NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Fujitsu Limited and Consolidated Subsidiaries

1. Reporting Entity

Fujitsu Limited (the "Company") is a company domiciled in Japan. The Company's consolidated financial statements consist of financial information of the Company, its consolidated subsidiaries (together, the "Group"), and the equity interests held by the Group. In the field of ICT, while delivering a wide variety of services, the Group offers comprehensive solutions, from the development, manufacturing, and sales to the maintenance and operations of cutting-edge, high-performance, high-quality products and electronic devices that support services.

2. Basis of Preparation

(a) Compliance with International Financial Reporting Standards

The Company's consolidated financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS"), based on Article 93 of the "Ordinance on Terminology, Forms and Preparation Methods of Consolidated Financial Statements" (Ministry of Finance Ordinance No. 28, 1976, the "Ordinance on Consolidated Financial Statements"), and the requirements for "Specified Company Applying Designated IFRS" set forth in Article 1-2, items 1 and 2.

The consolidated financial statements were approved on June 26, 2023 by Takahito Tokita, President and Representative Director, and Takeshi Isobe, Chief Financial Officer.

(b) Basis of measurement

The consolidated financial statements, except for the following material items on the consolidated statement of financial position, have been prepared based on acquisition cost:

- Financial instruments measured at fair value;
- Net defined benefit liability or asset measured at present value of the defined benefit obligation less the fair value of plan assets.

(c) Functional currency and presentation currency

The consolidated financial statements are presented in Japanese yen, which is the functional currency of the Company. The financial information presented in Japanese yen is rounded to the nearest million yen.

3. Significant Accounting Policies

The accounting policies set out below are applied to the consolidated financial statements.

(a) Basis of consolidation

(i) Business combinations

Acquisitions of subsidiaries, accounted for using the acquisition method, are included in the consolidated financial statements from the date that control commences until the date that control ceases. The Group controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. In assessing control, potential voting rights that are currently exercisable or convertible are taken into account.

The Group measures goodwill at the acquisition date as follows:

- fair value of consideration transferred, plus;
- the recognized amount of any non-controlling interests in the acquiree, plus;
- if the business combination is achieved in stages, the acquisition-date fair value of the acquirer's previously held equity interest in the acquiree, less; and
- the net recognized amount of the identifiable assets acquired and liabilities assumed.

A gain from a bargain purchase in a business combination is recognized in profit or loss.

Any transaction costs that are incurred in connection to a business acquisition, such as legal fees, due diligence fees, and other professional or consulting fees, are expensed as incurred and not included within the fair value of consideration transferred.

(ii) Acquisition of non-controlling interests

Acquisitions of non-controlling interests are accounted for as transactions with owners and therefore no goodwill is recognized as a result of such transactions. A change in the ownership interest, without changing control, is accounted for as an equity transaction.

(iii) Subsidiaries

Subsidiaries are entities that the Group controls. Financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences to the date that control ceases.
Comprehensive income of a subsidiary is attributed to the owners of the parent and non-controlling interests even if this results in the non-controlling interests having a deficit balance.

(iv) Loss of control

If the Group loses control over a subsidiary, it derecognizes the assets and liabilities of the subsidiary, any non-controlling interests, and other components of equity related to the subsidiary. Any gain or loss arising from loss of control is recognized in profit or loss. If the Group retains any interest in the subsidiary, that investment is remeasured at fair value on the day that control ceases. Subsequently, it is accounted for as an equity method associate or as a financial asset measured at fair value depending on the level of influence retained.

(v) Investments in associates and joint ventures (equity-accounted investments)

Associates are those entities in which the Group has significant influence, but not control, over the financial and operating policies. If the Group holds 20% or more of the voting power of the investee, it is presumed that the Group has significant influence over the investee, unless it can be clearly demonstrated that this is not the case. In addition, the Group assumes that it has significant influence over the investee, if the Group has rights for involvements in deciding financial and operating policies of the investee through the Board meeting. Joint ventures are those entities over whose activities the Group has joint control, established by contractual agreement, requiring unanimous consent of the parties sharing control for important financial and operating decisions and the parties, including the Group, have rights to the net assets of the arrangement. Investments in associates and joint ventures are initially accounted for at cost and subsequently under the equity method. Any acquisition costs are included in the cost of the investment. The consolidated financial statements include the Group's share of profit or loss and other comprehensive income of associates on an equity-accounted basis, from the date that significant influence commences until the date that significant influence ceases. When the Group's share of losses exceeds its investment in an associate or joint venture, the Group's carrying amount is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred obligations or made payments on behalf of the investee.

(vi) Consolidation adjustments

All inter-Group balances, transactions, and unrealized gains and losses resulting from inter-Group transactions are eliminated in preparing the consolidated financial statements. Unrealized gains arising from transactions with equity-accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealized losses are eliminated in the same way as unrealized gains only if there is no evidence of impairment.

(b) Foreign currencies

(i) Transactions denominated in foreign currencies

Transactions denominated in foreign currencies are translated into the functional currency of each Group company at the foreign exchange rate prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated into the functional currency at the foreign exchange rate prevailing at the reporting date. Non-monetary assets and liabilities measured at historical cost denominated in foreign currencies are translated at the foreign exchange rate at the date of the transaction. Foreign exchange differences arising on translation are recognized in profit or loss. However, foreign exchange translation differences upon conversion of equity securities classified as financial assets measured at fair value through other comprehensive income and effective cash flow hedges are recognized in other comprehensive income.

(ii) Financial statements of foreign operations

The assets and liabilities of foreign operations, including any goodwill arising on the acquisition and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition, are translated into Japanese yen at the rate of exchange prevailing at the reporting date and their revenue and expenses are translated at the average monthly exchange rate. The foreign exchange differences arising on translation are recognized in other comprehensive income and included in foreign currency translation adjustments within other components of equity. Upon disposal of a foreign operation, if controlled, significant influence or joint control is lost and the accumulated amount of other comprehensive income relating to that particular foreign operation is reclassified to profit or loss as part of gains and losses on the disposal.

(c) Financial instruments

(i) Non-derivative financial assets

The Group initially recognizes trade receivables and other receivables on the date that they originate. All other financial assets are recognized initially on the trade date, the date on which the Group becomes party to the contractual provisions.

Financial assets are classified as either financial assets measured at amortized cost or as financial assets measured at fair value through either profit or loss or other comprehensive income. They are classified upon initial recognition.

Financial assets are measured at fair value plus transaction costs unless these are classified as financial assets measured at fair value through profit or loss.

The Group classifies financial assets and subsequently measures them as follows.

Financial assets measured at amortized cost

Financial assets are classified as financial assets measured at amortized cost if both of the following conditions are met:

- The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows;
- The contractual terms of the financial asset give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding.

The financial assets are subsequently measured at amortized cost using the effective interest method less any impairment losses, and the amortization charge for each period is recognized as financial income in profit or loss.

Financial assets measured at fair value

Financial assets are classified as financial assets measured at fair value unless these are measured at amortized cost. Equity instruments measured at fair value are individually designated as being measured either through profit or loss or through other comprehensive income, except for those that are held for sale, which are measured through profit or loss, and this designation must be applied continuously. Debt instruments that do not meet the conditions of the financial assets measured at amortized cost are classified as financial assets measured at fair value through profit or loss.

The financial assets are subsequently measured at fair value at the end of the reporting period, and the gain or loss is recognized in profit or loss or in other comprehensive income according to their classification. When a financial asset measured at fair value through other comprehensive income is derecognized, the cumulative gain or loss previously recognized through other comprehensive income is reclassified to retained earnings. Dividends from equity instruments are recognized as part of financial income in profit or loss.

The Group derecognizes a financial asset when contractual rights to the cash flows from the asset expire or when all the risks and financial value of ownership of the financial asset are substantially transferred. The Group will recognize another asset or liability to the extent that the Group retains any rights or obligations after the transfer.

(ii) Impairment of financial assets measured at amortized cost

For financial assets measured at amortized cost, a loss allowance is recognized for expected credit losses at the end of the reporting period.

The Group assesses at each reporting date whether the credit risk on each financial asset has increased significantly since initial recognition. If the credit risk has not increased significantly since initial recognition, then expected credit losses for 12 months based on historical experience and credit ratings are recognized as the loss allowance. If the credit risk has increased significantly since initial recognition, lifetime expected losses are recognized as the loss allowance.

However, for trade receivables and contract assets that do not contain a significant financing component, regardless of whether or not the credit risk has increased significantly since initial recognition, the loss allowance is always measured based on lifetime expected losses.

Expected credit loss is measured as the present value of the difference between all contractual cash flows that are due to the Group in accordance with the contract and all cash flows that the Group expects to receive.

The Group measures the expected credit losses of financial assets in a way that reflects;

- An unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- Time value of money; and
- Reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions, and forecasts of future economic conditions.

A significant financial difficulty of the debtor, a breach of contract due to a default, or other event having a detrimental impact on the estimated future cash flows is recognized as the occurrence of credit impairment.

When recovery of all or part of a financial asset is deemed impossible or extremely difficult, it is treated as a default. If the Group has no reasonable prospects of recovering cash flows from the financial asset, all or part of the carrying amount is written off.

Expected credit losses of financial assets are recognized in profit or loss. When an event occurs that reduces the loss allowance, the reversal of loss allowance is recognized in profit or loss.

(iii) Non-derivative financial liabilities

The Group recognizes debt securities on the day that they are issued. All other financial liabilities are initially recognized on the trade date, the date on which the Group becomes party to contractual provisions. Other financial liabilities include loans and borrowings and trade and other payables.

These financial liabilities are classified as financial liabilities measured at amortized cost and are measured initially at fair value, less any directly attributable transaction costs. They are subsequently measured at amortized cost using the effective interest method. The amortization charge for each period is recognized as financial expense in profit or loss.

The Group derecognizes a financial liability when its contractual obligations are discharged, canceled, or expire.

(iv) Presentation of financial assets and financial liabilities

Financial assets and financial liabilities are offset and presented net only when the Group has a legally enforceable right to offset the recognized amounts and intends to settle on a net basis or to realize the asset and settle the liability simultaneously.

(v) Derivative financial instruments

The Group holds derivative financial instruments to hedge its foreign currency and interest rate risk exposures. Derivatives are initially and subsequently measured at fair value.

Derivatives to which hedge accounting is not applied

When a derivative is not designated as a hedging instrument in accordance with the criteria for hedge accounting, any changes in the fair value of the derivative are recognized in profit or loss.

Derivatives to which hedge accounting is applied

Upon initial qualification of a derivative as a hedging instrument, the Group formally documents the relationship between the hedging instrument and hedged item, including risk management objectives and strategy in undertaking the hedge transaction and the hedged risk. The Group continually assesses the efficacy of hedging instruments, determining them to be effective if all of the following criteria are met: there is an economic relationship between the hedged item and the hedging instrument; the effect of credit risk does not dominate the value that results from that economic relationship; and the hedge ratio is the same as the ratio resulting from the quantity of the hedged item and the hedging instrument.

Cash flow hedges

The effective portion of changes in fair value of a derivative is recognized in other comprehensive income and presented as cash flow hedges in other components of equity. Any ineffective portion of changes in the fair value is recognized in profit or loss.

When the hedged item is a non-financial asset, the amount accumulated in other components of equity is included in the carrying amount when the asset is recognized. When the hedged item is a financial asset, the amount accumulated in other components of equity is reclassified to profit or loss in the same period that the hedged item affects profit or loss. Discontinuation of hedge accounting applies prospectively from the date on which a derivative no longer meets the criteria for hedge accounting, expires, or is sold, terminated, or exercised.

(d) Property, plant and equipment (excluding right-of-use assets)

(i) Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses.

Cost includes the following expenses that are directly attributable to the acquisition of the asset:

- Costs of employee benefits arising directly from the construction of the asset and costs of installation and assembly;
- Estimate of costs of dismantling or restoring the asset if such obligation exists; and
- Capitalized borrowing costs.

When different parts of an asset have different useful lives, they are accounted for as separate items (by major parts).

Any gain or loss on disposal of an item of property, plant and equipment, calculated as the difference between net proceeds received and the carrying amount of the item, is recognized in profit or loss.

(ii) Subsequent expenditure

Subsequent expenditure is capitalized only when it is probable that the future economic benefits from the expenditure will flow to the Group. Ongoing maintenance and repairs are expensed as incurred.

(iii) Depreciation

The depreciable amount (cost less residual value) for items of property, plant and equipment is allocated on a systematic basis over its useful life. The Group, in principle, adopts the straight-line method of depreciation reflecting the pattern of consumption (matching of costs with revenue) of the future economic benefits from the asset.

Depreciation of an asset begins when it is available for use and ceases at the earlier of the date that the asset is either classified as held for sale or is derecognized.

The estimated useful lives for significant categories of property, plant and equipment are:

- Buildings 7 to 50 years
- Machinery and equipment 3 to 7 years
- Tools, fixtures and fittings 2 to 10 years

Depreciation methods, useful lives, and residual values are reviewed and adjusted if necessary.

(e) Goodwill

For the measurement of goodwill at the acquisition date, please refer to Note "3. (a) (i) Business combinations."

Subsequent measurement

Goodwill is measured at cost less accumulated impairment losses.

Goodwill in relation to equity-accounted investments is included in the carrying amount of the investment and, therefore, the entire carrying amount of the investment as a single asset is compared with the recoverable amount for the purpose of impairment test. An impairment loss is not allocated to any asset, including goodwill, that forms part of the carrying amount of the investment.

(f) Intangible assets (excluding right-of-use assets)

(i) Research and development

Research is basic and planned investigation undertaken with the prospect of gaining new scientific or technical knowledge and understanding. Expenditures on research activities are expensed as incurred in profit or loss.

Development is the application of research findings or other knowledge to a plan or design for the production of new or substantially improved materials, devices, products, processes, systems, etc.

Development activities include a plan or design for the production of new or substantially improved products or processes.

Development expenditures are capitalized only if they can be reliably measured, the product or process is technically and commercially feasible, it is probable that the future economic benefits will flow to the Group, and the Group intends to and has the ability as well as sufficient resources to complete development and to use or sell the asset. Capitalized expenditures include directly attributable cost of generation and manufacture of the asset as well as bringing the asset to its working condition, such as cost of materials and cost of employee benefits. Other development expenditures are expensed as incurred.

Capitalized development expenditures are measured at cost less accumulated amortization and impairment losses.

(ii) Software and other intangibles

The Group develops software for sale and for its own use. An intangible asset is recognized if it meets the criteria for capitalization of development expenditures as described in the preceding section. The cost of software includes costs of employee benefits as well as costs of materials and services used or consumed in generating the software. The cost of a separately acquired intangible asset is capitalized because normally the price the Group pays to acquire the asset reflects expectations about the probability that the expected future economic benefits embodied in the asset will flow to the Group. Other intangible assets are measured at historical cost less accumulated amortization and impairment losses.

(iii) Amortization

Software held for sale is amortized based on the expected sales volumes and allocated equally based on the remaining useful life. Software for internal use and other intangible assets with finite useful lives are amortized over their respective useful lives using, in principle, the straight-line method to reflect the pattern of consumption of the expected future benefits from the assets. Goodwill acquired in a business combination is not amortized.

The estimated useful lives are as follows:

- Software held for sale 3 years
- Software for internal use Within 5 years

Amortization methods, useful lives, and residual values are reviewed and adjusted if necessary.

(g) Leases

(i) Recognition and measurement

At inception of a contract, the Group determines whether the contract is a lease or contains a lease. The contract is determined to be a lease or contain a lease if, over the entire period of use, the Group has the right to receive substantially all of the economic benefits from the use of the identified assets and has the right to control the use of the identified assets.

The lease term represents the non-cancellable period for which the lessee has the right to use the underlying asset together with periods covered by extension or termination options. The option period is added to the non-cancellable lease term only if the Group is reasonably certain to exercise the extension option or reasonably certain not to exercise the termination option.

The Group recognizes right-of-use assets and lease liabilities from lease contracts as of the commencement date of the lease. The right-of-use assets are assets that represent the Group's right to use an underlying asset for the lease term. The initial measurement of the cost of right-of-use assets is calculated by starting with the amount of the initial measurement of the lease liability; adding any lease payments made at or before the commencement date of the lease, less any lease incentives received; adding any initial direct costs incurred; and adding an estimate of costs to be incurred in dismantling and removing the underlying asset, restoring the site on which it is located, or restoring the underlying asset to the condition required by the terms and conditions of the lease. A lease liability is measured as the present value of the lease payments that are not paid as of the commencement date of the lease. In measuring the present value, the Group's incremental borrowing rate is typically used for the discount rate.

(ii) Depreciation

Right-of-use assets are generally depreciated on a straight-line basis over the lease term. If ownership of the asset is transferred to the Group by the end of the lease term, or if the cost of the right-of-use asset reflects that the Group will exercise a purchase option, the right-of-use asset is depreciated on a straight-line basis over its useful life.

(iii) Reassessment of lease liabilities

If there is a change in the term of the lease because of, for example, a revision to the lease contract, the lease liabilities are remeasured based on the new lease term, and the difference in value stemming from the remeasurement is recognized with a corresponding adjustment to right-of-use assets.

(h) Inventories

Inventories are measured at cost. However, should the net realizable value (NRV) at the reporting date fall below the cost, inventories are measured at the NRV, with the difference in value between the cost and the NRV, in principle, booked as cost of sales.

The cost of inventories comprises costs of purchase, costs of conversion, and other costs incurred in bringing the inventories to their present location and condition. The cost of inventories of items that are interchangeable is determined by the moving-average cost method or the periodic average method, whereas the cost of inventories of items that are not interchangeable is determined by the specific identification method.

NRV is the estimated selling price in the ordinary course of business, less estimated costs of completion and estimated direct selling expenses. Inventories that are slow moving and inventories held for long-term maintenance contracts are measured at the NRV that reflects future demand and market trends.

(i) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, demand deposits, and short-term highly liquid investments with a maturity of three months or less from the date of acquisition and an insignificant risk of changes in value. The ending balance of cash and cash equivalents in the consolidated statement of cash flows excludes overdrafts that are included and presented in short-term borrowings, current portion of long-term debt, and lease liabilities on the consolidated statement of financial position.

(j) Impairment of non-financial assets

If there is an indication of impairment for non-financial assets other than inventories and deferred tax assets, the assets' recoverable amount is estimated and the assets are tested for impairment. Goodwill and intangible assets with indefinite useful lives are tested for impairment both annually and when there is an indication of impairment. An impairment loss is recognized if the recoverable amount of an asset or cash-generating unit (CGU) is less than its carrying amount.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows associated with the asset or CGU are discounted to present value using a pre-tax discount rate that reflects current market assessments of the time value of money and any risks specific to the asset or CGU. For impairment testing purposes, assets are grouped together into the smallest group of assets that generate cash inflows independently of cash inflows of other assets or CGUs. Goodwill is grouped together so that the impairment is tested for the smallest group of units used for internal reporting purposes. Goodwill acquired in a business combination is allocated to the groups of CGUs that are expected to benefit from the synergies of the combination.

Impairment losses are recognized in profit or loss. Impairment losses recognized in respect of a CGU are allocated first to reduce the carrying amount of any goodwill allocated to that CGU (or CGU group) and then to reduce the carrying amounts of other assets in the CGU (or CGU group) on a pro-rata basis.

Impairment losses on goodwill are not reversed. For all other assets, impairment losses are only reversed to the extent that the assets' carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

(k) Assets classified as held for sale

Non-current assets (or disposal group) are classified as held for sale if the carrying amount of the assets will be principally recovered through sale rather than through continuing use. Furthermore, non-current assets (or disposal group) are classified as held for sale if the assets are available for immediate sale in their present condition subject only to terms that are usual and customary for sales of such assets (or disposal group), their sale is highly probable, the appropriate level of management is committed to a plan to sell the assets (or disposal group), and the sale is expected to be completed within one year from the date of classification. Non-current assets (or disposal group) classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell and they are no longer depreciated or amortized. An impairment loss is recognized in profit or loss for any initial or subsequent write-down of the noncurrent assets (or disposal group) to fair value less costs to sell. Equally a gain is recognized for any subsequent increase in the fair value, but not in excess of the accumulated impairment losses previously recognized

(l) Employee benefits

(i) Retirement benefit plans

Defined benefit plans

The Group's net defined benefit liability (asset) is measured at the present value of the defined benefit obligation less the fair value of plan assets. The defined benefit liability in respect of each defined benefit plan is calculated separately by estimating the amount of future benefits employees have earned in return for services rendered and discounted to present value. The calculation is performed in each reporting period by qualified actuaries using the projected unit credit method. The discount rate used is the yield at the reporting date on high-quality corporate bonds that have maturity dates approximate to the terms of the Group's obligations that are denominated in the currency in which the benefits are expected to be paid.

The Group recognizes in profit or loss the current service cost that is calculated by the projected unit credit method using an actuarial technique. Net interest on the net defined benefit liability (asset), which is determined by multiplying the net defined benefit liability (asset) by the appropriate discount rate, is recognized in profit or loss. The Group recognizes any past service cost in profit or loss when a plan is amended or curtailed. A gain or loss on a settlement of a pension plan is also recognized in profit or loss when the settlement actually occurs.

Remeasurements of the net defined benefit liability (asset) (actuarial gains and losses, etc.) are recognized, after adjusting for tax effects, under other comprehensive income, and immediately reflected in retained earnings.

Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which the Group pays fixed contributions to a separate entity and has no legal or constructive obligations to pay further amounts. Contributions to defined contribution plans are recognized as employee costs in profit or loss in the period when the service is provided by the employee. The risk-sharing corporate pension plan is classified as a defined contribution plan because the Group effectively has no further obligation for additional contributions.

(ii) Termination benefits

Termination benefits are recognized as employee expenses in profit or loss when the Group announces a detailed formal plan to terminate employment or to provide termination benefits as part of a restructuring program in the form of redundancy. Such termination benefits are recognized in profit or loss only when withdrawal of the plan is not practicable.

(iii) Short-term employee benefits

The cost of short-term employee benefits is measured on an undiscounted basis and recognized in profit or loss as the service is provided by the employee. A liability is recognized for any bonus expected to be paid in accordance with the Group policy as the service is provided by the employee.

(m) Provisions

A provision is recognized if, as the result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation. Provisions are discounted to present value using a pre-tax rate that reflects the time value of money and risks specific to the liability.

(i) Provision for restructuring

A provision is recognized for the estimated costs of restructuring such as personnel rationalization and disposal of business, only when the Group starts to implement the plan or announces its main features to those affected by the plan.

(ii) Provision for product warranties

A provision for product warranties is recognized at the time of sale of the products at an amount that represents the estimated cost, based on past experience, to repair or exchange certain products within the warranty period.

(iii) Provision for loss on orders received

Provision for contract losses shown for the previous fiscal year is changed in account name to "Provision for loss on orders received" from this fiscal year in order to present the nature of the account more appropriately.

A provision is recognized for losses on service contracts in which the Company has an obligation to provide deliverables, such as turnkey contracts if it is probable that the total estimated project costs exceed the total estimated project revenues.

(iv) Asset retirement obligation

A provision is made mainly for the estimated cost of restoring the leased site at the agreement of the lease, in accordance with the laws or contracts.

(n) Share capital

Ordinary shares

Ordinary shares are classified as equity. Costs directly attributable to the issue of ordinary shares are recognized as a deduction from capital surplus, net of any tax effects.

Treasury shares

When treasury shares are repurchased, the amount of consideration paid, net of any tax effects, including directly attributable costs, is recognized as a deduction from equity. When treasury shares are subsequently sold or reissued, the amounts received are recognized as an increase in equity and the resulting gains and losses on the transactions are presented within capital surplus.

(o) Share-based payment

Under the equity-settled share-based payment plan, the amount of services received is measured with reference to the fair value of the Company's shares at the grant date, and is recognized as an expense over the vesting period. The same amount is recognized as an increase in capital surplus.

(p) Revenue

(i) Service revenue

Supply of service usually corresponds to any of the following criteria: a) the customer simultaneously receives and consumes all of the benefits provided by the Group as the Group performs; b) the Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or c) the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date and, therefore, is a performance obligation that is satisfied over time.

If the progress toward complete satisfaction of the performance obligation can be reasonably measured, service revenue is recognized by measuring the progress. If the progress cannot be reasonably measured, service revenue is recognized only to the extent of the costs incurred until such time that the outcome of the performance obligation can be reasonably measured.

Service contract revenue, in which the Company has an obligation to provide deliverables, such as turnkey contracts (system integration, etc.), is, in principle, recognized by the method of measuring the progress based on the costs incurred to date as a percentage of the total estimated project costs. This is because, in accordance with such service contracts, costs are incurred by the Group during the performance of the contracts, and as work progresses, services tailored for the customer will be near completion, toward a state in which the services are available for the customer.

When milestones for the obligations to be performed by the Group are defined at contract inception, revenue is recognized based on completion of the contractual milestones.

Regarding ongoing service contracts (outsourcing service, maintenance service, etc.), services requested by the customer are provided over the contractual period. To promptly respond to customers' requests, the Group is required to continually be prepared, and thus, such services are provided over a period including standby time. For this reason, revenue is recognized by measuring the progress based on the period ratio of services already provided over the whole service period. When services among outsourcing and maintenance services, etc., are charged on a per unit basis, revenue is recognized when the service is rendered and is billed or billable.

Where changes occur in the initial estimates of revenues, measure of progress, and costs incurred for a contract, the accumulated impact arising from a change of estimates is recognized in profit or loss in the period in which the changes become obvious and possible to be estimated.

(ii) Hardware product revenue

Supply of stand-alone hardware products is a performance obligation satisfied at a point in time because it is usually not a performance obligation satisfied over time. In such a case, at the point when the control of the asset is transferred to the customer, the amount of the transaction price allocated in proportion to the performance obligation is recognized as revenue. To determine the point in time at which the control is transferred to the customer, the Group considers whether or not a) the Group has a present right to payment for the asset; b) the customer has legal title to the asset; c) the Group has transferred physical possession of the asset; d) the customer has the significant risks and rewards related to the ownership of the asset; and e) the customer has accepted the asset.

Revenue on hardware requiring significant services including installation, such as servers and network products, is recognized, in principle, upon the customer's acceptance.

Revenue on standard hardware, such as personal computers and electronic devices, is recognized in principle upon delivery, where the control of the hardware is transferred to the customer.

On the other hand, for commissioned manufacturing and manufacturing contracting, in cases where the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date, the Group recognizes revenue in accordance with the progress as measured using a method that faithfully depicts the completion of the performance obligation.

The Group provides various marketing programs to customers in various sales channels, such as volume discounts and sales incentives. When there is a possibility of subsequent variability in the consideration paid to these customers, the variable consideration is estimated and included in revenue to the extent that it is highly probable that its inclusion will not result in a significant revenue reversal in the future when the uncertainty has been subsequently resolved. To estimate the variable consideration, the Group uses either the expected value method or the most likely amount method, selecting the method that enables the most appropriate estimate of the amount of the consideration for these rights to be obtained.

(iii) Licensing revenue

For supply of licenses, revenue is recognized over time as a right to access the Group's intellectual property (a right to access) when all of the following criteria are met. If any of the criteria is not met, revenue is recognized at a point in time for a right to use the Group's intellectual property (a right to use). The criteria are (a) the contract requires, or the customer reasonably expects, that the Group will undertake activities that significantly affect the intellectual property to which the customer has rights; (b) the rights granted by the license directly expose the customer to any positive or negative effects of the Group's activities; and (c) those activities do not result in the transfer of a good or service to the customer as those activities occur.

For software, the license of which constitutes the principal license of the Group, usually after supply of a license, the Group is not obligated to undertake any activities to change the form or functionality of the intellectual property or activities to maintain the value of the intellectual property over the license period. Since none of the above criteria is met, the revenue is recognized at a point in time as right to use.

When software is provided over a cloud service, revenue is usually recognized at the same time as the cloud service revenue as a single performance obligation.

When software is sold bundled with software support, revenue for the software and revenue for the software support are usually recognized separately as distinct performance obligations. However, when the customer is unable to receive the benefit of the software without the supply of the software support service, the revenue is recognized at the same time as the software support revenue as a single performance obligation.

For software version-up rights that are sold separately from a license, revenue is usually recognized at the time when the version-up rights are provided, treating the software and version-up rights as distinct performance obligations. On the other hand, if the software version-up rights as a part of software support are provided, the revenue is recognized at the same time as a single performance obligation.

(iv) Contracts with multiple deliverables

Contracts with multiple deliverables represent one contract that consists of several kinds of goods or services, such as supply of hardware and related services or supply of software sales and support services.

Goods or services promised to a customer are identified as a distinct performance obligation if the customer can benefit from the good or service either on its own or together with other resources that are readily available to the customer (i.e., the good or service is capable of being distinct); and the Group's promise to transfer the good or service to the customer is separately identifiable from other promises in the contract (i.e., the promise to transfer the good or service is distinct within the context of the contract).

To allocate the transaction price to each performance obligation in a contract with multiple deliverables on a relative stand-alone selling price basis, the Group determines the stand-alone selling price at contract inception of the distinct good or service underlying each performance obligation in the contract and allocates the transaction price in proportion to that stand-alone selling price. If a stand-alone selling price is not directly observable, it is estimated based on method, such as estimated costs plus a margin approach for the respective performance obligations in the contract with multiple deliverables, and the transaction price is allocated.

(v) Agent transactions

For procurement and sales of goods and services by the Group, revenue is recognized as commission fees for transactions where the Group does not have control of the goods and services before their transfer to the customer, in other words, transactions where the Group has arranged the procurement as the customer's agent. To determine whether or not the Group has control over goods and services before their transfer to the customer, the following aspects are considered: a) whether the Group is primarily responsible for fulfilling the promise to provide the specified good or service; b) whether the Group has inventory risk before the specified good or service is transferred to a customer, or after transfer of control to the customer; and c) whether the Group has discretion in establishing the price for the good or service.

(vi) Contract costs

The Group recognizes the incremental costs of obtaining a contract with a customer as an asset if the Group expects to recover those costs. The incremental costs of obtaining a contract are costs incurred to obtain a contract with a customer that would not have been incurred if the contract had not been obtained.

The costs of fulfilling a contract are recognized as assets when the costs are not within the scope of another accounting policy; relate directly to a contract or to an anticipated contract that the Group can specifically identify; generate or enhance resources of the Group that will be used in satisfying (or continuing to satisfy) performance obligations in the future; and are expected to be recovered.

Assets recognized as incremental costs for obtaining a contract or costs of fulfilling a contract are amortized evenly over the contract period.

(vii) Contract assets and contract liabilities

Contract assets are rights to consideration in exchange for goods or services that the Group has transferred to a customer when those rights are conditioned on something other than the passage of time. Contract liabilities are the Group's obligations to transfer goods or services to a customer for which the Group has received consideration (or the amount is due) from the customer.

(viii) Significant financing components in the contract

When there is substantially a significant financing component in a transaction (such that a significant benefit of financing is provided), for example, long-term prepayment or delayed payment, revenue is measured at present value using the effective interest rate. However, if the period between the time of transfer of the good or service to the customer and the time of the customer's payment is expected to be less than one year at the contract inception, the consideration is not adjusted for the effect of a significant financing component.

(ix) Operating leases

Revenue arising from customers' use of products under operating leases is recognized evenly over the lease term.

(q) Financial income and expenses

Financial income includes dividend income, interest income, gains on foreign exchange, changes in fair value of financial assets measured at fair value through profit or loss, gains on hedging instruments recognized in profit or loss, and reclassifications of amounts previously recognized in other comprehensive income. Interest income is recognized as incurred using the effective interest method. Dividend income is recognized when the right to receive payment is established.

Financial expenses include interest expenses on bonds, borrowings, and lease liabilities; losses on foreign exchange; changes in fair value of financial assets measured at fair value through profit or loss; losses on hedging instruments recognized in profit or loss; and reclassifications of amounts previously recognized in other comprehensive income. Borrowing costs that are not directly attributable to the acquisition, construction, or production of a qualifying asset are recognized as incurred using the effective interest method. Total minimum lease payments are allocated to the portion of financial expenses, and the unpaid balance of liabilities and financial expenses are allocated over the lease term on a pro rata basis against the unpaid balance of liabilities.

(r) Income tax expenses

Income tax expenses comprise current and deferred tax, both of which are recognized in profit or loss except to the extent that it relates to a business combination or items recognized in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on taxable income or loss for the year, using tax rates and tax laws enacted or substantially enacted at the reporting date, with any tax adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities are recognized in respect of temporary differences between the carrying amount of assets and liabilities and the amounts used for tax purposes, the carryforward of unused tax losses, and unused tax credits. Deferred tax is not recognized for the following:

- Temporary differences on the initial recognition of an asset or liability in a transaction that is not a business combination and affects neither accounting nor taxable profit or loss;
- Temporary differences related to investments in subsidiaries and associates to the extent that the parent is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future; and
- Taxable temporary differences arising on initial recognition of goodwill.

Deferred tax assets and liabilities are measured using the tax rates that are expected to be applied in the period when the assets are realized or the liabilities are settled, based on the tax laws enacted or substantially enacted by the reporting date.

Deferred tax assets and liabilities are offset only if they relate to income taxes levied by the same taxation authority and there is a legally enforceable right to offset current tax assets against current tax liabilities.

A deferred tax asset is recognized for the carryforward of unused tax losses, unused tax credits, and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are impaired if it is no longer probable that future taxable income would be sufficient to allow part or all of the benefit of the deferred tax asset to be realized. Deferred tax liabilities are recognized in principle for all taxable temporary differences.

(s) Discontinued operations

Classification as a discontinued operation occurs on the date of disposal or the date at which a separate operating segment meets the definition of being held for sale, whichever is earlier. When an operating segment is classified as a discontinued operation, the comparative profit or loss statement is adjusted as if the operating segment had been discontinued from the beginning of the comparative year.

4. Use of Accounting Estimates and Judgments

The preparation of financial statements in conformity with IFRS requires management to make judgments, estimates, and assumptions that affect the application of policies and reported amounts of assets and liabilities and income and expenses. The estimates and assumptions are reviewed by management on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected. The Company has formulated a business plan that reflects future uncertainties, including revenue, for determining impairment of goodwill, property, plant and equipment, and intangible assets, and the recoverability of deferred tax assets.

The key estimates and judgments that have a significant effect on the amounts recognized in the consolidated financial statements are as follows.

(a) Revenue recognition

Revenue and cost of sales under service contracts in which the Company undertakes an obligation to provide deliverables, such as turnkey contracts, are recognized by reference to the stage of completion when the outcome of the contract can be reliably estimated. Contract assets are primarily unbilled trade receivables related to the revenue and are transferred to trade receivables when the customer accepts the deliverables.

The Group, in principle, calculates the progress toward completion with costs incurred to date as a percentage of total estimated project costs. Total estimated project costs are estimated based on the specifications and working hours, risks inherent in the contracts, etc., of each project. Revenue and costs can be revised due to reasons such as additional costs incurred, because revenue and costs depend on the estimates of total project revenue and costs as well as the measurement of the progress.

Regarding the carrying amount of contract assets, please refer to the consolidated statement of financial position.

(b) Property, plant and equipment

Depreciation for an item of property, plant and equipment is calculated primarily using the straight-line method, based on the estimated useful life that reflects the period in which the asset's future economic benefits are expected to be consumed. An impairment loss could be recognized if there is a decrease in the expected future cash flows from the asset as a result of underutilization of production facilities or a decrease in the capacity utilization rate associated with rapid changes in the business environment as well as business realignment.

Regarding the carrying amount and impairment loss of property, plant and equipment, please refer to Note "8. Property, Plant and Equipment" and Note "27. Impairment of Non-Financial Assets."

(c) Goodwill

Goodwill is tested for impairment both annually and when there is an indication of impairment. An impairment loss is recognized if the recoverable amount of the cash-generating unit (CGU) to which goodwill is allocated is less than its carrying amount.

The recoverable amounts of a CGU are in most cases measured at value in use. Significant assumptions in estimating value in use are future cash flows based on the Company's medium-term management plan (generally covering three years) approved by management, the long-term average growth rate for subsequent periods incorporating future uncertainties, and the discount rate based on the weighted average cost of capital. These assumptions represent management's best estimates and judgment. Impairment losses could be recognized when the assumptions are revised as a result of a change in the business environment or other changes in the circumstances.

Regarding the carrying amount and impairment test of goodwill, please refer to Note "9. Goodwill and Intangible Assets" and Note "27. Impairment of Non-Financial Assets."

(d) Intangible assets

Computer software held for sale is amortized by a method based on projected sales volume over the estimated useful life. Software for internal use is amortized on a straight-line basis, in principle, to reflect the pattern in which the asset's future economic benefits are expected to be consumed by the Group. Impairment losses could be recognized if there is a decrease in the expected future cash flows from the asset such as actual sales volumes that fail to meet initial projected volumes due to changes in the business environment, and there is a risk that amortization expenses for the reporting period may increase if the actual useful life is less than the original estimate.

Regarding the carrying amount and impairment loss of intangible assets, please refer to Note "9. Goodwill and Intangible Assets" and Note "27. Impairment of Non-Financial Assets."

(e) Deferred tax assets

Decisions on the recoverability of a deferred tax asset are based on the taxable profit calculated using future business plans, and a deferred tax asset is recognized for carryforward unused tax losses, unused tax credits, and deductible temporary differences to the extent that is probable that they can be utilized. If no sufficient taxable profit is considered to be available to allow the benefit of part or all of that deferred tax asset due to changes in the business environment, the amount of deferred tax assets may be reduced and additional expenses may incur.

Regarding the carrying amount of deferred tax assets, please refer to Note "13. Income Taxes."

(f) Provisions

Provision for restructuring

A provision is recognized for the estimated costs of restructuring such as personnel rationalization and disposal of business. The costs are estimated based on the announced plan and the additional expenses may be incurred or a reversal of expenses may be recorded when the plan is reviewed as a result of a sudden change in the business environment.

Provision for loss on orders received

Provision for contract losses shown for the previous fiscal year is changed in account name to "Provision for loss on orders received" from this fiscal year, please refer to Note "3. Significant Accounting Policies." The Group records provisions for losses on service contracts in which the Company undertakes an obligation to provide deliverables, such as turnkey contracts, if it is probable that the total estimated project costs exceed the total estimated project revenues and the amount of losses can be reliably measured. Total estimated project costs are estimated based on the specifications and service period, risks inherent in the contracts, etc., of each project and the Group may revise the originally estimated total project costs due to the incurrence of additional costs, etc., as well as the possibility of incurring additional expenses or the recording of a reversal of expenses.

Regarding the carrying amount of provisions, please refer to Note "23. Provisions."

(g) Defined benefit plan

The Group has both defined benefit and defined contribution retirement benefit plans. Net defined benefit liability could be worsened if the fair value of plan assets decreases as a result of deterioration of return on plan assets or if a defined benefit liability increases as a result of a change in assumptions (such as discount rate, turnover ratio, and mortality ratio) for determining the defined benefit liability, which could lead to a reduction in equity. If changes are made to retirement benefit plans, there could be a significant impact on profit or loss.

Regarding the carrying amount of both retirement benefit assets and liabilities, assumptions, and sensitivity, please refer to Note "21. Post-Employment Benefits."

5. Accounting Standards Issued But Not Yet Effective

There were no newly issued or amended accounting standards and interpretations as of the approval date of the consolidated financial statements that would have a significant impact on the Group.

6. Segment Information

(1) Segment overview

The Company's reportable segments consist of components of the Group for which discrete financial information is available and whose operating results are regularly reviewed by the Group's chief operating decision-maker to make decisions about resource allocation to the segments and assess their performance.

The Group's business is organized into three reportable segments—Technology Solutions, Ubiquitous Solutions, and Device Solutions—based on the Group's managerial structure, characteristics of the products and services, and the similarities of the sales market within each operating segment. Product and service classification in each reportable segment are as follows.

(a) Technology Solutions

Technology Solutions consists of Solutions/Services, which includes Solutions/SI such as construction of information and communication systems, cloud services, and outsourcing and maintenance services; System Platforms, comprising System Products, which cover mainly the servers and storage systems, and Network Products, which offer communications infrastructure, such as mobile phone base stations and optical transmission systems; and International Regions Excluding Japan, which carry out Solutions/Services delivery in regions outside Japan.

(b) Ubiquitous Solutions

This segment consists of client computing devices such as PCs.

(c) Device Solutions

This segment comprises electronic components such as semiconductor packages and batteries.

The accounting treatment applied to operating segments is mostly the same as in Note "3. Significant Accounting Policies."

The Group's finances (including financial income and expenses) and income from investments accounted for using the equity method are managed on the basis of the entire Group and are not allocated to the operating segments.

Intersegment transactions are based on an arm's length price.

(2) Amounts of revenue, operating profit, and other items by reportable segment

(Millions of yen)

	Reportable segments					
Years ended March 31	Technology Solutions	Ubiquitous Solutions	Device Solutions	Subtotal	Corporate Elimination	Consolidated
2022						
Revenue						
External customers	¥3,035,438	¥186,950	¥364,451	¥3,586,839	¥ –	¥3,586,839
Intersegment	20,940	50,165	11,532	82,637	(82,637)	–
Total revenue	3,056,378	237,115	375,983	3,669,476	(82,637)	3,586,839
Operating Profit	135,001	5,881	78,319	219,201	–	219,201
Financial income						11,475
Financial expenses						(4,543)
Income from investments accounted for using the equity method, net						13,853
Profit before income taxes						239,986
(Other items)						
Depreciation and amortization	(147,186)	(486)	(34,799)	(182,471)	–	(182,471)
Impairment loss	(2,889)	–	(1,465)	(4,354)	–	(4,354)
Reversal of impairment loss	429	–	–	429	–	429
Capital expenditure (including intangible assets and goodwill)	159,996	413	44,001	204,410	–	204,410
2023						
Revenue						
External customers	¥3,156,810	¥188,612	¥368,345	¥3,713,767	¥ –	¥3,713,767
Intersegment	19,735	44,386	14,336	78,457	(78,457)	–
Total revenue	3,176,545	232,998	382,681	3,792,224	(78,457)	3,713,767
Operating Profit	263,164	(6,585)	79,035	335,614	–	335,614
Financial income						15,087
Financial expenses						(6,862)
Income from investments accounted for using the equity method, net						28,037
Profit before income taxes						371,876
(Other items)						
Depreciation and amortization	(139,451)	(241)	(39,020)	(178,712)	–	(178,712)
Impairment loss	(767)	–	(146)	(913)	–	(913)
Reversal of impairment loss	397	–	–	397	–	397
Capital expenditure (including intangible assets and goodwill)	150,546	–	73,501	224,047	–	224,047

Note: Revenue under “Corporate Elimination” represents the elimination of intersegment transactions.

(3) Information about products and services

Revenue from external customers

(Millions of yen)

Years ended March 31	2022	2023
Technology Solutions		
Services	¥2,569,893	¥2,631,814
System platforms*	432,751	489,521
Other	32,794	35,475
Ubiquitous Solutions		
Client computing devices	186,950	188,612
Device Solutions		
Electronic components	364,451	368,345
Total	¥3,586,839	¥3,713,767

* Full range of servers, optical transmission systems, and mobile phone base stations, etc.

(4) Geographical information

(a) Revenue from external customers

(Millions of yen)

Years ended March 31	2022	2023
Japan	¥2,269,892	¥2,290,285
Outside Japan		
Europe	661,673	666,464
Americas	238,903	296,217
APAC	246,502	282,730
East Asia	163,663	170,629
Others	6,206	7,442
Total	¥3,586,839	¥3,713,767

Notes: 1. Revenue from external customers is classified by countries or regions based on locations of customers.
2. There is no significant country for which a separate individual disclosure is required.
3. The Group has revised its regional classification from the current fiscal year. Under the new presentation, regions previously classified as NWE (Northern & Western Europe), CEE (Central & Eastern Europe), and European regions outside of NWE and CEE that were included in Others are now combined as "Europe"; China, Taiwan, and South Korea, previously included in Asia, are now combined as "East Asia"; and countries and regions previously included in Asia other than China, Taiwan, and South Korea are now combined with Oceania as "Asia Pacific." Comparative information for the previous fiscal year reflects the revised classification. The main countries belonging to the Americas are the United States and Canada, as before.
4. Others includes the Middle East, and Africa.

(b) Non-current assets (property, plant and equipment, goodwill, and intangible assets)

(Millions of yen)

At March 31	2022	2023
Japan	¥572,400	¥593,298
Outside Japan		
Europe	100,816	99,805
Americas	19,127	14,896
APAC	48,299	54,542
East Asia	11,869	11,027
Total	¥752,511	¥773,568

Notes: 1. Revenue from external customers is classified by countries or regions based on locations of customers.
2. There is no significant country for which a separate individual disclosure is required.
3. The Group has revised its regional classification for the current fiscal year. Under the new presentation, regions previously classified as NWE (Northern & Western Europe), CEE (Central & Eastern Europe), and European regions outside of NWE and CEE that were included in Others are now combined as "Europe"; China, Taiwan, and South Korea, previously included in Asia, are now combined as "East Asia"; and countries and regions previously included in Asia other than China, Taiwan, and South Korea are now combined with Oceania as "Asia Pacific." The previous fiscal year's data has been presented according to the revised classification. The main countries belonging to the Americas are the United States and Canada, as before.

(5) Information about major customers

Information is not disclosed because no specific customers reached 10% of revenue in the consolidated statement of profit or loss.

7. Business Combinations, etc.

1. Business Divestitures

The Company transferred 80% of its shares of PFU Limited (hereinafter "PFU") to Ricoh Company, Ltd., on September 1, 2022, in accordance with a resolution of the Board of Directors meeting held on April 28, 2022. As a result, PFU changed from a consolidated subsidiary to an equity method associate.

(1) Reason for the share transfer

PFU operates businesses centered upon the manufacture, sale, and maintenance of hardware, such as image scanners, for which it holds a high market share. Meanwhile, the Company continues its shift to become a Digital Transformation (DX) company that contributes to the resolution of issues confronting society. To this end, the Company will focus on digital domains that integrate DX businesses founded in AI, data use, and other technologies with modernization necessary for digital transformation such as migrating to cloud-based systems.

The Company approved the management decision for the transfer of PFU shares with the expectation that Ricoh's many different synergies could be successfully leveraged to further grow and enhance PFU's corporate value. The Company believes participation in the Ricoh Group will enable the expansion of business by maximizing the value of the products and services that PFU has cultivated, including the fi-Series and ScanSnap brands, as well as image scanners and sales and maintenance channels of self-service terminals, and the technologies and know-how that support these products and services.

In addition to the transfer of shares, the Company will continue to explore an alliance with Ricoh to continuously complement and further bolster the businesses of both companies by taking full advantage of their respective strengths.

(2) Name of company to which shares are transferred

Ricoh Company, Ltd.

(3) Share transfer date

September 1, 2022

(4) Name of subsidiary and nature of business

(a) Name of subsidiary

PFU Ltd.

(b) Description of the business

Document scanners, industrial computing products and other hardware; security, document management and other software and services; configuration of IT Infrastructure; and multivendor services provided in cooperation with third-party companies.

(5) Overview of the divestiture including legal form

Share transfer for cash.

(6) Overview of the accounting treatment implemented

(a) Gain or loss on transfer

Gain of ¥30,821 million from the transfer of the shares

Gain of ¥7,705 million on fair value valuation as PFU became an equity-method associate of the Company

(b) Appropriate carrying amount of assets and liabilities related to the transferred business and the main breakdown

	(Millions of yen)
Current assets	¥ 89,906
Non-current assets	24,603
Total assets	¥114,509
Current liabilities	¥ 34,667
Non-current liabilities	5,063
Total liabilities	¥ 39,730

(c) Accounting treatment

The difference between consolidated carrying amount of the shares transferred and their sale value was recorded under "Other income." Gain on revaluation of remaining shares of PFU due to the transfer was recorded under "Income from investments accounted for using the equity method, net."

(7) Category in segment information disclosure

Technology Solutions

(8) Approximate income for the separated business recorded on the consolidated statement of profit or loss and the consolidated statement of comprehensive income for the fiscal year ended March 31, 2023.

	(Millions of yen) Fiscal year ended March 31, 2023
Revenue	¥47,291
Operating profit	1,121

8. Property, Plant and Equipment

Carrying amount

(Millions of yen)

	Land	Buildings	Machinery and equipment, tools, fixtures and fittings	Construction in progress	Total
Balance at April 1, 2021	¥60,414	¥303,465	¥156,765	¥48,949	¥569,593
Additions	338	76,364	89,938	(17,980)	148,660
Depreciation	(102)	(70,374)	(73,516)	–	(143,992)
Impairment losses	(268)	(691)	(695)	(73)	(1,727)
Reversal of impairment losses	–	427	2	–	429
Disposals or reclassifications to assets held for sale	(1,394)	(7,084)	(2,225)	(1,277)	(11,980)
Exchange differences on translation	217	5,215	2,667	100	8,199
Others	(2)	813	2,051	(876)	1,986
Balance at March 31, 2022	¥59,203	¥308,135	¥174,987	¥28,843	¥571,168
Additions	503	50,349	59,130	48,905	158,887
Depreciation	(100)	(59,696)	(75,188)	–	(134,984)
Impairment losses	(28)	(31)	(113)	(30)	(202)
Reversal of impairment losses	340	57	–	–	397
Disposals or reclassifications to assets held for sale	(5,638)	(17,139)	(5,484)	(449)	(28,710)
Exchange differences on translation	203	3,025	1,368	82	4,678
Others	(209)	(591)	2,102	(363)	939
Balance at March 31, 2023	¥54,274	¥284,109	¥156,801	¥76,988	¥572,172

Cost

(Millions of yen)

	Land	Buildings	Machinery and equipment, tools, fixtures and fittings	Construction in progress	Total
April 1, 2021	¥79,384	¥864,635	¥925,485	¥49,047	¥1,918,551
March 31, 2022	78,452	886,379	917,106	29,106	1,911,043
March 31, 2023	72,748	832,809	897,644	77,297	1,880,498

Accumulated depreciation and accumulated impairment losses

(Millions of yen)

	Land	Buildings	Machinery and equipment, tools, fixtures and fittings	Construction in progress	Total
April 1, 2021	¥18,970	¥561,170	¥768,720	¥ 98	¥1,348,958
March 31, 2022	19,249	578,244	742,119	263	1,339,875
March 31, 2023	18,474	548,700	740,843	309	1,308,326

Notes: 1. Additions under "Construction in progress" are shown on a net basis that includes an increase in the amount of new additions and amounts transferred to each item in property, plant and equipment.
2. Impairment losses of ¥1,727 million and ¥202 million recorded for the years ended March 31, 2022 and 2023, respectively, are included in other expenses in the consolidated statement of profit or loss.
3. The amount of expenditures recognized in the carrying amount of an item of property, plant and equipment in the course of its construction is included in construction in progress and totaled ¥22,580 million and ¥63,346 million at March 31, 2022 and 2023, respectively.

IFRS 16 Leases

Depreciation of right-of-use assets

The depreciation of right-of-use assets included in property, plant and equipment is as follows.

(Millions of yen)

Years ended March 31	2022	2023
Land	¥ 102	¥ 100
Buildings	47,227	39,405
Machinery and equipment, tools, fixtures and fittings	13,397	11,780
Total	¥60,726	¥51,285

Carrying amount of right-of-use assets

The carrying amount of right-of-use assets included in property, plant and equipment is as follows.

(Millions of yen)

At March 31	2022	2023
Land	¥ 1,074	¥ 1,083
Buildings	124,756	112,271
Machinery and equipment, tools, fixtures and fittings	26,672	23,770
Total	¥152,502	¥137,124

9. Goodwill and Intangible Assets

Carrying amount

(Millions of yen)

	Goodwill	Intangible assets: Software	Intangible assets: Others	Intangible assets: Total
Balance at April 1, 2021	¥41,239	¥109,451	¥11,008	¥120,459
Additions	–	54,695	1,055	55,750
Acquisitions through business combinations	5,408	–	1,048	1,048
Amortization	–	(36,399)	(2,080)	(38,479)
Impairment losses	(425)	(1,970)	(232)	(2,202)
Disposals or reclassifications to assets held for sale	–	(3,356)	(182)	(3,538)
Exchange differences on translation	2,434	1,222	375	1,597
Others	(1,169)	(848)	69	(779)
Balance at March 31, 2022	47,487	122,795	11,061	133,856
Additions	–	59,107	6,053	65,160
Acquisitions through business combinations	8,331	10	4,498	4,508
Amortization	–	(41,068)	(2,660)	(43,728)
Impairment losses	(393)	(22)	(296)	(318)
Disposals or reclassifications to assets held for sale	–	(13,864)	(54)	(13,918)
Exchange differences on translation	1,511	728	76	804
Others	(1,804)	(100)	–	(100)
Balance at March 31, 2023	¥55,132	¥127,586	¥18,678	¥146,264

Cost

(Millions of yen)

	Goodwill	Intangible assets: Software	Intangible assets: Others	Intangible assets: Total
April 1, 2021	¥43,424	¥221,070	¥35,003	¥256,073
March 31, 2022	49,426	236,052	31,576	267,628
March 31, 2023	55,538	244,640	48,258	292,898

Accumulated amortization and accumulated impairment losses

(Millions of yen)

	Goodwill	Intangible assets: Software	Intangible assets: Others	Intangible assets: Total
April 1, 2021	¥2,185	¥111,619	¥23,995	¥135,614
March 31, 2022	1,939	113,257	20,515	133,772
March 31, 2023	406	117,054	29,580	146,634

Notes: 1. Intangible assets that fall under the category of internally generated are mainly software.
The carrying amounts of internally generated software included in intangible assets totaled ¥112,059 million at March 31, 2022 and ¥117,117 million at March 31, 2023. Additions from internal development included in the above "Additions" totaled ¥50,326 million and ¥53,838 million during the years ended March 31, 2022 and March 31, 2023, respectively.
2. Amortization is included in cost of sales and selling, general and administrative expenses in the consolidated statement of profit or loss.
3. Impairment losses on goodwill and intangible assets of ¥425 million and ¥2,202 million, respectively, recorded for the year ended March 31, 2022, and on goodwill and intangible assets of ¥393 million and ¥318 million, respectively, recorded for the year ended March 31, 2023 are mainly included in other expenses in the consolidated statement of profit or loss.

Research and development expenses for the years ended March 31, 2022 and 2023 are as follows.

(Millions of yen)

Years ended March 31	2022	2023
Research and development expenses	¥105,354	¥109,571

10. Subsidiaries

(1) Major subsidiaries

The Group's consolidated financial statements are prepared with the consolidation of 291 subsidiaries. Major changes for the year ended March 31, 2023 are as follows.

Newly consolidated as a result of acquisitions or formations of new companies: 11 companies

Excluded due to liquidation, sale, or other: 26 companies*1

Excluded due to mergers: 11 companies

The major subsidiaries at March 31, 2023 are as follows.

Segment	Name	Country	Ratio of total voting rights (%)
Technology Solutions	Fujitsu Frontech Limited	Japan	100.00
	Fujitsu Japan Limited	Japan	100.00
	Fujitsu Isotec Limited	Japan	100.00
	Fujitsu Network Solutions Limited	Japan	100.00
	Fujitsu FSAS Inc.	Japan	100.00
	Transtron Inc.	Japan	51.00
	Fujitsu Telecom Networks Limited	Japan	100.00
	Ridgelinez Limited	Japan	100.00
	Fujitsu Services Holdings PLC	UK	100.00
	Fujitsu Technology Solutions (Holding) B.V.*2	Netherlands	100.00
	Fujitsu North America, Inc.	US	100.00
	Fujitsu Network Communications, Inc.	US	100.00
	Fujitsu Australia Limited	Australia	100.00
	Fujitsu Asia Pte. Ltd.	Singapore	100.00
Ubiquitous Solutions	Fujitsu Personal System Limited	Japan	100.00
Device Solutions	Shinko Electric Industries Co., LTD.	Japan	50.04
	FDK Corporation	Japan	58.90

*1 The number of companies excluded due to liquidation, sale, or other includes PFU Ltd., which completed the transfer to Ricoh Company, Ltd., and Fujitsu Semiconductor Memory Solution Limited, which completed the transfer to a new company established by T Capital Partners Co., Ltd., in September 2022.

*2 The PC business of Fujitsu Technology Solutions (Holding) B.V. falls under Ubiquitous Solutions.

(2) Changes in ownership interest in subsidiaries that do not result in loss of control

The impact on capital surplus arising from changes in the Company's ownership interest in subsidiaries that do not result in loss of control is as follows.

Years ended March 31	2022	2023
	(Millions of yen)	
Impact on capital surplus from equity transactions with non-controlling interests	¥(339)	¥(32)

(3) Subsidiaries in which the Company holds material non-controlling interests

The Company recognizes material non-controlling interests in the following subsidiaries. Information of companies for which material non-controlling interests are recognized is as follows. Summarized financial information is based on amounts before elimination of inter-Group transactions.

Shinko Electric Industries Co., LTD.

(a) Profit or loss allocated to non-controlling interests of the subsidiary during the reporting period

Years ended March 31	2022	2023
	(Millions of yen)	
Profit or loss allocated to non-controlling interests	¥26,353	¥27,258

(b) Proportion of ownership interests held by non-controlling interests and accumulated non-controlling interests

(Millions of yen)

At March 31	2022	2023
Proportion of ownership interests held by non-controlling interests	49.95%	49.97%
Accumulated non-controlling interests	¥101,115	¥125,624

(c) Dividends paid to non-controlling interests

(Millions of yen)

Years ended March 31	2022	2023
Dividends paid to non-controlling interests	¥(2,362)	¥(3,544)

(d) Summarized financial information

(i) Summarized consolidated statement of financial position

(Millions of yen)

At March 31	2022	2023
Current assets	¥192,828	¥226,076
Non-current assets	125,776	160,295
Total assets	¥318,604	¥386,371
Current liabilities	¥115,042	¥133,809
Non-current liabilities	1,558	1,534
Total liabilities	116,600	135,343
Total equity	202,004	251,028
Total liabilities and equity	¥318,604	¥386,371

(ii) Summarized consolidated statement of profit or loss and consolidated statement of comprehensive income

(Millions of yen)

Years ended March 31	2022	2023
Revenue	¥271,950	¥286,358
Profit for the year	52,735	54,559
Other comprehensive income	967	1,799
Comprehensive income for the year	¥ 53,702	¥ 56,358

(iii) Summarized consolidated statement of cash flows

(Millions of yen)

Years ended March 31	2022	2023
Net cash provided by operating activities	¥67,802	¥117,918
Net cash used in investing activities	(41,731)	(63,954)
Net cash provided by (used in) financing activities	178	(7,130)
Net increase (decrease) in cash and cash equivalents	26,249	46,834
Cash and cash equivalents at end of year	¥68,758	¥115,592

Note: The summarized financial information above includes IFRS adjustments to the consolidated financial statements of Shinko Electric Industries Co., LTD., which were prepared under JGAAP.

11. Associates

(1) Major associates

The major associates at March 31, 2023 are as follows.

Name	Country	Ratio of total voting rights (%)	Business description
Fujitsu General Limited	Japan	44.07	Development, production, and sales of air conditioners and information communications equipment and electronic devices, as well as provision of services
FLCS Co., Ltd.	Japan	20.00	Leasing and sales of information processing equipment, communications equipment, etc.
Fujitsu Client Computing Limited	Japan	44.00	Development, design, manufacturing, and sales of notebook computers, desktop computers, etc.
PFU Ltd.	Japan	20.00	Development, manufacture, and sales of information systems and ICT-related equipment, and provision of related services

Notes: 1. Investments in associates are accounted for using the equity method and the number of companies to which the method applies is 19. For the year ended March 31, 2023, two companies were added and two companies were subtracted. The number of companies subtracted includes SOCIONEXT INC., which completed the transfer in November 2022 due to its listing on the Tokyo Stock Exchange Prime Market.
2. Fujitsu Leasing Co., Ltd., changed its trade name to FLCS Co., Ltd., on April 1, 2022.
3. The Group holds 20% or more of the JECC Corporation shares issued, but because it is a special company operated through the joint capital investment of six companies, including domestic computer manufacturing companies, for the promotion of the domestic data processing industry, it is not an equity-method associate.

(2) Summarized financial information of material equity method associates

Summarized financial information of material equity method associates is as follows.

Fujitsu General Limited

(a) Dividends received from Fujitsu General Limited

Years ended March 31	2022	2023
	(Millions of yen)	
Dividends received from Fujitsu General Limited	¥1,430	¥1,522

(b) Summarized consolidated financial information

(i) Summarized consolidated statement of financial position

At March 31	2022	2023
	(Millions of yen)	
Current assets	¥185,929	¥215,981
Non-current assets	92,076	92,441
Total assets	¥278,005	¥308,422
Current liabilities	¥117,294	¥140,707
Non-current liabilities	27,189	27,962
Total liabilities	144,483	168,669
Equity attributable to owners of the parent	128,980	134,194
Non-controlling interests	4,542	5,559
Total equity	133,522	139,753
Total liabilities and equity	¥278,005	¥308,422

(ii) Summarized consolidated statement of profit or loss and summarized consolidated statement of comprehensive income

(Millions of yen)		
Years ended March 31	2022	2023
Revenue	¥284,128	¥371,019
Profit for the year	6,720	6,797
Other comprehensive income	4,896	1,799
Total comprehensive income for the year	¥ 11,616	¥ 8,596

Note: The summarized financial information above includes IFRS adjustments to the consolidated financial statements of Fujitsu General Limited, which were prepared under JGAAP.

(c) Reconciliation of summarized financial information and the carrying amount of the Group's investment in the equity method associate

Reconciliation of summarized financial information presented and the carrying amount of the Group's investment in the equity method associate is as follows.

(Millions of yen)		
At March 31	2022	2023
Equity attributable to owners of the parent	¥128,980	¥134,194
Ownership interest	44.06%	44.05%
Equity attributable to the Group	¥ 56,829	¥ 59,109
Unrealized gains and losses	¥(455)	¥ (455)
Carrying amount of the Group's investment in the equity method associate	¥ 56,374	¥ 58,654
Fair value of the Group's investment in the equity method associate	¥110,229	¥172,262

12. Other Investments

Other investments comprise primarily financial assets measured at fair value through other comprehensive income.

Equity securities held for strategic purposes, i.e., for the purpose of the maintenance and enhancement of business relationships, are designated as financial assets measured at fair value through other comprehensive income.

The major equity securities held by the Group and their fair values are as follows.

(Millions of yen)		
At March 31	2022	2023
Socionext Inc.	¥ –	¥49,135
JECC Corporation	37,827	38,367
Palantir Technologies Inc.	18,068	12,132
Fuji Electric Co., Ltd.	11,251	9,498
DENSO TEN Limited	8,273	9,384

Financial assets measured at fair value through other comprehensive income are derecognized when they are sold. Cumulative gain or loss previously recognized through other comprehensive income is reclassified to retained earnings when they are derecognized.

The Group conducts sales of financial assets measured at fair value through other comprehensive income in accordance with its policy for strategic shareholdings.

The fair value, cumulative gain or loss recognized through other comprehensive income at the selling date, and dividends, are as follows.

(Millions of yen)		
Years ended March 31	2022	2023
Fair value	¥18,023	¥16,057
Cumulative gain or loss	8,915	11,265
Dividend income	127	217

13. Income Taxes

(1) Deferred tax assets and liabilities

(a) Major components of deferred tax assets and deferred tax liabilities

(Millions of yen)

At March 31	2022	2023
Deferred tax assets		
Accrued bonuses	¥ 34,723	¥ 35,570
Lease liabilities	35,185	30,740
Investments in affiliates and other companies	30,891	28,884
Excess of depreciation and amortization, impairment losses, etc.	30,608	19,198
Inventories	12,077	12,498
Carryforward of unused tax losses	12,686	5,204
Others	17,960	23,087
Total deferred tax assets	174,130	155,181
Deferred tax liabilities		
Financial assets measured at fair value through other comprehensive income	(29,450)	(37,830)
Right-of-use assets	(39,382)	(33,345)
Undistributed profits primarily of subsidiaries outside Japan, etc.	(4,827)	(6,776)
Net defined benefit asset	(12,622)	(6,678)
Others	(3,316)	(2,854)
Total deferred tax liabilities	(89,597)	(87,483)
Net deferred tax assets	¥ 84,533	¥ 67,698

Net deferred tax assets are included in the following line items on the consolidated statement of financial position.

(Millions of yen)

At March 31	2022	2023
Deferred tax assets	¥99,838	¥73,310
Deferred tax liabilities	(15,305)	(5,612)

(b) Changes in net deferred tax assets

(Millions of yen)

Years ended March 31	2022	2023
Opening balance	¥68,210	¥84,533
Amounts recognized through profit or loss	19,624	(20,570)
Amounts recognized in other comprehensive income		
Foreign currency translation adjustments	(947)	758
Cash flow hedges	74	(187)
Financial assets measured at fair value through other comprehensive income	5,326	(7,788)
Remeasurements of defined benefit plans	(8,561)	15,931
Total	(4,108)	8,714
Exchange differences on translation and others	807	(4,979)
Closing balance	¥84,533	¥67,698

(c) Deductible temporary differences and the amount of carryforward of unused tax losses for which deferred tax assets are not recognized multiplied by the applicable tax rate

(Millions of yen)

At March 31	2022	2023
Deductible temporary differences	¥ 43,538	¥ 59,698
Carryforward of unused tax losses	136,971	115,736
Total	¥180,509	¥175,434

Note: Deductible temporary differences arising from investments in subsidiaries and associates, when the Company intends to hold the investments continuously, are not included. The amount of deductible temporary differences arising from investments in subsidiaries for which deferred tax assets are not recognized (income basis) was ¥538,333 million at March 31, 2022, and ¥663,119 million at March 31, 2023. Also, the amounts presented above are calculated by multiplying the amounts of deductible temporary differences and carryforward of unused tax losses by the applicable tax rate.

The expiration dates of carryforward of unused tax losses for which deferred tax assets are not recognized are as follows.

(Millions of yen)

At March 31	2022	2023
1st year	¥ 4,245	¥ 579
2nd year	3,754	1,372
3rd year	1,477	2,011
4th year	1,614	2,189
5th year and thereafter	125,881	109,585
Total	¥136,971	¥115,736

(2) Income tax recognized through profit or loss

(Millions of yen)

Years ended March 31	2022	2023
Current tax expense	¥46,469	¥106,441
Deferred tax expense		
Origination and reversal of temporary differences	13,884	8,388
Others*	(33,508)	12,182
Total deferred tax expense	(19,624)	20,570
Total income tax expense	¥26,845	¥127,011

* Following the decision to liquidate a North American subsidiary, a decrease in tax expense of ¥29,110 million resulting from the recognition of deductible temporary differences not previously recognized was recorded for the year ended March 31, 2022. In December 2021, the Company decided to restructure its North American subsidiaries, liquidating a portion of those subsidiaries in conjunction with the restructuring. The purpose of the restructuring was to pursue synergies by integrating management resources that had been dispersed among multiple subsidiaries in North America. Fujitsu America, Inc. (hereinafter "FAI") transferred its service business in the United States and the shares of FAI's subsidiaries to Fujitsu North America, Inc. (renamed on April 1, 2022 and hereinafter referred to as "FNAI"), allowing the Company to consolidate its service business in North America. FNAI made a fresh start as a specialized service company for North America upon the completion of business integration. The Company will liquidate FAI and its subsidiaries, which have completed their roles.
Also, for the year ended March 31, 2023, others is mainly composed of a write-down of deferred tax assets.

(3) Income tax recognized through other comprehensive income

(Millions of yen)

Years ended March 31	2022	2023
Foreign currency translation adjustments	¥ 947	¥ (758)
Cash flow hedges	(74)	187
Financial assets measured at fair value through other comprehensive income*	(854)	11,388
Remeasurements of defined benefit plans	8,561	(15,931)
Total income tax expense	¥8,580	¥ (5,114)

* The amounts presented above include current tax expense.

(4) Difference between applicable tax rate and average effective tax rate

Years ended March 31	2022	2023 (%)
Applicable tax rate	30.6%	30.6%
Increase and decrease in income tax rate		
Change in unrecognized deferred tax assets	(15.5)%	4.7%
Tax credit	(2.2)%	(1.6)%
Income (Loss) from investments accounted for using the equity method, net	(1.8)%	(2.3)%
Others	0.1%	2.8%
Average effective tax rate	11.2%	34.2%

The Company and its consolidated subsidiaries in Japan are primarily affected by corporation, residents, and business taxes. The applicable tax rate calculated based on these rates was 30.6%. The Company's consolidated subsidiaries outside Japan are affected by corporation and other taxes at the domicile of each subsidiary.

14. Inventories

(Millions of yen)

At March 31	2022	2023
Finished goods	¥117,518	¥127,714
Work in progress	83,959	84,989
Raw materials and supplies	108,352	124,305
Total	¥309,829	¥337,008

The amounts of write-downs of inventories recognized as an expense due to a decline in profitability for the years ended March 31, 2022 and 2023 were ¥14,907 million and ¥21,200 million, respectively.

15. Trade Receivables and Other Receivables

(1) Trade receivables

(Millions of yen)

At March 31	2022	2023
Accounts receivable	¥874,923	¥924,872
Others	7,048	6,102
Allowance for doubtful accounts*	(3,498)	(3,125)
Total	¥878,473	¥927,849

* A reconciliation of changes in allowance for doubtful accounts is disclosed in changes in allowance for doubtful accounts (current) in Note "34. Financial Instruments."

(2) Other receivables

(Millions of yen)

At March 31	2022	2023
Accounts receivable-other	¥60,216	¥82,468
Others	2,111	2,298
Total	¥62,327	¥84,766

16. Cash and Cash Equivalents

(Millions of yen)

At March 31	2022	2023
Cash and deposits	¥341,020	¥325,901
Short-term investments	143,000	30,000
Cash and cash equivalents on the consolidated statement of financial position	¥484,020	¥355,901

17. Assets Held for Sale

Not applicable.

18. Equity and Other Components of Equity

(1) Share capital

(a) Number of shares authorized

Ordinary shares (no par value)

(Thousands of shares)

At March 31	Number of shares
2022	500,000
2023	500,000

(b) Number of shares issued and fully paid

Ordinary shares

(Units: Thousands of shares, Millions of yen)

At March 31	Number of shares	Share capital
2022	207,001	¥324,625
Changes during the year	–	–
2023	207,001	¥324,625

(c) Treasury stock

Ordinary shares

(Units: Thousands of shares, Millions of yen)

At March 31	Number of shares	Amount
2022	10,488	¥128,897
Acquisitions*	8,278	150,103
Disposals	(0)	(2)
Share-based payment transactions	(105)	(1,296)
2023	18,661	¥277,702

* Primarily, the acquisitions were conducted pursuant to a resolution of the Board of Directors' meeting held on April 28, 2022.

(2) Capital surplus and retained earnings

Under the Japanese Companies Act, the entire amount paid for new shares is required to be designated as common stock, in principle. However, a company may designate a maximum of 50% of the amount of the new shares as capital reserve, which is included in capital surplus. The Companies Act also requires that an amount equal to 10% of dividends paid must be appropriated as a legal reserve, which is included in retained earnings, or as a capital reserve, which is included in capital surplus, until the total amounts of legal reserve and capital reserve reach 25% of share capital. The Companies Act allows legal reserve, capital reserve, other capital surplus, and other retained earnings to be transferred among the accounts under certain conditions upon resolution of the shareholders' meeting.

Capital surplus in the consolidated financial statements includes capital reserve and other capital surplus in the Company's stand-alone financial statements. Also, retained earnings in the consolidated financial statements include legal reserve and other retained earnings in the Company's stand-alone financial statements. The distributable amount as dividends is to be calculated in compliance with the Companies Act and based on the Company's stand-alone financial statements prepared in accordance with JGAAP.

(3) Other components of equity and changes in other comprehensive income

(Millions of yen)

Years ended March 31	2022	2023
Foreign currency translation adjustments		
Opening balance	¥ (6,193)	¥10,196
Other comprehensive income	16,389	(2,925)
Others	–	–
Closing balance	¥ 10,196	¥ 7,271
Cash flow hedges		
Opening balance	¥ (125)	¥ (210)
Other comprehensive income	(85)	206
Others	–	–
Closing balance	¥ (210)	¥ (4)
Financial assets measured at fair value through other comprehensive income		
Opening balance	¥60,934	¥53,522
Other comprehensive income	(512)	17,767
Others	(6,900)	(7,751)
Closing balance	¥53,522	¥63,538
Remeasurements of defined benefit plans		
Opening balance	¥ –	¥ –
Other comprehensive income	32,828	(41,901)
Others*	(32,828)	41,901
Closing balance	¥ –	¥ –
Total other components of equity		
Opening balance	¥54,616	¥63,508
Other comprehensive income	48,620	(26,853)
Others	(39,728)	34,150
Closing balance	¥63,508	¥70,805

* Remeasurements of the net defined benefit liability or asset (actuarial gains and losses) are recognized, after adjusting for tax effects, under other comprehensive income and immediately reflected in retained earnings.

(4) Breakdown of each item of other comprehensive income included in non-controlling interests

(Millions of yen)

Years ended March 31	2022	2023
Foreign currency translation adjustments	¥1,079	¥ 875
Cash flow hedges	(86)	215
Financial assets measured at fair value through other comprehensive income	1	(3)
Remeasurements of defined benefit plans	339	245
Other comprehensive income	¥1,333	¥1,332

(5) Income tax expense relating to each item of other comprehensive income

(Millions of yen)

Years ended March 31	2022	2023
Foreign currency translation adjustments		
Gains (losses) during the year	¥15,862	¥ 2,659
Reclassification to profit or loss	(194)	(6,188)
Amount before related income tax expense	15,668	(3,529)
Income tax expense	(947)	758
Amount after related income tax expense	¥14,721	¥ (2,771)
Cash flow hedges		
Gains (losses) during the year	¥(2,160)	¥ (1,999)
Reclassification to profit or loss	1,913	2,598
Amount before related income tax expense	(247)	599
Income tax expense	74	(187)
Amount after related income tax expense	¥ (173)	¥ 412
Financial assets measured at fair value through other comprehensive income		
Gains (losses) during the year	¥(1,148)	¥29,158
Amount before related income tax expense	(1,148)	29,158
Income tax expense	854	(11,388)
Amount after related income tax expense	¥ (294)	¥17,770
Remeasurements of defined benefit plans		
Gains (losses) during the year	¥41,562	¥(57,715)
Amount before related income tax expense	41,562	(57,715)
Income tax expense	(8,561)	15,931
Amount after related income tax expense	¥33,001	¥(41,784)
Share of other comprehensive income of investments accounted for using the equity method		
Gains (losses) during the year	¥ 2,685	¥ 619
Reclassification to profit or loss	13	233
Amount after related income tax expense	¥ 2,698	¥ 852
Total other comprehensive income		
Amount after related income tax expense	¥49,953	¥(25,521)

19. Dividends

Year ended March 31, 2022

(1) Dividends paid

Resolution	Class of shares	Total dividends (Millions of yen)	Source of dividends	Dividends per share	Record date	Effective date
Board of Directors' meeting on May 27, 2021	Ordinary shares	¥19,899	Retained earnings	¥100	March 31, 2021	June 7, 2021
Board of Directors' meeting on October 27, 2021	Ordinary shares	¥21,781	Retained earnings	¥110	September 30, 2021	November 30, 2021

(2) Among the dividends whose record date falls within the year ended March 31, 2022, those whose effective date falls within the year ended March 31, 2023

Resolution	Class of shares	Total dividends (Millions of yen)	Source of dividends	Dividends per share	Record date	Effective date
Board of Directors' meeting on May 26, 2022	Ordinary shares	¥21,616	Retained earnings	¥110	March 31, 2022	June 6, 2022

Year ended March 31, 2023

(1) Dividends paid

Resolution	Class of shares	Total dividends (Millions of yen)	Source of dividends	Dividends per share	Record date	Effective date
Board of Directors' meeting on May 26, 2022	Ordinary shares	¥21,616	Retained earnings	¥110	March 31, 2022	June 6, 2022
Board of Directors' meeting on October 27, 2022	Ordinary shares	¥23,594	Retained earnings	¥120	September 30, 2022	November 30, 2022

(2) Among the dividends whose record date falls within the year ended March 31, 2023, those whose effective date falls within the year ending March 31, 2024

Resolution	Class of shares	Total dividends (Millions of yen)	Source of dividends	Dividends per share	Record date	Effective date
Board of Directors' meeting on May 25, 2023	Ordinary shares	¥22,600	Retained earnings	¥120	March 31, 2023	June 5, 2023

20. Bonds, Borrowings, and Lease Liabilities

Breakdown of interest-bearing loans

At March 31	2022 (Millions of yen)	2023 (Millions of yen)	Average interest rate (2022)*1	Average interest rate (2023)*1	Repayment due date
Current portion of bonds*2	¥ 9,998	¥ –	–	–	–
Short-term borrowings	84,925	58,461	0.70%	2.86%	–
Current portion of long-term borrowings	25,004	4	0.36%	0.06%	–
Long-term borrowings	83	2,080	2.49%	5.65%	April 1, 2024– February 1, 2027
Lease liabilities (current)	48,839	45,112	0.93%	1.16%	–
Lease liabilities (non-current)	116,470	105,518	1.43%	1.66%	April 4, 2024– August 28, 2081
Total	¥285,319	¥211,175			
Short-term borrowings, current portion of long-term debt and lease liabilities (current)	¥168,766	¥103,577			
Long-term debt and lease liabilities (non-current)	¥116,553	¥107,598			

*1 Average interest rates are the weighted average interest rates for the balance at March 31, 2022 and 2023.
*2 A breakdown of the bonds is presented below. Interest rates in total are the weighted average interest rates for the total face value of the bonds.

At March 31

Company name/Issue	Issue date	2022 (Millions of yen)	2023 (Millions of yen)	Interest rate(%)	Collateral	Maturity
The Company Thirty-eighth Series Unsecured Straight Bonds	July 22, 2015	¥9,998	¥ –	0.533	None	July 22, 2022
Total		¥9,998	¥ –	–		

21. Post-Employment Benefits

(1) Outline of the retirement benefit plan adopted

The Group provides defined benefit plans, as part of retirement benefit plans, in countries such as Japan, the UK, and Germany. In Japan, some of those plans are risk-sharing corporate pension plans. The Group also provides defined contribution plans in countries such as the UK, Japan, and Germany. In addition, the Company and some subsidiaries in Japan have retirement benefit trusts.

The major retirement benefit plans in Japan are funded pension plans and retirement benefit plans operated by the Fujitsu Corporate Pension Fund that is participated by the Company and some subsidiaries in Japan. The Fujitsu Corporate Pension Fund is a special corporation approved by the Minister of Health, Labour and Welfare, and operated in accordance with the Defined Benefit Corporate Pension Plan Act. There is a board of representatives as a legislative arm and a board of directors as an executive arm in the Fujitsu Corporate Pension Fund. The representatives and directors are split evenly with one half selected by the Company and certain subsidiaries in Japan and the other half elected by the employees through mutual vote.

The Fujitsu Corporate Pension Fund provides plans contributed by the companies and a plan contributed by employees. The benefits are determined by the accumulated salary in the participation period and the length of participation in the plan as well as other factors. The period of benefit payment is 20 years, primarily from age 60 to 80, while some participants are guaranteed lifetime benefits. There are a retirement benefit plan for employees who joined the companies in or before March 1999 and a retirement benefit plan for employees who joined in or after April 1999. The plan for employees who joined in or after April 1999 comprises a cash balance plan and a defined contribution plan. The benefits are determined by the number of accumulated points, reflecting the degree of employee contributions to the Company, including years of service, and other factors. In addition, the benefit amount of the cash balance plan is determined based also on the market interest rate during the period of participation in the plan.

For the pension plans contributed by the companies and the retirement benefit plan for employees who had joined the companies in or before March 1999, on June 21, 2018, the Company transferred currently serving employees to a risk-sharing corporate pension plan (for corporate pension plans established in accordance with the Defined Benefit Corporate Pension Plan Act [2001:50], as stipulated by Article 1, Paragraph 3 of the Implementation Regulations for the Defined Benefit Corporate Pension Plan Act [2002, MHLW, No. 22]). In conjunction with this, the Company revised its pension asset portfolio with a view to reducing asset management risk, aiming to achieve a more sustainable plan. In addition, the Company provides a conventional defined benefit plan (a non-risk-sharing, defined benefit corporate pension plan) for the pension plan contributed by employees and the beneficiaries.

The risk-sharing corporate pension plan introduced by the Company shares the risk between the company and plan participants. The company accepts a certain level of risk by making a fixed contribution, including a portion to supplement the shortfall in plan assets at the time of the transfer to the plan (special contributions) and a portion for a reserve for risk (risk reserve contribution) determined in agreement between the company and plan participants. The plan participants also accept a certain level of risk, as their benefits will be adjusted if the balance between plan assets and plan obligations becomes skewed. Under the conventional defined benefit plan, the Company was required to make additional contributions if a shortfall arose in the reserve. In a risk-sharing corporate pension plan, however, the potential risks that could occur in the future are measured in advance, and a risk reserve contribution is made by the company as a level contribution within the scope agreed by the company and plan participants. The total amount corresponding to special contributions stipulated by the fund terms is contributed in equal installments over three years from the date of the shift to the new plan. At the same time, an amount corresponding to the risk reserve contribution is contributed at a constant rate over four years from the date of the shift to the new plan, with the amount being determined by the amount of potential future shortfalls assessed at the time of the shift. Once these contributions are completed, there will be no additional contributions. In terms of the accounting treatment for retirement benefits, for the risk-sharing corporate pension plan, the portion for which the company effectively has no further obligation for additional contributions is classified as a defined contribution plan. Accordingly, the risk-sharing corporate pension plan introduced by the Group is classified as a defined contribution plan.

In addition, some subsidiaries in Japan have provided defined benefit corporate pension plans managed by the companies based on pension terms agreed with the employees, and certain subsidiaries also have an internal reserve-type retirement lump sum grant pension plan.

The major employment benefit plans provided outside Japan are the defined benefit plans provided by Fujitsu Services Holdings PLC (including its consolidated subsidiaries, "FS") located in the UK, and Fujitsu Technology Solutions (Holding) B.V. (including its consolidated subsidiaries, "FTS") located in Germany. The defined benefit plan of FS is operated by the board of trustees composed of representatives of the company and the employees and independent outside specialists, in conformity with the guideline issued by the UK Pensions Regulator. Under FS' defined benefit plan, the benefits are based on the amount of final salary, the length of participation in the plan and the price index, and the benefits are guaranteed throughout the lifetime of the participants. FS closed new participation to the funded defined benefit plan in 2000 and instead provided a defined contribution plan for employees that joined the company thereafter. In 2010, for the employees that participated in the defined benefit plan, FS started to transfer the benefits that correspond to future service to the defined contribution plan, which was completed in 2011. In March 2013, a special contribution of ¥114,360 million was made to the pension scheme to make up a deficit (defined benefit obligation less plan assets) in the defined benefit plan. In addition, the investment portfolio of plan assets was shifted primarily toward bonds to match the defined benefit obligation. FTS used to provide an unfunded defined benefit plan, which was closed for new participation in 1999. Since then, a defined contribution plan has been provided for employees to participate in.

(2) Defined benefit plans

(a) Risks related to the defined benefit plans

The Group's defined benefit plans are exposed to the following risks.

(i) Investment risk

The present value of the defined benefit obligation is calculated using a discount rate determined by reference to market yields at the end of the reporting periods on high-quality corporate bonds. If the return on asset is below this rate, it worsens the funded status and thus risks reducing equity. Plan assets may be affected by the volatility of return on assets in the short term. The asset allocation of plan assets is regularly reviewed to ensure long-term return and future payment of pensions and retirement benefits.

(ii) Interest risk

A decrease in the interest of high-quality corporate bonds increases the present value of the defined benefit obligation. This worsens the funded status and thus risks reducing equity.

(iii) Longevity risk

An increase in the life expectancy of the plan participants increases the present value of the defined benefit obligation. This worsens thefunded status and thus risks reducing equity.

(iv) Inflation risk

Some benefits in the plans for the UK and Germany are linked to the price index. Higher inflation increases the present value of the defined benefit obligation. This worsens the funded status and thus risks reducing equity.

(b) Amounts in the financial statements

(i) Reconciliation for the closing balance of the defined benefit obligation and plan assets and net defined benefit liability (asset) recognized on the consolidated statement of financial position

(Millions of yen)

At March 31	2022	2023
Present value of defined benefit obligation	¥(1,577,660)	¥(1,320,257)
Fair value of plan assets	1,601,231	1,307,010
Effect of asset ceiling	–	(258)
Net defined benefit liability (asset) recognized on the consolidated statement of financial position	¥ 23,571	¥ (13,505)
Retirement benefit assets	¥ 139,543	¥ 81,883
Retirement benefit liabilities	(115,972)	(95,388)
Net defined benefit liability (asset) recognized on the consolidated statement of financial position	¥ 23,571	¥ (13,505)

At March 31, 2022

The present value of the defined benefit obligation at March 31, 2022 comprises –¥663,838 million for plans in Japan and –¥913,822 million for plans outside Japan, while the fair value of plan assets comprises ¥663,486 million for plans in Japan and ¥937,745 million for plans outside Japan.

At March 31, 2023

The present value of the defined benefit obligation at March 31, 2023 comprises –¥610,010 million for plans in Japan and –¥710,247 million for plans outside Japan, while the fair value of plan assets comprises ¥643,576 million for plans in Japan and ¥663,434 million for plans outside Japan."

The adjustment amount due to the asset ceiling is defined as the amount adjusted due to the partial restriction of an amount of assets recognized under IAS 19 Employee Benefits, where the excess amount in cases in which accumulated plan assets exceed the present value of defined benefit plan liabilities is recognized as an asset related to retirement benefits.

(ii) Components of defined benefit costs

(Millions of yen)

Years ended March 31	2022	2023
Current service cost (net of contribution from plan participants)	¥12,254	¥11,663
Net interest	211	(368)
Past service cost and gains and losses arising from settlements	(2,355)	(106)
Total	¥10,110	¥11,189

Current service cost (net of contribution from plan participants) includes defined benefit costs related to multi-employer plans.

(iii) Reconciliation for beginning and ending balances of the defined benefit obligation and plan assets

(Millions of yen)

Present value of defined benefit obligation	2022	2023
Opening balance	¥(1,604,732)	¥(1,577,660)
Current service cost	(18,844)	(17,829)
Interest expense	(22,439)	(29,460)
Remeasurements of the net defined benefit liability (asset)		
Actuarial gains and losses arising from changes in financial assumptions	58,965	265,680
Actuarial gains and losses arising from changes in demographic assumptions	(37,930)	(29,305)
Past service cost and gains and losses arising from settlements	2,355	106
Payments from the plan		
Payments from the employer	7,068	8,372
Payments from plan assets	74,584	77,007
Payments in respect of settlements	14,161	–
Effects of business combinations and disposals	270	14,445
Effect of changes in foreign exchange rates	(51,118)	(31,613)
Closing balance	¥(1,577,660)	¥(1,320,257)

(Millions of yen)

Fair value of plan assets	2022	2023
Opening balance	¥1,565,535	¥1,601,231
Interest income	22,228	29,828
Remeasurements of the net defined benefit liability (asset)		
Return on plan assets, excluding amounts included in interest income	21,737	(294,839)
Contributions to the plan		
Contributions by the employer	22,199	21,984
Contributions by the plan participants	6,590	6,166
Payments from the plan		
Payments from plan assets	(74,584)	(77,007)
Payments in respect of settlements	(14,161)	–
Effects of business combinations and disposals	(33)	(9,499)
Effect of changes in foreign exchange rates	51,720	29,146
Closing balance	¥1,601,231	¥1,307,010

(iv) Components of fair value of plan assets

(Millions of yen)

	2022		2023	
	Market price in an active market		Market price in an active market	
At March 31	Quoted	Unquoted	Quoted	Unquoted
Cash and cash equivalents	¥ 46,080	¥ –	¥ 38,844	¥ –
Equity instruments				
Japan	46,738	11,270	49,945	11,747
Outside Japan	17,867	94,849	21,797	81,814
Debt instruments				
Japan	4,055	138,093	4,714	136,837
Outside Japan	567,977	140,530	295,922	186,058
General accounts of life insurance companies	–	263,328	–	265,372
Liability Driven Investment (LDI)	2,445	207,035	–	152,265
Others	3,964	57,000	1,861	59,834
Total	¥689,126	¥912,105	¥413,083	¥893,927

LDI represents a portfolio of investments that primarily consists of bonds and swap instruments, designated to match the plan assets with a change in the present value of the defined benefit obligation arising from a change in indices such as interest rates and inflation.

(v) Significant actuarial assumptions used in calculating the present value of the defined benefit obligation

	2022		2023	
At March 31	Plans in Japan	Plans outside Japan*[1]	Plans in Japan	Plans outside Japan*[1]
Discount rate	0.66%	2.75%	1.07%	4.90%
Life expectancy*[2]	23.6 years	23.0 years	23.6 years	22.9 years
Inflation rate	–	3.70%	–	3.30%

*[1] Assumptions for plans outside Japan represent the assumptions for the defined benefit plan provided by a UK subsidiary.
*[2] Life expectancy is based on a male currently at age 60 for plans in Japan and on a male currently at age 65 for plans outside Japan.

(c) Amount, timing, and uncertainty of future cash flows

(i) Sensitivity analysis for significant actuarial assumptions

The sensitivity analysis below shows the effect on the defined benefit obligation when one of the significant actuarial assumptions changes reasonably while holding all other assumptions constant. However, the change in assumptions would not necessarily occur in isolation from one another. In addition, since the defined benefit plan of a UK subsidiary, because the investments in the plan assets are managed matching the defined benefit obligation, the impact on the funded status arising from changes in the discount rate will be limited.A negative amount represents a decrease of the defined benefit obligation while a positive amount represents an increase of the defined benefit obligation.

		(Millions of yen)	
At March 31		2022	2023
Discount rate	0.1% increase	¥(20,423)	¥(14,598)
	0.1% decrease	20,703	14,850
Life expectancy	1 year increase	44,044	38,893
Inflation rate	0.1% increase	7,796	5,277
	0.1% decrease	(7,474)	(5,352)

(ii) Funding and performance policy of plan assets

The Group funds the defined benefit plans, taking into consideration various factors such as the Company's financial condition, funded status of the plan assets, and actuarial calculations. The Fujitsu Corporate Pension Fund regularly reviews the amount of contributions, for example, by conducting an actuarial review every five years in accordance with the Defined- Benefit Corporate Pension Plan Act.

The Group aims to increase the value of the plan assets by taking an acceptable range of risks to ensure benefits to pensioners (including deferred pensioners).

For management of the plan assets of the Fujitsu Corporate Pension Fund, asset management meetings are regularly held, participated by committee members elected from representatives and directors of the fund as well as the Company's representatives from the finance and HR departments. Risks are reduced by considering returns and risks of the investment assets and setting out the basic allocation of investment assets as well as adjusting rules (regarding the range of changes). The basic allocation of investment assets and the adjustment of rules are reviewed regularly, corresponding to the market environment and any changes in the funded status, so that the best investment balance is ensured.

FS invests in a portfolio that primarily consists of bonds and swap instruments, designated to match the plan assets with a change in the present value of the defined benefit obligation arising from a change in indices such as interest rates and inflation, to reduce market volatility risk.

(iii) Expected contributions to defined benefit plans

The Group expects contributions by the employer of ¥21,651 million to defined benefit plans for the year ending March 31, 2024.

(iv) Maturity profile of the defined benefit obligation

At March 31	2022	2023
Weighted average duration of the defined benefit obligation	14.0 years	13.5 years

(3) Defined contribution plans and public plans

(Millions of yen)

At March 31	2022	2023
Expenses for defined contribution plans	¥20,980	¥21,020
Expenses for risk-sharing corporate pension plan	27,413	20,173
Expenses for public plans	75,733	75,689

In addition to the standard contribution, risk reserve contributions of ¥4,955 million and ¥417 million were recorded for the years ended March 31, 2022 and 2023, respectively.

22. Cash Flow Information

(1) Changes in liabilities arising from financing activities

(Millions of yen)

	Bonds and Borrowings	Short-term borrowings	Lease liabilities	Total
Balance at April 1, 2021	¥88,060	¥68,248	¥160,017	¥316,325
Changes arising from cash flows	(53,288)	15,668	(62,328)	(99,948)
Non-cash changes				
Acquisition or loss of control	299	–	(1,207)	(908)
Acquisition of right-of-use assets	–	–	70,070	70,070
Decrease due to cancellation, etc.	–	–	(7,208)	(7,208)
Exchange differences on translation	5	3,119	5,097	8,221
Others	9	(2,110)	868	(1,233)
Balance at March 31, 2022	¥35,085	¥84,925	¥165,309	¥285,319
Changes arising from cash flows	(33,030)	(25,502)	(58,566)	(117,098)
Non-cash changes				
Acquisition or loss of control	–	–	(2,663)	(2,663)
Acquisition of right-of-use assets	–	–	46,380	46,380
Decrease due to cancellation, etc.	–	–	(3,211)	(3,211)
Exchange differences on translation	27	890	2,159	3,076
Others	2	(1,852)	1,222	(628)
Balance at March 31, 2023	¥ 2,084	¥58,461	¥150,630	¥211,175

(2) Other

For the year ended March 31, 2022

Other cash flows from operating activities included ¥64,382 million of an increase in payables related to the extra retirement payments as part of expansion of the "Self-Produce Support System."

For the year ended March 31, 2023

Other cash flows from operating activities included ¥64,335 million of a decrease in payables related to the extra retirement payments as part of expansion of the "Self-Produce Support System" recored in the fical year ended March 31, 2022.

"Net proceeds from sale of subsidiaries, equity method associates and businesses" within cash flows from investing activities includes ¥90,584 million as consideration for the transfer of 80% of the shares of the Company's consolidated subsidiary PFU Limited (hereinafter "PFU") to Ricoh Company, Ltd. (hereinafter "Ricoh"), on September 1, 2022, and ¥42,060 million as the transferred amount of cash and cash equivalents held by PFU.

23. Provisions

(Millions of yen)

	Provision for restructuring	Provision for product warranties	Provision for loss on orders received	Asset retirement obligation	Others	Total
Balance at March 31, 2022	¥6,880	¥8,455	¥18,736	¥19,233	¥10,963	¥64,267
Additional provisions made during the year	1,279	2,585	5,760	1,671	1,157	12,452
Amounts used during the year	(3,076)	(3,241)	(12,073)	(1,800)	(2,422)	(22,612)
Change in scope of consolidation	–	–	–	(213)	(3)	(216)
Exchange differences on translation and others	344	214	305	225	690	1,778
Balance at March 31, 2023	¥5,427	¥8,013	¥12,728	¥19,116	¥10,385	¥55,669

(Millions of yen)

At March 31	2022	2023
Current liabilities	¥42,851	¥35,015
Non-current liabilities	21,416	20,654
Total	¥64,267	¥55,669

Provision for restructuring

A provision is recognized at the estimated costs of restructuring such as personnel rationalization and disposal of business, only when the Group has a detailed formal plan and starts to implement the plan or announces its main features to those affected by the plan. Most of the expenditure is expected within 1 or 2 years.

Provision for product warranties

A provision for product warranties is recognized at the time of sales of the products at an amount that represents the estimated cost, based on past experience, to repair or exchange certain products within the warranty period. Most of the expenditure is expected within 5 years.

Provision for loss on orders received

The account name "Provision for contract losses" presented for the previous fiscal year is changed to “Provision for loss on orders received” from the current fiscal year, please refer to Note “3. Significant Accounting Policies.” A provision is recognized for losses on service contracts in which the Company undertakes an obligation to provide deliverables, such as turnkey contracts, if it is probable that the total estimated project costs exceed the total estimated project revenues. The timing of the expenditure is affected by future progress of the project and other factors.

Asset retirement obligation

A provision is made mainly for the estimated cost of restoring the leased site at the agreement of the lease, in accordance with the laws or contracts. The timing of the expenditure is affected by future business plans and other factors.

Provisions for environmental measures are included in “Others.”

24. Trade Payables and Other Payables

(1) Trade payables

(Millions of yen)

At March 31	2022	2023
Accounts payable	¥464,795	¥458,280
Others	5,442	5,450
Total	¥470,237	¥463,730

(2) Other payables

(Millions of yen)

At March 31	2022	2023
Accrued expenses	¥269,261	¥286,295
Accounts payable—other	134,612	81,104
Total	¥403,873	¥367,399

25. Revenue

(1) Classification of revenue

The Group classifies its revenue by region based on the location of its customers. The relationship between revenue categorized by region and reportable segments is as follows.

Furthermore, the Group has revised its regional classification from the current fiscal year. Under the new presentation, regions previously classified as NWE (Northern & Western Europe), CEE (Central & Eastern Europe), and European regions outside of NWE and CEE that were included in Others are now combined as "Europe"; China, Taiwan, and South Korea, previously included in Asia, are now combined as "East Asia"; and countries and regions previously included in Asia other than China, Taiwan, and South Korea are now combined with Oceania as "Asia Pacific." Comparative information for the previous fiscal year reflects the revised classification.

The main countries belonging to the Americas are the United States and Canada, as before.

Year ended March 31, 2022

(Millions of yen)

Revenue from external customers	Technology Solutions	Ubiquitous Solutions	Device Solutions	Total
Japan	¥2,110,392	¥ 83,502	¥ 75,998	¥2,269,892
Europe	546,132	102,400	13,141	661,673
Americas	188,380	–	50,523	238,903
APAC	141,546	40	104,916	246,502
East Asia	42,839	1,008	119,816	163,663
Others	6,149	–	57	6,206
Total	¥3,035,438	¥186,950	¥364,451	¥3,586,839

Year ended March 31, 2023

(Millions of yen)

Revenue from external customers	Technology Solutions	Ubiquitous Solutions	Device Solutions	Total
Japan	¥2,111,048	¥102,533	¥76,704	¥2,290,285
Europe	570,325	83,952	12,187	666,464
Americas	239,441	173	56,603	296,217
APAC	179,918	204	102,608	282,730
East Asia	48,697	1,750	120,182	170,629
Others	7,381	–	61	7,442
Total	¥3,156,810	¥188,612	¥368,345	¥3,713,767

Notes: 1. Includes revenues arising from leases for the years ended March 31, 2022 and 2023 because they are immaterial for the Group.
2. Others includes the Middle East, and Africa.

(2) Contract assets and contract liabilities

Contract assets are primarily unbilled trade receivables related to revenue recognized based on measurement of progress toward complete fulfillment of performance obligations under service contracts in which the Company undertakes an obligation to provide deliverables, such as turnkey contracts. These are transferred to trade receivables when the customer accepts the deliverables.

Contract liabilities primarily consist of prepayments received from customers under contracts to provide them with ongoing services. The amounts of revenue recognized for the years ended March 31, 2022 and 2023, included in the balances of contract liabilities at April 1, 2021 and 2022 are ¥107,445 million and ¥114,423 million, respectively.

(3) Performance obligations

For details of the performance obligations for products and services in each reportable segment and the measurement method thereof, please refer to Note "3. Significant Accounting Policies."

The payment terms for respective performance obligations are mainly within one year, and there are no significant transactions with long-term prepayment or post-payment terms.

Transaction prices allocated to unsatisfied (or partially unsatisfied) performance obligations at March 31, 2022 totaled ¥1,827,263 million. Of this amount, ¥1,223,019 million was expected to be recognized as earnings within one year.

Transaction prices allocated to unsatisfied (or partially unsatisfied) performance obligations at March 31, 2023 totaled ¥1,769,824 million. Of this amount, ¥1,126,491 million is expected to be recognized as earnings within one year.

The Group does not apply the practical expedient in IFRS 15 "Revenue from Contracts with Customers," Paragraph 121, and the above performance obligations amount includes the performance obligations included as components of contracts that have an original expected duration of one year or less. In addition, any consideration from contracts with customers that is not included in the transaction price is immaterial for the Group.

26. Other Income, Expenses and Income from investments accounted for using the equity method, net

For the year ended March 31, 2022
The Group has included gain on business transfer of ¥12,451million, income on government grants of ¥12,210 million, and gain on sales of property, plant and equipment of ¥5,749 million under other income.

The main components of other expenses are extra retirement payments of ¥64,382 million as part of expansion of the "Self-Produce Support System." The "Self-Produce Support System" is a system to provide a certain level of support to employees seeking to take on challenges and develop a more active role in a new career outside the Group. Being one of the measures the Group has taken in the current fiscal year to accelerate transformation toward becoming a digital transformation company, the aforesaid initiative has been expanded for a limited period only. The expenses are included in the Technology Solutions segment.

In addition to the above, the Group has included impairment losses of ¥4,354 million, loss on disposal of property, plant and equipment of ¥2,480 million, and facility relocation and disposal expenses of ¥2,453 million under other expenses.

For the year ended March 31, 2023
The main components of other income are as follows.

The Group has included a gain of ¥30,821 million related to the transfer of 80% of the shares of PFU Limited (hereinafter referred to as "PFU"), a consolidated subsidiary of the Company, to Ricoh Company, Ltd. on September 1, 2022. The gain is included in Technology Solutions segment.

The Group has also included income on government grants of ¥21,441 million for mainly research and development of Post-5G/Beyond-5G as grants related to income. The income is included in Technology Solutions segment.

In addition to the above, the Group has included gain on sales of property, plant and equipment of ¥15,903 million under other income.

The Group has included loss on disposal of property, plant and equipment of ¥7,113 million, restructuring expenses of ¥3,785 million and facility relocation and disposal expenses of ¥2,597 million under other expenses.

The main component of income from investments accounted for using the equity method, net is a gain of ¥7,705 million on fair value valuation as PFU become an associate of the Company by the equity method.

Details of the share transfer of PFU are described in the "7. Business Combinations, etc. 1. Business Divestitures."

27. Impairment of Non-Financial Assets

(1) Cash-generating unit (CGU)

In principle, a cash-generating unit (CGU) is identified for business-use assets based on the units that the management uses to make decisions.

(2) Impairment losses

A breakdown of assets for which impairment losses were recognized is as follows. These impairment losses are mainly included in "other expenses" in the consolidated statement of profit or loss.

(Millions of yen)

Years ended March 31	2022	2023
Property, plant and equipment		
Land	¥ 268	¥ 28
Buildings	691	31
Machinery and equipment, tools, fixtures and fittings	695	113
Construction in progress	73	30
Total property, plant and equipment	1,727	202
Goodwill	425	393
Intangible assets		
Software	1,970	22
Others	232	296
Total intangible assets	2,202	318
Total impairment losses	¥4,354	¥913

For the year ended March 31, 2022

For software, the carrying amounts of those relevant CGUs were written down to the recoverable amount due to the decline in profitability and other factors.

The breakdown of impairment losses by segment is ¥2,889 million for Technology Solutions, and ¥1,465 million for Device Solutions.

For the year ended March 31, 2023

For goodwill, the carrying amounts of those relevant CGUs were written down to the recoverable amount due to business downsizing and withdrawal and other factors.

The breakdown of impairment losses by segment is ¥767 million for Technology Solutions and ¥146 million for Device Solutions.

(3) Reversal of impairment losses

In the year ended March 31, 2023, following the sale of business assets for which impairment losses had been recognized in the previous fiscal year, the carrying amounts were reversed to the recoverable amount for the assets. The Group recorded reversals of impairment losses of ¥57 million for buildings, and ¥340 million for land. These reversals of impairment losses are included in other income in the consolidated statement of profit or loss. In segment information, they are included in Technology Solutions.

(4) Goodwill impairment test

Fujitsu Technology Solutions (Holding) B.V. (FTS) recognizes goodwill that consists primarily of the goodwill related to the product support business acquired from Siemens Business Services GmbH in April 2006.

The target business region of FTS is Europe. Because the Group has adopted a business management structure based on country and region, it allocates goodwill to CGUs in six countries or regions. The six CGUs include Central Europe, comprising Germany, Switzerland and Austria, along with five units that include the Netherlands, Belgium and Luxembourg, France, Spain and Portugal, and Poland (the "Other Countries and Regions").

Important goodwill allotted to each CGU was assigned to Central Europe.

(Millions of yen)

At March 31	2022	2023
FTS		
Central Europe	¥12,468	¥13,554
Other Countries and Regions	3,454	3,522

An impairment loss on goodwill is recognized when the recoverable amount of the CGU is below its carrying amount. The recoverable amount is measured based on the value in use.

The value in use relating to the goodwill from Central Europe, which was important in the year ended March 31, 2023, was calculated by discounting projected cash flows based on a three-year medium-term management plan and growth rate for subsequent periods incorporating future uncertainties to the present value. The recoverable amount for the year ended March 31, 2023, was well above the carrying amount of the CGU. The medium-term management plan is prepared to reflect the management's judgments for future forecasts and past data, using internal and external data.

The growth rate is determined by considering the long-term average growth rate of the market in each region to which the CGU belongs. The growth rate for the years ended March 31, 2022 and 2023 was 0.5%. The discount rate is calculated based on a pre-tax weighted average capital cost of the CGU. The discount rates before taxes, which were used for the impairment tests of Central Europe in the years ended March 31, 2022 and 2023, were 8.0% and 11.0%, respectively.

As far as the growth rate and the discount rate used in calculating the recoverable amount change within a reasonable range, the recoverable amount is well above the carrying amount of the CGU, and the likelihood is considered remote that a significant impairment loss shall be recognized.

28. Employee Expenses

(Millions of yen)

Years ended March 31	2022	2023
Salaries and bonuses	¥ 967,955	¥ 980,129
Retirement benefit cost	58,505	52,382
Legal welfare expenses and others	242,460	185,524
Total	¥1,268,920	¥1,218,035

Note: Legal welfare expenses and others for the year ended March 31, 2022 include a portion of personnel expenses for the temporary expansion of the "Self-Produce Support System," which amounted to ¥64,382 million.

29. Financial Income and Financial Expenses

Financial income

(Millions of yen)

Years ended March 31	2022	2023
Interest income	¥ 1,029	¥ 2,703
Dividend income	2,551	3,334
Foreign exchange gains, net	3,022	3,154
Others	4,873	5,896
Total	¥11,475	¥15,087

Financial expenses

Years ended March 31	2022	2023
	(Millions of yen)	
Interest expense	¥2,955	¥3,958
Others	1,588	2,904
Total	¥4,543	¥6,862

Interest income principally arose from financial assets and liabilities measured at amortized cost, and dividend income principally arose from financial assets measured at fair value through other comprehensive income.Interest expense principally arose from financial liabilities measured at amortized cost and lease liabilities .Interest expense on lease liabilities for the years ended March 31, 2022 and 2023 was ¥1,761 million and ¥1,837 million, respectively.

30. Discontinued Operations

Not applicable.

31. Earnings per Share

Calculation bases for basic earnings per share and diluted earnings per share

(1) Basic earnings per share

Years ended March 31	2022	2023
Profit for the year attributable to ordinary equity holders of the parent (Millions of yen)	¥182,691	¥ 215,182
Weighted average number of ordinary shares—basic (Thousands of shares)	197,672	194,273
Basic earnings per share (Yen)	¥ 924.21	¥1,107.63

(2) Diluted earnings per share

Years ended March 31	2022	2023
Profit for the year attributable to ordinary equity holders of the parent (Millions of yen)	¥182,691	¥ 215,182
Profit used to calculate diluted earnings per share (Millions of yen)	¥182,691	¥ 215,182
Weighted average number of ordinary shares—basic (Thousands of shares)	197,672	194,273
Adjustment by conditional issuable shares (Thousands of shares)	265	389
Weighted average number of ordinary shares—diluted (Thousands of shares)	197,937	194,662
Diluted earnings per share (Yen)	¥ 922.97	¥1,105.41

32. Non-Cash Transactions

Years ended March 31	2022	2023
	(Millions of yen)	
Acquisitions of right-of-use assets	¥62,182	¥42,667

33. Share-Based Payment

The Company has introduced a performance-based stock compensation plan (hereinafter "the Plan") for executive directors, executive officers and employees that are at certain positions or higher at the Company and certain subsidiaries (hereinafter "Executives"). The Company intends to grant Executives medium- to long-term incentives for improving corporate value, and also will endeavor to further management from a shareholder's perspective.

The Company will grant to Executives a base number of shares in accordance with their respective rank, performance evaluation period (three years), and performance targets (revenue and operating profit). The number of shares is calculated by multiplying the base number of shares by a coefficient corresponding to the level of performance achievement for each fiscal year. When the performance evaluation period is over, the total number of shares is allocated to each applicable person.

The Plan is accounted for as an equity-settled share-based payment. The number of shares granted during the period, the weighted average of the fair value at grant date (weighted average fair value), and the expense arising from share-based payment included in the consolidated statement of profit or loss are as follows.

Years ended March 31	2022	2023
Number of shares granted during the period (Thousands of shares)*[1]	199	268
Weighted average fair value (Yen)	¥16,422	¥18,207
Expense arising from share-based payment (Millions of yen)*[2]	1,445	3,154

*[1] The base number of shares is presented.
*[2] Expense arising from share-based payment is included in selling, general and administrative expenses in the consolidated statement of profit or loss.

34. Financial Instruments

(1) Capital management

The fundamental principles of the Group's capital management are to provide a stable return to shareholders while a portion of retained earnings is used by the Company to strengthen its financial base and support new business development opportunities that will result in improved long-term performance.
In order to improve profitability and efficiency of invested capital for businesses, the Group places importance on operating profit margin and EPS (earnings per share) as management indicators.

(2) Risk management

The Group carries out its financial activities in accordance with the "Fujitsu Group Treasury Policy" and primarily obtains funds through bank borrowings and the issuance of corporate bonds based on funding requirements of its business activities. After the adequate liquidity for its business activities has been ensured, the Group invests temporary excess funds in financial assets with low risk. The Group utilizes derivative transactions only for hedging purposes and not for speculative or trading purposes.

Trade receivables and contract assets are exposed to customer credit risk. Additionally, some trade receivables from exports of products are denominated in foreign currencies and exposed to exchange rate fluctuation risk. Other financial assets are composed primarily of the certificates of deposit held for fund management and the shares issued by customers or other parties for the purpose of maintaining and strengthening business relationships. Shares are exposed to market price fluctuation risk and financial risk of the company invested.

The Group also loans to business partners and other parties.

Trade payables and other payables are generally payable within one year. Some trade payables from imports of components are denominated in foreign currencies and exposed to exchange rate fluctuation risk. Borrowings and corporate bonds are mainly for the purpose of obtaining working capital and preparing capital expenditures. Because some of these have floating interest rates, they are exposed to interest rate fluctuation risk.

(a) Credit risk

The Group strives to mitigate collection risk in accordance with credit management standards and procedures in selling goods and services. A unit independent from the sales units assesses the credit standing of customers and manages collection dates and the balance outstanding for each customer to ensure smooth collection of trade receivables. Regarding loan receivables, the Group periodically assesses a debtor's financial condition and reviews the terms of the loan if needed.

The counterparties to derivative transactions are selected considering their credit risk.

The maximum amount of credit risks at March 31, 2023 equals the book value of financial assets on the consolidated statement of financial position that are exposed to credit risk.

Credit risk exposure of trade accounts receivables is as follows.

(Millions of yen)

			Overdue amounts					
At March 31	Total	Within due date	Total	Within 30 days	31 to 60 days	61 to 90 days	91 to 180 days	Over 180 days
2022	¥874,923	¥850,884	¥24,039	¥14,325	¥3,980	¥1,264	¥1,542	¥2,928
2023	924,872	890,693	34,179	21,285	5,665	1,761	2,094	3,374

The balances of allowance for doubtful accounts corresponding to trade accounts receivables at March 31, 2022 and 2023 are ¥3,498 million and ¥3,125 million, respectively.

Impairment is accounted for using the allowance for doubtful accounts, not directly reducing the carrying amount of financial assets.

Changes in the allowance for doubtful accounts are presented below.

(Millions of yen)

	Current assets	Non-current assets	Total
Balance at April 1, 2021	¥3,781	¥1,136	¥4,917
Additional provisions made during the year	1,822	640	2,462
Amounts used during the year	(661)	(10)	(671)
Unused amounts reversed during the year	(796)	(650)	(1,446)
Exchange differences on translation and others	(648)	(8)	(656)
Balance at March 31, 2022	3,498	1,108	4,606
Additional provisions made during the year	1,326	559	1,885
Amounts used during the year	(559)	(219)	(778)
Unused amounts reversed during the year	(1,000)	(654)	(1,655)
Exchange differences on translation and others	(140)	(16)	(156)
Balance at March 31, 2023	¥3,125	¥ 778	¥3,903

(b) Liquidity risk

The Group prepares a cash flow projection and monitors its funding requirements. The Group also strives to diversify its sources of financing in order to reduce liquidity risk.

Contractual maturity analysis of financial liabilities is presented below.

The Group classifies financial liabilities that mature within one year as current liabilities.

(Millions of yen)

At March 31	Carrying amount	Contractual cash flow	Within 1 year	1–2 years	2–3 years	3–4 years	4–5 years	Over 5 years
2022								
Non-derivative financial liabilities								
Bonds	¥ 9,998	¥ 10,000	¥ 10,000	¥ –	¥ –	¥ –	¥ –	¥ –
Borrowings	110,012	110,012	109,929	67	9	4	3	–
Lease liabilities	165,309	184,867	50,276	38,368	21,044	14,902	9,907	50,369
Derivative financial liabilities	2,831	2,831	2,831	–	–	–	–	–
2023								
Non-derivative financial liabilities								
Borrowings	¥ 60,546	¥ 60,546	¥ 58,465	¥ 1,865	¥ 212	¥ 3	¥ –	¥ –
Lease liabilities	150,630	171,527	46,303	33,976	20,458	13,466	10,341	46,983
Derivative financial liabilities	1,409	1,409	1,409	–	–	–	–	–

(c) Market risk

The Group utilizes foreign exchange forward contracts in respect to trade receivables and trade payables denominated in foreign currencies to mitigate the exchange rate fluctuation risk that is monitored by each currency respectively, currency swap contracts to mitigate the foreign currency exchange rate fluctuation risk of cash flows denominated in foreign currencies, and interest swap contracts in respect to borrowings and corporate bonds to mitigate interest rate fluctuation risk.

For the shares issued by customers or other parties, the Group regularly monitors their fair values and financial conditions of the issuers and reviews its investment on a regular basis, taking into account its relationship with the counterparties.

The Group enters into derivative transactions based on regulations established by the Company. Based on policies approved by the Chief Financial Officer (CFO), the finance division undertakes particular transactions, records them, and confirms the balance of transactions with counterparties.In addition, the finance division reports on the content of the transactions undertaken and changes in the transaction balance to the CFO and the head of the accounting department.

(i) Foreign currency sensitivity analysis

The following table represents the Group's sensitivity analysis for foreign currency risk exposures. The analysis shows the hypothetical impact on profit before income taxes in the consolidated statement of profit or loss that would result from a 1% appreciation of the Japanese yen against the US dollar for the recurring positions at the end of the year. The analysis calculated the impact on US dollar denominated assets and liabilities, and is based on the assumption that other factors such as the outstanding balance and interest rates are held constant.

(Millions of yen)

Years ended March 31	2022	2023
Impact on profit before income taxes	¥(402)	¥(314)

(ii) Interest rate sensitivity analysis

The following table represents the hypothetical impact on the Group's profit before income taxes that is attributable to financial instruments which are exposed to the risk of fluctuations in interest rates in the case where the interest rate increases by 0.1%. The analysis is based on the assumption that all other variable factors, specifically foreign currency rates, are held constant.

	(Millions of yen)	
Years ended March 31	2022	2023
Impact on profit before income taxes	¥43	¥40

(3) Hedge accounting

(a) Objective for derivative transactions

Derivative transactions consist primarily of exchange forward contracts for the purpose of hedging exchange rate fluctuation risk related to trade receivables and trade liabilities, currency swap contracts for the purpose of hedging exchange rate fluctuation risk related to foreign currency-denominated cash flow, and interest swap contracts for the purpose of hedging interest rate fluctuation risk related to borrowings and corporate bonds.

(b) Policies for derivative transactions

The Group utilizes derivative transactions only for hedging purposes and not for speculative or trading purposes. Derivative transactions that increase market risk cannot be entered into. In addition, credit risks are considered in choosing a counterparty. Therefore, the Group recognizes that market risk and credit risk for derivative transactions are de minimis.

(c) Risk management structure for derivative transactions

The Group enters into derivative transactions based on regulations established by the Company. Based on policies approved by the Chief Financial Officer (CFO), the finance division undertakes particular transactions, records them, and confirms the balance of transactions with counterparties. In addition, the finance division reports on the content of the transactions undertaken and changes in the transaction balance to the CFO and the head of the accounting department.

(d) Accounting treatment for derivative transactions

Derivatives are measured at fair value and any changes in the fair value are recognized in profit or loss. However, regarding cash flow hedges, if they satisfy the required conditions for hedge accounting, a gain or loss arising from any changes in the fair value of hedging instruments is deferred until the gain or loss arising from the hedged item is recognized in profit or loss.

(e) The fair value of derivative transactions for which hedge accounting is applied

Cash flow hedges

	(Millions of yen)	
At March 31	2022	2023
Currency: Forward foreign exchange transaction		
Sell (US dollar)	¥(2,158)	¥(1,999)
Total	¥(2,158)	¥(1,999)

(4) Fair value of financial instruments

The fair value hierarchy has the following levels:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 inputs are inputs other than quoted prices included within level 1 that are observable for assets or liabilities, either directly or indirectly.
- Level 3 inputs are unobservable inputs for assets or liabilities.

(a) Financial assets and liabilities measured at fair value

(i) Measurement method of fair value for financial assets and liabilities

Derivatives

The fair value is based on the prices provided by financial institutions and other appropriate valuation techniques based on information available.

Equity securities

If a quoted price in an active market is available, the fair value is based on the quoted price. If a quoted price in an active market is not available, the fair value is estimated based on discounted future cash flow or other appropriate valuation method.

Bonds (financial assets)

If a quoted price in an active market is available, the fair value is based on the quoted price. If a quoted price in an active market is not available, the fair value is estimated by an appropriate valuation method based on prices provided by transacting financial institutions.

(ii) Fair value hierarchy and comparison between carrying amount and fair value

(Millions of yen)

		Fair value			
At March 31	Carrying amount	Total	Level 1	Level 2	Level 3
2022					
Assets					
Financial assets measured at fair value through profit or loss					
Derivatives	¥ 412	¥ 412	¥ –	¥ 412	¥ –
Bonds	16,001	16,001	–	–	16,001
Equity securities	13,324	13,324	2,548	–	10,776
Financial assets measured at fair value through other comprehensive income					
Equity securities	134,915	134,915	74,352	16	60,547
Total	¥164,651	¥164,651	¥76,900	¥ 428	¥87,324
Liabilities					
Financial liabilities measured at fair value through profit or loss					
Derivatives	¥ 2,831	¥ 2,831	¥ –	¥2,831	¥ –
Total	¥ 2,831	¥ 2,831	¥ –	¥2,831	¥ –
2023					
Assets					
Financial assets measured at fair value through profit or loss					
Derivatives	¥ 654	¥ 654	¥ –	¥ 654	¥ –
Bonds	13,203	13,203	–	–	13,203
Equity securities	12,141	12,141	2,141	–	10,001
Financial assets measured at fair value through other comprehensive income					
Equity securities	167,573	167,573	103,893	–	63,680
Total	¥193,571	¥193,571	¥106,033	¥ 654	¥86,884
Liabilities					
Financial liabilities measured at fair value through profit or loss					
Derivatives	¥ 1,409	¥ 1,409	¥ –	¥1,409	¥ –
Total	¥ 1,409	¥ 1,409	¥ –	¥1,409	¥ –

(iii) Reconciliation between the beginning and ending balance of financial assets measured at fair value using Level 3 inputs

	(Millions of yen)
	Carrying amount
Balance at April 1, 2021	¥88,348
Subtotal (Gains and losses)	
Profit or loss	3,564
Other comprehensive income	1,482
Purchases	5,601
Sales	(3,023)
Settlements	(8,508)
Transfer from Level 3	(517)
Others	376
Balance at March 31, 2022	¥87,324
Subtotal (Gains and losses)	
Profit or loss	(348)
Other comprehensive income	2,289
Purchases	27,487
Sales	(5,622)
Settlements	(23,155)
Others	(1,091)
Balance at March 31, 2023	¥86,884

Gains and losses recognized in profit or loss are included in financial income or financial expenses in the consolidated statement of profit or loss. Gains and losses recognized in other comprehensive income are included in financial assets at fair value through other comprehensive income in the consolidated statement of comprehensive income.

(b) Financial assets and liabilities measured at amortized cost

(i) Measurement method of fair value for financial assets and liabilities

Bonds (financial assets)

If a quoted price in an active market is available, the fair value is based on the quoted price. If a quoted price in an active market is not available, the fair value is estimated by an appropriate valuation method based on prices provided by transacting financial institutions.

Bonds (financial liabilities)

The fair value of bonds that have a market price is based on the market price. The fair value of bonds for which there is no market price is calculated by discounting the sum of future principal and interest payments to the present value at a rate taking into account the remaining term and the credit risk of bonds.

Long-term borrowings (non-current liabilities)

The fair value of long-term borrowings is calculated by discounting the sum of future principal and interest payments to the present value at the rate expected for another loan with the same conditions at the end of the year.

(ii) Fair value hierarchy and comparison between carrying amount and fair value

(Millions of yen)

At March 31	Carrying amount	Fair value Total	Level 1	Level 2	Level 3
2022					
Assets					
Financial assets measured at amortized cost					
Bonds	¥5,217	¥5,222	¥ –	¥ –	¥5,222
Total	¥5,217	¥5,222	¥ –	¥ –	¥5,222
Liabilities					
Financial liabilities measured at amortized cost					
Long-term borrowings (Non-current)	¥ 83	¥ 83	¥ –	¥ 83	¥ –
Total	¥ 83	¥ 83	¥ –	¥ 83	¥ –
2023					
Assets					
Financial assets measured at amortized cost					
Bonds	¥2,000	¥1,992	¥ –	¥ –	¥1,992
Total	¥2,000	¥1,992	¥ –	¥ –	¥1,992
Liabilities					
Financial liabilities measured at amortized cost					
Long-term borrowings (Non-current)	2,080	2,081	–	2,081	–
Total	¥2,080	¥2,081	¥ –	¥2,081	¥ –

The disclosure for the current portion of financial assets and liabilities measured at amortized cost is omitted in this note because the carrying amount is a reasonable approximation of its fair value.

"Cash and cash equivalents," "Trade receivables," and "Other receivables" are classified as financial assets measured at amortized cost, which are included within current assets."Trade payables" and "Other payables" are classified as financial liabilities measured at amortized cost, which are included within current liabilities.

Financial assets measured at fair value and financial assets measured at amortized cost mainly comprise "Other investments."

35. Leases

The Group's lease transactions primarily comprise lease agreements for offices.

(1) Breakdown of carrying amount of right-of-use assets included in property, plant and equipment

(Millions of yen)

At March 31	2022	2023
Land	¥ 1,074	¥ 1,083
Buildings	124,756	112,271
Machinery and equipment, tools, fixtures and fittings	26,672	23,770
Total	¥152,502	¥137,124

The total cost for acquisitions of right-of-use assets was ¥62,182 million and ¥42,667 million for the years ended March 31, 2022 and 2023, respectively.

(2) Maturity analysis of lease liabilities

(Millions of yen)

At March 31, 2022	Carrying amount	Contractual cash flow	Within 1 year	1–2 years	2–3 years	3–4 years	4–5 years	Over 5 years
Lease liabilities	¥165,309	¥184,867	¥50,276	¥38,368	¥21,044	¥14,902	¥9,907	¥50,369

(Millions of yen)

At March 31, 2023	Carrying amount	Contractual cash flow	Within 1 year	1–2 years	2–3 years	3–4 years	4–5 years	Over 5 years
Lease liabilities	¥150,630	¥171,527	¥46,303	¥33,976	¥20,458	¥13,466	¥10,341	¥46,983

(3) Breakdown of lease-related expenses

(Millions of yen)

Years ended March 31	2022	2023
Depreciation of right-of-use assets included in property, plant and equipment		
Land	¥ 102	¥ 100
Buildings	47,227	39,405
Machinery and equipment, tools, fixtures and fittings	13,397	11,780
Total	¥60,726	¥51,285
Interest expense on leases	¥ 1,761	¥ 1,837

(4) Cash outflows

(Millions of yen)

Years ended March 31	2022	2023
Total cash outflows from lease transactions	¥62,328	¥58,566

(5) Leases not yet commenced to which the lessee is committed

The amounts not included in the measurement of lease liabilities comprised lease transactions for which use has not yet commenced despite lease contracts already being concluded, and totaled ¥736 million and ¥1,052 million at March 31, 2022 and 2023, respectively.

36. Related Parties

(1) Related-party transactions

Year ended March 31, 2022

(Millions of yen)

Class of company	Name	Relationship with related parties	Details of the transaction	Transaction amount	Balance
Associate	Fujitsu Client Computing Limited	Consigned manufacturing of PCs included in system business sold by the Group	Purchases and consignment of PC manufacturing	¥196,095	¥37,119

Year ended March 31, 2023

(Millions of yen)

Class of company	Name	Relationship with related parties	Details of the transaction	Transaction amount	Balance
Associate	Fujitsu Client Computing Limited	Consigned manufacturing of PCs included in system business sold by the Group	Purchases and consignment of PC manufacturing	¥207,499	¥40,381

Note: Transactions listed above generally have terms of business based on arm's length.

(2) Key management personnel compensation

(Millions of yen)

Years ended March 31	2022	2023
Base compensation	¥426	¥439
Bonuses	100	124
Performance-based stock compensation	104	277
Total	¥630	¥840

37. Collateral

(1) Collateral assets

(Millions of yen)

At March 31	2022	2023
Cash and cash equivalents	¥ 72	¥ –
Intangible assets	592	545
Total	¥664	¥545

(2) Secured debts

(Millions of yen)

At March 31	2022	2023
Other obligations	¥ 17	¥ –
Provision	1,825	1,758
Total	¥1,842	¥1,758

38. Commitments

(Millions of yen)

At March 31	2022	2023
Purchase agreements for property, plant and equipment and intangible assets	¥58,856	¥121,056

39. Contingencies

(Millions of yen)

At March 31	2022	2023
Contingent liabilities for guarantee contracts	¥23	¥8
(Guaranteed debts)		
Employees' housing loans	23	8

40. Events after the Reporting Period

1. Acquisition of GK Software SE

The Company resolved at a Board of Directors meeting held on February 28, 2023, to conduct a public takeover offer (hereinafter the "Public Takeover Offer") of GK Software SE (hereinafter "GK Software") via the Company's consolidated subsidiary Fujitsu ND Solutions AG (hereinafter "ND Solutions"). As a result of conducting the Public Takeover Offer based on this resolution, ND Solutions acquired 68.03% of the issued common stock of GK Software on May 16, 2023.

(1) Overview of the Public Takeover Offer

(a) Name and business description of the acquired company

- Name of the acquired company: GK software SE
- Location of the acquired company: Germany
- Business description: Development, manufacture, and sales of cloud solutions for the retail industry

(b) Acquisition period

From March 23, 2023, to May 10, 2023
(German local time: from March 23, 2023, to May 9, 2023)

(c) Acquisition date

May 16, 2023 (German local time: May 16, 2023)

(d) Main reason for the acquisition

With the acquisition of GK Software, the Company will acquire the cloud solutions of GK Software, whose strengths are the global retail industry, which is complementary to Fujitsu's products and services centered on Japan, thereby expanding Fujitsu's product portfolio and enabling the provision of even more powerful and comprehensive solutions to rapidly growing markets.

(e) Method of acquisition of control over the acquired company

The acquisition of GK Software was conducted in accordance with conditions set forth in the public acquisition disclosure document approved by the Federal Financial Supervisory Authority of Germany.

(2) Consideration for the acquisition and breakdown

(Millions of yen)

Item	Amount
Cash and cash equivalents	¥44 , 082 (€294 million)
Total	¥44 , 082 (€294 million)

The Company recorded the entire amount of expenses related to the acquisition of ¥288 million in selling, general and administrative expenses.

In addition, in order to acquire the shares of GK Software, the Company increased the capital of ND Solutions by ¥50,005 million (€340 million) on May 12, 2023.

(3) Fair value of acquired assets and assumed liabilities, and goodwill

The fair value of the acquired assets and assumed liabilities on the acquisition date are currently being calculated, and have not been finalized at this point.

2. Purchase of treasury shares

At the Board of Directors' meeting held on April 27, 2023, the Company resolved matters related to the purchase of treasury shares pursuant to the provisions of Article 459, Paragraph (1) of the Companies Act.

(1) Reason for purchase of treasury shares

To enhance shareholder returns and promote capital efficiency by comprehensively considering the future business environment and other factors based on improved financial conditions for the years ended March 31, 2022 and 2023, such as increased profits and cash flows

(2) Details concerning the purchase

• Type of shares to be purchased:	Common stock of the Company
• Total number of shares to be purchased:	Up to 12,000,000 shares (percentage of the total number of issued shares [excluding treasury shares]: 6.37%)
• Aggregate purchase value:	Up to ¥150,000 million
• Purchase period:	From May 1, 2023 to March 29, 2024
• Purchase method:	Purchase by means of market trades on the Tokyo Stock Exchange (including purchases by means of market trades based on a discretionary investment contract with securities firms and through share repurchases outside of trading hours [ToSTNeT-3])