Summary Translation of Question & Answer Session at
FY 2026 First Quarter Financial Results Briefing for Analysts

Date:	July 30, 2026
Location:	Live-streamed from Webcast Studio on the 20th Floor of Fujitsu Technology Park
Presenter:	Takeshi Isobe, Representative Director, CFO

Questioner A

Q1: Could you please confirm the specific amount you recorded as a gain on the sale of property assets? I would also like to know whether this gain had already been incorporated into your earnings forecast.

A1: The amount was over 10 billion yen, and we had already incorporated it into our earnings forecast from the beginning. With regard to the timing of recognition, we had also initially anticipated that the gain would be recorded in the first quarter. At Fujitsu Technology Park in Kawasaki, Japan, all buildings other than the headquarters building have been demolished, and redevelopment is currently underway. As part of that effort, we have been undertaking various initiatives such as selling a portion of the land, and the gain on that sale was recognized in the first quarter.

Q2: Looking at your full-year adjusted operating profit forecast for Inter-Segment Eliminations and Corporate, it appears that you are planning to increase expenses by approximately 20 billion yen. Does this mean that, excluding the 10 billion yen from the gain on the sale of property assets, the actual amount of FUJITSU-MONAKA development expenses and other investments will increase by nearly 30 billion yen from the second quarter onward?

A2: We expect upfront investments, including development expenses for FUJITSU-MONAKA, to increase by approximately 20 billion yen. Although we recorded a gain on the sale of land, the redevelopment will result in some items being capitalized as assets, while other parts of the project will incur expenses, such as site preparation costs. This is a redevelopment project, so when viewed on a total basis, it is not necessarily going to generate a profit. As such, while the sale of land generated a gain of over 10 billion yen, investments that offset this gain will be incurred as expenses around the second and third quarters. I would like you to understand that the increase of approximately 20 billion yen in upfront development investments will be separate from this.

Q3: Could you please explain how the soaring memory chip prices will impact your business? In Hardware Solutions, the first quarter adjusted operating profit deteriorated by 5 billion yen from the prior year. How much of this was due to the rise in memory chip prices? In addition, you mentioned that you have made changes in the way customer contracts are structured. Do you expect these changes will help reduce the impact of rising chip prices from the second quarter onward, or is there also a possibility that the impact could increase? Please explain your outlook for this situation going forward.

A3: The System Products business accounted for the majority of the 5 billion yen deterioration in adjusted operating profit compared to the prior year. Approximately half of this resulted from being unable to fully pass the cost increase of memory chips onto the selling prices. Under the previous contract structure, memory chip price hikes that occurred during the period between receiving an order and delivering the product would have a negative impact on our business. Under the new contract structure, however, we have changed our approach so that the selling price is agreed upon based on the component prices at the actual timing of when the components are secured. Accordingly, for the deals we are currently receiving orders for, if the customer requests that, for example, we deliver a server by a certain time, we will of course accept that order, but we are shifting to a contract structure in which the customer purchases the product at a selling price determined based on component prices that are finalized after the order is received.

In the first quarter, there was a certain number of existing orders, mainly from Europe, that we had received a considerable time ago. The contracts for such projects did not necessarily allow us to retroactively negotiate prices. This resulted in a negative impact of approximately 2-2.5 billion yen, accounting for about half of the 5 billion yen deterioration in profit. However, since this impact was something that we had anticipated from the beginning, we had already incorporated it into our earnings forecast.

The other half of the deterioration in profit was due to a decline in profitability resulting from changes in revenue composition. This was because, although our business in Japan saw a slight increase in revenue due to foreign exchange movements, revenue in Japan declined due to the pullback from large-scale deals in the previous year.

The reason why Hardware Solutions ended up posting an adjusted operating loss in absolute terms was because of the Network Products business. Although the business saw revenue growth of approximately 3% from the prior year, its quarterly revenue was only 36 billion yen. This is an extremely small scale of revenue, and at such a level, it is difficult to generate a profit. Unfortunately, sales for Network Products tend to be concentrated in the fourth quarter, which is when we manage to secure a profit. When viewed on a quarterly basis, however, the business has continued its trend of posting a loss in the early part of the year. This is a pattern that has remained unchanged from previous years.

Regarding the rise in memory chip prices, since we have already been changing our contract structure as I previously explained, we expect the negative impact of slightly over 2 billion yen in the first quarter will gradually shrink, although there may still be some lingering impact in the second quarter as well. In addition, since the amount of impact is still relatively minimal, we currently believe it is within a range we can effectively manage through methods such as further cost reductions.

Q4: Compared with three months ago, has the hardware business or the memory chip market seen improvement or deterioration? Also, could you please comment on Fujitsu's procurement situation?

A4: The situation remains largely unchanged from three months ago. At that time as well, we expected that memory chip prices would continue to rise, and that procurement itself would also become more difficult. There have been no significant changes from the scenario we had anticipated, and the situation remains within the assumptions factored into our forecast. We have also widely informed our customers of the conditions we are facing, and we have asked them to place their orders as early as possible.

Q5: Please tell us about the improvement in the profitability of Service Solutions. Regarding AI-driven development, issues such as the high cost of tokens have emerged. You mentioned that profitability improvements resulted in a 7.8 billion yen increase in gross profit, but how much of this was due to the positive impact of AI-driven development? You have also stated that you plan to improve the gross margin by 2 percentage points each year, but it only improved by 1.5 percentage points in the first quarter. This seems to be a somewhat weak start. Do you have any initiatives planned that will enable you to catch up from the second quarter onward?

A5: You mentioned that the improvement in the gross margin in the first quarter appears weak, but this progress was in line with our internal plan. Service Solutions includes various types of businesses. For example, it includes highly profitable packaged products and large-volume deals for middleware products for which we sell our own licenses. The segment's profitability fluctuates depending on the proportion of revenue generated by businesses such as these. When they account for a higher proportion of revenue, the improvement may exceed 2 percentage points, but when the proportion is very low, as was the case in the first quarter, the level of improvement may remain around 1.5 percentage points. Please understand that this result was due to the impact of changes in our revenue composition. Within the overall Service Solutions segment, looking only at the time-and-materials model based system integration and services-related portion, we were in fact able to achieve solid improvement of more than 2 percentage points in the first quarter as well. From this, we feel that profitability is progressing well and is in line with our plan.

You also asked about the amount of profit improvement attributable to AI-driven development. The 7.8 billion yen improvement in gross profit that I mentioned earlier includes the impact of factors such as changes in the revenue composition. Therefore, the amount of improvement that can be attributed solely to AI-driven development is, unfortunately, still not that significant at this point in time. In the first quarter, it was approximately 2-3 billion yen. Through initiatives such as the AI Top Gun Project, which we mentioned in our presentation today, we are working to broaden the range of areas in which AI-driven development is utilized, while also deepening its application in individual projects. We are proactively advancing the AI Top Gun Project in specific projects, with the goal of shortening development processes by somewhere between 10% and 50%. Even within these projects, however, there are processes in which benefits can be more easily achieved, and others in which it is more difficult. For example, the coding and testing processes are areas in which effects can be more readily obtained, and as the application of AI-driven development expands to such processes, it will have a substantially greater impact. In this sense, we have extremely high expectations that AI-driven development will expand profitability improvements. We believe this is an area in which we can continue to further broaden its effects, even within the current fiscal year. Given the progress AI is making, we believe that sustaining gross margin improvements of 2 percentage points is too modest. We need to further accelerate improvement, and we believe we are capable of doing so. Our current gross margin is around 38-40%, and we believe further acceleration of improvements will be sufficiently achievable over the next several years.

<u>Questioner B</u>

Q1: Orders in Mission Critical & National Security & others saw a significant increase. Are we to understand that this was driven by growth in the defense business? Also, could you explain what these orders entailed, including whether there were any new types of orders that differ from those you have received in the past?

A1: The growth in orders was driven by our defense-related business. We are participating in a project for Australia's next-generation general-purpose frigates, and this is included in the orders. Through projects such as this, we are working with countries outside of Japan as well.

Q2: Is this a one-time project, or is it something that will continue to expand as a new business?

A2: In this project, Australia will acquire Mogami-class frigates, and our systems will be installed on these vessels. As the vessels will also be equipped with a shared computing platform and other systems for carrying out command and control, we expect that this business will grow as more vessels are deployed. Since we are working with Australia and the UK in our defense-related business, we see this not as a one-time opportunity but rather as an area that will continue to grow over the long term.

Q3: The Public sub-segment of Service Solutions has achieved significant improvement in profitability. Could you comment on the sustainability of this improvement?

A3: We expect the Public sub-segment to improve by just under 3 percentage points for the full year. On a quarterly basis, we achieved an improvement of approximately 3 percentage points in the first quarter. We expect improvement of about 1-2 percentage points in the second and third quarters. In the fourth quarter, we expect an improvement of just under 4 percentage points, as we anticipate a large volume of business deals.

Q4: Did the positive impact of initiatives such as strengthening the global management structure and carrying out business restructuring in Europe contribute to the improvements in profitability?

A4: We implement an industry-centered management approach for our businesses outside of Japan as well, but this does not mean that we will see immediate improvement as a result. Please understand that our profitability improvements have been driven by strong demand in Japan and the progress we have made in improving productivity.

Questioner C

Q1: My understanding is that the adjusted operating profit for the first quarter consisted of a slight profit from Ubiquitous Solutions and Hardware Solutions, a portion of the operating loss for Inter-Segment Eliminations and Corporate being absorbed by a gain recorded on the sale of assets in the Kawasaki area of Japan, and an increase in profit in Service Solutions. Were these figures within the range you anticipated?

A1: Yes, this is in line with our plan.

Q2: I believe that sovereign cloud, which is also related to the 17 strategic fields identified in a

growth policy announced by the Sanae Takaichi administration, will become a major topic. What is the current scale of the sovereign cloud that was referenced during the explanation of Service Solutions' orders in Japan on page nine of the presentation materials, and how will this business grow and develop going forward?

A2: Even when speaking of sovereign cloud in general terms, I believe that there are variations in its scale. While I will refrain from mentioning the names of specific companies, we received sovereign cloud orders in the first quarter in Enterprise. With AI becoming integrated into customers' businesses, it is already the case that we are seeing the materialization of business deals in which customers are placing a strong emphasis on sovereignty when migrating to the cloud as a part of their modernization efforts. Customers that are major companies with cutting-edge initiatives in particular are without a doubt advancing efforts such as this. We believe that we will see an increase in a switch to infrastructure that places a strong emphasis on sovereignty when customers migrate to the cloud or undergo modernization. However, there are also instances of existing open cloud infrastructure becoming sovereign cloud infrastructure. Because of this, we think that, rather than the size of the business increasing, it will start to shift. So please understand that these sorts of business deals are beginning to materialize.

Questioner D

Q1: First quarter orders in Public & Healthcare showed a very strong growth of 15 percent. Could you please provide us with a bit more information regarding this growth, such as, for example, if you have continued to receive orders for standardizing the systems of local governments or if there has been an increase in security-focused orders?

A1: We are continuing to receive orders for standardizing the systems of local governments. We have also received government agency projects, as well as educational digital transformation projects from academic institutions such as universities. In the field of healthcare, in addition to projects for installing our electronic medical record data solutions at major hospitals, there was also strong demand for our medical accounting systems for small to medium-sized hospitals and healthcare-related digital transformation projects for improving healthcare management increased. Orders grew across a wide range of fields, instead of in a specific one. In Finance, it may appear as though orders have decreased when compared to the first quarter of fiscal 2025, in which there were several system renewal projects at mega banks. I would, however, ask that you please understand that, as a whole, demand was quite strong in the first quarter.

Q2: I have a question about Fujitsu IR Day 2026, which you plan to hold in September. Will the Management Vision 2035-related topics covered during the event include such things as semiconductors, quantum computing, and physical AI?

A2: We would like to increase understanding regarding the Management Vision 2035 we recently announced. We will not only discuss our long-term aims for such things as quantum computing, but also clearly convey our current AI-driven development and pricing strategies. Technology is by no means only something that exists for quantum computing, nor is it something we only possess for a decade from now. We are also utilizing technology to evolve Service Solutions. We would like to talk about both the changes that technology has recently undergone and how we will expand our business with this, as well as the extent of progress that we have made in our path to launching new businesses in the future. Regarding new businesses in the future, we intend to cover topics such as how FUJITSU-MONAKA will evolve, and in the development of physical AI, how we are preparing to designate our Kasashima Plant, which manufactures our sovereign AI servers, as Customer Zero for a physical AI plant. By sharing the progress we are making on initiatives such as these, we would like for you to understand our vision of the future.

Questioner E

Q1: I have a question about the Inter-Segment Eliminations and Corporate segment. You plan to increase upfront investment in the field of semiconductors by 20 billion yen across fiscal 2026. How much has this investment risen in the first quarter in comparison to the prior year? Also, how much investment are you planning to make in the upcoming quarters? In addition, you mentioned that you will begin shipments of semiconductors next year. Please tell us how the start of shipments will change this expense.

A1: The Inter-Segment Eliminations and Corporate segment is where expenses such as those for FUJITSU-MONAKA, quantum computing development, and advanced R&D in laboratories are recorded. The development of semiconductor chips is not the only expense included in this investment. We are planning to increase our investment by approximately 20 billion yen this fiscal year, with the assumption that this figure also includes investments in such technologies as sovereign cloud and digital twin. This investment did not yet increase that much in the first quarter, and was approximately somewhere between 2 and 3 billion yen. It will remain at about the same level from the next fiscal year onward, and, at the very least, we do not expect it to decrease. Further into the future, we will be able to increase investment while also simultaneously generating revenue, so we will enter a phase in which we begin to see a return on our investment to some extent. This is also something that we would like to discuss during Fujitsu IR Day 2026.

Q2: For AI-driven development, you mentioned productivity improvements in terms of cost. In terms of sales, when do you think that you will start to receive AI-related orders? Also, could you please tell us what you are expecting the scale to be, such as, for example, how much of orders you expect in the next fiscal year?

A2: We have already incorporated AI into almost all of our Uvance offerings. In particular, we have received especially good feedback on offerings that incorporate the use of AI agents. We are not, however, selling offerings in a way in which there is a specific cost for the AI used in them. Rather, we are pricing offerings by how much optimization and value can be generated through using them. In addition, although we possess the AI technologies Fujitsu Kozuchi and Takane, we currently have very little token-based or license-based business. There are also cases where we have, for example, received money from our forward deployed engineers for implementing AI services in a closed environment or delivering optimal value through combining AI agents such as OpenAI's within our multi-AI agent framework. Please understand that I am unable to provide an answer for the revenue generated from AI alone.

Questioner F

Q1: Please tell us the impact that insourcing has had. I believe that, since the start of the year, there has been a move toward insourcing at some leading companies. Could you please give us an update on the current stage of this move toward insourcing?

A1: There are many companies that are considering insourcing. This includes major companies, and there are also small and medium-sized enterprises that are working on insourcing as well because they believe their size will enable them to achieve it. But as I mentioned earlier, the evolution of technology is fast-paced, and I believe the current situation is such that companies make progress on insourcing based on existing technologies, but also need our support with the latest technologies. I believe that, although our customers that are major companies will advance insourcing for areas such as maintenance and operation, more advanced fields like digital transformation will require the use of the latest technologies, so the companies have not yet reached the phase in which AI agents are able to handle all of insourcing. The value that we provide has also shifted from areas such as maintenance and operations to those with slightly more added value. In this sense, we believe that it will be quite difficult to quickly achieve full insourcing.

Q2: How much progress has currently been made in customers insourcing efforts? Would it be possible for you to provide a quantitative statement of what you believe will happen going forward?

A2: To be frank, it would be difficult to do so. There are still cases in which companies like Fujitsu are asked to handle everything. I believe there are also those who think that, if Fujitsu is able to do it, then so can they. Up until now, almost all of our customers aside from extremely large corporations had decided to outsource tasks to vendors based on the perception that IT is an expense. This slightly changed with the appearance of customers that are major businesses that consider IT as not an expense, but something that creates value. Then extremely perceptive customers that are small and medium-sized enterprises also began to think that way. Companies have now started to think about if they can also create things in the field of IT in-house. Although there are, of course, cases in which they outsource a portion of tasks to technology companies such as us, we are now starting to see some customers insourcing from the very beginning. It is, however, my honest perception that we have yet to see a full-scale effort toward this.

Q3: The price of memory chips has continued to soar. In general, do you think that there will be a stronger trend of customers front loading their purchases of servers, or of shifting toward the cloud? Is there a possibility that Fujitsu's server business may decline due to this?

A3: We are currently asking customers to place orders as soon as possible, but supply capacity is limited. Because of this, even if we were to receive a large order, we would not be able to supply all of it at once, so it is difficult for customers to secure a large volume products. On the other hand, there has, of course, been a shift to the cloud due to the soaring price of servers. However, under the current circumstances of AI data centers being the primary driver of this and it leading to shortages of electronic components and memory chips, we do not believe that our server business will disappear. We are certain there will be demand for using AI servers with guaranteed sovereignty for a closed-off cloud environment like on premise in not just Japan, but Europe as well. Although there are not yet many customers asking for sovereign cloud, we do indeed have several, and believe that the customer base is growing.