

# Corporate Governance

The following Fujitsu-prepared translation of the revised Fujitsu Limited Corporate Governance Report is provided for reference only. The original Japanese-language report was filed with the Tokyo Stock Exchange on June 21, 2010 under TSE securities code 6702.

## I. Basic Stance on Corporate Governance and Other Basic Information

### 1. Basic Stance

The Fujitsu Group's corporate philosophy is articulated as the "Fujitsu Way," comprised of our Corporate Vision, Corporate Values, Principles, and Code of Conduct. By sharing and practicing the Fujitsu Way, we aim to continuously enhance the value of the enterprise through the continuous growth and development of the Fujitsu Group.

In order to continuously raise the Fujitsu Group's corporate value, along with pursuing management efficiency it is also necessary to control the risks that arise from business activities. Recognizing that strengthening corporate governance is essential to achieving this, the Board of Directors has articulated the Basic Stance on Internal Control Framework, and these measures are continuously implemented.

Furthermore, by separating management oversight and operational execution functions, we aim to accelerate the decision-making process and clarify management responsibilities. Along with creating constructive tension between oversight and execution functions, we are further enhancing the transparency and effectiveness of management by proactively appointing outside directors.

With respect to group companies, we are pursuing total optimization for the Fujitsu Group by clarifying each group company's role and position in the process of generating value for the group as a whole and managing the group to continuously enhance its corporate value.

### 2. Other Particular Factors that May Have an Important Impact on Corporate Governance

Among our consolidated subsidiaries and equity method affiliates, the following companies are publicly listed on Japanese stock exchanges:

<Consolidated Subsidiaries>

Fujitsu Frontech Limited, Fujitsu Broad Solution & Consulting Inc., NIFTY Corporation, Shinko Electric Industries Co., Ltd., Fujitsu Component Limited, FDK Corporation

<Equity Method Affiliates>

Fujitsu General Limited

While we respect the autonomy of our publicly listed subsidiaries, we require them to receive our prior authorization when they use "Fujitsu" as a trade name or trademark. In addition, while they are responsible for decisions regarding nominations and compensation for members of the board, we are notified in advance regarding member of the board candidates and levels of compensation. Moreover, regarding the setting of budget plans and revisions as well as financial performance, because their results impact our consolidated earnings, to the extent that it is reasonable, we are kept informed.

## II. Status of Management Control Organization for Management Decision-Making, Operational Execution and Oversight, and Other Corporate Governance Structural Features

### 1. Matters Regarding Institutional Structure and Organizational Operation

Type of Organization:	Corporation with Auditors
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#### [Board of Directors]

Board Chair:	Chairman (except when concurrently acting as President)
Number of Directors	10
Appointment of Outside Directors	Yes
Number of Outside Directors	3

## Corporate Governance

### Relationship with Company (1)

Name	Type of Affiliation	Relationship with Company *1									
		a	b	c	d	e	f	g	h	i	
Haruo Ito	From other company									○	○
Yoko Ishikura	Scholar				○					○	
Ryosei Kokubun	Scholar									○	

\*1 Categories Describing Relationship with Company

a : From parent company

b : From other affiliated company

c : Principal shareholder of subject company

d : Concurrently serves as outside director or outside auditor of other company

e : Director or executive officer of other company

f : Close relative by blood or marriage to director or executive officer of the subject company or other designated interested party

g : Receives compensation or other material benefit as senior executive of parent company or subsidiary of the subject company

h : Has limited liability contract with subject company

i : Other

### Relationship with Company (2)

Name	Supplemental Explanation of Relationship	Reason Appointed as Outside Director
Haruo Ito	Mr. Ito is a Director and Senior Advisor of Fuji Electric Holdings Co., Ltd., the holding company of the Fuji Electric Group, which holds 5.45% of Fujitsu's shares as well as an additional 5.75% of Fujitsu's shares as trust account assets for employee retirement benefits. In addition, Fujitsu holds 9.96% of the shares of Fuji Electric, and a senior executive advisor to Fujitsu serves as a Director of Fuji Electric Holdings. Fujitsu has business dealings with the Fuji Electric Group.	Mr. Ito has had a long career in executive management and he has extensive knowledge of Fujitsu's business. Mr. Ito is a Director and Senior Advisor of Fuji Electric Holdings Co., Ltd., a major shareholder of the company. Fujitsu and the Fuji Electric Group have business dealings, but the level of sales—about 57 million yen in fiscal 2009—is not material to Fujitsu. Beyond this business relationship, there are no other factors that would compromise Mr. Ito's independence.
Yoko Ishikura	Professor, Graduate School of International Corporate Strategy, Hitotsubashi University	Ms. Ishikura has expertise for innovation and business strategies in global competition. Moreover, Ms. Ishikura has never been an executive of a major shareholder or major business partner of Fujitsu, or held another position that would compromise her independence. Fujitsu therefore has identified her as an independent director in reports to stock exchanges in Japan.
Ryosei Kokubun	Professor, Faculty of Law, Keio University	Mr. Kokubun has a deep understanding of politics and economics from a global perspective, especially relating to East Asia. Moreover, Mr. Kokubun has never been an executive of a major shareholder or major business partner of Fujitsu, or held another position that would compromise his independence. Fujitsu therefore has identified him as an independent director in reports to stock exchanges in Japan.

### Other Issues Relating to Major Activities of Outside Directors

In addition to the outside directors listed above, we have called upon Hiroshi Oura, Senior Executive Advisor of Advantest Corporation, to fill the role of an outside director to strengthen the oversight of management execution. However, since he was once a member of the board, he does not meet the legal definition of an outside director under Japan's Company Law. Fujitsu Limited has business dealings with Advantest.

In fiscal 2009, there were seventeen regularly scheduled or special meetings of the Board of Directors, and the four outside directors (Hiroshi Oura, Ikujiro Nonaka, Haruo Ito and Masayasu Kitagawa), including Hiroshi Oura, had an attendance rate of approximately 95%.

### [Board of Auditors]

Existence of Board of Auditors:	Yes
Number of Auditors:	5

### Coordination between Auditors and Accounting Auditors

The auditors meet with the accounting auditors during six regularly scheduled meetings each year to exchange information and advice and reach mutual understanding regarding important audit issues, risk evaluations relating to internal control audits, and other matters.

### Coordination between Auditors and Internal Auditing Division

The auditors receive reports on the audit system and audit plans from the Corporate Internal Audit Division at the start of each reporting period. Then, during the period, the auditors get reports on the results of internal audits and exchange information and advice to reach mutual understanding with the Corporate Internal Audit Division.

Appointment of Outside Auditors to the Board of Auditors:	Yes
Number of Outside Auditors:	3

### Relationship with Company (1)

Name	Type of Affiliation	Relationship with Company*1									
		a	b	c	d	e	f	g	h	i	
Tamiki Ishihara	From other company				○					○	
Megumi Yamamuro	Attorney				○					○	
Hiroshi Mitani	Attorney				○					○	

\*1 Categories Describing Relationship with Company

a : From parent company

b : From other affiliated company

c : Principal shareholder of subject company

d : Concurrently serves as outside director or outside auditor of other company

e : Director or executive officer of other company

f : Close relative by blood or marriage to director or executive officer of the subject company or other designated interested party

g : Receives compensation or other material benefit as senior executive of parent company or subsidiary of the subject company

h : Has limited liability contract with subject company

i : Other

### Relationship with Company (2)

Name	Supplemental Explanation of Relationship	Reason Appointed as Outside Auditor
Tamiki Ishihara	Tamiki Ishihara serves as Corporate Advisor of Seiwa Sogo Tatemono Co., Ltd.	Mr. Ishihara, with his long experience in the finance industry, has extensive knowledge of finance and accounting issues. Mr. Ishihara was formerly a Representative Director of Mizuho Bank, Ltd. (formerly known as Dai-Ichi Kangyo Bank, Ltd.), whose banking group is a major business partner of Fujitsu. Beyond this business relationship, there are no other factors that would compromise Mr. Ishihara's independence. Furthermore, seven years had passed between the time when Mr. Ishihara retired from his position at Mizuho Bank and the time he became an outside auditor of the company. In total, twelve years have passed since his retirement, and therefore the company believes Mr. Ishihara has a certain degree of independence.
Megumi Yamamuro	Attorney and Professor of the University of Tokyo Graduate School for Law and Politics	Mr. Yamamuro has extensive experience in the legal field and extensive knowledge of legal matters, including Japan's Company Law. Mr. Yamamuro has never been an executive of a major shareholder or major business partner of Fujitsu, or held another such position that would compromise his independence. Since he is independent, the company has identified Mr. Yamamuro as an independent auditor in reports to stock exchanges in Japan.
Hiroshi Mitani	Attorney and Special Counsel, TMI Associates	Mr. Mitani has a deep understanding of not only legal affairs, but also of economic, social and other factors that affect the management of a company due to his service as a public prosecutor and as a member of the Fair Trade Commission. Mr. Mitani has never been an executive of a major shareholder or major business partner of Fujitsu, or held another such position that would compromise his independence. Since he is independent, the company has identified Mr. Mitani as an independent auditor in reports to stock exchanges in Japan.

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### Other Issues Relating to Major Activities of Outside Auditors

In fiscal 2009, there were seventeen regularly scheduled or special meetings of the Board of Directors, for which the three outside auditors (Tamiki Ishihara, Megumi Yamamuro and Hiroshi Mitani) had an attendance rate of about 96%, and six meetings of the Board of Auditors, for which the three outside auditors had an attendance rate of about 94%.

#### [Incentives]

Implementation Status of Incentive Policies for Directors:	Introduced bonus system linked to the performance of the company, and introduced stock option plan.
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### Supplemental Explanation

To achieve clear management accountability, with respect to compensation paid to directors, we utilize both fixed compensation and compensation tied to business performance (bonuses). At the 107th Annual Shareholders' Meeting held on June 22, 2007, a resolution terminating the retirement allowance system for directors was passed.

Stock Option Eligibility:	Directors, outside directors, employees
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### Supplemental Explanation

Stock options were granted in 2001 and 2002.

In 2001, stock options were granted to 32 directors (including outside directors) and 15 employees.

In 2002, stock options were granted to 32 directors (including outside directors) and 18 employees.

#### [Compensation of Directors and Auditors]

Method of Disclosure:	Included in regularly filed financial and business reports.
Scope of Disclosure:	Total amounts paid to directors and auditors and to outside directors and outside auditors are separately disclosed.

### Supplemental Explanation

For fiscal 2009, total compensation to directors and auditors was as follows:

• Directors	11 people, 435 million yen (Basic compensation of 363 million yen and bonuses of 72 million yen)
Of which, compensation paid to outside directors	3 people, 26 million yen (Basic compensation of 26 million yen)
• Auditors	7 people, 111 million yen (Basic compensation of 90 million yen and bonuses of 21 million yen)
Of which, compensation paid to outside auditors	4 people, 28 million yen (Basic compensation of 28 million yen)

\* The above includes directors and auditors who resigned or retired in fiscal 2009.

\* The limit on remuneration to directors was resolved to be 600 million yen per year, and the limit on remuneration to auditors was resolved to be 100 million yen per year at the 106th Annual Shareholders' Meeting held June 23, 2006. The company is paying the basic compensation shown in the above table, which is within these limits.

\* The above bonus amounts were decided at the 110th Annual Shareholders' Meeting held on June 21, 2010.

#### [Support Structure for Outside Directors and Outside Auditors]

Certain staff members of the Secretary Office are responsible for providing support to outside directors and outside auditors. In addition, the Legal Unit (Secretariat of Board of Directors) and the Auditor's Office (Secretariat of Board of Auditors) are also responsible for providing support to outside directors and outside auditors. This responsibility involves complying with requests from outside directors or outside auditors to provide and explain information about Fujitsu or the entire Fujitsu Group that is required for management oversight or audits. Depending on the information, relevant business unit managers are made available to provide additional explanations. We also provide a dedicated webpage for all board members (directors and auditors) to use to access material relevant to Board of Directors' meetings, such as agenda items, before meetings are held in order to allow board members to gain a proper understanding of the material.

The above measures are intended to provide indirect support to help outside directors and outside auditors provide effective management oversight and auditing of the execution of duties throughout the entire Fujitsu Group by facilitating mutual communication during internal audits, statutory audits and accounting audits.

## 2. Issues Relating to Functions for Business Execution, Auditing, Oversight, Nominating, and Compensation Decisions

### Overview of Current Structure

The Board of Directors is responsible for management oversight, supervising the business execution functions of the President and Representative Director and the Management Council, an executive organ under its authority. Outside members of the board are actively recruited for positions in the Board of Directors in order to strengthen its oversight function. The Management Council deliberates upon fundamental policies and strategy regarding business management, as well as makes decisions on important matters regarding business 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 auditors, who review the Board of Directors as well as business execution functions and attend important meetings, including meetings of the Board of Directors as well as the Management Council. The Auditing Support Division provides support for the audits by the auditors, and in order to promote the independence and effectiveness of the auditing, the company holds discussions with auditors prior to selecting candidates for positions in the division. Personnel with the appropriate qualifications are selected as division staff candidates, and as a general rule, as full-time staff (two full-time staff and one part-time staff).

The Board of Directors has ten members, comprising seven internal directors and three outside directors, and the Board of Auditors has five members, comprising two internal auditors and three outside auditors. In order to better define the management responsibility of the directors, their terms were reduced from two years to one year in accordance with a resolution at the June 23, 2006 Annual Shareholders' Meeting.

In addition, the Corporate Internal Audit Unit (with 66 members) serves as an internal audit group. This unit audits the internal affairs of the entire Fujitsu Group in cooperation with the internal audit groups of each Group company. The Corporate Internal Audit Unit reports once a month as a rule to the statutory auditors on the audit plans and results of internal audits, including matters relating to group companies, and makes regular reports (once every quarter as a rule) to the Board of Auditors and the accounting auditors. The Corporate Internal Audit Unit 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).

The accounting auditor, Ernst & Young ShinNihon LLC, reports to the Board of Auditors concerning the audit plan and results. The accounting auditor also conducts exchange of opinions when needed and carries out coordinated audits of business operations. The four certified public accountants associated with Ernst & Young ShinNihon LLC who performed the accounting audit were Michiko Tomonaga, Yuichi Mochinaga, Hideaki Karaki, and Takao Kamitani. In addition, they were assisted by a further 29 certified public accountants, 21 accounting assistants and another 41 persons, all associated with Ernst & Young ShinNihon LLC.

The Fujitsu Way Promotion Council promotes internal control relating to the Fujitsu Way and financial reporting in the Fujitsu Group and forms the core of operations to upgrade and evaluate internal control for the Group. During internal control audits by the accounting auditor and statutory auditors, the Fujitsu Way Promotion Council holds regular meetings to provide and explain information as required. The council also provides and explains information to assist the Corporate Internal Audit Unit in performing internal audits.

The company established an Executive Nomination Committee and Compensation Committee in order to ensure the transparency and objectivity of the process for choosing candidates for the Board of Directors, determining their compensation and ensuring that the compensation system and levels are appropriate. The Executive Nomination Committee takes into consideration the current business climate and anticipated trends, and makes recommendations on candidates (draft) for the Board of Directors, choosing candidates having objectivity in making management decisions, foresight and perceptiveness, and a superior character. The Compensation Committee is tasked with making recommendations on executive salaries and methods for calculating bonuses linked to financial performance, taking into consideration compensation levels at competitors and other factors. The aim of this activity is to retain superior management talent, and provide effective incentives for improving the company's financial performance.

### Reasons for Adopting the Current Structure

The current structure clarifies the management responsibility of members of the board, who, after their election at the annual meeting of shareholders, become involved in making decisions about important matters concerning the management of the company. Furthermore, the current structure maintains the robustness and efficiency of governance by having the dual features of (1) the mutual monitoring by the members of the board, and (2) the audits by the auditors.

At the time of the introduction in Japan of the corporation-with-committees governance system, Fujitsu was using the corporation-with-auditors system, and since the auditors were performing the auditing function effectively, we have continued to use the system.

The company maintains the robustness of its governance system by having an effective auditing function in which auditors who are independent of the management perform objective audits, by actively appointing outside directors, and by having established the Executive Nomination Committee and Compensation Committee and an internal audit organization.

Finally, to further improve efficiency, we have established a Management Council, which has accelerated decision-making and management execution.

### Policy for Deciding Compensation for Directors and Auditors

Fujitsu's policy on deciding executive compensation is to tie compensation closely with business performance and to ensure the system is highly flexible and transparent. In line with this policy, the Board of Directors decided in April 2007 to terminate the retirement allowance system for directors and auditors and to divide the funds for retirement allowances into a fixed component and a performance-linked component to be paid out in addition to monthly compensation. The remuneration for fiscal 2009 was paid in conformity with this policy.

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Moreover, to ensure a highly transparent compensation system for directors and auditors, the Board of Directors decided in October 2009 to establish a Compensation Committee. The Compensation Committee advises the Board of Directors on levels for fixed compensation and methods for calculating compensation tied to business performance. In doing so, the committee considers that compensation must be adequate to secure individuals with superior talent while also providing an effective incentive to improve business performance. It also takes into account compensation levels at peer companies.

### III. Implementation of Policies Regarding Shareholders and Other Stakeholders

#### 1. Initiatives to Enliven Annual Shareholders' Meetings and Facilitate Voting

	Supplemental Information
Distribute invitation notices to Annual Shareholders' Meeting early	To give shareholders sufficient time to exercise voting rights, we make efforts to send invitation notices three weeks prior to the Annual Shareholders' Meeting.
Schedule Annual Shareholders' Meeting to avoid busiest days of overlap with other corporations' annual meetings	To facilitate the attendance of as many shareholders as possible, since the Annual Shareholders' Meeting held in June 2001 we have scheduled our Annual Shareholders' Meeting to avoid the busiest days of overlap with other corporations' annual meetings.
Utilize electronic methods for exercise of voting rights	To improve convenience and facilitate the exercise of voting rights for shareholders who are unable to attend the Annual Shareholders' Meeting, since the Annual Shareholders' Meeting held in June 2002 we have accepted the exercise of voting rights through electronic methods, and since the Annual Shareholders' Meeting held in June 2006 we have been using a platform to allow institutional investors to electronically exercise voting rights.
Other	To clarify the results of voting at the Annual Shareholders' Meetings, in addition to sending shareholders notification of the results of the Shareholders' Meetings, beginning with the Annual Shareholders' Meeting held in June 2010, Fujitsu began posting the numbers of votes for and against each resolution on its website.

#### 2. Investor Relations Activities

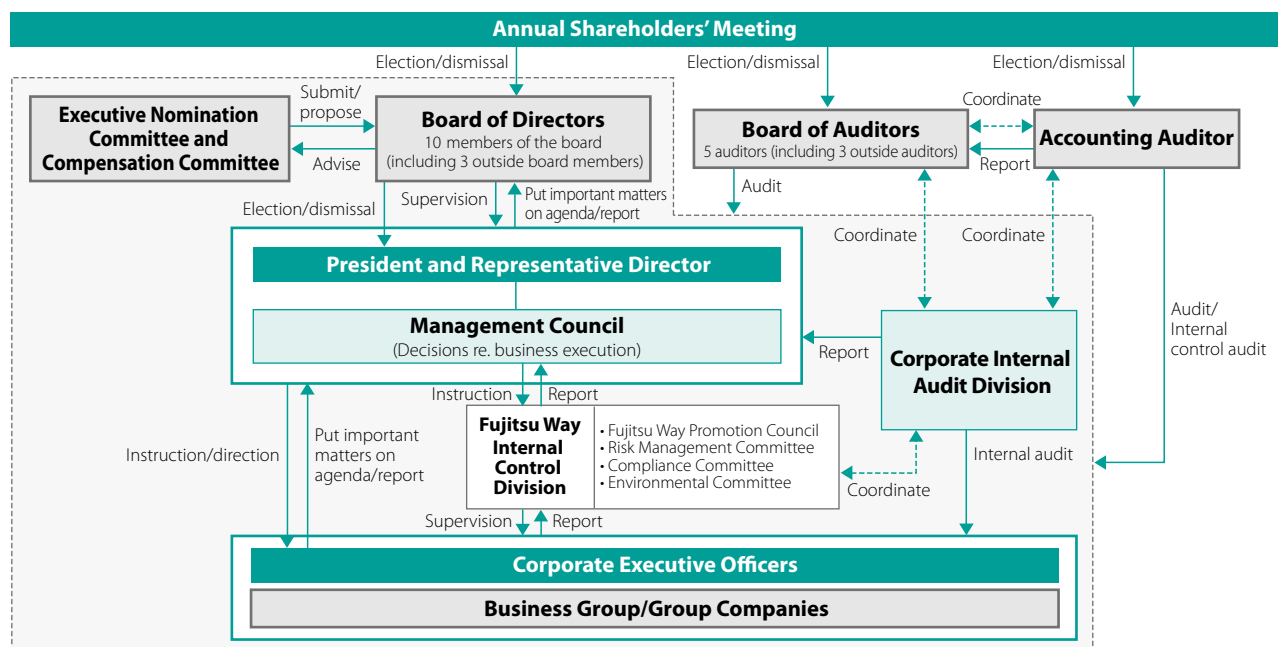
	Supplemental Information	Explanation by Company Representatives
Regular Presentations to Individual Investors	Although currently we do not hold presentations for individual investors, we have a dedicated IR website for individual investors (in Japanese). In addition, through the inquiry form on our IR website and other measures, we are working to improve relations with individual investors.	No
Regular Presentations to Analysts and Institutional Investors	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, 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.	Yes
Regular Presentations to Foreign Investors	The CFO meets with foreign institutional investors regularly. We also have IR managers stationed in Europe and the US who meet and communicate regularly with investors, not just at the time of earnings announcements. We also take materials from IR presentations held in Japan, translate them into English, and post them to our English IR website, including English translations of Q&A sessions.	Yes
Posting of IR Materials to Website	We post the <i>Yukashoken Hokokusho</i> (Financial Report) in Japanese and <i>Jigyo Hokoku</i> (Business Report) in Japanese and English, the Annual Report in Japanese and English, <i>Tanshin</i> (Financial Earnings) reports in Japanese and English, and various other IR presentation materials in Japanese and English. Also posted in English and Japanese is the Fujitsu Group Sustainability Report. Additionally, all materials accompanying the invitation notice to the Annual Shareholders' Meeting are posted on our website.	Yes
Unit Dedicated to IR Activities	The officer in charge of IR activities is the CFO; the division in charge of IR activities is the Public and Investor Relations Division.	
Other	In addition to the above, along with posting materials from presentations made to institutional investors and securities analysts on our website, we broadcast streaming audio of these presentations.	

3. Initiatives in Consideration of the Position of Stakeholders

Supplemental Explanation

Internal Company Rules Reflecting Consideration for the Position of Stakeholders	The philosophy and principle of the Fujitsu Way, the guide for the actions of the Group and its employees, is to bring about a prosperous future that fulfills the dreams of people throughout the world. As part of our Values, we strive to meet the expectations of all stakeholders, including customers, shareholders, investors, business partners, and employees.
Activities Promoting Environmental Protection and Corporate Social Responsibility	With respect to environmental activities, in the Values section of the Fujitsu Way, we clearly state that “in all our actions, we protect the environment and contribute to society,” and we are continuing to actively pursue activities in this area. We are currently implementing programs based on Stage V of the Fujitsu Group Environmental Protection Program (fiscal 2007, 2009). In March 2006, we extended our environmental management system to our overseas consolidated subsidiaries, receiving integrated global ISO14001 certification. With respect to CSR activities, based on the Fujitsu Way, each business unit is promoting thorough adherence to our Code of Conduct and our customer-centric management perspective in order to earn the trust and meet the expectations of our stakeholders. Further details are listed in the Fujitsu Group Sustainability Report that we publish every year. Fujitsu also became a signatory to the UN Global Compact in December 2009. Participants in the Global Compact agree to promote its 10 principles relating to human rights, labor standards, the environment, and anti-corruption. By actively promoting these initiatives, companies perform their corporate social responsibilities and contribute to the creation of a sustainable global society.
Policies to Promote the Provision of Information to Stakeholders	With respect to our disclosure policies, we recognize that prompt and appropriate disclosure of company information to shareholders and investors as well as securities analysts is essential to the proper functioning of the securities markets, and we disclose information in compliance with the Securities and Exchange Law and regulations of the stock exchanges on which we are listed. Even if we are not legally required to do so under the regulations, and even if the content of the information is unfavorable to Fujitsu, if we deem the information to be material to investment decisions, our basic policy is to disclose the information in a manner that is prompt, accurate, and fair. Moreover, in consideration of the position of customers, communities, and other stakeholders, for information we deem necessary to disclose, including information that may be unfavorable to Fujitsu, our basic policy is to disclose the information in a manner that is prompt, accurate, and fair.
Other	We are promoting a customer-centric management perspective in order to be a trusted and valued partner to our customers. In order that all employees adopt a customer-centric mindset and apply it to their daily work, we are deepening our commitment in each business unit to previously initiated management quality improvement activities and we are attempting to create an organizational framework to facilitate continuous improvement from a customer-centric perspective. As one specific initiative, among those ideas and suggestions received by customer care centers and contact lines, those concerning real issues about systems and organizations, not individual matters, are viewed as something that should be shared throughout the Fujitsu Group. Therefore, the specific details of these problems and examples of how they have been resolved are shared at regular meetings where Fujitsu Group executives are assembled. As a result, we have a heightened awareness of what our customers are saying and we can take positive action to make improvements.

IV. Basic Stance on Internal Control Framework and Status of Implementation



## Corporate Governance

### [Basic Stance on Internal Control Framework]

The Company, through a resolution by the Board of Directors, has adopted the following basic stance on the framework for internal control (resolved on May 25, 2006, and revised on April 28, 2008\*2).

#### 1. Objective

The Fujitsu Way, which embodies the philosophy, values, principles and code of conduct for the Fujitsu Group, describes the vision of the Fujitsu Group as follows: "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."

We believe that by conducting our activities in accordance with the Fujitsu Way, we maximize the value of the Fujitsu Group and enhance our contribution to the communities in which we operate and to society as a whole.

In addition, in order to continuously enhance the corporate value of the Fujitsu Group, it is necessary to pursue management efficiency and control risk arising from our business activities. Recognizing that it is essential to strengthen our corporate governance in order to accomplish this, we will continuously strive to implement the policies described below.

#### 2. Systems to ensure the appropriateness of Fujitsu and Fujitsu Group business

##### (1) System to ensure efficient business execution by directors

- a. At Fujitsu, there is a separation of the oversight and operational execution functions of management. The Board of Directors oversees the execution functions of the Management Council and other management bodies, and makes decisions on important matters. Among executive organs, the Management Council discusses and decides upon basic management policies and strategies and also decides upon important matters regarding management execution. Matters taken up by the Management Council, including discussion items, are reported to the Board of Directors, and any important issues are decided upon by the Board of Directors.
  - b. To strengthen the management oversight function, we proactively employ outside directors and auditors.
  - c. The Board of Directors clarifies the scope of authority for board directors, corporate vice presidents and managing directors (hereafter collectively referred to as "senior management") as well as other business execution organs, and ensures that business is conducted in accordance with the division of business duties.
  - d. In performing their duties, senior management follows appropriate decision-making procedures, such as the Board of Directors Rules, Management Council Regulations, and Regulations on Corporate Decision-Making.
  - e. In addition to making employees thoroughly aware of management policies, senior management sets and achieves concrete goals in order to accomplish overall management goals.
  - f. To pursue operational efficiency, senior management promotes continuous improvement of internal control systems and reform of business processes.
- g. By having senior management and other business execution organs provide monthly financial reports and business operation reports, the Board of Directors observes and oversees the status of achievement of management goals.

##### (2) System to ensure that business execution of directors and employees complies with laws and articles of incorporation

- a. Senior management adheres to the Fujitsu Way as a basic vision for compliance issues, including compliance to laws and the articles of incorporation, and proactively promotes the Group's overall compliance on an ethical basis.
- b. By continuously administering training, senior management instills adherence to the Fujitsu Way in employees and promotes the overall Group's compliance.
- c. Senior management clarifies the legal and other regulations that relate to the Fujitsu Group's business activities and implements internal rules, training and oversight systems necessary to adhere to them, thereby promoting the compliance of the Group as a whole.
- d. If senior management or employees become aware of the possibility of a major compliance violation in connection with the execution of business activities, they immediately inform the Board of Directors and the Board of Auditors via normal reporting channels.
- e. In order to use independent information sources outside of normal reporting channels to discover and deal appropriately with compliance problems on a prompt basis, senior management establishes and operates an internal reporting system that protects whistle-blowers.
- f. The Board of Directors receives periodic reports on the status of business execution from executive officers and verifies that there are no compliance violations in relation to the execution of work.

##### (3) Regulations and other systems relating to loss mitigation

- a. Senior management strives to maintain the Fujitsu Group's business continuity, increase its corporate value and sustainably expand its business activities. In order to deal with risks that pose a threat to achieving these goals, they assign certain departments to be responsible for each type of risk and put in place appropriate risk management systems.
- b. Senior management is constantly assessing and verifying risks that might cause losses to the Fujitsu Group, and they report significant cases to the Board of Directors.
- c. In regard to risks discovered through assessment described in b., as well as potential risks arising from the execution of business, senior management carries out risk mitigation initiatives and strives to minimize losses from risks. In order to minimize losses from risks that arise, senior management creates a risk management committee and carries out necessary countermeasures. In addition, it periodically analyzes risks that arise and reports them to the Board of Directors. In these ways, the committee engages in activities intended to prevent the recurrence of risks.
- d. In order to collect risk information that cannot be gathered by the methods mentioned above, an internal reporting system has been set up and is operated to ensure the protection of whistle-blowers.



- (4) Information storage and management system regarding business execution by directors
- a. In accordance with company rules, senior management shall establish an appropriate system, including appointing documentation managers, to store and manage documents relating to the execution of their business duties (including electronic documents, as with the items listed below) and other important information.
    - Minutes of shareholders' meetings and related documents
    - Minutes of Board of Directors meetings and related documents
    - Minutes and related documents for other important decision-making meetings
    - Approval documents from senior management
    - **Other important documents relating to the execution of business duties by senior management**
  - b. In order for directors and auditors to verify the status of execution of business duties, there is a system enabling them to view the documents described in the above item at any time. The system also provides that, in response to requests they make to those in charge of managing documents, board members and statutory auditors can see the documents whenever they wish.
- (5) System to ensure the appropriateness of Fujitsu Group business
- a. Using the Fujitsu Way as a foundation, in order to continuously increase the value of the Fujitsu Group, Fujitsu will provide direction and support to senior management of each Group company for setting up efficient, law-abiding and appropriate business execution systems as detailed in sections (1) through (4) above.
  - b. In order to implement the above item a., the company has established common rules for the management of the group, such as the "Fujitsu Group Management Policy" that set out the roles, responsibilities, authority, and decision-making processes for each of the companies in the group.
  - c. Senior management of Fujitsu and all Group companies periodically confirms issues related to Group management strategies and achievement of management goals through management update conferences and other means. In addition, Fujitsu Group statutory auditors deal with Fujitsu Group issues from the auditing viewpoint through Group auditor update conferences.
  - d. In regard to measures needed to resolve challenges related to achieving management goals that are identified as a result of the activities described in item c., senior management of Fujitsu and Group companies implements such measures following full discussion and, when necessary, completion of reporting to Fujitsu and approval processes specified separately.
  - e. Fujitsu's internal audit organization is linked to the internal audit organization of each Group company. It carries out audits of the entire Fujitsu Group and reports periodically to the Board of Directors and Board of Auditors of Fujitsu. Important matters regarding the audits of Group companies are reported to the Board of Directors and Board of Auditors of Fujitsu.
- (6) System to ensure the appropriateness of audits by statutory auditors
- <Ensuring independence of auditors>
- a. Fujitsu has set up an Auditing Support Division with employees assigned to assist the statutory auditors in carrying out their duties. Appropriate employees with the ability and expertise required by the statutory auditors are assigned to the division.
  - b. In order to ensure the independence of the staff in the Auditing Support Division, matters relating to their appointment, transfer and compensation are decided on the basis of prior consultation with the auditors.
  - c. In principle, senior management does not assign division staff to other divisions or duties. In instances, however, where a need arises to give dual assignments to staff with specialized knowledge in response to requests from statutory auditors, care is given to ensuring their independence in accordance with item b.
- <Reporting system>
- a. Senior management of Fujitsu and Group companies provides the statutory auditors with the opportunity to attend important meetings.
  - b. In cases where risks arise that could affect management or financial results, or where there is an awareness of major compliance violations in connection with the execution of business activities, senior management as well as employees of Fujitsu and Group companies immediately report on them to the statutory auditors.
  - c. Senior management as well as employees of Fujitsu and Group companies periodically report to the statutory auditors on the status of business execution.
- <Ensuring effectiveness of statutory auditors>
- a. Senior management of Fujitsu and Group companies periodically exchange information with the statutory auditors.
  - b. The internal audit organization periodically reports to the statutory auditors on audit results.
  - c. The auditors have the independent accounting auditor explain and report on accounting audits as required and periodically exchange information with the independent accounting auditors.
- \*<sup>2</sup> Embodying the mission, values, and code of conduct of the Fujitsu Group, the Fujitsu Way has provided the guiding principles for the conduct of the Group and its employees. In order, however, to provide a more enduring and universal as well as simple message that could be put into practice and instilled throughout the Fujitsu Group, on April 1, 2008, Fujitsu published a fully revised version of the Fujitsu Way consisting of a Corporate Vision, Corporate Values, Principles, and Code of Conduct.
- [Status of Internal Control System]
- Fujitsu has established a department with executive responsibility for internal controls. The company is continuing its steps to implement an even more robust operational execution structure by reviewing and revising its regulations and business operations.
- In addition, Fujitsu has established the Fujitsu Way, consisting of a Corporate Vision, Corporate Values, Principles, and Code of Conduct, which guides the Group and its employees in their daily activities.

## Corporate Governance

To accelerate the penetration and implementation of the Fujitsu Way and ensure the appropriateness of business operations, Fujitsu is promoting the implementation and evaluation of its internal control structure. This effort is led by the Fujitsu Way Promotion Council, which reports directly to the Management Council. In addition to the Fujitsu Way Promotion Council, three other groups were established directly under the Management Council and tasked with pursuing more robust and efficient business execution: the Risk Management Committee, the Compliance Committee and the Environmental Committee. The functions of each are described below:

- Fujitsu Way Promotion Council

The Fujitsu Way Promotion Council promotes the inculcation and implementation of the Fujitsu Way. In addition, it has also been promoting Project EAGLE, which is a company-wide activity for building an internal compliance system for effective and reliable financial reporting in compliance with the Financial Instruments and Exchange Act, and by which the company has been able to promote the implementation and evaluation of internal control. By establishing a promotion organization dedicated to this endeavor, the Council has been working to extend it across the Group. Along with improving deficiencies, the goals of the project also include achieving greater efficiency through the pursuit of business process reforms across the Group.

- Risk Management Committee

This committee promotes risk management for the Fujitsu Group. By instilling awareness of risk and bringing to light risk information, including latent risk information, the committee continuously confirms the execution status of risk mitigation measures. It also implements policies for verifying information regarding specific instances of risk and mitigating their effects on customers and the Group as a whole. Moreover, as a preventative measure to deal with major unforeseen events, such as natural disasters, the committee promotes business continuity management (BCM), providing customers with a stable supply of the high performance, high-quality products and services that they need. It reports to the Management Council and the Board of Directors on significant matters and holds discussions with them on countermeasures, seeking thereby to disseminate information throughout the Group and strengthen the overall Group's risk management posture.

- Compliance Committee

This committee promotes adherence to social norms and corporate rules as well as the creation of corporate systems and initiatives for fostering a corporate culture of respect for norms. In conjunction with efforts to maximize compliance, a help-line system was set up as a confidential liaison point to receive reports from employees and provide guidance to them on matters of conduct.

- Environmental Committee

This committee is responsible for promoting the environmental protection activities of the Fujitsu Group, which are based on the Fujitsu Group Environmental Policy and the Fujitsu Group Environmental Protection Program.

As a result of our Project EAGLE initiative to build an internal control system for effective and reliable financial reporting, in fiscal 2009 the accounting auditors, Ernst & Young ShinNihon LLC, issued their opinion that the Fujitsu Group has effective internal controls for its financial reporting.

[Basic Stance on Rejection of Antisocial Elements]

In the Fujitsu Way, the Fujitsu Group's Code of Conduct calls for respect for and compliance with laws and socially accepted rules. Accordingly, our basic stance is to take a resolute attitude toward antisocial elements and have absolutely no dealings with them.

[Preparedness Regarding Rejection of Antisocial Elements]

We maintain a system that can quickly respond when necessary by designating a centralized response department, creating a common Group manual, maintaining liaisons and exchanging information with outside legal counsel, police and specialist organizations, as well as by carrying out training and keeping employees fully informed about the workplace.

## V. Other

### 1. Provisions Relating to Takeover Defenses

Because raising corporate value is ultimately the best defense against potential takeovers, we are focusing our efforts on raising corporate value. At the present time, we have not put in place any takeover defense measures.

Going forward, while placing first priority on corporate value and shareholder profits, we will pay careful attention to social trends and changes in the environment and continuously consider the possible need for protective measures.

### 2. Other Provisions Relating to Corporate Governance

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