



shaping tomorrow with you

Export Control for IT company in Japan

January 2014
YASUNARI SUZUKI
Security Export Control Office
Legal Unit, FUJITSU LIMITED

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1. About FUJITSU

Fujitsu at a glance



Headquarters:

Tokyo, Japan

Established:

1935

President:

Masami Yamamoto

Principal Business Areas:

**Technology Solutions
Ubiquitous Solutions
Device Solutions**

Employees:

169,000 worldwide

Net Sales:

**4,381.7 billion yen
(US\$46,614 million)**

R&D Expenditure:

**231.0 billion yen
(Approx 5.3% of Sales)**

Stock Exchange Listings:

**Tokyo (Code:6702), Osaka
Nagoya**

Note:

All yen figures have been converted to U.S. dollars for convenience only at a uniform rate of US\$1 = 94 yen, the approximate closing rate on March 31, 2013.

Revenue by sector – FY 2012

Device Solutions

- LSI
- Electronic Components
- Others

¥540.3 billion
US\$5,748 million

Others

¥64.7 billion
US\$688.4 million

Technology Solutions

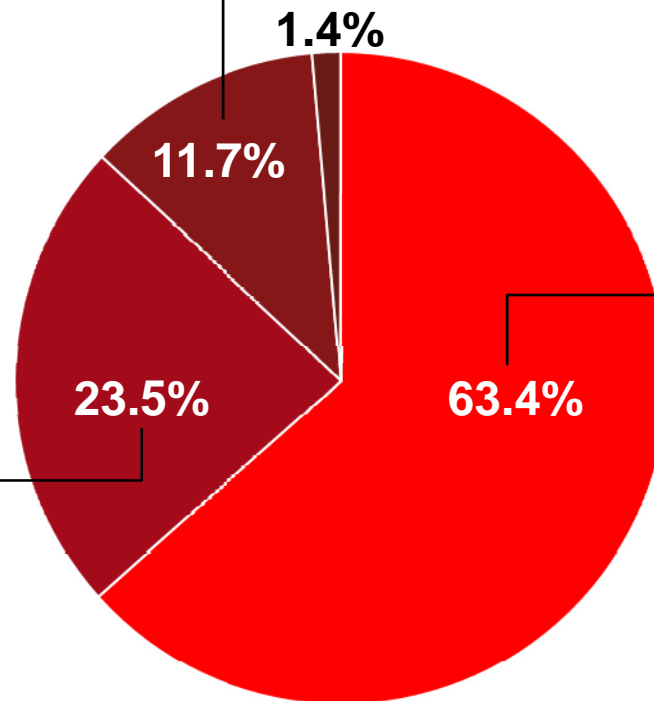
- Services Solutions
System Integration
Infrastructure Services
- System Platforms
System Products
Network Products

¥2,942.3 billion
US\$31,301 million

Ubiquitous Solutions

- PCs/Mobile Phones
- Mobilewear
- Others

¥1,090.2 billion
US\$11,598 million



Note: Consolidated Net Sales by Business Segment, Including Intersegment Sales.
Percentage breakdown for each segment is calculated as segment's net sales / (total consolidated net sales).

US\$1=94yen, the approximate closing rate on March 31, 2013.

FY 2012 is fiscal year ended March 31, 2013.

Revenue by Region– FY 2012



Asia Pacific & China

¥442.3 billion

FUJITSU (MALAYSIA) SDN. BHD.

Business activities

Offers a full range of ICT solutions, hardware and software products, professional IT services including data centre, systems integration, managed services, software development, multi-vendor desktop services and more

Website:

<http://my.fujitsu.com>

The Americas

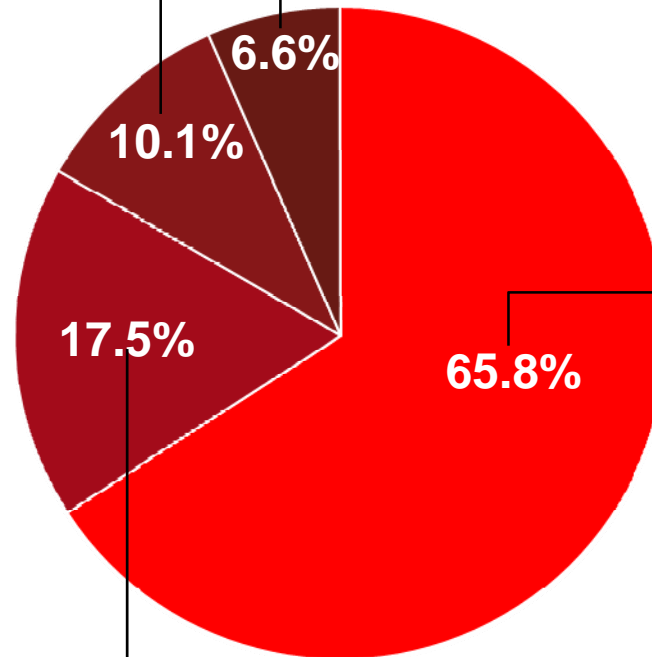
¥287.7 billion

Japan

¥2,883.5 billion

Europe, Middle East & Africa

¥768.1 billion



Note: Consolidated Net Sales to Unaffiliated Customers by Customer's Geographic Location. Geographical segments are defined based on customer location and interconnectedness of business activities.

FY 2012 is fiscal year ended March 31, 2013.

Principal Products & Services



Technology Solutions

Services



Our datacenters in the world

Systems platform



FUJITSU
Supercomputer
PRIMEHPC FX10



FUJITSU Server
PRIMERGY



FUJITSU
Storage
ETERNUS

Ubiquitous Product Solutions



FUJITSU
PC
LIFEBOOK



FUJITSU
Smartphone
STYLISTIC

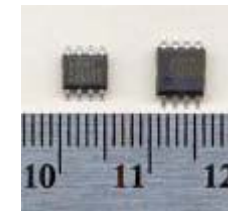


FUJITSU Tablet
STYLISTIC

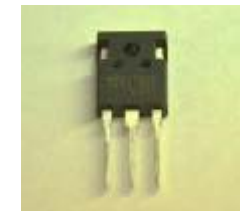
Device solutions



SPARC 64™ X
CPU
for UNIX
Server



FRAM
(Ferroelectric
Random Access
Memory)



GaN
(gallium-
nitride)
Power Devices

Note: *Japan market only

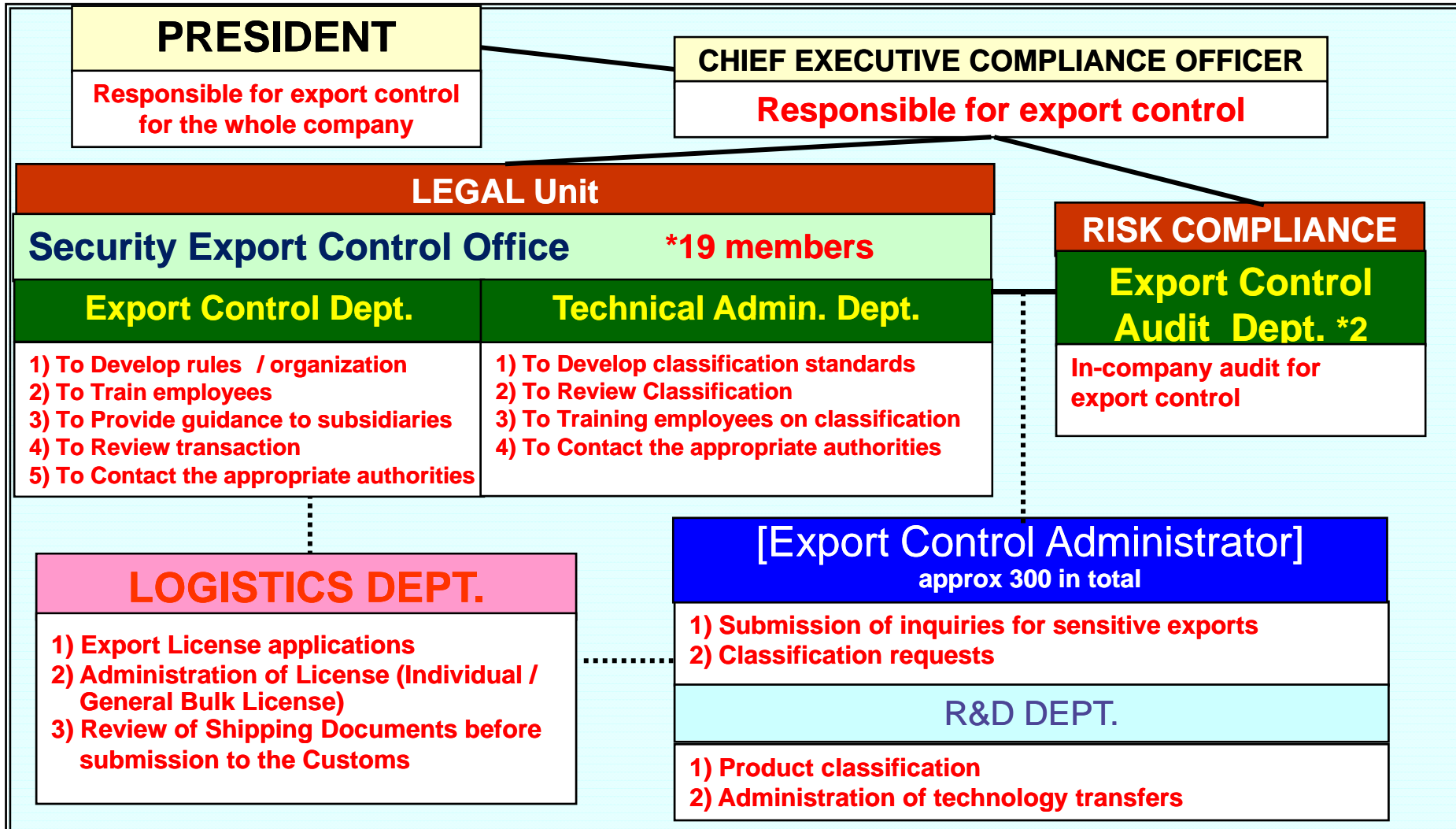
2. Internal Export Control

Export Control / Organization

Export Control / Rules - organization

Compliance Program(CP) ※

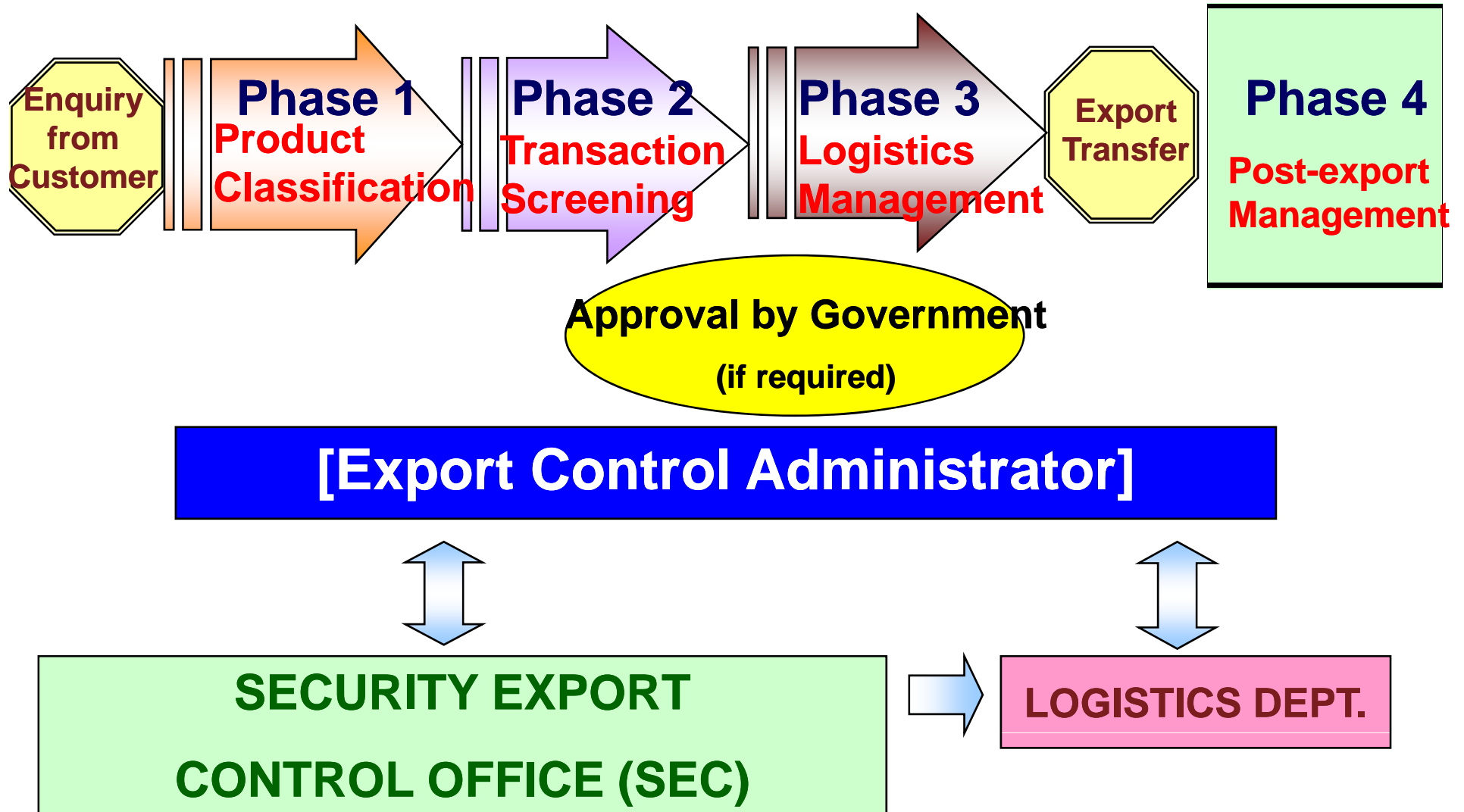
※) CP : Bulk Export License is provided to a company whose CP has been approved by the government.



3. Export Control Activities

Export Control Activities

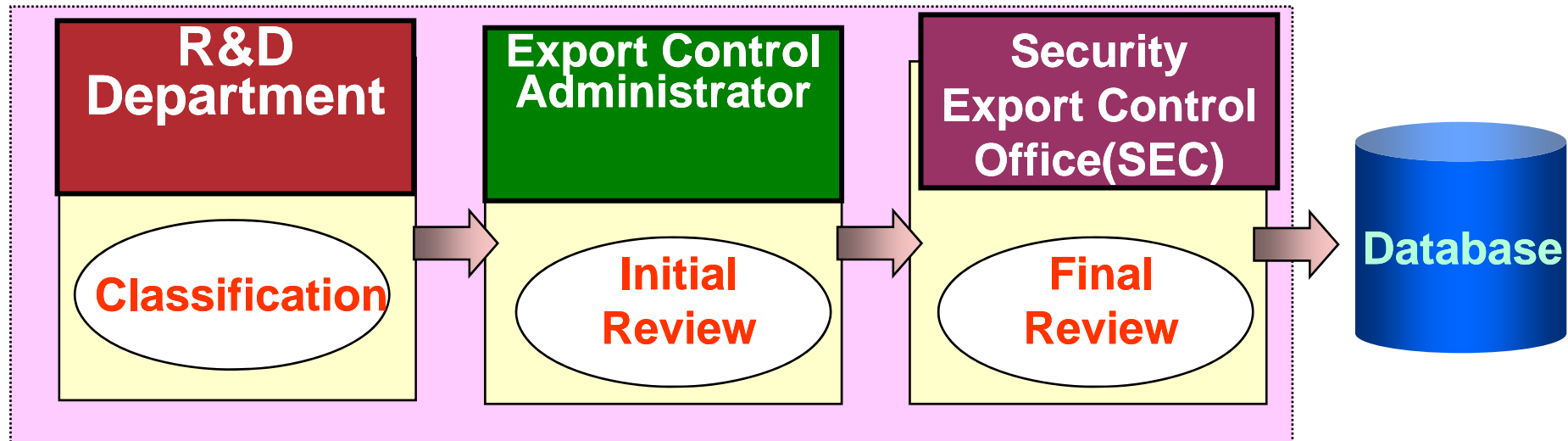
3.1 Overview



Export Control Activities

3.2 Product Classification

“PRODUCT CLASSIFICATION” is made for all items to be exported, to determine whether an item is subject to controls of the **Japanese Export Control Regulations and the U.S. EAR.**

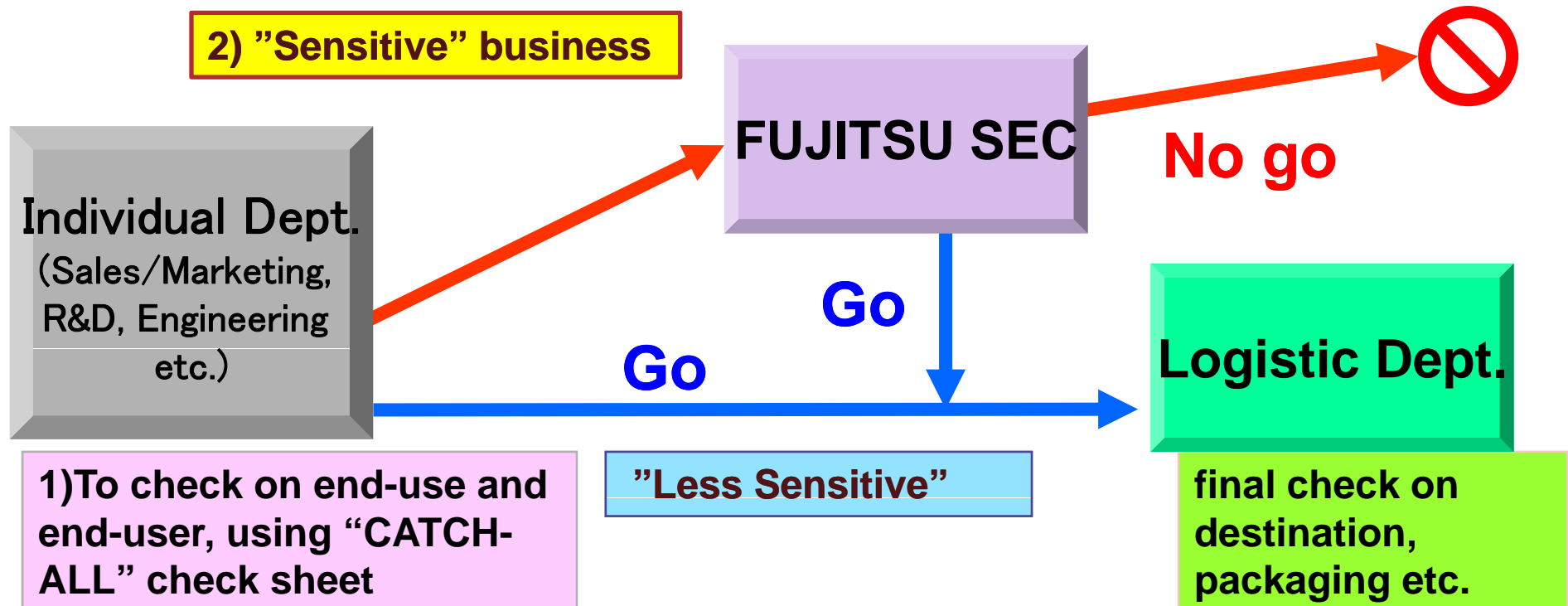


The classification results are registered in a **CLASSIFICATION DATA BASE**, so that any employee may refer to them.

Export Control Activities

3.3 Transaction Screening (1)

- 1) Every transaction is initially screened by individual department in accordance with “guidelines”, developed by Security Export Control Office (SEC).
- 2) SEC then conducts the second screening for certain “sensitive” businesses, which is pre-determined under “guidelines”.



Export Control Activities

3.3 Transaction Screening (2)

“Sensitive” business

- ▼ Transactions is with an Entity Listed on the **“Denied Customer List (DCL)”**
- ▼ The Ultimate Destination is **Afghanistan, Democratic Republic of the Congo, Cote d'Ivoire, Cuba, Eritrea, Iran, Iraq, Lebanon, Libya, Liberia, North Korea, Somali, Sudan or Syria.**
- ▼ Transaction is with **military or military related end-user(s)**, or is related to **military application(s)**.
- ▼ Transaction is Related to **development of Weapons of Mass Destruction (WMD).**
- ▼ Transaction is Suspected as **Unauthorized Diversion.**



Export Control Activities

3.3 Transaction Screening (3)

Who is the end-user ? / “Denied Customer List (DCL)”

METI (Japanese Government)

- ◆ WMD End User List

Department of Commerce (DOC)

- ◆ Entity List
- ◆ Denied Persons List

Department of the Treasury (DOT)

- ◆ Specially Designated Nationals
- ◆ Specially Designated Terrorists
- ◆ Specially Designated Narcotic Traffickers

Department of State (DOS)

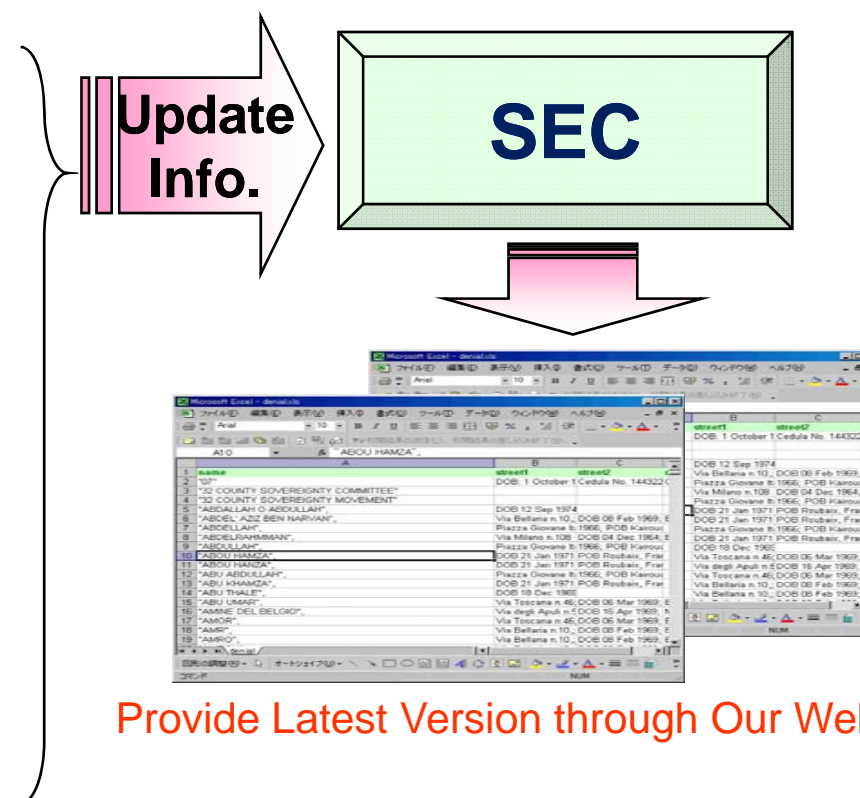
- ◆ Statutorily Debarred Parties
- ◆ Designated Terrorist Organization
- ◆ Missile Proliferators
- ◆ Chemical & Biological Weapons Concerns

EU

- ◆ EU/ UN Sanctions List

OTHERS

- ◆ U.K. and Germany Concerned Entity List



Provide Latest Version through Our Web Site

Export Control Activities

3.5 Export Control on Intangible Technology

Japanese Regulations

ALL Technology Transfers, both tangible (such as documents, recording media) and intangible (such as technical assistance, telephone, fax, e-mail), are subject to controls under Japanese Regulations.

- ⊕ Difficult to identify occurrence of Technology Transfer
- ⊕ Companies define “Control Units” for technology transfers
- ⊕ Classification of Technology to be transferred, and license application, as necessary, shall be undertaken on “project-basis”.

“Project-base” control ; efficient

Export Control Activities

3.5 Export Control on Intangible Technology

Corporate “Self-Control”

⊕ *Enhance Employees’ Awareness*

- ▼ Code of Conduct, Compliance Program
- ▼ Education (e-learning)



⊕ *Watch by Local Experts*

- ▼ Compliance officers designated in each business unit

⊕ *Audit by Experts*

- ▼ SECHQ’s Experts to execute annual audits

⊕ *Support by administrative guidelines from METI*

(e.g. a guideline for Technology Transfer using Network Servers)

4. Export Control / for overseas subsidiaries

ICP based Export Control for FUJITSU Group

- Fujitsu Subsidiaries have their Internal Control Program based on FUJITSU Limited's recommended "model".
- Fujitsu Subsidiaries execute export control screening based on "model" ICP
- ICP is Export Control Policy for FUJITSU Group

Contents of “model” ICP

- 1. Corporate Policy
- 2. Definitions
- 3. Organization
- 4. Classification
- 5. Transaction Screening
- 6. Prevention of Unauthorized Diversion
- 7. Export License Requirement
- 8. Delivery Administration
- 9. Internal Audit
- 10. Training
- 11. Record Keeping
- 12. Reporting Obligation and Penalties

Export Control / for overseas subsidiaries

Be compliant with local regulations
(**MALAYSIA ; Strategic Trade Act 2010**)

Watch their customers & report to FUJITSU when
required by FUJITSU (refer to the next slide)

Be aware of the U.S. Export Administrations Regulation
(**EAR ***) and take necessary preventive measures



(*) because of extra-territorial nature of the EAR

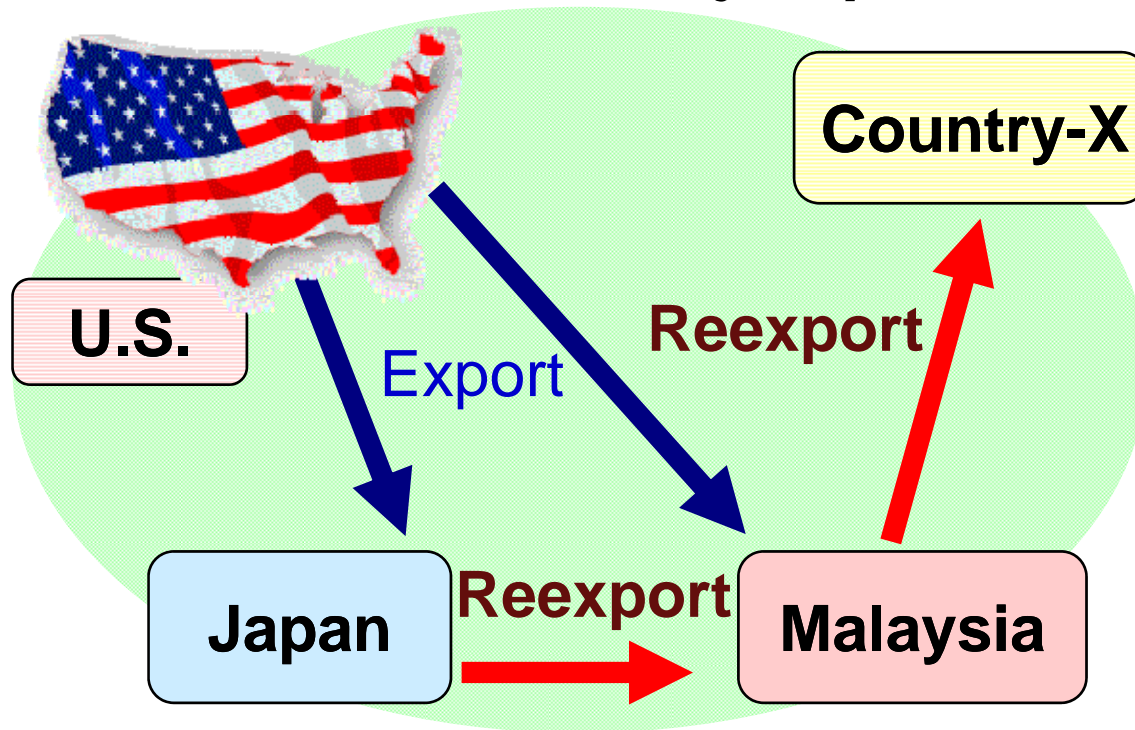
Observe **their own ICP (Internal Compliance Program)**



Export Control / for overseas subsidiaries **FUJITSU**

EAR controls not only Export, but also **Reexport** !

(EAR § 734.2 for details)



EAR § 730.5 COVERAGE OF MORE THAN EXPORTS

“ ,,, You will find, however, that some provisions give broad meaning to the term “export”, **apply to transactions outside of the United States**, or apply to activities other than exports.”

(a) Reexports. Commodities, software, and technology that have been exported from the U.S. are generally subject to the EAR with respect to reexport.

Not only U.S. subsidiaries but also all FUJITSU group companies, including FUJITSU Japan and Malaysia, are required to comply with the EAR for (re)export of the items subject to EAR.

Export Control / for overseas subsidiaries

Under what circumstance is subsidiary required to contact FUJITSU ??

(a)-(e) ; Consultation to FUJITSU is required
(f) ; Escalation to ICP chairperson and FUJITSU is required.

	Prior report	Report upon notice	Prior consent
(a) Transaction with Customers on Black List*	✓		✓
(b) (Re) export to the Concerned Countries**	✓		✓
(c) Military End-Use Related Transaction	✓		✓
(d) WMD*** End-Use Related Transaction	✓		✓
(e) Unauthorized Diversions	✓		
(f) Violation of Export Control LAWS (Local, U.S or Japan)		✓	

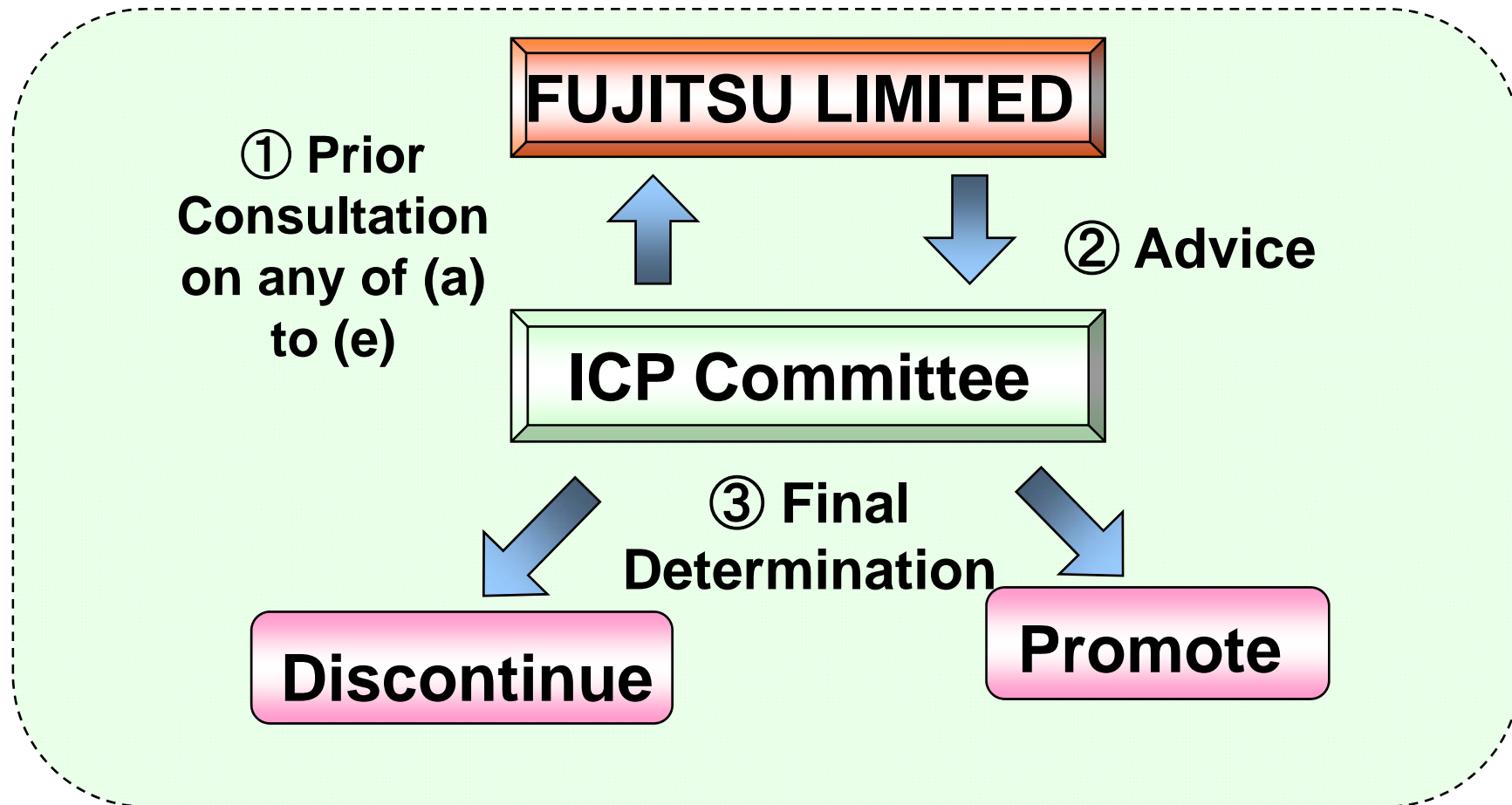
*Black List: DCL (Denied Customer List) which includes both Japanese Foreign User List and U.S.'s DPL (Denied Person's List) etc.

**Concerned Countries: 14 countries, same as those listed in Slide 14

*** WMD: Weapons of Mass Destruction

Export Control / for overseas subsidiaries

Prior Consultation with FUJITSU is requested.



5. To Enhance Employees' Awareness

Training per hierarchy level



Training per business unit (Classroom training)

- ◆ Training for export control administrators
- ◆ Training on product classification
(Provided per training levels and product categories)
- ◆ Training for each department (upon request)

Company-wide e-learning

- ◆ Company-wide export control training course has been provided to all employees on e-learning since 2005.

6. Internal Audit

- Who conduct audit ? : Export Control Audit Division
- How often ? : once a year
- How many days ? : audited for 1-2 days (per division)
- Who to be audited ?

<To be audited year by year>

- Security Export Control Office
- Logistics Department

<To be audited occasionally>

- Sales department, R&D department which is dealing with foreign customers/partners

■ Transparency of Audit:

Main points of audit is indicated for those to be audited beforehand, with intention for educational effect.

7. For Efficiency

For Efficiency to support subsidiaries



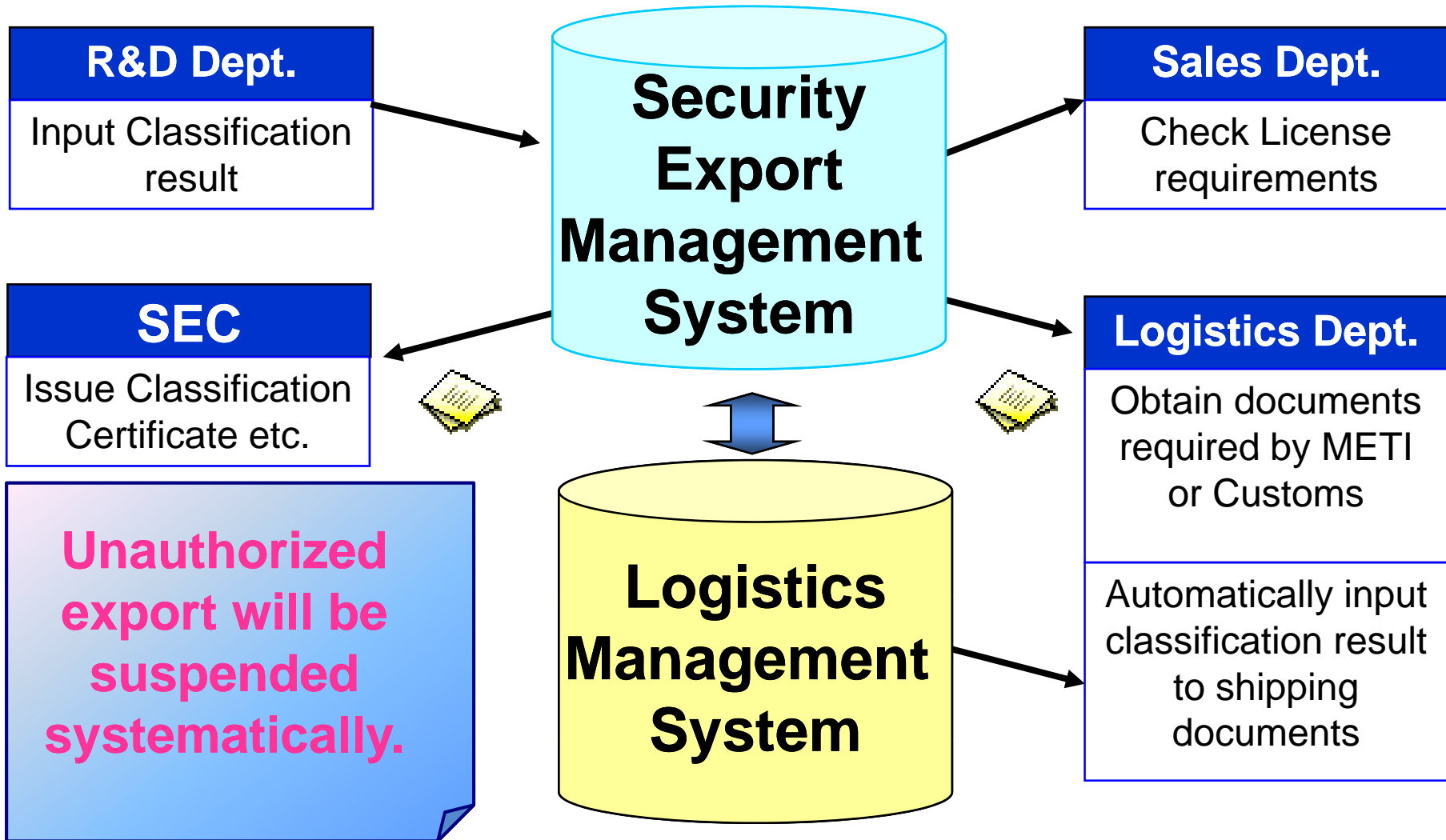
Website for Security Export Control Office



- ◆ Product Classification DB
- ◆ EAR Product Classification Tools
- ◆ Denied Customer List
- ◆ Guidance on US. EAR/Japan Export Control law
- ◆ Outline of Fujitsu group security export control

For Efficiency

IT System being developed, enhanced



IT System

Our Challenges:

IT system developed for compliance, efficiency, and paperless operation

- ▼ No further processing of delivery unless Product Classification Data is registered (completed)
- ▼ System check between our customer name and DCL (being developed)
- ▼ System check of License Exception based on EAR
- ▼ Automatic Keeping of record of export

Profits vs Compliance

■ Potential **risks for non-compliance** with export control requirements include , , , ,

- **Sanctions (Monetary / Imprisonment or administrative),**
- **Release to the public of non-compliance** by government or the media **< Reputation risk >** and
- **Risk** as a result of businesses with concerned parties,



All of the above may **deteriorate corporate image.**

■ In order to minimize / avoid those risks, additional cost may be required for employing export control organization and establishing control system in short term. However, **in long term, the cost will pay off.**

■ Therefore, even if sales/profit may be reduced for the time being, it is **worth being compliant** with export control regulations, **which will eventually make company healthier and long-lasting (and even profitable).**



FUJITSU

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