CLSA Large Meeting Akisai (Agricultural Cloud) Q&A Session

Date and Time: February 26, 2015, 3:00-4:00pm
Location: Grand Hyatt Tokyo
Presenter: Takeshi Wakabayashi, Senior Director, Social Innovation Business Division, Innovation Business Unit, Global Marketing, Fujitsu Limited

Q: In Japan, what is the ratio of private farmers to agricultural corporations? Which is Fujitsu targeting with the Akisai agricultural cloud?

A: In Japan, individually managed farms account for 90% or more of all farms, while agricultural corporations account for only about 10%. In light of this, Fujitsu sells directly to agricultural corporations, but its use can spread among private farmers through companies like Aeon, a Japanese retailer, where it is used as their procurement management tool. Alternatively, it could be provided through JA (Japan Agricultural Cooperatives Group), because JA provides support for private farmers.

Q: Does the government provide subsidies for farmers interested in deploying Akisai?

A: The government has provided financial support for this area, and what is particularly striking in the past several years is the financial support to build greenhouses on a scale of several hectares in order to support larger-scale agricultural management, and the amount of that financial support is increasing.

Q: Does Fujitsu own the data collected through Akisai? Can Fujitsu use that data in business with other companies?

A: Our business model states that all cultivation data fundamentally belong to the customer. Based on this, if we would like to use it in developing a new business, we first ask the customer for permission, and then consider possible business plans together.

Q; In the future, how do you plan on expanding into emerging nations such as China and India?

A: Agriculture takes different forms around the world depending on the region, so we are not considering deploying Akisai as it is in Japan to agricultural practices in other countries. Safety and high quality are hallmarks of Japanese agricultural produce, and we are considering a model in which quality and technology are exported in a set as one tool that can help them create Japan-quality produce. Especially with regards to Asia, even before introducing this type of IT, there needs to be more progress in the mechanization of agriculture, as that is still around where Japan was 60 years ago. In that sense, mechanization should come first, and the use of IT will progress in parallel.

Q: Apparently drones are being used in agriculture in the U.S. How advanced is Japan in incorporating this kind of technology into agriculture in comparison to other countries? Is this area necessary for Japan to become more competitive in agriculture?

A: Japan is more advanced in some areas, and foreign countries are more advanced in others. In terms of basic technological capabilities, there is not much difference. While different than drones, Fujitsu has been using satellite photographs to measure the sweetness of rice since 5-6 years ago. There are several roles for IT in agriculture. It is important to handle information needed for cultivation, but first the IT that enables the management of agriculture needs to be in place. First comes the IT for management of large-scale agriculture, and then on top of that there is the use of sensing data and other measures to increase yield.

Q: Fujitsu has a variety of technologies, including hardware, but what do you think it is that gives you a competitive edge?

A: Without limiting it to just agriculture, Fujitsu's number one strength has always been considering what kind of value we can deliver to our customers. All of our leading applications in such fields as manufacturing, distribution, and financial services have been created together with customers to fit their respective needs. Even in the realm of social innovation, our greatest strength is our ability to work with a variety of players in the field to solve problems.

Q: In the coming 4-5 years, how do you think demand for this service will change? Is there anything that will serve as a catalyst?

A: The speed of uptake for IT solutions will depend on the time horizons for such things as the shift to the next generation in agriculture, deregulation, and a paradigm shift in agriculture. Regardless, agriculture is part of the country's growth strategy, so we think there is no question that it will grow. According to the Japanese government's roadmap, structural reforms will be in place in 2-3 years, and firmly entrenched by about 2020, so we think the use of Akisai will continue to spread over the next 2-3 years, and we expect to have advanced quite a bit by 2020.

Q: In such business projections, what is it that you think gives Fujitsu a competitive edge?

A: Currently, most of our competitors that are getting involved in agriculture are focused on providing technologies, such as sensing technologies and imaging analysis. In food and agriculture, where there are a variety of different stakeholders, there are not many companies that are developing their business with a grasp of the entire market. Fujitsu therefore does not just offer solutions to increase productivity, but also thinks about what value that could deliver to consumers, and I believe this is our greatest strength. Among farms that have deployed Akisai, some have increased sales by 30% or increased efficiency by 30%. Akisai is being used by over 300 corporations in Japan, and because there are also farmers working with those corporations, an end-user base of over 5,000 people is now using the service.

Q: How effective is genome analysis in Japanese agriculture?

A: Within Japan, there are companies that analyze rice genomes to develop sweeter, tastier rice strains that are resilient against pests and diseases. What is important is to put in place a structure that can be produced continuously and in mass quantities, and this is where we believe our IT can help. Akisai is being used to support the production of Yamada Nishiki rice, which is used to produce the popular "Dassai" brand of sake. Yamada Nishiki rice is a very difficult strain of rice to cultivate, but we are using Akisai to convert the cultivation manual for making Yamada Nishiki rice into a database, and we are working with the sake producer to increase the number of farms using it.

Q: Is there a possibility that foreign vendors may enter the Japanese agricultural market?

A: IBM, HP, and Accenture have been competitors in the field of IT services, but we have not heard of them offering complete solutions in this particular field. On the other hand, companies like Priva, which is a specialist that has developed greenhouses in the Netherlands, or Syngenta, an agricultural chemical maker, also offer IT services, so I think our competitors in this market will be completely different from our traditional IT market competitors.