Legibility

We have reviewed this report using our ColorSelector tool to choose a highly accessible color combination so that the text and figures are as legible as possible to the widest range of readers.

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• This report has been printed using waterless printing, which reduces the amount of harmful materials used and emitted.
• FSC® Certified Paper designated by the Forest Stewardship Council® has been used in printing in order to help preserve forestry resources.
• Vegetable oil inks that do not include volatile organic compounds have been used.
The FUJITSU Way

Since our founding in 1935, we at Fujitsu have continuously adapted to ever-changing business and social environments and, in tandem with this, have passed along the unbroken chain of our DNA inheritance. The FUJITSU Way is the guiding light of our organization’s management and the actions of each and every one of our 140,000 employees.

Based on this immutable principle, we place the utmost importance on relationships of trust with our customers and think and act from their point of view. We pledge to contribute to the creation of a better society by continually embracing the challenge of innovation.

Tatsuya Tanaka
Representative Director and President

CORPORATE VISION
Through our constant pursuit of innovation, the FUJITSU Group aims to contribute to the creation of a networked society that is rewarding and secure, bringing about a prosperous future that fulfills the dreams of people throughout the world.

PRINCIPLES

Global Citizenship
We act as good global citizens, attuned to the needs of society and the environment.

Customer-Centric Perspective
We think from the customer’s perspective and act with sincerity.

Fixed Mind Understanding
We act based on a firsthand understanding of the actual situation.

Spirit of Challenge
We strive to achieve our highest goals.

Speed and Agility
We act flexibly and promptly to achieve our objectives.

Teamwork
We share common objectives across organizations, work as a team, and act as responsible members of the team.

CODE OF CONDUCT

1. We respect human rights.

2. We comply with all laws and regulations.

3. We act with fairness in our business dealings.

4. We protect and respect intellectual property.

5. We maintain confidentiality.

6. We do not use our positions in our organization for personal gain.

Forward-Looking Statements
This annual report may contain forward-looking statements that are based on management’s current views and assumptions and involve known and unknown risks and uncertainties. Actual results may differ materially from those expressed or implied in such statements due to, without limitation, the following factors: general economic and market conditions in key markets (particularly in Japan, Europe, North America, and Asia); fluctuations in exchange rates and interest rates; changes in capital markets; intensified price competition; changes in market positioning due to competitive pressures; outcome of legal and regulatory proceedings; and terrorist activities and the impact of operational risks.

Statements are based on assumptions and are subject to change at any time without notice.

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Gartner is not responsible for the contents of any third-party website or link referenced in this document or carrier report.
The Fujitsu Group has established a global service structure with operations in more than 180 countries around the world.

Fujitsu’s IT services business ranks top by market share in Japan and in the top tier worldwide, a record that reflects our outstanding technologies and long track record in building large-scale, cutting-edge systems.
Fujitsu delivers total solutions in the field of information and communication technology (ICT). Along with the provision of a broad array of services, our comprehensive business encompasses the development, manufacture, sales, and maintenance of cutting-edge, high-quality, and high-performance products and electronic devices that make these services possible.
FINANCIAL HIGHLIGHTS

Fujitsu Limited and Consolidated Subsidiaries

The Fujitsu Group adopted International Financial Reporting Standards (IFRS) in fiscal 2014. On November 1, 2017, the Company sold some of its shares in Fujitsu TEN Limited to DENSO CORPORATION. Consequently, Fujitsu TEN became classified as a discontinued business and net sales (revenue) and operating profit were restated in the fiscal year ended March 31, 2017.

- NET SALES (REVENUE) AND PERCENTAGE OF SALES OUTSIDE JAPAN

<table>
<thead>
<tr>
<th>Fiscal year ended March 31</th>
<th>(Billions of yen)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2018</td>
</tr>
<tr>
<td>Sales (revenue) (left scale)</td>
<td>6,743.2</td>
</tr>
<tr>
<td>Percentage of sales outside Japan (right scale)</td>
<td>0.0</td>
</tr>
</tbody>
</table>

Net sales decreased 0.8% year on year. Due to the effect of exchange-rate movements, the percentage of sales outside Japan rose 1.4 percentage points year on year, to 38.8%.

- OPERATING PROFIT AND OPERATING PROFIT MARGIN

<table>
<thead>
<tr>
<th>Fiscal year ended March 31</th>
<th>(Billions of yen)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating profit (left scale)</td>
<td>147.2</td>
</tr>
<tr>
<td>Operating profit margin (right scale)</td>
<td>2.1%</td>
</tr>
</tbody>
</table>

Operating profit margin was 2.1%. The operating profit margin improved 1.7 percentage points year on year as profit was sharply supported by gains on the sale of NIFTY Corporation’s consumer business and of the mobile phone business.

- FREE CASH FLOW

<table>
<thead>
<tr>
<th>Fiscal year ended March 31</th>
<th>(Billions of yen)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Free cash flow</td>
<td>¥729 billion</td>
</tr>
</tbody>
</table>

Despite cash flow from operating activities declining ¥49.9 billion year on year, free cash flow rose ¥729 billion year on year due to business sales and other factors.

- OWNERS’ EQUITY (EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT) AND OWNERS’ EQUITY RATIO (EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT)

<table>
<thead>
<tr>
<th>Fiscal year ended March 31</th>
<th>(Billions of yen)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Owners’ equity (equity attributable to owners of the parent) (left scale)</td>
<td>1,378</td>
</tr>
<tr>
<td>Owners’ equity ratio (equity attributable to owners of the parent) (right scale)</td>
<td>48.8%</td>
</tr>
</tbody>
</table>

Profit attributable to owners of the parent was ¥808.8 billion. Profit attributable to owners of the parent increased ¥48.6 billion year on year as the result of gains on the sale of NIFTY Corporation’s consumer business and improvement in income from investments accounted for using the equity method, etc.

- DIVIDENDS PER SHARE OF COMMON STOCK

<table>
<thead>
<tr>
<th>Fiscal year ended March 31</th>
<th>(Yen)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dividends per share of common stock</td>
<td>8.2</td>
</tr>
</tbody>
</table>

Dividends per share of common stock was 8.2 yen. Fujitsu raised the interim dividend from ¥8 to ¥9 per share and the year-end dividend from ¥5 per share to ¥6 per share, giving an annual dividend of ¥11 per share.

- ENVIRONMENT, SOCIETY, AND GOVERNANCE HIGHLIGHTS

- ENVIRONMENTAL ACCOUNTING (COSTS AND FINANCIAL EFFECT)

<table>
<thead>
<tr>
<th>Fiscal year ended March 31</th>
<th>(Billions of yen)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Costs</td>
<td>64.5</td>
</tr>
<tr>
<td>Actual effect</td>
<td>12.4</td>
</tr>
<tr>
<td>Estimated effect</td>
<td>9.1</td>
</tr>
</tbody>
</table>

Aggregate results for fiscal 2017 show year on year decreases of 12% in costs, to ¥40.6 billion, and 29% in financial effect, to ¥9.1 billion.

Note: The scope of aggregation is Fujitsu Limited and major consolidated subsidiaries in Japan and overseas.

- EMPLOYEES WITH INFORMATION SECURITY AUDITOR TRAINING (CUMULATIVE TOTAL) AND JASA-CERTIFIED AUDITORS

<table>
<thead>
<tr>
<th>Fiscal year ended March 31</th>
<th>(People)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total</td>
<td>414</td>
</tr>
<tr>
<td>JASA-certified auditors</td>
<td>57</td>
</tr>
</tbody>
</table>

We have been offering information security auditor training to heighten the quality of information security auditors in our organizations. Also, we have been encouraging employees to acquire auditor qualifications certified by Japan Information Security Audit Association (JASA). Consequently, we boast the largest number of JASA-certified auditors in Japan.

Note: The scope of aggregation is Fujitsu Limited.

- DIVERSITY OF THE BOARD OF DIRECTORS

<table>
<thead>
<tr>
<th>Fiscal year ended March 31</th>
<th>(%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Female (left scale)</td>
<td>4.5</td>
</tr>
<tr>
<td>Percentage of female managers (right scale)</td>
<td>2.1</td>
</tr>
</tbody>
</table>

As of the end of fiscal 2017, the Fujitsu Group’s total greenhouse gas emissions on a global basis were 19.8% lower than the fiscal 2013 year-end level.

Note: 1. The percentage value here is an adjusted one fiscal 2013 emissions have been calculated with a fixed value of 0.518 tons of CO2 per MWh for fiscal 2013, a fixed value of 0.515 tons of CO2 per MWh for fiscal 2014, and a fixed value of 0.534 tons of CO2 per MWh for fiscal 2015.

Fujitsu Group Sustainability Report 2018
**FUJITSU’S COMPETITIVE EDGE**

**Insight into Customers’ Business Operations**

Fujitsu’s competitive edge is backed by an extensive track record in IT system delivery that has given it a top share of the IT services market. Key to being competitive is an understanding of what customers need and the challenges they face. These long-cultivated insights enable us to drive innovation forward together with customers, enhancing their value by putting state-of-the-art technologies to work based on our specialized knowledge and expertise.

### Industry (Manufacturing & Natural Resources)

<table>
<thead>
<tr>
<th>No.</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Japan total revenue</td>
<td>US$24,003 million</td>
<td></td>
</tr>
<tr>
<td>Finance (Banking &amp; Securities, Insurance)</td>
<td>US$26,953 million</td>
<td></td>
</tr>
<tr>
<td>Communications, Media &amp; Services</td>
<td>US$16,616 million</td>
<td></td>
</tr>
<tr>
<td>National Government</td>
<td>US$14,221 million*</td>
<td></td>
</tr>
</tbody>
</table>

*The figures for total calendar year revenue are based on the financial results of our consolidated companies. A detailed breakdown of our results is provided in our annual report.

We provide services to build and operate the core systems that underpin customer operations across multiple industries, with a focus on manufacturing, including automobiles, electronics, industrial machinery, basic materials, and residential construction. In our core areas of manufacturing and mobility, we help customers streamline production and cut costs while creating new businesses by using advanced digital technologies such as the Internet of Things (IoT) and artificial intelligence (AI). In doing so, we play a key role in the development of Japan’s manufacturing industry while providing solutions to such social issues as labor shortages.

We provide construction and operation services for information systems that underpin supply chains and customer contact points. Customer segments span a wide spectrum of industries—distribution, including retail, wholesale, logistics, food production, and trading companies; services, including passenger transportation, real estate, and credit and other finance-backed by retailers; and internet and content services. Leveraging our extensive track record, we support customers as a partner. Specifically, we help companies transform how they interact with their customers by utilizing AI to forecast demand and optimizing supply chains with IoT and other leading-edge technologies.

We provide services to build and operate the core systems that underpin customer operations across multiple industries, with a focus on manufacturing, including automobiles, electronics, industrial machinery, basic materials, and residential construction. In our core areas of manufacturing and mobility, we help customers streamline production and cut costs while creating new businesses by using advanced digital technologies such as the Internet of Things (IoT) and artificial intelligence (AI). In doing so, we play a key role in the development of Japan’s manufacturing industry while providing solutions to such social issues as labor shortages.

Our customers in this sector include companies and industry bodies involved in financial services in and outside of Japan, including banks, insurance companies, securities companies, securities and commodities exchanges, credit card companies, and leasing companies. We undertake the construction and operation of robust mission-critical systems that underpin such core financial operations as settlement and lending in addition to systems for transactions by branches on the customer contact front lines, while offering other sales support. We also support the creation of new financial services such as digital banking, which is rapidly gaining ground.

### Government

We provide high-performance and high-quality solutions meeting stringent customer requirements. We have extensive experience in installing systems for government ministries and extra-governmental agencies, utilizing our technological prowess in areas such as standard system development technology. While paying close attention to environmental, “universal design,” and other considerations, we provide integrated services from business planning to detailed design, development, and maintenance, to support the stable operation of customers’ systems.

Local governments are pressing ahead with efforts to use information and communication technology (ICT) to create vibrant and pleasant communities. Initiatives include making public services more convenient through the introduction of the “My Number” social security and tax number system in Japan, while creating safe and secure cities by utilizing open data on social capital and other fields managed by local government and local governments.

We provide high-performance and high-quality solutions meeting stringent customer requirements. We have extensive experience in installing systems for government ministries and extra-governmental agencies, utilizing our technological prowess in areas such as standard system development technology. While paying close attention to environmental, “universal design,” and other considerations, we provide integrated services from business planning to detailed design, development, and maintenance, to support the stable operation of customers’ systems.

### Healthcare (Healthcare Providers)

<table>
<thead>
<tr>
<th>No.</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
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<tr>
<td>National Government</td>
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<td></td>
</tr>
</tbody>
</table>

*The figures for total calendar year revenue are based on the financial results of our consolidated companies. A detailed breakdown of our results is provided in our annual report.

We supply network products mainly to Japanese telecommunications carriers. We also provide business solutions spanning the construction, operation, and maintenance of mission-critical systems, including those for customer management and businessadministration. We support the advancement of industry in wide-ranging areas including production, retail, and finance, by bringing together 5G, next-generation mobile communications, and advanced digital technologies. We also help to address important social issues such as disaster responsiveness and work-style transformation, giving impetus to reforms in healthcare and entertainment services as we seek to contribute to a prosperous society.

Drawing on in-depth experience, we offer high-performance and high-quality solutions backed by advanced technologies to tackle various challenges facing medical institutions, clinics, and care providers. We are helping to ensure advanced treatment in addition to more efficient hospital management and healthcare administration. By applying our solutions, we are meeting new social needs in such areas as comprehensive community healthcare and the system of collaboration between regional healthcare providers.
FUJITSU’S COMPETITIVE EDGE

Transforming Business Structure in Step with the Times

Since its founding in 1935, Fujitsu has demonstrated technological prowess while persistently pursuing innovation. In working to meet the challenges of responding to society’s evolving demands and addressing the issues it faces, we at Fujitsu have nurtured earnings drivers that are a step ahead of the times, embraced business structure change, and achieved growth. The Fujitsu Group, in its ongoing efforts to promote business model transformation, continues to take up the challenge of establishing a new business structure tailored to the digital age.

Our origins as a manufacturer of automatic switching systems and communications equipment enabled us to help rebuild Japan’s telecommunications infrastructure after the Second World War. At the same time, we sought to apply the technological strengths acquired through the development of switching equipment to embark on new businesses. This led to the successful development of Japan’s first practical relay-type automatic computer in 1954. Subsequently, the 1960s marked the dawn of a new era for Fujitsu: one of cultivating the computer market under the management policy of “Communications & Electronics.” From the 1970s onward, the computer business replaced the communications business as the main driver of earnings growth. While hardware drove its growth, the Group also entered the system integration business, involving software development and system integration. In the 1990s, the Group built up its IT services business and expanded overseas operations, establishing its earnings base from the 2000s onwards. Since 2015, the Fujitsu Group has been accelerating moves to concentrate on the Technology Solutions business under the banner of “business model transformation.”

(Billions of yen)

<table>
<thead>
<tr>
<th>Year</th>
<th>Event</th>
</tr>
</thead>
<tbody>
<tr>
<td>1950s</td>
<td>Computer business launches</td>
</tr>
<tr>
<td>1980s</td>
<td>PC business goes into full swing</td>
</tr>
<tr>
<td>1981</td>
<td>Systems headquarters established to support growth in software and services business</td>
</tr>
<tr>
<td>1995</td>
<td>Datacenter opened in Tatsukuchi, Gunma as base for outsourcing services</td>
</tr>
<tr>
<td>2013</td>
<td>Formulation of Companywide “Fujitsu Technology and Service Vision”</td>
</tr>
<tr>
<td>2018</td>
<td>Business model transformation through “business structure transformation” and “growth strategy transformation”</td>
</tr>
</tbody>
</table>

Notes:
1. Years ended March 31
2. Bar chart includes intersegment sales.
4. Net sales (JGAAP)
   - Software & Services / Services*
   - Communications Systems / Network Products*
   - Computers and Information Processing Systems*
   - System Products (servers and storage)*
   - Ubiquitous Solutions*
   - Semiconductors and Electronic Components / Electronic Devices / Device Solutions

Units:
- JGAAP
- JPY

*1 Software & Services (1998–2003), Services (Technology Solutions subsegment) consisting of Solutions / SI and Infrastructure Services, from 2004
*3 This segment became the Platforms segment, consisting of Solutions / SI and Infrastructure Services, from 2004
*4 Software & Services (1998–2003), Services (Technology Solutions subsegment) consisting of Solutions / SI and Infrastructure Services, from 2004
*5 System Products (servers and storage, from 2004)
*6 Ubiquitous Solutions
*7 Semiconductor business
*9 This segment became the Platforms segment, consisting of Solutions / SI and Infrastructure Services, from 2004
FUJITSU'S COMPETITIVE EDGE

Technology Strategy with an Eye to the Future

Fujitsu conducts R&D on cutting-edge technologies necessary to achieve “Trust and Co-Creation” in a new digital era. Looking to the future, Fujitsu seeks to contribute to a sustainable society and economic development together with our customers.

Trust and Co-Creation in the Digital Era

Since Fujitsu presented its slogan of “Reliability and Creativity” in 1976, we have strived to achieve reliability in our products and services and foster creativity as a company, and as a result, have established a solid presence as an ICT company. The current role of ICT is to streamline customers’ operations by developing information systems, and to operate and manage such systems. In addition to this, moving forward into the digital age, ICT will also spur innovation that can help customers expand their core businesses and create new ones. Moreover, ICT will also provide a greater contribution to solving the Sustainable Development Goals (SDGs).

One major change brought on by the digital era is the infinite connections between companies, individuals, business activities, systems, and data created through the fusion of physical space and cyberspace. These connections are becoming ever more complex and immense. Accordingly, a new kind of trust is needed to address the various elements and demands associated with these two spaces. Of course, establishing trust is not an easy task, and one moment of carelessness will result in the loss of trust. Maintaining this trust is precisely why our technology strategy plays such a significant role. On top of this, Fujitsu is building upon corporate creativity, and working to go beyond the conventional relationship an ICT vendor has with its customers. Being creative together with our customers, “co-creating,” in other words, will strengthen and expand their core businesses and realize mutual growth.

Going forward, we will contribute to a sustainable society and economic development by spurring innovation through trust and co-creation in the new digital era.

For companies this means compliance, governance and accountability, and for society, this refers to rules, regulations and privacy protection. Moreover, in cyberspace, technology is necessary to earn trust with regard to robustness, availability, and cybersecurity as well as traceability, anonymization, and selective concealing of information.

To this end, Fujitsu actively conducts R&D that provides the trust that addresses the various elements and demands associated with these two spaces. Of course, establishing trust is not an easy task, and one moment of carelessness will result in the loss of trust. Maintaining this trust is precisely why our technology strategy plays such a significant role. On top of this, Fujitsu is building upon corporate creativity, and working to go beyond the conventional relationship an ICT vendor has with its customers. Being creative together with our customers, “co-creating,” in other words, will strengthen and expand their core businesses and realize mutual growth.

Going forward, we will contribute to a sustainable society and economic development by spurring innovation through trust and co-creation in the new digital era.

Digital Co-Creation

Leveraging our cutting-edge technologies and other core competencies, we aim to create a variety of digital businesses through co-creation with our customers that go beyond conventional operations as an ICT vendor. To this end, we are creating new business models through the novel application of ICT and taking steps to enhance our customers’ management in the supply chain, the product lifecycle, and business continuity. In the course of these activities, we are implementing innovative solutions that transform business practices and systems while developing a new kind of business that, on a global basis, transcends industrial boundaries and meets the needs of each country. We are currently working with our customers, under-taking co-creation in such fields as healthcare, drug discovery, social infrastructure, manufacturing, regional revitalization, and sports.

Digital Annealer

Digital Annealer is a quantum-inspired architecture that solves intractable combinatorial optimization problems which cannot be easily solved with current computers. Finding the best solution among large numbers of combination elements in the form of data, insight, or knowledge, the architecture can handle a wide range of societal issues at high speed. Digital Annealer supports quick decision making and human judgment, helping people make unprecedented discoveries. It is expected to be a computing technology that can open up possibilities for new AI learning. At the moment, we are putting Digital Annealer to use to solve practical societal problems by optimizing processes in the fields of finance, drug discovery, logistics, and cutting-edge radiation therapy for cancer.

Reliability, safety, and accountability are key factors in providing artificial intelligence products and services. We have combined Deep Tensor, our unique deep learning technology for handling graph data consisting of multiple interconnected data, and our original Knowledge Graph, a database of integrated knowledge using original technologies, to develop explainable AI—a technology that clarifies the reasoning and basis of the judgments made by AI. We are currently aiming to leverage explainable AI to support specialists working in such fields as medicine, finance, and business management. We are also developing Wide Learning, a machine learning technology that can explore all types of possibilities from a broad perspective, using only a small amount of learned data in order to resolve daily issues and make ethical judgments.
Digital transformation dramatically transforms business frameworks by incorporating the latest digital technologies into the operational processes that form the core of business itself. The trend toward digital transformation is accelerating across the globe, and it is expected that cutting-edge technologies such as AI and IoT will make our lives and our world even better.

Based on a secure ICT foundation, our Connected Services process and visualize the massive amount of data created from all things connected to a network. These services also use AI to help our customers make better decisions. In this way, they strengthen our customers’ businesses and provide value by spurring new innovation. In addition, we are leveraging these services to realize co-creation with organizations that share our vision and understand the value we wish to provide. This in turn helps us accelerate the establishment of new business models. Going forward, we will actively propose the use of these services in the upstream operations of our customers, including the examination of management and business strategies, thereby helping them succeed in their path toward digital transformation.

The business success brought about by digital transformation based on our Connected Services will create a cycle that further generates co-creation. Through such a cycle, we will enhance the value we offer our customers and society and realize sustainable growth.
MESSAGE TO SHAREHOLDERS AND OTHER INVESTORS

We are accelerating business model transformation in Japan and overseas based on “business structure transformation” and “growth strategy transformation.” By doing so, we will realize sustainable growth through our digital businesses, which focus on customer value.

On January 1, 2019, Fujitsu substantially changed its management structure. With this new structure, Fujitsu is transitioning various reforms under the growth strategies that it formulated based on its Management Direction.

We are now taking steps to strengthen our digital businesses in such ways as increasing the number of specialized sales staff and establishing a structure for developing and providing services and solutions on a global scale. In addition, we have transitioned resources from back-office positions to front-office roles. Through these measures, and together with the substantial changes in our management structure, we are adopting a more proposal-focused organizational structure that can operate at higher speeds. Under such a structure, we will become a service-oriented company that can leverage its strengths across the globe.

Tatsuya Tanaka
Representative Director and President

Looking Back on Our Efforts over the Past Three Years
Under the current Management Direction, which was initially announced in October 2015, Fujitsu has pushed forward with dramatic changes to its business structure with the aim of transforming its business model. These changes have focused primarily on two kinds of transformations. The first is “business structure transformation,” which entails transitioning from a vertically integrated structure that spans the three business fields of Technology Solutions, Ubiquitous Solutions, and Device Solutions, to a structure that is centered mainly on Technology Solutions. The second is “growth strategy transformation,” which aims to expand Connected Services based on our digital technologies.

Looking back on our efforts to achieve these changes over the past three years, we have made steady progress in terms of business structure transformation. This has included transitioning main businesses within the Ubiquitous Solutions and Device Solutions segments into competitive independent businesses. In particular, in fiscal 2018 we have spun off the PC business and decided to transfer the shares of the Mie Plant and a sales company within the LiSi business, thereby finally establishing a structure in which we can focus Groupwide efforts on the Technology Solutions segment. In this way, I believe we are taking a significant step forward with our business structure transformation.

In regard to growth strategy transformation, the high level of expectations customers have of our digital businesses further reinforces my belief that the new direction for which we are aiming is the correct one. However, when it comes to genuinely transforming our digital businesses into a growth driver, the reality of the matter is that we have not been making progress in transforming our business model at the pace we expected and have therefore yet to see sufficient results.

Taking these circumstances into consideration, we have analyzed the factors that stand in our way of realizing growth strategy transformation and have thoroughly debated specific initiatives geared toward eliminating these factors. As a result, based on a review of the progress we have made under the Management Direction, wehammered out new initiatives for growth in October 2018. At the same time, we have revised our projected timeline for achieving an operating profit margin of 10%, which we adopted as a key performance indicator (KPI). For the time being, we have additionally decided to exclude the percentage of sales outside Japan as a KPI.

Later in this message, I will delve into the specific details of initiatives we will pursue to accelerate our growth strategy transformation. However, above all else, I want to reiterate that our efforts aimed at business model transformation have been carried out under the unchanging goal of realizing our future vision for the Company. In order to maintain a high level of growth and competitiveness in the digital era and win against fierce global competition, it is absolutely essential that we complete our business model transformation. Going forward, we will continue to pursue bold innovation to achieve success in providing Connected Services as a service-oriented company.

Progress of Business Model Transformation Measures in 2018

<table>
<thead>
<tr>
<th>Basic Strategy</th>
<th>Progress</th>
</tr>
</thead>
<tbody>
<tr>
<td>Technology Solutions</td>
<td>Focus investment on Connected Services and realize global growth</td>
</tr>
<tr>
<td></td>
<td>• February: Conformed Fujitsu Broad-Solution &amp; Consulting Inc. into a wholly owned subsidiary</td>
</tr>
<tr>
<td></td>
<td>• October: Entered into a strategic partnership with Ericsson to deliver end-to-end 5G network solutions</td>
</tr>
<tr>
<td></td>
<td>• November: Initiated operations at Fujitsu Intelligence Technology, a new company that drives Fujitsu’s AI business around the world</td>
</tr>
<tr>
<td>Ubiquitous Solutions and Device Solutions</td>
<td>Consider various measures to enhance competitive- ness of each business</td>
</tr>
<tr>
<td></td>
<td>• March: Transferred shares in Fujitsu Connected Technologies Limited as well as shares in a new company that will take over the mobile device business of Fujitsu Peripherals Limited to Polaris Capital Group Co., Ltd.</td>
</tr>
<tr>
<td></td>
<td>• May: Established a joint venture, which will focus on the PC business, together with Lenovo Group Limited and Development Bank of Japan, Inc.</td>
</tr>
<tr>
<td></td>
<td>• June: Decided to transfer all shares of Mie Fujitsu Semiconductor Limited to United Microelectronics Corporation</td>
</tr>
<tr>
<td></td>
<td>• July: Changed the capital structure of Fujitsu Component, determining the stake held by Fujitsu to be 25% and the stake held by the Longreach Group to be 75%</td>
</tr>
<tr>
<td></td>
<td>• September: Fujitsu Semiconductor Limited concluded an agreement with Kaga Electronics Co., Ltd. in which Kaga Electronics acquires 70% of shares in Fujitsu Electronics Inc.</td>
</tr>
</tbody>
</table>
Business Results and Returns to Shareholders

In fiscal 2017, the year ended March 31, 2018, revenue decreased 0.8% year on year, to ¥4,098.3 billion; operating profit increased 55.4%, to ¥182.4 billion; and profit attributable to owners of the parent rose 91.4%, to ¥169.3 billion.

The decrease in revenue was brought about by the sale of the consumer business of Nifty Corporation on April 1 (the “Nifty reorganization”), revenue actually increased on the basis of our core businesses, which excludes this impact of this sale. On that same basis, operating profit actually declined due to several negative factors, including not only the stagnation of the network products business in Japan but also the emergence of unprofitable projects in the services field and increased prior investment costs. On the other hand, operating profit increased on an overall business level due to a decline in costs related to business model transformation, which were recorded last year, as well as the spin-off of the formation. At the same time, we will maintain our policy of issuing a stable dividend at a high level. We will also provide competitive, high-value-added services that aim for top levels of quality and continue to strive for sustainable growth.

Fiscal 2017 Results and Fiscal 2018 Full-Year Consolidated Forecasts (As of October 31, 2018) (Billions of yen)

<table>
<thead>
<tr>
<th>FY 2017 Results</th>
<th>FY 2018 Forecast</th>
<th>YoY Change</th>
<th>YoY Change (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue</td>
<td>4,098.3</td>
<td>3,900.0</td>
<td>-198.3</td>
</tr>
<tr>
<td>Operating profit</td>
<td>182.4</td>
<td>140.0</td>
<td>-42.4</td>
</tr>
<tr>
<td>Profit attributable to owners of the parent</td>
<td>169.3</td>
<td>110.0</td>
<td>-59.3</td>
</tr>
</tbody>
</table>

Consolidated KPIs for our Business Model Transformation

<table>
<thead>
<tr>
<th>Operating profit margin</th>
<th>Original Targets</th>
<th>Fiscal 2017 Results</th>
<th>New Targets</th>
</tr>
</thead>
<tbody>
<tr>
<td>Over 10%</td>
<td>4.5% (Consolidated basis)</td>
<td>Over 10% for Technology Solutions in Fiscal 2022</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Free cash flow</th>
<th>Over ¥150 billion</th>
</tr>
</thead>
<tbody>
<tr>
<td>¥177.8 billion</td>
<td>No change</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Owners’ equity ratio</th>
<th>Over 40%</th>
</tr>
</thead>
<tbody>
<tr>
<td>34.8%</td>
<td>No change</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Percentage of sales outside Japan</th>
<th>Over 50% (Consolidated basis)</th>
</tr>
</thead>
<tbody>
<tr>
<td>36.8%</td>
<td>Temporarily excluded from KPIs</td>
</tr>
</tbody>
</table>

The Three Market Changes to Watch

Demand is currently steady in the domestic services market. While we have thus far considered 2020 to be the year in which IT investment peaks, we now believe that demand will continue beyond 2020, especially in the fields of manufacturing and logistics and retail. This is an extremely favorable market development for the Company’s existing IT business. On the other hand, this is not necessarily good news for us in terms of the business model transformation that we have been promoting. If we allocate too many resources to the currently prosperous IT business and fail behind with efforts to cultivate our digital businesses, which will carry the Company’s future, such efforts may impair our ability to capitalize on significant market changes.

As has already been indicated, the ICT environment is undergoing significant changes. The first example of which is the changing nature of IT investment. In the past, the departments in charge of IT investments at our corporate customers were those involving systems departments, which oversee the establishment and management of Systems of Record (SoR)—meaning the mission critical systems that store and maintain various information. However, in recent years, operations divi- sions such as sales, manufacturing, and marketing, which are referred to as the line of business,4 as well as senior management ranks have been showing a significantly higher level of interest toward new businesses that utilize digital technologies, and it is these divisions that have been starting to take the initiative in terms of IT investments.

The second major change is the expansion of cross-industry fields. We are entering an age in which common sense within an industry is being disrupted due to the market entry of companies from outside that industry that have new business models. We are also entering a time when numerous companies with shared visions are collaborating to establish new business models through co-creation, which transcends organizational and industry boundaries. Successful start-up companies like Uber and Airbnb are widely known examples of this phenomenon. However, major financial institutions have also been leveraging digital technologies to create innovative new financial products and services. This is one of many examples of how co-creation is rapidly expanding in industries that have traditionally emphasized fixed regulations and business practices.

The third change is the practical application of 5G cellular mobile communications systems, a decisive change that will occur in the near future. A 5G network will offer high speed, high density, and massive volume, along with low latency and high reliability. The practical application of 5G represents the genuine integration of communication and information. This change will lead to the utilization of a wide range of data at far higher levels than ever before. In addition, the practical application of 5G is expected to further accelerate the pace of the first two changes that I mentioned, thereby having the potential to bring about a completely new world.

I am extremely proud of the fact that the Company has established and operated various systems in line with the needs of customers, primarily information systems divisions. Customers have also given us considerable praise, stating that Fujitsu offers them total peace of mind. Nevertheless, to capitalize on the significant changes that are currently occurring and turn them into business opportunities, we need to adopt a new approach that goes beyond the existing relationships we have with our customers.

* The line of business refers to operating divisions and other front-line divisions of a company, which differ from a company’s indirect functions.

A service that offers new customer experiences through cross-industrial co-creation between Fujitsu and other Mubadala Ventures Ltd. This service allows customers to easily rent and pay for support products with their smartphones via an app that can be used by with a QR code.

A scene at the Fujitsu Forum, held every year to introduce the Company’s technologies and services. Behind the stage is a level of service that is digital services, over 70% of the approximately 30,000 people who visited the 2018 Fujitsu Forum in Tokyo worked in an operating division of a company.
Initiatives Aimed at Accelerating Growth Strategy Transformation
The growth initiatives that we announced in October 2018 aim to change our approach to customers by establishing new relationships with them as their partner. Until now, our approach has focused on “waiting,” meaning that we provided services only after the needs of customers were made clear and the desired specifications were determined. However, going forward, we will transition to an approach that focuses on making proposals that will proactively contribute to the management and businesses of our customers. Under this approach, we will examine issues together with our customers from the upstream stage by providing advice, such as explaining the possibility for further innovation or recommending technologies that can be used, and considering management and business strategies. Our specific strategies to accomplish this transition involve “transformation of sales in Japan” and “strengthening business.”

Strategy 1: Transformation of Sales in Japan
Reforming our sales structure is the first step for further strengthening our domestic businesses. As I stated earlier, frontline divisions in various industries are turning their attention to the new possibilities of ICT and exploring ways to adopt ICT in their own businesses. To hold dialogue with these divisions as their partner, we must raise the level of expertise and readiness of our sales staff to levels higher than ever before. The Fujitsu Group’s current sales staff in Japan consists of over 10,000 employees. However, these talented personnel are dispersed across the entire Group. Rethinking this setup, we will shift these employees to our digital businesses, the Company’s priority field. We will also expand our sales operations to include not only our conventional, industry-specific account sales but also specialized sales, which will respond to various needs in the line of business, digital technologies, and cross-industry fields.

We have met the needs of our customers using advanced ICT. The deep understanding we have of each customer industry represents one of our intangible assets, giving us a competitive edge over other ICT service companies and global platform providers. I firmly believe that this competitive edge will provide us with a strength that will set us apart from our competitors as we focus more on the upstream business processes of our customers, primarily in the fields of manufacturing and distribution. In addition, centralizing our specialized sales staff into one division will give rise to “chemical reactions” between the skills and expertise of each employee, which we hope will give birth to new ideas and customer proposals.

We have already introduced specialized sales staff in certain divisions, and we will accelerate this introduction on a Companywide basis with the aim of increasing the number of these staff members to around 1,200 by fiscal 2020. Furthermore, to enhance synergies between all of our sales divisions and business divisions, we will improve readiness not just in the provision of proposals from the upstream stages but also in the delivery of services and solutions. By doing so, we will contribute to the businesses of our customers as their partner.

We will also take steps to strengthen our consulting functions, which will play a pivotal role in transitioning to this upstream approach. In addition to utilizing our existing human resources and expanding collaboration with FUJITSU RESEARCH INSTITUTE (FRI), we will increase the number of our consulting staff members to around 500 through such means as transferring personnel in indirect divisions with accounting expertise to positions that involve SAP consulting.

Strategy 2: Strengthening Business
We are implementing various efforts under our “strengthening business” strategy in accordance with the four policies of “global product development based on unified strategy,” “stop ‘not invented here’ syndrome,” “rapid delivery of services that meet market needs,” and “acquire and foster globally competitive talent.” All of these policies were adopted previously under our business model transformation, and we consider them to be prerequisites to achieving growth as a global service-oriented company. In terms of specific measures based on these policies, we are working to strengthen our service integration business and increase our global product competitiveness. At the same time, we are making efforts to bolster our network business and overseas business, which include the reorganization and consolidation of our EMEDIA business.

For efforts to strengthen our service integration business, not only are we stepping up our consulting functions, as previously mentioned, we are also working to enhance the sophistication of our delivery division, which consists of SEs and Global Delivery Centers (GDCs). These efforts will help us establish systems that will keep our awareness consistently on making proactive proposals to customers throughout the entire business process, from cultivation of new business through the enhancement of upstream consulting and the delivery of actual solutions and services. Also, we have already introduced training programs in our SE division in order to implement agile development methods used in the enterprise field in both Japan and overseas. In addition, we are continuing to focus our efforts on enhancing the sophistication of our GDCs, which have a base of roughly 14,000 employees across eight countries. In regard to specific efforts for our GDCs, we are strengthening personnel with response capabilities in our focus areas, including SAP-related services. We are also moving forward with the establishment of a global hub that will centralize our knowledge in various industries and know-how on digital technologies, both major components of the Company’s competitive edge.

Looking to increase our global product competitiveness, we have decided to make a major transition with our cloud strategy. Encouraged by the success of our Fujitsu products, we are forming alliances with major cloud partners such as Microsoft Corporation and VMware, Inc. while taking steps to cultivate around 10,000 certified engineers on a global basis. Through these means, we are focusing management resources on fields in which we boast strengths, including the development and expansion of tool packages in the field of Hybrid IT.

In addition, in the development of products, we are rethinking our conventional approach that puts too much emphasis on domestic development and are taking steps to develop products for the core fields of IoT and security in optimal locations around the world. One such example is the establishment of an Al headquarters for the global promotion of Digital Annealer in Vancouver, Canada, an area of advanced R&D in the AI field.

For the network business, where various issues became evident in fiscal 2017, we have concluded a long-term strategic partnership with the Swedish-based Ericsson with a view to the 5G era. Our first step in this partnership is pursuing the joint development of 5G base station products that target mobile carriers in the Japanese market. At the same time, we are examining various plans for the future, including the provision of IoT solutions and the rollout of base station products in the global market.

We are implementing drastic structural reforms in the EMEDIA business, where enhancing profitability has become a pressing issue. In addition to commencing deliberations about closing the Augsburg, Germany site, we have been working to streamline various locations by concentrating management resources in areas where we have a solid customer base. We have also been taking steps to revise and enhance the efficiency of indirect divisions.

### Strengthening Fujitsu’s Business

#### Basic Policy

- **Global product development based on unified strategy**
- **Stop ‘not invented here’ syndrome**
- **Rapid delivery of services that meet market needs**
- **Acquire and foster globally competitive talent**

#### Strengthen the service integration business

- **Step ‘not invented here’ syndrome**
- **Rapid delivery of services that meet market needs**
- **Acquire and foster globally competitive talent**

#### Strengthen the network business

- **Strategy partnership with Ericsson**
- **Implement structural reforms in EMEDIA**

#### Increase product competitiveness

- **Grow multilocal business by working with local partners**
- **Focus on Hybrid IT field**
- **Develop and expand digital business products**

#### Transform service delivery (Enterprise agile)

- **Increase sophistication and capabilities of GDCs**
- **Establish a global hub that transfers personnel capable of SAP-related services**
Shifting Resources toward Growth

In addition to reinforcing our sales and delivery divisions, we are shifting approximately 5,000 personnel from our indirect and support divisions, which currently have approximately 16,000 employees when including our headquarters and Group companies. From the perspective of placing the optimal personnel in the optimal location as a service-oriented company, we are shifting human resources in our indirect divisions that have an abundance of knowledge applicable to consultation and specialized sales, as mentioned previously. In conjunction with this reshuffling, we are enhancing training courses that strengthen employee skills and encourage a change in mindset, and providing opportunities for employees to attend lectures. Additionally, we are enhancing the efficiency of Group management by consolidating the indirect and support functions of Group companies into our headquarters. Furthermore, we intend to revise the format of our manufacturing structure in line with our business policies.

Performance Targets

As I touched on above, by promoting the two major strategies of transformation of sales in Japan and strengthening business and working to enhance our management resources and efficiency in an appropriate manner, we aim to reach an operating profit margin of 10%, which we believe is a necessary benchmark for achieving growth in the global market. Many of our efforts geared toward achieving this aim depend on the cultivation of human resources. While this is something we naturally must pursue as a service-oriented company, a certain amount of time is needed between implementing initiatives and reaping the rewards.

From the numerous discussions we have held in the execution of strategy, we forecast that 2020 would be the year in which we start seeing results. Following the progress we have made in business structure transformation and the concentration of resources in the Technology Solutions business, we revised the timeline for reaching our target of a 10% operating profit margin to fiscal 2022 and made this target applicable only to the Technology Solutions business while incorporating costs from the Other/Elimination and Corporate segment. Furthermore, in terms of our overseas business, we have temporarily excluded our target for percentage of sales outside Japan as a KPI, for the time being, in order to prioritize the shift to a more robust profit structure, including in the EMEIA region where we are implementing structural reforms, over the pursuit of increased sales volumes.

Substantially Changing Our Management Structure

To accelerate our growth strategy transformation, we substantially changed our management structure on January 1, 2019, thereby bringing forward the period when we install new management, which is usually done every year in April. The main idea behind such changes is to clarify both internally and externally the responsibilities and jurisdiction of each member. Going forward, we must continue to implement various reforms. Now is a time in which we are making preparations for future growth through the reforms that will follow our large-scale shifting of personnel, and the makeup of our management is not something that is excluded from this process.

With the resignation of two directors, the Board of Directors now consists of two members, myself, the president, and Hidehiro Tsukano, the vice president. By limiting the executive directors to two, we aim to bring forward ideas to the Board of Directors’ meetings with regard to how we should change our business based on the perspective of customers from the executive side at a quicker pace and hold debate accordingly. The Company’s Board of Directors’ meetings are a place where lively debate occurs, and we compiled our review of the Management Direction based on the frank opinions we have received from external directors after long hours of discussion. By changing the balance between executive and non-executive directors, we hope to make discussions at Board meetings livelier than ever before.

In addition, we have halved the number of executive officers, and the Board of Directors will closely monitor the status of business execution by these officers. While monitoring this status, we will implement more flexible management going forward. Also, by integrating our business divisions into the Technology Solutions business, we will simplify the chain of command and work to generate synergies that overcome the frameworks of our conventional divisions. Furthermore, by having the officers of Fujitsu itself serve concurrently as the presidents of certain major subsidiaries, we will accelerate reforms to our Group formation from the perspective of overall optimization while further enhancing the Group’s governance.

In conjunction with this review, we must also transform the organizational structure of the Group into one that is much more robust. Generally speaking, organizations tend to drift away from the aims they had at the time of their establishment and lose sight of overall optimization as time passes. Much in the same way that the human body needs metabolism and daily exercise, corporate organizations need to be constantly moving to realize enhancements on their own initiative.

To push forward with these reforms and reap their benefits, leveraging the strengths of our Corporate Vision, which relates to the source of value creation, is essential. First and foremost, Fujitsu must become the leading company that offers ICT to bring about happiness in people’s lives. Secondly, we must establish customer needs as the starting point for our businesses and consider everything from the perspective of customer value. Thirdly, as long as we are a company that deals with ICT, which has brought about dramatic changes around the world, we must continue to transform on a daily basis without ever fearing change.

Moreover, to bring people happiness, meet customer needs, and continuously transform ourselves in today’s world—where the relationship between all things is completely intertwined and massive amounts of data are being transmitted back and forth on a daily basis—the fourth thing we must do is realize co-creation with partners that share our Corporate Vision. Lastly, to achieve these aims, we must draw on the power of our human resources, who provide the foundation for our current transformation. These five crucial aspects will act as the compass for our business model transformation. Guided by this compass, I will lead the way for all employees as we complete our business model transformation. I would like to ask our shareholders and other investors for their continued support as we pursue this endeavor going forward.

Realizing Transformation through the Strengths of Our Corporate Vision

In Japan, Fujitsu’s businesses have been steadily receiving orders overall, especially in the industry and distribution and retailing fields. Meanwhile, in contrast to our existing business fields, our digital businesses have really only just begun. We are at a stage where the digitization market in Japan has yet to take off, and this is precisely the time in which we must step up and accelerate our growth strategy transformation.

Our recent review of the Management Direction represents a step forward to introduce a greater sense of urgency in our management decision making and day-to-day business operations.
Our aim is to be a truly innovative company. To accomplish this, we are working to complete the transformation of our business model by investing in human talent, in the most important management resource for a service-oriented company.

Revising Indicators and Targets to Exemplify Absolute Commitment

Our new Management Direction, announced in October 2018, aims to enhance corporate value through business model transformation and realize our vision for the Fujitsu Group 30 years from now. These goals have not changed from previous directions. However, as of March 31, 2018, while we have achieved a certain amount of progress with “business structure transformation,” our efforts to promote “growth strategy transformation” had not proceeded at the speed we had anticipated, and as such, we had no choice but to conclude that we will need more time in order to further accelerate efforts and reap the rewards of doing so. We therefore partially revised our key performance indicators (KPIs) and targets to better reflect our current situation.

Specifically, out of our four KPIs—consolidated operating profit margin of over 10%, free cash flow of over ¥150 billion, owners’ equity ratio of over 40%, and percentage of sales outside Japan of over 50%—we have pushed back the time period in which we plan to achieve the operating profit margin KPI to fiscal 2022. In terms of the percentage of sales outside Japan, we believe we should prioritize the establishment of an even more robust profit structure, rather than simply pursue increased sales volumes, as we aim to further provide our customers with an even more robust profit structure, rather than simply pursue increased sales volumes, as we aim to further provide our customers with a strong customer base. Meanwhile, we will reorganize smaller locations that have a high reliance on the hardware business and work to reduce overhead costs. Also, in the Americas, as the head of the region, I personally will take a proactive approach in providing guidance to ensure that we make strategic decisions aimed at enhancing profitability and that efforts to do so are carried out in a thorough and prompt manner.

Operating Profit Margin (Consolidated)

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>Actual</th>
<th>Forecast (1)</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY2016</td>
<td>2.8%</td>
<td>2.8%</td>
</tr>
<tr>
<td>FY2017 (Actual)</td>
<td>4.0%</td>
<td>4.0%</td>
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<tr>
<td>FY2018 (Forecast)</td>
<td>3.6%</td>
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</tbody>
</table>

Going forward, specific details regarding the closing of the Ausburg site and location reorganization will be determined through negotiations with employee representatives. We therefore intend to disclose the impact of these reforms on our performance from fiscal 2018 and beyond after carrying out appropriate investigations.

Determining Risks and Opportunities through Organizational Agility

The relationship between the United States and China and the practice of cybercrime is two important factors that could potentially impact our ability to promote business model transformation. If friction between the US and China becomes more intense and lasts over a long period of time, the global strategies of not just the Group but also our client companies, in addition to the global economy, could be negatively impacted. In the domestic services market, which is currently performing steadily, solid demand is expected to continue from 2020 onward. However, we are examining strategies that we can implement should these favorable conditions change.

The practical application of 5G will not only boost network speeds, it will also provide a true foundation for integrating communication and information. Moreover, 5G will create opportunities to enter new businesses and eliminate barriers standing in the way of business creation. In these times of significant change, the exact same phenomenon can be viewed as both a business risk and an opportunity. I believe that the determining factor in this case lies in whether or not the Group can transform into a flexible organization through business model transformation. We therefore will push forward with our transition to a company that can realize true innovation in the new world that 5G will create.

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Percentage of Sales Outside Japan

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<th>Fiscal Year</th>
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Owners’ Equity Ratio

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At the Leading Edge of Digital Transformation

Business model transformation has enabled Fujitsu to establish an environment that invigorates co-creation with customers, and to cultivate “digital innovators”—personnel that promote co-creation that leverages digital technologies—to gain a foothold in new business creation as a partner to customers. The Company has also worked to utilize digital technologies to resolve social issues and has established a unique position in the field of information security, which supports digital transformation. This section focuses on current frontline activities in Fujitsu’s digital businesses and reports on cutting-edge changes that are occurring.
Development of People and Places for Accelerating Digital Businesses, and the Front Lines of Co-Creation

In recent years, amid the progression of innovation through digital technologies that transcends industries, the role our customers expect ICT to play has undergone a sea change, going well beyond the traditional role of enhancing operational efficiency and resolving already known issues. Our customers now expect ICT to realize new business creation and management transformation.

With a firm grasp of these new expectations, we have been promoting business model transformation, focusing our efforts on providing “Connected Services” that go beyond the boundaries of Systems of Record (SoR), which are systems for recording and storing a broad range of internal corporate information, and Systems of Engagement (SoE), systems that help realize digital transformation. We are currently aiming to make a significant contribution to the business processes of our customers by combining our long-cultivated and extensive know-how with our IoT, AI, and other cutting-edge technologies in order to realize the co-creation of value together with our customers.

Our Global Services Integration Business, which has approximately 30,000 systems engineers (SEs), is the largest such business in Japan and boasts a solid track record in system integration (SI) services. In January 2017, within the Global Services Integration Business we established the Digital Front Business Group (DFG), which specializes in promoting digital businesses. The core members of this DFG comprise digital innovators who make full use of digital technologies to pursue co-creation with our customers.

Our digital innovators possess the knowledge, skills, and mindset needed to pursue digital businesses. These personnel promote digital businesses by collaborating with our customers in everything from providing consulting services and creating ideas to developing, implementing, and verifying services and creating new value. The role of our digital innovators is divided into three types: producers, who take the lead in overall co-creation activities by maintaining close communication with customers; designers, who create ideas for new businesses and services; and developers, who turn ideas into products and services. In January 2017, within the Global Services Integration Business we established the Digital Front Business Group (DFG), which specializes in promoting digital businesses. The core members of this DFG comprise digital innovators who make full use of digital technologies to pursue co-creation with our customers.

Digital Innovators: Playing the Role of Co-Creation Promoters

In fiscal 2017, we started a program nicknamed “Digital Bootcamp” in a Groupwide effort to cultivate digital innovators. The Digital Bootcamp gathers together elite personnel with various backgrounds, including not only SEs but also middleware engineers and sales staff, who participate in training sessions over the course of three to six months. In the initial year of Digital Bootcamp, we cultivated approximately 268 digital innovators. Going forward, we aim to nurture a total of 1,000 digital innovators by the fiscal 2019 year-end.

Digital Bootcamp is a training program that enables participants to acquire knowledge on the latest digital technology trends and design thinking. In addition to lectures given by engineers from inside and outside the Group, entrepreneurs, and IT analysts, one major characteristic of Digital Bootcamp is its incorporation of practical learning exercises, such as ideathons* and proof of concepts (PoC). In addition to classroom lectures and exercises, Digital Bootcamp provides opportunities for participants to understand the speed at which the frontline operations are carried out, including through participation in the projects of the Digital Front BG, the job-training in relevant Group divisions to acquire technological know-how, and secondment to external venture companies.

Together with cultivating people to oversee co-creation, we also establish places to pursue co-creation with our customers. FUJITSU Digital Transformation Centers (DTCs) have been established in Tokyo and Osaka as well as in New York City, Munich, and London, and are intended to promote co-creation geared toward digital technologies. DTCs function as workshops where we work with our customers to tackle the array of issues that they face, using cutting-edge technologies for digital transformation to innovate workstyles and create new businesses.

Open Innovation Gateway (OIG), which was established in June 2015 in the San Francisco Bay Area on the Company’s 80th anniversary, functions as our gateway to open service innovation. OIG provides a venue for collaboration between relevant customer and internal divisions and a wide range of organizations that are active in Silicon Valley, including government agencies of various countries, universities and research institutions, experts, business operators, and progressive start-up companies, with over 3,300 people visiting OIG since its establishment. Digitization continues to proceed on a global scale, and OIG has received requests from the management of numerous customer companies. It has been implementing projects related to the pursuit of new business domains and the transformation of existing businesses.

In these efforts, we are committed to realizing co-creation by introducing the best practices of our customers and external partners, to form the optimal team for each project.

Stimulating Innovation at Venues Where Diverse People Interact

* A term derived from the combination of “idea” and “marathon.” An ideathon is a formal training event in which groups brainstorm ideas regarding a particular problem and work to resolve it.
* Proof of concept is a demonstration that verifies the feasibility of new ideas, theories, and principles.
The Customer Engagement Solution CHORDSHIP was launched by the Company in November 2017, and is a result of the co-creation activities carried out by the Digital Front BG. CHORDSHIP is a solution that centers on a chat-bot, which enables automatic response at contact centers and help desks. This chat-bot is equipped with hybrid communication and machine learning AI technologies, allowing it to provide highly precise answers by narrowing down the content of questions based on the FAQ information of call centers and help desks. Unlike deep learning AI technologies, this hybrid technology does not require the acquisition of a large volume of training data, making it possible to introduce in a short period of time.

CHORDSHIP is about more than just providing software; it is a solution that starts with consulting about the use of chat-bots, as well as their introduction, development and operation. It also can be operated in a hybrid fashion that links the response by the chat-bot and contact center operators. Based on the Group’s experience in managing the contact centers of over 600 companies, CHORDSHIP helps improve contact center efficiency by integrating our skills and knowledge related to business operation and AI technologies. In addition, CHORDSHIP helps create new communication channels through the digitization of customer relationships.

Optimal Hybrid Operation between AI and People
- Seamless linkage between AI and people (essential aspect)
- Blending of a cycle that leverages accumulated knowledge and AI to enhance the precision of automated responses

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A Customer- and Design-Oriented, Agile Development Approach to Solutions

What makes CHORDSHIP an excellent example of the kind of digital business the Company is aiming for is the fact that it is a solution that was created through an SoE-type business model, which involves the co-creation of value with our customers. The development process for CHORDSHIP involved three major aspects.

Responding to customer needs was the foremost impetus for service development. Winning the business of customers that have experienced difficulties working with Fujitsu to create solutions that address issues facing their frontline departments and generate new value was what spurred us on to commence development of CHORDSHIP. From the moment of the project’s launch, the development team was keenly aware that the project’s purpose was not the utilization of cutting-edge technologies but rather the creation of solutions and services together with customers—a “customer-oriented” approach that can resolve the management issues they face.

The second part of the process was development based on a “design-concept” approach. A design concept is a methodical process that entails systemizing design sensibilities and methods in a manner that makes them applicable in business. This process starts with considering an overall vision for a product or service based on empathy with the user and repeatedly brainstorming, verifying, and evaluating ideas to reach this vision while making constant improvements. Accordingly, design conceptualization garners significant attention as an effective method for turning ideas into actual products and services. In the development of CHORDSHIP, we established a clear vision for the kind of product we wanted to create, examining all kinds of aspects from market trends and needs, product appeal, and means of differentiating ourselves from competitors to delivery times, price, and business plans. Ways to achieve our vision were repeatedly examined using design concept-based thinking.

Thirdly, an “agile-development” approach was applied, in which we submitted temporary results from CHORDSHIP’s development during the middle stages of the development process and worked to complete the service by communicating with our customers. Through agile development, we examined features that would bring us closer to solving various issues while confirming customer needs and conditions on the front lines, subsequently creating and recreating prototypes. By doing so, we repeated a cycle in which we carried out verification activities based on actual data. This, in turn, enabled the extremely prompt completion of the service.

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A design-concept approach is synonymous with our “Human Centric Innovation,” a key tenet of the Company. Human Centric Innovation is a process in which we create new businesses and innovation for society by empowering people through cutting-edge technologies. In addition, design conceptualization relates closely with social innovation, which involves tackling issues faced by our customers and society through our business.

One major driving force behind the introduction of our digital innovation system was the social contribution activities we had conducted as a company, including measures to take during times of a large-scale disaster. In particular, during the Great East Japan Earthquake of 2011, a project team created four days after the earthquake and dispatched to areas impacted by the disaster came up with ideas for new services to meet needs and address conditions in disaster-stricken areas. These ideas were then molded into specific services, such as the establishment of a system that could summarize the conditions at evacuation centers and upload the information to a cloud environment in which the information could be shared between national government agencies, local governments, and NPOs. They also added a feature to this system that enabled medical institutions on the front lines to share patient conditions and information on any medication patients were taking. As a result, we have been able to respond to the disaster with full use of our integration capabilities, which combine various corporate and individual ideas, skills, and specialties with our expertise. In this way we will further accelerate our digital businesses.
GREENING ICT PLATFORMS TO SUPPORT THE ERA OF 5G × IOT

The next generation standard for mobile communications is 5G, and its practical application will become a driving force to further utilize IoT and thereby contribute to the creation of new value. To meet the needs of an era in which enormous amounts of data are transmitted at unprecedented levels, Fujitsu is pursuing drastic reductions in energy usage within network infrastructure platforms. It is working to accomplish this through collaboration among industry, government, and academic institutions, and in so doing, to realize its goal of a sustainable society.

As concerns grow over the deepening impact of climate change, realizing a paradigm shift to a decarbonized society has become an urgent matter. For the Fujitsu Group, which is active on a global scale, addressing the issue of climate change is both a social obligation and an important element of the Group’s management strategy.

In 2017, the Group announced its medium- to long-term environmental vision, the FUJITSU Climate and Energy Vision. The key goals of this vision are to work toward the realization of a decarbonized society and to contribute to mitigation measures to counter climate change. By utilizing digital technologies, such as AI, IoT, and big data, we aim to bring about a new future through co-creation with customers and business partners.

When 5G makes possible high-density (multiple connections across multiple areas), high-capacity, high-speed communications with ultra-low latency, there will be a further progression in the utilization of IoT, and this will drive greater efforts to address climate change in a variety of fields, including disaster prevention, transportation, manufacturing, and energy. To accelerate digital transformation through 5G and IoT, we believe that initiatives to reduce energy consumption within network infrastructure platforms, which process enormous amounts of data, will become even more important going forward.

Optimizing Load Distribution Using AI

Through the full realization of these technologies, we anticipate to support the overall performance of the 5G network available for regional use. By balancing the burden of processing data both horizontally and vertically, the performance of 5G networks can be maintained, even during sudden events such as the suspension of operations of base stations due to natural disasters or the rapid increase of transmitted data volumes from connected cars at times of traffic congestion.

Realizing a Decarbonized Society

From fiscal 2018, Fujitsu is working on a project commissioned by the Ministry of the Environment, “Technological development for drastic energy savings achieved by regionally dispersed edge computing systems,” with NIPPON TELEGRAPH AND TELEPHONE WEST CORPORATION and Osaka University (Fujitsu Next Generation Cloud Research Alliance Laboratories)*1

Specifically, in order to realize horizontal and vertical load balancing, we are leveraging the Group’s specialized deep learning AI processor, Deep Learning Unit, to develop technologies that forecast energy consumption and assign tasks. The first step in this process is developing an optimal energy model by using AI machine learning technology to forecast patterns that lower the overall energy consumption of air conditioning to the greatest extent possible.

The key to realizing this model is energy consumption volume estimation of each edge computing system and load balancing among edge computers (horizontal distribution), which are distributed across a wide area, and between the cloud computing and the edge computing (vertical distribution).

In addition, Fujitsu makes efforts to save the overall energy consumption of the network systems by such developments as the water cooling technologies for base stations’ network equipment. With Fujitsu’s technologies, we aspire to achieve 5G network base stations that maintain the optimal level of power usage effectiveness (PUE),*2 an index for measuring the energy efficiency of ICT-related equipment, of 1.1 or less.

By making the ICT infrastructure supporting the era of 5G × IoT more environmentally-friendly, we can promote the utilization of a greater amount of data and accelerate resolutions to complex and difficult social issues, such as climate change. As a digital co-creation partner, the Fujitsu Group will undertake concerted efforts to realize a decarbonized society going forward.

*1 Fujitsu Next Generation Cloud Research Alliance Laboratories (FCRAL)*1 were established by Osaka University, Fujitsu Limited, and Fujitsu Laboratories Ltd. in April 2017.

*2 Power usage effectiveness (PUE) is a ratio that illustrates how efficiently a facility uses energy. The value is calculated by dividing total facility energy consumption by IT equipment energy consumption. The closer a facility’s PUE is to 1, the more efficient.
INFORMATION SECURITY UNDERPINNING “CONNECTED SERVICES”

As the use of digital technologies rapidly spreads, threats in the cyber domain pose a much greater risk to society from a variety of perspectives. Through its security-related services, Fujitsu is tackling these threats head on as a business partner to its customers, thereby supporting “Connected Services.”

By 2022, digital products and services are expected to account for over 60% of the world’s GDP.*1 In line with this is an expansion in the digital economy that is spurring the emergence of unprecedented risks. In 2017 alone, cybercrimes caused nearly US$600 billion (¥6.3 trillion) worths of damage to the global economy.*2 In addition, in the IoT world, where everything is connected to a network, a single cyberattack has the potential to spark a chain reaction of damage. Accordingly, the establishment of measures to address cyberattacks and information leaks is an important task for top management around the globe. In light of this, global corporate investment in cybersecurity is expected to reach US$96 billion (over ¥10 trillion) in 2018.*3

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The security business at Fujitsu consists of a wide range of services, such as consulting and operation, and it also fosters talented personnel—we believe that security is one of the domains where Fujitsu is most able to demonstrate its superior integration capabilities. Linked to Fujitsu’s ability to maintain a high level of global competitiveness in this area are a number of elements, including intelligence with regard to the collection and analysis of information on the latest security threats, regulations, and standards; research on cutting-edge technologies; experts with sophisticated analytical capabilities, know-how related to encryption technologies, insights on various industries; and a deep understanding of customers’ IT systems. We are also strengthening our service delivery infrastructure. Our Security Operations Centers (SOCs) monitor and analyze threats to the IT systems of our customers on a 24/7 basis, while our Advanced Artifactual Analysis Laboratory (A3L), a specialist institution, also carries out sophisticated security analysis. Through these institutions, we provide services to over 1,400 customers around the world. Overseas, we provide high-quality security operations services in Europe, mainly in the United Kingdom. Going forward, we will work to further reinforce our service structure led by our dual security business headquarters in Tokyo and London.

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A security threat is systemic, requiring an immediate and sustainable approach. In FY2016, we successfully supported the visit of the Prime Minister of Japan to Russia by providing security services to protect such events from cyberattacks from cybercriminals and citizens of other countries. In FY2017, Fujitsu strengthened the cybersecurity for the G7 summit held in France. We continue to work on security services in a wide range of areas to protect the security of customers’ IT systems.

As cybersecurity grows in importance, organizations continue to face critical gaps in skills, as well as the overall number of cybersecurity technicians. In light of these circumstances, the Fujitsu Group created the Security Meister Certification in 2014, and has since been leveraging this certification to cultivate human resources with specialized abilities pertaining to cybersecurity (over 3,700 certified Security Meisters as of October 2018).

The Security Meister Certification consists of three areas of discipline: Field Meister, who provides high-value-added services with industry-specific specialties; Expert, who has specialized security services with highly specialized skills; and High Master, who boasts industry-leading capabilities. Going forward, we plan on increasing the number of Security Meisters to over 11,000 by the end of fiscal 2021 with a view to further expansion of digital business such as IoT and operation technologies.

We view security as comprehensively protecting our customers’ IT systems, which enable them to create value. Through the provision of Connected Services that are underpinned by sophisticated security systems, we help our customers grow their core businesses, and expand their profits. At the same time, we offer highly specialized security services that reduce risks for our customers and that minimize damage should risk occur. This in turn helps us earn customer trust.

Specifically, we support the safety and security of our customers’ businesses through security-related consulting and a broad range of security-related products and services. We additionally hold workshops at the Security Initiative Center and other locations, letting our customers experience cyberattacks firsthand. Other opportunities are also offered to help our customers understand the importance of cybersecurity.
**M**ANAGEMENT

(As of January 1, 2019)

**EXECUTIVE DIRECTORS**

<table>
<thead>
<tr>
<th>Name</th>
<th>Position</th>
<th>Number of Fujitsu shares held:</th>
<th>Years as director:</th>
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<tbody>
<tr>
<td>Tatsuya Tanaka</td>
<td>Representative Director</td>
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<td>Masami Yamamoto</td>
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<tr>
<td>Hidehiro Tsukano</td>
<td>Representative Director</td>
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<tr>
<td>Jun Yokota</td>
<td>Director</td>
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**NON-EXECUTIVE DIRECTORS**

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<th>Position</th>
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<tbody>
<tr>
<td>Chiaki Mukai</td>
<td>Director</td>
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<td>8</td>
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<tr>
<td>Atsushi Abe</td>
<td>Director</td>
<td>2</td>
<td>3</td>
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<tr>
<td>Yoshiko Kojo</td>
<td>Director</td>
<td>2</td>
<td>3</td>
</tr>
<tr>
<td>Hidehiro Tsukano</td>
<td>Representative Director and Corporate Executive Officer</td>
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**REPRESENTATIVE DIRECTORS / CORPORATE EXECUTIVE OFFICERS**

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<tr>
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<td>Executive Officer</td>
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rndtable discussion with external directors

Corporate Governance That Brings Out Fujitsu’s True Value

In keeping with the pursuit of “business structure transformation” and “growth strategy transformation,” Fujitsu is promoting reforms aimed at enhancing the effectiveness of its framework for corporate governance.

The 2018 roundtable welcomed newly appointed external director Yoshihiko Kojo. In this discussion, participants candidly exchanged their thoughts on various themes, including the functions of the Board of Directors and the Independent Officers Council as well as the company’s efforts toward non-financial strategies.

— Dr. Kojo, you were newly appointed as an external director in June 2018. Please tell us about your aspirations for this new position.

Yoshihiko Kojo: Governance-related issues in international relations are an important theme of international political science, which is my field of expertise. Exchanges that transcend national borders are increasing, and relationships between countries as well as between public and private sectors are evolving. Amid these circumstances, I hope that I can offer advice from the perspective of addressing the impact of such changes on the management of corporations.

Additionally, the Sustainable Development Goals (SDGs), on which Fujitsu places great importance, represent shared goals by international society created mainly through discussions. Furthermore, the Independent Officers Council provides a means for observing various frontline operations and thoroughly studying new themes such as AI. In terms of the amount of knowledge pertaining to the company’s operations, there is unavoidably a gap between internal and external members. However, Fujitsu puts forth considerable effort to help the external members fill this gap.

— What is your view regarding the effectiveness of the Board of Directors?

Abe: When we were evaluating the Board of Directors’ effectiveness, a large number of those surveyed stated that they believed that overall, the Board was functioning in an effective manner. There were also those that expressed a desire to allot more time to discussing the Management Direction and strategies, and the Company is already taking steps to do so.

Yokota: As an external director, I am able to perform my duties effectively. However, for meetings these days, we allocate more time for holding substantial debate, such as by confirming meeting minutes before meetings begin.

— How does the Independent Officers Council function with regard to the Company’s governance?

Jun Yokota: First and foremost, the Independent Officers Council is a venue for holding discussions on matters such as the Management Direction. It is also where we share information regarding agenda items that will be introduced at upcoming Board of Directors’ meetings. Furthermore, the Independent Officers Council provides a means for observing various frontline operations and thoroughly studying new themes such as AI. In terms of the amount of knowledge pertaining to the company’s operations, there is unavoidably a gap between internal and external members. However, Fujitsu puts forth considerable effort to help the external members fill this gap.

A major recent improvement has been the creation of the monitoring list for important agenda items, which allows us to clearly keep track of what has been done, what actions have been completed, and what items remain to be decided.

Chiaki Mukai: Board of Directors’ meetings have time limits, so ensuring that opinions are exchanged in a straightforward manner remains a priority, more so than on what I personally can contribute to the conversation. However, at meetings of the Independent Officers Council, I am able to deepen my understanding of various issues and explore ways to address them. The Council also allows me to hear opinions directly from young employees working on the front lines, which is something I am ordinarily unable to do. In that sense, the Independent Officers Council represents a valuable opportunity.

Atsushi Abe: Both Ms. Mukai and I were appointed as external directors in June 2015, which was around the same time that Tatsuya Tanaka was appointed as president. At the first Board of Directors’ meeting I attended, President Tanaka offered an explanation of the direction of the Company’s management. Not all of the members attending the meeting were fully satisfied with this direction, though, and the meeting concluded without having a truly meaningful discussion. To address this issue, the Company established the Independent Officers Council in July 2015. I believe that the prompt establishment of such an organization is emblematic of the stance that Fujitsu has adopted toward governance. I also believe the Independent Officers Council fulfills various functions effectively, providing stakeholders a means to address information gaps between the executive and non-executive sides and offering opportunities for longer discussions and giving feedback to the executive side.
**FUJITSU GROUP INTEGRATED REPORT 2018**

**FUJITSU GROUP OVERVIEW**

**SUSTAINABILITY MANAGEMENT**

**REVIEW OF OPERATIONS**

**LETTERS FROM THE MANAGEMENT**

**SPECIAL FEATURE**

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**Kojo:** I would like to actively utilize training programs. I do not necessarily have an abundance of knowledge and experience related to business, and I am extremely grateful that Fujitsu has fostered an atmosphere in which I can ask questions openly and without reserve. When exchanging e-mails, I make sure to ask questions if there is anything I don’t understand, and the Company is really good about providing me with prompt responses.

**Yokota:** I believe the main issue the Company faces is to do all we can to secure outstanding talent. While the executive side is taking such steps as examining various kinds of personnel systems, I feel that many issues remain related to strengthening Fujitsu’s brand power in terms of recruitment.

**Mukai:** An organization that does not allow its employees to pursue self-fulfillment will have difficulty retaining superior talent. With young people, in particular, it’s important to welcome their ideas and provide them with opportunities to take on challenges. It’s crucial to give young people the power to make decisions, even to a small extent, and clearly define their level of authority and responsibilities. I believe we can improve our efforts to address this issue, then I believe we can dramatically improve the speed of decision making on an organizational level.

**Abe:** As we progress along the journey of digital transformation, non-IT companies have been actively recruiting and holding on to IT-related engineers, leading to a severe shortage of available engineers. Fortunately, there has yet to be a significant flow of human resources leaving Fujitsu, so it is imperative that we now create effective measures to prevent such an event from occurring. Moreover, new engineers joining Fujitsu will continue to receive high marks from external experts, believe we should try to devise ways to promote our efforts in a manner that will be easy for the general public to understand.

**Kojo:** In terms of increasing the percentage of women in managerial positions, it is important to increase the overall number of female employees, providing a base for selecting managers, as well as to cultivate personnel that can act as role models for female employees. Women are currently more affected by various social issues, the perspective of women is indispensable, and I believe the importance of actively utilizing female employees will become even greater going forward.

**Mukai:** Part of the reason there isn’t a large number of women who wish to take on managerial roles is because of the current state of management at many Japanese companies. During my time working at the National Aeronautics and Space Administration (NASA) in the United States, there were numerous women in managerial positions. Rather than going to great lengths to lead those working under them, these women played the role of “team organizer” and worked in a more relaxed manner. If management focused more on such a team organizer role, I believe that women would have a better ability to utilize their unique strengths.

**Abe:** During my time working at the National Aeronautics and Space Administration (NASA) in the United States, there were numerous women in managerial positions. Rather than going to great lengths to lead those working under them, these women played the role of “team organizer” and worked in a more relaxed manner. If management focused more on such a team organizer role, I believe that women would have a better ability to utilize their unique strengths.

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**Contributing to society through business is an extremely important aspect when it comes to the SDGs. This means that corporations play a vital role in providing good for the public. I believe that Fujitsu’s business aligns extremely well with social contribution.**

**From the standpoint of an independent officer, I will strive to point out what the executive side should be aware of as I help the Company improve the viability of its strategies and accelerate their execution.**

**Yoshiko Kojo**

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**Jun Yokota**

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**From the standpoint of an independent officer, I will strive to point out what the executive side should be aware of as I help the Company improve the viability of its strategies and accelerate their execution.**

**Yoshiko Kojo**

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**Atushi Abe**
### Basic Approach to Corporate Governance

The Company regards corporate governance as a critical mechanism to fulfill the senior management team’s mission in a manner befitting shareholders’ trust. This mission is based on the Fujitsu Way and enables a form of business management that, rather than pursuing short-term profits, earns the trust of customers and business partners, motivates employees to work with vitality and pride, and contributes to society. Through such business management, the Company will grow and enhance corporate value over the medium to long term.

#### Structural Framework

The Company outlines the following rules to ensure that the oversight and advice from the diverse perspectives of non-executive directors (the term used for the combination that, rather than pursuing short-term profits, earns the trust of customers and business partners, motivates employees to work with vitality and pride, and contributes to society). Through such business management, the Company will grow and enhance corporate value over the medium to long term.

- **Board of Directors**: The Board of Directors comprises eight members: two executive directors and six non-executive directors appointed from within the Company. The position of chairperson of the Board of Directors is separate from that of president, who has ultimate responsibility for management execution.
  - Independent Audit & Supervisory Board members are external Audit & Supervisory Board members who meet the Independence Standards.
  - Independent Audit & Supervisory Board members are appointed from within the Company.
  - Independent directors are appointed as the core members of non-executive directors, and at least one non-executive director is appointed from within the Company.
  - Independent directors must meet the independence standards (referred to as “Independence Standards”) established by the Company.
  - In nominating non-executive director candidates, the Company takes into account the background of candidates and their insight on the Company’s business.

### Constantly Enhancing Corporate Governance

**Mitsuya Yasui**
Executive Vice President, General Counsel & CISO

The Company constantly reviews its corporate governance and has established its basic strategy to expedite the initiatives to realize its growth strategy. With the aim of speeding up decision making and execution, as well as to clarify responsibility and authority, under the policy of streamlining the executive officer system, two executive directors were reappointed and their designations took effect on December 1, 2018. As a result, from January 2019 the Board of Directors comprises two executive directors and six non-executive directors, thereby creating a structure enabling enhanced management oversight functions of the Board of Directors. We intend to make use of this to further improve the effectiveness of the Board of Directors.

We believe that strengthening corporate governance will also contribute to the early realization of the Management Direction. With that in mind, we aim to continue to pursue optimal corporate governance and strive for further growth.

### Roles and Composition of Key Boards, Committees, and Councils

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<thead>
<tr>
<th>Board of Directors</th>
<th>2006</th>
<th>2009</th>
<th>2015</th>
<th>2017</th>
<th>2018</th>
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<td>Independent direc</td>
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<td>responsibilities</td>
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<td>To further clarify director’s management responsibilities</td>
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<td>Established the Executive Nomination Committee and Compensation Committee</td>
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<tr>
<td>To clarify the independence of the Board of Directors, the position of chairperson of the Board of Directors is separate from that of president, who has ultimate responsibility for management execution.</td>
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<tr>
<td>Established the Independent Officers Council</td>
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<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>To support independent officers in their independent roles and to ensure that the independence of the Board of Directors is maintained.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Established Corporate Governance Policy</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>To explain corporate governance to shareholders and ensure that the means for improving the transparency of corporate governance are established.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Abolished senior executive advisor/advisor system</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>To clarify management responsibility and strengthen corporate governance</td>
<td></td>
<td></td>
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<td></td>
</tr>
</tbody>
</table>

### Executive Nomination Committee and Compensation Committee

**The Company has established the Executive Nomination Committee and the Compensation Committee as advisory bodies to its Board of Directors to ensure the transparency and objectivity of its process for nominating directors and Audit & Supervisory Board members and its process for determining executive compensation, as well as to ensure the fairness of the method and level of executive compensation.**

The Executive Nomination Committee deliberates on candidates for director and Audit & Supervisory Board member positions in accordance with the Framework of Corporate Governance Structure and the Procedures and Policy of Directors and Audit & Supervisory Board Members’ Nomination, stipulated in the Company’s Corporate Governance Policy. In addition, the Compensation Committee provides its recommendations on the level of base compensation and the method for calculating performance-based compensation to the Board of Directors to ensure the objectivity and fairness of the Board’s decision-making process.

In accordance with the Company’s Corporate Governance Policy, the majority of members comprising the Executive Nomination Committee and the Compensation Committee are non-executive directors and Audit & Supervisory Board members and include at least one independent director. Members of both committees, as of July 26, 2018, are as follows:

- **Executive Nomination Committee**
  - Chairperson: Mr. Kazuaki Kojima
  - Members: Mr. Jun Yokota, Dr. Chiaki Mukai, Mr. Masami Yamamoto

- **Compensation Committee**
  - Chairperson: Dr. Chiaki Mukai
  - Members: Mr. Jun Yokota, Mr. Kazuaki Kojima, and Mr. Masami Yamamoto

### Constantly Enhancing Corporate Governance

- The Company constantly reviews its corporate governance and has established a basic strategy to expedite the initiatives to realize its growth strategy. With the aim of speeding up decision making and execution, as well as to clarify responsibility and authority, under the policy of streamlining the executive officer system, two executive directors were reappointed and their designations took effect on December 1, 2018. As a result, from January 2019 the Board of Directors comprises two executive directors and six non-executive directors, thereby creating a structure enabling enhanced management oversight functions of the Board of Directors. We intend to make use of this to further improve the effectiveness of the Board of Directors.
- We believe that strengthening corporate governance will also contribute to the early realization of the Management Direction. With that in mind, we aim to continue to pursue optimal corporate governance and strive for further growth.

### Initiatives Taken to Strengthen Corporate Governance

<table>
<thead>
<tr>
<th>Year</th>
<th>Initiative Taken</th>
</tr>
</thead>
<tbody>
<tr>
<td>2006</td>
<td>Established the Executive Nomination Committee and Compensation Committee</td>
</tr>
<tr>
<td>2009</td>
<td>Established the Independent Officers Council</td>
</tr>
<tr>
<td>2015</td>
<td>Established Corporate Governance Policy</td>
</tr>
<tr>
<td>2017</td>
<td>Nullified executive advisor/advisor system</td>
</tr>
<tr>
<td>2018</td>
<td>Abolished senior executive advisor/advisor system</td>
</tr>
</tbody>
</table>

### Corporate Governance: Core Pillars and Key Initiatives

<table>
<thead>
<tr>
<th>Core Pillars</th>
<th>Key Initiatives</th>
</tr>
</thead>
<tbody>
<tr>
<td>Strategic Management</td>
<td>- Streamlining the executive officer system</td>
</tr>
<tr>
<td>Risk Management</td>
<td>- Strengthening the independence of the Board of Directors</td>
</tr>
<tr>
<td>Social Responsibility</td>
<td>- Enhanced management oversight functions of the Board of Directors</td>
</tr>
<tr>
<td>Sustainability</td>
<td>- Performance-based compensation to the Board of Directors</td>
</tr>
</tbody>
</table>

### Corporate Governance: Key Initiatives and Key Metrics

<table>
<thead>
<tr>
<th>Key Initiatives</th>
<th>Key Metrics</th>
</tr>
</thead>
<tbody>
<tr>
<td>Executive Nomination Committee and Compensation Committee</td>
<td>- Members: Mr. Jun Yokota, Dr. Chiaki Mukai, Mr. Masami Yamamoto</td>
</tr>
<tr>
<td>Independent Officers Council</td>
<td>- Members: Mr. Jun Yokota, Mr. Kazuaki Kojima, and Mr. Masami Yamamoto</td>
</tr>
<tr>
<td>Corporate Governance Policy</td>
<td>- Stipulated in the Company’s Corporate Governance Policy</td>
</tr>
</tbody>
</table>

### Corporate Governance: Key Performance Indicators (KPIs)

<table>
<thead>
<tr>
<th>Key Performance Indicators</th>
<th>Target Values</th>
</tr>
</thead>
<tbody>
<tr>
<td>Corporate Governance Policy Compliance Rate</td>
<td>100%</td>
</tr>
<tr>
<td>Risk Management Compliance Rate</td>
<td>100%</td>
</tr>
<tr>
<td>Strategic Management Compliance Rate</td>
<td>100%</td>
</tr>
<tr>
<td>Social Responsibility Compliance Rate</td>
<td>100%</td>
</tr>
<tr>
<td>Sustainability Compliance Rate</td>
<td>100%</td>
</tr>
</tbody>
</table>

### Corporate Governance: Key Performance Indicators (KPIs) Reporting

<table>
<thead>
<tr>
<th>KPI Reporting</th>
<th>Frequency</th>
</tr>
</thead>
<tbody>
<tr>
<td>Corporate Governance Policy Compliance Rate</td>
<td>Quarterly</td>
</tr>
<tr>
<td>Risk Management Compliance Rate</td>
<td>Monthly</td>
</tr>
<tr>
<td>Strategic Management Compliance Rate</td>
<td>Quarterly</td>
</tr>
<tr>
<td>Social Responsibility Compliance Rate</td>
<td>Annual</td>
</tr>
<tr>
<td>Sustainability Compliance Rate</td>
<td>Annual</td>
</tr>
</tbody>
</table>

### Corporate Governance: Key Performance Indicators (KPIs) Reporting

<table>
<thead>
<tr>
<th>KPI Reporting</th>
<th>Frequency</th>
</tr>
</thead>
<tbody>
<tr>
<td>Corporate Governance Policy Compliance Rate</td>
<td>Quarterly</td>
</tr>
<tr>
<td>Risk Management Compliance Rate</td>
<td>Monthly</td>
</tr>
<tr>
<td>Strategic Management Compliance Rate</td>
<td>Quarterly</td>
</tr>
<tr>
<td>Social Responsibility Compliance Rate</td>
<td>Annual</td>
</tr>
<tr>
<td>Sustainability Compliance Rate</td>
<td>Annual</td>
</tr>
</tbody>
</table>
The Company appoints corporate executive officers who are assigned management execution authority by the representative.

**Status of Management Execution Organs**

The Company appoints corporate executive officers who are assigned management execution authority by the representative director and president. Furthermore, to heighten the efficiency of business management, the Company has established a Management Council comprising the representative directors and the corporate executive officers to assist the representative director and president in making decisions.

**Fujitsu’s Corporate Governance Structure**

![Diagram of Fujitsu’s Corporate Governance Structure]

**Independent Officers Council**

In response to the requirements of Japan’s Corporate Governance Code, which facilitates the activities of independent directors and Audit & Supervisory Board members, and in order to integrate discussions on the medium- to long-term direction of the Company into its Board of Directors’ meetings, the Company believes it essential to establish a system that enables independent directors and Audit & Supervisory Board members, who maintain a certain degree of separation from the execution of business activities, to consistently gain a deeper understanding of the Company’s business. Based on this recognition, the Company established the Independent Officers Council in fiscal 2015, which includes all independent officers (four external directors and three external Audit & Supervisory Board members). This council convened six times in fiscal 2017. At meetings of the council, independent officers discuss one or two agenda items thoroughly to help respective officers form opinions and to ensure deliberations of the Board of Directors.

The Company provides directors and Audit & Supervisory Board members, irrespective of whether they are an executive director, non-executive director, or Audit & Supervisory Board member, with the following support necessary for each director and Audit & Supervisory Board member to fulfills their role and contribute to the Company’s corporate governance:

- The Company prepares a framework to help directors and Audit & Supervisory Board members acquire the information they need, including advice from external experts, through financial support and staffing.
- The Company provides newly appointed directors and Audit & Supervisory Board members with necessary training, including information on their roles and responsibilities, internal structure, and business lines. In addition, the Company provides ongoing opportunities for updating such information and knowledge periodically and when directors and Audit & Supervisory Board members feel the need for further training while they remain in their position.
- Further, given that external officers’ knowledge of the Company’s business fields and corporate culture differs from that of internal officers, the Company has established systems that support external officers in addition to the above-mentioned support system.
- The Company has established an organization through which the Company's senior employees are assigned to respective external officers as assistants who provide direct support.

**Enhancing Fujitsu’s Corporate Value**

**Kazuto Kojima** Director

I became a director following approval at the 2018 Annual Shareholders’ Meeting. I was appointed as a non-executive director from within the Company. Under the leadership of President Tanaka, we are in the midst of strengthening the Company’s global competitiveness and pursuing growth strategies as we implement business model transformation. As a director who knows Fujitsu well, I will continue to offer advice and support these Company efforts, contributing to the realization of a bright and vibrant workplace. I also hope to contribute to enhancing corporate governance and encouraging further dynamism of the Board of Directors by acting as a bridge between non-executive directors and executive directors, thereby helping to raise Fujitsu’s corporate value. In addition, as the chairperson of the Executive Nomination Committee, I also fulfill my responsibility to shareholders by focusing on succession planning for the future leaders of the Fujitsu Group.

**2. External Directors / External Audit & Supervisory Board Members**

**Independence Standards for External Directors and External Audit & Supervisory Board Members**

The Company evaluates the independence of external officers based on the following standards.

- A director and Audit & Supervisory Board member will be independent if none of the following are met, at present and/or in the past:
  1. Director or executive officer of one of Fujitsu Group companies**; (2) Director, executive officer, Audit & Supervisory Board member, or important employee** of a major shareholder of Fujitsu**; (3) Director, executive officer, Audit & Supervisory Board member, or important employee** of a major lender** to Fujitsu; (4) Parent or employee of accounting auditor company of Fujitsu; (5) Director, executive officer, Audit & Supervisory Board member, or corporate executive officer mutually exchanged between Fujitsu and other company; (6) A person who receives significant amount of monetary benefits or property other than the compensation as a director or Audit & Supervisory Board member from Fujitsu; or (7) Director, executive officer, Audit & Supervisory Board member, or important employee** of a major business partner** of Fujitsu.
- A person who does not have a close relative** will be independent, wherein a close relative meets one of the following, at present or at any time within the preceding three years:
  1. Executive director, non-executive director**, or important employee of Fujitsu Group companies; (2) Director, executive officer, Audit & Supervisory Board member, or important employee** of a major shareholder of Fujitsu; (3) Director, executive officer, Audit & Supervisory Board member, or important employee** of a major lender to Fujitsu; (4) Parent or employee of accounting auditor company of Fujitsu; (5) Director, executive officer, Audit & Supervisory Board member, or corporate executive officer mutually exchanged between Fujitsu and other company; (6) A person who receives significant amount of monetary benefits or property other than the compensation as a director or Audit & Supervisory Board member from Fujitsu; or (7) Director, executive officer, Audit & Supervisory Board member, or important employee** of a major business partner** of Fujitsu.

**Appointment of External Directors and External Audit & Supervisory Board Members**

Fujitsu actively appoints external officers to increase management transparency and further improve efficiency. Fujitsu determines independence based on the independence standards stated above. All external officers have been registered with and accepted as independent directors by the financial instruments exchanges on which Fujitsu is listed in Japan. Fujitsu’s views on the roles, functions, and specific appointed statuses of external directors and external Audit & Supervisory Board members are as follows:
### External Directors

<table>
<thead>
<tr>
<th>Name</th>
<th>Background</th>
</tr>
</thead>
<tbody>
<tr>
<td>Jun Yokota</td>
<td>Dr. Mukai has been an auditor for Fujitsu and has held executive management positions at various companies. He is considered independent.</td>
</tr>
<tr>
<td>Chiaki Mikai</td>
<td>Mr. Abe has extensive experience in the IT industry and has held positions in various companies. He is considered independent.</td>
</tr>
<tr>
<td>Atsushi Abe</td>
<td>Dr. Kojo has a wealth of experience in corporate governance and has held important positions. She is considered independent.</td>
</tr>
<tr>
<td>Yoshiko Kojo</td>
<td>Dr. Yokota has extensive experience in accounting and has held executive management positions. He is considered independent.</td>
</tr>
</tbody>
</table>

#### Fujitsu's Consideration of Independence

- Mr. Yokota has served as an ambassador to several countries and has extensive experience in international economic negotiations. He is considered independent.
- Mr. Mikai has held executive roles in various companies and is considered independent.
- Mr. Abe has extensive experience in the IT industry and is considered independent.
- Dr. Kojo has held important positions in various companies and is considered independent.
- Dr. Yokota has extensive experience in accounting and is considered independent.

### Executive Compensation Policy

To ensure a more transparent compensation system, Fujitsu established the Compensation Committee by a resolution of the Board of Directors at a meeting held in October 2009. The compensation of directors and Audit & Supervisory Board members is determined based on the following Executive Compensation Policy, which the Board of Directors revised in light of a report received from the Compensation Committee.

#### Executive Compensation Policy

- To secure external human resources required to manage the Fujitsu Group as a global IT company, and to further strengthen the link between its financial performance and shareholder value, while at the same time improving its transparency, Fujitsu establishes its Executive Compensation Policy as follows.
- Executive compensation includes "Base Compensation," specifically a fixed monthly salary in accordance with position and responsibilities, "Bonuses," which are compensation linked to short-term business performance; and "Performance-based Stock Compensation," which is a long-term incentive that emphasizes linkage with shareholder value.

#### Base Compensation

Base compensation is paid to all directors and Audit & Supervisory Board members. A fixed monthly amount shall be determined for each executive in accordance with the position and responsibilities of each executive.

(Reference) Executive Compensation Items and Payment Recipients

<table>
<thead>
<tr>
<th>Recipient</th>
<th>Base Compensation</th>
<th>Bonuses</th>
<th>Performance-based Stock Compensation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Non-executive directors</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Executive directors</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Audit &amp; Supervisory Board members</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

### 3. Policy for Deciding Executive Compensation

To ensure a more highly transparent executive compensation system, Fujitsu established the Compensation Committee by a resolution of the Board of Directors at a meeting held in October 2009. The compensation of directors and Audit & Supervisory Board members is determined based on the following Executive Compensation Policy, which the Board of Directors revised in light of a report received from the Compensation Committee.

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</thead>
<tbody>
<tr>
<td>Non-executive directors</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Executive directors</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Audit &amp; Supervisory Board members</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

### 4. Policy for Strategic Shareholdings

The Company holds strategic shareholdings only when the purpose of the holding is clear and meaningful. With respect to strategic shareholdings currently held, we will examine the appropriateness of ownership and, except for shareholdings that should continue to be maintained, reduce holdings through phased sales taking into account the nature of the holding, its size, history, and other considerations.
5. Status of Internal Audits, Accounting Audits, and the Internal Control Division

Internal Audit and Accounting Audit Systems

Internal Audits
The Corporate Internal Audit Division serves as an internal audit group. This division audits the internal affairs of the entire Fujitsu Group in cooperation with the internal audit groups of each Group company and reports audit results to the representative director and president. The Corporate Internal Audit Division reports once a month, as a rule, to full-time members of the Audit & Supervisory Board on auditing plans for and results of internal audits, including matters relating to Group companies, and makes regular reports once every quarter, as a rule, to the Audit & Supervisory Board and accounting auditor.

The Corporate Internal Audit Division includes a significant number of employees with specialist internal auditing knowledge, including Certified Internal Auditors (CIA), Certified Information Systems Auditors (CISA), and Certified Fraud Examiners (CFE).

Accounting Audits
The accounting auditor, Ernst & Young Shrin'Nihon LLC, reports to the Audit & Supervisory Board concerning the auditing plans and results. The accounting auditor also conducts an exchange of opinions when needed and carries out coordinated audits.

Internal Control System

Internal Control Division
Based on the Basic Policy on Establishing an Internal Control Structure, the Risk Management & Compliance Committee and the Fujitsu Way Committee maintain and operate risk management systems, compliance systems, and internal control structures related to financial reporting and execute duties regulated under the basic policy. The status of operation of the internal control system is periodically reported to the Board of Directors.

Risk Management System and Compliance System
The Company positions the risk management system and the compliance system at the heart of the Policy on the Internal Control System and has established the Risk Management & Compliance Committee, which supervises these systems globally and is under the direct control of the Board of Directors.

The Risk Management & Compliance Committee is chaired by the representative director and president and consists mainly of executive directors. The Risk Management & Compliance Committee meets about every quarter. Regarding compliance violations and risks in business operations, including information security, the Risk Management & Compliance Committee operates a system that ensures the reporting of compliance violations and risks that have arisen to the Risk Management & Compliance Committee in a timely manner. It also operates the internal reporting system and formulates an action plan for the chief risk compliance officer. The progress and results of the activities of the Risk Management & Compliance Committee are periodically reported to the Board of Directors.

Also, sub-committees of the Risk Management & Compliance Committee have been established for individual regions, which are geographical regions of the Fujitsu Group worldwide, in order to install the risk management system and the compliance system throughout the Fujitsu Group.

The chief risk compliance officer directs internal organization based on the above-mentioned policy and strives to prevent risks in business operations from arising and conducts activities to minimize the loss that may be caused by the risks that have arisen.

6. Review of Corporate Governance in Fiscal 2017

The Fujitsu Group is strengthening its corporate governance to ensure a sustainable increase in corporate value. Here, we report on the status of this initiative in fiscal 2017.

Number of Meetings of Key Boards and Committees

<table>
<thead>
<tr>
<th>Board of Directors’ meetings</th>
<th>13 (1)</th>
</tr>
</thead>
<tbody>
<tr>
<td>(Including extraordinary meetings)</td>
<td></td>
</tr>
<tr>
<td>Audit &amp; Supervisory Board meetings</td>
<td>9 (1)</td>
</tr>
<tr>
<td>(Including extraordinary meetings)</td>
<td></td>
</tr>
</tbody>
</table>

Attendance of directors at Board of Directors’ meetings

<table>
<thead>
<tr>
<th>Director</th>
<th>Attendance (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mr. Megumi Yamamuro</td>
<td>100%</td>
</tr>
<tr>
<td>Mr. Hiroshi Mitani</td>
<td>100%</td>
</tr>
<tr>
<td>Dr. Chiaki Mukai</td>
<td>100%</td>
</tr>
<tr>
<td>Mr. Atsushi Abe</td>
<td>100%</td>
</tr>
</tbody>
</table>

Attendance of external directors at Board of Directors’ meetings

<table>
<thead>
<tr>
<th>Director</th>
<th>Attendance (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ms. Miyuki Sato</td>
<td>100%</td>
</tr>
<tr>
<td>Ms. Enyo Yoda</td>
<td>100%</td>
</tr>
<tr>
<td>Dr. Chikayoshi</td>
<td>100%</td>
</tr>
<tr>
<td>Ms. Mochiki Abe</td>
<td>100%</td>
</tr>
</tbody>
</table>

Attendance of external Audit & Supervisory Board members at Board of Directors’ meetings

<table>
<thead>
<tr>
<th>Director</th>
<th>Attendance (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mr. Masayoshi Tanaka</td>
<td>100%</td>
</tr>
<tr>
<td>Ms. Hiroko Matsumoto</td>
<td>100%</td>
</tr>
<tr>
<td>Dr. Koichi Nakano</td>
<td>100%</td>
</tr>
</tbody>
</table>

Attendance of external Audit & Supervisory Board members at Audit & Supervisory Board meetings

<table>
<thead>
<tr>
<th>Director</th>
<th>Attendance (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mr. Masayoshi Tanaka</td>
<td>100%</td>
</tr>
<tr>
<td>Ms. Hiroko Matsumoto</td>
<td>100%</td>
</tr>
<tr>
<td>Dr. Koichi Nakano</td>
<td>100%</td>
</tr>
</tbody>
</table>

Details of Remuneration

<table>
<thead>
<tr>
<th>Position</th>
<th>Number of Recipients</th>
<th>Bonus Compensation</th>
<th>Stock-based Compensation</th>
<th>Performance-based Stock Compensation</th>
<th>Total Amount of Remuneration</th>
</tr>
</thead>
<tbody>
<tr>
<td>Directors (Internal)</td>
<td>6</td>
<td>¥307 million</td>
<td>¥9 million</td>
<td>¥33 million</td>
<td>¥56 million</td>
</tr>
<tr>
<td>External directors</td>
<td>4</td>
<td>¥198 million</td>
<td>-</td>
<td>-</td>
<td>¥198 million</td>
</tr>
<tr>
<td>Audit &amp; Supervisory Board members (Internal)</td>
<td>3</td>
<td>¥73 million</td>
<td>-</td>
<td>-</td>
<td>¥73 million</td>
</tr>
<tr>
<td>External Audit &amp; Supervisory Board members</td>
<td>3</td>
<td>¥43 million</td>
<td>-</td>
<td>-</td>
<td>¥43 million</td>
</tr>
</tbody>
</table>

Evaluation of the Effectiveness of the Board of Directors

The Company includes annual evaluations of the Board of Directors in the Corporate Governance Policy.

Actions based on the results of the previous fiscal year’s evaluation

The Board of Directors by necessity formulated measures to enhance the supervisory function, with which the progress and consideration process of important matters discussed at the Board of Directors’ meetings are visualized and continuously monitored by independent directors. In addition, to supplement the discussion of the Board of Directors’ meetings, independent directors constantly exchanged information and formulated opinions at the Independent Officers Council.

FY2017 evaluation method

The performance evaluation of the Board of Directors’ meetings for FY2017 was held in the form of a discussion between the chairperson and independent directors. The discussion agenda included the following items, “whether the information that directors and auditors consider necessary is efficiently provided to them” and “whether training opportunities and financial support for training costs are appropriately provided to directors and auditors.”

Evaluation

- It is essential that the Board of Directors take responsibility for the development of medium- and long-term strategies and business plans, and that it take more time to engage in deeper discussions on these important matters. There is room for improvement to facilitate and enhance discussions within a limited amount of time, including setting discussion topics in advance, and rewriting the format and content of reporting documents.
- Attendees of the Independent Officers Council are well informed and carry out thorough discussions on business matters. It is advisable that the Independent Officers Council and the Board of Directors continue to improve coordination further.
- The Company facilitates the activities of the Board of Directors through the provision of information, among other things, upon the request of directors and auditors. It is desirable that the Company provide information and training opportunities more proactively.

Accountability

Fujitsu recognizes that explaining corporate and management information to shareholders, investors, and other stakeholders is an important task within corporate governance, and it strives to disclose information in a timely and appropriate manner.

Meeting | Number of Times | Content
--- | --- | ---
Regular presentations to securities analysts and institutional investors | 10 | We held regular presentations, including presentations by the president on our Management Direction, presentations by the president and CFO on our earnings results, and presentations by various senior executives on business strategy for the operations they oversee. In addition, the media are always invited to the briefing by the president, CFO, and heads of businesses, with the understanding that individual investors can thereby obtain information through reports that appear in the media.
Regular presentations to foreign institutional investors | 10 | The CFO and IR managers meet with foreign institutional investors regularly. We also have IR managers stationed in Europe and other regions to ensure that we engage in deeper discussions on these important matters.
Regular presentations to individual investors | 5 | We do not hold regular briefings for individual investors, though we do hold briefings on an irregular basis for business strategy for the operations they oversee. In addition, the media are always invited to the briefing by the president, CFO, and heads of businesses, with the understanding that individual investors can thereby obtain information through reports that appear in the media.
Engagement with shareholders | 12 | Before convening the Annual Shareholders’ Meeting, we met with institutional investors, who are the beneficial shareholders, and explained our strategies to the Management Director, approach to the corporate governance systems, and the actions taken to enhance the Corporate Governance Systems. We also engaged in active dialogue with shareholders on key management plans, such as organizing meetings for external directors.

Notes: For the presentation materials, Q&A and other materials can be viewed on the following website:
http://www.fujitsu.com/global/about/ir/library/presentations/
In both global society and digital society, the business conditions in which Fujitsu operates are evolving dramatically. Gaining a clear understanding of these changes will work to enhance our sustainability as a company, and more and more require us to listen to, and reflect, the voices of our stakeholders in our own efforts to transform our business. This section introduces an overview of our initiatives in this area.

SUSTAINABILITY MANAGEMENT

We will continue to grow together with the global community as we respond to the expectations and demands of customers and society.

Perspectives on how to evaluate companies have been evolving rapidly in recent years. With business activities, besides the traditional indicators of sales and profit growth as well as the pursuit of quality improvement, questions are being asked about the value a company’s business can offer to society. In addition, the environmental, social, and governance (ESG) criteria, which take into consideration such matters as responses to climate change, supply chain management, and corporate governance, have come into the spotlight as a form of “long-term financial information” in that it indicates the source of the future value of a company. And more than ever before, companies are facing higher expectations and more stringent demands to approach ESG criteria from a medium-to-long-term perspective that takes into account the sustainability of the entire value chain.

In the past, Japanese companies adopted management approaches reflecting a kind of “satisfaction among the company, customer, and society” thinking. However, in order to pursue management as a global company in this era, we need a deep understanding of the global issues impacting customers and beyond, providing solutions on a larger scale.

I believe that the key to sustainable growth as a company lies in conducting management in a way that addresses such social issues while incorporating long-term perspectives into the core of the business.

As we pursue our “growth strategy transformation,” it is our people who are by far the most important of all Fujitsu’s various resources. We must therefore nurture human resources who can create new business opportunities and innovation in collaboration with customers and partners on the premise of the sustainability of society and business. We must invest in our human resources to maximize the value we generate as a service-oriented company.

As an underlying premise for the Company to exist as a member of society, we must inflict no harm to society in any of our business activities. We aim to promptly grasp the needs of stakeholders through dialogue at a global level and reflect them in fair and transparent corporate activities. Keeping always in mind our efforts to bring about happiness in people’s lives through ICT, we are aiming for the sustainable growth of global and digital societies—and of Fujitsu itself.
The Sustainable Development Goals (SDGs) can be viewed as a “master plan” for the world until 2030. ICT, given its special qualities, has the potential to make a positive impact on all 17 SDGs. The Fujitsu Group is leveraging the strengths of its unique ICT toward the advancement of initiatives that lead to the achievement of the SDGs, particularly those that relate closely to its businesses.

Aiming to Achieve the SDGs

Understanding and Utilizing the SDGs

The Fujitsu Group is aiming to help achieve a sustainable society through co-creation. We see these activities as consistent with the efforts of the international community to attain the SDGs. Fujitsu recognizes the SDGs as one of the elements in an ecosystem for achieving its growth strategy of “Connected Services,” exploring new business opportunities by working to resolve social issues drawn from the SDG. The Fujitsu Group undertakes activities related to the SDGs, which represent a kind of global common language, as an opportunity for wide-ranging collaboration with other organizations, including international agencies, governments, private enterprises, and NGOs. By adopting a multifaceted approach through cooperation with a large number of partners, we aim to create and nurture social value on an even larger scale.

By simultaneously reflecting on the common goals of international society along with the role that Fujitsu ought to play in their fulfillment, we can flexibly transform our management and business in ways that are not bound by existing approaches and methodologies. Through this process, we will reexamine ourselves in light of society’s expectations and demands, while actively using the SDGs as a tool in our management strategy for achieving sustainable growth.

Promotion Structure

To actively address SDG initiatives, Fujitsu Group has been promoting the SDGs Contribution Project since 2017. This project includes personnel from Fujitsu’s corporate, sales, and business divisions, and also from Group companies including Fujitsu Laboratories and Fujitsu Research Institute, linking together businesses across groups and units. It guides management across the Company while identifying priority issues, planning and proposing communication strategies, and undertaking human resource development.

Activities for Raising Awareness of the SDGs

Initiatives with External Organizations

Introduction to the SDGs at Fujitsu Forum

The Fujitsu Forum is the Company’s largest annual event showcasing its latest initiatives and technologies supporting customers and society. At Fujitsu Forum 2018, we invited Helen Elizabeth Clark, former prime minister of New Zealand and former administrator of the United Nations Development Programme (UNDP), to speak at a session entitled “Fujitsu and SDGs: An Eye toward Achieving Global Goals.”

On the role of private-sector businesses in combating threats to sustainability, Ms. Clark emphasized the need for private-sector companies to grasp the SDGs as business opportunities. She stated that there are great expectations for various new technologies to help achieve the SDGs, and stressed the importance of building partnerships with many companies and organizations. Also at the Forum, a special booth presented Fujitsu’s efforts toward the SDGs in such areas as agriculture, healthcare, workstyle transformation, and urban development. For customers to gain a greater understanding of the SDGs, presenters explained the roles of ICT in achieving the SDGs while referring to Fujitsu’s contributions.

Promoting Communication

To actively communicate Fujitsu’s efforts toward the SDGs, we have established a new portal site for SDG initiatives and started demonstrations for customers at our showroom “net-Community.” In addition, we are facilitating the creation of new businesses derived from the SDGs by highlighting them in lectures and discussions with executives of our customers and in co-creation workshops.

Efforts to Raise In-House Awareness

At Fujitsu, we are undertaking various initiatives in order to raise awareness about the SDGs inside the Company. These include the following:

- Holding dialogues about the SDGs between external experts and senior management;
- Inviting external lecturers to speak in SDG seminars for employees;
- Holding SDG sessions in training programs such as for new graduates, next-generation leader candidate selections, and leadership in the Asian region.

Fujitsu’s Initiatives to Achieve the SDGs through Co-Creation

Transfer of Environmental Technology in Partnership with WIPO GREEN

Fujitsu has joined WIPO GREEN as a partner, aiming to contribute to the preservation of the global environment by spreading its environmental technologies throughout society. Operated by the World Intellectual Property Organization (WIPO), WIPO GREEN is a marketplace for connecting environmental technology and service providers with those seeking innovative solutions. Fujitsu has already registered over 400 intellectual property assets related to environmental technology in the database operated by WIPO GREEN, while providing technology licenses. Fujitsu seeks to contribute to the creation of a post-carbon society and respond to climate change by accelerating open innovation globally through the adoption of its environmental technology and technology transfer via this international marketplace.

Examples of Fujitsu’s Efforts to Contribute to Achieving the SDGs

<table>
<thead>
<tr>
<th>Impact on Society</th>
<th>Fujitsu’s Initiatives (Examples)</th>
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<tbody>
<tr>
<td>SDG1 – No Poverty</td>
<td>More than 400 business operations in Japan have adopted social business models.</td>
</tr>
<tr>
<td>SDG2 – Good Health and Well-Being</td>
<td>Support for enhanced health and welfare of every individual by linking more than 7,000 hospitals, clinics, long-term care facilities, and pharmacies via a nationwide network in Japan.</td>
</tr>
<tr>
<td>SDG3 – Sustainable Cities and Communities</td>
<td>Co-created sensor-based patient and elderly people monitoring services for hospitals in the Netherlands.</td>
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<tr>
<td>SDG4 – Quality Education</td>
<td>Technology licenses / Information on IP needs / payment through WIPO GREEN Technology transfer to global IP providers, governments, and private enterprises.</td>
</tr>
<tr>
<td>SDG5 – Gender Equality</td>
<td>Registered for the use of a renewable property asset.</td>
</tr>
<tr>
<td>SDG7 – Affordable and Clean Energy</td>
<td>Promoting open innovation with start-ups and other companies.</td>
</tr>
<tr>
<td>SDG9 – Industry, Innovation and Infrastructure</td>
<td>Operated by the World Intellectual Property Organization (WIPO).</td>
</tr>
</tbody>
</table>

For more discussions on the SDGs at Fujitsu Forum 2018, please visit the following website: https://journal.jp.fujitsu.com/en/2018/08/01/01/
CSR at Fujitsu is practiced by implementing the Fujitsu Way. Through following the principles of the Fujitsu Way in all its business activities, the Fujitsu Group contributes to the sustainable development of society and the planet as it strives to meet the expectations and needs of multiple stakeholders. Our CSR initiatives focus on the key challenges we have identified. In addressing these challenges, we demonstrate a commitment to responsible business operations as a global ICT company.

For further details on the Fujitsu Group’s initiatives in social and environmental areas, please visit the following website:
http://www.fujitsu.com/global/about/cs/

Fujitsu Group CSR Policy and Promotion of CSR Initiatives

In 2010, we set out the Five Priority Issues of our CSR Policy. Since then, we have been promoting activities in line with these priority issues. However, to provide more comprehensive CSR management, both domestically and internationally, a Groupwide review of the priority issues is underway. In fiscal 2017, following discussions with managers in each region, six priority issues* were determined, and the initiative was named the Global Responsible Business Strategy (GRBS).

Supply Chain Initiatives

The Fujitsu Group conducts global procurement in accordance with its procurement policy. The tenets of this policy are Coexistence with Suppliers, Fair and Proper Evaluation and Selection of Suppliers, and Promotion of CSR-Conscious Procurement Activities. In tandem with our joining the Responsible Business Alliance (RBA), a global coalition promoting CSR, in 2017 we adopted the RBA Code of Conduct as the “Fujitsu Group CSR Procurement Guideline.” In addition, we have issued the Fujitsu Group Supply Chain CSR Guidebook, the contents of which are more specific to our business and better serve our business partners as a set of guidelines that helps ensure strict compliance. The Fujitsu Group regards corporate responsibility with respect to conflict minerals as an important CSR issue and, accordingly, formulated its “Fujitsu Group Policy on Conflict Minerals” in 2018. In such ways, we are striving to achieve transparency across the supply chain.

In order to verify strict and consistent compliance, we request responses to CSR surveys and undertake on-site audits. With business partners whose efforts are deemed insufficient, we request and work together with them toward improvement, and continuously implement the promotion of CSR procurement and improvement processes.

Our Approach to Human Rights

We believe respect for human rights is indispensable to a global company’s fulfillment of CSR. To advance human rights measures, the Group has established the below statement and principles. Working in partnership with many different stakeholders, we will meet responsibilities in relation to human rights.

- Fujitsu Group Human Rights Statement
- Fujitsu Guiding Principles of Respect for Human Rights in Employment

Based on the above-mentioned Statement and Guiding Principles, we are engaged in the formulation of a Human Rights Due Diligence Scheme that identifies the human rights impact of our business activities throughout the entire global value chain, as well as prevents or mitigates any negative impacts. The main activities we undertake regarding human rights issues in fiscal 2017 are shown on the next page.

Going forward, more intensive research will be conducted into each of the issues, and into the GRBS as a whole, with regard to building a globally unified activity promotion and management structure, and we will commence operations to globally address the new priority issues.

* The six priority issues: socio-economic ICT impacts; the environment; ethical practices; transparency; supply chain management; occupational health and safety; diversity and inclusion; well-being, empowering communities

Partnership with International Institutions and Others

The World Business Council for Sustainable Development (WBCSD) is a body headed by the CEOs of around 200 global corporations that aims to build sustainable communities through business activities. Fujitsu Chairman Masami Yamamoto has been serving as Vice Chair of the Council since January 2018.

The WBCSD Council Meeting, held in October 2018, discussed the activities in each program under the theme of “Lead. Transform. Succeed.” Fujitsu presented its views on the issues that face the business community from a technology perspective. Specifically, we emphasized the importance of offering human-centric value, in addition to efficiency, in the future of employment, and of strengthening privacy and security measures.

Corporate Citizenship Activities and Charity Events

With a view to realizing a sustainable and prosperous society, the Fujitsu Group contributes to local communities as a corporate citizen through its core business and the activities of each and every employee.

In particular, we aim to support the sustainable development of the Earth and communities by focusing on the four pillars of ICT for Everyone, Support for Challenges, Community Engagement, and the Environment, and establishing an environment where all employees of the Fujitsu Group can actively participate while supporting cooperation between diverse stakeholders.

Promoting Digital Education in Rural Areas in South Africa

Helping local and rural communities in South Africa to secure a better future for their children, Fujitsu South Africa is working with Sizwe Africa IT Group to introduce Edu-Smart Green Centers. These centers provide self-sufficient, solar-powered classroom facilities featuring PCs for every student and an interactive whiteboard with touchscreens. Through the application of technology and co-creation, Fujitsu is enabling a better future for the communities by helping improve the country’s education and social and economic growth.

For the complete text, please visit the following website:
http://www.fujitsu.com/global/about/cs/vision/humanrights/
OUR APPROACH TO THE ENVIRONMENT

We consider efforts to protect the global environment as one of our most important management issues. We strive to reduce our environmental impact and minimize risks as a whole across the value chain while contributing to the realization of a sustainable society as a partner in digital co-creation.

For further details on the Fujitsu Group’s environmental initiatives, please visit the following website.
http://www.fujitsu.com/global/about/environment/

The Fujitsu Group’s Medium- to Long-Term Environmental Vision

In 2017, the Fujitsu Group announced the “FUJITSU Climate and Energy Vision,” a medium- to long-term environmental vision that clarifies the Group’s role and its responsibilities in tackling climate change as a global ICT company. Based on this vision, we are seeking to bring the Fujitsu Group’s CO2 emissions to zero and achieve a decarbonized society. We are also contributing to the response to climate change through technology supporting digital transformation.

Roadmap for Reducing the Fujitsu Group’s CO2 Emissions to Zero

The Fujitsu Group is promoting innovative energy conservation through the use of advanced technology, the strategic and increased use of renewable energy, and utilization of carbon credits in stages. These efforts aim to reduce the Group’s CO2 emissions to zero by 2050.

The Fujitsu Group’s CO2 Emission Reduction Targets

- Reducing our own green-house gas emissions
  - Target: Reduction of 33% by 2030
  - Fiscal 2017 Results: 14% reduction

- Reducing greenhouse gas emissions across the value chain
  - Target: Reduction of 30% by 2030
  - Fiscal 2017 Results: 31% reduction (vs. 2015)

Joining RE100 as Gold Member

In July 2018, in order to boost the Group’s usage of renewable energy as a whole through collaboration with other companies, we joined RE100—a global, collaborative initiative of influential businesses committed to using 100% renewable electricity—as Japan’s first Gold Member. With RE100, the Fujitsu Group aims to source 100% renewable electricity by 2050, with an interim target of 40% by 2030. As of fiscal 2017, we were at 3.3%.

The Fujitsu Group will concurrently continue its work on R&D and technology trials for energy management and storage, and contribute to the spread of renewable energy across society through the provision of technologies.

Awards and External Evaluations

The Fujitsu Group has won high praise from external organizations for its strategies and information disclosure related to climate change countermeasures and water resource management, and its contribution to combating global warming among customers and across society through its business activities.

Major Awards and External Evaluations in Fiscal 2017

- Received the highest rank of “A” for CDP’s 2017 surveys on climate change countermeasures and water resource management
- Won the 2017 Environmental Minister’s Award for Global Warming Prevention Activity in the “Technological Development and Commercialization” category
- Won the Grand Award (Environment Minister’s Award) of Global Warming Countermeasures Report at the 21st Environmental Communication Awards

Approval by the Science Based Targets Initiative

In August 2017, the Fujitsu Group’s reduction targets for greenhouse gas emissions from its business facilities and part of its value chain were approved by the Science Based Targets Initiative.

*vs. 2013

Approval by the Science Based Targets Initiative

* at 2013

Roadmap for Reducing the Fujitsu Group’s CO2 Emissions to Zero by 2050

- CO2 Emissions to Zero
- Approval by the Science Based Targets Initiative
- Reduction in Scope 1 and 2 emissions to zero by 2050.
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* vs. 2015
STAKEHOLDER DIALOGUE

Enhancing Business Dialogue through the Gathering of Outside Experts

Sustainable Development Goals–The Starting Point for Transforming Our Global Management

The Fujitsu Group aims to reflect the opinions of diverse stakeholders in its business management and regularly invites outside experts to participate in dialogues with its senior management team. Society at large and investors have been shifting their focus to long-term management and environmental, social, and governance (ESG) initiatives when evaluating companies. Against this backdrop, Fujitsu hosted a lively discussion to identify what is important for innovation and transformation, with the SDGs as the starting point, and how to loop that back into sustainable growth for the Company.

Innovation on top of imagination and effort to attain the SDGs for defining a more ideal world

Innovation is used as a way of transforming individual ideas into organizational and organizational ideas and initiatives. To create new value, Japanese companies need more than just effort alone. They need to have the imagination to come up with original ideas and pinpoint the issues that must be addressed. That is the impetus for starting new businesses.

The essence of innovation is breaking away from the present to how things should be in the future. That is precisely what the global society is thinking as well as towards the SDGs targeted for attainment by 2030. I hope that Fujitsu will continue to offer new value globally by bringing the unlimited possibilities of ICT to bear on the imperatives set out in the 179 targets and the 232 indicators of the SDGs.

Providing value that goes beyond problem-solving is the key to sustainable innovation

Tackling global social issues such as those brought forward by the SDGs is vital for the sustainable growth of businesses worldwide. With that in mind, over the last 10 years, we have been working on various social agendas as a key initiative of our management. This includes building an ecosystem consisting of various stakeholders for problem-solving. To bring that into our DNA, we have come up with a corporate slogan, “Energizing sustainable value for the century ahead.”

Although we need to address increasing levels of complexities and uncertainties in tackling social problems with diverse stakeholders, we are taking every step to embed it into our corporate culture through the use of staff training and performance evaluations, while encouraging our professionals, particularly young people, to pursue subjects related to the SDGs and related social issues. It is essential to offer new value to society together with clients.

Finding hints for innovation from the SDGs and stepping up initiatives globally

The SDGs are an extension of the Company’s goals. In a sense, all of Fujitsu’s business is connected to the SDGs. However, we must not be satisfied simply with that. It is essential to align our contribution to the SDGs with our business to make profits, and to tackle issues on a broader scale. Japanese companies have long recognized the importance of paying attention to sustainability from a medium- to long-term perspective. Moreover, companies desire to be respectable corporate citizens. This provides a fertile ground for companies to do more than just try to figure out what role among the SDGs their work falls into. Rather, we encourage staff to find hints for new business opportunities and innovation by being aware of the SDGs. Also, the knowledge that their company is undertaking business with universal value in mind, and that they are personally involved in that venture in different ways boosts the sense of fulfillment. Everyone in the Fujitsu Group, including the youngest and the Group’s people overseas, needs to step up efforts toward tackling the SDGs as a common language of the world.

Using the SDGs to create business impact for customers

This year Fujitsu has adopted the theme “Digital Co-Creation for Success.” I believe pushing forward digital transformation to align our stakeholders’ well-being is key, and this is the true meaning of the SDGs. The SDGs are also an important theme as a corporate message. They were addressed at the Fujitsu Technology and Service Vision, our concept paper, and showcased at the Fujitsu Forum, our annual event. A key concept underlying the SDGs is to “leave no one behind!” That dovetails with Fujitsu’s human-centric thinking. It is important for Fujitsu’s business growth to utilize ICT innovation that takes people into consideration and works to address the world’s problems. Not only will it require a deep understanding of the tasks at hand, but also the greater challenges we face. Until now, Fujitsu has focused mainly on individual companies. From now on, a key theme will be to go beyond the surface and identify challenges faced by customers and bring about changes that impact their businesses. We are striving to achieve this by using our “design thinking” approach. Moreover, from this fiscal year we are incorporating the SDGs as a theme for medium- to long-term proposals. I want us to bring together business proposals from around the world and execute them while spreading awareness of the international objective of the SDGs.

This dialogue has made it clear that investors’ and society’s expectations are an opportunity for new growth to bring about innovation from the starting point of the SDGs as common goals shared worldwide. It has been pointed out that to achieve this, we need to review the value that Fujitsu can offer and that the Group must continue to pursue innovation in which all employees are pulling together. Based on the opinions received, we aim to push ahead with deeper transformation to realize contributions through the use of ICT on an even larger scale going forward.

Contemplating the real value: Fujitsu provides society from the SDGs as the starting point

We at Fujitsu aim to realize a sustainable society while always keeping in mind our belief that technology will bring happiness to people. This business direction is in alignment with the SDGs. At the moment, the SDGs are in the process of shifting to the implementation stage by businesses, and we need to show tangible contributions through innovation.

To that end, we must continue to identify the status quo and follow up precedent; as we embrace radically different approaches to providing value to society. I ask people to think deeply about what Fujitsu must contribute to society and where its quality lies when we design our services and products. A conservative mindset sometimes kicks in at the execution stage, and today’s discussion reminded me once more of the need to avoid this way of thinking and always return to that core concept.

To grow as a global service company, we must ensure a balance between technology development from a global perspective and services tailored to different regional needs, between short-term profit and medium- to long-term vision, and between the perspectives of the management team and those of our younger and mid-level staff. To create greater value as we head toward the attainment of the SDGs, I am resolved to keep reminding the entire Group of the importance of adopting a broader perspective.
OUR APPROACH TO WORKSTYLE TRANSFORMATION

The Fujitsu Group believes that productivity is enhanced through the professional growth and the development of skill sets held by each and every employee. This is why we are promoting Companywide workstyle transformation, working to transform management and change awareness among all employees.

Direction of Workstyle Transformation

In order to increase productivity with diversified, flexible workstyles without the premise of working overtime, we have revised our internal system. Using ICT that represents the latest technology, we are changing management style and promoting greater awareness among each and every employee.

Along with selection and concentration of tasks at all levels, we are promoting workstyle transformation by clarifying roles and authority, ensuring close attention to employees’ time management skills, and improving the ICT environment by utilizing such systems as teleworking.

We are striving to raise the quality and productivity of labor by improving the environment where all employees can work in healthy ways and maximize their abilities, contributing to the development and growth of the Company.

Structure for Promoting Workstyle Transformation

To promote workstyle transformation from the top down, we have established a management-level Committee to Promote the Transformation of Ways of Working. This committee is promoting workstyle transformation throughout the Company while planning its implementation for each business division. In such ways, we are accelerating workstyle transformation led by those in charge at different divisions.

Promoting Telework

Since 2010, Fujitsu has been promoting the development of a Global Communications Platform to strengthen communications, enabling a flexible way of working without being confined to a specific location or time, while sharing knowledge worldwide. For employees committed to childcare or caregiving, we support their work-life balance by providing the necessary infrastructure. For example, we have introduced a work-at-home system and adopted a flexible discretionary labor system.

While promoting all of these initiatives, in April 2017 we officially launched a teleworking system for all Fujitsu employees in Japan. Along with the introduction of this system, we opened the free address offices “F3rd” at different Company locations. The offices provide working space for those traveling on work assignments, in addition to a setting to nurture co-creation between Fujitsu Group companies. Currently, we have 15 satellite offices in place throughout Japan, and we plan to expand the network further.

Establishing Nursery Schools in the Workplace for Employees

One factor that has been impeding the return of employees with young children to the workplace has been the problem of long nursery waiting lists. To help address this problem, we have established day nurseries in two of our offices, one nearby our Kawasaki plant and one in Tokyo. We are also working together with private childcare providers to promote efforts with Company-led nursery schools. We are committed to various initiatives to support employees’ work-life balance.

Initiatives for Occupational Health and Safety and Health Management

We are pursuing strategic initiatives to ensure the safety of our staff, while maintaining and improving their health.

Initiatives in Japan

Along with measures to promote diversity and transform the ways people work, Fujitsu has been strategically tackling issues related to health management. We have prepared the Fujitsu Group Health Statement to further promote the maintenance and improvement of health and safety for employees.

In order to support the health of employees and their families while raising the level of health literacy, we have formulated five priority measures. These are (1) measures against lifestyle diseases, (2) measures against cancer, (3) mental health measures, (4) measures against smoking, and (5) reform of workplace environment, etc., and enhancing health awareness. We provide health and safety education, offer stress checks for mental well-being and medical check-ups, undertake health promotion activities, and conduct seminars on such subjects as self-care awareness.

These efforts were recognized by the Ministry of Economy, Trade and Industry and the Nippon Kenko Kaigi when they certified Fujitsu as one of the “White 500 Health and Productivity Enterprises,” a designation recognizing companies that make strategic efforts to improve employee health management as an important part of their management operations.

Initiatives Overseas

The Occupational Health and Safety Group for the EMEIA region takes a comprehensive approach to ensuring proper compliance and to enhancing preventive measures in the field of occupational health and safety.

Embracing the spirit of the World Day for Safety and Health at Work, an annual initiative by the International Labour Organisation, the EMEIA region strives to raise awareness and cultivate a stronger understanding of its employees’ occupational health and safety on a far-reaching basis. In fiscal 2017, the EMEIA region worked to encourage the prevention of industrial accidents by focusing on collecting and utilizing industrial accident data. Another objective is to implement a cross-sectional incident management system by the end of fiscal 2018.
Employees are Fujitsu’s most valuable asset, and we believe that each individual is full of potential. Fujitsu is committed to planned and continuous HR development so that its employees can enhance their abilities and specialties to grow as individuals, learn to take on the challenges of transformation, and adapt independently to the rapid and intense changes in an uncertain business environment.

Initiatives for HR Development

The aim of Fujitsu HR is to attract, recruit, and deploy the people we need from within and outside the Group at the right time in the right way, and to provide consistent support for individual development. To that end, we have identified four major themes, undertaking systematic training.

We aim to develop global business leaders and strengthen the "baseline" in terms of enhancing the organizational management effectiveness and business execution ability required for each position and role, from young people to seniors. We are also nurturing professionals in the different fields of sales, systems engineering, and development.

In addition, we have taken steps to create a culture in which diverse individuals are motivated and engaged, and in which employers are encouraged to take their own initiative. Such measures include an internal job posting system that allows employees to take on the challenge of work outside their current roles, as well as programs that seek to raise career development awareness.

Developing Innovation Leaders

The Group’s senior executives, including the president and division heads, periodically discuss HR management strategies to support Fujitsu’s Vision and business strategies. The senior executives also meet to identify top talent, discuss individual development plans, and monitor their implementation.

In particular, for those individuals in three target areas, namely, successors to the management, next-generation leaders that will follow them, and younger, high-potential individuals, we identify a global pool of talented individuals using a common methodology across regions. We continuously set and implement development plans, in addition to evaluation.

Moreover, to enhance the quality of strategic HR planning, recruitment, deployment, and training to match business needs in different divisions and work environments, we have introduced the Fujitsu Role Framework to provide global standards. This also supports advanced “visualization” of human resource needs.

In our training, we are increasing our emphasis on providing growth opportunities through practical on-the-job experience by placing the right people in the right place. To nurture our future leaders, we assign them to more challenging positions approved by the president and division heads, and often feedback.

Diversity Initiatives

Knowing that new innovation is the key to Fujitsu’s business growth, we focus on creating an environment where people can openly express opinions based on their personal values.

Initiatives to Empower Women

Empowering women is a priority for Fujitsu. Through programs supporting the career advancement of women, we are continuously identifying and nurturing female leaders. At the same time, in order to provide an environment in which women can succeed, we are promoting workstyle transformation and raising awareness.

In addition, as a signatory company to the Women’s Empowerment Principles, we also participate in the New York Academy of Sciences’ 1000 Girls, 1000 Futures program. Through this program, women in leadership roles at Fujitsu’s worldwide locations volunteer to mentor female students aspiring to a career in science, making efforts to encourage their growth.

In recognition of these efforts, Fujitsu was ranked top in Toyo Keizai’s 2017 CSR white paper as a company providing a women-friendly working environment.

Support for “Standards of Conduct for Business: Tackling Discrimination against LGBTI People”

Fujitsu was the first Japanese company to publicly express its support for the United Nations "Standards of Conduct for Business: Tackling Discrimination against LGBTI People.” These standards seek to eliminate discrimination against those in the lesbian, gay, bisexual, transgender, and intersex (LGBTI) community.

Under the Code of Conduct in the Fujitsu Way, one of our values is that we respect diversity and support the individual growth of employees. We prohibit human rights abuses such as unjust discrimination and sexual harassment, and we value a culture of diversity and inclusion.

Based on our fundamental approach, "we are all different, and we are all unique," we continue to foster a culture where all Fujitsu employees can embrace their differences and grow together.
INFORMATION SECURITY MANAGEMENT

Ensuring Information Security

Bear in mind that ICT constitutes a fundamental part of the Fujitsu Group’s business, we maintain Group-wide information security, while proactively striving to secure and improve customers’ information security with our products and services. In this way, we contribute to the Fujitsu Way, our corporate philosophy that articulates a desire for “a networked society that is rewarding and secure.”

For further details on information security management, please refer to Fujitsu Group Information Security Report 2018: http://www.fujitsu.com/global/about/resources/reports/securityreport/

Information Security Policy

With ICT as our care business, the Fujitsu Group’s Corporate Vision states that we will “contribute to the creation of a safe, pleasant, networked society.” We work to maintain and further improve our information security level throughout the Group. In April 2016, we formulated the Fujitsu Group Information Security Policy with the aim of sharing this thinking throughout the Group and having each employee take action. The Japan Business Federation (Keidanren) also announced its Declaration of Cyber Security Management in November 2016.

Structure of Information Security Management

In order to further strengthen its information security measures in response to the recent trend of increasing cyberattacks, Fujitsu appointed a chief information security officer (CISO) under the authority of the Risk Management & Compliance Committee.

Moreover, to strengthen the Group’s global information security management governance, we have appointed regional CISOs around the world.

Three Priority Measures for Information Security

Based on the Concept of “Defense in Depth”

Cyberattacks in recent years, exemplified by “advanced persistent threats (APTs),” have become more sophisticated, diverse, and complex, while conventional single-layer security measures are no longer able to completely defend against them.

The Fujitsu Group has adopted the concept of “defense in depth” as its basic concept for information security, which utilizes a multilayer defense mechanism with several different defense measures instead of one. “Defense in depth” has three goals: preventing attacks by setting multiple defensive barriers, rapidly detecting attacks by establishing multiple detection functions, and minimizing damage after infiltration.

With such a multilayered approach to defense, we can prevent attacks and minimize damage.

The Group has adopted three priority security measures to protect internal information: “information management,” “cybersecurity,” which aims to protect information; “cybersecurity,” which is centered on measures that protect systems against cyber-attacks; and “physical security,” which prevents unauthorized access to offices, factories, and other facilities.

Protection of Personal Information

Fujitsu acquired the PrivacyMark in August 2007, and has continuously worked to strengthen its personal information protection framework, which includes handling personal information involving annual training and audits. Fujitsu Group companies in Japan also acquire the PrivacyMark when necessary, and work to ensure personal information management. Overseas Group companies post on their websites the privacy policies designed to meet the laws and social requirements of respective countries.

Response to the GDPR**

We have established a global system for handling personal data subject to the General Data Protection Regulation (GDPR) and are reinforcing our protection of personal data. Under the guidance of the CISO organization and legal department, we have developed internal rules such as guidelines related to the protection of individual rights in response to the GDPR. Collaborating with EMEA and other regions around the world, we provide check sheets for the formulation, design, and initial setting of systems and/or services. We have also updated the operation process to deal with internal rules and have held employee training sessions.

In response to regulations on the transfer of personal data outside of the EU, we applied to the Dutch Data Protection Authority in December 2017 for our Binding Corporate Rules for Processors, which are common rules established across the Fujitsu Group related to the handling of personal data that customers have entrusted to the Fujitsu Group for processing.

*1 Fujitsu acquired PrivacyMark certification from IFSEC. The PrivacyMark is granted to business operations that appropriately handle personal information under personal information protection management systems conforming to ISO 27001:2008.

*2 The GDPR (EU regulations requiring companies, organizations, and groups to protect personal data) was enacted on May 25, 2018. It includes regulations on transferring personal data out of the European Economic Area and the obligation to report personal data breaches within 72 hours.

*3*4*5*6

For further details on information security management, please refer to Fujitsu Group Information Security Report 2018: http://www.fujitsu.com/global/about/resources/reports/securityreport/

Prioritised Measure 2

“Defense in Depth” Conceptual Image

Cybersecurity

To prepare for cyberattacks, the Fujitsu Group implements separate measures at multiple layers based on network characteristics. We are working to protect against increasingly sophisticated, diverse, complex cyberattacks via our “defense in depth” security. This combines gateway security measures including firewalls and APT measures, network security measures such as unauthorized access protection, and endpoint security measures including malware measures as well as security patch management.

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RISK MANAGEMENT

Our Approach to Risk Management

Through its global activities in the ICT industry, the Fujitsu Group continuously seeks to increase its corporate value and benefit its customers, local communities, and all other stakeholders. We give high priority to assessing and responding appropriately to risks that threaten the achievement of our objectives, preventing materialization of these risks, and establishing measures to minimize the effect of materialized risks and prevent their recurrence. Moreover, we have built a Groupwide risk management and compliance system and are committed to its continuous implementation and improvement.

Development of Our Risk Management and Compliance Structure

To prevent the risk of loss materializing during business execution, to respond appropriately to risks that materialize, and to prevent their recurrence, the Fujitsu Group has established the Risk Management & Compliance Committee under the Board of Directors. This committee acts as the highest-level decision-making body on matters involving risk management and compliance.

The Risk Management & Compliance Committee appoints risk management compliance officers for each of the Fujitsu Group’s divisions and Group companies in Japan and overseas. Also, we established Regional Risk Management & Compliance Committees in April 2016.

Risk Management Process

The Risk Management & Compliance Committee, which maintains regular communication with risk management compliance officers, identifies, analyzes and evaluates the risks of business activities at each of the Fujitsu Group’s divisions and Group companies in and outside of Japan, and sets out and reviews the responsive steps upon confirming the detailed processes and works to make improvements.

Implementation of various preventive measures. The Risk Management & Compliance Committee coordinates with the related divisions and workplaces for rapid resolution of the problem by taking appropriate measures such as establishing a task force. At the same time, the Risk Management & Compliance Committee strives to identify the causes of the problem while proposing and implementing solutions. Additionally, for critical risks, the Committee also reports as appropriate to the Board of Directors. The Risk Management & Compliance Committee continuously confirms the implementation status of these processes and works to make improvements.

Business Risks and Other Risks of the Fujitsu Group

The Fujitsu Group identifies, analyzes, and assesses risks inherent in business activities and takes steps to avoid or mitigate the effects of these risks. In addition, we have established processes for responding to materialized risks.

Principal Risks

   - Risk associated with changes in the economic trends of major markets
   - Risk associated with fluctuations in exchange rates and interest rates and changes in capital markets

2. Customers
   - Risk associated with changes in ICT investment trends among customers
   - Risk associated with the inability to continue trust-based, transactional, or contractual relationships with customers

3. Competitors and the Industry
   - Risk associated with loss of competitiveness due to changes in market or competitive conditions
   - Risk associated with a decrease in competitive advantages with respect to R&D

4. Investment Decisions and Business Restructuring
   - Risk that investments in R&D or necessary measures in such areas as capital expenditure, business acquisitions, and business restructuring are unable to generate adequate returns
   - Risk associated with the inability to prevent a loss of personnel

5. Suppliers, Alliances, etc.
   - Risk associated with the inability to provide products and services at reasonable costs
   - Risk associated with the inability to prevent a loss of personnel

6. Public Regulations, Public Policy, and Tax Matters
   - Risk associated with the inability to gain from such cooperation
   - Risk associated with increased costs and business opportunity losses arising from the strengthening of or changes in, statutory regulations or government policies in countries where the Group has businesses

7. Natural Disasters and Unknown Incidents
   - Risk associated with the inability to prevent a loss of personnel
   - Risk associated with the inability to continue business due to natural disasters or accidents, including earthquakes, typhoons, and water damage, or the spread of infectious diseases (including the increased frequency or effect of the above-mentioned due to climate change)
   - Risk associated with the inability to prevent a loss of personnel

8. Finance
   - Risk associated with the inability to prevent a loss of personnel
   - Risk associated with the inability to prevent a loss of personnel

9. Delicacies or Flaws in Products and Services
   - Risk associated with the inability to prevent a loss of personnel
   - Risk associated with the inability to prevent a loss of personnel

10. Compliance Issues
    - Risk associated with the infringement of related laws and regulations in Japan and overseas

11. Intellectual Property
    - Risk associated with the infringement of related laws and regulations in Japan and overseas
    - Risk associated with the infringement of related laws and regulations in Japan and overseas

12. Security
    - Risk of loss of the personal and confidential information of customers, business partners, and the Fujitsu Group itself
    - Risk of loss of the personal and confidential information of customers, business partners, and the Fujitsu Group itself

13. Human Resources
    - Risk associated with the inability to prevent a loss of personnel
    - Risk associated with the inability to prevent a loss of personnel

14. Fujitsu Group Facilities and Systems
    - Risk associated with the inability to prevent a loss of personnel
    - Risk associated with the inability to prevent a loss of personnel

15. Environment
    - Risk of environmental pollution accompanying business activities occurring or being identified
    - Risk of environmental pollution accompanying business activities occurring or being identified
**Compliance Activities**

1. **Policies & Procedures**
   - For Fujitsu and Group companies in Japan, we established the Compliance Policy to enforce compliance and ensure sustainable improvement in our corporate value. We established more specific and detailed regulations, guidelines, and policies based on the Compliance Policy in areas with significant impact on business: antitrust, anticompetition, and anti-social forces.
   - For overseas Group companies, we issued a policy corresponding to the Compliance Policy in Japan above. Fujitsu continues to work with a global guideline on competition law, and other guidelines concerning the prevention of bribery. In addition, we have been using an online third-party due diligence process.

2. **Top Commitment & Resources**
   - Fujitsu promotes top management's commitment to compliance through messages to employees and other communications. Fujitsu has also assigned compliance officers to each region and has formed a global network with each risk and compliance representative in order to secure a structure to execute our GCP.
   - The risk and compliance representatives in Fujitsu and domestic Group companies meet annually at the Risk and Compliance Seminar to share updates and knowledge related to risk management and compliance, and the compliance representatives from overseas Group companies meet annually at the Global Compliance Forum to share and discuss headquarters’ policies concerning the execution of the GCP.

3. **Training & Communication**
   - The Fujitsu Group conducts e-learning courses for employees, including members of management, in 20 languages, which are aimed to help participants learn how to identify and handle problematic situations, especially those related to bribery, antitrust, and export control. Fujitsu and domestic Group companies have also prepared additional content based on Fujitsu’s antitrust case as referenced below.
   - In addition to the above, the Fujitsu Group conducts face-to-face training for different departments and entities focusing on the prevention of such risks (including a series of face-to-face training sessions for employees in the public sector business and other sales divisions). Compliance training for partners is also rolled out overseas.
   - During Fujitsu Compliance Week, which is held every December, various regional activities are conducted in addition to the sending out of top messages and the rolling out of e-learning courses.

4. **Incident Reporting & Response**
   - The Fujitsu Group operates the Compliance Line/Fujitsu Alert for both internal and external reports. Fujitsu Line/Fujitsu Alert handles reports and provides consultations for all employees in the Fujitsu Group (including seconded, contracted, part-time or other short-term employees, temporary staff as well as retired employees). Group companies have established internal reporting systems individually. Reports to Fujitsu Alert are accepted in 20 languages, at any time, on any day. Moreover, we opened a Compliance Line for Suppliers in Japan to handle reports and inquiries from the employees of companies that directly supply Fujitsu and domestic Group companies with their products, services, or software, etc. Our whistleblowing system forbids any and all retaliation against any individual or supplier who reports an incident or violation, and meticulous care is taken in handling the information so as to preserve their anonymity. If the issue raised is substantiated, the relevant practice or issue is corrected and measures are taken to prevent recurrence.
   - The status of reports and consultations, or key compliance issues, is reported regularly to the Risk Management & Compliance Committee and the Board of Directors.

5. **Monitoring & Review**
   - Through risk assessments and audits, the efficacy of the GCP is periodically checked and work is being done to continuously improve it. Fujitsu conducts audits in order to confirm observance of the Antimonopoly Act, and improve and continue the audit program as a communication tool with relevant departments. For overseas, the Fujitsu headquarters’ compliance team conducts risk assessments by visiting Group companies in countries and regions with a high risk of corruption. Through interviews with executives and employees, as well as checks on internal policies and processes, the compliance team analyzes the potential compliance risks in local business and provides proposals and supports to mitigate these risks.

**Responses to Compliance Matters**

In fiscal 2016, Fujitsu Limited was found to have violated the Antimonopoly Act concerning order coordination for orders from Tokyo Electric Power Co., Ltd.* and Chubu Electric Power Co., Inc.

In response, Fujitsu reconstituted its measures and established a domestic compliance program based on the Japan Fair Trade Commission’s “Compliance Program for Companies to Comply with the Antimonopoly Act” under the GCP.

Through these programs, Fujitsu engages in prevention of bid rigging by sending out top messages repeatedly to all employees, while conducting compliance training and audits as referenced above.

* Currently, Tokyo Electric Power Company Holdings, Incorporated
On November 1, 2017, the Company sold some of its shares in Fujitsu TEN Limited to DENSO CORPORATION. Consequently, Fujitsu TEN became classified as a discontinued business and net sales and operating profit were relocated in the fiscal year ended March 31, 2017.

The Fujitsu Group adopted International Financial Reporting Standards (IFRS) in fiscal 2014. Figures for fiscal 2013 are presented based on both Japanese GAAP and IFRS.

**PERFORMANCE HIGHLIGHTS**

**FINANCIAL DATA**

<table>
<thead>
<tr>
<th></th>
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<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Total revenues (¥)</td>
<td>4,098,379</td>
<td>–0.8</td>
<td>3,121,522</td>
<td>–2.2</td>
<td>2,528,330</td>
<td>–1.7</td>
<td>2,304,348</td>
<td>–4.4</td>
<td>2,133,246</td>
<td>–2.7</td>
</tr>
<tr>
<td>Operating profit (¥)</td>
<td>241,603</td>
<td>23.4</td>
<td>182,489</td>
<td>55.4</td>
<td>177,837</td>
<td>69.6</td>
<td>182,489</td>
<td>55.4</td>
<td>182,489</td>
<td>55.4</td>
</tr>
<tr>
<td>Operating profit margin (%)</td>
<td>4.9</td>
<td>4.9</td>
<td>3.1</td>
<td>3.1</td>
<td>3.1</td>
<td>3.1</td>
<td>3.1</td>
<td>3.1</td>
<td>3.1</td>
<td>3.1</td>
</tr>
<tr>
<td>Net profit (¥)</td>
<td>169,340</td>
<td>13.0</td>
<td>175,532</td>
<td>11.0</td>
<td>177,837</td>
<td>69.6</td>
<td>201,415</td>
<td>–19.9</td>
<td>201,415</td>
<td>–19.9</td>
</tr>
<tr>
<td>Net profit margin (%)</td>
<td>4.1</td>
<td>4.1</td>
<td>3.9</td>
<td>3.9</td>
<td>3.9</td>
<td>3.9</td>
<td>3.9</td>
<td>3.9</td>
<td>3.9</td>
<td>3.9</td>
</tr>
<tr>
<td>Diluted EPS (¥)</td>
<td>27.2</td>
<td>27.2</td>
<td>27.2</td>
<td>28.6</td>
<td>16.7</td>
<td>17.2</td>
<td>17.2</td>
<td>28.6</td>
<td>28.6</td>
<td>28.6</td>
</tr>
</tbody>
</table>

**Operating profit increased ¥9.7 billion year on year to ¥182.5 billion. The increase was attributable to a decrease in business transformation costs, enhanced business profits, and increased front-end investments.**

**Non-FINANCIAL DATA (ESG INDICATORS)**

**Environmental**

- Trends in total greenhouse gas emissions (whole Group globally) (thousand tons)
  - 1,668
- ECO Car sales (thousand units)
  - 1,313
- Energy consumption (kilotons of oil equivalent)
  - 1,381
- Energy consumption (GWh)
  - 1,098
- Energy consumption (MJ)
  - 1,098
- Energy efficiency ratio
  - 1,313

**Social**

- Number of employees
  - 165,612
- Percentage of female managers (non-consolidated) (%) (IFRS)
  - 17.2
- Percentage of female managers (non-consolidated) (%) (non-IFRS)
  - 17.2
- Percentage of female managers (non-consolidated) (%) (Japan)
  - 17.2

**Governance**

- Percentage of independent directors (non-consolidated) (%)
  - 40.0

**Dividends**

- Both operating profit and net profit increased from the previous fiscal year, with growth supported by business and investment increases. Banked in a comprehensive consideration of improvement in financial position, Fujitsu raised the interim dividend by ¥9 per share, to ¥5 per share, and the year-end dividend by ¥5 per share, to ¥10 per share.
## REVIEW OF OPERATIONS

### FUJITSU GROUP OVERVIEW

#### SUSTAINABILITY MANAGEMENT

#### CORPORATE GOVERNANCE

#### LETTERS FROM THE MANAGEMENT

### HIGHLIGHTS BY SEGMENT

**Fujitsu Limited and Consolidated Subsidiaries**

#### REVIEW OF OPERATIONS

#### HIGHLIGHTS BY SEGMENT

**Technology Solutions**

<table>
<thead>
<tr>
<th>Market Environment</th>
<th>Services</th>
<th>System Platforms</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>(Billions of yen)</td>
<td>(Billions of yen)</td>
</tr>
<tr>
<td>In the IT services market, system investment related to digital transformation is gathering momentum in Japan in such areas as the utilization of forklifts by financial institutions and the adoption of IoT in the manufacturing industry. Benefits are also expected from renewed spending heading toward the Tokyo 2020 Olympics and Paralympic Games. Overseas, ongoing growth in investment is expected mainly in emerging economies.</td>
<td>3,243.0</td>
<td>2,627.2</td>
</tr>
<tr>
<td>The server market itself is contracting in Japan and the speed of cloud services, but overseas, growth is expected in expanding in emerging markets and increasing demand for datacenters. In the optical transmission market, communications centers built in Japan and overseas have been shifting the focus of their investment policies from reinforcing infrastructure to strengthening datacenter businesses, which has led to contraction in equipment-related investment. Although we expect a continuing growth in investment over the medium term, supported by 5G and accelerated moves toward network virtualization and software-defined networking, we anticipate only slight growth for the market as a whole.</td>
<td>2,938.7</td>
<td>2,933.8</td>
</tr>
</tbody>
</table>

**Fiscal 2017 Highlights**

**Revenue**

Solutions and system integration for a guest patch in terms of large-scale projects for financial institutions and projects related to the Social Security and Tax Number System, or “My Number System,” for central and local governments. In addition, although solutions for manufacturing, retail, and distribution sectors continued to be strong, that was not sufficient to make up for the overall decline as it is drop-shipping in the hardware integrated solutions business that had robust sales in the previous fiscal year.

With infrastructure services, the recognition of the need for upgraded sales by about ¥10.5 billion, but revenue expanded supported by buoyant sales in Japan for outsourcing services and by benefits from yen depreciation overseas.

**Operating profit**

Core business profit was essentially flat year on year, but operating profit for the segment rose as business model transformation costs eased.

**Revenue**

$\text{Revenue}_{\text{year}} = \sum_{\text{segment}} \text{Revenue}_{\text{segment}}$

<table>
<thead>
<tr>
<th>(Billions of yen)</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Services</td>
<td>1,040.9</td>
<td>1,036.2</td>
<td>1,040.9</td>
<td>1,040.9</td>
</tr>
<tr>
<td>System Platforms</td>
<td>645.5</td>
<td>651.3</td>
<td>655.9</td>
<td>663.9</td>
</tr>
<tr>
<td>Network Products</td>
<td>560.0</td>
<td>544.3</td>
<td>544.3</td>
<td>560.0</td>
</tr>
<tr>
<td>Ubiquitous Solutions</td>
<td>576.8</td>
<td>557.9</td>
<td>560.0</td>
<td>576.8</td>
</tr>
<tr>
<td>Electronic Components</td>
<td>544.3</td>
<td>544.3</td>
<td>544.3</td>
<td>544.3</td>
</tr>
<tr>
<td>LSI Devices</td>
<td>560.0</td>
<td>560.0</td>
<td>560.0</td>
<td>560.0</td>
</tr>
</tbody>
</table>

**Operating Profit (Loss) / Operating Profit (Loss) Margin**

\[ \text{Operating Profit}_{\text{year}} = \text{Revenue}_{\text{year}} - \text{Costs}_{\text{year}} \]

\[ \text{Operating Profit Margin}_{\text{year}} = \frac{\text{Operating Profit}_{\text{year}}}{\text{Revenue}_{\text{year}}} \times 100\% \]

- Note: On November 1, 2017, Fujitsu transferred a portion of the Company’s shareholding in Fujitsu TN Limited to GIGA CORPORATION. As a result, Fujitsu TN became classified as an discontinued business. It has therefore been excluded from the revenue and operating profit of the Ubiquitous Solutions business in the fiscal years ended March 31, 2017 and March 31, 2018.

**Ubiquitous Solutions**

**Operating profit**

Operating profit declined as upfront investment expenses in the medium term, supported by 5G and accelerated moves toward network virtualization and software-defined networking, we anticipate only slight growth for the market as a whole.

**Operating profit**

Operating profit declined as upfront investment expenses in the previous fiscal year and benefits from the depreciation of the yen.

**Revenue**

Revenue increased due to growth in demand for LSI devices, particularly for smartphone applications and benefits from yen depreciation for both the LSI devices and electronic components businesses.

**Operating profit**

Operating profit increased thanks to both reduced expenses associated with business model transformation in the previous fiscal year and benefits from the depreciation of the yen.

**Revenue**

$\text{Revenue}_{\text{year}} = \sum_{\text{segment}} \text{Revenue}_{\text{segment}}$

<table>
<thead>
<tr>
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<tr>
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<td>560.0</td>
<td>560.0</td>
<td>560.0</td>
</tr>
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</table>

**Device Solutions**

**Revenue**

Revenue increased due to growth in demand for semiconductor applications and benefits from yen depreciation for both the LSI devices and electronic components businesses.

**Operating profit**

Operating profit increased thanks to both reduced expenses associated with business model transformation in the previous fiscal year and benefits from the depreciation of the yen.

**Revenue**

$\text{Revenue}_{\text{year}} = \sum_{\text{segment}} \text{Revenue}_{\text{segment}}$

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<td>560.0</td>
<td>560.0</td>
</tr>
</tbody>
</table>
## HIGHLIGHTS BY REGION

### Japan

**Revenue**

<table>
<thead>
<tr>
<th>Year</th>
<th>(Billions of yen)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2016</td>
<td>3,100.5</td>
</tr>
<tr>
<td>2017</td>
<td>3,188.1</td>
</tr>
<tr>
<td>2018</td>
<td>3,065.7</td>
</tr>
</tbody>
</table>

Note: Includes intersegment sales

### China

**Operating Profit (Loss) / Operating Profit (Loss) Margin**

<table>
<thead>
<tr>
<th>Year</th>
<th>Operating profit (loss)</th>
<th>Operating profit margin (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2016</td>
<td>-10.8</td>
<td>-2.5</td>
</tr>
<tr>
<td>2017</td>
<td>0.7</td>
<td>0.0</td>
</tr>
<tr>
<td>2018</td>
<td>-0.8</td>
<td>-1.0</td>
</tr>
</tbody>
</table>

### Asia

**Revenue**

<table>
<thead>
<tr>
<th>Year</th>
<th>(Billions of yen)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2016</td>
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</tr>
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<td>2018</td>
<td>3,065.7</td>
</tr>
</tbody>
</table>

Note: Includes intersegment sales

### EMEA

**Revenue**

<table>
<thead>
<tr>
<th>Year</th>
<th>(Billions of yen)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2016</td>
<td>1,000</td>
</tr>
<tr>
<td>2017</td>
<td>1,200</td>
</tr>
<tr>
<td>2018</td>
<td>1,000</td>
</tr>
</tbody>
</table>

Note: Includes intersegment sales

### Americas

**Revenue**

<table>
<thead>
<tr>
<th>Year</th>
<th>(Billions of yen)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2016</td>
<td>500</td>
</tr>
<tr>
<td>2017</td>
<td>600</td>
</tr>
<tr>
<td>2018</td>
<td>500</td>
</tr>
</tbody>
</table>

Note: Includes intersegment sales

### Oceania

**Revenue**

<table>
<thead>
<tr>
<th>Year</th>
<th>(Billions of yen)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2016</td>
<td>100</td>
</tr>
<tr>
<td>2017</td>
<td>120</td>
</tr>
<tr>
<td>2018</td>
<td>100</td>
</tr>
</tbody>
</table>

Note: Includes intersegment sales

## REVIEW OF OPERATIONS

### 2018 Review

**Operating profit margin (right)**

<table>
<thead>
<tr>
<th>Year</th>
<th>Operating profit margin (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2016</td>
<td>6.0</td>
</tr>
<tr>
<td>2017</td>
<td>6.5</td>
</tr>
<tr>
<td>2018</td>
<td>6.0</td>
</tr>
</tbody>
</table>

## SUSTAINABILITY MANAGEMENT

**HIGHLIGHTS BY REGION**

- **Japan**: In 2017, Japan’s IT services market grew 1.9% year on year. Following 2016 when growth slowed as the result of major projects coming to an end, growth was held back by a lack of new large projects. Billions of yen growth in the Japanese economy, we expect market growth to remain at a slow level. Between 2017 and 2020, we estimate a CAGR of 1.0%. On the other hand, we anticipate the gradual increase of IT spending related to digital transformation. We expect the upscaling of component core systems on the back of existing and new systems to become new growth fields.

- **Asia**: In 2017, Asia’s IT market grew 12.0% year on year, sustaining the previous fiscal year’s growth trend. From 2017 to 2020, we estimate a CAGR of 6.1%, supported by both growth in such hard environments as smartphones and servers, as well as rapid increase in IT service revenue.

- **EMEA**: In 2017, EMEA’s IT market grew 1.8% year on year. The IT market is expected to continue expanding moderately. Between 2017 and 2020, we estimate a CAGR of 2.9%. Hardware markets particularly for PCs and servers are contracting. Meanwhile, trends in infrastructure service markets such as service desk operations have been falling and market scale has been shrinking with the advance of commoditization. Meanwhile, demand has been growing solidly for migrating traditional on-premises business systems to the cloud environment, and for related consulting services and application management.

- **Americas**: In 2017, the IT market in the Americas, the largest in the world, grew a substantial 5.6% year on year. We expect the market to continue expanding steadily, between 2017 and 2020, we estimate a CAGR of 2.1%. In recent years, hardware markets including those for PCs and servers have been contracting, while the IT services market for security, cloud, and other services has been growing against the backdrop of enhanced digitalization.

- **Oceania**: In 2017, Oceania’s IT market expanded 5.0% year on year. The market is expected to gradually increase in scale; between 2017 and 2020, we estimate a CAGR of 3.0%. The IT services market is expected to see sustained growth against the backdrop of the advance of digital business. The hardware market, however, is projected to continue to contract.

## Priority Tasks

Customers in Japan are realizing the focus on using ICT for business efficiency to expand their core lines of business, while simultaneously looking to broaden the scope of their operations across industry-boundaries. In addition, there is a need to accelerate the deployment of ICT in fields in which it has not made significant inroads to date. The acquisition of sales staff and systems engineers with greater specialist expertise, more effective proposals, and technological skills, and increasing the number of such talented personnel will prove essential. By doing so, we aim to shift from business based on payments for hours worked to business based on value creation. In this development itself, we are also moving away from our previous approach of starting from scratch to make elaborate systems in, more or less, one go, to an “agile” approach. This agile model for software development involves breaking the progress of a project into short, clearly defined increments. Through this approach, we aim to shorten turnaround with large-scale system development while ensuring high quality and minimizing the number of unprofitable projects.

## Market Environment

- **Environment**

  - **Revenue**

    | Year       | (Billions of yen) |
    |------------|-------------------|
    | 2016       | 3,100.5           |
    | 2017       | 3,188.1           |
    | 2018       | 3,065.7           |

Note: Includes intersegment sales

- **Priority Tasks**

  - We aim to sustain strong growth by continuously selecting and concentrating on initiatives that will add value to the solutions and services we provide. To support these efforts, we are focusing on the following initiatives:
    - Enhancing our global sales and marketing efforts in emerging and high-growth regions, including China.
    - Expanding our product lines in major markets such as Asia.
    - Focusing on the development of new business areas, such as Internet of Things (IoT) and cloud computing.

## REPRINTED FROM FUTOMI GROUP INTEGRATED REPORT 2018
**SHAREHOLDER DATA**

(As of March 31, 2018)

**Capital:** ¥324,625 million
**Authorized Common Stock:** 5,000,000,000 shares
**Issued Common Stock:** 2,070,018,013 shares
**Number of Shareholders:** 154,892

**Status of Principal Shareholders:**

<table>
<thead>
<tr>
<th>Shareholder</th>
<th>Number of Shares Held</th>
<th>Percentage of Shares Held</th>
</tr>
</thead>
<tbody>
<tr>
<td>The Master Trust Bank of Japan, Ltd. (for trust)</td>
<td>101,585</td>
<td>4.93</td>
</tr>
<tr>
<td>Japan Trustee Services Bank, Ltd. (for trust)</td>
<td>96,654,000</td>
<td>4.60</td>
</tr>
<tr>
<td>Sharp Trust Ltd.</td>
<td>67,881</td>
<td>0.30</td>
</tr>
<tr>
<td>Fujitsu Electric Co., Ltd.</td>
<td>30,908</td>
<td>0.14</td>
</tr>
<tr>
<td>Fujitsu Employee Shareholding Association</td>
<td>35,180</td>
<td>0.17</td>
</tr>
<tr>
<td>Japan Trustee Services Bank, Ltd. (for trust 5)</td>
<td>39,296</td>
<td>0.19</td>
</tr>
<tr>
<td>STATE STREET BANK WEST CLIENT – TREATY</td>
<td>37,532</td>
<td>0.18</td>
</tr>
<tr>
<td>Mizuho Bank, Ltd.</td>
<td>36,963</td>
<td>0.18</td>
</tr>
<tr>
<td>Asahi Mutual Life Insurance Company</td>
<td>35,180</td>
<td>0.17</td>
</tr>
<tr>
<td>Japan Trustee Services Bank, Ltd. (for trust 1)</td>
<td>28,946</td>
<td>0.14</td>
</tr>
</tbody>
</table>

**Notes:**
1. The investment ratio is calculated after exclusion of treasury stock holdings of 1,725,291 thousand shares.
2. The shares held by The Master Trust Bank of Japan, Ltd. (for trust), Japan Trustee Services Bank, Ltd. (for trust), Japan Trustee Services Bank, Ltd. (for trust 5), and Japan Trustee Services Bank, Ltd. (for trust 1) pertain to the trust business by the institutions.
3. Of the shares held by Mizuho Bank, Ltd., 4,250 thousand shares are trust properties that are entrusted to Mizuho Trust & Banking Co., Ltd., and in trust to Trust & Custody Services Bank, Ltd., as retirement benefit trust assets. The voting rights involved in these shares are set forth to be exercised upon order of Mizuho Bank, Ltd.

For further information, please contact: Fujitsu Limited, Public & Investor Relations

**Corporate Headquarters:** Shiodome City Center, 1-5-2 Higashi-Shimbashi, Minato-ku, Tokyo 105-7123, Japan
**Telephone:** +81-3-6252-2220
**Transfer Agent:** Mitsubishi UFJ Trust and Banking Corporation
4-5, Marunouchi 1-chome, Chiyoda-ku, Tokyo 100-8212, Japan

**Stock Exchange Listings:** Tokyo, Nagoya

**Accounting Auditors:** Ernst & Young ShinNihon LLC

**Shareholder Information:** For contact information please visit our investor relations website.

http://www.fujitsu.com/global/about/info/

Fujitsu has been selected by the Japan Investor Relations Association (JIRA) as one of the “Companies with Best Continued Efforts in IR” based on the screening results for the past consecutive 12 years from 2007 to 2018, the award was given to Fujitsu for its “continued IR activities over the long term” among the companies considered for the JIRA 25th Anniversary Commemorative Award.

**On the Publication of Fujitsu Group Integrated Report 2018 (Editorial Policy):**
This report is for our various stakeholders, including shareholders and other investors, and provides information on non-financial aspects, such as the environment, society, and governance, together with financial information. Through this publication, we aim to communicate the Fujitsu Group’s initiatives for business activities and value creation comprehensively and simply.

In this year’s report, we have sought particularly to clearly communicate the management policy with a focus on efforts to promote “growth strategy transformation.”

In editing the report, we have referred to various guidelines, such as the International Integrated Reporting Framework of the International Integrated Reporting Council.

From the fiscal year ended March 31, 2015, Fujitsu has adopted the International Financial Reporting Standards (IFRS). However, some sections have presented results under the Japanese accounting standard for the purpose of year-on-year comparisons. These sections are indicated in the report.

All brand names and product names are trademarks and registered trademarks of their respective holders.

**Fujitsu Group Reports**

Fujitsu Group Sustainability Report 2018

Fujitsu Group Information Security Report 2018
http://www.fujitsu.com/global/about/resources/reports/securityreport/

Please visit the link below for other publications and reports.

http://www.fujitsu.com/global/about/resources/
Legibility
We have reviewed this report using our ColorSelector tool to choose a highly accessible color combination so that the text and figures are as legible as possible to the widest range of readers.

Consideration for the Environment
- This report has been printed using waterless printing, which reduces the amount of harmful materials used and emitted.
- FSC® Certified Paper as designated by the Forest Stewardship Council® has been used in printing in order to help preserve forestry resources.
- Vegetable oil inks that do not include volatile organic compounds have been used.