Summary Translation of Question & Answer Session at
Artificial Intelligence Strategy Briefing for Media, Analysts, and Investors

Date: February 14, 2024
Location: Live-streamed
Presenters: Vivek Mahajan, Corporate Executive Officer, SEVP, CTO, CPO, Co-Head of System Platform Technology
Yoshinami Takahashi, Corporate Executive Officer, SEVP & Head of Uvance Business, Global Business Solutions
Support Staff: Toshihiro Sonoda, Head of the Artificial Intelligence Laboratory, Fujitsu Research
Yuki Doi, Head of Technology Adoption Division, Global Business Solution Business Group

Questioner A

Q1: Among the AI technology you currently provide, tell us about generative AI. To the extent that you can, please tell us about your generative AI capabilities and the number of parameters.

A1 (Mahajan): It goes without saying that the Fugaku large language model has met the top benchmarks. For composite generative AI, it goes up to 13 billion parameters. I will now have Toshihiro Sonoda, the Head of our Artificial Intelligence Laboratory, respond.

(Sonoda): In the large language model based on Fugaku, and in the large language model based on Llama 2, we have achieved top-tier results according to JGLUE. Regarding composite generative AI, it is a graphical formatting task, and we have achieved GPT4 levels of accuracy. We now want to use that to develop tailored generative AI programs.

Q2: In terms of how you combine the technologies you provide, you gave the example of using generative AI for forecasting, but I think conventional forecasting has relied on other numerical analysis forms of AI. How will AI be combined in Uvance? In terms of combinations or ratios, can you tell us if the proportion employing generative AI will expand?

A2 (Sonoda): It is not generative AI, but as a future offering we are working on combining forecasting with optimization. We think there is extensive need for the combination of forecasting and then generating the optimal response. As for generative AI, we are currently working with Mizuho to review Mizuho's system design specifications, and we are talking about generating test code. By using the test code we installed during the review of system design specifications, we would like to move to use that knowledge to generate test code. There are many of these kind of combinations, and we would like to think of a variety of combinations that meet the specific needs of customers.

Q3: Will you use a different type of AI for forecasting?

A3 (Sonoda): We have technology called AutoML that automatically creates forecasting models from data. Regarding optimization, as well, it is extremely difficult using conventional methods, but last fall we announced a technology that, using machine learning, can automatically generate

optimization. By bringing together the combination, we think we will be able to provide automated forecasting and optimization.

Questioner B

Q1: I would like to ask about your basic stance regarding generative AI. The view in the market is that the leaders in generative AI are Microsoft, with its stake in OpenAI, and Google, which has some fundamental technologies. Is Fujitsu looking to compete with those two companies? Or, as an IT services vendor, will you provide AI by building it into Uvance?

A1 (Mahajan): Rather than competing, we want to create blended technologies. ChatGPT and Anthropic are already out there, led by Microsoft and Google, but we do not think any single company's AI can solve every problem. Our stance is to collaborate rather than compete, and we plan to create partnerships. We want to take our strengths in large language models, other companies' large language models, Palantir's data platform, and a variety of other technologies, and combine them, providing them in the form of solutions for customers.

(Takahashi): I agree. Collaboration rather than competition. We are really not thinking about what we can do as a single company. There are certain things that only Fujitsu can do, such as with our superior hallucination technology or AutoML, and we want to combine them with technologies of other companies, because we think it is important to propose even better solutions. The foundation of Uvance is to provide a blend of technologies rather than just Fujitsu's, enabling us to resolve even bigger societal issues. We want to deliver Best of Breed, and we will not waver on this.

Questioner C

Q1: How many employees do you respectively have in Fujitsu Data Intelligence PaaS and your consulting service?

A1 (Mahajan): We just started, but we currently have around 50 people in consulting in Japan. With regard to our future global expansion, we are currently examining our human resources structure outside of Japan. Aside from consulting, it is also important to provide PaaS, and, including engineering outside Japan, rather than just Japan, we have several hundred developers.

Q2: With your current AI related initiatives, what will Uvance's revenues be?

A2 (Takahashi): We have a target of 700 billion yen in revenue of Uvance in fiscal 2025. We expect to achieve 300 billion yen this fiscal year. As we aim for the 700 billion yen target, it will also be important in fiscal 2024 to determine how we can strengthen our Uvance offerings. By building in Fujitsu Kozuchi, which is a technological differentiator for us, we aim to make our offerings superior. I think it is fair to say that, to achieve 700 billion yen in revenues in fiscal 2025, Fujitsu Kozuchi will be our core competence, and that is what we seek to achieve.

Questioner D

Q1. For the Fugaku large language model you are developing based on CPUs, what is the current status, and what can we expect?

A1 (Mahajan): Just as you said, it is being developed based on CPUs. Of course we are aiming to achieve superior performance in a Japanese large language model, but we are also using such tools as an AI accelerator to lower costs and raise performance.

(Sonoda): We expect to announce the Fugaku large language model around April. As SEVP Mahajan mentioned, it will have top-class accuracy in Japanese. Before that it is undergoing open-source evaluation, and it has top-class accuracy. Using our experience with CPUs, next fiscal year we want to create new generative AI models.

Questioner E

Q1: In regard to your technology consulting service, you explained that you have an organization comprised of 50 consultants. To which Fujitsu organization do these 50 consultants belong??

A1 (Takahashi): The 50 consultants mentioned earlier are employees involved in Fujitsu Data Intelligence PaaS. Fujitsu has announced that the company will establish 10,000 consultants for Fujitsu group as a whole by 2025, and we currently established several thousand technology consultants across the globe. Broken down, we have technology consultants in a variety of areas, including talent specializing in 3S (SAP, Salesforce, ServiceNow), and talent with expertise in data AI and process mining, such as Celonis and Palantir. We are thinking of increasing our number of talent in this technology consulting area globally.

Q2: I believe that incorporating AI into Uvance offerings will make them more sophisticated than the current solutions. How much will the unit price increase as a result of this?

A2 (Takahashi): We are forecasting a gross margin of 45% for 2025. We are thinking of increasing the gross margin from our current systems integration business. We believe that the incorporation of AI will increase our unit price due to advanced analysis and automation, and are proceeding under the assumption that this will be the case.

Q3: I think that this is a situation in which the customers are planning additional budgeting for solutions that use AI. Is Fujitsu incorporating or able to incorporate this additional budgeting into the company's plans?

A3 (Takahashi): In addition to the incorporation of AI into our solutions, there is a growing market for customers utilizing AI themselves. Actually, we have several hundred projects like this. In response to this demand, we will not only offer Fujitsu Uvance solutions, but also have a new business of developing services utilizing Kozuichi on PaaS. We are thinking of expanding this area as well.

Questioner F

Q1: Are you already in a position where you are able to visualize the cost-effectiveness and benefits of using your offerings for your Uvance and Kozuchi customers?

A1 (Takahashi): Currently, there are many requirements for data integration, so it normally takes a long time to configurate data lakes. But we have shown that we can utilize Palantir to quickly integrate unstructured data. In Uvance products, there is an increasing number of cases in which a customer quickly tries a product that leads to them implementing it after a pilot implementation. We feel very confident in the results, which include providing simulations for minimizing CO2 that quickly integrate data and enabling it to be analyzed. We are working on preparing assessment tools for our customers that can generate an output spanning approximately one month, or 30 days, utilizing simple kits.

(Doi): We are also striving to make value-based proposals for both DI PaaS and AI. One example of this is AutoML, a generative AI that generates models, which has the advantage of being able to generate models ten to one hundred times faster than other companies' benchmarks. By leveraging this sharp advantage and creating many models for the manufacturing industry, such as those for inventory forecasting for each part and supply-demand forecasting for each product, we will refine PSI planning. We are proposing benefits in the single-digit billions of yen and are confidently proceeding with it.

Q2: What KPIs have you established to ensure Kozuchi's success?

A2 (Takahashi): We have an internal goal of commercializing a certain percentage of Kozuchi-based products within Uvance, but we have not made it public. As we aim for Uvance to achieve a revenue of 700.0 billion yen in fiscal 2025, we believe that Kozuchi will become a core competency, so we will closely track its progress. In addition, we believe it is important to not only track progress, but to work together with the research institutes and development departments to develop better products.

Questioner G

Q1: I understand that you are utilizing AutoML and generative AI in the supply chain, but does the generative AI you are using belong to Fujitsu? Or is it ChatGPT or another such generative AI?

A1 (Inoue): What we are using is a generative AI application that we created ourselves on Kozuchi, but it does have a component to pull in various LLMs, such as Microsoft Azure OpenAI Service. So, in that sense, it could be referred to as a hybrid model. Please understand that Kozuchi's generative AI applications run on a hybrid model behind the scenes.

Q2. Please tell us how Fujitsu Data Intelligence PaaS and Fujitsu Kozuchi are related.

A2 (Inoue): Fujitsu Data Intelligence PaaS includes data infrastructure, AI, and blockchain, and these will be sold as a total set. We also have a method of selling it where customers can use what they want, but these technologies were originally offered individually, so we offer them

individually as well. For example, if we receive a request for only a generative AI application, we will be able to fulfill it.

Questioner H

Q1. You told us that the PaaS development team currently has several hundred people. Please tell us about the timing and scale of the increase in employees you are planning.

A1 (Takahashi): From the perspective of the company-wide Uvance development environment, we are thinking of reallocating employees instead of significantly increasing our total number of employees. For example, talent has been reallocated from existing business areas to Uvance, and talent has transferred to 3S (SAP, Salesforce, ServiceNow) through internal reskilling. Rather than haphazardly increasing our employees, we would like to establish a development organization that works with companies we have acquired while internally improving our efficiency and optimization. We would also like to strengthen our development organization a bit more, not just in Japan, but outside of Japan as well. In particular, we would like to strengthen our development organization in Europe, including in Belgium and Spain, and make it so that the organization is able to respond more quickly to the market.