

To our shareholders,

Security Code (in Japan) 6702  
June 2, 2017

Tatsuya Tanaka  
Representative Director  
President  
Fujitsu Limited  
1-1, Kamikodanaka 4-chome,  
Nakahara-ku, Kawasaki-shi  
Kanagawa, Japan

### **NOTICE OF THE 117<sup>th</sup> ANNUAL SHAREHOLDERS' MEETING**

You are cordially invited to attend the 117<sup>th</sup> Annual Shareholders' Meeting, to be held as set forth below. If you are unable to attend the meeting, please exercise your voting rights using any of the methods explained in Section 5 (1) of this notice after reviewing the attached Reference Materials for the Annual Shareholders' Meeting.

- 1. Time & Date**                      10:00 a.m., June 26, 2017
- 2. Venue**                              Shin Yokohama Prince Hotel, Sinfonia Hall (5<sup>th</sup> Floor)  
\*The reception desk is on the 1<sup>st</sup> floor.  
4, Shin Yokohama 3-chome  
Kohoku-ku, Yokohama-shi  
Kanagawa, Japan

### **3. Purposes of the Shareholders' Meeting**

#### *Reports:*

Overview of the 117<sup>th</sup> Business Period (April 1, 2016 – March 31, 2017) Business Report, Consolidated and Unconsolidated Financial Statements; Auditing Reports from Accounting Auditor and Audit & Supervisory Board on Consolidated Financial Statements

#### *Agenda:*

- |                |   |
|----------------|---|
| Proposal No. 1 | Election of Ten Directors   |
| Proposal No. 2 | Election of One Audit & Supervisory Board Member  |
| Proposal No. 3 | Determination of the Compensation Amount etc. under the Performance-based Stock Compensation Plan |

### **4. Attached Materials**

- (1) The Business Report, Consolidated and Unconsolidated Financial Statements for the 117<sup>th</sup> Business Period are attached as Exhibit A.
- (2) The following items are provided online on the Company's website (<http://www.fujitsu.com/global/about/ir/>) in accordance with Japanese laws and regulations, and Article 17 of the Articles of Incorporation, and not included in Exhibit A:
- a) Fujitsu Group Principle Offices and Plants
  - b) Employees;
  - c) Full text of Policy on the Internal Control System;
  - d) Overview of the Status of Operation of the System to Ensure the Properness of Fujitsu Group

Operations

- e) Notes to Consolidated Financial Statements; and
- f) Unconsolidated Statements of Changes in Net Assets, and Notes to Unconsolidated Financial Statements.

- (3) In the case of any revisions to the Reference Materials for the Annual Shareholders' Meeting, the Business Report, Consolidated Financial Statements or Unconsolidated Financial Statements, they will be posted online on the Company's website (<http://www.fujitsu.com/jp/about/ir/>).

## 5. Voting

### (1) Exercise of Voting Rights in case of Nonattendance

If you are unable to attend the Shareholders' Meeting, we ask you to exercise your voting rights by using one of the following methods.

[Voting by mail]

Please complete the enclosed Voting Card, indicating your approval or disapproval for each of the proposals, and return it to reach the Company no later than 6:00 p.m. on Friday, June 23, 2017 (Japan standard time).

[Voting via the Internet]

Please access the Company's designated online voting site (<http://www.evote.jp/>) via a PC, smartphone or mobile phone using the login ID and temporary password printed on the enclosed Voting Card. Please indicate and submit your approval or disapproval for each of the proposals no later than 6:00 p.m. on Friday, June 23, 2017 (Japan standard time), following the on-screen instructions.

[Exercise of Voting Rights by Proxy]

Voting rights can be exercised by a proxy shareholder, so long as the proxy is a shareholder who is able to exercise his or her voting rights at the Shareholders' Meeting. The absent shareholder's Voting Card, along with a document authorizing the proxy's representation of the absent shareholder, should be passed to the proxy, and we ask that the proxy present these materials, along with the proxy's own Voting Card, to the reception desk on the day of the meeting.

### (2) Board Resolution regarding Exercise of Voting Rights

- a. Any voting right exercised by mail without indicating approval or disapproval for a particular proposal on the Voting Card will be counted as a vote for approval of the proposal.
- b. If any voting right is exercised both by mail and via the Internet, the exercise via the Internet will be recognized as a valid exercise of the voting right.
- c. If any voting right is exercised more than once via the Internet, the latest exercise will be recognized as a valid exercise of the voting right.
- d. Any institutional or other shareholder who holds the Company's shares on behalf of other parties may cast split votes. In this case, a written notice of the diverse exercise of voting rights and reasons must be submitted to the Company no later than three days before the Shareholders' Meeting.
- e. No Voting Card has been sent to those shareholders who have given consent to receive a notice by email. Any such shareholder wishing to have his or her Voting Card issued is asked to contact the company's representative at the following address:

Contact: Corporate Agency Division, Mitsubishi UFJ Trust and Banking Corporation  
7-10-11 Higashisuna, Koto-ku, Tokyo 137-8081, Japan

*Note:*

This English version of the Notice and attached materials is a translation for reference only. The style of this English version differs slightly from the original Japanese version.

**REFERENCE MATERIALS FOR THE ANNUAL SHAREHOLDERS' MEETING****Proposal No. 1 Election of Ten Directors**

The terms of office for all ten Directors expire at the close of this Shareholders' Meeting. The Company proposes the election of ten Directors including four External Directors. Candidates for the position of Director are listed on pages 6 to 14. The term of office for each Director is set at one year.

The Director candidates were recommended by the Executive Nomination Committee after consideration in accordance with the "structural framework" and the "procedures and policy of Directors and Auditors nomination" stipulated in the Company's Corporate Governance Policy, and approved by the Board of Directors.

In addition to the Framework of Corporate Governance Structure, the Executive Nomination Committee has considered the concept behind the duties of the Board of Directors when giving its recommendation. Namely, an understanding that the Board of Directors have a duty to commit to the medium- to long-term management strategy of the Company, and not only do they participate in the setting of the management policy, they also have a critical duty to monitor the progress of the policy after it has been set.

Based on this concept, it is desirable to have the same Board of Directors to the extent possible for this fiscal year as well, and therefore the Company proposes to reelect all the current members of the Board of Directors.

Regarding the structure for business execution following the election of Directors at this Shareholders' Meeting, the Company clarifies the policy that all the Executive Directors, led by Representative Director and President, are responsible for execution in all areas and assume responsibility to the Board of Directors. It is proposed to reelect the following four Executive Directors. Mr. Tatsuya Tanaka, Representative Director and President, will not only supervise the entire execution of business but also be responsible to the Board of Directors for overall execution of business for Japan and Asia and Oceania Regions. Mr. Tanaka will also be responsible for establishment and operation of internal control systems, report to the Board of Directors, and supervise activities of the Risk Management & Compliance Committee, which is at the center of the internal control systems, as its chairman.

In addition to Representative Director and President, Mr. Norihiko Taniguchi and Mr. Hidehiro Tsukano will have authority of representation and supervise overall business promotion and overall administration, respectively. The Company expects them to assist Representative Director and President in decision-making and implementation concerning business execution. Mr. Duncan Tait will continue to be responsible to the Board of Directors for overall business execution for EMEA and Americas Regions.

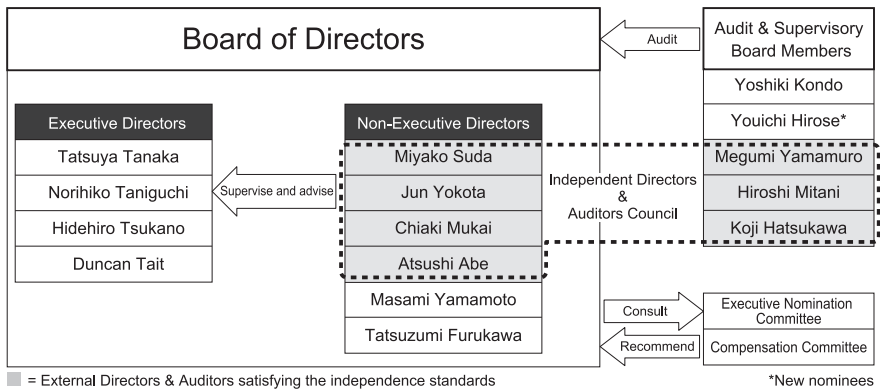
**[Planned Board Structure after the approval at the Shareholders' Meeting]**

Candidate No.	Name	Authority of Representation	External Director	Independent Director	Position at the Company
<b>Executive Directors</b>					
2	Tatsuya Tanaka	○			President, Chairman of the Risk Management & Compliance Committee
3	Norihiko Taniguchi	○			Corporate Executive Officer, Overall Business Promotion
4	Hidehiro Tsukano	○			Corporate Executive Officer, CFO, Overall Administration
5	Duncan Tait				Corporate Executive Officer, EMEA and Americas Regions
<b>Non-Executive Directors</b>					
1	Masami Yamamoto				Chairman, Chairman of the Board of Directors
6	Tatsuzumi Furukawa				
7	Miyako Suda		○	○	
8	Jun Yokota		○	○	
9	Chiaki Mukai		○	○	
10	Atsushi Abe		○	○	

**Framework of Fujitsu's Corporate Governance Structure (Reference)**

The Company outlines the following rules to ensure the effective oversight and advice from a diverse perspective of Non-Executive Directors to Executive Directors on their business execution as part of the Board of Directors function while taking advantage of the Company with the Audit & Supervisory Board system:

- a Same number or more Non-Executive Directors responsible for oversight are appointed as Executive Directors responsible for business execution.
- b Independent Directors are appointed as the core members of Non-Executive Directors, and at least one Non-Executive Director is appointed from within the Company.
- c Independent Directors must meet the independence standards (hereinafter referred to as "Independence Standards") established by the Company.
- d In nominating Non-Executive Director candidates, the Company takes account of the background of candidates and their insight into the Company's business.
- e The Company has the Audit & Supervisory Board Members' external audit and oversight on the Board of Directors, the voluntary Executive Nomination Committee and Compensation Committee composed mainly of Non-Executive Directors and Auditors (hereinafter, the term used for the combination of Non-Executive Directors and Audit & Supervisory Board Members), and the Independent Directors & Auditors Council, all of which 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.



## Stance on Independence of External Directors & Auditors (Reference)

The Company established its Independence Standards for External Directors & Auditors in the Corporate Governance Policy, which was established by the resolution of the Board of Directors in December 2015.

### Independence Standards for External Directors & Auditors

1. A Director and Auditor 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<sup>2</sup> of a Major Shareholder<sup>3</sup> of Fujitsu;
- (3) Director, Executive Officer, Audit & Supervisory Board Member, or important employee<sup>2</sup> of a Major Lender<sup>4</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 another company;
- (6) a person who receives Significant Amount of Monetary Benefits<sup>5</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<sup>2</sup> of a Major Business Partner<sup>6</sup> of Fujitsu

2. A person who does not have a Close Relative<sup>7</sup> will be independent, wherein a Close Relative meets one of the followings, at present or at any time within the preceding three years:

- (1) Executive Director, Non-Executive Director<sup>8</sup>, or important employee of Fujitsu Group Companies;
- (2) Director, Executive Officer, Audit & Supervisory Board Member, or important employee<sup>2</sup> of a Major Shareholder of Fujitsu;
- (3) Director, Executive Officer, Audit & Supervisory Board Member, or important employee<sup>2</sup> 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 another 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<sup>2</sup> of a Major Business Partner of Fujitsu.

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1 "Fujitsu Group Companies" means Fujitsu Limited and its subsidiaries.

2 Excluding an Independent External Director or an Independent External Auditor of a Major Shareholder, Lender, or Business Partner

3 "Major Shareholder" indicates the shareholder in the top 10 major shareholders listed in the latest Business Report of Fujitsu.

4 "Major Lender" indicates the lender in the group's major lenders listed in the latest business report of Fujitsu.

5 "Significant Amount of Monetary Benefits" means the sum of annual compensation for expert services and donation equal to or more than 10 million yen.

6 "Major Business Partner" means a company with whom Fujitsu Group Companies made a business transaction within the preceding three fiscal years and the total amount of the transaction exceeds 1% of consolidated sales revenue of either Fujitsu or that company.

7 "Close Relative" means a family, spouse, or cohabiter within the second degrees of kinship (as stipulated in the Civil Code of Japan).

8 This condition applies only when judging the independence of Fujitsu's External Audit & Supervisory Board Member or a nominee thereof.

<i>Candidate No.</i>	<i>Name and date of birth</i>	<i>Personal history, positions at the Company</i>
1	<p>Masami Yamamoto</p> <p>(January 11, 1954)</p> <p><i>*Reappointment</i></p> <p>[No. of Years Served as a Director*1)] 7</p> <p>[No. of the Company's Shares Held] 156,134</p> <p>[Attendance at the FY2016 Board of Directors' Meetings] 100%</p>	<p>Apr. 1976 Joined the Company</p> <p>Jun. 2004 Executive Vice President, Personal Systems Business Group</p> <p>Jun. 2005 Corporate Vice President</p> <p>Jun. 2007 Corporate Senior Vice President</p> <p>Jan. 2010 Corporate Senior Executive Vice President</p> <p>Apr. 2010 President</p> <p>Jun. 2010 Representative Director</p> <p>President (until June 2015)</p> <p>Aug. 2012 Member of the Executive Nomination Committee and Compensation Committee (until June 2013)</p> <p>Jun. 2015 Representative Director</p> <p>Chairman (to present)</p> <p>Chairman of the Board of Directors (to present)</p> <p>Jul. 2015 Member of the Executive Nomination Committee and Compensation Committee (to present)</p>
		[Important positions at other corporations/institutions]
		None
		[Reasons for Appointment]
		Masami Yamamoto has management experience gained while serving as Representative Director and President for five years and as Representative Director and Chairman for two years. The Company believes he is ideally suited to fulfill the role of being responsible for oversight of business execution and providing advice based on his experience and knowledge. Therefore, the Company proposes that he be reappointed as a Non-Executive Director.
		The Company intends to appoint him as Chairman and Chairman of the Board of Directors, if his appointment is approved at this Shareholders' Meeting
		[Comments on Special-interest Relationships]
		Masami Yamamoto has no special-interest relationships with the Company.

<i>Candidate No.</i>	<i>Name and date of birth</i>	<i>Personal history, positions at the Company</i>
2	<p>Tatsuya Tanaka</p> <p>(September 11, 1956)</p> <p><i>*Reappointment</i></p> <p>[No. of Years Served as a Director*1)] 2</p> <p>[No. of the Company's Shares Held] 53,737</p> <p>[Attendance at the FY2016 Board of Directors' Meetings] 100%</p>	<p>Apr. 1980 Joined the Company</p> <p>Apr. 2005 Director of the Board &amp; Vice President, Fujitsu (China) Holdings Co., Ltd.</p> <p>Dec. 2009 Senior Vice President, Manufacturing Industry Business Unit</p> <p>Apr. 2012 Corporate Vice President</p> <p>Apr. 2014 Corporate Senior Vice President</p> <p>Head of Asia Region*2) (until February 2015)</p> <p>Jan. 2015 Corporate Executive Officer</p> <p>SEVP</p> <p>Jun. 2015 Representative Director (to present)</p> <p>President (to present)</p> <p>Jul. 2015 Chairman of the Risk Management &amp; Compliance Committee (to present)</p>
		[Important positions at other corporations/institutions]
		None
		[Reasons for Appointment]
		Tanaka Tatsuya has management experience gained while serving as Corporate Executive Officer for three years and as Representative Director and President for two years. Since his appointment as President, in order to realize sustainable growth of the Group, he has been addressing three initiatives: transformation of business divisions, digital innovation, and reinforcement of front-end customer interfaces. These initiatives are underway and the Company believes it is essential that he continue to take the lead in their promotion. Therefore, the Company proposes that he be reappointed as a Director.
		[Comments on Special-interest Relationships]
		Tatsuya Tanaka has no special-interest relationships with the Company.

<i>Candidate No.</i>	<i>Name and date of birth</i>	<i>Personal history, positions at the Company</i>
3	Norihiko Taniguchi (September 7, 1954)	Apr. 1977 Joined the Company May 2005 President, Fujitsu Advanced Solutions Limited*3) Jun. 2007 Executive Vice President, the Company Jun. 2008 Corporate Vice President Apr. 2010 Corporate Senior Vice President Apr. 2014 Corporate Executive Vice President Jun. 2014 Director Apr. 2016 Head of Global Services Integration Business Apr. 2017 Corporate Executive Officer SEVP, Head of Business Lines Present Position: Director and Corporate Executive Officer SEVP, Head of Business Lines
	<i>*Reappointment</i>	
	[No. of Years Served as a Director*1)] 3	
	[No. of the Company's Shares Held] 69,785	
	[Attendance at the FY2016 Board of Directors' Meetings] 100%	[Important positions at other corporations/institutions] None
	[Reasons for Appointment] Norihiko Taniguchi has many years of management experience in the Company's mainstay Systems Integration business, along with experience as president of a subsidiary. Placing the Representative Director and President as the central core, the Company plans to set forth the structure in which the Executive Directors shall administer the business execution in all areas. Therefore, the Company proposes that he be reappointed as a Director as he is competent for the role of supervising overall business promotion and assisting Representative Director and President in decision-making concerning business execution. The Company intends to appoint him as a Representative Director, if his appointment is approved at this Shareholders' Meeting.	
	[Comments on Special-interest Relationships] Norihiko Taniguchi has no special-interest relationships with the Company.	

<i>Candidate No.</i>	<i>Name and date of birth</i>	<i>Personal history, positions at the Company</i>
4	Hidehiro Tsukano  (March 21, 1958)  <i>*Reappointment</i>  [No. of Years Served as a Director*1)] 2  [No. of the Company's Shares Held] 46,898  [Attendance at the FY2016 Board of Directors' Meetings] 100%	<p>Apr. 1981    Joined the Company</p> <p>Jun. 2009    President, Corporate Planning and Business Strategy Office (until March 2014)</p> <p>May 2011    Corporate Vice President</p> <p>Apr. 2014    Corporate Senior Vice President (until March 2016) CFO (Chief Financial Officer) (to present)</p> <p>Apr. 2015    EVP, Head of Strategy and Planning (until March 2016)</p> <p>Jun. 2015    Director (to present)</p> <p>Apr. 2016    Corporate Executive Officer (to present) SEVP, Head of Global Corporate Functions (to present)</p>
		[Important positions at other corporations/institutions] None
	<p>[Reasons for Appointment]</p> <p>Before his appointment as a Director in June 2015, Hidehiro Tsukano gained experience in the Company's procurement and management strategy divisions, and has served as the CFO since April 2014, and thus he has broad knowledge of, and significant experience of, business strategies and investor relations. Placing the Representative Director and President as the central core, the Company plans to set forth the structure in which the Executive Directors shall administer the business execution in all areas. Therefore, the Company proposes that he be reappointed as a Director as he is competent for the role of supervising overall administration and assisting President and Representative Director in decision-making concerning business execution.</p> <p>The Company intends to appoint him as a Representative Director, if his appointment as a Director is approved at this Shareholders' Meeting.</p>	
	<p>[Comments on Special-interest Relationships]</p> <p>Hidehiro Tsukano has no special-interest relationships with the Company.</p>	



<i>Candidate No.</i>	<i>Name and date of birth</i>	<i>Personal history, positions at the Company</i>
5	<p>Duncan Tait</p> <p>(March 24, 1966)</p> <p><i>*Reappointment</i></p> <p>[No. of Years Served as a Director*1)] 2</p> <p>[No. of the Company's Shares Held] 0</p> <p>[Attendance at the FY2016 Board of Directors' Meetings] 100%</p>	<p>Mar. 1996 Business Development Head, Managed Services, Digital Equipment Corporation*4)</p> <p>Jun. 1999 Managed Services Director, Compaq Global Services, Compaq*4)</p> <p>Jun. 2004 Director and General Manager, Outsourcing, HP Services, Hewlett-Packard*4)</p> <p>Jan. 2006 Managing Director UKMEA, Unisys</p> <p>Oct. 2009 Managing Director, UK&amp;I Private Sector Division, Fujitsu Services Ltd.</p> <p>Mar. 2011 CEO, Fujitsu Services Ltd.</p> <p>Apr. 2014 Corporate Senior Vice President</p> <p>Head of EMEIA*5) Region</p> <p>Jun. 2015 Director</p> <p>Jan. 2016 Head of Americas*6) Region</p> <p>Aug. 2016 Corporate Executive Officer</p> <p>Present Position: Director and Corporate Executive Officer</p> <p>SEVP, Head of EMEIA*5) Region, Head of Americas*6) Region</p>
		[Important positions at other corporations/institutions]
		None
		[Reasons for Appointment]
		Duncan Tait has abundant international business management experience and has management insights from a global perspective. He has been serving as Head of the EMEIA*5) Region since April 2014 and as Head of the Americas*6) Region since January 2016. Placing the Representative Director and President as the central core, the Company plans to set forth the structure in which the Executive Directors shall administer the business execution in all areas. Therefore, the Company proposes that he be reappointed as a Director as he is competent for execution in the Regions mentioned above.
		[Comments on Special-interest Relationships]
		Duncan Tait has no special-interest relationships with the Company.

<i>Candidate No.</i>	<i>Name and date of birth</i>	<i>Personal history, positions at the Company</i>
6	Tatsuzumi Furukawa (November 17, 1942)	Apr. 1965 Joined the Company Jun. 1994 Director Apr. 2000 Senior Vice President and Director (until June 2001) Jun. 2001 Corporate Senior Executive Vice President and Representative Director, NIFTY Corporation
	<i>*Reappointment</i>	Jun. 2002 Representative Director and President, NIFTY Corporation Jun. 2007 Representative Director and Chairman, NIFTY Corporation (until June 2008)
	[No. of Years Served as a Director*1)] 11	Jun. 2013 Director (to present)
	[No. of the Company's Shares Held] 53,000	Jul. 2013 Member of the Executive Nomination Committee and Compensation Committee
	[Attendance at the FY2016 Board of Directors' Meetings] 100%	Jan. 2014 Chairman of the Executive Nomination Committee and Compensation Committee (to present)
		[Important positions at other corporations/institutions] None
	[Reasons for Appointment] Tatsuzumi Furukawa has many years of experience in corporate management, and he also has extensive knowledge of the Company's business operations. In addition, since being appointed as a Director, he has served as a member of the Executive Nomination Committee and Compensation Committee, and has also chaired the committees, during which time he has debated approaches for qualifying management candidates and compensating management that are crucial issues in the Company's corporate governance. Given his experience and insight, the Company considers him to be highly qualified in the oversight of its management execution and in connecting Executive Directors and Independent Directors, and proposes that he be reappointed a Non-Executive Director.	
	[Comments on Special-interest Relationships] Tatsuzumi Furukawa has no special-interest relationships with the Company.	
	[Special Notice regarding the Director Candidate] An agreement limiting liability for damages under Clause 1, Article 423 of the Companies Act has been concluded between the Company and Tatsuzumi Furukawa. The Company plans to extend the agreement if his reappointment is approved at this Shareholders' Meeting*7).	

<i>Candidate No.</i>	<i>Name and date of birth</i>	<i>Personal history, positions at the Company</i>
7	<p>Miyako Suda</p> <p>(May 15, 1948)</p> <p><i>*Reappointment</i> <i>*External Director Candidate</i></p> <p>[No. of Years Served as a Director*1)] 4</p> <p>[No. of the Company's Shares Held] 8,016</p>	<p>Apr. 1982 Associate Professor, School of Economics, Senshu University</p> <p>Apr. 1988 Professor, School of Economics, Senshu University</p> <p>Apr. 1990 Professor, Faculty of Economics, Gakushuin University</p> <p>Apr. 2001 Member of the Policy Board, the Bank of Japan (until March 2011)</p> <p>May 2011 Special Advisor, the Canon Institute for Global Studies (to present)</p> <p>Jun. 2013 Director (to present)</p>
	[Attendance at the FY2016 Board of Directors' Meetings] 100%	<p>[Important positions at other corporations/institutions]</p> <p>Special Advisor, the Canon Institute for Global Studies</p> <p>External Director, Meiji Yasuda Life Insurance Company</p> <p>Outside Statutory Auditor, Ube Industries, Ltd.</p>
	<p>[Reasons for Appointment]</p> <p>Miyako Suda had no direct corporate management experience before she joined the Board, but she has extensive knowledge as an economist of international macroeconomics. She also served for ten years, in two terms, as a Policy Board member of the Bank of Japan. In view of her insights into monetary policy and the management insights she brings from a global perspective, the Company proposes that she be reappointed as an External Director.</p>	
	<p>[Comments on Special-interest Relationships and the Independence of the Candidate]</p> <p>Miyako Suda has no special-interest relationships with the Company.</p> <p>Further, she is not a major shareholder nor has she held an executive management position with a major trading partner of the Company, and she satisfies the Independence Standards (Refer to Page 5) established by the Company.</p> <p>In accordance with listing regulations, the Company has reported to the securities exchanges on which the Company is listed in Japan that she is an Independent Director.</p>	
	<p>[Special Notice regarding the Director Candidate]</p> <p>An agreement limiting liability for damages under Clause 1, Article 423 of the Companies Act has been concluded between the Company and Miyako Suda. The Company plans to extend the agreement if her reappointment is approved at this Shareholders' Meeting *7).</p>	

<i>Candidate No.</i>	<i>Name and date of birth</i>	<i>Personal history, positions at the Company</i>
8	<p>Jun Yokota</p> <p>(June 26, 1947)</p> <p><i>*Reappointment</i> <i>*External Director</i> <i>Candidate</i></p> <p>[No. of Years Served as a Director*1)] 3</p> <p>[No. of the Company's Shares Held] 3,488</p> <p>[Attendance at the FY2016 Board of Directors' Meetings] 100%</p>	<p>Apr. 1971 Joined the Ministry of Foreign Affairs</p> <p>Jan. 1998 Deputy Director-General, Economic Affairs Bureau</p> <p>Jun. 2002 Consul-General of Japan in Hong Kong</p> <p>Apr. 2004 Ambassador Extraordinary and Plenipotentiary to the State of Israel</p> <p>May 2009 Ambassador Extraordinary and Plenipotentiary to the Kingdom of Belgium</p> <p>Oct. 2012 Ambassador Extraordinary and Plenipotentiary in charge of Economic Diplomacy and of Reconstruction Assistance to Iraq (until January 2014)</p> <p>Jun. 2014 Special Advisor to the Chairman of KEIDANREN (to present)</p> <p>Jun. 2014 Director (to present)</p> <p>Jul. 2014 Member of the Executive Nomination Committee and Compensation Committee (to present)</p>
		[Important positions at other corporations/institutions]
		Special Advisor to the Chairman of KEIDANREN
	<p>[Reasons for Appointment]</p> <p>Jun Yokota had no direct company management experience before he joined the Board, but having served as Japan's ambassador to Israel and Belgium, and having served as Special Representative of the Government of Japan in charge of the Japan-EU Economic Partnership Agreement negotiations, he is an expert in international economic negotiations and brings a global perspective to political and economic discussions. For these reasons, the Company proposes that he be reappointed as an External Director.</p>	
	<p>[Comments on Special-interest Relationships and the Independence of the Candidate]</p> <p>Jun Yokota has no special-interest relationships with the Company.</p> <p>Further, he is not a major shareholder nor has he held an executive management position with a major trading partner of the Company, and he satisfies the Independence Standards (Refer to Page 5) established by the Company.</p> <p>In accordance with listing regulations, the Company has reported to the securities exchanges on which the Company is listed in Japan that he is an Independent Director.</p>	
	<p>[Special Notice regarding the Director Candidate]</p> <p>An agreement limiting liability for damages under Clause 1, Article 423 of the Companies Act has been concluded between the Company and Jun Yokota. The Company plans to extend the agreement if his reappointment is approved at this Shareholders' Meeting*7).</p>	

<i>Candidate No.</i>	<i>Name and date of birth</i>	<i>Personal history, positions at the Company</i>
9	<p>Chiaki Mukai</p> <p>(May 6, 1952)</p> <p><i>*Reappointment</i> <i>*External Director Candidate</i></p> <p>[No. of Years Served as a Director*1)] 2</p> <p>[No. of the Company's Shares Held] 13,000</p> <p>[Attendance at the FY2016 Board of Directors' Meetings] 92.3% (12/13)</p>	<p>Nov. 1977 Staff, Department of Surgery, Keio University School of Medicine (until November 1985)</p> <p>Aug. 1985 Payload Specialist, the National Space Development Agency of Japan (currently: the Japan Aerospace Exploration Agency; JAXA) (until March 2015)</p> <p>Jun. 1987 Visiting Scientist, Division of Cardiovascular Physiology, Space Biomedical Research Institute, NASA Johnson Space Center (until December 1988)</p> <p>Sep. 1992 Research Instructor of the Department of Surgery, Baylor College of Medicine (until August 2011)</p> <p>Apr. 2000 Visiting Professor of the Department of Surgery, Keio University School of Medicine (to present)</p> <p>Sep. 2004 Visiting Professor of the International Space University (until September 2007)</p> <p>Oct. 2007 Director, Space Biomedical Research Office, Human Space Technology and Astronaut Department of the JAXA</p> <p>Apr. 2011 Senior Advisor to the JAXA Executive Director (until March 2015)</p> <p>Oct. 2014 Vice President of the Science Council of Japan (to present)</p> <p>Apr. 2015 Vice President of Tokyo University of Science (to present)</p> <p>Jun. 2015 Director (to present)</p> <p>Jul. 2016 Member of the Executive Nomination Committee and Compensation Committee (to present)</p> <p>Jan. 2017 Chair of the Scientific and Technical Subcommittee, UN Committee on the Peaceful Uses of Outer Space (COPUOS) (to present)</p>
		<p>[Important positions at other corporations/institutions]</p> <p>Vice President of Tokyo University of Science</p> <p>Chair of the Scientific and Technical Subcommittee, UN Committee on the Peaceful Uses of Outer Space (COPUOS)</p>
		[Reasons for Appointment]
		<p>Although Chiaki Mukai had not been directly involved with company management before she assumed the position of Director of the Company, she has an impressive personal history as a doctor who became Asia's first female astronaut, and she exemplifies the Company's spirit of taking on challenges at the cutting edge of science. Because the Company expects that she will continue to be able to provide oversight and advice from a fair and objective global perspective based on broad knowledge of science and technology, the Company proposes that she be reappointed as an External Director.</p>
		[Comments on Special-interest Relationships and the Independence of the Candidate]
		<p>Chiaki Mukai has no special-interest relationships with the Company.</p> <p>Academic Corporation Tokyo University of Science that operates Tokyo University of Science, where she serves as Specially Appointed Vice President, and the Company do have sales business dealings that in fiscal 2016 amounted to approximately 7 million yen. In light of the scale of the Company's sales, however, this is not considered material. Thus, she satisfies the Independence Standards (Refer to Page 5) established by the Company.</p> <p>In accordance with listing regulations, the Company has reported to the securities exchanges on which the Company is listed in Japan that she is an Independent Director.</p>
		[Special Notice regarding the Director Candidate]
		<p>An agreement limiting liability for damages under Clause 1, Article 423 of the Companies Act has been concluded between the Company and Chiaki Mukai. The Company plans to extend the agreement if her reappointment is approved at this Shareholders' Meeting*7).</p>

<i>Candidate No.</i>	<i>Name and date of birth</i>	<i>Personal history, positions at the Company</i>
10	<p>Atsushi Abe</p> <p>(October 19, 1953)</p> <p><i>*Reappointment</i> <i>*External Director Candidate</i></p> <p>[No. of Years Served as a Director*1)] 2</p> <p>[No. of the Company's Shares Held] 9,189</p> <p>[Attendance at the FY2016 Board of Directors' Meetings] 100%</p>	<p>Apr. 1977 Mitsui &amp; Co., Ltd.</p> <p>Jun. 1990 Manager, Electronic Industry Department, Mitsui &amp; Co., Ltd.</p> <p>Jan. 1993 Managing Director, Alex. Brown &amp; Sons, Inc.*8)</p> <p>Aug. 2001 Managing Director and Head of Global Corporate Finance, Deutsche Securities, Ltd. *9)</p> <p>Aug. 2004 Partner &amp; Head of Japan, J.P. Morgan Partners Asia*10) (until March 2009)</p> <p>May 2007 Board Member, Edwards Group Ltd.*11) (until October 2009)</p> <p>Dec. 2009 Managing Partner, Sangyo Sosei Advisory Inc. (to present)</p> <p>Feb. 2011 Board Member, ON Semiconductor Corporation (to present)</p> <p>Jun. 2015 Director (to present)</p>
		[Important positions at other corporations/institutions] Managing Partner, Sangyo Sosei Advisory Inc. Board Member, ON Semiconductor Corporation
	<p>[Reasons for Appointment]</p> <p>Through many years of experience in investment banking and private equity, Atsushi Abe has gained a deep understanding of the ICT industry and mergers and acquisitions. Because the Company expects that, in addition to being able to provide oversight and advice from a shareholder and investor perspective, he will continue to contribute to timely and decisive management decision-making, the Company proposes that he be reappointed as an External Director.</p>	
	<p>[Comments on Special-interest Relationships and the Independence of the Candidate]</p> <p>Atsushi Abe has no special-interest relationships with the Company.</p> <p>Sangyo Sosei Advisory Inc., where he serves as Managing Partner, and ON Semiconductor Corporation, where he serves as Board Member, and the Company have no business dealings. He is not a major shareholder nor has he held an executive management position with a major trading partner of the Company, and does not receive monetary benefits other than the compensation as a Director of the Company, and thus, he satisfies the Independence Standards (Refer to Page 5) established by the Company. In accordance with listing regulations, the Company has reported to the securities exchanges on which the Company is listed in Japan that he is an Independent Director.</p>	
	<p>[Special Notice regarding the Director Candidate]</p> <p>An agreement limiting liability for damages under Clause 1, Article 423 of the Companies Act has been concluded between the Company and Atsushi Abe. The Company plans to extend the agreement if his reappointment is approved at this Shareholders' Meeting*7).</p>	

## **Overview of External Director Candidates' Preventive Actions and Responses to the Company's Illegal Business Execution in Fiscal 2016**

In July 2016, which falls during the terms of office of External Director candidates Miyako Suda, Jun Yokota, Chiaki Mukai, and Atsushi Abe as the Company's External Directors, the Company was found to have violated the Act on Prohibition of Private Monopolization and Maintenance of Fair Trade (Antimonopoly Act) concerning order coordination of equipment for electric power security communication for Tokyo Electric Power Co., Ltd.\*12) and the Company received a cease and desist order and a surcharge payment order. Subsequently, in February 2017, the Company was found to have violated the Antimonopoly Act concerning transactions of hybrid optical communication equipment and transaction-path equipment for Chubu Electric Power Co., Inc.

The External Directors have stipulated the Policy on the Internal Control System, including the compliance system, and had been receiving reports about their operation at the Board of Directors' meetings.

The Board of Directors was unable to detect the violation concerning the transactions for Tokyo Electric Power Co., Ltd.\*12), partly because the sales personnel had already stopped engaging in violation before the on-site inspection by the Japan Fair Trade Commission. However, after the violation came to light, as members of the Board of Directors, the External Directors led establishment of an internal special investigation committee. As investigation conducted by the said committee detected order coordination concerning the transactions for Chubu Electric Power Co., Inc., through discussion at the Board of Directors' meeting, they made a decision to apply for reduction or waiving of surcharge. As a result, the Company was fully exempted from payment of the surcharge and was also not subjected to a cease and desist order.

Moreover, at the initiative exercised by them and External Audit & Supervisory Board Members, disciplinary actions against the officers concerned, including Representative Director and Chairman and Representative Director and President, was decided by the Board of Directors. Subsequently, the External Director candidates have been overseeing recurrence prevention initiatives led by Representative Director and President.

### *Notes*

\*1) "No. of Years Served as a Director" is as of the close of this Shareholders' Meeting.

\*2) East Asia excluding Japan and Southeast Asia

\*3) Fujitsu Advanced Solutions Limited merged with Fujitsu Mission Critical Systems Limited in October 2013, and subsequently merged with the Company in November 2016 and ceased to exist.

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

\*5) Europe, Middle East, India, and Africa

\*6 North and South America

\*7) The maximum liability for damages in accordance with the agreement limiting liability concluded between the Company and Non-Executive Directors is the minimum liability amount stipulated by the Companies Act.

\*8) Currently, Raymond James & Associates, Inc.

\*9) Currently, Deutsche Securities Inc.

\*10) Currently, Unitas Capital

\*11) Currently, Atlas Copco

\*12) Currently, Tokyo Electric Power Company Holdings, Incorporated

**Proposal No. 2 Election of One Audit & Supervisory Board Member**

Audit & Supervisory Board Member Kazuhiko Kato will resign at the close of this Annual Shareholders' Meeting. Accordingly, the Company proposes the election of one Audit & Supervisory Board Member. The Audit & Supervisory Board Member candidate is as described below.

Upon his appointment, the Audit & Supervisory Board will continue to consist of five members including three external members.

The Company has already received approval for this proposal from the Audit & Supervisory Board.

<i>Name and date of birth</i>	<i>Personal history; positions at the Company</i>	
Youichi Hirose (March 5, 1958)  <i>*New appointment</i>  [No. of the Company's Shares Held] 19,932	Apr. 1981	Joined the Company
	Jun. 2009	Vice President, Corporate Controller, Corporate Finance Unit (until June 2014)
	Apr. 2012	Executive Vice President & Corporate Controller, Corporate Finance Unit (until March 2014)
	May 2013	Corporate Vice President (until March 2017)
	Apr. 2014	Head of Corporate Finance Unit (until March 2017)
	Apr. 2017	Executive Adviser (to present)
[Important positions at other corporations/institutions]		
None		
[Reasons for Appointment]		
Youichi Hirose has many years of experience in the Company's finance and accounting division. He has also been deeply involved in business model transformation centering on digital solutions currently promoted by the Company. In view of his abundant knowledge of management as well as finance and accounting, he is considered to be highly qualified to serve as an Audit & Supervisory Board Member, and the Company proposes that he be appointed as an Audit & Supervisory Board Member. The Company intends to appoint him as a full-time Audit & Supervisory Board Member, if his appointment as an Audit & Supervisory Board Member is approved at this Shareholders' Meeting.		
[Comments on Special-interest Relationships]		
Youichi Hirose has no special-interest relationships with the Company.		
[Special Notice regarding the Audit & Supervisory Board Member Candidate]		
The Company plans to conclude an agreement limiting liability for damages under Clause 1, Article 423 of the Companies Act with Youichi Hirose, if his appointment is approved at this Shareholders' Meeting*.		

*\*The maximum liability for damages in accordance with the agreement limiting liability concluded between the Company and Audit & Supervisory Board Members is the minimum liability amount stipulated by the Companies Act.*



### **Proposal No. 3 Determination of the Compensation Amount etc. under the Performance-based Stock Compensation Plan**

The Company proposes the introduction of a performance-based stock compensation plan, known as “Performance Share,” (hereinafter referred to as “the Plan”) to grant to Executive Directors mid- to long-term incentives for improving corporate value, and also to further enhance management from shareholders’ perspectives.

According to the resolution at the 106th Annual Shareholders’ Meeting held in June 2006, the maximum amount of compensation for Directors is 600 million yen a year. Separately from this compensation amount, the Company proposes to set the amount of compensation for Executive Directors under the Plan to be up to 300 million yen a year and the total number of shares of the Company to be allocated to be within 430,000 shares a year.

The Company decided to introduce the Plan according to recommendations made by the Compensation Committee. The Plan is designed to link the compensation of Executive Directors to the Company’s mid- and long-term performance and shareholder value. The Company also believes that it is consistent with the spirit of the Corporate Governance Code. Moreover, the Company believes that the compensation amount under the Plan is reasonable, taking into consideration the purpose of incentives to Executive Directors under the Plan and future change of the share price.

If Proposal No. 1 “Election of Ten Directors” is approved at this Shareholders’ Meeting, a total of four Executive Directors eligible for the Plan will be elected by the Board of Directors.

#### **[Reference] Details of the Plan**

##### **(1) Overview of the Plan**

At the start of the period that covers the pre-determined three-year mid- to long-term performance targets, the Company will present to Executive Directors a base number of shares in accordance with respective rank, performance judging period (three years) and mid- to long-term performance targets. The number of shares, which is calculated by multiplying base number of shares by a fixed coefficient according to the level of performance achievement, is fixed at each fiscal year. When the performance judging period is over, the total number of shares is allocated to each applicable person. Then, monetary compensation claims comparable to market value of allocated shares are provided to the Executive Directors. The Executive Directors invest these monetary compensation claims in allocated shares to acquire shares of the Company.

The Executive Directors may transfer acquired shares of the Company at their own discretion unless they violate regulations regarding insider trading.

##### **(2) Compensation amount under the Plan and upper limit of the number of granted shares**

The upper limit of the amount of monetary compensation to executive directors under the Plan is set up to 300 million yen a year. The total number of allocated shares of the Company is set to within 430,000 shares a year.

##### **(3) Indicator of performance achievement level and coefficient**

Coefficient is set up within a certain scope according to performance achievement level vis-à-vis the pre-arranged mid- to long-term performance targets in terms of sales revenue and operating profit of the Company’s consolidated financial results. When the coefficient turns out to be less than the pre-determined lower limit, then shares are not allocated. The number of shares, calculated by multiplying Base No. of Shares by the upper limit of the pre-determined coefficient, represents that of the upper limit allocated to the Executive Directors.

(4) Payment amount per share

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

(5) Others

Handling of share allocation for outgoing Executive Directors, handling of the Plan at the time of restructuring and others, handling of the base number of shares at the time of stock split or stock consolidation and other details of the Plan shall be determined at the Board of Directors' meeting and incorporated as regulations on the Plan.

Although this proposal concerns compensation for Directors, the Plan is available not only for Directors but also for Corporate Vice Presidents and Executive Vice Presidents.

[Reference] Policy on the Determination of Executive Compensation

Compensation of Directors and Audit & Supervisory Board Members is determined in accordance with the Executive Compensation Policy below, which was determined by the Board of Directors following the recommendation by the Compensation Committee. By the resolution of the Board of Directors in May 2017, this policy will be changed as follows, provided that Proposal No. 3 is approved by this Shareholders' Meeting.

### **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 is comprised of the following: "Base Compensation," specifically a fixed monthly salary in accordance with position and responsibilities; "Bonuses" that are compensation linked to short-term business performance; and "Performance-based Stock Compensation," which is a long-term incentive that emphasizes a connection to shareholder value.

#### **Base Compensation**

Base compensation is paid to all Directors and Audit & Supervisory Board Members. A fixed monthly amount shall be determined for each executive in accordance with the position and responsibilities of each executive.

#### **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 indices and the amount shall be determined in accordance with the degree of achievement of the performance targets for the respective fiscal year.

**Performance-based Stock Compensation**

- Performance-based stock compensation shall be granted to Directors who carry out executive responsibilities, in order to share the profit with shareholders and as an incentive to contribute to enhancement of medium- to long-term performance.
- A base number of shares in accordance with respective rank, performance judging period (three years) and mid- to long-term performance targets in terms of consolidated sales revenue and consolidated operating profit, and coefficient according to performance achievement level vis-à-vis the mid- to long-term performance targets shall be set in advance. The number of shares to be allocated for each fiscal year shall be calculated by multiplying the base number of shares and the coefficient according to the performance achievement level, and the total number of shares calculated shall be allocated upon completion of the performance evaluation period.

In accordance with the resolution of the Annual Shareholders' Meeting, the total amount of Base Compensation and Bonuses (monetary compensation) for Directors shall not exceed 600 million yen per year, Performance-linked Compensation (non-monetary compensation) shall not exceed 300 million yen per year, and the total number of shares to be allocated shall not exceed 430,000 shares per year. The Base Compensation for Audit & Supervisory Board Members shall not exceed 150 million yen per year.

## (Reference) Types of Executive Compensation and Eligibility

Category	Base Compensation		Bonuses	Performance-based Stock Compensation
	Management Oversight Portion	Business Execution Portion		
Directors	○	-	-	-
Executive Directors	○	○	○	○
Audit & Supervisory Board Members	○		-	-

# Reports on the 117<sup>th</sup> Business Period

FUJITSU LIMITED

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Note:

This English version of *Reports on the 117<sup>th</sup> Business Period* is a translation for reference only.  
The style of this English version differs slightly from the original Japanese version.

## ***To Our Shareholders***

We welcome the opportunity to present this report on our 117th business period (covering fiscal year 2016, from April 1, 2016 to March 31, 2017).

In the management direction we announced in October 2015, with the aim of realizing the business model transformation, we implemented two initiatives: focus management resources on technology solutions to transform the business structure and promote “connected services” based on digital technology to transform the growth strategy.

This fiscal period marks the second year of business model transformation, and in order to realize the improvement of value for customers, we have promoted transformation of the business structure through initiatives such as the reorganization of Ubiquitous Business and Nifty’s Consumer Business, as well as implemented initiatives for transformation of the growth strategy such as concentrating SE resources through integration of SE subsidiaries, accelerating digital innovation and establishing a new integrated Cyber Security Business Strategy HQ and a Digital Services Unit.

Taking together the effect of the transformation initiated in fiscal 2015 and the performance of our business including the favorable performance of our services in Japan, as a result, we have achieved improvements in operating profit and profit for the year. With respect to dividends, taking into consideration these results, financial conditions, the future business environment, and other factors, Fujitsu will increase the year-end dividend from 4 to 5 yen per share, with the annual dividend being 9 yen per share.

For details of our financial results, please refer to the rest of the report.

We place fiscal 2017 as a step toward the years onward, for the growth and realization of the consolidated financial target in the management direction of an operating profit margin of 10%, with the effect of the business model transformation implemented over these two years.

We would like to ask for continued support and encouragement from all shareholders.

June 2017

Masami Yamamoto, Representative Director and Chairman

Tatsuya Tanaka, Representative Director and President

## ***Business Report***

### **1. Business Overview (April 1, 2016 to March 31, 2017)**

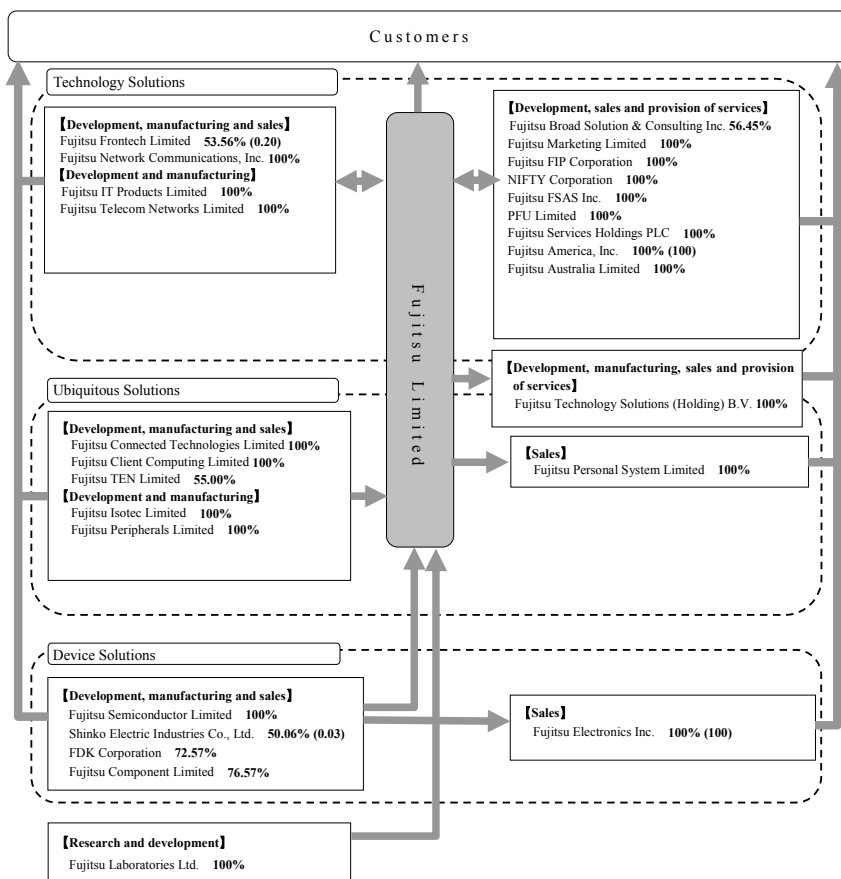
#### **(1) Major Businesses of the Fujitsu Group (As of March 31, 2017)**

Fujitsu Limited and its subsidiaries are engaged in providing total solutions in the ICT field, delivering services as well as developing, manufacturing, selling, and maintaining the cutting-edge, high-performance, high-quality products and electronic devices that support these services. The main products and services of each segment are described below.

<i>Segment</i>	<i>Main products and services</i>
Technology Solutions	<p>[Services]</p> <p>○Solutions/Systems Integration</p> <ul style="list-style-type: none"> <li>• Systems integration services (system construction, business applications, etc.)</li> <li>• Consulting</li> <li>• Front-end technology (ATMs, POS systems, etc.)</li> </ul> <p>○Infrastructure Services</p> <ul style="list-style-type: none"> <li>• Outsourcing services (data centers, ICT operational management, application usage and management, business process outsourcing, etc.)</li> <li>• Cloud services (IaaS, PaaS, SaaS, etc.)</li> <li>• Network services (business networks, etc.)</li> <li>• System support services (information system and network maintenance and monitoring services, etc.)</li> <li>• Security solutions (information systems infrastructure construction and network construction, etc.)</li> </ul> <p>[System Platforms]</p> <p>○System Products</p> <ul style="list-style-type: none"> <li>• Servers (mainframes, UNIX servers, mission-critical IA servers, PC servers)</li> <li>• Storage systems</li> <li>• Software (OS, middleware)</li> </ul> <p>○Network Products</p> <ul style="list-style-type: none"> <li>• Network control systems</li> <li>• Optical transmission systems</li> <li>• Mobile phone base stations</li> </ul>
Ubiquitous Solutions	<ul style="list-style-type: none"> <li>• Personal computers</li> <li>• Mobile phones</li> <li>• Mobilewear (Car audio and navigation systems, Mobile communications equipment, Automotive electronics, etc.)</li> </ul>
Device Solutions	<ul style="list-style-type: none"> <li>• LSI Devices</li> <li>• Electronic components (Semiconductor packages, Batteries, Electromechanical parts, Optical transceiver modules, Printed circuit boards, etc.)</li> </ul>

## (2) The Fujitsu Group

The positioning of, and relationship between, Fujitsu Limited and its principal consolidated subsidiaries and affiliates (as of March 31, 2017) are shown below.



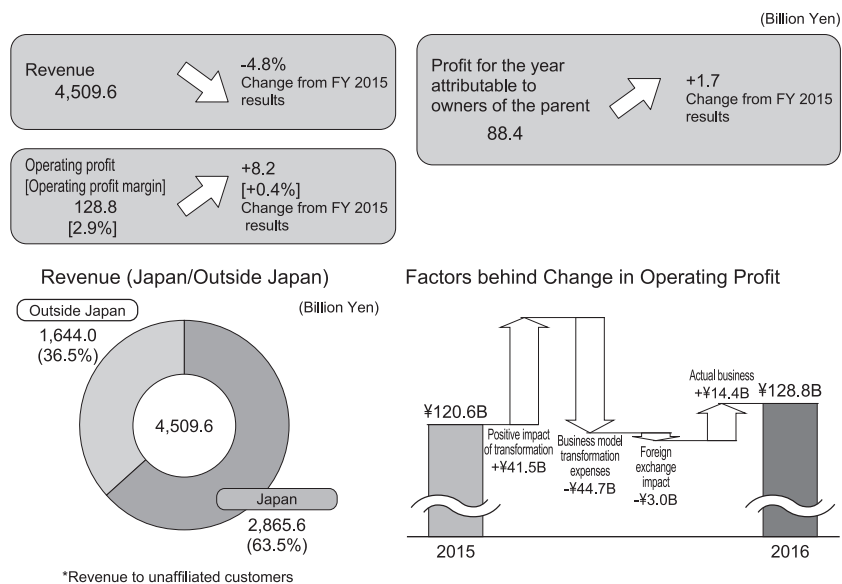
### (Equity method affiliates)

Fujitsu General Limited 44.25%, Fujitsu Leasing Co., Ltd. 20.00%, Socionext Inc. 40.00%

*Note:* Percentages are percentages of voting rights and figures in parentheses are indirect shareholdings, which are included in the percentages of voting rights.

*Note:* NIFTY Corporation changed its company name to Fujitsu Cloud Technologies Limited as of April 1, 2017.

For the outline of this matter, please refer to “(6) Significant Realignment” on Page A-11.

**(3) Trends and Results for the Consolidated Group****a) Overview**

Consolidated revenue for fiscal 2016 was 4,509.6 billion yen, down 4.8% from fiscal 2015. The decline in revenue was primarily due to the strong yen. Excluding the impact of foreign exchange movements, revenue was essentially unchanged from the previous fiscal year.

Revenue in Japan was essentially unchanged from fiscal 2015. Revenue from LSI devices used in smartphones declined on weak demand, as there was a decline in mobile phone shipments resulting from a lengthening of the replacement cycle in the smartphone market. On the other hand, revenue in the Services sub-segment remained strong, both in system integration and infrastructure services, and there was an increase in revenue from enterprise PCs and the Mobilewear sub-segment.

Revenue outside Japan fell 13.2%. Compared to the prior fiscal year, the appreciation of the yen against the US dollar, the euro, the British pound, and other currencies served to reduce revenue by roughly 200.0 billion yen. In addition, there was a decline in revenue from infrastructure services in Europe and from network products in North America. The ratio of revenue outside Japan was 36.5%, a decrease of 3.5 percentage points compared to fiscal 2015.

Fujitsu recorded an operating profit of 128.8 billion yen, up 8.2 billion yen from fiscal 2015. Operating profit in the Device Solutions segment declined because of weak demand



for LSI devices and the impact of the stronger yen. On the other hand, in the Ubiquitous Solutions segment, in addition to the beneficial impact of higher revenue from enterprise PCs and from the Mobilewear sub-segment, operating profit also improved because of cost reductions and cost efficiencies in PCs and mobile phones, resulting in an overall increase in consolidated operating profit.

Fujitsu recorded 44.7 billion yen in business model transformation expenses in fiscal 2016, an increase of 3.1 billion yen from fiscal 2015. Of that amount for this fiscal year, 34.0 billion yen was for structural reform expenses outside Japan for greater efficiencies and a shift toward digital services business (of which 29.4 billion yen was for a shift of resources in Europe), 3.9 billion yen was for restructuring expenses for data centers in Japan, and 6.6 billion yen was for restructuring expenses for production facilities both in and outside Japan.

Net financial expenses were 0.6 billion yen, representing an improvement of 6.5 billion yen from the prior fiscal year, primarily from foreign exchange gains. Income from investments accounted for using the equity method was 6.9 billion yen, representing a decline of 11.5 billion yen from fiscal 2015.

As a result, profit before income taxes was 135.1 billion yen, an increase of 3.3 billion yen over the previous fiscal year.

Profit for the year attributable to owners of the parent was 88.4 billion yen, up 1.7 billion yen from fiscal 2015.

## **b) Comparison of FY 2016 Results and Initial Projections**

(Billion Yen)

	<i>Projections at Start of Fiscal Year</i>	<i>FY 2016 Results</i>	<i>Divergence</i>
Revenue	¥4,600.0	¥4,509.6	¥(90.3)
Operating profit	120.0	128.8	8.8
Profit for the year attributable to owners of the parent	85.0	88.4	3.4

Revenue for fiscal 2016 was 90.3 billion yen lower than the projection at the start of fiscal 2016. The main reason was the adverse impact of foreign exchange movements, mainly the appreciation of the yen against the British pound. Whereas revenue in Solutions/SI increased steadily, revenue in the Ubiquitous Solutions segment also increased centering on Mobilewear, which enjoyed a large increase in demand in Japan and North America. On the other hand, Infrastructure Services whose revenue decreased in mainly Europe and Device Solutions that experienced sluggish demand did not reach the initial projections.

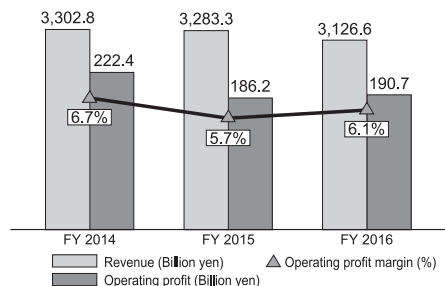
Operating profit exceeded the projection by 8.8 billion yen. Increased profit in Solutions/SI

and Ubiquitous Solutions due to higher revenue contributed to this result.

Profit for the year attributable to owners of the parent exceeded the projection by 3.4 billion yen, reflecting a higher operating profit.

### c) Overview by Business Segment

#### Technology Solutions



\*Revenue includes intersegment sales.

	FY 2014	FY 2015	FY 2016
Breakdown of Revenue			
Services	2,706.2	2,765.1	2,624.2
System Platforms	596.5	518.1	502.3
Breakdown of Operating Profit			
Services	177.2	163.9	150.0
System Platforms	45.2	22.3	40.7

In accordance with the management direction, the Company is focusing its resources on the Technology Solutions segment, which is the Company's mainstay business.

The Company has started initiatives to globally expand the digital innovation business, which is a new growth field, including integration of SE resources by merging SE subsidiaries with the Company, establishment of the Digital Services Unit by consolidating divisions related to core technologies including IoT, AI, and the cloud, and consolidation of security-related divisions to strengthen and expand the cyber security business.

Revenue in the Technology Solutions segment amounted to 3,126.6 billion yen, a decrease of 4.8% from fiscal 2015.

Revenue in Japan rose 3.0%. In systems integration services in the Services sub-segment, even though revenue from a deal for a large-scale project in the financial services field and My Number (Individual Number in the Japanese Social Security and Tax Number System) projects in the public sector had already peaked, there was an increase in revenue from customers in the manufacturing and services fields, as well as from telecommunications

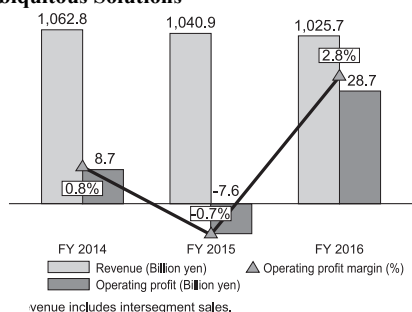
carriers, exceeding the high level of revenue in fiscal 2015. In addition, revenue from infrastructure services rose, primarily in outsourcing services. In the System Platforms sub-segment, revenue from network products rose due to increased mobile phone base stations for telecommunications carriers.

Revenue outside Japan fell 17.7%. In addition to the impact of foreign exchange movements, revenue in Europe from infrastructure services fell compared to the prior year because some large-scale public sector contracts ended, and revenue from network products declined in North America.

The segment posted an operating profit of 190.7 billion yen, up 4.5 billion yen compared to fiscal 2015. Despite the impact of lower revenue from the Services sub-segment outside Japan, operating profit increased, primarily due to the effects of higher revenue in the Services sub-segment in Japan and, owing to the impact of a strong yen, cost reductions in system products stemming from the lower cost of purchasing US dollar-denominated components.

In fiscal 2016, business model transformation expenses of 36.2 billion yen were recorded, primarily for the shift of resources toward digital services and for greater efficiencies at locations outside Japan.

### Ubiquitous Solutions

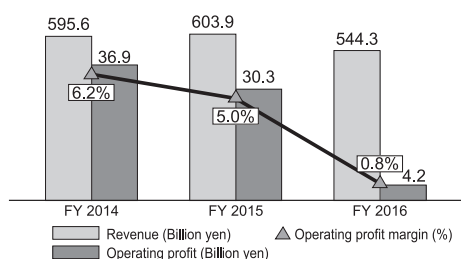


Revenue in the Ubiquitous Solutions segment was 1,025.7 billion yen, down 1.5% from fiscal 2015. Revenue in Japan rose by 1.8%. Revenue from mobile phones declined because of lower shipments as a result of the lengthening of the replacement cycle in the smartphone market. For PCs, revenue rose on the back of continuing strong sales of enterprise PCs. Revenue from Mobilewear in car audio navigation devices also rose.

Revenue outside Japan fell by 7.6%. Excluding the impact of foreign exchange movements, revenue was essentially unchanged from the previous fiscal year. Revenue from PCs in Europe fell, but revenue in the Mobilewear sub-segment rose, primarily in Europe and the US.

The Ubiquitous Solutions segment posted an operating profit of 28.7 billion yen, an improvement of 36.4 billion yen over fiscal 2015. There were significant improvements in both PCs and mobile phones, as operations in both product areas returned to profitability. In addition to the beneficial impact of higher revenues from PCs in Japan, both PCs and mobile phones benefited from cost reduction and further progress in cost efficiencies. In addition to lower procurement prices for components, the cost reductions also include the impact from the stronger yen. Operating profit increased in Mobilewear because of higher revenue.

## Device Solutions



\*Revenue includes intersegment sales.

Revenue in the Device Solutions segment amounted to 544.3 billion yen, down 9.9% from fiscal 2015.

The segment posted an operating profit of 4.2 billion yen, down 26.1 billion yen from fiscal 2015. Of this decrease, about 20.0 billion yen was attributable to the impact of lower revenue from LSI devices and electronic components as a result of the continuing strength of the yen against the US dollar. Sluggish demand for LSI devices, primarily for smartphones, also had an adverse impact. In addition, 4.0 billion yen was posted for restructuring expenses in electronic components for production facilities both in and outside Japan.

Note: Revenue in each segment includes intersegment revenue.

**Other/Elimination and Corporate**

This segment recorded an operating loss of 94.9 billion yen, representing a deterioration of 6.5 billion yen from fiscal 2015 due mainly to an expansion in strategic investments, primarily in next-generation cloud platforms as infrastructure for using IoT. In addition, there was a one-time impact from a reduction in Estimated costs on settlement of a legal dispute in fiscal 2015.

**(4) Consolidated Asset and Profit (Loss) Situation for the Most Recent Four Fiscal Years***Billion yen, except where stated*

<i>Fiscal Year (Business period)</i>	<i>FY 2013 (114th)</i>	<i>FY 2014 (115th)</i>	<i>FY 2015 (116th)</i>	<i>FY 2016 (Current period)</i>
Revenue	¥4,762.4	¥4,753.2	¥4,739.2	¥4,509.6
Japan Total (included in Revenue)	2,960.9	2,873.2	2,845.0	2,865.6
Overseas Total (included in Revenue)	1,801.4	1,879.9	1,894.2	1,644.0
Operating Profit	147.2	178.6	120.6	128.8
Operating Profit Margin [%]	3.1	3.8	2.5	2.9
Profit for the Year Attributable to Owners of the Parent	113.2	140.0	86.7	88.4
Basic Earnings per share [yen]	54.71	67.68	41.94	42.83
Total Assets	3,105.9	3,271.1	3,226.3	3,191.4
Equity Attributable to Owners of the Parent	566.5	790.0	782.7	881.2
Equity Attributable to Owners of the Parent Ratio [%]	18.2	24.2	24.3	27.6
Equity per Share attributable to Owners of the Parent [yen]	273.79	381.88	378.37	429.80
Free Cash Flow	47.5	79.6	88.7	104.8

*Notes:*

1. Pursuant to Article 120, Paragraph 1 of the Ordinance of Companies' Accounting, consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) from the 115th Term onward.
2. Free cash flow: Total of cash flows from operating and investing activities

## **(5) Key Challenges Ahead**

Through its 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. To achieve this vision, the Fujitsu Group strives for sustainable profit and growth, while continually enhancing its corporate value.

Against a backdrop of increasingly sophisticated data devices and networks, the use of ICT is growing in all areas of society and the economy. As a result, the structure of many markets is changing, with the creation of new businesses that transcend traditional industry boundaries. As consumer behavior changes and global competition accelerates, companies are increasingly employing new technologies to transform their businesses or gain competitive advantage. Expectations are high for the new role ICT can play in contributing to the creation of a prosperous society and the resolution of various social issues, such as disaster prevention, energy, the environment, and healthcare.

In this environment, the Fujitsu Group aims to become a true service company with technology solutions as its core. Moving forward on its own transformation, and supporting the business of its customers, the Fujitsu Group aims to use ICT to contribute to the creation of a prosperous society. To do so, the company seeks to expand ICT usage areas through business and social innovation, while also expanding its business globally.

In the area of business, Fujitsu is promoting business innovations that leverage new digital technologies for the IoT era. At the same time, Fujitsu seeks to generate social innovation to help bring about the realization of its vision of a Human Centric Intelligent Society, a more prosperous society that will be comfortable for people.

To expand its business globally, Fujitsu is continuing to further evolve the matrix organization between its business segments and the Regions, which are geographical regions of the Fujitsu Group worldwide. Fujitsu will accelerate its growth by further promoting coordination across the globe, including Japan, and fully utilize offshore capabilities by expanding its Global Delivery organization.

To achieve these objectives, Fujitsu will also continue its concerted efforts at research and development of next-generation technologies and at upfront investments aimed at achieving digital transformation.

As it strives to meet the challenges discussed above through ongoing efforts, the Fujitsu Group will further pursue the transformation of its operations in order to continue to earn the confidence of customers and society as a global enterprise contributing to the creation of a pleasant and secure networked society.

Based on the recognition that establishment and operation of the internal control framework including the compliance system is one of the most important management matters from the viewpoint of maintaining and enhancing corporate value, the Fujitsu Group has been working to ensure compliance, adhering to the Code of Conduct included in the FUJITSU Way.

In July 2016, the Company was found to have violated the Act on Prohibition of Private Monopolization and Maintenance of Fair Trade (Antimonopoly Act) concerning order coordination for equipment for electric power security communication for Tokyo Electric Power Co., Ltd. (TEPCO)\* and the Company received a cease and desist order and a surcharge payment order. Subsequently, in February 2017, the Company was found to have violated the Antimonopoly Act concerning transactions of hybrid optical communication equipment and transmission-path equipment for Chubu Electric Power Co., Inc.

The Company's sales personnel in charge of Chubu Electric Power had already stopped engaging in order adjustment with other companies before the case about TEPCO was detected. Following the detection of the case about TEPCO, the Company swiftly conducted an internal investigation based on the resolution by the Board of Directors and found that similar order adjustment had been conducted with Chubu Electric Power. Subsequently, having received approval by the Board of Directors, the Company swiftly applied for immunity from or reduction of surcharge. However, it was not until recently that the authorities confirmed the Company's violation of the Antimonopoly Act.

Because of the timely application for immunity from or reduction of surcharge, the Company was fully exempted from payment of the surcharge and was also not subject to a cease and desist order. We deeply apologize to our shareholders for all the concerns that we have caused by letting this regretful incident occur.

Following the detection of the case about TEPCO, the Fujitsu Group positioned the further strengthening of initiatives about compliance as an issue to be addressed and has been striving to prevent recurrence. The Fujitsu Group will continue these initiatives.

*Note: Currently, Tokyo Electric Power Company Holdings, Incorporated*

## **(6) Significant Realignment**

- 1) The Company acquired 33.4% of the outstanding shares of NIFTY Corporation through a tender offer and demand for sale of shares and made NIFTY Corporation a wholly owned subsidiary of the Company on July 22, 2016.

As of April 1, 2017, NIFTY Corporation was reorganized into Fujitsu Cloud Technologies Limited (company name changed from NIFTY Corporation on the same date), which conducts a cloud-focused business for enterprises, and Nifty Corporation (new Nifty), which conducts the ISP business for consumers. The Company transferred its entire shareholding in the new Nifty to Nojima Corporation on April 1, 2017.

- 2) On November 1, 2016, the Company conducted absorption-type mergers of Fujitsu Systems East Limited, Fujitsu Systems West Limited, and Fujitsu Mission Critical Systems Limited.

### **(7) Capital Expenditures**

Capital expenditures in fiscal 2016 totaled 128.5 billion yen, a decrease of 17.6% compared with fiscal 2015.

In the Technology Solutions segment, capital expenditures amounted to 62.6 billion yen. The main item was expansion of data centers in Japan and outside Japan.

In the Ubiquitous Solutions segment, capital expenditures amounted to 12.6 billion yen, primarily for production and design & development facilities for PCs and mobile phones and for mobilewear.

In the Device Solutions segment, capital expenditures amounted to 43.8 billion yen, primarily for production equipment for electronic components at Shinko Electric Industries Co., Ltd., in addition to production equipment for LSI devices.

Capital expenditures other than those for the above segments amounted to 9.3 billion yen mainly for improvement of IT infrastructure.

### **(8) Capital Procurement**

During fiscal 2016 the Company did not engage in capital procurement by means of issuance of shares or bonds.

### **(9) Principal Lenders (As of March 31, 2017)**

<i>Lender</i>	<i>Loan amount (million yen)</i>
Mitsubishi UFJ Trust and Banking Corporation	42,333
Development Bank of Japan Inc.	30,000
Sumitomo Mitsui Banking Corporation	26,012
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	25,134
The Bank of Yokohama, Ltd.	24,000



## 2. Company Overview

### (1) Stock (As of March 31, 2017)

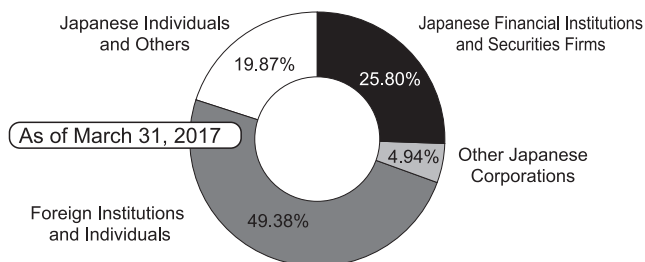
- a) Number of Authorized Shares: 5,000,000,000
- b) Number of Outstanding Shares: 2,070,018,213
- c) Stated Capital: ¥324,625,075,685
- d) Shares Issued during the Business Period: There was no issuance of shares during the business period.
- e) Number of Shareholders: 148,436 (12,843 decrease from the end of FY2015)
- f) Principal Shareholders

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

*Notes:*

1. The investment ratio is calculated after exclusion of treasury stock holdings (19,541 thousand shares).
2. The shares held by The Master Trust Bank of Japan, Ltd. (for trust), Japan Trustee Services Bank, Ltd. (for trust), and Japan Trustee Services Bank, Ltd. (for trust 5) pertain to the trust business by the institution.
3. Of the shares held by the 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.

< Equity Shareholdings by Type of Shareholder >



**g) Important matters concerning the stock**

On February 7, 2017, the Company decided to conduct a secondary offering of its shares in overseas markets and in response Fuji Electric Co., Ltd. decided to sell its shares of the Company. On February 8, 2017, the Company decided to repurchase 39,000 thousand shares of the Company's common stock during the period from February 9, 2017 to March 8, 2017 up to an aggregate acquisition cost of 25.0 billion yen in order to mitigate the potential impact on the existing shareholders of the secondary offering. During the said period, the Company repurchased 18,260 thousand shares of the Company's common stock with an aggregate acquisition cost of 11.8 billion yen.

**(2) Stock Acquisition Rights**

As of March 31, 2017, no Stock Acquisition Right granted as part of the compensation was held by Directors and Audit & Supervisory Board Members and no Stock Acquisition Right was granted to employees in fiscal 2016 as part of the compensation.

**(3) Management****a) Directors and Audit & Supervisory Board Member (As of March 31, 2017)**

<i>Position</i>	<i>Name</i>	<i>Areas of Responsibility</i>	<i>External Director/ Member</i>	<i>Independent Director/ Member</i>
Representative Director Chairman	Masami Yamamoto	Chairman of the Board of Directors Member of the Executive Nomination Committee and Compensation Committee		
Representative Director President	Tatsuya Tanaka	Chairman of the Risk Management & Compliance Committee		
Director and Corporate Executive Officer, SEVP, Head of Business Lines	Norihiko Taniguchi	Overall Business Promotion		
Director and Corporate Executive Officer, SEVP, Head of Global Corporate Functions	Hidehiro Tsukano	CFO, Constructive Dialogues with Shareholders and Investors		
Director and Corporate Executive Officer, SEVP, Head of EMEA Region, Head of Americas region	Duncan Tait	Global Business		
Director	Tatsuzumi Furukawa	Chairman of the Executive Nomination Committee and Compensation Committee		
Director	Miyako Suda		○	○
Director	Jun Yokota	Member of the Executive Nomination Committee and Compensation Committee	○	○
Director	Chiaki Mukai	Member of the Executive Nomination Committee and Compensation Committee	○	○
Director	Atsushi Abe		○	○
Audit & Supervisory Board Member	Kazuhiko Kato			
Audit & Supervisory Board Member	Yoshiki Kondo			
External Audit & Supervisory Board Member	Megumi Yamamuro		○	○
External Audit & Supervisory Board Member	Hiroshi Mitani		○	○
External Audit & Supervisory Board Member	Koji Hatsukawa		○	○

Notes:

## (TRANSLATION FOR REFERENCE ONLY)

1. Independence of Directors and Audit & Supervisory Board Members is judged based on the Company's independence standards. (For details, please refer to Page 5.)
2. Audit & Supervisory Board Member Kazuhiko Kato has lengthy experience with the company, including former service as the Company's Chief Financial Officer, and he has extensive knowledge of finance and accounting. He concurrently serves as an external director for Fujitsu General Limited.  
Audit & Supervisory Board Member Hiroshi Mitani served as a Public Prosecutor and as a Commissioner of the Fair Trade Commission, and because of his abundant experience of economic affairs, he has extensive knowledge of finance and accounting.  
Audit & Supervisory Board Member Koji Hatsukawa has a wealth of experience in auditing global companies as a Certified Public Accountant, and he has extensive knowledge about finance and accounting.
3. Director Norihiko Taniguchi and Director Hidehiro Tsukano were appointed Corporate Senior Executive Vice President on April 1, 2017.
4. Significant concurrent positions of External Directors and Audit & Supervisory Board Members are described in e) Concurrent Positions of External Directors and Audit & Supervisory Board Members and Their Activities on Page A-18.

### b) Overview of Liability Limitation Agreement

The Company has entered into an agreement limiting liability for damages under Clause 1, Article 423 of the Companies Act with each of the Non-Executive Directors\* and Audit & Supervisory Board Members. The maximum liability for damages in accordance with the relevant agreement is the minimum liability stipulated by the Companies Act. The said maximum liability shall apply only when a relevant Non-Executive Director or Audit & Supervisory Board Member executes a duty that created a liability in good faith and without gross negligence.

\*Refers to External Director Tatsuzumi Furukawa.

### c) Compensation of Directors and Audit & Supervisory Board Members

Section	No. of qualified persons	Types of Compensation (Million yen)				Amount Paid (Million yen)
		Base compensation	Stock-based compensation	Bonuses	Miscellaneous	
a. Directors	12	342	34	86	—	461
b. External Directors (included in a.)	4	53	—	—	—	53
c. Audit & Supervisory Board Members	6	116	—	—	—	116
d. External Audit & Supervisory Board Members (included in c.)	3	40	—	—	—	40

Notes:

1. Includes Directors and Audit & Supervisory Board Members who resigned in fiscal 2016.
2. The limit on compensation to Directors was resolved to be 600 million yen per year at the 106th Annual Shareholders' Meeting held on June 23, 2006, and the limit on compensation to Audit & Supervisory Board Member was resolved to be 150 million yen per year at the 111th Annual Shareholders' Meeting held on June 23, 2011. The Company is paying the compensation shown in the above table, which is within these limits.

### d) Policy on the Determination of Executive Compensation

To make its executive compensation systems even more transparent, Fujitsu established a Compensation Committee based on a corporate resolution of the Board of Directors in October 2009.

Compensation of Directors and Audit & Supervisory Board Members is determined in accordance with the Executive Compensation Policy below, which was determined by the Board of Directors following the recommendation by 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 is comprised of 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 indices 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 yen per year for Directors and 150 million yen per year for Audit & Supervisory Board Members.

(Reference)

Category	Base Compensation		Stock-based Compensation	Bonuses
	Management Oversight Portion	Business Execution Portion		
Directors	○	—	—	—
Executive Directors	○	○	○	○
Audit & Supervisory Board Members	○	—	—	—

Note: The above Executive Compensation Policy is scheduled to be revised following the 117th Annual Shareholders’ Meeting. Please refer to Page 18 for the details of the revision of the policy.

**e) Concurrent Positions of External Directors and Audit & Supervisory Board Members and Their Activities (As of March 31, 2017)**

Section	Name	Companies at which concurrent positions are held and the positions held
		Activities
External Director	Miyako Suda	Special Advisor, the Canon Institute for Global Studies External Director, Meiji Yasuda Life Insurance Company Outside Statutory Auditor, Ube Industries, Ltd.
		Attended 100% of the Board of Directors Meetings held during fiscal 2016, and contributed comments from a global perspective based upon her extensive knowledge of international macroeconomics and monetary policy.
	Jun Yokota	Special Advisor to the Chairman of KEIDANREN
		Attended 100% of the Board of Directors Meetings held during fiscal 2016, and contributed comments from a global perspective based upon his extensive knowledge of international politics and economics.
	Chiaki Mukai	Specially Appointed Vice President of Tokyo University of Science Chair of the Scientific and Technical Subcommittee, UN Committee on the Peaceful Uses of Outer Space (COPUOS)
		Attended 92.3% (12/13) of the Board of Directors Meetings held during fiscal 2016, and contributed comments from a global perspective based upon her extensive knowledge of science and technology.
	Atsushi Abe	Managing Partner, Sangyo Sosei Advisory Inc. Board Member, ON Semiconductor Corporation
		Attended 100% of the Board of Directors Meetings held during fiscal 2016, and contributed comments from a perspective of investors and a global perspective based upon his in-depth knowledge of investment.
External Audit & Supervisory Board Member	Megumi Yamamuro	Special Counsel, URYU & ITOGA Outside Director (Audit and Supervisory Committee Member), Advantest Corporation External Audit & Supervisory Board Member, Yachiyo Industry Co., Ltd.
		Attended 100% of both the Board of Directors Meetings and the Audit & Supervisory Board Meetings held during fiscal 2016, and contributed comments based upon his professional perspective as a lawyer.
	Hiroshi Mitani	Lawyer
		Attended 100% of both the Board of Directors Meetings and the Audit & Supervisory Board Meetings held during fiscal 2016, and contributed comments based upon his profound insight into not only legal but also economic and social matters affecting corporate management.
	Koji Hatsukawa	Certified Public Accountant Outside Director, Audit & Supervisory Committee member, Takeda Pharmaceutical Company Limited Audit & Supervisory Board Member, the Norinchukin Bank
		Attended 100% of both the Board of Directors Meetings and the Audit & Supervisory Board Meetings held during fiscal 2016, and contributed comments from the standpoint of an expert in matters relating to finance and accounting based on his wealth of experience in auditing global companies.

Notes:

1. Director Atsushi Abe is Managing Partner of Sangyo Sosei Advisory Inc. The Company has no business relationship or competitive relationship with Sangyo Sosei Advisory Inc.
2. Audit & Supervisory Board Member Megumi Yamamuro is an Outside Director (Audit and Supervisory Committee Member) of Advantest Corporation. Fujitsu holds shares of Advantest in the trust for its retirement benefit plan. Fujitsu has voting rights for these shares amounting to 11.40% of the voting rights for Advantest shares. The Company has business relationships with Advantest.
3. The Company has business relationships with Meiji Yasuda Life Insurance Company, Ube Industries, Ltd., Academic Corporation Tokyo University of Science, Yachiyo Industry Co., Ltd., Takeda Pharmaceutical Company Limited, and The Norinchukin Bank.
4. During fiscal 2016, the Company convened Board of Directors Meetings 13 times (of which 1 was an extraordinary meeting of the Board of Directors) and 9 meetings of the Audit & Supervisory Board (of which 1 was an extraordinary meeting of the Audit & Supervisory Board).
5. The amount of compensation received by External Directors or External Audit & Supervisory Board Members from the Company's subsidiaries as Directors or Audit & Supervisory Board Members of the subsidiaries totaled 2 million yen (1 External Audit & Supervisory Board Member).

## **f) Actions of External Directors and External Audit & Supervisory Board Members about Compliance**

As mentioned in “Key Challenges Ahead,” in July 2016, which falls during the terms of office of External Directors and External Audit & Supervisory Board Members (External Officers), the Company was found to have violated the Antimonopoly Act concerning order coordination for equipment for electric power security communication for Tokyo Electric Power Co., Ltd.\* and the Company received a cease and desist order and a surcharge payment order. Subsequently, in February 2017, the Company was found to have violated the Antimonopoly Act concerning transactions of hybrid optical communication equipment and transmission-path equipment for Chubu Electric Power Co., Inc.

The External Officers have stipulated the Policy on the Internal Control System, including the compliance system, and had been receiving reports about their operation at the Board of Directors' meetings.

The Board of Directors was unable to detect the violation concerning the transactions for Tokyo Electric Power Co., Ltd.\*, partly because the sales personnel had already stopped engaging in the violation before the on-site inspection by the Japan Fair Trade Commission. However, after the violation came to light, as members of the Board of Directors, the External Officers led establishment of an internal special investigation committee. As investigation conducted by the said committee detected the order coordination concerning the transactions for Chubu Electric Power Co., Inc., through discussion at the Board of Directors' meeting, they made a decision to apply for immunity from or reduction of surcharge. As a result, the Company was fully exempted from payment of the surcharge and was also not subject to a cease and desist order.

Moreover, at the initiative exercised by them, disciplinary actions against the officers concerned, including Representative Director and Chairman and Representative Director and President, was decided by the Board of Directors. Subsequently, the External Officers have been overseeing recurrence prevention initiatives led by Representative Director and President.

*\* Currently, Tokyo Electric Power Company Holdings, Incorporated*

**g) Other matters regarding management**

**(i) 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 about 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 Auditors 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 about 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 Auditors Compensation stipulated in the Company's Corporate Governance Policy.

Members of the 2 committees were as follows as of March 31, 2017:

Chairman: Tatsuzumi Furukawa

Members: Jun Yokota, Masami Yamamoto, Chiaki Mukai

After the selection of the above committee members in July 2016, the Executive Nomination Committee and the Compensation Committee met 5 times and 3 times, respectively, by the end of fiscal 2016. The Executive Nomination Committee discussed the election of Representative Directors, the election of Directors, etc. and the Compensation Committee discussed executive compensation, bonuses, etc. The committees provided their recommendations to the Board of Directors.

\*The full text of the Corporate Governance Policy is available at the Company's website.

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

**(ii) Independent Directors & Auditors Council**

In response to the requirements of Japan's Corporate Governance Code, which facilitates the activities of Independent Directors and Auditors, 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 enabling Independent Directors and Auditors, 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 Directors and Auditors Council. In the Independent Directors and Auditors Council, members discuss the medium- to



long-term direction of the company and share information and exchange viewpoints so that they can each formulate their own opinions.

In fiscal 2016, the Independent Directors and Auditors Council met 6 times. The members shared information and exchanged viewpoints on the Company's management direction, human resources development, the scope of business of the Company and of the Fujitsu Group, etc. and the Council provided advice to the Board of Directors based on the knowledge of its members.

#### **(4) Basic Policy on the Control of the Company**

Based on the fundamental recognition that the increase in corporate value creates the defensive power as a consequence, the Company is focusing on increasing corporate value and does not adopt any specific antitakeover measures. In the case that an acquisition offer is made to the Company, the Board of Directors takes appropriate action based on the recognition that the determination of the location of control of the Company resides in shareholders.

#### **(5) Policy on Decision Regarding Distribution of Dividends etc.**

Article 40 of the Company's Articles of Incorporation grants the Board of Directors the authority to distribute retained earnings. As part of its basic policy on the exercise of this authority, the Company believes that a portion of retained earnings should be paid to shareholders to provide a stable return, and that a proper portion should be retained by the company to strengthen its financial base and support new business development opportunities that will result in improved long-term performance. In addition, while taking into consideration its level of profit, when a sufficient volume of internal reserves is secured, the Company aims to more proactively distribute profits to shareholders, including through share buybacks.

**(6) Accounting Auditor****a) Name of the Accounting Auditor:** Ernst & Young ShinNihon LLC**b) Remuneration to be Paid to the Accounting Auditor***(Million yen)*

(1) Amount of remuneration, etc. as an accounting auditor for the fiscal year under review	555
(2) Total amount of cash and other proprietary benefits that the Company and its subsidiaries should pay to the accounting auditor	1,378

*Notes:*

1. The Company does not clearly differentiate the amounts of compensation for an audit under the Companies Act from an audit under the Financial Instruments and Exchange Act. The Amount stated (1) thus includes the compensation for the audit under the Financial Instruments and Exchange Act.
2. Some subsidiaries of the Company receive an audit from an audit corporation other than the accounting auditor of the Company.
3. The Audit & Supervisory Board, in accordance with the Company's Standards for Nomination and Evaluation of Accounting Auditor, evaluated the performance of auditing by the accounting auditor in the previous fiscal year and, reflecting the evaluation results, reviewed appropriateness of the audit plan for the current fiscal year in terms of the time spent on auditing and staffing, the status of execution of duties by the Accounting Auditor, and the estimated amount of remuneration. As a result, the Audit & Supervisory Board gave consent pursuant to Article 399, Clause 1 of the Companies Act concerning remuneration for the accounting auditor.

**c) Contents of Non-Audit Services**

Fujitsu commissioned the accounting auditor to provide various advisory services, which are services that fall outside the scope of attestation services under Article 2, Paragraph 1 of the Certified Public Accountants Act, and paid fees.

**d) Policy on Decision of Dismissal and Refusal of Reappointment of the Accounting Auditor**

When it is considered that the accounting auditor falls under any of the items stipulated in Clause 1, Article 340 of the Companies Act, the Company will dismiss the accounting auditor subject to the unanimous consent of Audit & Supervisory Board Members.

In addition, the Audit & Supervisory Board will determine the content of a shareholder resolution to be proposed at an Annual Shareholders' Meeting to dismiss or refuse the reappointment of the accounting auditor, when it is deemed to be difficult for the accounting auditor to execute auditing properly because of the occurrence of events that impair its qualification, independence or expertise, or when otherwise events occur that the Audit & Supervisory Board judges make it necessary to do so.

**e) Disciplinary Action against the Accounting Auditor in the Past Two Years**

Outline of the disciplinary action announced by the Financial Services Agency on December 22, 2015

- (i) Firm subject to disciplinary action  
Ernst & Young ShinNihon LLC

(ii) Description of the disciplinary action

- Suspension from accepting new engagements for 3 months (from January 1, 2016, to March 31, 2016)
- Operational improvement order (improvement of operational management and administration systems)

(iii) Reasons for the disciplinary action

- Certified Public Accountants of the firm had, in negligence of due care, engaged in attestation and provided assurance for the financial statements of a company containing material misstatements as if the statements contained no material misstatements
- The firm's operations are significantly inappropriate.

**(7) System to Ensure the Properness of Fujitsu Group Operations**

The Board of Directors resolved pursuant to Clause 5, Article 362 of the Companies Act, the Policy on the Internal Control System prescribed in Item 6 of Clause 4, Article 362 of the Companies Act and in each Item of Clauses 1 and 3, Article 100 of the Enforcement Regulations of the Companies Act. The full text of the Policy on the Internal Control System and the Overview of the Status of Operation of the System to Ensure the Properness of Fujitsu Group Operations can be accessed on the Company's website at the following link:

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

Overview of the Policy on the Internal Control System

The Policy on the Internal Control System sets forth internal structures of the Fujitsu Group, including the following.

- Decision-making and Structure of Management Execution

By dividing the management execution authority of the President & Representative Director, who is the chief executive officer, among the corporate executive officers, and by establishing a Management Council to assist in the President and Representative Director's decision-making, the Company aims to enhance management effectiveness.

In addition, the framework makes clear that the President & Representative Director bears responsibility for the construction and operation of an internal control framework, and the Board of Directors shall fulfill its oversight responsibility by appropriately examining the operation of the internal control framework.

- Risk Management System

The Company shall establish a Risk Management & Compliance Committee, and in addition to preparing systems to control the overall risk of financial losses of the Fujitsu Group, the Company shall also prepare systems for managing risks pertaining to defects and failures in products and services, as well as systems for managing contracted development projects, information security, and financial risk.

- Compliance System

Primarily through the Risk & Management Compliance Committee, the Company shall promote the preparation of the internal rules, education, and oversight systems required for compliance with the Code of Conduct set forth by the FUJITSU Way, and also with laws and regulations concerning the business activities of the Fujitsu Group.

The Company shall also prepare management systems to ensure the appropriateness of financial reporting, as well as systems for information disclosure and internal auditing.

## Topics

The Fujitsu Group conducts research and development on advanced technologies with the goal of bringing about a Human Centric Intelligent Society. R&D spending for fiscal 2016 totaled 173.9 billion yen.

### Example of Research Outcomes: Sports x ICT

Under the theme of “Human Empowerment,” Fujitsu is conducting R&D of technologies that empower people by utilizing new knowledge identified through analysis of people’s motions and data.

In the field of gymnastics competitions, with the rapid advance of gymnastic techniques of athletes in recent years, the burden on judges is increasing as they are required to accurately score a performance with the naked eye. The Fujitsu Group developed 3D laser sensors and 3D data processing technology to discern an athlete’s joint positions and technique and is conducting R&D of technologies that support fair and accurate scoring of gymnastic performance in real time.

In addition to gymnastics competitions, our technologies will also support the future of basketball. We are working to offer a “smart arena solution” that combines player motion-tracking technologies and a free viewpoint video generation technology with 3D laser sensing. Real-time analysis of players’ 3D motion data will contribute to improving the skills of individual players and the performance of teams. Use of compelling images from perspectives where cameras ordinarily cannot be placed will deliver a new viewing experience, raising the entertainment value.

Figure: Image of 3D sensing

(3D laser sensors accurately capture a gymnast’s movements, identify the element performed, and display the element’s name. This not only reduces the burden of judges but also enables scoring in real time, making gymnastics competitions easier to understand for viewers.)

For the status of other R&D themes and the latest topics, please refer to WEB sites of the Company and of Fujitsu Laboratories Ltd. and FUJITSU JOURNAL.

## **Consolidated Statement of Financial Position**

(As of March 31, 2017)

		<u>Millions of yen</u>
<b>Assets</b>		
<b>Current assets:</b>		
Cash and cash equivalents	Y	380,695
Receivables, trade		999,238
Other receivables		66,849
Inventories		293,163
Others		79,052
Subtotal		<u>1,818,997</u>
Assets held for sale		<u>23,408</u>
<b>Total current assets</b>		<u><b>1,842,405</b></u>
<b>Non-current assets:</b>		
Property, plant and equipment, net of accumulated depreciation		596,649
Goodwill		41,237
Intangible assets		153,974
Investments accounted for using the equity method		109,854
Other investments		181,970
Deferred tax assets		132,591
Others		132,818
<b>Total non-current assets</b>		<u><b>1,349,093</b></u>
<b>Total assets</b>	Y	<u><b>3,191,498</b></u>

	<u>Millions of yen</u>
<b>Liabilities and Equity</b>	
<b>Liabilities</b>	
<b>Current liabilities:</b>	
Payables, trade	Y 617,706
Other payables	382,894
Short-term borrowings, current portion	
of long-term debt and lease obligations	130,788
Accrued income taxes	21,740
Provisions	75,047
Others	191,803
Subtotal	<u>1,419,978</u>
Liabilities directly associated with assets held for sale	12,014
<b>Total current liabilities</b>	<u>1,431,992</u>
<b>Non-current liabilities:</b>	
Long-term debt and lease obligations	354,304
Net defined benefit liability	309,031
Provisions	31,363
Deferred tax liabilities	4,788
Others	40,818
<b>Total non-current liabilities</b>	<u>740,304</u>
<b>Total Liabilities</b>	<u>2,172,296</u>
<b>Equity</b>	
Share capital	324,625
Capital surplus	231,640
Treasury stock, at cost	(12,502)
Retained earnings	265,893
Other components of equity	71,636
Total equity attributable to owners of the parent	<u>881,292</u>
Non-controlling interests	137,910
<b>Total Equity</b>	<u>1,019,202</u>
<b>Total Liabilities and Equity</b>	Y <u><u>3,191,498</u></u>

**Consolidated Statement of Profit or Loss**

(Year ended March 31, 2017)

	<b><u>Millions of yen</u></b>
<b>Revenue</b>	<b>Y 4,509,694</b>
Cost of sales	<u>(3,292,690)</u>
Gross profit	1,217,004
Selling, general and administrative expenses	(1,051,522)
Other income (expenses)	<u>(36,621)</u>
<b>Operating Profit</b>	<b><u>128,861</u></b>
Financial income	6,559
Financial expenses	(7,227)
Income from investments accounted for using the equity method, net	<u>6,954</u>
<b>Profit before Income Taxes</b>	<b><u>135,147</u></b>
<b>Income tax expenses</b>	<b><u>(39,830)</u></b>
<b>Profit for the Year</b>	<b>Y <u>95,317</u></b>
 <b>Profit for the year attributable to:</b>	
Owners of the parent	88,489
Non-controlling interests	<u>6,828</u>
<b>Total</b>	<b>Y <u>95,317</u></b>



**Consolidated Statement of Changes in Equity**

(Year ended March 31, 2017)

	(Millions of yen)			
	Equity Attributable to Owners of the Parent			
	Share Capital	Capital surplus	Treasury stock, at Cost	Retained Earnings
<b>Beginning balance</b>	<b>324,625</b>	<b>233,896</b>	<b>(627)</b>	<b>155,930</b>
Profit for the year	-	-	-	88,489
Other comprehensive income	-	-	-	-
Total comprehensive income for the year	-	-	-	88,489
Purchase of treasury stock	-	(5)	(11,877)	-
Disposal of treasury stock	-	-	2	-
Dividends paid	-	-	-	(16,550)
Transfer to retained earnings	-	-	-	38,024
Acquisition (disposal) of non-controlling interests	-	(2,251)	-	-
Changes in ownership interests in subsidiaries	-	-	-	-
<b>Ending balance</b>	<b>324,625</b>	<b>231,640</b>	<b>(12,502)</b>	<b>265,893</b>

	Equity Attributable to Owners of the Parent					
	Other Components of Equity					Total Equity Attributable to Owners of the Parent
	Foreign Currency Translation Adjustment	Cash Flow Hedges	Available-for-sale Financial Assets	Remeasurement of Defined Benefit Plans	Total Other Components of Equity	
<b>Beginning balance</b>	<b>11,308</b>	<b>(386)</b>	<b>58,036</b>	<b>-</b>	<b>68,958</b>	<b>782,782</b>
Profit for the year	-	-	-	-	-	88,489
Other comprehensive income	(16,437)	404	18,711	38,024	40,702	40,702
Total comprehensive income for the year	(16,437)	404	18,711	38,024	40,702	129,191
Purchase of treasury stock	-	-	-	-	-	(11,882)
Disposal of treasury stock	-	-	-	-	-	2
Dividends paid	-	-	-	-	-	(16,550)
Transfer to retained earnings	-	-	-	(38,024)	(38,024)	-
Acquisition (disposal) of non-controlling interests	-	-	-	-	-	(2,251)
Changes in ownership interests in subsidiaries	-	-	-	-	-	-
<b>Ending balance</b>	<b>(5,129)</b>	<b>18</b>	<b>76,747</b>	<b>-</b>	<b>71,636</b>	<b>881,292</b>

	Non-Controlling Interests	Total Equity
<b>Beginning balance</b>	<b>143,458</b>	<b>926,240</b>
Profit for the year	6,828	95,317
Other comprehensive income	1,068	41,770
Total comprehensive income for the year	7,896	137,087
Purchase of treasury stock	(2)	(11,884)
Disposal of treasury stock	-	2
Dividends paid	(2,851)	(19,401)
Transfer to retained earnings	-	-
Acquisition (disposal) of non-controlling interests	(10,544)	(12,795)
Changes in ownership interests in subsidiaries	(47)	(47)
<b>Ending balance</b>	<b>137,910</b>	<b>1,019,202</b>

**[Unaudited] Simplified Consolidated Statement of Comprehensive Income**

(Year ended March 31, 2017)

	<b><u>Millions of yen</u></b>
<b>Profit for the year</b>	<b>Y 95,317</b>
<b>Other Comprehensive Income</b>	
<b>Items that will not be reclassified to profit or loss</b>	
Remeasurement of defined benefit plans	39,975
<b>Items that will be reclassified to profit or loss</b>	
Foreign currency translation adjustments	(15,515)
Available-for-sale financial assets	18,577
Share of other comprehensive income of investments accounted for using the equity method, etc.	(1,267)
	<u>1,795</u>
<b>Total Other Comprehensive Income for the Year, Net of Taxes</b>	<u><b>41,770</b></u>
<b>Total Comprehensive Income for the Year</b>	<u><b>137,087</b></u>
<b>Total Comprehensive Income attributable to:</b>	
Owners of the parent	129,191
Non-controlling interests	7,896
<b>Total</b>	<b>Y <u><u>137,087</u></u></b>

**[Unaudited] Simplified Consolidated Statement of Cash Flows**

(Year ended March 31, 2017)

	<b><u>Millions of yen</u></b>
<b>1. Cash flows from operating activities:</b>	
Profit before income taxes	Y 135,147
Depreciation, amortization and impairment loss	188,297
Other, net	<u>(73,113)</u>
<b>Net cash provided by operating activities</b>	<u><b>250,331</b></u>
<b>2. Cash flows from investing activities</b>	<u><b>(145,479)</b></u>
<b>1 + 2 [Free cash flow]</b>	<u><b>104,852</b></u>
<b>3. Cash flows from financing activities</b>	<u><b>(98,896)</b></u>
<b>4. Net increase (decrease) in cash and cash equivalents</b>	<u><b>5,956</b></u>
<b>5. Cash and cash equivalents at beginning of period</b>	<u><b>380,810</b></u>
<b>6. Effect of exchange rate changes on cash and cash equivalents</b>	<u><b>(2,797)</b></u>
<b>7. Cash and cash equivalents at end of period</b>	<b>Y <u><u>383,969</u></u></b>

**Unconsolidated Balance Sheet**

(As of March 31, 2017)

	<u>Millions of yen</u>
<b>Assets</b>	
<b>Current assets:</b>	
Cash and deposits	Y 17,805
Notes receivable, trade	901
Accounts receivable, trade	522,701
Marketable securities	160,000
Finished goods	43,764
Work in process	4,218
Raw materials	8,095
Advanced payments	2,383
Deferred tax assets	27,490
Accounts receivable, other	189,195
Others	17,489
Allowance for doubtful accounts	(288)
<b>Total current assets</b>	<u>993,756</u>
<b>Non-current assets:</b>	
Property, plant and equipment, net of accumulated depreciation:	
Buildings	98,763
Structure	3,090
Machinery	1,395
Vehicle and delivery equipment	1
Equipment	36,565
Land	51,427
Construction in progress	7,039
Total property, plant and equipment	<u>198,283</u>
Intangible assets:	
Software	68,734
Others	8,449
Total intangible assets	<u>77,183</u>
Investments and other non-current assets:	
Investment securities	144,565
Subsidiaries' and affiliates' stocks	552,598
Long-term loans to affiliated companies	41
Receivables from companies under bankruptcy or reorganization process	367
Prepaid pension cost	44,103
Others	34,254
Allowance for doubtful accounts	(988)
Total other non-current assets	<u>774,942</u>
<b>Total non-current assets</b>	<u>1,050,409</u>
<b>Total assets</b>	<u><u>Y 2,044,166</u></u>

		<u>Millions of yen</u>
<b>Liabilities and net assets</b>		
<b>Liabilities</b>		
<b>Current liabilities:</b>		
Electronically recorded obligations - operating	Y	18,747
Accounts payable, trade		496,201
Short-term borrowings		64,372
Current portion of long-term borrowings payable		50,405
Current portion of bonds payable		20,000
Lease obligations		1,296
Accrued liability		29,917
Accrued expenses		109,526
Accrued income taxes		5,791
Advance received		79,207
Deposits payable		16,439
Provision for construction contract losses		8,473
Provision for product warranties		4,637
Provision for loss on business of subsidiaries and associates		41,470
Provision for bonuses to board members		86
Provision for environmental measures		60
Others		728
<b>Total current liabilities</b>		<u>947,361</u>
<b>Long-term liabilities:</b>		
Bonds payable		180,000
Long-term borrowings		145,223
Lease obligations		2,036
Deferred tax liabilities		35,621
Provision for loss on repurchase of computers		4,777
Provision for environmental measures		3,832
Asset retirement obligations		8,798
Others		1,037
<b>Total long-term liabilities</b>		<u>381,327</u>
<b>Total liabilities</b>		<u>1,328,688</u>
<b>Net assets</b>		
<b>Shareholders' equity:</b>		
Common stock		324,625
Capital surplus:		
Other capital surplus		166,296
<b>Total capital surplus</b>		<u>166,296</u>
Retained earnings:		
Legal retained earnings		15,100
Other retained earnings:		
Reserves for special depreciation		19
Retained earnings brought forward		165,541
<b>Total retained earnings</b>		<u>180,660</u>
Treasury stock		<u>(12,502)</u>
<b>Total shareholders' equity</b>		<u>659,080</u>
<b>Valuation and translation adjustments:</b>		
Unrealized gain and loss on securities, net of taxes		56,397
<b>Total valuation and translation adjustments</b>		<u>56,397</u>
<b>Total net assets</b>		<u>715,477</u>
<b>Total liabilities and net assets</b>	Y	<u><u>2,044,166</u></u>

**Unconsolidated Income Statement**

(Year ended March 31, 2017)

	<b>Millions of yen</b>
<b>Net sales</b>	<b>Y 2,034,508</b>
<b>Cost of sales</b>	<b>1,546,361</b>
<b>Gross profit</b>	<b>488,146</b>
<b>Selling, general and administrative expenses</b>	<b>503,218</b>
<b>Operating loss</b>	<b>(15,072)</b>
<b>Other income:</b>	
Interest income	250
Dividend income	46,269
Foreign exchange gains	830
Other finance income	2,214
<b>Total other income</b>	<b>49,565</b>
<b>Other expenses:</b>	
Interest expense	1,022
Interest on bonds	1,759
Provision of allowance for doubtful accounts	4
Provision for loss on business of subsidiaries and associates	17,033
Other finance expenses	779
<b>Total other expenses</b>	<b>20,599</b>
<b>Ordinary income</b>	<b>13,893</b>
<b>Extraordinary income:</b>	
Gain on sales of non-current assets	2,047
Gain on extinguishment of tie-in shares	21,816
<b>Total extraordinary income</b>	<b>23,863</b>
<b>Extraordinary losses:</b>	
Impairment losses	5,927
<b>Total extraordinary losses</b>	<b>5,927</b>
<b>Income before income taxes</b>	<b>31,829</b>
<b>Income taxes:</b>	
Current	(5,655)
Deferred	(7,478)
<b>Total income taxes</b>	<b>(13,133)</b>
<b>Net income</b>	<b>Y 44,963</b>