

Notice of Disposal of Treasury Stock as Stock Compensation

Tokyo, July 29, 2022 – Fujitsu Limited announced that it resolved at its Board of Directors meeting held today to dispose of treasury stock as stock compensation (hereinafter referred to as “the Treasury Stock Disposal”) as stated below.

1. Outline of Disposal in Japan

- | | |
|--------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| (1) Disposal date | August 22, 2022 |
| (2) Class and number of shares to be disposed of | Common stock of the Company 75,501 shares |
| (3) Disposal price | 18,940 yen per share |
| (4) Total of disposal price | 1,429,988,940 yen |
| (5) Planned allottees | 1. Directors, etc. and Employees of the Company (*)
66 people
(Including 16 retired employees.)
2. Directors and Employees of the Company’s subsidiaries (*)
36 people
(Including 8 retired Directors as well as one planned retiree and 8 retired employee.)
Total 75,501 shares
* Including Executive Directors. |
| (6) Others | This Treasury Stock Disposal is subject to the Securities Registration Statements taking effect in accordance with the Financial Instruments and Exchange Act. |

2. Outline of Overseas Disposal

- | | |
|--------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| (1) Disposal date | August 22, 2022 |
| (2) Class and number of shares to be disposed of | Common stock of the Company 30,081 shares |
| (3) Disposal price | 18,940 yen per share |
| (4) Total of disposal price | 569,734,140 yen |
| (5) Planned allottees | Directors, etc. and Employees of the Company’s Overseas subsidiaries
6 people
Persons seconded to and/or permanently transferred to overseas subsidiaries of the Company |

4 people

Total 30,081 shares

(6) Others

This Treasury Stock Disposal is subject to the Securities Registration Statements taking effect in accordance with the Financial Instruments and Exchange Act.

3. Purpose and Reasons for Disposal

The Company has adopted (1) a performance-based stock compensation system for Eligible Directors, etc. (defined later) of the Company and some of its subsidiaries in Japan, as well as those seconded to or permanently transferred to overseas subsidiaries and (2) a stock compensation system for overseas subsidiaries (defined later), which is made up of performance-based stock units and non-performance-based restricted stock units, for certain Directors, etc. and employees of some of its overseas subsidiaries. The disposal in Japan is based on the performance-based stock compensation system and the overseas disposal is based on the stock compensation system for overseas subsidiaries. The disposal will be implemented following the resolution at the Board of Directors meeting held on July 29, 2021, under which the monetary compensation claims based on these systems will be provided to eligible persons, who are intended allottees under the performance-based stock compensation system and the stock compensation system for overseas subsidiaries, and the common stock of the Company will be allocated to them in return for investment in kind as contributed assets of the monetary compensation claims.

(1) Performance-based Stock Compensation System

The Company resolved at the Board of Directors meeting held on April 28, 2017 to introduce a performance-based stock compensation system to Executive Directors (referring to Representative Directors, and Directors who double as Corporate Executive Officers. The same applies hereinafter). Subsequently, it was resolved at the 117th Annual Shareholders' Meeting held on June 26, 2017 that common stock of the Company to be used as a non-monetary reward shall be up to 300 million yen a year and that the total number of shares to be allocated should be up to 43,000 shares a year (*1). In addition, it was resolved at the 121st Annual Shareholders' Meeting held on June 28, 2021 that with the disposal of treasury stock through domestic and overseas offerings being based on the aforementioned system that common stock of the Company to be used as a non-monetary reward shall be up to 1,200 million yen a year and that the total number of shares to be allocated should be up to 75,000 shares a year and specific details of the system. Furthermore, at the 122nd Ordinary General Meeting of Shareholders held on June 27, 2022, it was resolved that EPS (earnings per share) would be added to the indicator for business performance achievement for the fiscal year 2022 and thereafter, and that a portion of the compensation would be paid in cash equivalent to the funds for tax payment and the remainder in monetary compensation claims for the allocation of the Company's shares. The disposal will be made in accordance with the performance-linked stock compensation plan prior to the resolution.

*1. Since the Company consolidated 10 shares of common stock of the Company to one share on October 1, 2018, the number of shares after the stock consolidation is described herein.

In addition, the Company resolved at the Board of Directors meeting held on April 28, 2017 to apply this performance-based stock compensation system to Corporate Executive Officers of the Company in addition to Executive Directors of the Company, and to extend a similar system to Executive Directors and Corporate Executive Officers, etc. of some of the Company's subsidiaries in Japan (*2).

The implementation of the performance-based stock compensation system on employees certified as SVP and employees certified as VP in the responsibility-based classification of Fujitsu Level was resolved at the management meetings held on December 16, 2019 and March 23, 2020, respectively. The implementation of the performance-based stock compensation system for some of the executives was resolved following the change made to the length of the performance judgment period to one year on November 29, 2019, with the approval of the Representative Director and CEO. (hereinafter Executive Directors, Corporate Executive Officers, employees certified as SVP or VP in the responsibility-based classification of Fujitsu Level, etc. of the Company and some of the Company's subsidiaries in Japan collectively referred to as "Eligible Directors, etc.").

*2 Pursuant to the provision of the Articles of Incorporation of the Company's subsidiaries in Japan, the Company determines compensation, bonuses and other proprietary interests that the Company's subsidiaries in Japan grant their Directors, as consideration of execution of duties.

Overview of the System is as below:

<Overview of the performance-based stock compensation system>

The Company has adopted a performance-based stock compensation system not only to give eligible Directors, etc. mid- and long-term incentives for improving corporate value but also to further facilitate company management from a shareholders' perspective.

(i) Overview of the system

The Company will present to Eligible Directors, etc. a number of base shares in accordance with their respective rank, a performance judging period (three fiscal years) and performance targets in advance. The number of shares, which is calculated by multiplying the number of base shares by a fixed coefficient according to the level of performance achievement, is fixed for each fiscal year and at the end of the performance judging period. When the performance judging period is over, the total number of shares is allocated to each Eligible Directors, etc. with the condition that the person has been eligible for the Plan throughout the performance judging period. Then, monetary compensation claims comparable to the market value of allocated shares are provided to the Eligible Directors, etc. Next, the Eligible Directors, etc. contribute these monetary compensation claims in allocated shares to acquire shares of the Company.

Eligible Directors, etc. may transfer acquired shares of the Company at their own discretion as long as they do not violate regulations regarding insider trading.

(ii) Index of performance achievement and coefficient

A coefficient is set up within a certain range according to pre-determined performance achievement levels vis-à-vis the indicators of sales revenue and operating profit in the Company's consolidated financial results.

(iii) Payment per share

The payment amount per share allocated to Eligible Directors, etc. under the performance-based stock compensation system shall be the fair price of the Company's share on the day of payment, such as the closing value of the share at Tokyo Stock Exchange one business day before the date of the Board of Directors meeting in which the allocation was resolved.

(iv) Condition for provision of monetary compensation claims and allocation of shares of the Company

When the performance judging period is over, with the condition that the person has been eligible for the Plan throughout the performance judging period, monetary compensation claims are provided to each the Eligible Directors, etc., and allocate them shares of the Company in return for investment in kind of all the monetary compensation claims. When the Eligible Directors, etc. lose the aforementioned position before the expiration of the judging period with the reasons deemed reasonable by the Company, the Company shall reasonably adjust the number of allocated shares and the timing of allocation, as necessary.

(v) Other

Handling of the performance-based stock compensation system 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 system shall be determined by the Company or incorporated as regulations on stock compensation, etc. (including regulations on stock compensation of some of the Company's subsidiaries in Japan).

(2) Stock Compensation System for Overseas Subsidiaries

The Company has resolved at the Fujitsu Global Compensation Committee (*1) meeting held on December 5, 2017 the adoption of a stock compensation system for overseas subsidiaries. Under this system, the stock of the Company will be provided as a stock compensation to certain Directors, etc. and employees of some of overseas subsidiaries of the Company (those who have been certified as SVP or above under Fujitsu Level to become eligible for the stock compensation system for overseas subsidiaries, and hereinafter referred to as "Eligible Directors, etc. of Overseas Subsidiaries") based on performance-based stock units (hereinafter referred to as "PSU") and non-performance-based restricted stock units (hereinafter referred to as "RSU").

*1. A committee chaired by the SEVP, Head of the Global Corporate, intended to deliberate on and resolve compensation and incentive programs for those who are VP or above, under Fujitsu Level for overseas subsidiaries. The committee has been abolished.

Overview of the System is as below:

<Overview of the Stock Compensation System for Overseas Subsidiaries>

The Company has adopted a stock compensation system for overseas subsidiaries not only to give Eligible Directors, etc. of Overseas Subsidiaries incentives for med- and long-term for improving corporate value but also to further facilitate company management from a shareholders' perspective.

(i) Overview of the system

a) Overview of PSU

The Company will present to Eligible Directors, etc. of Overseas Subsidiaries beforehand a base number of shares, performance judgment period (three fiscal years), and performance targets that are individually established. The number of shares, which is calculated by multiplying the number of base shares by a fixed coefficient according to the level of performance achievement, is fixed for each fiscal year and at the end of the performance judgment period. When the performance judging period is over, the total number of shares is allocated to each the Eligible Directors, etc. of Overseas Subsidiaries with the condition that the person has been applicable for the Plan throughout the performance judging period.

b) Overview of RSU

The number of shares to be allocated will be decided in advance for each Eligible Director, etc. of Overseas Subsidiaries. Provided that they remain in the same position throughout the calculation period of the three fiscal years, the respective total number of shares will be allocated to each of the Eligible Directors, etc. of Overseas Subsidiaries at the end of the third fiscal year.

In the cases of allocations through both PSU and RSU, monetary compensation claims equivalent to the market value of the allocated shares are provided to the Eligible Directors, etc. of Overseas Subsidiaries, who will then use these monetary compensation claims to acquire the allocated number of shares of the Company. The Eligible Directors, etc. of Overseas Subsidiaries may transfer the acquired shares of the Company at their own discretion as long as they do not violate regulations regarding insider trading.

(ii) Index of performance achievement and coefficient used for PSU calculation

A coefficient is set within a certain range according to the level of actual performance against the pre-determined performance target, using the indicators including the Company's consolidated sales revenue and operating profit or sales revenue and operating profit of the area in which the Eligible Directors, etc. of Overseas Subsidiaries are in charge of.

(iii) Payment per share

The payment amount per share allocated to Eligible Directors, etc. of Overseas Subsidiaries under the stock compensation system for overseas subsidiaries shall be the fair price of the Company's share on the date of payment, such as the closing value of the share at Tokyo Stock Exchange one business day before the date of the Board of Directors meeting in which the allocation was resolved.

(iv) Condition for provision of monetary compensation claims and allocation of shares of the Company

PSU will be allocated under the condition that Eligible Directors, etc. of Overseas Subsidiaries remain in the same position throughout the performance judgment period. RSU will be allocated under the condition that Eligible Directors, etc. of Overseas Subsidiaries remain in the same position throughout the calculation period of three fiscal years. Under these conditions, the monetary compensation claims will be provided to the Eligible Directors, etc. of Overseas Subsidiaries, and the stock of the Company will be allocated to them in return for investment in kind of all the monetary compensation claims. When Eligible Directors, etc. of Overseas Subsidiaries under the stock compensation system for overseas subsidiaries lose their positions before the expiration of the performance judgment period or the calculation period for reasons deemed reasonable by the Company, the Company shall reasonably adjust the number of allocated shares and the timing of allocation, as necessary...

(v) Other

Handling of the stock compensation system for overseas subsidiaries 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 system shall be determined by the regulations on stock compensation, etc. (including regulations on stock compensation of some of the Company's overseas subsidiaries.

4. Basis of calculation of the payment amount and its specific contents

Fujitsu will dispose of its treasury shares to planned allottees by using the monetary compensation claims granted to them by the above systems as contributed assets. The disposal price under the Treasury Stock Disposal is set as 18,940 yen, which is the closing price of the Company's common stock at Tokyo Stock Exchange on July 28, 2022 (the business day prior to the date that the Board of Directors Meeting made the resolution), in order to make a price free from arbitrariness.

The deviation rate of this value from the simple average closing price of common stock of Fujitsu in Tokyo Stock Exchange for one month (from June 29, 2022 to July 28, 2022) 18,036 yen (round off to the first decimal place, by simply averaging the closing prices, and the same applies to the following) was 4.77% (round off to the second decimal place in calculating deviation rate, and the same applies to the following), the simple average closing price for 3 months (from April 29, 2022 to July 28, 2022) 18,384 yen was 2.95%, and the simple average closing price for 6 months (from January 29, 2022 to July 28, 2022) 17,869 yen was 5.66%.

The above price is the market price immediately before the date of determination on the Treasury Stock Disposal by the Board of Directors meeting, which is pursuant to the "guidance on handling of stock increase by third-party allotment" by Japan Securities Dealers Association, and Fujitsu considers it rational and not unusually favorable to the recipients.

5. Matters concerning the procedure required by the corporate code of conduct

The Treasury Stock Disposal does not require an opinion from an independent third party or require procedures for confirming the intent of shareholders, which are provided for under Rule 432 of the Securities Listing

Regulations of the Tokyo Stock Exchange, because (i) the dilution ratio is less than 25% and (ii) the Treasury Stock Disposal does not involve a change in controlling shareholder.

Press Contacts:

Fujitsu Limited

Public and Investor Relations Division

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

About Fujitsu

Fujitsu is the leading Japanese information and communication technology (ICT) company offering a full range of technology products, solutions and services. Approximately 126,000 Fujitsu people support customers in more than 100 countries. We use our experience and the power of ICT to shape the future of society with our customers. Fujitsu Limited (TSE:6702) reported consolidated revenues of 3.6 trillion yen (US\$34 billion) for the fiscal year ended March 31, 2021. For more information, please see www.fujitsu.com.