

Summary Translation of Question & Answer Session at FY 2017 Briefing for Analysts on Fujitsu's Environmental Initiatives

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Location: Fujitsu Headquarters, Tokyo
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Questioner A

Q1: *It seems to me that as you push ahead with your initiatives relating to the environment, these efforts will have a negative impact on Fujitsu's business in terms of cost, so how do you explain these efforts to business units when doing things like product development?*

A1 (Kanemitsu): There are two types of environmental cost. The first consists of costs relating to risk avoidance and strict compliance. These must be thought of simply as costs. The other type consists of costs for business. As the need to save energy increases around the world, there is increasing demand for solutions that can also promote energy savings, and that market is becoming incredibly broad.

With reference to the SDGs, in particular, they are extremely important as issues in society, and it's said that by 2030 there will be a related market on the scale of about 12 trillion dollars. I think that, going forward, once we reach a point where more reactive environmental activities have settled down, we will need to develop more active environmental efforts that are more in line with business.

As for the question of how we promote environmental activities within business units, several years ago we had a number of costs for ensuring compliance, and we recognized that these costs were quite high. As issues in society such as global warming have gotten closer, however, there has begun to be a demand for solutions, and likewise the number of business units working on this area from an extremely business focused perspective has increased significantly. We are also actively making information available to promote greater understanding. I think that recently the overall direction has changed a lot.

Q2: *Compared with ICT companies outside Japan, Fujitsu is well behind the pack with a renewable energy utilization rate of 7.5%, but there seems to be a bit of a gap here, as independent evaluations inside Japan rate you quite highly. What sort of level is Fujitsu aiming at in quantitative terms?*

A2 (Kanemitsu): One of the major reasons for this gap is that within Japan, utilization of renewable energy is difficult from a systems and services perspective. In addition, as we are ourselves based in Japan, our perspective is inevitably focused on Japan, giving us the excuse of thinking that, while that is good for companies outside Japan, it does not apply to us. Last year, however, in attending the Conference of the Parties to the United Nations Framework Convention on Climate Change (COP23), I keenly felt that it was essential to take action beginning from what was already possible for us. As a result, we have been promoting efforts focused on services we could utilize outside Japan and on implementing low-cost power options. This will not only raise our brand image, it will also simultaneously increase our ability to compete on cost through the adoption of power sources that are continuing to get cheaper.

(Supplemental information: Outside Japan, renewable energy is available at prices cheaper than grid energy prices, and the various systems and services are fully built up, so companies outside Japan are at an advantage in terms of renewable energy utilization rates. Fujitsu is also actively working to implement renewable energy, particularly outside Japan.)

Questioner B

Q1: *With regard to "Mitigation" and "Adaptation," two of the three pillars you lay out in your Climate and Energy Vision 2050, what specifically are you doing?*

A1 (Kanemitsu): For "Mitigation," as can be seen in the examples of smart mobility and city monitoring, we are working toward limiting emissions of carbon dioxide caused by traffic jams, and other substances

that are linked with air pollution and respiratory diseases. For "Adaptation," we are working to respond to the impact of climate change, as with the example given of global weather forecasting. In the field of disaster prevention and mitigation, for example, global observational data can be analyzed, and then levees can be built based on that analysis, and city planning can be done with regard to storm surge. We are working on contributing to adaptation using this sort of information.

Q2: I understand that your goal is to have zero CO₂ emissions by 2050, but could you tell us about shorter-term goals and key performance indicators?

A2 (Kanemitsu): We have set a goal of a 33% reduction by 2030. This means an annual goal of about 2%, which we would like to achieve using renewable energy and a variety of other services.

Questioner C

Q1: Fujitsu has taken the initiative in holding ESG briefings, and I get the impression that your efforts are ongoing, but what do you think are the issues your company is facing in your efforts on the environmental part of ESG?

A1 (Kanemitsu): When the SDGs became a key topic two years ago, everyone started thinking about how to approach them. I think there are two viewpoints when thinking about the SDGs. First is the trend for using the SDGs in business promotion. Even within Fujitsu momentum is growing to push for selection of a few issues from among the important issues in the SDGs, and thinking of how to solve them. The other way of thinking is on the internal usage of the SDGs. In other words, it is about how a company can correct its own activities. This would mean efforts such as eliminating harmful chemicals from products, for example, in order to create a healthy society, or creating green products in order to prevent global warming. With only business taking the lead, however, internal efforts are insufficient. It is essential to push forward on both axes. As this way of thinking has gradually sunk in, we have been able to push forward without any feeling of unease within Fujitsu.

As for issues on the environmental front, I think that over these last two years, our environmental initiatives have been going extremely well, and a variety of outside evaluations agree. If I had to point to one topic, it would be grassroots activities. President Tanaka himself has handed down a directive from the top, but in order to make that take hold on the ground, in the end it is important to educate each individual employee through sincere activities. The mindset with which each individual approaches environmental activities is extremely important. We have become aware that for educational materials, as well, we need to create a narrative and build the connection between business and issues in society.

Q2: You explained that as part of your ESG activities through your business, the full utilization of ICT could cut CO₂ emissions by 20%, but should we expect that this sort of business will reach the scale where it makes up a significant portion of Fujitsu's total business? Currently though, am I correct in saying this area is not that big for you?

A2 (Kanemitsu): We are told that the scale of business relating to the issues in society in the SDGs will reach a market size of about 12 trillion dollars by 2030. Fujitsu's business currently makes up about 2.2% of that globally. We believe that the potential in this field is so large that it will prove to be a driving force for Fujitsu as well.

As for its portion of our total business, it is extremely difficult to pin that down. We are working to make all of our products more environmentally friendly, for example, so in the sense of environmental products, all of Fujitsu's business would count. I think this depends on how you define the question.

Questioner D

Q1: With regard to CO₂ emissions, your total for fiscal 2016 was 1.345 million tons, but what do you expect your results for this fiscal year to be? Also, how do you think you will rank in terms of other companies in Japan?

A1 (Hamakawa): We forecast a total of about 1.25 million tons. In the analysis of environmental management performance by the Nikkei Shimbun, in terms of the amount of a reduction, there are some areas where we need self-help efforts in our locations outside Japan, compared with the top ranked companies, so we cannot say for certain that we will be in the top rankings.

(Kanemitsu): I think it is difficult to compare things just in terms of the total amount of emissions, as the emissions of a factory with a semiconductor business, for example, might be considered quite large because the comparison would change depending on the business area. In Fujitsu's case, looking at the past three years, we have reduced our emissions by about 2.7% (in absolute terms), compared with the target value of 1% (from the original level) set by the energy saving law from the Ministry of Economy, Trade and Industry, which I think is a strong result. Because we had been working on saving energy to begin with, however, I think we will gradually run out of room to improve. Going forward, I think the use of renewable energy will also be something we have to consider.

Q2: *I understand that efforts that serve to improve corporate productivity, such as smart factories, smart mobility, and city monitoring, will lead to some sort of improvement, but do you have any key performance indicators or ideas that will lead ultimately to corporate performance?*

A2 (Kanemitsu): We do not have any specific key performance indicators for environmental activities, but from the perspective that exchanging old hardware products for new ICT devices, for example, will improve the world, we have vague goals of increasing things like those sorts of sales.

Questioner E

Q1: *You rank first in the electronics field in the Nikkei ranking, but 12th overall, which represented a decline from the previous year. Did your ranking decline in relative terms because other companies improved their initiatives? Please tell us what your understanding is.*

A1 (Kanemitsu): The number of companies entering the Nikkei ranking is increasing, and competition is intensifying as companies seek a top ranking. Particularly industries for which their environmental record is a selling point, such as residential builders and beverage manufacturers, are rising in the rankings. Electronics manufacturers were early leaders and were in a good position, but the rising newcomers bring a fresh perspective, and compared to their initiatives, we may appear to be behind. Fujitsu is ranked 12th, but we narrowed the point difference with the top-scoring company compared to last year. Still, there is severe competition for the top ranking, and it comes down to how we can strengthen the promotion of each of our activities.

If we ask where Fujitsu was weak compared to the top five, our overseas locations underperformed in managing the volume of water used and managing CO₂ emissions. In addition, although Fujitsu has a variety of activities relating to the recycling of resources, copy machine manufacturers score extremely high points for collecting and disposing of their copy machines. To the extent we are selling through wholesalers or mass merchandisers, there is a difference in our business models, and it is not easy to close that gap. This year we are placing focus on our overseas locations, including our supply chain, and we will seek to attain a high position in fiscal 2018 and beyond.

Q2: *On page 11 of your presentation materials, regarding the improvement in the power consumption and performance of your supercomputers, please tell us specifically what technological innovations enabled you to improve power consumption per unit of computing performance. Please also tell us whether it is more environmentally friendly compared to other companies.*

A2 (Kanemitsu): Strictly from an environmental standpoint, for a supercomputer the key is in the cooling technology. Fujitsu has technologies ranging from liquid immersion to water cooling technology, and we use them very effectively. On top of that, device design technology is also important, and we are working to incorporate that for further improvements.

Questioner F

Q1: *How feasible is it that artificial photosynthesis will be developed by Fujitsu? If you succeed in developing it, how do you envision it will progress in terms of Fujitsu's business?*

A1 (Kanemitsu): Fujitsu's technology for manufacturing electrodes is very good, so we have focused on that and gotten to the point where we have made it into a business unit. As for business beyond that point, it would be difficult for Fujitsu to do it alone, so we would work with a partner.

Questioner G

Q1: *This time there were comparisons with foreign companies, and among the leading companies in terms of ESG initiatives, some have established a risk management framework for E, S, and G at the board of directors level, with progress in achieving objectives reflected in their incentives. What initiatives is Fujitsu taking?*

A1 (Kanemitsu): In terms of the involvement of top management, there is an environmental management committee that is headed by President Tanaka, and we have established nine other committees to manage progress in specific areas. From April, SEVP Nobuhiko Sasaki will be in charge of the environment and CSR matters, which shows the great importance Fujitsu places on environmental and CSR issues, and we are placing even greater effort into these activities in a major framework.

(Maezawa): As for incentives, for the Fujitsu Group as a whole, including our locations outside Japan, we have a commendation system for environmental contributions. It goes up to the President's Commendation Award, and once a year we have an award ceremony. While not directly reflected in monetary awards, we do have an incentive system in the form of commendation awards.