Summary Translation of Q&A Session at
Fiscal 2016 Briefing for Analysts with Regard to Fujitsu Corporate Governance

Date:	March 23, 2017
Location:	Fujitsu Headquarters, Tokyo
Presenters:	Atsushi Abe, Director Mitsuya Yasui, Corporate Executive Officer

Questioner A
Q1: *Mr. Abe, you have been an External Director at Fujitsu now for a year and nine months, so you have been observing Fujitsu's structural reforms. You also have M&A experience, both as a buyer and a seller. As an External Director at Fujitsu, as well as personally, what has been your involvement in M&A transactions?*

A1 (Abe): First of all, there is a clear difference between the role of an Executive Director and the role of a Non-Executive Director. Actual business execution is the role of the Executive Director. If External Directors interfere in the realm of execution, there would be no need for Executive Directors, because External Directors could take on that role. What I am always focused on from the perspective of an External Director is giving advice and guidance to the execution side. I would only intervene in cases in which I felt that, no matter what, a particular course of action would be highly detrimental to the company, and then I would do anything I could to prevent it. That is my approach. In the structural reforms underway at Fujitsu, the company has announced that it would sell some businesses, or that it would consider selling some businesses, but it is not as if I would go and get involved in the negotiations. Looking in from the outside, there have been times in which I felt like getting personally involved in the negotiations, but that would be the wrong approach. Instead, what I do is collect all the necessary information and confirm certain points with the management execution side, such as: Did you take care of that issue? Did you negotiate this point? What was the other side's reaction? Could that be because they were concerned about this particular point? Beyond that, I try to collect additional information on the industry, or information from people I know in or outside of Japan, and I provide feedback to the management execution side, but I avoid getting personally involved in negotiations. One should not get personally involved.

Q2: *Have you been asked to give advice?*

A2 (Abe): Yes. In my case, in addition to my roles on the Board of Directors and the Independent Directors & Auditors Council, there are times when the heads of particular business units ask me for advice. In those cases, I might be asked how best to handle a particular deal, or what approach to take in light of our growth strategy, or to introduce someone who can provide advice on a particular issue, or to introduce someone in the industry in the US or Europe. In those cases, I try to help to the extent I can.

Q3: *What is your view of the process for the structural reforms and growth strategy Fujitsu is currently undertaking?*

A3 (Abe): One big difference from the world of private equity is that the businesses or deals involved are just parts of the much larger entity that is Fujitsu. For example, suppose we are working on a deal related to our structural reforms. From my perspective, I might think we can disclose more about the progress we have made, but it might be the case that, to execute the deal, talks with the union need to take place, and we cannot make disclosures prior to those talks. Obviously, that is an important point, and the bigger the company, the more constraints and compliance issues one must face. In that respect, there are differences from the way one proceeds with acquisitions in private equity. Still, while taking that into account, from my position as External Director, I tell them not to take any more time than is necessary or take undue care.

Questioner B
Q1: *Although the time spent discussing management strategy during the Board of Directors Meetings has increased, you said it was still inadequate, but how does it compare to the time spent for such discussions in the US?*

A1 (Abe): Talking about my experience in the US, once a quarter, a Board of Directors Meeting is held for two days. On the other hand, Fujitsu holds a Board of Directors Meeting every month, and we discuss the monthly financial results, issues requiring Board resolutions, and other important matters. Before the management direction is set, more time is spent discussing management strategy. I was appointed as a Director starting in June 2015. Since I had not participated in any discussions of issues prior to my arrival, I told them it would be difficult for me to simply ratify the plans presented by management. That was when we started the practice of holding a meeting of the Independent Directors & Auditors Council, apart from the Board of Directors Meeting, where we listen to a draft proposal of the management strategy and provide feedback. We discuss it at the Independent Directors & Auditors Council, and ultimately we receive an explanatory presentation from the management execution side at a Board of Directors Meeting. The time spent in discussions has reached a level where there is not much difference with the US. In terms of the depth of the discussions on these issues, however, there is still room for improvement. That is the intent of the management execution side, as well, and it is also the responsibility of External Directors. What is important is for the External Directors to thoroughly study the issues and provide feedback so that the time during the Board of Directors Meetings is spent effectively.

Q2: *Fujitsu falls under what in Japan is categorized as a "Company with a Board of Auditors," but do you plan to shift to become a "Company with Committees"?*

A2 (Yasui): There are more companies that are shifting to become "Companies with Nominating or Supervisory Committees" in order to strengthen the oversight function, but at Fujitsu this issue has been discussed at meetings of the Independent Directors & Auditors Council and Board of Directors, and the decision was reached to continue as a "Company with a Board of Auditors." In article V in Fujitsu's Basic Stance on Corporate Governance, there is a written explanation of why we use an Audit & Supervisory Board structure. As I explained earlier, after the June 2017 Annual Shareholders' Meeting, we will have six Non-Executive Directors and four Executive Directors. Therefore, from a numerical perspective, as well, we expect the Non-Executive Directors to oversee the Executive Directors. The Board of Directors also has oversight over compliance and issues of appropriateness. Violations of law fall under the purview of the Audit

& Supervisory Board. Audit & Supervisory Board Members have single-agent authority, so each member oversees compliance in business execution based on each member's individual conscience. The full-time Audit & Supervisory Board Members are the ones who are most aware of the information on risks. There is a limit to how much compliance oversight can be performed by the Board of Directors. In article VIII of our Basic Stance on Corporate Governance (System of discovering and correcting misconduct), we write that Independent Directors, Independent Audit & Supervisory Board Members and Accounting Auditors collaborate and communicate information with each other. We have created a system for dealing with violations of the law, and, for oversight over issues of appropriateness as well as compliance oversight, we think the structure we have in place is fine right now.

Q3: *In your presentation, you talked about cultivating a sense of responsibility for opportunities lost because of one's failure to act proactively. In what might you propose to do that?*

A3 (Abe): This is a difficult problem. One important way is for the president to communicate that message, and we will be doing that. There is another way, and this is something we have begun to discuss among ourselves. It involves working with people having a very different corporate culture. For example, when entering a new field, we may not be able to handle everything with just our internal resources. Or, if we wait for organic efforts at development to bear fruit, it might take too much time, and we will lose in competition with other companies. The issue is how a new culture can be injected into an existing culture. The management execution side is also coming to the realization that this has to be done, but we are concerned whether employing people having a very different corporate culture would really work, so we need to discuss this issue in greater detail.

Questioner C

Q1: *I believe that Fujitsu's corporate governance is quite progressive. At the same time, as you are seeking a source of growth in the IT industry and putting effort into software, in particular, I think a certain type of innovation is necessary. In this trend of strengthening governance, I think it may be difficult to create innovation, but what are your thoughts on this point? To take a harsh view, it seems Fujitsu has been doing many different things for some time, but has not really found a source of growth, and instead has been just struggling along in line with the trend toward commodification, but what are your thoughts?*

A1 (Abe): When people think of corporate governance, they have a tendency to focus on supervision, but the function of the Board of Directors is not just supervision and pointing out legal violations. It also has a role in deciding the direction of the company. Corporate governance is a system that was created to ensure that public companies are operated fairly, and with objectivity, and not as a chummy club. In addition to that, the Board of Directors is also expected to determine the direction and strategy of the company.

As you pointed out, looking back on Fujitsu up to this point, we have had all sorts of innovations and technological developments, but if you ask if any of these have become major growth pillars, the answer is no. As you are all aware, our projected operating profit for this fiscal year is 120.0 billion yen. If we take out the 45.0 billion yen in business model transformation expenses, we have the ability to generate an operating profit of 165.0 billion yen. This is because we have a business foundation as the Number One System Integrator in Japan. This is our stable earnings base. Thankfully, the systems integration market in Japan is not a market that can be easily disrupted by forces from outside Japan. We put an extremely strong emphasis on relations with customers. Our current strategy as a company is, while we can maintain our strength in this systems integration business, to use the cash flow from this business to create a new major pillar in a growth field. As is laid out in our medium-term management plan, our focus is on connected services and digital innovation. As ICT technology is changing, each company is transforming its business model in order to find a competitive advantage. The core of our current strategy is to support our customers in improving the value of their businesses by creating and offering differentiated tools, such as, for example, tools that analyze big data to predict demand. As for what sort of innovation is necessary in this strategy, it would be impossible to develop all of this technology just within Fujitsu alone, for example. In addition, we have many competitors in certain fields. If we try to build with just things we have created ourselves, and another company produces something better, we will lose. We have succeeded as system integrators by gathering the best components to create the best system. Going forward, by applying security and AI, which are areas that are expected to become very big, and where both needs and rates of growth are thought to be high, we will be able to provide systems that are even better than what we have up to now. With regard to the key parts of this, whether we should organically develop them or acquire them is a methodological issue that we will separately evaluate going forward, but by incorporating them, I think we can build on our current earnings base from system integration. I think this will gradually emerge in a more concrete form, and we are currently having discussions about that.

Questioner D
Q1: *Mr. Abe, would you say that your position as an External Director is closer to the position of investors like us? Or would you say it is a bit further inside the company and closer to the position of someone who is engaged in actual management?*

A1 (Abe): As I explained a bit before, there is a difference between executive and non-executive roles, and it is necessary to draw a clear line between them. I think that we should not intervene in work that should be done by the executive side, that this is not something that is expected of External Directors, nor is it our responsibility. I think that the position that is asked of us is to always speak on behalf of stakeholders, and to think about what direction the company should go from the position of stakeholders. If you ask who are the stakeholders, obviously, the initial answer is shareholders, but is also includes customers, employees, and the communities around us. In part for this reason, Fujitsu strongly emphasizes and supports the ESG factors. Still, among stakeholders, however, if we were to assign weights, I personally think that the view of shareholders should be extremely important. I often say things such as, “This option seems better from the position of shareholders.” The managers at Japanese companies have a slightly broader perspective, with a broader sense of who the stakeholders are, so when they speak they often give greater weight than I would to groups such as employees, for example, or relationships with local governments. In response to that, my policy is to point out the option that is better from the perspective of shareholders, but I am not a final decision-maker, and that is not necessarily the consensus view of the Board of Directors either. In other words, I can influence the final decision-making, but that does not necessarily mean that things always go the way I think they should. I think that this is healthy governance, however.

Q2: *Then, are the other External Directors' conceptions of stakeholders different?*

A2 (Abe): Not everyone necessarily has the same views, so the views are discussed. There have been cases in which some other Director and I have expressed directly opposing views of an issue under discussion, but I think that is the real value of diversity. Sometimes there are points of view that I had not even thought of before. I have felt this when serving on the Boards of Directors for US companies, too, but, assuming one is willing to accept diversity, I think that added value is further increased by having diversity.