The Fujitsu Way

The Fujitsu Way articulates the principles of the Fujitsu Group’s purpose in society, the values it uphold, and the code of conduct that Group employees follow in their daily business activities. By adhering to the values of the Fujitsu Way in their daily business activities, all Fujitsu Group employees aim to enhance corporate value and contribute to global society.

CORPORATE VALUES

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

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

PRINCIPLES

Global Citizenship: We act as good global citizens, attuned to the needs of society and the environment.
Customer-Centric Perspective: We think from the customer’s perspective and act with sincerity.
Firsthand Understanding: We act based on a firsthand understanding of the actual situation.
Spirit of Challenge: We strive to achieve our highest goals.
Speed and Agility: We act flexibly and promptly to achieve our objectives.
Teamwork: We share common objectives across organizations, work as a team, and act as responsible members of the team.

CODE OF CONDUCT

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

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Forward-Looking Statements

The Integrated Report uses certain forward-looking statements that are based on management’s current views and assumptions and involve uncertainty and uncertainty risks and uncertainties that could cause actual results, performance, or events to differ materially from those projected or implied in such statements. Actual results may differ materially from those projected in the forward-looking statements. The Integrated Report includes forward-looking statements which involve risks and uncertainties. The following factors, among others, may cause actual results to differ materially from those set forth in forward-looking statements: the business, market, and technical developments of the Group and its competitors; the effects of changes in technology; governmental, environmental, tax, and regulatory developments; the Group’s ability to respond to changing technology; the success of investments and acquisitions; the impact of competitive challenges; changes in international economic conditions; and changes in accounting policies.
and sector inevitably becomes necessary. Moreover, leading a team of engineers totaling thousands in number, project managers must exercise leadership and bear responsibility for projects while coordinating with other divisions within the Group.

Building a large team and completing work on the front lines in the closest position to customers within the Fujitsu Group, I earned a sense of the important function performed by the resulting system in society. Looking back now, I was blessed with a good career with excellent managers and teams, in charge of work that demonstrated the full worth of Fujitsu’s integration capabilities, one of its competitive advantages. Against that backdrop, I developed a great deal of confidence in the Fujitsu Group’s management capital, such as its technological capabilities, understanding of customers’ industries and sectors, trust from customers, and abundance of talent.

My assignment in London in 2017, however, gave me the opportunity to view the Fujitsu Group from a completely different angle. Although it was a short period at just under two years, I made several significant discoveries by viewing Fujitsu’s headquarters in Japan from the outside.

The Importance of Diversity and Inclusion

My first discovery was the extent to which I had only ever considered Fujitsu in Japan. To be honest, until my London assignment, I couldn’t relate to the fact that Fujitsu was a global corporation. Against that backdrop, I developed a great deal of confidence in the Fujitsu Group’s management capital, such as its technological capabilities, understanding of customers’ industries and sectors, trust from customers, and abundance of talent.

My assignment in London in 2017, however, gave me the opportunity to view the Fujitsu Group from a completely different angle. Although it was a short period at just under two years, I made several significant discoveries by viewing Fujitsu’s headquarters in Japan from the outside.

Making full use of technology and driven by purpose, Fujitsu will achieve growth and transform its business model with a heightened sense of empathy toward society.
Declaring that Fujitsu will become a DX company, I am determined to align the Fujitsu Group’s outstanding management capital and business activities for a clear objective.

However, the Global Delivery Group—which I was entrusted to manage—worked on a worldwide basis that transcends national borders, developing software and hardware while offering support services including help desks. Global Delivery Centers (GDCs), which are organizations within the Global Delivery Group, have a workforce of 14,000 employees in eight countries. In the course of going back and forth between London and each location, I began to see more clearly the entire picture of the Fujitsu Group that consists of 130,000 employees, including 47,000 overseas, and I started to solidify my vision for our overseas business. I also learned through firsthand experience just how much vitality that diversity and inclusion bring to the organization, whereby colleagues of diverse races, genders, and ages leverage each other’s capabilities through the lively exchange of ideas.

My second discovery, which is connected to the first one, was just how distant the Fujitsu headquarters in Japan was from our overseas Group companies. By “distant,” I do not mean physical distance. I got the sense that there was a major difference, in terms of whether or not the same circumstances and the same targets were being shared. I understood that the Fujitsu Group has established a global matrix organization and conducted management encompassing overseas subsidiaries, but when actually stationed overseas, I was saddened by the weak unifying force of Fujitsu’s headquarters in Japan. This experience reinforced my belief that it is essential for the Group, which faces the challenge of growing and enhancing the profitability of its overseas business, to resolve the disconnect that hinders the sharing of a sense of purpose among its 130,000 employees.

**Aligning the Direction of All Fujitsu Group Employees**

My declaration that Fujitsu will become a DX company was, of course, a statement informing customers of our effort to become partners in digital transformation. However, even more than that, it was born out of a desire to make the declaration a slogan for Fujitsu Group employees to share the same circumstances and goals, and then to change the status quo.

I felt that the employees’ awareness of the Group’s goals had become diluted and their objectives had diverged, in the same way that I, as a former engineer, had only known of systems for financial institutions. Employees designing IT systems, employees developing high-performance computers, and employees developing 5G network devices, for example, have perspectives that only include their own operations and customer needs. In other words, their goals may have become misaligned from that of the Group. I fear that such discrepancy of purpose among employees is hindering Fujitsu’s transformation. Going forward, for the Fujitsu Group to provide value to customers amid global competition, it must heighten its ability to empathize with society and eliminate the organizational structures and cultures that create such different objectives.

The management’s duty is to communicate to Group employees a sense of urgency, its commitment to transformation, and the direction of the Group. Declaring that Fujitsu will become a DX company, I am determined to align the Fujitsu Group’s outstanding management capital and business activities for a clear objective.

**Policies Designed to Realize Our Vision**

The DX company that we’re aiming for is one in which we are an unequalled partner for customers and other stakeholders, making full use of digital technologies and data to realize innovative services and business process transformation. As a result of realizing innovative services and business process transformation, we will create unique value that only we can bring about, and as a result, achieve growth of the Fujitsu Group. Extending our ambitions further, the Fujitsu Group will become an indispensable member of society, bringing well-being, or happiness, to society at large. That is the vision I have in mind for the Fujitsu Group.

The Management Direction that we announced in September 2019 sets forth specific measures to realize this vision to which we aspire. Broadly speaking, these can be consolidated into the three pillars of cultivating growth fields through our DX business, strengthening the earnings base of our existing business, and undertaking internal reforms to align the objectives of the Group’s 130,000 employees. I will explain the aims of each measure as follows.

**Creating a Breakthrough for Our DX Business**

The driver of our DX business, a growth field, will be the new DX company that we are currently preparing to establish. As a company offering customers everything from DX proposals to planning, construction, and operation, we plan to focus on professional services centered on consulting by targeting customers’ management strategy divisions as well as customers with which Fujitsu is yet to make any inroads.

We are establishing a separate new company rather than creating a new division internally, because I believe it is necessary to remove the Fujitsu Group’s existing framework in order to seriously cultivate our DX business. In the course of providing conventional IT services, the Fujitsu Group formed an organization and culture optimized to a business model of manufacturing and selling products. Such an existing organization and culture are advantageous in terms of constructing highly reliable systems that are specific to a customer’s industry. On the other hand, based on my own experience, I feel that the Group created an environment that is not conducive to anticipate beyond the needs of customers and propose new business potential or to encourage creation of new value through imaginative thinking and approaches.

We intend to establish an environment for the new DX company that is optimized to the digital business by removing all precedents—from procedures for operations, to human resources and assessments, organizational frameworks, and employee mindset and culture. The new company will accrue engineers involved in artificial intelligence (AI), data analysis, and the development of software and middleware, in addition to consultants, thereby securing agility so that it can give shape to services while providing consulting at the same time. Of course, there is no prerequisite to use Fujitsu’s services or solutions. Determined to make inroads, we will create new services and earnings models that attract attention from inside and outside the Group, rather than being content with experiments and upfront investments.
LETTER FROM THE MANAGEMENT

MESSAGE TO SHAREHOLDERS AND INVESTORS

Performance Targets (Fiscal 2022)

- Technology Solutions
  - Revenue: ¥3.5 trillion
  - Operating profit margin*: 10%

* Operating profit margin of Technology Solutions incorporating Other/Elimination and Corporate

Increasing the Competitiveness of Each Business

To strengthen our existing business, we will focus on initiatives to heighten profitability in IT services and improve the profitability of our global business. With regard to the profitability of our existing IT services in Japan, we will further increase the offshore utilization ratio. This indicates the ratio of system development work conducted at GDCs in India, the Philippines, and other locations, which we have been working on for several years. At the same time, we will promote the shift to DX in our work in Japan by expanding the utilization of AI and automated tools for programming and system operation.

In our global business, to strengthen GDC delivery functions under the leadership of headquarters rather than entrusting them to each region, we are already taking specific actions with the leadership team of the Northern & Western Europe (NWE) region mainly in the UK and Ireland. Using the NWE region as a precedent, we will also simplify the chain of command for other regions. In tandem with this move, we will more closely communicate strategy from headquarters and manage the progress of initiatives aimed at specific goals. In these endeavors, I would like to leverage my understanding of the Global Delivery Group and the network I acquired through my London assignment.

Resolving the disconnect that struck me in London is vital to correcting the course of our global business. As a means of breaking down communication barriers, I have been sending bilingual video messages in English and Japanese to all Group employees via our intranet since my appointment, and I have been personally looking through the responses from employees.

Pursuing Growth and Profitability

With regard to business results, the tangible outcome of the two measures mentioned earlier, we have set a revenue target of ¥3.5 trillion and an operating profit margin of 10% for Technology Solutions in fiscal 2022.

We will grow sales by maintaining the current business scale of our conventional IT services while growing our digital field, including DX. These figures reflect our strong desire to set the sales trend on a growth path, reversing the downward trend in sales resulting from the structural reforms we implemented in our non-core business through to fiscal 2019.

We will aim for an operating profit margin of 10%, which incorporates the Technology Solutions business and costs from the Other/Elimination and Corporate segment. As we believe that securing a double-digit operating profit margin is a prerequisite for the Fujitsu Group in order to compete alongside global companies that provide digital services, we will continue to pursue our original target.

As we would like to demonstrate to our stakeholders, our growth in the digital field, we are currently reviewing how to show the breakdown of our business results and the progress of DX. We will work to disclose information that underpins constructive communication with stakeholders.

Changing Our Culture, Organization, and Business Model

Creating a culture and organization that heightens the job satisfaction of our 130,000 employees is essential to our business model transformation and shift in course toward growth that began with my DX company declaration. That is because we will not be able to transform our business model unless our employees reexamine the value of their own work, aspire to harness creativity, and take on new challenges.

I introduced the relaxation of the employee dress code shortly after being appointed as president in the hope that it will prompt employees to re-examine a given way of doing things and encourage them to take their own initiative. Reform of human resource management for leveraging our talent pool from a global perspective is also aimed at pursuing diversity and inclusion while supporting talent who embrace the challenges of innovation and take risks to spur change. It is more than a system that recruits star talent in the cutting-edge technology field on condition of a high level of remuneration.

Continuous communicating internally on the Sustainable Development Goals (SDGs) and the initiatives demanded of us as a globally responsible business (GRB) is done with the intention of encouraging employees to change their conventional way of thinking and take on challenges. I believe our transformation going forward will be driven by envisioning what our work will lead to and what kind of value it will create, thinking beyond our day-to-day work of simply meeting the requirements stipulated by customers.

We must consider what type of value will be created by spurring innovation and solving customers’ management issues and what meaning that value will have in society. Or, conversely, we must begin from an awareness of societal issues and examine what kind of service the Fujitsu Group should provide in order to realize the transformation of customers that will help them solve those issues and determine what technologies are necessary for that transformation.

Recognizing the SDGs and a GRB as the background to our work at hand and heightening our sense of empathy with society, I believe, will not only enhance the satisfaction of employees but also provide the driving force for transforming the Fujitsu Group’s business model.

What kind of innovation can be accomplished by the Fujitsu Group? I’m thinking about that now and will continue to think it through going forward. Through the act of continuously thinking about this question, we will transform our business model and realize growth. I will make a dedicated effort to execute that mission. I hope you will join me in looking forward to the upcoming changes in the Fujitsu Group.

I believe our transformation going forward will be driven by envisioning what our work will lead to and what kind of value it will create, thinking beyond our day-to-day work of simply meeting the requirements stipulated by customers.

Representative Director and President

Takahito Tokita
The Fujitsu Group has established a global service structure with operations in more than 180 countries around the world. Fujitsu’s IT services business ranks top by market share in Japan and in the top tier worldwide, a record that reflects our outstanding technologies and long track record in building large-scale, cutting-edge systems.

Fujitsu delivers total solutions in the field of information and communication technology (ICT). Along with the provision of a broad array of services, our comprehensive business encompasses the development, manufacturing, sales, and maintenance of cutting-edge, high-quality, and high-performance products and electronic devices that make these services possible.

FUJITSU AT A GLANCE

Revenue by Region

<table>
<thead>
<tr>
<th>Region</th>
<th>Revenue (Billions of US dollars)</th>
<th>Operating Profit (Billions of US dollars)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Japan</td>
<td>¥3,952.4 billion</td>
<td>¥130.2 billion</td>
</tr>
<tr>
<td>Americas</td>
<td>¥162.9 billion</td>
<td>¥49.1 billion</td>
</tr>
<tr>
<td>EMEA</td>
<td>¥127.5 billion</td>
<td>¥50.2 billion</td>
</tr>
<tr>
<td>Asia</td>
<td>¥258.8 billion</td>
<td>¥59.5 billion</td>
</tr>
<tr>
<td>Oceania</td>
<td>¥138.1 billion</td>
<td>¥40.6 billion</td>
</tr>
</tbody>
</table>

Consolidated Number of Employees

<table>
<thead>
<tr>
<th>Region</th>
<th>Number of Employees (Thousands of people)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Japan</td>
<td>132,138 People</td>
</tr>
<tr>
<td>Americas</td>
<td>10 People</td>
</tr>
<tr>
<td>EMEA</td>
<td>28 People</td>
</tr>
<tr>
<td>Asia</td>
<td>5 People</td>
</tr>
<tr>
<td>Oceania</td>
<td>3 People</td>
</tr>
</tbody>
</table>

Fujitsu’s Position in the IT Services Market

Global IT Services Revenue

<table>
<thead>
<tr>
<th>Year</th>
<th>Revenue (Billions of US dollars)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2019</td>
<td>6.0</td>
</tr>
<tr>
<td>2018</td>
<td>6.5</td>
</tr>
<tr>
<td>2017</td>
<td>6.1</td>
</tr>
</tbody>
</table>

Japan IT Services Revenue

<table>
<thead>
<tr>
<th>Year</th>
<th>Revenue (Billions of US dollars)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2019</td>
<td>3,986.7</td>
</tr>
<tr>
<td>2018</td>
<td>3,912.8</td>
</tr>
<tr>
<td>2017</td>
<td>3,884.6</td>
</tr>
<tr>
<td>2016</td>
<td>3,801.6</td>
</tr>
<tr>
<td>2015</td>
<td>3,723.4</td>
</tr>
</tbody>
</table>

Business Segments

Technology Solutions

- Major products and services:
  - Services
    - Solution SI
      - System integration (system construction, business applications, etc.)
      - Consulting
      - Fujitsu End Technologies (400s, POS systems, etc.)
      - Fujitsu End Technologies (400s, POS systems, etc.)
      - Fujitsu End Technologies (400s, POS systems, etc.)
  - System Platforms
    - System Platforms
      - Full range of servers (mainframe, UNIX, mission-critical x86 and other x86 servers)
      - Storage systems
      - Various types of software (operating system, middleware)
  - Network Products
    - Network management systems
    - Optical transmission systems
    - Mobile phone base stations

Ubiquitous Solutions

- Major products and services:
  - PCs
  - LSI devices
  - Electronic components (semiconductor packages, batteries, etc.)

Device Solutions

- Major products and services:
  - Other electrical products (office equipment, etc.)
  - Various types of software (operating system, middleware)

Performance by Segment

Revenue

<table>
<thead>
<tr>
<th>Year</th>
<th>(Billions of yen)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2019</td>
<td>3,952.4 billion</td>
</tr>
<tr>
<td>2018</td>
<td>3,912.8 billion</td>
</tr>
<tr>
<td>2017</td>
<td>3,884.6 billion</td>
</tr>
</tbody>
</table>

Operating Profit

<table>
<thead>
<tr>
<th>Year</th>
<th>(Billions of yen)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2019</td>
<td>130.2 billion</td>
</tr>
<tr>
<td>2018</td>
<td>115.0 billion</td>
</tr>
<tr>
<td>2017</td>
<td>115.0 billion</td>
</tr>
</tbody>
</table>

Note: Includes intersegment sales

- Technology Solutions (Services)
- Technology Solutions (System Platforms)
- Ubiquitous Solutions
- Device Solutions
- Other Elimination and Corporate

Note:
- Revenue estimate using calendar year, based on IDC’s services market definition.
- Based on Worldwide Services Market Shares, 2017: 2017 Services Vendor Results Reveal the Best Growth in a Decade, IDC#US42657518, published July 2018; and Japan IT Services Market Share, 2017: Top Tier Vendors’ Shares Decrease Gradually, IDC# JPJ42857618, published July 2018
- Source: IDC Japan, December 2018
FINANCIAL HIGHLIGHTS

Fujitsu Limited and Consolidated Subsidiaries

The Fujitsu Group adopted International Financial Reporting Standards (IFRS) in fiscal 2014. The Company sold some of its shares in Fujitsu TEN Limited to DENSO CORPORATION. Consequently, Fujitsu TEN became classified as a discontinued business and revenue and operating profit were included in the fiscal year ended March 31, 2017.

REVENUE AND PERCENTAGE OF SALES OUTSIDE JAPAN

<table>
<thead>
<tr>
<th>(Billions of yen)</th>
<th>(Fiscal years ended March 31)</th>
<th>(%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>6,800</td>
<td>2015</td>
<td>60.0</td>
</tr>
<tr>
<td>6,772</td>
<td>2016</td>
<td>58.0</td>
</tr>
<tr>
<td>6,732</td>
<td>2017</td>
<td>58.0</td>
</tr>
<tr>
<td>4,132</td>
<td>2018</td>
<td>36.0</td>
</tr>
<tr>
<td>6,000</td>
<td>2019</td>
<td>40.0</td>
</tr>
</tbody>
</table>

Revenue -¥145.9 billion

Revenues decreased ¥145.9 billion year on year. Excluding the negative impact of approximately ¥171 billion from business restructuring performed in the Information Solutions and Digital Solutions segments, sales of domestic services grew significantly, particularly in the system integration business. On an actual business basis, revenue increased approximately ¥60 billion from the previous fiscal year.

PROFIT ATTRIBUTABLE TO OWNERS OF THE PARENT AND ROE

<table>
<thead>
<tr>
<th>(Billions of yen)</th>
<th>(As of March 31)</th>
<th>(%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>50</td>
<td>2015</td>
<td>10.0</td>
</tr>
<tr>
<td>56.5</td>
<td>2016</td>
<td>11.0</td>
</tr>
<tr>
<td>59.7</td>
<td>2017</td>
<td>11.9</td>
</tr>
<tr>
<td>61.9</td>
<td>2018</td>
<td>14.0</td>
</tr>
<tr>
<td>62.4</td>
<td>2019</td>
<td>16.0</td>
</tr>
</tbody>
</table>

Profit attributable to owners of the parent -¥64.7 billion

Financial income declined ¥80.5 billion compared with the previous fiscal year owing to the absence of one-time profits in the previous year accompanying the unwinding of cross-holding arrangements. This was partially offset by one-time profits related to the sale of the PC business. As a result, profit attributable to owners of the parent decreased ¥12.9 billion year on year.

EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT AND EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT RATIO

<table>
<thead>
<tr>
<th>(Billions of yen)</th>
<th>(As of March 31)</th>
<th>(%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1,200</td>
<td>2015</td>
<td>45.0</td>
</tr>
<tr>
<td>1,080</td>
<td>2016</td>
<td>35.0</td>
</tr>
<tr>
<td>1,093</td>
<td>2017</td>
<td>36.0</td>
</tr>
<tr>
<td>1,132</td>
<td>2018</td>
<td>45.0</td>
</tr>
<tr>
<td>1,159</td>
<td>2019</td>
<td>45.0</td>
</tr>
</tbody>
</table>

Equity attributable to owners of the parent ratio +1.7 percentage points

The equity attributable to owners of the parent ratio was 1.7 percentage points from the previous fiscal year-end. This reflects the steady accumulation of equity attributable to owners of the parent, as the amount of treasury stock held increased ¥2.4 billion year on year, while other components of equity decreased due to the sale of shares held via cross-holding arrangements.

DIVIDENDS PER SHARE OF COMMON STOCK

<table>
<thead>
<tr>
<th>(yen)</th>
<th>(As of March 31)</th>
</tr>
</thead>
<tbody>
<tr>
<td>119</td>
<td>2015</td>
</tr>
<tr>
<td>110</td>
<td>2016</td>
</tr>
<tr>
<td>100</td>
<td>2017</td>
</tr>
<tr>
<td>80</td>
<td>2018</td>
</tr>
<tr>
<td>80</td>
<td>2019</td>
</tr>
</tbody>
</table>

Dividends per share of common stock +¥40

Fujitsu raised the interim dividend from ¥80 per share to ¥100 per share and the year-end dividend from ¥60 per share to ¥80 per share, giving annual dividends of ¥210 per share. Note: On October 1, 2018, Fujitsu consolidated every 10 shares of stock into one share. Dividends per share reflect this stock consolidation.
MANAGEMENT CAPITAL: KEY DATA

Number of Fujitsu Employees by Function Group (As of March 31, 2019)

Approximately 50% of all employees are in the Solutions/Services function group, chiefly consisting of system engineers.

Total: 31,827 people

Operational planning and management
Solutions/Services
Research and development
Sales/Marketing
Other
Corporate
Supply chain/Production

官员 15 days or almost 80% of paid leave annually on average.

Annual Number of Paid Leave Days Taken

15.5 days

Ratio of Paid Leave Days Taken

77.8%

(Note: The scope is regular employees of Fujitsu Limited)

Telework Ratio*

48%

(Note: Rate of all employees who teleworked or worked from a satellite office at least once a week during the “telework days” campaign held in July-August 2019)

Officially made available to all employees in April 2017, the teleworking system has spread.

Total Hours Worked Annually

Through promoting workstyle transformation, we achieved a 5.7% reduction in working hours over three years.

(One year period to March 20 each year)

Note: The scope is employees of Fujitsu Limited.

Total Hours Worked Annually

2,100.00
2,000.00
1,800.00

2016 2017 2018 2019

-5.7%

No. 1 Computer Technology Field

Source: Japan Patent Office, Annual Report 2019

We are No. 1 in the number of patent applications in the computer technology field in Japan.

Number of Applications for AI-related Inventions by Applicants

We ranked 2nd in Japan in the number of published applications for AI-related patents, one of the seven key technology fields.

(As of March 31 of each year, except for November 2019)

Note: Fujitsu includes PFU; Panasonic includes Sanyo; and Alphabet includes Google.

For employment histories of the directors, please refer to pages 34–35.

Tatsuya Tanaka
Director
Chairman

Chiaki Mukai
Director*

Mitsuya Yasui
Representative Director

Yoshiko Kojo
Director*

Megumi Yamamuro
Audit & Supervisory Board Member*

Takahito Tokita
Representative Director
President

Atsushi Abe
Director*

Yoshiki Kondo
Audit & Supervisory Board Member

Hiroshi Mitani
Audit & Supervisory Board Member*

Hidenori Furuta
Representative Director

Masami Yamamoto
Director
Senior Advisor

Jun Yokota
Director*

Youichi Hirose
Audit & Supervisory Board Member

Koji Hatsukawa
Audit & Supervisory Board Member*

* Independent directors and Audit & Supervisory Board members

For employment histories of the directors, please refer to pages 34–35.
The Fujitsu Group aims to grow as a digital transformation (DX) company that makes full use of digital technologies and data to transform innovative services and business processes.

Our goal is to bring happiness to people through DX by collaborating with our partners, including customers, and co-creating value for society.

Market Overview

In the global corporate IT market, information systems consisting of servers, software, and other components operated by companies have recently been dubbed legacy systems or conventional IT systems, with the market for these systems being on a downward trend. In place of such systems, cloud computing—on an on-demand basis—utilizes server functions, applications, and other features in lieu of on-premises hardware or unique systems, and is becoming more prevalent. Accordingly, we anticipate that, as part of so-called modernization efforts, spending on cloud-based servers to replace conventional IT systems will steadily increase.

In addition, we expect the DX business to continue to grow rapidly going forward. The DX business aims to create new businesses that leverage the massive amount of data accumulated through business activities, and to transform operations that make full use of digital technologies such as artificial intelligence (AI). The objective of DX differs significantly from conventional IT systems, which were intended to collect and manage wide-ranging internal information and appropriately utilize it.

In keeping with this differing objective, while the information systems department of a given company is generally responsible for investment with regard to conventional IT systems, for the DX business, the operating division—the line of business—and management are often involved in decision making concerning investment.

Trends in the corporate IT market (worldwide)

- Market for conventional IT (information systems departments) is shrinking year by year (CAGR –2.3%).
- Modernization (CAGR 6.0%) and data-driven businesses/DX (CAGR 33.4%) markets are growing rapidly.

<table>
<thead>
<tr>
<th>Year</th>
<th>Total (Billions of US dollars, CAGR)</th>
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<tbody>
<tr>
<td>2018</td>
<td>1,607 (–2.3%)</td>
</tr>
<tr>
<td>2019</td>
<td>1,542 (6.0%)</td>
</tr>
<tr>
<td>2020</td>
<td>1,701 (33.4%)</td>
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<tr>
<td>2021</td>
<td>2,217 (6.6%)</td>
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<tr>
<td>2022</td>
<td>2,469 (4.4%)</td>
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<tr>
<td>2023</td>
<td>2,827 (6.7%)</td>
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</tbody>
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Source: Estimates by Fujitsu based on data from various research companies

Note: CAGR in parentheses

- Conventional IT
- Modernization / Efficiencies
- Data-driven businesses / DX
- Total
Core Policy

Fujitsu has positioned the digital field—which includes modernization aimed at DX, the analysis and visualization of data, and more efficient systems operation—as its driver of growth and will capture the growth of the market to expand its business. As demonstrated by companies such as Uber, Airbnb, Netflix, Amazon, and Facebook, the leveraging of digital technologies leads to the offering of new services and acquires users on a global scale, thereby creating significant growth opportunities. We will pursue such growth opportunities to create high added value unique to the digital field, which will in turn lead to future profit growth.

At the same time, we will follow a policy of maintaining our existing level of business in the conventional IT field in order to secure profits. We have built a strong position in Japan and enjoy the leading market share in such sectors as industry and logistics. As we possess expertise in developing (integrating) conventional IT systems centered on large-scale systems, or mission-critical systems, which are related to companies’ principal areas of business, we are highly regarded as an IT vendor providing operation services. Moreover, the market for conventional IT systems has been performing steadily of late and the conventional IT field is sure to be the core pillar of the Group’s earnings base for the foreseeable future. We will continue leveraging the strengths and customer base we have garnered to steadily strengthen profitability, even though this market is shrinking.

The Anticipated DX Business

With growing interest in the potential of DX, competition is intensifying among IT vendors including the Fujitsu Group as well as manufacturers with industrial technology, financial institutions, and venture companies, as they all enter the DX-related services market. Under such circumstances, we will aim for a DX business that leverages Fujitsu’s unique characteristics and strengths.

Our competitive edge lies in the technological prowess we have cultivated since launching the computer business in the 1950s in addition to the expertise we have accumulated in various business fields and industries with support from our robust customer base. In order to develop an IT system in line with a customer’s operations, it is necessary to understand the nature of the customer’s business. For example, in the case of a food manufacturer, it would be necessary to understand the lifecycle of its products, its systems for inventory management, delivery methods, and sales methods. Through long-term relationships with our customers, we have accumulated insight unattainable overnight, and we have leveraged our wealth of expertise to develop our industry-specific solutions.

We will continue to create value for customers and society through the DX business by leveraging such insight on a cross-industry basis. Transcending industry and operational boundaries, we will integrate our expertise with the expansive range of technologies required in the digital field.
A New Company to Drive the DX Business

A new company, to be launched in April 2020, will be the driving force behind the establishment of a full-fledged DX business in the Fujitsu Group. The new company will offer one-stop services including management and business strategies for promoting digital transformation and strategic planning support for facilitating operational transformation, based on the perspective of customer experience, the supply chain, and other areas. The services also include business operation assessment, as well as the construction of IT systems that make full use of the latest technologies such as AI.

As for the personnel, we will select members of the Fujitsu Research Institute (FRI) as well as specialists in middleware and software development, data analysis, and AI, to commence operations with a workforce that can provide flexible services, not only consulting at the upstream stage but also at technology implementation downstream. We intend to strengthen the new company’s human resource structure going forward by dispatching staff from within the Fujitsu Group, developing talent, and proactively hiring consultants and other staff from outside the Group.

By making the new company an autonomous entity rather than a division of Fujitsu, it will provide optimal services and products for customers independently as well as through alliances with external partners. Moreover, although we will initially offer services to the manufacturing, distribution, and financial services industries, where progress is being made in DX, we will eventually approach industries and departments of existing customers with which Fujitsu has had little interaction to date.

The Fujitsu Group aims to increase consolidated revenue in the digital field to ¥1.3 trillion in the fiscal year ending March 31, 2023, through such measures as the expansion of the new DX company.

Contribution to Our Customers’ Businesses

Is a Prequisite

The goal of the new company is to undertake services other than those related to the construction of IT systems that were not considered by conventional IT vendors, including the Fujitsu Group. Put simply, I believe it is a task akin to changing a company’s calling. It is an endeavor to innovate ways of doing business by leveraging digital technologies, such as improving decision-making efficiency based on vast amounts of data and creating new services that utilize connections with users.

As an IT vendor, the Fujitsu Group is involved in a business that constructs IT systems within parameters defined by customer requirements and receives remuneration according to the amount of labor required to complete the work. However, in the digital business, the goal is not to build IT systems but to contribute directly to the business of customers. In assessing remuneration for the rendered services, the basic question should be: “What kind of value did we create?”

In order to utilize its presence in the digital field and expand its network of external co-creation partners, the goal of the new company will be to undertake three or four symbolic projects at an early stage after its launch. Since the digital field will drive the transformation of the Fujitsu Group, we would like to pursue sales volumes, considering the ripple effects of projects.

Focusing on the Quality of Talent

Changing a corporate calling requires participation in the most upstream process of a series of corporate activities in which management direction and business strategies are considered. Therefore, the new company must accrue outstanding talent who not only possess knowledge of digital technologies but can also understand management issues from a strategic perspective and offer advice and present proposals, while foreseeing what innovations customers will truly need and what kind of value these innovations will create. The policy of the new company will be to focus on quality rather than increasing personnel numbers, assembling exceptional talent from inside and outside the Group.

The reforms of the human resources system initiated across the entire Fujitsu Group are consistent with the policy of the new company. I hope that talent with a strong desire to realize innovation and create new value, as well as the ability to pursue that desire, will form the workforce in the new company. We will recruit talent from inside and outside the Group with expertise as well as track records in consulting and digital technologies based on a new compensation plan focused on highly talented professional employees. As the Fujitsu Group must transform into a digital company, I hope that all Group employees will follow the initiatives being pursued by the new company and be inspired to create the types of new technologies and services that will be adopted by the new company. The enthusiasm of such employees will generate the energy to promote Groupwide change, thereby changing the calling of Fujitsu itself.
Digital Technologies Supporting DX

We will concentrate resources on digital technologies that help promote DX and further bolster them. To provide services that deliver value to customers and society, we will leverage our unique strengths accumulated through the development and implementation of cutting-edge technologies in the following seven key technology fields.

Concentrating resources in seven key technology fields

Digital Annealer, HPC

We will continue to work on the development and implementation of Digital Annealer*1 and high-performance computers as infrastructure that will contribute to resolve social issues and management issues faced by customers.

*1 Fujitsu’s proprietary technology inspired by quantum computing that solves problems of combinatorial optimization, which is difficult to calculate with mainstream computers, using conventional digital circuits.

Multi-Factor Biometric Authentication, Security by Design

In addition to operating cyber defense, highly talented experts will provide “security by design,” with countermeasures developed in the planning and design stages in accordance with the level of risks associated with the handling of the data in question.

Virtual world  
(digital space)

Real world  
(physical space)

Value

Collection

Cybersecurity

Hybrid Cloud and Multi-Cloud

We will support the migration of customers’ existing mission-critical systems to hybrid cloud and multi-cloud environments. At the same time, we will bolster the operational services for the latter.

Dracena, Edge Computing, Real-Time Digital Twin

We will leverage technologies that enable the quick processing of large volumes of data such as Dracena*4 and edge computing to provide IoT solutions.

*4 Fujitsu’s unique stream data processing technology that enables additions or changes to process content without stopping the whole data process.

Explainable AI, Wide Learning

In order to leverage explainable AI in actual business, we will provide this technology, which visualizes and clarifies the reasoning and basis of the judgments made by AI, and ensure its reliability.

Local 5G, Network Slicing

To encourage the creation of new business models transcending industries and sectors, we will offer service integrating technologies that underpin digital technologies and communications infrastructure.

Virtuora DX, Data Lake, Chain Data Lineage

We will provide Virtuora DX,*2 Chain Data Lineage,*3 and other technologies that leverage AI to realize management and business strategies, and ensure the reliability of data.

*2 Fujitsu’s proprietary technology using a blockchain platform to manage information with visualized value among data managed by corporations and organizations.

*3 Fujitsu’s proprietary technology that can track the creation and processing history of inter-company data, from current data to the data provision source.
Strengthening Each Business in the Market

**Services**
Regarding our existing services business, we will maintain and strengthen our robust customer base, particularly in Japan, to further expand our market share. At the same time, we will maximize profits by reducing costs. In this field, we will achieve an increase in profits of over ¥70 billion on a cumulative basis by the fiscal year ending March 31, 2023.

The first measure will be to grow our top line by capturing steady demand in Japan. We will aim to expand our share of the services market in Japan by leveraging our wealth of knowledge of our customers’ existing IT systems and operations to support modernization centering on the migration to the cloud environment of on-site systems with highly reliable services. At the same time, we will increase our competitiveness in terms of providing services. We plan to expand the number of employees at our Global Delivery Centers (GDCs)—offshore development bases vital to bolstering our competitive edge—from 14,000 at the end of fiscal 2018 to 20,000 by the end of fiscal 2022. Through the strategic leveraging of GDCs, we will further reduce development costs in system construction (integration) projects in Japan, which we have been pursuing in recent times. Furthermore, by consolidating the Fujitsu Group’s expertise, we will enhance GDCs as the center of excellence in our global business to provide added value, rather than simply utilizing them as low-cost development centers. In doing so, we will expand the scope of the work undertaken by GDCs, which has focused on application development to date, to encompass the entire lifecycle of an IT system, including the design and operation phases. In conjunction with this, we will overhaul the development and operations work that was traditionally assigned to system engineers, by promoting the use of templates and automation through the leveraging of AI and robotic process automation (RPA). As a result, we will increase the productivity of our efforts.

Furthermore, with the aim of ensuring quality assurance throughout the entire services business, we have established an organization that integrates the quality-governance functions that were scattered across Fujitsu. The new organization will consolidate expertise by industry and operations performed by different businesses within the Company, with the authority to manage quality, even on the front lines of service provision. Doing so will enable us to identify potential risks at an early stage, during negotiations with customers or soon after a project commences. By appropriately promoting the project, we can secure stable profit margins in our entire services business.

**System Products**
From the standpoint of services that generate value unique to Fujitsu, system products play an important role as they constitute the infrastructure that underpins services. With all industries increasingly demanding data accumulated through the IoT to be analyzed at greater speed by AI as well as businesses processes to be adapted in real time, the technological capability to develop and provide cutting-edge computing power is one of the Fujitsu Group’s major advantages.

We have now initiated the manufacturing phase for Fugaku, the high-performance computer (HPC) embodying our aforementioned advantage, following the conclusion of the development phase that started in 2014. Planning to make it available for use between 2021 and 2022, we are promoting steady system development and implementation. Moreover, we will also commence the offering of HPCs as commercial machines for utilization on a broad scale. We launched the sales of PRIMEHPC FX1000, a commercial HPC that leverages technology used in Fugaku, and of FX700, an entry-level version of PRIMEHPC FX1000, in November 2019 and plan to expand sales globally. We will help strengthen the corporate competitiveness of customers in a variety of industries, such as those involved in the development of new drugs and materials, by providing HPCs, the primary users of which were traditionally researchers.

**Networks**
The full-fledged rollout of fifth-generation mobile communications system (5G) networks will offer significant business opportunities for the network business. The Fujitsu Group has already completed the investment phase for base-station control equipment and wireless equipment, promptly commencing supply to telecommunications carriers in Japan. For wireless access networks, we are making progress with initiatives for swiftly bringing to market products that match improved efficiency of development and market characteristics, based on the strategic partnership we concluded with Ericsson in 2018. For the photonic business, the backbone of 5G, we are concentrating investments in optical high-speed technology, which is one of our strengths.

As the Fujitsu Group’s business shifts to services, we will improve our capabilities in a variety of fields, including network virtualization, edge computing, and operations automation, and redouble our efforts in making proposals for local 5G* projects.

Our policy is to deepen coordination between different businesses within Fujitsu and utilize the technologies and talent we have cultivated in our telecommunications carrier business over many years in enterprise-focused network consulting services.

**Business Outside of Japan**
Prioritizing Europe, the region outside Japan with the largest sales volume, in our overseas business, we will gradually shift from a business centered on the sales, operation and maintenance of hardware to a services-focused business model.

In our business in Europe, which is engaged in structural reforms, we reached an agreement with the workers’ representatives for the Augsburg site in Germany to end production in September 2020, and we are proceeding with that process. In order to concentrate management resources in regions where the Fujitsu Group has strong customer bases, such as Germany and the UK, we plan to hand over responsibility for product sales to channel partners in roughly half the countries in which we have operated to date, and we have now embarked on reorganizing local subsidiaries.

Moreover, we have split Europe into two regions, Northern & Western Europe (NWE) centered on the UK and Ireland, which has a robust services business, and Central & Eastern Europe (CEE), centered on Germany, where we are promoting a shift to services from a business focused on conventional hardware sales. We have stationed executives in these regions to flexibly develop our business there.

To ensure the delivery of services with globally unified content and quality, we will strengthen coordination between overseas businesses and GDCs. As one measure, we have combined the delivery group of NWE with the GDCs and their management. Under this new structure, we will raise the proportion of offshored deliveries and strengthen cost competitiveness. In the Americas, meanwhile, we are also enhancing collaboration with GDCs while using Europe as a reference point.

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*1 Technology that automates business processes using software robots

*2 5G networks operated primarily by local governments and corporations in accordance with closer regional or individual requirements
Strengthening Our Services Business with Global Delivery

A crucial component of the Fujitsu Global Delivery Group (GDG), the Global Delivery Centers (GDCs) are a carefully selected set of locations that house our expert delivery teams. With GDCs in eight countries around the world, we provide services to over 100 countries and regions, operate in over 40 languages, and help customers to achieve global success. To do this, we offer a wide range of services attuned to the challenges and aspirations of the modern global enterprise, including application and multi-cloud services, workforce and workplace management, enterprise cybersecurity, enterprise business application operations, customer relationship management, and service integration including service desk, service management and business process outsourcing (BPO). Our 14,000-strong team of skilled, highly motivated people helps us to deliver cost-effective, scalable, high-value services to customers, locally and globally, 24 hours a day, 365 days a year.

With the rise of digital transformation as a business imperative, delivery—intensified in terms of quality, price, and speed—is the new competitive battleground. Fujitsu’s GDCs, with their deeply entrenched agile approach, and network of market-leading strategic partners for critical areas of design, development, migration, and operation, are pivotal to strengthening Fujitsu’s services business and increasing profitability.

One of the most tangible steps we are taking to augment our GDC capabilities is to add a further 6,000 talented resources to the team, aiming for a total of 20,000. In parallel with increasing the volume of delivery experts on our teams, we will unify the content and quality of the global offerings delivered from all GDCs. We will also ensure that the system development, industry, and operations expertise accumulated in Japan will be shared across all of the GDG and leveraged to benefit our customers.

By increasing the utilization of GDCs for IT development and management typically done in Japan, such as software development, profitability of business in Japan will increase, while creating greater local and global capacity to drive digital transformation initiatives for customers. GDCs also support Fujitsu’s international business, providing services to all Fujitsu regions, and by modernizing and protecting core infrastructure services, our GDCs can accelerate the shift to services with higher added value through the strengthening of integration capabilities. With our single integrated delivery model and connected global capabilities, we provide high-quality, cost-competitive, and continually improving infrastructure services, the GDG is finding new ways to provide services with higher added value through the strengthening of integration capabilities. With our single integrated delivery model and connected global capabilities, we provide high-quality, cost-competitive, and continually improving support to all Fujitsu regions, countries, and customers.

The GDG’s real strength is in its people. Given the global, geographically spread nature of the GDG organization, it is the most diverse, dynamic, and vibrant area of Fujitsu. With people from all backgrounds, each of whom brings a different set of skills and experiences, our teams are uniquely capable of delivering huge value to our customers.

### Contributing to Fujitsu’s Globalization and Growth by “Bringing Delivery Centers to the Forefront”

Under the leadership of President Takahito Tokita, the Fujitsu Group will increasingly leverage the GDG and its global delivery capabilities to strengthen our services business and enhance profitability. We work extremely closely with the heads of the business groups within the Technology Solutions business to share and utilize the invaluable industry expertise and insights that each business group has accumulated in Japan; this also involves a regular exchange of ideas about how the GDG can help each business group achieve their specific strategic goals and objectives.

With rapid commoditization of many traditional core infrastructure services, the GDG is finding new ways to provide value by upskilling in market-relevant technologies, such as application development, ERP* services, and cybersecurity. Simultaneously, our GDCs have embedded agile methodology into all elements of delivery, helping to more efficiently maintain and improve services to current customers. Adopting a “bringin delivery centers to the forefront” mindset, the teams are revolutionizing service delivery. The GDG is currently, and will continue to be, a pivotal strategic enabler for Fujitsu. For example, GDCs throughout Asia, including India and the Philippines, contribute heavily to the profitability improvements realized by our services business in Japan and across our international regions. At the same time, European GDCs, such as those in Portugal and Poland, underpin the local acceleration of the services for businesses in Europe.

Starting in Europe, the GDGs will support and standardize new services that provide huge customer value by leveraging their augmented capabilities. Coordinated with front-office customer functions in each country, this is the epitome of providing global value on a local basis. To configure services that leverage our capabilities, but in a way that helps customers on an individual basis, we will drastically increase our use of co-creation methodology to create solutions based on firsthand delivery experience.

By helping to increase the competitiveness of our services in all regions, especially our services business in Japan, and by honing Fujitsu’s engineering DNA—always striving for technical excellence—the GDG is a profit engine for Fujitsu, and the key to its global success.

* An approach that aims for efficient management activities by optimally deploying and allocating management resources such as personnel, material assets, funds, and information. In many cases, ERP entails business integration solutions as exemplified by SAP.
**MESSAGE FROM THE CFO**

We are carrying out the transformation necessary to become a widely trusted DX partner, while ensuring sustainable growth and improvements in profitability.

*Takeki Isobe*
CFO and Executive Vice-President

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**Promoting “Business Structure Transformation” and “Growth Strategy Transformation”**

In the four years up until the end of fiscal 2018, the Fujitsu Group promoted “business structure transformation” to focus on core businesses and “growth strategy transformation” aimed at accelerating growth.

Regarding “business structure transformation,” we have been concentrating management resources in the Technology Solutions segment, which we position as a core business. On a basis that excludes special items and the Technology Solutions segment, which we position as a core business, we have been concentrating management resources in the Technology Solutions segment, which we position as a core business.

Regarding “business structure transformation,” the Group has been concentrating management resources in the Technology Solutions segment, which we position as a core business. On a basis that excludes special items and the Technology Solutions segment, which we position as a core business, we have been concentrating management resources in the Technology Solutions segment, which we position as a core business.

We were able to mitigate the impact of negative risk factors and volatility, achieving steady progress in consolidating our business foundations.

- Equity Attributable to Owners of the Parent Ratio (%)
- D/E Ratio (Times)

**Cash Flow Generation and Distribution**

Aiming to generate stable levels of free cash flow of at least ¥150 billion each fiscal year.

**Cash flow distribution**

- Investments for growth
  - Strategic investments in DX technologies such as AI and 5G

- Shareholder returns
  - Stable dividends and higher shareholder returns in accordance with growth level

- Financial position
  - Strong financial fundamentals appropriate for the digital economy

**We will now shift our focus to “growth strategy transformation,” targeting further improvements in profitability and sustainable growth. In our Management Direction announced in September 2019, we set management targets for the fiscal year ending March 31, 2023 of revenue of ¥11 trillion and an operating profit margin of 10%, as we accelerate our efforts to move forward with further transformation.**

**Executing Measures to Improve Profitability**

The main engine for improving profitability is leveraging the robust foundations of our domestic services business.

- Domestic services sales expanded to almost ¥1.8 trillion in the fiscal year ended March 31, 2019, and demand remains very strong. I believe that there is a high level of interest and motivation among customers in such areas as system modernization to improve business efficiency, with a view to pushing forward with business model transformation.

- System engineers and other resources for delivering services are, however, in short supply. To meet the needs and expectations of customers, we have expanded our Global Delivery Center capabilities and are making strategic use thereof as a resource pool for the expansion of offshore services. In addition, we are striving to improve productivity by automating development and operations. While steadily improving the profitability of our domestic services business through such measures, we also expect the network and overseas businesses to drive further profit growth. In the network business, we view the full-scale uptake of 5G as a major business opportunity. In the overseas business, our shift to a new organizational structure in Europe is due to be completed in the first half of the fiscal year ending March 31, 2021, which will involve a realignment toward the services business as we steadily consolidate our earnings base.

**Shifting to the Services Business to Realize Sustainable Growth**

Along with improvement in profitability, a key pillar of our efforts to achieve sustainable growth is the DX business. We are establishing a new company to drive the DX business to expand operations in this field. We are also stepping up investments for growth targeting the creation of business opportunities related to the DX business and the promotion of new businesses.

First, we are prioritizing investments in technologies that support the DX business, such as AI, 5G, and cybersecurity. Second, we are undertaking M&As and corporate venture capital investments to create new businesses. We intend to pursue active investments in this way to quickly nurture and expand new businesses.

Of course, we must ensure that we recoup returns on investments. DX technology investments have a relatively short investment–return cycle compared with the cycles for investments in conventional hardware development and large-scale capital investments in factories and other facilities. As we implement proactive investments, we will be scrutinizing investment returns more closely than ever. Although we are shifting our focus to target sustainable growth, I believe that it is my responsibility as CFO to take an objective and balanced approach in managing investments.

**Becoming a Trusted DX Partner**

To become a DX partner trusted by customers, it is vital that we at Fujitsu take the lead in implementing our own DX to serve as a point of reference for customers. Various business processes and information in a company, especially quantitative data, are all related to finance. I believe that understanding information systems as well as reengineering processes and procedures to accelerate internal DX are among my key missions as CFO, and we will promote these endeavors.

The Fujitsu Group plays a vital role in providing essential infrastructure to society. The Group also has great potential in offering new value to society. We understand that dialogue with stakeholders and enhancement in investor relations are extremely important to gain an understanding of Fujitsu and appropriately evaluate the value of the Group.

Going forward, we are determined to ensure sustainable growth and improve profitability as we embrace reforms to become a widely trusted DX partner.
In March 2019, Fujitsu announced its new management structure. Following the Annual Shareholders’ Meeting on June 24, digital transformation commenced under the guidance of a new management team, including President Takahito Tokita.

In our 2019 roundtable discussion, we asked what kind of discussions took place at the Board of Directors and its advisory body, the Executive Nomination Committee, pertaining to the appointment of President Tokita and the key points designed to realize digital transformation.

— The change of president was announced in March 2019. What was the process for choosing the new president?

Jun Yokota: At Fujitsu, the Executive Nomination Committee, whose principal members are independent directors, conducts assessments of a certain number of senior management candidates on an annual basis. Based on those assessments, we nominate several people each year with the potential to be a future president and shortlist them as candidates. In 2019, former president Tatsuya Tanaka proposed a change of president due to the greater shift in management focus toward technology solutions. From a shortlist of several candidates, we chose the new president, Takahito Tokita, as the most suitable candidate and recommended his appointment to the Board of Directors.

Chiaki Mukai: In the course of conducting the annual assessment, we carefully read a thick batch of files containing comprehensive assessments of each candidate, including evaluations by their superiors and peer reviews, while utilizing reviews by an external consulting company, and spending a considerable amount of time on face-to-face interviews with the candidates themselves. At those interviews, we have the candidates present their vision of what they would like to achieve at Fujitsu and carry out discussions with the members of the Executive Nomination Committee.

Atsushi Abe: The Board of Directors does not always accept all the recommendations from the Executive Nomination Committee without criticism. Since I am not a member of the Executive Nomination Committee, I had never met President Tokita. Having then spoken with him directly and listened to his ideas after conveying my desire to meet with him in person, I concluded that he was well qualified and possessed the requisite personality for the position.

— On what kind of capabilities and attributes did you place particular emphasis in the appointment of the president?

Yokota: Centered on the financial industry, President Tokita refined his management capabilities through the development of large-scale systems as a system engineer. I considered that his experience in successfully completing major projects, sound judgment, and other qualities would be a major strength in leading the Fujitsu Group going forward.

Mukai: In addition, President Tokita knows the condition of our business in Europe, having recent experience of a stationing in London. I was impressed by the fact that he possesses the insight needed to grow the Fujitsu Group globally as we move forward.

Abe: I placed great emphasis on the ability of the new president to proactively seek change and successfully carry it out. When I had the chance to speak with President Tokita, he understood the problem areas while having a very clear vision for the future, and I sensed his strong determination to change the Fujitsu Group.

— What are your expectations of President Tokita as a leader aiming to bring about the shift to a DX company?

Abe: The Fujitsu Group must shift from its business model to date in which it listened to the needs of its customers and then provided systems to fulfill those needs, to a proposal-focused business that creates added value, such as by demonstrating to its customers what it can do and the economic benefits of its proposals. Even if there is discord during that process, I encourage President Tokita to overcome it by solving the problems one by one. As the Board of Directors, we will offer our full support.

Mukai: I feel that diversity and inclusion are important. For the Group to grow, its 130,000 employees must share their various perspectives and deify use the knowledge and technological capabilities they have cultivated to date. Soon after his appointment, President Tokita set forth measures giving further concrete shape to diversity and inclusion, such as relaxing the dress code. I feel that initiatives giving greater freedom to employees are highly effective in helping Fujitsu grow as a DX company.

— What are your expectations of President Tokita as a leader aiming to bring about the shift to a DX company?

Yokota: Centered on the financial industry, President Tokita refined his management capabilities through the development of large-scale systems as a system engineer. I considered that his experience in successfully completing major projects, sound judgment, and other qualities would be a major strength in leading the Fujitsu Group going forward.
I believe that the key is to encourage cooperation that goes beyond traditional vertical divisions, instill a new management strategy and corporate vision, and ensure that all employees understand where their goals lie.

Yoshiko Kojo

It is essential that we grow as a DX company. While we are still trying to develop the correct approach, I believe that it is necessary to think about ways to grow as a DX company over the next 10 to 20 years, such as through leveraging open data, for example.

Kojo: President Tokita emphasizes the importance of using internal transformation to promote a positive cycle for Fujitsu to become a DX company. The Group has a strong vertically divided organization, so unless we break that to a certain extent, I do not think we will be able to achieve transformation. I believe that the key is to encourage cooperation that goes beyond traditional vertical divisions, instill a new management strategy and corporate vision, and ensure that all employees understand where their goals lie.

Yokota: To date, Mr. Abe has spoken out at Board meetings to question the strategic value of initiatives. Moreover, he plays a major role such as through representing the independent directors in direct discussions with investors. I agreed that it would also be a good idea for Mr. Abe to become chairman of the Board in order to further enliven discussions at Board meetings.

Abe: The impetus for my appointment as chairman of the Board was not the result of a governance-related or other problem. I think that Fujitsu’s stance of trying to further utilize independent directors in order to promote transformation is emblematic of its advanced corporate governance.

— Please tell us about your activities as a director over the past year and your aspirations going forward.

Kojo: I was concerned that opportunities for me to speak out would be limited because I came from a different field, and there were many matters I didn’t understand. However, it was a pleasant surprise to find that Board meetings were very lively and conducted in an atmosphere that encouraged speaking out. Discussions are conducted freely. For example, in the event of a long report, there is a system for approving requests to shorten parts of reports that can be simplified in order to allow more time for discussion.

It was a disappointment to find that, despite being an IT company, Fujitsu is not adequately leveraging digital technology internally. President Tokita has initiated a policy of further leveraging digital technology in internal reforms, and I hope that Fujitsu will demonstrate greater flexibility in reviewing frameworks and systems.

Yokota: I have followed up carefully and provided feedback on the developments relating to the United Kingdom’s prospective exit from the European Union. The UK is an essential part of the Group’s overseas business. Depending on its conclusion, the issue of the UK’s exit from the EU may affect our business in Europe. I would like to focus on points such as this and engage in strategic discussions going forward.

Mukai: Whenever I speak with young people from our Group companies, as well as candidates for management positions who will lead Fujitsu in the future, I am impressed by their spirit of dedication to the Company. I feel that, for the sake of the Group’s approximately 130,000 employees, establishing a new business model that generates earnings is an urgent matter. I would like to contribute to the creation of sustainable profits and help Fujitsu make even greater strides in the future.

Abe: I am aware that I was appointed as chairman of the Board to help put the Company on a growth trajectory under the new management team. As chairman, I will change the way of reporting and strive to increase the time for discussions while linking each meeting of the Board to a meaningful action, such as deciding on the next relevant measure or reaching a conclusion to ongoing deliberations. Now that the direction of our management policy has been clearly determined, we will make a concerted effort in pursuit of that goal.

Atsushi Abe

It is good policy to offer diverse growth opportunities so that both human resources acquired externally and existing employees are highly motivated by shifting to position-based human resource management.
**MANAGEMENT**
(As of October 1, 2019)

**EXECUTIVE DIRECTORS**

Takahito Tokita
Representative Director
President
Born: June 22, 1964
Number of years as director: 4
Number of Fujitsu shares held: 6,730*

Hidenori Furuta
Representative Director
Executive Vice President and Chief Operating Officer
Born: November 11, 1963
Number of years as director: 5
Number of Fujitsu shares held: 3,939*

Mitsuyo Yasui
Representative Director
Executive Vice President and Representative Director for Health
Born: March 8, 1961
Number of years as director: 3
Number of Fujitsu shares held: 3,026*

**NON-EXECUTIVE DIRECTORS**

Tatsuya Tanaka
Director
Born: November 11, 1964
Number of years as director: 2
Number of Fujitsu shares held: 2,716*

Masami Yamamoto
Director
Born: January 1, 1964
Number of years as director: 5
Number of Fujitsu shares held: 5,323*

Kazuto Kojima
Director
Born: November 10, 1962
Number of years as director: 3
Number of Fujitsu shares held: 6,716*

Atsushi Abe
Director
Joined December 12, 2003
Number of years as director: 1
Number of Fujitsu shares held: 10,000*

Yoshiko Kojo
Director
Joined September 10, 1986
Number of years as director: 4
Number of Fujitsu shares held: 1,284*

**AUDIT & SUPERVISORY BOARD MEMBERS**

Yoshiaki Kondo
Youichi Hirose
Megumi Yamamuro
Hiroshi Mitani
Koji Hattasawake

**REPRESENTATIVE DIRECTORS / CORPORATE EXECUTIVES**

Takahito Tokita
Representative Director and President

Hidenori Furuta
Representative Director and Senior Executive Vice President

Mitsuyo Yasui
Senior Advisor

Chiaki Mukai
Executive Vice President

Jun Yokota
Director
Representative Director and SEVP, Head of Technology Solutions Business

**LETTER FROM THE MANAGEMENT**

SUSTAINABILITY MANAGEMENT
REVIEW OF OPERATIONS
SPECIAL FEATURE: MANAGEMENT DIRECTION
CORPORATE GOVERNANCE
FUJITSU GROUP OVERVIEW
LETTER FROM THE MANAGEMENT

*1 Number of shares held as of March 31, 2019
*2 To present
*3 The cumulative number of years served as a director
*4 Currently, the Japan Aerospace Exploration Agency (JAXA)
*5 Currently, Raymond James & Associates, Inc.
*6 Currently, Deutsche Securities Inc.
*7 Currently, Union Capital
*8 Currently, Allen & Overy
Basic Approach to Corporate Governance

The Company regards corporate governance as a critical mechanism to fulfill the senior management team’s mission in a manner befitting shareholders’ trust. This mission is based on the Fujitsu Way and enables a form of business management decision-making, rather than pursuing short-term profits, earns the trust of customers and business partners, motivates employees to work with vitality and pride, and contributes to society. Through such business management, the Company will grow and enhance corporate value over the medium to long term.

Structural Framework

The Company outlines the following rules to ensure that the oversight and advice from the diverse perspectives of non-executive directors (the term used for the combination of independent directors and non-executive directors appointed from within the Company) are reflected in the management execution of executive directors, as part of the Board of Directors: “Rules for ensuring the advantages of a company with an Audit & Supervisory Board system:

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

b. Independent directors are appointed as the core members of non-executive directors, and at least one non-executive director is appointed from within the Company.

c. Independent directors must meet the independence standards established as “Independence Standards”.

d. In nominating non-executive director candidates, the Company takes into account the background of candidates and their insight on the Company’s business.

Initiatives Taken to Strengthen Corporate Governance

Established the Independent Directors & Auditors Council
For greater independence, officers who maintain a certain degree of separation from the execution of business activities, are consistently gaining a deeper understanding of Fujitsu’s business and corporate governance.

Established Corporate Governance Policy
To explain to shareholders basic policies on the establishment of separation from the execution of business activities, in order to ensure the fairness of the method and level of executive compensation.

Abolished senior executive advisor/advisory system
To clarify management responsibility and strengthen corporate governance, Fujitsu will endeavor to conclude contracts with ranking officers, who will be known as “advisors”, in an effort to obtain the opinions of the officers of the Board of Directors, in cases where such treatment of retiring officers is indispensable as they are to be appointed as executive officers or non-executive directors, in order to safeguard the individual’s particular role in the Company’s business operations.

Introduction of performance-based stock compensation plan
To incentivize executive directors to improve medium- to long-term corporate performance by enhancing shareholders-oriented business management.

Independent director appointed as chairman of Board
Independent directors are appointed as chairman of the Board, in order to ensure corporate governance, and the independence of the Compensation Committee in order to strengthen the supervisory function and promote more transparent and objective discussions.

1. Overview of Corporate Governance Structure

Roles and Composition of Key Boards, Committees, and Councils

Board of Directors
The Company has a Board of Directors to serve as a body for making important decisions and overseeing management. The Board of Directors delegates the decision-making responsibility to the executive directors, who are pursuing short-term profits, earns the trust of customers and business partners, motivates employees to work with vitality and pride, and contributes to society. Through such business management, the Company will grow and enhance corporate value over the medium to long term.

Audit & Supervisory Board
The Company has an Audit & Supervisory Board that performs the auditing and oversight functions. From an independent position that does not entail involvement with management decisions, this committee supervises the Board of Directors, and maximum performance as an oversight and advisory body. Moreover, the oversight function of the Board of Directors has been strengthened by actively appointing independent directors with high independence and diverse perspectives. The term of directors is one year.

As of June 24, 2019, the Board of Directors comprises ten members: three executive directors and seven non-executive directors (including four independent directors). The position of chairman of the Board of Directors is held by an independent director, separate from the position of president, who has ultimate responsibility for management and decision-making.

Executive Nomination Committee and Compensation Committee
The Company has established the Executive Nomination Committee and the Compensation Committee as advisory bodies to its Board of Directors to ensure the transparency and objectivity of its process for selecting candidates for executives and executive directors. The committee provides advice to the Board of Directors on important matters, including the selection of executives and executive directors, and on the determination of executive compensation.

Executive Nomination Committee deliberates on candidates for executive directors and Audit & Supervisory Board members, in posting positions in accordance with the Framework of Corporate Governance Structure and the Procedures and Policy of Directors and Audit & Supervisory Board Members’ Appointment and Dismissal. It stipulates in the Company’s Corporate Governance Policy, and provides its recommendations to the Board of Directors.

In addition, the Compensation Committee provides its recommendations on the level of base compensation and the method of determining performance-based compensation to the Board of Directors, in accordance with the Procedures and Policy of Determining Directors’ and Audit & Supervisory Board Members’ Compensation stipulated in the Company’s Corporate Governance Policy.

In accordance with the Company’s Corporate Governance Policy, the majority of members comprising the Executive Nomination Committee and the Compensation Committee are non-executive directors and Audit & Supervisory Board members, and include at least one independent director. Members of both committees, as of July 25, 2019, are detailed below.

Both committees consist of four non-executive directors (of whom three are independent directors). Additionally, the secretaries of both committees are appointed by the Company’s HR and legal department.

Executive Nomination Committee
Chairperson: Mr. Jun Yokota
Members: Dr. Chikao Nishio, Dr. Yoshiko Kojyo, and Ms. Tatsuya Tanaka

Compensation Committee
Chairperson: Dr. Chikao Nishio
Members: Mr. Jun Yokota, Dr. Yoshiko Kojyo, and Ms. Tatsuya Tanaka

Independent Directors & Auditors Council
In response to the requirements of Japan’s Corporate Governance Code, which facilitates the activities of independent directors and Audit & Supervisory Board members, and in order to investigate discussions on the medium- to long-term direction of the Company at its Board of Directors’ meetings, the Company believes it essential to establish a structure that enables independent directors and Audit & Supervisory Board members, who maintain a certain degree of separation from the execution of business activities, to consistently gain a deeper understanding of the Company’s business. Based on this recognition, the Company established the Independent Directors & Auditors Council in fiscal 2015, which includes all independent directors (four independent directors and three independent Audit & Supervisory Board members). This council convened six times in fiscal 2018.

At meetings of the council, independent officers discuss one or two agenda items thoroughly to help resolve matters related to internal control and the deliberations of the Board of Directors.

Support System for Directors and Audit & Supervisory Board Members
The Company provides directors and Audit & Supervisory Board members, irrespective of whether they are an executive director, non-executive director, or Audit & Supervisory Board member, with the following support necessary for each director and Audit & Supervisory Board member to fulfill their role and contribute to the Company’s corporate governance.

The Company prepares a framework to help directors and Audit & Supervisory Board members acquire the information they need, including advice from external experts, through financial support and staffing.

The Company provides newly appointed directors and Audit & Supervisory Board members with necessary training, including sessions on the roles and responsibilities, internal structure, and business lineage. In addition, the Company provides ongoing opportunities for updating such information and knowledge periodically when directors and Audit & Supervisory Board members need the need for further training while they remain in their position.

As for the external directors, the opinion of the external officers is widely accepted at the Board of Directors’ meetings. The external officers are selected from different backgrounds and have different experiences from those of internal officers, the Company has established systems that support external officers in addition to the above-mentioned support and the previously mentioned Independent Directors & Auditors Council. The Company has established an organization through which the Company’s junior employees are assigned to respective external officers as assistants who provide direct support.
Status of Management Execution Organ
The Company appoints corporate executive officers who are assigned management execution authority by the representative
director and president. Furthermore, to heighten the efficiency of business management, the Company has established a
Management Council comprising the representative directors and the corporate executive officers to assist the representative
director and president in making decisions.

Appointment of Independent Directors and Independent Audit & Supervisory Board Members
Fujitsu actively appoints external officers to increase man-
agement transparency and further improve efficiency.
Fujitsu determines independence based on the indepen-
dence standards stated above. All external officers have
been registered with and accepted as independent officers
by the financial instruments exchanges on which Fujitsu is
listed in Japan.

Fujitsu’s Corporate Governance Structure

<table>
<thead>
<tr>
<th>Corporate Governance Structure</th>
<th>(as of December 31, 2019)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Executive Directors</strong> (4 members of the Board)</td>
<td><strong>Non-Executive Directors</strong> (4 members of the Board Including 1 independent director)</td>
</tr>
</tbody>
</table>

**Independent Directors & Auditors Council** (3 independent Audit & Supervisory Board members)

| (1) Executive director, non-executive director,* (2) Executive director, non-executive director,* (3) Independent Audit & Supervisory Board members |

**Executive Nomination Committee**

| (1) Director, executive officer, Audit & Supervisory Board member, or important employee** of a major business partner of Fujitsu |

**Shareholder/Shareholders Meeting**

| (1) Director or employee of one of Fujitsu Group companies** |

**Oversight Committee**

| (2) Partner or employee of accounting auditor company of Fujitsu |

**Election / Dismissal Committee**

| (3) Director, executive officer, Audit & Supervisory Board member, or important employee** of a major business partner of Fujitsu |

2. Independent Directors / Independent Audit & Supervisory Board Members

Independence Standards for Independent Directors and Independent Audit & Supervisory Board Members

The Company evaluates the independence of external officers based on the following standards.

a. A director and Audit & Supervisory Board member will be independent if none of the following are met, at present and/or
   as of the past:
   (1) Director or employee of one of Fujitsu Group companies**;
   (2) Director, executive officer, Audit & Supervisory Board member, or important employee** of a major share-
       holder** of Fujitsu;
   (3) Director, executive officer, Audit & Supervisory Board member, or important employee** of a major lender**
       of 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 property other than the compensation
       as a director or Audit & Supervisory Board member from Fujitsu;
   (7) Director, executive officer, Audit & Supervisory Board member, or important employee** of a major business
       partner** of Fujitsu.

b. A person who does not have a close relative** will be independent,
   wherein a close relative meets one of the following,
   at present or at any time within the preceding three years:
   (1) Executive director, non-executive director,** or important employee of Fujitsu Group companies;
   (2) Director, executive officer, Audit & Supervisory Board member, or important employee** of a major share-
       holder of Fujitsu.

2019 Overview of Management Execution Organ
Fujitsu Group companies (excluding Fujitsu Limited and its subsidiaries):
(1) This excludes the independent directors and the independent Audit & Supervisory Board members of listed
major shareholders, to ensure the Company and business partners of the Company.
(2) "Major shareholder" indicates a shareholder in the top 10 shareholders listed in the business report of Fujitsu.
(3) "Major lender" indicates a lender in the top 10 major lenders listed in the business report of Fujitsu.
(4) "Major lender" indicates a lender in the top 10 major lenders listed in the latest annual report of Fujitsu.
(5) Significant amount of monetary benefits means the sum of annual compensation for agent services and a
   donation or an expert service equal to or more than ¥50 million.
(6) "Major shareholder" includes a shareholder that has paid more than ¥50 million as a dividend or paid more
   than ¥10 million as a donation.
(7) The independent audit report includes the external report on specific transactions made in fiscal 2018
   for which Fujitsu determined independency.
(8) This condition applies only when judging the independence of Fujitsu’s independent Audit & Supervisory
   Board member or independent director.

*8 This condition applies only when judging the independence of Fujitsu’s independent Audit & Supervisory Board member or independent director.

Mr. Yokota has served as Ambassador to Israel and Ambassador to Belgium, and is an expert in international economic negotiations, having
served as a government representative for economic partnership agreement negotiations with Europe. Because of his deep knowledge of
politics and economics from a global perspective, he fulfills the supervisory function and role as an independent director. Moreover, Mr.
Yokota has never been a major shareholder, nor has he held an executive management position with a major business partner of the
Company. Therefore, Fujitsu considers Mr. Yokota to be independent.

Mr. Abe has also engaged in major business transactions. Therefore, Fujitsu considers Mr. Abe to be independent.

Dr. Kojo began her career as a doctor and became Asia’s first female astronaut, and she exemplifies the spirit of challenge advocated by
Fujitsu by being at the cutting edge of scientific fields. She has overseen and advised on business execution from various perspectives, and has
led discussions about executive remuneration in her capacity as the chairperson of the Compensation Committee.

As we can expect her to provide fair and objective oversight and advice from a global perspective based on her extensive knowledge of
science and technology, she will fulfill a supervisory function and role as an independent director. Fujitsu and the Johns Hopkins
University, where Dr. Kojo serves as a government representative for economic partnership agreement negotiations, have engaged in major
business transactions in fiscal 2018 amounting to approximately ¥3 billion, which is considered
material and constituting no special relationship when taking into account the size of Fujitsu’s total sales, therefore, Fujitsu considers
Dr. Kojo to be independent.

Dr. Ake has extensive knowledge of the ICT industry and M&A based on his many years of experience in investment banking and private
equity business. As we can expect Mr. Ake to provide objective and advice from a shareholder and investor perspective, as well as its contribution
to the timely and resolute decision-making of management, he fulfills his supervisory function and role as an independent director. Mr. Ake
has never been a major shareholder, nor has he held an executive management position with a company with which Fujitsu Limited has
engaged in major business transactions. Therefore, Fujitsu considers Mr. Ake to be independent.

Dr. Kogo served in important positions, including as the president of the Japan Association of International Relations, and her research has for
many years focused mainly on the impact of economic entities, including private companies, on international politics. The Company expects
that she will be able to fulfill her supervisory functions and role to provide extensive advice and oversight concerning the Company’s response
to changes in the external environment during a time of dramatic transition in international politics and with regard to G20 initiatives based
on her deep insight. Dr. Kogo has never been a major shareholder, nor has she held a position in the execution of business of a major
business partner of the Company. Therefore, Fujitsu considers Dr. Kogo to be independent.

Atsushi Ake
Chiaki Mukai
Jun Yokota
Atsushi Ake
Yoshiko Kogo
Independent Audit & Supervisory Board Members

Megumi Yamamuro

Mr. Yamamuro has many years of experience in the legal profession. As he is an expert in corporate law, including the Companies Act, and has been involved in numerous compliance measures, he fulfills an audit and oversight function and role as an independent Audit & Supervisory Board member utilizing his experience and knowledge in Fujitsu’s corporate governance. Mr. Yamamuro has never been a major shareholder, nor has he held an executive management position with a major business partner of the Company. Therefore, Fujitsu considers Mr. Yamamuro to be independent.

Hiroshi Mitani

Mr. Mitani has extensive knowledge of law as well as areas involving business management including economics and social issues, due to his experience as a public prosecutor and member of the Fair Trade Commission. Therefore, he fulfills an audit and oversight function and role as an independent Audit & Supervisory Board member utilizing his experience and knowledge in the corporate governance of Fujitsu. Mr. Mitani has never been a major shareholder, nor has he held an executive management position with a major business partner of the Company. Therefore, Fujitsu considers Mr. Mitani to be independent.

Koji Hatsukawa

Mr. Hatsukawa has a wealth of auditing experience as a certified public accountant and broad knowledge of corporate accounting. Therefore, he fulfills an audit and oversight function and role as an independent Audit & Supervisory Board member utilizing his experience and knowledge in the corporate governance of Fujitsu. Moreover, PricewaterhouseCoopers Aarata (currently, PricewaterhouseCoopers Aarata LLC), where Mr. Hatsukawa served as CEO, has never performed an accounting audit for Fujitsu. Fujitsu and PricewaterhouseCoopers Aarata (currently, PricewaterhouseCoopers Aarata LLC), where Mr. Hatsukawa served as CEO, have never performed an accounting audit for Fujitsu. Therefore, Fujitsu considers Mr. Hatsukawa to be independent.

3. Policy for Deciding Executive Compensation

To ensure a more highly transparent executive compensation system, Fujitsu established the Compensation Committee by a resolution of the Board of Directors at a meeting held in October 2009. The compensation of directors and Audit & Supervisory Board members is determined based on the following Executive Compensation Policy, which the Board of Directors reviewed in light of a report received from the Compensation Committee.

Executive Compensation Policy

To secure exceptional human resources required to manage the Fujitsu Group as a global ICT company, and to further strengthen the link between its financial performance and shareholder value, while at the same time improving its transparency, Fujitsu establishes its Executive Compensation Policy as follows.

Executive compensation includes “Base Compensation,” specifically a fixed monthly salary in accordance with position and responsibilities; “Bonuses,” which are compensation linked to short-term business performance; and “Performance-based Stock Compensation,” which is a long-term incentive that emphasizes linkage with shareholder value.

Base Compensation

Base compensation is paid to all directors and Audit & Supervisory Board members. A fixed monthly amount shall be determined for each executive in accordance with the position and responsibilities of each executive.

Bonuses

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

Performance-based Stock Compensation

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

4. Policy for Strategic Shareholdings

The Company holds only those strategic shares with clear-cut objectives and meaningful significance in a positive manner. Board of Directors’ meetings examine the weighted average capital cost of the Company as the standard to evaluate quantitatively whether returns (quantitative factors, such as dividends and the state of transactions), or risks are well balanced with the cost. If qualitative significance in shareholdings is not detected, Board of Directors’ meetings will further evaluate whether there is a qualitative reason that provides backing for reasonableness to still hold those shares and discuss the continuation of such holdings.

For fiscal 2018, the Company sold 78 issues, and the Board of Directors’ meeting, held on June 19, 2019, discussed strategic shareholdings held by the Company as of the end of fiscal 2018.

The Company deals with strategic shareholders on an equal footing just like with other business partners. Even when strategic shareholders indicate their sales of shares, we do not prevent them from selling them. That said, we sometimes call upon them to consider the timing of the sales or ways of selling their shares.
5. Status of Internal Audits, Accounting Audits, and the Internal Control Division

Internal Audit and Accounting Audits Systems

Internal Audits

The Internal Control & Audit Division serves as an internal audit group. This division audits the internal affairs of the entire Fujitsu Group in cooperation with the internal audit groups of each Group company and reports audit results to the representative director and president. The Internal Control & Audit Division reports once a month, as a rule, to full-time members of the Audit & Supervisory Board, the auditing plans for and results of internal audits, including matters relating to Group companies, and makes regular reports once every quarter, as a rule, to the Audit & Supervisory Board and accounting auditor.

The Internal Control & Audit Division includes a significant number of employees with specialist internal auditing knowledge, including certified internal auditors (CIA), certified information systems auditors (CISA), and certified fraud examiners (CFE).

Accounting Audits

The accounting auditor, Ernst & Young ShinNihon LLC, reports to the Audit & Supervisory Board concerning the auditing plans and results. The accounting auditor also conducts an exchange of opinions when needed and carries out coordinated audits.

Internal Control System

Internal Control Division

Based on the basic policy on establishing an internal control structure, the Risk Management & Compliance Committee and the Fujitsu Way Committee maintain and operate risk management systems, compliance systems, and internal control structures related to financial reporting and execute duties regulated under the basic policy. The status of operation of the internal control system is periodically reported to the Board of Directors.

Risk Management System and Compliance System

The Company positions the risk management system and the compliance system at the heart of the Policy on the Internal Control System and has established the Risk Management & Compliance Committee, which supervises these systems globally and is under the direct control of the Board of Directors.

The Risk Management & Compliance Committee is chaired by the representative director and president and consists mainly of executive directors. The Risk Management & Compliance Committee meets about every quarter. Regarding compliance violations and risks in business operations, including information security, the Risk Management & Compliance Committee operates a system that ensures the reporting of compliance violations and risks that have arisen to the Risk Management & Compliance Committee in a timely manner. It also operates the internal reporting system and formulates an action policy of the chief risk compliance officer. The progress and results of the activities of the Risk Management & Compliance Committee are periodically reported to the Board of Directors.

Also, sub-committees of the Risk Management & Compliance Committee have been established for individual regions, which are geographical regions of the Fujitsu Group worldwide, in order to install the risk management system and the compliance system throughout the Fujitsu Group. The chief risk compliance officer directs internal organization based on the above-mentioned policy and strives to prevent risks in business operations from arising and conducts activities to minimize the loss that may be caused by the risks that have arisen.

6. Review of Corporate Governance in Fiscal 2018

The Fujitsu Group is strengthening its corporate governance to ensure a sustainable increase in corporate value. Here, we report on the status of this initiative in fiscal 2018.

Number of Meetings of Key Boards and Committees

<table>
<thead>
<tr>
<th>Meeting</th>
<th>Number of Times</th>
</tr>
</thead>
<tbody>
<tr>
<td>Board of Directors’ meetings (including extraordinary meetings)</td>
<td>13 (1)</td>
</tr>
<tr>
<td>Audit &amp; Supervisory Board meetings (including extraordinary meetings)</td>
<td>10 (2)</td>
</tr>
</tbody>
</table>

Attendance of independent directors at Board of Directors’ meetings:

- Attendance of independent directors at Board of Directors’ meetings: 100%

Attendance of independent Audit & Supervisory Board members at Board of Directors’ meetings:

- Mr. Jun Nakata: 100%; Mr. Chiki Aikawa: 100%; Mr. Hamao Abe: 100%; Mr. Yukihiro Kojima: 100% (97.4%)

Attendance of independent Audit & Supervisory Board members at Audit & Supervisory Board meetings:

- Mr. Masuyama Yamanose: 100%; Mr. Hamao Abe: 100%; Mr. Koji Hatashima: 100% (100%)
New value is being created at an unprecedented pace due to the advance of digital technologies. On the other hand, we live in an uncertain age in which traditional approaches and frameworks are no longer valid and unexpected risks occur. Against this backdrop of radical change, the Fujitsu Group is listening to the voices of more of its stakeholders and reflecting their expectations and demands in its efforts to transform its business in order to improve its sustainability as a company and continue to generate innovation. This section introduces an overview of our initiatives in this area.
With a Meaningful Purpose, Reframe Existing Knowledge to Become a DX Company

While products and the pursuit of efficiency remain the foundations of management in Japan, even profit-driven corporate managers in the United States have begun putting a sense of common good and innovation at the center of their management. At one time, there were distinct industries and markets for different products and services. However, the boundaries of those industries and markets have been blurred by digitalization and, on top of this, market and business paradigms have changed as innovations range from a variety of relationships and places. To adapt to this change, it is particularly important for existing companies to determine in which direction to refashion themselves, while taking into account their assets and strengths.

Central to this is purpose. Unlike vision or value, purpose is a dynamic concept that causes and calls to action. By clarifying why we do something—our purpose—we can channel ourselves toward customer value creation and practices aimed at transformation. Additionally, a sound purpose that customers and society can empathize with helps to build relationships. Knowledge and assets flow through these social and people-centered ecosystems. In other words, these relational assets will be of great value in the future.

At SAP, we believe key to innovation are the three P’s: “Place, People, and Process.” “Place” is the new business base, located away from the existing business in order to spur innovation. As diverse opinions produce innovation, “People” emphasizes diversity in terms of nationality, race, and age. “Design Thinking,” which is the methodology for innovation, is the “Process.” Incorporating these three P’s, SAP Japan aims to become the innovation partner of our customers. As we pursue the “success of our customers,” by thinking about what we need to do to achieve, sales and profits will follow.

It is important to have a corporate culture and capacity for empathy, recognizing employees’ willingness to contribute to society. After identifying a problem to be solved and understanding it from the viewpoint of end-users through Design Thinking, employees with technical skills and knowledge can work together to build a prototype. If employees can feel their work is contributing to society, the joy they derive from their work will produce the energy to “motivate them further,” which will lead to significant business as a result.

I believe that “bringing innovation to Japanese society and corporations” is our mission and I have very high expectations for President Tokita, who has confidence that Fujitsu will become a DX company. By all means, I would like to make efforts to create innovation that contributes to society in collaboration with Fujitsu, which is active on a global scale.

Reflections after the Dialogue

Experts

Mr. Shiro Uchida
President, SAP Japan Co., Ltd.

Mr. Noboru Konno
SEVP, Technology Solutions Business,
SAP Japan Co., Ltd.

Takahito Tokita
Representative Director and President
Fujitsu

Hidenori Furuta
Corporate Executive Officer
Head of Diversity Promotion Office
Yumiko Kajiwara
Head of Diversity Promotion Office

Through today’s dialogue, we have received a variety of suggestions on what Fujitsu must do to become a DX company, such as reevaluating itself in line with social changes, having a sound purpose and building relationship assets with many stakeholders, and establishing the framework and mindset for spurring innovation. Based on the opinions we have received, we will take on the challenge of transforming ourselves in order to become a company that is viewed as necessary by our customers and society.
GLOBAL RESPONSIBLE BUSINESS

Given the need to enhance sustainability-focused corporate management, fulfilling corporate social responsibility (CSR) from a global perspective is becoming increasingly important. The Fujitsu Group has reviewed priority issues and redesigned them under the name “Global Responsible Business.”

Establishment of the CSR Policy
In December 2010, the Fujitsu Group established its CSR Policy and determined Five Priority Issues upon which to focus its CSR practices, in response to the growing demand for CSR in Japan and overseas. In establishing this policy, the Basic Strategy Working Group within the CSR Promotion Committee conducted interviews with outside experts regarding the expectations and demand on Fujitsu, based on an awareness of international CSR standards including the GRI guidelines and global social issues. We have also set medium-term targets to be achieved in fiscal 2020 and are promoting CSR activities as an integral part of management.

CSR Policy
CSR at the Fujitsu Group is practiced by implementing the Fujitsu Way. In all of its business activities, the Group contributes to the sustainable development of society and the planet through the implementation of the Fujitsu Way, in accordance with the expectations and needs of multiple stakeholders. In practicing CSR, we demonstrate a commitment to responsible business operations as a global ICT company by specifying priority issues and working to address them.

Sustainability Activities of the Fujitsu Group

A Changing World
The adoption, in 2015, by the United Nations of the COP21 Paris Agreement and of the Sustainable Development Goals (SDGs) was expected to accelerate efforts to solve global issues facing society. However, climate change has evolved more rapidly than scientists had predicted. As the climate crisis approaches, increasingly serious social problems have emerged in such areas as inequality and poverty. Meanwhile, the rise of protectionism and unilateralism in the political arena has been driving global fragmentation and impeding international coordination to solve challenges.

Against this backdrop, private companies that conduct business globally are being called on to tackle social issues more actively than ever before as members of society. In the final decade leading to 2030, the year designated for attaining the SDGs, people are more closely scrutinizing the extent to which the negative impact of business activities on society is being minimized, as well as to whether companies are undertaking activities that have an impact globally and will contribute to the achievement of the SDGs.

Review of Priority Issues
Amit this evolving global landscape, the Fujitsu Group needs to accelerate its own global sustainability activities and enhance its effectiveness in order to be recognized as a “responsible company” by all of its stakeholders, including customers, business partners, and investors. The Fujitsu Group has employed a materiality analysis in a Groupwide review of the priority issues to ensure that they reflect changes in its business over the past several years. The result is a unified framework for the priority issues under the banner of Global Responsible Business (GRB).

Priority Issues

Bolstering of Non-Financial Initiatives
In our Management Direction announced in September 2019, we positioned being a “Global Responsible Business” (GRB) as a management target in the non-financial field. As shown in the table above, the Fujitsu Group continuously aims to increase corporate value by identifying globally unified priority issues on sustainability and strengthening initiatives in the non-financial field in addition to the financial (business) field.

The GRB framework aims to foster the mindset and corporate culture necessary to realize the Fujitsu Way, and to earn and maintain the social trust that is a prerequisite for global business activities. All Group employees must be constantly aware that their companies are part of society and aim to not only pursue profits but also reduce the negative impact of their business activities on sustainability issues while maximizing the positive.

We have specified long-term goals for each priority issue, with the end of fiscal 2030 set as the deadline for their achievement, and have been building an effective management system to attain the goals. In order to carry out higher-level activities globally while taking into account the differences between countries and regions in such areas as local laws and labor markets, we have set Groupwide targets for all employees. Employees based at our headquarters who are responsible for resolving the priority issues led efforts in formulating these targets, while personnel in overseas regions with similar responsibilities also provided input in this regard. We will continue to work on specific measures toward achieving the goals.

In addition, the status of progress in the execution of GRB is periodically checked by an internal committee led by the president, with announcements made in management direction reviews and through various communication methods.

Achievement of Goal of Becoming a “Company Chosen and Respected by Stakeholders”
The Fujitsu Group, as an integral part of the social ecosystem, aims to become a leading company that solves the issues facing customers and the communities in which it operates. To this end, we must deepen our empathy for and insight into society through the GRB framework and undertake corporate management in a way that considers sustainability. The Fujitsu Group will continue its efforts to become a “company chosen and respected by stakeholders” by promoting GRB in a united manner.
INITIATIVES FOR THE SDGs

The Sustainable Development Goals (SDGs) can be viewed as a master plan for the world until 2030. ICT, given its special qualities, has the potential to make a positive impact on all 17 SDGs. The Fujitsu Group is leveraging the strengths of its unique ICT to advance initiatives that lead to the achievement of the SDGs, particularly those that relate closely to its businesses.

For further details, please visit the following website: https://www.fujitsu.com/global/about/csr/sdgs/

Aiming to Achieve the SDGs

We are transitioning from an IT company to a DX company. As a DX company, Fujitsu aims to solve global issues through its business. In addition to meeting customer needs, our mission is to solve the global issues that lie beyond these needs. We believe that this will lead to the achievement of our long-term goal, to realize a trusted Human Centric Intelligent Society. The SDGs are the coordinated efforts led by the United Nations to tackle global issues in 17 categories.

Fujitsu aims to create social value and contribute to attaining the SDGs through wide-ranging collaboration and co-creation with various organizations including international agencies and governments, private companies, and non-governmental organizations (NGOs).

Fujitsu’s Initiatives for the SDGs

SDG1 - Sustainable food and agriculture
SDG2 - Well-being in an aging society and eradication of difficult diseases
SDG3 - Promotion of innovation and human-centric workstyles
SDG4 - Intelligent industrialization by shaping ecosystems
SDG5 - Realization of better urban mobility and resilient cities
SDG13 - Achievement of zero CO2 emissions and contribution to a decarbonized society

Activities for Raising Awareness of the SDGs

As part of our DX transition, we are facilitating the creation of new businesses derived from the SDGs by highlighting them in co-creation workshops as well as in lectures and discussions with the executives of our customers. In addition, to promote understanding of the SDGs among the managers of Fujitsu Group companies and across the different business units, we are stepping up efforts to hold seminars and workshops aimed at gaining greater awareness of the SDGs.

Efforts to Raise In-House Awareness

In order to address global issues, we are promoting activities that enable each employee to be aware of the SDGs and contribute to them at the workplace. Specifically, through workshops, we are working to learn how to derive the necessary IT services from the elements required to achieve the SDGs from an outside-in perspective.

Initiatives with External Organizations

The Fujitsu Group is promoting collaboration with various organizations, including UN agencies, with the aim of contributing to the SDGs and bringing value to society on a global scale. In addition, through participation in international conferences such as the World Economic Forum and the World Business Council for Sustainable Development (WBCSD), we are conducting international discussions with top leaders from various countries on important issues facing the world.

Social Contribution Activities

The Fujitsu Group is building collaborative partnerships to engage and empower communities. We are contributing globally to the prosperity of the communities in which we work through collaboration in our business activities. We encourage our employees to develop their skills and be proud to work for Fujitsu by giving back to society.

Approach to Social Contribution Activities

As a corporate citizen, the Fujitsu Group has long viewed social contribution activities as important for the common good of communities worldwide.

Fujitsu employees are actively participating and engaging in social contribution activities together with a wide range of stakeholders based on the principles of “activities that empower people through partnership” and “social contribution activities to develop science and technology.”

Examples of Social Contribution Activities

Activities That Empower People through Partnerships

We are promoting activities that value all people equally, regardless of such attributes as age, gender, disability, race, ethnicity, origin, religion, or economic status. We also actively contribute to the environment and assist with natural disaster recovery to support safe and secure lives.

Soccer Viewing Events for Sensitive Children (Japan)

As part of the Fujitsu Initiative supporting borderless minds, in collaboration with other relevant parties, Fujitsu held events where children with sensory sensitivity to crowds and loud noise watched J.LEAGUE (Japan’s top-tier professional soccer league) matches with their families.

Offering Education for Every Child

Fujitsu is aiming to eliminate educational inequality. In partnership with local non-profit organizations in India and the Philippines, we are providing education support to children in poor areas, such as dispatching teachers and donating ICT equipment.

Donation of Carbon Credits to the Tokyo Metropolitan Government

To support the Tokyo Metropolitan Government’s initiative “Zero Emission Tokyo,” we have donated all our excess CO₂ reduction credits acquired since the start of the Tokyo Metropolitan Government’s “Tokyo Cap and Trade Program.” These credits will be used as part of an offsetting initiative for the city of Tokyo.

Social Contribution Activities to Develop Science and Technology

We are undertaking activities that contribute to the development of science and technology. These activities include pro-bono tech projects promoted by volunteers using both ICT and business skills, as well as STEM (science, technology, engineering, mathematics) education activities.

Support for Student Contests in Russia

Fujitsu has supported a business idea competition led by students of the Kazan Aviation Institute in Russia. We have contributed to improving students’ skills by holding various special courses related to ICT.

Pro-bono Tech Projects with UK Cancer Patient Support Charity

In a pro-bono project in partnership with a cancer patient support charity from the United Kingdom, Fujitsu provided a single technology platform to transform how volunteers give their time to the charity, greatly increasing work efficiency.

For further details, please visit the following websites.
Activities that empower people through partnerships: https://www.fujitsu.com/global/about/csr/community/people/
Social contribution activities to develop science and technology: https://www.fujitsu.com/global/about/csr/community/technology/
OUR APPROACH TO THE ENVIRONMENT

Protection of the global environment is one of the Fujitsu Group’s most important management issues. Climate change is a global challenge affecting the sustainability of society; it is closely related to the water crisis as well as resource circulation. As a partner in digital co-creation, we strive to reduce our environmental impact and minimize risks across the entire value chain while contributing to the realization of a sustainable society.

For further details on the Fujitsu Group’s environmental initiatives, please visit the following website: https://www.fujitsu.com/global/about/environment/

The Fujitsu Group’s Medium- to Long-Term Environmental Vision

Climate change presents risks to the Fujitsu Group in the global operation of its business. However, the Group also views efforts to mitigate and adapt to climate change as business opportunities. Positioning climate change as an environmental material issue, we published the FUJITSU Climate and Energy Vision in 2017 that clarifies the role we will play and outcomes we hope to achieve.

In 2050, over 9 billion people will have a need to live well in spite of challenges relating to energy, water, food, and other constraints. To realize this society, the Fujitsu Group will work in partnership with its customers and society to reduce its CO2 emissions to zero, and mitigate and adapt to climate change by leveraging technologies that support digital transformation. Since information disclosure is indispensable to realize the FUJITSU Climate and Energy Vision, we announced our support for the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) in April 2019.

**FUJITSU Climate and Energy Vision**

<table>
<thead>
<tr>
<th>Vision 1</th>
<th>Vision 2</th>
<th>Vision 3</th>
</tr>
</thead>
<tbody>
<tr>
<td>Reducing Fujitsu’s CO2 emissions to zero by 2050</td>
<td>Contributing to the decarbonization of our customers, society, and our value chain</td>
<td>Supporting measures to address climate change and contributing to the reduction of loss and damage related to climate change</td>
</tr>
</tbody>
</table>

**Initiatives for Climate Change and Environmental Issues**

**Achieving Zero CO2 Emissions in the Fujitsu Group**

Dividing the period through to 2050 into three phases, the Fujitsu Group will work to reduce its CO2 emissions to zero.

**The Fujitsu Group’s CO2 Emission Reduction Targets**

For further details, please visit the following website: https://www.fujitsu.com/global/about/resources/news/press-releases/2019/11/18-02.html

The Fujitsu Group will continue to contribute in mitigating and adapting to climate change through the development of digital technology and the provision of services that have high energy-saving performance. For example, the Group will facilitate advanced weather forecasting and disaster responsiveness.

**Expanding the Use of Renewable Energy and Contributing to its Proliferation**

In 2018, the Fujitsu Group joined RE100 as Japan’s first Gold Member. RE100 is an international initiative that aims to expand and propagate the use of renewable energy.

As part of its aim to procure 100% of the electricity it consumes at its facilities in all global regions from renewable sources by 2050, the Fujitsu Group will consider appropriate steps tailored to each region and expand procurement of renewable electricity. This will cover renewable sources at facilities worldwide, inclusive of all datacenters. The rate of renewable electricity procurement stood at 4% in fiscal 2018.

Furthermore, in order to contribute to the proliferation of renewable energy in society as a whole, the Group is working on R&D and technology trials for energy management and storage. In 2019, it developed a system for trading renewable electricity procurement stood at 4% in fiscal 2018.

**Results in Reducing Greenhouse Gas Emissions**

The Fujitsu Group’s reduction targets for greenhouse gas (GHG) emissions from its business facilities and its value chain have been approved by the Science-Based Targets Initiative. The results are as follows.

<table>
<thead>
<tr>
<th>Initiatives toward Decarbonization</th>
<th>Target*</th>
<th>Fiscal 2018 Results</th>
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<tr>
<td>Reducing our own GHG emissions</td>
<td>Reduction of 30% by 2030</td>
<td>28% reduction</td>
</tr>
<tr>
<td>Reducing GHG emissions across the value chain</td>
<td>Reduction of 30% by 2030</td>
<td>28% reduction</td>
</tr>
</tbody>
</table>

* As of 2017

**Ranked No. 1 in the World in the Green500**

In November 2019, a prototype of the supercomputer Fugaku, currently being jointly developed by Fujitsu and RIKEN, was ranked No. 1 in the Green500, a global ranking based on the energy efficiency of supercomputers. As an important research foundation supporting Society 5.0, Fugaku is expected to be used as infrastructure for new fields of application such as artificial intelligence (AI) and big data. This is in addition to simulations to improve drug discovery, disaster responsiveness, and industrial competitiveness.

**Stage IX Environmental Action Plan (Fiscal 2019 to Fiscal 2020)**

The Fujitsu Group established its environmental action plan as a roadmap for implementing responses to environmental issues and commenced activities based on the Stage IX Environmental Action Plan in fiscal 2019. Under this plan, the Group is advancing to reduce GHG emissions at its business facilities and develop products with high energy efficiency to realize the FUJITSU Climate and Energy Vision. It is also strengthening its initiatives in areas including water resource conservation focusing on water risks in the supply chain, while responding to the problem of plastic waste.

**Tackling the Problem of Plastic Pollution**

The Fujitsu Group has long been working to reduce plastic use and waste in its business activities. However, in addition to these efforts, it is now strengthening its response to the global problem of plastic pollution, which is growing even more serious. While communicating to society the importance of measures that address this problem, the Group is promoting initiatives aimed at enhancing employee awareness of this issue in order to heighten the consciousness of Group employees worldwide to further ensure the reduction of plastic waste.

**Activities Helping to Enhance Awareness**

We have created and released a video in several languages that explains the importance of tackling marine plastic pollution. The video is also being used in public awareness campaigns by local governments and other entities as a corporate educational tool.

Internally, we conducted the Tushima Eco-Tour in which employees from around the globe participate and learn about local issues by taking part in beach cleanup activities in Tushima City in Nagasaki Prefecture. At the same time, we held an “ideathon” designed to resolve such issues with members of local nongovernmental organizations. In this way, we sought to enhance employee awareness by implementing solutions to social issues.

We also promoted the reduction of disposable plastic in our offices by implementing a campaign promoting the use of reusable bags on company property.

**Awards and External Evaluations in Fiscal 2018**

The Fujitsu Group has won high praise from external organizations for its environmental strategies and initiatives, response to the problem of climate change through its business, and contribution to nature conservation.

- Won the 2018 Environment Minister’s Award for Global Warming Prevention Activity (Technology Development and Commercialization) for its FUJITSU Server PRIMEPOWER Liquid Immersion Cooling System and the Energy Conservation Grand Prize for 2018 in the Product and Business Model Category of the Agency of Natural Resources and Energy Director General’s Awards.
- Received an Award for Excellence for developing a system to survey wildlife habitat using sound data at the 28th Nikkei Global Environmental Technology Awards in 2018, held by Nikkei Inc.
- Received the highest rank of “IC” for CDP’s 2018 surveys on climate change countermeasures for the second consecutive year.
HUMAN RESOURCE MANAGEMENT / DIVERSITY AND INCLUSION INITIATIVES

To meet the challenges ahead, we are striving to transform our corporate culture and strengthen our people to drive DX and continue to create innovation. We must draw on the combined strengths of Fujitsu’s pool of talent, which consists of more than 130,000 individuals worldwide.

Transformation of Human Resource Management to Promote DX

Fujitsu is now transforming its HR management to enable diverse employees to play an active role in the organization, regardless of their location and age, and to ensure that each and every employee proactively takes on challenges, achieves sustained personal development and is able to demonstrate their unique values.

Position-based Human Resource Management

We will transform from conventional HR management, under which positions and rewards are determined on the basis of each individual’s abilities, to position-based HR management.

With our new position-based HR management, we define individual roles and responsibilities based on an organizational design that reflects business strategy, offer the compensation that matches market value, and assign talents with the required skills and experience.

By having position-based HR management across our global business, we aim to compete with the world’s leading companies.

New Compensation Plan for Highly Talented Professionals

In order to accelerate our transformation into a DX company, it is important to strengthen the acquisition and retention of talent in priority areas such as AI and security. We have therefore introduced a new plan to allow compensation to be designed flexibly according to an individual’s expertise and market value.

Diversity and Inclusion (D&I) Initiatives

Diversity is now an issue discussed in a variety of contexts, including workstyles, communication, and multiculturalism. The Fujitsu Group established the Global D&I Vision and Inclusion Wheel to act as a guideline, to help further advance our efforts toward diversity and inclusion among our employees.

This wheel expresses the Fujitsu Group’s overall efforts as they relate to D&I, and also defines the vision, strategic goals, and focus areas required to realize these goals.

Our Approach to Human Rights

We believe that respect for human rights is indispensable to a global company’s fulfillment of CSR. We have accordingly established various guidelines based on international norms and are promoting initiatives to respect the human rights of all stakeholders throughout the entire value chain.

For further details, please visit the following website:
https://www.fujitsu.com/global/about/csr/humanrights/

Our Approach and Organizational Structure

The Fujitsu Way Code of Conduct states as its first principle “We respect human rights,” clearly affirming our view that respect for human rights lies at the foundation of all corporate activities. We have also formulated the “Fujitsu Group Human Rights Statement” and the “Fujitsu Guiding Principles of Respect for Human Rights in Employment” and are working to ensure that respect for human rights becomes firmly entrenched among all employees.

AI Commitment

The Fujitsu Group has long promoted the concept of “Human Centric” in relation to information technologies. In March 2019, the Group presented the “Fujitsu Group AI Commitment,” which incorporates the academic findings on AI ethics and highlights its thinking on the use of leading-edge technology for the benefit of people and society, including such aspects as safety and security. In order to ensure an objective, third-party evaluation of the Fujitsu Group’s AI ethics, we established the Fujitsu Group External Advisory Committee on AI Ethics, which comprises external experts on AI technology and in other academic areas.

Framework for Reporting and Consulting on Human Rights Issues

The Fujitsu Group has established a global structure to receive reports and consult about compliance violations, including human rights abuses, from all employees and third parties, including customers and business partners.

Global Compliance Program

https://www.fujitsu.com/global/about/csr/compliance/#anc-03

Human Rights Due Diligence Scheme

The Fujitsu Group is engaged in building a Human Rights Due Diligence Scheme that identifies the human rights impacts of our business activities throughout the entire global value chain, while also preventing mitigating any negative impacts. We interviewed personnel across a wide range of departments in Fujitsu and exchanged ideas with Japan-based as well as international experts. In doing so, we identified three key areas where our business activities have a major impact: supply chain, employees, and customers and end-users. The main initiatives relating to human rights issues in the fiscal year ended March 31, 2019, were as follows:

- Key Areas
- Human Rights Issues
- Main Activities in Fiscal 2019
- Supply chain
  - Work environment / conflict minerals
  - Expanded the range of applicable minerals
  - Conducted a CSR survey to check the adoption status of the RBA Code of Conduct by suppliers (200 key companies, we purchase goods from)
  - Conducted RBA Code of Conduct adoption mock audits of three Group manufacturing sites in Japan and elsewhere
- Employees
  - Discrimination / harassment and working hours
  - Conducted a written survey of 97 Group companies in Japan and other countries based on the ISO 30400 standard to check on the status of initiatives promoting respect for human rights
  - In addition to expressing Fujitsu’s support for the OECD “Standards of Conduct for Tackling Discrimination against LGBT People,” invited external experts to speak on this topic at a liaison meeting, which the president and all executives attended
  - Conducted various group training and e-learning sessions, including “human rights minds” training and “consciousness bias” online training
- Customers and end-users
  - Privacy and data security
  - Assessed the “Fujitsu Group AI Commitment” and assessed the impact of AI on human rights, systematically identified the points that should be taken into consideration for each industry and for the tasks in each occupation when promoting AI businesses
WELL-BEING

The Fujitsu Group will create a corporate environment where all employees are able to work energetically and in good health, both in mind and body. Through a workplace culture where work is rewarding, we will help employees achieve personal growth and provide opportunities and support for them to harness their capabilities to the fullest extent.

For further details, please visit the following website:
Health Management: https://www.fujitsu.com/global/about/csr/employees/health/

HEALTH AND SAFETY

The Fujitsu Group’s first priority in all business activities is to protect the health and safety of our employees both in mind and body by providing a safe and healthy work environment tailored to the different cultures in which we operate.

For further details, please visit the following website:
https://www.fujitsu.com/global/about/csr/health/

SUSTAINABILITY MANAGEMENT

The Fujitsu Group holds “Coexistence with Suppliers,” “Fair and Proper Evaluation and Selection of Suppliers,” and “Promotion of CSR-Conscious Procurement Activities” as the tenets of its Corporate Social Responsibility (CSR) Procurement Guideline, and aims to realize risk-free CSR procurement in its supply chain.

For further details, please visit the following website:
https://www.fujitsu.com/global/about/csr/procurement/

Supply Chain Management Policy and CSR Procurement Activities

The Fujitsu Group formulated its CSR Procurement Guideline in 2005 and has requested its suppliers worldwide to comply with that guideline. In 2017, the Group joined the Responsible Business Alliance (RBA), a global CSR coalition, and adopted the RBA’s Code of Conduct as the Fujitsu Group CSR Procurement Guideline in 2018. By respecting the RBA Code of Conduct, the entire Fujitsu Group is engaging in CSR procurement with its suppliers in its supply chain.

In our procurement divisions, the Global Supply Chain Unit coordinates with the relevant departments to promote CSR activities among key suppliers in the following ways.

Processes for Promoting and Improving CSR Procurement

1. Clarifying compliance items through our CSR Procurement Guideline
2. Confirming that CSR activities are being fully implemented by suppliers through CSR procurement surveys and other measures
3. Providing feedback on survey results to suppliers

When it is determined that there is a need to check whether or not CSR activities are being fully implemented by a supplier, a CSR audit is conducted. The supplier is required to submit a remediation plan based on matters identified by the audit, and we work with the supplier to make the necessary improvements. With the goal of ensuring the appropriate implementation and firm entrenchment of CSR activities by suppliers, we continuously implement the promotion of our CSR procurement and improvement processes.

CSR Procurement Initiatives

Addressing High-Risk Minerals

The policy of the Fujitsu Group is to exclude from its products, components, and supply chain any minerals that directly or indirectly benefit armed groups engaged in conflicts (“conflict minerals”), or minerals that are at high risk of being associated with forced labor or human rights violations.

Based on this policy, the Fujitsu Group requests suppliers to respond to a survey on high-risk minerals, with reference to the Organisation for Economic Co-operation and Development (OECD)’s Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas. While there have been no confirmed reports yet of smelters having any involvement with armed groups, we will continue in our efforts to increase transparency in our supply chain.

Promoting Green Procurement

The Fujitsu Group has set out its basic approach to the environmentally sound procurement of components, materials, and products in the Fujitsu Group Green Procurement Direction. The Group uses it as a guideline to promote green procurement activities with suppliers. We are also implementing an initiative to reduce CO₂ emissions in the supply chain and promoting integrated activities aimed at reducing environmental impacts throughout the entire supply chain.
**COMPLIANCE**

**Compliance Promotion**

In the Fujitsu Group, the Risk Management & Compliance Committee, which is under the direct control of the Board of Directors and headed by the president, is responsible for overseeing Groupwide compliance at the global level based on our Basic Policy for Establishing Internal Control. *1 Together with the chief risk management & compliance officer (CRO), who is appointed by the Committee and is tasked with carrying out its compliance-related policies and decisions, the Committee established the Global Compliance Program (GCP).

**The Fujitsu Way** *2 Code of Conduct

The Fujitsu Way includes a Code of Conduct that all Fujitsu Group employees should follow (as shown on the right). Fujitsu has refined the Fujitsu Way Code of Conduct, developed Global Business Standards (GBS) in 20 different languages to serve as a guide for legally compliant behavior for all Fujitsu Group employees around the world, and applies these standards uniformly across the Fujitsu Group.

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

**The Global Compliance Program**

Fujitsu has established the Global Compliance Program (GCP) to implement and disseminate the Fujitsu Way Code of Conduct and GBS throughout the Group. We have also assigned compliance representatives to each region and have formed a global network with each risk and compliance representative, in order to secure a structure for executing our GCP.

The GCP systematically organizes our various compliance-related activities into five pillars. While clarifying what items Fujitsu needs to address on a continual basis, the GCP also promotes external understanding of Fujitsu’s compliance structure and its compliance activities. Based on the GCP, we take factors such as the legal systems of each country and region and the guidelines of their government institutions into account, and implement various policies and initiatives in each country and region.

**Compliance Activities**

1. **Policies & Procedures**
   - For Fujitsu and Group companies in Japan, we established the Compliance Policy under the guidance of the Risk Management & Compliance Committee to ensure compliance and promote sustainable improvement in our corporate value. We established more specific and detailed regulations and guidelines following approval of the Compliance Policy in areas with significant impact on business: antitrust, anticorruption, and anti-social forces.
   - For overseas Group companies, we issued General Compliance Guidelines, a policy corresponding to the Compliance Policy in Japan along with global guidelines on competition law, and other guidelines concerning the prevention of bribery. In addition, to ensure rigorous due diligence at our business partners, our main overseas Group companies have been using an online third-party due diligence process.

2. **Top Commitment & Resources**
   - Fujitsu promoted top management’s commitment to compliance through messages to employees and other communications. In this way, we are working to disseminate and implement the Code of Conduct and GBS throughout the Group. We have also assigned compliance representatives to each region and have formed a global network with each risk and compliance representative, in order to secure a structure for executing our GCP.
   - The compliance representatives at Fujitsu and overseas Group companies meet at the Global Compliance Forum to share and discuss headquarters’ policies concerning the execution of the GCP.

3. **Training & Communication**
   - We conduct compliance training for newly appointed officers of Fujitsu and Group companies in Japan, and we provide in-house training for managers and e-learning courses for all employees including new employees.
   - Overseas Group companies also provide e-learning for employees in 72 countries in 20 languages based on the laws, customs, and business conditions in each country. We also provide group training by region and department, e-learning for new employees, and training for employees who are assigned overseas.
   - During Fujitsu Compliance Week, which is held every December, top managers send out messages to all Group employees to ensure further edification of our GCP.

4. **Incident Reporting & Response**
   - Establishment of whistleblowing contact points: The Fujitsu Group operates the Compliance Line/Fujitsu Alert for both internal and external reports. The Compliance Line/Fujitsu Alert handles reports and provides consultations for all employees in the Fujitsu Group (excluding seconded, contracted, part-time or other short-term employees, temporary staff as well as retired employees). Group companies have established internal reporting systems individually.
   - Compliance Line for suppliers: We are receiving reports from the suppliers of Fujitsu and Domestic Group companies, to which we directly supply products, services, software, and other goods. Reports to Fujitsu Alert are accepted in 20 languages, at any time, any day.
   - Reporting to the Risk Management & Compliance Committee: The status of reports and consultations, as well as key compliance issues, is reported regularly to the Risk Management & Compliance Committee and the Board of Directors.

5. **Monitoring & Review**
   - The efficacy of the GCP is periodically checked and work is being done to continually improve it through risk assessments and audits and reviews by law firms and other external specialists.
   - Fujitsu conducts audits in order to confirm observance of the Antimonopoly Act, and improve and continue the audit program as a communication tool with relevant departments.
   - For overseas, the Fujitsu headquarters’ compliance team conducts risk assessments by visiting Group companies in countries and regions with a high risk of corruption. Through interviews with executives and employees, as well as checks on internal policies and processes, the compliance team analyses the potential compliance risks in local business and provides proposals and support to mitigate these risks.

For further details on the Fujitsu Group’s compliance initiatives, please visit the following website:

https://www.fujitsu.com/global/about/csr/compliance/
INTEGRATING INFORMATION SECURITY

Ensuring Information Security

The Fujitsu Group places ICT as its core business. Our corporate vision is to contribute to creating a safe and secure networked society. With this vision, we are working to ensure and further improve the level of information security throughout the Group.

In April 2016, we established the Fujitsu Group Information Security Policy* in order to share this vision and encourage action by each employee. Based on this policy, we are implementing information security measures, along with establishing internal rules related to information security management and ICT security at Group companies in Japan and overseas.


Information Security Policy

The basic concept of information security measures at Group companies in Japan and overseas.

The Cybersecurity

The cyberattacks in recent years are prime examples of conventional security measures. In this way, we contribute to the Fujitsu Way, our corporate philosophy that articulates a desire for “a networked society that is rewarding and secure.”

Three Priority Measures for Information Security Based on the Concept of “Defense in Depth”

The cyberattacks in recent years are prime examples of targeted attacks. These attacks have an unprecedented level of sophistication, diversity, and complexity. It is no longer possible to achieve comprehensive protection by using conventional security measures.

The basic concept of information security measures at the Fujitsu Group incorporates “defense in depth.” This refers to multilayer protection via multiple measures, instead of seeking protection through a single measure. Defense in depth has three objectives: 1) to prevent attacks by establishing a multilayered wall; 2) to discover attacks at an early stage by establishing a multilayered detection function; and 3) to minimize damage in the event of infiltration.

Appropriate implementation of these defense measures makes it possible to prevent attacks and minimize damage.

Structure of Information Security Management

Given the recent increase in cyberattacks, the Fujitsu Group appointed a chief information security officer (CISO) under the authority of the Risk Management & Compliance Committee in order to further strengthen information security management within the Group. Moreover, in aiming to strengthen our global information security management, we have appointed regional CISOs around the world.

Protection of Personal Information

As part of our efforts to protect personal information, Fujitsu acquired the PrivacyMark® from JIPDEC in August 2007. We are also working to continually enhance our personal information protection, including annual training and audits on personal information handling.

Domestic Group companies also acquire the PrivacyMark as needed and implement thorough personal information management. Privacy policies based on the laws and social demands of each country are posted on the websites of overseas Group companies.

Response to the GDPR

Fujitsu has developed a global personal information protection scheme and is working to further strengthen the protection of personal data. Under the guidance of the CISO organization and legal business units, we cooperate with overseas regions and others to develop various internal rules and guidelines related to the protection of individual rights in response to the GDPR. We have also made check sheets for our design and initial setting. Furthermore, we have updated the operation process in accordance with such internal rules and guidelines and have held employee training sessions.

In response to regulations on the transfer of personal data outside of the EU, we applied to the Dutch Data Protection Authority in December 2017 for our Binding Corporate Rules for Processors, which are common rules established across overseas regions and others to develop various internal rules and guidelines related to the handling of personal data that customers have entrusted to the Group for processing.

On January 23, 2019, the European Commission and the Japanese government mutually recognized each other’s data protection laws as providing an adequate level of protection.

Based on this recognition, Fujitsu established internal rules related to the handling of personal information transferred between regions, and ensured awareness of these rules throughout the Group.

*3 The Fujitsu Declaration on Cybersecurity
**Our Approach to Risk Management**

Through its global activities in the information technology sector, the Fujitsu Group continually seeks to increase its corporate value and contribute to stakeholders. Management places a high priority on properly assessing and dealing with any risks that threaten the achievement of our objectives. These include preventing the occurrence of these risk events, minimizing the impact of any such events that do occur, and preventing recurrence. We have also built a risk management and compliance structure for the entire Group, and we are committed to its ongoing implementation and improvement.

**Development of Our Risk Management and Compliance Structure**

To prevent potential risks of business-related loss from developing into actual risks, and to respond appropriately and prevent the recurrence of any risks, the Fujitsu Group has established the Risk Management & Compliance Committee. This committee acts as the highest-level decision-making body on matters involving risk management and compliance.

The committee also assigns risk management compliance officers to each of Fujitsu’s divisions and Group companies in Japan and overseas. In April 2016, we established Regional Risk Management & Compliance Committees. These organizations collaborate to build a risk management and compliance structure for the entire Fujitsu Group, thereby guarding against potential risks and mitigating risks that have already materialized.

The Risk Management & Compliance Committee is responsible for monitoring the progress of risk management and compliance in all Fujitsu business divisions and Group companies in Japan and other countries. This committee is tasked with establishing the appropriate policies and processes, as well as implementing and continually improving them. In practical terms, it determines risk management regulations and guidelines, and then applies and reviews them on an ongoing basis.

**Risk Management Process**

The Risk Management & Compliance Committee, which maintains regular communication with risk management and compliance officers, identifies, analyzes and assesses the risks associated with business activities. It also monitors the progress of measures designed to avoid, mitigate, transfer or prevent any recurrence. For critical risks, the Risk Management & Compliance Committee also reports as needed to the Board of Directors. The Committee monitors the progress of implementation of these processes on an ongoing basis and prevent the recurrence of any risks, and to promptly deal with any issues that do occur.

**Risk Management and Compliance Structure**

```
<table>
<thead>
<tr>
<th>Board of Directors</th>
<th>Risk Management &amp; Compliance Committee</th>
</tr>
</thead>
<tbody>
<tr>
<td>Secretariat</td>
<td>Legal, IP &amp; Internal Control Unit</td>
</tr>
<tr>
<td>Japan</td>
<td>Overseas</td>
</tr>
<tr>
<td>Designate Risk Management &amp; Compliance Committee, etc.</td>
<td>Appoint risk management compliance officers</td>
</tr>
<tr>
<td>Designate Regional Risk Management &amp; Compliance Committees, etc.</td>
<td>Appoint regional risk management compliance officers</td>
</tr>
</tbody>
</table>
```

Business Risks and Other Risks of the Fujitsu Group

The Fujitsu Group identifies, analyzes and assesses the risks associated with business activities and works on measures to avoid or mitigate their impact, and also to promptly deal with any issues that do occur.

### Principal Risks

1. **Economic and Financial Market Trends**
   - Risk associated with changes in the economic trends of major markets
   - Risk associated with fluctuations in exchange rates and interest rates

2. **Customers**
   - Risk associated with changes in IT investment trends among customers
   - Risk associated with the inability to continue trust-based, transactional or contractual relationships with customers

3. **Competitors and the Industry**
   - Risk associated with loss of competitiveness due to changes in market or competitive conditions
   - Risk associated with a decrease in competitive advantages with respect to R&D

4. **Investment Decisions and Business Restructuring**
   - Risk that investments in R&D or necessary measures in such areas as capital expenditure, business acquisitions and sales, and business restructuring are unable to generate adequate returns

5. **Suppliers, Alliance, etc.**
   - Risk associated with supply disruption due to natural disasters or other unexpected events
   - Risk associated with impeded results from the procurement of inferior quality products
   - Risk associated with the inability to continue cooperative relationships with respect to partnerships, alliances, or licensing and risk associated with the inability to gain from such cooperation

6. **Public Regulations, Public Policy, and Tax Matters**
   - Risk associated with increased administrative costs and business opportunity issues arising from strengthening of or changes in statutory regulations or government policies in countries where the Group has businesses

7. **Natural Disasters and Unforeseen Incidents**
   - Risk associated with the inability to continue businesses due to natural disasters or accidents, including earthquakes, typhoons, and water damage, or the spread of infectious diseases (including increased frequency or effect of the above-mentioned due to climate change)
   - Risk associated with the effect on businesses of conflicts, terrorism, demonstrations, strikes, or political instability in the countries or regions where the Group has businesses

8. **Finance**
   - Risk associated with a lowering of the credit rating of the Fujitsu Group as a result of its failure to meet earnings targets or deterioration in its financial position
   - Risk related to credit administration

9. **Deficiencies or Faults in Products and Services**
   - Risk associated with defective products and services
   - Risk associated with delivery delays or unprofitable projects

10. **Compliance Issues**
    - Risk associated with the infringement of related laws and regulations in Japan and overseas

11. **Intellectual Property**
    - Risk associated with the misappropriation of intellectual property
    - Risk of infringing other companies’ intellectual property

12. **Security**
    - Risk of leakage of personal and confidential information of customers, business partners, and the Fujitsu Group itself
    - Risk of physical damage or unauthorized access, including cyberattacks, thereby impeding operations and undermining information

13. **Human Resources**
    - Risk associated with the inability to acquire or develop qualified personnel
    - Risk associated with the inability to prevent or control a loss of personnel

14. **Fujitsu Group Facilities and Systems**
    - Risk of the operations of Fujitsu Group facilities, including production lines or systems, needing to be discontinued in the event of natural disasters, unanticipated incidents, faulty construction quality, or the occurrence of operational errors, with adverse impact on the Group’s business

15. **Environment**
    - Risk of environmental pollution accompanying business activities occurring or being identified
    - Risk of increased frequency and severity of natural disasters caused by climate change having a negative impact on the Group’s business
    - Risk of the Group incurring increased costs for providing products and services in other areas in order to comply with policies to reduce greenhouse gas emissions

### Risk Management and Compliance Structure

```
<table>
<thead>
<tr>
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</tr>
</tbody>
</table>
```
### PERFORMANCE HIGHLIGHTS

Fujitsu Limited and Consolidated Subsidiaries

#### FUJITSU GROUP OVERVIEW

<table>
<thead>
<tr>
<th>Fiscal years ended March 31</th>
<th>2019 (IFRS)</th>
<th>2018 (IFRS)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales (in billions of yen)</td>
<td>3,228,051</td>
<td>3,121,522</td>
</tr>
<tr>
<td>Owners’ equity (equity attributable to owners of the parent) (in billions of yen)</td>
<td>334,116</td>
<td>325,092</td>
</tr>
<tr>
<td>Dividends (in billions of yen)</td>
<td>28.8</td>
<td>24.1</td>
</tr>
<tr>
<td>Dividends per share (yen)</td>
<td>0.75</td>
<td>0.62</td>
</tr>
</tbody>
</table>

#### CORPORATE GOVERNANCE

- **Number of employees:** 172,438
- **Trends in total greenhouse gas emissions:** 1.313
- **Capital expenditure:** 322,182
- **Statutory auditors:** 1.313
- **Number of shareholders:** 1,185
- **R&D expenses:** 322,182

#### SPECIAL FEATURE: MANAGEMENT DIRECTION

- **Note:** On October 1, 2018, Fujitsu consolidated every 10 shares of stock into one share. Dividends per share for 2018 reflect this share consolidation.

### SELECTED FINANCIAL DATA

<table>
<thead>
<tr>
<th>Fiscal years ended March 31</th>
<th>2019 (IFRS)</th>
<th>2018 (IFRS)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash flows from operating activities (in billions of yen)</td>
<td>316,211</td>
<td>310,087</td>
</tr>
<tr>
<td>Cash flows from investing activities (in billions of yen)</td>
<td>3,271,121</td>
<td>3,121,522</td>
</tr>
<tr>
<td>Cash flows from financing activities (in billions of yen)</td>
<td>228,813</td>
<td>229,688</td>
</tr>
<tr>
<td><strong>Inventories:</strong></td>
<td>332,501</td>
<td>334,316</td>
</tr>
<tr>
<td><strong>Net sales (in billions of yen):</strong></td>
<td>3,228,051</td>
<td>3,121,522</td>
</tr>
</tbody>
</table>

#### Review of Operations

- **Net sales (outside Japan):** 1,587,363
- **Cash and cash equivalents:** 1,506,864
- **Cash and cash equivalents (end of year):** 1,506,864
- **Number of employees:** 162,393
- **Operating profit:** 121,766
- **Return on assets:** 3.0%
- **Dividends:** 3.271

#### Non-Financial Data (ESG Indicators)

- **Employee engagement:** 1.1
- **Social responsibility:** 1.1
- **Environmental sustainability:** 1.1

#### Financial Highlights

<table>
<thead>
<tr>
<th>Fiscal years ended March 31</th>
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<th>2018 (IFRS)</th>
</tr>
</thead>
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<tr>
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#### Footnotes

- **Note:** On October 1, 2018, Fujitsu consolidated every 10 shares of stock into one share. Dividends per share for 2018 reflect this share consolidation.
HIGHLIGHTS BY SEGMENT
Fujitsu Limited and Consolidated Subsidiaries

Technology Solutions

System Platforms

Market Environment

In the IT services market, system investment related to digital transformation is expected to gather momentum in Japan in such areas as IoT-related investment in the manufacturing industry and consumption tax-related measures in the distribution sector. System upgrades, centered on cloud services in the public sector, Service-orientated, and the “Hy-Thermal” Social Security and tax management systems, is seen as increasing pace. In addition, investment in digital transformation is expected to expand across industries. Furthermore, ongoing growth in investment is expected particularly in emerging markets.

Fiscal 2018 Highlights

Revenue

Solutions has been seeing improved performance for business service-related to production management and IoT in the manufacturing sector centering on the semiconductor industry. In the distribution sector, demand for system upgrades has been brisk across a wide range of fields, including food wholesale, real estate, construction, and retail. In the public arena, there has been growing numbers of large-scale business deals and projects to conform to local regulations. As a result of these developments, revenue increased significantly to a record high.

With infrastructure services, revenue expanded in Japan due to the spread of network services and growth in the number of product-related projects in some areas. However, overall revenue declined owing to a drop in sales following the conclusion of projects for large customers through to the previous fiscal year.

Operating profit

On an annual business basis, profit increased markedly in Japan, but overall profit growth was held down by a decline in profits on an annual business basis overseas and to the recognition of business model transformation costs.

Revenues

The growth trend has continued in the market for PCs for corporate customers supported by projects to replace PCs equipped with Windows 7 with those installed with Windows 10 before the end of extended support for Windows 7, scheduled for January 2020. We expect the market to remain firm.

The semiconductor market saw double-digit year-on-year growth in the first half of the fiscal year ended March 31, 2018, before the picture changed completely in the second half, with the market contracting from November. The area due to a drop in demand in the memory market stemming from falling prices as well as the impact of lower memory products resulting from weak demand for end products such as smartphones and servers.

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**HIGHLIGHTS BY REGION**

**Asia**

In 2018, Asia's services market grew 2.3% year on year. From 2016, growth was stalled at the 5% level as major projects came to an end, but in 2018 it accelerated to the 2% level as the market expanded particularly in the system integration field. Between 2017 and 2018, we expect the market to keep growing, albeit at a slow level. We estimate a CAGR of 1.9%. We anticipate a gradual increase in IT spending related to digital transformation (DX). We expect the modernization of enterprise systems to improve logistics efficiency and strengthen customer contact points and sales channels. We also anticipate support for growth from demand for system integration accompanying M&A and the construction of systems to improve logistics efficiency and strengthen customer contact points and sales channels. We also anticipate support for growth from demand for system integration accompanying M&A and the construction of systems to improve logistics efficiency and strengthen customer contact points and sales channels. We also anticipate support for growth from demand for system integration accompanying M&A and the construction of systems to improve logistics efficiency and strengthen customer contact points and sales channels.

**Europe**

In 2018, Europe's IT market grew 5.3% year on year, sustaining the previous year's strong growth. From 2018 to 2021, we estimate a CAGR of -1.7%, with high growth supported by both hardware markets as PCs, servers, and storage, and rapid expansion in IT service and software markets.

**Americas**

In 2018, the IT market in the Americas grew a substantial 7.8% year on year. Thanks to the market expansion seen earlier, between 2018 and 2021, we estimate a CAGR of 4.2%. As digitalization advances, we anticipate a continued high level of investment in security and cloud services going forward. In 2018, the North American cloud infrastructure service market increased 5.9% year on year due to the strong demand in cloud computing services, particularly in data centers.

**Oceania**

In 2018, Oceania's IT market expanded 7.0% on year. We expect the market to continue to grow steadily, between 2018 and 2021, and we estimate a CAGR of 4.1%. We expect growth in software and IT services markets but contraction in hardware markets, including PCs and servers.

---

**Priorities Tasks**

We set our top two items for our business in the Japanese market to further enhance profitability, strengthening our ability to meet demands associated with DX and improving efficiency. DX is becoming important as conventional IT evolves into new forms as the way users use ICT changes. Realizing DX requires not only new technology but also the ability to propose new systems that utilize that technology. Accordingly, an urgent priority is to acquire and train personnel with the requisite expertise. In addition, in order to improve the IT service market for Japanese companies, we need to actively promote a system-aggregated process known as “modernization.”

We also need to improve profitability. Until now, we have been working to enhance efficiency at our system integration front lines, but in order to improve we are reorganizing the on-site deployment of AI-based “efficiency tools.” Through the use of these tools, we can both enhance quality and make more efficient use of system engineer resources that are very stretched. Another way to address resource issues is to utilize system engineers in various roles other than IT service provision. For example, we have long been utilizing offshore resources, but going forward, we intend to expand their use not only to alleviate resource shortages but also to further improve efficiency.

**Market Environment**

In Asia, we are focusing on structural reforms to shift to services business and improve profitability. We are diversifying our European business into two regions, Northern & Western Europe (NWE) and Central & Eastern Europe (CEE), and looking to promote the rapid expansion of our businesses in each.

In the Americas, we are developing a wide range of offerings in addition to system products, including IT peripheral, terminals for industry, and IT service businesses. We do, however, recognize that management changes and system integration front lines, but to further improve we are expanding the on-site deployment of AI-based “efficiency tools.” Through the use of these tools, we can both enhance quality and make more efficient use of system engineer resources that are very stretched. Another way to address resource issues is to utilize system engineers in various roles other than IT service provision. For example, we have long been utilizing offshore resources, but going forward, we intend to expand their use not only to alleviate resource shortages but also to further improve efficiency.

---

**Revenue**

(Billions of yen)

<table>
<thead>
<tr>
<th>Year</th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Asia</td>
<td>3,100.4</td>
<td>3,056.7</td>
<td>3,101.7</td>
</tr>
<tr>
<td>Europe</td>
<td>2,972.7</td>
<td>3,056.7</td>
<td>2,856.4</td>
</tr>
<tr>
<td>Americas</td>
<td>756.7</td>
<td>810.1</td>
<td>782.9</td>
</tr>
</tbody>
</table>

**Operating Profit (Loss) / Operating Profit (Loss) Margin**

(Net in yen)

<table>
<thead>
<tr>
<th>Year</th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Asia</td>
<td>210.3</td>
<td>210.3</td>
<td>100.5</td>
</tr>
<tr>
<td>Europe</td>
<td>792.9</td>
<td>810.1</td>
<td>782.9</td>
</tr>
<tr>
<td>Americas</td>
<td>264.7</td>
<td>280.7</td>
<td>247.9</td>
</tr>
</tbody>
</table>

Note: Includes intersegment sales.

---

**Revenue**

(Year-ended March 31)

<table>
<thead>
<tr>
<th>Year</th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Asia</td>
<td>3.4</td>
<td>3.4</td>
<td>3.4</td>
</tr>
<tr>
<td>Europe</td>
<td>4.0</td>
<td>4.0</td>
<td>3.9</td>
</tr>
<tr>
<td>Americas</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
</tr>
</tbody>
</table>

**Operating Profit (Loss) / Operating Profit (Loss) Margin**

(Net in yen)

<table>
<thead>
<tr>
<th>Year</th>
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<td>Americas</td>
<td>264.7</td>
<td>280.7</td>
<td>247.9</td>
</tr>
</tbody>
</table>

Note: Includes intersegment sales.

---

**Note:** Asia includes Taiwan. Europe includes Europe and Oceania.
SHAREHOLDER DATA
(As of March 31, 2019)

Capital: ¥324,625 million
Authorized Common Stock: 500,000,000 shares
Issued Common Stock: 207,001,821 shares
Number of Shareholders: 134,539

Equity Shareholdings by Type of Shareholder:

<table>
<thead>
<tr>
<th>Status of Principal Shareholders</th>
<th>Number of Shares Held (Thousands)</th>
<th>Percentage of Shares Held (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ichigo Trust Pte. Ltd.</td>
<td>12,951</td>
<td>6.39</td>
</tr>
<tr>
<td>The Master Trust Bank of Japan, Ltd. (for trust)</td>
<td>12,067</td>
<td>5.95</td>
</tr>
<tr>
<td>Japan Trustee Services Bank, Ltd. (for trust)</td>
<td>10,869</td>
<td>5.36</td>
</tr>
<tr>
<td>SSBTC CLIENT OMNIBUS ACCOUNT</td>
<td>6,307</td>
<td>3.11</td>
</tr>
<tr>
<td>Fuji Electric Co., Ltd.</td>
<td>5,949</td>
<td>2.94</td>
</tr>
<tr>
<td>Fujitsu Employee Shareholding Association</td>
<td>5,467</td>
<td>2.70</td>
</tr>
<tr>
<td>JP MORGAN CHASE BANK 385151</td>
<td>3,921</td>
<td>1.93</td>
</tr>
<tr>
<td>Japan Trustee Services Bank, Ltd. (for trust 5)</td>
<td>3,785</td>
<td>1.87</td>
</tr>
<tr>
<td>Asahi Mutual Life Insurance Company</td>
<td>3,518</td>
<td>1.74</td>
</tr>
<tr>
<td>STATE STREET BANK WEST CLIENT – TREATY 505234</td>
<td>3,400</td>
<td>1.68</td>
</tr>
</tbody>
</table>

Notes:
1. The investment ratio is calculated after exclusion of treasury stock holdings (4,317 thousand shares).
2. The shares held by The Master Trust Bank of Japan, Ltd. (for trust), Japan Trustee Services Bank, Ltd. (for trust), and Japan Trustee Services Bank, Ltd. (for trust 5) pertain to the trust business by the institution.

For inquiries, please visit our “Contact” page on our investor relations website: https://www.fujitsu.com/global/about/ir/

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1-5-2 Higashi-Shimbashi,
Minato-ku, Tokyo 105-7123, Japan
Telephone: +81-3-6252-2220
Transfer Agent: Mitsubishi UFJ Trust and Banking Corporation
4-5, Marunouchi 1-chome,
Chiyoda-ku, Tokyo 100-8212, Japan
Stock Exchange Listings: Tokyo, Nagoya
Accounting Auditors: Ernst & Young ShinNihon LLC
Shareholder Information: For further information, please contact:
Fujitsu Limited
Public & Investor Relations
Telephone: +81-3-6252-2173
Facsimile: +81-3-6252-2783

FUJITSU GROUP’S INFORMATION DISCLOSURE

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

https://www.fujitsu.com/global/

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

https://www.fujitsu.com/global/about/ir/

Sustainability Website
We have established a sustainability website that provides detailed information on the non-financial areas contained in the Fujitsu Group Integrated Report. The website publishes information on our approach to non-financial activities centered on global responsible business, as well as on promotional frameworks, examples of initiatives, data, and other areas. In our efforts to update information promptly, we primarily publish information via the website.

https://www.fujitsu.com/global/about/cs/
Legibility
We have reviewed this report using our ColorSelector tool to choose a highly accessible color combination so that the text and figures are as legible as possible to the widest range of readers.

Consideration for the Environment
• This report has been printed using waterless printing, which reduces the amount of harmful materials used and emitted.
• FSC® Certified Paper as designated by the Forest Stewardship Council® has been used in printing in order to help preserve forestry resources.
• Vegetable oil inks that do not include volatile organic compounds have been used.