

Promoting Modernization

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Executive Vice President and COO (Service Delivery)

Fujitsu Limited

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Executive Vice President and COO (Service Delivery)

Megumi Shimazu

- In 1987, joined Fujitsu Limited as a system engineer.
- Responsible for large-scale system integration projects, primarily for manufacturing customers.
- In 2009, moved to the United States to work on local site system integration projects for a Japanese company.
- Realized stabilization of profit structure as Head of Infrastructure Services Business since 2015.
- In charge of service delivery in addition to infrastructure services since 2021.
- In 2022, moved to the United Kingdom to further reform service delivery; also took a leading role within the company in charge of the modernization business.
- Returned to Japan in 2024 and assumed the current position (COO).



1. Market Trends and the Environment Surrounding the Company

Definition of Our Modernization Business

Use of AI Cloud native Multi-cloud
Implementation of new technology infrastructure
Simple infrastructure renewal Migration

Our Modernization

Application Assets

COBOL, PL/I, etc.



Java, .Net, etc.

Middleware Assets

End of support
middleware products



Modernized middleware

Infrastructure Assets

Mainframe
UNIX Server/Office Computer



Cloud &
latest on-prem infrastructure

Business to approach markets and customers with a strategic focus on breaking away from conventional assets by 2030

Growth Potential:

FY 2023 results **145%** increase; FY 2024 plan **167%** increase

Profitability:

FY 2023 results **37%**; FY 2024 plan **38%** (gross margin ratio)

Number of Sales Opportunities:

Total of **3,500** items in the pipeline in FY 2024

Deal Size:

Hundreds of millions to **tens of billions of yen** per case

Business Characteristics:

Creating new markets and spread sales

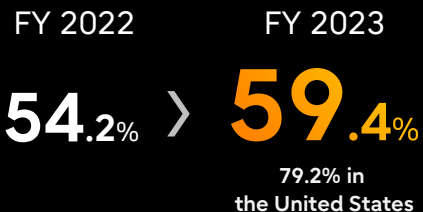
Why Modernization?

Market and Customer Viewpoint

Increasing demand for modernization as a lead to DX and cloud computing

The 2025 Digital Cliff and the Wave of DX

Percentage of domestic DX companies ^{*1}



Domestic DX market size ^{*2}

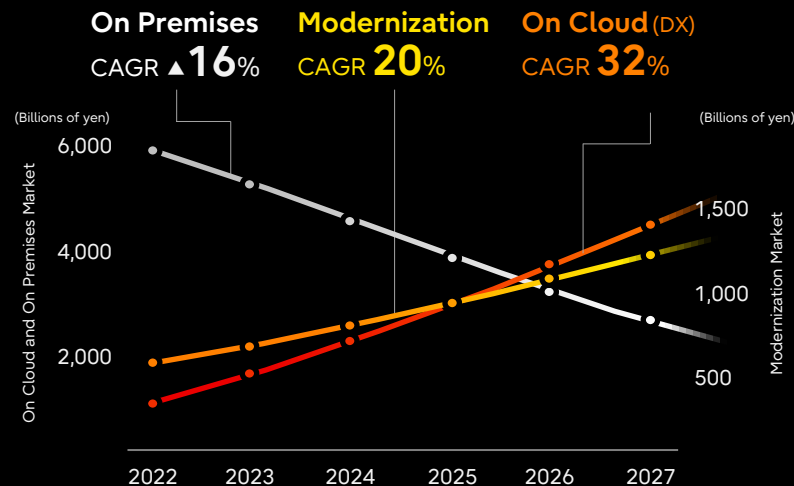


Sources:

^{*1}: IPA, *DX Trends 2024, 1-1.2 Status of DX Initiatives.*

^{*2}: Fuji Chimera Research Institute, *2024 Outlook for the Digital Transformation Market: Market Edition/Enterprise Edition.*

On Cloud Progress and Modernization Market





Source: Fujitsu estimates based on data from research companies on the Japanese market

Why Modernization?

Our Viewpoint

Create new markets and spillover sales by proposing DX transition from conventional assets and promoting projects

- Transformation into the Uvance business as the foundation for DX
- Eliminate legacy products to accelerate DX
→ Operational customers are an important opportunity for modernization proposals

	 UNIX	 Mainframe
Conventional IT products end-of-life <small>(Time of Announcement)</small>	2029 <small>(2022)</small>	2030 <small>(2022)</small>
Number of active customers <small>(As of July 2024)</small>	640 companies	320 companies

Business case

Manufacturer A: Moving Away from the Mainframe

- AI component demand forecast implementation; coordination between manufacturing, accounting, purchasing and sales
- Sales 2 billion yen
*Conventional mainframe maintenance fee: 20 million yen/year
- Project duration 36 months

Finance Company B: 80% of Operations are On-cloud

- Realization of DX through Data Lake/BI
- Sales 6 billion yen
*Conventional maintenance fee 80 million yen/year
- Project duration 48 months



In-house practice

Fujitsu: Launch of New ERP

- Slim down 4,000 systems by 75%
- Accumulation of best practices and utilization of knowledge in business negotiations

2. Our Competitive Advantage

Fujitsu's Strengths in Modernization



Services

End-to-end Solutions,
Combined with Consulting
Services and Uvance Offerings

- Modernization consulting
- Asset analysis service
- Automatic language conversion tool
- Use of generative AI



Knowledge

Quality and Profitability
Backed by Knowledge and
Experience

- Japan's largest customer base
- Long-standing systems integration track record
- Company-wide CoE function
- Company-wide sharing of knowledge databases



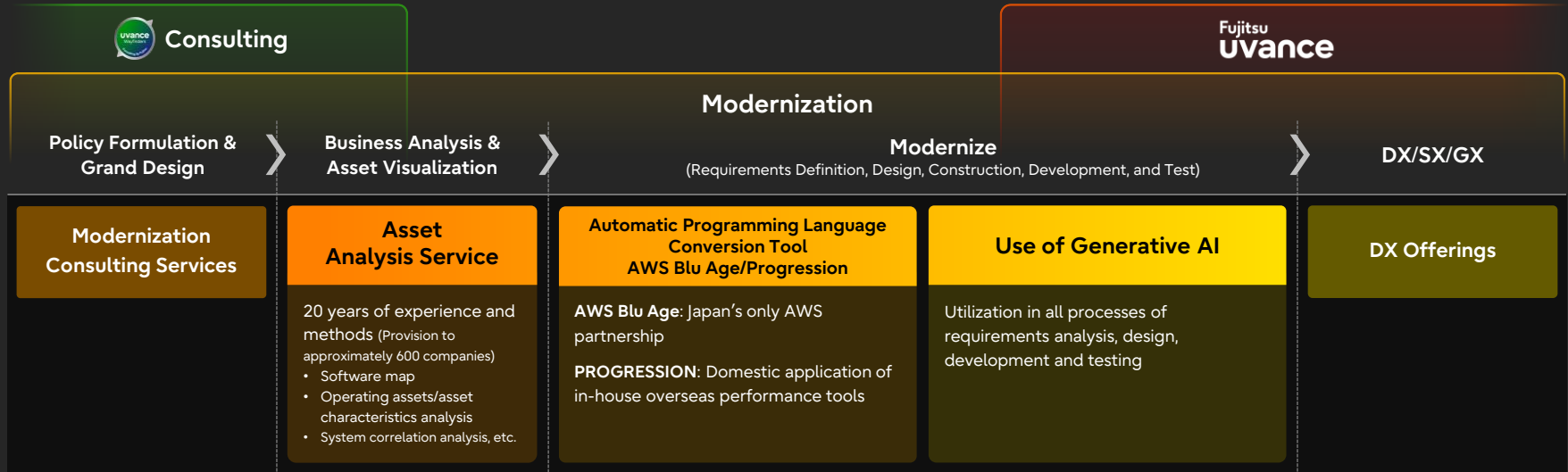
Engineers

Consolidation and Training of
Engineers Able to Handle
Conventional and Advanced
Technologies

- Modernization Meisters
- Company-wide delivery engineers
- Extensive Partner Engineers

What Distinguishes Our Service

Advanced end-to-end solutions, combined with consulting services and Uvance offerings
 Deliver high value-added services with proven service tools

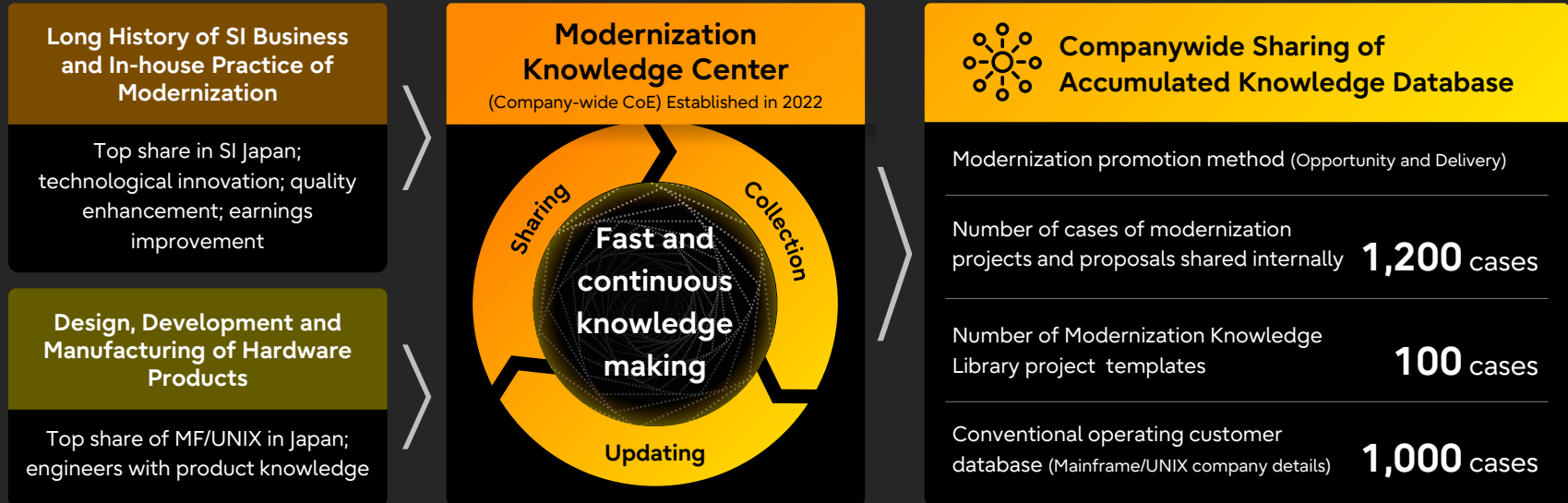


Value for Customers

- Offer end-to-end support that customers can trust
- Offering continued reliability through years of experience and track record in the implementation of the latest technologies
- Cost minimization through standardization and automation services

What Distinguishes Our Knowledge

High quality of service and profitability backed by knowledge and experience



Value for Customers

- Internal application of best practice examples
- Optimize cost, duration, and workforce Settings
- Issues and risk avoidance from failure cases
- Enable high-quality, reliable migration projects

Strengths of Our Engineers

In addition to personnel with expertise in advanced technologies, we will bring together and train engineers with skills in conventional fields from inside and outside the company

Company-Wide Delivery Engineers



30,000 people
As of 2024

*15 engineering companies are integrated in 2021

Modernization Meisters



500 people
2026 Target

Expertise in Conventional Areas

Leveraging knowledge and expertise in conventional fields, leading modernization projects and contributing to company-wide business expansion

Utilization of Senior Human Resources

In FY 2024, a new personnel system was applied to secure human resources based on the assumption that senior personnel will be utilized internally and externally

Modernization Area Partners



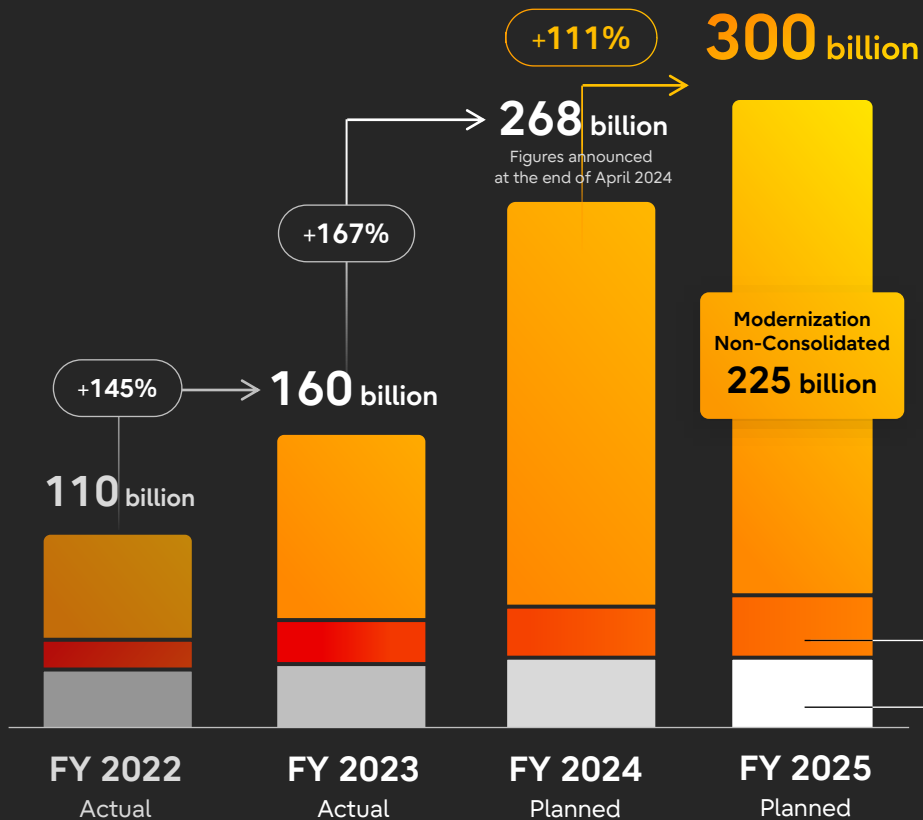
200 Domestic companies
As of 2024

Value for Customers

- Complementing customers' engineering resources with conventional and state-of-the-art technologies
- Peace of mind from having access to a combined account team including industry and modernization experts

3. Mid-term Targets and Business Plans

Mid-term Sales Targets



FY 2023 Results

145% growth due to commercialization and demand stimulation

FY 2024 Plan

167% growth due to several large-scale projects

FY 2025 Plan

Backlog + pipeline build-up 90%

Overlap with Uvance

Overlap with H/W solutions

Investment and Profit Targets

Investment

Investment in New Technology Implementation and Development

- Various conventional programming language conversion enhancements
- Knowledge library enhancements
- Strengthening of overseas delivery system etc.

Concentration and Development of Human Resources

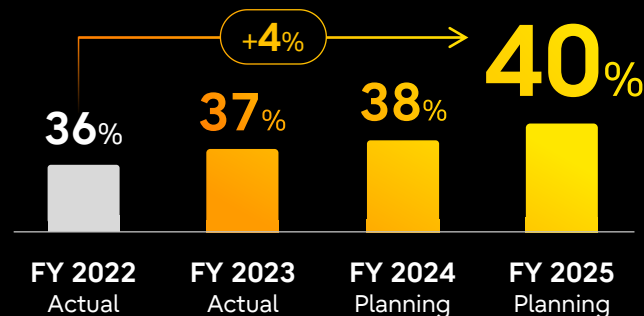
Modernization Meisters

FY 2024  100 people

FY 2026  500 people

Profit (Gross Margin)

Efforts to Improve Gross Margin Ratio



Reduction of Labor Costs that Make Up 80% of Project Costs

- Simplification with automation and knowledge templates
- Manual labor-hour reduction by generative AI (30% automation rate → 50% target)
- Unit price reduction by offshore utilization (10% utilization rate → 20% target)

4. Future Prospects

The DX Future Beyond Modernization

A World Without Conventional Infrastructure Assets

2035 ○ Completion of Fujitsu's Conventional Assets Migration

Modernization Projects Run

2024 ○ Company-Wide Activation of Modernization Business

2022 ○ Establishment of Modernization CoE

Growth of Uvance



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Thank you

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These materials may contain forward-looking statements that are based on management's current information, views and assumptions and involve known and unknown risks and uncertainties that could cause actual results, performance or events to differ materially from those expressed or implied in such statements. Actual results may differ materially from those projected or implied in the forward-looking statements due to, without limitation, the following factors listed below.

- General economic and market conditions in key markets (particularly in Japan, Europe, North America, Oceania, and Asia, including China)
- Fluctuations in exchange rates or interest rates
- Fluctuations in capital markets
- Intensifying price competition
- Changes in market positioning due to competition in R&D
- Changes in the environment for the procurement of parts and components
- Changes in competitive relationships relating to collaborations, alliances and technical provisions
- Risks related to public regulations, public policy and tax matters
- Risks related to product or services defects
- Potential emergence of unprofitable projects
- Risks related to R&D investments, capital expenditures, business acquisitions, business restructuring, etc.
- Risks related to natural disasters and unforeseen events
- Changes in accounting policies