

Notice Related to Revisions to Performance-based Stock Compensation Plan (Performance Share)

Fujitsu Limited has resolved at its Board of Directors meeting held today to revise its performance-based stock compensation plan, known as “Performance Share” (hereinafter referred to as “the Plan”). This revision of the Plan is subject to approval at the 122nd Annual Shareholders’ Meeting scheduled for June 27, 2022.

1. Details of the revisions to the Plan and reasons justifying the revisions

(1) Current status of the Plan

The Plan was introduced after shareholders’ approval at the 117th Annual Shareholders’ Meeting held on June 26, 2017 to grant Executive Directors mid- to long-term incentives for improving corporate value and to further encourage them to enhance management from the shareholders’ perspective. Furthermore, separate from the upper limit of the amount of monetary compensation that was resolved at said Annual Shareholders’ Meeting, a resolution was made at the 121st Annual Shareholders’ Meeting held on June 28, 2021 to revise the upper limit of the compensation amount related to the Plan to up to 1.2 billion yen per year (the total number of allocated shares of Fujitsu is set to within 75,000 shares a year). In addition, the specific details of the Plan have been resolved.

(2) Details and reasons for the revisions

EPS (earnings per share) shall be added to the existing performance indicator levels under the Plan from fiscal 2022 and onward, in addition to existing indicators such as sales revenue and operating profits drawn from Fujitsu’s consolidated financial results. The purpose of this revision is to enhance the commitment of Executive Directors to continuously increase corporate value by generating profit and improving capital efficiency. Furthermore, with regard to compensation that is subject to said revisions to the indicators, within the scope of the upper limit (up to 1.200 billion yen a year) of compensation amount under the Plan that was resolved at the 121st Annual Shareholders’ Meeting, each applicable person shall be paid in cash the amount equivalent to a portion of said compensation to pay for the applicable person’s tax obligation arising from compensation paid under the Plan, with the remainder being paid with monetary compensation claims for the allocated Fujitsu shares. The change in the payment method will be made in consideration of the applicable person’s tax obligation arising from compensation paid under the Plan.

(3) Reasons justifying the revisions

Fujitsu decided to make revisions to the Plan in accordance with recommendations made by the Compensation Committee mainly consisting of External Directors. Revisions to the Plan are designed to link Executive Directors’ compensations more closely with Fujitsu’s mid- and long-term performance and shareholder value. Fujitsu also believes that these revisions are consistent with its Corporate Governance Code.

2. Details of the Plan following revision

(1) Overview of the Plan

Fujitsu will in advance provide Executive Directors with a baseline number of shares, a performance evaluation period (three fiscal years), and performance targets in accordance with their duties and responsibilities. The number of shares is calculated by multiplying base number of shares by a fixed coefficient according to the level of performance achievement and is fixed at each fiscal year and at the end of the performance evaluation period. When the performance evaluation period is over, and on the condition that the person has been at a position that is applicable for the Plan throughout the performance evaluation period, each applicable person is paid in cash the amount equivalent to a portion of the total number of shares that is allocated to the applicable person to pay for the tax obligation pertaining to the compensation paid under the Plan, with the remainder of the allocated shares. At that time, monetary compensation claims and cash equivalent to market value of allocated shares are provided to Executive Directors. The Executive Directors invest these monetary compensation claims in allocated shares to acquire shares of the Company. The proportion of the amount paid in cash out of the total shares is determined by the Board of Directors, taking into consideration the tax obligation of each applicable Executive Director.

Executive Directors may transfer acquired shares of Fujitsu at their own discretion unless they violate insider trading regulations.

(2) Total amount of monetary compensation claims and money pertaining to the Plan, maximum number of shares to be allotted

As stated above in Item 1., the upper limit of the total amount of monetary compensation claims and cash paid to Executive Directors under the Plan is set up to 1.2 billion yen per year. The total number of allocated shares of Fujitsu is set to be within 75,000 shares a year.

(3) Indicator of performance achievement level and coefficient

The coefficient is set up within a certain scope according to performance achievement level vis-à-vis the prearranged performance targets in terms of sales revenue, operating profit, and EPS (earnings per share) of Fujitsu's consolidated financial results.

(4) Payment amount per share

The payment amount per share allocated to Executive Directors under the Plan shall be the fair price of Fujitsu's shares on the day of payment, such as the closing value of the share at the Tokyo Stock Exchange one business day before the date of the Board of Directors' meeting held to decide about the allocation.

(5) Condition for provision of monetary compensation claims and cash, allocation of shares of Fujitsu

When the performance judging period is over, on the condition that the person has been at a position that is applicable for the Plan throughout the performance judging period, monetary compensation claims and cash are paid to each Executive Director. Fujitsu shares will be allotted to each Executive Director by having all monetary compensation claims contributed in kind.

However, should an applicable Executive Director for the Plan lose the aforementioned position before the expiration of the performance judging period with reasons deemed valid by Fujitsu's Board of Directors, the Board shall reasonably adjust the amount of the monetary compensation claims and cash to be paid, the number and payment of allocated shares and the timing of allocation as necessary.

(6) Others

Handling of the Plan at the time of measures including organizational restructuring, handling of the base number of shares at the time of stock split or stock consolidation and other details of the Plan are determined by resolution of the Board of Directors.

Press Contacts:

Fujitsu Limited

Public and Investor Relations Division

Inquiries: <https://www.fujitsu.com/global/about/resources/news/presscontacts/form/index.html>

About Fujitsu

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