 2024 to a system that is linked to profit, profitability, and share price. This system seems to be working well so far, but looking ahead to the next one to two years, what changes might you consider if you were to make further changes to this system?

A2 (Isobe): The executive compensation system links Earnings Per Share (EPS) and Total Shareholder Return (TSR) to Long-Term Incentives (LTIs). Short-Term Incentives (STI) are tied to annual financial results and non-financial indicators, such as employee engagement scores, customer's net promoter scores, and the ratio of female executives. For non-financial indicators, we must review what is most suitable through causal relationship analysis with the financial results, and then make adjustments, but at this point in time we do not believe it is necessary to make any major changes. For LTI, I personally believe it could be reduced to just total shareholder return. The current total shareholder return level is not our end goal. There is still much room for improvement for the compound annual growth rate in EPS, ROE, and ROIC. I believe that, if we were to achieve this improvement, then the total shareholder return would naturally increase. It is for this reason that I think it would be good to focus on total shareholder

return as an indicator when evaluating Fujitsu, especially as an indicator when evaluating us from a long-term perspective.