

Integrated Report 2017

Fujitsu Group

shaping tomorrow with you



Forward-Looking Statements

This *Integrated Report* may contain forward-looking statements that are based on management's current views and assumptions and involve known and unknown risks and uncertainties that could cause actual results, performance, or events to differ materially from those expressed or implied in such statements. Actual results may differ materially from those projected or implied in the forward-looking statements due to, without limitation, the following factors: general economic and market conditions in key markets (particularly in Japan, Europe, North America, and Asia, including China); rapid changes in the high-technology market (particularly semiconductors, PCs, etc.); fluctuations in exchange rates or interest rates; fluctuations in capital markets; intensifying price competition; changes in market positioning due to competition in R&D; changes in the environment for the procurement of parts and components; changes in competitive relationships relating to collaborations, alliances, and technical provisions; potential emergence of unprofitable projects; and changes in accounting policies.

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THE FUJITSU WAY

Since our founding in 1935, we at Fujitsu have continuously adapted to ever-changing business and social environments and, in tandem with this, have passed along the unbroken chain of our DNA inheritance. The Fujitsu Way is the guiding light of our organization's management and the actions of each and every one of our 155,000 employees.

Based on this immutable principle, we place the utmost importance on relationships of trust with our customers and think and act from their point of view. We pledge to contribute to the creation of a better society by continually embracing the challenge of innovation.

Tatsuya Tanaka

Tatsuya Tanaka

Representative Director and President

CORPORATE VISION

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.

PRINCIPLES

- Global Citizenship** We act as good global citizens, attuned to the needs of society and the environment.
- Customer-Centric Perspective** We think from the customer's perspective and act with sincerity.
- Firstrand Understanding** We act based on a firsthand understanding of the actual situation.
- Spirit of Challenge** We strive to achieve our highest goals.
- Speed and Agility** We act flexibly and promptly to achieve our objectives.
- Teamwork** We share common objectives across organizations, work as a team, and act as responsible members of the team.



CORPORATE VALUES

What we strive for:

- Society and Environment** In all our actions, we protect the environment and contribute to society.
- Profit and Growth** We strive to meet the expectations of customers, employees, and shareholders.
- Shareholders and Investors** We seek to continuously increase our corporate value.
- Global Perspective** We think and act from a global perspective.

What we value:

- Employees** We respect diversity and support individual growth.
- Customers** We seek to be their valued and trusted partner.
- Business Partners** We build mutually beneficial relationships.
- Technology** We seek to create new value through innovation.
- Quality** We enhance the reputation of our customers and the reliability of social infrastructure.

CODE OF CONDUCT

- We respect human rights.
- We comply with all laws and regulations.
- We act with fairness in our business dealings.
- We protect and respect intellectual property.
- We maintain confidentiality.
- We do not use our position in our organization for personal gain.

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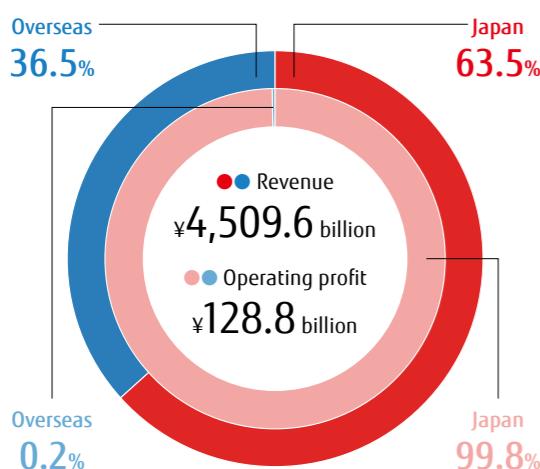
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FUJITSU AT A GLANCE

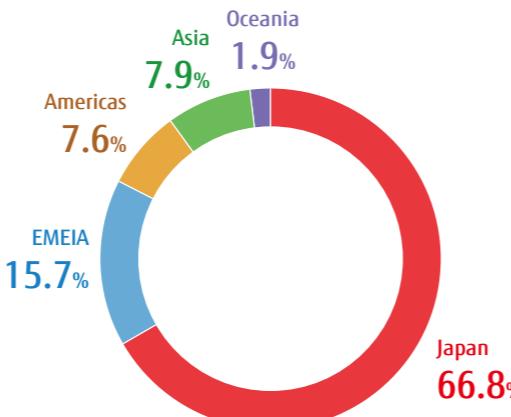
The Fujitsu Group has established a global service structure with operations in more than 180 countries around the world.

Fujitsu's IT services business ranks top by market share in Japan and fifth worldwide, a record that reflects our outstanding technologies and long track record in building large-scale, cutting-edge systems.

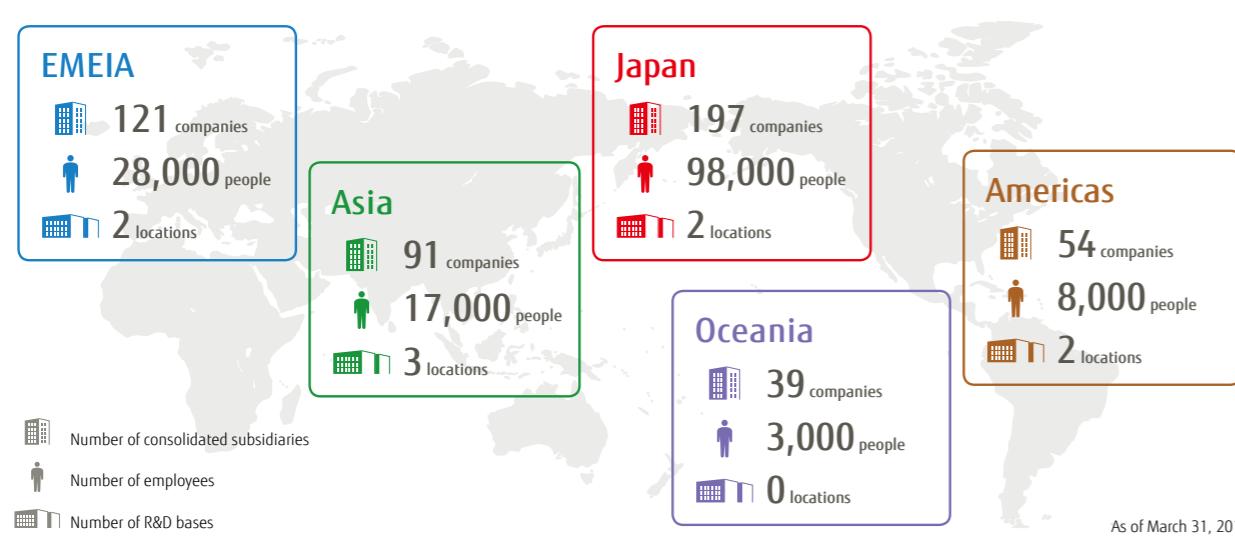
Revenue / Operating Profit (Year ended March 31, 2017)



Breakdown of Revenue by Region (Year ended March 31, 2017)



Global Presence

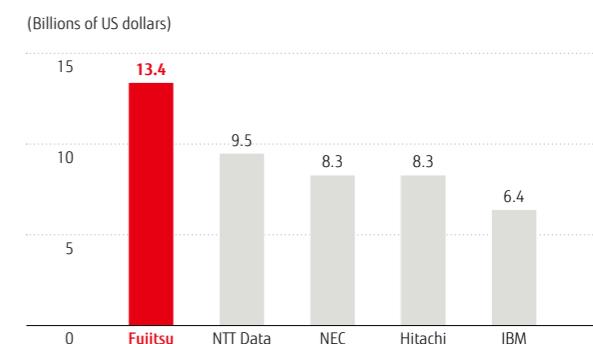


Fujitsu's Position in the IT Services Market

GLOBAL IT SERVICES SALES IN 2016



JAPAN IT SERVICES SALES IN 2016



Source: Gartner, "Market Share: IT Services 2016," April 19, 2017, vendor revenue-based. Chart created by Fujitsu based on Gartner data

IT Services: Market Share in Japan

Fujitsu has an abundant track record in delivering IT systems tailored to customers' business operations and specific needs. We pride ourselves on high shares of IT services markets across a wide industry spectrum. A key Fujitsu strength is the ability to understand customers' business objectives and challenges and to together drive innovation forward. We enhance value for customers by honing specialist knowledge and expertise cultivated over many years through applying leading-edge digital technologies.

2016 MARKET SHARE BY CUSTOMER INDUSTRY (TOTAL VALUE OF EACH MARKET)

Industry	Value (Billions of US dollars)
Finance (Bank and securities / Insurance)	¥2,920.8 billion
Manufacturing	¥2,717.0 billion
Distribution (Retail / Wholesale / Transport)	¥1,521.3 billion



Communications / Media / Services

¥1,737.0 billion



Public (Electricity and gas / Medical services / Education)

¥588.9 billion



Public sector

¥1,551.3 billion



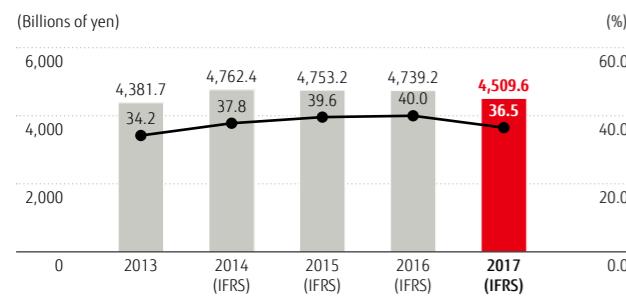
Source: Gartner, "Market Share: IT Services 2016," April 19, 2017, vendor revenue-based. Chart created by Fujitsu based on Gartner data. Calculations performed by Fujitsu

FINANCIAL HIGHLIGHTS

Fujitsu Limited and Consolidated Subsidiaries

The Fujitsu Group adopted International Financial Reporting Standards (IFRS) in fiscal 2014.

NET SALES (REVENUE) AND PERCENTAGE OF SALES OUTSIDE JAPAN



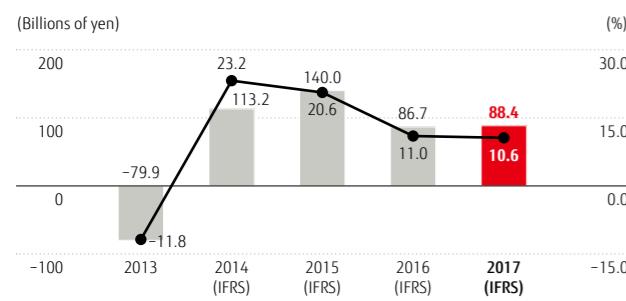
(Fiscal years ended March 31)

■ Net sales (revenue) (left scale) — Percentage of sales outside Japan (right scale)

Percentage of sales outside Japan -3.5 percentage points Down

Net sales decreased 4.8% year on year. Due to exchange rates, the percentage of sales outside Japan decreased 3.5 percentage points year on year, to 36.5%.

NET PROFIT (LOSS) (PROFIT (LOSS) ATTRIBUTABLE TO OWNERS OF THE PARENT) AND ROE



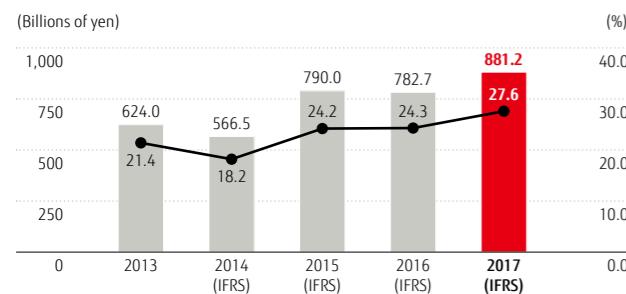
(Fiscal years ended March 31)

■ Net profit (loss) (profit (loss) attributable to owners of the parent) (left scale) — ROE (right scale)

Profit attributable to owners of the parent +¥1.7 billion Up

Profit attributable to owners of the parent increased ¥1.7 billion year on year as improvements in operating profit and net financial expenses compensated for a decline in income from investments accounted for using the equity method, net.

OWNERS' EQUITY (EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT) AND OWNERS' EQUITY RATIO (EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT RATIO)



(As of March 31)

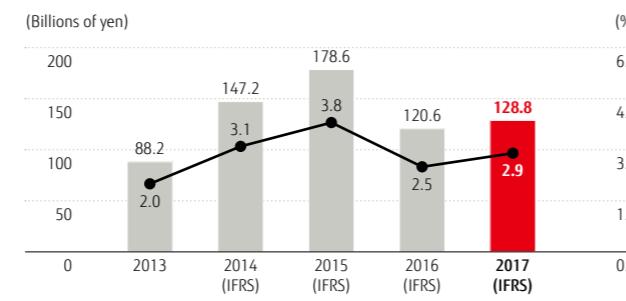
■ Owners' equity (equity attributable to owners of the parent) (left scale)

— Owners' equity ratio (equity attributable to owners of the parent ratio) (right scale)

Equity attributable to owners of the parent ratio +3.3 percentage points Up

Equity attributable to owners of the parent ratio increased 3.3 percentage points from the previous fiscal year-end due to recognition of net profit and improvement in the funded status of defined benefit plans, primarily in Japan.

OPERATING PROFIT AND OPERATING PROFIT MARGIN



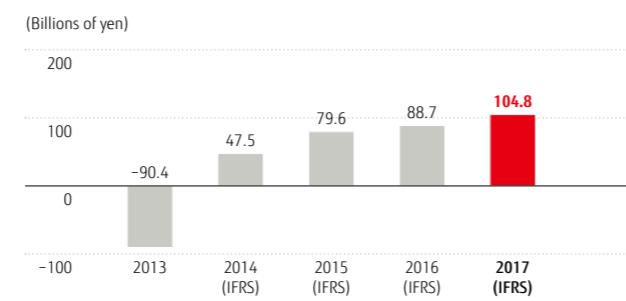
(Fiscal years ended March 31)

■ Operating profit (left scale) — Operating profit margin (right scale)

Operating profit margin +0.4 of a percentage point Up

Despite the posting of business model transformation expenses, operating profit margin improved 0.4 of a percentage point year on year mainly due to Ubiquitous Solutions.

FREE CASH FLOW

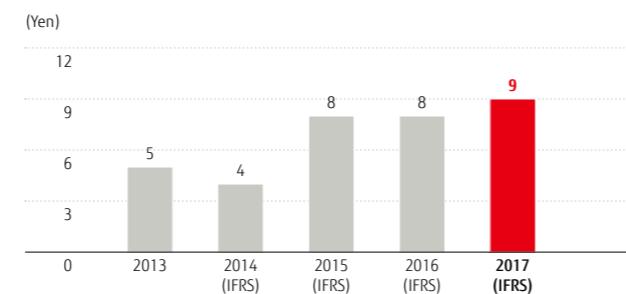


(Fiscal years ended March 31)

Free cash flow +¥16.0 billion Up

Free cash flow rose ¥16.0 billion year on year due to proceeds from the transfer of shares of NIFTY Corporation (date of receipt of transfer proceeds: March 31, 2017; date of contractual share transfer: April 1, 2017).

DIVIDENDS PER SHARE OF COMMON STOCK



(Fiscal years ended March 31)

Dividends per share of common stock +¥1 Up

Fujitsu paid an interim dividend of ¥4 per share. However, in light of comprehensive consideration of its full-year results, financial position, and business conditions going forward, the Company increased the year-end dividend from ¥4 per share to ¥5 per share, giving an annual dividend of ¥9 per share.

ENVIRONMENT, SOCIETY, AND GOVERNANCE HIGHLIGHTS

ENVIRONMENTAL ACCOUNTING (COSTS AND FINANCIAL EFFECT)



(Fiscal years ended March 31)

■ Costs ■ Actual effect ■ Estimated effect

Aggregate results for fiscal 2016 show year-on-year increases of 9.5% in costs, to ¥59.7 billion, and 8.3% in financial effect, to ¥97.8 billion.

Note: The scope of aggregation is Fujitsu Limited and major consolidated subsidiaries in Japan and overseas. With respect to the target organizations, please see *Fujitsu Group Environmental Report 2017*.

<http://www.fujitsu.com/global/about/resources/reports/sustainabilityreport/2017-environmentalreport/>

TRENDS IN TOTAL GREENHOUSE GAS EMISSIONS



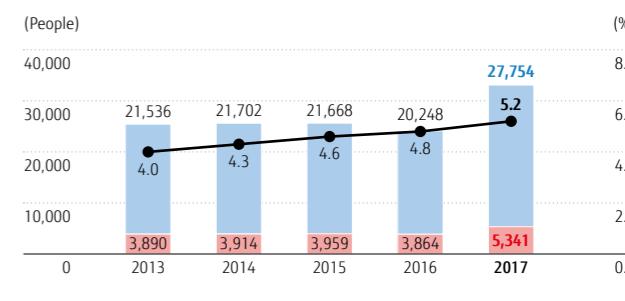
(Fiscal years ended March 31)

As of the end of fiscal 2016, the Fujitsu Group's total greenhouse gas emissions on a global basis were 9.4% lower than the fiscal 2013 year-end level.

Notes: 1. The scope of aggregation is Fujitsu Limited and Group companies in Japan and overseas.

2. CO₂ conversion factor has changed since fiscal 2013. CO₂ emissions have been calculated with a fixed value of 0.407 tons of CO₂ per MWh for fiscal 2012, a fixed value of 0.570 tons of CO₂ per MWh from fiscal 2013 to fiscal 2015, and a fixed value of 0.534 tons of CO₂ per MWh for fiscal 2016.

NUMBERS OF MALE AND FEMALE EMPLOYEES AND PERCENTAGE OF FEMALE MANAGERS



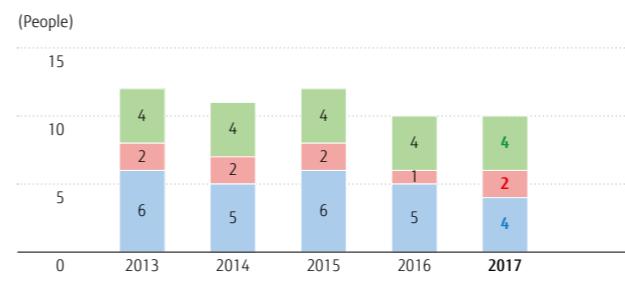
(Fiscal years ended March 31)

■ Female ■ Male — Percentage of female managers

We are proceeding with selective training for female employees and other initiatives with a view to having women account for 20% of employees and 20% of newly appointed managers by fiscal 2020.

Note: The scope of aggregation is Fujitsu Limited.

EXECUTIVE DIRECTORS, NON-EXECUTIVE DIRECTORS, AND EXTERNAL DIRECTORS

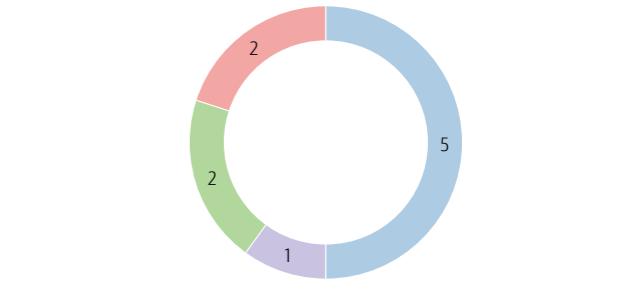


(As of June 30)

■ Executive directors ■ Non-executive directors ■ External directors

We are strengthening oversight by appointing external directors actively. Four of 10 directors were external directors as of June 30, 2017.

DIVERSITY OF THE BOARD OF DIRECTORS



(As of June 26, 2017)

■ Internal Japanese males ■ External Japanese males ■ Internal British male ■ External Japanese females

We are promoting lively discussions and enhancing objectivity by ensuring the diversity of the Board of Directors. As of June 26, 2017, the 10 members of the Board of Directors included one British male director and four external directors, two of whom are women.

MESSAGE FROM THE CHAIRMAN

We on the Board of Directors are working to meet shareholder expectations by earnestly pursuing corporate governance that improves corporate value and maps out the future vision of Fujitsu as a technology leader.

The Company's Board of Directors has, through business model transformation, carried out qualitative change and improved its effectiveness. Taking into account global diversity and the future of society, the Board is focusing its efforts on establishing a growth model that will create new value and realize sustainable growth.



Business Model Transformation That Promotes Governance "on the Offense"

As of this fall, two-and-a-half years have passed since Fujitsu began its efforts to transform its business model. In fiscal 2016, the Board of Directors continued to promote business model transformation by determining areas in which the Company should concentrate its management resources in accordance with the Management Direction and by overseeing the allocation of resources to these areas. As we have entered into the third year of these efforts, the direction of the transformation is coming into focus, and we are emphasizing an approach that goes "on the offense" with corporate governance in order to establish a new business model and create new value.

In line with the progression of our business model transformation, the nature of discussions at Board of Directors' meetings is changing as well. While my opinion may be subjective, I feel that a few years ago nearly 70% of discussions at Board meetings focused on reporting operations, with the other 30% pertaining to business strategy and future vision; however, that ratio has now flipped. In the background of this transition, we have seen various changes occur on the Board, including changes in the balance between executive and non-executive directors; diversification of director background, gender, and nationality; and deeper external director insight regarding the Company's business thanks to the effective utilization of the Independent Officers Council. Personally, I serve as both a non-executive director and chairman of the Board of Directors, and in this position, I strive to manage the Board from a neutral position. Currently, external directors are extremely vocal at Board of Directors' meetings, and I believe that this is just one example of the positive changes that are occurring as a result of our efforts to strengthen the Company's governance.

Maintaining Trust in the Leadership of the Company's President

Among the specific initiatives we are undertaking to transform our business model, there are cases where certain initiatives have taken more time to implement than we initially expected at the time we formulated the Management Direction. However, this delay is due to the fact that President Tanaka, who leads the Company's business execution, is refraining from adopting a hasty approach that pursues only superficial changes that lack substance. Rather, he is promoting efforts toward transformation with a commitment to genuine change.

We are not pursuing business model transformation simply for the purpose of enhancing our short-term profitability. The key focus of our efforts is on establishing a new growth model that can meet the current and future expectations of our customers. While we do place priority on speed, we are committed to spending the necessary amount of time it takes to explore ways to realize qualitative changes and maximize the effects of these changes. President Tanaka is steadfast in his strategic

“ As chairman of the Board of Directors, I strive to manage the Board from a neutral position. ”

preparations for establishing a new growth model, and the Board of Directors wholeheartedly supports his leadership.

Mapping Out the Future Vision of ICT and Fujitsu at the Board of Directors

We believe that Fujitsu, as a technology leader, is obligated to lead the way in determining the future vision of ICT. For example, while the use of ICT in the medical treatment field is starting to increase, ICT utilization in the fields of agriculture and sports has only just begun. To have our customers understand the true potential of ICT, it is our job to independently and aggressively propose its use.

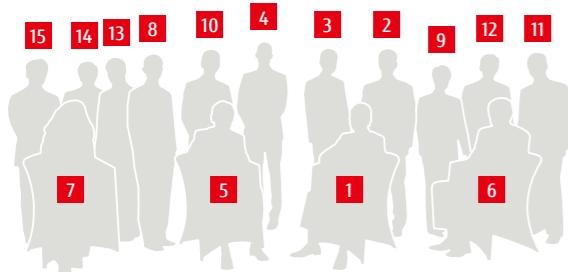
It goes without saying that, to lead the way in presenting the future vision of ICT, our employees—who closely interact with customers on a daily basis—must engage in efforts to spur innovation. While the Board of Directors must assist in these efforts as well, we also need to establish a future vision for the Company within a globally competitive environment. Accordingly, the Board has been holding meetings at various locations overseas, starting with London in February 2016 and in Silicon Valley in February 2017. Through studies of local companies and other means, these overseas visits have given us an opportunity to witness the use of cutting-edge ICT firsthand. These experiences have provided the Board with a chance to once again consider the capabilities of ICT and the approach Fujitsu should adopt, and such considerations are being reflected in the discussions at Board meetings.

Looking back over 50 years ago to the 1964 Tokyo Olympics, Japan was in the midst of rapid economic growth, and the Olympics provided an opportunity for Japan to showcase that growth to the world. In 2020, the Summer Olympics and Paralympics will once again be held in Tokyo, and I believe that it is up to Fujitsu to present the world with specific examples of the true value and enrichment that ICT can offer.

Please look forward to Fujitsu playing an active role as we continue to take on the challenge of expanding the scope of ICT use as a technology leader.

Masami Yamamoto
Masami Yamamoto
Director and Chairman

BOARD OF DIRECTORS / AUDIT & SUPERVISORY BOARD MEMBERS



1 Tatsuya Tanaka
Representative Director and President

4 Duncan Tait
Director

7 Miyako Suda
Director*

10 Atsushi Abe
Director*

13 Megumi Yamamuro
Audit & Supervisory Board Member*

2 Norihiro Taniguchi
Representative Director

5 Masami Yamamoto
Director and Chairman

8 Jun Yokota
Director*

11 Yoshiki Kondo
Audit & Supervisory Board Member

14 Hiroshi Mitani
Audit & Supervisory Board Member*

3 Hidehiro Tsukano
Representative Director

6 Tatsuzumi Furukawa
Director

9 Chiaki Mukai
Director*

12 Youichi Hirose
Audit & Supervisory Board Member

15 Koji Hatsukawa
Audit & Supervisory Board Member*

▶ For employment histories of the directors, please refer to pages 48–49.

* External and independent officer

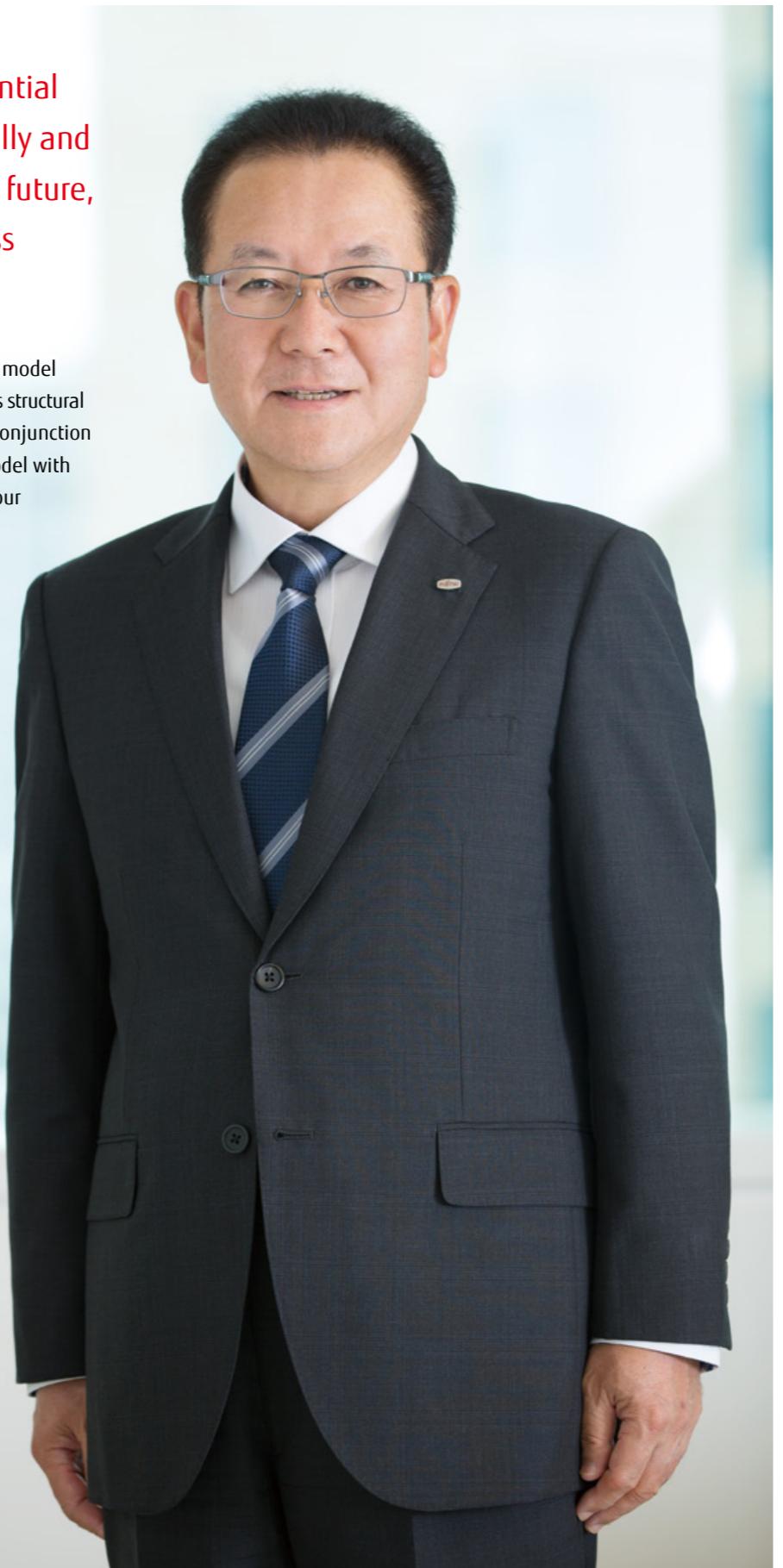
MESSAGE TO SHAREHOLDERS AND OTHER INVESTORS

To acquire the competitiveness essential for developing our businesses globally and achieve sustainable growth into the future, we will continue to advance business model transformation.

Through its Management Direction focused on business model transformation, the Fujitsu Group is implementing rigorous structural reforms that are substantively improving the Group. In conjunction with these efforts, we will establish a unique growth model with integration at its core. "Integration" means connecting our strengths, which are digital technologies and in-depth knowledge of customers' industries.

We will establish a virtuous cycle that enhances growth and corporate value. Based on digital technologies, we will focus on turning information and communication technology (ICT) into services. These efforts will then enable co-creation with customers that leads to innovation. Such innovation will, in turn, trigger the formation of new businesses and value. Completing the cycle, new businesses and value will generate further co-creation opportunities.

Tatsuya Tanaka
Representative Director and President



Progress of Business Model Transformation and Our Next Steps

We will continue to base management policy on two types of transformation: "business structure transformation" and "growth strategy transformation." We refer to this policy as the pursuit of "Connected Services." In other words, with digital technology as a base, we aim to focus investment on turning ICT into services and grow the Technology Solutions business globally. Having established the Ubiquitous Solutions and Device Solutions businesses as wholly owned subsidiaries, we will increase their independence and consider various measures to increase competitiveness.

Connected Services will be our growth driver going forward. Accordingly, we will grow with customers by using in-house specialized capabilities to engage closely with their business strategies and to offer new value. Specifically, we will combine digital technologies with our in-depth knowledge of each customer's industry and operations. Our focus on Connected Services has led customers to commission us for the provision of one-stop solutions covering initial consulting through to final delivery. The success of such projects has made us even more confident that we can improve profitability.

However, we have only completed 20% to 30% of the business model transformation. The immediate reason why progress has been slower than we initially expected is that it has taken time to build a consensus with a third party outside the Group.

Progress of Business Model Transformation Measures

	Basic strategy	Progress
Technology Solutions	Focus investment on Connected Services and realize global growth	<ul style="list-style-type: none"> In November 2016, the Group conducted absorption-type mergers of its three major systems engineering subsidiaries in Japan—Fujitsu Systems East Limited, Fujitsu Systems West Limited, and Fujitsu Mission Critical Systems Limited—and consolidated them under the management of the Global Services Integration Business, which leads the provision of Connected Services. In January 2017, the Group established the Digital Business Group in the Global Services Integration Business and consolidated in-house resources related to AI and IoT. The Group merged a business focused on cloud services for corporate customers with the Technology Solutions business. Previously the business providing cloud services for corporate customers was part of listed subsidiary NIFTY Corporation, which conducted three businesses: the ISP Business, Web Service Business, and Cloud Business. In April 2017, the Fujitsu Group transferred its entire shareholding in NIFTY's former consumer business, which conducts the ISP Business, to Nojima Corporation.
Ubiquitous Solutions and Device Solutions	Consider various measures to enhance competitiveness of each business	<p>Ubiquitous Solutions</p> <ul style="list-style-type: none"> In April 2017, the Group decided to transfer some of its stake in car electronics manufacturing subsidiary Fujitsu TEN Limited to DENSO CORPORATION. The Group is seeking to establish strategic cooperation in the PC field with Lenovo Group Limited through the continuation of negotiations aimed at maximizing synergy benefits for both companies. <p>Device Solutions</p> <ul style="list-style-type: none"> The Group used the firm demand in the semiconductor market as an opportunity to strengthen competitiveness.

A more fundamental reason for the delay is my firm adherence to a policy of avoiding easy compromises and avoiding making structural reforms an end in themselves. This stance is based on the view that maximizing corporate value is the real goal of structural reforms. I view stepping up the pace of implementation as one of my major tasks going forward.

Meanwhile, as we make progress with specific measures aimed at realizing our Management Direction and receive orders for new projects, a growth model unique to the Fujitsu Group is becoming clear and tangible. This model is based on consulting and integration initiatives in which we co-create new value with customers. Such initiatives are comprehensive, including the initial stage of identifying customer needs through to the establishment of a digital transformation concept that incorporates the latest technologies into their businesses and the realization of this concept.

In co-creation initiatives in the digital field, superior integration capabilities underpin the Fujitsu Group's unique solutions. We have always had a great deal of confidence in our technological capabilities because we were originally an industrial electronics manufacturer. Moreover, the Group includes Fujitsu Laboratories, which carries out cutting-edge ICT research. We realize competitive strength by combining this competence with a deep understanding of each customer and the industries to which they belong. Such insights are based on our leading share of Japan's system integration market for many years.

Business Results and Returns to Shareholders

In fiscal 2016, the year ended March 31, 2017, revenue decreased 4.8% year on year, to ¥4,509.6 billion; operating profit increased 6.8% year on year, to ¥128.8 billion; and profit attributable to owners of the parent rose 2.0% year on year, to ¥88.4 billion. Revenue, operating profit, and profit attributable to owners of the parent all surpassed targets. In particular, despite recognizing a ¥3.1 billion year-on-year rise in business model transformation expenses, the Group realized higher-than-expected growth in operating profit. As a result, the operating profit margin edged up 0.4 of a percentage point, to 2.9%.

In fiscal 2017, the year ending March 31, 2018, we are targeting revenue of ¥4,100 billion, which is essentially unchanged year on year if the absence of Fujitsu TEN Limited is taken into account. In addition, we anticipate year-on-year increases of 57.5% in operating profit, to ¥185 billion, and 63.9% in profit attributable to owners of the parent, to ¥145 billion. These year-on-year earnings targets also take into account discontinuation of the business of Fujitsu TEN. On April 28, 2017, the Group decided to sell shares of the company. We project a steep increase in operating profit as business model transformation expenses, which were ¥42.0 billion in fiscal 2016, are unlikely to affect earnings. The reason for this is that we expect costs to be lower in fiscal 2017 than in the previous two fiscal years, when we incurred upfront costs. In addition, we expect business model

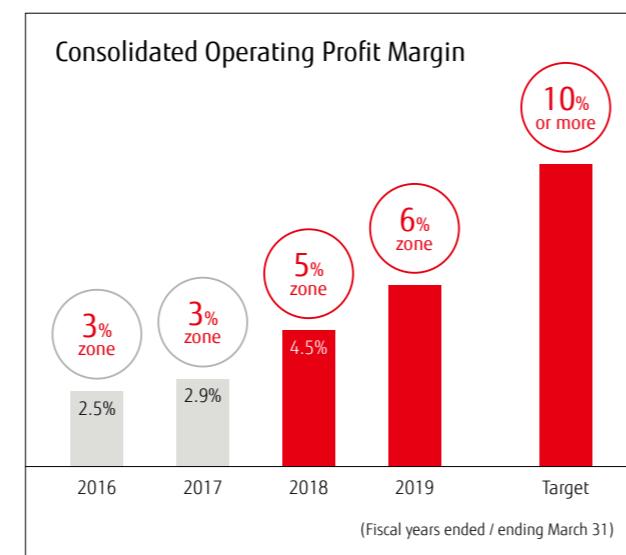
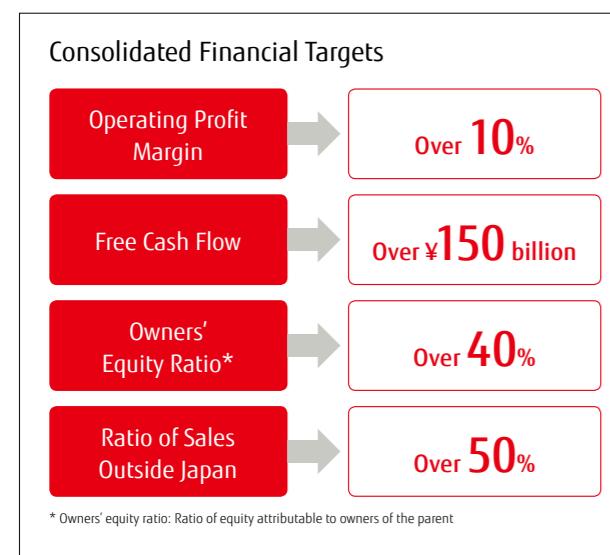
transformation expenses to be offset by the positive effect on earnings of the sale of the consumer company NIFTY Corporation as part of transformation efforts. Consequently, we expect to achieve an operating profit margin of 4.5%. Thus, we have come within reach of realizing an operating profit margin in the 5% zone in fiscal 2017, which we established as a milestone in our Management Direction.

As for returns to shareholders, our existing policy of paying stable dividends while enhancing corporate value over the medium to long term has not changed. Naturally, using cash to pay dividends to shareholders is a high priority. In fact, based on a forecast of higher earnings, we plan to increase full-year dividends from ¥9.00 to ¥11.00 in fiscal 2017. Also, if business model transformation grows businesses and increases free cash flows, we will actively consider further increases in returns to shareholders.

However, I believe that increasing dividends and acquiring treasury stock are a means of returning profits to shareholders and should not become ends in themselves. A corporate manager should focus on enhancing business results by providing high-value, competitive services and earning the endorsement and trust of customers. The rewards for such efforts are a favorable reputation in the market and a rising share price. Accordingly, we will continue to repay the trust of shareholders and other investors by growing businesses.

Fiscal 2016 Results and Fiscal 2017 Full-Year Consolidated Forecast (As of August 31, 2017)				
	Fiscal 2016 Results	Fiscal 2017 Forecast	YoY Change	YoY Change (%)
Revenue	4,132.9	4,100.0	-32.9	-0.8
Business model transformation expenses	42.0	—	-42.0	—
Operating profit	117.4	185.0	67.5	57.5
Profit attributable to owners of the parent	88.4	145.0	56.5	63.9

Note: On April 28, 2017, Fujitsu decided to sell its shares in Fujitsu TEN (Ubiquitous Solutions), and therefore revenue and operating profit for this company are not included in the forecast for fiscal 2017. For purposes of comparison, numbers shown for fiscal 2016 (actual results) also omit Fujitsu TEN's results.



Global Trends, Market Trends, and Business Strategies

Fiscal 2016 was a year in which a variety of geopolitical risks garnered attention. Given that a priority we have is to grow our digital businesses globally, we of course have to constantly monitor developments overseas. Issues that currently require a close watch include the process of the United Kingdom's withdrawal from the European Union and other trends in Europe, political trends in the United States with respect to such areas as interest rate and exchange rate policies, as well as China's economic climate and its effect on Asia's economy. However, I think that being overly anxious about geopolitical risks can impact companies negatively. Without a doubt, the digital businesses will overcome short-term fluctuations in geopolitical risks and expand over the medium to long term. At present, competition that transcends the boundaries of the traditional ICT industry is focused on establishing dominance in the digital businesses area. In these conditions, becoming paralyzed by a fear of risks would result in the loss of extremely large business opportunities.

Although the buoyancy of the digital businesses area is a global phenomenon, the opportunities that we should seize are different in each market. In the Japanese market, which is our earnings base, we believe overall conditions are likely to remain favorable in the near term. Corporate operating divisions are driving an acceleration of digitization. In industries where competition is particularly fierce, previously cautious customers have become proactive about digitization. Testimony to this change was the unprecedentedly large numbers of people from corporations' sales, marketing, and planning divisions who visited the annual Fujitsu Forum held in Tokyo in May 2017. While harnessing this momentum, under the "One Asia" framework

we will step up the pace of the introduction to Asia of know-how accumulated in Japan with respect to sales and service delivery.

In Europe, the Middle East, India, and Africa (EMEA), we will increase the efficiency of the product business even further and build alliances. For example, in March 2017 the Fujitsu Group launched a project to support digital innovation in France, which is based on a collaboration with the French government. Over five years, we plan to invest more than €50 million (about ¥6 billion) in the project. Through initiatives such as this, we will develop alliances with companies, research institutions, and start-ups that are on the cutting-edge of technological advances and expand the digital businesses.

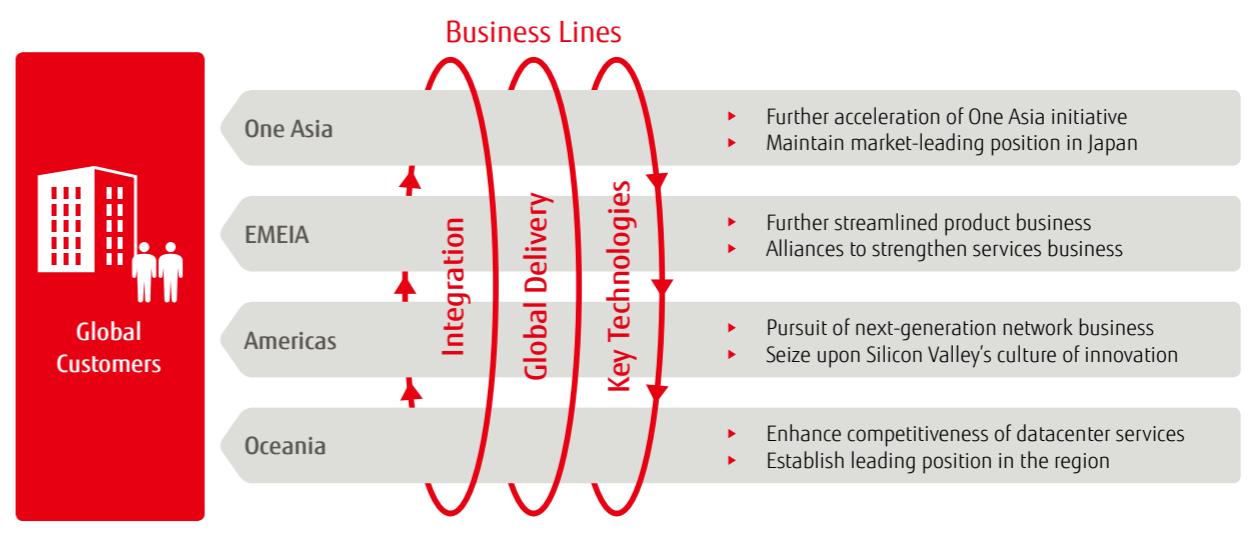
Since we restructured our management system in 2016, as well as leading EMEA, corporate senior executive vice president Duncan Tait has been leading transformation efforts in the Americas. In the region, customers' appetite for utilization of the digital businesses is very strong. Further, we have seen an increase in business discussions that are focused on the imminent arrival of practical applications for next-generation networks. In this way, our sales activities are staying a step ahead of market expansion.

In Oceania, we will provide even higher-quality services and establish a leading position in the region. In Australia, we have already decided to expand and improve our datacenters, to strengthen competitiveness.

We will accelerate expansion of the digital businesses by sharing know-how globally. To facilitate this, we are considering the establishment of common performance indicators that will enable Groupwide comparison and examination of successful examples of sales activities and delivery from each region.

Strengthen Our Foundation for Global Growth

Implement region-specific strategies in liaison with business lines



Fujitsu's Role in Society

We fulfill our corporate social responsibility (CSR) by implementing the Fujitsu Way, and, as such, CSR is a fundamental component of our business management. If a company operates a business with genuine value, this will naturally benefit society. Conversely, if a business does not have value to offer customers or, by extension, to offer society, the business will not earn the support of the market and cannot continue. Ideally, companies should fulfill CSR by interlocking business profitability with social value. In my view, such paradigms contribute most to corporate value and society.

Based on this philosophy, Fujitsu unreservedly endorses the sustainable development goals (SDGs) of the United Nations. With the power to bring happiness and help realize a sustainable society, ICT speaks to all 17 of the SDGs. Therefore, in fields where effective use of ICT can have a major impact, we want to increase our contribution to the achievement of the SDGs.

An example of a field where ICT services promise to contribute to the achievement of the SDGs is agricultural productivity enhancement. We already provide customers and business

partners in Japan and overseas with the "Akisai" cloud service for the food and agricultural industries, which use data to help grow agricultural products efficiently. This is only one service from a diverse range of ICT services that positively affect society's sustainability worldwide. The Fujitsu Group's other services include AI that assists pharmaceutical development, visualization and analysis of statistical data on disasters that enables the preparation of disaster response plans, and aggregation and visualization of energy usage data that improves energy usage efficiency. By increasing global rollouts of such services, we will grow businesses and add impetus to efforts focused on realizing the SDGs.

In the sense that it encourages the Group to act globally, support for the SDGs places the Group on the same trajectory as business model transformation, which aims to realize competitiveness globally. Putting aside revenues, the Fujitsu Group remains centered on Japan in terms of earnings. However, we must approach innovation from a global perspective if we are to realize growth on a par with that of competitors in the market of the future and maintain superior innovation capabilities

Contributing to the Achievement of SDGs through the Effective Use of ICT



The "Akisai" cloud service helps increase agricultural productivity by supporting the management of agricultural operations from production through to sales.



The "Environmental Management Dashboard" aggregates data on power usage volumes in real time and enables improvements in operational efficiency and reductions in CO₂.



Our cloud-enabled digital medical record system "HOPE Cloud Chart" promotes the sharing of medical information and contributes to regions' realization of integrated medical treatment.

going forward. Further, given that personnel are the source of innovation, the Fujitsu Group needs to attract personnel from around the world by heightening its presence and reputation as a global corporate group.

Development of Greenfield Opportunities

The purpose of our business model transformation is to acquire the competitiveness essential for developing businesses globally and sustaining growth into the future. This means expanding into new "greenfields," or areas that are yet to be developed. Such greenfields are where our performance will have an important impact.

When we announced our Management Direction in October 2015, I emphasized an ambitious target—an operating profit margin of 10%. I did this because I wanted to show our willingness to realize breakthroughs on a scale that would be impossible to achieve simply through near-term improvements to existing approaches to business. Rather than focusing on increasing the application of existing methods, we have to think about employing completely new methods that will develop greenfield opportunities. Together with all employees, I want to consider how we can close the gap between our current position and the achievement of an operating profit margin of 10%.

As part of organizational transformation aimed at expanding the digital businesses, Fujitsu introduced an ICT-enabled teleworking system covering all 33,000 of its employees in April 2017. We have introduced this system based on the belief that nontraditional workstyles and personnel evaluation systems are conducive to the development of entirely novel ideas that realize breakthroughs. Flexible workstyles that allow employees to work at home, in satellite offices, during business trips, or while traveling will encourage creativity and innovation.

In-house deliberations focused on realizing business model transformation have advanced markedly in comparison with our discussions of two years ago. A vision has begun to spread throughout the Group of being able to create value by working with customers as partners at a different level than we have previously. As I mentioned earlier, the digital businesses have already received orders that are giving this vision concrete form. A rise in such orders will establish a virtuous cycle. As well as being able to show customers examples of successful projects, the sight of a new business taking shape will stimulate us and lead to further innovation. We want to build a structure that does not treat orders as isolated events but instead shares the keys to successful projects across regional boundaries. Moreover, we want this structure to promote healthy in-house competition and global rollouts. Fiscal 2017 will be a crucial period that tests how rapidly we can create such structures, which global corporate groups should include as a matter of course.

The emergence of a society that is unable to function without ICT will give rise to major opportunities for the Fujitsu Group. I am fully committed to establishing a growth model unique to the Fujitsu Group that will enable it to take such opportunities and expand greenfield initiatives. As the Fujitsu Group moves forward, please anticipate further growth.

Tatsuya Tanaka

Tatsuya Tanaka
Representative Director and President

MESSAGE FROM A SENIOR EXECUTIVE VICE PRESIDENT



The Fujitsu Group's Advantages in Digital Businesses

In digital businesses, one of the Fujitsu Group's advantages is the insight we bring to customers' businesses and operations, accumulated as Japan's leading ICT service provider. Competence with regard to such leading-edge ICT as AI and cloud is, of course, a necessary condition, but that in itself is insufficient. What is critical to have is the conceptual ability to link ICT with customers' business strategies so as to advance true digital evolution that creates customers' future businesses. The expertise that we have garnered in customers' businesses and operations is an essential component of this conceptual ability.

In addition to this, the Group includes Fujitsu Laboratories, a research center that conducts basic research on ICT, with a long track record of developing hardware, middleware, software, and solutions from zero. As well as being critical for remaining at the forefront of digital technologies, these accumulated technological capabilities are an advantage when we need to adapt research results or technologies into forms that are useful to customers.

Reorganization Aimed at Expansion of Digital Businesses

With a view to establishing competitive superiority in digital businesses, the Group needs to take maximum advantage of its integration capabilities, which comprise accumulated expertise and digital technologies. With this in mind, we are currently strengthening organizations and personnel skills

and transforming our business model. In other words, we are pursuing "growth strategy transformation."

As part of growth strategy transformation efforts, the Group has taken a series of reorganization measures over the past year. In November 2016, the Group merged three major domestic systems engineering subsidiaries with its headquarters. This brought together 14,000 systems engineers who provide customers with services at the leading-edge of digital businesses. In January 2017, within the Global Services Integration Business we established the Digital Transformation Business Group, which specializes in helping customers digitize their operations. Then in April, we launched the Global Cyber Security Business, which oversees the cyber security field for the entire Group.

Transformation within the Group and Reinforcement of Integration Capabilities

Reorganization is only the beginning of growth strategy transformation. To further heighten our conceptual ability to link ICT with customers' business strategies, we are elevating collaboration among in-house divisions beyond previous levels and strengthening our integration capabilities. The key to the success of these initiatives is the above-mentioned Digital Transformation Business Group and its "digital innovators."

The role of digital innovators is to work with customers in considering issues and using digital technologies to co-create innovations. To advance digital innovation, digital innovators draw on a range of resources inside and outside the Group. Specifically, they form teams that include systems engineers

well versed in customers' operations; receive support from cyber security specialists, who have become more mobile with the establishment of the Global Cyber Security Business; utilize the results of research and development; and collaborate with external partners as required.

Attitudes to digital businesses have changed dramatically in the past couple of years not only among digital innovators but also among systems engineers and other Group employees. I believe this change reflects a growing realization among all Group employees that sustaining growth and becoming a corporate group with the ability to co-create value with customers and lead their digitization efforts through the use of advanced digital technologies are one and the same thing. The greatest testament to this change is the tangible intensification of open innovation activity—essential for digital businesses—at various sites. One such site is FUJITSU Knowledge Integration Base PLY,* established for the advancement of co-creation.

* A base established at Fujitsu Solution Square in Ota-ku, Tokyo, that regularly holds "ideathons" and "hackathons" with the aim of creating new ideas and software.

Road to Higher Profitability

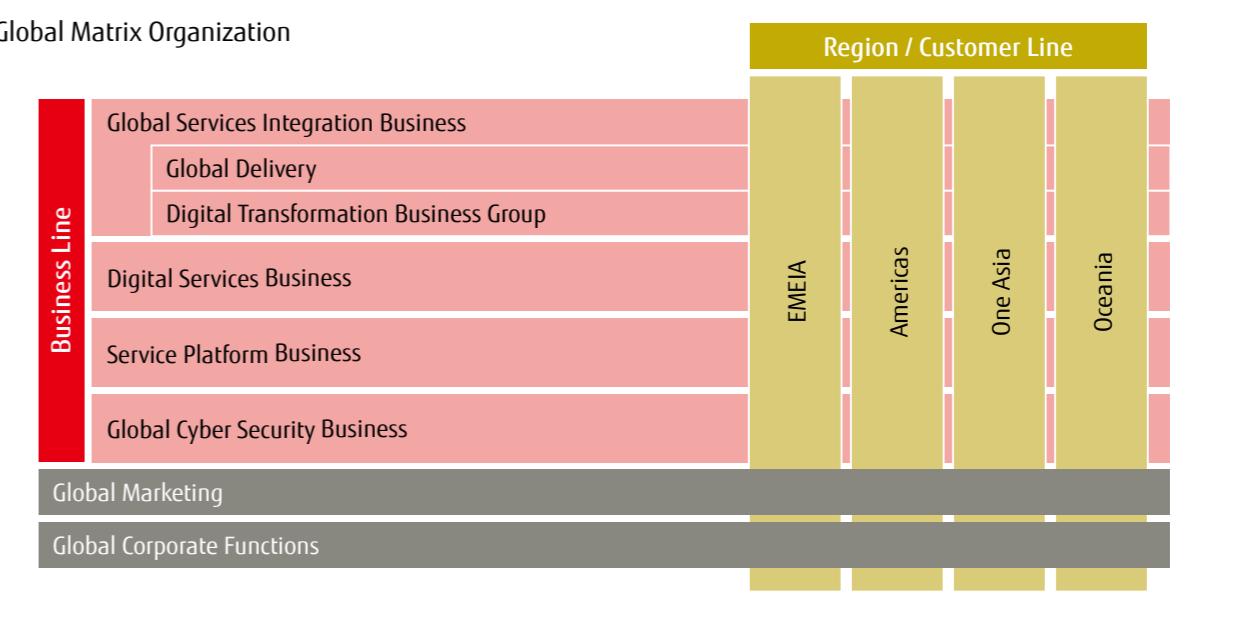
Digital businesses help increase profitability by creating more business opportunities. This is due to the fact that digital businesses cannot exist without data to underpin them or without systems to store, manage, and analyze this data, which means

that expanding digital businesses leads directly to more business opportunities related to the system development, construction, and operation field. In this field, the Fujitsu Group has an absolute advantage in terms of experience, technologies, and competitiveness, which are necessary to secure profitability. Therefore, as we establish a new business model, we will be able to increase profitability steadily.

The biggest hurdle to increasing profitability is overseas businesses. In fiscal 2016, focusing on Europe, we converted employees' skill sets. At this juncture, the benefits of this conversion are difficult to see because lower earnings are offsetting cost reductions that are resulting from the conversion. However, we envision raising profitability by leveraging employees' skill sets to provide more business application services, which are based on digital technologies.

Aiming to realize the above scenario in about two years, we are strengthening support for frontline operations that are tasked with engaging customers and expanding digital businesses in each region. Specifically, we are increasing the personnel and capabilities of Global Delivery Centers to reinforce them as hubs of digital technology know-how and best practices. Also, we will deepen external partnerships and continue enhancing solutions provision capabilities that are essential for the expansion of business application services.

Global Matrix Organization



MESSAGE FROM A SENIOR EXECUTIVE VICE PRESIDENT



Profit Structure after Business Model Transformation

Through business model transformation, the Fujitsu Group aims to establish competitiveness that will underpin it in the generation 30 years from now. The first step in this process is to strengthen earning power. Our average operating profit margin was only 2.7% in the 10 years through fiscal 2015, when we launched the Management Direction that is driving business model transformation. If we do not increase our earning power, we will be unable to heighten corporate value in the current competitive environment. Consequently, we are tackling transformation with a sense of urgency.

The current competitive environment has a character that is clearly different from that of the past. Competition for supremacy in the digital business field extends beyond IBM, Microsoft, and other traditional ICT companies. Competitors include over-the-top (OTT) service providers that offer various types of service mainly via the Internet, such as Amazon, Google, and Facebook; service providers that specialize in consulting and delivery, with Accenture being a well-known example; and telecom carriers in Japan and overseas that are extending their business areas into the services field. Against this backdrop, it is logical to reexamine our advantages and implement rigorous selection and concentration accordingly.

Through the selection and concentration of its business portfolio that is accompanying business structure transformation, the Group is selling noncore businesses or establishing them as wholly owned subsidiaries. In conjunction with these efforts, we are pursuing growth strategy transformation,

which is heightening the specialization and delivery capabilities of core businesses while transforming their cost structures. As a result of the above measures, major changes are underway in the Group's profit structure. Going forward, we will increase the autonomy of the Ubiquitous Solutions and Device Solutions businesses. Meanwhile, we will establish digital services as a growth driver in and outside Japan during the period in which conventional services—such as the construction and renewal of large-scale systems and the integration of software—are able to continue generating a steady level of earnings.

Benefits of Business Model Transformation

From fiscal 2017, we will transition from a phase of transformation implementation to a "cruising" phase, and we expect the benefits of business model transformation to manifest as improvements in terms of the three below types of numerical measures.

First, we aim to establish a profit structure that continually generates operating profit of at least ¥200 billion. Utilization of Global Delivery Centers and other rigorous measures to reduce fixed costs are steadily building a profit structure that can consistently generate operating profit above ¥200 billion regardless of short-term economic trends such as market fluctuations.

Second, we aim to achieve the consolidated performance targets for operating profit margin, free cash flow, and owners' equity ratio that are set out in the Management Direction. Given progress relative to various operational benchmarks, I feel that we can advance close to targeted levels for all three of these indicators in fiscal 2018.

The third numerical measure is the percentage of sales outside Japan, which we aim to increase on a consolidated basis in accordance with the Management Direction. As a result of restructuring noncore businesses, the percentage of sales outside Japan in fiscal 2016 was 36.5%, down from approximately 40% before the beginning of business model transformation. Going forward, we will grow service businesses, which have been performing briskly thanks to changes in the regional management system, and raise the percentage of sales outside Japan to 50% while maintaining and increasing earnings levels in Japan.

Cash Allocation and Shareholder Returns

In fiscal 2016, free cash flow surpassed ¥100 billion for the first time in six fiscal years, reaching ¥104.8 billion. Furthermore, free cash flow of ¥120 billion is projected in fiscal 2017. In fiscal 2015 and fiscal 2016, respectively, the Group recognized business model transformation expenses of more than ¥40 billion. In fiscal 2017, however, we expect gains on sales of businesses in the period through March 2018 to offset business model transformation expenses.

As for cash allocation, investment for growth will remain a high priority. We have earmarked cash for investment in businesses, including investment in M&As aimed at expanding digital businesses, and for securing talented personnel and developing technologies. In addition, the introduction of an incentive scheme based on stock options is under consideration for personnel who will lead businesses that use AI and IoT for digital innovation and other future businesses.

With respect to shareholder returns, in fiscal 2016 we raised

our initial target, increasing annual dividends from ¥8 to ¥9 per share. From fiscal 2017, while giving priority to dividends and in light of share price trends and the timing of business divestitures and M&As, we will consider measures to further increase shareholder returns.

Organizational Management for Growth

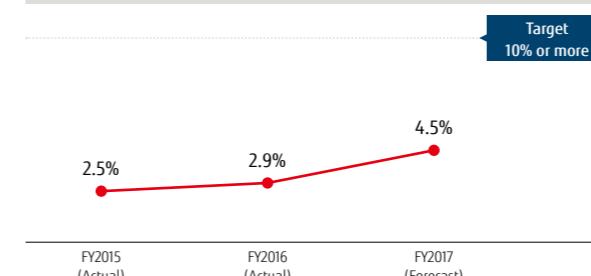
As the vice president in charge of global corporate management, I believe that establishing in-house rules is an effective method of creating corporate value. Here, I am referring to rules that break through obstacles to global growth and unify and align transformation efforts toward a common purpose. For example, one idea is to advance globalization from within the organization by creating a system that ensures all Fujitsu Group employees in Japan experience working abroad.

Establishing appropriate rules is essential to avoid "organizational slackening," which is the greatest risk going forward. While strengthening structural profitability so that we can post earnings constantly, I will remain vigilant for any signs of a lessening of our sense of urgency and determination with regard to transformation. The Group's corporate divisions will manage organizations effectively to maintain and increase the momentum of transformation efforts.

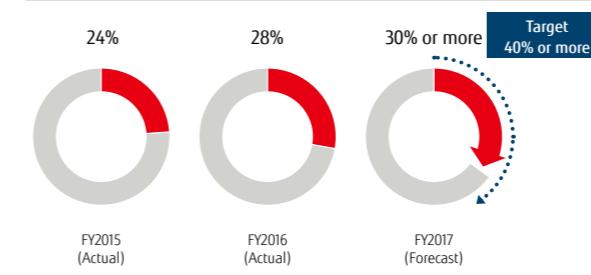
I view the senior management team as the bearer of the Fujitsu Group's corporate DNA. As such, we are committed to exhaustively implementing appropriate actions to ensure that we pass on to the next generation outstanding assets and businesses as well as an organization that creates corporate value continually.

Fiscal 2015–2016 Financial Results and Fiscal 2017 Forecast

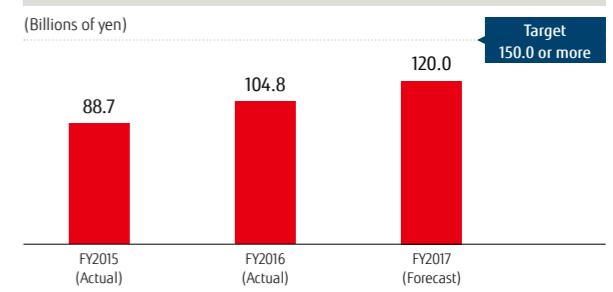
Operating Profit Margin



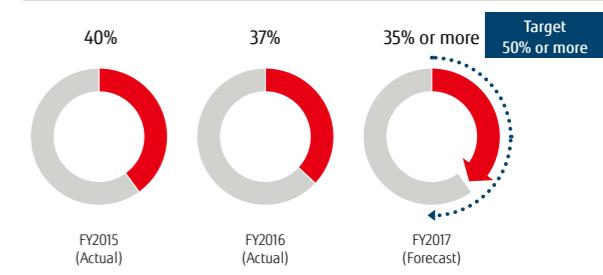
Owners' Equity Ratio



Free Cash Flow

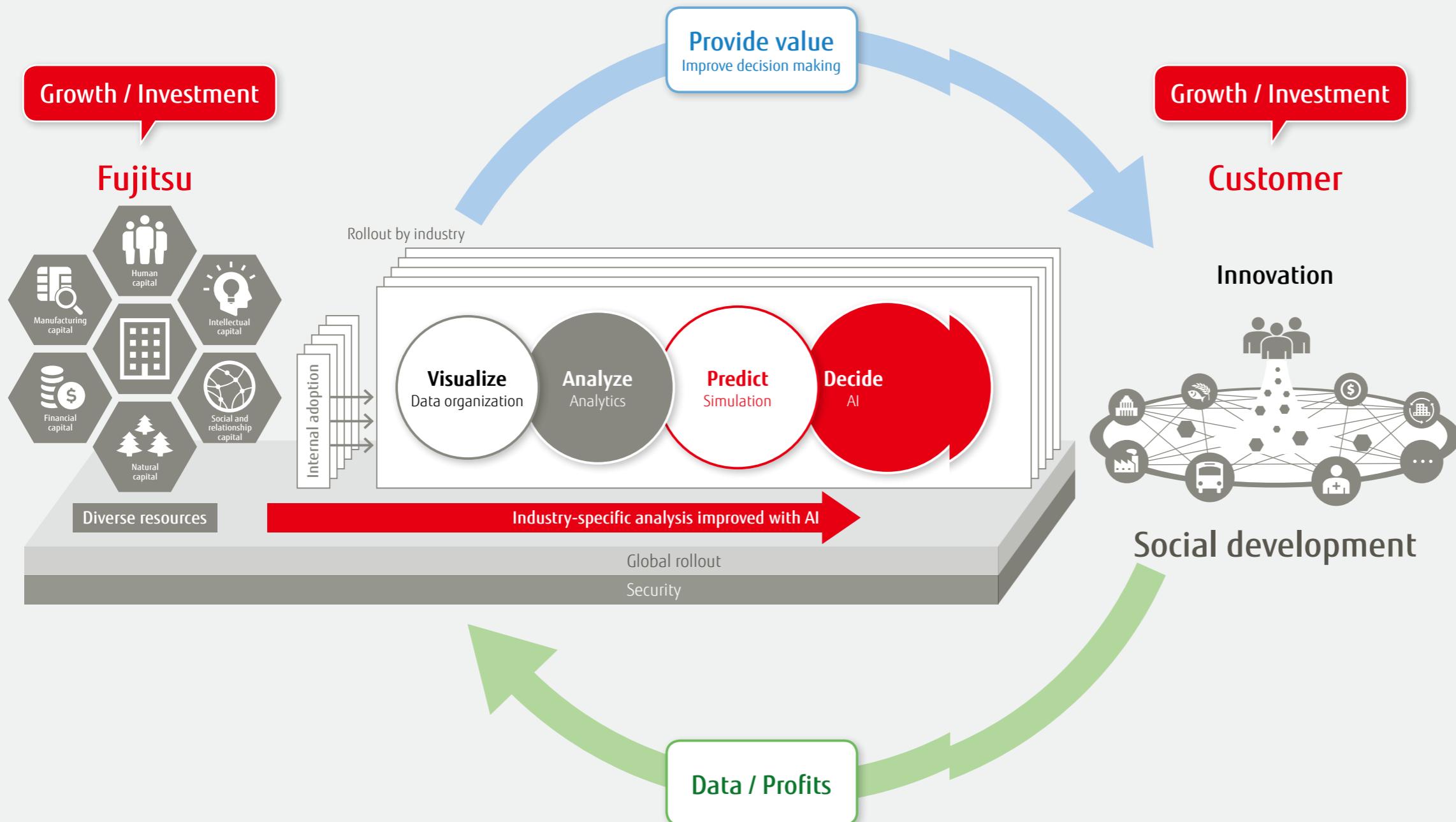


Percentage of Sales Outside Japan



CREATING VALUE THROUGH DIGITAL INNOVATION

With its sights set on creating new value in the IoT era, the Fujitsu Group is restructuring to focus on services and expanding global businesses. This section reports on the progress of business model transformation.



Digital technologies are transforming businesses, society, and daily life. In particular, innovation based on the latest technologies is likely to play a large role in enabling society to progress by helping it address a host of issues.

The Fujitsu Group will co-create new value by combining its ICT capabilities with customers' expertise or with know-how in other sectors of society. In these efforts, we will provide customers with "Connected Services," which we realize by

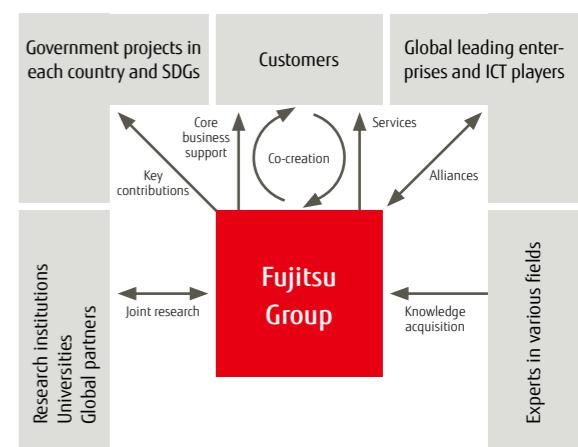
using digital technologies to turn ICT into services. Specifically, the Group will provide secure ICT platforms throughout customers' value chains. Then, we will organize and visualize the huge amounts of data that accumulate when all aspects of customers' operations are interconnected. Finally, we will use AI to enable customers to increase the sophistication of their decision making.

The above-mentioned measures will strengthen the operations of customers and support their formulation of innovations. Moreover, the resulting growth of customers and society will spur reinvestment of the benefits in digital innovation. In this way, we will establish virtuous cycles that create value of ever greater magnitude. In other words, our goal is to continue growing with all stakeholders.

Establishing Ecosystems Focused on Connected Services

Realizing Connected Services is the Fujitsu Group's basic growth strategy. Based on digital technology-enabled ICT services, we will advance co-creation with a wide spectrum of stakeholders, including international institutions, national governments, private-sector companies, research institutes, and NGOs. These initiatives will build global ecosystems that elicit innovation and thereby provide society with new value.

Further, as the leader of these ecosystems, the Fujitsu Group aims to establish mutually beneficial relationships among respective stakeholders. At the same time, we will redouble efforts to increase and improve the technologies, personnel, and new service delivery systems required to support these initiatives.



TECTONIC SHIFT TOWARD EXPANSION OF DIGITAL BUSINESSES

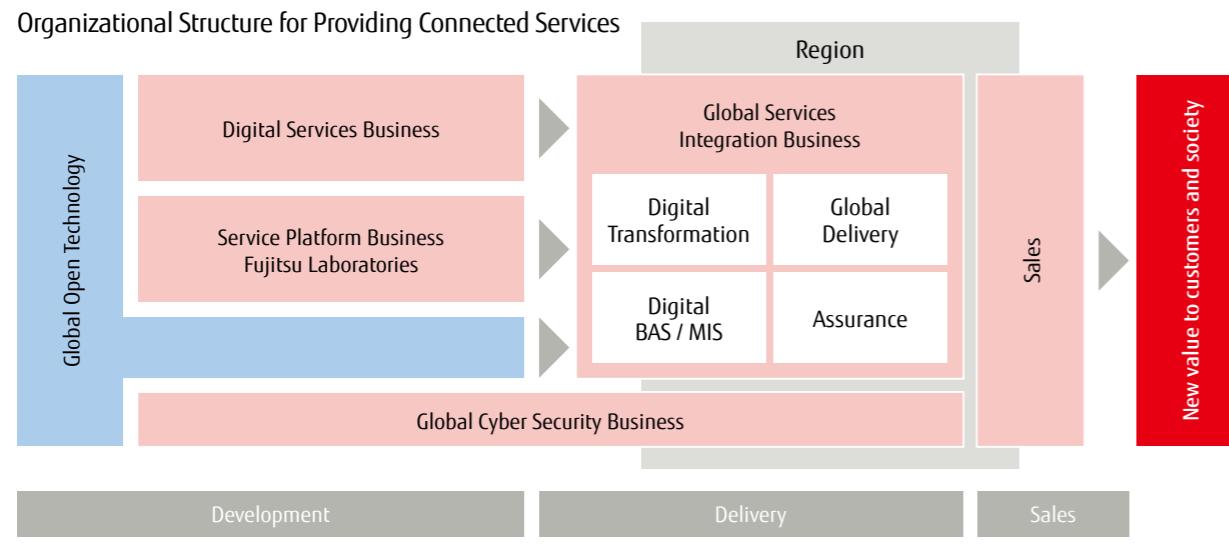
The Fujitsu Group is building a new business model with digital businesses at its core. Our goal is to realize innovation with customers by becoming deeply involved in their business processes as a partner. In these collaborations, we will provide customers with "Connected Services," which combine cloud computing, IoT, AI, and other digital technologies as well as an array of technologies and expertise we have accumulated as an ICT company. To achieve the above goal, the Group is creating frameworks aligned with the aims of the new business model. As part of this undertaking, we have established a new organization that is spearheading efforts to further digital businesses, and we are fostering personnel who specialize in the advancement of co-creation with customers.

Strengthening Organizations That Promote Digital Businesses

System integration (SI) services have been the Fujitsu Group's earnings mainstay since the 1990s. In providing these services, we work with customers' information system divisions to automate operations and increase their efficiency and productivity by developing and operating core systems. By necessity, our organization has become optimized for the construction of large-scale core systems and the provision of other SI services.

To sustain growth, however, by the second half of the 2020s at the latest we must establish a new business model that leverages digital businesses—rather than our existing SI services—as a growth driver. Therefore, we need to optimize our organization and personnel so that they are ideally suited to providing Connected Services, which entail partnering with customer companies' corporate planning or operating divisions and exploiting digital technologies to co-create value. With this in mind, we have been restructuring our operations to change organizations and mindsets and to expand digital businesses.

Organizational Structure for Providing Connected Services



Global Services Integration Business

Digital Transformation Business Group

The Fujitsu Group will grow digital businesses into an earnings mainstay. We will achieve this by combining leading-edge technologies with our in-depth knowledge of customers' operations. Moreover, we will foster "digital innovators" who explore future businesses with customers and spearhead innovations.

Kazuo Miyata

Corporate Executive Officer
EVP, Head of Digital Transformation Business Group



Leveraging Integration Capabilities to Co-Create New Value

In rapid succession, the world is seeing the emergence of disruptive business innovations that are centered on digital technologies and which are breaking down industry barriers. Realizing such innovations requires the co-creation of new value that connects customers' operations with the latest technologies. Thus, we are moving into a fundamentally different era from that of the SI business, which provides ICT solutions to known issues and is centered on core systems.

At present, I feel that we need to be able to realize customers' management reforms by leveraging digital technologies. One significant advantage the Fujitsu Group enjoys is its ability to connect core systems, or Systems of Record (SoR), with new systems that utilize IoT devices—Systems of Engagement (SoE). This advantage stems from expertise that we have accumulated as a leading provider of ICT services in Japan.

We have launched the Digital Transformation Business Group to form a team dedicated to developing solutions and platforms that are based on the capabilities of our digital businesses. We aim to transform customers' businesses by advancing proof-of-concept trials that we have been conducting over the past few years.

The key to transforming customers' businesses lies in the development of "digital innovators" with mindsets, skills, and know-how suited to digital businesses. Our goal is to become an overall coordinator and producer of co-creation initiatives that we tackle with customers and which cover interrelated activities stretching from gathering information, identifying issues, and formulating ideas in situations without requirement parameters through to the implementation, verification, and monetization of services. To this end, from among in-house engineers we have selected 210 prospective "digital innovators" in fiscal 2017. In three years' time, we hope to have fostered 1,200 of these specialists.

Rather than pursuing short-term sales, the Digital Transformation Business Group's mission is to adopt a long-term viewpoint, rigorously support customers' operations, and become indispensable to them. Therefore, we have introduced different benchmarks than those we use for the SI business. For example, we use repeat rates instead of sales as a key performance indicator. Also, we intend to develop personnel and establish a track record by changing training frameworks, compensation systems, workstyles, and other systems to better suit digital businesses. I believe that establishing a strong track record is very important to the success of new digital businesses because it proves that digital technologies can support customer companies' innovation.

Our SI business has the No. 1 share of Japan's market. With support from the computer hardware business, which was the Group's earnings mainstay at the time, 104 systems engineers initiated the SI business in the 1970s. The business has grown to encompass 30,000 systems engineers at Fujitsu and Group companies. The SI business can probably continue as the Fujitsu Group's earnings mainstay until the second half of the 2020s. Mindful of this, the Digital Transformation Business Group will lead efforts to establish digital businesses as another earnings mainstay by then.

Global Delivery Group

Global Delivery Centers (GDCs) will help accelerate the development of the Fujitsu Group's businesses worldwide by providing cost-effective, quality services and by functioning as global solutions hubs linking the Group's overseas bases.

Hidenori Furuta

Corporate Executive Officer
EVP, Head of Global Delivery Group



Transforming the Service Delivery Model through Greater Use of GDCs

GDCs are IT service delivery bases that operate offshore and which are tasked with providing personnel, tools, and services to customers worldwide. In 2014, we established Global Delivery (now the Global Delivery Group) and consolidated service delivery functions under it. At the same time, we consolidated these functions, which had been dispersed worldwide, in countries and regions where we could secure highly cost-effective, talented personnel. Currently, GDCs in eight countries provide quality services that are cost competitive and standardized. Further, by sharing best practices globally, these bases support the Fujitsu Group's global business expansion.

GDCs have expanded steadily due to increased use of the bases in each region or country, including in Japan. At the time of their establishment, GDCs had 5,000 personnel and currently have more than 10,000. We have been steadily expanding the scale of our GDC operations by establishing new locations and developing existing ones.

Going forward, GDCs will help accelerate the development of businesses worldwide by accumulating more expertise and sharing it among bases and by functioning as global solutions hubs to an even greater extent. Also, we aim to build an IT service delivery model that enables us to compete globally in the digital businesses era. To this end, GDCs will step up their use of IoT, AI, cloud, and other digital IT.

At present, as one strategic goal of GDCs, there is the active engagement of staff from our operations in Japan, which is to be encouraged, but the primary point is to leverage differences in personnel expenses to heighten cost competitiveness. The process of making greater use of offshore GDCs promises to visualize, standardize, and increase the efficiency of work that has become dependent on sites in Japan. Also, using offshore GDCs will introduce to Japan international best practices that they have accumulated. In addition, we will train Japanese personnel who can work globally by having them work with the international personnel based at GDCs.

For GDCs, meanwhile, working with operations in Japan will enhance the performance of GDCs as global solutions hubs that help strengthen business application delivery in each region. This enhancement will result from GDCs' adoption of approaches to project management and systems for quality management and improvement in Japan and from the accumulation of insights into the types of industries and operations prevalent in the country. We plan to increase personnel at GDCs that engage with Japan-based customers to roughly 4,000.

Combining the strengths of operations in Japan with the know-how and international best practices that they have accumulated through global operations, GDCs will be fully equipped for the digital era and poised to evolve into a unique asset and advantage of the Fujitsu Group that international competitors cannot match. Increased utilization of GDCs will not only transform the global IT service delivery model but also the entire Fujitsu Group.



President Tatsuya Tanaka and EVP Hidenori Furuta visiting our GDC in Poland

Solution & Service Business Assurance Unit

To ensure the speed and flexibility required in the digital age, we are working to spur innovation while minimizing unprofitable projects. In doing so, we will contribute to further improvements in profitability going forward.

Tomoko Tsukahara

SVP, Head of Solution & Service Business Assurance Unit



Minimizing the Impact of Unprofitable Projects on Our Business Performance

While Fujitsu is focusing its efforts on digital businesses, the system integration business continues to represent the core of the Company's profits. It is therefore extremely important for Fujitsu to secure profitability in the system integration business in order to carry out continuous investment, including the development of human resources, aimed at establishing a new business model. To this end, the Company must give the utmost priority to minimizing unprofitable projects. The Solution & Service Business Assurance Unit is a specialized body that makes proposals for reviewing contracts and management methods for projects that are deemed to be high risk with the aim of preventing projects from becoming unprofitable from a Companywide perspective. In this way, the unit helps the Company improve its profitability.

The Solution & Service Business Assurance Unit was established over 10 years ago. The unit was established as a result of a large number of projects becoming unprofitable and putting significant downward pressure on Fujitsu's overall profits. Under the direction of the Company's top management, rules related to the project management process were established and a framework was created to prevent projects from becoming unprofitable. Currently, the Solution & Service Business Assurance Unit examines the approximately 300 system integration projects Fujitsu undertakes each year, evaluating them from a third-party perspective to determine whether or not their quality and project management processes conform to the Company's rules. However, as not all projects are subject to examination, the Solution & Service Business Assurance Unit is working to gradually expand the scope of its operations. Also, in November 2016 the Fujitsu Group conducted absorption-type mergers of its three major systems engineering subsidiaries. At the same time of this integration, the Group revamped the structure of its Global Services Integration Business. Accordingly, the Solution & Service Business Assurance Unit is now moving forward with the creation of a new, post-integration structure for examining projects.

When carrying out its examinations, the Solution & Service Business Assurance Unit creates a "score" for the initial risks of

each project. The unit then uses this score to promote activities aimed at identifying high-risk projects that have the potential to become unprofitable. Leveraging the know-how it has accumulated since its establishment, the unit is enhancing the precision of its examinations, thereby making it possible to identify high-risk projects from their initial stages. Although the Solution & Service Business Assurance Unit does not have the authority to terminate a project, it shares information on high-risk projects with the Company's management at review meetings for large-scale system integration projects, which are held each month. In these ways, the unit helps the Company determine steps for improving profitability from the initial stages of a project.

Up until June 2017, I was involved in system integration projects within the field of finance, and therefore have an understanding of the concerns and issues pertaining to the provision of ICT services. Based on my experience and understanding, I not only intend to examine projects from a third-party perspective, but I would also like to respond to requests for establishing improvement measures aimed at correcting and resolving issues in the event they are identified.

The expansion of digital businesses present new challenges for the unit. Until now, we in the Solution & Service Business Assurance Unit have looked to the waterfall model as the precedent for software development, but it is now time to transform our approach in accordance with the Company's digital businesses. Speed and flexibility are a must for digital businesses, and it is important that the unit does not obstruct these characteristics in any way. In the agile model for software development, which we aim to adopt going forward, it is crucial to break the progress of a project into short, clearly defined increments. Additionally, it is necessary to identify risks related to new technologies and formulate appropriate measures to control them. Through in-house collaboration, starting with the Digital Front BG, the Solution & Service Business Assurance Unit will continue to enhance its ability to support Fujitsu's digital businesses and contribute to improvements in profitability.

Global Cyber Security Business

Serving as the control tower for Fujitsu's cyber security, we will continue to protect the appropriate flow of data, which supports the core of Fujitsu's Connected Services, and to promote the creation of value within cyberspace.

Naoyoshi Takatsuna

SEVP, CISO
Head of Global Cyber Security Business



Fujitsu Laboratories

We promote digital co-creation through cutting-edge technologies, and continue to generate innovation for the happiness of people all over the world.

Shigeru Sasaki

CEO
Fujitsu Laboratories Ltd.



Aiming to Resolve the Security-Related Concerns of Our Customers

Cyber attacks are becoming more sophisticated and intense by the day, and the threat of these attacks presents a significant issue not only for Fujitsu but also for our customers and society as a whole. We at Fujitsu recognize that cyber security forms the core of our Connected Services and we have therefore positioned cyber security as a key area within our Management Direction.

In April 2017, we established the Global Cyber Security Business, which serves as a control tower that oversees the Fujitsu Group's overall cyber security business. Under a globally unified business strategy, the division is moving forward with the integration and continuous strengthening of Fujitsu's security services.

We aim to relieve our customers of their security-related concerns, thereby realizing a society in which both Fujitsu and its customers can concentrate on their respective core businesses—in other words, innovative activities that lead to the resolution of social issues and that create value—without having to worry about the negative aspects of cyberspace.

To this end, we are stepping up to establish services that allow customers in Japan and overseas to entrust Fujitsu with all security-related aspects of their businesses. Specifically, we are providing a lineup of services on a global basis that help ensure system

security throughout the stages of system design, construction, and management.

Fujitsu's strength lies in its ability to leverage the experience it has gained constructing numerous systems throughout its long-standing relationships with its customers, which allows us to propose and realize comprehensive security for customer systems and the users of those systems. To further enhance this strength, the Global Cyber Security Business is establishing and strengthening a structure for collaboration with the Global Services Integration Business, thereby working to enhance the added value of Fujitsu's system proposals from the perspective of security. Additionally, we will leverage the strong employee base of the Fujitsu Group, consisting of 155,000 employees, to globally strengthen and apply R&D technologies within in-house practices. We will also work to cultivate and leverage "Security Meisters," who possess sophisticated security-related knowledge. In these ways, we will provide our customers and society at large with an even stronger foundation for security, thereby pursuing efforts to make the Fujitsu Group an indispensable presence in the world.

Transforming the World with Cutting-Edge Digital Technologies

We at Fujitsu Laboratories are taking on the challenge to develop cutting-edge technologies, and based on our insights of the future and the world, will work to solve issues faced by society.

We have introduced the "Hyperconnected Cloud"—a future digital business platform for digital co-creation—as our technological vision. With this vision in mind, we focus on eight emerging technologies at Fujitsu Laboratories for leading the IT industry, and are pursuing strategic R&D activities.

Among these technologies, we are particularly focusing on "Computing Revolution." There are a large number of issues that cannot be resolved by using current computing technologies, such as complicated decision making performed by humans and finding the optimal data combination from a large amount of data. These issues also include improving radiotherapy for cancer and ensuring the security of international financial transactions.

Fujitsu Laboratories has developed the "Digital Annealer," which uses conventional digital circuits to perform computations by using quantum-inspired technology and can derive a highly accurate optimal solution from an abundance of data combinations at a practical calculation speed. The "Digital Annealer," we believe, can resolve a wide range of real-world issues and improve people's lives around the world.

The next technology we are focusing on is "Explainable AI." Artificial intelligence has been employed in a variety of businesses and is becoming a part of people's daily lives, and the full-scale introduction of AI is likely to occur in the near future.

However, the deep learning method—a machine learning method used in AI—is limited by the fact that it does not enable AI to explain the reasoning behind the decisions it makes.

To address this issue, Fujitsu Laboratories integrated "Deep Tensor," which performs deep learning on graph data, with "Knowledge Graph," which represents big data collected from around the world in a graph expression, and successfully demonstrated explainable AI that can clarify the reasoning behind decisions. By applying this brand-new technology within Human Centric AI Zinrai, Fujitsu Laboratories is contributing to the various businesses of Fujitsu.

In addition, various other innovative technologies of Fujitsu Laboratories, such as "Connected Digital Place," which connects data from a variety of industries, and "Nine-Sensecomputing," which is a computing technology for understanding human feelings, have seen widespread use and are being applied within digital services.

To solve the broad range of social issues in the world, it is necessary for us to achieve digital co-creation on a global scale. In this way, Fujitsu Laboratories is currently promoting open innovation within its 124 projects in Japan and its 34 global projects in 11 countries outside Japan. By creating synergies through the combination of exceptional expertise and ideas from around the world and the technologies and experience we possess, we will drive forward "Human Centric Innovation" for the happiness of people all over the world.



1	Computing revolution Digital Annealer	2	Explainable AI Deep Tensor + Knowledge Graph
3	Data-driven platforms connecting various industries Connected Digital Place	4	Dramatic increase in the number of connected things Zero Limitation Networking
5	System transformation for the connected world Microservice Transformation	6	Data reliability assurance Borderless IoT Security
7	Understanding human feelings, emotions, and illusions for human-machine collaboration Nine-Sensecomputing	8	Fusion of physical and chemical Materials Informatics

Fujitsu Laboratories' Eight Emerging Technologies for Leading the World

Innovation Case Study

To Realize a Society That Is Fully Prepared for Major Disasters

Through co-creation that leverages digital technologies, the Fujitsu Group seeks to bring form to the future and to realize a sustainable society. This section introduces examples of the new value the Group is creating through collaboration with external organizations with the aim of achieving goals shared by society as a whole.

Background

In recent years, major natural disasters have been occurring more frequently in countries around the world due to global climate change. As a result, these disasters have become a major obstacle to sustainable development as well as economic and social growth. Particularly, social and economic damage has continued to intensify as natural disasters become more severe. To mitigate the risks related to disasters, it is necessary to consider a multi-layered approach based on global collaboration between industry, government, and academia.

At the Third UN World Conference on Disaster Risk Reduction, held in March 2015, the Sendai Framework for Disaster Risk Reduction* was adopted in which UN Member States each agreed to work to achieve seven targets by 2030, including the reduction of the number of disaster-related deaths, the number of disaster victims, direct economic losses, and damage to vital infrastructure.

The Seven Global Targets

- 1 Substantially reduce global disaster mortality
- 2 Substantially reduce the number of affected people globally
- 3 Reduce direct disaster economic loss in relation to global gross domestic product (GDP)
- 4 Substantially reduce disaster damage to critical infrastructure and disruption of basic services, among them health and educational facilities
- 5 Substantially increase the number of countries with national and local disaster risk reduction strategies by 2020
- 6 Substantially enhance international cooperation to developing countries through adequate and sustainable support for implementation of this Framework
- 7 Substantially increase the availability of and access to multi-hazard early warning systems and disaster risk information and assessments

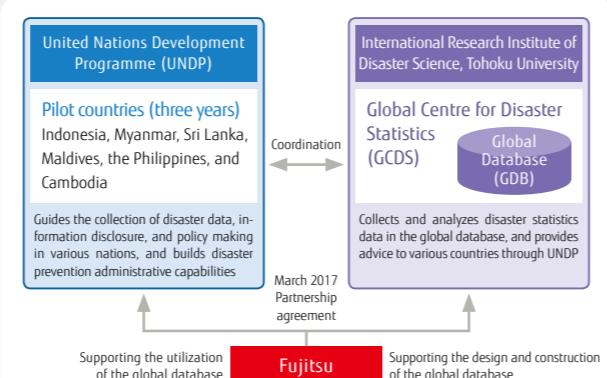
In order to monitor the state of progress in achieving these goals and evaluate their state of completion, it is necessary for each Member State to prepare certain basic statistical data on damage from disasters. However, there is a lack of globally shared statistical data, making it difficult to utilize data to formulate plans and countermeasures. Accordingly, the United Nations Development Programme (UNDP) and Tohoku University's

International Research Institute of Disaster Science (IRIDeS) established the Global Centre for Disaster Statistics (GCDS) in April 2015 to provide such data. In March 2017, Fujitsu agreed to form a partnership with these organizations to provide technological support for building and operating a new global database (GDB) at the GCDS.

* An outcome document adopted at the Third UN World Conference on Disaster Risk Reduction, held in March 2015 in Sendai, Japan, which sets four priority action items and seven targets to be achieved by 2030

Partnership Details

Under the GDB project, the UNDP guides the collection of disaster data, information disclosure, and policy making in developing nations. The IRIDeS stores the statistical disaster data collected by Member States at the GCDS, performs data analysis, and provides disaster management advice to each State through the UNDP. In this partnership, Fujitsu will provide its Fujitsu Cloud Service K5 to the global database the GCDS is



Conference with pilot countries regarding the GCDS (Bangkok)

building, thereby establishing a platform for the accumulation of statistical disaster data. Moreover, Fujitsu will oversee the management of the GDB and offer donations to support improvements to disaster management administrative capabilities in developing nations.

Current Status and Future Outlook

In fiscal 2017, as progress was made in the development of the GDB, a conference was held by the UNDP, the IRIDeS, and six pilot countries. At this conference for the GDB project, relevant parties from each country shared the issues pertaining to disaster statistics and the related measures, while debating the overall vision of the GDB project.

In addition to creating a disaster damage statistics database for six developing nations in Asia by 2019, the GDB project will be expanded to 20 nations in the Asia-Pacific region from 2020 and beyond, contributing to a reduction in damage from major natural disasters around the world.

Aside from this project, Fujitsu is collaborating with various organizations in the field of disaster management, making such

efforts as providing simulations of tsunami-related damage via supercomputers and offering systems for sharing disaster-related information using smartphones. In these ways, Fujitsu is helping to reduce the risks arising from disasters.

Fujitsu is working with its global partners in a variety of fields to pursue innovation aimed at resolving worldwide social issues, including natural disaster mitigation. Through such co-creation measures, Fujitsu is contributing to the realization of a sustainable world for the future.



Measuring river levels using smartphones and AR technology in Manado, a city in North Sulawesi Province, Indonesia

Forming Partnerships for Innovation

WBCSD

The World Business Council for Sustainable Development (WBCSD), a body headed by the CEOs of around 200 global corporations, aims to build sustainable communities through business activities. Fujitsu has become a member of this initiative and is active as a corporate board member of the WBCSD's Social Impact Cluster and the Sustainable Cities Leadership Project. Through the Social Impact Cluster, Fujitsu is advancing initiatives relating to business and human rights while the Sustainable Cities Leadership Project provides the impetus behind the Sustainable Mobility Project, a sub-project targeting concepts and designs for sustainable urban transport systems. Through these initiatives, Fujitsu is working to resolve a range of issues in communities worldwide.



Peter Bakker, President and CEO of the WBCSD, and Masami Yamamoto, Fujitsu Chairman, during Mr. Bakker's visit to Fujitsu in June 2017

French Government

To accelerate innovation in France, Fujitsu is promoting an alliance with the French Government and Business France, the national agency supporting the international development of the French economy. Through this alliance, in March 2017, Fujitsu, together with numerous leading technology companies, research institutions, and other organizations in France, launched an initiative focused on innovation. Fujitsu is making efforts to establish a Center of Excellence (CoE) that will focus on the field of AI. The Company is also promoting joint research on AI with the French research institute Inria. Additionally, Fujitsu is bolstering its collaboration with start-up companies and working to cultivate human resources with digital expertise. In promoting these projects with France, Fujitsu intends to invest over €50 million (approx. ¥6 billion). The results achieved through these projects, such as new technologies and exceptional human resources, will be leveraged across France and in other countries and utilized to strengthen Fujitsu's digital innovation going forward.

Sustainability Management

In both the global society and the digital society, the business conditions in which Fujitsu operates are evolving dramatically. Gaining an acute understanding of these changes that will enhance our sustainability as a company will more and more require us to listen, and to reflect, the voices of our stakeholders to our own efforts to transform our business. This section introduces an overview of our initiatives in this area.



MESSAGE FROM THE HEAD OF CORPORATE ENVIRONMENTAL AND CSR STRATEGY

Starting from the perspective of our customers and social development, we will create a cycle for enhancing capital strength both inside and outside the Company as we pursue sustainable growth.

Nobuhiko Sasaki

SEVP

CSO & Head of Global Strategy, Global Marketing, Corporate Communication, Corporate Environmental and CSR Strategy



To develop our business as a global company, it is necessary for us to constantly have a perspective that includes our customers and, in a greater sense, society and the world at large. In recent years, there has been a heightened interest in global agendas such as the Paris Agreement on climate change and the Sustainable Development Goals (SDGs). In light of this trend, corporations are being expected to more actively pursue more solutions to global issues through their products and services. To accommodate this, it has become essential for companies to incorporate sustainable corporate management throughout the entire value chain, including environmental initiatives, cyber security, and supply chain management.

As the diagram on pages 22 and 23 demonstrates, at the core of Fujitsu's business model is visualizing and analyzing customer data using the latest technologies and digital innovations, and transforming this data into new value. In addition, with our customers and social development as our starting point, we aim to create a cycle in which various resources are reinvested both inside and outside the Company, enabling us to

proactively realize sustainable growth. To this end, we will continuously pursue efforts to strengthen human capital, which is vital for realizing business transformation centered on services; social and relationship capital, which is indispensable in establishing business ecosystems; and intellectual capital, which represents the source of our strengths in technology. Moreover, through the optimal combination of these capitals on a global scale, we will work to maximize their respective capabilities.

We are committed to enriching the lives of people around the world through ICT. That commitment is first and foremost predicated on making sure that our corporate activities do not negatively impact society in any way. Accordingly, it is indispensable to our organization that we constantly review our activities through engagement with our stakeholders on a global scale and work to enhance transparency as a corporation. Going forward, we will consider the best methods for continuing to be an organization with high levels of awareness as we work to fulfill our obligations and responsibilities as a member of society.

HUMAN RESOURCE MANAGEMENT

Our People

People are Fujitsu's most valuable asset. Our stance is to place importance on our employees, with each and every one being able to fulfill their potential. We seek to create a corporate environment where diverse opinions and values are respected and accepted, and people are motivated and engaged.

Workforce Composition

As of March 31, 2017, the Fujitsu Group had approximately 155,000 employees worldwide. On a non-consolidated basis, there were 33,095 Fujitsu employees with an average age of

43.1 years, while 16.1% of employees were female. During fiscal 2017, we intend to hire approximately 750 new employees.

Diversity and Inclusion

Knowing that new innovation is the key for Fujitsu's business growth, we place emphasis on an environment where people can openly express opinions based on their personal values.

We provide leadership training and career development seminars to support active participation by female employees, and to achieve our goal of having women account for 20% of newly appointed management. In addition, to contribute to a society in which women can play a more active role, we affirmed our commitment to the Women's Empowerment Principles, which have been laid out by the United Nations Entity for Gender Equality and the Empowerment of Women. We also participate in the New York Academy of Sciences' 1000 Girls, 1000 Futures program. Through this program, women in leadership roles at Fujitsu's worldwide locations volunteer to mentor female students aspiring to a career in science, making efforts to encourage their growth.

Health Management

The Fujitsu Group believes that employee well-being enables people to achieve personal growth and maximize performance. We regard the health of employees and their families as an important management issue.

Our initiatives toward health management have received high praise, with Fujitsu, PFU Limited, and Fujitsu Marketing Limited being recognized by the Ministry of Economy, Trade and Industry and the Nippon Kenko Kaigi under the 2017 Certified Health and Productivity Management Organization Recognition Program's large enterprise category (White 500).



For employees whose circumstances involve childcare or caring commitments, we are supporting their work-life balance and career development by providing necessary information and holding events while improving our policies and practices.

In addition, Fujitsu was awarded the gold award of the Pride Index by the private organization "work with Pride," for achieving all indicators in Japan's first LGBT index. Based on our fundamental approach of diversity and inclusion, "We are all different, and we are all unique," we continue to foster a corporate culture where all Fujitsu employees embrace their differences and grow together.



The White 500 highlights companies that give consideration to employee health from a management perspective and make strategic efforts toward maintaining health.

Following this, we have published the Fujitsu Group Health Statement to support employees' efforts to manage their own health and to promote Health Management in conjunction with our workstyle transformation and diversity management initiatives.

We have also appointed a Chief Health Officer (CHO) who will provide support for maintaining and improving the health of employees and their families on an organizational level. To truly embody our corporate philosophy of enriching society through ICT, we will contribute to the improved health and productivity of employees, customers, and society as a whole by providing ICT services to support our customers' Health Management.

Developing Leaders to Drive Innovation

The Fujitsu Group believes that leaders are critical for strategically driving the growth of its global businesses and create an organizational culture that encourages employees to tackle challenges head on. To develop these kinds of leaders, we make efforts to identify high-performing and high-potential individuals at the earliest opportunity and accelerate their professional growth by providing them with a wide range of experience.

As part of these efforts, we implement global talent management initiatives. In these initiatives, the Head of divisions / regions leads the creation of succession plans of critical roles and development plans for their talent. These are presented and

discussed with the president, focusing on the best development plan for talent who can manage and lead Fujitsu in the future.

We are also taking steps to identify and develop leaders of the next generation, drawing on opinions from inside and outside the Company to identify individuals with high potential and a high level of leadership competencies, and implementing the best plans for developing these individuals. Furthermore, we provide leadership development programs to selected candidates to enhance their skills and competency so that they can lead innovation.

Developing Millennials

The Fujitsu Group believes it is important to develop young employees of the millennial generation who will become leaders of the future. To this end, we are committed to engaging young talent and continuously supporting them in developing their careers with a sense of personal growth.

To provide support for self-career development of our young employees, we encourage individual growth through various methods, including coaching and mentoring. Going forward, we will strengthen our efforts toward in-house career development in such ways as enhancing our internal shuffle and rotation systems,

which provide employees who wish to take on new challenges with opportunities to work in different positions.

Also, to have employees achieve the necessary mindset and capabilities for carrying out business on a global level, we implement training programs that target approximately 300 young employees each year. Additionally, we offer further support to young employees to help them develop their career and play a more active role on a global basis through such means as dispatching employees overseas to participate in OJT programs.

Developing Our Digital Marketing Talent

Fujitsu is focusing its efforts on transforming the marketing activities of its B-to-B client companies that utilize digital technologies. To this end, we are assembling specialized talent internally as well as externally who have Human Centric mindsets and are capable of planning and implementing digital solutions that are better tailored to our customers. This specialized talent is recognized and trained to tackle roles that go beyond IT, including Business Producers, who provide support for planning and implementing marketing strategies

that cover everything from operational processes to organizational creation; Data Engineers, who represent the group of systems engineers that are able to respond to the agile software development method; Curators, who are professional data scientists; and Service Producers, who fully understand the operational issues of customers and engage in solution planning and development. These professionals are leading and accelerating the digital shift of our marketing initiatives.

Workstyle Transformation

With the aim of enhancing productivity through the professional growth of employees, the Group has been accelerating workstyle transformation since the start of fiscal 2017. In April 2017, we expanded a telework system to all employees and have been working to establish and expand satellite offices. In these ways, we are putting in place a system as well as infrastructure that supports a wide variety of employee workstyles. Transforming workstyle will help us reform our organizational culture.

Rather than focusing solely on reducing working hours, we are holding discussions at an organizational level regarding the ideal approach to workstyle transformation and the issues we must tackle to make that approach successful. Through these discussions and other activities, we hope to reform our line-management style and raise the awareness of our employees.

Going forward, we will develop Fujitsu's unique workstyle using digital tools, and apply the acquired knowledge to offer competitive solutions to our customers around the globe.

RISK MANAGEMENT

Our Approach to Risk Management

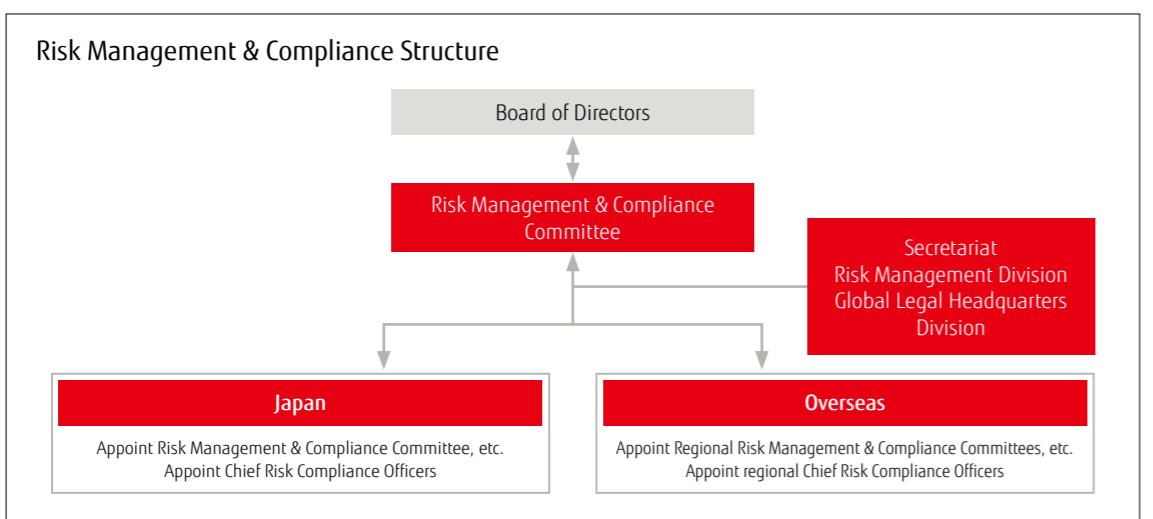
Through its global activities in the ICT industry, the Fujitsu Group continuously seeks to increase its corporate value and to benefit its customers, local communities, and all other stakeholders. We give high priority to assessing and responding appropriately to risks that threaten the achievement of our objectives, preventing materialization of these risks, and establishing measures to minimize the effect of materialized risks and prevent their recurrence. Moreover, we have built a Groupwide risk management and compliance system and are committed to its continuous implementation and improvement.

Development of Our Risk Management and Compliance Structure

To prevent the risk of loss materializing during business execution, to respond appropriately to risks that materialize, and to prevent their recurrence, the Fujitsu Group has established a Risk Management & 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 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 it to both guard against potential risks and mitigate risks that have already materialized.



Risk Management Process

The Risk Management & Compliance Committee, which maintains regular communications with Chief Risk Compliance Officers, identifies, analyzes and evaluates the risks of business activities, 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. The committee also regularly reports risks identified, analyzed, and evaluated as important to the Board of Directors.

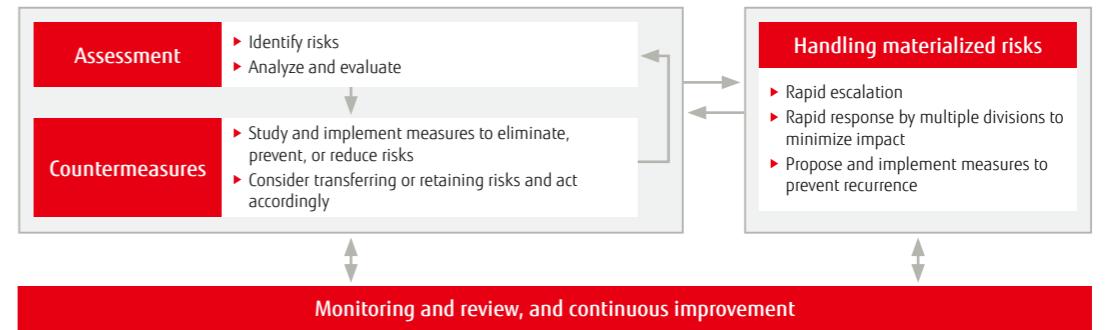
The Risk Management & Compliance Committee also prepares responses to the materialized risks despite the implementation of various preventive measures. If a critical risk

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 division 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 & Compliance 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 Process



Business Risks and Other Risks of the Fujitsu Group

The Fujitsu Group identifies, analyzes, and assesses risks inherent in business activities and takes steps to avoid or

mitigate the effects of these risks. In addition, we have established processes for responding to materialized risks.

Principal Risks

1. Economic and financial market trends	<ul style="list-style-type: none"> Risk associated with changes in the economic trends of mainstay markets Risk associated with the inability to predict market changes accurately and risk associated with greater-than-expected market volatility Risk associated with the effect of exchange rate fluctuations on import and export transactions and risk associated with a decrease in assets or an increase in liabilities as a result of exchange rate fluctuations Risk associated with an increase in funding costs due to interest rate changes Risk associated with the impairment of assets under management due to a slump in the stock market
2. Customers	<ul style="list-style-type: none"> Risk associated with changes in ICT investment trends among customers Risk associated with the inability to continue trust-based, transactional, or contractual relationships with customers
3. Competition and industry	<ul style="list-style-type: none"> Risk associated with loss of competitiveness due to changes in market or competitive conditions Risk associated with a decrease in competitive advantages with respect to R&D
4. Suppliers and partnerships	<ul style="list-style-type: none"> Risk associated with impediments resulting from the procurement of inferior quality products Risk associated with tight component supply due to natural disasters or other unpredicted events Risk associated with the inability to continue cooperative relationships with respect to partnerships, alliances, or licensing and risk associated with the inability to gain from such cooperation
5. Statutory regulations, government policies, and tax	<ul style="list-style-type: none"> Risk associated with increased adaptive costs and business opportunity losses arising from the strengthening of, or changes in, statutory regulations or government policies in countries where the Group has businesses
6. Other business execution	<ul style="list-style-type: none"> Risk associated with defective products and services and risk associated with delivery delays or unprofitable projects Risk associated with the inability to gain adequate return on R&D investment, capital investment, or investment in business acquisition or business reorganization Risk associated with license fees, settlements, or litigation resulting from the infringement of a third party's intellectual property rights Risk associated with the inability to employ or develop required personnel, such as managers and engineers, and risk associated with the inability to prevent a loss of personnel Risk associated with soil or groundwater pollution at plants and risk associated with inappropriate handling of hazardous chemicals Risk associated with earthquakes, water damage, fire, demonstrations, or operational errors at the facilities of operating bases, plants, or datacenters in Japan and overseas Risk associated with a lowering of the credit rating of the Fujitsu Group as a result of its failure to reach earnings targets or deterioration in its financial position Risk associated with the infringement of related laws and regulations in Japan and overseas and risk associated with being the subject of litigation in relation to business execution
7. Natural disasters and sudden events	<ul style="list-style-type: none"> Risk associated with the inability to continue businesses due to natural disasters or accidents, including earthquakes, typhoons, and water damage, or the spread of infectious diseases (including the increased frequency or effect of the above-mentioned due to climate change) Risk associated with the effect on businesses of conflicts, terrorism, demonstrations, strikes, or political instability in the countries or regions where the Group has businesses

COMPLIANCE

Compliance Promotion

The Risk Management & Compliance Committee supervises compliance matters globally for the entire Fujitsu Group. The committee appoints a Chief Risk Compliance Officer who is tasked with executing policies and decisions concerning compliance, together with maintaining the Global Compliance Program (GCP) and coordinating with the Regional Risk Management & Compliance Committees. This works to raise awareness of our Fujitsu Way Code of Conduct, and to its adherence, throughout the Group.

The Fujitsu Way Code of Conduct

The Fujitsu Way* includes a Code of Conduct, with which all Fujitsu Group employees must comply.

Fujitsu has also rolled out 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. These standards, available in 20 languages, are applied uniformly across the Fujitsu Group.

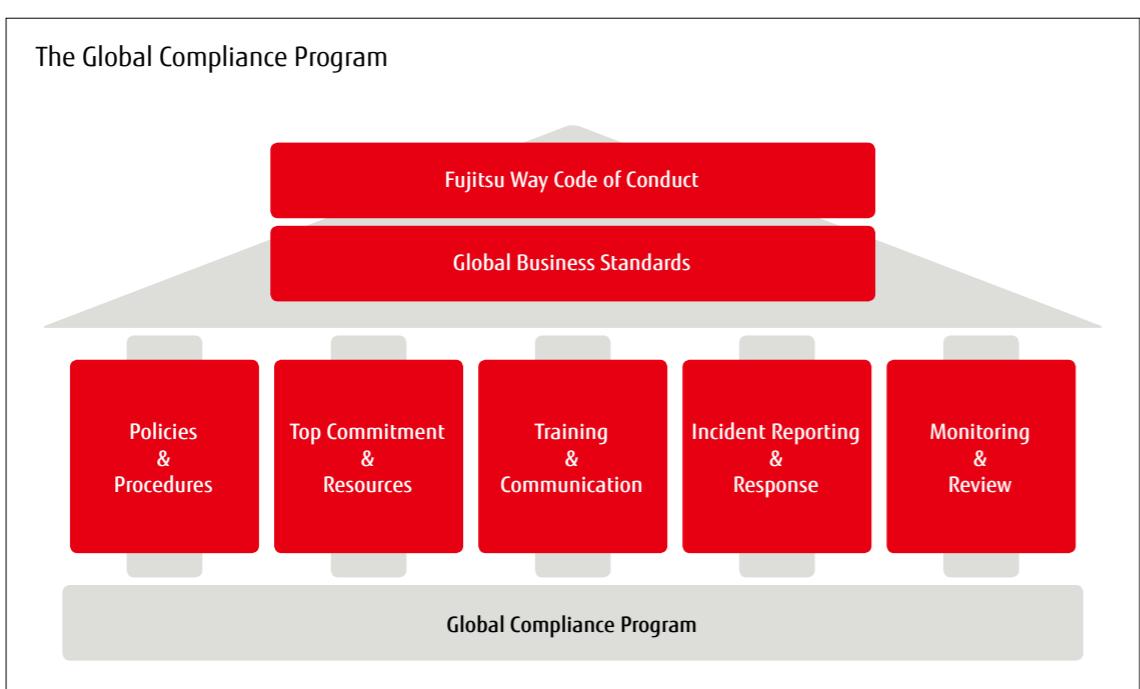
* See pages 2-3 for details of the Fujitsu Way.



The Global Compliance Program

In order to promote and implement the Fujitsu Way Code of Conduct and the 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 activities concerning compliance into five pillars, clarifies items that Fujitsu should continuously work on, and seeks to promote 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.



Compliance Activities

1. Policies & Procedures	<ul style="list-style-type: none"> Fujitsu and Group companies in Japan have established the Compliance Policy to enforce compliance and enact sustainable improvement in our corporate value. We established more specific and detailed regulations and guidelines based on the Policy for issues with significant impact on business: antitrust, anti-corruption, and antisocial forces. In overseas entities, we issued the General Compliance Guidelines, corresponding to the Compliance Policy in Japan, as above, along with global guidelines on competition law, and other guidelines concerning the prevention of bribery. In addition, we have developed an online third-party due diligence process that is being used by major overseas Group companies.
2. Top Commitment & Resources	<ul style="list-style-type: none"> Fujitsu promotes top management's commitment to compliance through messages to employees and other communications. We have also assigned compliance officers to each region and have formed a global network with local risk and compliance officers, in order to secure a structure to execute our GCP. The compliance officers from overseas Group companies meet annually at the Global Compliance Forum to share and discuss headquarters' policies concerning the execution of GCP, as well as share their experiences in risk management and compliance. Also, the risk and compliance officers at Fujitsu and domestic Group companies meet annually at the Risk and Compliance Seminar to share updates and know-how related to risk management and compliance.
3. Training & Communication	<ul style="list-style-type: none"> The Fujitsu Group continually conducts various training and awareness-raising activities including an annual e-learning program for executives and employees. In fiscal 2016, Fujitsu and domestic Group companies provided an e-learning course with a documentary drama introducing Fujitsu's antitrust case referenced below in order to increase the effectiveness of the training. We also conducted a series of face-to-face training for over 3,700 employees of the public sector business and other sales divisions. For overseas Group companies, we provide e-learning courses on antitrust/anti-competition and on the GBS in 20 languages to 51 overseas Group companies, while taking into consideration the laws, customs, and business conditions within each country. We also conducted anti-bribery training in South Korea following the enactment of a significant anti-bribery law in September 2016. We conduct face-to-face training for high-risk entities and divisions as required.
4. Incident Reporting & Response	<ul style="list-style-type: none"> The Fujitsu Group operates the Compliance Line/Fujitsu Alert for both internal and external reports. The Compliance Line/Fujitsu Alert handles reports and provides consultations for all employees in the Fujitsu Group (including retired, seconded, contracted, part-time or other short-term employees as well as temporary staff). Both domestic Group companies and overseas Group companies operate internal reporting systems. Reports to Fujitsu Alert are accepted in 20 languages, at any time, on any day. Moreover, we opened a Compliance Line for Suppliers in Japan to handle reports and inquiries from the employees of companies that directly supply Fujitsu and domestic Group companies with their products, services, or software, etc. Our whistleblowing system forbids any and all retaliation against any individual or supplier who reports an incident or violation, and meticulous care is taken in handling the information so as to preserve their anonymity. If the issue raised is substantiated, the relevant practice or issue is corrected and measures are taken to prevent recurrence. The status of key compliance issues is reported regularly to the Risk Management & Compliance Committee and the Board of Directors.
5. Monitoring & Review	<ul style="list-style-type: none"> Through risk assessments and audits, we periodically check the efficacy of the GCP and work to continually improve it. Fujitsu has started reviewing audit plans to confirm observance of the Antimonopoly Act, and we will implement a more effective audit program by incorporating opinions from external experts. Outside Japan, Fujitsu headquarters' compliance team conducts risk assessments by visiting Group companies in countries and regions with a high risk of corruption. Through 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.

Responses to Compliance Matters

In July 2016, Fujitsu Limited was found to have violated the Antimonopoly Act with regard to order coordination for communication equipment for electric power systems from Tokyo Electric Power Co., Ltd. (TEPCO), and received a cease-and-desist order and a surcharge payment order. Following the detection of the TEPCO case, Fujitsu swiftly conducted an internal investigation and found that similar coordination had been conducted for orders from Chubu Electric Power Co., Inc. Subsequently, having received approval by the Board of Directors, Fujitsu swiftly applied for immunity or a reduction in the surcharge. As a result, Fujitsu was fully exempted from payment of the surcharge and was not subject to a cease-and-desist order. In February 2017, it was, however, found to have violated the Antimonopoly Act regarding transactions with Chubu Electric Power.

Fujitsu deeply apologizes for all the concern that it has caused by letting this regretful incident occur.

Fujitsu took disciplinary action against the employees who

took part in the violations, and reduced the salaries (10%-30% of monthly salaries for 3 months) of 7 executives including the chairman and the president, based on a resolution of the Board of Directors.

Immediately following the detection of the TEPCO case, the president swiftly declared that all bid rigging and cartel behavior would not be tolerated, and has sent repeated messages to all executives and employees. Fujitsu also conducted compliance training, as mentioned above.

Furthermore, in Japan, Fujitsu has 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, and is working on creating an environment that fosters zero tolerance for bid rigging.

Going forward, Fujitsu will continue to strengthen the compliance activities based on this program and strive to prevent recurrence in order to quickly win back trust.

INFORMATION SECURITY MANAGEMENT

Ensuring Information Security

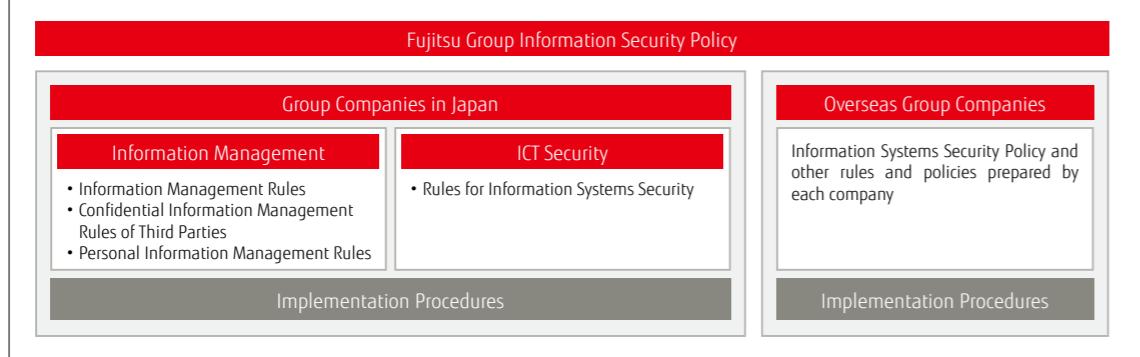
Bearing in mind that ICT constitutes a fundamental part of the Fujitsu Group's business, the Fujitsu Group maintains information security throughout the Group and also proactively strives to maintain and improve its customers' information security through Fujitsu's products and services, thereby contributing to the Fujitsu Way, our corporate philosophy that articulates a desire for "a network society that is rewarding and secure."

Information Security Policy and Related Rules

Based on the Fujitsu Group Information Security Policy, each Fujitsu Group company around the world prepares internal policies for information management and ICT security and implements information security measures. Under the shared global Fujitsu Group Information Security Policy, we have

prepared policies relating to information management and information security for the Group companies in Japan. Overseas Group companies individually create and prepare rules and policies in accordance with the regulations of the respective country.

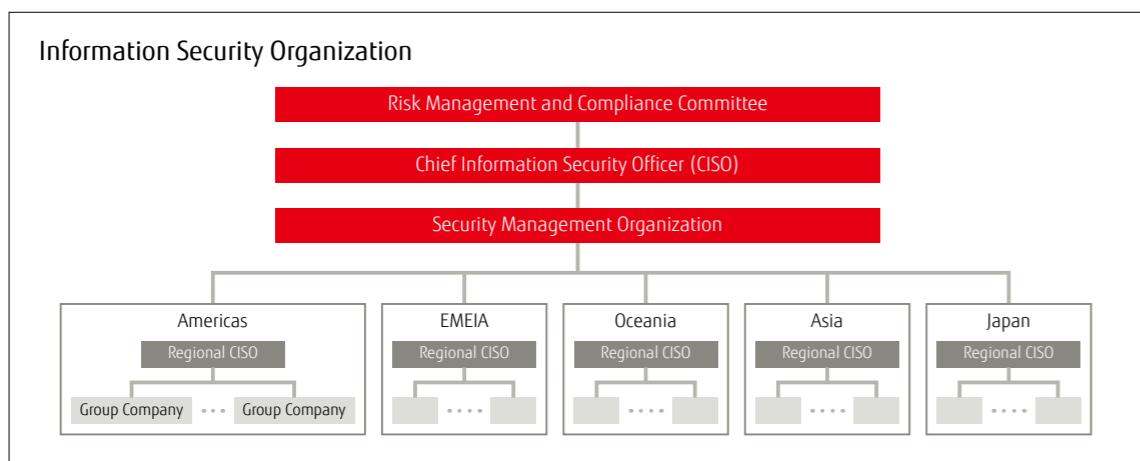
Information Security Rules Framework



Information Security Organization

In order to further strengthen its security measures in response to the recent trend of increasing cyber attacks, Fujitsu appointed a chief information security officer (CISO) under the authority of the Risk Management and Compliance Committee.

Moreover, in aiming to strengthen the Group's global information security management governance that supports our global ICT business, we have appointed regional CISOs around the world.



Three Priority Measures for Information Security Based on the Concept of "Defense in Depth"

Cyber attacks in recent years, exemplified by "advanced persistent threats (APTs)," have become more sophisticated, diverse, and complex, while conventional single-layer security measures are no longer able to completely defend against them. The Fujitsu Group has adopted the concept of "defense in depth" as its basic concept for information security, which utilizes a multilayer defense mechanism with several different defense measures instead of one.

The Fujitsu Group has adopted three priority security measures to protect internal information: "information management," which aims to protect information; "cybersecurity," which is centered on measures that protect systems against cyber attacks; and "physical security," which prevents unauthorized access to offices, factories, and other facilities.

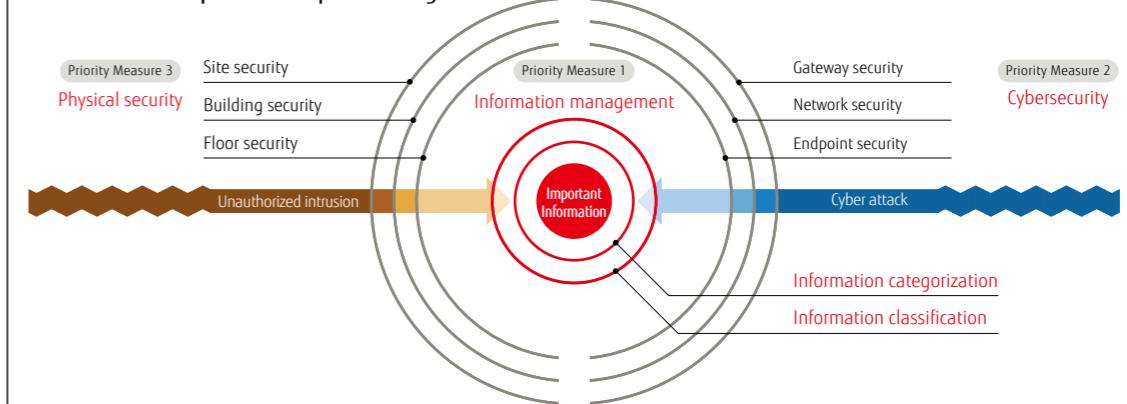
As for "information management," the Fujitsu Group has established a set of rules for handling information circulated

internally, by which information is categorized, appropriately managed, and utilized. Furthermore, Fujitsu ranks the seriousness with which information should be handled in terms of legal requirements, value, and importance, defining rules for how information should be protected.

Regarding "cybersecurity," the Fujitsu Group carries out separate measures at different layers, such as gateway security measures, which include firewalls and measures against APTs; network security measures, which include unauthorized access detection; and endpoint security measures, which include malware countermeasures and security patch management.

For "physical security," Fujitsu takes measures to provide security at worksites including factories and individual office floors, not just at the entrances of offices, using security cards and surveillance cameras.

"Defense in Depth" Conceptual Image



Personal Information Protection

Fujitsu acquired the "PrivacyMark" in August 2007, and has continuously worked to strengthen its personal information protection framework, which includes handling personal information involving annual training and audit information. Fujitsu Group companies in Japan also acquire the PrivacyMark when necessary, and work to ensure personal information management. On the websites of overseas Group companies, privacy policies are posted that are designed to meet the laws and social requirements of each country. As data continues to

circulate in higher volumes on a global basis, the Fujitsu Group will make efforts to strengthen the personal information protection frameworks of each Group company to ensure that personal information is protected in a more secure and smooth manner.



For further details on information security management, please refer to *Fujitsu Group Information Security Report 2017*.
<http://www.fujitsu.com/global/about/resources/reports/securityreport/2017-securityreports/>

CSR IN THE FUJITSU GROUP

CSR at Fujitsu is practiced by implementing the Fujitsu Way. In all its business activities, in applying the Fujitsu Way in light of the expectations and needs of multiple stakeholders, the Fujitsu Group contributes to the sustainable development of society and the planet. Our CSR initiatives focus on the five challenges below. In addressing these challenges, we demonstrate a commitment to responsible business operations as a global ICT company.

For further details on the Fujitsu Group's initiatives in social and environmental areas, please visit the following website:
<http://www.fujitsu.com/global/about/csr/>

Fujitsu Group CSR Policy



Systems for Promoting CSR Initiatives

Strengthening Our Global CSR Governance Structure

To promote and disseminate the Fujitsu Group's global CSR activities, the heads of Fujitsu's four global regions exchange opinions and discuss regional issues at the CSR Board Meeting. Representatives from each region and leaders from each office implement the resulting policies and initiatives. In addition, the Group advances regional measures laterally by encouraging related departments to coordinate in the implementation of measures under specific themes and by sharing good practices within the Group.

Revising CSR Policy Priorities

In light of changes in international society and business conditions, we have revised the Five Priority Issues of our CSR Policy, which we established in 2012. In fiscal 2016, we identified key issues from internal and external perspectives. Specifically, we identified Groupwide issues by conducting an in-house survey based on a list of issues prepared to reflect the latest international trends. At the same time, the Group held discussions with outside experts to clarify society's expectations of the Group in relation to CSR.

Going forward, we will finalize and integrate key Groupwide issues and select effective KPIs that boost corporate value.

Supply Chain Initiatives

CSR Procurement Policy

The Fujitsu Group conducts global procurement in accordance with its procurement policy. The tenets of this policy are Coexistence with Suppliers, Fair and Proper Evaluation and Selection of Suppliers, and Promotion of CSR-Conscious Procurement Activities.

Specifically, we have prepared the Fujitsu CSR Procurement Guidelines, with which we require all suppliers to comply. Our guidelines are based on respect for international norms and summarize requirements in relation to human rights, labor, health and safety, and fair trade. To promote understanding of these guidelines among suppliers, we have drawn up the Fujitsu Group Supply Chain CSR Guidebook, which provides further details of the guidelines.

Joining the EICC

In March 2017, the Fujitsu Group became a member of the Electronic Industry Citizenship Coalition (EICC),* a global CSR alliance centered on the electronics industry. The Group is working with suppliers to strengthen CSR measures in its supply chain.

* The EICC is a non-profit organization established in 2004 with the aim of supporting the rights and well-being of workers and communities worldwide affected by the global electronics industry supply chain.

Environmental Initiatives

The Fujitsu Group's Medium- to Long-Term Environmental Vision

The Fujitsu Group announced its medium- to long-term environmental vision, the FUJITSU Climate and Energy Vision, in May 2017. The vision has three pillars: (1) Our Business: Achieve Zero CO₂ Emissions by 2050, (2) Mitigation: Contribute to a De-carbonized Society by helping customers and society reduce CO₂ emissions, and (3) Adaptation: Contribute to Measures in Society to Address Climate Change by minimizing its adverse effects.

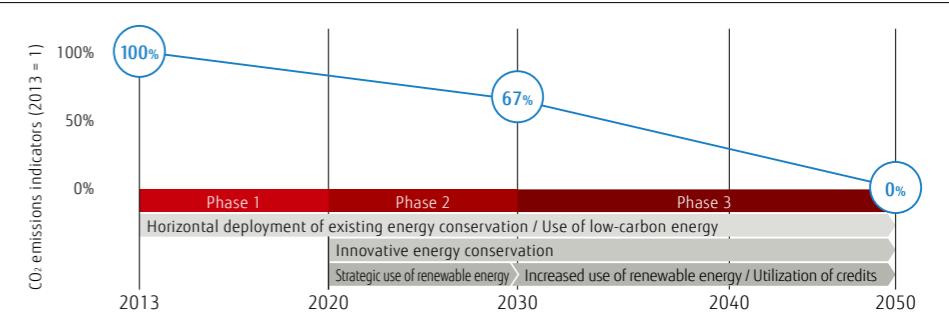
With a view to reducing our CO₂ emissions to zero, we have set out a roadmap for environmental initiatives. By 2030, we aim to reduce CO₂ emissions by 33% versus those of fiscal 2013, and we aim to eliminate them by 2050. We will steadily implement an environmental action plan, which calls for increased use of

renewable energy and innovative energy-saving methods incorporating such leading-edge technology as artificial intelligence (AI) and the Internet of Things (IoT).

Our contributions to customers and society will create and enable innovation in an array of fields through the formation of digital ecosystems, facilitating collaboration among industries, governments, and academic institutions. These initiatives will contribute to the optimal usage of energy and de-carbonization throughout society. We will additionally take steps to minimize damage resulting from climate change. For example, with HPC-enabled disaster simulations and utilizing AI for advanced measuring technology, we will make a resilient societal infrastructure and a stable supply of agricultural products a reality.

The Fujitsu Group's CO₂ Emission Reduction Targets

Roadmap for Reducing the Fujitsu Group's CO₂ Emissions to Zero by 2050



Our Approach to Human Rights

Our Approach to Human Rights

We believe respect for human rights is indispensable to a global company's fulfillment of CSR. To advance human rights measures, the Group has established the below statement and principles. Working in partnership with many different stakeholders, we will meet responsibilities in relation to human rights.

- Fujitsu Group Human Rights Statement
- Fujitsu Guiding Principles of Respect for Human Rights in Employment

For the complete text, please visit the following website:

<http://www.fujitsu.com/global/about/csr/vision/humanrights/>

Building a Human Rights Due Diligence Scheme

In accordance with the aforementioned Statement, we are engaged in the formulation of a Human Rights Due Diligence Scheme that identifies the human rights impact of our business activities throughout the entire global value chain, as well as prevents or mitigates any negative impacts.

In fiscal 2016, the Fujitsu Group facilitated discussions about its human rights issues at workshops targeting relevant staff in Japan and overseas and implemented activities focused on human rights issues that business activities affect significantly.

Areas	Human rights issues	Main activities in fiscal 2016
Supply chain	Work environment / conflict minerals	<ul style="list-style-type: none"> • Written survey of approximately 500 major Japanese and international suppliers to check on the status of their implementation of CSR activities, including measures to address conflict minerals and respect for human rights • CSR audit of 12 overseas suppliers of our suppliers • CSR procurement workshop held by Fujitsu Group procurement staff to promote greater understanding and cooperation • The Fujitsu Group joined the EICC, a global CSR alliance
Employees	Discrimination and harassment / working hours	<ul style="list-style-type: none"> • Written survey of 100 domestic and overseas Group companies based on the ISO 26000 standard to monitor the status of initiatives promoting respect for human rights • Posters distributed in domestic and overseas Group companies to promote broader familiarity with our Human Rights Statement • Business and human rights e-learning program initiated for all employees, with more than 100,000 people worldwide completing the course
Customers and end-users	Privacy and data security	<ul style="list-style-type: none"> • Relevant internal departments and working groups coordinated to begin investigations

INITIATIVES FOR SDGS

The Sustainable Development Goals (SDGs) can be viewed as a "master plan" for the world until 2030. Given its special qualities, ICT has the potential to make a positive impact on all 17 SDGs. The Fujitsu Group is leveraging the strengths of its unique ICT toward the advancement of initiatives that lead to the achievement of the SDGs, particularly those that relate closely to its businesses.

Aiming to Achieve the SDGs

Understanding and Utilizing the SDGs

The SDGs adopted by the United Nations in 2015 are a set of common goals to be achieved worldwide, including by developed countries, by 2030. Achieving these goals places considerable demand on private-sector enterprises to play an active and useful role through their technology and capacity for innovation.

As a global ICT enterprise, the Fujitsu Group is constantly making efforts toward technological innovation with the aim of bringing happiness to people's lives. However, in a broader sense, when considering how our technologies can be applied throughout the world, we recognize that the SDGs, which represent a kind of global common language, represent a significant guiding principle.

Accordingly, the Fujitsu Group undertakes SDG-related activities as an opportunity for wide-ranging collaboration with other organizations, including international agencies, governments, private enterprises, and NGOs/NPOs. Fujitsu recognizes SDGs as one of the elements in an ecosystem for achieving its growth strategy of "Connected Services," seeing new business opportunities through ventures that work to resolve social issues. By adopting a multifaceted approach through cooperation with a large number of partners, we can create and grow social value on an even larger scale.

By simultaneously reflecting on the common goals of international society along with the role that Fujitsu ought to play in their fulfillment, we become able to flexibly transform our management and business in ways that are not bound by existing approaches and methodologies. Through this process, we will reexamine ourselves in light of society's expectations and demands, while actively using the SDGs as a tool in our management strategy for achieving sustainable growth.

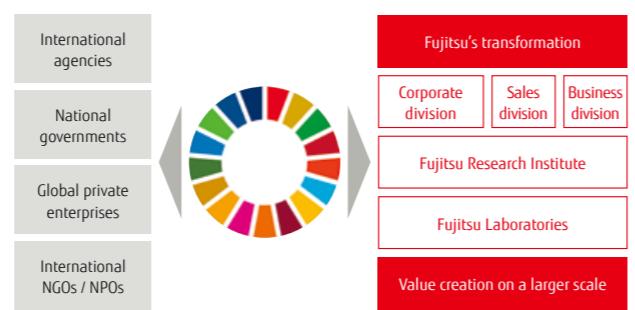
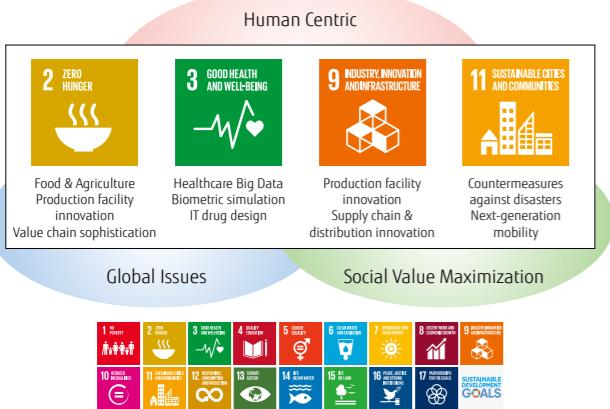
Fujitsu's business model is embodied in the following words: "Starting with our ICT platforms, we spur innovation for our customers through the provision of a broad range of technologies, and

thereby contribute to the development of society. In addition, with a focus on the growth of our customers and society at large, we create virtuous cycles that allow for the reinvestment of various resources as we work to realize sustainable growth." The key to making genuine contributions to the realization of the SDGs is determining whether or not the elements of the SDGs can be incorporated into this business model.

As a first step toward achieving this, we have identified some of the SDGs that we need to address strategically, given the nature of our business and the external environment. Leveraging the digital technology that is at the core of our business, the Fujitsu Group is focused on SDGs 2, 3, 9, and 11 as the areas where it can deliver the greatest value and, accordingly, is advancing business initiatives in these areas.

Promotion Structure

To have the SDG-related initiatives of the Fujitsu Group create value on an even greater scale and to definitively connect the SDGs with the transformation of the Group's business, cross-organizational projects are being promoted. These projects are led primarily by personnel from Fujitsu's corporate, sales, and business divisions, and will also encompass Group companies including Fujitsu Laboratories and Fujitsu Research Institute. Through these projects, we are conducting collaborative business verification and promotion focused on the resolution of social issues, with personnel from the corporate divisions providing oversight from the perspectives of sustainability and social responsibility, while personnel from sales and business divisions provide oversight from the perspectives of business creation and solution provision, respectively. By further promoting these projects going forward, we will create both social and economic value.



Activities for Raising Awareness of the SDGs

Initiatives with External Organizations

Conference on the SDGs at the Fujitsu Forum

The Fujitsu Forum showcases the latest initiatives and technologies that support our customers and society as a whole and represents the largest event that the Fujitsu Group holds. At Fujitsu Forum 2017, we held a conference on the SDGs, which included discussions with experts on what Japanese companies need to do in order to contribute to achieving the SDGs and realize sustainable growth for themselves as members of global society.

These discussions confirmed that, for each company to leverage its technologies to achieve the SDGs, it needs to respond to groundbreaking innovation in a way that goes beyond existing frameworks such as legal regulations. The discussions also highlighted the need for major partnerships to be pursued between organizations that transcend previous conceptions in order to make a bigger impact in terms of resolving social issues.

Highlights from Fujitsu Forum 2017, including remarks from each expert in attendance, can be viewed at the following URL:

<http://journal.jp.fujitsu.com/en/2017/08/25/01/>



The conference on the SDGs held at Fujitsu Forum 2017

Opinion Exchange with the World Business Council for Sustainable Development

We invited two senior members of the World Business Council for Sustainable Development (WBCSD)—Filippo Veglio, Managing Director of Global & Social Impact,* and James Gomme, Manager of Social Impact*—to attend a discussion that focused on the key issues Fujitsu should address in order to contribute to the SDGs. Mr. Veglio and Mr. Gomme offered a great deal of useful advice, commenting on how Fujitsu can use the SDGs as tools for spurring innovation on its own initiative as well as for creating partnerships with companies from different industries with the aim of achieving the same goals. They also suggested that Fujitsu give consideration to areas that it should focus on and draw out specific activities that it can pursue.

*Position at the time of event



Exchanging opinions at the discussion

Efforts to Raise In-House Awareness

In-House Seminar on the SDGs

Fujitsu held an in-house seminar aimed at having its employees better understand the SDGs and put their concepts into practice. At the seminar, Hiroko Kuniya, a journalist and former news anchor for the Japan Broadcasting Corporation (NHK), gave a presentation entitled "The importance of the SDGs," and Mariko Kawaguchi, Senior Analyst at the Daiwa Institute of Research Ltd., gave a presentation entitled "Corporate trends related to the SDGs."

Ms. Kuniya's presentation provided details on the SDGs and explained the background of their formulation. The presentation also focused on the importance of implementing measures that reconsider issues based on the SDGs. In addition, Ms. Kuniya commented on the effects of food waste regulations in Europe and on how reducing food waste can also lower greenhouse gas emissions. In these ways, she conveyed the interdependence between SDGs.

Ms. Kawaguchi's presentation stressed the importance of two concepts when it comes to achieving the SDGs: "backcasting," which involves first deciding on a future vision and then considering what should be done to achieve that vision, and an "outside-in" approach, which involves giving examinations to what can be done from the perspective of outside stakeholders rather than focusing on internal circumstances. Ms. Kawaguchi also stated that enacting an appropriate response to the SDGs will become the key for enhancing corporate competitiveness. Based on these lectures, Fujitsu will examine ways for incorporating the SDGs into its business strategies.

A video introducing Fujitsu's approach to the SDGs, entitled "Achieving SDGs through ICT," can be viewed at the following URL:
<https://www.youtube.com/watch?v=SnH8x3b8VSk>



Hiroko Kuniya



Mariko Kawaguchi

Lecture on the SDGs at Training Sessions to Cultivate Global Leaders

Since fiscal 2016, as part of its training to cultivate global leaders, the Fujitsu Group has been inviting internal and external experts to provide lectures that explain the SDGs and address the importance of SDG-related efforts. In addition, these lectures encourage employees to consider contributions to realizing the SDGs as they examine possibilities for new businesses, which is a task they are given as part of their training. As of August 2017, approximately 230 Group employees have attended these lectures.



A lecture held at a training session

STAKEHOLDER DIALOGUE

Enhancing Business Management through Dialogue with Outside Experts

Sustainable Development Goals—The Starting Point for Transforming Our Global Management

Aiming to reflect the opinions of diverse stakeholders in its business management, the Fujitsu Group regularly invites outside experts to participate in dialogues with its senior management team. Recently, we hosted a lively discussion that started with Fujitsu's contributions to the realization of the Sustainable Development Goals (SDGs) and also focused on the opportunities and risks that ICT companies should be aware of, the accomplishments that need to be made in terms of the Company's global management, and how best to tie these into the Company's business strategies for sustainable growth.



After the Dialogue

Experts



Mr. Takuya Hirano
Area Vice President, Japan
Microsoft Japan Co., Ltd.

Make an Even Greater Impact on Society as a Global ICT Company

It is essential for a company to have a clear mission and passionate management. If a company can realize consistency between its mission and its management, then the culture of that company can be changed. Technology brings with it both positive and negative aspects, and even with the cloud, I believe it is important for ICT companies to consider reliability, accountability, and inclusiveness.

As a company that thrives on global, large-scale ICT, Fujitsu is active in a wide range of fields, so I would like to see the Company carry out activities with an enormous impact in order to bring shared joy to all of its employees around the world. I also hope that Fujitsu solicits the involvement of numerous companies and industries in these activities. In addition, by pursuing such activities, I hope that the Company can raise the level of trust in ICT while maintaining the provision of safety and peace of mind as its foundation.



Mr. Scott Callon
Chief Executive Officer
Ichigo Asset Management, Ltd.

Companies Exist to Serve Society—Looking Forward to Fujitsu's Global Contribution

As a Fujitsu shareholder, I fully support Fujitsu contributing to the realization of the SDGs. Along with working towards positive SDG achievement in its core business activities, Fujitsu should carry out a comprehensive assessment to verify that it is not generating negative outcomes with respect to the 17 specific SDG targets.

Global contributions start locally and practically. In generating SDG alignment and ethical profits, Fujitsu should focus on areas where it can make significant SDG contributions and support Fujitsu Group employees globally in bringing the SDGs into their own work.



Mr. Akira Yokochi
Director
Global Issues Cooperation Division
International Cooperation Bureau
Ministry of Foreign Affairs

Promote Actions That Change Society

The SDGs represent goals for the entire world, including developed countries, and the commitment underpinning these goals is conveyed through the concept of "leaving no one behind." There are numerous SDGs that address issues applicable to the current conditions in Japan, such as children living in poverty, which means that the SDGs are deeply related to our daily lives. Also, a unique characteristic of the SDGs is that they are closely linked with each other, and therefore making efforts toward achieving one goal will have an impact on numerous other goals.

I would like to see Fujitsu make contributions toward achieving the SDGs through its global business activities. At the same time, I hope Fujitsu can make changes to its day-to-day actions that allow it to place more emphasis on the SDGs. Fujitsu is working to reduce activities that have an adverse impact on society and increase activities that have a positive one. I hope that the public and private sector will gain inspiration from Fujitsu's efforts and work together to create a movement in which more companies, both inside and outside the ICT industry, adopt a similar stance.

Fujitsu

Leverage Our Global Operations and Align the Direction of All Employees to Contribute to Realizing the SDGs

Much like air or water, ICT has become an essential aspect of people's daily lives and the activities of corporations. As such, our business is relevant to every one of the SDGs. This is precisely why I endorse the SDGs and believe that we as a company should contribute to the happiness and well-being of people through ICT. By thoroughly understanding the principles behind the SDGs and pursuing global collaboration, I hope that we can establish areas within the SDGs in which we can make unique contributions. Going forward, we will determine specific fields where we can make significant contributions and establish a clear vision for our efforts so that all of our employees can work to realize the SDGs under a uniform direction.

Also, by holding dialogues with our stakeholders, I have come to understand the necessity of receiving opinions from external sources and reflecting those opinions in the kind of transformation we are pursuing as a company. With a foundation of safety and peace of mind, we will actively establish and promote business activities that have an even greater impact on society while seeking the involvement of other companies and society as a whole. Moreover, by listening to opinions regarding the results of these efforts, we will continuously transform ourselves as a company to meet the needs of society and work proactively to contribute to the realization of the SDGs through our core businesses.



Tatsuya Tanaka
Representative Director and President

Flexibly Examine New Innovations Based on the SDGs

By combining the system development know-how we possess in a variety of fields, we are working to integrate our knowledge to create new products that have the power to bring about change in society. With the establishment of the 17 SDGs, I believe it is now easier to link our business activities to social contributions.

We are already pursuing a wide variety of initiatives that relate to Goal 9, "Industry, Innovation and Infrastructure," and we will draw on the discussion we had today as we give flexible consideration to our approach to the other 16 SDGs in the immediate future. In this way, I believe that today's dialogue has offered us a hint for bringing about innovation that will encourage the involvement of other entities and industries in SDG-related efforts. By all means, I want us as a company to examine our approach to spurring such innovation going forward.



Norihiro Taniguchi
Representative Director and Corporate Executive Officer SEVP, Head of Business Lines

Fulfill Our Responsibility for Achieving the SDGs as a Global Citizen

Social contribution is embedded in the DNA of Fujitsu and also embodies the true nature of our corporate philosophy as well as our core businesses. And I believe that our ideology as a company is certainly applicable to the basic concepts of the 17 SDGs. Accordingly, I would like for us to adopt an approach in which we focus on fully understanding the 17 SDGs and naturally contribute to realizing them through the efforts we make in our core businesses, rather than forming measures solely for the sake of achieving the SDGs.

Not only do the SDGs help us accomplish our ideology of contributing to society, they also provide us with a path for fulfilling our responsibility as global citizens to engage in social contribution activities. It is important for us to remember that the SDGs are not merely a negative screening mechanism to ensure compliance, and also, we should not pursue SDG-related efforts simply because this is the current trend. Rather, in accordance with the true purpose of the SDGs, and based on the opinions we received here today, we will promote such efforts as ensuring sustainability and strengthening our initiatives toward diversity.



Hidehiro Tsukano
Representative Director and Corporate Executive Officer SEVP & CFO, Head of Global Corporate Functions

Incorporate the SDGs in the Core of Our Business Model

The main issue Fujitsu must address in order to make genuine efforts toward realizing the SDGs is to determine whether or not it can incorporate the goals of the SDGs in the core of its business model. By making the SDGs a common language within the Group so as to leverage the comprehensive strengths of our 155,000 employees, we will be able to have all employees work toward achieving the SDGs under the same direction.

Genuine efforts geared toward the SDGs will most likely start with establishing clear links between the SDGs and each business. While this is a necessary first step, this task merely provides justification for the businesses in which we engage. By determining small- to medium-sized targets that act as stepping stones toward achieving the major target of realizing the SDGs, we will be able to ascertain the necessary actions we need to pursue and discover the areas in which we can make the biggest contributions. In addition, we will place emphasis on short-term initiatives that lead us to accomplishing our greater goal.

Through this dialogue, we once again recognized the importance of having a large number of people examine our corporate responsibility regarding the SDGs and the actions we need to pursue to accomplish them. With the SDGs providing us with a vision for the future in 2030, we will use the opinions we received today to determine the aspects to which we need to pay close attention. In particular, these opinions will help us establish internal systems that allow us to understand the negative

aspects of our business activities as well as examine how we can make an even greater impact on society. To realize contributions on an even larger scale going forward, we will further pursue the challenge of not only technological innovation but also business transformation.

For details on the dialogue, please visit the Fujitsu website (About Fujitsu > Corporate Responsibility > With Our Stakeholders > Stakeholder Dialogue): <http://www.fujitsu.com/global/about/csr/society/dialog/>

MANAGEMENT

(As of October 1, 2017)

Executive Directors

**Tatsuya Tanaka**

Representative Director
President
Number of years as director: 2
Number of Fujitsu shares held: 53,737*

Birth: September 11, 1956
Apr. 1980 Joined Fujitsu Limited
Apr. 2005 Director of the Board and Vice President, Fujitsu (China) Holdings Co., Ltd.
Dec. 2009 Senior Vice President, Manufacturing Industry Business Unit
Apr. 2012 Corporate Vice President
Apr. 2014 Corporate Senior Vice President
Jan. 2015 Corporate Executive Officer SEVP
Jun. 2015 Representative Director President*¹

**Norihiko Taniguchi**

Representative Director
Number of years as director: 3
Number of Fujitsu shares held: 69,785*

Birth: September 7, 1954
Apr. 1977 Joined Fujitsu Limited
May 2005 President and Representative Director, Fujitsu Advanced Solutions Limited*²
Jun. 2007 Executive Vice President
Jun. 2008 Corporate Vice President
Apr. 2010 Corporate Senior Vice President
Apr. 2014 Corporate Executive Vice President
Jun. 2014 Director (until June 2017)
Apr. 2017 Corporate Executive Officer SEVP, Head of Business Lines SEVP, Head of Global Services Integration Business*¹
Jun. 2017 Representative Director*¹

**Hidehiro Tsukano**

Representative Director
Number of years as director: 2
Number of Fujitsu shares held: 46,898*

Birth: March 21, 1958
Apr. 1981 Joined Fujitsu Limited
Jun. 2009 Head of Corporate Planning and Business Strategy Office
May 2011 Corporate Vice President
Apr. 2014 Corporate Senior Vice President / CFO*³
Jun. 2015 Director (until June 2017)
Apr. 2016 Corporate Executive Officer SEVP, Head of Global Corporate Functions / CFO
Apr. 2017 Corporate Executive Officer SEVP, Head of Global Corporate Functions / CFO*¹
Jun. 2017 Representative Director*¹

**Duncan Tait**

Director
Number of years as director: 2
Number of Fujitsu shares held: 0*

Birth: March 24, 1966
Mar. 1996 Business Development Head, Managed Services, Digital Equipment Corporation*⁴
Jun. 1999 Managed Services Director, Compaq Global Services, Compaq*⁴
Jun. 2004 Director and General Manager, Outsourcing, HP Services, Hewlett-Packard*⁴
Jan. 2006 Managing Director UKMEA, Unisys
Oct. 2009 Managing Director, UK&I Private Sector Division, Fujitsu Services Ltd.
Mar. 2011 CEO, Fujitsu Services Ltd.
Apr. 2014 Corporate Senior Vice President, Fujitsu Limited
Jun. 2015 Director*¹
Aug. 2016 Corporate Executive Officer SEVP, Head of EMEA & Americas Region*¹
Jun. 2014 Special Advisor to the Chairman of KEIDANREN*¹
Jun. 2014 Director, Fujitsu Limited*¹

Non-Executive Directors

**Masami Yamamoto**

Director
Chairman
Number of years as director: 7
Number of Fujitsu shares held: 156,134*

Birth: January 11, 1954
Apr. 1976 Joined Fujitsu Limited
Jun. 2004 Executive Vice President, Personal Systems Business Group
Jun. 2005 Corporate Vice President
Jun. 2007 Corporate Senior Vice President
Jan. 2010 Corporate Senior Executive Vice President
Apr. 2010 President
Jun. 2010 Representative Director
Jun. 2015 Representative Director Chairman
Jun. 2017 Director Chairman*¹

**Jun Yokota**

Director
Special Advisor to the Chairman of KEIDANREN
Number of years as director: 3
Number of Fujitsu shares held: 3,488*

Birth: June 26, 1947
Apr. 1971 Joined the Ministry of Foreign Affairs
Jan. 1998 Deputy Director-General, Economic Affairs Bureau
Jun. 2002 Consul-General of Japan in Hong Kong
Apr. 2004 Ambassador Extraordinary and Plenipotentiary to the State of Israel
May 2009 Ambassador Extraordinary and Plenipotentiary to the Kingdom of Belgium
Oct. 2012 Ambassador Extraordinary and Plenipotentiary in charge of Economic Diplomacy and of Reconstruction Assistance to Iraq (until January 2014)
Jun. 2014 Special Advisor to the Chairman of KEIDANREN*¹
Jun. 2014 Director, Fujitsu Limited*¹

* Number of shares held as of March 31, 2017

*¹ To present

*² Fujitsu Advanced Solutions Limited merged with Fujitsu Mission Critical Systems Limited in October 2013 and the newly merged company with Fujitsu Limited in November 2016. With these mergers, Fujitsu Advanced Solutions was subsequently dissolved.

*³ CFO: Chief Financial Officer

*⁴ Currently, HP Inc. and Hewlett-Packard Enterprise Co.

*⁵ As of April 2017, NIFTY Corporation was restructured into Fujitsu Cloud Technologies Limited, with operations centered on cloud-related business, and NIFTY Corporation, with operations centered on business for consumers. The Company transferred its entire shareholding in the newly restructured NIFTY Corporation to Nohima Corporation on April 2017.

*⁶ Currently, the Japan Aerospace Exploration Agency (JAXA)

*⁷ Currently, Raymont James & Associates, Inc.

*⁸ Currently, Deutsche Securities Inc.

*⁹ Currently, Unitas Capital

*¹⁰ Currently, Atlas Copco

**Tatsuzumi Furukawa**

Director
Number of years as director: 4
(Served as director of Fujitsu for 7 years from 1994 to 2001)
Number of Fujitsu shares held: 53,000*

Birth: November 17, 1942
Apr. 1965 Joined Fujitsu Limited
Jun. 1994 Director
Apr. 2000 Senior Vice President (until June 2001)
Jun. 2013 Director, Fujitsu Limited*¹
Jun. 2001 Corporate Senior Executive Vice President and Representative Director, NIFTY Corporation*³
Jun. 2002 President and Representative Director, NIFTY Corporation
Jun. 2007 Chairman and Representative Director, NIFTY Corporation (until June 2008)

**Miyako Suda**

Director
Special Advisor, The Canon Institute for Global Studies
Number of years as director: 4
Number of Fujitsu shares held: 8,016*

Birth: May 15, 1948
Apr. 1982 Associate Professor, School of Economics, Senshu University
Apr. 1988 Professor, School of Economics, Senshu University
Apr. 1990 Professor, Faculty of Economics, Gakushuin University
Apr. 2001 Member of the Policy Board, the Bank of Japan (until March 2011)
May 2011 Special Advisor, The Canon Institute for Global Studies*¹
Jun. 2013 Director, Fujitsu Limited*¹

**Chiaki Mukai**

Director
Vice President of the Tokyo University of Science
Number of years as director: 2
Number of Fujitsu shares held: 13,000*

Birth: May 6, 1952
Nov. 1977 Staff, Department of Surgery, Keio University School of Medicine (until November 1985)
Aug. 1985 Payload Specialist, The National Space Development Agency of Japan*⁵ (until March 2015)
Jun. 1987 Visiting Scientist, Division of Cardiovascular Physiology, Space Biomedical Research Institute, NASA Johnson Space Center (until December 1988)
Sep. 1992 Research Instructor of the Department of Surgery, Baylor College of Medicine (until August 2011)
Apr. 2000 Visiting Professor of the Department of Surgery, Keio University School of Medicine*¹
Sep. 2004 Visiting Professor of the International Space University (until September 2007)
Oct. 2007 Director, Space Biomedical Research Office, Human Space Technology and Astronaut Department of JAXA
Apr. 2011 Senior Advisor to the JAXA Executive Director (until March 2015)
Oct. 2014 Vice President of the Science Council of Japan*¹ (until October 2017)
Apr. 2015 Vice President of the Tokyo University of Science*¹
Jun. 2015 Director, Fujitsu Limited*¹
Jan. 2017 Chair of the Scientific and Technical Subcommittee, UN Committee on the Peaceful Uses of Outer Space (COPUOS)*¹

**Atsushi Abe**

Director
Managing Partner, Sangyo Sosei Advisory Inc.
Number of years as director: 2
Number of Fujitsu shares held: 9,189*

Birth: October 19, 1953
Apr. 1977 Mitsui & Co., Ltd.
Jun. 1990 Manager, Electronic Industry Department, Mitsui & Co., Ltd.
Jan. 1993 Managing Director, Alex. Brown & Sons, Inc.*⁷
Aug. 2001 Managing Director and Head of Global Corporate Finance, Deutsche Securities Limited*⁸
Aug. 2004 Partner and Head of Japan, J.P. Morgan Partners Asia*⁹ (until March 2009)
May 2007 Board Member, Edwards Group Ltd.*¹⁰ (until October 2009)
Dec. 2009 Managing Partner, Sangyo Sosei Advisory Inc.*¹
Feb. 2011 Board Member, ON Semiconductor Corporation*¹
Jun. 2015 Director, Fujitsu Limited*¹

AUDIT & SUPERVISORY BOARD MEMBERS

Audit & Supervisory Board Members

Yoshiki Kondo **Youichi Hirose**

Audit & Supervisory Board Members (External)

Megumi Yamamuro
Special Counsel, URYU & ITOGA

Hiroshi Mitani Lawyer
Koji Hatsukawa Certified Public Accountant

REPRESENTATIVE DIRECTORS / CORPORATE EXECUTIVE OFFICERS

Representative Director and President

Tatsuya Tanaka

Representative Directors and Corporate Executive Officers

Norihiko Taniguchi **Hidehiro Tsukano**

Director and Corporate Executive Officer

Duncan Tait

Corporate Executive Officers

Hiroyuki Ono **Akira Kabemoto**
Shingo Kagawa **Nobuhiko Sasaki**
Naoyoshi Takatsuna

Corporate Executive Officers

Susumu Ishikawa **Tango Matsumoto**
Hidenori Furuta **Mitsutoshi Hirono**
Mitsuya Yasui **Kiyoshi Handa**
Toshiharu Kitaoka **Hiroyuki Sakai**
Hideki Kiwaki **Kazuo Miyata**
Hiromu Kawakami **Masaki Kubota**

Executive Fellow

Kazuhiro Ogawa

Corporate Executive Officers

Atsuo Yatagai **Kazuo Imada**
Katsumi Nakano **Fumihiko Teduka**
Katsuhiko Satou **Shikou Kikuta**
Jo Oda **Toshio Hirose**
Mike Foster **Sumito Kobayashi**
Toshinori Kobayashi **Masayuki Seno**
Junichi Saito **Takahito Tokita**
Hiroshi Hayashi **Junichi Azuma**
Isamu Yamamori **Masayoshi Matsumoto**
Hirohisa Yamaguchi **Katsumi Fujiwara**
Megumi Shimazu **Yuichi Koseki**
Kazuo Yuasa **Masatoshi Otoda**
Takeo Kojima **Shinji Komiya**
Masayuki Tokuda **Hirotaka Hara**
Takayuki Sunada **Kenichi Sakai**
Ichiro Ohama **Yoshiteru Yamada**
Ryuji Kushida **Naoko Yoshizawa**

Senior Fellow

Mitsuhiko Kishimoto

CORPORATE GOVERNANCE

Basic Approach to Corporate Governance

The Company regards corporate governance as a critical mechanism to fulfill the senior management team's mission in a manner befitting shareholders' trust. This mission is based on the Fujitsu Way and enables a form of business management that, rather than pursuing short-term profits, justifies the trust of customers and business partners, motivates employees to work with vitality and pride, and contributes to society. Through such business management, the Company will grow and enhance corporate value over the medium to long term.

Structural Framework

The Company outlines the following rules to ensure that the oversight and advice from the diverse perspectives of non-executive directors (hereinafter, the term used for the combination of independent directors and non-executive directors appointed from within the Company) are reflected in the management execution of executive directors, as part of the Board of Directors' function while leveraging the advantages of a company with an Audit & Supervisory Board system:

- a** Same number or more of non-executive directors responsible for oversight are appointed as executive directors responsible for management 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 into account the background of candidates and their

insight on the Company's business.

e Audit & Supervisory Board members conduct external audits and provide oversight of the Board of Directors. The voluntary Executive Nomination Committee and the Compensation Committee, composed mainly of non-executive directors and Audit & Supervisory Board members, and the Independent Officers Council all function to complement the Board of Directors.

f Independent Audit & Supervisory Board members are external Audit & Supervisory Board members who meet the Independence Standards.

Based on a decision made by the Board of Directors in December 2015, the Company has established a basic policy, "Corporate Governance Policy," summarizing its approach to corporate governance.

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

In addition, for details on corporate governance, please visit the Fujitsu website (About Fujitsu > Corporate Responsibility > Management Systems > Corporate Governance):

<http://www.fujitsu.com/global/about/csr/management/governance/>

In Pursuit of Corporate Governance Unique to Companies with an Audit & Supervisory Board System

Mitsuya Yasui

Corporate Executive Officer

Executive Vice President, CRCO, Head of Legal, Compliance & IP Unit

Fujitsu realizes corporate governance as a company with an Audit & Supervisory Board system. We have adopted this system because it guarantees complete oversight by combining non-executive directors' oversight of the execution of duties with oversight by Audit & Supervisory Board members, who are not involved in management decisions or execution. Another important reason for adopting the system is that it places trust in Audit & Supervisory Board members, allowing them to exercise authority independently without requiring a consensus of the Audit & Supervisory Board.

The Company believes that to heighten the effectiveness of oversight, it is critical to ensure adequate provision of the information that external officers require to implement oversight. Accordingly, the Company holds meetings of the Independent Officers Council, which comprises the Company's independent officers, once every one to two months where discussions are carried out on a variety of themes. In this way, the Company is creating opportunities for external officers to deepen their understanding of Fujitsu's business. Also, in addition to providing

information to the external officers at Board of Directors' meetings and meetings of the Independent Officers Council, the Company assigns a support staff for the external officers, offering them information that has not been screened by the executive directors. Providing an abundance of information to the external officers in this manner allows them to fully exercise their oversight function.

In fiscal 2016, with a view to strengthening the oversight of the Board of Directors, external officers were interviewed and asked to assess the effectiveness of the Board of Directors. We received constructive opinions regarding the presentation of agenda items at meetings of the Board of Directors and the Independent Officers Council, as well as ways of monitoring the execution of important duties, and other topics. We will strive to undertake initiatives based on the active provision of information to external officers needed for the implementation of oversight, which will also work to strengthen corporate governance that leverages the advantages of a company with an Audit & Supervisory Board system.

1. Overview of Corporate Governance Structure

Initiatives Taken to Strengthen Corporate Governance

2006	Reduced directors' terms to one year	To further clarify directors' management responsibilities
2009	Established the Executive Nomination Committee and Compensation Committee	To ensure the transparency and objectivity of the process for choosing candidates for executives and the process of determining compensation, and to ensure an appropriate compensation system and level
2015	Established the Independent Officers Council	To support independent officers, who maintain a certain degree of separation from the execution of business activities, in consistently gaining a deeper understanding of Fujitsu's business
	Established Corporate Governance Policy	To explain to shareholders basic policies on the establishment and operation of systems in light of basic approaches to corporate governance
2017	Introduced Performance-based Stock Compensation Plan	To incentivize executive directors to improve medium- to long-term corporate value and to promote shareholder-oriented business management

Roles and Composition of Key Boards, Committees, and Councils

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 management 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 an 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 perspectives. 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 Annual Shareholders' Meeting held on June 23, 2006.

As of June 26, 2017, the Board of Directors comprises 10 members: four executive directors and six non-executive directors (including four external directors). The position of chairperson of the Board of Directors is separate from the position of president, who has ultimate responsibility for management execution.

Audit & Supervisory Board

The Company has an Audit & Supervisory Board that performs the auditing and oversight functions. From an independent position that does not entail involvement with management decisions or execution, Audit & Supervisory Board members audit and provide oversight of the Board of Directors as well as management execution functions and attend important meetings, including meetings of the Board of Directors. The term of Audit & Supervisory Board members is four years.

As of June 26, 2017, the Audit & Supervisory Board has five members, comprising two full-time Audit & Supervisory Board members and three external Audit & Supervisory Board members.

Among the Audit & Supervisory Board members, Mr. Youichi Hirose, who became a full-time Audit & Supervisory Board member on June 26, 2017, not only has extensive knowledge of finance and accounting issues but also has abundant expertise in relation to business management. In addition to his many years of management experience in the Company's finance and accounting divisions, including time spent serving as the head of the Company's Corporate

Finance Unit, he has been deeply involved in transformation of the business model toward one centered on technology solutions. Further, full-time Audit & Supervisory Board member Mr. Yoshiki Kondo has many years of experience in the domestic sales division and systems engineering division in Japan, as well as extensive knowledge of the Company's mainstay services business. For additional information regarding the fields of specialization of external Audit & Supervisory Board members, please refer to "Appointment of External Directors and External Audit & Supervisory Board Members" on pages 53-54.

Executive Nomination Committee and Compensation Committee

The Company has established the Executive Nomination Committee and the Compensation Committee as advisory bodies to 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 on 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 Audit & Supervisory Board Members' 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 on 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 Audit & Supervisory Board Members' Compensation stipulated in the Company's Corporate Governance Policy.

In accordance with the Company's Corporate Governance Policy, the majority of members comprising the Executive Nomination Committee and the Compensation Committee are non-executive directors and Audit & Supervisory Board members and include at least one independent director. In fiscal 2017, each committee consists of four non-executive directors (including two independent directors). Both committees' members as of July 27, 2017, are as follows. Chairman of both committees: Mr. Tatsuzumi Furukawa. Members of both committees: Mr. Jun Yokota, Mr. Masami Yamamoto, and Dr. Chiaki Mukai.

Independent Officers Council

In response to the requirements of Japan's Corporate Governance Code, which facilitates the activities of independent directors and Audit & Supervisory Board members, 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 that enables independent directors and Audit & Supervisory Board members, 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 Officers Council in fiscal 2015, which includes all independent officers (four external directors and three external Audit & Supervisory Board members). This council convened six times in fiscal 2016. At meetings of the council, independent officers discuss one or two agenda items thoroughly to help respective officers form opinions and to enliven deliberations of the Board of Directors.

Support System for Directors and Audit & Supervisory Board Members

The Company provides directors and Audit & Supervisory Board members, irrespective of whether they are an executive director, non-executive director, or Audit & Supervisory Board member, with the following support necessary for each director and Audit & Supervisory Board member to fulfill their role and contribute to the Company's corporate governance:

- The Company prepares a framework to help directors and Audit & Supervisory Board members acquire the information they

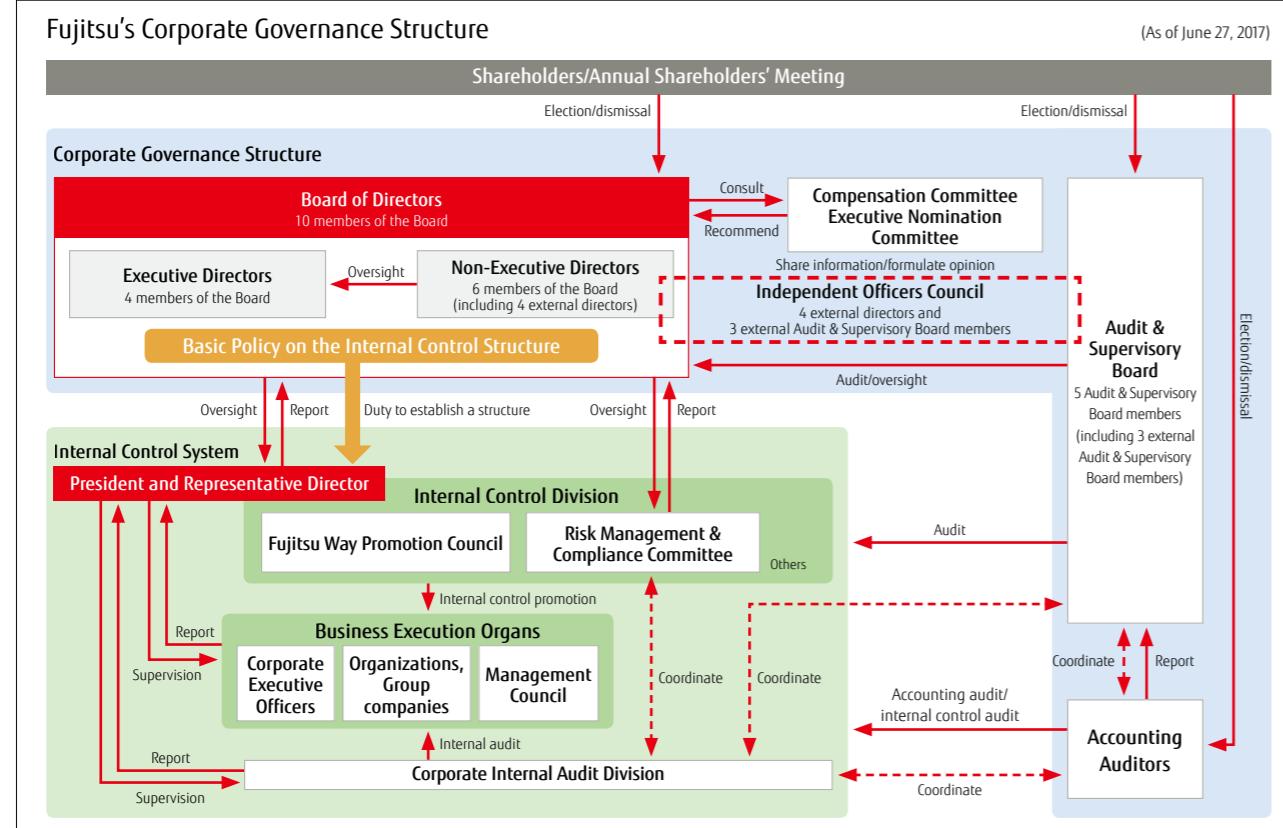
need, including advice from external experts, through financial support and staffing.

- The Company provides newly appointed directors and Audit & Supervisory Board members with necessary training, including information on their roles and responsibilities, internal structure, and business lineup. In addition, the Company provides ongoing opportunities for updating such information and knowledge periodically and when directors and Audit & Supervisory Board members feel the need for further training while they remain in their position.

Further, given that external officers' knowledge of the Company's business fields and corporate culture differs from that of internal officers, the Company has established systems that support external officers in addition to the above-mentioned support and the previously mentioned Independent Officers Council. The Company has established an organization through which the Company's junior employees are assigned to respective external officers as assistants who provide direct support.

Status of Management Execution Organs

The Company appoints corporate executive officers and executive vice presidents who are assigned management execution authority by the representative director and president. Furthermore, to heighten the efficiency of business management, the Company has established a Management Council comprising the representative directors and the corporate executive officers to assist the representative director and president in making decisions.



2. External Directors / External Audit & Supervisory Board Members

Independence Standards for External Directors and Audit & Supervisory Board Members

The Company evaluates the independence of external officers based on the following standards.

- A director and Audit & Supervisory Board member will be independent if none of the following are met, at present and/or in the past:

- Director or employee of one of Fujitsu Group companies^{*1};
- Director, executive officer, Audit & Supervisory Board member, or important employee^{*2} of a major shareholder^{*3} of Fujitsu;
- Director, executive officer, Audit & Supervisory Board member, or important employee^{*2} of a major lender^{*4} to Fujitsu;
- Partner or employee of accounting auditor of Fujitsu;
- Director, executive officer, Audit & Supervisory Board member, or corporate executive officer mutually exchanged between Fujitsu and other company;
- A person who receives significant amount of monetary benefits^{*5} or other property other than the compensation as a director or Audit & Supervisory Board member from Fujitsu; or
- Director, executive officer, Audit & Supervisory Board member, or important employee^{*2} of a major business partner^{*6} of Fujitsu.

- A person who does not have a close relative^{*7} will be independent, wherein a close relative meets one of the following, at present or at any time within the preceding three years:
 - Executive director, non-executive director,^{*8} or important employee of Fujitsu Group companies;
 - Director, executive officer, Audit & Supervisory Board member, or important employee^{*2} of a major shareholder of Fujitsu;
 - Director, executive officer, Audit & Supervisory Board member, or important employee^{*2} of a major lender to Fujitsu;

- Partner or employee of accounting auditor company of Fujitsu;
- Director, executive officer, Audit & Supervisory Board member, or corporate executive officer mutually exchanged between Fujitsu and other company;
- A person who receives significant amount of monetary benefits^{*5} or other property other than the compensation as a director or Audit & Supervisory Board member from Fujitsu; or
- Director, executive officer, Audit & Supervisory Board member, or important employee^{*2} of a major business partner of Fujitsu.

^{*1}"Fujitsu Group companies" means Fujitsu Limited and its subsidiaries.
^{*2}This excludes the independent directors and the independent Audit & Supervisory Board members of said major shareholders, lenders to the Company, and business partners of the Company.

^{*3}"Major shareholder" indicates a shareholder in the top 10 major shareholders listed in the latest business report of Fujitsu.

^{*4}"Major lender" indicates a 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 a donation equal to or more than ¥10 million.

^{*6}"Major business partner" means a company with which Fujitsu Group companies made a business transaction within the preceding three fiscal years, and the total amount of the transaction exceeded 1% of consolidated sales revenue of either Fujitsu or that company.

^{*7}"Close relative" means a family member, spouse, or cohabiter within the second degree 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.

Appointment of External Directors and External Audit & Supervisory Board Members

Fujitsu actively appoints external officers to increase management transparency and further improve efficiency.

Fujitsu determines independence based on the independence standards stated above. All external officers have been registered with and accepted as independent officers by the financial instruments exchanges on which Fujitsu is listed in Japan.

Fujitsu's views on the roles, functions, and specific appointed statuses of external directors and external Audit & Supervisory Board members are as follows:

External Directors

Miyako Suda	As an economist, Ms. Suda is an expert in international macroeconomics, and because of her knowledge of financial policy and global managerial insight, having served for 10 years (two terms) as a member of the Policy Board of the Bank of Japan, she fulfills an oversight function and role as an external director with a global perspective in the corporate governance of Fujitsu. Moreover, Ms. Suda has never been a major shareholder, nor has she held an executive management position with a major business partner of the Company. Therefore, Fujitsu considers Ms. Suda to be independent.
Jun Yokota	Mr. Yokota has served as Ambassador to Israel and Ambassador to Belgium, and is an expert in international economic negotiations, having served as a government representative for economic partnership agreement negotiations with Europe. Because of his deep knowledge of politics and economics from a global perspective, he fulfills an oversight function and role as an external director. Moreover, Mr. Yokota has never been a major shareholder, nor has he held an executive management position with a major business partner of the Company. Therefore, Fujitsu considers Mr. Yokota to be independent.
Chiaki Mukai	Dr. Mukai began her career as a doctor and became Asia's first female astronaut. She exemplifies the spirit of challenge advocated by Fujitsu by being at the cutting edge of scientific fields. As we can expect her to provide fair and objective oversight and advice from a global perspective based on her extensive knowledge of science and technology, she will fulfill an oversight function and role as an external director. Fujitsu and the Tokyo University of Science, where Dr. Mukai serves as vice president, had business transactions in fiscal 2016 amounting to approximately ¥7 million, which is considered immaterial and constituting no special relationship when taking into account the size of Fujitsu's total sales. Therefore, Fujitsu considers Dr. Mukai to be independent.
Atsushi Abe	Mr. Abe has extensive knowledge of the ICT industry and M&As based on his many years of experience in investment banking and private equity business. As we can expect Mr. Abe to provide oversight and advice from a shareholder and investor perspective, as well as to contribute to the timely and resolute decision making of management, he fulfills an oversight function and role as an external director. Moreover, there are no major business transactions between Fujitsu Limited and Sangyo Sosai Advisory Inc., at which Mr. Abe is a managing partner, nor between Fujitsu Limited and ON Semiconductor Corporation, where Mr. Abe serves as a director. Mr. Abe has never been a major shareholder, nor has he held an executive management position with a company with which Fujitsu Limited has engaged in major business transactions. Therefore, Fujitsu considers Mr. Abe to be independent.

External Audit & Supervisory Board Members

Megumi Yamamuro	Mr. Yamamuro has many years of experience in the legal profession. As he is an expert in corporate law, including the Companies Act, and domestic and overseas compliance measures, he fulfills an audit and oversight function and role as an external Audit & Supervisory Board member utilizing his experience and knowledge in Fujitsu's corporate governance. Mr. Yamamuro has never been a major shareholder, nor has he held an executive management position with a major business partner of the Company. Therefore, Fujitsu considers Mr. Yamamuro to be independent.
Hiroshi Mitani	Mr. Mitani has extensive knowledge of law, as well as areas involving business management including economics and social issues due to his experience as a public prosecutor and member of the Fair Trade Commission. Therefore, he fulfills an audit and oversight function and role as an external Audit & Supervisory Board member utilizing his experience and knowledge in the corporate governance of Fujitsu. Mr. Mitani has never been a major shareholder, nor has he held an executive management position with a major business partner of the Company. Therefore, Fujitsu considers Mr. Mitani to be independent.
Koji Hatsukawa	Mr. Hatsukawa has a wealth of auditing experience as a certified public accountant and broad knowledge of corporate accounting. Therefore, he fulfills an oversight function and role as an external Audit & Supervisory Board member utilizing his experience and knowledge in the corporate governance of Fujitsu. Moreover, PricewaterhouseCoopers Arata, where Mr. Hatsukawa served as CEO, has never performed an accounting audit for Fujitsu. Fujitsu and PricewaterhouseCoopers Arata had business transactions in fiscal 2016 totaling approximately ¥20 million, which is considered immaterial and constituting no special relationship when taking into account the size of Fujitsu's total sales. Therefore, Fujitsu considers Mr. Hatsukawa to be independent.

3. Policy for Deciding Executive Compensation

To ensure a more highly transparent executive compensation system, Fujitsu established the Compensation Committee by a resolution of the Board of Directors at a meeting held in October 2009. The compensation of directors and Audit & Supervisory Board members is determined based on the following Executive Compensation Policy, which the Board of Directors revised in light of a report received from the Compensation Committee.

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 includes "Base Compensation," specifically a fixed monthly salary in accordance with position and responsibilities; "Bonuses," which are compensation linked to short-term business performance; and "Performance-based Stock Compensation," which is a long-term incentive that emphasizes linkage with shareholder value.

Base 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.

(Reference) Executive Compensation Items and Payment Recipients

Recipient	Base Compensation		Bonuses	Performance-based Stock Compensation
	For Management Oversight	For Management Execution		
Non-executive directors	✓	—	—	—
Executive directors	✓	✓	✓	✓
Audit & Supervisory Board members	✓	—	—	—

4. Policy for Strategic Shareholdings and the Standard of Exercising Voting Rights

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

- The Company makes judgment on the strategic shareholdings every year in light of the medium-term and long-term economic rationality and other matters and verifies its rationality in the Board of Directors' meeting. When medium-term and long-term contributions toward increasing the Company's corporate value are expected, the Company continues the strategic shareholdings.

Furthermore, in February 2017 the Company decided to revise its crossholding of shares with Fuji Electric Co., Ltd., and carried out the sale of a certain amount of Fuji Electric's shares in September 2017.

5. Status of Internal Audits, Accounting Audits, and the Internal Control Division

Internal Audit and Accounting Audit Systems

Internal Audits

The Corporate Internal Audit Division serves as an internal audit group. This division audits the internal affairs of the entire Fujitsu Group in cooperation with the internal audit groups of each Group company and reports audit results to the representative director and president. The Corporate Internal Audit Division reports once a month, as a rule, to full-time members of the Audit & Supervisory Board on auditing plans for and results of internal audits, including matters relating to Group companies, and makes regular reports once every quarter, as a rule, to the Audit & Supervisory Board and accounting auditor.

The Corporate Internal Audit Division includes a significant number of employees with specialist internal auditing knowledge, including Certified Internal Auditors (CIA), Certified Information Systems Auditors (CISA), and Certified Fraud Examiners (CFE).

Accounting Audits

The accounting auditor, Ernst & Young ShinNihon LLC, reports to the Audit & Supervisory Board concerning the auditing plans and results. The accounting auditor also conducts an exchange of opinions when needed and carries out coordinated audits.

Internal Control System

Internal Control Division

Based on the Basic Policy on Establishing an Internal Control Structure, the Risk Management & Compliance Committee and the Fujitsu Way Committee maintain and operate risk management systems, compliance systems, and internal control structures related to financial reporting and execute duties regulated under the basic policy. The status of operation of the internal control system is periodically reported to the Board of Directors.

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, which supervises these systems globally and is under the direct control of the Board of Directors.

The Risk Management & Compliance Committee is chaired by the representative director and president and consists mainly of executive directors. The Risk Management & Compliance Committee meets about every quarter. Regarding compliance violations and risks in business operations, including information security, the Risk Management & Compliance Committee operates a system that ensures the reporting of compliance violations and risks that have arisen to the Risk Management & Compliance Committee in a timely manner. It also operates the internal reporting system and formulates an action policy of the Chief Risk Compliance Officer. The progress and results of the activities of the Risk Management & Compliance Committee are periodically reported to the Board of Directors.

Also, sub-committees of the Risk Management & Compliance Committee have been established for individual regions, which are geographical regions of the Fujitsu Group worldwide, in order to instill the risk management system and the compliance system throughout the Fujitsu Group.

The Chief Risk Compliance Officer directs internal organizations based on the above-mentioned policy and strives to prevent risks in business operations from arising and conducts activities to minimize the loss that may be caused by the risks that have arisen.

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, a system called "Eagle Innovation" for evaluation and auditing of internal controls for the purpose of ensuring proper financial reporting throughout the Fujitsu Group has been established and is operated.

Systems to Ensure the Appropriateness of Fujitsu Group Operations

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

6. Review of Corporate Governance in Fiscal 2016

The Fujitsu Group is strengthening its corporate governance to ensure a sustainable increase in corporate value. Here, we report on the status of this initiative in fiscal 2016.

Number of Meetings of Key Boards and Committees

Board of Directors' meetings (including extraordinary meetings)	13 (1)
Audit & Supervisory Board meetings (including extraordinary meetings)	9 (1)
Attendance of external directors at Board of Directors' meetings	98.1%
Ms. Miyako Suda: 100%; Mr. Jun Yokota: 100%; Dr. Chiaki Mukai: 92.3%; Mr. Atsushi Abe: 100%	
Attendance of external Audit & Supervisory Board members at Board of Directors' meetings	100%
Mr. Megumi Yamamuro: 100%; Mr. Hiroshi Mitani: 100%; Mr. Koji Hatsukawa: 100%	
Attendance of external Audit & Supervisory Board members at Audit & Supervisory Board meetings	100%
Mr. Megumi Yamamuro: 100%; Mr. Hiroshi Mitani: 100%; Mr. Koji Hatsukawa: 100%	

Details of Remuneration

Position	Number of Recipients	Remuneration Type				Total Amount of Remuneration
		Base Compensation	Stock-based Compensation	Bonuses	Other	
Directors (Internal)	8	¥289 million	¥34 million	¥86 million	—	¥409 million
External Directors	4	¥53 million	—	—	—	¥53 million
Audit & Supervisory Board Members (Internal)	3	¥76 million	—	—	—	¥76 million
External Audit & Supervisory Board Members	3	¥40 million	—	—	—	¥40 million

Notes:

1. The above includes directors and Audit & Supervisory Board members who resigned in fiscal 2016.

2. The limit on remuneration to directors (including external directors) was resolved to be ¥600 million per year at the 106th Annual Shareholders' Meeting held on June 23, 2006. The limit on remuneration to Audit & Supervisory Board members (including external Audit & Supervisory Board members) was resolved to be ¥150 million per year at the 111th Annual Shareholders' Meeting held on June 23, 2011. The Company is paying the compensation shown in the above table, abiding by the remuneration limits.

3. The Company determined the above-mentioned compensation based on its Executive Compensation Policy as of March 31, 2017. Furthermore, in light of the setting of compensation amounts for the Performance-based Stock Compensation Plan, approved by the 117th Annual Shareholders' Meeting held on June 26, 2017, the Company has changed the Executive Compensation Policy as stated in the Policy for Deciding Executive Compensation on page 54.

In addition, as a part of a system to ensure the appropriateness of Fujitsu Group operations, the Company has established the Rules for Delegation of Authority, called "Global DoA," that determines authority for the 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 the reporting of important matters throughout the Group.

Evaluation of the Effectiveness of the Board of Directors

To maintain and enhance the effectiveness of the Board of Directors, the Company has included annual evaluations of the Board of Directors in the Corporate Governance Policy.

Actions Based on the Results of the Previous Fiscal Year's Evaluation

In light of the previous fiscal year's evaluation, which stressed the need to devote more time to discussions on management strategy, meetings of the Board of Directors and the Independent Officers Council discussed medium- to long-term management strategy on multiple occasions in fiscal 2016.

Fiscal 2016 Evaluation

In fiscal 2016, with the aim of strengthening the Board of Directors' oversight even further, the Company conducted an evaluation that centered on receiving feedback from external directors and external Audit & Supervisory Board members through interviews.

Accountability

Fujitsu recognizes that explaining corporate and management information to shareholders, investors, and other stakeholders is an important task within corporate governance, and it strives to disclose information in a timely and appropriate manner.

Meeting	Number of Times	Content
Regular presentations to securities analysts and institutional investors	12	We hold regular presentations, including presentations by the president on our management direction, presentations by the president and CFO on our earnings results, and presentations by various senior executives on business strategy for the operations they oversee. In addition, the media are always invited to the briefings by the president, CFO, and heads of businesses, with the understanding that individual investors can thereby obtain information through reports that appear in the media.
Regular presentations to foreign institutional investors	7	The CFO and IR managers meet with foreign institutional investors regularly. We also have IR managers stationed in Europe and the US who meet and communicate regularly with investors, not only at the time of earnings announcements.
Regular presentations to individual investors	0	At present, we do not hold presentations for individual investors. However, the investor relations section of our website includes materials used in presentations for securities analysts and institutional investors, transcripts of questions and answers, and videos.
Engagement with shareholders	11	The Company has designated the CFO as the officer with overall control of promoting constructive dialogue with shareholders and established the Public and Investor Relations Division to advance such efforts. Taking fully into account the composition of the Company's shareholders and under the overall control of the CFO, the Public and Investor Relations Division coordinates with divisions that assist in dialogues (business strategy divisions, accounting divisions, legal affairs divisions, business divisions, etc.) and senior business managers to hold dialogues and reports the results to the Board of Directors as required. Before convening the Annual Shareholders' Meeting, we visit major institutional investors, who are the beneficial shareholders, and explain our management policies, approach to corporate governance systems, and the agenda items to be submitted to the Annual Shareholders' Meeting. Further, in March 2017 external director Mr. Atsushi Abe and corporate executive officer Mr. Mitsuya Yasui held a briefing on the environment, society, and governance (ESG) for institutional investors and responded to questions from investors.

Videos, presentation materials, Q&As, and other materials can be viewed on the following website:
<http://www.fujitsu.com/global/about/ir/library/presentations/>

- In the opinion of many respondents, the administration and deliberations of the Board of Directors improved even further year on year. Also, the evaluation concluded that the Board of Directors' oversight function is being sufficiently fulfilled.

- As in the previous fiscal year, the Independent Officers Council, which convened six times in fiscal 2016, received a high evaluation from its participants as a meeting that complements the discussions of the Board of Directors. The results of the interviews were reported to the Board of Directors, along with opinions collected from managers responsible for exercising the voting rights of institutional investors that are beneficial shareholders of the Company about the Company's Board of Directors. Based on comprehensive consideration of the above, the Company's evaluation concluded that the Board of Directors functions effectively.

In addition, during the interviews we received constructive suggestions for strengthening oversight, and we are steadily implementing improvement measures in accordance with these suggestions.

ROUNDTABLE DISCUSSION AMONG EXTERNAL DIRECTORS

Further Enhancement of Fujitsu's Corporate Governance



In last year's roundtable discussion, we had the external directors discuss the framework of the Company's corporate governance, addressing such topics as the composition of the Board of Directors, the current state of Board meetings, and the functions of the Independent Officers Council. This year, the discussion delved a bit deeper, with the external directors offering their opinions from an oversight-based perspective on such matters as medium- to long-term strategies, the progress of Fujitsu's business model transformation, workstyle innovation, the response to the sustainable development goals (SDGs), and the expectations they have of President Tanaka.

— Could you please comment on the changes you have seen in the Board of Directors over the past few years?

Atsushi Abe: I was appointed as an external director in June 2015. At that time, discussions on the Management Direction were held only by the executive directors, and the results of those discussions were reported at Board of Directors' meetings after a conclusion had been reached. I saw this as an issue as the external directors were not able to sufficiently participate in the decision-making process for medium- to long-term strategies. However, the Company established the Independent Officers Council in July 2015, which meets about once every two months. Around two to three hours of these meetings are devoted to having the executive directors and officers provide explanations to the external directors on various topics, including the Management Direction, and during this time I had the opportunity to voice my opinion on such matters. In addition, at the Board of Directors' meetings, we now hold discussions

on strategies before they are formulated, starting from the planning stage. I am therefore truly impressed with the kind of changes that have occurred over the past few years.

Jun Yokota: I feel the same way. Now that we are able to thoroughly participate in discussions, there seems to be a shared sense of ownership between the external directors and internal officers regarding the Management Direction. I believe that this accomplishment results directly from the fact that a wide variety of information is provided to us at meetings of the Independent Officers Council. By continuing to receive a great deal of input at these meetings, I hope to contribute further to the discussions held at Board of Directors' meetings.

Chiaki Mukai: Previously, discussions at the Board of Directors' meetings leaned heavily toward reporting the status of business execution. Recently, however, I too feel that the content of the discussions held at Board meetings has changed significantly.

While you would assume that the executive directors would only like to report positive aspects of the Company to external members such as ourselves, the executive side has recently opened up to us about the various concerns and issues they have, including those related to medium- to long-term strategies. This development has given me the sense that the Board of Directors has adopted a new mentality, one that demonstrates the external directors and executive directors are heading for the same destination—almost like passengers aboard the same ship. While a clear line is drawn between the roles of execution and oversight, we both share the same ultimate goal of wanting Fujitsu to become an even stronger company.

Miyako Suda: I am impressed by the fact that the content of discussions pertaining to medium- to long-term strategies has become much more specific. For example, when viewing presentation materials on the Management Direction that are geared toward external audiences, President Tanaka provides us with an explanation on the areas that the Company views to be particularly important as well as on the background against which the presentation materials were created. These explanations have helped me better digest the content of such materials. I am also pleased with the fact that we are provided with explanations on the visual aspects of these materials as well, such as the reasons behind the colors that are used. Through the process of having external directors involved in discussions at Board meetings, I feel that the direction in which Fujitsu is aiming can be better conveyed to an outside audience.

Abe: Within the Management Direction, the Company has clearly depicted its stance on concentrating investments in "Connected Services" and using these services to compete on a global scale. As a result, the Company has already received a certain amount of praise from its shareholders and other investors, including positive feedback on its KPIs. However, there is still a need to flesh out the specifics of each policy and present them in a way that can be better understood from an objective perspective. This would encourage shareholders and other investors to offer even more support for Fujitsu's strategies and give them confidence that the Company can realize sustainable growth going forward.

— What kind of improvements does Fujitsu need to make in order to complete its business model transformation?

Suda: One KPI adopted under the Management Direction is to achieve an over 50% ratio of sales outside Japan. I believe the key to attaining this KPI is strengthening the Company's governance on a global level. At the moment, I feel there is still room for improvement in terms of formulating rules related to determining authority and establishing supervision systems, in addition to putting these rules into practice. As directors of the Company, I feel we need to place more emphasis on not

only enhancing the governance of overseas subsidiaries but also on encouraging governance-related collaboration between these subsidiaries and the Corporate Headquarters.

Yokota: If Fujitsu truly wishes to grow its sales outside Japan, it has to bolster its overseas operations. Accordingly, there is a need for pursuing uniform initiatives across the entire Fujitsu Group.

Abe: The Company's global matrix organization combines regional lines with business lines. While this organization offers many advantages, it tends to become ambiguous in terms of who should be in charge of formulating strategies, who should be investing capital, and who should be responsible for strategy execution. If the Company aims to have a ratio of sales outside Japan of over 50%, it must first make clear the scope of responsibility for management personnel of each regional and business line so that they can recognize their respective obligations and carry out their duties accordingly.

Mukai: When competing in the global ICT market, it is crucial to recognize the importance of speed. However, with 155,000 employees and an 80-year-old corporate culture, the pace of Fujitsu's actions is not that fast. Changes in the business environment for ICT services occur rapidly, and I feel that operating with a sense of urgency is more important than the business of manufacturing hardware, such as PCs, itself. As such, I intend to monitor the Company's decision-making process from the perspective of speed going forward.

Yokota: I believe that the executive directors and officers are aware of the issues the Company faces in terms of speed. I believe it is necessary to identify areas where the Company can accelerate the pace of its actions on its own initiative and areas where it is difficult to control the pace of operations due to the circumstances of the various parties involved in the Company's business. Two years have passed since the Management Direction was announced, and now is the time for the Company to follow through on the actions it declared it would execute. The Company must give consideration to areas where an overly cautious approach can lead to missed opportunities and conduct the decision-making process accordingly.

Changes in the business environment for ICT services occur rapidly, and I feel that operating with a sense of urgency is more important than the business of manufacturing hardware, such as PCs, itself. As such, I intend to monitor the Company's decision-making process from the perspective of speed going forward.

Chiaki Mukai

With the evolution of ICT going forward, Fujitsu will inevitably be faced with disruptive changes within its business environment. I therefore hope to stimulate future discussions of the Board of Directors by introducing concepts and ideas that go far beyond conventional ways of thinking.

Atsushi Abe

Suda: Within public economics, which is my field of specialty, attention is currently being paid in particular to the decision-making process. Fujitsu's corporate culture is one where, when an issue is recognized, improvements are made one after another. As such, from a perspective based on public economics, I will make active efforts to raise awareness on the importance of the decision-making process and consistently question the way the Company goes about that process. In particular, I will keep a close eye on how Fujitsu eliminates time-wasting aspects of the decision-making process and make sure that the Company is giving proper respect to on-site operations and minority opinions rather than being completely devoted to a top-down approach.

Abe: With the evolution of ICT going forward, Fujitsu will inevitably be faced with disruptive changes within its business environment. It is therefore necessary to incorporate concepts and ideas that go far beyond conventional ways of thinking. Discussions between internal members only will unavoidably lean toward past successes and stay within the limited context of the Company's conventional culture. With this in mind, it is extremely important for us as external directors, with different backgrounds, to make proposals, offer input, and introduce themes for discussion that transcend Fujitsu's conventional way of thinking. As it is the duty of the executive directors to consider measures for improvement, we will maintain a high awareness of our role as external directors to provide oversight and advice as we strive to stimulate discussions while maintaining an appropriate distance from the executive side.

—In February 2017, a Board of Directors' meeting was held in Silicon Valley. What kind of useful experience did you gain from this meeting that will benefit you in fulfilling your role as an external director going forward?

Suda: After talking with local Fujitsu Group employees, I gained a sense of how they engage in their work with a high level of motivation. Having these conversations was a very beneficial experience for me. When discussing management strategy at Board of Directors' meetings, it helps to be able to picture the local staff that will actually be executing such strategies. I also thought our visit to the Fujitsu Sunnyvale Campus was an extremely valuable experience, as we were able to observe how Fujitsu operates overseas.

Mukai: For me, the visit to Silicon Valley reinforced the sense of urgency we need to have in terms of acquiring talent. While the lifetime employment system still remains as part of Japan's work culture, overseas ICT companies actively hire employees from other companies, and the more talented employees tend to change companies with the aim of further advancing their careers. Based on this trend, I now understand the importance of preventing superior talent from leaving the Company as well as attracting outstanding international talent.

Yokota: The atmosphere of Silicon Valley gave me a sense of the "disruptive changes" that Mr. Abe just mentioned. By sending not only Company officers but also employees overseas to experience a workflow that is different from that of Japan, I hope that Fujitsu can cultivate a corporate spirit that encourages unprecedented innovation.

—How do you evaluate Fujitsu's efforts toward workstyle innovation?

Suda: Fujitsu has been pursuing efforts in workstyle innovation, including the introduction of the Telework System in April 2017. If the Company is able to create working environments that allow employees to feel fulfilled in their work through efforts such as these, then I believe it will be able to attract superior talent going forward. As operational efficiency increases when motivation levels are high, workstyle innovation efforts need to be more than just a formality and must actually establish positive working environments as quickly as possible. If Fujitsu, as an ICT company, can use technology to successfully achieve workstyle innovation, I believe that such success can become an operational strength as well.

Abe: I could not agree more. Offering a worker-friendly environment to our employees clearly results in increased efficiency, and this is why efforts in workstyle innovation are so important. As Fujitsu aims to be the world's leading ICT company, it must draw on ICT to flexibly resolve issues in workstyle innovation, thereby establishing a clear edge over other companies to maintain a leading position in this regard.

By sending not only Company officers but also employees overseas to experience a workflow that is different from that of Japan, I hope that Fujitsu can cultivate a corporate spirit that encourages unprecedented innovation.

Jun Yokota

Mukai: Japan's population continues to decline. Amid such circumstances, it is important for Fujitsu to consider the perspective of how much ICT can contribute to reducing the need for manpower. Giving consideration to workstyle innovation within its medium- to long-term strategies, Fujitsu needs to identify the areas in which it can contribute the most as an ICT company. This in turn will help the Company steadily enhance the competitiveness of its businesses.

—As SDGs garner more attention, corporations are being called upon to resolve social issues. What kind of initiatives do you think Fujitsu should pursue in this regard?

Suda: To realize sustainable growth as a company, Fujitsu needs to recognize the necessity of achieving sustainable development for the planet and strategically promote initiatives based on this recognition. Fujitsu is currently engaging in various measures related to resolving social issues, and I think it is necessary for the Company to leverage such measures within its businesses to enhance its corporate value. Naturally, the Company should make sure that the efforts it is pursuing appeal to investors. In terms of issues that are attracting international attention, such as the use of ICT to rectify global disparities, I believe that there are many things that Fujitsu can accomplish.

Yokota: As the SDGs continue to garner attention, we are likely approaching a time in which some companies are weeded out due to the progression of regulations and laws that impact business. With its technologies, products, and services, Fujitsu possesses a broad range of tools that can be utilized to resolve social issues. Accordingly, I think the Company should capitalize on this current trend to pursue new business opportunities. In regard to the efforts that Fujitsu is pursuing at the moment, the Company is working to reduce the environmental burden of its business activities under the "Zero CO₂ Emission" initiative, positioning this initiative as one of the pillars of its medium- to long-term environmental vision. I believe this move bears a great deal of significance.

Mukai: The SDGs have provided us with an internationally shared method to measure the activities of a corporation, and I feel that they can be used to effectively showcase to the world the results of the Company's independent efforts to resolve social issues thus far. On a side note, in light of the 17 goals and 169 targets of the SDGs, there have been comprehensive examinations for how space development, my area of expertise, can contribute to society, and focus fields are being established accordingly. In a similar manner, I believe Fujitsu should ascertain the areas in which it can make strategic efforts and draw on the SDGs to attract the support of society at large and investors.

Abe: When it comes to Fujitsu's efforts to resolve social issues through its core business, I believe it is also important to give

strategic considerations regarding the best way to communicate the results of these efforts. Fujitsu is making a great deal of social contributions through its core business, such as reducing the environmental burden of its client companies through the provision of ICT systems. Despite this, the outside recognition of Fujitsu is relatively low. For example, using simple yet symbolic language, U.S.-based Apple Inc. has showcased to investors the fact that it achieved a 96% utilization rate of renewable energy within its facilities, thereby making a lasting impression. If Fujitsu can convey similar accomplishments in a highly impactful manner such as this, then it should be able to boost its reputation and increase its sales.

—We are approaching the third year of Tatsuya Tanaka's tenure as president. What kind of expectations do you have of President Tanaka going forward?

Abe: I hope that President Tanaka remains committed to steadily promoting efforts in accordance with the Management Direction and accomplishes the targets the Company has set for itself. As an external director, I will constantly question the Company as to whether its policies and actions are appropriate for realizing the Management Direction, and I also hope to contribute to discussions by the Board of Directors that look at things from new perspectives.

Mukai: I want President Tanaka to pursue initiatives that only he himself can spearhead. For example, I have heard that President Tanaka was active in the film department during his university days. Perhaps he could draw on this experience to promote efforts that use ICT to contribute to artistic fields.

Suda: In regard to management targets, rather than being dead set on accomplishing the previously established targets, I hope that President Tanaka maintains a degree of flexibility in revising targets to ensure they are the most appropriate for enhancing overall corporate value.

Yokota: Until now, I feel Fujitsu has been in a stage of preparing to make the next big leap. Going forward, the Company will enter into a phase of reward and will benefit from its efforts to date. Accordingly, I will offer my assistance as an external director so that Fujitsu can grow its business in this phase with a sense of urgency.

To realize sustainable growth as a company, Fujitsu needs to recognize the necessity of achieving sustainable development for the planet and strategically promote initiatives based on this recognition.

Miyako Suda

PERFORMANCE HIGHLIGHTS

Fujitsu Limited and Consolidated Subsidiaries

The Fujitsu Group adopted International Financial Reporting Standards (IFRS) in fiscal 2014. Figures for fiscal 2013 are presented based on both Japanese GAAP and IFRS.

Fiscal years ended March 31											Yen (millions)	Year-on-year change (%)	2017 (IFRS)/ 2016 (IFRS)
	2008	2009	2010	2011	2012	2013	2014	2014 (IFRS)	2015 (IFRS)	2016 (IFRS)	2017 (IFRS)		
FINANCIAL DATA													
Net sales (revenue)	¥5,330,865	¥4,692,991	¥4,679,519	¥4,528,405	¥4,467,574	¥4,381,728	¥4,762,445	¥4,762,445	¥4,753,210	¥4,739,294	¥4,509,694	-4.8	
Net sales (revenue) outside Japan	1,923,621	1,499,886	1,748,304	1,587,363	1,506,096	1,498,215	1,801,491	1,801,491	1,879,981	1,894,216	1,644,067	-13.2	
Percentage of sales outside Japan (%)	36.1	32.0	37.4	35.1	33.7	34.2	37.8	37.8	39.6	40.0	36.5		
Point 1 Operating profit	204,989	68,772	94,373	132,594	105,304	88,272	142,567	147,275	178,628	120,612	128,861	6.8	
Point 2 Operating profit margin (%)	3.8	1.5	2.0	2.9	2.4	2.0	3.0	3.1	3.8	2.5	2.9		
Net profit (loss) (profit (loss) attributable to owners of the parent)	48,107	(112,388)	93,085	55,092	42,707	(79,919)	48,610	113,215	140,024	86,763	88,489	2.0	
Cash flows from operating activities	¥ 322,072	¥ 248,098	¥ 295,389	¥ 255,534	¥ 240,010	¥ 71,010	¥ 175,532	¥ 176,502	¥ 280,149	¥ 253,092	¥ 250,331	-1.1	
Cash flows from investing activities	(283,926)	(224,611)	1,020	(142,108)	(190,830)	(161,481)	(128,873)	(128,938)	(200,516)	(164,317)	(145,479)	-	
Free cash flow	38,146	23,487	296,409	113,426	49,180	(90,471)	46,659	47,564	79,633	88,775	104,852	18.1	
Cash flows from financing activities	62,325	(47,894)	(405,310)	(166,933)	(138,966)	100,384	(44,794)	(46,217)	(17,327)	(67,741)	(98,896)	-	
Inventories	¥ 383,106	¥ 306,456	¥ 322,301	¥ 341,438	¥ 334,116	¥ 323,092	¥ 330,202	¥ 330,202	¥ 313,882	¥ 298,849	¥ 293,163	-1.9	
Monthly inventory turnover rate (times)	1.03	0.98	1.04	1.02	1.01	1.00	1.07	1.07	1.11	1.12	1.15		
Total assets	3,821,963	3,221,982	3,228,051	3,024,097	2,945,507	2,920,326	3,079,534	3,105,937	3,271,121	3,226,303	3,191,498	-1.1	
Owners' equity (equity attributable to owners of the parent)	948,204	748,941	798,662	821,244	841,039	624,045	573,211	566,515	790,089	782,782	881,292	12.6	
Point 3 Return on equity (%)	5.0	(13.2)	12.0	6.8	5.1	(11.8)	8.1	23.2	20.6	11.0	10.6		
Owners' equity ratio (equity attributable to owners of the parent ratio) (%)	24.8	23.2	24.7	27.2	28.6	21.4	18.6	18.2	24.2	24.3	27.6		
Return on assets (%)	1.2	(3.2)	2.9	1.8	1.4	(2.7)	1.6	3.7	4.4	2.7	2.8		
Interest-bearing loans	887,336	883,480	577,443	470,823	381,148	534,967	519,640	560,243	578,492	534,913	486,728	-9.0	
D/E ratio (times)	0.94	1.18	0.72	0.57	0.45	0.86	0.91	0.99	0.73	0.68	0.55		
Net D/E ratio (times)	0.36	0.47	0.20	0.14	0.14	0.40	0.38	0.46	0.27	0.20	0.12		
R&D expenses	258,717	249,902	224,951	236,210	238,360	231,052	221,389	222,516	202,722	179,895	173,934	-3.3	
Capital expenditure	249,063	167,690	126,481	130,218	140,626	121,766	122,282	122,863	140,697	156,049	128,590	-17.6	
Depreciation	200,509	223,975	164,844	141,698	131,577	116,565	115,180	115,929	121,207	119,800	115,010	-4.0	
Amounts per share of common stock (yen)													
Net profit (loss) (profit (loss) attributable to owners of the parent)	¥ 23.34	¥ (54.35)	¥ 45.21	¥ 26.62	¥ 20.64	¥ (38.62)	¥ 23.49	¥ 54.71	¥ 67.68	¥ 41.94	¥ 42.83	2.1	
Point 4 Dividends	8	8	8	10	10	5	4	4	8	8	9	12.5	
Owners' equity (equity attributable to owners of the parent)	458.31	362.30	386.79	396.81	406.42	301.57	277.03	273.79	381.88	378.37	429.80	13.6	
NON-FINANCIAL DATA (ESG INDICATORS)													
Environmental													
Trends in total greenhouse gas emissions (whole Group globally) (10,000 tons)	189.4	166.8	131.3	118.5	109.8	101.4	132.4	132.4	126.3	123.4	119.9	-2.8	
Social													
Number of employees	167,374	165,612	172,438	172,336	173,155	168,733	162,393	162,393	158,846	156,515	155,069		
Percentage of female managers (non-consolidated) (%)	2.4	2.9	3.1	3.5	3.7	4.0	4.3	4.3	4.6	4.8	5.2		
Governance													
Percentage of external directors (non-consolidated) (%)	20.0	20.0	30.0	30.0	36.4	33.3	27.3	27.3	36.4	40.0	40.0		

Point 1
Operating profit

Operating profit increased ¥8.2 billion year on year, to ¥128.8 billion. This rise was attributable to improvement centered on the Ubiquitous Solutions business, which offset business model transformation expenses of ¥44.7 billion (businesses outside Japan: ¥34.0 billion; restructuring of datacenters in Japan: ¥3.9 billion; restructuring of production bases outside and in Japan: ¥6.6 billion) and a deterioration in the performance of the Device Solutions business.

Point 2
Profit attributable to owners of the parent

Net financial expenses (financial income net of financial expenses) improved ¥6.5 billion year on year, to ¥0.6 billion, mainly thanks to foreign exchange gains. Income from investments accounted for using the equity method, net, declined ¥11.5 billion year on year, to ¥6.9 billion. This decline reflected the recognition of an allowance for potential losses from an affiliated company in Japan and the absence of the previous fiscal year's one-time profits, which resulted from offering shares of an affiliate on China's Shenzhen Stock Exchange. Profit before income taxes increased ¥3.3 billion year on year, to ¥135.1 billion. Profit attributable to owners of the parent rose ¥1.7 billion year on year, to ¥88.4 billion.

Point 3
Equity attributable to owners of the parent ratio

Equity attributable to owners of the parent ratio increased 3.3 percentage points from the previous fiscal year-end, to 27.6%, due to recognition of net profit and an upturn in the stock market.

Point 4
Dividends

Fujitsu paid an interim dividend of ¥4 per share. However, in light of comprehensive consideration of our full-year results, financial position, and business conditions going forward, the Company increased the year-end dividend from ¥4 per share to ¥5 per share, giving an annual dividend of ¥9 per share.

BUSINESS SUMMARY BY SEGMENT

Fujitsu delivers total solutions in the field of information and communication technology (ICT). Along with the provision of a broad array of services, our comprehensive business encompasses the development, manufacture, sales, and maintenance of the cutting-edge, high-quality, and high-performance products and electronic devices that make these services possible.



REVIEW OF OPERATIONS BY SEGMENT

Technology Solutions

Services

System Platforms

Competitive Advantage

We support the global use of ICT by leveraging an extensive track record in diverse industries and regions as well as the expertise and insight that we have accumulated.

The Services business ranks top by market share in Japan and fifth globally. We provide services across a wide range of countries and regions, including Europe, the Americas, Asia, and Oceania. Outsourcing services are a key field for us, and through our worldwide network of more than 100 datacenters in 16 countries centered in Japan and Europe, we offer cloud services such as IaaS, PaaS, and SaaS that make operation of customers' ICT systems easier and help make customers' operations greener.

We also have an extensive track record in building large-scale and leading-edge systems in a broad spectrum of industries and fields, including manufacturing, distribution, finance, the public sector, communications, healthcare, and education. That record has been underpinned by wide-ranging systems engineering resources with leading-edge technological skills to help customers use ICT across countries, regions, and languages. It spans national government-based systems through to those of corporate customers with global bases.

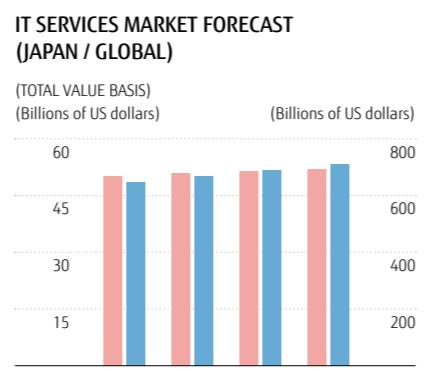
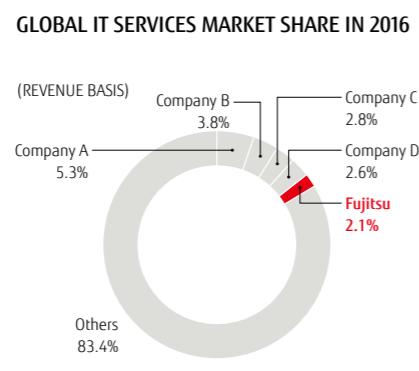
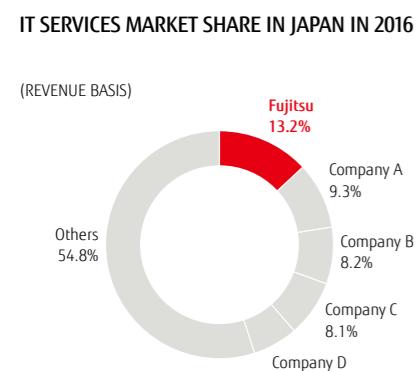
Through the use of not only conventional mission-critical systems but also the cloud, IoT, AI, security technologies, and other new digital technologies, we are enhancing our "Connected Services" and contributing to the value creation efforts of customers and society while initiating business innovation.

Market Trends and Opportunities

The IT services market is expected to grow globally amid an increasing focus on broadening business opportunities and efficiency through the use of ICT. In Japan, IT investment promises to increase in the lead-up to the Tokyo 2020 Olympic and Paralympic Games.

In Japan's IT services market, a CAGR of 1.2% is expected between 2016 and 2019. In the domestic economy, investment is likely to remain firm due to new service launches, infrastructure development, and security strengthening in preparation for the Tokyo 2020 Olympic and Paralympic Games. New trends are emerging in various industries such as FinTech in the financial field, omni-channel retailing (a multi-channel approach to sales spanning shopping online through to shopping at brick-and-mortar stores) in the retail field, and IoT implementation in the manufacturing field. Other trends include the promotion of regional medical information exchange in the healthcare field and the acceleration of the introduction of tablet computers to elementary schools, junior high schools, and other educational facilities.

In the worldwide IT services market, expansion in Asia is expected to drive a CAGR of 3.0% between 2016 and 2019. Although there is uncertainty about market trends centered on the United Kingdom and Europe, stepped-up use of ICT to reduce costs is likely. Further, economic expansion is likely to continue in emerging economies. Given these economic conditions, IT investment in each region is projected to rise steadily.



Source: Gartner, "Market Share: IT Services 2016," April 19, 2017, vendor revenue-based
 * Chart created by Fujitsu based on Gartner data

Source: Gartner, "Market Share: IT Services 2016," April 19, 2017, vendor revenue-based
 * Chart created by Fujitsu based on Gartner data

■ Japan (left) ■ Global (right)
 Source: IDC Worldwide Black Book 2017, June 2017

Issues

With the increasing buoyancy of the IT services market, advancing businesses that provide next-generation services and entering new business fields are pressing tasks. To realize new services, we will further develop our skill sets.

With respect to services, in Japan's brisk market we believe that it is important to transition from the construction of conventional systems toward services catering to the growing demand for the construction of new systems that incorporate the cloud and other technologies. At the same time, we must accelerate the establishment of new services for industries and fields in which, until recently, the use of ICT had not been advanced. Expanding markets by entering new business fields will be indispensable for growth going forward. Further, the overseas business is shifting its focus from products to services. In parallel with these efforts, however, we need to shift from businesses centered on managed infrastructure services for customers' systems toward business application services, thereby deepening our engagement with customers' mainstay operations. Also, in Japan and overseas a common requirement for the Group is to further develop skill sets that enable the realization of new services. Therefore, an important task going forward will be to develop personnel globally who can lead digital transformation with more-advanced, specialized skill sets. This task includes the enhancement and utilization of offshore resources.

Initiatives Going Forward

We aim to promote business centered on the "Fujitsu Digital Business Platform MetaArc" and to expand into new business sectors in Japan and overseas. From an ICT perspective, we aim to support customers' efforts to innovate and expand globally.

We actively aim to propose not only conventional system construction but also the use of new systems to tap into strong IT investment momentum in Japan. In particular, we will focus on expanding businesses centered on MetaArc and advancing "digital co-creation," which entails working with customers to develop their mainstay operations. We will combine the core Systems of Record (SoR), a key in-house strength, with the new Systems of Engagement (SoE) group of services, which utilize such advanced digital technologies as IoT and AI. In this way, the segment will promote businesses that fully leverage its knowledge and experience, provide Connected Services, and support customers' innovation.

Overseas, as part of business model transformation, we are tackling transformation of digital businesses. Focusing on Europe, we are reducing personnel numbers and hiring personnel with the new skill sets required for the digital businesses that we intend to strengthen going forward. The segment will shift toward business application services that are closer to customers' mainstay operations. Thus, the segment will transition from businesses centered on products to service businesses under the "global matrix organization."

Based on a common platform of services in Japan and overseas, we offer ICT support to customers with bases overseas as well as to those expanding globally by broadening operations from Japan into other markets.



A rendering of tourists using the Discover TOYAMA app, which enhances sightseeing in Toyama Prefecture



Joint verification of an IoT-enabled plant-wide productivity visualization system at Intel's Penang plant



A scoring support system for gymnastics competitions and a new form of televising such competitions (rendering of future products)

System Platforms

Competitive Advantage

Fujitsu supplies an extensive lineup of system products centering on servers around the world, ranking top in server market share in Japan and ninth globally. In optical transmission systems, the Company has large market shares in Japan and overseas underpinned by its advanced technologies and highly regarded support capabilities.

System Products

The system products business centers on servers, where Fujitsu boasts top share in the Japanese market. Globally, we provide a broad product lineup to meet diverse customer needs, including advanced and highly reliable mainframes and UNIX servers that support the mission-critical systems of corporations. These servers are equipped with proprietary CPUs—Fujitsu is one of the few global ICT companies with the technology to manufacture its own processor chips. We also provide x86 servers to support cloud computing and storage system able to hold huge—and ever-increasing—amounts of data.

Network Products

With network products, Fujitsu holds high market shares in optical transmission systems and mobile-phone base stations used by mobile communications carriers in Japan, backed by its advanced technology and support capabilities. We have also maintained a large market share in the highly competitive North American market for optical transmission systems, where we have benefited from our highly regarded technological capabilities and lengthy track record. We have also taken the lead over other companies in offering solutions that meet new customer needs accompanying the move toward network virtualization as typified by software-defined networking (SDN).

Market Trends and Opportunities

The global server market is expected to grow supported by market expansion in emerging economies and increasing datacenter demand. In the optical transmission market, we expect to see increased investment in network virtualization and softwarization.

System Products

In Japan's server market, a CAGR of -5.1% is expected between 2016 and 2019. The x86 server market, which was trending toward growth, is likely to contract as cloud services expand. Also, demand in the high-end server market is forecast to weaken with the ending of a round of business deals for major projects.

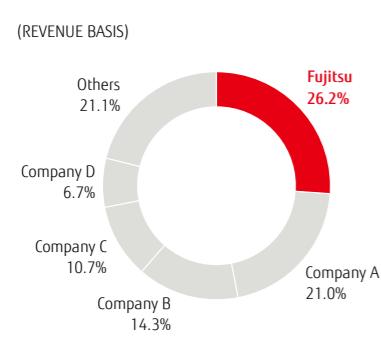
In the overseas server market, meanwhile, a CAGR of 2.4% is projected between 2016 and 2019. In this market, volume-zone servers are likely to grow amid higher demand for datacenters accompanying expansion of emerging markets and an increase in social media services and cloud services.

Network Products

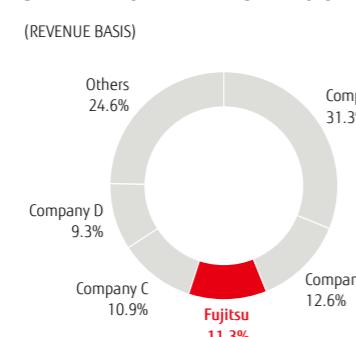
In the optical transmission market, investment in facilities and equipment has been declining in and outside of Japan as mobile communications carriers shift the focus of their investment from infrastructure to enhancing services. Recently, there has been an increasingly marked trend toward the adoption of disaggregation for datacenters and other facilities. Disaggregation entails a server separating components and resources into subsystems rather than all functions being included within one piece of hardware.

In addition, with accelerated moves toward network virtualization and softwarization, investment in 100 Gbps optical transmission, and the integration of optical transmission and packet processing, we expect investment to continue to expand over the medium term, though only slight growth is projected for the market as a whole.

SERVER MARKET SHARE IN JAPAN IN 2016



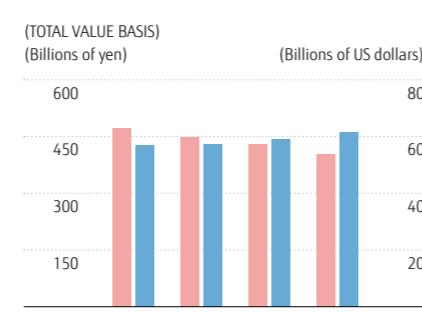
OPTICAL FIBER NETWORKING MARKET SHARE IN NORTH AMERICA IN 2016



Source: IDC Japan, "Japan Quarterly Server Tracker CY17Q1," June 14, 2017

Source: Ovum, "Market Share Spreadsheet & Analysis 1Q17 Global ON," May 2017

SERVER MARKET FORECAST (JAPAN / GLOBAL)



■ Japan (left) ■ Global (right)
 Sources: IDC Japan, "Japan Quarterly Server Tracker—Forecast," June 16, 2017, for Japan; IDC, "Worldwide Quarterly Server Forecast, 2017Q1," for global data

Issues

We need to raise business efficiency and competitiveness in response to the advance of commoditization and the contraction of the server market. In network systems, we need to quickly shift our emphasis to next-generation businesses applying virtualization technology.

System Products

In the server business, the market particularly for low-end models has become increasingly commoditized and price competition has been intensifying. The server market has been contracting due to the growing use of cloud-based systems. We must seek to boost competitiveness and raise market share by cutting costs and increasing efficiency even as we maintain product quality.

Network Products

Customers in Japan and overseas have continued to rein in capital expenditure, continuing the trend seen in the previous fiscal year. In the network industry, there has also been an ongoing shift from hardware-based to software-based control. In response, we need to quickly transform our business from a hardware-centric focus to one providing next-generation network systems sought by customers that use virtualization technologies and software control such as SDN and Network Function Virtualization (NFV). In doing so, we need to push forward with leading-edge and cost-efficient technology development.

Initiatives Going Forward

We intend to contribute to the realization of the IoT through infrastructure using MetaArc and in-house products. We aim to accelerate business model transformation globally, develop solutions adapted to network virtualization technologies, and step up the shift toward services.

System Products

Servers, storage, and software products provide a vital platform for realizing the IoT. We are supporting infrastructure platforms by providing highly reliable, high-performance services using in-house products incorporated within our MetaArc.

Network Products

While further reinforcing the development of solutions tailored to the use of SDN and NFV network virtualization technologies, we are shifting our focus toward services and accelerating business model transformation both in Japan and overseas. We also aim to expand businesses catering to the growing traffic volumes of datacenters. We will achieve this mainly through our new 1FINITY optical transmission system for datacenters. In the mobile system field, we are stepping up 5G technology development and standardization.



PRIMERGY CX2550 M4 2-way multi-node x86 server



Fujitsu Storage ETERNUS DX8000 S3 series hybrid storage system



Fujitsu Network 1FINITY series

Ubiquitous Solutions

Current Initiatives

The Ubiquitous Solutions business comprises the PC business, mobile phone business, and the car navigation systems business.

In the PC business, Fujitsu Client Computing Limited is shifting toward high-value-added products to increase differentiation. In these efforts, the company is focusing on the Fujitsu Group's strengths—individual customization and security-related products. Since October 2016, a strategic alliance with Lenovo Group Limited has been considered. The goal is to create models that will be competitive in the global market.

In the mobile phone business, Fujitsu Connected Technologies Limited is expanding the market share of its established smartphone business while growing market share in such new markets as Mobile Virtual Network Operator (MVNO) devices and corporate-use devices. Distinctive products are being marketed, including the easy-to-use Raku-Raku Smartphone, which targets the senior generation, and mobile phones for children.

As for the car navigation systems business, in April 2017 the Group decided to transfer some of its stake in car electronics manufacturing subsidiary Fujitsu TEN Limited to DENSO CORPORATION. Stepping up collaboration, Fujitsu TEN and DENSO will strengthen the automotive and mobility IoT businesses.

Fiscal 2016 Business Results and Outlook

In fiscal 2016, the Ubiquitous Solutions segment recorded a 1.5% year-on-year decrease in revenue, to ¥1,025.7 billion. In the mobile phone business, revenue declined due to lower mobile phone shipments, which resulted from a lengthening of the replacement cycle in the smartphone market. The revenue of the PC business grew thanks to the steady sales of corporate PCs. Although overseas revenue went down by 7.6%, it was essentially unchanged year on year if the effect of exchange rates is excluded. Reflecting significant improvements in the PC and mobile phone businesses, the business segment posted operating profit of ¥28.7 billion, compared with the previous fiscal year's operating loss. As well as the beneficial effect of the higher revenue from PCs in the Japanese market, the PC and mobile phone businesses also reduced costs and increased cost efficiencies. Furthermore, the mobilewear business increased earnings.

Looking ahead, the revenue and operating profit of Fujitsu TEN, some of whose shares Fujitsu has decided to sell, will not be included in the Company's business results in fiscal 2017, the year ending March 31, 2018. The mobile phone business will reinforce existing businesses by acquiring mobile phone models for Raku-Raku Smartphone and for new service plans. At the same time, the business will grow sales in such expanding markets as MVNO and SIM-free corporate-use devices. The PC business aims to increase volume by leveraging Fujitsu's strengths through customized and security-related products.

Device Solutions

Current Initiatives

Fujitsu's Device Solutions business comprises the LSI device business and the electronic components business.

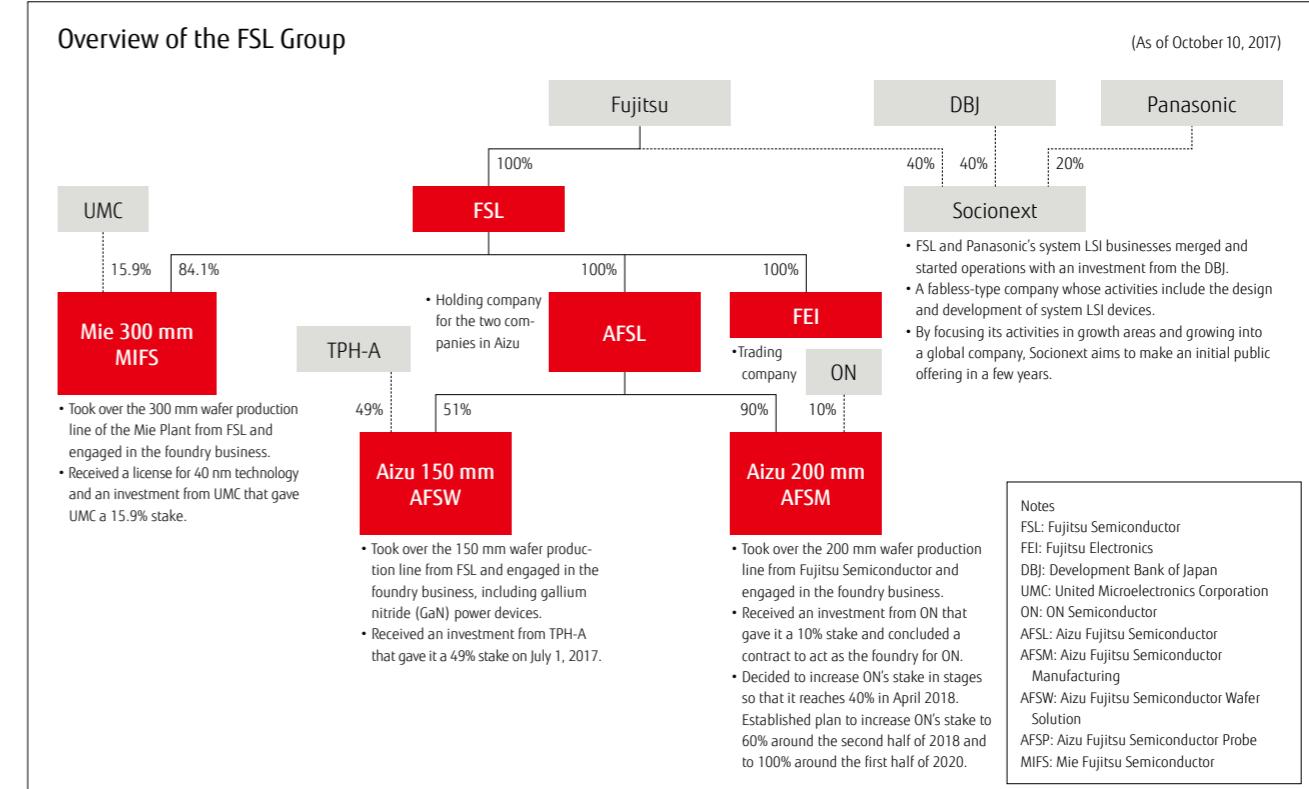
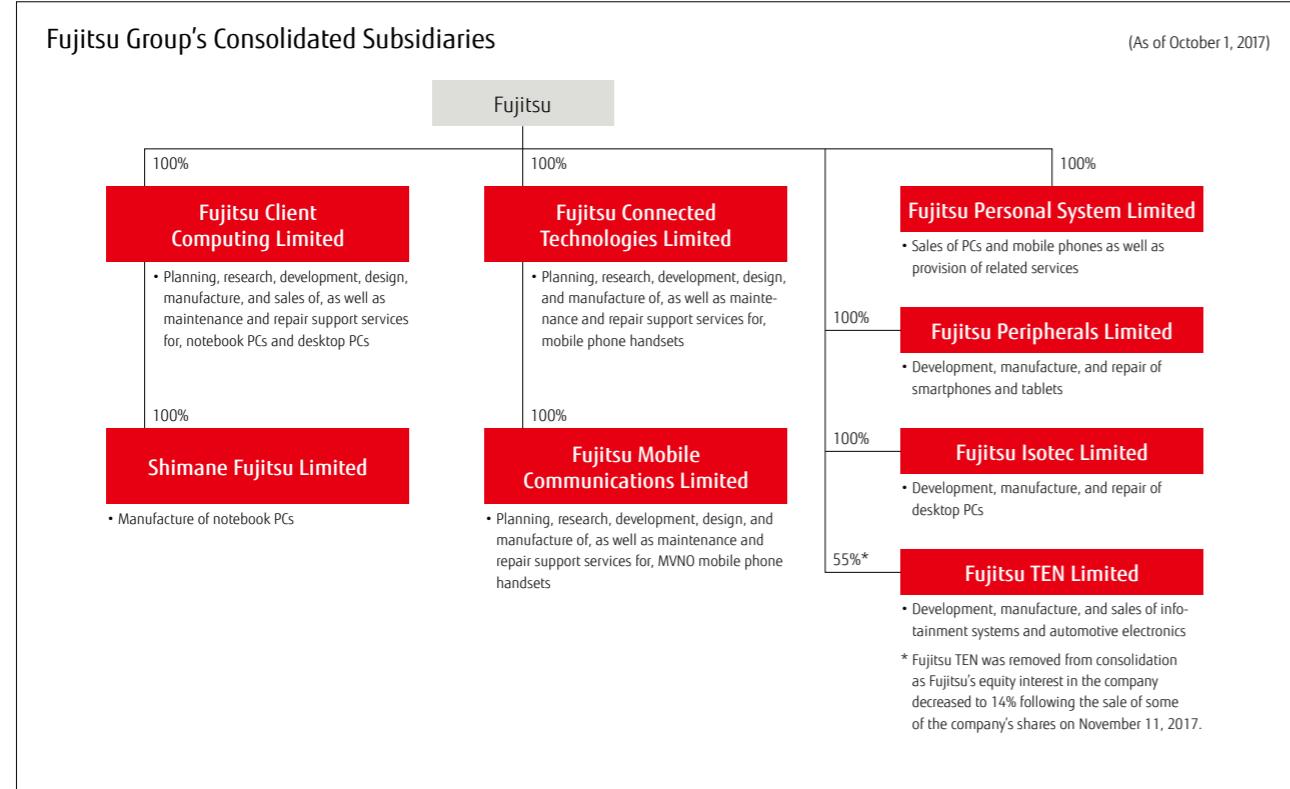
In the LSI device business, the Fujitsu Semiconductor Group has three core operations: (1) system memory businesses centering on ferroelectric random access memory (FRAM), which has the low-voltage, high-speed read/write endurance and low power consumption characteristics ideally suited to an energy-conserving society; (2) wafer foundry services, the first in the world to use ultra-low-power Deeply Depleted Channel (DDC) transistor and gallium nitride (GaN) mass production technologies; and (3) LSI device sales in which solutions and a vast array of electronic device products produced by the Fujitsu Group and other manufacturers in Japan and overseas are supplied to customers not only in Japan but also across the Americas, Europe, and Asia.

In the electronic components business, we anticipate strong growth in demand for high-performance semiconductors in IoT-related and other markets. Publicly listed consolidated subsidiaries in the Fujitsu Group, namely Shinko Electric Industries, are leading our efforts to bolster marketing and development capabilities and broaden our technological reach as we seek to commercialize new products and tap into that demand.

Fiscal 2016 Business Results and Outlook

In fiscal 2016, the Device Solutions segment posted a 9.9% year-on-year decline in revenue, to ¥544.3 billion. In Japan, revenue decreased 14.6% as lackluster demand for LSI devices for smartphones affected business results. Overseas revenue declined by 5.5%. Due to yen appreciation, US dollar-denominated export sales of LSI devices and electronic components declined. Operating profit was ¥4.2 billion, ¥26.1 billion lower than in the previous fiscal year. In addition to the decrease in US dollar-denominated export sales, which had an approximately ¥20 billion negative effect on earnings, less revenue from LSI devices affected business results. In fiscal 2016, the business segment incurred business model transformation expenses of ¥4.0 billion, up ¥4.0 billion year on year. The business segment recognized expenses arising from the restructuring of production bases related to the electronic components business in Japan and overseas.

As for the outlook, the LSI device market has been firmly recovering, centered on high-end LSI devices for smartphones since bottoming out of a slump in the first half of 2016. Similarly, demand for electronic components is likely to rise not only in relation to smartphones but also in the automotive, datacenter, and industrial equipment areas. In these business conditions, we will redouble efforts to deliver high-quality products and services to a broad spectrum of customers so that they can significantly advance the competitiveness and performance of their products.



HIGHLIGHTS BY REGION

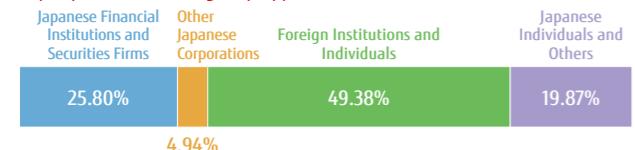
	Japan	Asia	EMEA	Americas	Oceania																																																																										
Market Environment	<p>In 2016, Japan's IT services market grew 1.4% year on year owing to increased investment in systems upgrading and new projects, reflecting a pickup in the performances of financial institutions and corporations. Although market growth is expected to slow down beyond 2017 as major projects conclude, gradual expansion is still projected through until 2020. In particular, there is likely to be steady growth in systems investment that is aimed at the use of big data, productivity enhancement, and the addressing of social tasks, such as disaster countermeasures, that focus on security, AI, and IoT. Between 2016 and 2019, we estimate a CAGR of 1.2%.</p>	<p>In 2016, Asia's IT market grew 6.8% year on year with markets for smartphones and other devices driving growth. The IT market is expected to continue expanding; between 2016 and 2019 we estimate a CAGR of 6.6%. In China and the ASEAN region, the pace of growth is projected to exceed that of other countries and regions due to the increasing use of mobile, cloud, and big data services. Asia's largest market, China has launched the "Made in China 2025" ICT initiative, while the ASEAN region is the most important growth region for Asia's economy. Although each country and region has distinctive characteristics, Asia as a whole is strengthening its industrial capabilities by introducing ICT. Further, Asia is likely to see demand stem from ICT investment aimed at addressing social issues.</p>		<p>In 2016, EMEA's IT market grew 1.2% year on year. The IT market is expected to continue expanding modestly; between 2016 and 2019 we estimate a CAGR of 2.4%. While tough conditions are expected for PC, server, and other gradually contracting hardware markets, steady expansion is projected for the IT services market. With the increasingly prevalent view that the advance of ICT, particularly in developed economies, will spur renewed growth, expectations are for such fields as AI, IoT, security, cloud services, and big data to be utilized even more proactively.</p>	<p>In 2016, the IT market in the Americas grew a steady 2.1% year on year. The market is expected to continue expanding steadily; between 2016 and 2019 we estimate a CAGR of 4.1%. The region's IT market is the world's largest and most mature—and one of the most competitive. In addition to major ICT vendors and enterprises specializing in niche fields and specific regions, the market has in recent years seen the entry of India-based vendors. Hardware markets as a whole, including those for PCs and servers, are becoming increasingly challenging and are expected to continue to contract over the coming several years. The IT services market, however, is projected to expand steadily amid growing demand for security services against the backdrop of advancing digitization and the shift to software as a service (SaaS) and other cloud services.</p>	<p>In 2016, Oceania's IT market remained essentially unchanged, edging up 0.1% year on year. The market is expected to gradually increase in scale each year; between 2016 and 2019 we estimate a CAGR of 2.0%. The IT services market is expected to see sustained strong growth amid expanding demand for big data analysis and cyber security and the advance of digital business models across all industries, supported by increasing uptake of cloud, AI, mobile, and other technologies. The hardware market, particularly for PCs and servers, is projected to continue to contract.</p>																																																																									
Priority Tasks	<p>We will leverage new IoT era digital technologies to realize innovation in businesses. Focusing on the fields of cloud, AI, and security while aiming to roll out "Connected Services," we will build strong ecosystems with customers, global ICT companies, research institutions, and universities. In addition to existing relationships established with customers through the provision of ICT services, the Fujitsu Group will co-create new business models with customers.</p> <p>We want to participate in our customers' operations from the planning stage, support customers' mainstay operations, and provide new value. To these ends, we will continue concentrating efforts on prior investment focused on research and development for next-generation technologies and the realization of digital transformation.</p>	<p>We aim to sustain strong growth by conducting selection and concentration that reflects the situation of each country, expanding businesses through maximum utilization of the integrated One Asia framework that includes Japan, and establishing the Fujitsu brand. As well as achieving steady growth by increasing our focus on customers and markets, we will grow through digital businesses. Also, the Group will advance services and solutions businesses centered on the cloud. Further, we will transform our operations from managed infrastructure businesses to solutions businesses by establishing services businesses through co-creation with partners and increasing solutions for specific industries.</p>		<p>While strengthening the competitiveness of conventional IT services, we will advance digital transformation of services businesses by establishing and growing services in such fields as big data and analytics. As part of these efforts, we will reduce personnel numbers in Europe as a whole, hire personnel with new skill sets suited to the digital services field, and develop personnel for new fields. In conjunction with such measures, the Group will promote automation to increase the efficiency of service delivery, sales, and marketing functions.</p> <p>We are pursuing business deals with companies strategically selected from among Europe's top 100 companies and stepping up sales activities dedicated to handling large business deals. In this way, we aim to secure multi-regional business deals in which we can bring to bear our global delivery capabilities.</p>	<p>To identify the needs of customer companies in the digital services field and provide the leading-edge digital ICT optimally suited to their business models, we will expand high-value-added digital services businesses, including consulting services, Hybrid IT, and SaaS. Further, the Digital Services Business will proactively advance the strengthening and expansion of businesses through strategic planning, personnel development, personnel exchanges, and solutions plans. The communications business is seeing higher datacenter-related traffic and communications demand. We are expanding the business with a focus on 1FINITY, which uses disaggregated architecture that enables flexible responses to increased traffic between datacenters, and Virtuora, a series of virtualization solutions for wide area networks.</p>	<p>We aim to step up the development of big data and analytics services as well as other services in the digital services field, which promises high rates of growth. Therefore, we are strengthening activities aimed at establishing our position as a leading ICT vendor in the digital services field by revising organizational systems and hiring personnel to enhance capabilities. Also, we will actively expand service menus through field trials and other co-creation initiatives. As for established businesses, we will enhance service quality even further by continuing to strengthen current capabilities through such measures as investment in datacenters. At the same time, we will decisively introduce automation and expand the use of offshore resources to increase cost competitiveness.</p>																																																																									
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SHAREHOLDER DATA

(As of March 31, 2017)

Capital:	¥324,625 million
Authorized Common Stock:	5,000,000,000 shares
Issued Common Stock:	2,070,018,213 shares
Number of Shareholders:	148,436

Equity Shareholdings by Type of Shareholder:



Status of Principal Shareholders:

Principal Shareholders	Number of Shares Held (Thousands)	Percentage of Shares Held (%)
The Master Trust Bank of Japan, Ltd. (for trust)	88,929	4.34
Japan Trustee Services Bank, Ltd. (for trust)	84,414	4.12
Fuji Electric Co., Ltd.	59,498	2.90
Fujitsu Employee Shareholding Association	58,016	2.83
CHASE MANHATTAN BANK GTS CLIENTS	44,293	2.16
ACCOUNT ESCROW		
Mizuho Bank, Ltd.	36,963	1.80
Ichigo Trust Pte. Ltd.	36,798	1.79
Japan Trustee Services Bank, Ltd. (for trust 5)	35,423	1.73
Asahi Mutual Life Insurance Company	35,180	1.72
CBNY-GOVERNMENT OF NORWAY	34,330	1.67

Notes:
 1. The investment ratio is calculated after exclusion of treasury stock holdings (19,541 thousand shares).
 2. The shares held by The Master Trust Bank of Japan, Ltd. (for trust), Japan Trustee Services Bank, Ltd. (for trust), and Japan Trustee Services Bank, Ltd. (for trust 5) pertain to the trust business by the institution.
 3. Of the shares held by Mizuho Bank, Ltd., 4,250 thousand shares are trust properties that are trusted to Mizuho Trust & Banking Co., Ltd., and re-trusted to Trust & Custody Services Bank, Ltd., as retirement benefit trust assets. The voting rights involved in these shares are set forth to be exercised upon order of Mizuho Bank, Ltd.

Corporate Headquarters: Shiodome City Center,
1-5-2 Higashi-Shimbashi,
Minato-ku, Tokyo 105-7123, Japan
Telephone: +81-3-6252-2220

Transfer Agent: Mitsubishi UFJ Trust and Banking Corporation
4-5, Marunouchi 1-chome,
Chiyoda-ku, Tokyo 100-8212, Japan

Stock Exchange Listings: Tokyo, Nagoya

Accounting Auditors: Ernst & Young ShinNihon LLC

Shareholder Information: For further information, please contact:
Fujitsu Limited
Public & Investor Relations
Telephone: +81-3-6252-2173
Facsimile: +81-3-6252-2783

For inquiries, please visit our "Contact" page on our investor relations website.

<http://www.fujitsu.com/global/about/ir/>

On the Publication of *Fujitsu Group Integrated Report 2017* (Editorial Policy)

Since 2015, when the Fujitsu Group marked the 80th anniversary of its founding, we have published the *Fujitsu Group Integrated Report*, which integrates the previous *Annual Report* and *CSR Report*.

This report is for our various stakeholders, including shareholders and other investors, and provides information on non-financial aspects, such as the environment, society, and governance, together with financial information. Through this publication, we aim to communicate the Fujitsu Group's initiatives for business activities and value creation comprehensively and simply.

In editing the report, we have referred to various guidelines, such as the International Integrated Reporting Framework of the International Integrated Reporting Council.

From the fiscal year ended March 31, 2015, Fujitsu has adopted the International Financial Reporting Standards (IFRS). However, some sections have presented results under the Japanese accounting standard for the purpose of year-on-year comparison. These sections are indicated in the report.

FUJITSU GROUP'S INFORMATION DISCLOSURE

Corporate Website

Our corporate website presents information on the Fujitsu Group's products, corporate activities, press releases, and messages from the president.



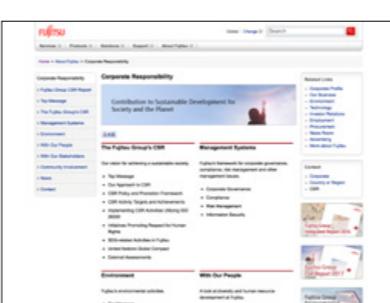
Investor Relations Website

Our investor relations website presents information on financial results, materials and videos from various briefings, and corporate governance information. PDF versions of this *Fujitsu Group Integrated Report* are also available for viewing.



Corporate Social Responsibility Website

Our corporate social responsibility website provides information on the Company's thinking and initiatives in social and environmental fields and related promotion structures, as well as specific examples and data. PDF versions of the *Fujitsu Group CSR Report*, the *Fujitsu Group Environmental Report*, and the *Fujitsu Group Information Security Report* are also available for viewing.



<http://www.fujitsu.com/global/about/csr/>

Fujitsu Group Reports



Fujitsu Group
CSR Report 2017
<http://www.fujitsu.com/global/about/resources/reports/sustainabilityreport/2017-csreport/>



Fujitsu Group
Environmental Report 2017
<http://www.fujitsu.com/global/about/resources/reports/sustainabilityreport/2017-environmentalreport/>



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Telephone: +81-3-6252-2220
<http://www.fujitsu.com/global/>

Legibility

We have reviewed this report using our ColorSelector tool to choose a highly accessible color combination so that the text and figures are as legible as possible to the widest range of readers.

Consideration for the Environment

- This report has been printed using waterless printing, which reduces the amount of harmful materials used and emitted.
- FSC® Certified Paper as designated by the Forest Stewardship Council® has been used in printing in order to help preserve forestry resources.
- Vegetable oil inks that do not include volatile organic compounds have been used.

