

ROUNDTABLE DISCUSSION WITH EXTERNAL DIRECTORS

Corporate Governance That Brings Out Fujitsu's True Value



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

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

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

Yoshiko Kojo: Governance-related issues in international relations are an important theme of international political science, which is my field of expertise. Exchanges that transcend national borders are increasing, and relationships between countries as well as between public and private sectors are evolving. Amid these circumstances, I hope that I can offer advice from the perspective of addressing the impact of such changes on the management of corporations. Additionally, the Sustainable Development Goals (SDGs), on which Fujitsu places great importance, represent shared goals by international society created mainly through an agreement reached by the United Nations. Through my role, I hope to emphasize the fact that the corporate vision Fujitsu adopts is sufficiently valid within international

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

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

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

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

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

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

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

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

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

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

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

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

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

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Jun Yokota

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

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

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

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

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

Abe: As we progress along the journey of digital transformation, non-IT companies have been actively recruiting and holding on to IT-related engineers, leading to a severe shortage of available engineers. Fortunately, there has yet to be a significant flow of human resources leaving Fujitsu, so it is imperative that we now create effective measures to prevent such an event from occurring. Among new employees joining Fujitsu, there is a nearly even ratio of males to females, so it's important that we improve the working environment

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

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

In terms of increasing the percentage of women in managerial positions, it is important to increase the overall number of female employees, providing a base for selecting managers, as well as to cultivate personnel that can act as role models for female employees. Young women these days place great importance on maintaining a work-life balance, so I believe that the Company should explore many options in its approach to developing female managers.

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

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

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

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

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

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

Kojo: Contributing to society through business is an extremely important aspect when it comes to the SDGs. This means that corporations play a vital role in providing good for the public. I believe that Fujitsu's business aligns extremely well with social contribution. If the Company can spread a message internally that "social contribution is the extension of our business," then it will be able to enhance the motivation of each employee.

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

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

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

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

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

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

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



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Atsushi Abe