Corporate Governance

1. Basic Stance on Corporate Governance

We believe that pursuing management efficiency while effectively managing business risks is essential to achieving sustainable improvement in corporate value. Recognizing that stronger corporate governance is vital to realizing this goal, we have been active in appointing outside directors to help ensure sound and transparent management. At the same time, by separating management oversight and operational execution functions, we have promoted faster decision-making while further clarifying management responsibilities. The clear separation of these functions is designed to further improve management transparency and efficiency.

We manage our Group companies based on clear distinction between 1) companies that perform an assigned function in our business; and 2) companies that pursue a synergistic relationship with us based on a shared corporate strategy.

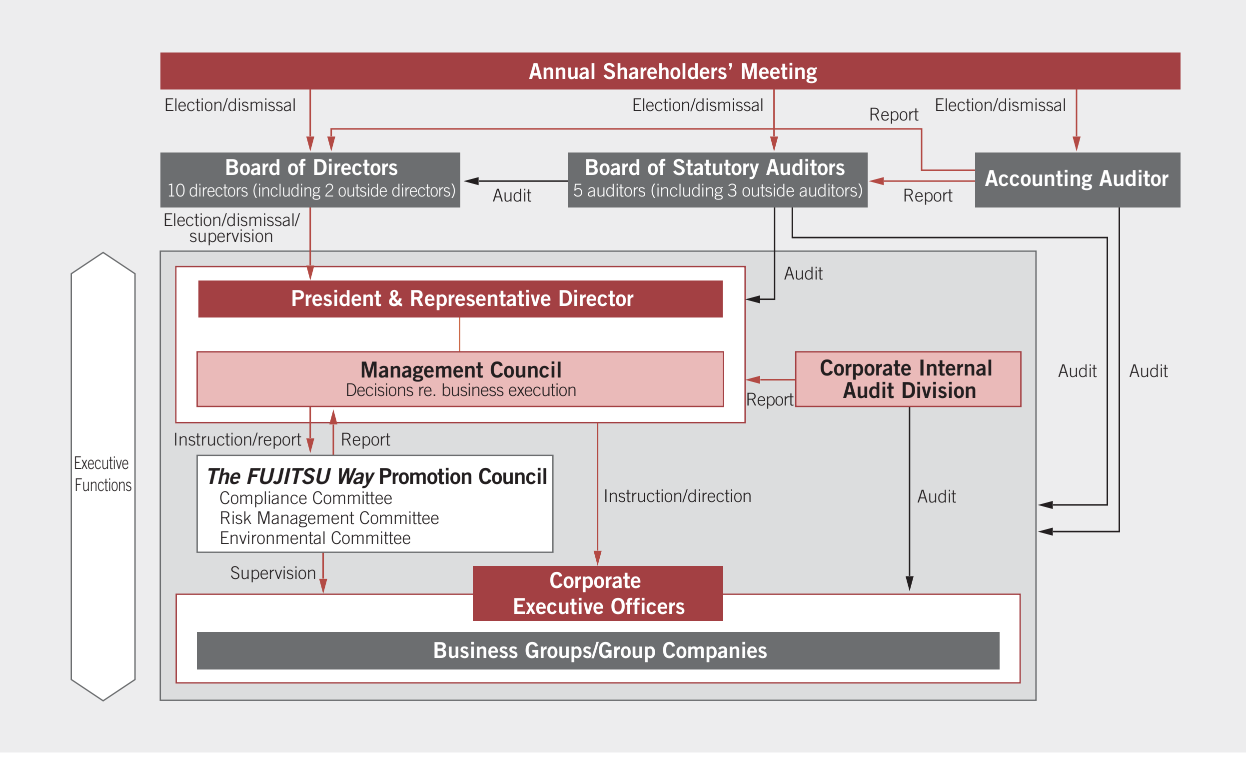
2. Status of Corporate Governance-related Policy Implementation

(I) Management Control Organization with Respect to Business Decisions, Operational Execution and Oversight, and Other Corporate Governance Structures

(i) Institutional Structure and Internal Control

The Board of Directors is responsible for management oversight, supervising the operational execution functions of the Management Council, an executive organ under its authority.

The Management Council discusses and decides upon fundamental policies and strategy regarding business management, as well as makes decisions on important matters regarding operational execution. Issues discussed by the Management Council and a summary of its discussions are reported to the Board of Directors, which makes decisions on items of particular importance. In principle, the Management Council meets three times a month, but meetings may be convened whenever necessary.



The auditing function is carried out by statutory auditors (Board of Statutory Auditors), who review the Board of Directors as well as operational execution functions and attend important meetings, including meetings of the Board of Directors and the Management Council.

In addition, the 10-member Board of Directors consists of eight internal directors and two outside directors, while the five-member Board of Statutory Auditors consists of two internal auditors and three external auditors. To further clarify the management responsibility of directors, the term of directors was reduced from two years to one year under a resolution adopted at the Annual Shareholders' Meeting convened on June 23, 2006.

The Company's corporate governance structure as of March 31, 2007 is shown in the diagram on the previous page.

(ii) Summary of Liability Limitation Agreements

In accordance with Article 423, Paragraph 1 of the Company Law, we have concluded liability limitation agreements with outside directors and outside auditors. The limit of liability pursuant to these agreements is the statutory minimum liability limit. Liability shall only be limited in cases where outside directors or outside auditors are liable through the performance of duties that are deemed to have been carried out in good faith and without gross negligence.

(iii) Number of Directors

The Company's Articles of Incorporation stipulate that the number of directors shall be 15 or less.

(iv) Requirements for Resolutions for the Election of Directors

The attendance at shareholders' meetings of shareholders holding one-third of the total number of voting rights who may exercise these rights shall constitute a quorum for the election of directors, and a resolution for the election shall require a majority of their voting rights.

(v) Decision-making Body on Dividends

With respect to the distribution of dividends and other matters set out in each item of Article 459, Paragraph 1 of the Company Law, except as otherwise provided in laws and ordinances, these shall be determined by a resolution of the Board of Directors, as stipulated in the Articles of Incorporation. This is to enable the timely payment of dividends and ensure flexibility in dividend policy.

(vi) Requirements for Extraordinary Shareholder Resolutions

The attendance at shareholders' meetings of shareholders holding one-third or more of the total number of voting rights who may exercise these rights shall constitute a quorum for extraordinary shareholder resolutions stipulated in Article 309, Paragraph 2 of the Company Law, and approval of an extraordinary shareholder resolution shall require two-thirds or more of their voting rights. This represents an easing of requirements to enable conditions for the quorum to be met more readily.

(vii) Basic Stance on Internal Control Framework and Status of Implementation

At a meeting of the Board of Directors on May 25, 2006, the following basic stance was adopted with respect to enhancement of the Company's internal control system based on Article 362, Paragraph 5 and Paragraph 4, Section 6 of the Company Law, as well as Article 100, Paragraphs 1 and 3 of the Company Law Enforcement Regulations.

1. Objective

The FUJITSU Way, the core set of principles guiding the Fujitsu Group, sets forth our goal of helping to solve customers' problems and contributing to society through the provision of high-quality products and services based on leading-edge technology, as well as our determination to fulfill our corporate responsibilities to stakeholders, including: customers, employees*1, shareholders and investors, suppliers, business partners, local communities and broader global society.

We believe that the concurrent pursuit of efficient management and the proper control of business risks are essential to achieving sustainable improvement in the corporate value of the Fujitsu Group. Recognizing that stronger corporate governance is vital to realizing this goal, we are constantly working to implement and advance the policies outlined below.

2. Framework to Ensure the Propriety of Fujitsu Limited and Fujitsu Group Business Activities

(1) System to Ensure Efficient Execution of Duties by the Board of Directors

① Management oversight functions and operational execution functions are separated at Fujitsu. The Board of Directors supervises the Management Council*2 and other executive organs charged with operational execution functions and makes decisions on important matters. Among these executive organs, the Management Council discusses and decides fundamental matters of business direction and strategy, and makes decisions about important matters relating to operational execution. Issues discussed by the Management Council and a summary of its discussions are reported to the Board of Directors, which makes decisions on matters of particular importance.

② In order to strengthen management oversight functions, we actively appoint outside directors and auditors.

③ The Board of Directors clarifies matters relating to the duties of directors with assigned business responsibilities, corporate executive officers, and other executive-level managers (all referred to hereafter as "senior managers"), as well as the authority of other executive bodies, and sees to it that duties are executed in accordance with the responsibilities of each position.

④ Senior managers shall make decisions regarding execution of their duties based on appropriate decision-making procedures in accordance with "Board of Directors Regulations," "Management Council Regulations," "*Ringi* Regulations," and other relevant regulations.

⑤ Senior managers are expected to thoroughly familiarize employees with management direction and other strategy directives, and, in order to achieve business goals, to set and achieve concrete objectives.

⑥ In order to pursue greater operational efficiency, senior managers are expected to continuously promote the development and full implementation of internal control systems as well as the improvement of business processes.

⑦ The Board of Directors monitors and directs progress in the achievement of business objectives by arranging for monthly reports on financial results and business operations from senior managers and other executive organizations with business execution duties.

(2) System to Ensure that Execution of Duties by Directors and Employees Complies with Laws, Regulations and the Articles of Incorporation

① Senior managers are expected not only to uphold *The FUJITSU Way*, which includes the basic principles of compliance with laws, regulations and the Articles of Incorporation, but to also actively promote compliance by the Fujitsu Group as a whole in accordance with their ethical obligations as senior managers.

② Senior managers shall, by carrying out ongoing educational programs and other measures, strive to ensure that employees rigorously adhere to the basic principles of *The FUJITSU Way*, and thereby promote compliance by the Fujitsu Group as a whole.

③ Senior managers shall clarify legal regulations and other rules regarding the business activities of the Fujitsu Group, as well as institute and enforce the necessary rules, training, and monitoring systems to promote compliance by the Fujitsu Group as a whole.

④ In the event that senior managers or employees become aware of the possibility of a serious operations-related compliance violation, they are to immediately inform the Board of Directors and/or the Board of Statutory Auditors through regular operational reporting lines.

⑤ In order to enable the early discovery of potential compliance problems and their proper handling through information channels separate from regular operational reporting lines, senior managers shall establish and maintain an internal notification system that includes a structure and procedures for protecting those who raise compliance issues.

⑥ The Board of Directors shall receive on a periodic basis reports on the state of operations from those charged with executing them as well as confirm that there are no compliance violations in connection with execution of business duties.

(3) Regulations and Other Structures for Managing the Risk of Losses

① Senior managers strive to realize the continuity of Group businesses, growth in corporate value and the sustainable development of corporate activities. In order to deal with risks that might constitute obstacles to achieving these goals, they shall establish jurisdictions for various types of risks and put in place administrative systems to deal with them in an appropriate manner.

② Senior managers shall regularly assess and verify risks that might result in losses to the Group and report significant issues to the Board of Directors.

③ In regard to the kind of risks identified in the preceding item, as well as other risks that might be envisioned to arise in the course of carrying out business activities, senior managers shall establish preventative and other measures to control risks and carry out activities to minimize possible losses. In addition, in order to minimize losses resulting from the elicitation of incidences of risk, along with establishing a Risk Management Committee and implementing other necessary measures, incidences of risk shall be analyzed on a periodic basis and reported to the Board of Directors, and other activities shall be carried out to prevent similar risks from arising.

④ In order to gather the kind of risk information that cannot be captured through the measures referred to above, senior managers shall put in place and maintain an internal notification system that includes protection for those who come forward with information.

(4) Systems for Retaining and Managing Information Relating to Execution of Directors' Duties

① Based on company policies, senior managers shall delegate persons with the responsibility for retaining and managing the following documents (including in digital form) and other important information relating to the execution of directors' duties:

- Minutes of Annual Shareholders' meetings and related materials
- Minutes of Board of Directors' meetings and related materials
- Minutes of other meetings involving important decision-making bodies along with related materials
- Documents and related materials authorized by senior managers
- Other important documents relating to management execution by senior managers

② In order for directors or statutory auditors to verify the status of issues relating to operational execution of duties, they shall have access as needed to the documents listed in the previous item, and the persons responsible for retaining and managing these documents shall put systems in place to ensure that directors and statutory auditors can have access to them when they are requested.

(5) Systems for Ensuring the Propriety of Fujitsu Group Business Activities

① In order to continuously improve the corporate value of the Fujitsu Group, the Company shall, in accordance with *The FUJITSU Way*, provide guidance and support to Fujitsu Group company senior managers to ensure that proper systems are in place throughout the Group to efficiently and properly adhere to points (1)–(4).

② Specifically, in regard to the issues mentioned in the previous item, we shall prepare a set of Fujitsu Group Management Regulations that specify each company's role, responsibilities, lines of authority, decision-making procedures, and other matters.

③ Senior managers from Fujitsu Limited and Fujitsu Group companies shall meet regularly for updates on the Group's management direction and to address issues relating to achieving business performance targets. In addition, the statutory auditors of Fujitsu Group companies shall meet to address issues facing the Fujitsu Group from an audit perspective.

④ Senior managers from Fujitsu Limited and each Group company shall formulate policies to resolve any obstacles relating to meeting business performance targets identified in the previous item, and implement appropriate policies after a thorough discussion of the issues. If necessary, Fujitsu Limited shall receive reports or applications for approval as shall be specified separately in the Fujitsu Group Management Regulations.

⑤ The Company's internal audit division shall coordinate with each Group company's internal audit division to perform internal audits of the entire Fujitsu Group. Findings shall be regularly reported to the boards of directors and/or statutory auditors of Fujitsu Limited and the Group company concerned. Important matters relating to Fujitsu Group companies are reported to Fujitsu's Board of Directors and Board of Statutory Auditors.

(6) Systems for Ensuring the Propriety of Audits by Statutory Auditors

<Provisions to Ensure Independence>

① The Company shall staff the Statutory Auditors' Office with employees to help the statutory auditors perform their duties. Employees selected for this purpose shall have the capabilities and knowledge needed to meet the requirements of the statutory auditors.

② To ensure the independence of the employees assigned to the Statutory Auditors' Office, senior managers shall consult in advance with the statutory auditors regarding personnel issues for these employees, including appointments, transfers, and compensation.

③ As a general principle, senior managers shall not have employees assigned to the Statutory Auditors' Office assume concurrent responsibilities with other units. If, however, the statutory auditors request the assistance of employees with specialized expertise, necessitating concurrent responsibilities for those employees, the provisions in the preceding item ensuring independence shall apply to those employees.

<Provisions for Reporting>

① Senior managers from Fujitsu Limited and each Group company shall provide opportunities for statutory auditors to attend important meetings.

② Senior managers and employees from Fujitsu Limited and each Group company shall immediately notify the statutory auditors of any incidences of risk that impact management or financial performance, or if they become aware of evidence of major compliance violations relating to the conduct of business activities.

③ Senior managers and employees from Fujitsu Limited and each Group company shall make periodic reports to the statutory auditors on issues relating to the execution of business operations.

<Provisions to Ensure Effectiveness>

① Senior managers from Fujitsu Limited and each Group company shall regularly exchange information with the statutory auditors.

② The Corporate Internal Audit Division shall regularly report its findings to the statutory auditors.

③ The statutory auditors shall, on an as-needed basis, receive presentations or reports from the accounting auditors on their accounting audit findings and shall, on a regular basis, exchange information.

*[1] In *The FUJITSU Way*, the term 'employees' refers to employees of the Fujitsu Group. The same usage is applied in these basic policies.

*[2] The former Management Strategy Council and Management Council have been combined into a single body, the Management Council.

(viii) Status of Audits by Statutory Auditors, Internal Audits, and Accounting Audits

Fujitsu has adopted a statutory auditor system. Auditors attend important management meetings, including those held by the Board of Directors and the Management Council, to audit the Board of Directors and operational execution bodies. In addition, the Corporate Internal Audit Division has been established to serve as an internal audit group. This division audits the internal affairs of the Company and its affiliates, proposes improvement in their business practices, and regularly reports its audit findings to the Management Council. Accounting audits are carried out by Ernst & Young ShinNihon, which reports to the Board of Statutory Auditors on the auditing plan and auditing results, and, when necessary, exchanges opinions and conducts joint audits with the statutory auditors.

Accounting audit work is carried out by three certified public accountants at Ernst & Young ShinNihon. They are Michiko Tomonaga, Noriyuki Tsunoda, and Hideaki Karaki. Other Ernst & Young ShinNihon employees that assist with the audits are 17 certified public accountants, 17 assistant certified public accountants, and 6 accounting staff members.

(ix) Personal, Capital and Business Relationships and Other Interests between the Company and Outside Directors and Outside Auditors

1. Interests between the Company and Outside Directors and Outside Auditors

The Company's outside directors and outside auditors, listed below, have no special interests in the Company.

Outside directors: Haruo Ito, Ikujiro Nonaka

Outside auditors: Yoshiharu Inaba, Tamiki Ishihara, Megumi Yamamuro

2. Interests between the Company and Companies at which Outside Directors and Outside Auditors Are Employed as Directors or Auditors

Haruo Ito is President and Representative Director of Fuji Electric Holdings Co., Ltd., the holding company of the Fuji Electric Group. Fuji Electric Holdings holds 5.47% of Fujitsu stock and holds another 5.94% through trust account assets for employee retirement benefits. Additionally, as of June 29, 2007, an advisor to Fujitsu Limited was serving as a director of Fuji Electric Holdings, in which Fujitsu has a 9.96% stake. Fujitsu Limited and Fuji Electric Holdings have a business relationship.

Auditor Yoshiharu Inaba is President and CEO of Fanuc, Ltd., in which Fujitsu holds a 5.00% stake. As of June 29, 2007, a representative director of Fujitsu Limited was serving as an auditor of Fanuc. Fujitsu Limited and Fanuc have a business relationship.

Auditor Tamiki Ishihara is Corporate Adviser to Seiwa Sogo Tatemono Co., Ltd., which has a business relationship with the Fujitsu Group.

Though not meeting the legal definition of an outside director under Japan's Company Law, Fujitsu Limited director Hiroshi Oura serves as Senior Executive Advisor of Advantest Corporation, in which Fujitsu holds a 10.09% stake through trust account assets for employee retirement benefits. As of June 29, 2007, a representative director and an auditor of Fujitsu Limited were serving as a director and an auditor of Advantest, respectively. Fujitsu Limited and Advantest have a business relationship.

(x) Status of Company's Initiatives to Enhance Corporate Governance

<Basic Stance>

Comprising our mission, values, and code of conduct, *The FUJITSU Way* is the core set of principles guiding the corporate and individual actions of the Fujitsu Group.

We pursue the sound and efficient execution of our business activities by striving to accelerate the penetration and implementation of *The FUJITSU Way* and to promote structures and procedures to ensure propriety throughout the Group in our business dealings.

<Status of Implementation>

In accordance with the enforcement of the Company Law, we adopted a basic stance with respect to enhancement of the Company's internal control framework through a resolution of the Board of Directors as explained in 2. (I) (vii) above. We subsequently designated the relevant executive bodies to take responsibility for development of the internal control framework. We are now working to build a more sound operational execution framework based on a review of relevant regulations and operational processes.

Furthermore, to accelerate the penetration and implementation of *The FUJITSU Way*, in July 2004 we established *The FUJITSU Way* Promotion Council, as a body reporting directly to the Management Council, and a Compliance Committee. In addition, we realigned the Risk Management Committee and Environmental Committee, which had both previously operated independently, under *The FUJITSU Way* Promotion Council.

To promote risk management, *The FUJITSU Way* Promotion Council continuously monitors the implementation of risk prevention measures by working to raise awareness of risks and by gathering information on specific risks, including potential ones. Moreover, in anticipation of revisions to the Securities Exchange Law (enactment of the Financial Instruments and Exchange Law), in the second half of fiscal 2005 we launched Project EAGLE as a Company-wide initiative to construct an internal control system that will ensure the validity and credibility of our financial reports. Along with establishing a promotion organization dedicated to these efforts, we have been working to extend them across the Group, including domestic and overseas subsidiaries, by building up our promotion organization, accumulating know-how and cultivating personnel. The goals of the project also include achieving greater efficiency through the pursuit of business process reforms across the Group.

The functions of the committees aligned under *The FUJITSU Way* Promotion Council are as follows:

- Compliance Committee: This committee is responsible for promoting structures and systems to ensure strict compliance with external as well as internal rules, regulations and norms of behavior. To support these efforts, since September 2004 we have put in place a "helpline" system to serve as a confidential liaison for receiving reports from employees and providing guidance to them on matters of conduct.
- Risk Management Committee: This committee takes measures to obtain information regarding specific incidences of risk and minimize the impact of risk incidences on customers and the Fujitsu Group. Serious issues are reported to the Management Council or Board of Directors for discussion and response. Through these measures, risk issues and countermeasures are disseminated throughout the Fujitsu Group, strengthening our overall risk management posture.
- Environmental Committee: This committee is responsible for promoting and strengthening the environmental protection activities of the Fujitsu Group, which are based on The Fujitsu Group Environmental Policy and The Fujitsu Group Environmental Protection Program.

We are taking into consideration the opinions of our accounting auditors as we implement the project to construct an internal control system that will ensure the validity and reliability of our financial reports.

(II) Directors' Remuneration

Total remuneration paid to directors and auditors during the fiscal year under review is described below.

Position	No. of recipients	Total remuneration (millions of yen)
Directors	10	345
Of which, outside	(2)	(15)
Auditors	5	66
Of which, outside	(3)	(22)

Notes: 1. By a resolution passed at the 106th Annual Shareholders' Meeting on June 23, 2006, the upper limit of annual remuneration for all directors was set at ¥600 million.
2. By a resolution passed at the 106th Annual Shareholders' Meeting on June 23, 2006, the upper limit of annual remuneration for all auditors was set at ¥100 million.
3. No bonuses were paid to directors or auditors during the fiscal year under review.
4. At the 107th Annual Shareholders' Meeting on June 22, 2007, a resolution was passed granting retirement allowances to retiring members of the Board of Directors and the Board of Auditors and final payments of retirement allowances in conjunction with the abolition of the retirement allowance system for directors and auditors. These payments amounted to a total of ¥1,131 million for the 10 directors as of March 31, 2007 (including a total of ¥21 million for two outside directors), and a total of ¥70 million for the five auditors as of March 31, 2007 (including a total of ¥15 million for three outside auditors). These amounts have not been included in the above table.

(III) Remuneration Paid to Accounting Auditors

Total remuneration to be paid by the Company and its consolidated subsidiaries to Ernst & Young ShinNihon during the fiscal year under review is described below.

Type	Total remuneration (millions of yen)	Of which, paid by the Company (millions of yen)
Sum to be paid as remuneration for performing the audit under Article 2, Paragraph 1 of the Certified Public Accountants Law	625	250
Sum to be paid for other services	14	–
Total	640	250

Notes: 1. The Company does not clearly differentiate the amounts of compensation for an audit under the Securities Exchange Law from an audit under the Company Law. Consequently the amounts stated above include compensation for the audit under the Company Law.
2. Some of the Company's subsidiaries employ the services of auditing firms other than the accounting auditor.

(IV) Activities of Outside Officers

	Name	Activities
Outside Directors	Kunihiko Sawa	Attended 94% of the Board of Directors meetings held during the year under review and made comments based on his deep insight into the businesses of the Company.
	Ikujiro Nonaka	Attended 69% of the Board of Directors meetings held during the year under review and made comments from his extensive experience in business administration.
Outside Auditors	Yoshiharu Inaba	Attended 81% of the Board of Directors meetings and 100% of the Board of Auditors meetings held during the year. He made comments at the Board of Directors meetings and the Board of Auditors meetings based on his deep insight into the businesses of the Company.
	Tamiki Ishihara	Attended 88% of the Board of Directors meetings and 100% of the Board of Auditors meetings held during the year under review. He did not make a comment at the Board of Directors meetings held during the year, but he made comments at meetings of the Board of Auditors from his specialized viewpoint on finance and accounting.
	Megumi Yamamuro	Attended 94% of the Board of Directors meetings and 100% of the Board of Auditors meetings held during the year under review. He made comments at the Board of Directors meetings and the Board of Auditors meetings from his specialized viewpoint as an attorney.

Notes: 1. In the year under review, the Board of Directors met 16 times and the Board of Auditors met six times.
2. Although Hiroshi Oura does not meet the legal definition of an outside director under the Company Law, we call on him to fulfill the role of an outside director to help strengthen management oversight. Mr. Oura attended 100% of the Board of Directors meetings held during the year under review and made comments based on his deep insight into the businesses of the Company.