

Notice regarding revisions to stock compensation plans

Tokyo, March 28, 2024 — At the Board of Directors meeting held today, Fujitsu Limited has resolved the following: (i) revisions to the “Performance-based Stock Compensation Plan” (Performance Share Units), a plan in which Fujitsu’s shares are allotted as compensation to the Executive Directors based on the result of evaluation such as the level of performance achievement after a performance evaluation period of three years, and (ii) revisions to the “Restricted Stock Unit Compensation Plan” (Restricted Stock Units), a plan not linked to performance, in which Fujitsu’s shares are allotted as compensation to the Independent Directors (Non-Executive Directors after the revision) after a three-year period of continuous service on the condition of continued service. Details are as follows.

In addition, at the Management Council, Fujitsu decided (iii) on the introduction of a “Single-year Performance-based Stock Compensation Plan” (Single-year Performance Share Units), a plan in which Fujitsu’s shares are allotted annually as compensation to certain officers and employees of Fujitsu’s subsidiaries for three years after a one-year performance evaluation period, depending on the level of performance achievement and the result of individual evaluation. Details are as noted in <Reference> below.

Please note that the aforementioned revisions in part of the plans in (i) and (ii) are subject to approval of the proposal on the revisions at Fujitsu’s 124th Annual Shareholders’ Meeting scheduled for June 24, 2024.

1. Revisions to the Performance-based Stock Compensation Plan (hereinafter referred to as “the Plan” in this paragraph)

Note: This is a revision to the plan announced in the notice “Fujitsu Introduces ‘Performance Share,’ a Performance-based Stock Compensation Plan” dated April 28, 2017.

(1) Details of the revisions to the Plan

(i) Current status of the Plan

The Plan was introduced after the shareholders’ approval at the 117th Annual Shareholders’ Meeting held on June 26, 2017 to grant Executive Directors medium- to long-term incentives for improving corporate value and to further encourage them to enhance management from the shareholders’ perspective.

Furthermore, 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), separate from the upper limit of the amount of monetary compensation that was resolved at said Annual Shareholders’ Meeting. In addition, the specific details of the Plan were resolved.*

A resolution was also made at the 122nd Annual Shareholders' Meeting held on June 27, 2022 to add EPS (earnings per share) to the evaluation indicators for the compensation for fiscal 2022 and onward, as well as to pay a portion of the compensation in cash equivalent to tax payment, with the remainder being paid with monetary compensation claims for the allocated Fujitsu shares.

*Fujitsu will carry out a ten-for-one stock split with an effective date of April 1, 2024. Therefore, the total number of Fujitsu's shares to be allocated after said effective date shall be 750,000 shares per year or less.

(ii) Details and reasons for the revisions

Separate from the upper limit of monetary compensation for Directors, the amount of compensation under the Plan shall be revised to an annual amount not exceeding 2.5 billion yen (the total number of allocated shares of Fujitsu shall not exceed 100 million shares* per year).

In promoting the business model reforms and strengthening global competitiveness to realize Fujitsu's Purpose, the maximum amount of performance-based stock compensation for Executive Directors shall be revised to improve Fujitsu's competitiveness in securing excellent human resources to manage the company and to further deepen the connection between business performance, stock value and the compensation of Executive Directors. As reference, the revised maximum amount uses the compensation system of a group of benchmark companies that operate globally in accordance with said objectives.

In addition to the previously established levels of performance achievement for operating profit and EPS (earnings per share) in Fujitsu's consolidated financial results**, the evaluation indicators for fiscal 2024 and onward under this Plan shall include an evaluation of Fujitsu's Total Shareholder Return (TSR) (specifically, the superiority of Fujitsu's TSR over the TOPIX growth rate and the results of comparisons with the TSRs of pre-selected peer group companies). The addition of TSR as an evaluation indicator is intended not only to generate profits and improve capital efficiency within the Fujitsu Group, but also to deepen the sharing of value with shareholders and to enhance the commitment of the Executive Directors to continuously improve corporate value. In the medium to long term, Fujitsu shall place greater emphasis on profitability and value sharing with shareholders and shall exclude consolidated sales revenue from the indicators of the Plan.

Fujitsu decided to revise the Plan in accordance with recommendations made at today's Board of Directors' meeting by the Compensation Committee mainly consisting of Independent Directors. Revisions to the Plan are designed to link Executive Directors' compensations more closely with Fujitsu's medium- and long-term performance and shareholder value. Fujitsu also believes that these revisions are consistent with its Corporate Governance Code.

Please note that the maximum number of Fujitsu's shares to be allotted in each fiscal year as set forth in (2) (ii) below accounts for approximately 0.04% of the total number of Fujitsu's shares issued and outstanding (if such maximum number of Fujitsu's shares were issued over a 10-year period, the ratio to the total number of shares issued and outstanding would be approximately 0.48%), and the dilution ratio shall be minimal.

*The number of shares after the stock split is stated since Fujitsu will carry out a ten-for-one stock split with an effective date of April 1, 2024.

**Operating profit and income in EPS, which are evaluation indicators for the Plan, are adjusted operating profit and income (an indicator that represents an actual profit and income from core business calculated by deducting profits and income from business restructuring, M&A, etc., and one-off profits from changes in regulations, and losses). This was set as one of the financial targets in the Medium-Term Management Plan announced on May 24, 2023.

(2) Details of the Plan following revisions

(i) Overview of the Plan

Fujitsu will in advance provide Executive Directors (hereinafter referred to as "Eligible Persons" in this paragraph) with a baseline number of stock units, a performance evaluation period (three fiscal years), and the evaluation method including evaluation indicator and performance targets in accordance with their duties and responsibilities. The number of stock units is calculated by multiplying base number of stock units by a coefficient according to the performance results such as 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 payment and other financial burden to be borne by the Eligible Persons as a result of the payment of compensation under the Plan, with the remainder of the allocated shares. At this time, each Eligible Person shall be provided with monetary compensation claims and cash equivalent to the market value of the number of the Company's stocks, which will be the same as the above-mentioned number of stock units. The Eligible Persons shall then contribute in kind all of the monetary compensation claims to Fujitsu and will receive an allotment of the Company's stocks. 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 payment and other financial burden above of each applicable Eligible Persons. Eligible Persons may transfer acquired shares of Fujitsu at their own discretion unless they violate insider trading regulations.

(ii) Total amount of monetary compensation claims and cash under the Plan, and maximum number of shares to be allotted

The upper limit of the total amount of monetary compensation claims and cash paid to the Eligible Persons under the Plan shall be up to 2.5 billion yen per year. The total number of allotted shares of Fujitsu shall be within 100 million shares a year*.

In the event of a stock split, stock consolidation, or other event requiring adjustment of the total number of Fujitsu's shares to be allotted, the total number of shares shall be adjusted to a reasonable extent in accordance with the split ratio or consolidation ratio, and other factors.

*The number of shares after the stock split is stated since Fujitsu will carry out a ten-for-one stock split with an effective date of April 1, 2024.

(iii) Evaluation indicators and coefficient

Evaluation indicators are Fujitsu's operating profit, EPS (earnings per share) in its consolidated financial results and TSR. The coefficients shall be set up within a certain range* according to the level of achievement of Fujitsu's operating profit and EPS in its consolidated financial results against predetermined performance targets, and the superiority of TSR over the TOPIX growth rate and the results of comparisons with the TSRs of pre-selected peer group companies.

*The payment rate is calculated using a coefficient that varies between 50 and 150% depending on the results of performance evaluation including achievement of performance targets. To share value with shareholders and contribute to the sustainable enhancement of corporate value, a fixed portion is provided as a base payment in addition to the performance-linked portion.

(iv) Conditions for providing monetary compensation claims and cash, and allotting Fujitsu's stocks

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 Eligible Person. Fujitsu shares will be allotted to each Eligible Person by having all monetary compensation claims contributed in kind. However, should an applicable Eligible Person 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.

(v) Amount to be paid per share

The payment amount per share allocated to the Eligible Person 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 (or, the closing value of the share on the most recent business day prior to that, if no trade was executed on that day).

(vi) Other

Handling of the Plan at the time of measures including organizational restructuring, handling at the time of stock split or stock consolidation, and other details of the Plan shall be determined by resolution of the Board of Directors. The Plan is also extended to Corporate Executive Officers and employees of Fujitsu and certain officers and employees of subsidiaries in Japan,

with some details modified according to the duties and responsibilities of the Eligible Persons. In addition, Fujitsu has decided to integrate the stock compensation plan for overseas subsidiaries, which was previously introduced for some of the officers and employees of overseas subsidiaries, into the Plan from April 2024, and to position the Plan as a globally common plan.

2. Revisions to the Restricted Stock Unit Compensation Plan (hereinafter referred to as “the Plan” in this paragraph)

Note: This is a revision to the plan announced in “Notice regarding introduction of post-delivery type stock remuneration plan for independent directors” dated May 11, 2023.

(1) Details of the revisions to the Plan

(i) Current status of the Plan

Pursuant to the resolution at the 123rd Annual Shareholders’ Meeting held on June 26, 2023, Fujitsu introduced the Plan for its Independent Directors to align their viewpoint with shareholders and strengthen incentives for sustainable growth in corporate value.

It was also resolved that the compensation amount under the Plan will be set at an amount that does not exceed 100 million year per year (the total number of allocated shares of Fujitsu will be set to within 6,000 shares per year),* separate from the upper limit of the amount of monetary compensation for Independent Directors resolved at the 121st Annual Shareholders’ Meeting held on June 28, 2021.

*Fujitsu will carry out a ten-for-one stock split with an effective date of April 1, 2024. Therefore, the total number of Fujitsu’s shares to be allocated after said effective date shall be 60,000 shares per year or less.

(ii) Details and reasons for the revisions

Directors from within Fujitsu who do not execute operations shall be newly added to those eligible for the Plan and the Plan shall be revised so that all Non-Executive Directors (Independent Directors and Directors from within Fujitsu who do not execute operations) including Independent Directors are eligible for the Plan for fiscal 2024 and onwards. The revision is based on the fact that Non-Executive Directors from within Fujitsu complement the lack of knowledge of Fujitsu’s business fields and corporate culture among Non-Executive Directors, who are mainly composed of Independent Directors, and play a role in effective management supervision and advice together with other Directors. Therefore, the purpose of this revision is to make Non-Executive Directors from within Fujitsu eligible for the Plan so that they can share value from the perspective of shareholders.

For Non-Executive Directors who are eligible for the Plan, the stock compensation plan is not linked to business performance from the perspective of ensuring that they can properly fulfill their roles of supervising and advising management from an objective standpoint.

(2) Details of the Plan following revisions

(i) Overview of the Plan

Fujitsu will specify the number of stock units to be granted and the period of continuous service (three years) to its Non-Executive Directors (Independent Directors and Directors from within Fujitsu who do not execute operations; hereinafter referred to as “Eligible Persons” in this paragraph) each fiscal year. At the end of the period of continuous service, subject to the condition that the Eligible Person has continued to hold the position during the period and that they satisfy certain requirements predetermined by the Board of Directors, Fujitsu, in accordance with the above-mentioned number of stock units, will pay cash equivalent to the tax payment and other financial burden to be borne by the Eligible Persons as a result of the payment of compensation under the Plan and allot the Company’s stocks. At this time, each Eligible Person shall be provided with monetary compensation claims and cash that is equivalent to the market value of the number of the Company’s stocks, which will be the same as the above-mentioned number of stock units. Each Eligible Person shall then contribute in kind all of the monetary compensation claims to Fujitsu and receive an allotment of the Company’s stocks. The ratio of the portion to be paid in cash to the above-mentioned number of stock units shall be determined by the Board of Directors, which will take into consideration the tax payment and other financial burden above of each applicable Eligible Persons. The Eligible Person may transfer acquired shares of Fujitsu at their own discretion unless they violate insider trading regulations.

(ii) Total amount of monetary compensation claims and cash under the Plan, and maximum number of shares to be allotted

The upper limit of the total amount of monetary compensation claims and cash paid to the Eligible Persons under the Plan shall be up to 100 million yen per year. The total number of allotted shares of Fujitsu shall be within 60,000 shares a year*.

In the event of a stock split, stock consolidation, or other event requiring adjustment of the total number of Fujitsu’s shares to be allotted, the total number of shares shall be adjusted to a reasonable extent in accordance with the split ratio or consolidation ratio, and other factors.

*The number of shares after the stock split is stated since Fujitsu will carry out a ten-for-one stock split with an effective date of April 1, 2024.

(iii) Method for calculating the number of Fujitsu’s stocks to be allotted and the amount of cash to be paid under the Plan

Fujitsu will determine the number of stock units to be granted to the Eligible Persons at a Board of Directors Meeting, taking into consideration the Eligible Persons’ duties. After the period of continuous service ends, each unit of the number of stock units granted to the Eligible Person will be deemed equivalent to one stock unit. The amount of cash to be paid to the Eligible Person and the number of the Company’s stocks to be allotted will be based on a ratio that is determined by the Board of Directors, taking into consideration the tax payment and other financial burden incurred by the Eligible Person in connection with the remuneration under the Plan.

(iv) Conditions for providing monetary compensation claims and cash, and allotting Fujitsu's stocks
Subject to the completion of the period of continuous service and the satisfaction of certain requirements predetermined by the Board of Directors, such as that the Eligible Person has continued to hold the position of the Eligible Persons during the period of continuous service, the Company's stocks shall be allotted to each Eligible Person by providing monetary compensation claims and cash, and having all of the monetary compensation claims contributed in kind. However, if the Eligible Person resigns as the above position before the expiration of the period of continuous service due to a reason deemed justifiable by the Board of Directors, it shall reasonably adjust the amount of monetary compensation claims and cash, and the number of allotted stocks, along with the timing of their payment and allotment as necessary.

(v) Amount to be paid per share

The payment amount per share allocated to the Eligible Person 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 (or, the closing value of the share on the most recent business day prior to that, if no trade was executed on that day).

(vi) Other

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

<Reference>

3. Introduction of a Single-year Performance-based Stock Compensation Plan (hereinafter referred to as "the Plan" in this paragraph)

Note: The persons eligible for the Plan do not include Fujitsu's Directors. Therefore, the introduction of the Plan will not be proposed in the agenda of Fujitsu's 124th Annual Shareholders' Meeting scheduled for June 24, 2024.

(1) Purpose of introducing the Plan

As stated in 1. (2) (vi), Fujitsu currently offers a stock compensation plan, under which Fujitsu's shares are allocated to Fujitsu's Corporate Executive Officers and employees, as well as certain officers and employees of subsidiaries, after a performance evaluation period of three years. To improve competitiveness in securing excellent human resources in the consulting industry, Fujitsu decided to newly introduce the Plan for some officers and employees of subsidiaries that operate consulting business of the Fujitsu Group. Fujitsu aims to expand its consulting business and further increase its corporate value over the medium to long term by introducing a stock compensation plan under which Fujitsu's shares will be allocated annually to strengthen the ability to recruit consulting personnel and to retain them.

(2) Details of the Plan

(i) Overview of the Plan

Under the Plan, the base stock units will be presented to certain officers and employees of subsidiaries (hereinafter referred to as “Eligible Persons” in this paragraph) at the beginning of the performance evaluation period (one fiscal year). Multiple evaluation indicators shall be predetermined, and the payment ratio shall be calculated based on the achievement level of each evaluation indicator after the end of the performance evaluation period. The number of stock units shall be increased or decreased, taking into account the results of individual evaluation, and the monetary compensation claims corresponding to such number of stock units and the cash equivalent to the tax payment and other financial burden to be borne shall be paid to each Eligible Person in thirds every year over a three-year period. Each year, each Eligible Person shall contribute in kind all of said monetary compensation claims to Fujitsu and receive an allotment of Fujitsu’s shares. The Eligible Persons may transfer acquired shares of Fujitsu at their own discretion unless they violate insider trading regulations.

(ii) Evaluation indicators and coefficient

Using Fujitsu’s sales revenue and adjusted operating profit in its consolidated financial results and individual contribution as indicators, the coefficients shall be set up within a certain range depending on the level of performance achievement against predetermined performance targets and the results of individual evaluations.

(iii) Method for calculating the number of stock units and the amount of each to be granted under the Plan

The number of base stock units, performance evaluation period (one fiscal year), and performance targets will be decided in accordance with duties and responsibilities and presented to the Eligible Persons in advance, along with the fact that each person’s individual contribution is also an evaluation indicator. At the end of the performance evaluation period, a number will be determined to the number calculated by multiplying the base stock units by a coefficient according to the level of performance achievement and the results of individual evaluation (hereinafter referred to as “the Determined Number of Stock Units” in this paragraph).*

The Determined Number of Stock Units granted to each Eligible Person will then be divided into three to calculate one year’s worth of share units from the share units to be granted over a three-year period (hereinafter referred to as “the Number of Stock Units Granted Per Year” in this paragraph).

*The maximum number of the Determined Number of Stock Units to be granted by Fujitsu under the Plan per fiscal year is the number of base stock units for each Eligible Person according to the duties and responsibilities multiplied by coefficient according to the level of performance achievement and the number of Eligible Persons.

- (iv) Number of shares to be allotted under the Plan and conditions for providing monetary compensation claims and cash, and allotting Fujitsu's stocks

Fujitsu will grant the Number of Stock Units Granted Per Year determined to each Eligible Person at the end of each period (the performance evaluation period, the fiscal year following the performance evaluation period, and the second fiscal year following the performance evaluation period), provided that the Eligible Person has continuously held the position of an eligible person under the Plan during the performance evaluation period and the fiscal year preceding the year in which the payment is made. Each applicable person is paid in cash the amount equivalent to tax payment and other financial burden to be borne by the Eligible Persons as a result of the payment of compensation under the Plan, and the remainder in monetary compensation claims for the allotment of Fujitsu's shares. At this time, each Eligible Person shall be provided with monetary compensation claims and cash that is equivalent to the market value of the number of the Company's stocks, which will be the same as the above-mentioned number of stock units. The Eligible Persons will acquire Fujitsu's shares by contributing in kind all of the latter monetary compensation claims against the shares allocated to them each year.

However, if an Eligible Person subject to the Plan forfeits the above position for reasons deemed justifiable by Fujitsu, Fujitsu will reasonably adjust the amount of the monetary compensation claims and the cash to be paid, the number of shares to be allotted, and the timing of payment and allotment as necessary.

The percentage of the Number of Stock Units Granted Per Year to be paid in cash shall be determined taking into consideration the tax payment and other financial burden to be borne by the Eligible Persons.

- (v) Amount to be paid per share

The payment amount per share allocated to the Eligible Person 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 (or, the closing value of the share on the most recent business day prior to that, if no trade was executed on that day).

- (vi) Other

Handling of the Plan at the time of measures including organizational restructuring, handling at the time of stock split or stock consolidation, and other details of the Plan shall be determined by resolution of the Management Council, approval by a person with appropriate authority or the regulations on stock compensation and others (including the regulations on stock compensation and others of some subsidiaries of Fujitsu).

〈Reference〉 Chart of stock compensation plans

(Example of the flow of the compensation plan starting from fiscal year 2024)

	FY2024	FY2025	FY2026	FY2027	Eligible Persons	Indicators
1. Performance-based Stock Compensation Plan	Performance evaluation period			Determine no. of stock units	<ul style="list-style-type: none"> · Fujitsu's Executive Directors · Fujitsu's Corporate Executive Officers and certain employees · Certain officers and employees of Fujitsu's Japanese and overseas subsidiaries 	<ul style="list-style-type: none"> · Consolidated operating profit · EPS · TSR <p>*For certain officers and employees (SVP and VP level): consolidated sales revenue and consolidated operating profit</p>
	Period of continuous service					
	1st year: accumulation	2nd year: accumulation	Allotment			
2. Restricted Stock Unit Compensation Plan	Period of continuous service			Determine no. of stock units	<ul style="list-style-type: none"> · Fujitsu's Non-Executive Directors (Independent Directors and Directors from within Fujitsu who do not execute operations) 	-
	1st year: accumulation	2nd year: accumulation	Allotment			
3. Single-year Performance-based Stock Compensation Plan	Performance evaluation period	Determine no. of stock units (3/3)			<ul style="list-style-type: none"> · Certain officers and employees of Fujitsu's subsidiaries (mainly consulting personnel) 	<ul style="list-style-type: none"> · Consolidated sales revenue · Consolidated operating profit · Individual contribution
	Period of continuous service					
		1/3 allotment	1/3 allotment*	1/3 allotment*		

*A third of allotment for FY2026 is subject to continued service until the end of FY2025, and a third of allotment for FY2027 is subject to continued service until the end of FY2026.

Press Contacts

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