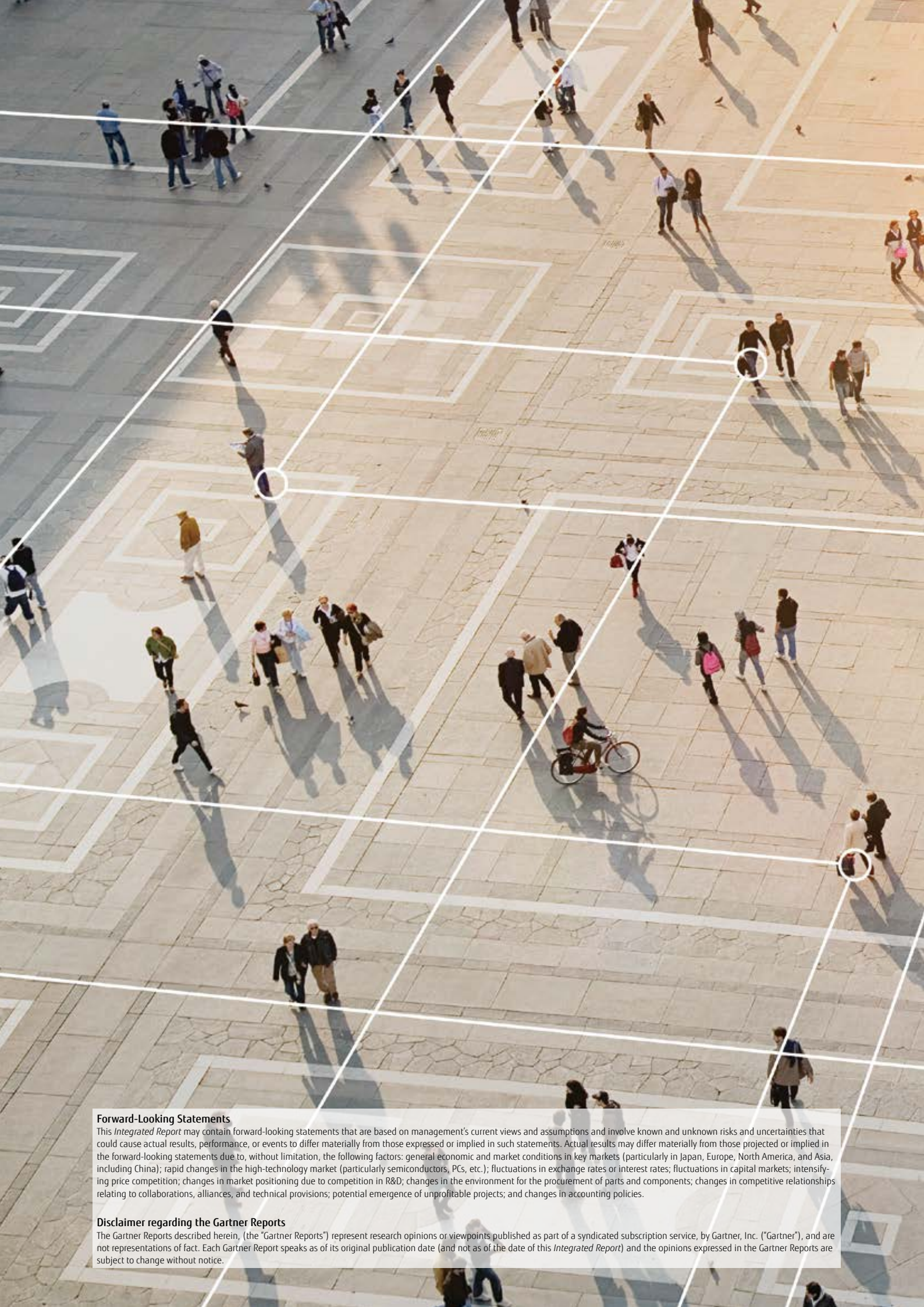


# Integrated Report 2016

Fujitsu Group

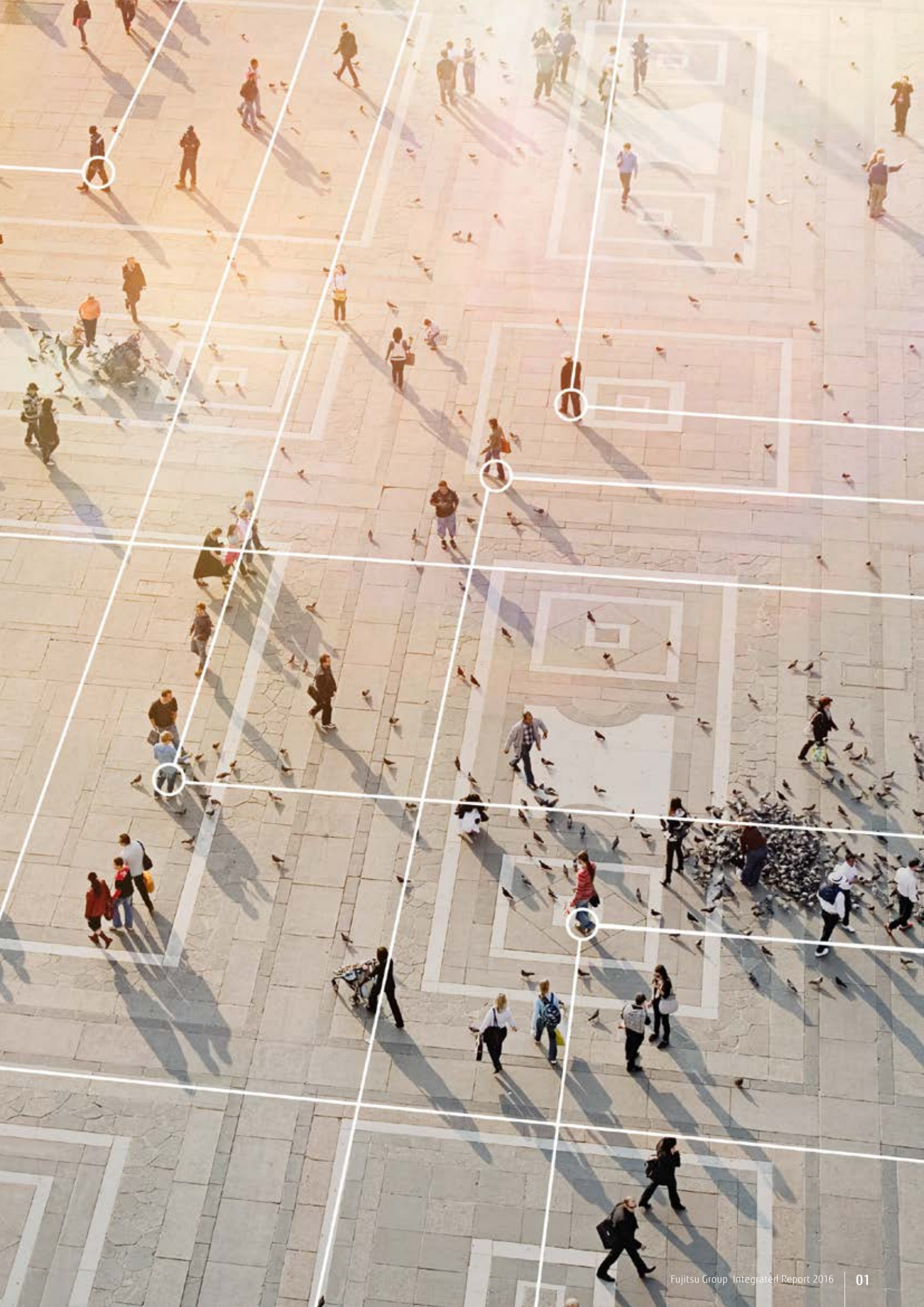


#### Forward-Looking Statements

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.

#### Disclaimer regarding the Gartner Reports

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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 160,000 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.

*Jatsuya 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.

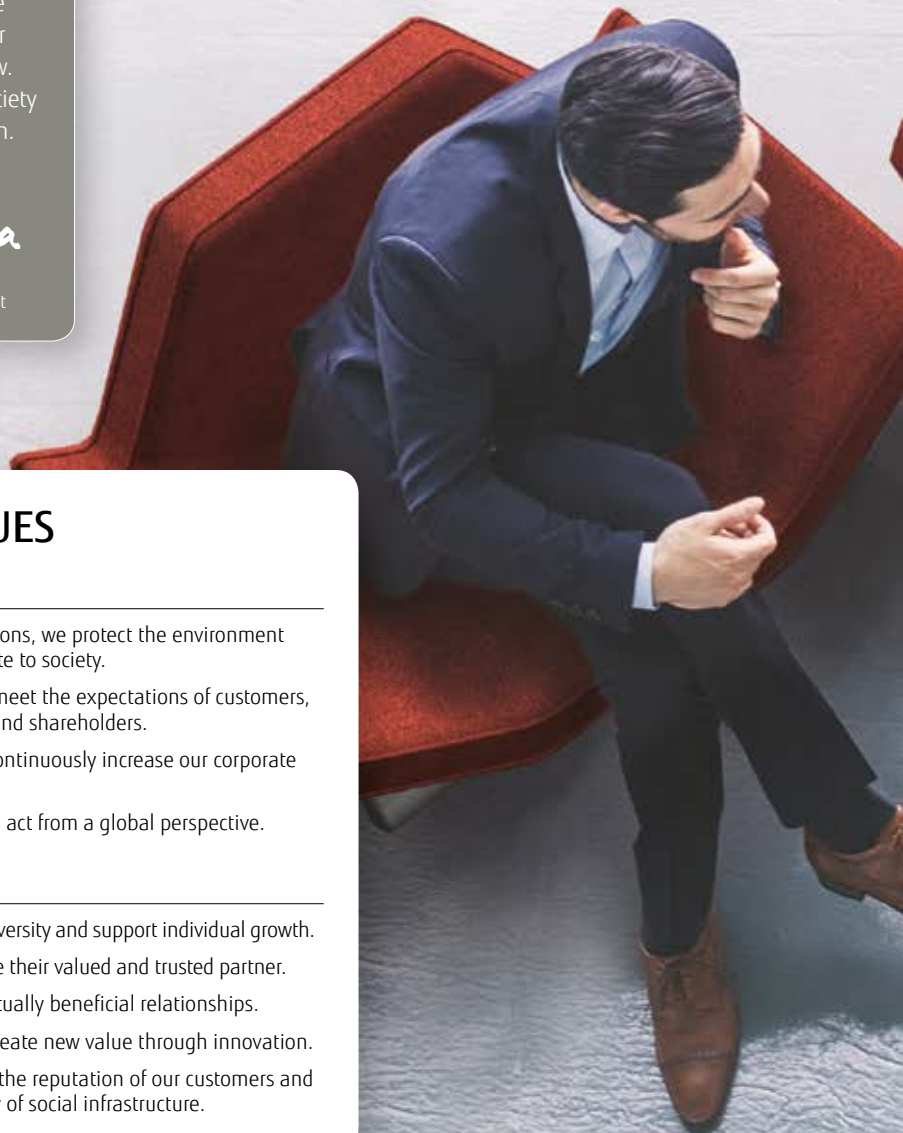
## CORPORATE VALUES

### What we strive for:

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

### What we value:

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



# CONTENTS

## 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.
- Firsthand 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.

## FUJITSU GROUP OVERVIEW

- 02 THE FUJITSU WAY
- 04 FUJITSU AT A GLANCE
- 06 FINANCIAL HIGHLIGHTS / ENVIRONMENT, SOCIETY, AND GOVERNANCE HIGHLIGHTS
- 08 MESSAGE FROM THE REPRESENTATIVE DIRECTOR AND CHAIRMAN
- 10 BOARD OF DIRECTORS / AUDIT & SUPERVISORY BOARD MEMBERS
- 12 MESSAGE TO SHAREHOLDERS AND OTHER INVESTORS  
Tatsuya Tanaka Representative Director and President

## PROGRESS IN BUSINESS MODEL TRANSFORMATION

- 18 **PART 1** CREATING VALUE THROUGH DIGITAL INNOVATION
- 20 Interview: Change Seen from the Digital Innovation Front Lines
- 24 **PART 2** EVOLUTION OF THE GLOBAL MATRIX ORGANIZATION
- 28 Business Overview by Region
- 30 Review of Operations by Region

## MANAGING CAPITAL TO ACCELERATE GROWTH STRATEGIES

- 40 CSR AT THE FUJITSU GROUP
- 42 STAKEHOLDER DIALOGUE
- 44 SIX TYPES OF CAPITAL

## REVIEW OF OPERATIONS

- 52 PERFORMANCE HIGHLIGHTS
- 54 BUSINESS OVERVIEW
- 56 OPERATIONAL REVIEW AND OUTLOOK

## 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.

## CORPORATE GOVERNANCE / CORPORATE DATA

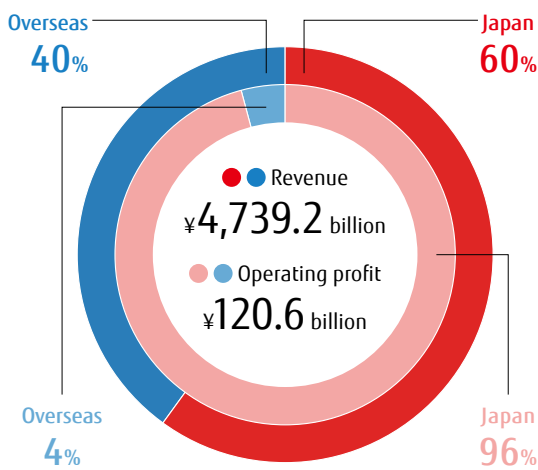
- 63 ROUNDTABLE DISCUSSION AMONG EXTERNAL DIRECTORS
- 68 MANAGEMENT
- 70 CORPORATE GOVERNANCE
- 78 RISK MANAGEMENT
- 80 INFORMATION SECURITY MANAGEMENT
- 82 SHAREHOLDER DATA
- 83 FUJITSU GROUP'S INFORMATION DISCLOSURE

# FUJITSU AT A GLANCE

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

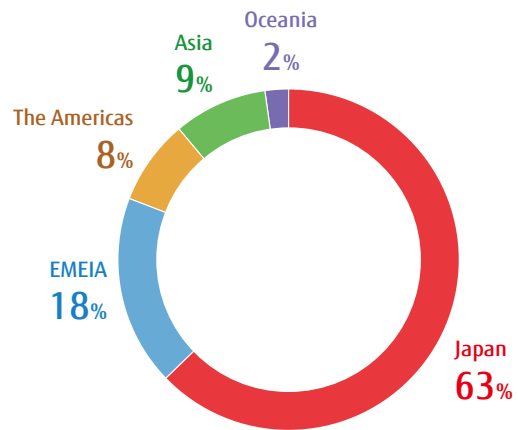
Fujitsu's IT services business ranks top by market share in Japan and fifth worldwide, a record that reflects our outstanding technologies and long track record in building large-scale, cutting-edge systems.

**Revenue / Operating Profit** (Year ended March 31, 2016)



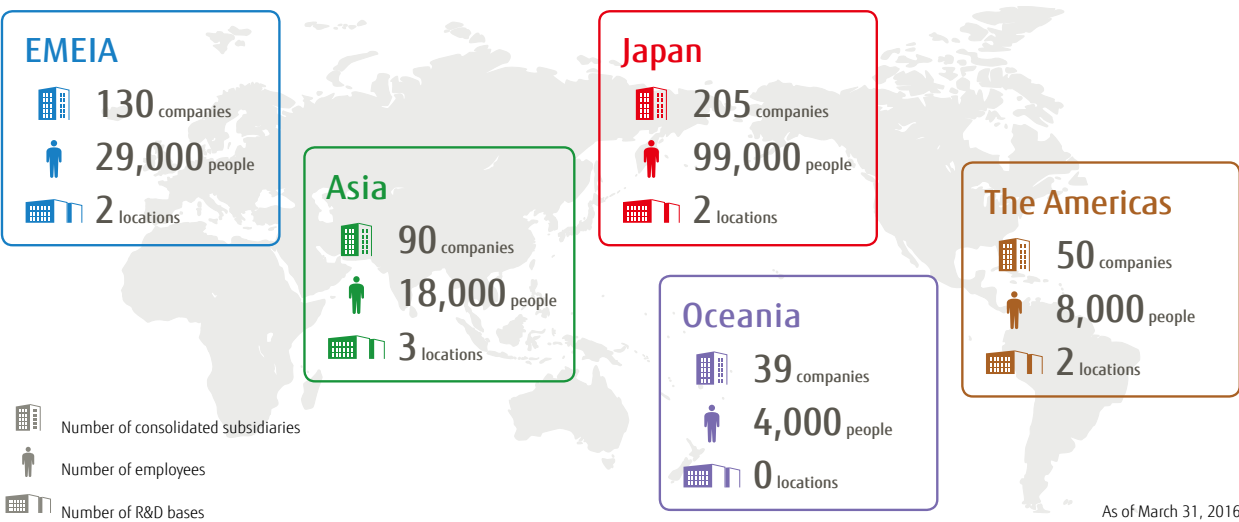
Note: Percentage of operating profit is calculated after excluding elimination and corporate.

**Breakdown of Revenue by Region** (Year ended March 31, 2016)



Note: Percentage of revenue is calculated after excluding elimination and corporate.

## Global Presence

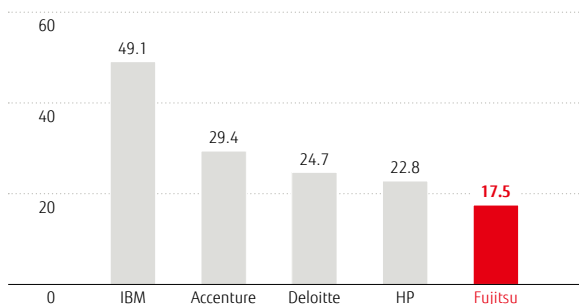


As of March 31, 2016

## Fujitsu's Position in the IT Services Market

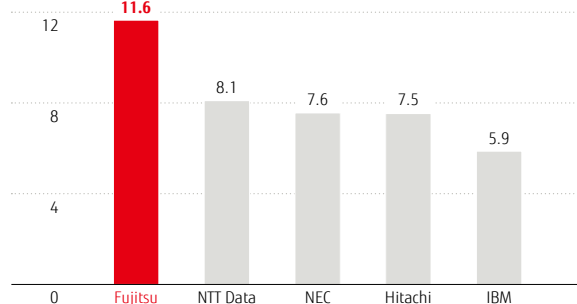
### GLOBAL IT SERVICES SALES IN 2015

(Billions of US dollars)



### JAPAN IT SERVICES SALES IN 2015

(Billions of US dollars)



Source: Gartner, "Market Share: IT Services 2015," April 6, 2016. 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.

### 2015 MARKET SHARE BY CUSTOMER INDUSTRY (TOTAL VALUE OF EACH MARKET)

Finance (Bank and securities / Insurance)

¥2,918.2 billion



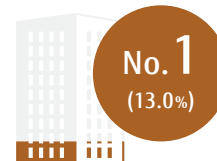
Manufacturing

¥2,784.1 billion



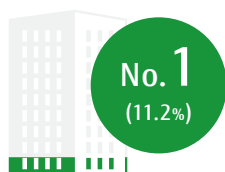
Distribution (Retail / Wholesale / Transport)

¥1,561.0 billion



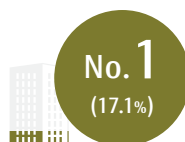
Communications / Media / Services

¥1,784.7 billion



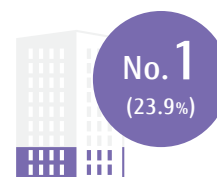
Public (Electricity and gas / Medical services / Education)

¥529.2 billion



Public sector

¥1,483.6 billion



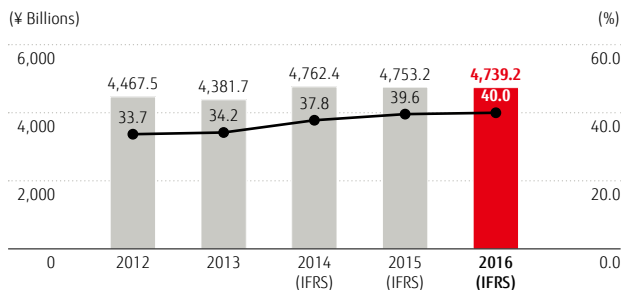
Source: Gartner, "Market Share: IT Services 2015," April 6, 2016. Chart created by Fujitsu based on Gartner data. Calculations performed by Fujitsu.

# 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



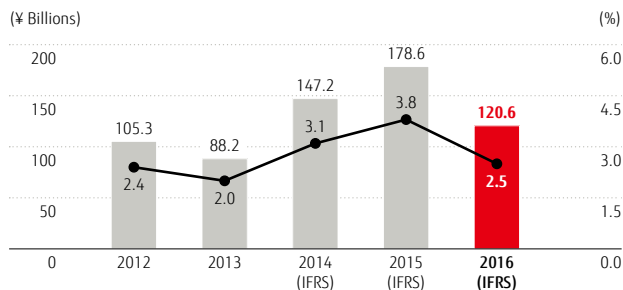
(Fiscal year ended March 31)

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

### Percentage of sales outside Japan **+0.4 of a percentage point** Up

Revenue decreased 0.3% year on year. Due to exchange rates, the ratio of revenue outside Japan increased 0.4 of a percentage point year on year, to 40.0%.

## OPERATING PROFIT AND OPERATING PROFIT MARGIN



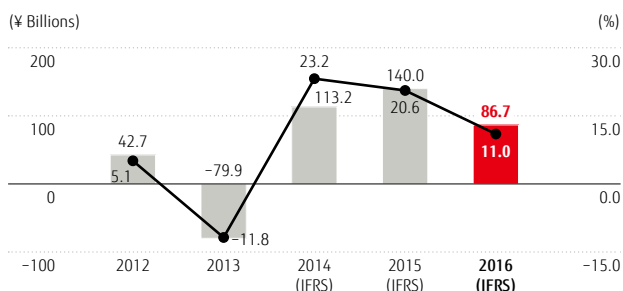
(Fiscal year ended March 31)

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

### Operating profit margin **-1.3 percentage points** Down

Operating profit margin decreased 1.3 percentage points year on year due to the recognition of business model transformation expenses and to an increase in US dollar-denominated component procurement costs at European bases, which accompanied the euro's depreciation versus the US dollar.

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



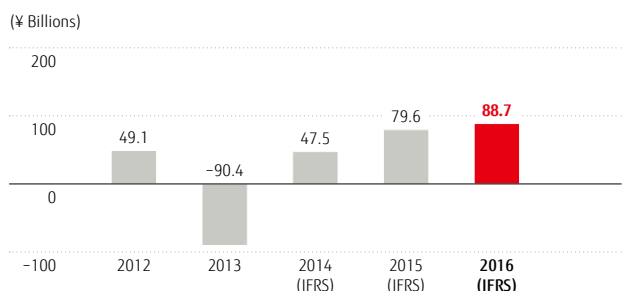
(Fiscal year ended March 31)

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

### Profit attributable to owners of the parent **-¥53.2 billion** Down

Profit attributable to owners of the parent decreased ¥53.2 billion year on year, as a decline in operating profit and an increase in net financial expenses offset higher income from investments accounted for using the equity method, net.

## FREE CASH FLOW

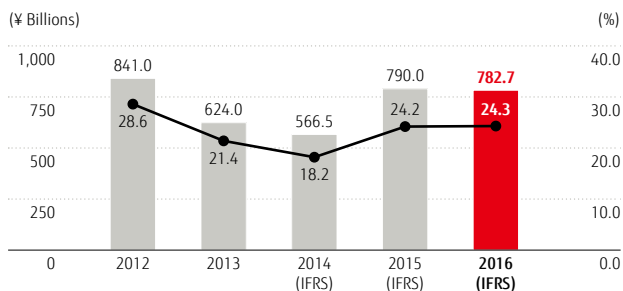


(Fiscal year ended March 31)

### Free cash flow **¥9.1 billion** Up

Free cash flow rose ¥9.1 billion year on year, as lower capital expenditures for intangible assets and cash inflow resulting from the sale of certain assets more than compensated for a decline in profit for the year attributable to owners of the parent.

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



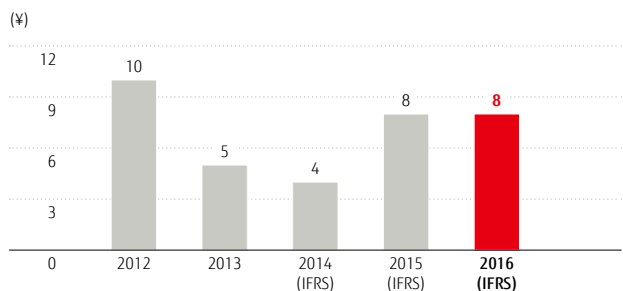
(As of March 31)

■ 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 **+0.1 of a percentage point** Up

Equity attributable to owners of the parent ratio remained at approximately the same level, edging up 0.1 of a percentage point from the previous fiscal year-end, as a decrease in other components of equity that resulted from changes in exchange rates and share prices largely offset an increase in retained earnings accompanying the recognition of profit for the year attributable to owners of the parent.

## DIVIDENDS PER SHARE OF COMMON STOCK



(Fiscal year ended March 31)

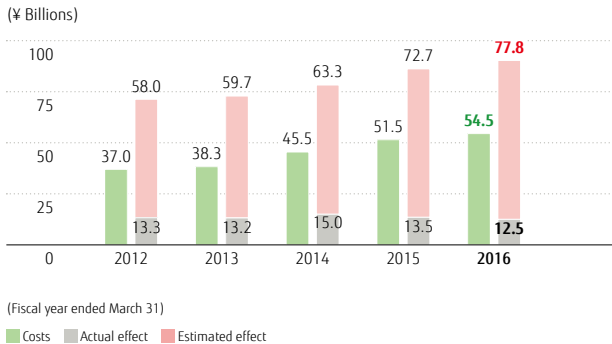
### Dividends per share of common stock

Dividends per share were unchanged year on year. We paid an annual dividend of ¥8 per share, comprising an interim dividend of ¥4 and a year-end dividend of ¥4.



# ENVIRONMENT, SOCIETY, AND GOVERNANCE HIGHLIGHTS

## ENVIRONMENTAL ACCOUNTING (COSTS AND FINANCIAL EFFECT)

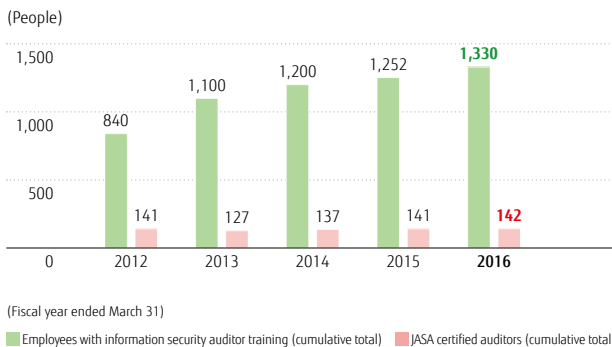


(Fiscal year ended March 31)

Aggregate results for fiscal 2015 show year-on-year increases of 6.0% in costs, to ¥54.5 billion, and 5.0% in financial effect, to ¥90.3 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 2016*.  
<http://www.fujitsu.com/global/about/resources/reports/sustainabilityreport/2016-environmentalreport/index.html>

## EMPLOYEES WITH INFORMATION SECURITY AUDITOR TRAINING AND JASA CERTIFIED AUDITORS (CUMULATIVE TOTAL)

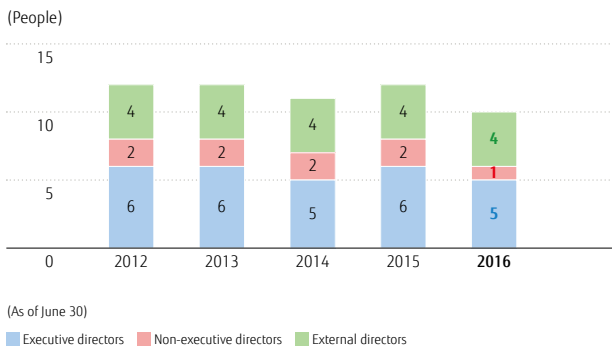


(Fiscal year ended March 31)

We have been offering information security auditor training to heighten the quality of information security audits in each organization. Also, we have been encouraging employees to acquire auditor qualifications certified by Japan Information Security Audit Association (JASA). Consequently, we boast the largest number of JASA certified auditors in Japan.

Note: The scope of aggregation is Fujitsu Limited and Group companies in Japan.

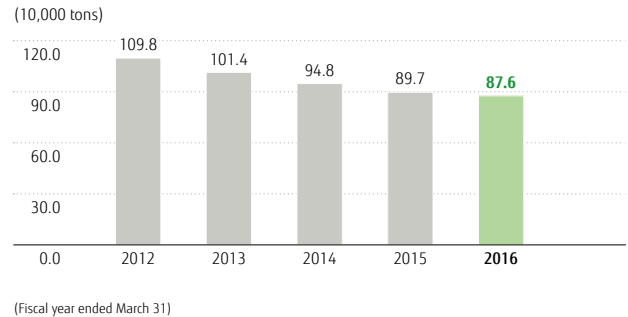
## EXECUTIVE DIRECTORS, NON-EXECUTIVE DIRECTORS, AND EXTERNAL DIRECTORS



(As of June 30)

We are strengthening oversight by appointing external directors actively. Four of 10 directors were external directors as of June 30, 2016.

## TRENDS IN TOTAL GREENHOUSE GAS EMISSIONS

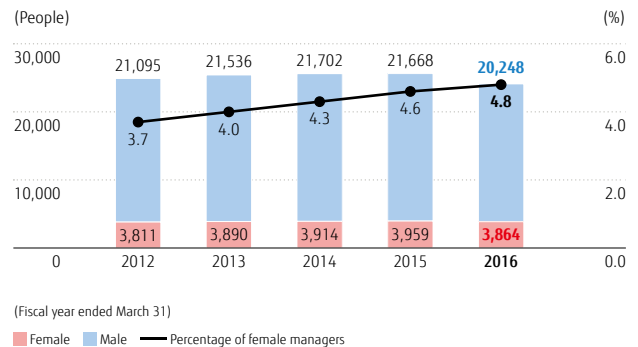


(Fiscal year ended March 31)

As of the end of fiscal 2015, the Fujitsu Group's total greenhouse gas emissions on a global basis were 34.7% lower than the fiscal 1990 year-end level, thereby surpassing the 20% reduction target.

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

## NUMBERS OF MALE AND FEMALE EMPLOYEES AND PERCENTAGE OF FEMALE MANAGERS

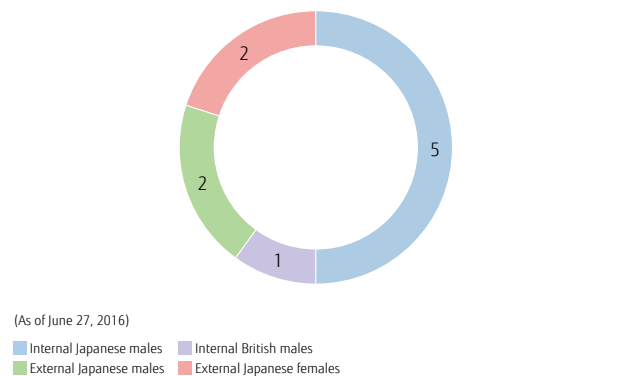


(Fiscal year ended March 31)

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.

## DIVERSITY OF THE BOARD OF DIRECTORS



(As of June 27, 2016)

We are promoting lively discussions and enhancing objectivity by ensuring the diversity of the Board of Directors. As of June 27, 2016, 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 REPRESENTATIVE DIRECTOR AND CHAIRMAN

**In this transformative period, we are in pursuit of the functions corporate governance needs to perform and realizing Fujitsu's creation of value.**

The digital innovation we are witnessing today is comparable in effect to the industrial revolution, having a profound influence across our daily lives, business, and society as a whole. Fujitsu is pursuing business model transformation to realize sustainable growth by capturing the opportunities available amid this dramatic change.



## Corporate Governance Structure in a Time of Change

As of October 2016, Fujitsu's Board of Directors consists of five executive directors, responsible for business execution, and five non-executive directors, four of whom are external directors. I believe this balance is close to an optimal governance structure at this time of change. It allows us to fulfill two essential management tasks in guiding the business model transformation of established business structures and business processes.

The first of these tasks is to foster a spirit of innovation within the organization while creating and applying new technologies. Under the guiding hand of Representative Director and President Tatsuya Tanaka, Fujitsu's executive directors are striving to release the Group's full potential while giving direction to its dynamism.

The second task is to act as a bridge between the Company's efforts and developments in the outside world—in more concrete terms, to ensure that the Company's passage to growth is aligned with society's information and communication technology (ICT) needs from a long-term perspective. It is precisely here that non-executive directors and, above all, external directors are of critical importance in offering insight into how the business environment is evolving. In line with this thinking, we have appointed external directors with wide-ranging experience and backgrounds as members of the Board of Directors. If we as a company talk about the importance of diversity throughout the organization, as we do, we must also wholeheartedly embrace diversity in management.

## A Vital Role in Supporting the Creation of Corporate Value

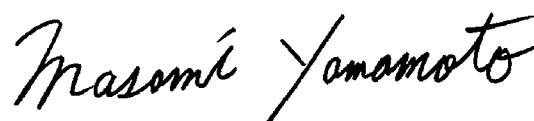
As chairman of the Board of Directors, I am deeply aware of the need to pay close heed to ensuring that the Board of Directors performs its functions to the fullest and that the structure of governance is effective and being put to use, and the importance of listening to the views of independent officers, including external directors. This is only natural, given that our basic thinking on the Company's corporate governance calls for non-executive directors to provide oversight and advise executive directors on business execution. From this standpoint, I believe the Independent Officers Council we initiated in 2015 has brought tangible results in stimulating discussions at Board meetings. At meetings of the Council ahead of the Board of Directors' meetings, in-depth discussions are held concerning key management issues that must be considered by the Board. The Council has thus played an effective role in filling the information gap between independent officers, including external directors, and executive directors.

In appointing external directors, we place particular emphasis on selecting people with the experience and knowledge to provide the basis for in-depth understanding of social developments from an objective and long-term perspective. This is because, in an ICT industry in the midst of profound change, such directors—irrespective of whether they have experience in corporate management—have the capacity to lead transformation with their broad understanding about whether the strategies and measures we are proposing and pursuing will be accepted by global society.

I believe that being representative director and chairman of the Board of Directors, that is to say chairman responsible for business execution, and having experience as representative director and president are helpful in acting as a sounding board for the president while also monitoring the president's business execution. At a practical and daily level, I believe discussions on developments in the ICT industry and business strategy are vital in helping the president plot the path of transformation and make flexible and appropriate management decisions.

I also place great importance on the dissemination of information to stakeholders. To gain the understanding of stakeholders with regard to Fujitsu's position following business model transformation, and to win recognition among a wider customer base in overseas markets, we must deliver a clearer, stronger message. By proactively promoting an understanding of the Company, I aim to raise awareness of Fujitsu's position in the ICT industry and within Japan, thereby also raising its corporate value.

As chairman of the Board of Directors responsible for governance, as a sounding board for the president, and as a frontline spokesman relaying information to stakeholders, I am determined to do all I can to contribute to effective business model transformation and value creation.



Masami Yamamoto  
Representative Director and Chairman

# BOARD OF DIRECTORS / AUDIT & SUPERVISORY BOARD MEMBERS



**1 Masami Yamamoto**  
Representative Director and Chairman

**4 Hidehiro Tsukano**  
Director

**2 Tatsuya Tanaka**  
Representative Director and President

**5 Duncan Tait**  
Director

**3 Norihiko Taniguchi**  
Director

**6 Tatsuzumi Furukawa**  
Director

▶ For employment histories of the directors, please refer to [pages 68–69](#).



**7 Miyako Suda**

Director\*

**8 Jun Yokota**

Director\*

**9 Chiaki Mukai**

Director\*

**10 Atsushi Abe**

Director\*

**11 Kazuhiko Kato**

Audit & Supervisory Board Member

**12 Yoshiki Kondo**

Audit & Supervisory Board Member

**13 Megumi Yamamuro**

Audit & Supervisory Board Member\*

**14 Hiroshi Mitani**

Audit & Supervisory Board Member\*

**15 Koji Hatsukawa**

Audit & Supervisory Board Member\*

\* External officer and independent officer

## MESSAGE TO SHAREHOLDERS AND OTHER INVESTORS



**Fujitsu is driving the breakthrough represented by business model transformation in pursuit of global competitiveness and sustainable growth.**

Rapid advances are being made in turning information and communication technology (ICT) into services across all industries throughout the world. In this process, ICT is being used to resolve challenges facing customers and to create new value. Fujitsu calls ICT-based services "connected services" and positions expansion in this area as a growth driver for the future.

Our commitment to expanding connected services lies at the heart of the Management Direction we announced in October 2015, which sets out a roadmap to becoming a globally competitive ICT company. Fujitsu is embracing business model transformation with a clear vision of where we need to be in the future, as we aim to achieve sustainable growth.

Tatsuya Tanaka  
Representative Director and President

Since October 2015, we have been radically overhauling our business structure in line with business model transformation. The main thrust of this effort consists of concentrating management resources on the Technology Solutions business and moving away from the vertically integrated operations we had pursued, centered on the three business domains of Technology Solutions, Ubiquitous Solutions, and Device Solutions. We have already achieved considerable results with the two engines of our reforms, "business structure transformation," which targets structural reforms to concentrate management resources on the Technology Solutions business, and "growth strategy transformation," which targets expanding connected services, based on digital technology.

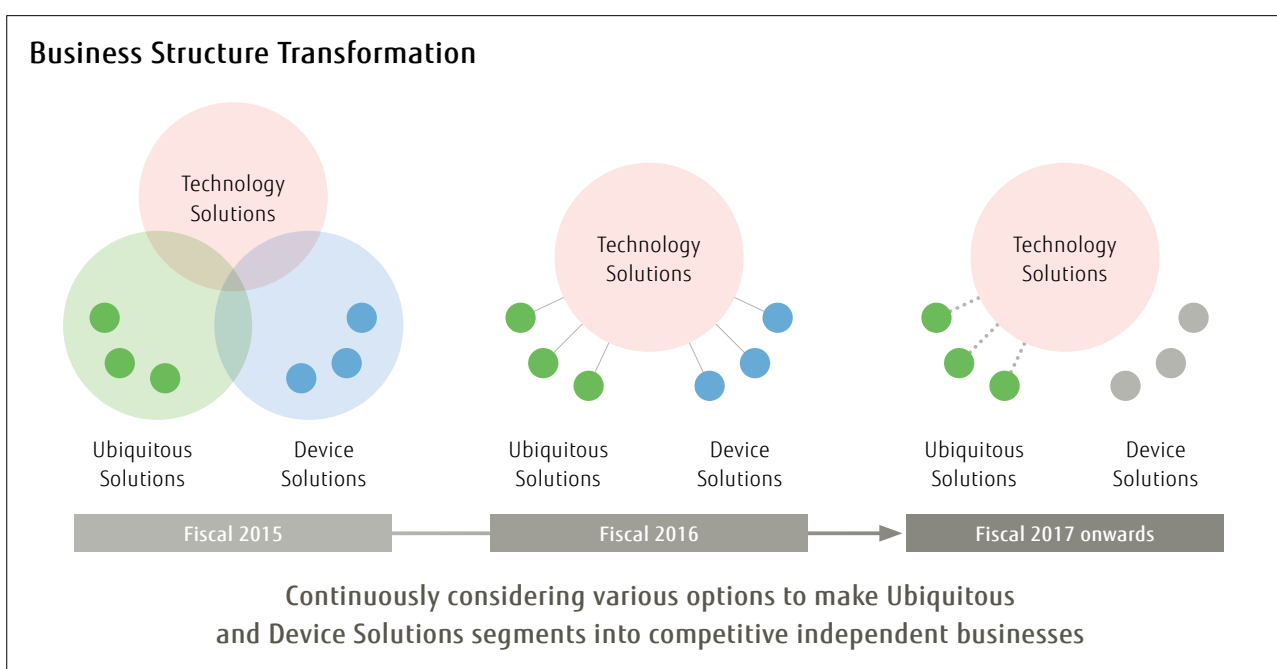
### Progress in "Business Structure Transformation"

As part of our business structure transformation initiative, we have closed the hardware development center in Paderborn, Germany, and improved efficiency at our manufacturing base in Augsburg, Germany, thereby nearly completing reductions of about 700 personnel by autumn 2016. We have also made good

progress in raising efficiency in the Ubiquitous Solutions business, which handles the development and manufacture of PCs, mobile phones, car navigation systems, and other products.

Specifically, in February 2016 we established two wholly owned subsidiaries to handle the PC and mobile phone businesses. In September 2016, DENSO CORPORATION, Toyota Motor Corporation, and Fujitsu reached an agreement to consider changing the capital structure of car electronics manufacturing subsidiary Fujitsu TEN Limited with a partial transfer of shares to DENSO. In the PC field, we announced in October 2016 that we had begun exploring a strategic alliance with Lenovo Group Limited. The Device Solutions business, meanwhile, which handles the semiconductor business, had already completed significant structural reforms by fiscal 2014.

With our business structure transformation initiative, we are pushing ahead with reform in phases. We are considering new relationships with external stakeholders, which may also involve M&A deals, with a view to further strengthening our core Technology Solutions business. We plan to disclose more when we are in a position to announce specific projects with external partners.



### Progress in “Growth Strategy Transformation”

We are promoting three key initiatives to strengthen our digital businesses: (1) establishing a business unit structure best suited to promoting digital businesses; (2) consolidating and upgrading products and technologies related to digital services; and (3) strengthening the front-office sales structure. Regarding (1), in April 2016 we established a new Digital Services Business within which we have integrated the technologies and planning, development, and manufacturing functions for Internet of Things (IoT), artificial intelligence (AI), and cloud-related technologies that had been dispersed throughout the Group. In November 2016, we absorbed our three major systems-engineering subsidiaries in Japan as part of efforts to bolster the structure of the Global Services Integration Business. Regarding (2), to strengthen the “FUJITSU Digital Business Platform MetaArc”<sup>\*1</sup> we have added our proprietary core public cloud K5<sup>\*2</sup> as a key component and introduced AI platform services with cutting-edge technologies. We have also formed alliances with leading global partners including Microsoft, Oracle, and BOX. Regarding (3), we have established a new frontline organization specializing in digital services in Japan. We have also reorganized the EMEIA management setup to better meet demand for digital services by adopting a business line organizational structure in place of the previous country- and region-based structure. In addition, we have integrated sales operations in Japan and Asia with the “One Asia” framework and adopted an integrated,

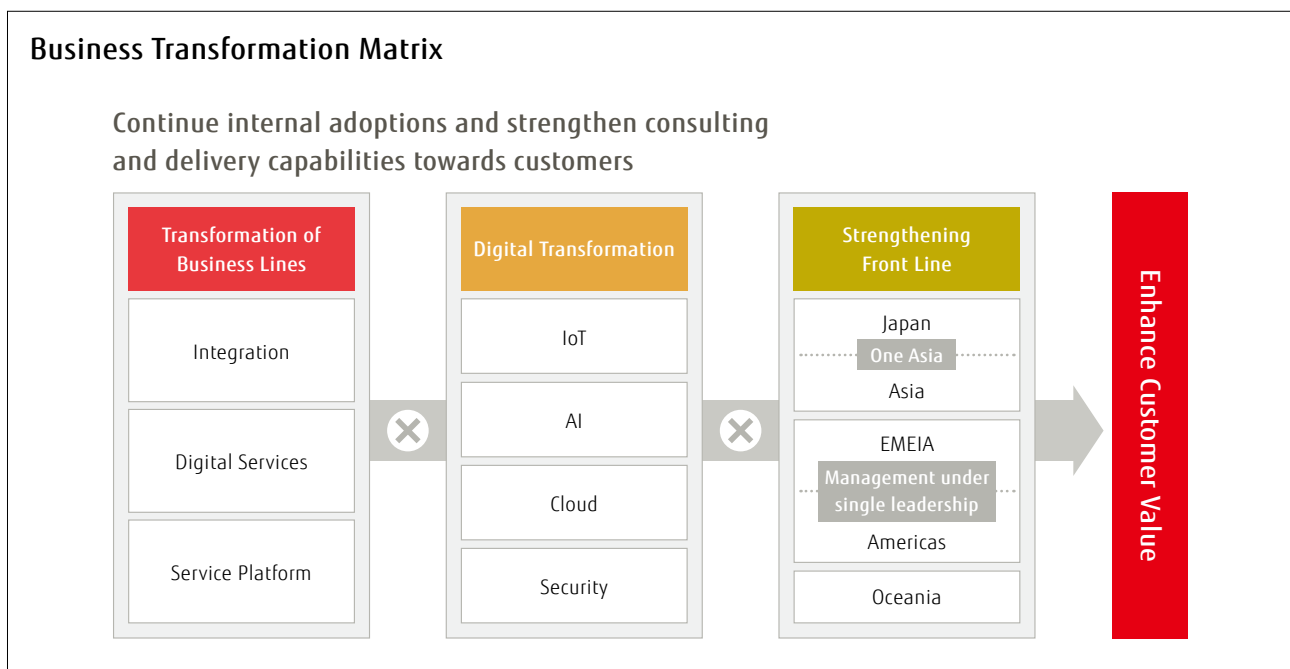
single-leadership management approach for EMEIA and the Americas. We expect these moves to generate synergies in the future.

Between May and June 2016, we completed a tender offer for the shares of NIFTY Corporation, a listed company with three business segments: the ISP Business, the Web Service Business, and the Cloud Business. We are pursuing a growth-oriented scenario in which NIFTY’s operations are divided into two businesses, one in charge of businesses for enterprises centered on the Cloud Business and the other in charge of businesses for consumers centered on the ISP Business. With the former, in particular, we see prospects of expanding business opportunities for the Fujitsu Group as a whole by adding services to MetaArc.

In terms of staff deployment, we are shifting our focus toward digital services as we continue to expand our Global Delivery Center network of offshore and nearshore digital services and development bases. In EMEIA, meanwhile, we have been increasing the number of personnel assigned to digital services while scaling back more traditional roles.

\*1 Digital business platform with K5 at its core harnessing mobile, IoT, AI, and other cutting-edge technologies. The platform provides services to support the smooth migration of customers’ core systems to the cloud and the rapid launch of new businesses.

\*2 A new cloud service that integrates Fujitsu’s expertise and experience in the application and operation of systems and open technology to enhance the efficiency of customers’ systems development and operations.





## Current Position and Challenges for the Future

In such ways, we have been steadily moving forward with business model transformation. I have repeatedly sought to convince people within the Company—particularly corporate executive officers and other senior managers—of the necessity for change, and I believe our Management Direction is steadily gaining traction. There is also spreading awareness that each and every employee needs to reexamine their role and consider how best to accomplish it under the overarching policy of realizing sustainable growth through the twin engines of business structure transformation and growth strategy transformation.

I am, however, far from satisfied with the progress we have made. In order to accelerate growth in our digital services business and to compete globally as an ICT service company, we must entrench the mindset of providing customers with connected services on a day-to-day operational level much more deeply throughout the Company. The global matrix organization holds the key here.

## “Deepening” Customer Value through Penetration of Integrated Services

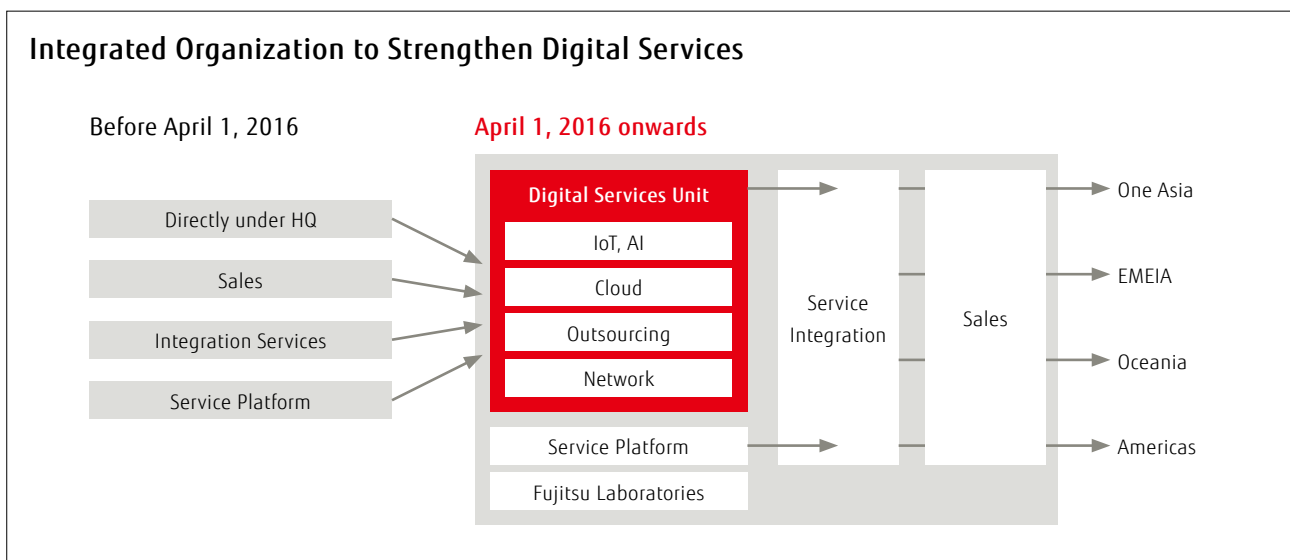
What our business model transformation aims to achieve is to “deepen” the value we provide to customers through our integrated services, which is to say our connected services. To understand what integrated services are all about, field innovators\*<sup>3</sup> provide a helpful example. A field innovator is a specialist who understands business at the field level and works to identify problems together with customers and find optimal solutions. However, a field innovator is just one of the members of Team Fujitsu providing services to the customer. In terms of communications with customers, frontline sales

personnel are the focal point, and system engineers handle most of the service delivery work. In other words, in providing services to customers on the ground, the field innovator must work hand-in-hand with frontline sales personnel and system engineers as Team Fujitsu. This is the sort of integrated service that we are aiming for. (▶▶ For more information, please refer to “Interview: Change Seen from the Digital Innovation Front Lines” on pages 20–23.)

The global matrix organization aims to facilitate such cooperation throughout the entire Group. This is as demonstrated in the above example, where we provide services by bringing to each region responsible for frontline sales the Global Services Integration, Digital Services, and Service Platform business lines in which field innovators and system engineers are engaged. (▶▶ For more information, please refer to “Evolution of the Global Matrix Organization” on pages 24–27.)

ICT is now used as commonly as air, energy, and water—becoming essential to people’s lives, to what companies do, and to the functions fulfilled in central and local governments. In this environment, ICT professionals will clearly be playing an ever-greater role in expanding the range and depth of ICT applications to create new value. We are offering customers higher-value services by bringing business model transformation to the day-to-day operational level through the global matrix organization. In doing so, we are promoting the use of ICT in planning, delivery, and operations to a level to which only Fujitsu can aspire.

\*<sup>3</sup> Field innovators hold in-depth discussions with customers and other related parties as a facilitator, assisting customers to identify solutions by organizing and systematizing business flows and management issues.



## Fiscal 2016 Themes and Financial Targets

The priority for fiscal 2016 is to complete the decision-making process relating to business model transformation. The execution of some aspects of that may be pushed back to fiscal 2017, but recognizing the importance of speed we intend to make decisions and announce them as quickly as possible. Other key themes include offering integrated services as One Fujitsu in all regions based on the global matrix organization and providing customers with services that incorporate the experience we have gained in migrating internal systems to the cloud and utilizing AI.

In fiscal 2016, we expect to book business model transformation costs totaling ¥45 billion, comprising about ¥30 billion for digital transformation centering on EMEA and about ¥15 billion in other expenses. Allowing for costs related to business model transformation, we project that revenue will decline 5.0% year on year, to ¥4,500.0 billion; that operating profit will fall 0.5% year on year, to ¥120.0 billion; and that net profit attributable to owners of the parent will contract 2.0% year on year, to ¥85.0 billion. (▶▶ For more information on structural reform costs and earnings, please refer to "Financial Capital: CFO Message" on pages 50–51.)

## Fiscal 2015 Results and Fiscal 2016 Full-Year Consolidated Forecast (As of October 31, 2016)

(Billions of yen)

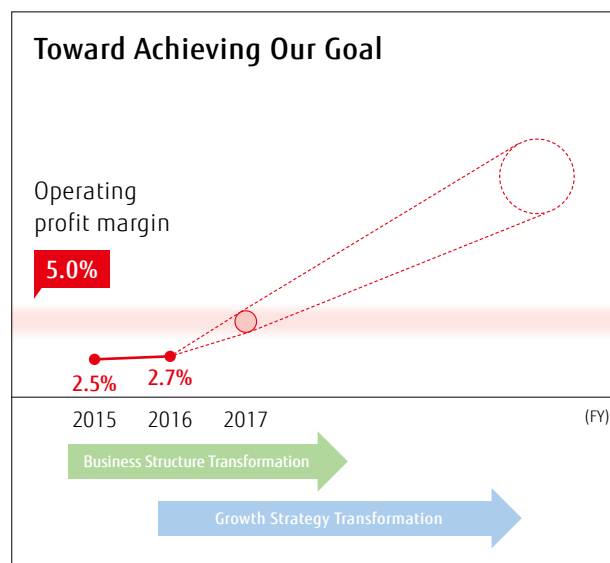
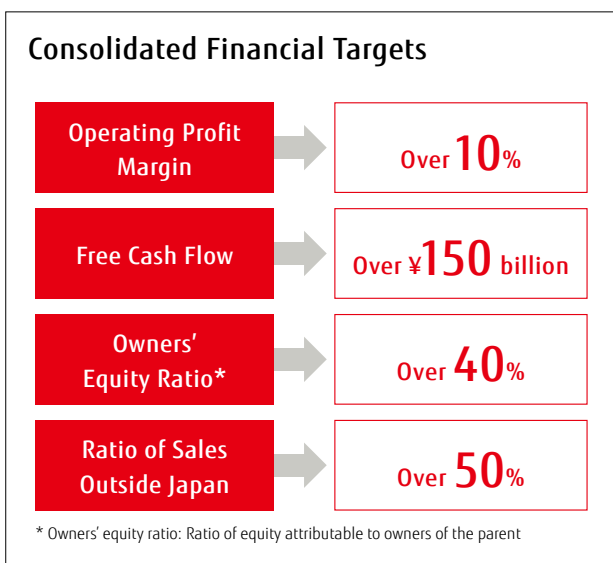
	Fiscal 2015 Results	Fiscal 2016 Forecast	YoY Change	YoY Change (%)
Revenue	4,739.2	4,500.0	-239.2	-5.0
Business Model Transformation Costs	41.5	45.0	-3.4	–
Operating Profit	120.6	120.0	-0.6	-0.5
Profit Attributable to Owners of the Parent	86.7	85.0	-1.7	-2.0

## Medium-Term Financial Targets and Shareholder Returns

Regarding the medium-term consolidated performance targets we announced in October 2015, some investors have pointed out that the target for an operating profit margin of 10%, in particular, looks very high from the perspective of the current position. In my view, however, an operating profit margin of 10% is imperative if we are to make the reinvestments essential to being competitive and achieving growth at the global stage while also returning profits to shareholders and other investors. What I would emphasize here is that our business model transformation is not aimed at raising profit margins simply by making improvements to what we do now. Rather, business model transformation is about achieving a breakthrough, going above and beyond our current trajectory.

An operating profit margin around 5% already looks within range for fiscal 2017, thanks chiefly to efforts made with our business structure transformation initiatives. Further out, we can see a path to accumulating operating profit through the contribution of growth strategy transformation.

In fiscal 2015, we maintained annual dividends per share at ¥8, unchanged from the previous year, even though revenue and profit declined. I hope that can be taken to demonstrate our confidence that the successful execution of business model transformation will lead to sustainable growth. We are determined to meet the expectations of shareholders and investors who support Fujitsu with its business model transformation with stable shareholder returns and enhanced corporate value over the medium to long term.



## Enriching People's Lives with ICT

We are anchored by our principle of contributing to human happiness and wellbeing through ICT and making that the bedrock of all our business operations. That commitment to contributing to wellbeing is predicated on having an open and highly transparent organization with respect to business activities and information disclosure. Put differently, I believe that businesses that help people enjoy life are those that respond to the needs of people and society, thereby generating growth in revenues and profits and, by extension, raising corporate value.

As has been widely recognized, creating corporate value requires not only financial capital but also non-financial capital or "intangible assets." Those invisible assets take the form of human capital to drive corporate activities, the technologies and experience that are the source of added value, and the trust of customers, supply-chain business partners, and society as a whole. In other words, conducting business that enriches people's lives and conducting management which includes non-financial capital come down to much the same thing. That pursuit can be said to be a prerequisite for companies to operate in society.

As I have already noted, ICT is inseparable from the lives of people, corporate activity, and the work of central and local governments. It is hard to imagine that its importance will not continue to increase. What I believe Fujitsu needs to become in the future is a company that earns the recognition of all stakeholders as an irreplaceable and essential element in people's lives, business activities, and public administration. I pledge that we will do everything in our power to see to a successful conclusion all we are now doing to support people with ICT, create value as a company dedicated to human happiness, and ensure Fujitsu's sound development to meet the expectations and needs of all stakeholders.

*Tatsuya Tanaka*

Tatsuya Tanaka  
Representative Director and President

# PROGRESS IN BUSINESS MODEL TRANSFORMATION

The Fujitsu Group, striving to create new value in the Internet of Things (IoT) era, is working to realign its business structure toward services and to expand global operations. This section sets out how far we have come with our business model transformation.

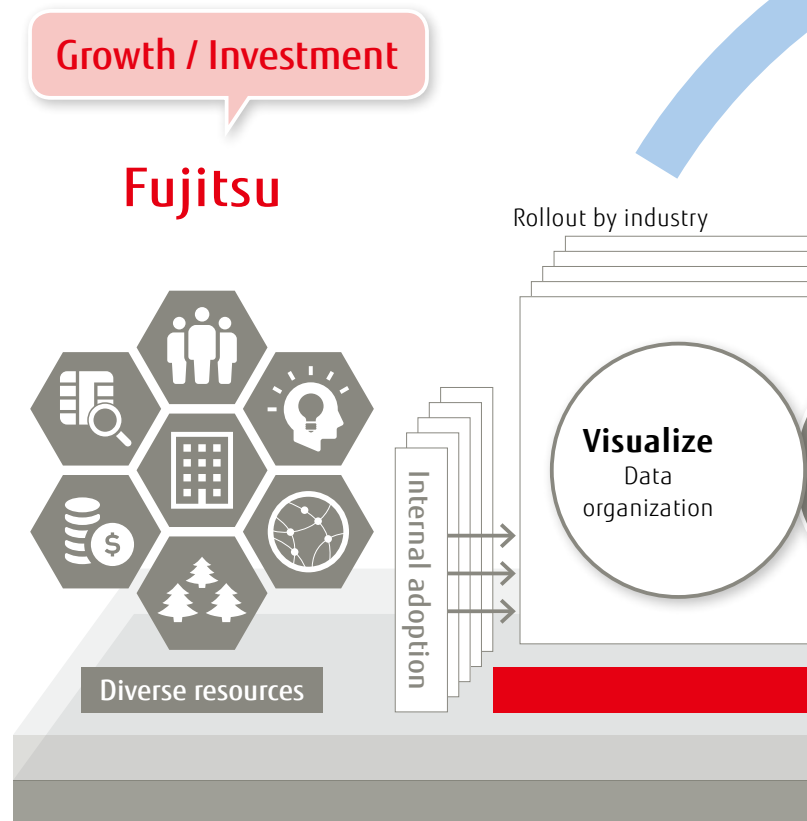
18 **PART 1**  
**CREATING VALUE THROUGH DIGITAL INNOVATION**

20 **Interview:**  
 Change Seen from the Digital Innovation Front Lines

24 **PART 2**  
**EVOLUTION OF THE GLOBAL MATRIX ORGANIZATION**

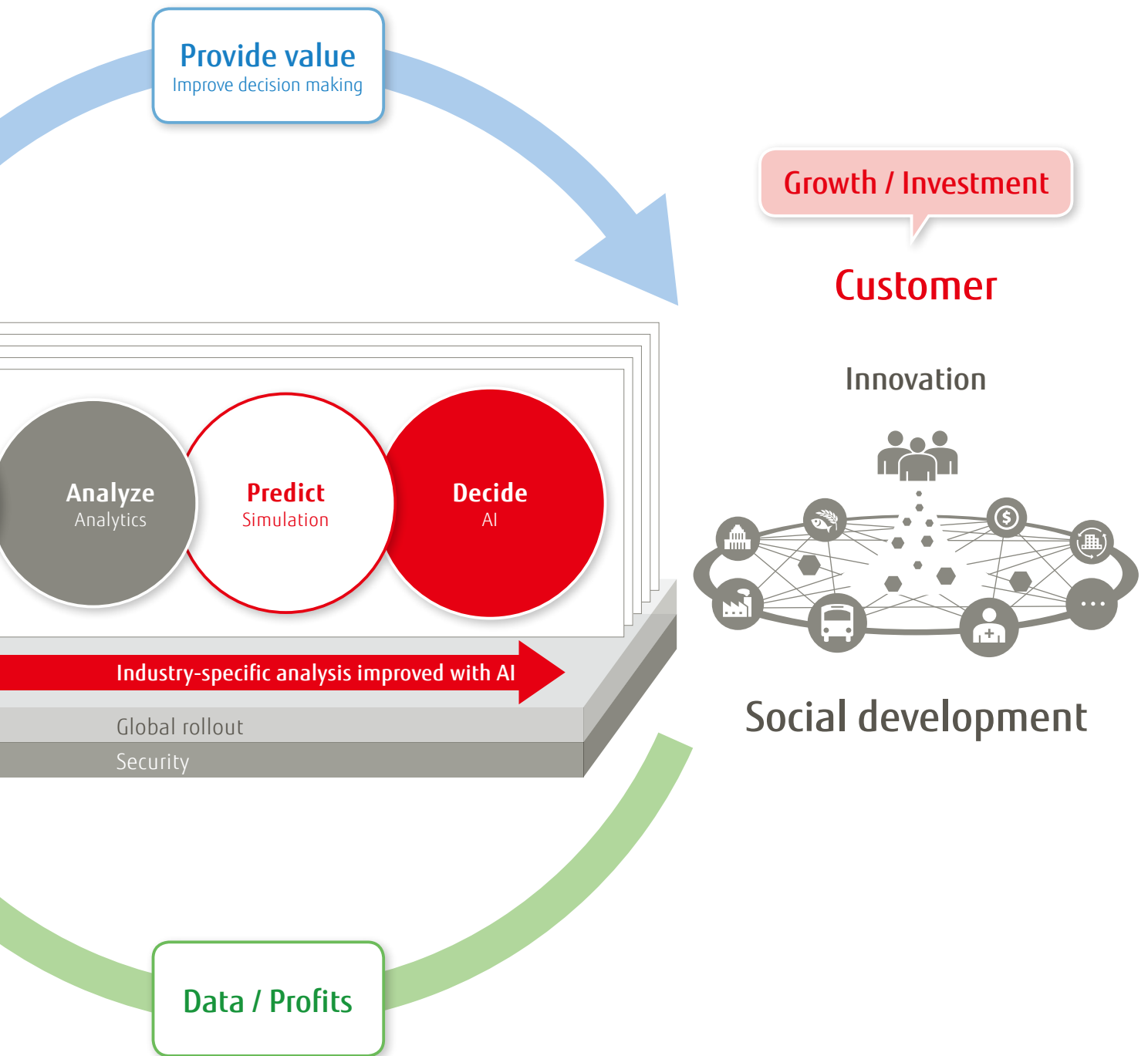
28 Business Overview by Region  
 30 Review of Operations by Region

## PART 1 CREATING VALUE



The Fourth Industrial Revolution led by information and communication technology (ICT)-driven digital innovation is bringing rapid, unprecedented transformation to people's lives, businesses, and communities throughout the world. As billions of people access knowledge, new added value is created across industries in all fields of endeavor, including manufacturing, healthcare, agriculture, disaster prevention, transportation, and education. But it is also giving rise to new risks in such areas as cyber security and privacy.

# THROUGH DIGITAL INNOVATION



Fujitsu aims to provide a secure human-centric ICT infrastructure to analyze data accumulated through the interconnectivity of everything, and to offer new value to more people and communities globally. We have the diverse management resources essential to creating that value, spanning personnel with expert knowledge and experience, state-of-the-art R&D systems, intellectual property, and a wealth of versatile solutions that are adopted and tested within the Group. At the same time, we are striving to bolster such resources through their optimal combination at the global level.

We are supporting the entire value chain through robust security, providing customers with the tools for sophisticated decision making using artificial intelligence (AI) to organize and visualize vast amounts of data. In doing so, we are strengthening customers' businesses and opening doors to new innovations.

Fujitsu is determined to accomplish sustained development as an irreplaceable partner by creating a virtuous cycle of reinvesting in digital innovation, beginning with the growth and development of customers and society.



## Change Seen from the Digital Innovation Front Lines

Interview

What is customer-centric digital innovation? What are Fujitsu's competitive advantages in creating value together with customers? Members of our frontline sales team and a system engineer providing services discuss digital innovation at work and the co-creation of value from their different perspectives.



**Akira Kamioka**

Logistics Solution Development Dept.  
Manufacturing & Distribution Business Div.  
Fujitsu Limited



**Makoto Shibata**

Director  
Business Strategy Unit  
Social Innovation Promotion Office  
Fujitsu Kyushu Systems Limited



**Satoshi Imai**

Manager  
Kansai Sales Dept. 1  
Sales Division, Kansai  
Distribution Industry Business Unit  
Fujitsu Limited

# Launch of a project bringing together members with diverse specialist skills

—Mr. Akira Kamioka, Mr. Makoto Shibata, and Mr. Satoshi Imai, you are three members of a project that began trials in June 2016 with an aim to reform distribution in Vietnam. What are your different roles in the project?

**Kamioka:** My role is to provide support in the Fujitsu Group’s operations nationwide as part of the industry-specific sales team covering distribution solutions. I am also responsible for planning new services, a task that requires evaluating customer needs. The Vietnam project is aimed at exploring business opportunities in the country. It kicked off with Mr. Shibata and myself sounding out the needs of customers undertaking business in the local market.

**Shibata:** As a system engineer, I take a big-picture view of distribution solutions as what we call a “technology leader.” When we began studying the Vietnamese market, I was part of Fujitsu’s Manufacturing & Distribution Industry Systems Business Unit. Since before the launch of the Vietnam

project, Mr. Kamioka has been handling planning while I have been responsible for tailoring solutions to match on-site needs.

**Imai:** With this project, I act as the contact point with our partner Acecook Co., Ltd., as a member of the account sales team. In that capacity, I seek to showcase the distinctive benefits of our solutions to people involved in the Vietnam business within Acecook, from the company president down. I also support Fujitsu Vietnam Limited in its local projects in Vietnam. Actually, when Mr. Kamioka and Mr. Shibata were assessing the position on the ground, Acecook was using only Fujitsu’s hardware in Vietnam, not our other products and services. It was at the point when Acecook announced its partnership in the project that I came on board.

**Kamioka:** When I first visited Vietnam in July 2014, we had no firm customers lined up. Japanese companies—particularly manufacturers—had been actively

moving into the country. Vietnam’s economy was taking off in the run-up to the December 2015 launch of the ASEAN\* Economic Community, of which Vietnam was a member. But there was a striking lack of local distribution infrastructure such as had become the norm in Japan. As we saw it, all of this added up to a whole range of unmet needs at Japanese food and retailing companies in the region.

**Shibata:** When we were in the early phase of market research, Acecook suggested that it might be possible to create new value by using its know-how in delivering products throughout Vietnam. We saw that as an opening to establish a system for the joint use of multiple companies, applying our experience in distribution solutions accumulated over two decades.

\* Association of Southeast Asian Nations, consisting of the 10 countries of Brunei, Cambodia, Indonesia, Laos, Malaysia, Myanmar, the Philippines, Singapore, Thailand, and Vietnam.

## Fujitsu and Acecook Join Forces to Transform Distribution in Vietnam

In October 2015, Fujitsu and Acecook launched a joint project to build a shared distribution-information system that Japanese companies doing business in Vietnam could use for improved local distribution. With Acecook as a model user, Fujitsu aims to provide systems as a service that enhances distribution efficiency by improving vehicle utilization and vehicle capacity utilization. Acecook Vietnam JSC boasts the largest share of the Vietnamese instant noodle market; as of June 2016, it operated 11 plants in the country and had almost 300 distributors.

<http://www.fujitsu.com/global/about/resources/news/press-releases/2016/0329-01.html>



Acecook products displayed at a retail store in Vietnam

**Imai:** Customers in the manufacturing sector had long been making efforts to cut costs both at production sites and in indirect operations through raising utilization rates. That left distribution as really the only untouched area, and it has become a key focal point in recent years.

**Shibata:** In Japan, there have been cases of a company building a distribution system on its own. Overseas, things are different. Customer companies must cut costs while limiting risks, because even though they can



Overseas projects have been opening up business opportunities in Japan as well.

experience rapid expansion of their business, there is also the possibility of having to pull out of a business. Building a joint-use system and offering it through software as a service

(SaaS) is a way of responding quickly to such needs. The aim of this project is to create business for customer companies and ourselves by working hand-in-hand.

## Looking to innovate together with customers by identifying issues on the ground

—Resolving customers’ management problems has become a key theme for many IT service companies. What competitive edge does Fujitsu have in this area?

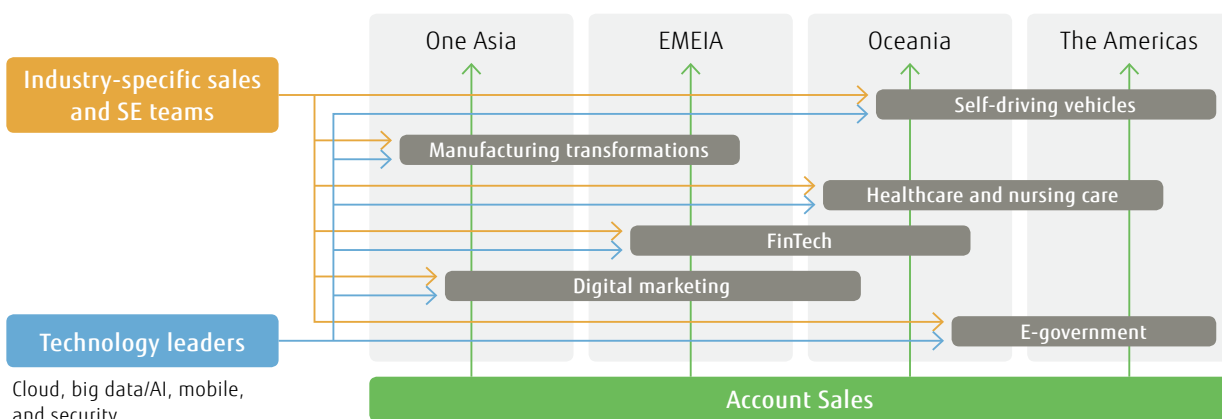
**Kamioka:** One is our Field Innovation activities. With distribution, for example, the Fujitsu Group has a large pool of staff with wide-ranging experience in various related areas. They visit customer companies as “Field

Innovators”—essentially facilitators. Through a series of discussions, they clarify customers’ business processes and management issues. They present these in schematic form and help customers themselves identify the measures they need to take to resolve the challenges they face.

**Imai:** With the Vietnam project, Mr. Shibata’s participation as a specialist in the distribution field and offering

consulting services has been a real boon in gaining the confidence of Acecook Vietnam. Mr. Shibata’s specialist expertise is recognized as one of Fujitsu’s strengths, and that—along with close cooperation between the account sales, industry-specific sales, and systems engineer sides—has led to more business opportunities, starting in Vietnam and in Japan as well.

### Industry-Specific Sales and SE Teams Operating across Regional Boundaries (Examples are for illustrative purposes only)





**Shibata:** Management problems come in different shapes. There are problems about which customers are already aware. And there are problems that customers have not yet pinpointed. It is essential to uncover real issues that customers themselves have yet to identify by looking closely at how things are on the ground and, together with customers, to co-create the innovation needed to tackle them. In this process, there are huge benefits to be tapped from taking multiple perspectives, including those of Field Innovators, system engineers, account sales, and those involved in promoting solutions.

**Imai:** In the past, our counterparts were customer companies' information systems units. Now they tend to be divisions or promotion offices within broader business departments. Increasingly, in the process of considering

It is essential to uncover real issues that customers themselves have yet to identify by looking closely at how things are on the ground.



business strategies, we have been putting forward proposals to help customers realize their visions of where they want to be in the future. Multifaceted approaches are essential to co-creating value in partnership with customers in this way.

**Kamioka:** While keeping close tabs on changes at customers, we also need to be at the leading edge of innovation if we are to demonstrate our competitive advantage. With user companies keen to embrace business


model reform using ICT, it's our job to offer added value that the systems divisions of customer companies cannot come up with on their own.

**Shibata:** To further raise our profile as a valuable partner for our customers, we need more than specialist business knowledge. We also need to be able to project how things will evolve using advanced digital technology, including algorithms and AI.

**Imai:** And we need to go beyond resolving customers' management problems to create new business models together through that problem-solving process.

**Kamioka:** While envisaging what the future holds, we need to constantly take up the challenge of creating new value in unique ways.

It's our job to offer added value that others cannot come up with through working together with customers.



### Strengthening the IoT Infrastructure for "Connected Services"

Fujitsu is combining the in-depth expertise we have cultivated in various industries and businesses, including logistics, manufacturing, mobility, FinTech, and healthcare, with digital technology to provide "connected services." With a view to expanding these operations, we are strengthening the IoT infrastructure that forms the core of our data accumulation setup. Based on knowledge about big data and its utilization gathered through more than 300 field trials and external alliances, we are enhancing services operating on the "FUJITSU Digital Business Platform MetaArc" for different industries and businesses as we broaden the global reach of our customer-driven digital innovation.



# PART 2 EVOLUTION OF THE GLOBAL MATRIX ORGANIZATION

The Fujitsu Group has been realigning its customer sales and service delivery structure under its global matrix organization, seeking to expand global business and raise profitability. In this section, we set out the aims, current status, and future expectations for the global matrix organization.

## Background to Adoption of the Global Matrix Organization

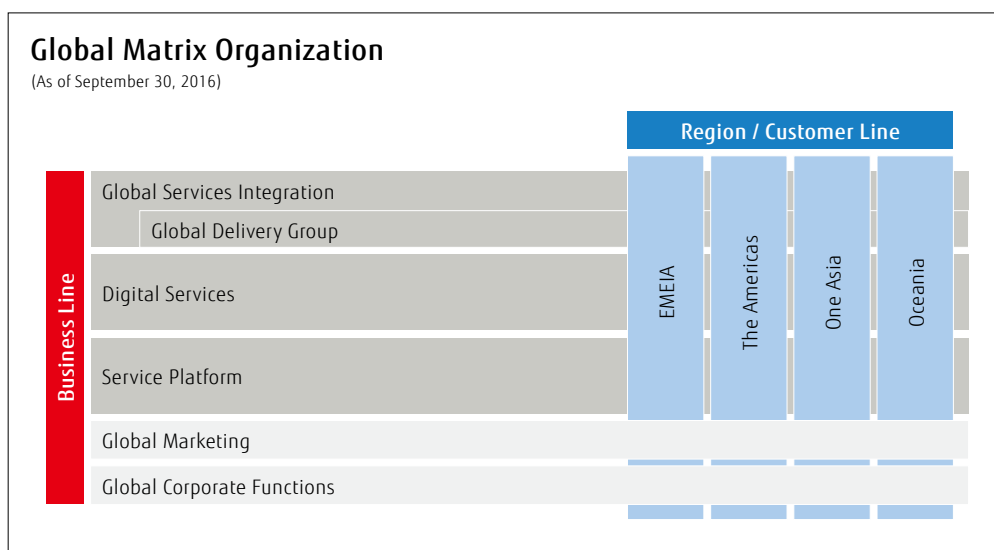
Before the introduction of the global matrix organization, the Fujitsu Group had a separate front-end sales structure for customers in and outside of Japan, as well as corporate, delivery, and marketing functions that were handled on a local subsidiary basis. With the launch of the global matrix organization in April 2014, we established a new structure consisting of five regions—Japan, Asia, EMEIA, the Americas, and Oceania—and different business lines organized along products and services. At the same time, we integrated the marketing and corporate functions of overseas Group companies within Global Marketing and Global Corporate functions at Corporate Headquarters.

The introduction of the new structure was prompted by management’s assessment that the engine of Fujitsu’s growth had shifted from a growth-driven stage of different regional bases delivering their own services that evolved with their own distinct histories and cultures to a stage where we pursued growth through global development as “One Fujitsu.” The aim was also to foster an organization and culture suited to a truly global company and to pool our strengths in each region by shifting from a Japan-centric structure to one in which Japan is treated as one of the world’s regions.

## Current Status of the Global Matrix Organization

We have been stepping up our efforts to promote business model transformation to a structure that supports sustainable growth and global competitiveness as an ICT company. Measures here have included restructuring and reinforcing sales organizations and business units and clarifying the chain of command and division of roles between regions and business units in the global matrix organization.

In terms of regional structure, our 2015 Management Direction integrates sales and service delivery functions across Japan and Asia into “One Asia.” Duncan Tait has been appointed Head of the Americas region concurrently with his position as Head of EMEIA. With regard to business lines, we integrated the Global Delivery Group into the Global Services Integration Business. At the same time, we launched a Digital Services Business, bringing under its umbrella IoT, AI, and other digital services-related resources. We now operate under three business units: Global Services Integration, Digital Services, and Service Platform.





From left

**Hidenori Furuta**

Corporate Executive Officer  
EVP, Head of Global  
Delivery Group

**Shingo Kagawa**

Corporate Executive Officer  
SEVP, Head of Digital  
Services Business

**Akira Kabemoto**

Corporate Executive Officer  
SEVP, Head of Service  
Platform Business

**Norihiko Taniguchi**

Director and Corporate  
Executive Officer  
SEVP, Head of Global Services  
Integration Business

**Hidehiro Tsukano**

Director and Corporate  
Executive Officer  
SEVP, Head of Global  
Corporate Functions

**Hiroyuki Sakai**

Corporate Executive Officer  
EVP, Head of Global Marketing

### Efforts to Promote Sharing and Full Utilization of Management Resources

The commitment to “competing globally as an ICT company” involves consistently providing top-quality and high-value-added services to customers in any region of the world. That demands a structure that goes beyond a regional framework to draw together and utilize the management resources of the Fujitsu Group, including the latest technologies and best practices extracted from past experience.

Within the global matrix organization, the Global Delivery Group plays a pivotal role in service delivery, providing human resources, tools, and standardized services to our customers across regions. In negotiating business deals with customers expanding their presence globally, our cross-regional strategic sales support teams provide backup to regional sales representatives in finalizing contracts involving services across regions and countries. Comprehensive support to delivery centers around the world is also provided by technical support teams and quality assurance teams.

### Enhancing Efficiency through Common Management Infrastructure

Integrating the management functions of overseas Group companies within Global Corporate functions at Corporate Headquarters has enhanced the efficiency of Group management. The establishment of the common “Global Corporate” management infrastructure is not only bringing clear benefits in reducing administrative costs but also helping us identify best practices and resources and, by extension, “globalize” management. With human resources, for example, the system provides for the selection of leaders and the assignment of the right people to the right places globally and flexibly, supporting business expansion. (▶▶ For more information, please refer to “Human Capital” on pages 44–45.)

In addition, after having launched the cloud-based “FUJITSU Digital Business Platform MetaArc” in Japan in September 2015, we began to provide the platform in EMEA in May 2016. This has led to a number of promising business deals, and we are already moving forward on expanding our efforts to provide standardized high-quality services around the world.

### The Role of Global Delivery Centers

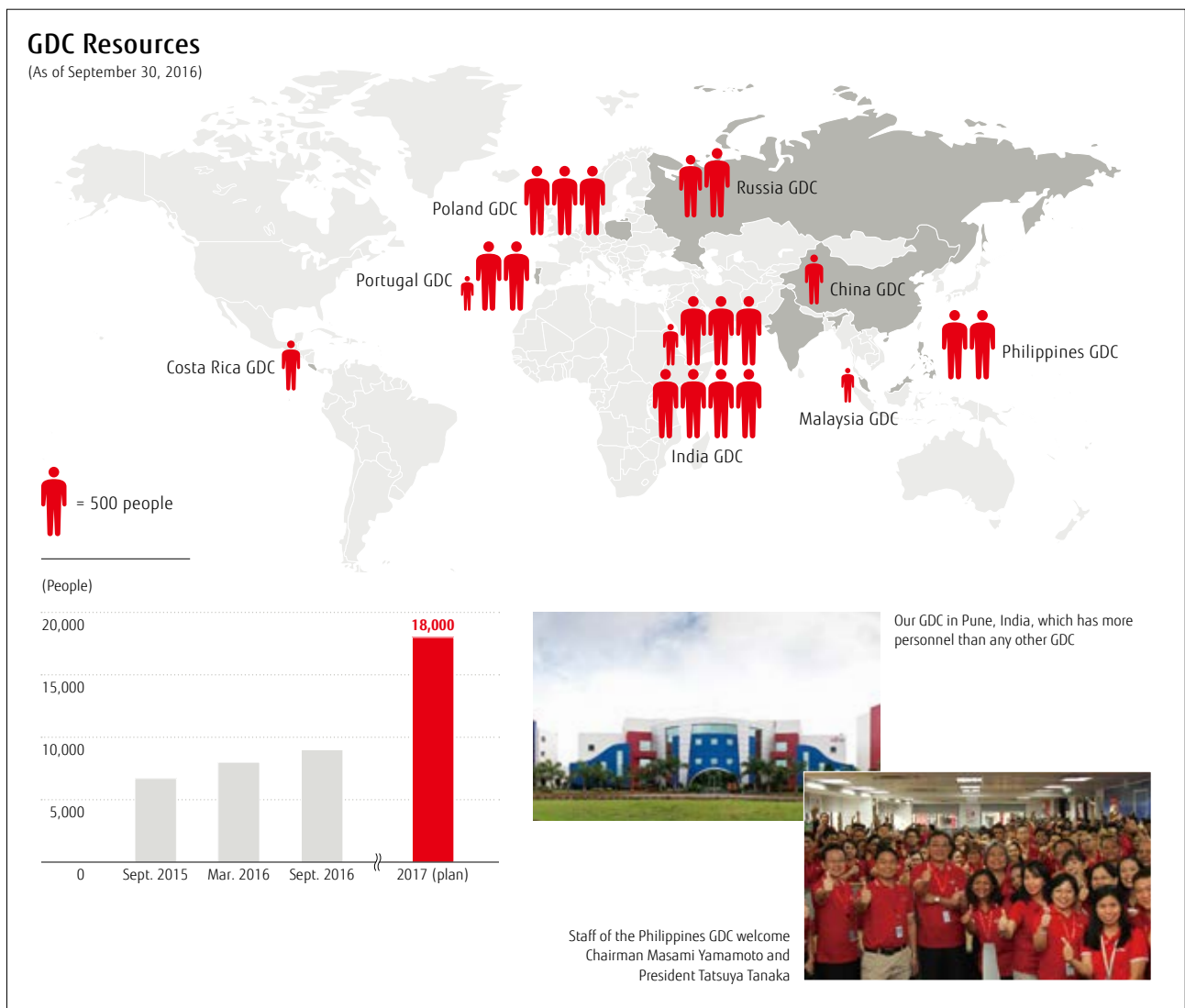
To compete successfully against overseas IT vendors—particularly in the face of the increasing challenges posed by Indian businesses in recent years—and global IT service companies, we must not only offer high-value-added, high-quality services but also optimize service delivery costs.

Here our offshore and near-shore Global Delivery Centers (GDCs) play a vital role in providing standardized high-quality services to customers around the world. Specifically, GDCs, located in eight countries around the world, develop and operate business applications for customers, maintain support desks that provide multilingual support in more than 30 languages, and remotely manage customers' IT infrastructure with remote infrastructure management. They also undertake

business process outsourcing for the Fujitsu Group, covering such areas as accounting, human resources, order processing, and translation.

We are also expanding the functions of the Center of Excellence in aggregating Fujitsu's technologies and business expertise and developing services globally.

Under the management of the Global Delivery Group, we plan to increase the number of GDC staff to 18,000 during fiscal 2017 and have been making good progress toward that goal. We are also focusing on staff education, especially in such areas as languages, open source software technology training, and the standardization of development methods, in order to bring our growing team quickly up to speed and further enhance the reach and effectiveness of GDCs.





## Initiatives to Expand and Make Optimal Use of the GDC Network

**Norihiko Taniguchi**  
 Director and Corporate Executive Officer  
 SEVP, Head of Global Services Integration Business

Making full use of GDCs is the key to raising service cost efficiency. With the Japan business, currently the Group's earnings bedrock, we plan to generate aggregate cost savings of ¥30 billion in the three years from fiscal 2015 through the use of GDCs. We expect to save about ¥10 billion by the end of fiscal 2016. The Fujitsu Group is increasing the number of GDC personnel. In Japan, however, language often presents a hurdle to making full use of GDCs. With that in mind, we are currently focusing on raising the number of GDC staff in India with Japanese-language proficiency in fiscal 2016.

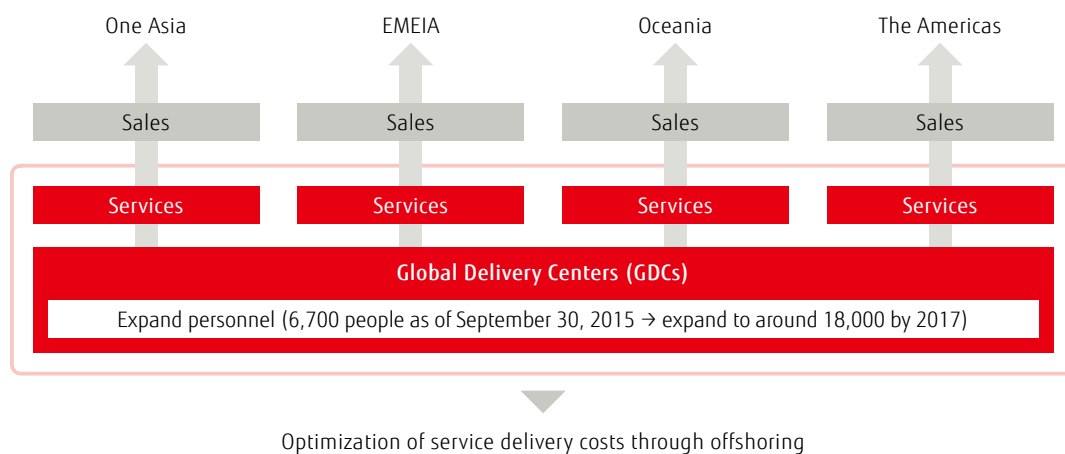
In EMEIA and the Americas, our emphasis thus far has been on developing managed infrastructure service (MIS) business. We are now looking to expand business application services (BAS), including IT consulting. While making full use of our wide-ranging established

strengths in meeting customer needs in the MIS field, we are expanding high-value-added BAS services driven by MetaArc. In this area, where we are uniquely placed to differentiate ourselves, we expect to see GDCs make a growing contribution.



India GDC managing Japanese companies' infrastructure remotely

### A Flexible Global Delivery Organization



# BUSINESS OVERVIEW BY REGION

		One Asia																													
Market environment	<p><b>Japan</b></p> <p>Japan's IT services market grew a solid 3.0% year on year in 2015, underpinned by growth in system integration projects and consulting services. These included system upgrading and integration deals at financial institutions, projects related to the My Number system for national and local governments, and increased investment in systems upgrading and new projects in the corporate sector, against a backdrop of earnings recovery. Although market growth is expected to slow beyond 2016 as such major projects reach a conclusion, gradual expansion is still projected through to 2020. In particular, steady growth in systems investment is expected in areas involving such concepts as the cloud, mobility, big data and analytics, Internet of Things (IoT), and digital transformation. For the period from 2015 to 2018, we estimate a CAGR of 1.9%.</p>	<p><b>Asia</b></p> <p>The IT market in Asia witnessed a sharp 9.3% year-on-year expansion in 2015, driven by strong growth in smartphone and other device markets. From 2015 to 2018, growth is expected to slow but the market is still forecast to expand steadily at a CAGR of 3.1%. The pace of growth is projected to exceed that of other regions supported by the increasing use of mobile, cloud, and big data services. Countries across Asia are likely to promote efforts to reinforce their industries through the introduction of information and communication technology (ICT), such as the "Made in China" initiative in China, Asia's largest market. The launch of the ASEAN Economic Community (AEC) at the end of 2015 is also expected to spur ICT investment in the ASEAN region.</p>																													
Market forecast	<p><b>IT MARKET FORECAST FOR JAPAN</b> (Billions of US dollars)</p> <table border="1"> <tr><th>Year</th><td>2015</td><td>2016</td><td>2017</td><td>2018</td></tr> <tr><th>Value (Billions of US dollars)</th><td>44.5</td><td>45.4</td><td>46.3</td><td>47.0</td></tr> </table> <p>Source: IDC Worldwide Black Book 2016, Version 3, Nov. 2016</p>	Year	2015	2016	2017	2018	Value (Billions of US dollars)	44.5	45.4	46.3	47.0	<p><b>IT MARKET FORECAST FOR ASIA</b> (Billions of US dollars)</p> <table border="1"> <tr><th>Year</th><td>2015</td><td>2016</td><td>2017</td><td>2018</td></tr> <tr><th>Value (Billions of US dollars)</th><td>336.1</td><td>349.3</td><td>357.7</td><td>368.3</td></tr> </table> <p>Source: IDC Worldwide Black Book 2016, Version 3, Nov. 2016</p>	Year	2015	2016	2017	2018	Value (Billions of US dollars)	336.1	349.3	357.7	368.3									
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Market position	<p><b>IT SERVICES MARKET SHARE IN JAPAN IN 2015</b> (REVENUE BASIS)</p> <table border="1"> <tr><th>Company</th><td>Fujitsu</td><td>Company A</td><td>Company B</td><td>Company C</td><td>Company D</td><td>Others</td></tr> <tr><th>Share (%)</th><td>13.0%</td><td>9.0%</td><td>8.4%</td><td>8.4%</td><td>6.6%</td><td>54.6%</td></tr> </table> <p>Source: Gartner, "Market Share: IT Services, 2015," April 6, 2016 * Chart created by Fujitsu based on Gartner data.</p>	Company	Fujitsu	Company A	Company B	Company C	Company D	Others	Share (%)	13.0%	9.0%	8.4%	8.4%	6.6%	54.6%	<p><b>IMPLEMENTATION SERVICES MARKET SHARE IN JAPAN IN 2015</b> (REVENUE BASIS)</p> <table border="1"> <tr><th>Company</th><td>Fujitsu</td><td>Company A</td><td>Company B</td><td>Company C</td><td>Company D</td><td>Others</td></tr> <tr><th>Share (%)</th><td>14.5%</td><td>13.1%</td><td>12.6%</td><td>9.8%</td><td>5.5%</td><td>44.5%</td></tr> </table> <p>Source: Gartner, "Market Share: IT Services, 2015," April 6, 2016 * Chart created by Fujitsu based on Gartner data.</p>	Company	Fujitsu	Company A	Company B	Company C	Company D	Others	Share (%)	14.5%	13.1%	12.6%	9.8%	5.5%	44.5%	
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EMEIA	The Americas	Oceania																																																						
<p>The IT market in EMEIA recorded strong growth of 5.9% year on year in 2015. From 2015 to 2018, the market is projected to see modest growth at a CAGR of 2.0%. 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 IoT, security, cloud services, and big data to be utilized even more proactively.</p>	<p>The IT market in the Americas witnessed robust growth of 4.7% year on year in 2015. Solid expansion is projected to continue at a CAGR of 3.8% for the period from 2015 to 2018. The IT market in North America is the world's largest and most mature—and one of its most fiercely 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>The IT market in Oceania expanded a sharp 12.1% year on year in 2015. Growth is forecast to continue from 2015 to 2018, at a modest pace, with a CAGR of 0.9%. 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>																																																						
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# JAPAN

Since fiscal 2015, as part of business model transformation efforts, we commenced restructuring of the hardware business, reorganized the manufacturing structure of the network business, and established PC and mobile phone businesses as wholly owned subsidiaries. Further, with cloud services showing signs of further expansion, the Fujitsu Group has begun marketing the FUJITSU Digital Business Platform MetaArc. Based on this cloud platform, we will offer the latest technologies and services. At the same time, we will promote FUJITSU Knowledge Integration, which creates new value by connecting diverse knowledge developed through business with customers.



**Hiroyuki Ono**  
Head of Japan Sales  
In charge of Asia Region

## Overview of Operations in Fiscal 2015

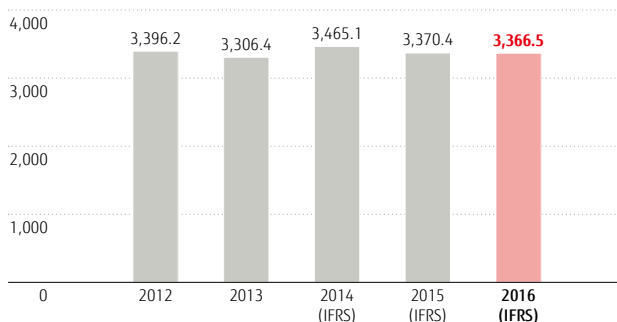
- Revenue was essentially unchanged year on year, edging down 0.1%, to ¥3,366.5 billion. In Japan, the systems integration (SI) business performed well in the financial and public sectors centered on large-scale projects, and the outsourcing business grew. Meanwhile, the network business recorded a year-on-year decline in revenues due to curbed capital investment among customers. Furthermore, PC and mobile phone shipments were stagnant, and sales declined.
- Operating profit deteriorated ¥32.1 billion year on year, to ¥202.8 billion. This significant year-on-year decrease was attributable to a worsening of profit accompanying lower revenues in the network business and costs arising from business reorganization in Japan, which offset the favorable performance of the SI business. Other negative factors included expenses incurred as a result of countermeasures for defective mobile phones and expenses that stemmed from establishing wholly owned PC and mobile phone businesses.
- The network business built a more efficient manufacturing system by consolidating domestic manufacturing from five bases into four. Also, establishing wholly owned PC and mobile phone businesses has in effect shifted them to a structure in which they are able to expedite decision making and quickly adapt to market changes, which enables them to respond to a challenging competitive environment.

## Priority Tasks in Fiscal 2016

- We are entrenching the domestic ICT business, which is performing favorably at present, with a view to further heightening the efficiency and profitability of the conventional system construction business.
- We are offering solutions that utilize big data and taking concrete measures aimed at realizing FUJITSU Knowledge Integration. For example, we are advancing links among services in specific industries, with a focus on such areas as FinTech (financial technology) in finance and omni-channel initiatives in the distribution field.
- We are offering MetaArc as a platform to support big data utilization and streamlining in the system construction business. We are providing a variety of applications and high-performance computing power as cloud services.
- We are accelerating business development in fields and industries where the use of ICT has yet to advance through such initiatives as the "Akisai" cloud for the food and agricultural industries. Also, we are expanding into markets with a view to linking different industries through the Internet of Things (IoT).
- To advance the above-mentioned measures, the Global Services Integration Business has reinforced its capabilities. On November 1, 2016, we conducted absorption-type mergers of three major systems engineering subsidiaries in Japan: Fujitsu Systems East Limited, Fujitsu Systems West Limited, and Fujitsu Mission Critical Systems Limited. The Global Services Integration Business will continue bolstering its capabilities in stages through to March 31, 2018.

### REVENUE

(Billions of yen)

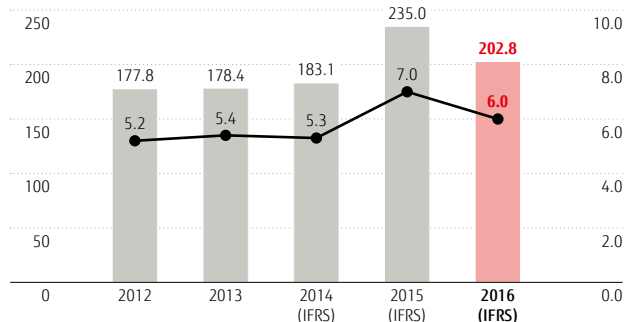


(Years ended March 31)

Note: Including intersegment sales

### OPERATING PROFIT/OPERATING PROFIT MARGIN

(Billions of yen)



(Years ended March 31)

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



## Initiatives and Outlook for the “My Number” System

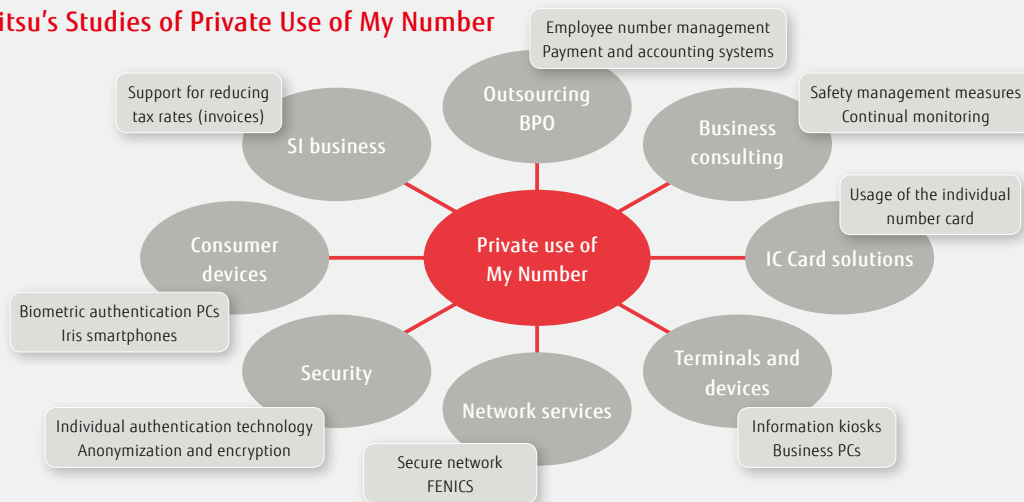
In January 2016, Japan launched the Social Security and Tax Number System, commonly known as the “My Number” system, as a new type of social infrastructure. Under this system each resident of Japan and legal entity, such as companies and government offices, receives a number. This enables confirmation that information on an individual or legal entity held by multiple agencies refers to the same individual or legal entity. Primarily, the system will be used in the areas of social security, tax, and disaster countermeasures to improve the convenience of administrative procedures for the public and increase the efficiency of administrative management.

Government offices and municipal authorities are expected to conduct most of their investment related to the My Number system between fiscal 2014 and fiscal 2016. A portal allowing residents in Japan to view information associated with their numbers, “My Portal,” is scheduled to come online in July 2017. Currently, the establishment of networks among government agencies, municipal authorities, and medical insurers is proceeding at fever pitch. Furthermore, investment in ICT to protect personal information is rising. For example, public bodies, primarily municipal authorities, are preparing supplementary budgets to strengthen security. In addition, efforts are intensifying to realize the “One-Stop Child-Rearing Service,” which will allow users to make applications to municipal authorities related to child rearing online through My Portal, as well as the “My Key Platform,” which will enable the use of My Number cards as cards for using public facilities or as point cards for stores.

Meanwhile, the private sector is continuing to see initial system investment to collect, register, and manage employees’ numbers and integrate them with data in existing human resource and payroll systems. In particular, use of the numbers is likely to increase in the medical and financial fields. For example, plans call for the use of a “Medical ID” from fiscal 2018. By applying My Number-linked personal numbers to medical, health, and nursing care information, this system promises to greatly improve the efficiency of medical administrative work. As for the financial field, linking personal assets to individuals’ My Number promises to advance accurate assessment and taxation of personal income. Moreover, My Number usage is expected to encompass all financial transactions, including not only banks but also insurance companies and securities companies. Also, the use of My Number cards and smartphones for personal authentication in Internet banking is being reviewed. Services incorporating the My Number system are expected to expand in an array of industries. With the planned introduction of a unified format and online applications for tax legal records that incorporate My Number in January 2017, demand for the renewal of payroll-accounting systems is expected to increase among general companies.

Given that the My Number system is to become an important part of Japan’s social infrastructure, the Fujitsu Group will leverage its abundant expertise in system construction and advanced security technology to provide ICT that supports the expanded use of My Number.

### Fujitsu's Studies of Private Use of My Number



# ASIA

In Asia, we have defined the businesses of each base to reflect the differing market conditions in respective countries and regions, such as their cultures and degrees of economic development, and painstakingly adjusted businesses to match the needs of each customer. Further, we aim to leverage growth in Asia to expand our global business.

At present, we are advancing the coordination of businesses in Japan and Asia based on the One Asia framework established in October 2015. In addition to a specialized sales structure based on the expertise in industries and operations that it has developed in Japan over many years, the Group is strengthening systems engineering capabilities and introducing its solutions and delivery expertise to Asia, where local businesses are utilizing these advantages. Through these efforts, we aim to remain a partner that is able to provide optimal, high-quality solutions to the diverse issues and needs of governments and companies across Asia.



**Toshio Hirose**  
Head of Asia Region

## Overview of Operations in Fiscal 2015

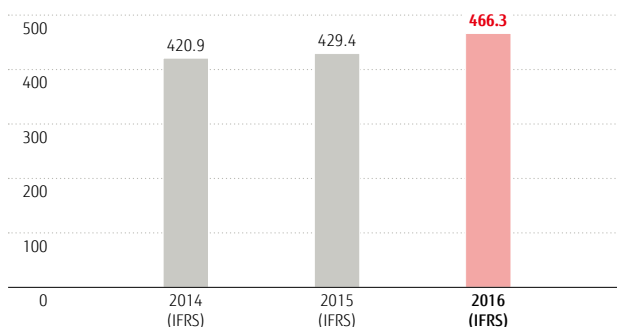
- Revenue rose 8.6% year on year, to ¥466.3 billion, mainly resulting from infrastructure services. Due to higher revenue, operating profit increased ¥2.0 billion year on year, to ¥9.5 billion.
- In South Korea, the solutions business grew in the distribution, financial, and healthcare fields, which are areas of strength for the Group. For example, we introduced a vein-based authentication solution to Shinhan Bank, a major local bank.
- In Singapore, we are strengthening our alliance with Singapore's Agency for Science, Technology and Research (A\*STAR) in the high performance computing field. In March 2016, we provided a supercomputer for Singapore's National Supercomputing Centre, the country's first such facility.
- As for Vietnam, in addition to existing business with Japanese companies, we received major orders for platforms from local entities thanks to active marketing focused on government agencies and major local companies, including Sacombank and other large financial institutions.

## Priority Tasks in Fiscal 2016

- With greater attention to the local conditions of each country, we are precisely selecting and focusing with a view to further business expansion and to securing a position for the Fujitsu brand. Also, in the strategic fields identified for each country, we aim for high growth by taking maximum advantage of the One Asia framework.
- We are reinforcing the existing mainstay platform business further. At the same time, we will change businesses qualitatively by forming specialized teams and investing to establish support centers that cater to fields promising rapid growth in Asia, such as the IoT, big data, security, and digital innovation.

### REVENUE

(Billions of yen)

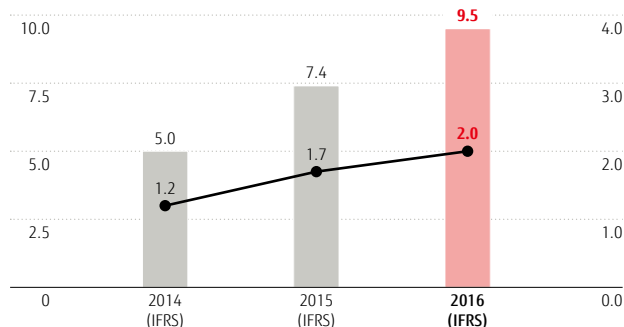


(Years ended March 31)

Note: Due to regional realignment in fiscal 2013, data is for three fiscal years.

### OPERATING PROFIT/OPERATING PROFIT MARGIN

(Billions of yen)



(Years ended March 31)

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

Note: Due to regional realignment in fiscal 2013, data is for three fiscal years.

## Expansion of Businesses in Asia through the One Asia Framework

The purpose of the One Asia framework is to expand business in Asia's growing markets by strengthening coordination among the Fujitsu Group's businesses in Japan and Asia. In October 2015, we unified the sales structure of Japan and Asia and established a dedicated systems engineering organization for Asian businesses. By taking maximum advantage of rich expertise in specific industries and robust delivery capabilities developed in Japan, we aim to ensure the realization of business opportunities, expand businesses, and reinforce the Fujitsu brand in Asia. We will leverage the innovative projects launched via the One Asia framework in rolling out new products and services in countries throughout Asia. At the same time, we will leverage our leading-edge technology to expand new innovation businesses. The following are examples of such initiatives under the One Asia framework.

### Example 1

#### Fujitsu Installs Singapore's National Supercomputer—Testimony to Our Comprehensive Strengths

The Government of Singapore aims to become the world's first "Smart Nation" by making maximum use of ICT to create an efficient and technologically advanced lifestyle infrastructure within which people can live in ease and comfort. Fujitsu is collaborating with Singapore's Agency for Science, Technology and Research (A\*STAR) and Singapore Management University on a research project using big data to address challenges that highly urbanized cities frequently face, with a view to realizing the "Smart Nation" concept. In June 2015, we won the contract to supply the city-state's first national petascale supercomputer system, marking the culmination of a long-standing relationship with the Singapore government while realizing the fruits of our Group-wide activities. Delivery was completed successfully in fiscal 2015, as our teams across Asia and Japan worked together applying extensive experience and technological know-how in supercomputers nurtured over many years. Winning this contract for Southeast Asia's largest supercomputer both raised our profile and expanded our business in Asia.



Singapore's National Supercomputing Centre

### Example 2

#### Establishment of a Smart Factory in China through Use of Japan's Leading-Edge IoT Technology

In accordance with the Chinese government's "Made in China 2025" strategic framework, which aims to heighten the technological sophistication of China's manufacturing, the Fujitsu Group is advancing a Smart Manufacturing Project with a major state-owned company in China, INESA (Group) Co., Ltd. As part of this project, we are converting a plant of INESA Display Materials Co., Ltd., into a smart factory. This company belongs to the INESA Group and manufactures color filters for liquid crystal displays. Specifically, we have used our sensors, network technologies, a dashboard solution, and a big data analysis platform to build a system that visualizes the plant's operational status. The project is in the vanguard of global smart factory initiatives, and we secured the business deal thanks to the concerted efforts of a team comprising Japanese and Chinese personnel.

Aiming to help realize the "Made in China 2025" strategic framework, we will provide other Chinese companies with a standardized approach that we have established based on this system, thereby contributing to the advancement of China's manufacturing industry and society.



The "Intelligent Dashboard" visualizing the operational status of the production lines of the entire factory

## EUROPE, THE MIDDLE EAST, INDIA, AND AFRICA (EMEIA)

Since fiscal 2015, as part of our business model transformation, we have been streamlining the product business's sites in Europe and increasing the pace of transition toward services. In tandem with these efforts, in fiscal 2016 we switched from management based on sub-regions to management organized around business types and began operations under a new sales and delivery system. The aims of these changes are to heighten customer satisfaction and increase our presence in the European market.



**Duncan Tait**  
Head of EMEIA Region

### Overview of Operations in Fiscal 2015

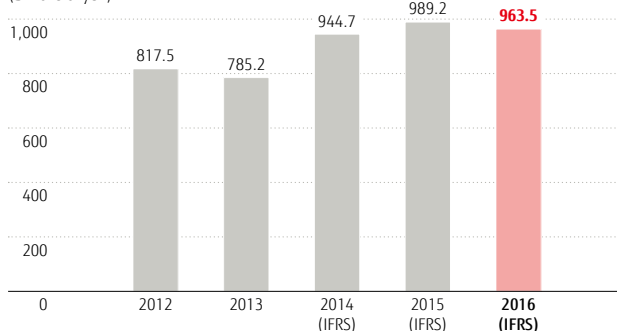
- Revenue decreased 2.6% year on year, to ¥963.5 billion. In the UK, there was a lull in major business deals, while PC unit sales were down at European bases.
- Operating loss was ¥1.5 billion, compared with the previous fiscal year's operating profit of ¥24.4 billion. Factors affecting earnings were expenses arising from changes to the overall sales and delivery system in EMEIA; business model transformation expenses of ¥21.7 billion incurred as a result of strengthening the cost-competitiveness of the product business; and an increase in US dollar-denominated component procurement costs centered on PCs, which accompanied the euro's depreciation.
- We switched from management based on sub-regions to management organized around business types. This entailed integrating the operations of four sub-regions and realigning them based on sales, services, and platforms. Through such changes, we aim to raise the efficiency of departments with common areas, improve our ability to cater to customers, and heighten customer satisfaction. Moreover, we aim to increase our presence in the European market.

### Priority Tasks in Fiscal 2016

- Under the new sales and delivery system organized around business types rather than regions, 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 multiregional business deals in which we can bring to bear our global delivery capabilities.
- As part of the global rollout of the MetaArc platform, launched in Japan in September 2015, we began providing the platform in the UK, Finland, Germany, and Spain. By providing high-value-added solutions that leverage the MetaArc platform, we will establish an unshakable standing as a partner that supports the digital innovation of customers in Europe.
- In Europe, there is concern about the effect of the UK's withdrawal from the European Union. Such negative effects as a loss of investor confidence are possible. On the other hand, potentially positive impacts include contract renewals aimed at ensuring the stability of existing projects as well as opportunities for new projects focused on efficiency enhancement. Therefore, we will continue to monitor developments carefully.

#### REVENUE

(Billions of yen)

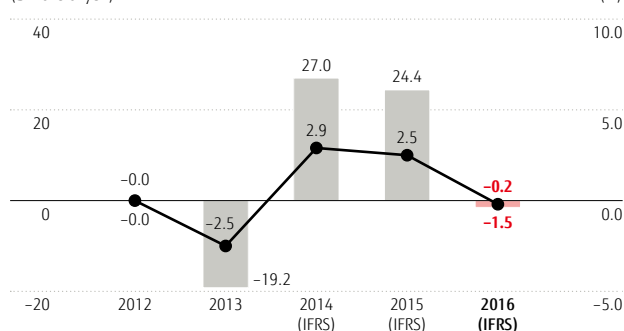


(Years ended March 31)

Note: Including intersegment sales

#### OPERATING PROFIT (LOSS)/OPERATING PROFIT (LOSS) MARGIN

(Billions of yen)



(Years ended March 31)

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

## Initiatives Aimed at Transitioning toward Services in EMEIA

EMEIA comprise the core region of the Fujitsu Group's overseas business and account for 29,000 employees\* and revenue of approximately ¥1 trillion. In recent years, Fujitsu Technology Solutions GmbH, previously Fujitsu Siemens Computers (Holding) B.V., has led efforts centered on continental Europe to raise the proportion of service businesses in the Group's business portfolio and enhance profitability. In particular, a sudden weakening of the euro versus the US dollar in the second half of fiscal 2014 dealt a blow to our PC and x86 server businesses in Europe. Consequently, establishing a business structure that mitigates exchange rate volatility has become a pressing task. With this in mind, we have been strengthening our capabilities and extending our customer base through mergers and acquisitions. Also, in the context of current Group-wide business model transformation efforts, we are taking steps to improve the profitability of the EMEIA business as a priority task.

Fiscal 2015 saw the implementation of the first phase of these efforts. In Germany, we decided to close an x86 server development base in Paderborn and increased the efficiency of a manufacturing and distribution base in Augsburg. From fiscal 2016, to advance digital transformation in service businesses, we will take measures to strengthen human resources. More specifically, we will change over to the skillsets needed to realize such transformation by increasing the number of personnel assigned to new roles while scaling back the number in conventional roles. These new roles will

be assigned primarily to personnel who have skillsets suited to service businesses based on digital technology, which is becoming mainstream, and to offshore personnel in a Group-wide drive to expand and improve the capabilities of Global Delivery Centers. In this way, we will steadily transition toward services and enhance profitability not only by strengthening sales activities but also through measures focused on personnel and their capabilities.

\* As of March 31, 2016



Fujitsu Forum 2016, held in Munich in November 2016

### History of Structural Reforms and M&As in Europe

- 1990 → Fujitsu takes 80% stake in UK-based International Computers Limited (ICL).
- 1998 → ICL becomes wholly owned subsidiary.
- 1999 → Fujitsu and Germany's Siemens establish joint venture, Fujitsu Siemens Computers (Holding) B.V.
- 2002 → ICL is renamed Fujitsu Services Holdings PLC.
- 2006 → Fujitsu and Germany's SAP AG announce expansion of global partnership in services area.
- 2007 → Fujitsu Services acquires Swedish IT services company Mandator AB.
- 2009 → Fujitsu obtains shares of Fujitsu Siemens Computers from Siemens, converts the former into wholly owned subsidiary, and establishes Fujitsu Technology Solutions GmbH.
- 2013 → Fujitsu acquires France-based cloud service provider RunMyProcess SAS.
- 2014 → Fujitsu Services acquires American IT services company GlobeRanger Corp.
- 2015 → Fujitsu Services acquires British IT services company Applied Card Technologies Ltd. Fujitsu acquires France-based UShareSoft, SAS, to strengthen the cloud business.

## THE AMERICAS

In fiscal 2015, we revised our business strategy in the Americas. Specifically, we are working to increase the proportion of business application services relative to managed infrastructure services, which manage customers' ICT assets at datacenters. To make our businesses more profitable, we will strengthen and expand such high-value-added business application services as consulting services, Hybrid IT, and Software as a Service.



**Duncan Tait**  
Head of the Americas Region

### Overview of Operations in Fiscal 2015

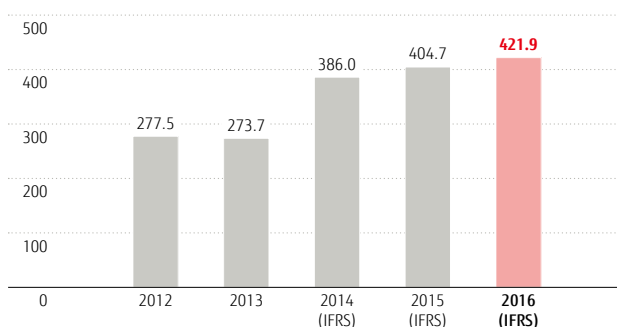
- Revenue increased 4.2% year on year, to ¥421.9 billion. Growth in sales of audio and navigation systems and the effect of exchange rates, among other factors, more than compensated for customers' restrained investment in optical transmission systems.
- Operating loss was ¥1.3 billion, compared with the previous fiscal year's operating profit of ¥4.8 billion. This decline reflected the recognition of business model transformation expenses of ¥9.6 billion due to impairment losses for facilities related to managed infrastructure services businesses, such as datacenters in the United States, and expenses arising from the closure of network equipment development bases.
- In January 2016, Duncan Tait, a director who is also the head of EMEA, became the head of the Americas Region and revised medium- to long-term business strategies. In North America, we will standardize and heighten the efficiency of conventional managed infrastructure services, which manage customers' ICT assets at datacenters. In conjunction with these efforts, we will shift the emphasis toward business application services, focusing on more profitable areas such as consulting and cloud services.

### Priority Tasks in Fiscal 2016

- In North America's digital services field, we are strengthening measures for quickly identifying the needs of corporate customers and rapidly providing leading-edge digital ICT in the manner most compatible with each customer's business. As in Japan, we have established a Digital Services Business division, which prepares strategies, develops personnel, enables personnel exchanges, and plans solutions to strengthen and expand the digital services business.
- As for Latin America, we are strengthening our ability to cater to customers from Japan and other countries that are developing businesses in the region as part of their globalization efforts. We are accelerating business development in Latin America centered on Brazil, and in recent years, we have opened branches in Argentina, Chile, and Colombia. We are constructing a Fujitsu Cloud environment in Brazil and increasing provision of the cloud-based services that we have been promoting.
- Although the existing market for the communications business in North America has leveled off, datacenter-related traffic and communications demand are up. We are expanding the business with a focus on 1FINITY, a new disaggregated platform that enables flexible responses to increased traffic between datacenters, and Virtuora, a virtualization solution for wide area networks.

#### REVENUE

(Billions of yen)

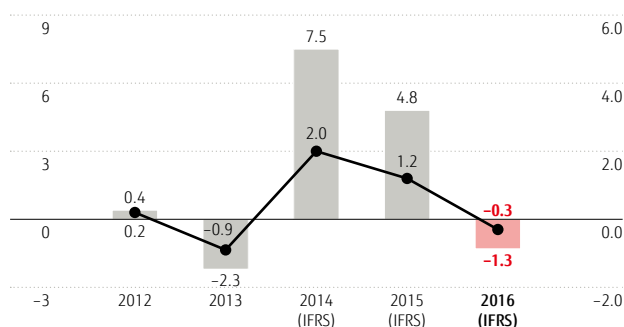


(Years ended March 31)

Note: Including intersegment sales

#### OPERATING PROFIT (LOSS)/OPERATING PROFIT (LOSS) MARGIN

(Billions of yen)



(Years ended March 31)

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

# OCEANIA

In this region, our business development efforts focus on Australia and New Zealand. In managed infrastructure services, which are the core of our businesses, we provide high-quality services with outstanding reliability and safety through multiple datacenters. These include two datacenters that we are currently upgrading to Tier 4 with a view to enhancing quality even further. In recent years, advances in digital technology have supported the emergence of new business models across a range of industries. Aiming to offer “connected services,” the Fujitsu Group will support customers’ businesses by increasing business development efforts in relation to big data, analytics, and other areas of the digital services field.



**Mike Foster**  
Head of Oceania Region

## Overview of Operations in Fiscal 2015

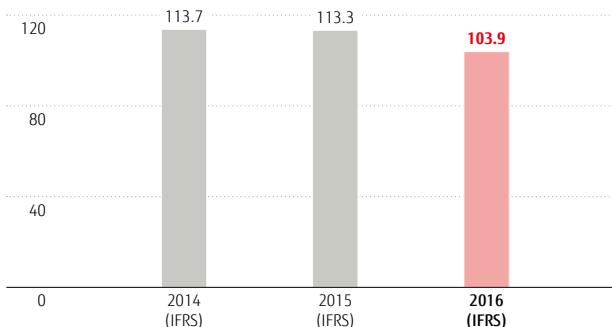
- Revenue decreased 8.3% year on year, to ¥103.9 billion. Due to factors including lower revenues from managed infrastructure services, operating profit declined ¥0.4 billion year on year, to ¥2.6 billion. However, excluding the effect of exchange rates, our major base in Oceania, Fujitsu Australia Limited, achieved a year-on-year rise in revenues and posted operating profit that was approximately unchanged from the previous fiscal year.
- Business conditions in Oceania have become challenging in recent years, mainly due to fiercer competition stemming from the emergence of vendors from India. In response, we have strengthened competitiveness and increased the speed of our responses to markets. For example, we have stepped up customer-focused efforts, visualized costs and efficiency, and consolidated capabilities.
- Business deals for governments progressed favorably centered on the introduction of enterprise resource planning and application maintenance. Further, we actively offered customers engaged in strengthening their security the asset management solutions of US-based GlobeRanger Corp., which has competence in radio frequency identification technology and joined the Fujitsu Group in 2014.

## Priority Tasks in Fiscal 2016

- One of our main strategies is to strengthen current capabilities. For example, we are upgrading datacenters to Tier 4 and raising the basic level of service management. At the same time, we are actively switching over resources from local personnel to offshore personnel. The above-mentioned efforts will enhance service quality and strengthen cost-competitiveness.
- With our sights set on expansion of businesses in the digital solutions field, we are strengthening efforts—including personnel hiring and development—aimed at establishing our position as a leading ICT vendor in such fields as mobility, security, cloud, and data analysis. Specifically, we are expanding our customer base by offering solutions to government agencies and companies in a wide array of industries. For example, we are offering the asset management solutions of GlobeRanger as well as Platform-as-a-Service solutions that use the RunMyProcess platform, which enables the construction of systems combining various cloud and on-premise services. Also, we are proceeding with field trials of “SPATIOWL,” a cloud service that provides new value by using large volumes of location data collected from diverse sources. Other efforts to extend our service menu will include actively exploring mergers with and acquisitions of companies that have unique technology or solutions.

### REVENUE

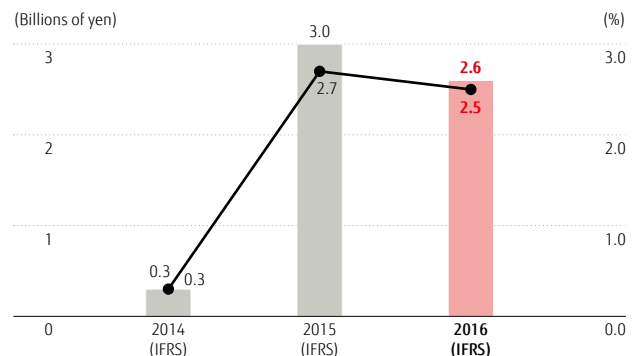
(Billions of yen)



(Years ended March 31)

Note: Due to regional realignment in fiscal 2013, data is for three fiscal years.

### OPERATING PROFIT/OPERATING PROFIT MARGIN



(Years ended March 31)

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

Note: Due to regional realignment in fiscal 2013, data is for three fiscal years.

# Managing Capital to Accelerate Growth Strategies

To continuously create corporate value, it is vital for companies to manage not only financial capital but also non-financial capital, such as personnel, R&D, IT, and manufacturing facilities. In other words, companies today face a strategic challenge of generating innovation by efficiently combining their various types of capital.

As global society and digital society evolve, business conditions that surround Fujitsu in the information and communication technology (ICT) field are forever changing. Therefore, it is critical to receive feedback from a wide range of stakeholders and tackle numerous emerging issues in a timely manner.

We at Fujitsu are working toward business transformation, constantly listening to and accepting external views so as to achieve both continuous corporate growth and a sustainable society. This section introduces an overview of the Company's initiatives.



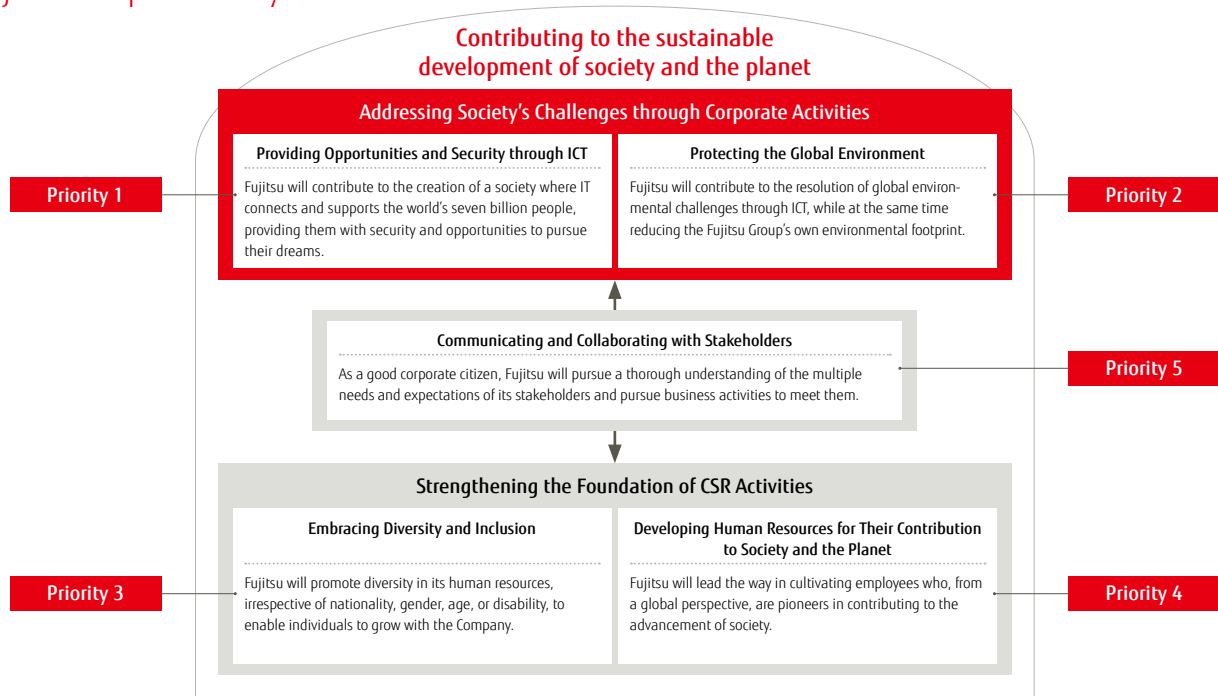




# CSR AT THE FUJITSU GROUP

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.

## Fujitsu Group CSR Policy



## Systems for Promoting CSR Initiatives

### Strengthening Our Global CSR Governance Structure

The Fujitsu Group is advancing CSR activities that transcend regional boundaries through top-down and bottom-up approaches. To advance global CSR activities and promote them in-house, the heads of four global regions exchange opinions and discuss regional issues at CSR Board Meetings. Representatives from each region and leaders at each office implement the CSR Board Meeting's policies and measures. Meanwhile, the CSR Global Community encourages related departments to collaborate in the advancement of CSR measures focused on specific issues and enables the sharing of best practices.

### Advancing CSR Activities Based on ISO 26000

Since fiscal 2012, we have conducted an annual CSR survey at Group companies worldwide based on the ISO 26000 international standard for social responsibility. Focusing on the issues identified through these surveys, from fiscal 2016 we are setting improvement targets and action plans and, at the same time, have scheduled the introduction of a CSR management system to support the implementation of such measures. By providing

on-site support for the activities of Group companies and encouraging lively discussions between the Company and Group companies, the Group will strengthen overall governance and enhance the quality of business management.

### Revising CSR Policy Priorities

In light of changes in international society and business conditions, we have undertaken a revision of the "Five Priority Issues" of the CSR Policy that we established in 2012, in accordance with the below steps. Currently at Step 3, we plan to decide on new priorities in fiscal 2017.

- Step 1 Analyze international norms and external conditions**
  - Prepare a list of candidate items of material importance
  - Establish 34 items in light of Sustainable Development Goals (SDGs), the ISO 26000 standard, and various guidelines
  - Undertake mapping based on degrees of social and in-house importance
  - Conduct questionnaire targeting business unit heads and above to select priorities from among the 34 items
- Step 2 Hold dialogues with stakeholders**
  - Exchange opinions with multiple stakeholders, including CSR experts, customers, and employees
- Step 3 Select priorities**
- Step 4 Select key performance indicators (KPIs)**

## Global Measures for 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/hrapproach/>

### Building a Human Rights Due Diligence Scheme

We are establishing a Human Rights Due Diligence Scheme, which identifies the effect on human rights of business activities throughout the value chain and prevents or mitigates any negative effects. This is particularly evident in procurement as we have updated procurement-related documents and made them applicable to the entire Group, conducted a written survey of suppliers' measures for human rights and other aspects of CSR, and performed on-site audits of overseas suppliers' implementation of CSR measures. We will continue consulting with external experts in and outside of Japan to identify potential human rights issues in our business activities. At the same time, we will take concrete measures based on global collaboration.

### Inculcating the Fujitsu Group Human Rights Statement

To coincide with Human Rights Day on December 10, we created "business and human rights" posters and displayed them at approximately 230 locations in Japan and overseas. Further, we heightened each employee's awareness of human rights issues by developing and conducting a "business and human rights" e-learning program for Group employees worldwide.



In addition, we hold workshops mainly for senior managers at the major bases of overseas Group companies. Drawing on the expertise of Shift, a US nonprofit organization focused on human rights in business, the workshops further understanding of companies' responsibilities in relation to human rights and allow participants to discuss human rights issues that the Fujitsu Group faces.



## Measures for Sustainable Development Goals

### Incorporating Sustainable Development Goals

Companies are expected to play a role in realizing the Sustainable Development Goals (SDGs) that the UN Sustainable Development Summit adopted in 2015. The Fujitsu Group is proactively aligning its SDGs with sustainable growth, integrating the SDG philosophy into management and moving forward on measures across the employee hierarchy to ensure that its business contributes to the achievement of SDGs. Also, from an outside-in perspective that takes into account international society's expectations, the Fujitsu Group will continue seeking ways to benefit society.



### Measures across the Employee Hierarchy

- ◆ **SDG workshops (fiscal 2015)**  
Held mainly for business division heads to increase understanding of SDGs and encourage discussions about issues in the advancement of business activities
- ◆ **Roundtable discussions with CSR experts (fiscal 2016)**  
Invited CSR experts to participate in three separate roundtable discussions with business division heads, executives, and the president and directors, which were themed on contributions to sustainable development and continuing corporate growth (For summaries of the roundtable discussions, please visit the following website:  
<http://www.fujitsu.com/global/about/csr/activities/society/dialog/>  
 For a summary of the roundtable discussion in which the president participated, please see pages 42–43.)
- ◆ **Business seminars themed on social issues and SDGs (fiscal 2016)**  
Conducted business seminars themed on social issues and business development for general employees  
  
Held webinars for employees conducted by external experts and held joint workshops with the World Business Council for Sustainable Development  
For details on workshops, please visit the following website:  
<http://www.fujitsu.com/jp/group/fri/en/resources/events/2016/160714.html>

# STAKEHOLDER DIALOGUE

## Enhancing Business Management through Dialogue with Outside Experts

### Contributing to Sustainable Development and Continuing Corporate Growth

Aiming to reflect the opinions of diverse stakeholders in business management, the Fujitsu Group regularly invites outside experts to participate in dialogues with its senior management team. Recently, we hosted a lively discussion about how best to use technology to contribute to sustainable development and ensure the Company's continued growth.



Experts			Fujitsu			
Dr. Yuichi Ono	Ms. Makiko Eda	Ms. Kaoru Nemoto	Mr. Tatsuya Tanaka	Mr. Norihiko Taniguchi	Mr. Mitsuya Yasui	Mr. Shigeaki Honjo

### After the dialogue

#### Experts



**Ms. Kaoru Nemoto**  
Director  
United Nations Information Centre

#### Innovate to Reach Sustainable Development Goals

Sustainable Development Goals (SDGs)\*<sup>1</sup> represent a "master plan" for driving the world forward through to 2030. In other words, they will become a "common language" for the world. There is a strong affinity between the "leaving no one behind" ideal that underpins the SDGs and the Fujitsu Group's vision of realizing a Human Centric Intelligent Society.

As part of efforts to realize its "do no harm" principle when providing aid on the ground, the United Nations is taking measures to solve issues through innovation that takes advantage of the latest technology, such as drones, biometric-authentication, and FinTech,\*<sup>2</sup> and enables efforts on a larger scale. I hope to see the Fujitsu Group's technologies playing useful roles worldwide.



**Ms. Makiko Eda**  
President, Intel K.K. (Japan)  
Vice President, Sales and Marketing  
Group, Intel Corporation

#### Continue Taking on Reform Aimed at Sustaining Business Growth

Disruptive innovation in digital society is creating new business models and having a worldwide effect. Business managers must respond rapidly to such worldwide change to sustain business growth.

The integration of social values and technology will be a major theme. We will work with the Fujitsu Group in the information and communication technology (ICT) field to examine ways in which we can contribute to the happiness of more people through further development and beneficial exploitation of technology.



**Dr. Yuichi Ono**  
Assistant Director and Professor,  
International Research Institute  
of Disaster Science (IRIDeS),  
Tohoku University

#### Use ICT to Help People Make Optimal Decisions

To create new ways of thinking that are unfettered by conventional wisdom, it is necessary to establish a diverse base and undertake globally creative disruption. Also, focusing on large-scale partnerships with the United Nations and other international organizations will enable the creation of business models that affect society.

In the disaster field, in which I specialize, and other fields, situations often become irremediable due to an inability to use information effectively. I look forward to the emergence of ICT that helps people make optimal decisions in a variety of situations.



**Tatsuya Tanaka**  
Representative Director and President

### Adopt External Viewpoints to Spur Reform

The essence of corporate social responsibility lies in transforming management and businesses in light of the Earth's finite resources and the need for sustainability. As a corporate group operating technology-based businesses, the Fujitsu Group has made focusing on people and contributing to their happiness and wellbeing a major premise of its businesses. Today's discussion reaffirmed that for continuous growth it is vitally important to examine basic premises in light of outside viewpoints and reform business management flexibly without being bound to existing methods.

In today's world, ICT is indispensable in daily life. A single ICT application can advance or hinder humanity's development significantly. Regarding the role we should play in achieving such common global targets as the SDGs, we will adopt an outside-in approach to transforming our activities. Through an unending cycle of reform, whereby we inform stakeholders about our priorities and seek feedback, we aim to keep growing as a corporate group that meets society's expectations. We intend to actively collaborate for and support global innovation.



**Norihiko Taniguchi**  
Director and Corporate Executive Officer, SEVP, Head of Global Services Integration Business

### Aim to Build Systems from a Global Perspective

Fujitsu Group engineers who build or ensure the stable operation of system infrastructure that underpins customers' businesses have a strong commitment and sense of mission in relation to supporting Japan and the world. We actively secure and foster such personnel. However, in the performance of their duties, our personnel have few opportunities to incorporate measures that address global problems.

We will adopt a more global viewpoint by raising the percentage of non-Japanese personnel in divisions. At the same time, we will focus efforts on creating businesses that address social issues through knowledge integration.



**Mitsuya Yasui**  
Corporate Executive Officer, EVP, Head of Legal, Compliance & IP Unit

### Ensure the Group's Sustainability through Governance

I think that governance is an important component of the Group's sustainability. Currently, we are strengthening governance by increasing the diversity of our directors and setting basic governance policies. In addition, we focus constantly on the missions and ethics of managers and the contribution to society of our businesses.

In particular, our external directors have a well-developed awareness of such global issues as SDGs. In consultation with external directors, I want to examine the measures we can take to meet the expectations of external stakeholders, including the participants in today's discussion.



**Shigeaki Honjo**  
President and Representative Director  
Fujitsu Research Institute

### Adopt a Global Viewpoint

As the Fujitsu Group's think tank, the institute considers how to reflect external opinions in the Group's businesses. To receive feedback, we need to proactively release more information. Therefore, we are inviting external stakeholders, including those from overseas, to events aimed at disseminating such information.

By approaching issues from a global viewpoint, we can identify where the technology of Japan and the Fujitsu Group can be useful. To avoid only having in-house discussions that tend to lack variety, I want to communicate with external stakeholders to incorporate new viewpoints.

Through the dialogue, we reaffirmed the major role that Human Centric ICT should fulfill and the importance of approaching issues from a global viewpoint. In light of the opinions expressed, we will increase the scale of value creation centered on technological innovation so that we can contribute to sustainable development globally.

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

\*1 The United Nations General Assembly unanimously adopted the SDGs in September 2015. There are 17 SDGs, which comprise 169 targets relating to people, the Earth, and nutrition. International society is tasked with reaching these goals by 2030.

\*2 This term was coined through a combination of the words "financial" and "technology." FinTech refers to the use of smart devices and big data technology to eliminate inefficiencies in existing financial services and provide innovative financial services. For details on the Fujitsu Group's initiatives in this area, please see "Social and Relationship Capital" on page 47.

## SIX TYPES OF CAPITAL

### 1. Human Capital—Building Diverse, Global Foundations to Drive Digital Transformation—

Employees are the Fujitsu Group's most important type of capital. As digital transformation progresses, the creativity and collaboration of employees are essential to create innovative services that leverage artificial intelligence (AI), robotics, and other leading-edge information and communication technology (ICT) and develop new business models. We are employee-centric in designing organizations, HR strategies, and policies because employees are the source of Fujitsu's growth.

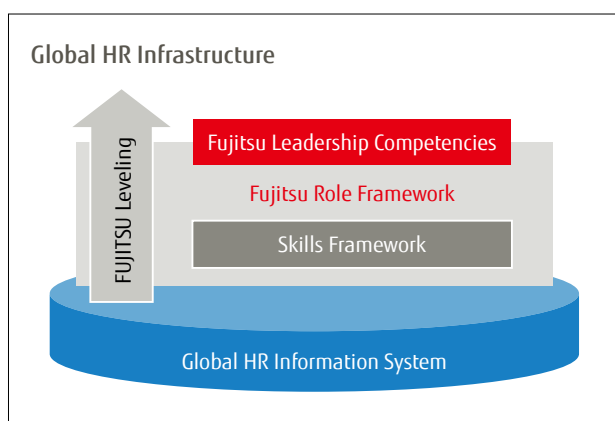
#### Organizational Strategies for Developing Digital Businesses Globally

##### Workforce Composition

As of March 31, 2016, the Fujitsu Group had 156,515 employees worldwide. On a non-consolidated basis, we had 24,112 employees, with an average age of 43.3 years. 16% of employees were female. In fiscal 2016, we have hired approximately 500 new graduates.

#### Global HR Infrastructure to Organize the Best Group Structure

With a view to further evolving the global matrix organization and expanding global business, we have established global HR infrastructure that enables formation of the structure best suited to global business changes and deployment of the right people to organizations. (▶▶ For details about the global matrix organization, please see "Evolution of the Global Matrix Organization" from pages 24–27.) Specifically, we are introducing FUJITSU Leveling to evaluate jobs based on a common methodology; Fujitsu Leadership Competencies to define common competencies expected of all of our managers; Fujitsu Role Framework to provide standardized job descriptions; and a skill framework to provide standardized definitions of the skill requirements. All of these data are stored and managed in a single global HR Information System.



#### HR Strategies Aimed at Driving Digital Transformation

In the Group-Wide Talent Strategy Committee, the Fujitsu Group's senior executives discuss talent management and development strategies which underpin business achievement. Meanwhile, Business-Group Talent Management Committees discuss specific talent development priorities based on their business needs. Based on these strategies, we identify high performing and high potential individuals and provide developmental opportunities such as challenging assignments, assessment, coaching, mentoring, and training aimed at fostering leaders who are able to lead the Fujitsu Group's transformation across the globe in the digital era.

#### "Technology Evangelists" Who Promote the Latest Technologies

In an increasingly advanced information society, influential "evangelists" who can promulgate content on the latest technologies play a critical role in raising the profile of the Fujitsu Group's vision and services. With this in mind, we are fostering technology evangelists, well-versed in technological trends and customer needs, who are able to build strong relationships with government agencies and industry bodies and heighten the Fujitsu Group's market standing.

#### Technical Specialists Underpinning the Development of Digital Businesses

Systems engineers are a crucial part of the Group's human capital as they are essential for the growth of digital services and integration services. To support them in developing skills and a career path, we have introduced and operate a Career Framework which conforms with IT industry skill standards, such as Information Technology Skill Standards and Skills Framework for the Information Age. As our business models evolve, we continue to renew the Career Framework to design the best career path for specialists. In recent years, we have been focusing on fostering next-generation system engineers who are capable of offering customers not only our existing mission-critical systems but also new, advanced systems—known as systems of engagement (SoE)—which integrate with social media and Internet of Things (IoT) devices and utilize big data analytics.

Further, in response to intensifying security threats from cyber attacks that undermine companies' businesses, we are committed to increasing our security specialists through our Security Meister Certification System. We recognize and certify highly skilled security engineers who can protect customers' system development and operations as Security Meisters, and by the end of fiscal 2017, we plan to foster more than 2,000. Our Group already possesses many outstanding Security Meisters, who are influential in the global community of security technology experts and who have earned commendations from industry bodies. In this way, we are continuing to hone our security technology and provide even higher-quality services.



### Creation of the Best Working Environment for Our Employees

#### Workstyle Innovation

As lifestyles and values diversify, we have taken advantage of technology to develop a Telework System, which allows employees to work anywhere and at any time, so that all employees can find work rewarding and fully demonstrate their creativity. We believe it is our important corporate responsibility to provide a secure working environment for employees with child-rearing or nursing-care commitments.

### Diversity Essential for Digital Innovation

In keeping with its Diversity-Driven Innovation goal, the Fujitsu Group is promoting diversity and inclusion as a global management strategy. Since establishing the Diversity Promotion Office within Fujitsu Limited in 2008, the Company has been advancing initiatives aimed at improving employee growth, job satisfaction, and engagement, and improving corporate competitiveness and growth.

In 2015, we received special certification—known as Platinum Kurumin certification—as a company that supports child rearing, from the Ministry of Health, Labour and Welfare. In the same year, our initiatives to empower women resulted in designation as a Nadeshiko Brand by the Ministry of Economy, Trade and Industry and the Tokyo Stock Exchange. In 2016, we were recognized as an Eruboshi (level three) company, pursuant to the Act to Advance Women's Success in Their Working Life, from the Minister of Health, Labour and Welfare. Also, Fujitsu Limited received a gold award as a company satisfying all of the benchmarks of Japan's first evaluation index for the initiatives of companies and other organizations regarding lesbian, gay, bisexual, and transgender individuals—the Pride Index—which was established by a private organization, called work with Pride.



### Going Forward

Our primary management stance on human capital is to set out the Fujitsu Group's vision, code of conduct, business goals, and key performance indicators; increase transparency and engagement through dialogue between managers and employees; and build commitments and iterate improvements.

We will continue to advance our corporate culture to promote innovation, while looking ahead to how humans and technology can generate the highest value and also to the future of relationships between employees and companies, as people's work values and priorities change.

## 2. Intellectual Capital

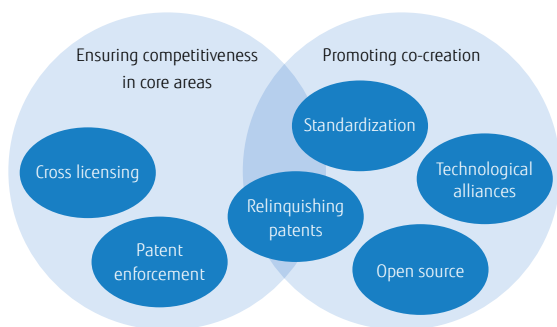
With the rapid progress of digital innovation, intellectual capital is becoming more important than ever as a factor in establishing competitive superiority among a host of different companies and realizing Human Centric Innovation. The Fujitsu Group is moving forward with the development of leading-edge technology and the creation of new businesses and services while increasing and improving intellectual capital that underpins business activities, such as knowledge and expertise.

### Intellectual Property Creation and Accumulation

Intellectual properties created through R&D are a source of long-term corporate competitiveness and an important management resource. The Fujitsu Group has established an R&D system centered on Fujitsu Laboratories Ltd., which has nine R&D bases in Japan, the United States, China, and Europe. Through the integrated management of the intellectual properties these bases produce, we are able to exploit intellectual properties in the regions that need them.

Our R&D strategy entails conducting leading-edge research based on medium- to long-term perspectives and insights into future market and industry trends and developing technology in step with business strategies. Currently, we are concentrating on the creation of intellectual properties for the business portfolio that business model transformation will produce. Specifically, we have set out the “hyper-connected cloud” as an overarching technological concept for future digital business platforms. Based on this concept, we are researching technology and developing practical applications that will form the hub of digital businesses in a world where many different things are interconnected, including cloud systems, IoT, next-generation ICT infrastructure, high-speed large-capacity networks, AI, and security.

Among intellectual properties, R&D-generated patents are important for establishing technological superiority and strengthening competitiveness. We not only file new ideas as patents but also use patents to develop new businesses. For example, we encourage co-creation to establish new markets and participate in standardization initiatives.



### Accumulation of Intellectual Capital for Co-Creation

Digital innovation means enabling customers to grow by digitizing their competitive advantages. Moreover, it entails the realization of co-creation that links these advantages with those of other stakeholders. Based on the “hyper-connected cloud,” Fujitsu Laboratories is pursuing R&D focused on technology that accumulates new knowledge resulting from the use of big data analysis or machine learning as the intellectual capital of customers. Another focus of our R&D efforts is technology for co-creation that incorporates the intellectual capital of other stakeholders. The Fujitsu Group will provide business platforms that enable the Group to use its own intellectual capital as well as to accumulate and use customers’ competitive advantages as intellectual capital.

Granted Patents in Japan in 2015

1	TOYOTA MOTOR CORPORATION	4,122
2	Canon Inc.	3,728
3	Mitsubishi Electric Corporation	3,344
4	TOSHIBA CORPORATION	2,626
5	Panasonic Corporation	2,570
6	<b>FUJITSU LIMITED</b>	<b>2,348</b>
7	Seiko Epson Corporation	2,211
8	Ricoh Company, Ltd.	2,064
9	FUJIFILM Corporation	1,881
10	Honda Motor Co., Ltd.	1,790
11	DENSO CORPORATION	1,735
12	NEC Corporation	1,579
13	Dai Nippon Printing Co., Ltd.	1,310
14	Hitachi, Ltd.	1,309
15	Sharp Corporation	1,193
16	KYOCERA Corporation	1,191
17	Sony Corporation	1,122
18	JFE Steel Corporation	1,111
19	Fuji Xerox Co., Ltd.	906
20	NISSAN MOTOR CO., LTD.	842

Note: Based on patent publication date, total count of all applicants (excluding group companies of each company)

Source: Fujitsu survey based on Japan Patent Office data (number of issued patents)

Granted Patents in the US in 2015

1	IBM Corporation	7,355
2	Samsung Electronics Co., Ltd.	5,072
3	Canon Inc.	4,134
4	QUALCOMM Incorporated	2,900
5	Google Inc.	2,835
6	TOSHIBA CORPORATION	2,627
7	Sony Corporation	2,455
8	LG Electronics, Inc.	2,242
9	Intel Corporation	2,048
10	Microsoft Corporation	1,956
11	Apple Inc.	1,938
12	Samsung Display Co., Ltd.	1,838
13	Taiwan Semiconductor Manufacturing Company Limited	1,774
14	General Electric Company	1,757
15	Ricoh Company, Ltd.	1,627
16	Seiko Epson Corporation	1,620
17	TOYOTA MOTOR CORPORATION	1,581
18	Panasonic Corporation	1,474
19	<b>FUJITSU LIMITED</b>	<b>1,467</b>
20	Telefonaktiebolaget LM Ericsson	1,407

Note: Based on patent publication date, total count of all applicants

Source: IFI CLAIMS Patent Services data



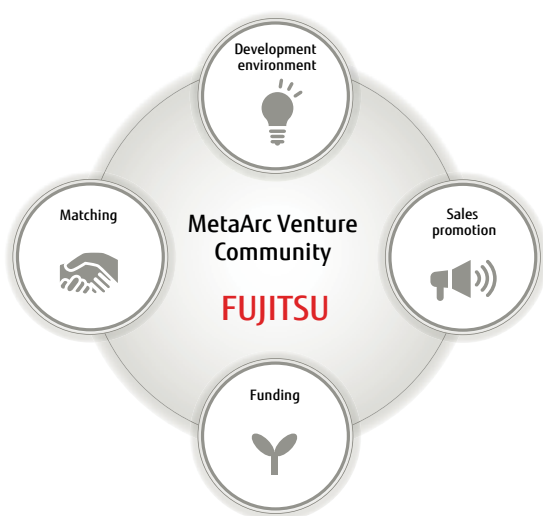
### 3. Social and Relationship Capital

The world's fifth-largest and Japan's largest IT services corporate group, the Fujitsu Group provides services to approximately 170,000 corporate customers. US magazine *FORTUNE* has chosen Fujitsu as one of the "world's most admired companies" for four consecutive years. Our extensive customer base and solid reputation are attributable to the relationships of trust with diverse stakeholders that outstanding technological capabilities have enabled us to build. We view this trust as social and relationship capital. Furthermore, we are strengthening this trust through the construction of digital ecosystems and open innovation that links us with stakeholders.

#### Open Innovation Advancement and Digital Ecosystem Formation

Increasingly, parties inside and outside the Group are pooling ideas and technology to exploit ICT or take on the development and provision of new services. Open innovation means combining our human and technological resources with those of other companies or research institutes to create innovative services and new value. The Fujitsu Group advances open innovation through collaborations with customers, government agencies, and academic research institutes; the formation of consortia with industry peers; and the hosting of ideathons and hackathons\*<sup>1</sup> that include companies from other industries.

With a view to collaboration with venture companies in Japan and around the world, we established the MetaArc Venture Community in March 2016. This community provides four support programs for venture companies aiming to establish digital innovation businesses. The Fujitsu Group will use the achievements of open innovation with community members to form digital ecosystems that create new value.



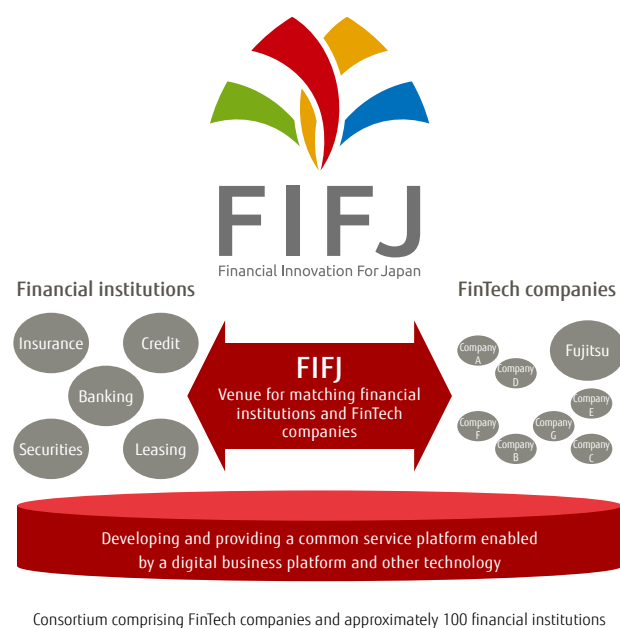
Support programs of the MetaArc Venture Community

Tasked with spreading digital ecosystems for financial services, the Financial Innovation For Japan consortium is an example of open innovation in the FinTech\*<sup>2</sup> field. Aiming to create innovative services in the FinTech field, the consortium comprises more than 250 companies, including Japanese financial institutions, major system integrators, other IT services companies, and FinTech companies. As the consortium host, the Fujitsu Group organizes general meetings to provide venues for its presentations and opportunities for exchanges among participating companies.

The Fujitsu Group is also expanding the use of digital ecosystems in research to proceed with R&D that would be challenging to tackle independently. For example, Fujitsu Laboratories is conducting more than 100 joint research projects with government agencies and academic research institutes, and is building digital ecosystems for R&D in Singapore's transport field and in Europe's smart house and healthcare fields.

\*1 These terms were coined through a combination of the words "idea" and "marathon" and "hack" and "marathon." Ideathons and hackathons are events held based on certain rules and with the aim of creating new ideas or software.

\*2 This term was coined through a combination of the words "financial" and "technology." FinTech refers to the use of smart devices and big data technology to eliminate inefficiencies in existing financial services and provide innovative financial services.



## 4. Manufacturing Capital

The use of cloud systems and the spread of the IoT are likely to cause a tremendous surge in the types and volume of data exchanged through networks. Processing this data calls for the establishment of physical facilities with capabilities befitting a new era. Therefore, the Fujitsu Group is operating approximately 120 datacenters worldwide, expanding and improving Global Delivery Centers (GDCs), and continuing to invest in infrastructure that is its manufacturing capital as an ICT company.

### Cloud Era Datacenters

In April 2016, we opened a new facility at our Tatebayashi Datacenter. Boasting a total floor area of 39,000 square meters and 4,000 racks, the new building will become the core facility of the "FUJITSU Digital Business Platform MetaArc." The facility offers a network platform with the flexibility to meet user needs in the cloud era. Consequently, we expect the facility to help customers realize digital innovation in their businesses. We also expect it to be used by cloud service providers.

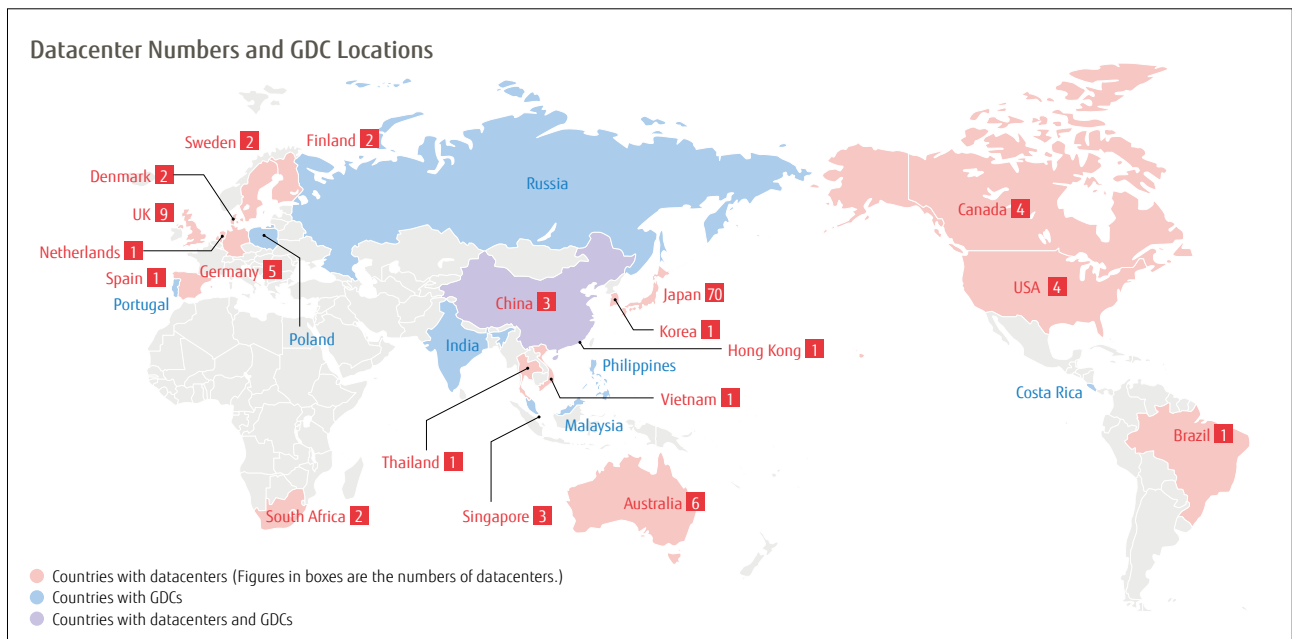
Furthermore, the new facility has state-of-the-art environmental performance and security, and meets Japan's highest energy efficiency standards by incorporating the latest air-conditioning equipment and optimizing operating and ICT equipment environments. Also, robust defenses against external disasters and attacks make the facility a datacenter that "never stops." In addition to having a seismically isolated structure and multiple power sources, the datacenter includes features that prevent hacking and incorrect operation. Moreover, we conduct vulnerability diagnoses and monitor access.

In conjunction with the establishment of leading-edge datacenters, the Fujitsu Group is investing in the renewal of existing datacenters to enable cloud and IoT services and increase operational efficiency.

### Global Delivery Centers

Offshore and nearshore GDCs are a key part of the Fujitsu Group's growth strategy, which is focused on expanding its global business. GDCs at eight locations worldwide provide customers around the world with high-quality services 24 hours a day, 365 days a year. The centers' activities include developing, managing, and operating applications; operating helpdesks in more than 30 languages, and remotely managing customers' IT infrastructure. In sales efforts for global projects spanning multiple regions, our GDCs are a major selling point of the advantages we offer.

Currently, we are expanding our GDC network and capacity. As of the end of September 2015, the number of GDC personnel stood at 6,700, and we plan to raise this number to 18,000 in fiscal 2017. Expanding the centers will heighten the cost efficiency and speed of the service business and increase the scale and profitability of the global business. (▶▶ For more information about GDCs, please see pages 26–27.)



## 5. Natural Capital

The Fujitsu Group contributes to curbing the effect of society's use of fossil fuels and mineral resources on natural capital and to developing sustainably. Every three years we prepare and implement an environmental action plan aimed at reducing the environmental impacts resulting from our business activities. In April 2016, we launched the Fujitsu Group Environmental Action Plan (Stage VIII). Under this plan, we are contributing to the sustainability of customers and society by providing ICT services and energy-saving products. Also, we are reducing greenhouse gas emissions across our value chain with the realization of zero emissions as a long-term goal.

### Environmental Impact Reduction through Leveraging ICT

We leverage our ICT and expertise in environmental activities to help increase customers' business management efficiency and contribute to the sustainability of the environment. One example of such efforts is our development of the FUJITSU Environment Dashboard as an environmental solution. At the head offices of corporate customers, we build a system that aggregates and visualizes in real time multiple bases' power usage volumes and progress toward energy-saving targets. This system is helping customers reduce power consumption significantly and lower their environmental impact. Garnering an impressive reputation at home and abroad, our solution received a commendation in the Professional Concept category of Germany's iF DESIGN AWARD 2015, one of the world's most respected design awards.



The FUJITSU Environment Dashboard screen

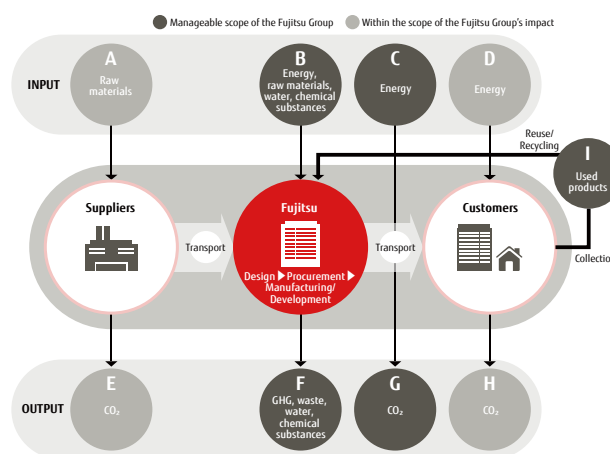
### Sustainable Use of Natural Capital

The Fujitsu Group is reducing greenhouse gas emissions across its value chain while quantitatively analyzing emissions of waste, water, and chemicals from operating bases with a view to lowering environmental impact. In particular, we view energy saving at datacenters—which underpin our businesses—as an important goal. Accordingly, we are focusing on achieving the ambitious target of improving datacenters' power usage effectiveness\*<sup>1</sup> by at least 8% versus fiscal 2013's level.

\*<sup>1</sup> This is a measure of datacenter power efficiency. It is the ratio of the total amount of energy used by the datacenter to the amount used by its ICT equipment. Lower values indicate low power usage by non-ICT equipment, indicating a power-efficient datacenter.

### Material Balance

Fujitsu depicts the overall image of its environmental impacts using numbers in order to engage in business activities with the environment in mind.



### Fiscal 2015 Key Performance

INPUT		OUTPUT	
A/B Design/Procurement/Manufacturing/Development		E/F Design/Procurement/Manufacturing/Development	
Raw Materials		Raw Materials	
Metal	18 ktons	CO <sub>2</sub> emissions	630 ktons-CO <sub>2</sub>
Plastic	9 ktons	Chemical Substances* <sup>2</sup>	
Others	15 ktons	VOCs	212 tons
Chemical Substances* <sup>2</sup>		PRTR	10 tons
VOCs	1.3 ktons	Atmospheric Release	
PRTR	9.7 ktons	Total GHG emissions	876 ktons
Water		CO <sub>2</sub>	786 ktons-CO <sub>2</sub>
Water usage	15.83 Mm <sup>3</sup>	GHG other than CO <sub>2</sub> (PFC, HFC, SF <sub>6</sub> , others)	90 ktons
Energy		NOx	103 tons
Total	18.37 PJ	SOx	108 tons
Purchased electricity	1,680 GWh	Water Discharge	
Heavy oil, kerosene, etc.	8,590 kL	Wastewater discharges	14.08 Mm <sup>3</sup>
LPG, LNG	3,454 tons	BOD	397 tons
Natural gas, city gas	29.92 Mm <sup>3</sup>	COD	160 tons
District heating and cooling	42 TJ	Waste	
C Distribution/Sales		Amount of waste generated	20.7 ktons
Energy		Thermal recycling volume	4.6 ktons
Fuel (light oil, gasoline, etc.)	1.50 PJ	Material recycling volume	14.9 ktons
D Usage		Disposal volume	1.1 ktons
Energy		G Distribution/Sales	
Electricity	7,898 GWh (77.64 PJ)	Atmospheric Release	
I Collection/Reuse/Recycling		CO <sub>2</sub>	100 ktons-CO <sub>2</sub>
Resources recycling rate	94.5%	Atmospheric Release	
Amount processed	5,203 tons	CO <sub>2</sub>	4,410 ktons-CO <sub>2</sub>

\*<sup>2</sup> Substances that qualify as both a PRTR targeted chemical and a VOC are included under "VOCs" only.

## 6. Financial Capital: CFO Message



To realize our vision of the company that Fujitsu needs to be in 30 years' time, we aim to fully transform ourselves between now and 2020, as well as to achieve sustainable growth and raise medium- to long-term corporate value.

Hidehiro Tsukano  
Director and Corporate Executive Officer,  
CFO

### Business Model Transformation Roadmap

Fujitsu is now tackling business model transformation on a level unprecedented in its 80-year history. We were spurred into action by an awareness that we must be a step ahead of structural change in the ICT industry if we are to achieve sustainable corporate value creation. The reforms we are implementing now are fundamentally different from short-term measures that work to improve profitability. We are determined to see them through in order to consistently achieve an operating profit margin of at least 10%.

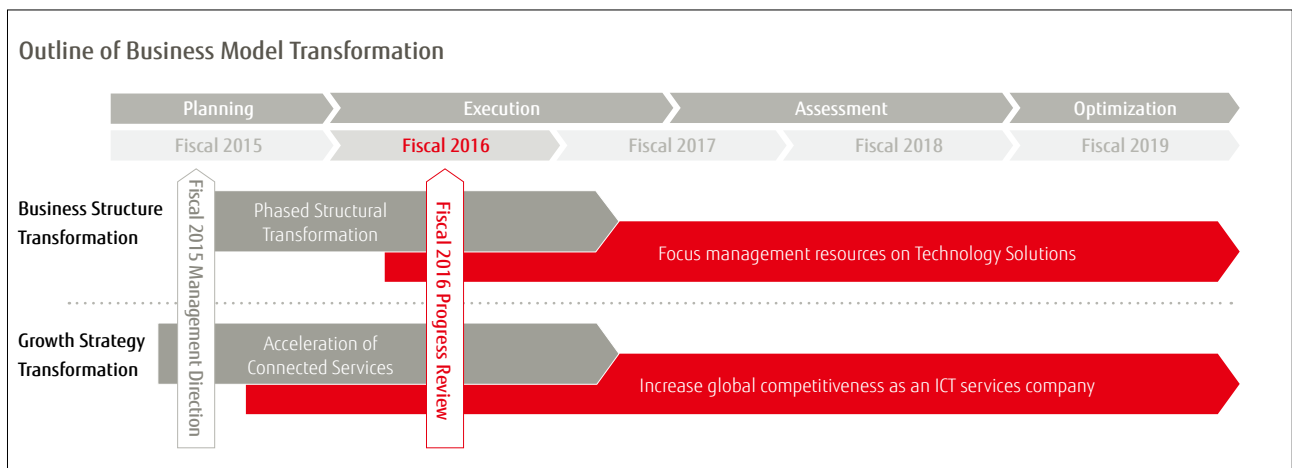
As of October 2016, we have entered the execution stage of our "business structure transformation" and "growth strategy transformation" based on our Management Direction. We expect to advance to the "assessment" stage by around the middle of fiscal 2017 and to the "optimization" stage—involving reinforcement and adjustment measures—in fiscal 2019. By the end of fiscal 2020, we expect to have in place a business model that drives growth by providing connected services as One Fujitsu. This is our scenario for realizing maximum benefits from such unprecedented reforms to our business model.

### Business Structure Transformation and Reallocation of Human Resources

We are promoting business model transformation from two perspectives: business structure transformation and growth strategy transformation.

With business structure transformation, we are concentrating our management resources on the Technology Solutions business, while with other operations we are moving forward on establishing wholly owned subsidiaries and bringing in capital from outside the Group. Businesses we are targeting here are those in which we cannot invest alone, and which are characterized by low or highly volatile profits. As such, even if our revenue shrinks as we concentrate resources in Technology Solutions, we anticipate only a modest impact in terms of lower operating profit.

Growth strategy transformation, meanwhile, aims to reshape the mechanisms that generate profits. The focus here is on redeploying human resources according to structural change in ICT services. In fiscal 2016, we plan to reduce the number of conventional roles in Europe while assigning more resources to meet expanding demand for digital services, which we expect to drive future growth in the ICT services market. In addition, we are



working to upgrade and expand our network of GDCs, our off-shore development and service bases. (▶▶ For more information on GDCs, please refer to pages 26–27.)

We anticipate business model transformation expenses in fiscal 2016 to total ¥45 billion, consisting chiefly of around ¥30 billion in digital transformation expenses centering on the above-noted personnel realignments. However, the amounts given here are only rough estimates; it is important that we do not let financial constraints hinder our efforts to drive through business model transformation.

### Business Model Transformation Expenses and Cost Cutting

In tandem with business model transformation, we are pushing ahead with cost reductions on three main fronts. First, we are seeking cost savings through making full use of GDCs. Besides expanding and reinforcing our GDC network, we are promoting its increased utilization through staff training, aiming to reduce costs by a combined total of ¥30 billion over the three years from fiscal 2015.

Second, we are targeting cost savings through migrating our internal systems to the K5\* service platform. Under the strategic objective of gaining know-how in migrating various systems to the cloud by adopting them first in-house, we are moving about 640 systems operating internally within the Fujitsu Group to the K5 platform. As well as acquiring know-how, we anticipate cost savings of a cumulative ¥35 billion over the five years from fiscal 2015.

Third, we are implementing Group-wide cost reduction projects. We expect our ongoing drive to optimize the procurement of parts and materials and enhance cost efficiency to reduce costs by a total of ¥40 billion in the three years from fiscal 2015. We aim to improve profit margins through these three cost reduction measures as we seek to optimize business through our business structure transformation initiatives.

### Use of Free Cash Flow

Free cash flow in fiscal 2015 amounted to ¥88.7 billion, and we project it will remain positive from fiscal 2016 onwards. In addition, we expect to book gains on the sale of shares if business divestitures go through as we hope under our business structure transformation initiatives. We place top priority on reinvesting the cash generated to reinforce human resources and strengthen technologies and businesses, including through mergers and acquisitions (M&As).

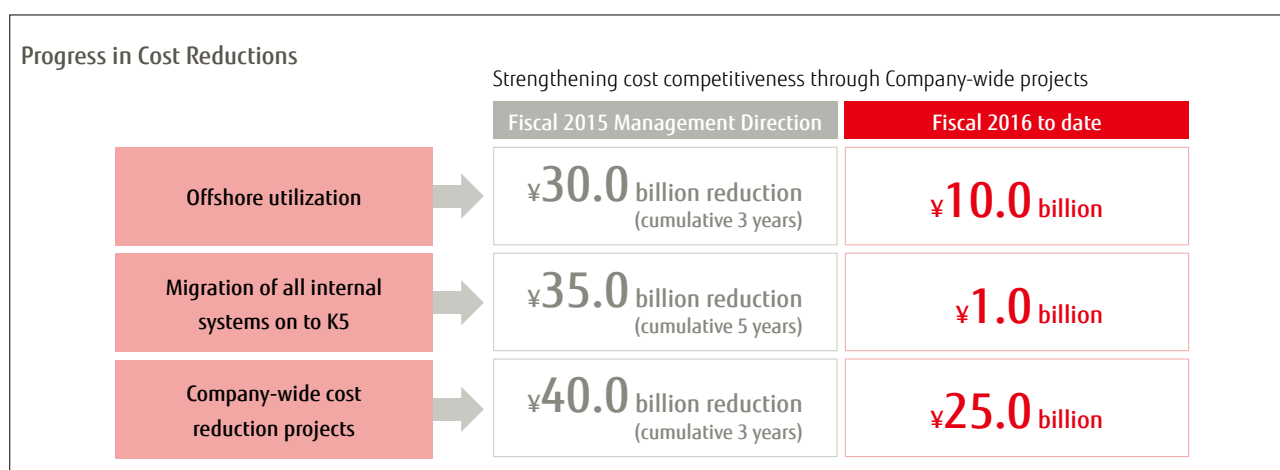
Another high priority is to use the cash to enhance shareholder returns through dividends. The timing and size of payments is determined with careful attention paid to the progress and timing of business model transformation, including business divestitures and M&As, and the balance of the distribution and effect of funds, for example, strengthening our financial standing by eliminating pension obligations and raising the equity attributable to owners of the parent ratio.

### Where We Envisage Ourselves in 30 Years

Our solid earnings and market share in Japan have prompted some stakeholders to question whether overseas expansion is the shortest path for improving profitability. Some have also suggested that it might be better to maintain a certain level of profitability at low risk with low growth. We have carefully considered whether taking a defensive stance limited to the Japanese market is really where Fujitsu should be. Our conclusion is, rather, that we should do everything head-on toward realizing a vision of being a globally competitive ICT services company.

As I said at the outset, business model transformation is a major project lasting five years in which we are investing a great deal of money. Bearing in mind our vision of where we should be in 30 years' time, we are aiming to become a more profitable corporate group better positioned to achieve sustainable growth. To that end, we are determined to raise corporate value over the medium to long term by doing our utmost to transform ourselves.

\* K5 is a new cloud service platform that integrates Fujitsu's knowledge and know-how in the application and management of systems with open technologies. It aims to improve the development and operational efficiency of customers' systems.



# 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 year ended March 31	2007	2008	2009	2010
<b>FINANCIAL DATA</b>				
Net sales (revenue)	¥5,100,163	¥5,330,865	¥4,692,991	¥4,679,519
Net sales (revenue) outside Japan	1,825,255	1,923,621	1,499,886	1,748,304
Percentage of sales outside Japan (%)	35.8	36.1	32.0	37.4
Operating profit	182,088	204,989	68,772	94,373
Operating profit margin (%)	3.6	3.8	1.5	2.0
Net profit (loss) (profit (loss) attributable to owners of the parent)	102,415	48,107	(112,388)	93,085
Cash flows from operating activities	¥ 408,765	¥ 322,072	¥ 248,098	¥ 295,389
Cash flows from investing activities	(151,083)	(283,926)	(224,611)	1,020
Free cash flow	257,682	38,146	23,487	296,409
Cash flows from financing activities	(234,953)	62,325	(47,894)	(405,310)
Inventories	¥ 412,387	¥ 383,106	¥ 306,456	¥ 322,301
Monthly inventory turnover rate (times)	0.93	1.03	0.98	1.04
Total assets	3,943,724	3,821,963	3,221,982	3,228,051
Owners' equity (equity attributable to owners of the parent)	969,522	948,204	748,941	798,662
Return on equity (%)	10.9	5.0	(13.2)	12.0
Owners' equity ratio (equity attributable to owners of the parent ratio) (%)	24.6	24.8	23.2	24.7
Return on assets (%)	2.6	1.2	(3.2)	2.9
Interest-bearing loans	745,817	887,336	883,480	577,443
D/E ratio (times)	0.77	0.94	1.18	0.72
Net D/E ratio (times)	0.31	0.36	0.47	0.20
R&D expenses	254,095	258,717	249,902	224,951
Capital expenditure	305,285	249,063	167,690	126,481
Depreciation	202,825	200,509	223,975	164,844
<b>Amounts per share of common stock (yen)</b>				
Net profit (loss) (profit (loss) attributable to owners of the parent)	¥ 49.54	¥ 23.34	¥ (54.35)	¥ 45.21
Dividends	6	8	8	8
Owners' equity (equity attributable to owners of the parent)	469.02	458.31	362.30	386.79
<b>NON-FINANCIAL DATA (ESG INDICATORS)</b>				
<b>Environmental</b>				
Trends in total greenhouse gas emissions (whole Group globally) (10,000 tons)	153.0	189.4	166.8	131.3
<b>Social</b>				
Number of employees	160,977	167,374	165,612	172,438
Percentage of female managers (non-consolidated) (%)	2.2	2.4	2.9	3.1
<b>Governance</b>				
Percentage of external directors (non-consolidated) (%)	20.0	20.0	20.0	30.0

Point 1

Point 2

Point 3

Point 4

## Point 1 Operating profit

Operating profit declined ¥58.0 billion year on year, to ¥120.6 billion. This decrease was attributable to the recognition of business model transformation expenses of ¥41.5 billion—comprising ¥32.4 billion for businesses outside Japan, ¥5.1 billion for realignment of network products, and ¥3.9 billion for realignment of the Ubiquitous Solutions segment—and an increase in US dollar-denominated component procurement costs at European bases, which accompanied the euro's depreciation versus the US dollar.

## Point 2 Profit attributable to owners of the parent

Income from investments accounted for using the equity method, net, rose due to the transfer of the system LSI device design and development business to an affiliate, as well as the recognition of dilution gain from changes in equity interest accompanying an offering of shares of an affiliate in China. However, profit before income taxes decreased as a result of an increase in net financial expenses due to a net loss on foreign exchange accompanying rapid appreciation of the yen in fiscal 2014. Profit for the year attributable to owners of the parent declined ¥53.2 billion year on year, to ¥86.7 billion.

						Yen (millions)	Year-on-year change (%)
2011	2012	2013	2014	2014 (IFRS)	2015 (IFRS)	2016 (IFRS)	2016 (IFRS) 2015 (IFRS)
¥4,528,405	¥4,467,574	¥4,381,728	¥4,762,445	¥4,762,445	¥4,753,210	¥4,739,294	-0.3
1,587,363	1,506,096	1,498,215	1,801,491	1,801,491	1,879,981	1,894,216	0.8
35.1	33.7	34.2	37.8	37.8	39.6	40.0	
132,594	105,304	88,272	142,567	147,275	178,628	120,612	-32.5
2.9	2.4	2.0	3.0	3.1	3.8	2.5	
55,092	42,707	(79,919)	48,610	113,215	140,024	86,763	-38.0
¥ 255,534	¥ 240,010	¥ 71,010	¥ 175,532	¥ 176,502	¥ 280,149	¥ 253,092	-9.7
(142,108)	(190,830)	(161,481)	(128,873)	(128,938)	(200,516)	(164,317)	-
113,426	49,180	(90,471)	46,659	47,564	79,633	88,775	11.5
(166,933)	(138,966)	100,384	(44,794)	(46,217)	(17,327)	(67,741)	-
¥ 341,438	¥ 334,116	¥ 323,092	¥ 330,202	¥ 330,202	¥ 313,882	¥ 298,849	-4.8
1.02	1.01	1.00	1.07	1.07	1.11	1.12	
3,024,097	2,945,507	2,920,326	3,079,534	3,105,937	3,271,121	3,226,303	-1.4
821,244	841,039	624,045	573,211	566,515	790,089	782,782	-0.9
6.8	5.1	(11.8)	8.1	23.2	20.6	11.0	
27.2	28.6	21.4	18.6	18.2	24.2	24.3	
1.8	1.4	(2.7)	1.6	3.7	4.4	2.7	
470,823	381,148	534,967	519,640	560,243	578,492	534,913	-7.5
0.57	0.45	0.86	0.91	0.99	0.73	0.68	
0.14	0.14	0.40	0.38	0.46	0.27	0.20	
236,210	238,360	231,052	221,389	222,516	202,722	179,895	-11.3
130,218	140,626	121,766	122,282	122,863	140,697	156,049	10.9
141,698	131,577	116,565	115,180	115,929	121,207	119,800	-1.2
¥ 26.62	¥ 20.64	¥ (38.62)	¥ 23.49	¥ 54.71	¥ 67.68	¥ 41.94	-38.0
10	10	5	4	4	8	8	0.0
396.81	406.42	301.57	277.03	273.79	381.88	378.37	-0.9
118.5	109.8	101.4	94.8	94.8	89.7	87.6	-2.3
172,336	173,155	168,733	162,393	162,393	158,846	156,515	
3.5	3.7	4.0	4.3	4.3	4.6	4.8	
30.0	36.4	33.3	27.3	27.3	36.4	40.0	

Point  
3

## Equity attributable to owners of the parent ratio

Other components of equity decreased due to changes in exchange rates and share prices. However, retained earnings rose as a result of the recognition of profit for the year attributable to owners of the parent. Equity attributable to owners of the parent ratio (owners' equity ratio) edged up 0.1 of a percentage point from the previous fiscal year-end, to 24.3%.

Point  
4

## Dividends

The decline in earnings in the consolidated business results for fiscal 2015 reflected the recognition of business model transformation expenses, incurred as a result of stepped-up efforts to transform business models. However, we secured a certain level of earnings and, as a result, paid an annual dividend of ¥8 per share, comprising an interim dividend of ¥4 and a year-end dividend of ¥4.

# BUSINESS OVERVIEW

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.

REVENUE/BREAKDOWN OF REVENUE\*

SALES (REVENUE)\* BY PRINCIPAL PRODUCTS AND SERVICES

## Technology Solutions

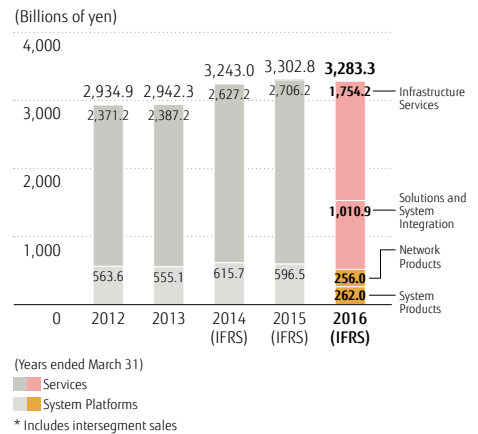
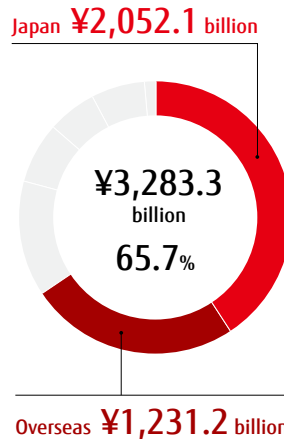
### Business description

#### Services

Fujitsu provides solutions and system integration for system consulting and construction as well as infrastructure services centered on outsourcing services (complete operations and management of information systems).

#### System Platforms

Fujitsu provides system products, such as servers and storage systems that form the backbone of information and communication technology (ICT) systems, and network products, such as mobile-phone base stations, optical transmission systems, and other communications infrastructure.

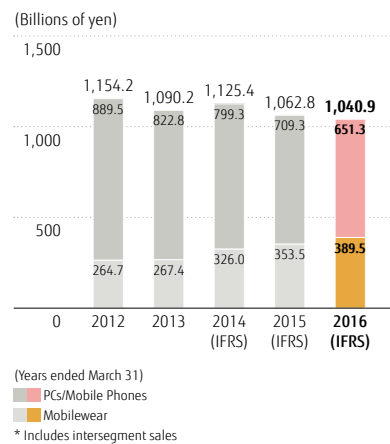
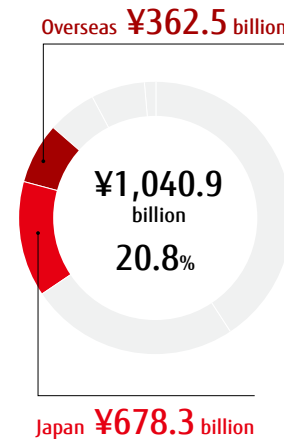


## Ubiquitous Solutions

### Business description

Fujitsu manufactures PCs within a made-in-Japan framework, delivering high-quality, high-added-value products including desktop PCs, laptop PCs, water- and dust-resistant tablets, and customization options.

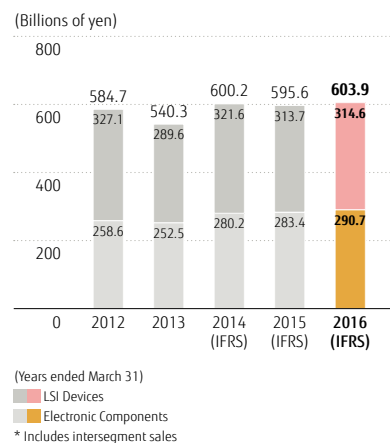
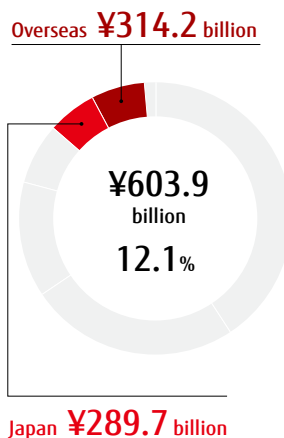
With mobile phones, Fujitsu supplies mobile communications carriers with its own mid-range to high spec smartphone and tablet products centering on the Raku-Raku Phone series and the Raku-Raku Smartphone. We supply high-quality and easy-to-use smartphones to Mobile Virtual Network Operators (MVNOs) and various products to corporations that satisfy a wide range of customization needs. For mobilewear, Fujitsu is responding to diverse needs with "Connectivity" Products, among them intuitively operated car navigation systems that connect to mobile phones for a more enjoyable driving experience.



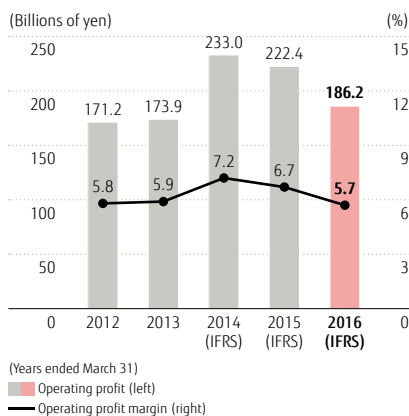
## Device Solutions

### Business description

The LSI device business and electronic components business comprise Fujitsu's Device Solutions. In the LSI device business, Fujitsu offers wafer foundry services, LSI device sales, and system memory businesses such as FRAM and FCRAM. In the electronic components business, publicly listed consolidated subsidiaries such as Shinko Electric Industries, Fujitsu Component, and FDK provide semiconductor packages and other electronic components as well as structural components such as batteries, relays, and connectors.

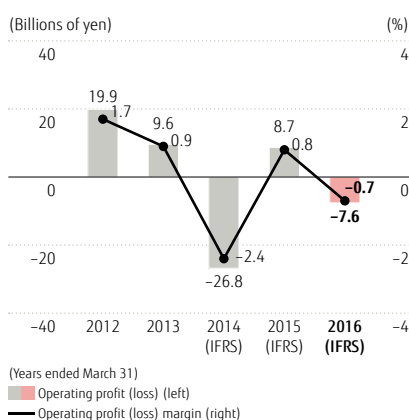




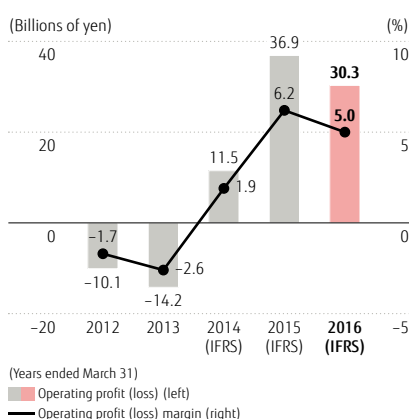
OPERATING PROFIT (LOSS)/  
OPERATING PROFIT (LOSS) MARGIN

## FISCAL 2015 HIGHLIGHTS

- In the Services sub-segment, sales in the system integration business rose supported by expanded investment, particularly in the financial and public sectors. Infrastructure services also did well, particularly in the outsourcing business.
- In the System Platforms sub-segment, system product sales rose in Japan and overseas amid global growth in x86 servers in tandem with the spread of cloud computing. Overall sales, however, declined owing to fewer large-scale business deals, especially for mainframes. Sales in the network products business also contracted as mobile communications carriers in Japan held down investment.
- Overseas, sales rose in Asia but fell in the UK amid large-scale business deals coming to an end; sales were also weak in the US.
- We booked a total of ¥35.9 billion in expenses incurred in the process of implementing business model transformation, comprising ¥19.1 billion in the Services sub-segment and ¥16.7 billion in the System Platforms sub-segment. These included expenses relating to restructuring of the network business in Japan and overseas, to the closure of a base and rationalization in EMEIA, and to the booking of an impairment loss for equipment in North America.



- Sales of PCs to both the corporate and consumer markets fell as the end of some operating system product support led to a year-on-year decline in replacement demand in the first quarter. In addition, the depreciation of the euro and the yen against the US dollar weighed on profit by pushing up costs for parts.
- For mobile phones, sales of smartphones both to the consumer and corporate markets rose, but overall sales contracted as unit sales of feature phones declined. Profit was also held down by expenses incurred to deal with a defective mobile phone model.
- Profit in the mobilewear business rose, supported by higher sales in Europe and the US.
- We recorded ¥1.6 billion in business model transformation expenses in EMEIA. We also booked ¥3.9 billion to reform and establish the PC and mobile phone businesses into wholly owned subsidiaries with effect from February 1, 2016.



- Sales of both LSI devices and electronic components rose, on the effect of yen depreciation against the US dollar, particularly in the first half of the fiscal year. In the system LSI devices business, sales were depressed by lower shipments of products for smartphone and PC applications, particularly in the second half of the fiscal year and by the transfer of the system LSI design and development operations to Socionext Inc. with effect from March 2, 2015.

# OPERATIONAL REVIEW AND OUTLOOK

## Technology Solutions

### Services System Platforms

#### Fujitsu's Competitive Advantage

Fujitsu is supporting the use of information and communication technology (ICT) globally by leveraging to the full its extensive track record across different industries and countries and regions. Through enhancing our connected services we are contributing to customers' value creation and drive for innovation around the world.

Fujitsu's 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, where through our worldwide network of about 120 datacenters 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 to make their 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 system 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 big data, mobile, cloud, IoT, and other new digital technologies, we are enhancing our connected services and contributing to customers' value creation and business innovation.

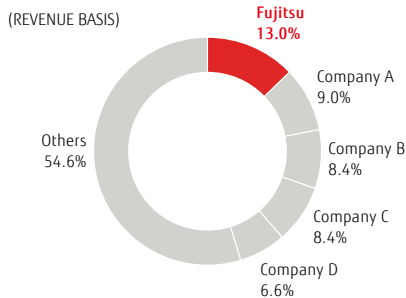
#### Market Trends and Opportunities

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, demand for system upgrading is expected to expand in tandem with the introduction of the My Number system.

Japan's IT services market is projected to grow at a CAGR of 1.9% for the period from 2015 to 2018. In the Japanese economy, the outlook for corporate earnings has been clouded by the appreciation of the yen. That, in turn, is expected to make companies cautious on capital investment. At the same time, a growing number of customers are looking to provide new services making use of accumulated data. There has, for example, been swelling demand for building new industry-specific systems, such as those related to FinTech in the financial field and, in the retail sector, omni-channel retailing (a multichannel approach to sales spanning shopping online through to shopping at brick-and-mortar stores). In addition, the introduction of Japan's Social Security and Tax Number System, commonly known as the "My Number" system, has prompted moves by the national government, municipalities, and business enterprises to reshape their ICT infrastructure. The use of the My Number system is expected to expand. In line with these developments, IT investment in Japan is expected to continue to grow.

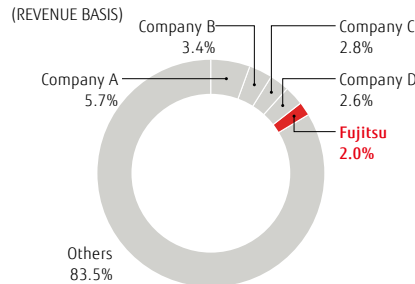
The global IT services market is projected to grow at a CAGR of 2.6% from 2015 to 2018, with growth in Asia leading the way. Although the outlook for markets particularly in Europe is unclear owing partly to the decision by the UK to leave the EU, the use of ICT focused particularly on cost cutting is expected to move ahead. Economic growth is projected to continue centering on emerging markets. Against this economic backdrop, IT investment is expected to edge upward in every region.

**IT SERVICES MARKET SHARE IN JAPAN IN 2015**



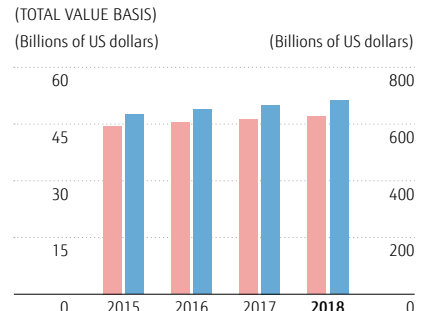
Source: Gartner, "Market Share: IT Services 2015," April 6, 2016  
\* Chart created by Fujitsu based on Gartner data.

**GLOBAL IT SERVICES MARKET SHARE IN 2015**



Source: Gartner, "Market Share: IT Services 2015," April 6, 2016  
\* Chart created by Fujitsu based on Gartner data.

**IT SERVICES MARKET FORECAST (JAPAN/GLOBAL)**



Source: IDC Worldwide Black Book 2016, Version 3, Nov. 2016

## Issues

As the IT services market gains momentum, it has become increasingly essential we reinforce our solutions management and enhance the competitiveness of our products and services. We are looking quickly to shift our business focus from products to services as we strive to improve profit margins globally.

With services, we see growing risks of a shortage of system engineers to meet the needs of a lively domestic market. In order to preempt this, we aim to make more efficient use of our system engineer resources while also making greater use of offshoring and enhancing the efficiency of system development and construction processes themselves. We are also strengthening our staff training with a focus on management capabilities in order to prevent unprofitable projects from the outset. With cloud services, expansion of the market has led to intensifying competition with other companies, necessitating the development and launch of even more competitive products and services. In the overseas business, we need to further shift our emphasis from products to services and rapidly improve profit margins. Priorities common to operations in both Japan and overseas are to quickly establish the next-generation services business model that will supersede the existing one and to achieve strong growth.

## Initiatives Going Forward

We aim to promote business centering 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 are focusing on expanding business centering on MetaArc. We will combine the core Systems of Record (SoR), a key Fujitsu strength, with the new Systems of Engagement (SoE) group of services that utilize IoT devices in order to promote businesses that leverage fully the Company's knowledge and experience to provide connected services and support customers' innovation.

In Japan, the expansion of cloud services is expected to lead to the uptake of ICT in industry sectors and categories where it had not previously penetrated. Fujitsu will optimize system maintenance and operation costs while supporting new value creation through the provision of its Next Generation Cloud System.

Outside Japan, we are working under Fujitsu's global matrix organization to shift our emphasis from businesses centered on products to service businesses. 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.



Reformation of Tokyo Stock Exchange's 'arrowhead' stock dealing system



Joint trial with Ha Nam Province in Vietnam on agricultural business that utilizes ICT



Transforming customer experience and minimizing fraud with a new ticketing platform of Comboios de Portugal

Services **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 eighth 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) and network function virtualization (NFV).

**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**

The server market in Japan is projected to contract at a CAGR of -7.4% in the period from 2015 to 2018. Demand is expected to slow as growth in the x86 server market turns negative in conjunction with the spread of cloud computing and as the high-end server market sees fewer large-scale business deals.

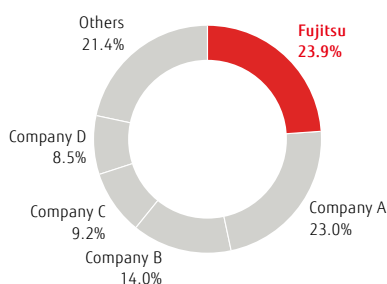
Globally, the server market is forecast to expand at a CAGR of 3.9% from 2015 to 2018 supported by growth in demand for volume-zone servers owing to market expansion in emerging economies and increasing datacenter demand.

**Network Products**

Capital expenditure in the optical transmission market 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, whereby a server separates components and resources into subsystems rather than all functions being included within one piece of hardware.

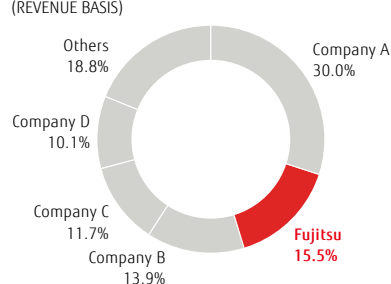
In addition, with accelerated moves toward network virtualization and softwarization, investment in 100 Gbps optical transmission, and the integration of optical transmission and packet processing, we expect investment to continue to expand over the medium term, though only slight growth is projected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

**SERVER MARKET SHARE IN JAPAN IN 2015**  
(REVENUE BASIS)



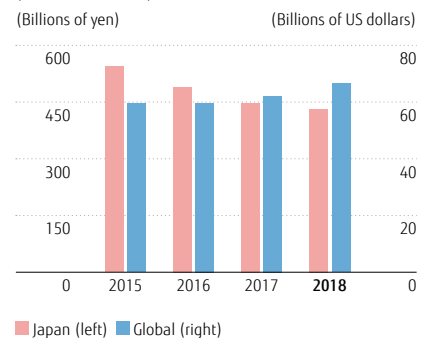
Source: IDC Japan, "Japan Quarterly Server Tracker CY16Q2," September 16, 2016

**OPTICAL FIBER NETWORKING MARKET SHARE FOR NORTH AMERICA IN 2015**  
(REVENUE BASIS)



Source: Ovum, "Market Share Spreadsheet & Analysis 2Q16 Global ON," August 2016

**SERVER MARKET FORECAST (JAPAN/GLOBAL)**  
(TOTAL VALUE BASIS)



Sources: IDC Japan, "Japan Quarterly Server Tracker—Forecast," September 23, 2016, for Japan; IDC, "Worldwide Quarterly Server Forecast, 2016Q2," 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 Japan. 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. In Japan, the market itself has been contracting accompanying the growing use of cloud-based systems and moves toward server concentration. 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 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 business meeting needs associated with growing traffic volume between mobile communications carriers' networks and datacenters mainly through our new 1FINITY optical transmission system, which uses disaggregation architecture. In the mobile system field, we are stepping up 5G technology development and standardization.



PRIMERGY CX2550 M2 2-way multi-node x86 server



FUJITSU Storage ETERNUS DX8000 S3 series disk storage system



FUJITSU Network 1FINITY series

# Ubiquitous Solutions

## Ubiquitous Solutions Business: Structural Reforms

Fujitsu has established its PC and mobile phone businesses as wholly owned subsidiaries. We also plan to change the capital structure of Fujitsu TEN, at the core of our mobile-wear business, and remove it from the scope of Fujitsu Group consolidation.

With effect from February 1, 2016, Fujitsu transferred its notebook PC and desktop PC businesses to the newly established Fujitsu Client Computing Limited and transferred the mobile phone business to the newly established Fujitsu Connected Technologies Limited through company splits.

With the ongoing commoditization of ubiquitous products, mainly of PCs and smartphones, it has become increasingly difficult to achieve differentiation, and competition with emerging global vendors has intensified. In response, Fujitsu decided to restructure these operations in order to clarify management accountability, to enable swift management decisions, and to pursue comprehensive efficiency by creating independent companies for the PC and the mobile phone businesses, and to establish an integrated structure covering all aspects of research, development, design, manufacturing, sales, planning, and after-sales services.

On September 9, 2016, DENSO CORPORATION, Toyota Motor Corporation, and Fujitsu announced a basic agreement to change the capital structure of Fujitsu TEN, in which Fujitsu currently has an equity stake of 55%. A final agreement is due to be signed before the end of the fiscal year ending March 31, 2017.

On October 27, 2016, Fujitsu, Fujitsu Client Computing, and Lenovo Group Limited announced that they have begun exploring a strategic cooperation in the realm of research, development, design, and manufacturing of PCs in the global market. The two companies will continue to work together with a view to creating a successful model to compete in a dynamic global marketplace.

## Market Trends and Opportunities

Global markets for smartphones and tablets are expected to grow in scale, while markets for PCs are seen contracting in both Japan and overseas. Markets for car navigation systems are projected to grow with the expansion of markets in emerging economies.

The market for smartphones, tablets, and PCs combined is projected to see a CAGR of -2.0% in Japan and of 1.5% globally.

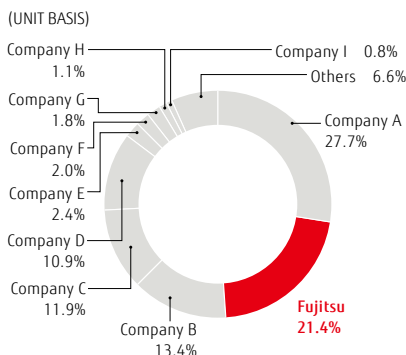
With PCs, markets are expected to contract both in Japan and globally against a backdrop of demand in industrialized countries turning down off a peak and economic slowing in emerging markets.

With tablets, the shift to smartphones with large screens has been siphoning off demand. In Japan, however, demand is expected to continue to expand supported by the Japanese government's "Vision for ICT in Education" initiative.

With smartphones, market growth is expected to continue underpinned by the transition from feature phones to smartphones.

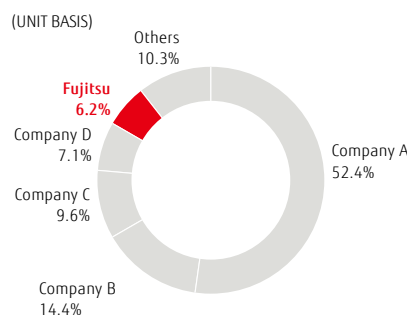
Global demand for car navigation systems, meanwhile, is forecast to continue to grow against a backdrop of expansion in emerging markets.

### PC MARKET SHARE IN JAPAN IN 2015



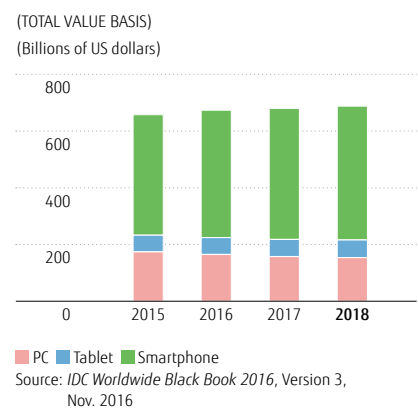
Source: Gartner, "Market Share: Final PCs, Ultramobiles and Mobile Phones, All Countries, 3Q16," November 14, 2016  
\* Chart created by Fujitsu based on Gartner data.

### SMARTPHONE MARKET SHARE IN JAPAN IN 2015



Source: IDC Japan, "Japan Quarterly Mobile Device Tracker 2016Q3"

### GLOBAL PC, TABLET, AND SMARTPHONE MARKET FORECAST



## Issues

In the PC business, our business operations need to focus on profitability. With smartphones and mobilewear, we must take the lead in bringing to market competitive products and not let slip new opportunities presented by the emergence of new businesses and technologies.

With PCs, global price competition and contracting markets are making it essential for an independent company to undertake business with a focus on margins while making sustained efforts to cut costs. With mobile phones, established markets have been sluggish and demand for smartphones has slowed but the market for Mobile Virtual Network Operator (MVNO) devices featuring inexpensive rates has been growing rapidly. In that market, we need to develop appealing new products and ensure their timely supply. With mobilewear, the auto industry is developing new technologies such as automatic driving support systems, and we must respond by developing efficient, highly reliable software.

## Initiatives Going Forward

In the PC business, we are aiming to raise margins by shifting our focus to high-value-added products. In the mobile phone business, we are looking to expand market share with mobilewear by unearthing opportunities in both established and new businesses.

With PCs, we are working to raise profitability by shifting toward high-value-added products through differentiating ourselves from other companies in such areas as security-related products and customized products, which are particular Fujitsu strengths. We are looking to reinforce our tablet business by broadening our product lineup. With mobile phones, we are striving to expand market share on the twin engines of the established smartphone business and new-market businesses, including MVNO and corporate-use devices.

The automotive industry is expected to see dramatic change particularly in such areas as the growing use of information led by the increasing spread of networks. Fujitsu, having businesses in both communications/ICT and automotive control fields, will leverage this chance, using business and product transformation to connect people, vehicles, and communities. This, in turn, will contribute to realizing a comfortable, mobile, and connected society.



ESPRIMO FH90/A3, a large-screen desktop offering outstanding sound and image quality



arrows NX F-01J, a smartphone produced for Docomo



ECLIPSE AVN-SZX05i, car navigation system

# Device Solutions

## Fujitsu's Initiatives

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

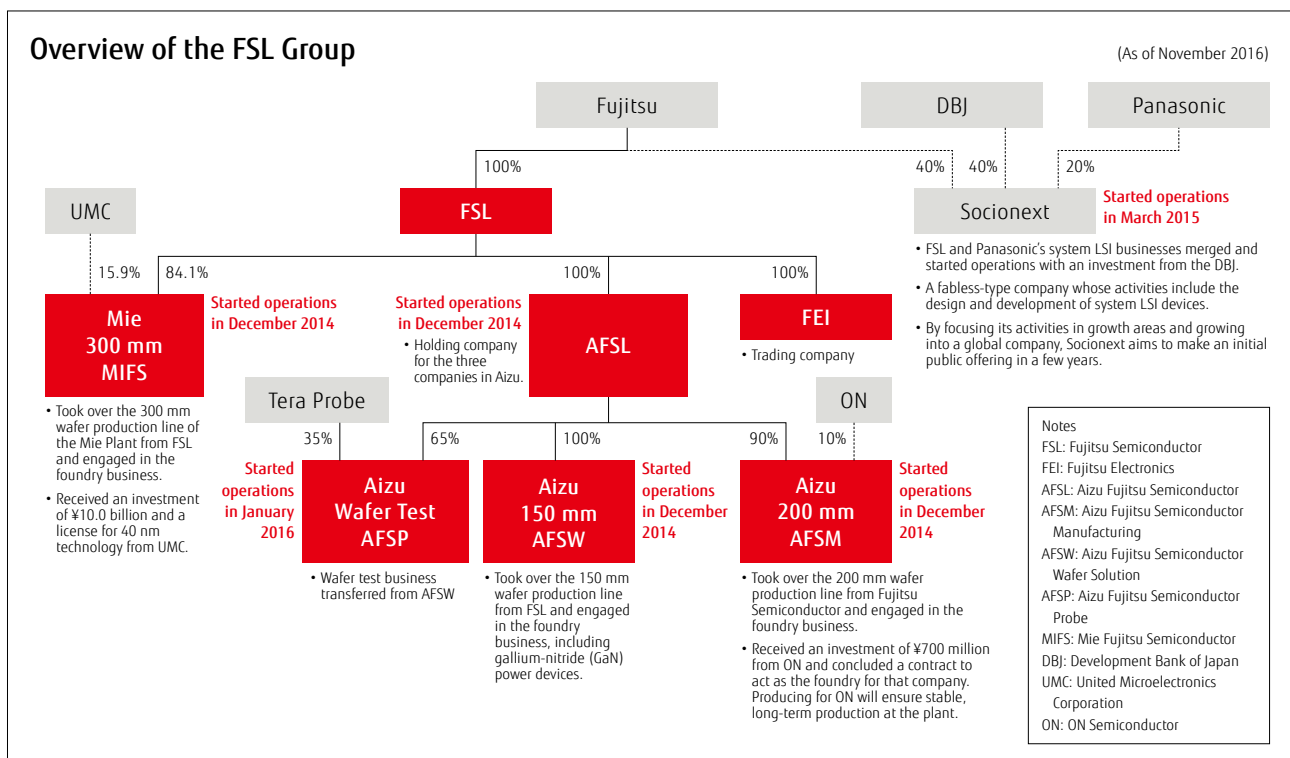
In the LSI device business, the Fujitsu Semiconductor Group has three core operations: (1) system memory businesses centering on ferroelectric random access memory (FRAM), which has the low-voltage, high-speed read/write endurance and low power consumption characteristics ideally suited to an energy-conserving 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 2015 Business Results and Outlook

In fiscal 2015, revenue in the Device Solutions segment rose by 1.4% year on year to ¥603.9 billion. Despite the impact of transferring the system LSI device design and development business to an affiliated company and weak demand for smartphones and PC applications, yen-denominated sales of both LSI devices and electronic components rose, supported by yen depreciation against the US dollar particularly in the first half of the fiscal year. Operating profit declined ¥6.5 billion year on year to ¥30.3 billion, reflecting partly the transfer of the system LSI device design and development business to an affiliated company.

Looking ahead, we expect a harsh operating environment for both the LSI device business and the electronic components business against a backdrop of slowing global economic growth, markets that have hit a peak for such core applications as smartphones and PCs, and the negative impact of yen appreciation. In these challenging conditions, we are working to dramatically improve customer performance and competitiveness in their product markets by delivering to those customers even higher-quality products and services.





# CORPORATE GOVERNANCE

## ROUNDTABLE DISCUSSION AMONG EXTERNAL DIRECTORS

### Ongoing Evolution of the Fujitsu Group's Corporate Governance



**Atsushi Abe**

Managing Partner  
Sangyo Sosei Advisory Inc.

**Chiaki Mukai**

Vice President  
Tokyo University of Science

**Miyako Suda**

Special Advisor  
The Canon Institute for Global Studies

**Jun Yokota**

Special Advisor to the Chairman  
KEIDANREN

Based on the philosophy set out in the Fujitsu Way, Fujitsu works tirelessly to improve its corporate governance with a view to medium- to long-term growth and corporate value enhancement. Progressive measures to strengthen corporate governance systems have resulted in the Board of Directors being comprised of at least as many non-executive directors as executive directors and the establishment of an Independent Officers Council, comprising external directors and external Audit & Supervisory Board members.

We invited the external directors to discuss the changes in the Board of Directors that have resulted from the improvements to our corporate governance structure.

—Since becoming an external director at Fujitsu, have you seen changes in the Board of Directors? If so, how has it changed?

**Jun Yokota:** I was appointed as an external director at the Annual Shareholders' Meeting held in June 2014, so this is my third year on the Board of Directors. My impression is that the Board's discussions have changed quite considerably compared with those we had when I began attending meetings. Initially, I felt that there was a slight defensiveness in response to external directors' statements at times. Recently, however, there has been an atmosphere of openness that has encouraged us to speak frankly about anything.

**Miyako Suda:** The seating arrangements at meetings made an impression. Now, non-executive directors and executive directors sit around the table randomly, but three years ago, executive directors sat on one side of the table while non-executive directors sat facing them on the other side.

**Atsushi Abe:** It used to be the case that when external directors questioned something, the responsible officer would explain strenuously that there was no problem concerning the matter being discussed. It was almost as if we had made an accusation against the person. Normally, a board of directors' meeting should be a place where executive directors and non-executive directors exchange opinions, identify issues, and together find ways of addressing the issues. Boards that operate in this fashion are productive and are able to fully realize their oversight functions.

**Chiaki Mukai:** This is the first time that I have served as a director, so I cannot make comparisons with other companies. However, I feel that meetings of the Board of Directors have changed quite a lot since I began attending them in the summer of 2015. At first, they were a venue for reporting on the progress of business management. Recently, they have become more of a forum for open discussions that include real matters of concern. I think this may be attributable to the beneficial effect of the Independent Officers Council.



At the Independent Officers Council, we are able to ask questions and state opinions from a variety of perspectives, and we can ask any question, no matter how basic. This is having a favorable effect on the Board of Directors.

—What are the functions of the Independent Officers Council? Specifically, what type of changes has the Independent Officers Council encouraged in the Board of Directors?

**Mukai:** As a director, discussing policies from a long-term viewpoint calls for surveying the Fujitsu Group's whole profile as a corporate group. And, grasping the whole profile requires knowledge. At meetings of the Independent Officers Council, we focus on one or two topics and examine them from many different angles. This makes the meetings very good opportunities to acquire knowledge and debate and exchange opinions freely.

**Abe:** Partly because Fujitsu's business field is information and communication technology (ICT), we need to obtain more knowledge, including knowledge about specialized fields. My understanding is that the Company established the Independent Officers Council after external officers expressed a desire to know more about the Fujitsu Group and its businesses. When meetings began in July 2015, the council mainly augmented our knowledge. Now, however, its role as a forum for debate has expanded.

**Yokota:** A problem we all face is that in-depth discussion of any single matter is difficult because the Board of Directors must examine and issue resolutions on an extremely wide range of matters. At the Independent Officers Council, we are able to ask questions and state opinions from a variety of perspectives, and we can ask any question, no matter how basic. This is having a favorable effect on the Board of Directors.

**Suda:** External directors and external Audit & Supervisory Board members are the council's main members. We select a topic in light of the Board of Directors' agenda and invite an executive director to participate in a council meeting to provide explanations and exchange opinions with us. Whether we are trying to understand a topic or having a heated discussion, each meeting is exhausting because we truly give everything we have got. For the same reason, I believe we contribute to the efficiency of the Board of Directors.

To heighten corporate value over the medium to long term, the Fujitsu Group needs to consider how to raise the value of all assets, not only business activities and strategies but also personnel and technical expertise.



—In addition to the Independent Officers Council, Fujitsu has initiated several measures relating to governance systems and management since June 2015. How do you view such initiatives?

**Suda:** The appointment of Mr. Duncan Tait as the Group's first non-Japanese director has been a significant change. Listening to his reports and discussing matters directly with him has given me a strong sense that the speed of decision making in other countries is different from that in Japan. Recently, I have told executive directors that postponing decisions to allow executive directors to give full explanations on matters is tantamount to "the tail wagging the dog."

**Abe:** The balance and diversity of the Board of Directors have improved. The Board that the Annual Shareholders' Meeting appointed in June 2016 comprises five executive directors and five non-executive directors. In addition, the Board has included two female members and a non-Japanese director since 2015. I think these changes in the makeup of the Board are contributing to the greater liveliness of discussions mentioned earlier. The increase in the channels by which we can provide feedback to the senior management team merits praise. As well as the Independent Officers Council, there are opportunities for external directors to meet and talk one-to-one with the president and corporate executive officers. In another new initiative, I spoke directly with an institutional investor in my capacity as an external director and shared the content of the discussion with the Board of Directors in August 2016. I think such initiatives benefit the Board and should be continued.

**Yokota:** The holding of a meeting of the Board of Directors in London for the first time in February 2016 was a good opportunity to highlight the Fujitsu Group's diversity. As well as furthering my understanding of the businesses in Europe, the Middle East, India, and Africa (EMEIA), the trip gave local employees and Board members opportunities to talk directly and thereby get to know each other as coworkers in the Fujitsu Group, rather than as the somewhat distant, abstract individuals that we had been to each other. Given that local

employees said speaking with us directly and receiving recognition for their achievements in the day-to-day operations boosted their motivation, I think the trip was very worthwhile.

**Mukai:** One thing that particularly pleased me about the visit to London was listening to young employees talk about their pride in belonging to the Fujitsu Group. It was great to get a firsthand sense of the achievements in personnel development. I particularly appreciated this experience, because to heighten corporate value over the medium to long term, the Fujitsu Group needs to consider how to raise the value of all assets, not only business activities and strategies but also personnel and technical expertise.

—What needs to be strengthened to heighten the effectiveness of the Board of Directors?

**Abe:** As a Japanese company, Fujitsu's corporate governance is advanced. However, there is room for improving evaluations of the Board of Directors' effectiveness and individual directors' performances. I am also the external director of a U.S. company. Once a year, members of the board of directors evaluate its functions to check its effectiveness. Also, the company has a system whereby individual directors strive to improve in light of the one-to-one feedback on their performance that the chairperson offers. Also, in U.S. companies individual directors participate in considerable education and training to improve their abilities.

**Mukai:** I would welcome feedback regarding whether external directors are adequately performing the oversight and advisory functions expected of them and whether they are meeting shareholders' expectations. If the Company has requests, we can consider whether there is anything we can do in response. Also, I think such efforts would invigorate the Board of Directors.

**Yokota:** I agree, because all I can say at present is that I think we "seem to be helping," judging from the many different types of work the Company asks us to do.

**Suda:** In addition to annual feedback, which is of course required, I think it is necessary to improve the cycle whereby executive directors explain how they responded to the various opinions stated at meetings of the Independent Officers Council and the Board of Directors. I mention this because, at the moment, we are occasionally merely stating opinions without any follow up. If executive directors explained how they had used the opinions or gave reasons why they could not act on such opinions, the external directors would also be able to progress.

**Abe:** The role of a board of directors is to provide oversight and recommendations, not to put forward critiques. Therefore, action should follow the statement of an opinion.

**Mukai:** From the viewpoint of improving the functioning of the Board of Directors, I would like more information on the big picture. For example, we know from reading various documents and receiving reports at meetings that the Group is pursuing a variety of initiatives regarding artificial intelligence. Inherently, the Board of Directors should discuss the strategies and timing of the Group's efforts to win out against competitors. However, the current situation is frustrating because when we examine individual matters, their connection to overall strategies is not always sufficiently explained. I would like to devote time to forward-looking discussions that encompass future directions, initiatives the Group plans, and the pace at which it plans to tackle them.

**Abe:** The Fujitsu Group's businesses cover a wide area. Consequently, the Board of Directors discusses a broad spectrum of topics, including technology, markets, personnel, and diversity. Given the difficulty of everyone discussing every topic, one approach might be to establish subcommittees for each topic.

—Are there any issues with regard to the executive compensation system?

**Abe:** Personally, I agree with more clearly basing compensation on performance. I think it would provide a positive incentive because taking responsibility for results is already part of the mindset of the Fujitsu Group's managers.



The increase in the channels by which we can provide feedback to the senior management team merits praise. For example, there are opportunities for external directors to meet and talk one-to-one with the president and corporate executive officers.

**Yokota:** I also agree with on-target bonuses\*<sup>1</sup> as a policy. That said, problems can arise if systems encourage the setting of easily attainable targets. Therefore, there is a need for further discussion on setting targets and methods of evaluating business results.

**Suda:** Taking into account its earnest, sincere corporate culture, the Fujitsu Group probably would not set low targets. However, it is important that as a whole compensation systems provide rewards that appropriately reflect long-term as well as short-term business results.

**Mukai:** The only way to heighten corporate value is to heighten the value of all Company assets, including personnel. Accordingly, shareholders and investors will certainly be amenable to rewarding leaders who achieve this.

—In recent years, medium- to long-term management in relation to the environment, society, and governance has become a focus of attention. What is your view of the Fujitsu Group's measures for the environment and society?

**Suda:** The way in which Fujitsu promotes its initiatives may be an issue. Unfortunately, greater society's awareness of the efforts of the Group does not match Fujitsu's extensive involvement in many different initiatives. Also, there is a tendency to focus simply on social contributions rather than on leveraging initiatives for business growth.

**Mukai:** The problem is perhaps that, while the Group is attempting to leverage initiatives in businesses, its activities are slow and diffuse. My point here relates to my earlier remark about the big picture. For example, the chairman and president have stated that they see the United Nation's Sustainable Development Goals,\*<sup>2</sup> or SDGs, as a business opportunity, and through individual projects, the Group is tackling a range of different initiatives that are producing results. However, I cannot discern an overall strategy or which of the 17 SDGs the Fujitsu Group is concentrating on.

**Yokota:** As a corporate group engaged in ICT businesses, the Fujitsu Group consumes large amounts of electricity. As such, there is scope to demonstrate more sensitivity to the issue of

I think it is necessary to improve the cycle whereby executive directors explain how they responded to the various opinions stated at meetings of the Independent Officers Council and the Board of Directors.



energy consumption. While saying that it is a global corporate group, the Fujitsu Group has a surprisingly Japan-based outlook. In establishing environmental and social strategies, the Group should adopt a more global perspective.

**Suda:** Also, it is necessary to clarify the costs associated with environmental, societal, and governance initiatives. Last year, the Group's subsidiary in the UK received a prestigious commendation in the corporate social responsibility field—the Responsible Business of the Year 2015 Award.\*<sup>3</sup> When I visited London, one of the people responsible for the company's initiatives in the field mentioned the considerable cost of initiatives. This gave me pause for thought. Despite the large number of initiatives the Group conducts in Japan, there is little awareness of their cost. Clarifying the scale of costs will motivate the Group to leverage initiatives in businesses.

**Mukai:** In London, I spoke with an employee who works in Scotland usually but visits London periodically to attend meetings. By giving such arrangements greater exposure, the Group could demonstrate to both external and internal audiences the potential for using the Group's technology to work in remote locations at home and also for creating workplaces that energize employees. I think this would boost employee motivation.

**Abe:** In a corporate group like the Fujitsu Group, which is large and covers a wide business field, it is not possible to inform every person about everything. With respect to strategies, it is necessary to set simple goals and advance Group-wide efforts to reach them. Moreover, the Group should communicate these goals in plain language.

—To conclude, what are your goals as external directors?

**Mukai:** Junior employees provide support to each external officer as part of the secretariat-related functions of the Independent Officers Council. This provides an excellent opportunity to listen directly to the views of the young employees who will one day lead the Fujitsu Group. Also, it allows me as an older person to tell them what I have learned from my experiences. While participating as an external director in discussions based on broad perspectives, I want to be useful as a mentor for junior employees.

**Suda:** Fujitsu is a company with a strong desire to acquire and reflect a range of different feedback from people, also including those from outside the Group. Nonetheless, I feel that many of the agenda items that the Board of Directors handles are treated as if they are already being close to conclusion. I want to use the Independent Officers Council and other means to contribute more to the process and play a role that entails questioning the direction of discussions themselves.

**Abe:** In this discussion, we have mentioned various areas that require improvement. I think we are still in the initial stage, and as such we have made a fairly good start. With my sights set on the Fujitsu Group's future, I will fulfill my role to help enable free and vigorous discussions.

**Yokota:** I view the Fujitsu Group in a positive light as a corporate group with many excellent qualities. On the other hand, I think the Group needs to be more proactive in leveraging these qualities to fully realize growth. As a director, I will encourage the Group's efforts in this respect.

\*1 This primarily refers to systems that use consolidated net sales and consolidated operating income as indicators and that determine bonuses based on the degrees of attainment of business result targets for a fiscal year.

\*2 The United Nations General Assembly unanimously adopted the SDGs in September 2015. There are 17 SDGs, which comprise 169 targets relating to people, the Earth, and nutrition. International society is tasked with reaching these goals by 2030.

\*3 Presided over by HRH The Prince of Wales, the British nonprofit organization Business in the Community gives this award in recognition of companies that engage in initiatives to realize an equitable society and a more sustainable future.

# MANAGEMENT

(As of November 1, 2016)



## Masami Yamamoto

Representative Director  
Chairman

Number of years as director: 6 years  
Number of Fujitsu shares held: 133,622\*

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  
President  
Jun. 2015 Representative Director  
Chairman\*<sup>1</sup>



## Tatsuya Tanaka

Representative Director  
President

Number of years as director: 1 year  
Number of Fujitsu shares held: 31,217\*

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\*<sup>1</sup>



## Norihiko Taniguchi

Director

Number of years as director: 2 years  
Number of Fujitsu shares held: 59,905\*

Birth: September 7, 1954

Apr. 1977 Joined Fujitsu Limited  
May 2005 President and Representative Director,  
Fujitsu Advanced Solutions Limited\*<sup>2</sup>  
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 and Corporate Executive Officer  
SEVP, Head of Global Services Integration  
Business\*<sup>1</sup>



## Hidehiro Tsukano

Director

Number of years as director: 1 year  
Number of Fujitsu shares held: 37,017\*

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\*<sup>3</sup>  
Jun. 2015 Director\*<sup>1</sup>  
Apr. 2016 Corporate Executive Officer  
SEVP, Head of Global Corporate Functions/CFO\*<sup>1</sup>



## Duncan Tait

Director

Number of years as director: 1 year  
Number of Fujitsu shares held: 0\*

Birth: March 24, 1966

Mar. 1996 Business Development Head, Managed Services,  
Digital Equipment Corporation\*<sup>4</sup>  
Jun. 1999 Managed Services Director,  
Compaq Global Services, Compaq\*<sup>4</sup>  
Jun. 2004 Director and General Manager, Outsourcing,  
HP Services, Hewlett-Packard  
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\*<sup>1</sup>  
Aug. 2016 Corporate Executive Officer  
SEVP, Head of EMEA & Americas Region\*<sup>1</sup>



## Tatsuzumi Furukawa

Director

Number of years as director: 3 years  
(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\*<sup>1</sup>  
Jun. 2001 Corporate Senior Executive Vice President and  
Representative Director, NIFTY Corporation  
Jun. 2002 President and Representative Director,  
NIFTY Corporation  
Jun. 2007 Chairman and Representative Director,  
NIFTY Corporation (until June 2008)

\* Number of shares held as of March 31, 2016  
 \*<sup>1</sup> To present  
 \*<sup>2</sup> Currently, Fujitsu Mission Critical Systems Limited

\*<sup>3</sup> CFO: Chief Financial Officer  
 \*<sup>4</sup> Currently, Hewlett-Packard  
 \*<sup>5</sup> Currently, the Japan Aerospace Exploration Agency (JAXA)

\*<sup>6</sup> Currently, Deutsche Bank  
 \*<sup>7</sup> Currently, Deutsche Securities Inc.  
 \*<sup>8</sup> Currently, Unitas Capital



### Miyako Suda

Director  
 Special Advisor, The Canon Institute for Global Studies  
 Number of years as director: 3 years  
 Number of Fujitsu shares held: 5,716\*

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\*<sup>1</sup>  
 Jun. 2013 Director, Fujitsu Limited\*<sup>1</sup>



### Chiaki Mukai

Director  
 Vice President of the Tokyo University of Science  
 Number of years as director: 1 year  
 Number of Fujitsu shares held: 5,418\*

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\*<sup>5</sup> (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\*<sup>1</sup>  
 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\*<sup>1</sup>  
 Apr. 2015 Vice President of the Tokyo University of Science\*<sup>1</sup>  
 Jun. 2015 Director, Fujitsu Limited\*<sup>1</sup>



### Jun Yokota

Director  
 Special Advisor to the Chairman of KEIDANREN  
 Number of years as director: 2 years  
 Number of Fujitsu shares held: 1,647\*

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\*<sup>1</sup>  
 Jun. 2014 Director, Fujitsu Limited\*<sup>1</sup>



### Atsushi Abe

Director  
 Managing Partner, Sangyo Sosei Advisory Inc.  
 Number of years as director: 1 year  
 Number of Fujitsu shares held: 3,283\*

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.\*<sup>6</sup>  
 Aug. 2001 Managing Director and Head of Global Corporate Finance, Deutsche Securities Limited\*<sup>7</sup>  
 Aug. 2004 Partner and Head of Japan, J.P. Morgan Partners Asia\*<sup>8</sup> (until March 2009)  
 May 2007 Board Member, Edwards Group Ltd. (until October 2009)  
 Dec. 2009 Managing Partner, Sangyo Sosei Advisory Inc.\*<sup>1</sup>  
 Feb. 2011 Board Member, ON Semiconductor Corporation\*<sup>1</sup>  
 Jun. 2015 Director, Fujitsu Limited\*<sup>1</sup>

## AUDIT & SUPERVISORY BOARD MEMBERS

Audit & Supervisory Board Members

**Kazuhiko Kato**      **Yoshiki Kondo**

Audit & Supervisory Board Members (External)

**Megumi Yamamuro**  
 Special Counsel, URYU & ITOGA  
**Hiroshi Mitani**  
**Koji Hatsukawa** certified public accountant

## CORPORATE EXECUTIVE OFFICERS

Representative Director and Chairman

**Masami Yamamoto**

Representative Director and President

**Tatsuya Tanaka**

Corporate Executive Officers

**Norihiko Taniguchi**      **Hiroyuki Ono**  
**Akira Kabemoto**      **Hidehiro Tsukano**  
**Shingo Kagawa**      **Nobuhiko Sasaki**  
**Duncan Tait**      **Naoyoshi Takatsuna**

Corporate Executive Officers

**Masaaki Hamaba**      **Susumu Ishikawa**  
**Kazuhiro Igarashi**      **Tango Matsumoto**  
**Hidenori Furuta**      **Shinichi Koizumi**  
**Mitsutoshi Hirono**      **Mitsuya Yasui**  
**Kiyoshi Handa**      **Toshiharu Kitaoka**  
**Hiroyuki Sakai**      **Hideki Kiwaki**  
**Kazuo Miyata**

Executive Fellow

**Kazuhiko Ogawa**

Corporate Executive Officers

**Takato Noda**      **Hiromu Kawakami**  
**Atsuo Yatagai**      **Kazuo Imada**  
**Hiroaki Kondo**      **Youichi Hirose**  
**Katsumi Nakano**      **Takeshi Nakajima**  
**Masaki Kubota**      **Akihisa Kamata**  
**Fumihiko Teduka**      **Katsuhiko Satou**  
**Akihiro Okada**      **Shikou Kikuta**  
**Jo Oda**      **Toshio Hirose**  
**Mike Foster**      **Sumito Kobayashi**  
**Toshinori Kobayashi**      **Seiji Bonkohara**  
**Masayuki Seno**      **Junichi Saito**  
**Takahito Tokita**      **Hiroshi Hayashi**  
**Junichi Azuma**      **Isamu Yamamori**  
**Masayoshi Matsumoto**      **Hirohisa Yamaguchi**  
**Katsumi Fujiwara**      **Megumi Shimazu**  
**Yuichi Koseki**

Senior Fellow

**Mitsuhiro 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 the effective 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) to executive directors on their management execution, as part of the Board of Directors' function while taking advantage 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 account of 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 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 shall be the 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 the Company's approach to corporate governance.

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

In addition, for details on corporate governance, please see the Company's website ("About Fujitsu," "Corporate Responsibility," "Management Systems," "Corporate Governance").  
<http://www.fujitsu.com/global/about/csr/management/governance/>

### Realizing Corporate Governance with Vitality

#### Mitsuya Yasui

Corporate Executive Officer  
 Executive Vice President, Head of Legal, Compliance & IP Unit

The Company has adopted its current corporate governance structure to facilitate sound business management and precise, agile decision making. Specifically, we clarify management responsibility through the involvement of directors whom the Annual Shareholders' Meeting has appointed concerning decisions on important matters. Moreover, we ensure effective corporate governance through the audits of Audit & Supervisory Board members and mutual supervision among directors.

When the "company with committees" (currently, the "company with nominating committee, etc.") governance system became institutionalized, the Company maintained its Audit & Supervisory Board governance system based on the view that Audit & Supervisory Board members perform effective audits. The Company adopted this position because it deemed that

auditors who are able to exercise authority independently, without having to seek consultation, play a significant role in ensuring disciplined business management. The Company continues to ensure sound business management through the effective and objective audits of Audit & Supervisory Board members who are independent of the senior management team; active appointment of external directors; and the activities of the Executive Nomination Committee, the Compensation Committee, and an internal audit organization.

The Company believes that it has established an optimal corporate governance structure. However, inasmuch as the goal of corporate governance is to improve business management, the Company will continue to hold reviews and discussions at the Board of Directors, as required, and ensure the corporate governance structure operates with vitality.



## 1. Overview of Corporate Governance Structure

### Initiatives Taken to Strengthen Corporate Governance

2002	Introduced an executive officer system	To expedite decision making through a significant delegation of authority and to separate management oversight and execution
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

### 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 27, 2016, the Board of Directors comprises 10 members: five executive directors and five 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 27, 2016, 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, full-time Audit & Supervisory Board member Mr. Kazuhiko Kato has extensive knowledge of finance and accounting issues due to his many years of management experience in the Company's finance and accounting divisions, including service as the CFO. Further, Mr. Yoshiaki Kondo,

who became a full-time Audit & Supervisory Board member on June 27, 2016, has many years of experience in the sales divisions and system engineering divisions in Japan as well as extensive knowledge of the Company's mainstay services business. In addition, regarding the fields of specialization of external Audit & Supervisory Board members, please see "Appointment of External Directors and External Audit & Supervisory Board Members" on pages 73–74.

#### Executive Nomination Committee and Compensation Committee

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

The Executive Nomination Committee deliberates 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.

Each committee is composed of a majority of non-executive directors and Audit & Supervisory Board members with at least one independent director. In fiscal 2016, each committee consists of three non-executive directors (including two independent directors) and one executive director. Both committees' members as of July 28, 2016, are as follows.

Chairman of both committees: Mr. Tatsuzumi Furukawa

Members of both committees: Mr. Jun Yokota, Dr. Chiaki Mukai, and Mr. Masami Yamamoto

**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, which comprises all independent officers (four external directors and three external Audit & Supervisory Board members). This council convened seven times in fiscal 2015. 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 to acquire the

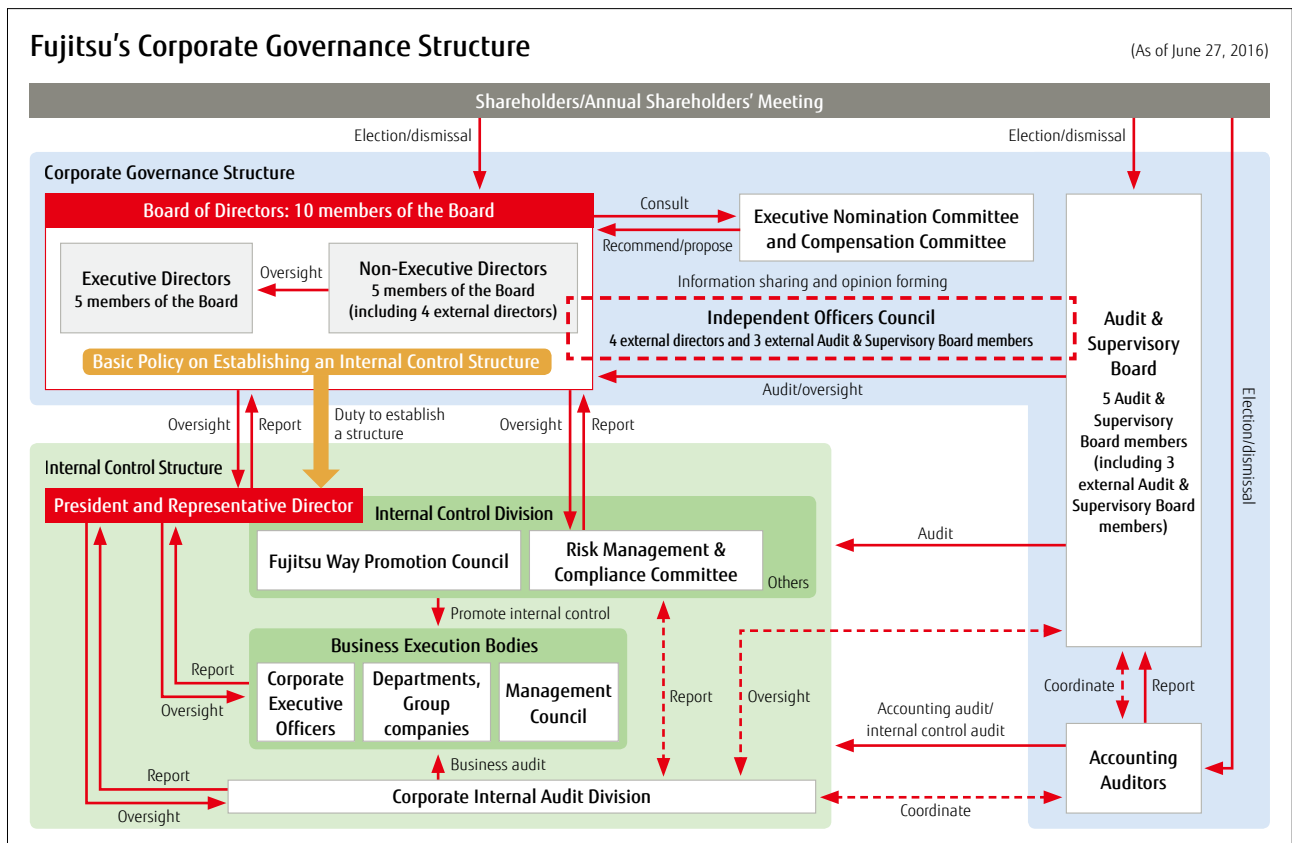
information they need, including advice from external experts, through financial support and staffing.

- 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 the 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 the management execution authority by the president and representative director. 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 president and representative director 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. A director and Audit & Supervisory Board member will be independent if none of the following are met, at present and/or in the past:

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

#### b. A person who does not have a close relative<sup>\*6</sup> will be independent, wherein a close relative meets one of the following, at present or at any time within the preceding three years:

- (1) Executive director, non-executive director,<sup>\*7</sup> or important employee of Fujitsu Group companies;
- (2) Director, executive officer, Audit & Supervisory Board member, or important employee of a major shareholder of Fujitsu;
- (3) Director, executive officer, Audit & Supervisory Board member, or important employee of a major lender to Fujitsu;

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

\*1 "Fujitsu Group companies" means Fujitsu Limited and its subsidiaries.

\*2 "Major shareholder" indicates the shareholder in the top 10 major shareholders listed in the latest business report of Fujitsu.

\*3 "Major lender" indicates the lender in the Group's major lenders listed in the latest business report of Fujitsu.

\*4 "Significant amount of monetary benefits" means the sum of annual compensation for expert services and a donation equal to or more than ¥10 million.

\*5 "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 exceeds 1% of consolidated sales revenue of either Fujitsu or that company.

\*6 "Close relative" means a family member, spouse, or cohabiter within the second degree of kinship (as stipulated in the Civil Code of Japan).

\*7 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 trading 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 trading partner of the Company. Therefore, Fujitsu considers Mr. Yokota to be independent.
Chiaki Mukai	Dr. Mukai began her career as a doctor and became Japan'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 2015 amounting to approximately ¥11 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, Mr. Abe 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. 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 membership 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 him 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 audit and oversight function and role as an external Audit & Supervisory Board member utilizing his experience and knowledge in the corporate governance of Fujitsu. Moreover, PricewaterhouseCoopers Aarata, where Mr. Hatsukawa served as CEO, has never performed an accounting audit for Fujitsu. Fujitsu and PricewaterhouseCoopers Aarata in fiscal 2015 had business transactions totaling approximately ¥200 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 comprises the following: "Base Compensation," specifically a fixed monthly salary in accordance with position and responsibilities; "Stock-Based Compensation," which is a long-term incentive that emphasizes a connection to shareholder value; and "Bonuses" that are compensation linked to short-term business performance.

**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.

**Stock-Based Compensation**

- Stock-based compensation shall be granted to directors who carry out executive duties as a long-term incentive in accordance with their position, for the purpose of purchasing the Company's own shares.
- Purchases of the Company's own shares shall be made through the Director Stock Ownership Plan. Shares purchased for this purpose shall be held by each director for the term of his or her service.

**Bonuses**

- Bonuses shall be paid to directors who carry out executive responsibilities. The amount of a bonus shall reflect business performance in the respective fiscal year.
- As a specific method for calculating a bonus, Fujitsu shall adopt an "On Target model" that uses consolidated revenue and consolidated operating profit as indicators, and the amount shall be determined in accordance with the degree of achievement of the performance targets for the respective fiscal year.

In accordance with a resolution of the Annual Shareholders' Meeting, the total amount of Base Compensation, Stock-Based Compensation, and Bonuses shall not exceed ¥600 million per year for directors and ¥150 million per year for Audit & Supervisory Board members.

(Reference) Executive compensation items and payment recipients

Recipient	Base Compensation		Stock-Based Compensation	Bonuses
	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.

- In exercising the voting rights of shares that the Company holds as strategic shareholdings, the Company comprehensively decides how to exercise the rights on the agenda item in consideration of the purpose of the shareholding, the probability of maximizing the effect of the shareholding, and the increase in the Company's corporate value as a minority shareholder. The Company considers selling the shares if it judges not to agree to the agenda item proposed by the investee company.

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

### Internal Audits and Accounting Audits 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 president and representative director. 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. The four certified public accountants associated with Ernst & Young ShinNihon LLC who performed the accounting audit were Messrs. Kazuhiko Umemura, Yuichi Mochinaga, Tsuyoshi Saita, and Akiyuki Matsumoto. In addition, they were assisted by a further 45 certified public accountants, 23 accounting assistants, and another 53 persons, all associated with Ernst & Young ShinNihon LLC.

### Internal Control System

#### Internal Control Division

Based on the Basic Policy on Establishing an Internal Control Structure, the Risk Management & Compliance Committee and Fujitsu Way Promotion Council 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.

The Risk Management & Compliance Committee is chaired by the president and representative director 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.

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.

From April 2016 onward, the Risk Management & Compliance Committee directly reports 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.

**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 Next" 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. 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.

**6. Review of Corporate Governance in Fiscal 2015**

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 2015.

**Number of Meetings of Key Boards and Committees**

Board of Directors' meetings (including extraordinary meetings)	15 (3)
Audit & Supervisory Board meetings (including extraordinary meetings)	9 (1)
Attendance of external directors at Board of Directors' meetings	100%
Ms. Miyako Suda: 100%; Mr. Jun Yokota: 100%; Dr. Chiaki Mukai: 100%; 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**

Type	Number of Recipients	Remuneration Type				Total Amount of Remuneration
		Base Compensation	Stock-Based Compensation	Bonuses	Other	
Directors (Compensation paid to external directors)	1 (6)	¥413 million (¥51 million)	¥35 million	¥85 million	—	¥534 million (¥51 million)
Audit & Supervisory Board members (Compensation paid to external Audit & Supervisory Board members)	5 (3)	¥114 million (¥38 million)				¥114 million (¥38 million)

## Notes:

- The above includes directors and Audit & Supervisory Board members who resigned in fiscal 2015.
- 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.

## Evaluation of the Board of Directors

In 2015, through a questionnaire mainly targeting external officers, the Company received evaluations focused on the operation of the Board of Directors. In 2016, through interviews mainly with external officers, the Company received feedback, which was reported to the Board of Directors and formed the basis of discussions on increasing the effectiveness of the Board of Directors.

## 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	6	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 August 2016 in response to requests from institutional investors, we held a one-on-one meeting between an institutional investor and an external director (Mr. Atsushi Abe) for the first time. A report on this meeting was submitted to the Board of Directors.

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

## RISK MANAGEMENT

### Our Approach to Risk Management

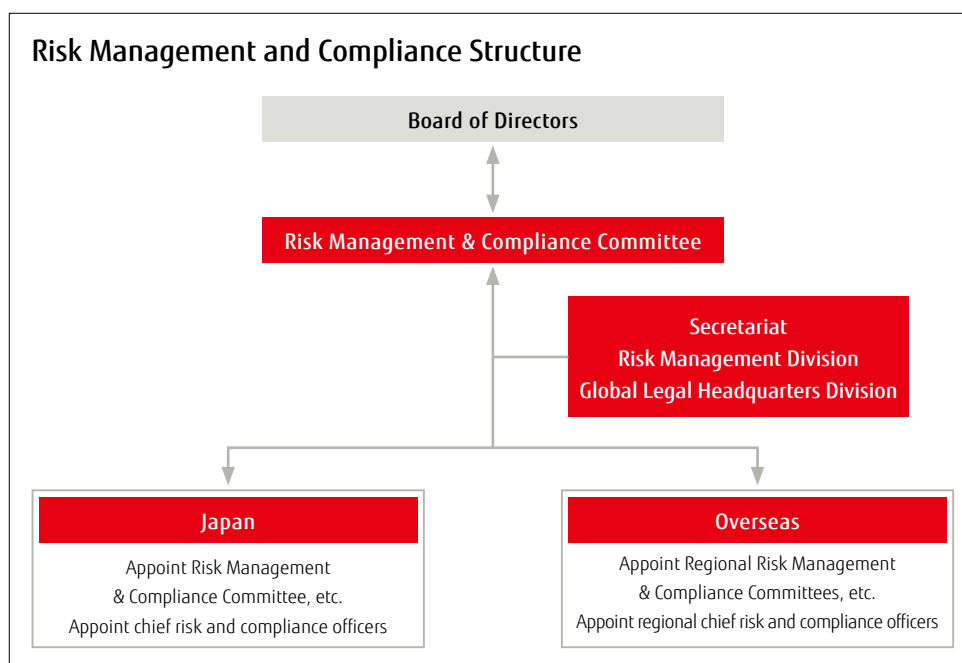
Through its global activities in the ICT industry, the Fujitsu Group continuously seeks to increase its corporate value and to benefit its customers, local communities, and all other stakeholders. We give high priority to assessing and responding appropriately to risks that threaten the achievement of 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 Group-wide 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 arising during business execution, to respond appropriately to actualized risks, and to prevent their recurrence, the Fujitsu Group has established a Risk Management and Compliance Committee under the direct control of the Board of Directors. This committee is the highest-level decision-making body for risk management and compliance. Accordingly, the committee plays a leading role in identifying and assessing risks, deciding how to avoid or mitigate risks and whether to transfer or retain risks, and taking measures based on these decisions. In addition, the committee operates to minimize the

effect when risks materialize.

The Risk Management and Compliance Committee assigns chief risk and compliance officers to each of Fujitsu's divisions and Group companies in and outside of Japan. Also, we established Regional Risk Management and Compliance Committees in April 2016. These committees coordinate with chief risk and compliance officers to advance Group-wide management of risk and compliance that is focused on preventing risks from arising as well as responding to materialized risks.



### 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"> <li>• Risk associated with changes in the economic trends of mainstay markets</li> <li>• Risk associated with the inability to predict market changes accurately and risk associated with greater-than-expected market volatility</li> <li>• 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</li> <li>• Risk associated with an increase in funding costs due to interest rate changes</li> <li>• Risk associated with the impairment of assets under management due to a slump in the stock market</li> </ul>
2. Customers	<ul style="list-style-type: none"> <li>• Risk associated with changes in ICT investment trends among customers</li> <li>• Risk associated with the inability to continue trust-based, transactional, or contractual relationships with customers</li> </ul>
3. Competition and industry	<ul style="list-style-type: none"> <li>• Risk associated with loss of competitiveness due to changes in market or competitive conditions</li> <li>• Risk associated with a decrease in competitive advantages with respect to R&amp;D</li> </ul>
4. Suppliers and partnerships	<ul style="list-style-type: none"> <li>• Risk associated with impediments resulting from the procurement of inferior quality products</li> <li>• Risk associated with tight component supply due to natural disasters or other unpredicted events</li> <li>• 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</li> </ul>
5. Statutory regulations, government policies, and tax	<ul style="list-style-type: none"> <li>• 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</li> </ul>
6. Other business execution	<ul style="list-style-type: none"> <li>• Risk associated with defective products and services and risk associated with delivery delays or unprofitable projects</li> <li>• Risk associated with the inability to gain adequate return on R&amp;D investment, capital investment, or investment in business acquisition or business reorganization</li> <li>• Risk associated with license fees, settlements, or litigation resulting from the infringement of a third party's intellectual property rights</li> <li>• 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</li> <li>• Risk associated with soil or groundwater pollution at plants and risk associated with inappropriate handling of hazardous chemicals</li> <li>• Risk associated with earthquakes, water damage, fire, demonstrations, or operational errors at the facilities of operating bases, plants, or datacenters in Japan and overseas</li> <li>• 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</li> <li>• 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</li> </ul>
7. Natural disasters and sudden events	<ul style="list-style-type: none"> <li>• Risk associated with the inability to continue businesses due to such 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)</li> <li>• 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</li> </ul>

## Response to Compliance Matters

In fiscal 2015, the Japan Fair Trade Commission (JFTC) investigated Fujitsu Limited for its alleged violation of the Antimonopoly Act (unreasonable restraint of transaction) in connection with the sale of communication equipment to Tokyo Electric Power Company and Chubu Electric Power Company. With respect to the transactions with Tokyo Electric Power Company, in July 2016 the JFTC issued Fujitsu an administrative cease-and-desist order and an administrative surcharge order, and Fujitsu is responding appropriately to these orders. Fujitsu will continue cooperating fully and sincerely with the JFTC's investigation and procedures.

Immediately following the JFTC's on-site inspection, Fujitsu conducted a thorough internal investigation within the Fujitsu

Group and took appropriate measures in accordance with its policies and applicable laws and regulations.

Fujitsu deeply regrets this incident and apologizes to all related parties for causing them concern.

Aiming to adhere to the Fujitsu Way and comply with Japan's Antimonopoly Act as well as the competition laws of other countries, Fujitsu established in-house regulations, conducted education for officers and other employees, and operated a whistleblowing system globally prior to this incident. Fujitsu will take rigorous measures to prevent the recurrence of such an incident and continue to strengthen compliance-related measures further.

# 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, and thereby contributes to the corporate philosophy that articulates our desire for “a network society that is rewarding and secure.”

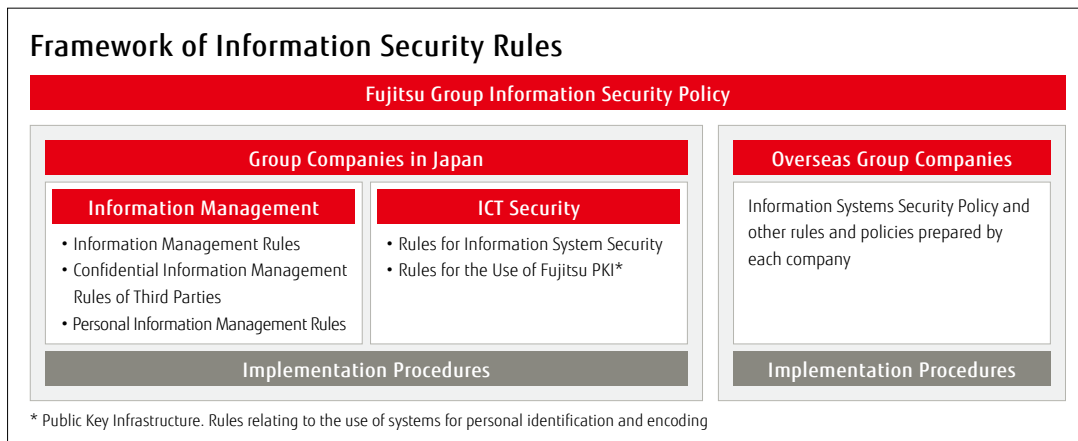
### Information Security Policy and Related Rules

The Fujitsu Group “seeks to be the customer’s valued and trusted partner and build mutually beneficial relationships with business partners” and to maintain confidentiality as a key aspect of its social responsibilities. To that end, the Group has established the Fujitsu Group Information Security Policy and is working to promote information security.

In accordance with the Framework of Information Security Rules, each Fujitsu Group company uses the Information Security Policy Formulation Guidelines and works to ensure the consistency

of the policies of each Group company, taking into account the systems and laws in each country. The Group companies also use the Global Information Security Management Framework to select, decide on, and implement information security measures as well as to evaluate and improve them.

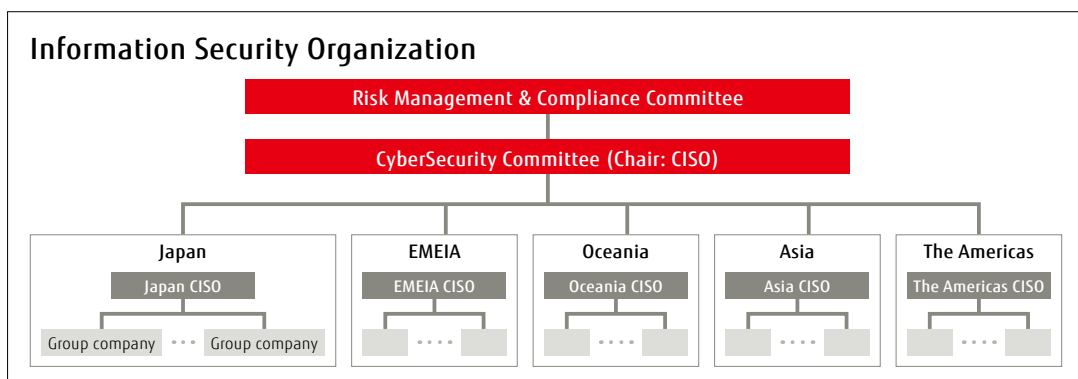
Fujitsu Group Information Security Policy (Full Text)  
<http://www.fujitsu.com/downloads/CSR/society/FujitsuGroupInformationSecurityPolicy010.pdf>



### Information Security Organization

In order to further strengthen its security measures in response to the recent trend of more numerous and sophisticated cyber attacks, Fujitsu has established the CyberSecurity Committee, chaired by a Chief Information Security Officer (CISO), under the

Risk Management & Compliance Committee, and has reviewed its global security organization structure, thereby ensuring the establishment and implementation of information security measures.



## Initiatives to Secure Information Security

Overview	Examples of initiatives in recent years
IT Security Initiatives within the Operations of the Fujitsu Group	
In situations where ICT is utilized, a large volume of data related to business is collected and made easily accessible. This is accompanied by various risks, such as the risk of information being leaked, damaged, or unavailable. For this reason, the Fujitsu Group has positioned IT security, which seeks to ensure the secure management of information when using ICT, as a common Group-wide theme, and is working toward this end.	<ul style="list-style-type: none"> <li>• The Fujitsu Group Information Security Policy was formulated in April 2016.</li> <li>• To reinforce awareness of information security, e-Learning is implemented each year for all employees, including executive officers.</li> </ul>
Initiatives for the Protection of Customers' Information Assets	
The organizations and Group companies in the Fujitsu Group that provide system integration services are called upon to maintain an even higher level of information management than the rest of the Fujitsu Group because they have many more opportunities to handle customer information assets and personal data. That is why Fujitsu's Information Security Council Secretariat (Council Secretariat) provides its security management framework, which is the foundation of information security management, to all related organizations and Group companies. Related organizations and Group companies apply the framework and promote policies.	<ul style="list-style-type: none"> <li>• The CyberSecurity Committee was established. This committee discusses and approves basic policies regarding securing and enhancing security for the Fujitsu Group.</li> <li>• As of June 2016, 43 Group organizations had acquired Information Security Management System (ISMS) certification, which confirms compliance with the ISO/IEC 27001 international standard for information risk management.</li> <li>• In November 2016, we established the CyberSecurity Business Strategy Headquarters, which is positioned as the headquarters for the cyber security related operations of the Fujitsu Group.</li> </ul>
Cyber attacks are becoming increasingly advanced and sophisticated. One of Fujitsu's initiatives to protect customers' information assets from this threat is to promote the development of information security personnel with advanced security skills.	<ul style="list-style-type: none"> <li>• We have positioned specialists in protecting information systems from cyber attacks as Security Meisters, and we plan to train and certify 2,000 engineers by the end of March 2018.</li> </ul>
Initiatives toward the Improvement of Security Quality for Products and Services, Including Cloud-based Services	
It is important for service providers to respond to ever-changing security threats to enable customers to be able to use services, such as cloud-based services, with a sense of safety and security. Fujitsu, as a service provider, clearly defines the security countermeasures to be implemented, formulates guidelines and standards, and conducts audits. In addition, Fujitsu has established a dedicated organization that will respond to incidents. It is also engaged in third-party evaluation and makes information available to the public.	<ul style="list-style-type: none"> <li>• We have formulated the Fujitsu Cloud Data Security Standard (FJC DSS), which incorporates international security standards, customer security requirements, and Fujitsu's abundant experience in cloud platform operations.</li> <li>• In November 2015, we established the FUJITSU Advanced Artifact Analysis Laboratory ("A3L"—A-cubed Lab) to track increasingly sophisticated cyber attacks and concentrate and reinforce expert analysis technologies.</li> </ul>
We are working to improve the security quality of software products, ensure security of products using open source software, and provide products with strong security against cyber attacks.	<ul style="list-style-type: none"> <li>• To enhance the quality of software products, activities to ensure security quality are being incorporated into the development process, centered on the Secure Software Development Promotion Team.</li> </ul>
The business activities of the Fujitsu Group are supported by business partners, whose software, services, goods, and materials provide the basis for the value added by Group companies. The Fujitsu Group aims to eliminate information security incidents together with its business partners. To this end, the Group continuously implements measures to maintain and strengthen information security, such as education, awareness raising, audits, and information sharing.	<ul style="list-style-type: none"> <li>• To prepare for the full-scale rollout of Japan's Social Security and Tax Number System (commonly known as the "My Number" system) beginning in 2016, we revised the Information Management Procedure for Business Partners (agreement relating to information security between the Fujitsu Group and its partners) in September 2015. We also held training sessions to explain revisions and looked at case studies of targeted attacks.</li> </ul>
R&D on Security Technologies for Supporting a Safe Lifestyle	
Cyber attacks are becoming increasingly advanced and sophisticated. On the other hand, new services with identity confirmation are being explored, and there are demands for reliable identity confirmation technology that also protects personal information. Fujitsu Laboratories is developing the latest technologies to resolve these challenges.	<ul style="list-style-type: none"> <li>• We have developed security log analysis technologies that efficiently identify the sophisticated attacks hidden among the large volume of known attacks.</li> <li>• We have developed technology that extracts confidential data from a palm vein image and converts the data with a bio-code to encrypt it.</li> </ul>

For further details on information security management, please refer to *Fujitsu Group Information Security Report 2016*.

<http://www.fujitsu.com/global/about/resources/reports/securityreport/2016-securityreports/index.html>

# SHAREHOLDER DATA

(As of March 31, 2016)

Capital: ¥324,625 million  
 Authorized Common Stock: 5,000,000,000 shares  
 Issued Common Stock: 2,070,018,213 shares  
 Number of Shareholders: 161,279

## Equity Shareholdings by Type of Shareholder:



\* The 118,892 thousand shares of Fujitsu Limited stock held by Fuji Electric Co., Ltd., as retirement benefit trust assets are categorized under the shareholdings of "Other Japanese Corporations."

## Status of Principal Shareholders:

Principal Shareholders	Number of Shares Held (Thousands)	Percentage of Shares Held (%)
Fuji Electric Co., Ltd.	228,391	11.03
Japan Trustee Services Bank, Ltd. (for trust)	86,296	4.17
The Master Trust Bank of Japan, Ltd. (for trust)	73,514	3.55
Fujitsu Employee Shareholding Association	55,430	2.68
Mizuho Bank, Ltd.	36,963	1.79
Asahi Mutual Life Insurance Company	35,180	1.70
Japan Trustee Services Bank, Ltd. (for trust 9)	32,240	1.56
State Street Bank and Trust Company 505225	29,252	1.41
State Street Bank West Client Treaty 505234	28,692	1.39
State Street Bank and Trust Company 505001	28,387	1.37

- Notes: 1. The shares held by Japan Trustee Services Bank, Ltd. (for trust), The Master Trust Bank of Japan, Ltd. (for trust), and Japan Trustee Services Bank, Ltd. (for trust 9) pertain to the trust business by the institution.
2. Of the shares held by Fuji Electric Co., Ltd., 118,892 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 Fuji Electric Co., Ltd. The shares of Fujitsu Limited held by Fuji Electric Co., Ltd., and its consolidated subsidiaries total 231,875 thousand shares (representing an ownership stake of 11.21%), including 118,892 thousand shares held as retirement benefit trust assets.
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

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

## On the Publication of the *Fujitsu Group Integrated Report 2016* (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 society, the environment, 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.

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



## 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.

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



## 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 2016*

<http://www.fujitsu.com/global/about/resources/reports/sustainabilityreport/2016-csrreport/index.html>



*Fujitsu Group  
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