

Corporate Governance Policy

Fujitsu Limited

May 25, 2017

Corporate Governance Policy

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Basic approach to Corporate Governance

Corporate Vision (from Corporate Philosophy, “FUJITSU Way”)

Through our constant pursuit of innovation, the Fujitsu Group aims to contribute to the creation of a networked society that is rewarding and secure, bringing about a prosperous future that fulfills the dreams of people throughout the world.

We manage the company under this Corporate Vision

We believe that aiming to be a company, which responds to the trust of customers and business partners, the company for which employees engage in activities vibrantly and proudly so that it contributes to society, not a company merely pursuing short-term profits, will lead to the mid-term to long-term growth and the increase in the corporate value and thus enable us to fulfill the trust of shareholders who support us. It is the mission to manage the company in this way.

The company recognises that corporate governance is an indispensable mechanism for the management to accomplish the abovementioned mission and designs a governance structure based on the following basic approach:

I. Delegation of authority for business execution and Board of Directors’ oversight and advisory function

To manage the rapid change of business environment in a sufficiently speedy manner, the company introduces the Corporate Executive Officer system. 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.

II. Composition of Board of Directors

i. 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.

- ii. In order for the intention, advice, and discussions of the Board of Directors to be reflected to the business execution effectively, primal Corporate Executive Officers are also to be appointed as Directors. In addition, for the purpose of materializing the discussion on the mid-term and long-term Management Direction in the Board of Directors, the nomination of the candidates for Executive Directors is to be conducted from a stand point of electing candidates with a company-wide perspective and who can meet expectation that shareholders have for this position.

III. Composition of Non-Executive Directors

While External Directors should be the core of Non-Executive Directors on account of their high independence and diverse perspective, 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 and advisory performance by the Non-Executive Directors are enhanced.

IV. Providing information to Non-Executive Directors

To facilitate the function of the Non-Executive Directors, the company establishes a mechanism to provide the Non-Executive Directors with accurate and sufficient information in a timely manner.

V. Establishment of the Audit & Supervisory Board

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

VI. Establishment of Executive Nomination Committee and Compensation Committee

The company establishes the Executive Nomination Committee and Compensation Committee as advisory bodies to the Board of Directors to ensure the objectivity and transparency of the process for choosing candidates for Directors and Auditors and for determining their compensation.

VII. Dialog with shareholders

The company endeavors to create the opportunities for an active dialog with shareholders to benefit from their mid-term to long-term support for the continuous growth of the company.

VIII. System of discovering and correcting misconducts

The company discovers misconducts, inadequacies and problems through the mechanism described below and addresses those problems properly:

- i. Non-Executive Directors monitor the business execution by Executive Directors as the duty of oversight in the Board of Directors.
- ii. Audit & Supervisory Board Members and the Internal Audit Department perform a business audit in cooperation and Accounting Auditors perform an accounting audit.
- iii. The Board of Directors and Audit & Supervisory Board Members ensure the establishment and appropriate operation of the internal control system (including the installation and operation of a whistleblowing system).
- iv. Independent Directors, Independent Audit & Supervisory Board Members and Accounting Auditors collaborate and communicate information with each other.

Taking the aforementioned basic approach, the company institutes its corporate governance in the form of the "Corporate Governance Policy (Policy)," the details of which are set forth below.

This Policy has been deliberated and established to best fit the present company conditions; however, considering the objective of corporate governance—that is, to conduct a better management—the company strives for a continuous review for the Policy not being too rigid and not losing substance as well as discussions on the Policy in the Board of Directors Meeting from time to time to maintain the best corporate governance structure.

1. Purpose of the Policy

This Policy aims to present to shareholders how the company streamlines mechanism and exercises corporate governance based on the basic approach concerning the governance of the company.

2. Corporate Governance Structure

(1) 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.

(2) Method of Board of Directors to perform oversight over business execution

The company ensures the effective use of Non-Executive Directors for overseeing Executive Directors through the Board of Directors by any means, including the following methods:

- a The Board of Directors sets the corporate vision as well as the guiding principle and prompts the Management Executives to promote the practice and penetration of the FUJITSU Way, which embraces the aforementioned vision and principle, within

the Fujitsu Group. The Board of Directors also sets the mid-term to long-term Management Direction from the perspective of sustainable increase of the corporate value and performs the oversight of the business execution in line with the Management Direction.

- b The Board of Directors sets the policy on the internal control system and performs the oversight over its operation. The policy stipulates the installation of a whistleblowing system that includes the external contact point in which all Directors and Auditors (hereinafter, the term includes the combination of Directors and Audit & Supervisory Board Members) of the entire Fujitsu Group are subject to whistleblowing.
- c The Board of Directors performs the oversight on the transactions involving the conflict of interest by Directors in accordance with the relevant laws, regulations, and the Regulations of the Board of Directors. The company and the Directors do not make a transaction involving the conflict of interest in principle; however, in the exceptional case where such a transaction is made, the Board of Directors examines the contents of the transaction with due care to the appropriateness and the necessity and makes a judgment of whether to approve to prevent any damages on the company and the mutual benefit of shareholders, and the transaction results shall be reported for oversight purpose.
- d For compliance with the rules mentioned in the preceding 3 items, the Board of Directors requests periodic reports to the Board of Directors by Executive Directors concerning the business execution and the operation status of the internal control system in the Fujitsu Group.

(3) Conducting the Board of Directors Meeting

The Board of Directors Meeting is conducted in the following manner to ensure the effective oversight performance of Non-Executive Directors over the business execution by Executive Directors as well as incorporating the opinions of Non-Executive Directors from diverse perspectives.

- a The President as the chief officer of the business execution cannot be elected as the Chairman of the Board of Directors Meeting.
- b Both Executive and Non-Executive Directors are entitled to propose the agenda of the Board of Directors Meeting.
- c The Chairman of the Board of Directors Meeting focuses on the timing of providing board materials, frequency of the meetings, listing agendas, time for deliberation, etc. to facilitate the discussion and materialize the outcome of the deliberation in

the Board of Directors Meeting. In addition, it is to be considered that Independent Directors and Auditors (hereinafter, the term used for the combination of Independent Directors and Independent Audit & Supervisory Board Members) are efficiently involved in the exchange of opinions and development of sharing awareness with Executive Directors.

- d The Board of Directors analyses and evaluates the performance of the Board of Directors Meeting every year to maintain its effectiveness and further enhance its performance as well as disclose the summary result. In addition, it reviews the following matters concerning the operation of the Board of Directors Meeting:
 - (a) whether the information that Directors and Auditors consider necessary is efficiently provided to them,
 - (b) whether training opportunities and financial support for expenses are appropriately provided to Directors and Auditors.

(4) Oversight of the Board of Directors by Audit & Supervisory Board Members

Audit & Supervisory Board Members, who are appointed as an independent agent and not directly involved in decision making or business execution, have a greater objectivity than Non-Executive Directors. Thus, their performance of oversight of the Board of Directors and their advisory performance over Management Executives are strengthened by their audit of the business execution, which is performed through the following methods:

- a Audit & Supervisory Board Members participate the Board of Directors Meeting, Management Council Meeting, and other important meetings.
- b Audit & Supervisory Board Members audit the business conduct of Directors by way of a legal-based request for reports on the company's business, investigations on the status of the business operation and assets including the operation of the internal control system, and the exercise of the authorities to participate in appointment and/or dismissal of Accounting Auditors, etc.
- c The Audit & Supervisory Board establishes the standards of the independence and expertise that are referred to for the appropriate nomination of Accounting Auditor candidates and the standards of evaluating Accounting Auditors properly, and have those Accounting Auditors perform an accounting audit who meet the established standards.
- d Audit & Supervisory Board Members endeavor to establish the framework with Independent Directors, Accounting Auditors, and the Internal Audit Department through communicating information from time to time.
- e Audit & Supervisory Board Members establish the response system of the company

in case Accounting Auditors have discovered misconduct and demand appropriate corrective actions, or point out an inadequacy and problem.

(5) Complementation of Board of Directors by Independent Directors & Auditors Council

The company establishes the Independent Directors & Auditors Council, aiming to reflect the opinions of Independent Directors, who are the core of the Non-Executive Directors and have diverse perspective, to the discussions of Board of Directors Meeting, and to form the framework between Independent Directors and Independent Audit & Supervisory Board Members for effective oversight over the business execution.

The Independent Directors & Auditors Council discusses the direction of the company toward mid-term to long-term. The members share information and exchange viewpoints so that they can each formulate their own opinions.

(6) Delegation of authorities by Board of Directors to Management Executives

On the premise that the aforementioned oversight performance of the Board of Directors over business execution is secured, the Board of Directors, by setting the criteria for matters to be discussed, delegates the authority on decision making concerning business execution to Management Executives to the broadest extent that is permitted by law and the Articles of Incorporation of the company and is considered to be reasonable.

(7) Procedures and policy of Directors and Auditors nomination

The company establishes the voluntary Executive Nomination Committee as an advisory body to the Board of Directors to ensure the following transparent and objective process for choosing candidates for Directors and Auditors who undertake the implementation of the company's corporate governance. The committee recommends the candidates for Directors and Auditors to the Board of Directors.

- a The committee is composed of a majority of Non-Executive Directors and Auditors with at least one Independent Director.
- 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, an objective view in decision making on management matters, superior foresight and insight as well as excellent personality.

The committee also discusses the succession planning for the President and recommend to the Board of Directors when necessary.

- c The Executive Nomination Committee focuses on the following matters when recommending candidates:
 - (a) When the nominee for the Director and Auditor has other Director and Auditor posts in listed companies, it must be confirmed that the conflict in performing the business after the appointment as a Director and Auditor in the company is within the reasonable range.
 - (b) The Board of Directors comprises 15 or less members, which is suitable for active and substantive discussion in the Board of Directors Meeting. Furthermore, at least two External Directors and ideally one-third of External Directors who meet the Independent Standards are included in the member of the Board of Directors to ensure the effective oversight by Non-Executive Directors.
 - (c) At least one Audit & Supervisory Board Member shall have sufficient knowledge concerning finance and accounting to ensure the effective audit by the Audit & Supervisory Board Members. In addition, Audit & Supervisory Board comprises more than half of External Audit & Supervisory Board Members who meet the Independent Standards.

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

The company establishes the voluntary Compensation Committee as an advisory body to the Board of Directors to formulate the suitable compensation system for Directors and Auditors who undertake the implementation of the company's corporate governance. Through the committee, following measures are taken to ensure the transparent and objective process for determining the compensation for Directors and Auditors as well as the appropriateness of its system and level.

- a The committee is composed of a majority of Non-Executive Directors and Auditors with at least one Independent Director.
- 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 through the consideration of the compensation level at other companies with similar business lineups and scale to the company.

(9) Support system for Directors and Auditors

The company provides Directors and Auditors, irrespective of whether an Executive Director, Non-Executive Director or Audit & Supervisory Board Member, with the following supports necessary for each Director and Auditor to practice their capacity and their contribution for the company's corporate governance:

- a The company prepares a framework to help Directors and Auditors to acquire the information that they need, including the advice from external experts, through the financial support and staffing.
- b The company provides newly appointed Directors and Auditors with necessary trainings, including the explanation about the role and responsibilities, internal structure, and business lineup. In addition, the company provides the continuous opportunities for updating such information and knowledge occasionally and when Directors and Auditors feel the necessity of the training while they stay in the position.

3. Shareholder Rights and Constructive Dialog

(1) Securing shareholder rights

The company endeavors to fully secure the rights of shareholders and to effectively secure the equal treatment of shareholders with due respect to the decision of shareholders. The company recognises that the Annual Shareholders' Meeting is the supreme decision-making body for management and the opportunity for constructive dialog that involves the following for improving the environmental conditions:

- a The company takes necessary actions to ensure that the time period is sufficient for shareholders to consider the agenda items of the Annual Shareholders' Meeting.
- b The company takes necessary actions for all shareholders, including those who are unable to attend the Annual Shareholders' Meeting and foreign shareholders to exercise their voting right appropriately.

(2) Constructive dialog with shareholders

The company endeavors to establish a framework and approach for constructive dialog with shareholders in line with the policy set forth below. Through the actions, the company endeavors to obtain the understanding of shareholders on its Management Direction and other issues and takes appropriate actions from shareholders' perspective.

- a The company designates the chief financial officer (CFO) as a responsible officer to manage the dialog with shareholders as a whole, focus on their interests and concerns to achieve the constructive dialog. Furthermore, the company establishes a

department in charge of investor relations (IR Department), which promotes the constructive dialog with shareholders.

- b Under the control of the CFO, the IR Department, with its in-depth knowledge on the structure of Fujitsu shareholders, conducts the dialog in cooperation with the management and the functions that support the dialog, such as strategy and planning function, corporate finance function, legal function and business function, and reports the results to the Board of Directors as appropriate.
- c The IR Department holds the briefing sessions for shareholders and investors to explain the Management Direction, financial results, etc. to expand the opportunity for dialog besides the individual meetings.
- d The company properly controls insider information in accordance with the insider information controlling policy and conducts the dialog with shareholders without using insider information.

(3) Enhancement of information disclosure

The company recognises that the appropriate disclosure of financial information as well as enhanced disclosure of non-financial information serves as a basis for the achievement of constructive dialog with shareholders and appropriate exercise of shareholder rights and thus conducts information disclosure in the following manner:

- a The company discloses the information, for which the company places emphasis on fairness and continuity, in compliance with the relevant laws, regulations, and the regulations issued by the stock exchange where the company is listed.
- b To fulfill our accountability for shareholders, the company prepares the English translation when necessary and proactively provides the information beyond the scope of the disclosure required by laws, regulations, and the regulations issued by the stock exchange if it finds the information useful to deepen the understanding of shareholders.

(4) Capital policy

The company establishes the basic strategy for capital policy and provides the timely and sufficient explanation to shareholders through document publication and other means, as the company recognises that the direction of capital policy, such as the way of acquiring capital and appropriation of retained earnings, significantly impacts the right and profit of shareholders and becomes a key subject in constructive dialog with shareholders.

(5) Policy for strategic shareholdings and the standard of exercising voting right

The company acquires and holds shares of other company as strategic shareholdings to maintain and strengthen the business transaction relationships, and it acknowledges that such an action may significantly impact the benefits of shareholders. Based on the acknowledgement above, the company establishes the policy for strategic shareholdings and exercising voting rights as follows:

- a The company makes judgment on the strategic shareholdings every year in light of the mid-term and long-term economic rationality and other matters and verifies its rationality in the Board of Directors Meeting. When mid-term and long-term contribution to the increase in the corporate value is expected, the company continues the strategic shareholdings.
- b In exercising voting rights of the share that the company holds as strategic shareholdings, the company comprehensively decides how to exercise the rights on agenda considering the purpose of holding, probability of maximising the effect of holding, and the increase in the company's corporate value as a minority shareholder. The company considers selling the share if it judges not to agree to the agenda item proposed by the investee company.

(6) Determination on the location of control of the company

Under the basic approach that the increase in corporate value creates the defensive power as a consequence, the company focuses on increasing corporate value and does not adopt any specific anti-takeover measures. In case an acquisition offer is made to the company, the Board of Directors takes an appropriate action based on the recognition that the determination on the location of control of the company resides in shareholders.

4. Revision or abolition of the Policy

Board of Directors has the sole authority to discuss and resolve the revision or abolition of this Policy. Notwithstanding the foregoing, information sharing and opinion exchange in the Independent Directors & Auditors Council are not forbidden.

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Appendix

Independence Standards for External Directors & Auditors

1. A Director and Auditor will be independent if none of followings are met, at present and/or in the past:
 - (1) Director or employee of one of Fujitsu Group Companies¹;
 - (2) Director, Executive Officer, Audit & Supervisory Board Member, or important employee² of a Major Shareholder³ of Fujitsu;
 - (3) Director, Executive Officer, Audit & Supervisory Board Member, or important employee² of a Major Lender⁴ to Fujitsu;
 - (4) partner or employee of accounting auditor 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 Benefits⁵ or other property other than the compensation as a Director or Audit & Supervisory Board Member from Fujitsu;
or
 - (7) Director, Executive Officer, Audit & Supervisory Board Member, or important employee² of a Major Business Partner⁶ of Fujitsu

2. A person who does not have a Close Relative⁷ will be independent, wherein a Close Relative meets one of followings, at present or at any time within the preceding three years:
 - (1) Executive Director, Non-Executive Director⁸, or important employee of Fujitsu Group Companies;
 - (2) Director, Executive Officer, Audit & Supervisory Board Member, or important employee² of a Major Shareholder of Fujitsu;
 - (3) Director, Executive Officer, Audit & Supervisory Board Member, or important employee² of a Major Lender to 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;
or
 - (7) Director, Executive Officer, Audit & Supervisory Board Member, or important employee² of a Major Business Partner of Fujitsu.

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- 1 “Fujitsu Group Companies” means Fujitsu Limited and its subsidiaries.
 - 2 Excluding an Independent External Director or an Independent External Auditor of a Major Shareholder, Lender, or Business Partner
 - 3 “Major Shareholder” indicates the shareholder in the top 10 major shareholders listed in the latest Business Report of Fujitsu.
 - 4 “Major Lender” indicates the lender in the group’s major lenders listed in the latest business report of Fujitsu.
 - 5 “Significant Amount of Monetary Benefits” means the sum of annual compensation for expert services and donation equal to or more than 10 million yen.
 - 6 “Major Business Partner” means a company with whom Fujitsu Group Companies made a business transaction within the preceding three fiscal years and the total amount of the transaction exceeds 1% of consolidated sales revenue of either Fujitsu or that company.
 - 7 “Close Relative” means a family, spouse, or cohabiter within the second degrees of kinship (as stipulated in the Civil Code of Japan).
 - 8 This condition applies only when judging the independence of Fujitsu’s External Audit & Supervisory Board Member or a nominee thereof.