



## Management Systems

The Fujitsu Group seeks the continued improvement of its corporate values, and carries out business management in which each function and position are made clear in the value creation process.

## Corporate Governance

### Basic Stance on Corporate Governance

As a resolution of the Board of Directors meeting held in December 2015, Fujitsu established the "Corporate Governance Policy" to define the company's basic stance on corporate governance. The policy set out a framework of Fujitsu's corporate governance structure as follows;

#### Structural framework

The company outlines the following rules to ensure the effective oversight and advice from a diverse perspective of Non-Executive Directors (hereinafter, the term used for the combination of Independent Directors and Non-Executive Directors appointed from within the company) to Executive Directors on their business execution as part of the Board of Directors function while taking advantage of the company with the Audit & Supervisory Board system:

- a Same number or more Non-Executive Directors responsible for oversight are appointed as Executive Directors responsible for business 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 (hereinafter referred to as "Independence Standards") established by the company.
- d In nominating Non-Executive Director candidates, the company takes account of the background of candidates and their insight on the company's business.
- e The company has the Audit & Supervisory Board Members' external audit and oversight on the Board of Directors, the voluntary Executive Nomination Committee and Compensation Committee composed mainly of Non-Executive Directors and Auditors (hereinafter, the term used for the combination of Non-Executive Directors and Audit & Supervisory Board Members), and the Independent Directors & Auditors Council, all function to complement the Board of Directors.
- f Independent Audit & Supervisory Board Members shall be the External Audit & Supervisory Board Members who meet the Independence Standards.

- Corporate Governance Policy and Independence Standards for External Directors & Auditors

<http://pr.fujitsu.com/jp/ir/governance/governancereport-b-en.pdf>

## Overview of Corporate Governance Structure (as of June 25, 2018)

### Overview of 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 authority over business execution to the Representative Directors and subordinate Corporate Executive Officers to the broadest extent that is permitted by law and the Articles of Incorporation of the company and is considered to be reasonable and will mainly perform as oversight and advisory function. Moreover, the oversight function of the Board of Directors has been strengthened by actively appointing External Directors with high independence and diverse perspective.

Furthermore, in order to better define the management responsibility of the Directors, their terms were reduced from two years to one year in accordance with a resolution at the June 23, 2006 Annual Shareholders' Meeting.

The Board of Directors is comprised of 10 members in total: 4 Executive Directors and 6 Non-Executive Directors (including 4 External Directors and two of them are women).

### Overview of the Audit & Supervisory Board

The Company has an Audit & Supervisory Board that performs the auditing and oversight functions. The auditing and oversight functions are carried out by Audit & Supervisory Board Members, who review the Board of Directors as well as business execution functions and attend important meetings, including meetings of the Board of Directors.

The Audit & Supervisory Board has five members, comprising two full-time Audit & Supervisory Board Members and three external Audit & Supervisory Board Members.

### Executive Nomination Committee and Compensation Committee

The Company has established the Executive Nomination Committee and the Compensation Committee as advisory bodies for its Board of Directors to ensure the transparency and objectivity of its process for nominating Directors and Audit & Supervisory Board Members and its process for determining executive compensation as well as to ensure the fairness of the method and level of executive compensation.

The Executive Nomination Committee deliberates about candidates for Director and Audit & Supervisory Board Member positions in accordance with the Framework of Corporate Governance Structure and the Procedures and Policy of Directors and Auditors Nomination stipulated in the Company's Corporate Governance Policy and provides its recommendations to the Board of Directors. In addition, the Compensation Committee provides its recommendations about the level of base compensation and the method for calculating performance-based compensation to the Board of Directors in accordance with the Procedures and Policy of Determining Directors and Auditors Compensation stipulated in the Company's Corporate Governance Policy.

According to the Corporate Governance Policy, each committee is composed of a majority of Non-Executive Directors and Auditors with at least one Independent Director. In fiscal 2017, each committee consists of three Non-Executive Directors and Auditors (including two Independent Director) and one Executive Director. Both Committee's members in fiscal 2017 are as follows.

Chairman of both Committees: Tatsuzumi Furukawa

Members of both Committees: Jun Yokota Masami Yamamoto, and Chiaki Mukai

After the selection of the above committee members in July 2017, the Executive Nomination Committee met 6 times by the end of fiscal 2017. The Executive Nomination Committee discussed the election of Representative Directors, the election of Directors, etc. and provided its recommendations to the Board of Directors. The Compensation Committee met in May 2018..

### Independent Directors & Auditors Council

In response to the requirements of Japan's Corporate Governance Code, which facilitates the activities of Independent Directors and Auditors, and in order to invigorate 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 system enabling Independent Directors and Auditors, 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 and Auditors Council. In the Independent Directors and Auditors Council, members discuss the medium- to long-term direction of the company and share information and exchange viewpoints so that they can each formulate their own opinions.

In fiscal 2017, the Independent Directors and Auditors Council met 6 times. The members shared information and exchanged viewpoints on the Company's management direction, human resources development, the scope of business of the Company and of the Fujitsu Group, etc. and the Council provided advice to the Board of Directors based on the knowledge of its members.

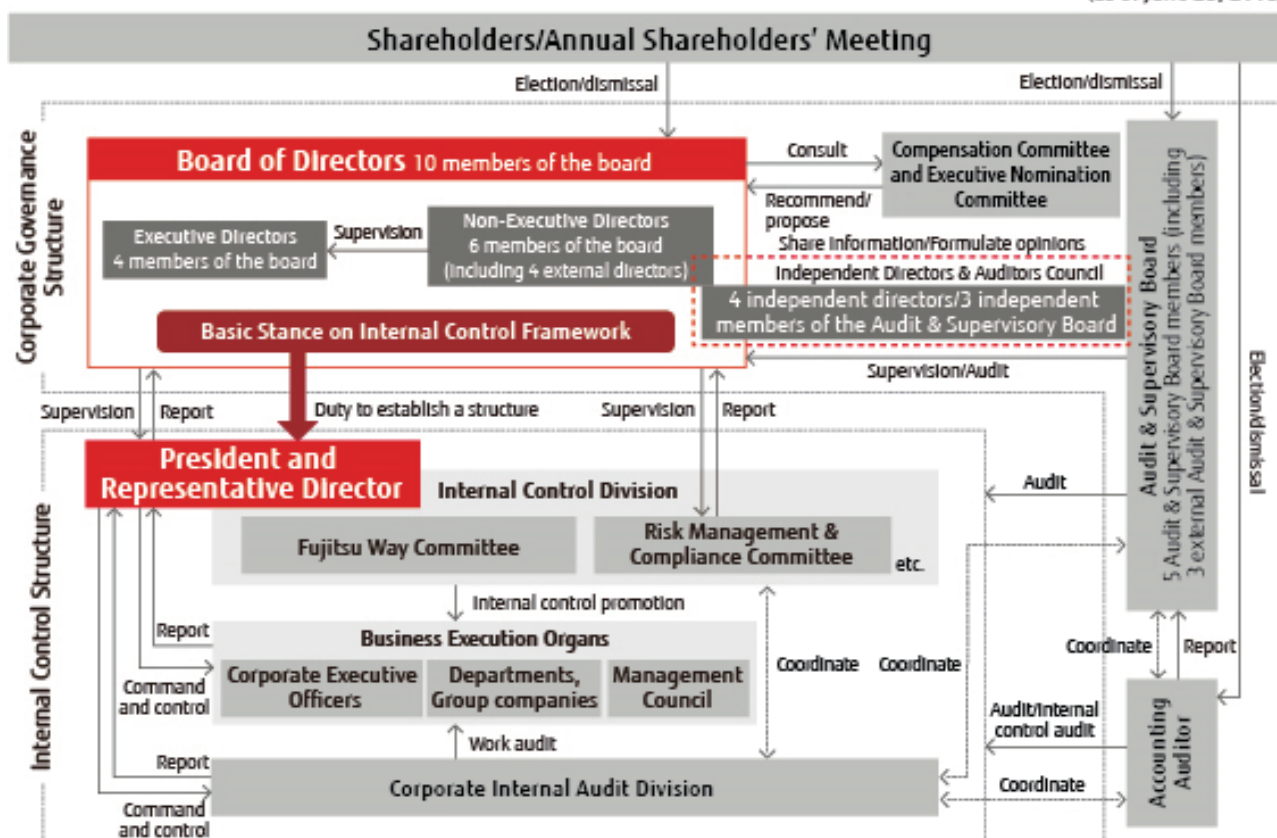
### Reasons for Adoption of Current Corporate Governance System

We believe that both direct oversight to business execution by the Non-Executive Directors and the oversight by Audit & Supervisory Board Members that stays distant from the decision making and operation of business execution should work jointly to ensure highly effective oversight performance. The company adopts “the company with Audit & Supervisory Board system” that establishes the Audit & Supervisory Board, which is composed of the Audit & Supervisory Board Members appointed as an independent agent.

The Board of Directors comprises same number or more Non-Executive Directors as Executive Directors to ensure its capacity to correct faulty, insufficient, or excessive business executions. While External Directors should be the core of Non-Executive Directors on account of their high independence, at least one Non-Executive Director is appointed from within the company to complement the External Directors’ knowledge in the business fields and the corporate culture of the company so that the efficiency of oversight performance by the Non-Executive Directors are enhanced.

## Corporate Governance Structure

(as of June 25, 2018)



### Policy on the Determination of Executive Compensation

Compensation of Directors and Audit & Supervisory Board Members is determined in accordance with the Executive Compensation Policy below, which was determined by the Board of Directors following the recommendation by the Compensation Committee.

**[Reference] 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 is comprised of the following: "Base Compensation," specifically a fixed monthly salary in accordance with position and responsibilities; "Performance-based Stock Compensation," which is a long-term incentive that emphasizes a connection to shareholder value; and "Bonuses" that are compensation linked to short-term business performance.

**Basic 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 indices 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 carry out executive responsibilities, in order to share the profit with shareholders and as an incentive to contribute to enhancement of medium- to long-term performance.
- A base number of shares in accordance with respective rank, performance judging period (three years) and mid- to long-term performance targets in terms of consolidated sales revenue and consolidated operating profit, and coefficient according to performance achievement level vis-à-vis the mid- to long-term performance targets shall be set in advance. The number of shares to be allocated for each fiscal year shall be calculated by multiplying the base number of shares and the coefficient according to the performance achievement level, and the total number of shares calculated shall be allocated upon completion of the performance evaluation period.

In accordance with the resolution of the Annual Shareholders' Meeting, the total amount of Base Compensation and Bonuses (monetary compensation) for Directors shall not exceed 600 million yen per year, Performance-linked Compensation (non-monetary compensation) shall not exceed 300 million yen per year, and the total number of shares to be allocated shall not exceed 430,000 shares per year. The Base Compensation for Audit & Supervisory Board Members shall not exceed 150 million yen per year.

**(Reference) Types of Executive Compensation and Eligibility**

Category	Basic Compensation		Bonuses	Performance-based Stock Compensation
	Management Oversight Portion	Business Execution Portion		
Directors	○	—	—	—
Executive Directors	○	○	○	○
Audit & Supervisory Board Members	○		—	—

## Basic Stance on Internal Control System

To continuously increase the corporate value of the Fujitsu Group, it is necessary to pursue management efficiency and control risks arising from business activities. Recognizing this, Fujitsu is working toward the practice and penetration of the FUJITSU Way, the basic principles behind the Fujitsu Group's conduct. At the same time, the Board of Directors has articulated the Policy on Internal Control Framework as systems and rules to pursue management efficiency and control the risks arising from the Company's business activities.

### Overview of the Policy on the Internal Control System

The Policy on the Internal Control System sets forth internal structures of the Fujitsu Group, including the following.

#### Decision-making and Structure of Management Execution

By dividing the management execution authority of the President & Representative Director, who is the chief executive officer, among the corporate executive officers, and by establishing a Management Council to assist in the President and Representative Director's decision-making, the Company aims to enhance management effectiveness.

In addition, the framework makes clear that the President & Representative Director bears responsibility for the construction and operation of an internal control framework, and the Board of Directors shall fulfill its oversight responsibility by appropriately examining the operation of the internal control framework.

#### Risk Management System

The Company shall establish a Risk Management & Compliance Committee, and in addition to preparing systems to control the overall risk of financial losses of the Fujitsu Group, the Company shall also prepare systems for managing risks pertaining to defects and failures in products and services, as well as systems for managing contracted development projects, information security, and financial risk.

#### Compliance System

Primarily through the Risk & Management Compliance Committee, the Company shall promote the preparation of the internal rules, education, and oversight systems required for compliance with the Code of Conduct set forth by the FUJITSU Way, and also with laws and regulations concerning the business activities of the Fujitsu Group. The Company shall also prepare management systems to ensure the appropriateness of financial reporting, as well as systems for information disclosure and internal auditing.

- The Policy on the Internal Control System and the Overview of the Status of Operation of the System  
<http://www.fujitsu.com/global/Images/notice118b.pdf>

### Overview of the Status of Operation of the System to Ensure the Properness of Fujitsu Group Operations

#### 1. Systems to Ensure that Directors Carry Out Their Responsibilities Efficiently

The Company has Corporate Executive Officers who share business execution authority with the Representative Director and President, and the Corporate Executive Officers carry out decision-making and business execution in accordance with their responsibilities.

The Management Council meets three times a month, discusses important management execution and assists the Representative Director and President in decision-making.

In addition, rules determining the scope of delegation of duties from Representative Directors to other executives and employees and other matters and various systems for approvals and reaching decisions are put in place and are operated so that efficient and proper management execution is ensured based on these rules and systems.

## 2. 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 (the “Committee”), which supervises these systems globally and reports to the Board of Directors.

The Committee is chaired by the Representative Director and President and consists mainly of Executive Directors. The Committee meets periodically and determines policies for preventing risks in business operations from arising and for countermeasures for losses caused by risks that have arisen.

The chairman of the Committee has appointed a Chief Risk Compliance Officer (CRCO) who executes the Committee’s decisions.

Regarding compliance violations and risks in business operations, including information security, the Committee has established and operates a system that covers not only the Company but the Fujitsu Group and ensures reporting to the Committee in a timely manner. It also operates the internal reporting system.

The Company has appointed a Chief Information Security Officer (CISO) under the Committee and formulates and implements information security measures. In addition, the Company has established the Cyber Security Committee under the Committee. While ensuring security throughout the Fujitsu Group, the Company is working to ensure and enhance information security of customers through products and services that embody Fujitsu’s security practices.

In the course of operating the systems described above, besides reporting when risks have arisen, the Committee periodically reports the progress and results of its activities to the Board of Directors and is supervised.

Under the Risk Management & Compliance Committee, the Company has established compliance-related rules, which are adhered to worldwide. Moreover, the Global Business Standards, which provide guidance on how individual employees should apply the Fujitsu Way Code of Conduct in their actions and are available in 20 languages, are applied uniformly across the Fujitsu Group. Furthermore, the Company has established the Global Compliance Program to maintain and improve its global structure for legal compliance across the Fujitsu Group. In addition, various education programs and activities to raise awareness have been implemented.

As an initiative for information management during fiscal 2017, in January 2018 the Company applied to the Dutch Data Protection Authority (DPA) to obtain approval for its Binding Corporate Rules for Processors (BCR-P), which are common rules established across the Fujitsu Group related to the handling of personal data that customers have entrusted to Fujitsu for processing. This application is part of the Company’s effort to meet the legal requirements for the protection of personal data in Europe laid out in the General Data Protection Regulation (GDPR) of the EU.

## 3. System to Ensure Proper Financial Reporting

As for a system to ensure proper financial reporting, the Company has established the FUJITSU Way Committee. Under this committee chaired by the Representative Director and President and consisting of Executive Directors and some Corporate Executive Officers.

Under this committee’s direction, the responsible organization has established a system called “Eagle Innovation.” In accordance with the rules established by the Company based on the principles of the Practice Standards for Management Assessment and Audit concerning Internal Control Over Financial Reporting published by the Business Accounting Council, internal control over financial reporting throughout the Fujitsu Group is assessed.

## 4. System to Ensure the Properness of Fujitsu Group Operations

The risk management system, the compliance system, and the system for ensuring proper financial reporting cover the Fujitsu Group.

Especially for risk management and compliance systems, Regional Risk Management & Compliance Committees have been established for individual Regions, which are geographical executive divisions of the Fujitsu Group worldwide. These regional committees are positioned under the Risk Management & Compliance Committee to function so that the entire Fujitsu Group is covered.

In addition, as a part of a system to ensure the properness of Fujitsu Group operations, the Company has established the Rules for Delegation of Authority called “Global DoA” that determines authority for decision-making of important matters of Fujitsu Group companies (excluding certain subsidiaries) and the decision-making process. The Company has its Group companies comply with the Global DoA. In addition, Group companies are required to report on their operations to the Company. In this way, the Company has put in



place systems for decision-making and reporting of important matters at the Group.

The status of operation of the internal control system centering on the above is periodically reported to the Board of Directors.

- Corporate Governance Report (As of June 26, 2018)  
<http://pr.fujitsu.com/jp/ir/governance/governancereport-en.pdf>



## Compliance

### Activities Promoting Compliance

The Risk Management & Compliance Committee, directly reporting to the Board of Directors and headed by the President, oversees compliance globally for the Fujitsu Group, in accordance with our Basic Policy on Establishment of Internal Control System. The Risk Management & Compliance Committee raises awareness and secures compliance with Fujitsu Way Code of Conduct throughout the Group by appointing a Chief Risk Management & Compliance Officer (CRCO) who executes the committee's decisions concerning compliance, establishing the Global Compliance Program, and coordinating with the Region Risk Management & Compliance Committee set up in each region as a subcommittee.

The Risk Management & Compliance Committee and the Region Risk Management & Compliance Committees monitor the implementation status of the Global Compliance Program on a periodical basis and report to the Board of Directors. Under the top management's initiative and supervision, internal rules, training, and oversight systems required for compliance with laws and regulations concerning the business activities of the Fujitsu Group are implemented and operated.

### The Fujitsu Way Code of Conduct

The Fujitsu Way includes the following Code of Conduct, with which all Fujitsu Group employees must comply:



Fujitsu has also rolled out our Global Business Standards (GBS), which provide further guidance on how to apply the Fujitsu Way Code of Conduct and to ensure compliance with laws and regulations. The GBS are available in 20 languages to be applied uniformly across the Fujitsu Group.

- GBS (Global Business Standards)

<http://www.fujitsu.com/global/about/philosophy/codeofconduct/gbs/index.html>

## Initiatives by Top Management

Through active and continuous communication of management's intention to take on compliance through initiatives such as top management's messaging to employees, Fujitsu is working to promote the Fujitsu Way Code of Conduct and GBS across the Fujitsu Group. Fujitsu's President sends repeated messages to all employees in Japan and overseas after the competition matter in connection with the sale of communication equipment to electric power companies, declaring again not to engage in any compliance breach, including bid rigging and cartel. In FY2017, the President's interview video was distributed, in which he talked about his commitment to compliance. Other executives in the management also issued messages expressing commitments to prevent of recurrence of the matter as one Group based on their experience from impact to business or client relationships.

In overseas Group companies, the region heads and the top management of each company are continuously sending messages to their employees, explaining our corporate culture of "Zero Tolerance".

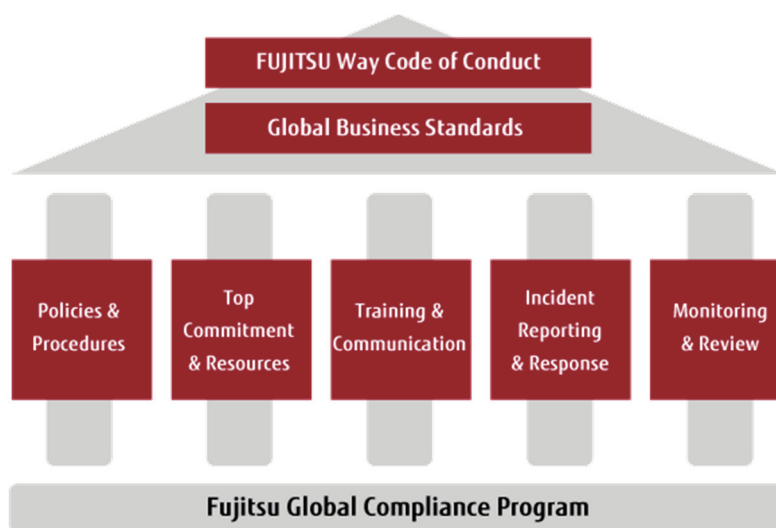
Moreover, "Fujitsu Compliance Week" was newly designated on December, 2017, aligned with the United Nation's "International Anti-corruption Day", and coordinated messages were sent out across the Group to promote giving thought to compliance and discussions to raise awareness.

## Promoting the Global Compliance Program

In order to promote and implement the Fujitsu Way Code of Conduct and GBS, Fujitsu has established the Global Compliance Program (GCP) and is working to maintain, review and improve its global structure for legal compliance across the Fujitsu Group.

The GCP systematically organizes our existing activities concerning compliance into five pillars, clarifies items that Fujitsu should continuously work on, and seeks to promote external understanding of our compliance structure and activities.

Various measures and approaches are taken in each region based on the GCP, as well as local laws and government guidelines.



### 1. Establishment of Rules and Procedures

The Fujitsu Group has established and implemented various internal rules to align globally with the GBS.

In Japan, to enforce compliance and enact sustainable improvement in our corporate value, we established the Compliance Policy with the approval of the Risk Management & Compliance Committee, and have applied the rule throughout domestic group companies. We established more specific and detailed regulations and guidelines based on the Compliance Policy in the areas with significant impact on business: antitrust, anticorruption and anti-social forces.

For overseas Group companies, Fujitsu Group's minimum requirements for internal rules have been put together as global guidelines with the approval of the Risk Management & Compliance Committee, and they are adopted into the internal rules of each companies after coordination has been given with respect to the applicable laws, culture, and customs of each country. We issued the

General Compliance Guideline, corresponding to the Compliance Policy in Japan above along with a global guideline on competition law, and other guidelines concerning the prevention of bribery. We indicate what the actions are that have high risk for being bribery, such as gifts and hospitality for government officials, charity and donations to political parties, and facilitation payments, implemented online systems to secure compliance of gifts and hospitality for government officials, and third party due diligence in the locations with high risk of corruption in major Group companies of EMEA, Asia, Americas, and Oceania. Suppliers and partners are required to abide by the laws, regulations, and GBS by contracts and other means.

## 2. Top-level Commitment and Securing of Resources

As noted above, Fujitsu is working to promote and implement the Fujitsu Way Code of Conduct and GBS across the Fujitsu Group through messages from top management to employees and other regular communication of our commitment to compliance.

We have also assigned compliance officers to each region, Japan, EMEA, Asia, Americas, and Oceania, and have formed a global network with each risk and compliance representative, in order to secure a structure to execute our GCP.

The risk and compliance representatives in Fujitsu and domestic Group companies meet annually at the Risk and Compliance Seminar to share updates and knowhow related to risk management and compliance, and the compliance representatives from overseas Group companies meet annually at the Global Compliance Forum to share and discuss headquarters' policies concerning the execution of GCP.

## 3. Training and Communication

To embed and implement the Fujitsu Way Code of Conduct and GBS, Fujitsu Group conducts various compliance training and awareness raising activities for executives and employees.

During the Fujitsu Compliance Week held in December 2017, various activities were conducted, such as distribution of compliance articles and putting up hotline posters, to facilitate discussion on compliance at each workplace. The Fujitsu Compliance Week will be held continuously. The Fujitsu Group has been printing the Fujitsu Way on wallet-size cards and has been distributing these to Group employees. These cards are designed to serve as a quick reference of the Code of Conduct for employees when they are uncertain about a decision in the course of daily operations in dealing with customers and/or business partners.

Fujitsu and domestic Group companies conduct compliance training for newly assigned executives every year, which is provided by outside lawyers as well as Fujitsu's legal and compliance function. For employees in managerial positions, we also regularly hold in-house training where a Fujitsu instructor explains the importance of the Code of Conduct and compliance, while also providing case studies of typical scenarios and difficult situations. In FY2017, Fujitsu and domestic Group companies provided an e-learning course called "FUJITSU Compliance Training 2017 - 2018: Cartels/Bid-Rigging/Bribery" for all the employees (Completion rate as of April 2018:

Fujitsu 99%, the domestic Group companies 98%). Documentary drama that introduces Fujitsu's antitrust case referenced above is provided to increase the effectiveness of the training by having real life example and employees are to think about Fujitsu's corporate culture by setting things from the point of view of the people involved. We also conducted a series of face-to-face training for over 2,500 employees of public sector business and other sales divisions.

For overseas Group companies, we also conduct compliance training based on the local laws, customs and business in each country and region. In FY2017, we provided an e-learning course on GBS and anti-corruption, as well as antitrust/competition and export control. The course was provided in 20 languages to overseas Group companies in 72 countries (Completion rate as of April 2018: 97%). We also provide globally standardized e-learning courses for new employees. Moreover, according to the cartel and corruption risks, we conduct face-to-face trainings for different departments and entities focusing on the prevention of such risks. Compliance training for partners will be rolled out further. Going forward, we will continue with these activities and further the trainings and awareness raising activities.



#### 4. Incident Reporting and Response

##### (1) Whistleblowing Hotline

Fujitsu Group has been operating the Compliance Line/Fujitsu Alert for both internal and external reports (also covering anonymous reports) handling reports and providing consultations for all employees in the Fujitsu Group (including retired, seconded, contracted, part-time or other short-term employees as well as temporary staff). Additionally, Group companies have established and are operating their own internal reporting system. These reporting lines are made known to the employees via compliance trainings, websites, posters and wallet-size cards with contact information.

Our Compliance Line/ Fujitsu Alert forbids any and all retaliation against any individual who makes the report, and meticulous care is taken in handling the information so as to preserve their anonymity. When the report is received, appropriate investigation is conducted and if the issue is identified as a result of the investigation based on FUJITSU Way Code of Conduct and GBS, such is corrected (including a disciplinary actions) and prevention measures are implemented.

We opened a Compliance Line for Suppliers in Japan to handle reports and inquiries from the employees of companies that directly supply products, services or software, etc. to Fujitsu and domestic Group companies. For overseas Group companies, reports are accepted in 20 languages, at any time, on any day.

- Fujitsu Alert  
<https://secure.ethicspoint.eu/domain/media/en/gui/102834/index.html>
- Compliance Line for Suppliers in Japan  
<http://www.fujitsu.com/jp/about/csr/management/compliance/complianceline/>

##### (2) Report to the Risk Management & Compliance Committee

Employees are required by Risk Management Rule to report compliance violation or signs of violation and immediately to the Risk Management & Compliance Committee and the Board of Directors if necessary, following the reporting structure set by the Heads of Units.

The status of reports and consultations, or key compliance issues are reported regularly to the Risk Management & Compliance Committee and the Board of Directors.

#### 5. Monitoring and Assessment

Through activities such as risk assessments and audits, or review by external experts such as law firms, efficacy of the GCP is periodically checked and work is being done to continually improve it.

In FY2017, Fujitsu started audits in order to confirm observance of the Antimonopoly Act, and we will improve and continue the audit program as a communication tool with relevant departments.

For overseas, Fujitsu headquarters' compliance team conducts risk assessments by visiting Group companies in countries and regions with a high risk of corruption, and through the interviews with executives and employees, as well as checks on internal policies and processes, the compliance team analyzes the potential compliance risks in local business and provides proposals and supports to mitigate these risks.

The outcome of all risk assessments and the status of the GCP implementation are reported regularly to the Risk Management & Compliance Committee, the Region Risk Management & Compliance Committees and the Board of Directors.

#### Response to Compliance Matters

In July 2016, Fujitsu Limited was found to have violated the Antimonopoly Act concerning order coordination of electric power security communication equipment for Tokyo Electric Power Co., Ltd. (TEPCO) and received a cease and desist order and a surcharge payment order.

Subsequently, in February 2017, Fujitsu was found to have violated the Antimonopoly Act concerning transactions of hybrid optical communication equipment and transmission-path equipment for Chubu Electric Power Co., Inc. (CEPCO).

Because of the timely application for immunity from or reduction of surcharge for CEPCO case, Fujitsu was fully exempted from payment of the surcharge and was not subject to a cease and desist order. Fujitsu deeply apologizes for all the concerns we have caused by letting these regretful incidents occur.

Fujitsu took disciplinary action against the employees who were involved in the violations, and imposed salary reductions on seven executives, including the Chairman and the President, based on a resolution of the Board of Directors (10-30% of the monthly salary was reduced for 3 months).

Immediately following the detection of TEPCO case, the President promptly declared that all bid rigging and cartel behavior will not be tolerated, and sent repeated messages to all executives and employees. The executives in charge of each business also reminded employees of Fujitsu's commitment to compliance. Additionally, as mentioned above, Fujitsu conducted compliance trainings to all its executives, employees, as well as to its Group companies.

Furthermore, in Japan, Fujitsu established a domestic compliance program based on the Japan Fair Trade Commission's "Compliance Program for Companies to Comply with The Antimonopoly Act", in order to secure effectiveness of the GCP. For FY2017, Fujitsu considered "training" and "audits" centered around the topic relating to the Antimonopoly Act as focused measures, and is working on to create an environment that fosters "zero tolerance" for bid rigging building relationship and two-way communication with relevant departments.

Fujitsu will continue to strengthen the compliance initiatives based on this program, aiming to win back the trust and striving to prevent reoccurrence.

## **Initiatives for Security Export Controls**

For the purpose of maintaining global peace and security, the export of goods and the transfer of technology that could be utilized for the development or production of weapons of mass destruction, conventional weapons, etc. are strictly controlled under an international framework for security export controls ("International Export Control Regimes"). Japan is also implementing security export controls consistent with the same framework under the Foreign Exchange and Foreign Trade Act.

Following the stipulation to "comply with all laws and regulations" in the Fujitsu Way Code of Conduct, we are thoroughly working to implement our Security Export Control policy in line with not only Japan's Foreign Exchange and Foreign Trade Act, but also the U.S.'s extraterritorial Export Administration Regulations (EAR).

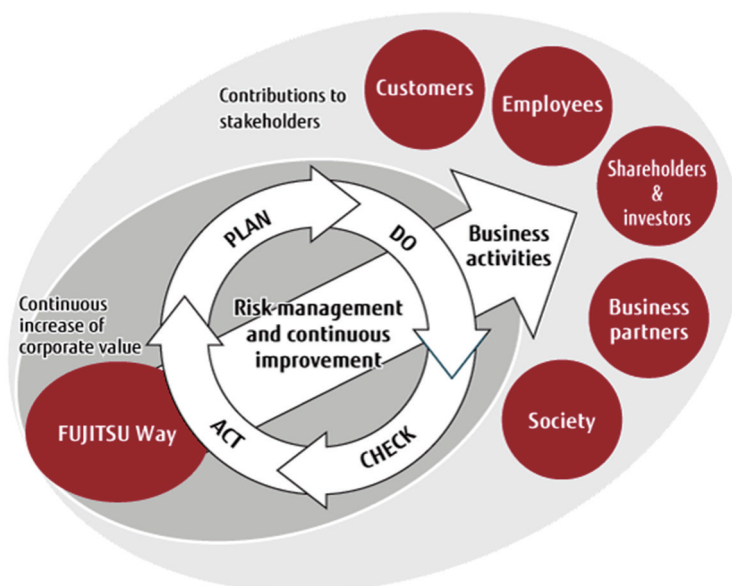
Fujitsu has established a system by which our President is the designated Chief Export Control Officer for the company and the Security Export Control Office in the Legal, Compliance and Intellectual Property Unit is the designated organization in charge. Product classification and transaction screening (of end use and end users) is performed by this office for all export of goods and overseas transfer of technology, so that the export of goods or transfer of technology will not happen without export licenses required by governments. Furthermore, the above Security Export Control policy requires us to issue a prompt report in the event of a legal violation. In terms of business execution, we strive for strict management to prevent any acts that could lead to non-compliance with export control laws, keeping close touch with the Ministry of Economy, Trade and Industry as the competent authorities for security export control in Japan. In order to maintain an appropriate level of export controls, we conduct annual export control audits and provide export controls training for executives and employees. In FY2017, we conducted regular internal audits of 30 in-house departments, assessed the appropriateness of internal operations, and provided guidance for making improvements.

Fujitsu also offers guidance to Group companies inside and outside Japan for developing frameworks for security export controls and tailoring in-house rules, provides in-house export control training and audits, and annually organizes the gathering of Group companies to exchange mutually beneficial information. In FY2017, the Security Export Control Office visited 6 Group companies in East Asia and Southeast Asia for the purpose of audits, training, and strengthening of frameworks for security export controls. Since FY2013, the Office has also been developing an e-learning training course covering security export controls in 20 languages for Group companies located across the globe.

## Risk Management

### Risk Management Guidelines

Through its global activities in the ICT industry, the Fujitsu Group continuously seeks to increase its corporate value, and to contribute to its customers, local communities and indeed all stakeholders. Properly assessing and dealing with the risks that threaten the achievement of our objectives, taking steps to prevent the occurrence of these risk events, and establishing measures to minimize the impact of such events if they do occur and to prevent their reoccurrence are assigned a high priority by management. Moreover, we have built a risk management and compliance system for the entire Group and are committed to its continuous implementation and improvement.



### Business Risks

The Group identifies, analyzes and evaluates the risks that accompany business activities and works on measures to avoid or reduce them, and to deal with them quickly in the unlikely event that they materialize.

#### Major Business Risks<sup>\*1</sup>

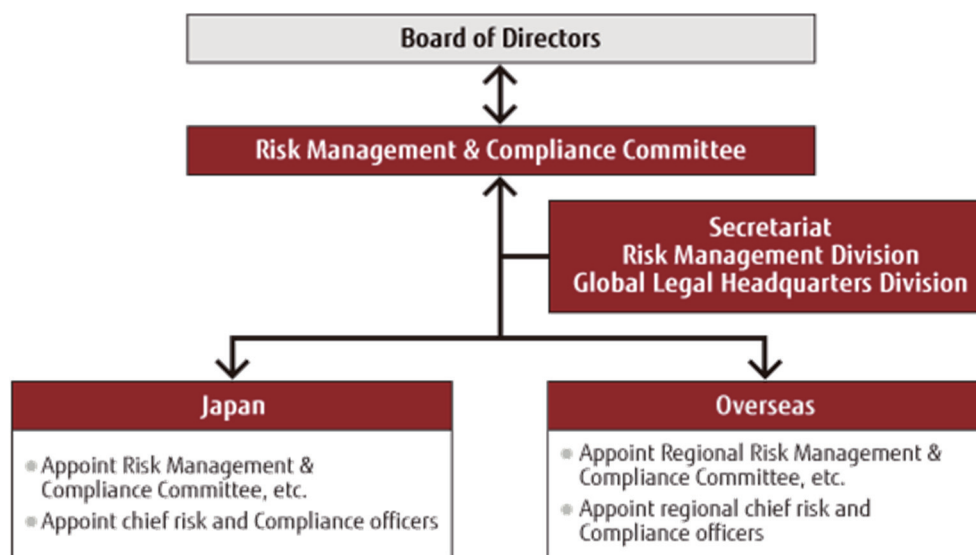
- Economic and financial market trend risk
- Customer risks
- Competitor and industry risk
- Investment decision and business restructuring risk
- Supplier and alliance risk
- Public regulations, public policies and tax matters risk
- Natural disasters and unforeseen incidents risk
- Financial reporting risk
- Financial risk
- Product and service deficiencies and flaws risk
- Compliance risk
- Intellectual property rights risk
- Security risk
- Human resource risk
- Fujitsu's facilities and internal system risk
- Environmental and climate change risk

<sup>\*1</sup> These are just some of the business risks. More detailed risk-related information can be found in our earnings report, securities reports and other published reports.

## Risk Management & Compliance Structure

In order to prevent potential risks of loss in business execution from materialization, to respond aptly to materialized risks, and to prevent their recurrence, the Fujitsu Group has established a Risk Management and Compliance Committee under the Board of Directors. This committee acts as the highest-level decision-making body on matters involving risk management and compliance.

The Risk Management and Compliance Committee assigns Chief Risk and Compliance Officers to each of the Fujitsu Group's divisions and Group companies in Japan and overseas. Also, we established Regional Risk Management and Compliance Committees in April 2016. These organizations work collaboratively with each other, building a risk management and compliance structure for the entire Fujitsu Group that encourages them to both guard against potential risks and mitigate risks that have already materialized.



## The Risk Management Framework

The Risk Management & Compliance Committee is responsible for grasping the status of risk management and compliance in all Fujitsu business divisions and Group companies in Japan and overseas, establishing the appropriate policies and processes, etc., and both implementing and continuously improving them. In practical terms, it decides on risk management regulations and guidelines, applies them and continuously reviews and improves them.



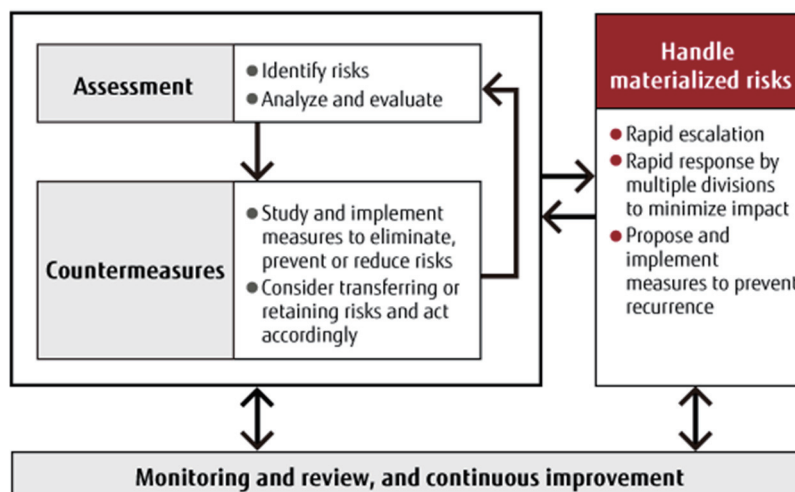


## Risk Management Processes

The Risk Management & Compliance Committee, which maintains regular communications with Chief Risk Compliance Officers, identifies, analyzes and evaluates the risks of business activities in all Fujitsu business divisions and Group companies in Japan and overseas, and sets out and reviews the responsive measures, upon confirming the detailed measures intended to deal with major risks by averting, minimizing, transferring or retaining them. It also reports identified, analyzed, and evaluated important risks regularly to the Board of Directors.

The Risk Management Committee also prepares responses against the materialized risks despite the implementation of various preventive measures. If a critical risk such as a natural disaster, product breakdown or defect, a problem with a system or service, a compliance violation, an information security breach, or an environmental problem materializes, the department or Group company reports immediately to the Risk Management & Compliance Committee. The Risk Management & Compliance Committee coordinates with the related divisions and workplaces for rapid resolution of the problem by appropriate measures such as establishing a task force. At the same time, the Risk Management Committee strives to identify the causes of the problem and propose and implement solutions. Additionally, for critical risks, the committee also reports as appropriate to the Board of Directors.

The Risk Management & Compliance Committee continuously confirms the implementation status of these processes and works to make improvements.



## Risk Management Education

To enforce risk management across the entire Fujitsu Group, we conduct education and training at every level.

Specifically, in activities aimed at newly appointed executives and managers as well as Chief Risk Compliance Officers, we are working to communicate our basic concepts on risk management and the rule for prompt escalation to the Risk Management and Compliance Committee; to introduce specific examples of troubles concerning products, services, and information security; and to continually improve awareness and strengthen response capabilities with regard to risk management.

### Examples of education programs implemented in FY2017

- New executive training: Training for around 90 newly appointed executives in Fujitsu Limited and the domestic Group companies.
- Risk compliance seminar: The seminar targeted at risk compliance officers and their assistants in Fujitsu Limited and the domestic Group companies, and was attended by around 220 participants.
- Group-wide disaster response drills, mock disaster exercises, BCM training, etc.: As well as enhancements to the central response functionality of the entire Fujitsu Group, disaster response drills and BCM training are conducted throughout the year at a range of different levels, including for entire business units or Fujitsu Group companies (offices or factories throughout the country).
- Training for personnel stationed outside Japan: Group training in areas such as risk management and safety for around 200 personnel working outside Japan.

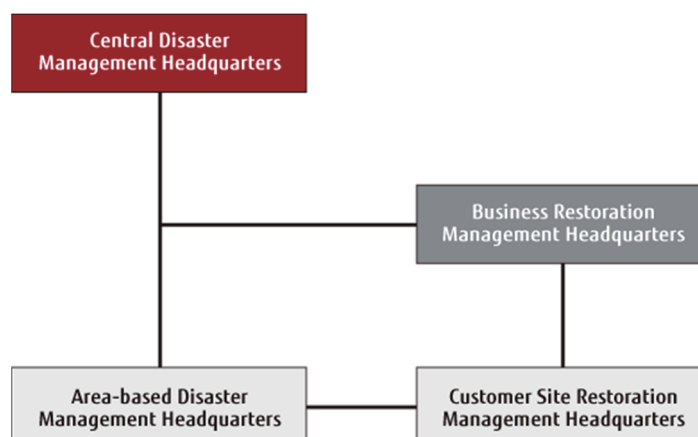
## Group-Wide Disaster Management

The basic policy of the Fujitsu Group in Japan is to ensure the safety of staff and facilities when disasters occur, to minimize harm and to prevent secondary disasters. We also aim to ensure that business operations resume quickly, and that we can assist in disaster recovery for our customers and suppliers. To this end, we are working to build robust collaborative structures in our internal organizations and strengthen our capacity for business continuity.

In particular, we are working to build “area-based disaster management systems” that enable the businesses in a given region to cooperate effectively, and to promote responses that use the management structures in each business unit and group company.

To verify the efficacy of our disaster preparedness systems and enhance our response capabilities, we conduct drills tailored to every level, from the entire company through to task force, workplace and even the individual level. We also implement voluntary inspections and verification activities to prevent accidents and minimize the level of harm in each of our facilities.

These efforts enable us to accurately identify existing issues, consider and implement measures to address those issues, and work toward continually improving our capacity to prepare for disasters and sustain our business operations.



### Fujitsu Group Joint Disaster Response Drills

On Japan's annual National Disaster Preparedness Day on September 1st, we carry out nationwide disaster response drills that incorporate mock disaster exercises. These drills are used to build a group-wide disaster preparedness organization to ensure and verify that the Group companies in Japan are fully versed in the essentials of dealing collaboratively with the various major disasters likely to impact the different regions.

FY2017 marks the 23rd year of systematic training drills for a potential major earthquake predicted to be highly likely to cause major damage. This year's drills, which were held at around 90 companies including Fujitsu Headquarters, envisioned “an earthquake centered directly on the Tokyo Metropolitan area” affecting the core functions of many customers and Fujitsu Group companies.

In the course of these drills, we established a temporary disaster response headquarters in our Kansai office to take the place of the damaged Tokyo Head Office and confirmed that this new headquarters was able to successfully take charge of the entire company, working with other offices to identify key initial response measures and steps to allow continued business operation, as well as the measures needed to assist in restoring customers' ICT systems. In addition, training was carried out at sites throughout Japan to verify the initial response procedures adopted by local recovery task forces immediately after a disaster (checking employee safety, assessing the extent of damage to work premises, etc.).

These training exercises provide a channel for examining the issues identified and for improving the organization's disaster preparedness and its capacity to sustain its business operations.

### Carrying Out Inspection Work by Specialist Teams

Inspection work is conducted at facilities selected from among all the Fujitsu Group companies in Japan as being those most at risk and where any damage would have the greatest impact. These inspections are led in the field by various teams drawn from internal departments for environmental management, facility management, risk management and the safe operation of manufacturing equipment and processes. The teams check that laws are being upheld and also conduct inspections and provide guidance intended to prevent accidents that could arise from aging infrastructure or from fires and other natural disasters. This serves to boost safety at the inspected facilities.

The sharing of case studies illustrating the improvements and the most successful disaster preparedness measures resulting from these inspections also helps to promote consistent safe operations throughout the entire Fujitsu Group in Japan.

## Business Continuity Management (BCM)

Recent years have seen a significant increase in the risk of unforeseen events that threaten continued economic and social activity, such as earthquakes, floods and other large-scale natural disasters, disruptive incidents or accidents, and pandemics involving infectious diseases.

To ensure that we can continue to provide a stable supply of products and services offering the high levels of performance and quality that customers require even when such unforeseen circumstances occur, the Fujitsu Group in Japan has formulated a Business Continuity Plan (BCP) and also promotes Business Continuity Management (BCM) as a way of continuously reviewing and improving that BCP for establishing in the field. Through the BCM process, the lessons learned in the course of the Great East Japan Earthquake and the 2016 Kumamoto earthquake are now reflected in our BCP.

### Improving Business Continuity Capability through Training

To fulfill our social responsibility as a company that supports social infrastructure, the Fujitsu Group companies in Japan organize and analyze business continuity issues at the business and site levels, and conduct ongoing training aimed at strengthening and improving our business continuity capability.

### Promoting Appropriate BCM Activities through Business Continuity Capability Surveys

Our business continuity capability survey checks and assesses the level that Fujitsu units and Fujitsu Group companies in Japan have achieved in implementing management, education, and training in business continuity, and the level of their measures to resume business activities within the target recovery time objective.

The purpose of the business continuity capability surveys is to clarify the performance indicators (levels) to be achieved in the Fujitsu Group in Japan. By putting in place measures aimed at attaining those indicators, we are promoting appropriate BCM activities (workload and investment optimization) by the Fujitsu Group.

### Training Specialists in BCM

The Fujitsu Group in Japan is systematically training specialists in order to further promote, implement and improve BCM. These BCM specialists gain a thorough understanding of the essence of BCP and are capable of appropriately implementing actual BCM activities in order to promote BCM activities within their own departments and companies.

Looking ahead, we plan to promote BCM activities within units and companies, centered on specialists with practical experience, to improve the business continuity capability of the Fujitsu Group in Japan.

### Measures Against Infectious Diseases

The Fujitsu Group in Japan is also formulating countermeasures against new strains of influenza and other infectious diseases based on a three-pronged approach of safeguarding lives, preventing the spread of infection, and ensuring business continuity. We created a "Pandemic influenza Preparedness Action Plan" that stipulates preventive measures in everyday operations and the response process to be used if an outbreak occurs. We work to disseminate these to all employees through measures such as distributing pamphlets. To assist with the continued operation of social infrastructure businesses and of our customers' businesses in the event of a pandemic or a particularly virulent new strain of influenza, we have also formulated a "Business Continuity Plan for New Influenza Strains (BCP)."

### Strengthening BCM for Our Entire Supply Chain

In order to consistently supply products and services even under unforeseen circumstances, the Fujitsu Group has been continuously supporting the improvement of business continuity capability with our business partners since FY 2007, with the belief that it is essential to strengthen business continuity capability along our entire supply chain. With this in mind, the Fujitsu Group in Japan is promoting BCM activities throughout the entire supply chain, with efforts that include providing support for improvement of business continuity capability in our suppliers. Refer to the following for details:

- Enhancing Supply Chain BCM" with our suppliers  
<http://www.fujitsu.com/global/about/csr/society/procurement/>

## Information Security

### Basic Policy

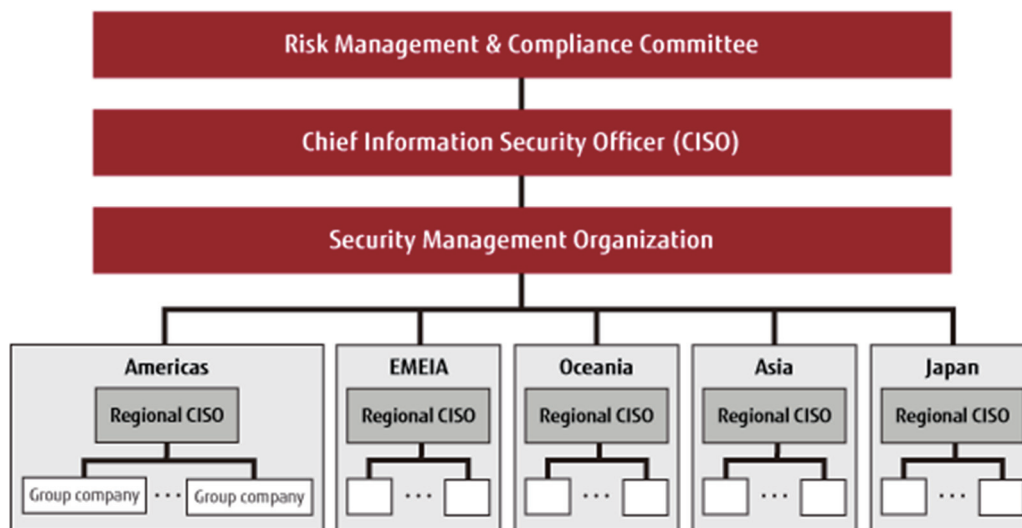
### Fujitsu Group Information Security

As a company that places ICT as our core business, the Fujitsu Group's corporate vision is to contribute to the "creation of a safe, pleasant, networked society," under which we work to ensure information security throughout the group, while ensuring and improving the level of customer information security by providing ICT products and services.

### Management Frameworks

Given the recent increase in cyberattacks, the Fujitsu Group appointed a Chief Information Security Officer (CISO) under the authority of the Risk Management and Compliance Committee in August 2015. The Committee directly reports to the Board of Directors and is the highest decision-making organization pertaining to risk management and compliance. Moreover, in aiming to strengthen our global information security management framework, we have appointed Regional Chief Information Security Officers (Regional CISO) around the world under the authority of the CISO. Specifically, we are working to strengthen the global information security governance that supports our ICT business in the five regions of the Americas, EMEIA, Oceania, Asia, and Japan.

#### Information Security Management Frameworks



## Security Controls

### Security Policy Formulation

Based on the “Fujitsu Group Information Security Policy,” each Fujitsu Group company around the world prepares internal policies for information management and ICT security, by which they implement information security measures.

### Cultivation of Security Personnel

#### Information Management Training

To prevent information leaks, it is important to raise the security awareness and skill level of each individual employee, not simply inform our employees of the various policies. Therefore, Fujitsu and group companies in Japan hold information management training for employees. Specifically, we hold e-Learning for all employees (including executives) every year. We also provide information security education during training for new employees and employees being promoted.

At overseas group companies, we hold information security training for employees every year. We also provide information security managers with special security training for managers.



e-Learning

## Security Measures

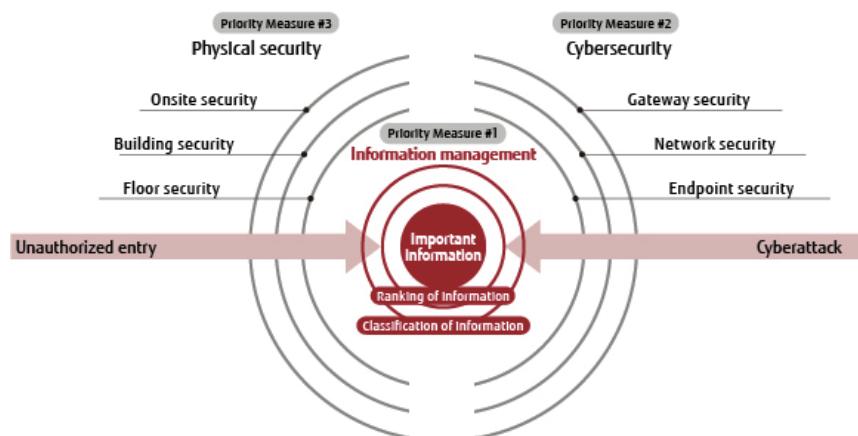
### Security Measures: 3 Important Measures Incorporating the Concept of “Defense in Depth”

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 defense by using single types of conventional security measures.

The basic concept of information security measures at the Fujitsu Group incorporates “Defense in depth.” This refers to implementing 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 multilayer defense wall, 2) to discover attacks at an early stage by establishing a multilayer detection function, and 3) to minimize damage in the event of infiltration. Appropriate implementation of these objectives makes it possible to prevent attacks and minimize damage.

The Fujitsu Group implements the following three internal information security measures as priority measures for information security: 1) “information management” for protecting information, 2) “cybersecurity” which focuses on measures for protecting systems against cyberattacks, and 3) “physical security” which prevents unauthorized access to facilities such as offices and plants.

### Conceptual image of "Defense in depth"



- For details, please refer to the Fujitsu Group Information Security Report 2017.  
<http://www.fujitsu.com/global/about/resources/reports/securityreport/2017-securityreports/index.html>

## Personal Information Protection

As the global distribution of data expands to an even greater scale, companies in the Fujitsu Group are working to strengthen the protection of personal information. We aim to achieve even safer and smoother protection of personal information.

Fujitsu acquired the PrivacyMark in August 2007, and have continuously worked to strengthen our personal information protection framework, which includes annual personal information handling training and audits. Our domestic group companies have also acquired the PrivacyMark when necessary, and work to ensure secure personal information management. On the public websites of our international group companies, we post privacy policies designed to meet the laws and social requirements of each country.



## GDPR Response

In order to respond to GDPR, the Fujitsu Group is working to strengthen protection of personal data throughout our entire Group mainly via the following initiatives.

### Construction of a global structure

Under the authority of the Risk Management & Compliance Committee, we constructed a structure to protect personal information on a global level based on GDPR.

### Development and awareness-raising for internal rules, etc.

Under the guidance of the CISO organization and legal departments, we have cooperated with the EMEA region, etc., in order to develop internal rules such as guidelines related to protection of individual rights in response to GDPR and check sheets for the formulation, design, and initial setting of systems and/or services. We also updated the operation process with the rules and held employee training.

## Response to regulations on transfer outside of EU

In response to regulations on transfer of personal data outside of the EU, we applied to the Dutch Data Protection Authority (DPA) in December 2017 for our Binding Corporate Rules for Processors (BCR-P), which are common rule established across the Fujitsu Group related to the handling of personal data that customers have entrusted to the Fujitsu Group for processing.

### Information Security Report

Since 2009, Fujitsu has globally publicized its information security efforts through its annual "Information Security Report" in order to maintain trust from its shareholders, customers, and other stakeholders.

- For details, please refer to the Fujitsu Group Information Security Report 2017.  
<http://www.fujitsu.com/global/about/resources/reports/securityreport/2017-securityreports/index.html>