This is Kyoko Mizuguchi.

Today, I would like to talk about our corporate governance.
First, I will explain the basic concept of our corporate governance.
In December 2015, we established and announced our Corporate Governance Policy.

Please look at the box in the middle. At the top of our Corporate Governance Policy, it states "management that respects the interests of all stakeholders will lead to an increase in corporate value and shareholder value over the medium to long term." Management’s mission is to lead in a manner that contributes to society, and for them to be conscious of SDGs (Sustainable Development Goals).

As described below, we regard corporate governance as an indispensable infrastructure for the fulfillment of management's mission.
This figure shows the post-Annual Shareholders’ Meeting formation scheduled to be held in June this year.

The characteristics of the Board of Directors is that directors are divided into two, executive and non-executive, with their respective roles made clear. From the non-executive directors we have ‘supervision’ and ‘advice from a variety of viewpoints’ which we believe enhances governance.

To ensure this, the number of non-executive directors is equal to or greater than the number of executive ones. Under the new structure, the number of independent outside directors will increase from four to five.

Furthermore, we have established the following three mechanisms to make this more effective.

(1) Audit and supervision by independent auditors
(2) Voluntary nomination committee and compensation committee mainly composed of non-executive directors
(3) Independent Directors & Auditors Council to provide information to external directors

I will explain more about the Nomination Committee, the Compensation Committee, and the Independent Directors & Auditors Council later.
Next, I will explain the appointment of the non-executive directors.

The company considers the following three points when appointing non-executive directors.

(1) Choose a well-balanced selection of attributes and areas of expertise
(2) Ensure diversity such as gender and global experience
(3) In order to compensate for any lack of internal information that independent directors may have, one or more of the independent directors must originally have been internal employees.
The following are to be non-executive directors after the Annual Shareholders’ Meeting who have been selected based on such criteria.

Jun Yokota: Formerly worked at the Ministry of Foreign Affairs and has served as an ambassador in several countries.
Chiaki Mukai: Active in various areas such as JAXA, Tokyo University of Science, and a committee at the United Nations.
Atsushi Abe: Deep insight into M&A and investment in the IT industry.
Yoshiko Kojo: International relations academic. Has deep insight into SDGs initiatives.
Scott Callon: Institutional investor.
Tatsuya Tanaka and Masami Yamamoto: Both have experience being President of the company and we believe that having a non-executive who is familiar with internal circumstances on the supervisory side is important to the effectiveness of supervision.

Each incumbent director has contributed greatly to revitalizing board discussions with a world-wide perspective and sharp insight into the nature of things.
Next, I will explain our efforts to ensure the effective functioning of our non-executive directors.
One of the major topics this year is that Mr. Abe, who is an independent director, has been appointed as Chairman of the Board of Directors.

Based on his many years of experience in investment banking, etc., Mr. Abe has contributed to stimulating discussions at the Board of Directors through management supervision and advice from the perspective of shareholders and investors.

The purpose of the Chairman, as described here, is to strengthen management supervision and ensure transparency and objectivity. At a feedback session held with members of the Board of Directors conducted half a year after his appointment as Chairman, Mr. Abe received high praise, particularly from the Independent directors, for his selection of agenda items and following up of topics discussed at the Board of Directors meetings.

Here is an excerpt from Mr. Abe's remarks from our integrated report. He wants to see the company grow under the new management structure and be a part of this.

"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 discussion 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) 
(Excerpt from Fujitsu Group Integrated Report 2019)
The problem of ‘information asymmetry’ is often highlighted as an obstacle to outside directors in fulfilling their role effectively. The company has established the following information provisions and mechanisms so that independent officers can access necessary information as much as possible.

First and foremost, the most important thing is close cooperation with Mr. Abe, the Chairman of the Board. In the company, both the secretariat of the Board of Directors and the secretariat of the Management Council which is the meeting body of the executive side, are part of my legal department, and so information from the executive side can be input in a detailed and timely manner. I think Mr. Abe will talk about this later but the Chairman and the secretariat deliberate very carefully over the preparations for the Board of Directors meeting and select the agenda.

Next, the Board of Directors picks up important matters that need to be monitored continuously and prepares a monitoring list to report the status every month.

In addition, the company established the Independent Directors & Auditors Council in fiscal 2015 to share information and form opinions between Independent Directors & Auditors, namely the Independent Outside Directors and the Independent Outside Audit and Supervisory Board Members. The
Independent Directors & Auditors Council is a free-discussion forum which does not issue resolutions or decisions.

The Independent Directors & Auditors Council covers a wide range of topics, including introductions of important businesses and subsidiaries, and input into the prerequisite knowledge of topics to be discussed at the Board of Directors meetings. This has been highly praised by the independent officers as it has enabled increased understanding of the company.

In addition, the Company has established an Independent Directors & Auditors Council Support Division. This is a support team for independent officers, who assign young employees to each Independent Director & Auditor as support members to provide information, so there are no taboos over the provision of information.
**Voluntary Executive Nomination Committee and Compensation Committee**

**Composition in fiscal 2019**

- Executive Nomination Committee: Jun Yokota (Chair), Chiaki Mukai, Yoshiko Kojo, Tatsuya Tanaka
- Compensation Committee: Chiaki Mukai (Chair), Jun Yokota, Yoshiko Kojo, Tatsuya Tanaka

*In particular, for the Executive Nomination Committee, 1) a considerable amount of time is spent on discussions; 2) in addition to obtaining advice from outside consultants, the committee interviews candidates for Director and Audit & Supervisory Board Member; and 3) the committee gives a detailed explanation of the reasons and process for selecting candidates in proposals to the Board of Directors.*

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**Corporate Governance Policy (Excerpt)**

2. Corporate Governance Structure

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

“b. To secure personnel as would-be Directors and Auditors who have a competency for taking lead role toward continuous increase of the corporate value, the Executive Nomination Committee is responsible for recommending Directors and Auditors candidates as an initial idea along with reasons, those recommended candidates are evaluated to have an understanding on the environment surrounding the present company and possible changes in the future...”

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

“b. Considering the incentive perspective from which the compensation for securing competent personnel is viewed and stimulating the effort toward continuous increase in the corporate value, the Compensation Committee is responsible for recommending the level of base compensation as well as the calculation method for performance-based compensation...”

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Next, I would like to introduce the mechanism of advice and supervision on the nomination and remuneration of officers by Independent Directors.

As described in the Corporate Governance Basic Policy, the Company has voluntarily established a Nomination Committee and a Compensation Committee, taking advantage of the strengths of its Audit & Supervisory Board. Members are composed mainly of independent outside directors. These are advisory bodies.

The committees are not a formality, and the Nomination Committee, in particular, has had a number of substantive discussions before deciding on a candidate for officers, and has conducted external consultation evaluations and interviews with members. During the changing of the president too, the candidates were selected through a number of substantive discussions, including interviews held by all of the then members of the committee with several candidates who were put forward by the executive side. The Nomination Committee details the reasons for the appointment and the process in submitting a report to the Board of Directors.
In addition to the initiatives introduced so far, in order to further improve our corporate governance, our basic policy states that the Board of Directors should be evaluated every year, and has been implemented five times so far. This year, discussions were held mainly by independent officers from the viewpoint of whether there would be any points to be improved with Mr. Abe becoming chairman.

At the end of last year, half a year after the inauguration of Mr. Abe becoming Chairman of the Board of Directors, a questionnaire was conducted on the chairman's points of improvement, requests and the operation of the Board of Directors, and anonymous feedback was given to Mr. Abe.

As a result of both evaluations, one point the officers have praised is improved follow-up on items they have been asked to read-up on and another was how the Chair carried things out with a sense of urgency.

On the other hand, one issue that has emerged that we need to continue to follow up-on is how to use the limited board time for discussions rather than for explaining bills.
Finally, I will explain our future initiatives.
Improving the Internal Control Structure

- **Our Internal Control Structure**
  Connecting the executive and non-executive board members
  (important framework as a premise of ‘Trust’)

- **Offense : Management Efficiency**
  (1) Establishment and operation of the company’s decision-making and
delegation mechanism
  (2) Focused efforts on group management issues
  (3) Proactive proposal for optimal risk take / risk hedging

- **Defense : Risk management system & Compliance system**
  (1) New risks (cyber, data, infectious diseases, geopolitical risks, local
  laws and regulations)
  (2) Response to new fraudulent methods and acquisition of new investigation methods

I have emphasized that the focus of corporate governance lies in overseeing and advisory by the non-executive side to the executive side.

Looking at the executive side, we have always thought that the internal control system on the executive side led by the President is important to link the non-executive to the executive, and have been implementing measures toward achieving that.

(The gist of our internal control system is to ensure that non-executive independent directors can rely on the information shared by the executive management led by the president, including their understandings of issues, proposals for measures, and management policies. It also ensures trust towards the execution of management policies by the executive management led by the president. The basis of trust in information and management’s execution of management policies lies in the internal control system itself, and is composed of a progressive and a protective factor.)

I will give an example of our pursuit of ‘Management efficiency’ – a factor of trying to be progressive.

Our department is working to establish and operate a system for decision-making and delegation of authority in order to quickly and thoroughly spread the will and management policies of top management, which reflect advice from the Board of Directors, globally and group-wide.
Examples: Secretariat of the Board of Directors, Secretariat of the Management Council, operation and improvement of rules of global delegation of authority, clarification of responsibilities and authorities by establishing and operating rules of segregation of duties and authority, management delegation agreement with Group company president and group governance Initiatives

Through the “Business structure transformation” phase that has been taking place over the past several years, a system is being built to immediately and intensively tackle group management issues.

Based on new business forms (the new DX company, new HR system, direction of strategic investment promotion), I would like to proactively propose the optimal balance between progressive and protective, and the optimal balance between risk taking and risk hedging.

We will keep working on initiatives in a ‘risk management system and compliance system’ as a factor of protection.

Based on the belief that "management efficiency" will be based on trust first, through the development and operation of a risk management system and a compliance system, our division will try to foster a group culture in which we respond proactively to risks, are collectively open-minded, and intolerant of fraudulent activity.
I wish to extend the diversity of our board across the company. From its beginning, our corporate governance has evolved with a wide range of stakeholders in mind. The features were further promoted, and last year’s revision of the Corporate Governance Policy called for greater disclosure of information to stakeholders. Furthermore, to ensure the satisfaction of a wide range of stakeholders by contributing to the resolution of social issues through the success of our business, we will first promote the diversity of board members, and look at the Group’s business from a variety of perspectives in order to discuss pressing matters and which direction the company should move in. For example, the comments that we have received so far from Scott Callon are very encouraging in that it is based on trust in the value of Japanese companies as seen from outside-Japan. I would like advice from Mr. Callon to lead us to further transform the company.

In fact, the Board of Directors is currently the most diverse decision-making body within the Group. The company hopes to further diversity in the other decision-making forums within the Group that constitute the internal control system, in the same way as the Board of Directors.
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