

# **Corporate Governance Policy**

**Fujitsu Limited**

**December 23, 2021**

## Corporate Governance Policy

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### Basic approach to Corporate Governance

Our Purpose(from “Fujitsu Way”)

Our purpose is to make the world more sustainable by building trust in society through innovation

We manage the company under this Purpose

We believe that aiming to be a company, which responds to the trust of customers and business partners, the company for which employees engage in activities vibrantly and proudly so that it contributes to society, not a company merely pursuing short-term profits, will lead to the mid-term to long-term growth and the increase in the corporate value and thus enable us to fulfill the trust of shareholders who support us. It is the mission to manage the company in this way.

The company recognises that corporate governance is an indispensable mechanism for the management to accomplish the abovementioned mission and designs a governance structure based on the following basic approach:

- I. Delegation of authority for business execution and Board of Directors’ oversight and advisory function

To manage the rapid change of business environment in a sufficiently speedy manner, the company introduces the Corporate Executive Officer system. The Board of Directors delegates the decision-making authority over business 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 oversight and advisory function.

## II. Composition of Board of Directors

- i. The Board of Directors shall consist mainly of Non-Executive Directors, and more than half of its members shall be Independent Directors to ensure the correction of any mistakes, insufficiencies, or excessiveness in business execution.
- ii. In order for the intention, advice, and discussions of the Board of Directors to be reflected to the business execution effectively, primal Corporate Executive Officers are also to be appointed as Directors. In addition, for the purpose of materializing the discussion on the mid-term and long-term Management Direction in the Board of Directors, the nomination of the candidates for Executive Directors is to be conducted from a stand point of electing candidates with a company-wide perspective and who can meet expectation that shareholders have for this position.

## III. Composition of Non-Executive Directors

While External Directors should be the core of Non-Executive Directors on account of their high independence and diverse perspective, at least one Non-Executive Director is appointed from within the company to complement the External Directors' knowledge in the business fields and the corporate culture of the company so that the efficiency of oversight and advisory performance by the Non-Executive Directors are enhanced.

## IV. Providing information to Non-Executive Directors

To facilitate the function of the Non-Executive Directors, the company establishes a mechanism to provide the Non-Executive Directors with accurate and sufficient information in a timely manner.

## V. Establishment of the Audit & Supervisory Board

We believe that both aforementioned direct oversight to business execution by the Non-Executive Directors and the oversight by an independent body that stays distant from the decision making and operation of business execution should work jointly to ensure highly effective oversight performance. The company establishes the Audit & Supervisory Board to undertake the latter function, which is composed of the Audit & Supervisory Board Members appointed as an independent agent.

## VI. Establishment of Executive Nomination Committee and Compensation Committee

The Executive Nomination Committee and the Compensation Committee have been established as advisory bodies for the Board of Directors to ensure objectivity and transparency in the

processes of selecting Directors and Audit & Supervisory Board Members and determining their compensation, while promoting efficient and practical discussions.

#### VII. Dialog with shareholders

The company endeavors to create the opportunities for an active dialog with shareholders to benefit from their mid-term to long-term support for the continuous growth of the company.

#### VIII. System of discovering and correcting misconducts

The company discovers misconducts, inadequacies and problems through the mechanism described below and addresses those problems properly:

- i. Non-Executive Directors monitor the business execution by Executive Directors as the duty of oversight in the Board of Directors.
- ii. Audit & Supervisory Board Members and the Internal Audit Department perform a business audit in cooperation and Accounting Auditors perform an accounting audit.
- iii. The Board of Directors and Audit & Supervisory Board Members ensure the establishment and appropriate operation of the internal control system (including the installation and operation of a whistleblowing system).
- iv. Independent Directors, Independent Audit & Supervisory Board Members and Accounting Auditors collaborate and communicate information with each other.

Taking the aforementioned basic approach, the company institutes its corporate governance in the form of the "Corporate Governance Policy (Policy)," the details of which are set forth below.

This Policy has been deliberated and established to best fit the present company conditions; however, considering the objective of corporate governance—that is, to conduct a better management—the company strives for a continuous review for the Policy not being too rigid and not losing substance as well as discussions on the Policy in the Board of Directors Meeting from time to time to maintain the best corporate governance structure.

## **1. Purpose of the Policy**

We believe that aiming to be a company, which responds to the trust of customers and business partners, the company for which employees engage in activities vibrantly and proudly so that it contributes to society, not a company merely pursuing short-term profits, will lead to the mid-term to long-term growth and the increase in the corporate value and thus enable us to fulfill the trust of shareholders who support us. It is the mission to manage the company in this way. The company recognizes that corporate governance is an indispensable mechanism for management to accomplish the abovementioned mission and has designed a governance structure accordingly. This Policy is to prescribe the establishment and operation of the relevant corporate governance of the company.

## **2. Corporate Governance Structure**

### **(1) Structural framework**

The company outlines the following rules to ensure the effective oversight and advice from a diverse perspective of Non-Executive Directors (hereinafter, the term used for the combination of Independent Directors and Non-Executive Directors appointed from within the company) to Executive Directors on their business execution as part of the Board of Directors function while taking advantage of the company with the Audit & Supervisory Board system:

- a Non-Executive Directors shall mainly be Independent Directors and include at least one Non-Executive Director who has been appointed from within the company.
- b For the selection of candidates for Non-Executive Director, consideration will be given to the skills and diversity that the Board of Directors is expected to have.
- c More than half of the members of the Board of Directors shall be Independent Directors.
- d Independent Directors are External Directors who meet the Independence Standards set by the company (hereafter referred to as "Independence Standards").
- e The company receives external audit and oversight of the Board of Directors from the Audit and Supervisory Board Members, and has the Executive Nomination Committee and the Compensation Committee which have been established on a voluntary basis and are composed of Non-Executive Directors and Auditors (hereinafter, the term will be used to refer to a combination of Non-Executive Directors and Audit and Supervisory Board Members) as well as the Independent Directors and Auditors Council which is composed of Independent Directors and Auditors (hereinafter, the term will be used to refer to a combination of Independent Directors and Independent Audit and Supervisory Board Members ), all of which complement the function of the Board of Directors.
- f Independent Audit & Supervisory Board Members shall be the External Audit &

Supervisory Board Members who meet the Independence Standards.

**(2) Method of Board of Directors to perform oversight over business execution**

The company ensures the effective use of Non-Executive Directors for overseeing Executive Directors through the Board of Directors by any means, including the following methods:

- a The Board of Directors sets the purpose as well as the values of the company and prompts the Management Executives to promote the practice and penetration of the Fujitsu Way, which embraces the aforementioned purpose and values, within the Fujitsu Group. The Board of Directors also incorporates initiatives for sustainability into corporate management in an effort to meet the expectations of various stakeholders, and sets the mid-term to long-term Management Direction from the perspective of sustainable increase of the corporate value and performs the oversight of the business execution in line with the Management Direction.
- b The Board of Directors sets the policy on the internal control system and performs the oversight over its operation. The policy stipulates the installation of a whistleblowing system that includes the external contact point in which all Directors and Auditors (hereinafter, the term includes the combination of Directors and Audit & Supervisory Board Members) of the entire Fujitsu Group are subject to whistleblowing.
- c The Board of Directors performs the oversight on the transactions involving the conflict of interest by Directors in accordance with the relevant laws, regulations, and the Regulations of the Board of Directors. The company and the Directors do not make a transaction involving the conflict of interest in principle; however, in the exceptional case where such a transaction is made, the Board of Directors examines the contents of the transaction with due care to the appropriateness and the necessity and makes a judgment of whether to approve to prevent any damages on the company and the mutual benefit of shareholders, and the transaction results shall be reported for oversight purpose.
- d For compliance with the rules mentioned in the preceding 3 items, the Board of Directors requests periodic reports to the Board of Directors by Executive Directors concerning the business execution and the operation status of the internal control system in the Fujitsu Group.

**(3) Conducting the Board of Directors Meeting**

The Board of Directors Meeting is conducted in the following manner to ensure the effective oversight performance of Non-Executive Directors over the business execution by Executive Directors as well as incorporating the opinions of Non-Executive Directors from diverse perspectives.

- a The President as the chief officer of the business execution cannot be elected as the Chairman of the Board of Directors Meeting.
- b Both Executive and Non-Executive Directors are entitled to propose the agenda of the Board of Directors Meeting.
- c The Chairman of the Board of Directors Meeting focuses on the timing of providing board materials, frequency of the meetings, listing agendas, time for deliberation, etc. to facilitate the discussion and materialize the outcome of the deliberation in the Board of Directors Meeting. In addition, it is to be considered that Independent Directors and Auditors are efficiently involved in the exchange of opinions and development of sharing awareness with Executive Directors.
- d The Board of Directors analyses and evaluates the performance of the Board of Directors Meeting every year to maintain its effectiveness and further enhance its performance as well as disclose the summary result. In addition, it reviews the following matters concerning the operation of the Board of Directors Meeting:
  - (a) whether the information that Directors and Auditors consider necessary is efficiently provided to them,
  - (b) whether training opportunities and financial support for expenses are appropriately provided to Directors and Auditors.

**(4) Oversight of the Board of Directors by Audit & Supervisory Board Members**

Audit & Supervisory Board Members, who are appointed as an independent agent and not directly involved in decision making or business execution, have a greater objectivity than Non-Executive Directors. Thus, their performance of oversight of the Board of Directors and their advisory performance over Management Executives are strengthened by their audit of the business execution, which is performed through the following methods:

- a Audit & Supervisory Board Members participate the Board of Directors Meeting, Management Council Meeting, and other important meetings.
- b Audit & Supervisory Board Members audit the business conduct of Directors by way of a legal-based request for reports on the company's business, investigations on the status of the business operation and assets including the operation of the internal control system, and the exercise of the authorities to participate in appointment and/or dismissal of Accounting Auditors, etc.
- c The Audit & Supervisory Board establishes the standards of the independence and expertise that are referred to for the appropriate nomination of Accounting Auditor candidates and the standards of evaluating Accounting Auditors properly, and have those Accounting Auditors perform an accounting audit who meet the established standards.

- d Audit & Supervisory Board Members endeavor to establish the framework with Independent Directors, Accounting Auditors, and the Internal Audit Department through communicating information from time to time.
- e Audit & Supervisory Board Members establish the response system of the company in case Accounting Auditors have discovered misconduct and demand appropriate corrective actions, or point out an inadequacy and problem.

**(5) Complementation of Board of Directors by Independent Directors & Auditors Council**

The company establishes the Independent Directors & Auditors Council, aiming to reflect the opinions of Independent Directors, who are the core of the Non-Executive Directors and have diverse perspective, to the discussions of Board of Directors Meeting, and to form the framework between Independent Directors and Independent Audit & Supervisory Board Members for effective oversight over the business execution.

The Independent Directors & Auditors Council discusses the direction of the company toward mid-term to long-term. The members share information and exchange viewpoints so that they can each formulate their own opinions.

**(6) Delegation of authorities by Board of Directors to Management Executives**

On the premise that the aforementioned oversight performance of the Board of Directors over business execution is secured, the Board of Directors, by setting the criteria for matters to be discussed, delegates the authority on decision making concerning business execution to Management Executives to the broadest extent that is permitted by law and the Articles of Incorporation of the company and is considered to be reasonable.

**(7) Procedures and policy of Directors and Auditors nomination/dismissal**

For the selection of candidates for Directors and Auditors who will be in charge of implementing corporate governance, dismissal of Directors and removal of Representative Directors, the company has established the Executive Nomination Committee on a voluntary basis, as an advisory body for the Board of Directors to promote efficient and practical discussions and to ensure transparency and objectivity in the process of appointing Directors and Auditors as outlined below.

- a The committee shall consist of Non-Executive Directors and Auditors, more than half of whom shall be Independent Directors. The Chair of the committee shall be an Independent Director.
- b To secure personnel as would-be Directors and Auditors who have a competency for taking lead role toward continuous increase of the corporate value, the Executive Nomination Committee is responsible for recommending Directors and Auditors

candidates as an initial idea along with reasons, those recommended candidates are evaluated to have an understanding on the environment surrounding the present company and possible changes in the future, an objective view in decision making on management matters, superior foresight and insight as well as excellent personality. The committee also discusses the succession planning for the President and Directors, and recommend to the Board of Directors when necessary.

- c The Executive Nomination Committee focuses on the following matters when recommending candidates:
  - (a) When the nominee for the Director and Auditor has other Director and Auditor posts in listed companies, it must be confirmed that the conflict in performing the business after the appointment as a Director and Auditor in the company is within the reasonable range.
  - (b) To promote active and practical discussions, the Board of Directors shall consist of an appropriate number of no more than 15 members and must have the skills (experience, capability, and knowledge) and diversity (gender, international mindset, professional background) necessary for fulfilling the roles and responsibilities of members of the Board.
  - (c) More than half of Independent Directors who meet the Independence Standards shall be included in the membership of the Board of Directors to ensure the effective oversight by Non-Executive Directors.
  - (d) At least one Audit & Supervisory Board Member shall have sufficient knowledge concerning finance, accounting, legal matters, and compliance, especially finance and accounting to ensure the effective audit by the Audit & Supervisory Board Members. In addition, Audit & Supervisory Board comprises more than half of External Audit & Supervisory Board Members who meet the Independent Standards.
  - (e) Nomination Committee discusses whether to dismiss relevant Director or to remove Representative Director in response to consultation from the Board of Directors and with its own responsibilities when the Committee deems it necessary to discuss it from the perspective of maintaining and enhancing the corporate value, and provides its recommendations or makes its proposal to the Board of Directors along with reasons.
  - (f) Taking into account Nomination Committee's recommendation or proposal, the Board of Directors meeting makes a resolution of submitting, to general shareholders meeting, nomination of Directors and/or Auditors and/or dismissal of Directors, and makes a resolution of removal of Representative Director.

**(8) Procedures and policy of determining Directors and Auditors compensation**

The company establishes the voluntary Compensation Committee as an advisory body to the Board of Directors to promote efficient and practical discussions and to formulate the suitable compensation system for Directors and Auditors who undertake the implementation of the company's corporate governance. Through the committee, following measures are taken to ensure the transparent and objective process for determining the compensation for Directors and Auditors as well as the appropriateness of its system and level.

- a The committee shall consist of Non-Executive Directors and Auditors, more than half of whom shall be Independent Directors. The Chair of the committee shall be an Independent Director.
- b Considering the incentive perspective from which the compensation for securing competent personnel is viewed and stimulating the effort toward continuous increase in the corporate value, the Compensation Committee is responsible for recommending or proposing the level of base compensation as well as the calculation method for performance-based compensation through the consideration of the compensation level at other companies with similar business lineups and scale to the company.

**(9) Support system for Directors and Auditors**

The company provides Directors and Auditors, irrespective of whether an Executive Director, Non-Executive Director or Audit & Supervisory Board Member, with the following supports necessary for each Director and Auditor to practice their capacity and their contribution for the company's corporate governance:

- a The company prepares a framework to help Directors and Auditors to acquire the information that they need, including the advice from external experts, through the financial support and staffing.
- b The company provides newly appointed Directors and Auditors with necessary trainings, including the explanation about the role and responsibilities, internal structure, and business lineup. In addition, the company provides the continuous opportunities for updating such information and knowledge occasionally and when Directors and Auditors feel the necessity of the training while they stay in the position.

**3. Shareholder Rights and Constructive Dialog**

**(1) Securing shareholder rights**

The company endeavors to fully secure the rights of shareholders and to effectively secure the equal treatment of shareholders with due respect to the decision of shareholders. The company

recognises that the Annual Shareholders' Meeting is the supreme decision-making body for management and the opportunity for constructive dialog that involves the following for improving the environmental conditions:

- a The company takes necessary actions to ensure that the time period is sufficient for shareholders to consider the agenda items of the Annual Shareholders' Meeting.
- b The company takes necessary actions for all shareholders, including those who are unable to attend the Annual Shareholders' Meeting and foreign shareholders to exercise their voting right appropriately.

## **(2) Constructive dialog with shareholders**

The company endeavors to establish a framework and approach for constructive dialog with shareholders in line with the policy set forth below. Through the actions, the company endeavors to obtain the understanding of shareholders on its Management Direction and other issues and takes appropriate actions from shareholders' perspective.

- a The company designates the chief financial officer (CFO) as a responsible officer to manage the dialog with shareholders as a whole, focus on their interests and concerns to achieve the constructive dialog. Furthermore, the company establishes a department in charge of investor relations (IR Department), which promotes the constructive dialog with shareholders.
- b Under the control of the CFO, the IR Department, with its in-depth knowledge on the structure of Fujitsu shareholders, conducts the dialog in cooperation with the management and the functions that support the dialog, such as strategy and planning function, corporate finance function, legal function and business function, and reports the results to the Board of Directors as appropriate.
- c The IR Department holds the briefing sessions for shareholders and investors to explain the Management Direction, financial results, etc. to expand the opportunity for dialog besides the individual meetings.
- d The company properly controls insider information in accordance with the insider information controlling policy and conducts the dialog with shareholders without using insider information.

## **(3) Capital policy**

The company establishes the basic strategy for capital policy and provides the timely and sufficient explanation to shareholders through document publication and other means, as the company recognises that the direction of capital policy, such as the way of acquiring capital and appropriation of retained earnings, significantly impacts the right and profit of shareholders and becomes a key subject in constructive dialog with shareholders.

**(4) Policy for strategic shareholdings and the standard of exercising voting right**

The company establishes the policy for strategic shareholdings and exercising voting rights as follows:

- a The Company only holds those strategic shares with clear-cut objectives and conceived of with significance of holding them in a positive manner.
- b The Company validates adequacy of strategic shareholdings at the Board of Directors Meeting every year, and continues to hold them when shareholdings are recognized as appropriate. The Board of Directors Meeting makes judgment on the strategic shareholdings in light of whether the purpose is appropriate and whether the benefits and risks from each holding cover the company's cost of capital, and other factors.
- c When no significance of shareholding in a positive manner can be recognized, the timing and method of selling those shares is examined, taking into account the scale of shareholdings, background of holding them, before selling them one by one to reduce them.
- d In exercising voting rights of the share that the company holds as strategic shareholdings, the company comprehensively decides how to exercise the rights on agenda considering the purpose of holding, probability of maximising the effect of holding, and the increase in the company's corporate value as a minority shareholder. The company considers selling the share if it judges not to agree to the agenda item proposed by the investee company.

**(5) Determination on the location of control of the company**

Under the basic approach that the increase in corporate value creates the defensive power as a consequence, the company focuses on increasing corporate value and does not adopt any specific anti-takeover measures. In case an acquisition offer is made to the company, the Board of Directors takes an appropriate action based on the recognition that the determination on the location of control of the company resides in shareholders.

**4. Appropriate disclosure of information**

The company discloses information, as stated below, based on the recognition that appropriate disclosure of financial information and increased disclosure of non-financial information will be useful for all stakeholders and not only help realize constructive dialogs with shareholders and the appropriate exercise of shareholders' rights, but also contributing to further cooperation with all stakeholders.

- a. The company, following laws and rules set forth by stock exchanges in which it is listed, discloses information with a focus placed on fairness and continuity.
- b. The company not only provides an English version of disclosed information, as necessary, but also proactively publicizes information that the company considers to be useful in deepening the understanding of stakeholders even if the laws and rules do not require such information to be disclosed.

**5. Revision or abolition of the Policy**

Board of Directors has the sole authority to discuss and resolve the revision or abolition of this Policy. Notwithstanding the foregoing, information sharing and opinion exchange in the Independent Directors & Auditors Council are not forbidden.

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## Appendix

### Independence Standards for External Directors & Auditors

1. A Director and Auditor will be independent if none of followings are met, at present and/or in the past:
  - (1) Director (excludes Independent 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 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 a Significant Amount of Monetary Benefits<sup>5</sup> or other assets as an individual or as a Director, an Operating Officer, an Auditor or an important employee<sup>3</sup> of a small company regarded as equivalent to an individual, apart from the compensation received as a Director or Audit & Supervisory Board Member of 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
  
2. A person who does not have a Close Relative<sup>7</sup> will be independent, wherein a Close Relative meets one of followings, 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 other assets as an individual or as a Director, an Operating Officer, an Auditor or an important employee<sup>3</sup> of a small company regarded as equivalent to an individual, apart from the compensation received as a Director or Audit & Supervisory Board Member of Fujitsu; or
  - (7) Director, Executive Officer, Audit & Supervisory Board Member, or important employee<sup>2</sup> of

a Major Business Partner of Fujitsu.

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- 1 “Fujitsu Group Companies” means Fujitsu Limited and its subsidiaries.
- 2 “Major Shareholder” indicates a shareholder who holds at least 10 percent of the voting rights of Fujitsu nominally or substantially.
- 3 Excluding an Independent Director or an Independent Auditor of a Major Shareholder, Lender, or Business Partner.
- 4 “Major Lender” indicates the 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 donation equal to or more than 10 million yen.
- 6 “Major Business Partner” means a company with whom Fujitsu Group Companies made a business transaction within the preceding three fiscal years and the total amount of the transaction exceeds 1% of consolidated sales revenue of either Fujitsu or that company.
- 7 “Close Relative” means a family, spouse, or cohabiter within the second degrees 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.
- 9 The roles listed in the Independence Standards include equivalent roles.