Summary Translation of Question & Answer Session at
Uvance update for Media, Analysts and Investors

Date: July 16, 2024
Location: Uvance Kawasaki Tower, 26th Floor
Presenters: Yoshinami Takahashi, Corporate Executive Officer, Corporate Vice President,
               COO (in charge of Fujitsu Uvance)
               Vivek Mahajan, Corporate Executive Officer, Corporate Vice President, CTO,
               CPO
               Naoko Otsuka, Corporate Executive Officer, EVP
               Takeshi Fujii, Co-Head, Strategic Planning Unit, Global Solution BG

Questioner A
Q1: Please explain your aims and intentions behind your change in referring to Fujitsu Uvance from a "business brand" to a "business model."

A1 (Takahashi): When we refer to Fujitsu Uvance as a "business model," we are signifying that it is a shift in our business model as we promote the transformation of Fujitsu's business portfolio, rather than just a brand name. Still, whether we refer to it as a "business brand" or a "business model," both are fine, and I do not think there is any deep significance to these different characterizations.

Q2: Regarding your partnership with Cohere, you talked about it as creating specialized services tailored to the needs of different industries and business areas. There are a number of companies developing generative AI and large language models. Please tell us why you chose to partner with Cohere.

A2 (Mahajan): There are really not that many companies producing large language models. It is mainly Open AI, Anthropic, Mistral AI, and Cohere. Cohere is specialized in the needs of enterprises, and the needs of enterprises are different than the typical needs of individuals. Cohere is not aiming to service B-to-C needs. The reason is because Cohere is focused on creating models tailored to the needs of enterprises. In terms of what is important, there are RAG technologies, performance, accuracy, and the technologies to minimize computing resources, which are the priorities for Fujitsu, so there was an alignment of needs, and that is why we partnered with Cohere.

Q3: You have now created two versions, Fugaku-LLM and what is tentatively named Takane. How do you intend to distinguish how these two will be used?

A3(Mahajan): Fugaku-LLM was developed with 13 billion parameters, so it can be used even with GPUs, and it can be used as is for smaller-scale needs without using a large language model. Coherewas developed with a significant number of parameters, so it can meet the needs of enterprise customers. There are a variety of needs that come with scale and the accuracy, performance, and security that need to be enhanced with scale, so we will meet a wide variety of needs in delivering the services our customers need.

Questioner B
Q1: You mentioned that Cohere works without using heavy resources. Does that mean it can work even on a local PC, or that, with a local PC, it needs discreet GPUs, or that it needs to use the cloud or a data center? Please give us a sense of the scale of resources required.

A1 (Mahajan): I would not say that it works just with a local PC, but PC technology is advancing, and we are now developing models that work with just one GPU, so I think it will be possible, but we are currently thinking along the lines of having it work using just a typical server. In addition, I think it will also be possible to use the cloud in either a public or private cloud. In a customer's closed environment, it can be used in a private cloud. Especially when it comes to enterprises, we think that is a very important point.

Questioner C
Q1: There was a reference to your investment in Cohere, but have you already made that investment? How much is the investment?

A1 (Mahajan): We have not publicly disclosed the amount of the investment, but we have already made the investment.

Q2: What is the significance of developing a model specialized in the Japanese language?

A2 (Mahajan): We are creating Takane, which is a model based on the Japanese language. Fujitsu has already developed Fugaku-LLM. Among companies creating large language models and generative AI models, it is said that there is a fairly wide gap between English and Japanese. To avoid that gap, since our customers have data process based on Japanese, and since their security, and needs will be different, we think it is important to create a model based on the Japanese language.

Questioner D
Q1. There was a demo of dynamic supply chain management and you mentioned that you are also taking a new approach to delivering your offerings, but will there also be changes in the fees you charge customers? In your effort to make customers recognize the value you are delivering, is there widespread acceptance of the prices you are charging?

A1 (Takahashi): We start our engagement with data consulting, then proceed with data aggregation and modeling, and we charge consulting fees. After that, we are engaged to develop actual solutions, and then we charge based on a monthly rate or conventional charges based on the number of CPU nodes used, etc. Therefore, in contrast to the conventional model, in which we charge based on the number of man-hours performed, we are providing consulting services and then charging monthly subscription fees, so it will become a business of recurring revenues. These will be cloud-based applications, so there will be enhanced performance features. Therefore, please understand that it will be a new business model in which the average price increases in accordance with the added functionality like software companies. Our business model is changing.

Q2. You cited the example of Tokio Marine Holdings, in which Fujitsu's strengths in data integration were used. I heard that one of your advantages is that you are able to aggregate data without needing to upgrade a customer's existing systems. Could you elaborate on that point?

A2 (Takahashi): In the process of integrating data, it is important that data scientists are able to work with a variety of data. One example would be utilizing Palantir's technology to use ontology to link data together. In doing so, there is no need to configure data lakes, and just by linking together unformatted data using ontology, we are able to integrate data without having to upgrade existing systems. We are fostering the development of data scientists through partnerships with several companies, and we think this is a special strength of Fujitsu.

Questioner E
Q1: At the end of the presentation, COO Yoshinami Takahashi also repeatedly mentioned that Fujitsu has highlighted that it aims to achieve success in both solving societal issues and business. I believe that this is a very important point. Once again, I would like to ask if Fujitsu is truly thinking of achieving both in all of its business areas. I believe that, by extension, this will become the core of how far the Uvance business will grow. Please tell us your thoughts on this.

A1 (Takashi): There are, of course, businesses that are not profitable from the outset. For SaaS-based businesses and cloud-based applications in particular, the business model is one in which they acquire and increase the number of users. So, when you do not have enough usage and users at the start, it will be difficult to recover the investment. However, in regard to where our Uvance ultimately is, currently, the gross margin in its vertical areas is actually close to 50% (note: for some offerings). Out of our results from last year, we feel that it is achieving a good margin. As we think of how long to wait to reap the benefits of our investments, it is my belief that Uvance will ultimately pay off as a business.

Q2: Essentially, the more difficult to solve the societal issue is, the less likely it will be to become a business. But it is these issues that are a very serious problem for humanity. I think the most crucial thing will be what Uvance will do regarding these most serious issues. This includes, for example, the question of what should be done about energy, which is also currently being talked about with generative AI.

A2 (Takahashi): You ask a difficult question. I believe there is still a long way to go before we can truly commercialize the optimization of energy and such. There are, however, actual companies that are paying to implement Fujitsu's solutions to prevent their supply chains from becoming fragmented. For example, many companies are now focusing on supply chains due to what happened during COVID-19. We feel that this is certainly becoming an area for business. Optimization of electricity is a solid business in things such as the preventative maintenance of the power transmission facilities. I do think, however, that we are a bit far off from being able to commercialize the optimization of power transmission.

(Fujii): I believe that the policy of Uvance is to solve especially difficult societal issues through

an ecosystem. We are not simply expanding Uvance's offerings, but also participating in activities such as, for example, Catena-X and WBCSD, and are a leader in these efforts. In the midst of this, from a slightly longer-term perspective, we are working to create a new ecosystem and new market. We are working to achieve success in both solving societal issues and finances through Uvance in both the short and long term.

Questioner F
Q1. I would like to ask once more about the positioning of Takane, which was just announced, in Uvance. I would like to know if, as Uvance's product lineup expands, you will take steps that involve deploying this generative AI, or if this collaboration will contribute to the expansion of its vertical areas, including Fugaku-LLM.

A1 (Takahashi): Dynamic pricing and personalization, for example, are popular topics among our distribution customers. These areas are highly sensitive, and we believe that Cohere's specialized large language model can be utilized in them. In addition, the DI PaaS in Uvance's lineup is not a solution that Fujitsu creates and then provides to customers as-is. Rather, Fujitsu does data consulting and utilizes data models that are suited to how the customer will use them, which then flows into deploying Kozuchi or Takane. Please understand that there are two patterns. One is to incorporate a solution, such as these, and the other is to start with consulting individual companies and then create a data model.

(Mahajan): Essentially, we think that it is necessary to use AI in Uvance's offerings. As an engine for generative AI, it will also be needed in the manufacturing, distribution, public sector, and medical fields. It is for this reason that we think it will be necessary to use Takane or Fugaku-LLM, depending on the needs of the customer. We are not doing research for research's sake, but are rather developing technology to support Uvance, so we will work with Uvance as an outlet for the development of technologies.

(Takahashi): We feel that specialized large language models will be used in designing processes, especially in high-tech industries. We believe that this will also be the case for the healthcare industry.

Questioner G
Q1: I would like to ask for additional information regarding your partnership with Cohere to develop Takane. Why did you choose to form a partnership rather than independently developing technologies? If there is a strong advantage to forming partnerships, do you plan to expand your partnerships with other companies in the field of Kozuchi's generative AI?

A1 (Mahajan): First, we have partnered with Cohere because of Cohere's enterprise-grade large language model. In addition, Fujitsu does independently develop its own technologies, and we created Fugaku-LLM. Cohere's CEO, Aiden is one of the authors of the paper that introduced the Transformer, which forms the foundation of for most LLMs today, and we feel that it is very beneficial to partner with Cohere. We have already announced our strategy for Kozuchi, but we do not believe that Fujitsu will create everything from start to finish in the field of AI. We will use Fujitsu's core competencies and various partnerships to quickly provide superior technologies to customers. Palantir is one such technology, and we believe that Cohere's large

language model complements our technologies. It is for this reason that we have partnered with Cohere.

Q2: To confirm, do you plan to expand your partnerships with other companies in the field of Kozuchi's generative AI?

A2 (Mahajan): As you know, this industry is changing at a very fast pace. As we assess the daily changes to technologies, we are also considering partnering with global companies to quickly provide superior technologies to customers. It is for this reason that we are reviewing the potential for expanding our partnerships.