Summary Translation of Question & Answer Session
at IR Day Briefing for Investors and Analysts

Date: September 10, 2024
Location: Fujitsu Marunouchi Office (in person and live-streamed)
Presenters: Takeshi Isobe, Representative Director, Corporate Vice President, CFO
                Megumi Shimazu, Corporate Executive Officer, Corporate Vice President, COO
                (in charge of Service Delivery)
                Yoshinami Takahashi, Corporate Executive Officer, Corporate Vice President,
                COO (in charge of Fujitsu Uvance)
                Shunsuke Onishi, Corporate Executive Officer, Corporate Vice President, COO
                (in charge of Regions), CRO
                Vivek Mahajan, Corporate Executive Officer, Corporate Vice President, CTO,
                CPO

Questioner A

Q1: I want to ask about Uvance. You explained that, by 2030, you aim to be within the top three in the global market. What criteria do you use in aiming for the top three? Is it the scale of sales, the scale of profits, or the breadth of offerings? When you reach that point, which players do you think will be your main competitors?

A1 (Takahashi): We are defining top three in terms of market share. Whether it is the market for sustainability transformation or digital transformation, it will not necessarily be limited to the existing players. We think it will be a mix of players, including the so-called big four consulting companies, conventional IT services companies, and, for example, independent software vendors in the US or Europe that focus on the supply chain. In a market of 25 trillion yen, we seek to capture sales of 700 billion yen of Uvance, amounting to a 3% share, but the market takes a variety of forms. In the existing IT services market, a market share of more than 5%, would put it in the top three, so please understand that the market is very fragmented. In light of that, if our existing market share in the global market would be 3-5%, we believe we would be in the top 3-5 players. We seek a dominant market share in Japan, and we have a customer base, we have technology, we can do digital transformations, and there are not many players in Japan that can also form up to the market for sustainability transformations. On the other hand, in the global market, we have to compete with a variety of players, but we want to capture our fair share of the market.

Q2: I want to ask about consulting. On page 12 of your materials, you explain that you want to increase the number of your consultants by 2,500 people, either through hiring or acquisitions. I think it will be difficult to hire consultants, particularly since their salaries are high, so I think your target for the number of additional consultants is too optimistic. Moreover, in terms of acquisitions, looking at your capital allocation policy, my understanding is that you are not planning such a large budget for acquisition during the current medium-term management plan. Accordingly, how do you plan to get 2,500 new consultants from outside?

A2 (Onishi): First of all, when we created the baseline plan in 2023, we had already gone through the work backgrounds of all employees. Based on that, we felt there were 50,000 reskilling candidates for consulting. Because the feasibility of getting consultants through reskilling is high, our first thought has been to expand the number of our consultants through reskilling. The rest would be through acquisitions or mid-career hires, and it is true that neither of those options is easy. We cannot do an acquisition if there are no acquisition opportunities, so if we cannot do that, we need to supplement our number through reskilling. With regard to hiring, over the past five years, the composition of our employee talent has been changing. The number of employees company-wide has gradually decreased, and we have brought in outside talent, including among the group of us. As a Japanese company, I think the flexibility and diversity we accept have greatly expanded. Also, regarding salaries, I cannot discuss the details, but I do not think there is a great disparity in comparison with other companies. We think that getting the best talent is the most important consideration in our hiring.

Questioner B
Q1: In the profit plan by segment on page 5 of your presentation on Towards Sustainable Increase in Corporate Value, I do not think that your figures in your Medium-Term Management Plan announced a year and a half ago have changed from your current figures for fiscal 2025. Does this mean that, even in light of current circumstances, the plan has not changed, or is it simply that you have not changed the figures since your original announcement?

A1 (Isobe): We have kept the same figures since we announced the Medium-Term Management Plan. With respect to these figures, the current situation may vary slightly, but we think we are basically on track.

Q2: On page 3 of the same materials, you have a slide titled Service Solutions Path Toward FY 2025 Targets: Adj Operating Profit, and it appears that you are projecting that the increase in profit will only be from higher revenue in fiscal 2025. Are you not expecting any profitability improvements? Or does it mean that there is a possibility that you will exceed your target?

A2 (Isobe): With regard to Service Solutions, including from the impact of profitability improvements, we would like to aim for a higher number.

Q3: Your projection for adjusted operating profit in Ubiquitous Solutions in fiscal 2025 drops by half from fiscal 2024. What is your outlook?

A3 (Isobe): In Ubiquitous Solutions, this year we decided to discontinue the PC business in Europe, so we do not have a very high target for that segment. Rather than making allowances, we want to look at a level that we can firmly achieve. I think that, if we do as we normally do, we should be able to achieve a level of profit on par with fiscal 2024.

Questioner C
Q1: Are companies that have undergone a modernization of their systems now ready for data-driven management and do you view them now as mainly customers for your consulting services? Or, since CEO Tokita previously said that your modernization business would peak

around 2028 and then gradually decline, should we assume that customers do not have systems enabling data-driven management yet, and that your modernization business will continue?

A1 (Shimazu): Modernization has three layers, infrastructure, middleware and applications. Modernization includes rebuilding the infrastructure, middleware, and application layers all at once, rehosting where only the infrastructure is migrated from the mainframe, and rewriting where the application of COBOL is rewritten in Java.. If you do not change the structure of the data and just change the language of the application, you will not make any progress in using the data. For digital transformations and the effective use of data, customers need to rebuild their systems, but only around half of the modernization customers do that. We expect that our modernization business will peak in 2028 or 2029, but we think there are cases in which customers only choose to rehost, and afterwards we expect them to later switch over to different application languages, and therefore we do not expect a sharp drop in modernization revenue even after the peak.

(Onishi): With modernization, customers can say it is for a growth business, and therefore they want to rebuild, or that it is not for a growth business, and therefor they will continue to use legacy systems. They need to create a plan that is aligned with their business strategy and portfolio strategy, so this is where the need for consulting comes in. What is important is how the customer will use the data to gain insights, and how they will use for forecasting management or portfolio management. It is not as if they can just change their systems environment and think that is all they need to do. We think they need to change their behavior patterns.

Q2: In the Uvance Vertical areas where there is recurring revenue, is it composed of revenue that take very little resources? Also, you explained that average revenue per user will increase, but do you have any quantitative data showing that this is already happening?

A2 (Takahashi): With systems integration and service integration business, a lot of resources are required, but when the shift to the cloud occurs, development efficiency improves by about 30-40%. In addition, with regard to average revenue per user, if we take a communications tool and add HR analytics on top of that, for example, average revenue per user expands for the functionality has expanded. We would like to increase average revenue per user among our existing customers by around 20% as we move toward fiscal 2025, but I am afraid you will need to wait for us to provide specific examples of how much revenue has increased. If we do not add impactful functionality, average revenue per user will not increase, so it does not mean that a uniform price increase will be implemented.

Questioner D
Q1: Mr. Isobe, in your explanation, you said traditional IT services in Service Solutions will decline. Over three years, you said the decline is about 220 billion yen. Is this just the elimination of low-profitability business, for example, or is it on-premises business, or is it mainframes? What specifically is it? Also, in the direction in your current medium-term management plan, among your traditional IT services, are there additional low-profitability businesses that should be eliminated, and at what level will the decline end?

A1 (Isobe): First, it is not as if we are thinking of eliminating traditional IT services or eliminating low-profitability businesses. Our business model is changing. Instead of providing a solutions-oriented business for each business issue that customers face, we are changing to an offerings-oriented business. From the customer's perspective, it is the difference between us working on each individual request, or us providing proposals. In that sense, it is not a huge difference from the customers. With regard to the graph of projected revenue trends in Service Solutions, the portfolio of businesses that we provide is changing, and we are shifting from a solutions-oriented business, which is easily subject to resource constraints, to an offerings-oriented business. We think that will enable us to meet a broader demand. For that reason, instead of eliminating or stopping certain areas, we are working on changing our business model to enable us to deliver greater total value to customers. That is how I would like you to understand our business. The reason why revenue from traditional IT services will decline is because the volume of our offerings business will increase. That is the shift that is taking place. As part of that process, we are not shifting to new customers. We re shifting the way we approach customers and the way we deliver value to them. That is how I would like you to understand this shift. Please understand that, because our business portfolio will change, our total revenues will increase, and the composition of our Service Solutions business will change.

Q2: Regarding the increase in staffing and the gross margin in your consulting business, last year it did not seem that quick progress was made. If there are issues, what are they? On the other hand, you are expecting quick progress starting this fiscal year. Was there a change in your strategy from last fiscal year? In particular, you say that you will mainly be relying on reskilling, but is that something in which quick progress can be made? Also, are there incentives for employees to undergo reskilling? Please also tell us about your measures for retention of your consultants.

A2 (Onishi): I will start by addressing the profitability question. About one year before our Uvance Wayfinders initiative, we started a collaboration with Ridgelinez. In that, as we explained today, we gradually put together a framework, from strategy formulation to execution. We realized that we needed to work on changing our essence, and we revised our scope. In addition, in parallel we worked on pricing measures using a rate card system. Please do not misunderstand me. By pricing measures, I do not mean price increases. It means that we raised the value that we deliver. Rather than just providing IT systems, we stepped into the management of our customers and, by raising the value we deliver by offering suggestions, implemented measures to increase our fees.

As for reskilling, jointly with Ridgelinez, we created a three-layered initiative. The first stage is Induction. The next step is specialized skills in each Practice. Lastly is on-the-job training in learning specific proposals, and we are moving ahead in parallel on all three layers, primarily in Japan. In such a big initiative involving many people, we needed to put together sufficient facilities and concurrent actions, but we knew that from the start, and we are making progress as planned. We will extend it to locations outside of Japan in the second half of this fiscal year.

As for retention, when we first started the Uvance Wayfinders initiative, together with our Human Resources Group we created a compensation system for our consultants. What is most important, however, is the individual employee's motivation in wanting to take on the challenge

of being a consultant, and it is also important to provide a supportive push to that individual to motivate performance. In addition, in this industry we often hear the words "up or out," and I think we need to create an evaluation system that is fitting for Fujitsu. As part of that process, we also want to make progress on retention measures.

Questioner E

Q1: It is my impression that your explanations, strategies, and organization have become much easier to understand. I would like to ask you about the changes Fujitsu has undergone over these past few years. I would like to ask Mr.Takahashi, Mr.Onishi, and Mr.Mahajan, who joined Fujitsu from outside of the company, about how their impression of Fujitsu has changed since joining Fujitsu. I would also like to ask Mr.Isobe and Ms.Shimazu how they feel Fujitsu has changed with its new organizational systems over the past 20 years, and their impressions of the new organizational systems, as I believe there must be pros and cons.

A1 (Isobe): Fujitsu has always had a culture of change. I believe, however, this is currently clearer now than compared to five years ago. I do not know if talent from outside of Fujitsu is the best term to describe people who joined Fujitsu from outside of the company, but I think that one person alone would not have been able to bring about a big change, and there are many other executives or management-level talent besides Mr.Takahashi, Mr.Onishi, and Mr.Mahajan who came from outside of Fujitsu. I believe that by having a certain amount of turnover of talent and replacing the old with the new, we have increased our ability to adapt to change as well as our tolerance for change. As for this current management organization with five people who are presenting today, we have a very open atmosphere and communicate closely, while, on the other hand, also having a sense of tension in a good sense. I think that it is good that we are no longer confined to silos.

(Shimazu): In these past 5 years since Takahito Tokita became the CEO, we had an increase in the number of talent from companies outside of Fujitsu, including in management. I have a very positive view regarding Fujitsu's transformation efforts based on how people saw Fujitsu before joining the company and the experience they gained from outside of Fujitsu. I believe Fujitsu's longtime employees, including myself, have learned a lot from outside perspectives, and are very motivated in the effort to transform Fujitsu.

(Takahashi): It is my impression that there is a great eagerness for transformation, and that the employees who have always worked at Fujitsu and the employees who have joined Fujitsu from other companies are working together to transform Fujitsu. We are making good use of the knowledge gained from outside of Fujitsu, and there has not been any resistance to this at all. In the midst of this, new and outstanding talent from outside of Fujitsu has joined the company, not only in management, but the next generation of Fujitsu employees as well. Seeing the employees who have already joined Fujitsu and are working hard, I am of the impression that Fujitsu is attracting good talent who are on the cutting edge of Japanese companies, such as those who want to join Fujitsu to achieve their own goals. In terms of things that have been slightly vexing, in an organization with 120,000 employees, it is not easy to transform all at once. It is for this reason that we feel there is an issue of what to do going forward to get not only the upper-level employees, but the middle level, and those below, to act together. In regards to this, there is a

great willingness for transformation, including with CEO Takahito Tokita, and Fujitsu as a whole will continue to come together to change.

(Onishi): I joined Fujitsu in 2019. In addition to the fact that the people and organizations within the company have become more diverse, in regard to the point you mentioned at the beginning of your question about things becoming easier to understand, I believe that this is because, under CEO Takahito Tokita's leadership, we have developed an axis of a consistent message, from our Purpose to our business portfolio. We have developed the Uvance business model to have the technology, sustainability, and empathy stated in our Purpose, and have made the company's business strategy consistent with using technology to support sustainability, as well as achieving an ecosystem with empathy. I believe that, through this, things have become easier to understand.

(Mahajan): I joined Fujitsu in 2021, and, prior to that, I had handled customers in Japan for nearly 20 years. There are two things that I have felt since joining Fujitsu. The first was that Fujitsu is a very open environment and easy to work in, and that the company is quick to make decisions. The second was that I was especially surprised by how complete Fujitsu's technology portfolio is. I think that it has a good opportunity to go all out in advancing our go-to-market and global strategies, such as with our technologies in networks, CPUs, and photonics.

Q2: I have a question regarding AI. In the midst of the large amount of changes going on with AI, what are some industries, customers, and technologies that you think could currently make use of it? Also, what do you think are the current risks associated with it? Various AI models have come out, and the technology has primarily come from the US. In addition, I think that there are positive aspects to it, as well as negative aspects, such as security risks. Please share your thoughts with us from your knowledge about the subject.

A2 (Shimazu): In regards to delivery, security and ethics are key. It is for this reason that, rather than applying AI to everything, we are working on appropriate uses for AI in contributing to optimizing deliveries with security clearances and legal verification.

(Takahashi): The areas related to AI that we are particularly focused on are areas such as dynamic supply chains and demand forecasting, which are also some of Fujitsu's strengths. We believe that business will increase in these areas. In addition to automation, Fujitsu's unique style of AI is transformational AI, which means that we will use the power of computing to create new added value. This will mean, for example, in the area of drug development, minimizing drug loss through the digitalization of clinical trials. I think that things such as this will have a positive societal impact, and a high value. In addition, there has been an increase in the supply chain pipeline and infrastructure projects, such as electrical power.

(Onishi): I will comment from the perspective of someone in a front-end position who is in contact with the market. I believe that Fujitsu's partnership with Cohere is a very good business opportunity. In Japan, in particular, we have a relatively large number of large-scale customers in our portfolio, including in manufacturing, distribution, telecommunications, and local government municipalities. The same goes for Europe. In this case, specialized LLMs and a

secure environment are needed, so we are having internal discussions about putting a particular focus on customers who require a high level of security.

(Mahajan): I believe that AI, on a scale of 0 to 100, has not even reached 1 yet, and will continue to grow. Technology will advance, and once practical applications for quantum computing are available, the market will rapidly change. As Fujitsu continues to steadily advance our technologies, connecting this to business will be both a challenge for us to take on, as well as an opportunity.

Questioner F
Q1: Uvance's Vertical area pipeline coverage is already 177% in fiscal 2024. I would like to ask you about your approach to these conversions. The Vertical area is where Fujitsu is doing business in its own unique way, and I believe that we can expect a higher conversion rate in this area than in Fujitsu's normal business. Is this the case?

A1 (Takahashi): It is quite difficult to say what the conversion rate is over such a short amount of time. I can tell you what the conversion rate is currently for a fixed amount of time, but normally, we would need to look at it for multiple years in order to speak on what is the actual conversion rate. The conversions are at a higher rate than our conventional business, but we cannot, at this point in time, say that we have reached a suitable conversion rate.

Q2: In regards to your target of 400.0 billion yen in revenue in your Vertical area for fiscal 2025, are you on track to achieve 400.0 billion yen in revenue from the solutions you are marketing alone, or will it be difficult to achieve this target without additional contributions, such as solutions that will be developed going forward? Please tell us your thoughts on this.

A2 (Takahashi): The development needed to achieve 400.0 billion yen has essentially concluded and is finished. I mentioned our dynamic supply chains, Healthy Living Platform, and GK Software earlier, but the full-scale horizontal development for each of these is fiscal 2025. For use cases, we have 100 customers that we are horizontally developing dynamic supply chains for. Please understand that, of these use cases, there are deals on the scale of about 0.6 to 1.0 billion yen, and we are covering about the same range of customers as this for each solution. In addition, when we have vertically developed our multiple Vertical offerings, we anticipate that we will reach 400.0 billion yen. Of this, we already have a pipeline of 200.0 billion yen, and are working to incrementally secure the other 200.0 billion yen between now and fiscal 2025.

Questioner G
Q1: You mentioned that you are aiming for a global market share of 3% for Uvance. But taking into account the high market share in Japan, it is my understanding that, if you were to only look at market shares outside of Japan, it would be a bit lower. Please tell us, when viewing things from a long-term perspective, why Fujitsu cannot penetrate the market outside of Japan, as well as what disadvantages Fujitsu would have in doing business outside of Japan with respect to competitors outside of Japan.

A1 (Takahashi): I just mentioned GK Software. This company is already deploying solutions in 66 countries. Out of these, in terms of its footprint, 60 to 70% of its business is in Europe, with

additional coverage in the US and APAC. For Uvance's strategy outside of Japan, we are thinking of centering the deployment of its solutions in places that have architecture, such as GK Software, and places outside of Japan where we have a footprint. There is an overwhelmingly large market in the US, but Fujitsu does not yet have much of a footprint in the US. It is for this reason that we will start with Europe and APAC, and, for advanced case studies, we will focus on making them for customers in Japan.

I mentioned several case studies earlier, but the advanced case studies that we made in Japan are being used by global companies, so they are also being used overseas. We have case studies such as this, and, although GK Software is a European company, we are currently considering ways of deploying the solutions created in it globally.

We have also taken several actions in the Uvance Horizontal area as well. For example, we acquired the company Enable Professional Services, and have something called case methodology. This will give us the consulting capability to determine how to enhance ServiceNow's use cases and usage. By horizontally developing things such as this, they will generically expand to not only the APAC region, but to Europe and the Americas as well. We are currently trying to accelerate our coverage outside of Japan centered on companies we have acquired such as this.

Q2: The market in Japan is hindered by industry-specific processes. Due to this, it is difficult for a major company, such as a hyperscaler, to take market share in the Japanese market. I understood this to be a business opportunity for Fujitsu in Japan, but if, as you have explained today, you are able to horizontally develop your business overseas, then, conversely, would it not be possible for major companies to enter the Japanese market if they also horizontally develop their resources in the same way? If they do, then what advantages would Uvance have?

A2 (Takahashi): As an example, I do not believe that GK Software could enter the Japanese market independently. This is because it is, in the end, regional. For example, even with one point-of-sale in distribution, its usage and how it is used are completely different, and despite this being the case, GK Software has come to Japan because of Fujitsu's knowledge of the market and our ability to introduce it to the market. With barriers such as this when companies enter the Japanese market, we believe that Fujitsu will still be very competitive. In terms of whether hyperscalers will be able to come to Japan and do this, they are not able to, so that is why they are pursuing a strategy of partnerships.

Q3: When Fujitsu announced its capital allocation policy, I was surprised by how progressive it was. On the other hand, there have been significant changes in Japan over the past two years, so, as other companies are catching up, I think that Fujitsu will have to further update its approach to capital allocation in order to maintain its lead. On page 6 of the presentation material entitled "Towards Sustainable Increase in Corporate Value," there was a graph with Fujitsu's capital allocation. The allocation figures do not seem to be increasing much, and they fluctuate. I think that subsequent updates to this may show different numbers and take a different shape. Please tell us about what changes will be made to your approach to capital

allocation, such as if you are going to increase share buybacks to increase return on invested capital, or if you are going to increase business growth investments.

A3 (Isobe): When viewed from year to year, our capital allocation does fluctuate like you said. However, as a concept, I would like you to please understand we are thinking of a certain timeline. One of the factors for the fluctuation is how we will allocate capital as we accelerate acquisitions and share buybacks, and if we will be able to do this. It is for this reason that we are not that concerned about the fluctuations from year to year. The question is how, as a whole, we will keep to our plans.

Of course, if there are types of investments that contribute to our growth, then we will put more energy into those investments. But with the current size of our business, we think it is reasonable for us to allocate capital at this rate within a certain timeline. We are not doing share buybacks only to optimize our capital, but also for an overall balance. While we put a lot of importance on share buybacks, we also did a stock split this year, and are continuing to make progress as we worry a bit about how to change the ratio between the stable dividends and share buybacks.

Our highest priority is how to increase our base cash flow. In the timeline of the current Medium-Term Management Plan, we assume a large volume of cash inflows from asset recycling. But, in the next Medium-Term Management Plan, we must arrange the organization in such a way that we will be able to secure a base cash flow quota, even without recycling assets, as well as thoroughly consider what investments to make for further growth. There may also be opportunities for acquisitions at certain points.

Q4: For your next Medium-Term Management Plan, should we assume that there will be a base cash flow at the level of 1.3 trillion yen in the three years, even if you do not have recycled assets?

A4 (Isobe): Your understanding is correct.