

Summary Translation of Question & Answer Session at FY 2025 First Half Financial Results Briefing for Analysts

Date: October 30, 2025
Location: Live-streamed from Boardroom A on the 20th Floor of Fujitsu Technology Park
Presenter: Takeshi Isobe, Representative Director, CFO

Questioner A

Q1: The improvement in profitability in your Global Solutions business in the second quarter is impressive. Please tell us the factors that caused this improvement and whether they can be sustained.

A1: Revenue from Uvance is recorded not just for Global Solutions but also for Regions (Japan) and Regions (International), but the Uvance sales recorded in Global Solutions include the most advanced offering areas within Uvance. At the same time, because it also includes the expenses for the team that is developing Uvance offerings, the burden of that investment has been high, and profitability has been low, but because it is not an area in which we charge for business based upon the underlying man-hours involved, our profitability will increase significantly as our revenue expands. Excluding the impact of restructurings, this time revenue increased by around 6%, but our profitability is increasing as the volume of our Uvance business expands. At the same time, a portion of the investment in developing offerings is recorded in operating expenses. We are especially focused on developing offerings in the Vertical areas, and some offerings are extremely well accepted by the market, while some are not. By deprioritizing the development of offerings that are not as well accepted, our expenses declined, and that is finally beginning to be reflected in an improvement in profitability. Still, by no means do we feel that this level of profitability is sufficient. We just think that the combination of higher revenue and the modulation of our development expenses has finally resulted in higher profitability.

Q2: Regarding the comment in your explanation of wanting to expand the use of some form of generative AI to roughly 50% to 60% of your projects, roughly how long a timeframe is this taking? In addition, will we be able to see it reflected in an impact on your profits in the second half of this fiscal year?

A2: We would like to apply generative AI to 50% to 60% of our projects, even if it is just to a portion of a project, and our target timeframe is by the end of this fiscal year. The level of application at the end of last fiscal year was extremely limited, but now it is up to 33% of projects. There are some cases in which the application of AI would require the consent of our customers, but we are seeking to achieve that level by the end of this fiscal year. Normally, if we are applying generative AI to a portion of the processes of a project, we would want it to be applied to all projects, but first we will expand the range. Although it depends upon the project, in our large projects, the processes for which we are using generative AI are extremely limited, and, in terms of the impact on profits for those projects that are using generative AI, for many it is just around 1%. Because that is only the extent to which generative AI is being applied, the impact in terms of improved profitability in the first half was only in the low single-digit billions of yen. We have been making progress on standardization and automation utilizing Japan Global Gateway (JGG) and Global Delivery Centers (GDCs), but now the possibility has arisen that we

could use powerful new generative AI tools to promote standardization and automation. Up until now, I have been talking about personnel shortages, but I would like to increase the rate of deployment of generative AI to further promote standardization and automation. If currently the impact on reducing a project's costs is only around 1%, in the future we can broaden the scope of processes using generative AI as well as increase the volume of projects using it. We have projected that, for Service Solutions, the improvement in profitability could be nearly 40-50 billion yen per year, but if around 60% of our projects use generative AI to improve the efficiency of processes by 3-4% a year, we think the impact on profitability improvements would be around half of that 40-50 billion yen figure. Our Service Solutions business requires an extremely high level of man-hours and costs, so even if we can only increase the range of generative AI applications by a little bit, it will have a big impact. It will not be as high as 10% or 20% suddenly, but we think we can use the three big strategies of the JGG, GDCs, and generative AI to provide even higher quality services at an even faster pace.

Q3: The orders in the Vertical areas of Uvance are increasing at an extremely strong rate. Please describe what types of orders are increasing and how confident you are of achieving your target of 700 billion yen in revenue for the full year?

A3: My overall impression is that the rate of growth is getting pretty high, and while I will not say that achieving our target of 700 billion yen for the full year will be easy, we are on that trajectory. On the other hand, with Uvance, Global Solutions creates the seeds of offerings, and while there are cases in which the business is just comprised of the offerings, for Regions (Japan) and Regions (International), there are many cases in which we are providing value to customers by combining the offerings that have been created with our frontline products and services. Most of that 700 billion yen is the revenue from Regions (Japan) and Regions (International). Global Solutions is creating the offerings and rolling them out, but it is Regions (Japan) and Regions (International) that are using the offerings to generate significant business. If we achieve Uvance revenue of 700 billion yen, it doesn't mean that Global Solutions segment's revenue will be 700 billion yen. In the future I would like to organize our explanation of these areas so that they are easier to understand.

Questioner B

Q1: In your results for the first half, you mentioned that your adjusted operating profit slightly exceeded your internal forecast, but to what extent did it exceed your forecast?

A1: Mainly from Hardware Solutions and Ubiquitous Solutions, our results exceeded our forecast by around 5-6 billion yen. Results in Service Solutions were as expected. In light of the results in the first half, our forecast for the level of results in the second half might seem too conservative, but last fiscal year's results for Hardware Solutions in the fourth quarter included a big sale of a quantum computer-related system, so we are expecting a pullback from that. In addition, in the PC business of Ubiquitous Solutions, the uptick in switchover demand stemming from the end of support for Windows 10 started in second half of the last fiscal year, and the trend continued in the year's first half, but we expect it to end in the second half of this year. It is true, however, that we are being a bit conservative regarding the outlook for the second half, including for Service Solutions, so even if demand for PCs falls very sharply, we are working with a strong commitment to ensuring that we meet our full-year targets. We will soon have a

better idea of what to expect in the third quarter, at which time we will also have a better idea of the likelihood of our expectations being accurate, so please follow up again at that time. We have every intention of meeting our target for adjusted operating profit of 360 billion yen, so we are keeping our forecast unchanged.

Q2: Compared to the previous year, your adjusted operating profit for the first half increased by 55.2 billion yen. It is usually the case that there is a tendency for your revenues and profits in your IT services business to be more concentrated in the second half. That being the case, we would expect there to be a possibility for adjusted operating profit in the second half to be even higher compared to the prior year. Is the fact that it is not due to profitability being much higher than normal last year?

A2: That is partly how we are viewing the outlook. As I mentioned previously, demand for Hardware Solutions and Ubiquitous Solutions in the last fiscal year was extremely strong, and there is likely to be a pullback from that level this year, so our conservative outlook largely stems from that expectation. Even just looking at Service Solutions, the extent of the increase in our profits is not expected to differ too much from the previous year. Therefore, as you said, results in the second half of the previous year were very strong, and, on top of that, please understand that we have left our full-year target unchanged because we want to make sure that we meet it.

Questioner C

Q1: Regarding your results in Inter-segment Elimination / Corporate for the second quarter, the progress appears low against the annual plan of 75 billion yen, and it is also lower compared to the first quarter. What is the reason for that?

A1: In the first half, the operating loss for Inter-segment Elimination / Corporate was 33 billion yen. Of that, about 20-25 billion yen was advanced R&D expenses for such areas as quantum computing and AI, and that accounted for the largest proportion of expenses. While advanced R&D expenses have been increasing, in the second quarter we also recorded gains on the sales of some assets we had held. It is not a huge amount, but we regularly sell buildings and properties that are underutilized, and some of those sales happened to be lumped together in the second quarter, lowering the overall loss.

Q2: Was the level of the amount several billions of yen? And was it an unplanned amount that was not included in your full-year projections?

A2: Yes, that is right.

Questioner D

Q1: What were the adjusted items in the second quarter?

A1: We recorded around 15 billion yen in expenses as adjusted items in the first half, mainly in the second quarter. Most of them were structural reform expenses related to our hardware business in Europe. We are continuing to carry out structural reforms to our services and hardware businesses in Europe. In the server and storage areas of our hardware business, demand is weak, and the volume of our business has declined, but we had not sufficiently scaled down

our resources accordingly, so we recorded structural reform expenses, mainly consisting of expenses for downsizing our sales and administrative personnel.

Q2: To what extent can the use of AI relieve some of the personnel shortages you face? In Japan, you continue to face personnel shortages, and you are further increasing your business opportunities to raise productivity, while outside of Japan there are still times when you are downsizing your personnel, but please tell us your thoughts about the impact of AI on human resources.

A2: As you mention, our demand for human resources in Japan is extremely strong, and some customers have had to wait for us to start projects because of our personnel shortages. To relieve the shortages even by a little bit through the use of AI, we think we can promote standardization to enable higher quality work at greater speed. Because there is extremely strong demand for modernization projects, either to replace customers' own legacy systems or just original systems, which is demand that we expect to peak in 2028-2029, we expect to continue to have to cope with shortages.

Outside of Japan, the scale of our operations is limited as we carry out structural reforms. In the Americas and Asia Pacific regions, a lot of our work is supported by our Global Delivery Centers. In terms of the foundations of our current business, there is no real demand for the application of AI or for new hires, and our focus is just on supporting our existing customers. In Europe, the scale of our services business in the UK is relatively large, but even for our public sector business in the UK, we are still not at the stage at which we are deploying AI, so there is no major impact at the current time.

Regarding demand for human resources in Japan, over the medium and long term, if AI evolves as expected and is able to be deployed more deeply in our delivery work, the scope of work performed by humans will change. Demand for upgrading systems and for DX will still expand, so we do not think we will suddenly reduce the number of our employees, but rather than struggling to expand our human resources, we would rather think along the lines of our current ratio of resources as we expand the use of AI to meet the expansion in the size of our business. Unfortunately, outside of Japan, because we do not have such a strong business environment, the fact is that we have not made much progress in deploying AI.

Questioner E

Q1: Do you have any quantitative figures that would give some sense of the scale of AI agents in your business?

A1: That is a bit difficult to answer at the current time. It is not as if customers just pay for AI agents. In delivering value to customers, a very solid data platform is required. Accordingly, we also leverage our own knowledge of AI agents and pair that as a set with data platforms in our proposals to customers. Internally, we are trying to extract figures on AI, but if we just collect figures purely on AI agents or AI alone, the figures would be very small. AI is, however, widely included in our project deals, and the size of that business is large. The value of the AI part of that is not something we can specify at the current time. I understand the need for quantitative

figures, and I, myself, would like to have greater clarity into this issue, so we will try to develop information on this in the future.