Summary Translation of Question & Answer Session at ESG Briefing for Analysts

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Location: Live-streamed from Fujitsu Headquarters, Tokyo
Presenters: Yumiko Kajiwara, Corporate Executive Officer and Chief Sustainability Officer
               Masayuki Hamakawa, Head of Environmental Division

Questioner A

Q1: *On page 18 of your presentation materials, you state that you will run your data centers on 100% renewable energy, and you use the expression "green services," but could you tell us whether this green service is something that customers are actually asking for in real business settings? In addition, if you offer green services, will Fujitsu be able to raise the price for it?*

A1 (Kajiwara): In light of the Japanese government's initiatives to become carbon neutral by 2050, it is the case that Japanese companies have a greater sensitivity toward the environment than before and are expressing greater interest in renewable energy and green conditions. It may take some time before this becomes a "must have" feature, but as each company has to work on its environmental initiatives, inquiries about going green in conjunction with digitization are increasing. As for reflecting it in the price, there are no specific plans, but to achieve the target of 100% by fiscal 2022, we will take into consideration pricing trends and market conditions over the next two years, but at the present time we have not made the decision to increase pricing.

Q2: *Running your data centers on 100% renewable energy is a usage case for renewable energy that is easy to understand, but in other solutions that you provide or other business areas, are there large-scale business areas in which you can propose green services by raising the proportion of energy from renewable sources?*

A2 (Kajiwara): Rather than mentioning a specific area, I would say that the very process of promoting digitization and achieving efficiencies will lead to a reduction of the burden on the environment. Therefore, I think it is fair to say that the process of digital transformation itself will make customers greener. On the other hand, digitization will, of course, lead to a higher amount of data handled, for example, but by developing new technology and enabling it to be energy-saving, the consumption of electricity in the digital world can also become more efficient. Just the process of promoting digital transformation will make customers greener, and there is the expression "green by digital" that conveys the concept that digitization makes customers greener, so we want to contribute to making business greener by promoting digital transformation.

Q3: *On that topic of Fujitsu's promotion of digital transformation directly contributing to making business greener; I think it would be great if there was a traceability scheme or tool that could quantitatively demonstrate the extent to which customers become greener. Will something like that be developed, or is there already something like that?*

A3 (Kajiwara): You are quite right and, indeed, that is exactly the direction in which we need to go. Internally, we are tracing the changes occurring, so I would like that technology and expertise to be turned into a business, with Fujitsu's internal practices as a reference model. That is necessary, and it is actually happening.

Questioner B
Q1: You stated that of the total electricity consumed by the Fujitsu Group, data centers are an area that consumes a lot, but what proportion does it represent? In addition, how much electricity is consumed by manufacturing facilities as a percentage of the total?

A1 (Hamakawa): It is changing as the composition of our business changes, but currently production facilities account for one-third of the total, while the proportion consumed by data centers is steadily increasing, and now accounts for about one-fourth.

Q2: You stated that you want the usage ratio of renewable energy to be 40% in 2030, but if we look at the actual ratio in 2019, it was only 8.4%, so that ratio will significantly increase. I think it costs a lot to use renewable energy, and if you raise the composition to 40%, can we assume that the burden on profitability will be large? Since you said you are not raising pricing in your business, if costs increase, how much of a negative effect will that have on profits?

A2 (Kajiwara): We made the decision to shift gears and increase our proportion of renewable energy to reduce our greenhouse gas emissions about six months ago. At the time, we assumed our costs would increase, but we now think our costs will not increase that much. We are aware that the 40% target is high, but as we approach 2030 we think the demand side, as in our case, will increase, and if there is a movement in the markets, market prices may change more dynamically. We made an estimate of how much costs would rise, but that is a past estimate, so please understand that it is always moving.

Q3: Do you mean that you assume electricity charges for renewal energy will fall in the future? Japan has a lot of coal-fired power. Compared to other advanced nations, renewable energy is not widely used, and prices are higher. In thinking about expanding one's business, could it be that businesses will no longer have production sites and management offices in Japan and will, instead, transfer them outside of Japan? Doing so would help in achieving your targets, but if you will not make that decision, why not?

A3 (Kajiwara): From the demand side, we are of the opinion that we would like prices for renewable energy, including its expected value, to decline. Because the supply is more abundant outside Japan, if we are just thinking from the perspective of converting to 100% renewable energy, and we want to achieve it quickly, one might, for example, think about expanding in the Nordic region, where green sources of electricity are plentiful. But there are other considerations, such as having sites in Japan to provide important infrastructure, the economic security issue of operating data centers in Japan, and, from a business standpoint, the meaning of Fujitsu being in Japan, so we will make decisions from a broader perspective, not just from the perspective of the environment.

Questioner C
Q1: You raised your targets for reducing greenhouse gas emissions, but what changed since 2017 that caused you to raise your targets for emissions reductions? In which areas did it become more likely that you could reduce emissions?

A1 (Kajiwara): There are two broad reasons. One is that we will work toward these targets group-wide. Regarding renewable energy deployment, we looked at regional conditions and mainly deployed it in Europe and North America. While looking at that progress and thinking about what to do next, last October the Japanese government set the goal of achieving a carbon neutral society by 2050. Fujitsu also has the goal of becoming carbon neutral by 2050. As we look toward 2050, we think it is very important to think about what we will do over the next ten years. Accordingly, regarding the change in our target from 2℃ to 1.5℃, we first considered its feasibility. Because we feel this initiative is both necessary and meaningful, we set a target of reducing greenhouse gas emissions by 71.4%, applied to SBTi, then received the 1.5℃ certification. So the first reason was because of internal developments, and the second is the conditions that are being spurred on by the Japanese government's declaration.

Q2: There is the part in which Fujitsu reduces its own emissions, and there is the part in which, for example, through greater logistics efficiencies, you drive reductions in the emissions of customers, so I think you are moving toward a reduction in the emissions of services, divided between your own and those of your customers. When divided like that, what is the ratio of emissions reductions?

A2 (Kajiwara): As we stated in the action statement for RE 100, first of all we have to work on reducing our own emissions. This is our obligation in society. Next, with respect to customers, this is about the situation of customers, and it will largely depend on the number of customers. If you say it is 50-50, that would make the level the same as one's own, and if you say the customers' level is ten times higher, one could say that it is a function of how many customers you have. Please understand that, from a global perspective, it is difficult to give a direct answer on Fujitsu's scale or the scale of our customers.

Questioner D
Q1: You have set a target for CO_2 reduction of 71.4% by 2030, and if you are able to achieve this, I think it may be possible to achieve carbon neutrality by 2050. How difficult will it be, though, to achieve this goal of a 71.4% reduction, and what hurdles will you have to overcome?

A1 (Kajiwara): In terms of achieving our 71.4% target, from a renewable energy perspective, I think the question of the abundance of the supply of renewable energy in Japan is, to speak frankly, an issue for Japan as a whole. At the same time, I think that if we on the demand side clearly express that this is essential, that will lead to an acceleration of movement across Japanese society as a whole. The fact that we are continuing to transform the ways we work,

eliminating offices, or working from home without commuting to the company thanks to remote work, these small contributions will add up, as we have tens of thousands of employees, but we would also like to continue to make even more progress in saving energy while also raising awareness. A reduction of 71.4% is not an easy target, but we feel it is our responsibility to work toward it as a symbolic target.

Q2: Does that mean that, essentially, whether there is renewable energy that can be purchased or not is the most important question?

A2 (Kajiwara): If you put it like that, it sounds like it is someone else's problem. We feel that digital technology is extremely effective in saving energy, so I think that one key point that we would like to appeal to the public about is that we will contribute to the greening of society through digital technology.

Q3: You introduced a case study in which you used blockchain technology for rice trading in Singapore, and I think that your company has been involved in smart agriculture for some time, which I think could become a positive message with the SDGs. Could you please share any follow-up you have about your smart agriculture initiatives?

A3 (Kajiwara): It is natural that, from an SDG perspective, attention would focus on agriculture, and we have conducted a variety of trials in smart agriculture, but we are currently discussing internally how to achieve both sustainability and a successful business.

Questioner E
Q1: Measures like power usage effectiveness (PUE), for example, have been used as indicators of data center energy efficiency for some time, but I think that they are not necessarily the correct indicators to use. In your company's case, in 2019 your PUE was 1.56, but how has that changed since then, and how much do you think you will ultimately be able to improve that figure? Or, if you are using some other indicator, could you please tell us about that?

A1 (Hamakawa): While we acknowledge that there are some issues with PUE as an indicator, in our businesses we feel we are inextricably committed to, first, expanding our deployment of renewable energy, and second, using that energy efficiently through our own efforts, so under the 10th Environmental Action Plan, we are continuing to work to improve PUE in our data centers. We have already begun a number of initiatives, and while there will not be dramatic increases in PUE, we are continuing to work to improve it.

Q2: You may be able to improve longstanding facilities such as your Tatebayashi data center, but are you considering that if you built new facilities from scratch, you could make them much more efficient? If that is the case, is it possible that you would consider building new data centers to replace the existing ones?

A2 (Hamakawa): We would like to discuss that sort of thing further going forward.

Questioner F

Q1: You spoke about virtual power plants (VPPs), but how strong would you say AutoGrid is as a company? Also, if you could, please speak to the question of whether your collaboration with AutoGrid will enable you to take the lead over your competitors.

A1 (Kajiwara): In terms of AutoGrid's deployment track record, their number of deployments is in the double digits. They have not, however, been able to approach aggregators within Japan with proposals, so we are thinking of it as an impactful solution and as a competitive element.

Q2: What sort of agreement do you have with AutoGrid? Is it a comprehensive collaboration?

A2 (Kajiwara): AutoGrid has built a foundation outside Japan, so I think there is an aspect in which they have chosen us as a beachhead in Japan. In Japan, we have an agency contract in place.

Q3: I am sure that reducing your amount of office space will also reduce CO_2 emissions, but at the same time, the amount of electricity used at home due to remote work will increase, so could you speak to whether there has been an overall decrease?

A3 (Kajiwara): Our office collected a sampling of electricity usage volumes as a trial to compare before and after the start of remote work, and we found that, as the amount of electricity used at the company decreased, while the amount used at homes increased, under certain circumstances the total decreased. In addition to the fact that the amount of electricity used in offices was reduced, we could also see that there was a contribution to reduced greenhouse gas emissions from not moving about, as employees commuted less.