

Fujitsu Group

# Integrated Report 2018

An aerial photograph of a city, likely Tokyo, showing a dense urban landscape with numerous buildings, roads, and a large river or canal system. The sky is clear and blue.

shaping tomorrow with you

# 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*  
**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.
- Firsthand 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.

## CORPORATE VALUES

### What we strive for:

- Society and Environment** In all our actions, we protect the environment and contribute to society.
- Profit and Growth** We strive to meet the expectations of customers, employees, and shareholders.
- Shareholders and Investors** We seek to continuously increase our corporate value.
- Global Perspective** We think and act from a global perspective.

### What we value:

- Employees** We respect diversity and support individual growth.
- Customers** We seek to be their valued and trusted partner.
- Business Partners** We build mutually beneficial relationships.
- Technology** We seek to create new value through innovation.
- Quality** We enhance the reputation of our customers and the reliability of social infrastructure.

## CODE OF CONDUCT

- We respect human rights.
- We comply with all laws and regulations.
- We act with fairness in our business dealings.
- We protect and respect intellectual property.
- We maintain confidentiality.
- We do not use our position in our organization for personal gain.

### Forward-Looking Statements

This *Integrated Report* may contain forward-looking statements that are based on management's current views and assumptions and involve known and unknown risks and uncertainties that could cause actual results, performance, or events to differ materially from those expressed or implied in such statements. Actual results may differ materially from those projected or implied in the forward-looking statements due to, without limitation, the following factors: general economic and market conditions in key markets (particularly in Japan, Europe, North America, and Asia, including China); rapid changes in the high-technology market (particularly semiconductors, PCs, etc.); fluctuations in exchange rates or interest rates; fluctuations in capital markets; intensifying price competition; changes in market positioning due to competition in R&D; changes in the environment for the procurement of parts and components; changes in competitive relationships relating to collaborations, alliances, and technical provisions; potential emergence of unprofitable projects; and changes in accounting policies.

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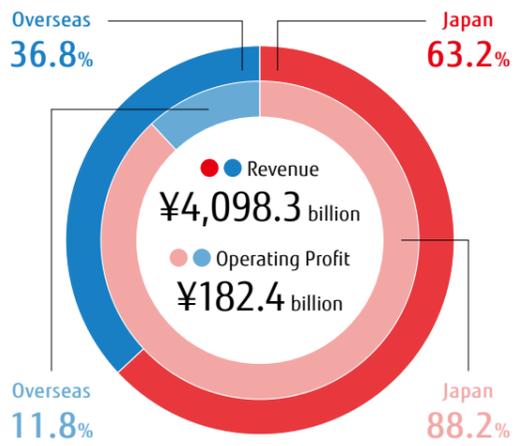
# FUJITSU AT A GLANCE

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.

## ▶ Revenue / Operating Profit

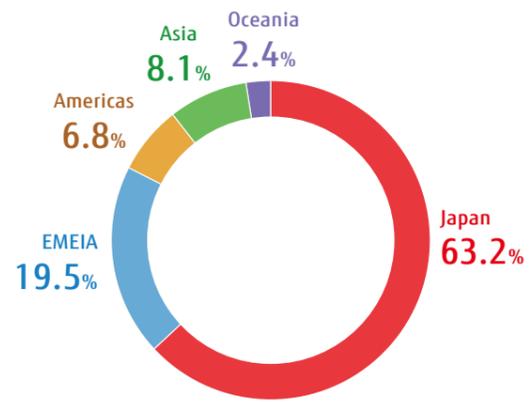
(Year ended March 31, 2018)



Note: Percentage of operating profit is calculated after excluding elimination and corporate.

## ▶ Breakdown of Revenue by Region

(Year ended March 31, 2018)

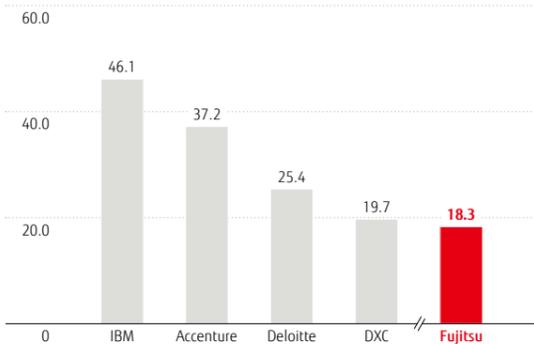


Note: Percentage of revenue is calculated after excluding elimination and corporate.

## ▶ Fujitsu's Position in the IT Services Market

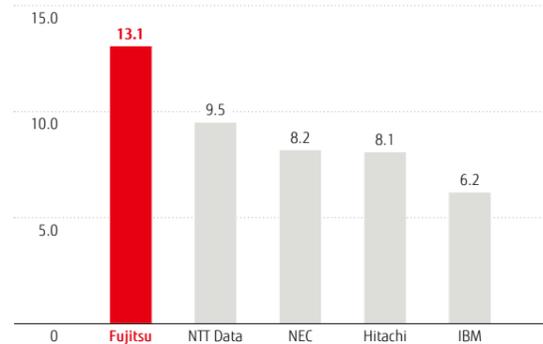
### GLOBAL IT SERVICES REVENUE IN 2017

(Billions of US dollars)



### JAPAN IT SERVICES REVENUE IN 2017

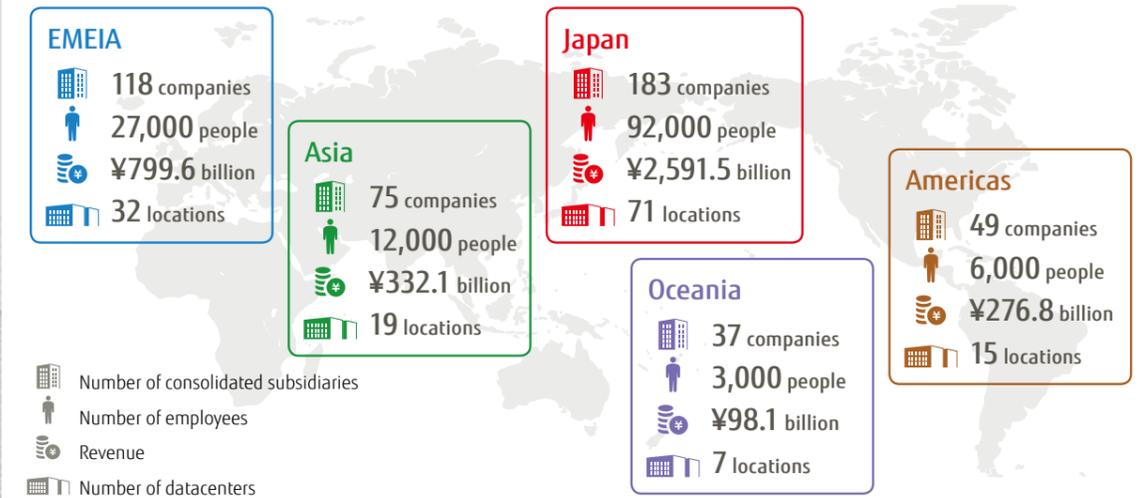
(Billions of US dollars)



Source: Gartner, "Market Share: IT Services 2017," Dean Blackmore, Cathy Tornbohm et al., June 11 2018, vendor revenue-based. Chart created by Fujitsu based on Gartner data. The Gartner Report(s) described herein, (the "Gartner Report(s)") represent(s) research opinion or viewpoints published, as part of a syndicated subscription service, by Gartner, Inc. ("Gartner"), and are not representations of fact. Each Gartner Report speaks as of its original publication date (and not as of the date of this Prospectus) and the opinions expressed in the Gartner Report(s) are subject to change without notice.

## ▶ Global Presence

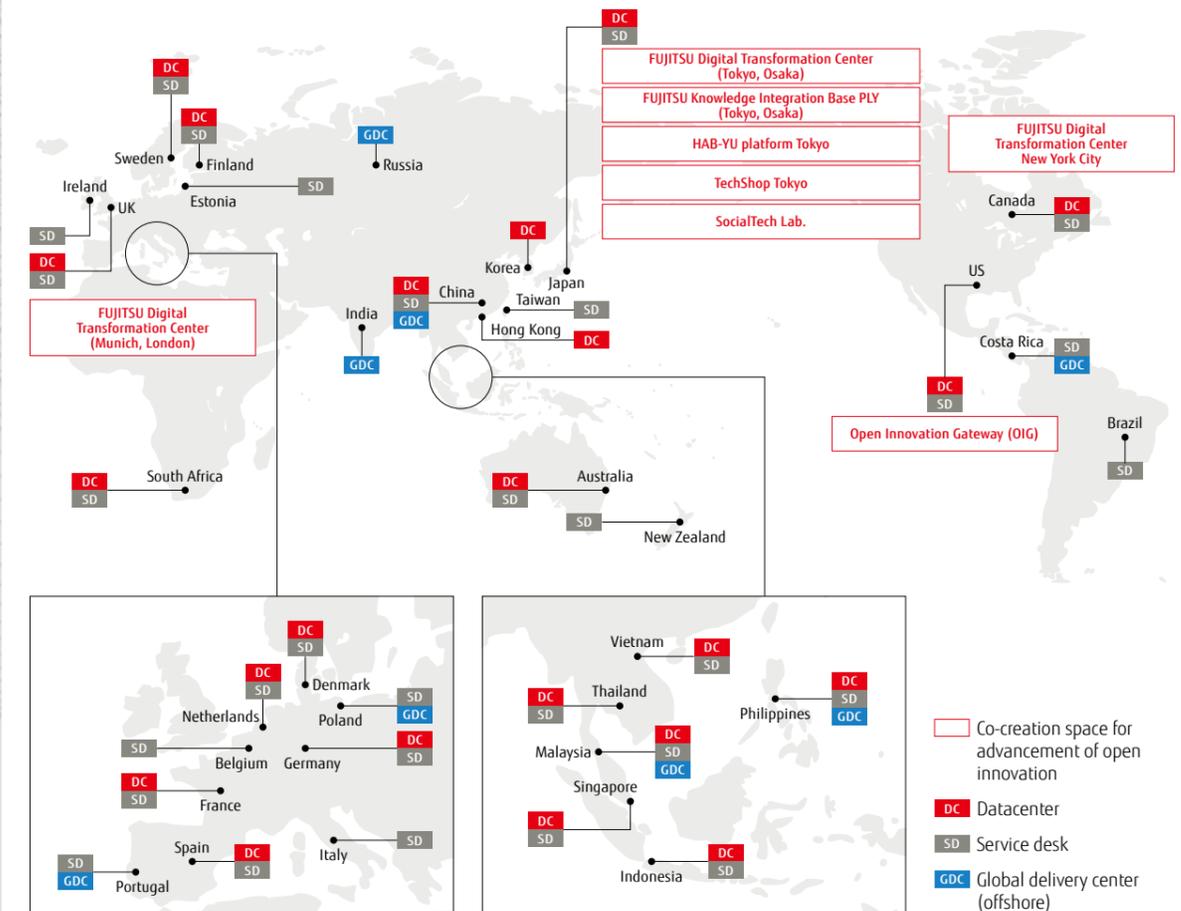
(As of March 31, 2018)



Number of consolidated subsidiaries  
 Number of employees  
 Revenue  
 Number of datacenters

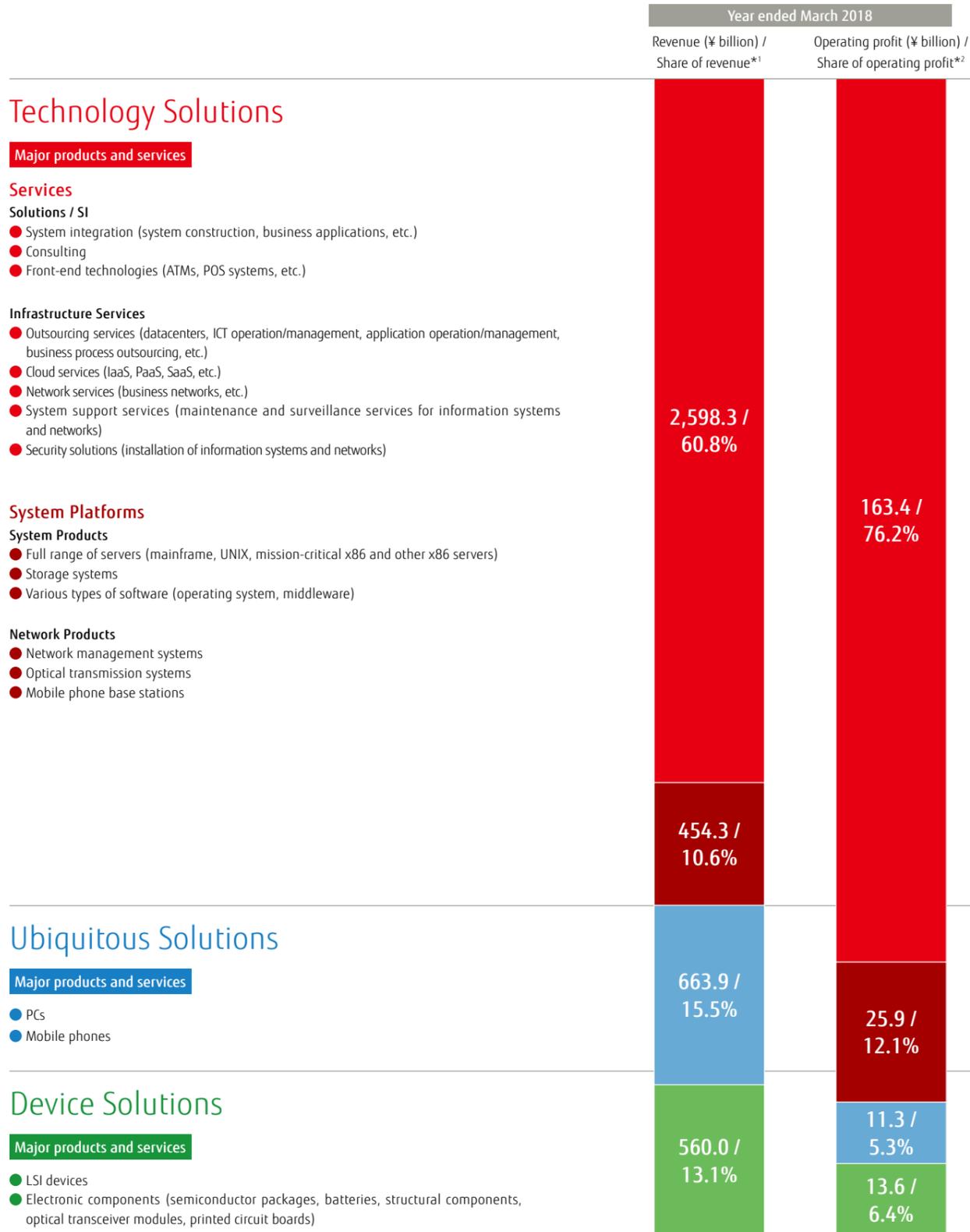
## ▶ Global Capability

(As of November 30, 2018)



# FUJITSU AT A GLANCE BY SEGMENT

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.



## Technology Solutions

### Major products and services

#### Services

- Solutions / SI
- System integration (system construction, business applications, etc.)
- Consulting
- Front-end technologies (ATMs, POS systems, etc.)

#### Infrastructure Services

- Outsourcing services (datacenters, ICT operation/management, application operation/management, business process outsourcing, etc.)
- Cloud services (IaaS, PaaS, SaaS, etc.)
- Network services (business networks, etc.)
- System support services (maintenance and surveillance services for information systems and networks)
- Security solutions (installation of information systems and networks)

#### System Platforms

- System Products
- Full range of servers (mainframe, UNIX, mission-critical x86 and other x86 servers)
- Storage systems
- Various types of software (operating system, middleware)

#### Network Products

- Network management systems
- Optical transmission systems
- Mobile phone base stations

## Ubiquitous Solutions

### Major products and services

- PCs
- Mobile phones

## Device Solutions

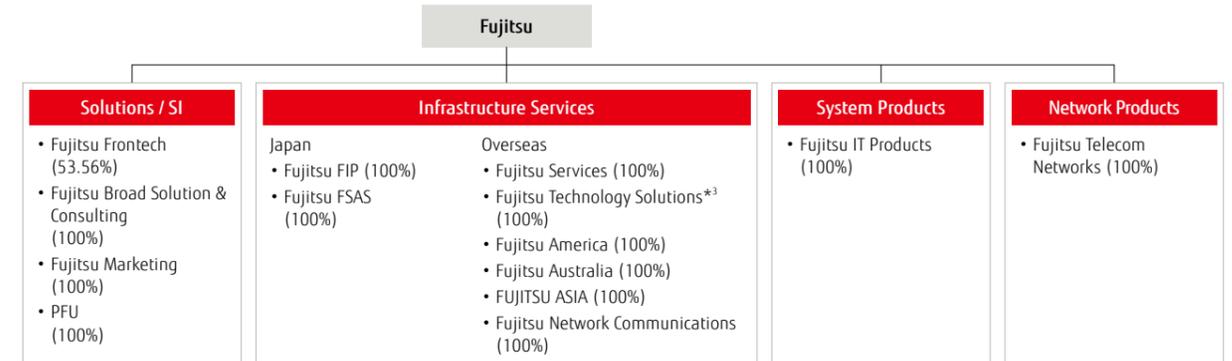
### Major products and services

- LSI devices
- Electronic components (semiconductor packages, batteries, structural components, optical transceiver modules, printed circuit boards)

\*<sup>1</sup> Includes intersegment sales  
\*<sup>2</sup> Excludes elimination and corporate

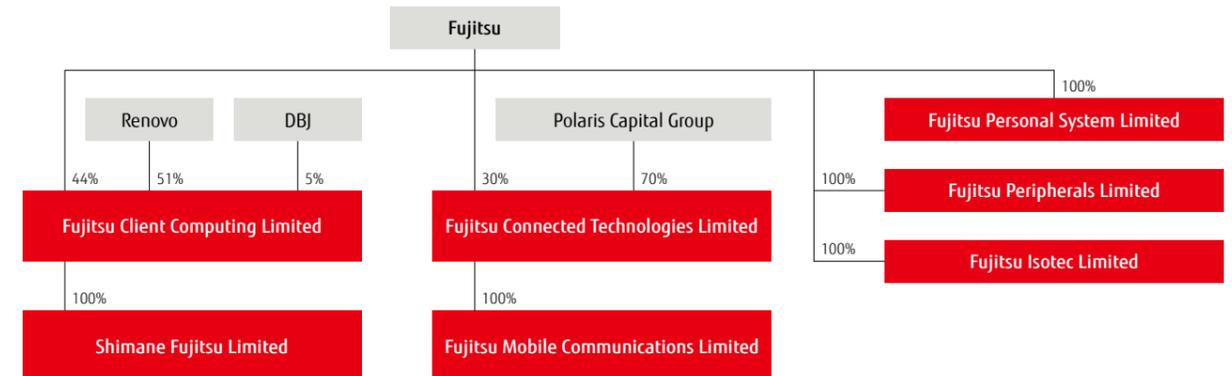
(As of October 1, 2018)

## Major subsidiaries and associated companies in the Technology Solutions segment

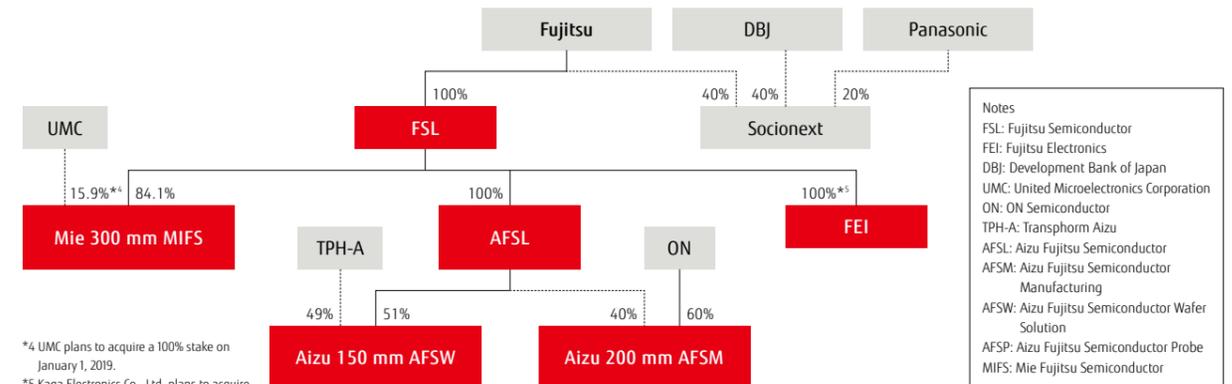


\*<sup>3</sup> The PC business of Fujitsu Technology Solutions is included in the Ubiquitous Solutions segment.

## Major subsidiaries and associated companies in the Ubiquitous Solutions segment



## Major subsidiaries and associated companies in the Device Solutions segment



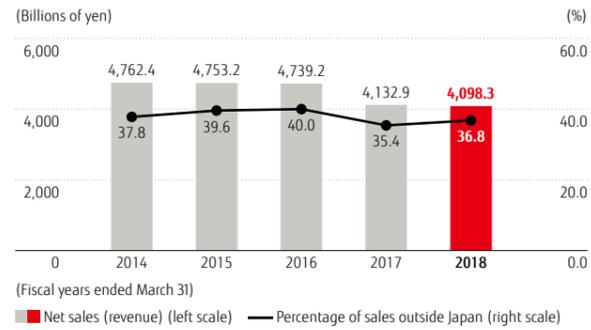
\*<sup>4</sup> UMC plans to acquire a 100% stake on January 1, 2019.  
\*<sup>5</sup> Kaga Electronics Co., Ltd. plans to acquire a 70% stake on January 1, 2019.

Notes  
FSL: Fujitsu Semiconductor  
FEI: Fujitsu Electronics  
DBJ: Development Bank of Japan  
UMC: United Microelectronics Corporation  
ON: ON Semiconductor  
TPH-A: Transphorm Aizu  
AFSL: Aizu Fujitsu Semiconductor  
AFSM: Aizu Fujitsu Semiconductor Manufacturing  
AFSW: Aizu Fujitsu Semiconductor Wafer Solution  
AFSP: Aizu Fujitsu Semiconductor Probe  
MIFS: Mie Fujitsu Semiconductor

## 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 reclassified in the fiscal year ended March 31, 2017.

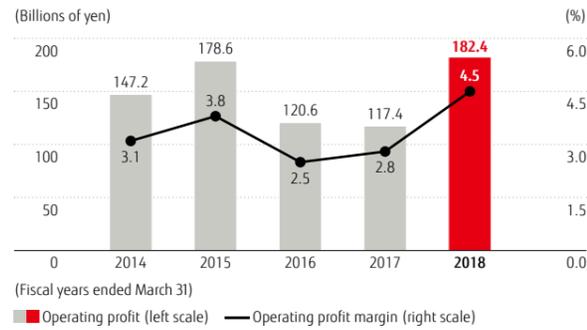
### ▶ NET SALES (REVENUE) AND PERCENTAGE OF SALES OUTSIDE JAPAN



Percentage of sales outside Japan **+1.4 percentage points** ↑

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 36.8%.

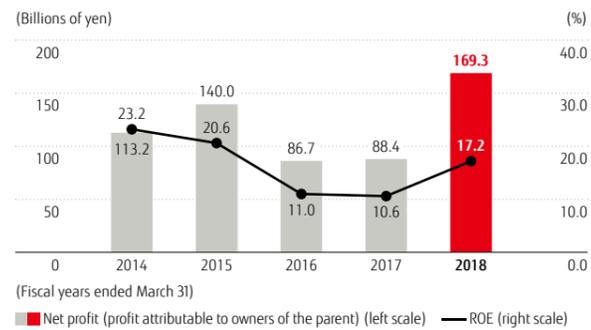
### ▶ OPERATING PROFIT AND OPERATING PROFIT MARGIN



Operating profit margin **+1.7 percentage points** ↑

The operating profit margin improved 1.7 percentage points year on year as profit rose sharply supported by gains on the sale of NIFTY Corporation's consumer business and of the mobile phone business.

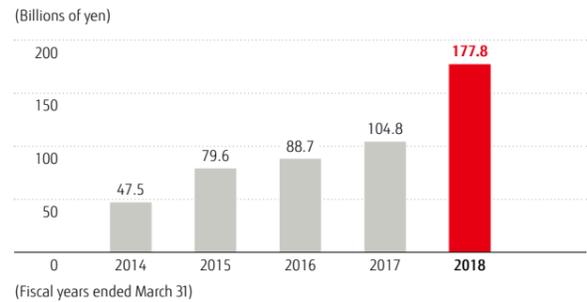
### ▶ NET PROFIT (PROFIT ATTRIBUTABLE TO OWNERS OF THE PARENT) AND ROE



Profit attributable to owners of the parent **+¥80.8 billion** ↑

Profit attributable to owners of the parent increased ¥80.8 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, net.

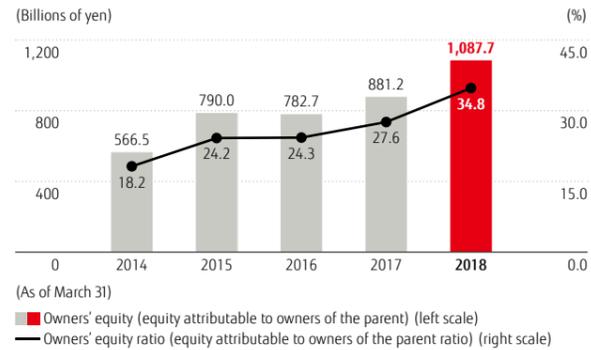
### ▶ FREE CASH FLOW



Free cash flow **+¥72.9 billion** ↑

Despite cash flow from operating activities declining ¥49.9 billion year on year, free cash flow rose ¥72.9 billion year on year due to business sales and other factors.

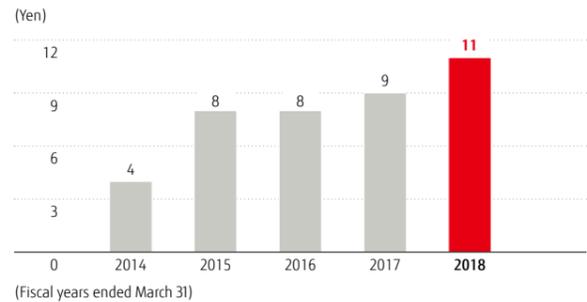
### ▶ OWNERS' EQUITY (EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT) AND OWNERS' EQUITY RATIO (EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT RATIO)



Equity attributable to owners of the parent ratio **+7.2 percentage points** ↑

Equity attributable to owners of the parent ratio increased 7.2 percentage points from the previous fiscal year-end due to growth in net profit as well as a recovery in share prices and more favorable exchange rates.

### ▶ DIVIDENDS PER SHARE OF COMMON STOCK



Dividends per share of common stock **+¥2** ↑

Fujitsu raised the interim dividend from ¥4 per share to ¥5 per share and the year-end dividend from ¥5 per share to ¥6 per share, giving an annual dividend of ¥11 per share.

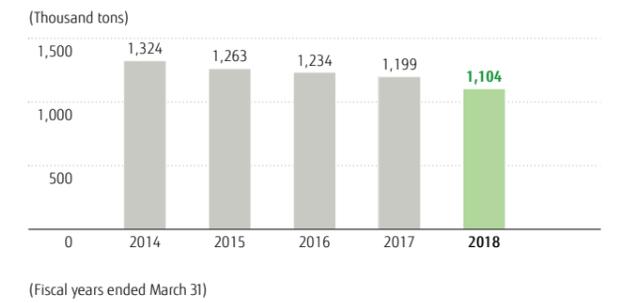
## ENVIRONMENT, SOCIETY, AND GOVERNANCE HIGHLIGHTS

### ▶ ENVIRONMENTAL ACCOUNTING (COSTS AND FINANCIAL EFFECT)



Aggregate results for fiscal 2017 show year-on-year decreases of 32% in costs, to ¥40.6 billion, and 29% in financial effect, to ¥69.4 billion.  
 Note: The scope of aggregation is Fujitsu Limited and major consolidated subsidiaries in Japan and overseas.  
 With respect to the target organizations, please see *Fujitsu Group Sustainability Report 2018*.  
<http://www.fujitsu.com/global/about/resources/reports/sustainabilityreport/2018-report/>

### ▶ TRENDS IN TOTAL GREENHOUSE GAS EMISSIONS



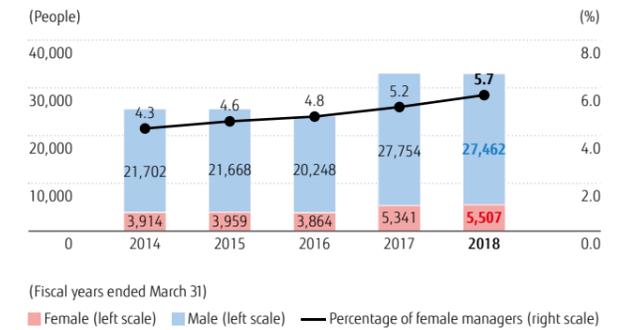
As of the end of fiscal 2017, the Fujitsu Group's total greenhouse gas emissions on a global basis were 16.6% lower than the fiscal 2013 year-end level.  
 Notes: 1. The scope of aggregation is Fujitsu Limited and Group companies in Japan and overseas.  
 2. CO<sub>2</sub> conversion factor has changed since fiscal 2013. CO<sub>2</sub> emissions have been calculated with a fixed value of 0.570 tons of CO<sub>2</sub> per MWh from fiscal 2013 to fiscal 2015, a fixed value of 0.534 tons of CO<sub>2</sub> per MWh for fiscal 2016, and a fixed value of 0.518 tons of CO<sub>2</sub> per MWh for fiscal 2017.

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



We have been offering information security auditor training to heighten the quality of information security audits in each organization. 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 and Group companies in Japan.

### ▶ NUMBERS OF MALE AND FEMALE EMPLOYEES AND PERCENTAGE OF FEMALE MANAGERS



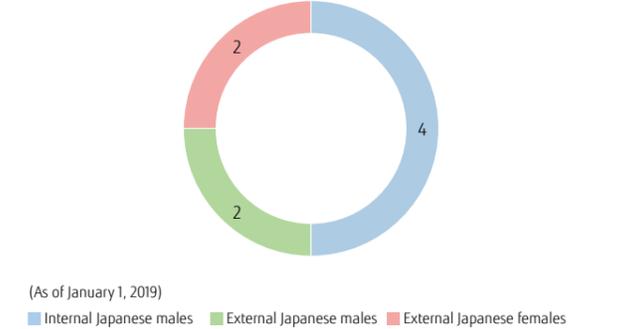
We are proceeding with selective training for female employees and other initiatives with a view to having women account for 20% of employees and 20% of newly appointed managers by fiscal 2020.  
 Note: The scope of aggregation is Fujitsu Limited.

### ▶ EXECUTIVE DIRECTORS, NON-EXECUTIVE DIRECTORS, AND EXTERNAL DIRECTORS



We are strengthening oversight by appointing external directors actively. Four of eight directors were external directors as of January 1, 2019.

### ▶ DIVERSITY OF THE BOARD OF DIRECTORS



We are promoting lively discussions and enhancing objectivity by ensuring the diversity of the Board of Directors. As of January 1, 2019, the eight members of the Board of Directors included four external directors, two of whom are women.

## 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)



Japan total revenue  
(By Gartner Research\*)  
**US\$24,003 million**

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.



#### Distribution (Retail, Transportation, Wholesale Trade)



Japan total revenue  
(By Gartner Research\*)  
**US\$14,623 million**

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; service, 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.



#### Finance (Banking & Securities, Insurance)



Japan total revenue  
(By Gartner Research\*)  
**US\$26,953 million**

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.



#### Communications, Media & Services



Japan total revenue  
(By Gartner Research\*)  
**US\$16,616 million**

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 business administration. 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 workstyle transformation, giving impetus to reforms in healthcare and entertainment services as we seek to contribute to a prosperous society.



#### Government



Japan total revenue  
(By Gartner Research\*)  
**US\$14,221 million**<sup>\*2</sup>

<sup>\*2</sup> The figures for total market value and market share represent the combined total from the national government and local governments.

##### National 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

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 governments. Fujitsu will apply its world-class, cutting-edge ICT technology as well as the experience gained in providing solutions to local governments, to support the development of thriving communities.



#### Healthcare (Healthcare Providers)



Japan total revenue  
(By Gartner Research\*)  
**US\$2,141 million**

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.

\*1 Source: Gartner, "Market Share: IT Services 2017," Dean Blackmore, Cathy Tornbohm et al., June 11 2018, vendor revenue-based.

Chart created by Fujitsu based on Gartner data.

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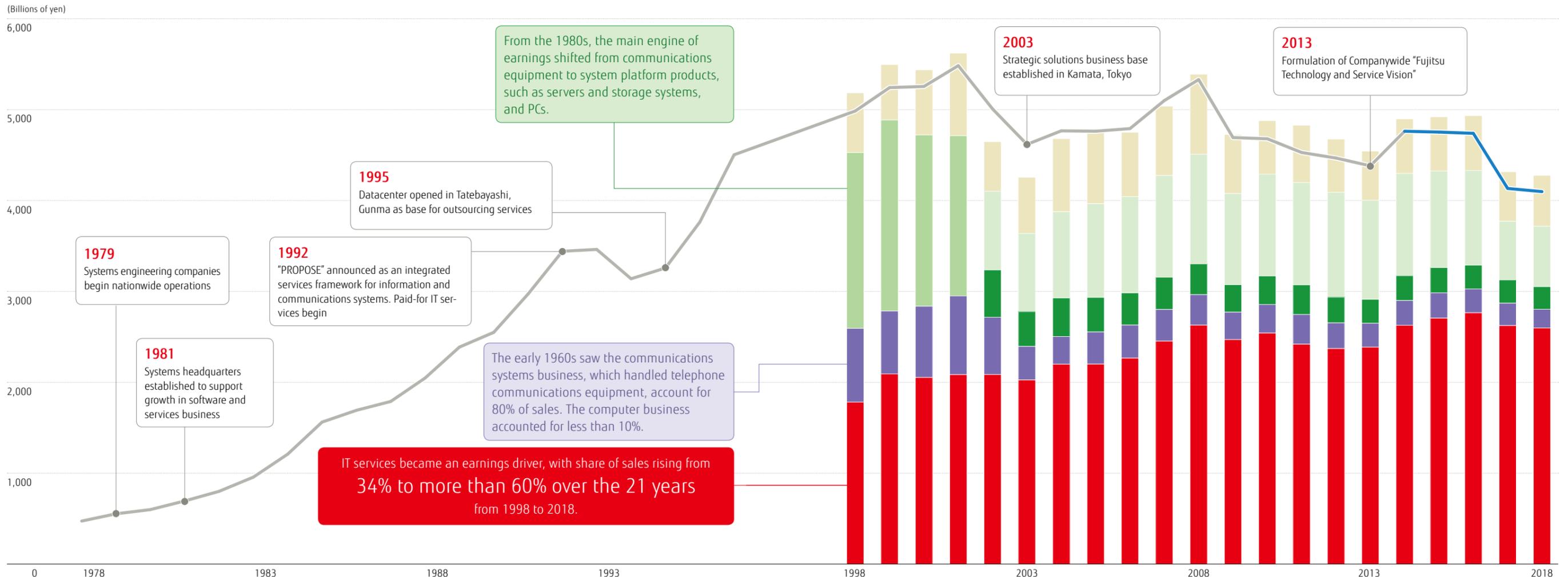
# FUJITSU'S COMPETITIVE EDGE

## 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."



<b>1950s</b> Computer business launches	<b>1980s</b> PC business goes into full swing	<b>1990s</b> IT services business gains momentum. Acquisition of ICL of the UK, Amdahl Corp. of the US, and other overseas computer and IT services companies	<b>2000s</b> Acquisition of IT consulting and services companies mainly in the Americas and Europe	<b>2010s</b> AI, IoT, and security businesses take off
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Notes:  
 1. Years ended March 31  
 2. Bar chart includes intersegment sales.  
 3. JGAAP from 1978 to 2013, IFRS from 2014. 2017 excludes discontinued operations.

— Net sales (JGAAP)    ■ Software & Services / Services\*<sup>1</sup>  
 — Revenue (IFRS)    ■ Communications Systems / Network Products\*<sup>2</sup>  
                              ■ Computers and Information Processing Systems\*<sup>3</sup>    ■ System Products (servers and storage)\*<sup>4</sup>    ■ Ubiquitous Solutions\*<sup>5</sup>  
                              ■ Semiconductors and Electronic Components / Electronic Devices / Device Solutions

\*1 Software & Services (1998–2003), Services (Technology Solutions subsegment consisting of Solutions / SI and Infrastructure Services, from 2004)  
 \*2 Communications Systems (1998–2001), Mobile Infrastructure / IP Network + Transmission (Platforms subsegment, 2002–2003), Network Products (from 2004)  
 \*3 This segment became the Platforms segment, after combining the former Communications Systems and Computers and Information Processing Systems segments in 2002.  
 \*4 Servers (Platforms subsegment, 2002–2003), System Platforms (Technology Solutions subsegment, from 2004)  
 \*5 PCs & Mobile Telephones + Hard Disk Drives + Others (Platforms subsegment, 2002–2003), PCs / Mobile Phones + Hard Disk Drives + Others (2004–2007), PCs / Mobile Phones + Mobilewear (2008–2016), PCs / Mobile Phones (from 2017)

FUJITSU GROUP OVERVIEW LETTERS FROM THE MANAGEMENT SPECIAL FEATURE CORPORATE GOVERNANCE SUSTAINABILITY MANAGEMENT REVIEW OF OPERATIONS

## 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 realizing the Sustainable Development Goals (SDGs).

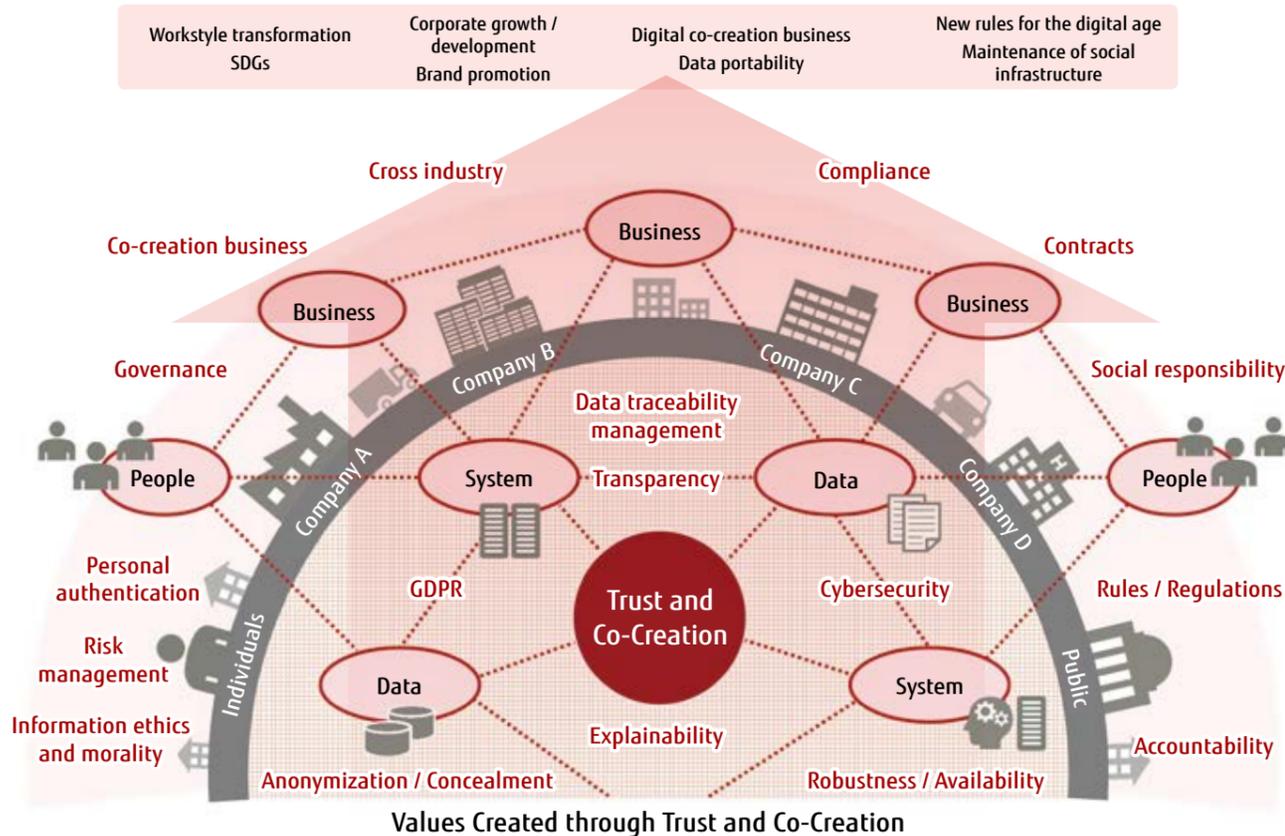
One major change brought on by the digital era is the infinite connections between companies, individuals, business activities, systems, and data created through the fusion of physical space and cyberspace. These connections are becoming ever-more complex and immense. Accordingly, a new kind of trust is needed to ensure the quality, accuracy, and transparency of all elements involved in these connections, as characteristics of these components are becoming more difficult to judge.

For example, in the physical space, it is essential to have trust.

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-creation," 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 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 radiotherapy for cancer.

#### AI



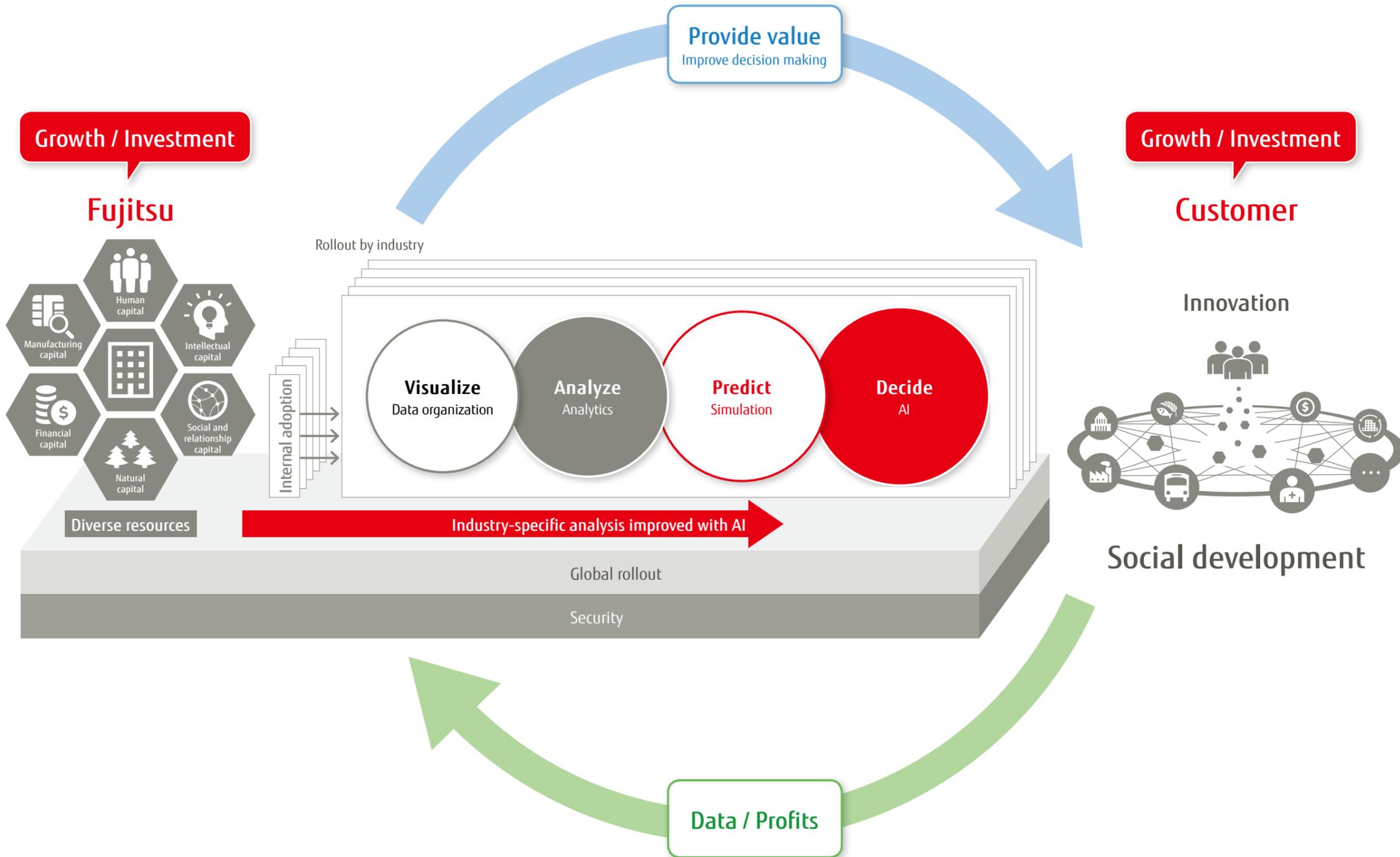
Reliability, safety, and accountability are key factors in providing artificial intelligence products and services. We have combined Deep Tensor, our unique deep learning technology for handling graph data consisting of multiple interconnected data, and our original Knowledge Graph, a database of integrated 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 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, undertaking co-creation in such fields as healthcare, drug discovery, social infrastructure, manufacturing, regional revitalization, and sports.

# CREATING VALUE THROUGH DIGITAL TRANSFORMATION



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 accelerating 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 LSI 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 transitioning 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, we hammered 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

	Basic Strategy	Progress
<b>Technology Solutions</b>	Focus investment on Connected Services and realize global growth	<ul style="list-style-type: none"> <li>February: Converted FUJITSU BROAD SOLUTION &amp; CONSULTING Inc. into a wholly owned subsidiary</li> <li>October: Entered into a strategic partnership with Ericsson to deliver end-to-end 5G network solutions</li> <li>November: Initiated operations at Fujitsu Intelligence Technology, a new company that drives Fujitsu’s AI business around the world</li> </ul>
<b>Ubiquitous Solutions and Device Solutions</b>	Consider various measures to enhance competitiveness of each business	<p><b>Ubiquitous</b></p> <ul style="list-style-type: none"> <li>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.</li> <li>May: Established a joint venture, which will focus on the PC business, together with Lenovo Group Limited and Development Bank of Japan, Inc.</li> </ul> <p><b>Device</b></p> <ul style="list-style-type: none"> <li>June: Decided to transfer all shares of Mie Fujitsu Semiconductor Limited to United Microelectronics Corporation</li> <li>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%</li> <li>September: Fujitsu Semiconductor Limited concluded an agreement with Kaga Electronics Co., Ltd. in which Kaga Electronics acquires 70% of shares in Fujitsu Electronics Inc.</li> </ul>

### 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 the 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 mobile phone business, which was carried out on March 30, 2018, and the previously mentioned NIFTY reorganization. Furthermore, profit attributable to owners of the parent rose significantly due to several factors. These included the change in our cross-shareholding relationship with Fuji Electric Co., Ltd. and the recording of profit following the revised classification of shares held in a Chinese affiliate.

In fiscal 2018, the year ending March 31, 2019, we anticipate a year-on-year decrease of 4.8% in revenue, to ¥3,900.0 billion; a decline of 23.3% in operating profit, to ¥140.0 billion; and a 35.0% decrease in profit attributable to owners of the

parent, to ¥110.0 billion. The decline in revenue will come from the previously mentioned sale of the mobile phone business as well as the reorganization of the PC business. The declines in operating profit and profit attributable to owners of the parent will result from the absence of special factors that positively impacted profits recorded in fiscal 2017, which resulted from the sale of businesses and other factors. On the basis of our core businesses, which excludes such impacts, we expect revenue to remain relatively unchanged and operating profit to increase by ¥30.0 billion.

In light of enhanced owners' equity and increased free cash flow, we plan to raise dividends in fiscal 2018. Specifically, we will increase the annual dividend from ¥110 in fiscal 2017 to ¥150 in fiscal 2018.\*1 Additionally, on May 31, 2018 we bought back stock of approximately ¥10.0 billion in value. Going forward, we will continue efforts to strengthen our financial foundation with a view to reach an owners' equity ratio of 40% or higher, which is one of our KPIs for business model transformation. 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. Through these means, we will strongly push forward with our efforts in business model transformation so that we can earn the trust of our shareholders and other investors.

\*1 On October 1, 2018, Fujitsu consolidated every 10 shares of stock into one share. The dividend performance for fiscal 2017 and the dividend forecast for fiscal 2018 are listed in amounts that reflect this share consolidation.

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

	Fiscal 2017 Results	Fiscal 2018 Forecast	YoY Change	YoY Change (%)
Revenue	4,098.3	3,900.0	-198.3	-4.8
Operating profit	182.4	140.0	-42.4	-23.3
Profit attributable to owners of the parent	169.3	110.0	-59.3	-35.0

#### Consolidated KPIs for Our Business Model Transformation

	Original Targets	Fiscal 2017 Results	New Targets
Operating profit margin	Over 10% (Consolidated basis)	4.5% (Consolidated basis)	Over 10% for Technology Solutions in fiscal 2022
Free cash flow	Over ¥150 billion	¥177.8 billion	No change
Owners' equity ratio	Over 40%	34.8%	No change
Percentage of sales outside Japan	Over 50% (Consolidated basis)	36.8%	Temporarily excluded from KPIs

### 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 SI 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 SI business and fall 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 operating divisions such as sales, manufacturing, and marketing, which are referred to as the line of business,\*2 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 investment.

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.

\*2 The line of business refers to operating divisions and other frontline divisions of a company, which differ from a company's indirect functions.



A scene at the Fujitsu Forum, held every year to introduce the Company's technologies and services. Reflecting the higher level of interest in digital businesses, over 70% of the approximately 30,000 people who visited the 2018 Fujitsu Forum in Tokyo worked in an operating division of a company.



A service that offers new customer experiences through cross-industrial co-creation between Fujitsu and Isetan Mitsukoshi Holdings Ltd. This service allows customers to easily rent and pay for apparel products with their smartphone via an app that can read a tag with a QR code.

### 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 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 EMEA business.

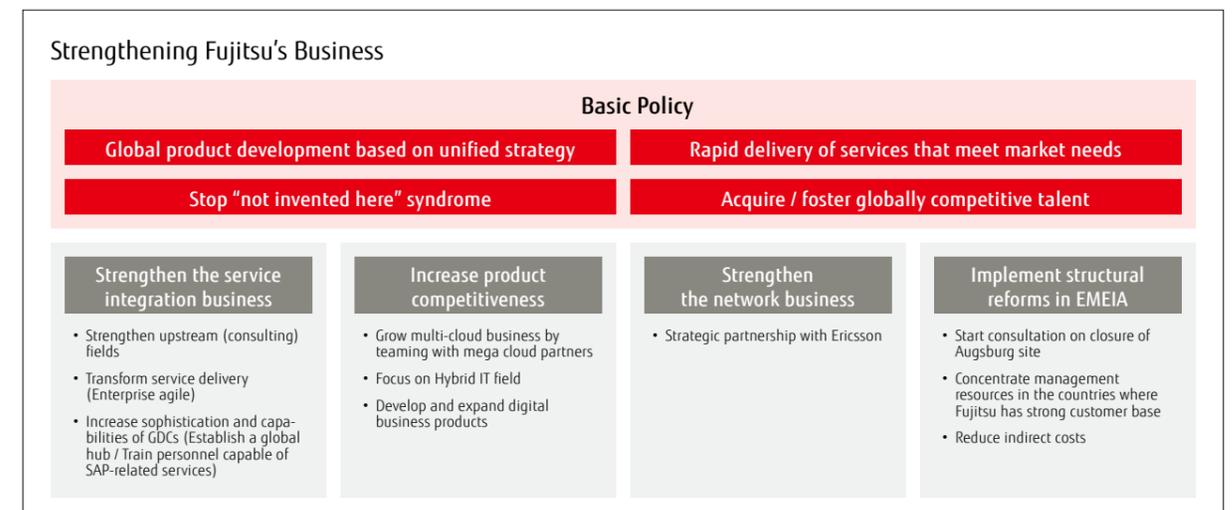
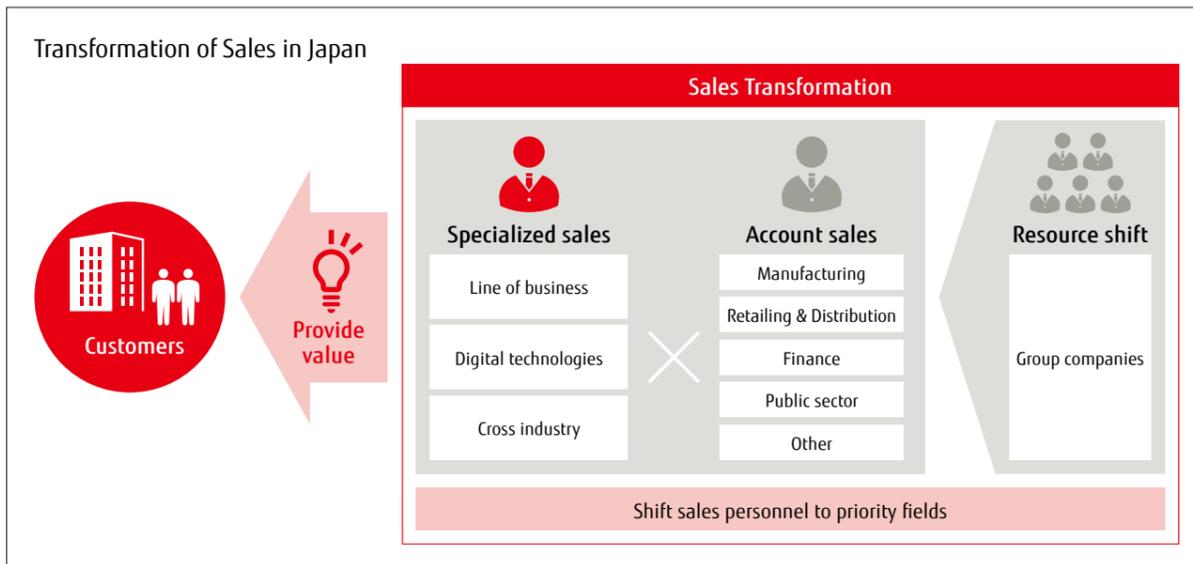
For efforts to strengthen our service integration business, not only are we stepping up our consulting functions, as previously mentioned, we are also working to enhance the sophistication of our delivery division, which consists of SEs and Global Delivery Centers (GDCs). These efforts will help us establish 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. Eschewing the insistence on using solely Fujitsu products, we are forming alliances with mega 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.\*<sup>3</sup> 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 AI headquarters for the global promotion of Digital Annealer\*<sup>4</sup> 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 EMEA 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.

\*<sup>3</sup> Hybrid IT is a system that connects the differing IT environments of on-premises hardware and hybrid and private clouds.  
 \*<sup>4</sup> Digital Annealer is a proprietary Fujitsu technology inspired by quantum computing and that solves problems of combinatorial optimization, which is difficult to calculate with mainframe computers, using conventional digital circuits.



### 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 I 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 formation 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 also further enhancing the Group's governance.

### Realizing Transformation through the Strengths of Our Corporate Vision

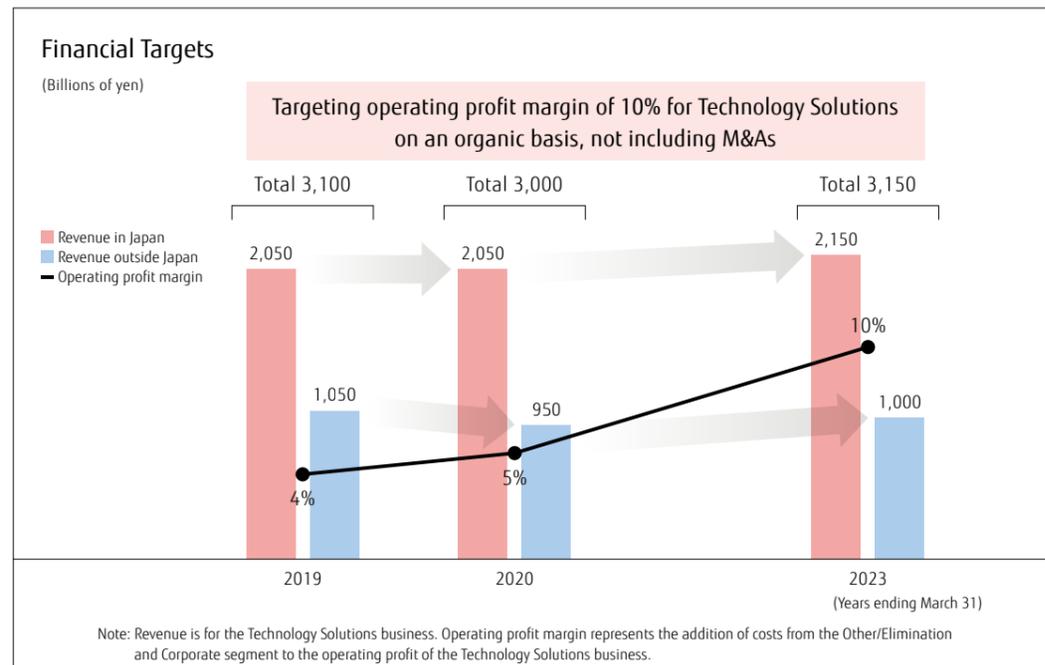
In Japan, Fujitsu's businesses have been steadily receiving orders overall, especially in the industry and distribution and retailing fields. Meanwhile, in contrast to our existing business fields, our digital businesses have really only just begun. We are at a stage where the digitization market in 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 for us to introduce a greater sense of urgency in our management decision making and day-to-day business operations.

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 complexly 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 that allows us to put our Corporate Vision into action.

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 these endeavors going forward.



*Tatsuya Tanaka*

**Tatsuya Tanaka**  
Representative Director and President

## MESSAGE FROM THE SENIOR EXECUTIVE VICE PRESIDENT



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, the most important management resource for a service-oriented company.

**Hidehiro Tsukano**  
Representative Director  
Corporate Executive Officer  
SEVP / Assistant to the President / CFO

### 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 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 value. Accordingly, we decided that the percentage of sales outside Japan will be excluded from our KPIs for the time being.

We believe that an operating profit margin of over 10% is a level that is essential to maintain and enhance our competitiveness as an ICT services company in the global market. In fact, within our Technology Solutions segment, the services businesses (solutions/SI and infrastructure services), which primarily underpin our digital businesses, alone achieved an operating profit margin of 6.3% in fiscal 2017. In fiscal 2018, these businesses are expected to realize an

operating profit margin of 7.4%. Accordingly, an operating profit margin of over 10% in the Technology Solutions segment is more than achievable. Given the attainable nature of this KPI, we have compared our strategies against the time it takes to execute them and made efforts to once again communicate our determination to reach this KPI both inside and outside the Group.

In regard to our free cash flow KPI, following our performance in fiscal 2017 in which free cash flow reached ¥177.8 billion, we intend to realize free cash flow of ¥120.0 billion in fiscal 2018, bringing us well within range of reaching our KPI target. Also, as of September 30, 2018, our owners' equity ratio stood at approximately 38%, continuing on a course of steady improvement.

### Accelerating Investment to Maximize the Value Created by Our Personnel

As we make progress in "business structure transformation" and begin to focus our efforts more heavily on "growth strategy transformation," the importance of human resources as part of our management capital has become much greater. In addition, as a service-oriented company, investment in human resources remains crucial to maximizing the value that our personnel create and enhancing our corporate value.

In light of the fact that we have established a foundation for the steady generation of free cash flow, we will work to offer returns to our shareholders based on a stable and high level of dividend payments, in combination with the acquisition of treasury stock. At the same time, we intend to accelerate investment in human resources in our aim to reach the next stage of transformation. While strengthening our recruitment practices and revising our training programs, we will introduce a system for moving Group personnel who are involved and have an abundance of know-how in accounting, purchasing,

human resources, and other business-related fields into positions where they can leverage such know-how through consulting services.

### Transforming Our Structure and Organization to Enhance Profitability

As Assistant to the President, I will focus my efforts on developing human resources from the perspective of managing the Group as a whole. At the same time, as the CFO I am aware that the most important management issue for me to address is cutting costs. With this in mind, I will put forth my best effort to help us promptly implement structural reforms in our overseas business. Additionally, I will take steps to adjust indirect/support functions with the aim of significantly reducing indirect costs on a Groupwide basis.

In our business outside of Japan, over the past year we have proceeded with various efforts that have included revamping the structure of the boards of directors at local subsidiaries and reorganizing the chains of command. We are particularly aware of the importance of making drastic structural reforms in Europe, the Middle East, India, and Africa (EMEIA), which constitute the pillar of our overseas operations. As a specific measure under these reforms, we will close our site in Augsburg, Germany, thereby bringing the Group's development and manufacturing functions in the region to an end. Furthermore, we will reexamine the positioning of our locations throughout EMEIA and concentrate management resources on locations where we have 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.

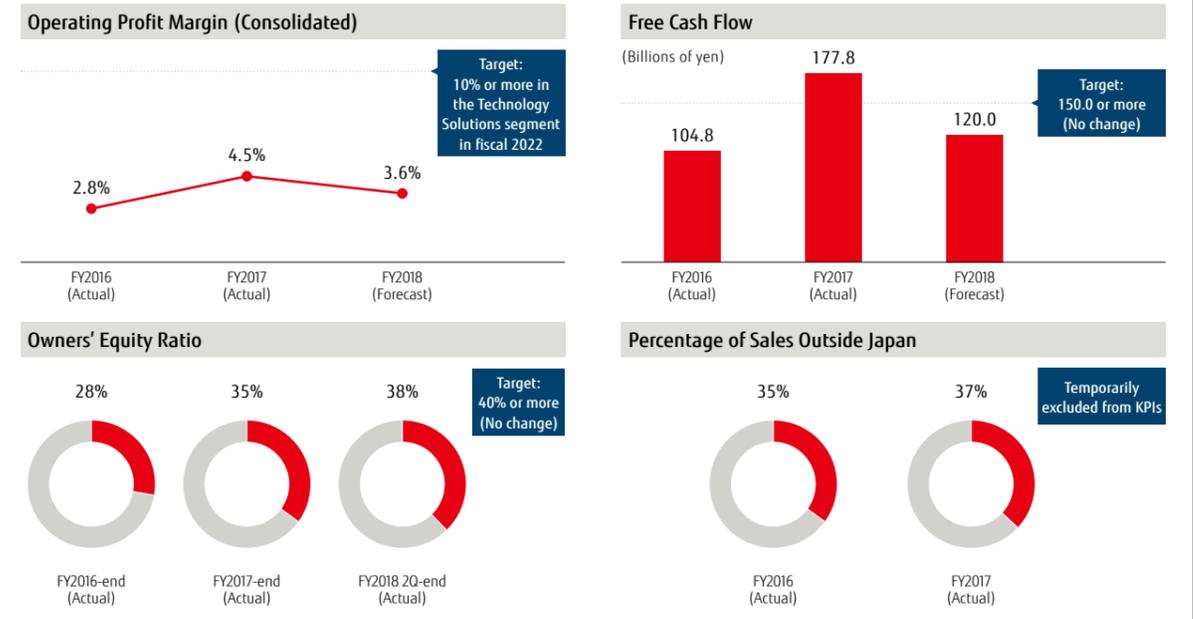
Going forward, specific details regarding the closing of the Augsburg site and location reorganization will be determined through negotiations with employee representatives. We therefore intend to disclose the impact of these reforms on our performance from fiscal 2018 and beyond after carrying out appropriate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

### Determining Risks and Opportunities through Organizational Agility

The relationship between the United States and China and the practical application of 5G are 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.

### Fiscal 2016–2017 Financial Results and Fiscal 2018 Forecast



# 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.



The FUJITSU Digital Transformation Center (DTC) is a co-creation workshop that focuses on digital transformation. DTCs have opened in five locations around the world—Tokyo and Osaka, Japan; New York City, United States; Munich, Germany; and London, United Kingdom. They serve as venues that empower Fujitsu employees and customers to consider and practically apply co-creation.



Open Innovation Gateway (OIG), located in the San Francisco Bay Area, functions as Fujitsu’s gateway to open services innovation. OIG supports the acceleration of business innovation through partnerships between customers and a wide range of organizations including different units of Fujitsu, universities, research institutions, government agencies, enterprises, and innovative start-ups in Silicon Valley and beyond.



# Development of People and Places for Accelerating Digital Businesses, and the Front Lines of Co-Creation

## Connected Services: Aiming for the Co-Creation of Value with Our Customers

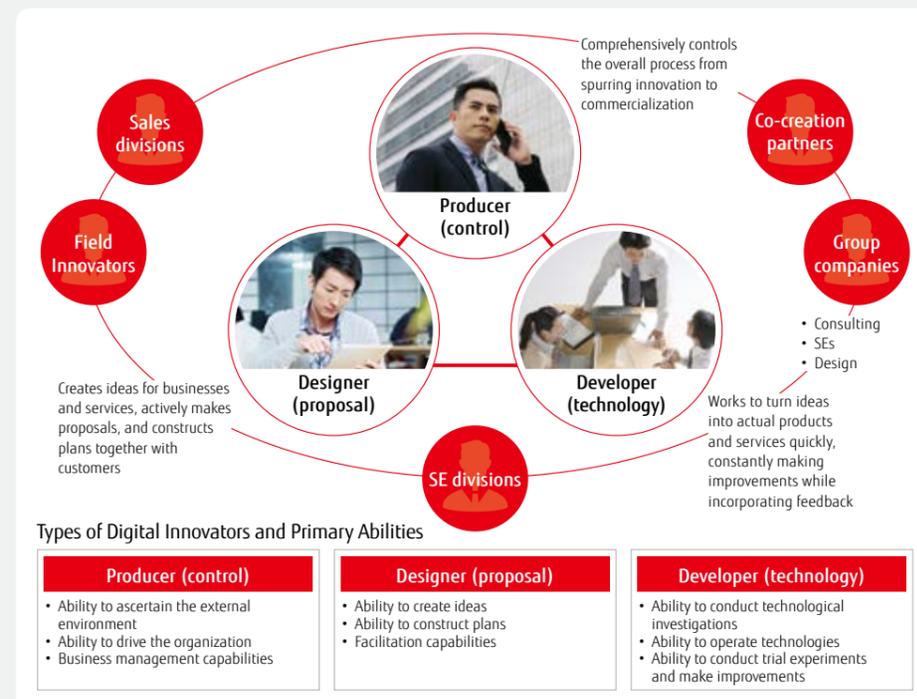
In recent years, amid the progression of innovation through digital technologies that transcends industries, the role our customers expect ICT to play has undergone a sea change, going well beyond the traditional role of enhancing operational efficiency and resolving already known issues. Our customers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

## Digital Innovators: Playing the Role of Co-Creation Promoters

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 (BG), which specializes in promoting digital businesses. The core members of this BG 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 prototypes to complete the creation of services while reflecting feedback received from customers' frontline operations. While drawing on their individual expertise, these three types of digital innovators bring together and mobilize the Group's human resources and technological assets, including internal SEs and external partners, to form the optimal team for each project.



## Cultivating Digital Innovators at "Digital Bootcamp"

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 200 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\*<sup>1</sup> and proof of concepts (PoC).<sup>\*2</sup> 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, on-the-job training in relevant Group divisions to acquire technological know-how, and secondment to external venture companies.

\*1 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.  
 \*2 Proof of concept is a demonstration that verifies the feasibility of new ideas, theories, and principles.



## Stimulating Innovation at Venues Where Diverse People Interact

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.



**CHORDSHIP:  
Integrating Business  
Understanding and  
AI Technologies**

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.

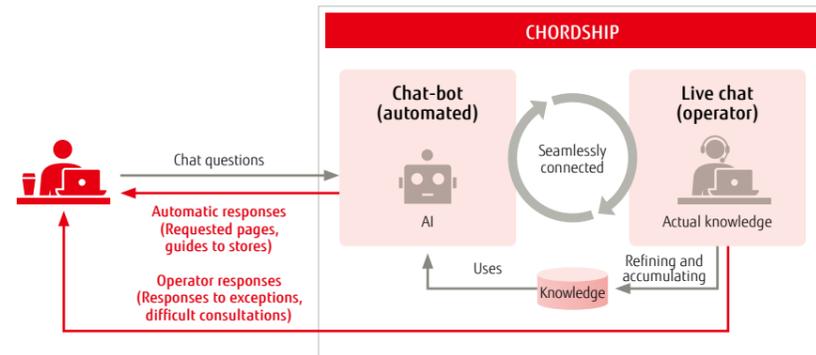
CHORDSHIP is a solution that centers on a chat-bot,<sup>\*3</sup> which enables automatic response at contact centers and help desks. This chat-bot is equipped with hybrid communication and machine learning AI technologies, allowing it to provide highly precise answers by narrowing down the content of 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.

\*3 A term derived from the combination of "chat" and "robot," a chat-bot is an automatic conversation program that utilizes AI.

**Optimal Hybrid Operation between AI and People**

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



**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 were enthusiastic to work 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 resolving 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.

**Customer Oriented**

- Acquire customers willing to take on challenges with us as our partner
- Keep a close eye on needs and issues on the front lines

**Design Concept**

- Begin from a sense of empathy with customers (users)
- Create a vision
- Brainstorm ideas
- Repeat inspection and evaluation activities

**Agile Development**

- Examine features to address issues and needs
- Create prototypes
- Verify based on actual data
- Carry out inspection and evaluation activities with customers
- Repeat the above through a rapid cycle while constantly making improvements



**Promoting Digital  
Businesses as  
Social Innovation**

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 innovator 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. The engineering experience we gained through this process became the prototype for our "Connected Services," which we are currently promoting.

Going forward, we will leverage the strengths that provide us with a competitive edge, including our insight into customer businesses and operations, cultivated through our track record of reaching the No. 1 share of Japan's SI business, and our digital technologies. At the same time, we will make 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 x 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.

## Fujitsu's Mission to Address Climate Change

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.

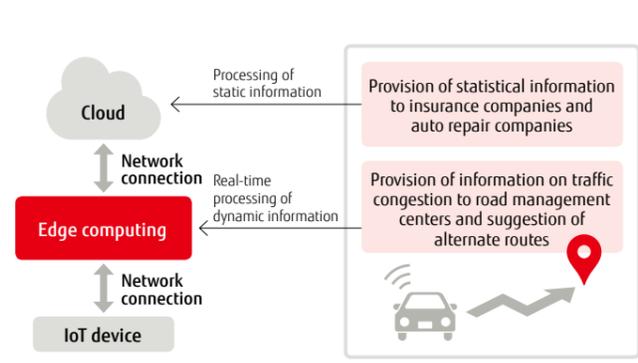
In 2017, the Group announced its medium- to long-term environmental vision, the FUJITSU Climate and Energy Vision. The key goals of this vision are to work toward the realization of a decarbonized society and to contribute to adaptation measures to counter climate change. By utilizing digital technologies, 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.

## Edge Computing in the Era of 5G x IoT

Edge computing is a kind of technology that can promptly process a massive amount of data and maintain response speed. The technology allocates a partial amount or entire amounts of data that require a real-time response to an edge computer, which is placed between an IoT device and a cloud environment, referred to as the "edge," where the data is processed. Through 5G, there is a potential to expand the usage of this technology. For example, edge computing can help assign tasks as necessary within such processes as the transmission of high-definition video to mobile devices or the provision of real-time information to connected cars.

Task Allocation between Cloud and Edge Computing in a Connected Car



Edge computing systems are expected to be installed at not only mobile network base stations but also in buildings, in stores, and at other facilities. To curtail the heightened energy consumption that will likely follow the increased installation of these systems, one solution is to realize two-way 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).

## Optimizing Load Distribution Using AI

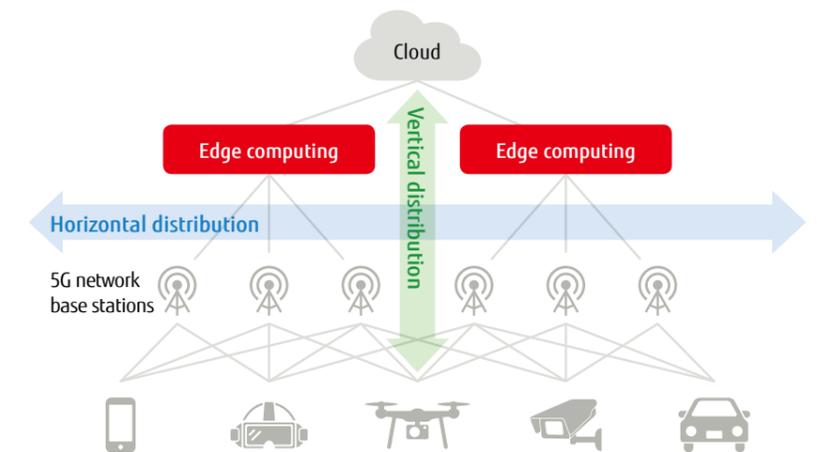
From fiscal 2018, Fujitsu is working on a project commissioned by the Ministry of the Environment, "technological development for drastic energy savings achieved by regionally dispersed edge computing systems," with NIPPON TELEGRAPH AND TELEPHONE WEST CORPORATION and Osaka University (EEC Research Institute).

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.

These forecasts are based on such conditions as the fluctuating energy consumption volumes of each edge computing system, the operating conditions of internal system devices, and outside temperatures. Furthermore, to ensure that tasks are assigned based on this energy model, Fujitsu Next Generation Cloud Research Alliance Laboratories (FCRAL)\*1 are developing and verifying algorithms that realize the optimal dynamic control of regionally dispersed edge computing systems, both horizontally and vertically, with the aim of reducing energy consumption across entire regions.

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 power efficiency of ICT-related equipment, of 1.1 or less.

Optimal Control through Regionally Dispersed Edge Computing Systems



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.

\*1 Fujitsu Next Generation Cloud Research Alliance Laboratories (FCRAL) 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 ratio 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.

## Realizing a Decarbonized Society

By making the ICT infrastructure supporting the era of 5G x IoT more environment-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.

# 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."

## Security Threats in the Connected Era

By 2022, digital products and services are expected to account for over 60% of the world's GDP.\*<sup>1</sup> 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 (¥61 trillion) worth of damage to the global economy.\*<sup>2</sup> 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.\*<sup>3</sup>

\*1 IDC, "IDC FutureScape: Worldwide IT Industry 2019 Predictions" <https://www.idc.com/getdoc.jsp?containerid=US44403818>

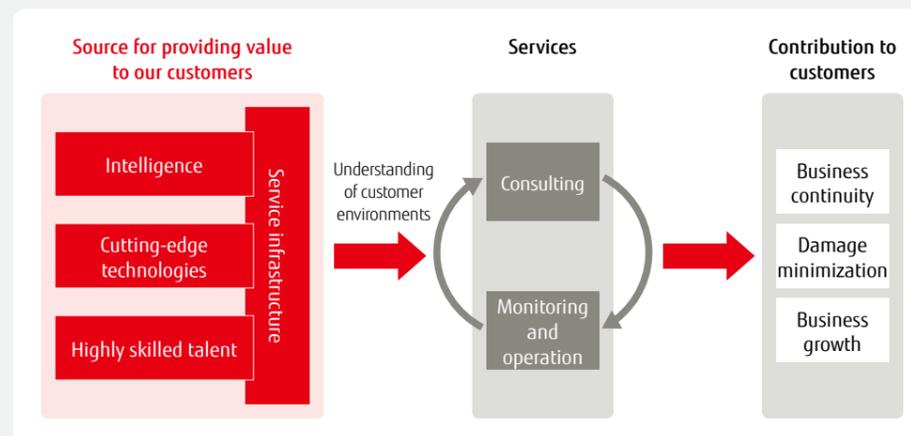
\*2 McAfee, "The Economic Impact of Cybercrime—No Slowing Down" <https://www.mcafee.com/enterprise/en-us/assets/executive-summaries/es-economic-impact-cybercrime.pdf>

\*3 IDC, "New IDC Spending Guide Forecasts Worldwide Spending on Security Solutions Will Reach \$133.7 Billion in 2022" <https://www.idc.com/getdoc.jsp?containerid=prUS44370418>

## Fujitsu's Strengths in the Security Domain

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 Artifact 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.

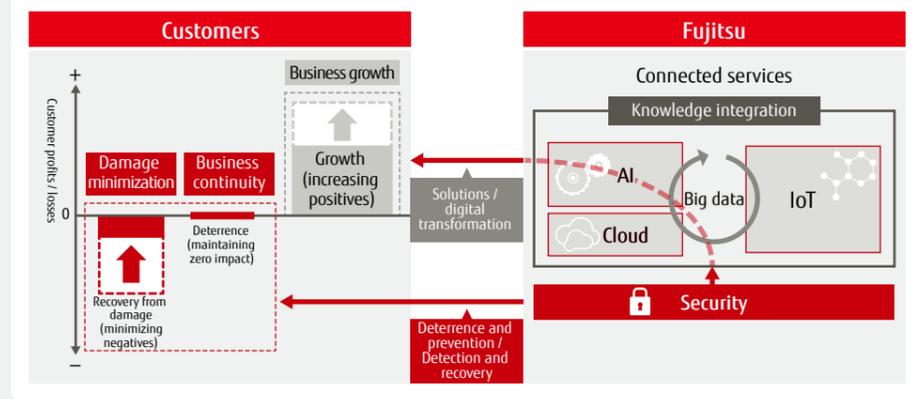


## Security Underpinning Connected Services

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 products and operations 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.

Fujitsu's Security Business Contributing to Our Customers' Value Creation

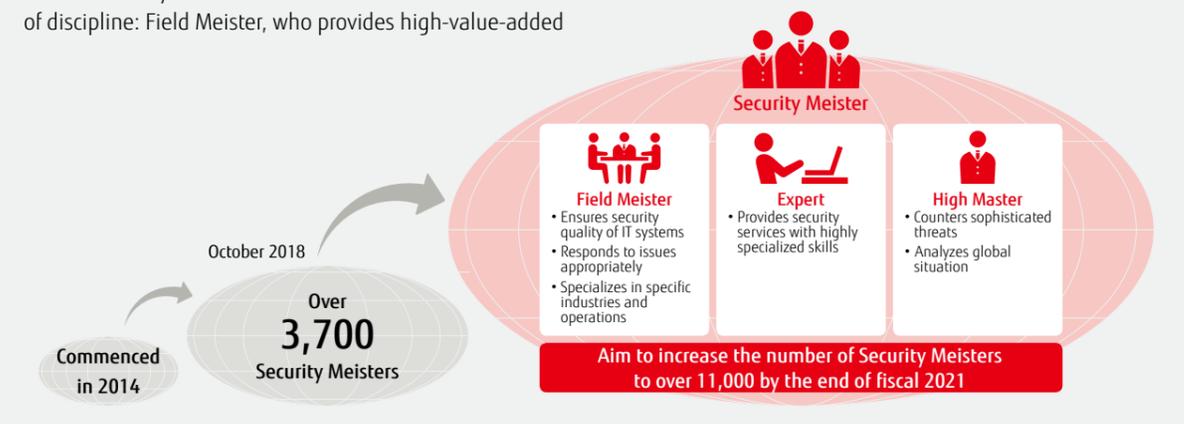


## Cultivating Security Meisters

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

SI services that incorporate security requirements; Expert, who has sophisticated and specialized cybersecurity 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.



## MANAGEMENT

(As of January 1, 2019)

## EXECUTIVE DIRECTORS

**Tatsuya Tanaka**

Representative Director  
President  
Number of years as director: 3  
Number of Fujitsu shares held: 57,586\*<sup>1</sup>

Born: September 11, 1956  
Apr. 1980 Joined Fujitsu Limited  
Apr. 2005 Director of the Board and Vice President, Fujitsu (China) Holdings Co., Ltd.  
Dec. 2009 Senior Vice President, Manufacturing Industry Business Unit  
Apr. 2012 Corporate Vice President  
Apr. 2014 Corporate Senior Vice President  
Jan. 2015 Corporate Executive Officer  
SEVP  
Jun. 2015 Representative Director  
President\*<sup>2</sup>

**Hidehiro Tsukano**

Representative Director  
Number of years as director: 3  
Number of Fujitsu shares held: 48,938\*<sup>1</sup>

Born: March 21, 1958  
Apr. 1981 Joined Fujitsu Limited  
Jun. 2009 President, Corporate Planning and Business Strategy Office  
May 2011 Corporate Vice President  
Apr. 2014 Corporate Senior Vice President / CFO\*<sup>2</sup> \*<sup>3</sup>  
Jun. 2015 Director (until June 2017)  
Apr. 2016 Corporate Executive Officer  
SEVP, Head of Global Corporate Functions\*<sup>2</sup>  
Jun. 2017 Representative Director\*<sup>2</sup>  
Apr. 2018 Chief Strategy Officer  
Jan. 2019 Assistant to the President\*<sup>2</sup>

## NON-EXECUTIVE DIRECTORS

**Masami Yamamoto**

Director  
Chairman  
Number of years as director: 8  
Number of Fujitsu shares held: 163,072\*<sup>1</sup>

Born: January 11, 1954  
Apr. 1976 Joined Fujitsu Limited  
Jun. 2004 Executive Vice President, Personal Systems Business Group  
Jun. 2005 Corporate Vice President  
Jun. 2007 Corporate Senior Vice President  
Jan. 2010 Corporate Senior Executive Vice President  
Apr. 2010 President  
Jun. 2010 Representative Director  
President  
Jun. 2015 Representative Director  
Chairman  
Jun. 2017 Director  
Chairman\*<sup>2</sup>

**Jun Yokota**

Director  
Number of years as director: 4  
Number of Fujitsu shares held: 4,723\*<sup>1</sup>

Born: June 26, 1947  
Apr. 1971 Joined the Ministry of Foreign Affairs  
Jan. 1998 Deputy Director-General, Economic Affairs Bureau  
Jun. 2002 Consul-General of Japan in Hong Kong  
Apr. 2004 Ambassador Extraordinary and Plenipotentiary to the State of Israel  
May 2009 Ambassador Extraordinary and Plenipotentiary to the Kingdom of Belgium  
Oct. 2012 Ambassador Extraordinary and Plenipotentiary in charge of Economic Diplomacy and of Reconstruction Assistance to Iraq (until January 2014)  
Jun. 2014 Special Advisor to the Chairman of Keidanren (until May 2018)  
Jun. 2014 Director, Fujitsu Limited\*<sup>2</sup>

\*1 Number of shares held as of March 31, 2018  
\*2 To present  
\*3 CFO: Chief Financial Officer  
\*4 Currently, the Japan Aerospace Exploration Agency (JAXA)

\*5 Currently, Raymond James & Associates, Inc.  
\*6 Currently, Deutsche Securities Inc.  
\*7 Currently, Unitas Capital  
\*8 Currently, Atlas Copco

**Chiaki Mukai**

Director  
Vice President of the Tokyo University of Science  
Number of years as director: 3  
Number of Fujitsu shares held: 18,089\*<sup>1</sup>

Born: May 6, 1952  
Nov. 1977 Staff, Department of Surgery, Keio University School of Medicine (until November 1985)  
Aug. 1985 Payload Specialist, The National Space Development Agency of Japan\*<sup>4</sup> (until March 2015)  
Jun. 1987 Visiting Scientist, Division of Cardiovascular Physiology, Space Biomedical Research Institute, NASA Johnson Space Center (until December 1988)  
Sep. 1992 Research Instructor of the Department of Surgery, Baylor College of Medicine (until August 2011)  
Apr. 2000 Visiting Professor of the Department of Surgery, Keio University School of Medicine\*<sup>2</sup>  
Sep. 2004 Visiting Professor of the International Space University (until September 2007)  
Oct. 2007 Director, Space Biomedical Research Office, Human Space Technology and Astronaut Department of JAXA  
Apr. 2011 Senior Advisor to the JAXA Executive Director (until March 2015)  
Oct. 2014 Vice President of the Science Council of Japan (until September 2017)  
Apr. 2015 Vice President of the Tokyo University of Science\*<sup>2</sup>  
Jun. 2015 Director, Fujitsu Limited\*<sup>2</sup>  
Jan. 2017 Chair of the Scientific and Technical Subcommittee, UN Committee on the Peaceful Uses of Outer Space (COPUOS) (until January 2018)  
Apr. 2018 Special Counselor of JAXA\*<sup>2</sup>

**Atsushi Abe**

Director  
Managing Partner, Sangyo Sosei Advisory Inc.  
Number of years as director: 3  
Number of Fujitsu shares held: 14,162\*<sup>1</sup>

Born: October 19, 1953  
Apr. 1977 Mitsui & Co., Ltd.  
Jun. 1990 Manager, Electronic Industry Department, Mitsui & Co., Ltd.  
Jan. 1993 Managing Director, Alex. Brown & Sons, Inc.\*<sup>2</sup>  
Aug. 2001 Managing Director and Head of Global Corporate Finance, Deutsche Securities Limited\*<sup>6</sup>  
Aug. 2004 Partner and Head of Japan, J.P. Morgan Partners Asia\*<sup>1</sup> (until March 2009)  
May 2007 Board Member, Edwards Group Ltd.\*<sup>8</sup> (until October 2009)  
Dec. 2009 Managing Partner, Sangyo Sosei Advisory Inc.\*<sup>2</sup>  
Feb. 2011 Board Member, ON Semiconductor Corporation\*<sup>2</sup>  
Jun. 2015 Director, Fujitsu Limited\*<sup>2</sup>

**Kazuto Kojima**

Director  
Number of years as director: Newly appointed  
Number of Fujitsu shares held: 5,000\*<sup>1</sup>

Born: March 30, 1942  
Apr. 1965 Joined Fujitsu Limited  
Jun. 1994 Director  
Jun. 1998 Senior Vice President and Director  
Apr. 2000 Executive Vice President and Director (until June 2002)  
Jun. 2002 Corporate Executive Vice President (until April 2003)  
Jun. 2003 Executive Advisor, Group Chairman, Fujitsu North America Companies  
Sep. 2005 Advisor (until June 2006)  
Apr. 2007 External Auditor, Computer Engineering & Consulting, Ltd. (until April 2011)  
Jun. 2018 Director, Fujitsu Limited\*<sup>2</sup>

**Yoshiko Kojima**

Director  
Number of years as director: Newly appointed  
Number of Fujitsu shares held: 0\*<sup>1</sup>

Born: June 19, 1956  
Apr. 1988 Assistant Professor of International Relations, Faculty of Law, Kokugakuin University  
Apr. 1991 Associate Professor of International Relations, Faculty of Law, Kokugakuin University  
Apr. 1996 Associate Professor of International Relations, Department of Advanced Social and International Studies, the University of Tokyo  
Jun. 1999 Professor of International Relations, Department of Advanced Social and International Relations, the University of Tokyo\*<sup>2</sup>  
Oct. 2010 President, Japan Association of International Relations (until October 2012)  
Oct. 2012 Member of Advisory Board, Japan Association of International Relations\*<sup>2</sup>  
Oct. 2014 Member of Science Council, Japan\*<sup>2</sup>  
Jun. 2018 Director, Fujitsu Limited\*<sup>2</sup>

## AUDIT &amp; SUPERVISORY BOARD MEMBERS

Audit &amp; Supervisory Board Members

**Yoshiki Kondo****Youichi Hirose****Megumi Yamamuro**  
Special Counsel, URYU & ITOGA**Hiroshi Mitani**  
Lawyer**Koji Hatsukawa**  
Certified Public Accountant

Audit &amp; Supervisory Board Members (External)

## REPRESENTATIVE DIRECTORS / CORPORATE EXECUTIVE OFFICERS

Representative Director and President

**Tatsuya Tanaka**

Representative Director and Corporate Executive Officer

**Hidehiro Tsukano**

Vice Chairmen and Corporate Executive Officers

**Nobuhiko Sasaki****Naoyoshi Takatsuna**

Senior Executive Vice Presidents

**Duncan Tait****Akira Kabemoto****Hidenori Furuta****Mitsuya Yasui****Toshiharu Kitaoka**

Executive Vice Presidents

**Tango Matsumoto****Masaki Kubota****Toshio Hirose****Hirohisa Yamaguchi****Takahito Tokita****Takayuki Sunada****Hiroyuki Sakai****Katsumi Nakano****Junichi Saito****Kazuo Yuasa****Junichi Azuma****Ryuji Kushida****Hideki Kiwaki****Jo Oda****Hiroshi Hayashi****Naoko Yoshizawa****Megumi Shimazu**

## ROUNDTABLE DISCUSSION WITH EXTERNAL DIRECTORS

## Corporate Governance That Brings Out Fujitsu's True Value



**Jun Yokota**  
Former Ambassador Extraordinary and  
Plenipotentiary to the State of Israel  
and the Kingdom of Belgium

**Chiaki Mukai**  
Vice President  
Tokyo University of Science

**Yoshiko Kojo**  
Professor  
Department of Advanced Social and  
International Relations, the University of Tokyo

**Atsushi Abe**  
Managing Partner  
Sangyo Sosei Advisory Inc.

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 Yoshiko 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.

**Yoshiko 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 an agreement reached by the United Nations. Through my role, I hope to emphasize the fact that the corporate vision Fujitsu adopts is sufficiently valid within international

society and to provide support for the initiatives that the Company pursues under this vision.

— 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.

**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.

— 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:** We as external directors are not directly involved in business execution, and it is therefore somewhat difficult to determine the standards upon which to base our evaluation of Board effectiveness. However, the monitoring list of important agenda items, which was introduced in response

to the results of previous evaluations of Board effectiveness, acts as a beneficial tool that allows us to monitor the progress of efforts to address various issues. We use this list as the basis for providing advice and supervision, which in turn is effective for overseeing the Company's business execution.

**Mukai:** For example, in the past when we pointed out ambiguous aspects of reports submitted to the Board of Directors by the executive side, these reports were withdrawn and subsequent reports were submitted that were much more concrete. This example is evidence that we exert a certain amount of pressure on the executive side.

**Abe:** As an issue going forward, we need to focus our attention on the extent to which each individual director is contributing while continuing to take steps to enhance the overall effectiveness of the Board of Directors. For example, listed companies in the United States not only introduce training systems for directors, they also have in place frameworks in which directors evaluate each other. Such feedback is both beneficial and productive, and I hope we will steadily incorporate these kinds of elements in the future.

**Mukai:** This year, there was a shift toward a US-style approach to evaluating effectiveness as we voiced our opinions directly to Masami Yamamoto, the chairman of the Board, rather than offering them through a survey. The way that Board meetings proceed has also changed significantly since I was first appointed as an external director. Previously, meetings started with the confirmation of meeting minutes, followed by reports of current business conditions and the approval of proposals. However, for meetings these days, we allocate more time for holding substantial debate, such as by confirming meeting minutes before meetings begin. A major recent improvement has been the creation of the monitoring list for important agenda items, which allows us to clearly keep track of who has done what, what actions have been completed, and what items remain to be decided.

**Yokota:** In that regard, Mr. Abe's contributions to improving effectiveness have been significant. While the Company offers opportunities for directors to receive training, I believe it would also be a good idea for it to encourage external members to receive training in specific fields.

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

Chiaki Mukai





Fujitsu still faces issues in showcasing its efforts to the outside world. Given the fact that we have continued to receive high marks from external experts, I believe we should try to devise ways to promote our efforts in a manner that will be easy for the general public to understand.

Jun Yokota

**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.

#### — What kinds of issues does Fujitsu face with its human resources strategy?

**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. If we can increase our efforts to address this issue, then I believe we can dramatically improve the speed of decision making on an organizational level.

Also, for IT companies such as Fujitsu, it's particularly valuable to actively incorporate new workstyles and support them by using technologies and systems. Doing so provides an opportunity to conduct verification tests for introducing new technologies to society, which if successful can help lead to the development of new hit solutions and services.

**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. Among new employees joining Fujitsu, there is a nearly even ratio of males to females, so it's important that we improve the working environment

for women from the standpoint of securing human resources as well. In addition, to clear the Japanese government's target for 2020 of having 30% of managerial positions filled by women, we must accelerate efforts to this end, up to and including a reevaluation of organizational culture.

**Kojo:** Women account for half of society, and the reality of the matter is that women are currently more affected by various life events. To truly expand businesses aimed at resolving social issues, the perspective of women is indispensable, and I believe the importance of actively utilizing female employees will become even greater going forward.

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. Young women these days place great importance on maintaining a work-life balance, so I believe that the Company should explore many options in its approach to developing female managers.

**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 corporations. 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.

#### — How do you assess Fujitsu's efforts toward the SDGs?

**Yokota:** I believe that our business activities themselves contribute to the realization of the SDGs. This is exemplified by the fact that the Company has been selected for inclusion in the Dow Jones Sustainability Index for eight consecutive years.

Meanwhile, Fujitsu still faces issues in showcasing its efforts to the outside world. Given the fact that we have continued to receive high marks from external experts, I believe we should try to devise ways to promote our efforts in a manner

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.

Yoshiko Kojo



that will be easy for the general public to understand.

**Mukai:** Recently among global investors, SDG-related parameters are being utilized in making investment decisions. Many of Fujitsu's products and services have the ability to contribute to the SDGs. Accordingly, I believe the Company should promote itself by seamlessly tying the SDGs, which act as a shared international benchmark, into its brand image.

**Abe:** Internally, Fujitsu has properly positioned SDG-related initiatives and established systems for carrying out these initiatives, so the Company faces no issues in this regard. However, I feel that we should be referring to the initiatives of IT companies in Europe and North America for more concrete policies. I think it would be effective for us to establish and implement easy-to-understand indices, such as the rate of renewable energy use, and showcase relevant efforts to the outside world.

**Kojo:** 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. If the Company can spread a message internally that "social contribution is the extension of our business," then it will be able to enhance the motivation of each employee.

#### — Finally, could each of you say a word to the shareholders?

**Abe:** Those who have shown great interest in Fujitsu have positively assessed the Company's Management Direction of "business structure transformation" and "growth strategy transformation," and I believe they are all focusing their attention on how quickly the Company can realize this direction.

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.

**Yokota:** One bit of feedback we received from the shareholders that overlapped with my own awareness of issues was the opinion that Fujitsu's management lacked a sufficient level of speed. Although this idea is somewhat abstract, I believe the Company additionally needs to sharpen its awareness of the outside world. Going forward, I will support the Company's efforts to improve corporate value by maintaining a focus on speed and on facing outward, not inward.

**Mukai:** I am aware that shareholders have extremely high expectations of Fujitsu's comprehensive strengths. I therefore believe that the Company needs to enhance its sense of urgency in order to meet these expectations.

I hope that Fujitsu can overcome this issue of speed and become a company that can leverage its presence on a global scale. I also hope that Fujitsu can become a company that is known throughout the world as a representative Japanese company. Through my role as an external director, I will make concerted efforts to support Fujitsu on the journey to becoming such a company.

**Kojo:** The position of external director is an extremely difficult one. We have to avoid getting too attached to the executive side while also making sure not to get too separated from it either. Accordingly, we have to engage in our role while maintaining a balance between these two ends of the spectrum. While keeping myself at an appropriate distance from the executive side, I will work to the best of my ability to closely monitor the Company's business execution from a supporting role.



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.

Atsushi Abe

# CORPORATE GOVERNANCE

## 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 of independent directors and non-executive directors appointed from within the Company) are reflected in the management execution of executive directors, as part of the Board of Directors' function while leveraging the advantages of a company with an Audit & Supervisory Board system:

- Same number or more of non-executive directors responsible for oversight are appointed as executive directors responsible for management execution.
- 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.

- Audit & Supervisory Board members conduct external audits and provide oversight of the Board of Directors. The voluntary Executive Nomination Committee and the Compensation Committee, composed mainly of non-executive directors and Audit & Supervisory Board members, and the Independent Officers Council all function to complement the Board of Directors.
- Independent Audit & Supervisory Board members are external Audit & Supervisory Board members who meet the Independence Standards.

Based on a decision made by the Board of Directors in December 2015, the Company has established a basic policy, "Corporate Governance Policy," summarizing its approach to corporate governance.

<http://pr.fujitsu.com/jp/ir/governance/governancereport-b-en.pdf>

In addition, for details on corporate governance, please visit the Fujitsu website (About Fujitsu ▶ Corporate Responsibility ▶ Management Systems ▶ Corporate Governance):  
<http://www.fujitsu.com/global/about/csr/management/governance/>

corporate and management information to stakeholders.

In addition, as announced in the Management Direction Progress Review in October 2018, Fujitsu decided to substantially change its management structure 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 offered to resign and their resignations took effect on December 31, 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.

## Constantly Enhancing Corporate Governance



**Mitsuya Yasui**  
Corporate Executive Officer  
Senior Executive Vice President,  
General Counsel & CISO

The Company constantly reviews its corporate governance and has established a basic policy of consistently maintaining an optimum system. Among measures we have taken recently: in March 2018, we abolished the senior executive advisor/advisor system and in July 2018, we appointed Dr. Chiaki Mukai, an external director of Fujitsu, as chairperson of the Compensation Committee. Through such means, we have worked to improve the transparency of corporate governance while strengthening oversight functions.

Furthermore, external director Mr. Atsushi Abe has been increasingly involved in constructive dialogue with investors to directly explain management information. In 2019, we intend to continue these activities involving external directors, along with internal directors, in order to fulfill our responsibility to explain

## 1. Overview of Corporate Governance Structure

### Initiatives Taken to Strengthen Corporate Governance

2006	2009	2015	2017	2018
<b>Reduced directors' terms to one year</b>	<b>Established the Executive Nomination Committee and Compensation Committee</b>	<b>Established the Independent Officers Council</b>	<b>Established Corporate Governance Policy</b>	<b>Introduced Performance-based Stock Compensation Plan</b>
To further clarify directors' management responsibilities	To ensure the transparency and objectivity of the process for choosing candidates for executives and the process of determining compensation, and to ensure an appropriate compensation system and level	To support independent officers, who maintain a certain degree of separation from the execution of business activities, in consistently gaining a deeper understanding of Fujitsu's business	To explain to shareholders basic policies on the establishment and operation of systems in light of basic approaches to corporate governance	To incentivize executive directors to improve medium- to long-term corporate value and to promote shareholder-oriented business management
				<b>Abolished senior executive advisor/advisor system</b>
				To clarify management responsibility and strengthen corporate governance

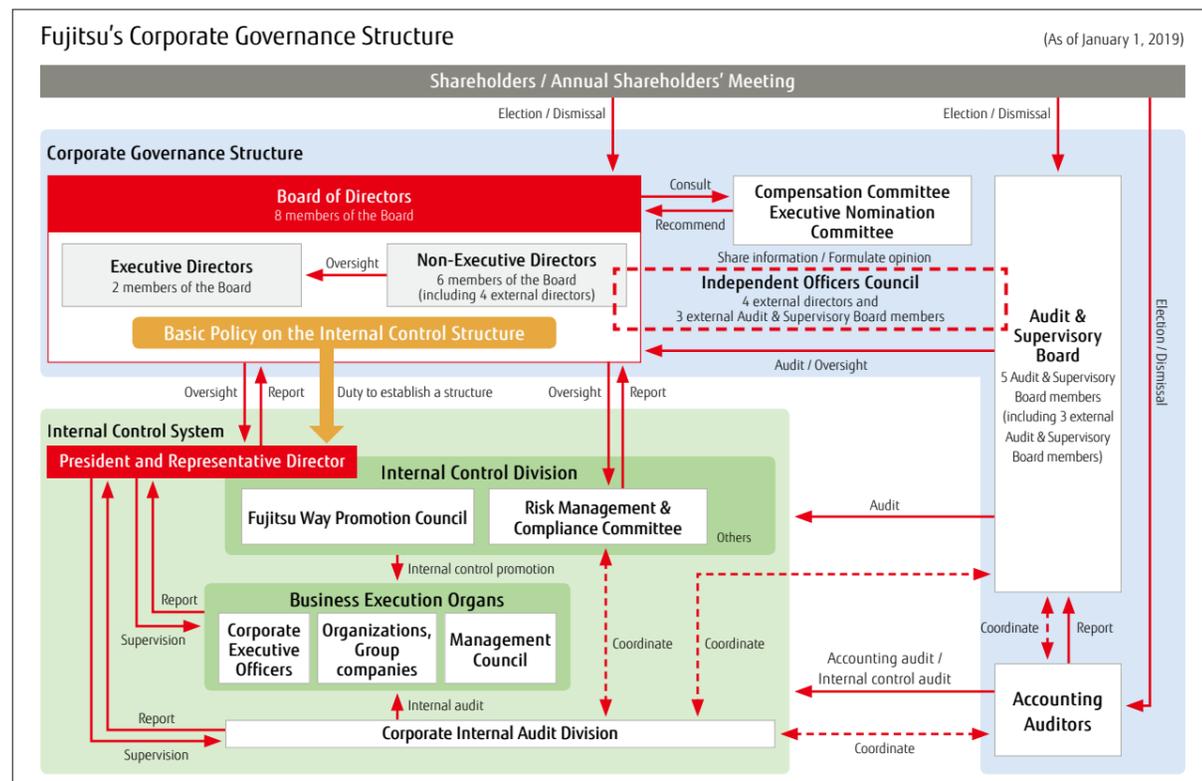
## Roles and Composition of Key Boards, Committees, and Councils

<b>Board of Directors</b>	The Company has a Board of Directors to serve as a body for making important decisions and overseeing management. The Board of Directors delegates the decision-making authority over management execution to the representative directors and subordinate corporate executive officers to the broadest extent that is permitted by law and the Articles of Incorporation of the Company, and is considered to be reasonable and will mainly perform as an oversight and advisory body. Moreover, the oversight function of the Board of Directors has been strengthened by actively appointing external directors with high independence and diverse perspectives. The term of directors is one year. As of January 1, 2019, the Board of Directors comprises eight members: two executive directors and six non-executive directors (including four external directors). The position of chairperson of the Board of Directors is separate from the position of president, who has ultimate responsibility for management execution.
<b>Audit &amp; Supervisory Board</b>	The Company has an Audit & Supervisory Board that performs the auditing and oversight functions. From an independent position that does not entail involvement with management decisions or execution, Audit & Supervisory Board members audit and provide oversight of the Board of Directors as well as management execution functions and attend important meetings, including meetings of the Board of Directors. The term of Audit & Supervisory Board members is four years. As of January 1, 2019, the Audit & Supervisory Board has five members, comprising two full-time Audit & Supervisory Board members and three external Audit & Supervisory Board members. Among the Audit & Supervisory Board members, full-time Audit & Supervisory Board member Mr. Yoshiaki Kondo has many years of experience in the domestic sales division and systems engineering division in Japan, as well as extensive knowledge of the Company's mainstay services business. Further, full-time Audit & Supervisory Board member Mr. Youichi Hirose not only has extensive knowledge of finance and accounting issues but also has abundant expertise in relation to business management. In addition to his many years of management experience in the Company's finance and accounting divisions, including time spent serving as the head of the Company's Corporate Finance Unit, he has been deeply involved in the transformation of the business model toward one centered on technology solutions. For additional information regarding the fields of specialization of external Audit & Supervisory Board members, please refer to "Appointment of External Directors and External Audit & Supervisory Board Members" on pages 45-46.
<b>Executive Nomination Committee and Compensation Committee</b>	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, and provides its recommendations to the Board of Directors. 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 in accordance with the Procedures and Policy of Determining Directors' and Audit & Supervisory Board Members' Compensation stipulated in the Company's Corporate Governance Policy. 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 detailed below. Both committees consist of four non-executive directors (of whom two are independent directors). • Executive Nomination Committee Chairperson: Mr. Kazuto Kojima Members: Mr. Jun Yokota, Dr. Chiaki Mukai, and Mr. Masami Yamamoto • Compensation Committee Chairperson: Dr. Chiaki Mukai Members: Mr. Jun Yokota, Mr. Kazuto Kojima, and Mr. Masami Yamamoto

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 invigorate discussions on the medium- to long-term direction of the Company at 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 enliven deliberations of the Board of Directors.
Support System for Directors and Audit & Supervisory Board Members	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 fulfill their role and contribute to the Company's corporate governance: <ul style="list-style-type: none"> <li>• The Company prepares a framework to help directors and Audit &amp; Supervisory Board members acquire the information they need, including advice from external experts, through financial support and staffing.</li> <li>• The Company provides newly appointed directors and Audit &amp; Supervisory Board members with necessary training, including information on their roles and responsibilities, internal structure, and business lineup. In addition, the Company provides ongoing opportunities for updating such information and knowledge periodically and when directors and Audit &amp; Supervisory Board members feel the need for further training while they remain in their position.</li> </ul> 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 and the previously mentioned Independent Officers Council. The Company has established an organization through which the Company's junior employees are assigned to respective external officers as assistants who provide direct support.

### 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.



### 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 would like to offer advice and help supervise these Company efforts, contributing to the realization of a bright and vibrant workplace. I also hope to contribute to reinforcing 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 aim to 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. 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 employee of one of Fujitsu Group companies\*<sup>1</sup>;
  - (2) Director, executive officer, Audit & Supervisory Board member, or important employee\*<sup>2</sup> of a major shareholder\*<sup>3</sup> of Fujitsu;
  - (3) Director, executive officer, Audit & Supervisory Board member, or important employee\*<sup>2</sup> of a major lender\*<sup>4</sup> to Fujitsu;
  - (4) Partner 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\*<sup>5</sup> or other 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\*<sup>2</sup> of a major business partner\*<sup>6</sup> of Fujitsu.
- b. A person who does not have a close relative\*<sup>7</sup> 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,\*<sup>8</sup> or important employee of Fujitsu Group companies;

- (2) Director, executive officer, Audit & Supervisory Board member, or important employee\*<sup>2</sup> of a major shareholder of Fujitsu;
- (3) Director, executive officer, Audit & Supervisory Board member, or important employee\*<sup>2</sup> of a major lender to Fujitsu;
- (4) Partner 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\*<sup>2</sup> of a major business partner of Fujitsu.

\*1 "Fujitsu Group companies" means Fujitsu Limited and its subsidiaries.  
\*2 This excludes the independent directors and the independent Audit & Supervisory Board members of said major shareholders, lenders to the Company, and business partners of the Company.  
\*3 "Major shareholder" indicates a shareholder in the top 10 major shareholders listed in the latest business report of Fujitsu.  
\*4 "Major lender" indicates a lender in the Group's major lenders listed in the latest business report of Fujitsu.  
\*5 "Significant amount of monetary benefits" means the sum of annual compensation for expert services and a donation equal to or more than ¥10 million.  
\*6 "Major business partner" means a company with which Fujitsu Group companies made a business transaction within the preceding three fiscal years, and the total amount of the transaction exceeded 1% of consolidated sales revenue of either Fujitsu or that company.  
\*7 "Close relative" means a family member, spouse, or cohabiter within the second degree of kinship (as stipulated in the Civil Code of Japan).  
\*8 This condition applies only when judging the independence of Fujitsu's external Audit & Supervisory Board member or a nominee thereof.

### 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 officers 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

	Mr. Yokota has served as Ambassador to Israel and Ambassador to Belgium, and is an expert in international economic negotiations, having served as a government representative for economic partnership agreement negotiations with Europe. Because of his deep knowledge of politics and economics from a global perspective, he fulfills an advisory and oversight role as an external director. Moreover, Mr. Yokota has never been a major shareholder, nor has he held an executive management position with a major business partner of the Company. Therefore, Fujitsu considers Mr. Yokota to be independent.
<b>Jun Yokota</b>	
	Dr. Mukai began her career as a doctor and became Asia's first female astronaut. She exemplifies the spirit of challenge advocated by Fujitsu by being at the cutting edge of scientific fields. As we can expect her to provide fair and objective oversight and advice from a global perspective based on her extensive knowledge of science and technology, she will fulfill an advisory and oversight role as an external director. Fujitsu and the Tokyo University of Science, where Dr. Mukai serves as vice president, had business transactions in fiscal 2017 amounting to approximately ¥251 million, which is considered immaterial and constituting no special relationship when taking into account the size of Fujitsu's total sales. Therefore, Fujitsu considers Dr. Mukai to be independent.
<b>Chiaki Mukai</b>	
	Mr. Abe has extensive knowledge of the ICT industry and M&As based on his many years of experience in investment banking and private equity business. As we can expect Mr. Abe to provide oversight and advice from a shareholder and investor perspective, as well as to contribute to the timely and resolute decision making of management, he fulfills an advisory and oversight role as an external director. Moreover, there are no major business transactions between Fujitsu Limited and Sangyo Sosei Advisory Inc., at which Mr. Abe is a managing partner, nor between Fujitsu Limited and ON Semiconductor Corporation, where Mr. Abe serves as a director. Mr. Abe has never been a major shareholder, nor has he held an executive management position with a company with which Fujitsu Limited has engaged in major business transactions. Therefore, Fujitsu considers Mr. Abe to be independent.
<b>Atsushi Abe</b>	
	Dr. Kojo served in important positions, including as the president of the Japan Association of International Relations, and her research has for many years focused mainly on the impact of economic entities, including private companies, on international politics. The Company expects that she will be able to provide extensive advice and oversight concerning the Company's response to changes in the external environment during a time of dramatic transition in international politics and with regard to SDG initiatives based on her deep insight. Dr. Kojo has never been a major shareholder, nor has she held a position involved in the execution of business of a major business partner of the Company. Therefore, Fujitsu considers Dr. Kojo to be independent.
<b>Yoshiko Kojo</b>	

## External Audit &amp; Supervisory Board Members

<b>Megumi Yamamuro</b>	Mr. Yamamuro has many years of experience in the legal profession. As he is an expert in corporate law, including the Companies Act, and domestic and overseas compliance measures, he fulfills an audit and oversight function and role as an external Audit & Supervisory Board member utilizing his experience and knowledge in Fujitsu's corporate governance. Mr. Yamamuro has never been a major shareholder, nor has he held an executive management position with a major business partner of the Company. Therefore, Fujitsu considers Mr. Yamamuro to be independent.
<b>Hiroshi Mitani</b>	Mr. Mitani has extensive knowledge of law as well as areas involving business management including economics and social issues, due to his experience as a public prosecutor and member of the Fair Trade Commission. Therefore, he fulfills an audit and oversight function and role as an external Audit & Supervisory Board member utilizing his experience and knowledge in the corporate governance of Fujitsu. Mr. Mitani has never been a major shareholder, nor has he held an executive management position with a major business partner of the Company. Therefore, Fujitsu considers Mr. Mitani to be independent.
<b>Koji Hatsukawa</b>	Mr. Hatsukawa has a wealth of auditing experience as a certified public accountant and broad knowledge of corporate accounting. Therefore, he fulfills an oversight function and role as an external Audit & Supervisory Board member utilizing his experience and knowledge in the corporate governance of Fujitsu. Moreover, PricewaterhouseCoopers Aarata, where Mr. Hatsukawa served as CEO, has never performed an accounting audit for Fujitsu. Fujitsu and PricewaterhouseCoopers Aarata had business transactions in fiscal 2017 totaling approximately ¥2 million, which is considered immaterial and constituting no special relationship when taking into account the size of Fujitsu's total sales. Therefore, Fujitsu considers Mr. Hatsukawa to be independent.

## Members of the Board of Directors and Audit &amp; Supervisory Board (As of January 1, 2019)

8 members of the Board of Directors



5 members of the Audit &amp; Supervisory Board



## 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.

## Executive Compensation Policy

To secure exceptional human resources required to manage the Fujitsu Group as a global ICT 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

Recipient	Base Compensation		Bonuses	Performance-based Stock Compensation
	For Management Oversight	For Management Execution		
Non-executive directors	✓	—	—	—
Executive directors	✓	✓	✓	✓
Audit & Supervisory Board members		✓	—	—

## 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.

## Bonuses

- Bonuses shall be paid to directors who carry out executive responsibilities. The amount of a bonus shall reflect business performance in the respective fiscal year.
- As a specific method for calculating a bonus, Fujitsu shall adopt an "On Target" model that uses consolidated revenue and consolidated operating profit as indicators, and the amount shall be determined in accordance with the degree of achievement of the performance targets for the respective fiscal year.

## Performance-based Stock Compensation

- Performance-based stock compensation shall be granted to directors who are responsible for the execution of duties to share gains with shareholders and to help enhance the Company's medium- to long-term performance.
- Base numbers of shares for respective ranks, a performance evaluation period (three years), medium- to long-term performance targets based on consolidated revenue and consolidated operating profit, and coefficients corresponding to degrees of achievement of these performance targets shall be set in advance. Base numbers of shares shall be multiplied by coefficients corresponding to degrees of achievement of performance targets. After the number of shares for each fiscal year has been calculated, the total number of shares shall be allocated upon completion of the performance evaluation period.

## 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 ShinNihon 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 executive 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 policy of 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 instill the risk management system and the compliance system throughout the Fujitsu Group.

The chief risk compliance officer directs internal organizations 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

Board of Directors' meetings (including extraordinary meetings) <b>13 (1)</b>	Audit & Supervisory Board meetings (including extraordinary meetings) <b>9 (1)</b>	Attendance of external directors at Board of Directors' meetings <b>100%</b> Ms. Miyako Suda: 100%; Mr. Jun Yokota: 100%; Dr. Chiaki Mukai: 100%; Mr. Atsushi Abe: 100%
Attendance of external Audit & Supervisory Board members at Board of Directors' meetings <b>100%</b> Mr. Megumi Yamamuro: 100%; Mr. Hiroshi Mitani: 100%; Mr. Koji Hatsukawa: 100%	Attendance of external Audit & Supervisory Board members at Audit & Supervisory Board meetings <b>100%</b> Mr. Megumi Yamamuro: 100%; Mr. Hiroshi Mitani: 100%; Mr. Koji Hatsukawa: 100%	

### Details of Remuneration

Position	Number of Recipients	Remuneration Type				Total Amount of Remuneration
		Base Compensation	Stock-based Compensation	Bonuses	Performance-based Stock Compensation	
Directors (Internal)	6	¥307 million	¥9 million	¥33 million	¥6 million	¥356 million
External directors	4	¥58 million	—	—	—	¥58 million
Audit & Supervisory Board members (Internal)	3	¥73 million	—	—	—	¥73 million
External Audit & Supervisory Board members	3	¥43 million	—	—	—	¥43 million

Notes:

- The above includes directors and Audit & Supervisory Board members who resigned in fiscal 2017.
- The limit on monetary compensation to directors (including external directors) was resolved to be ¥600 million per year at the 106th Annual Shareholders' Meeting held on June 23, 2006; the limit on non-monetary compensation to directors was resolved to be ¥300 million per year; and the total number of shares of common stock of the Company to be allocated was resolved to be within 430,000 shares per year at the 117th Annual Shareholders' Meeting held on June 26, 2017. The limit on compensation to Audit & Supervisory Board members (including external Audit & Supervisory Board members) was resolved to be ¥150 million per year at the 111th Annual Shareholders' Meeting held on June 23, 2011. The Company is paying the compensation shown in the above table, which is within these limits.
- Stock-based compensation is the compensation for acquiring the Company's shares through the shareholding association for Board members between April 2017 and June 2017.
- Performance-based stock compensation shows the amount that was recorded as expenses in the fiscal year ended March 31, 2018.

### Evaluation of the Effectiveness of the Board of Directors

To maintain and enhance the effectiveness of the Board of Directors, the Company has included 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 introduced measures to enhance its 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 discussions 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 officers. 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 reworking 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 hold 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 briefings 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 the US who meet and communicate regularly with investors, not only at the time of earnings announcements.
Regular presentations to individual investors	5	We do not hold regular briefings for individual investors, though we do hold briefings on an irregular basis at securities companies' branches and other offices. In addition, we have provided an inquiry form on the site dedicated to individual investors, and we are striving to improve relations with such investors.
Engagement with shareholders	12	Before convening the Annual Shareholders' Meeting, we visit major institutional investors, who are the beneficial shareholders, and explain our Management Direction, approach to corporate governance systems, and the agenda items to be submitted to the Annual Shareholders' Meeting. We are also engaged in active dialogue with shareholders in ways such as organizing meetings for external director Mr. Atsushi Abe to be able to directly respond to questions from investors.

Videos, presentation materials, Q&As, and other materials can be viewed on the following website:  
<http://www.fujitsu.com/global/about/ir/library/presentations/>

# SUSTAINABILITY MANAGEMENT

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.

## MESSAGE FROM THE HEAD OF RESPONSIBLE BUSINESS



**Nobuhiko Sasaki**  
Corporate Executive Vice Chairman  
SEVP, Head of Public Policy and  
Business Development &  
Responsible Business Unit

### 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.

# INITIATIVES FOR THE SDGs

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 SDGs. 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 business 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.



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/>

### 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.

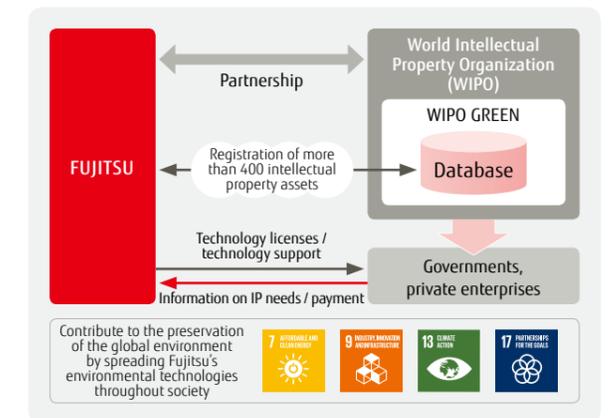
### Fujitsu’s Initiatives to Achieve the SDGs through Co-Creation

#### 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

Impact on Society	Fujitsu’s Initiatives (Examples)
<p><b>2 ZERO HUNGER</b> Sustainable Agriculture and Food Security Raise food productivity and establish more resilient farming systems</p>	<ul style="list-style-type: none"> <li>• More than 400 business operators in Japan have adopted “Akisai” food and agriculture cloud service, raising productivity. This service is also being rolled out in Vietnam and elsewhere overseas.</li> <li>• Plant factory operation and practice of smart agriculture with partners in various industries.</li> </ul>
<p><b>3 GOOD HEALTH AND WELL-BEING</b> Healthy Lives and Well-Being for People of All Ages Realize high-quality lives for all people in an aging society Eradicate intractable diseases by innovating medical care</p>	<ul style="list-style-type: none"> <li>• 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.</li> <li>• Co-created sensor-based patient and elderly people monitoring services for hospitals in the Netherlands and Singapore.</li> <li>• Providing high performance computing (HPC), AI, and other leading-edge technologies, and co-creating with various academic institutions in the fields of gene therapy and drug creation.</li> </ul>
<p><b>8 DECENT WORK AND ECONOMIC GROWTH</b> Sustainable Economic Growth and Rewarding Work Promote innovation, realizing human centric workstyles</p>	<ul style="list-style-type: none"> <li>• Promoting workstyle transformation so that people can work more creatively, with an emphasis on their humanity, by using human centric AI and other digital technologies.</li> <li>• Using voice recognition and AI-based automated translation covering 19 languages, supporting diversity and communication, including for those with hearing difficulties.</li> <li>• Promoting open innovation with start-ups and other companies.</li> </ul>
<p><b>9 INDUSTRY, INNOVATION AND INFRASTRUCTURE</b> Sustainable Industrialization Promote innovation to realize intelligent industrialization</p>	<ul style="list-style-type: none"> <li>• Providing a platform to promote the digitization of manufacturing, realizing intelligent industrialization through co-creation.</li> <li>• Smart manufacturing in China and Singapore and in digital transformation in France.</li> <li>• Advancing the training of human resources to carry forward digital transformation, including the operation of a digital business college.</li> </ul>
<p><b>11 SUSTAINABLE CITIES AND COMMUNITIES</b> Sustainable Cities and Communities Realize intelligent mobility Realize safe and secure cities resilient to natural disasters</p>	<ul style="list-style-type: none"> <li>• Using Fujitsu’s location information cloud service “SPATIOWL” as the foundation of mobility services, collaborating with various companies in Japan and overseas to develop innovative services.</li> <li>• Undertaking the joint development of solutions to solve Singapore’s urban problems.</li> <li>• Utilizing HPC, offering disaster forecasting and solutions for earthquakes, tsunamis, floods, etc., on a global scale.</li> <li>• Together with the UNDP and Tohoku University, building a global disaster statistics database.</li> </ul>

# CSR IN THE FUJITSU GROUP

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/csr/>

## 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 those 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).

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 (compliance, supply chain management, occupational health and safety); diversity and inclusion; well-being; empowering communities

## 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 undertook regarding human rights issues in fiscal 2017 are shown on the next page.

We will strive to pursue the responsibility to respect human rights in cooperation with various stakeholders.

For the complete text, please visit the following website.  
<http://www.fujitsu.com/global/about/csr/vision/humanrights/>

Areas	Human Rights Issues	Main Activities in Fiscal 2017
Supply chain	Work environment/ conflict minerals	<ul style="list-style-type: none"> <li>• Adopted RBA Code of Conduct as the Fujitsu Group CSR Procurement Guideline</li> <li>• Formulated Fujitsu Group Policy on Conflict Minerals</li> <li>• Conducted survey of approximately 440 major Japanese and international suppliers to check on the status of their implementation of CSR activities</li> </ul>
Employees	Discrimination and harassment/working hours	<ul style="list-style-type: none"> <li>• Conducted Groupwide "barrier-free minds" training (group-based training and e-learning), aimed at establishing workplaces and a society in which everyone can excel, with or without disabilities</li> <li>• Reviewed internal systems, used ICT, and reformed management in order to promote diversified, flexible work-styles that do not assume the necessity of long working hours</li> <li>• Revised internal corporate regulations to comply with the RBA Code of Conduct</li> </ul>
Customers and end-users	Privacy and data security	<ul style="list-style-type: none"> <li>• Conducted interviews with personnel that develop products and services for customers, as well as with sales departments, and collated information on potential issues that may require responses in the future</li> <li>• Began considering ethical AI-related research and development</li> </ul>

## 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.

Fujitsu will continue to work on resolving various issues in the international community through these activities.



The WBCSD Executive Committee

## 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.



Edu-Smart Green Center

### Australia's Reconciliation Action Plan

Fujitsu Australia established the Diversity & Inclusion Council to bridge various gaps between indigenous and non-indigenous Australians and to promote mutual understanding. The Council has been holding discussions for improving workplace diversity that resulted in the recently formulated Reconciliation Action Plan (RAP).



We have committed to include more indigenous-owned businesses in our supply chain, and have already doubled the numbers of suppliers and increased the value of our spending 17-fold. We are committed to help shape a sustainable tomorrow, in which indigenous and non-indigenous Australians can share an equitable, prosperous, and rewarding future.

### "Barrier-Free Minds"

At the Fujitsu Group, we are undertaking the development of products relating to "barrier-free minds" to support communication and understanding among all people with different characteristics of mind and body and different ways of thinking. We are also undertaking various activities within and outside the Group to train people and disseminate "barrier-free" ideas with a view to achieving goal 10 of the SDGs, "reduced inequalities."

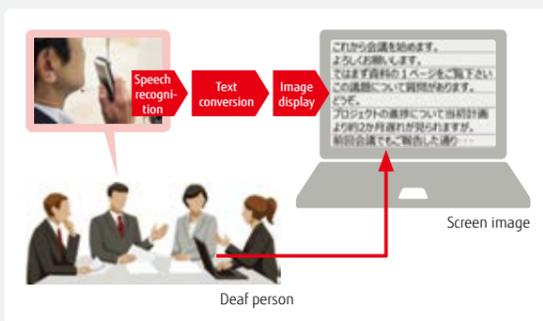
In addition, Fujitsu has been collaborating with a number of companies within the business community to address various issues facing society. In particular, Fujitsu has been a leader in the barrier-free field and is among those supporting the Olympic and Paralympic Games, with the aim of realizing tangible positive change toward 2020 and beyond.



Ontenna, a groundbreaking device that uses haptic feedback to help the deaf interpret the world of sound around them



Group-based "barrier-free minds" training for mutual understanding



"LiveTalk" software facilitates smooth communication between different languages with real-time speech recognition and automatic translation



Support for producing "barrier-free maps" in partnership with local government authorities

## 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 CO<sub>2</sub> emissions to zero and achieve a decarbonized society. We are also contributing to the response to climate change through technology supporting digital transformation.

Initiatives toward Decarbonization	Target*	Fiscal 2017 Results
Reducing our own greenhouse gas emissions	<ul style="list-style-type: none"> <li>Reduction of 33% by 2030</li> <li>Reduction of 80% by 2050</li> </ul>	14% reduction
Reducing greenhouse gas emissions across the value chain	<ul style="list-style-type: none"> <li>Reduction of 30% by 2030</li> </ul> <small>Scope: Emissions associated with purchased products/services and the use of products sold</small>	31% reduction

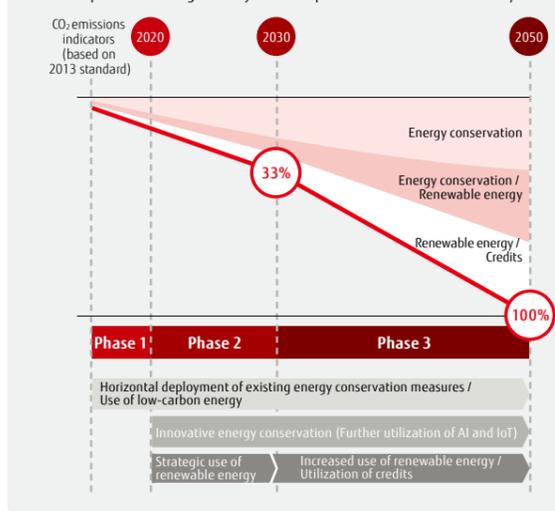
\* vs. 2013

### Roadmap for Reducing the Fujitsu Group's CO<sub>2</sub> 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 CO<sub>2</sub> emissions to zero by 2050.

#### The Fujitsu Group's CO<sub>2</sub> Emission Reduction Targets

Roadmap for Reducing the Fujitsu Group's CO<sub>2</sub> Emissions to Zero by 2050



### 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.



### 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



# STAKEHOLDER DIALOGUE

## Enhancing Business Management through Dialogue with 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 main 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.



Experts			Fujitsu		
Mr. Sooyoung Song	Mr. Hiro Nishiguchi	Dr. Michiyo Morisawa	Tatsuya Tanaka	Nobuhiko Sasaki	Yoshiteru Yamada

#### After the Dialogue

##### Experts



**Mr. Hiro Nishiguchi**  
Executive Managing Director,  
Japan Innovation Network (JIN)  
Senior Innovation Advisor for United  
Nations Development Programme (UNDP)

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

Innovation used to be regarded as a question of individual effort. Today, it has become something undertaken by organizations and represents a source of competitiveness. To create new value, though, Japanese companies need more than 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 doing with regard to the SDGs targeted for attainment by 2030. I hope that Fujitsu will offer new value globally by bringing the unlimited possibilities of ICT to bear on the imperatives set out in the 169 targets and the 232 indicators of the SDGs.



**Dr. Michiyo Morisawa**  
Head of Japan, Global Network and  
Outreach, Principles for Responsible  
Investment

### Securing talent that understands SDG-driven global and business model changes and making the most of the opportunity

Environmental, social, and governance (ESG) criteria, which are said to encompass non-financial information on a company, can be regarded as long-range financial information that indicates the source of corporate added value in the future.

This is why it has become necessary in the investment world to evaluate companies based on a long-term view that takes ESG criteria into consideration, and companies need to design ways to disclose relevant information. For a company like Fujitsu, human resources are particularly important in the “social” aspect. There is a growing need for human resources that understand and create value from the changes the SDGs are bringing to the world and business models. To secure the people capable of understanding and executing management’s SDG strategies, we need to look closely at the performance evaluation system, expand the scope of staff training, and create a greater sense of belonging among employees.



**Mr. Sooyoung Song**  
CEO,  
Deloitte Tohmatu Consulting LLC

### Providing value that goes beyond problem-solving is the key to the sustainable development of businesses and society

Tackling global social issues such as those brought forward by the SDGs is vital for the sustainable growth of businesses as well. With that in mind, over the last 10 years, we have been working on various social agenda 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.

#### Fujitsu



**Tatsuya Tanaka**  
Representative Director and President

### 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 forget maintaining the status quo and following 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 taking a broader perspective.



**Nobuhiko Sasaki**  
Corporate Executive Vice Chairman  
SEVP, Public Policy and  
Business Development  
& Responsible Business Unit

### 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 employees to do more than just try to figure out under what goal among the SDGs their work falls. 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.



**Yoshiteru Yamada**  
EVP, Head of Global Marketing Group,  
Global Corporate Functions

### 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 together with our stakeholders will enhance business continuity and, in turn, contribute to the attainment of the SDGs. The SDGs are also an important theme as a corporate message. They were addressed in the Fujitsu Technology and Service Vision, our concept paper, and showcased at the Fujitsu Forum, our annual event.

A key concept underpinning 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. This not only requires a deep understanding of the tasks at hand, but also the greater challenges customers 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 trying 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.

## 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

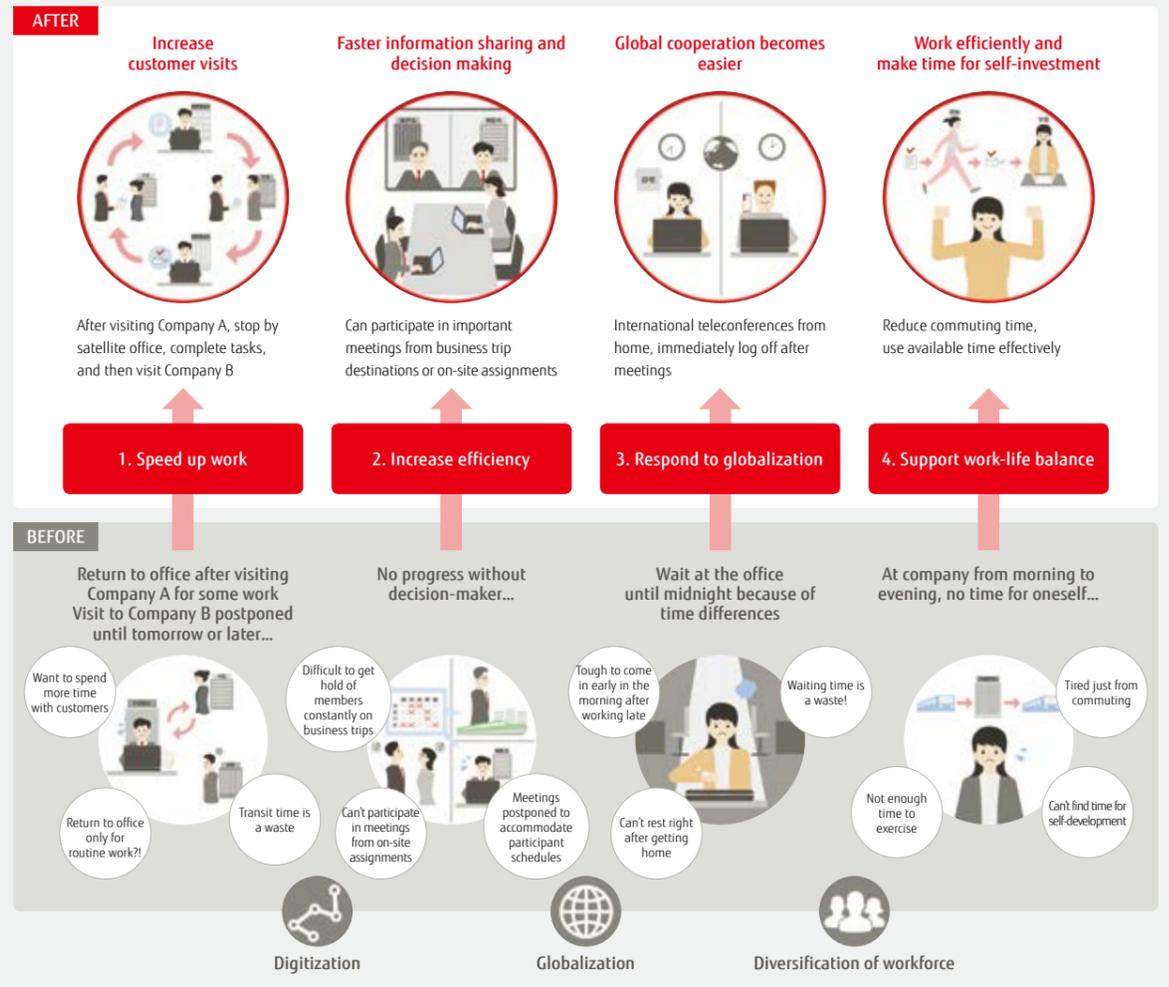
In order to increase productivity with diversified, flexible workstyles without the premise of working overtime, we have revised our internal system. Using ICT that represents the latest technology, we are changing management style and promoting greater awareness among each and every employee.

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.

### Vision for Using Telework to Support Employee Development



### 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 communication, 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 flextime 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 Organization, 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.

# HUMAN RESOURCE MANAGEMENT

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 employees 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.

### Four Major Themes of HR Development

<b>Developing Global Business Leaders</b>	Develop employees over the long term in order to succeed as global business leaders
<b>Promoting Professionalism</b>	Develop professionals and align the development program with the industry and global standard framework
<b>Reinforcing Baseline</b>	Encourage acquisition of knowledge/skills required for each position and role; foster understanding and sharing of corporate principles
<b>Creating a Culture Where Everyone Can Succeed</b>	Support individual employees by promoting diversity & inclusion and career support

## 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 advance "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 offer them feedback.

## Internship Initiatives

Fujitsu conducts internships to let students see firsthand the appeal and possibilities in ICT through a three-week work experience spanning more than 150 themes. In May 2018, we received the Grand Prize in the first "chosen-by-students internship award" sponsored by the Ministry of Economy, Trade and Industry, the Ministry of Health, Labour and

Welfare, and the Japan Business Federation (Keidanren). We also actively engage in internships for foreign nationals who are studying at overseas universities in order to build a diverse talent population and promote further globalization.

## Diversity Initiatives

Knowing that new innovation is the key for 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.

In recognition of these efforts, Fujitsu has been awarded the gold award of the Pride Index by the private organization

"work with Pride," for achieving all indicators in Japan's LGBT index. In fiscal 2018, Fujitsu was also chosen as a best practice case for the Company's outstanding activities.



### Initiatives for Employees with Disabilities

We believe it is important to build a culture where everyone can succeed and where people can share their own experiences and values.

To help achieve this, we hold diversity promotion forums for employees with disabilities based on the topic "what is disability in the workplace." Each year we highlight various themes, such as "understanding disability (through games)," "reasonable adjustments," and "neuro-diversity." Many employees, both with and without disabilities, participate.



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

Bearing in mind that ICT constitutes a fundamental part of the Fujitsu Group's business, we maintain Groupwide 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 core 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\*<sup>1</sup> 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\*<sup>2</sup>

in March 2018. The Fujitsu Group supports Keidanren's declaration, which shares the same principles as those set forth in the Fujitsu Cyber Security Declaration, which was released in November 2016.

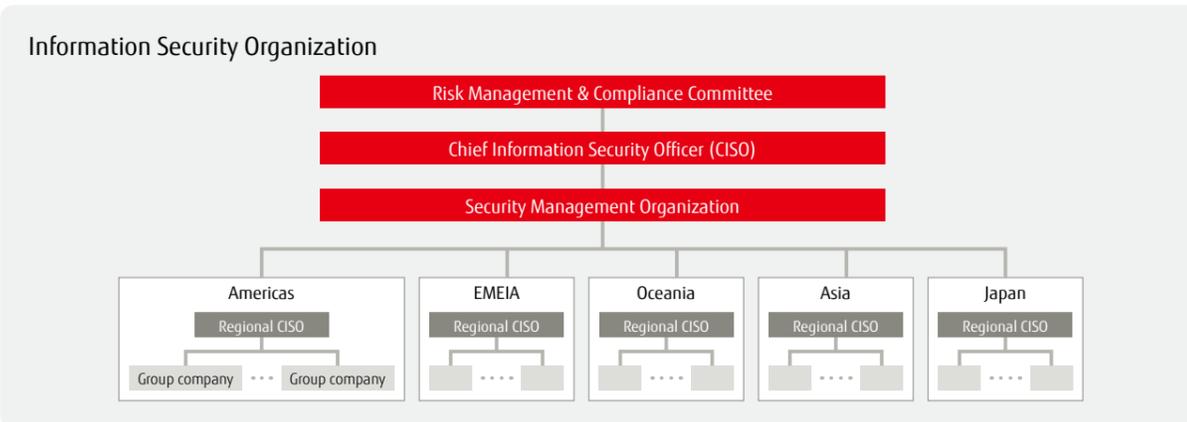
\*1 Fujitsu Group Information Security Policy, full text: [http://www.fujitsu.com/global/images/gig5/InformationSecurityPolicy\\_en.pdf](http://www.fujitsu.com/global/images/gig5/InformationSecurityPolicy_en.pdf)

\*2 Keidanren's Declaration of Cyber Security Management (Link to Keidanren website): <http://www.keidanren.or.jp/en/policy/2018/018.html>

## Structure of Information Security Management

In order to further strengthen its 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.

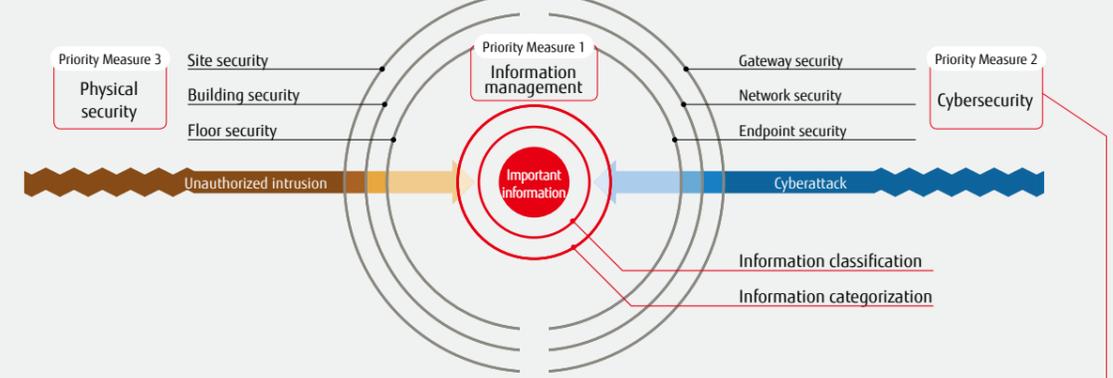
The Fujitsu Group has adopted the concept of "defense in depth" as its basic concept for information security, which utilizes a multilayer defense mechanism with several different defense measures instead of one. "Defense in depth" has three goals: preventing attacks by setting multiple defensive barriers, 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,"

which aims to protect information; "cybersecurity," which is centered on measures that protect systems against cyberattacks; and "physical security," which prevents unauthorized access to offices, factories, and other facilities.

## "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, and 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 detection, and endpoint security measures including malware measures as well as security patch management.

## Protection of Personal Information

Fujitsu acquired the "PrivacyMark"\*<sup>3</sup> 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.



\*3 Fujitsu received PrivacyMark certification from JIPDEC. The PrivacyMark is granted to business operators that appropriately handle personal information under personal information protection management systems conforming to JIS Q 15001:2006.

## Response to the GDPR\*<sup>4</sup>

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 EMEIA 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.

\*4 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 breach within 72 hours.

# RISK MANAGEMENT

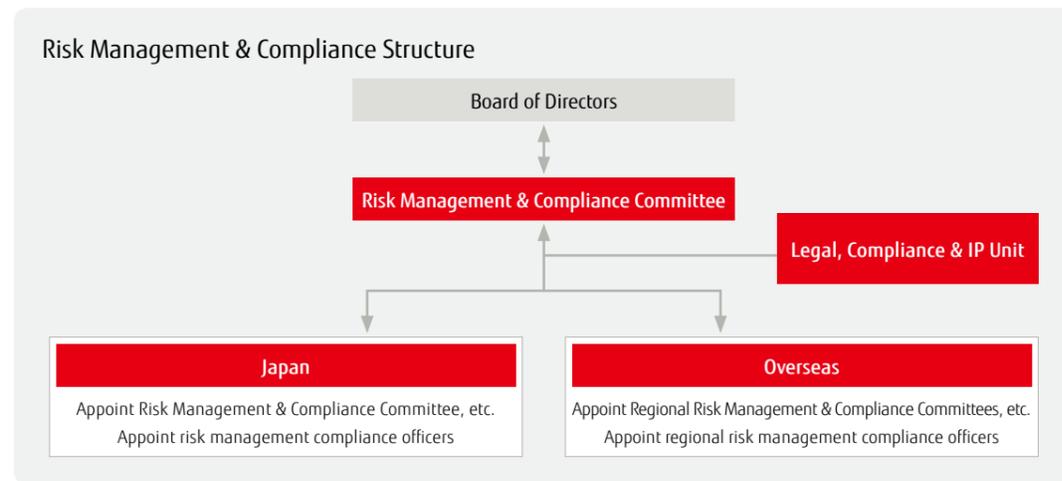
## Our Approach to Risk Management

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.

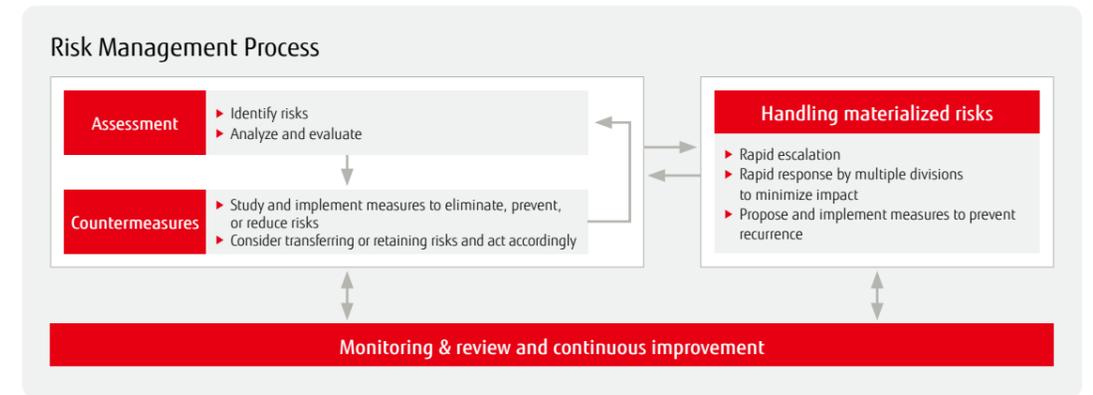


### Risk Management Process

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 measures intended to deal with major risks by averting, minimizing, transferring or retaining them. The Committee also regularly reports significant risks it has identified, analyzed, and evaluated to the Board of Directors.

The Risk Management & Compliance Committee also prepares responses to the materialized risks despite the

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	
1. Economic and Financial Market Trends	<ul style="list-style-type: none"> <li>Risk associated with changes in the economic trends of mainstay markets</li> <li>Risk associated with fluctuations in exchange rates and interest rates and changes in trends in capital markets</li> </ul>
2. Customers	<ul style="list-style-type: none"> <li>Risk associated with changes in ICT investment trends among customers</li> <li>Risk associated with the inability to continue trust-based, transactional, or contractual relationships with customers</li> </ul>
3. Competitors and the Industry	<ul style="list-style-type: none"> <li>Risk associated with loss of competitiveness due to changes in market or competitive conditions</li> <li>Risk associated with a decrease in competitive advantages with respect to R&amp;D</li> </ul>
4. Investment Decisions and Business Restructuring	<ul style="list-style-type: none"> <li>Risk that investments in R&amp;D or necessary measures in such areas as capital expenditure, business acquisitions, and business restructuring are unable to generate adequate returns</li> </ul>
5. Suppliers, Alliances, etc.	<ul style="list-style-type: none"> <li>Risk associated with tight component supply due to natural disasters or other unpredictable events</li> <li>Risk associated with impediments resulting from the procurement of inferior quality products</li> <li>Risk associated with the inability to continue cooperative relationships with respect to partnerships, alliances, or licensing and risk associated with the inability to gain from such cooperation</li> </ul>
6. Public Regulations, Public Policy, and Tax Matters	<ul style="list-style-type: none"> <li>Risk associated with increased adaptive 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</li> </ul>
7. Natural Disasters and Unforeseen Incidents	<ul style="list-style-type: none"> <li>Risk associated with the inability to continue businesses 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)</li> <li>Risk associated with the effect on businesses of conflicts, terrorism, demonstrations, strikes, or political instability in the countries or regions where the Group has business</li> </ul>
8. Finance	<ul style="list-style-type: none"> <li>Risk associated with a lowering of the credit rating of the Fujitsu Group as a result of its failure to reach earnings targets or deterioration in its financial position</li> <li>Risk related to credit administration</li> </ul>
9. Deficiencies or Flaws in Products and Services	<ul style="list-style-type: none"> <li>Risk associated with defective products and services</li> <li>Risk associated with delivery delays or unprofitable projects</li> </ul>
10. Compliance Issues	<ul style="list-style-type: none"> <li>Risk associated with the infringement of related laws and regulations in Japan and overseas</li> </ul>
11. Intellectual Property	<ul style="list-style-type: none"> <li>Risk associated with the manufacture and sale of similar products developed by third parties using the Group's own intellectual property</li> <li>Risk of infringing on other companies' intellectual property and of the need to pay for usage rights and other charges</li> </ul>
12. Security	<ul style="list-style-type: none"> <li>Risk of leakage of the personal and confidential information of customers, business partners, and the Fujitsu Group itself</li> <li>Risk of in-house networks being impacted by computer viruses or unauthorized access, including cyberattacks, thereby impeding operations and leaking information</li> <li>Risk of business interruption or data breaches caused by physical damage to the Group's facilities</li> </ul>
13. Human Resources	<ul style="list-style-type: none"> <li>Risk associated with the inability to employ or develop required personnel, such as managers and engineers, and risk associated with the inability to prevent a loss of personnel</li> </ul>
14. Fujitsu Group Facilities and Systems	<ul style="list-style-type: none"> <li>Risk of the operations of Fujitsu Group facilities, including production lines or systems, needing to be discontinued in the event of natural disasters, unexpected incidents, faulty construction quality, or the occurrence of operational errors, with adverse impact on the Group's business</li> </ul>
15. Environment	<ul style="list-style-type: none"> <li>Risk of environmental pollution accompanying business activities occurring or being identified</li> <li>Risk of increased frequency and severity of natural disasters caused by climate change having a negative impact on the Group's business</li> <li>Risk of the Group incurring increased costs for providing products and services and in other areas in order to comply with policies to reduce greenhouse gas emissions</li> </ul>

# COMPLIANCE

## Compliance Promotion

The Risk Management & Compliance Committee oversees compliance globally for the Fujitsu Group. The Committee raises awareness and secures compliance with the Fujitsu Way Code of Conduct throughout the Group by appointing a chief risk management & compliance officer (CRCO), who

executes the Committee's decisions concerning compliance, establishing the Global Compliance Program and coordinating with the Regional Risk Management & Compliance Committee set up in each region as a subcommittee.

## The Fujitsu Way Code of Conduct

The Fujitsu Way\* includes a Code of Conduct, with which all Fujitsu Group employees must comply.

Fujitsu has also rolled out Global Business Standards (GBS), which provide further guidance on how to apply the Fujitsu Way Code of Conduct and to ensure compliance with laws and regulations. The GBS is available in 20 languages to be applied uniformly across the Fujitsu Group.

\* See the inside cover of this report for details of the Fujitsu Way.



The Fujitsu Way Code of Conduct



Global Business Standards

## The Global Compliance Program

In order to promote and implement the Fujitsu Way Code of Conduct and the GBS, Fujitsu has established the Global Compliance Program (GCP) and is working to maintain, review, and improve its global structure for legal compliance across the Fujitsu Group.

The GCP systematically organizes our existing activities concerning compliance into five pillars, clarifies items that

Fujitsu should continuously work on, and seeks to promote external understanding of our compliance structure and activities. Various measures and approaches are taken in each region based on the GCP, as well as local laws and government guidelines.



## Compliance Activities

<p>1. Policies &amp; Procedures</p>	<ul style="list-style-type: none"> <li>For Fujitsu and Group companies in Japan, we established the Compliance Policy to enforce compliance and enact sustainable improvement in our corporate value. We established more specific and detailed regulations and guidelines based on the Compliance Policy in areas with significant impact on business: antitrust, anticorruption, and anti-social forces.</li> <li>For overseas Group companies, we issued a policy corresponding to the Compliance Policy in Japan above along 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.</li> </ul>
<p>2. Top Commitment &amp; Resources</p>	<ul style="list-style-type: none"> <li>Fujitsu promotes top management's commitment to compliance through messages to employees and other communications. We have also assigned compliance officers to each region and have formed a global network with each risk and compliance representative, in order to secure a structure to execute our GCP.</li> <li>The risk and compliance representatives in Fujitsu and domestic Group companies meet annually at the Risk and Compliance Seminar to share updates and know-how 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.</li> </ul>
<p>3. Training &amp; Communication</p>	<ul style="list-style-type: none"> <li>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.</li> <li>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 rolled out overseas.</li> <li>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.</li> </ul>
<p>4. Incident Reporting &amp; Response</p>	<ul style="list-style-type: none"> <li>The Fujitsu Group operates the Compliance Line/Fujitsu Alert for both internal and external reports. The Compliance 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.</li> <li>The status of reports and consultations, or key compliance issues, is reported regularly to the Risk Management &amp; Compliance Committee and the Board of Directors.</li> </ul>
<p>5. Monitoring &amp; Review</p>	<ul style="list-style-type: none"> <li>Through risk assessments and audits, the efficacy of the GCP is periodically checked and work is being done to continually improve it.</li> <li>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.</li> <li>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.</li> </ul>

## 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

# PERFORMANCE HIGHLIGHTS

Fujitsu Limited and Consolidated Subsidiaries

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.

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 reclassified in the fiscal year ended March 31, 2017.

Fiscal years ended March 31									Millions of yen				Year-on-year change (%)		
	2009	2010	2011	2012	2013	2014	2014 (IFRS)	2015 (IFRS)	2016 (IFRS)	2017 (IFRS)	2018 (IFRS)	2018 (IFRS) / 2017 (IFRS)			
<b>FINANCIAL DATA</b>															
Net sales (revenue)	¥4,692,991	¥4,679,519	¥4,528,405	¥4,467,574	¥4,381,728	¥4,762,445	¥4,762,445	¥4,753,210	¥4,739,294	¥4,132,972	¥4,098,379	-0.8			
Net sales (revenue) outside Japan	1,499,886	1,748,304	1,587,363	1,506,096	1,498,215	1,801,491	1,801,491	1,879,981	1,894,216	1,461,294	1,506,864	3.1			
Percentage of sales outside Japan (%)	32.0	37.4	35.1	33.7	34.2	37.8	37.8	39.6	40.0	35.4	36.8				
<b>Point 1</b> Operating profit	68,772	94,373	132,594	105,304	88,272	142,567	147,275	178,628	120,612	117,455	182,489	55.4			
Operating profit margin (%)	1.5	2.0	2.9	2.4	2.0	3.0	3.1	3.8	2.5	2.8	4.5				
<b>Point 2</b> Net profit (loss) (profit (loss) attributable to owners of the parent)	(112,388)	93,085	55,092	42,707	(79,919)	48,610	113,215	140,024	86,763	88,489	169,340	91.4			
Cash flows from operating activities	¥ 248,098	¥ 295,389	¥ 255,534	¥ 240,010	¥ 71,010	¥ 175,532	¥ 176,502	¥ 280,149	¥ 253,092	¥ 250,331	¥ 200,415	-19.9			
Cash flows from investing activities	(224,611)	1,020	(142,108)	(190,830)	(161,481)	(128,873)	(128,938)	(200,516)	(164,317)	(145,479)	(22,578)	-			
Free cash flow	23,487	296,409	113,426	49,180	(90,471)	46,659	47,564	79,633	88,775	104,852	177,837	69.6			
Cash flows from financing activities	(47,894)	(405,310)	(166,933)	(138,966)	100,384	(44,794)	(46,217)	(17,327)	(67,741)	(98,896)	(112,496)	-			
Inventories	¥ 306,456	¥ 322,301	¥ 341,438	¥ 334,116	¥ 323,092	¥ 330,202	¥ 330,202	¥ 313,882	¥ 298,849	¥ 293,163	¥ 241,603	-17.6			
Monthly inventory turnover rate (times)	0.98	1.04	1.02	1.01	1.00	1.07	1.07	1.11	1.12	1.15	1.21				
Total assets	3,221,982	3,228,051	3,024,097	2,945,507	2,920,326	3,079,534	3,105,937	3,271,121	3,226,303	3,191,498	3,121,522	-2.2			
Owners' equity (equity attributable to owners of the parent)	748,941	798,662	821,244	841,039	624,045	573,211	566,515	790,089	782,782	881,292	1,087,797	23.4			
Return on equity (%)	(13.2)	12.0	6.8	5.1	(11.8)	8.1	23.2	20.6	11.0	10.6	17.2				
<b>Point 3</b> Owners' equity ratio (equity attributable to owners of the parent ratio) (%)	23.2	24.7	27.2	28.6	21.4	18.6	18.2	24.2	24.3	27.6	34.8				
Return on assets (%)	(3.2)	2.9	1.8	1.4	(2.7)	1.6	3.7	4.4	2.7	2.8	5.4				
Interest-bearing loans	883,480	577,443	470,823	381,148	534,967	519,640	560,243	578,492	534,913	486,728	402,294	-17.3			
D/E ratio (times)	1.18	0.72	0.57	0.45	0.86	0.91	0.99	0.73	0.68	0.55	0.37				
Net D/E ratio (times)	0.47	0.20	0.14	0.14	0.40	0.38	0.46	0.27	0.20	0.12	-0.05				
R&D expenses	249,902	224,951	236,210	238,360	231,052	221,389	222,516	202,722	179,895	170,030	158,665	-6.7			
Capital expenditure	167,690	126,481	130,218	140,626	121,766	122,282	122,863	140,697	156,049	120,676	94,037	-22.1			
Depreciation	223,975	164,844	141,698	131,577	116,565	115,180	115,929	121,207	119,800	115,010	107,032	-6.9			
<b>Amounts per share of common stock (yen)</b>															
Net profit (loss) (profit (loss) attributable to owners of the parent)	¥ (54.35)	¥ 45.21	¥ 26.62	¥ 20.64	¥ (38.62)	¥ 23.49	¥ 54.71	¥ 67.68	¥ 41.94	¥ 42.83	¥ 82.53	92.7			
Dividends	8	8	10	10	5	4	4	8	8	9	11	22.2			
Owners' equity (equity attributable to owners of the parent)	362.30	386.79	396.81	406.42	301.57	277.03	273.79	381.88	378.37	429.80	528.38	22.9			
<b>NON-FINANCIAL DATA (ESG INDICATORS)</b>															
<b>Environmental</b>															
Trends in total greenhouse gas emissions (whole Group globally) (thousand tons)	1,668	1,313	1,185	1,098	1,014	1,324	1,324	1,263	1,234	1,199	1,104	-7.9			
<b>Social</b>															
Number of employees	165,612	172,438	172,336	173,155	168,733	162,393	162,393	158,846	156,515	155,069	140,365				
Percentage of female managers (non-consolidated) (%)	2.9	3.1	3.5	3.7	4.0	4.3	4.3	4.6	4.8	5.2	5.7				
<b>Governance</b>															
Percentage of external directors (non-consolidated) (%)	20.0	30.0	30.0	36.4	33.3	27.3	27.3	36.4	40.0	40.0	40.0				

## **Point 1** Operating profit

Operating profit increased ¥65.0 billion year on year, to ¥182.4 billion. The increase was attributable to a decrease in business model transformation expenses compared with the previous fiscal year and to the transfer of the mobile phone business. This offset the negative impact on the network products business due to communications carriers in Japan reining in investments, unprofitable projects in Japan and overseas in solutions as well as system integration services and infrastructure services, in addition to increased front-end investments.

## **Point 2** Profit attributable to owners of the parent

Net financial expenses (financial income net of financial expenses and income from investments accounted for using the equity method, net) improved ¥53.2 billion year on year, to ¥59.9 billion. This was mainly due to the booking of ¥27.3 billion in gain on the sale of shares in Fuji Electric resulting from a change in cross-shareholding relationship, and gain of ¥26.3 billion related to a decline in the equity ratio for an affiliate in China. As a result, profit before income taxes increased ¥118.3 billion year on year, to ¥242.4 billion. The transfer on November 1, 2017 of a portion of the Company's shareholding in Fujitsu TEN Limited to DENSO CORPORATION resulted in the booking of ¥7.0 billion as profit from discontinued operations. Profit attributable to owners of the parent rose ¥80.8 billion year on year, to ¥169.3 billion.

## **Point 3** Equity attributable to owners of the parent ratio

Retained earnings amounted to ¥479.7 billion, a ¥213.8 billion increase from the end of the previous fiscal year. In addition to the recording of ¥169.3 billion in profit for the year attributable to owners of the parent, improvement in the funded status of defined benefit plans had a positive impact of ¥65.4 billion. Total equity attributable to owners of the parent (owners' equity) was ¥1,087.7 billion and the equity attributable to owners of the parent ratio rose 7.2 percentage points from the previous fiscal year-end, to 34.8%.

## **Point 4** Dividends

Both operating profit and net profit increased from the previous fiscal year, with growth supported by business and share transfers. Based on a comprehensive consideration of improvement in financial position, Fujitsu raised the interim dividend from ¥4 per share to ¥5 per share and the year-end dividend from ¥5 per share to ¥6 per share, giving an annual dividend of ¥11 per share.

# HIGHLIGHTS BY SEGMENT

Fujitsu Limited and Consolidated Subsidiaries

The Fujitsu Group adopted International Financial Reporting Standards (IFRS) in fiscal 2014.

	Technology Solutions			Ubiquitous Solutions	Device Solutions																																																																										
	Services	System Platforms																																																																													
<b>Market Environment</b>	<p>In the IT services market, system investment related to digital transformation is gathering momentum in Japan in such areas as the utilization of FinTech by financial institutions and the adoption of IoT in the manufacturing industry. Benefits are also expected from increased spending heading toward the Tokyo 2020 Olympic and Paralympic Games. Overseas, ongoing growth in investment is expected mainly in emerging economies.</p>	<p>The server market itself has been contracting in Japan amid the spread of cloud services, but overseas growth is expected on expansion in emerging markets and increasing demand for datacenters. In the optical transmission market, communications carriers both in Japan and overseas have been shifting the focus of their investment policies from reinforcing infrastructure to strengthening service businesses, which has led to contraction in equipment-related investment. Although we expect ongoing growth in investment over the medium term, supported by 5G and accelerated moves toward network virtualization and softwarization, we anticipate only slight growth for the market as a whole.</p>		<p>The growth trend has continued to be underpinned by projects to replace PCs equipped with Windows 7 with those installed with Windows 10 before the end of extended support for Windows 7 in January 2020. The market is expected to remain firm.</p>	<p>We expect ongoing high growth in the memory market as well as expanding demand for semiconductors for many electronic equipment applications amid sustained growth in the global economy. We do, however, recognize various risks such as geopolitical issues with the Korean Peninsula and the Middle East, in addition to the escalation of trade protectionism between the United States and China.</p>																																																																										
<b>Fiscal 2017 Highlights</b>	<p><b>Revenue</b> Solutions and system integration hit a quiet 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 do well, that was not sufficient to make up for the overall decline amid a drop-off in the hardware-integrated solutions business that had robust sales in the previous fiscal year. With infrastructure services, the reorganization of NIFTY depressed sales by about ¥52.0 billion, but revenue expanded supported by buoyant sales in Japan particularly for outsourcing services and by benefits from yen depreciation overseas.</p> <p><b>Operating profit</b> Core business profit was essentially flat year on year, but operating profit for the segment rose as business model transformation costs eased.</p>	<p><b>Revenue</b> In the system products business, sales of x86 servers were lackluster after a good performance in the previous fiscal year. The network products business, meanwhile, was affected by communications carriers in Japan and overseas holding down investment in base stations to a greater degree than had been expected, as well as an increasingly harsh competitive environment. As a result, revenue declined sharply.</p> <p><b>Operating profit</b> Operating profit fell steeply mainly in network products.</p>		<p><b>Revenue</b> Sales of PCs to corporate customers in Japan expanded, while overseas sales increased amid a tough competitive environment aided by yen depreciation. In the mobile phone business, however, sales fell in tandem with a sharp drop in shipment volumes of Raku-Raku-series feature phones.</p> <p><b>Operating profit</b> Operating profit declined as upfront investment expenses in the IoT field increased and the impact of falling mobile phone sales was compounded by rising prices of memory and other key components for both PCs and mobile phones.</p>	<p><b>Revenue</b> 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.</p> <p><b>Operating profit</b> 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.</p>																																																																										
<b>Revenue</b> (Years ended March 31)	<table border="1"> <caption>Revenue (Billions of yen)</caption> <thead> <tr> <th>Year</th> <th>Services</th> <th>System Platforms</th> <th>Total</th> </tr> </thead> <tbody> <tr> <td>2014</td> <td>2,627.2</td> <td>615.7</td> <td>3,243.0</td> </tr> <tr> <td>2015</td> <td>2,706.2</td> <td>596.5</td> <td>3,302.8</td> </tr> <tr> <td>2016</td> <td>2,765.1</td> <td>518.1</td> <td>3,283.3</td> </tr> <tr> <td>2017</td> <td>2,624.2</td> <td>502.3</td> <td>3,126.6</td> </tr> <tr> <td>2018</td> <td>1,586.3</td> <td>1,012.0</td> <td>3,052.7</td> </tr> </tbody> </table> <p>Note: Includes intersegment sales</p>		Year	Services	System Platforms	Total	2014	2,627.2	615.7	3,243.0	2015	2,706.2	596.5	3,302.8	2016	2,765.1	518.1	3,283.3	2017	2,624.2	502.3	3,126.6	2018	1,586.3	1,012.0	3,052.7	<table border="1"> <caption>Revenue (Billions of yen)</caption> <thead> <tr> <th>Year</th> <th>PCs/Mobile Phones</th> <th>Mobilewear</th> <th>Ubiquitous Solutions</th> <th>Total</th> </tr> </thead> <tbody> <tr> <td>2014</td> <td>799.3</td> <td>326.0</td> <td>1,125.4</td> </tr> <tr> <td>2015</td> <td>709.3</td> <td>353.5</td> <td>1,062.8</td> </tr> <tr> <td>2016</td> <td>651.3</td> <td>389.5</td> <td>1,040.9</td> </tr> <tr> <td>2017</td> <td>645.5</td> <td>0.0</td> <td>645.5</td> </tr> <tr> <td>2018</td> <td>663.9</td> <td>0.0</td> <td>663.9</td> </tr> </tbody> </table> <p>Note: Includes intersegment sales</p>		Year	PCs/Mobile Phones	Mobilewear	Ubiquitous Solutions	Total	2014	799.3	326.0	1,125.4	2015	709.3	353.5	1,062.8	2016	651.3	389.5	1,040.9	2017	645.5	0.0	645.5	2018	663.9	0.0	663.9	<table border="1"> <caption>Revenue (Billions of yen)</caption> <thead> <tr> <th>Year</th> <th>LSI Devices</th> <th>Electronic Components</th> <th>Total</th> </tr> </thead> <tbody> <tr> <td>2014</td> <td>321.6</td> <td>280.2</td> <td>600.2</td> </tr> <tr> <td>2015</td> <td>313.7</td> <td>283.4</td> <td>595.6</td> </tr> <tr> <td>2016</td> <td>314.6</td> <td>290.7</td> <td>603.9</td> </tr> <tr> <td>2017</td> <td>269.4</td> <td>276.0</td> <td>544.3</td> </tr> <tr> <td>2018</td> <td>281.0</td> <td>279.0</td> <td>560.0</td> </tr> </tbody> </table> <p>Note: Includes intersegment sales</p>		Year	LSI Devices	Electronic Components	Total	2014	321.6	280.2	600.2	2015	313.7	283.4	595.6	2016	314.6	290.7	603.9	2017	269.4	276.0	544.3	2018	281.0	279.0	560.0
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Note: On November 1, 2017, Fujitsu transferred a portion of the Company's shareholding in Fujitsu TEN Limited to DENSO CORPORATION. As a result, Fujitsu TEN became classified as a 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.

# HIGHLIGHTS BY REGION

Fujitsu Limited and Consolidated Subsidiaries

The Fujitsu Group adopted International Financial Reporting Standards (IFRS) in fiscal 2014.

	Japan	Asia	EMEIA	Americas	Oceania																																																													
<b>Market Environment</b>	<p>In 2017, Japan's IT services market grew 1.4% 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. Reflecting weak growth in the Japanese economy, we expect market growth to remain at a low level; between 2017 and 2020, we estimate a CAGR of 1.3%. On the other hand, we anticipate the gradual increase of IT spending related to digital transformation. We expect the upgrading of companies' core systems as well as the linking up of existing and new systems to become new growth fields.</p> <p>By industry, we expect to see sustained demand in the manufacturing sector for upgrading core systems for production management and supply chain management. As for retail, we expect growth in investment in such areas as system integration accompanying M&amp;As and increased IT investment geared toward raising productivity and automating operations to deal with labor shortages. In the financial field, we expect investment to shift from the upgrading of existing systems and reducing operating costs to creating new services in such areas as AI and FinTech. In the communications field, we expect carriers to continue to rein in capital spending, but we anticipate gradual expansion in investment related to 5G from 2019 onwards. In the national and local government field, we expect to see ongoing IT demand in such areas as the upgrading and strengthening of system functions, and meeting needs associated with new administrative arrangements. However, public bodies are tending to curb spending on operation and upgrading of existing systems, and we do not expect any rapid progress with initiatives related to digital transformation. Overall, heading toward 2020, against the backdrop of projected growth in the number of overseas visitors to Japan, IT investment aimed at reinforcing related IT infrastructure and strengthening customer-contact points is expected to increase.</p>	<p>In 2017, Asia's IT market grew 12.3% year on year, sustaining the previous fiscal year's strong growth. From 2017 to 2020, we estimate a CAGR of 6.1%, supported by both growth in such hardware markets as smartphones and servers, in addition to rapid expansion in IT service markets.</p>		<p>In 2017, EMEIA's IT market grew 2.9% year on year. The IT market is expected to continue expanding modestly; between 2017 and 2020, we estimate a CAGR of 2.8%. Hardware markets particularly for PCs and servers are contracting. Moreover, prices 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.</p>	<p>In 2017, the IT market in the Americas, the largest in the world, grew a substantial 5.9% year on year. We expect the market to continue expanding steadily; between 2017 and 2020, we estimate a CAGR of 5.3%. 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 advancing digitization.</p>	<p>In 2017, Oceania's IT market expanded 5.5% year on year. The market is expected to gradually increase in scale; between 2017 and 2020, we estimate a CAGR of 3.8%. The IT services market is expected to see sustained strong growth against the backdrop of the advance of digital business. The hardware market, however, is projected to continue to contract.</p>																																																												
<b>Priority Tasks</b>	<p>Customers in Japan are realigning their 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 thus far. 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 staff, will help unearth opportunities in these new markets and lead to future growth.</p> <p>We are also moving to increase automation at the system integration front lines through the use of AI and other tools to move away from business approaches thus far where estimates are based on monthly unit costs per worker. This is significantly reducing the areas of development and testing processes that require human intervention. By doing so, we aim to shift from business based on payment for hours worked to business based on value created. In our 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.</p>	<p>We aim to sustain strong growth by conducting selection and concentration that reflects the situation of each country, expanding businesses through maximum utilization of the integrated One Asia framework that includes Japan, while establishing the Fujitsu brand.</p>		<p>Until now, our focus in Europe has been on strengthening services businesses by hiring and training personnel with new skill sets suited to the digital services field while reducing personnel numbers in the region as a whole. Now we are also emphasizing measures to further raise profitability. Specifically, we are concentrating management resources in Germany, the United Kingdom, and elsewhere where we have strong customer bases, while enhancing customer interfaces and sharpening our focus on strategically important industries. To enhance the setup of our product business, we are revamping our global development and production structure and have begun work toward closing our manufacturing and R&amp;D site in Augsburg, Germany as part of our transition to a business model affording greater cost competitiveness. While concentrating management resources in the United Kingdom, Germany, and other European countries where we have strong customer bases, we are moving toward eliminating unprofitable bases while reducing indirect costs across Europe as a whole.</p>	<p>We will continue to reinforce our services business, including consulting services and application services, to provide customers with the leading-edge digital ICT optimally suited to their business models. In November 2018, we established Fujitsu Intelligence Technology, a new company that will formulate and carry out strategy for our AI business, in Vancouver, Canada, a country that offers a world-class ecosystem. Around the hub of its new Vancouver "AIHQ," Fujitsu plans to forge strong ties with North American companies, hiring local AI talent, as it leads AI development.</p>																																																													
<b>Revenue</b> (Years ended March 31)	<table border="1"> <tr><th>Year</th><th>Revenue (Billions of yen)</th></tr> <tr><td>2016</td><td>3,366.5</td></tr> <tr><td>2017</td><td>3,108.1</td></tr> <tr><td>2018</td><td>3,005.7</td></tr> </table> <p>Note: Includes intersegment sales</p>	Year	Revenue (Billions of yen)	2016	3,366.5	2017	3,108.1	2018	3,005.7	<table border="1"> <tr><th>Year</th><th>Revenue (Billions of yen)</th></tr> <tr><td>2016</td><td>466.3</td></tr> <tr><td>2017</td><td>285.6</td></tr> <tr><td>2018</td><td>277.1</td></tr> </table> <p>Note: Includes intersegment sales</p>	Year	Revenue (Billions of yen)	2016	466.3	2017	285.6	2018	277.1		<table border="1"> <tr><th>Year</th><th>Revenue (Billions of yen)</th></tr> <tr><td>2016</td><td>963.5</td></tr> <tr><td>2017</td><td>756.7</td></tr> <tr><td>2018</td><td>810.1</td></tr> </table> <p>Note: Includes intersegment sales</p>	Year	Revenue (Billions of yen)	2016	963.5	2017	756.7	2018	810.1	<table border="1"> <tr><th>Year</th><th>Revenue (Billions of yen)</th></tr> <tr><td>2016</td><td>421.9</td></tr> <tr><td>2017</td><td>284.7</td></tr> <tr><td>2018</td><td>280.7</td></tr> </table> <p>Note: Includes intersegment sales</p>	Year	Revenue (Billions of yen)	2016	421.9	2017	284.7	2018	280.7	<table border="1"> <tr><th>Year</th><th>Revenue (Billions of yen)</th></tr> <tr><td>2016</td><td>103.9</td></tr> <tr><td>2017</td><td>92.5</td></tr> <tr><td>2018</td><td>100.5</td></tr> </table> <p>Note: Includes intersegment sales</p>	Year	Revenue (Billions of yen)	2016	103.9	2017	92.5	2018	100.5																				
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## SHAREHOLDER DATA

(As of March 31, 2018)

**Capital:** ¥324,625 million  
**Authorized Common Stock:** 5,000,000,000 shares  
**Issued Common Stock:** 2,070,018,213 shares  
**Number of Shareholders:** 154,892

### Equity Shareholdings by Type of Shareholder:



### Status of Principal Shareholders:

Principal Shareholders	Number of Shares Held (Thousands)	Percentage of Shares Held (%)
The Master Trust Bank of Japan, Ltd. (for trust)	101,585	4.93
Japan Trustee Services Bank, Ltd. (for trust)	96,654	4.69
Ichigo Trust Pte. Ltd.	67,881	3.30
Fuji Electric Co., Ltd.	59,498	2.89
Fujitsu Employee Shareholding Association	55,760	2.71
Japan Trustee Services Bank, Ltd. (for trust 5)	39,296	1.91
STATE STREET BANK WEST CLIENT – TREATY 505234	37,532	1.82
Mizuho Bank, Ltd.	36,963	1.80
Asahi Mutual Life Insurance Company	35,180	1.71
Japan Trustee Services Bank, Ltd. (for trust 1)	29,246	1.42

#### Notes:

- The investment ratio is calculated after exclusion of treasury stock holdings (11,291 thousand shares).
- 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 institution.
- Of the shares held by Mizuho Bank, Ltd., 4,250 thousand shares are trust properties that are trusted to Mizuho Trust & Banking Co., Ltd., and re-trusted 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.

**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 further information, please contact:  
Fujitsu Limited  
Public & Investor Relations  
Telephone: +81-3-6252-2173  
Facsimile: +81-3-6252-2783

For inquiries, please visit our "Contact" page on our investor relations website.

<http://www.fujitsu.com/global/about/ir/>

Fujitsu has been selected by the Japan Investor Relations Association (JIRA) as one of the "Companies with Best Continual 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 comparison. These sections are indicated in the report.

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

## FUJITSU GROUP'S INFORMATION DISCLOSURE



### Corporate Website

Our corporate website presents information on the Fujitsu Group's products, corporate activities, press releases, and messages from the president.

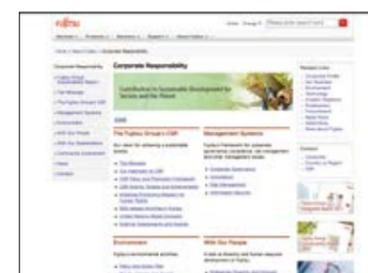
<http://www.fujitsu.com/global/>



### Investor Relations Website

Our investor relations website presents information on financial results, materials and videos from various briefings, and corporate governance information. PDF versions of this *Fujitsu Group Integrated Report* are also available for viewing.

<http://www.fujitsu.com/global/about/ir/>



### Corporate Social Responsibility Website

Our corporate social responsibility website provides information on the Company's thinking and initiatives in social and environmental fields and related promotion structures, as well as specific examples and data. PDF versions of the *Fujitsu Group Sustainability Report* and the *Fujitsu Group Information Security Report* are also available for viewing.

<http://www.fujitsu.com/global/about/csr/>

## Fujitsu Group Reports



*Fujitsu Group Sustainability Report 2018*

<http://www.fujitsu.com/global/about/resources/reports/sustainabilityreport/2018-report/>



*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/>

# FUJITSU LIMITED

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Minato-ku, Tokyo 105-7123, Japan

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<http://www.fujitsu.com/global/>

## 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.

