June 3, 2022

Disclosed Information on the Internet at the Time of Notice of the 122nd Annual Shareholders' Meeting

FUJITSU LIMITED

Note:

This English version of *Disclosed Information on the Internet at the Time of Notice of the 122nd Annual Shareholders' Meeting* is a translation for reference only. The style of this English version differs slightly from the original Japanese version.

1. Fujitsu Group Principal Offices and Plants (As of March 31, 2022)

(1) Fujitsu Limited

Registered office	1-1, Kamikodanaka 4-chome, Nakahara-ku, Kawasaki-shi, Kanagawa
Headquarters	5-2, Higashi-Shimbashi 1-chome, Minato-ku, Tokyo
Domestic business offices	Sapporo Hub (Sapporo-shi), Sendai Hub (Sendai-shi), Fukushima Hub (Fukushima-shi, Fukushima), Yokohama Hub (Yokohama-shi), Saitama Hub (Saitama-shi), Chiba Hub (Chiba-shi), Niigata Hub (Niigata-shi), Nagano Hub (Nagano-shi, Nagano), Kanazawa Hub (Kanazawa-shi, Ishikawa), Nagoya Hub (Nagoya-shi), Shizuoka Hub (Shizuoka-shi), Osaka Hub (Osaka-shi), Kobe Hub (Kobe-shi), Kyoto Hub (Kyoto-shi), Matsue Hub (Matsue-shi, Shimane), Hiroshima Hub (Hiroshima-shi), Takamatsu Hub (Takamatsu-shi, Kagawa), Fukuoka Hub (Fukuoka-shi)
Software / Services	Sapporo Systems Laboratory (Sapporo-shi), Aomori Systems Laboratory (Aomori-shi, Aomori), Ichigaya Office (Chiyoda-ku, Tokyo), Fujitsu Solution Square (Ohta-ku, Tokyo), Musashi Kosugi Office (Kawasaki-shi), Fujitsu Shin-Kawasaki Technology Square (Kawasaki-shi), Fujitsu Uvance Kawasaki Tower (Kawasaki-shi), Makuhari Systems Laboratory (Chiba-shi), Kouchi Fujitsu Technoport (Nangoku-shi, Kouchi), Kyushu R&D Center (Fukuoka-shi)
R&D / Plants	Kawasaki Research & Manufacturing Facilities (Kawasaki-shi), Oyama Plant (Oyama-shi, Tochigi), Nasu Plant (Otawara-shi, Tochigi), Nagano Plant (Nagano-shi, Nagano), Numazu Plant (Numazu-shi, Shizuoka)

(2) Subsidiaries

Japan	FUJITSU FRONTECH LIMITED (Inagi-shi, Tokyo), FUJITSU TELECOM NETWORKS LIMITED (Oyama-shi, Tochigi), FUJITSU I-NETWORK SYSTEMS LIMITED (Minami Alps-shi, Yamanashi), Ridgelinez Limited (Chiyoda-ku, Tokyo), Fujitsu Japan Limited (Minato-ku, Tokyo), FUJITSU FSAS INC. (Kawasaki-shi), FUJITSU NETWORK SOLUTIONS LIMITED (Kawasaki-shi), PFU Limited (Kahoku-shi, Ishikawa), Fujitsu Isotec Limited (Date-shi, Fukushima), TRANSTRON Inc. (Yokohama-shi), FUJITSU PERSONAL SYSTEM LIMITED (Kawasaki-shi), SHINKO ELECTRIC INDUSTRIES CO., LTD. (Nagano-shi, Nagano), FDK CORPORATION (Minato-ku, Tokyo)
Outside of Japan	Fujitsu Network Communications, Inc. (U.S.), Fujitsu Services Holdings PLC (U.K.), Fujitsu America, Inc. (U.S.), Fujitsu Australia Limited (Australia), Fujitsu Technology Solutions (Holding) B.V. (Netherlands), FUJITSU ASIA PTE, LTD. (Singapore)

(3) Data Centers

Data centers	Hokkaido Data Center (Hokkaido), Tohoku Data Center (Miyagi), Tatebayashi Data Center (Gunma), Tokyo Data Center (Kanagawa), Yokohama Data Center (Kanagawa), Yokohama Kohoku Data Center (Kanagawa), Nagano Data Center (Nagano), Chubu Data Center (Aichi), Osaka Senri Data Center (Osaka), Akashi Data Center (Hyogo), Chushikoku Data Center (Hiroshima), Shikoku Data Center (Kouchi), Kyushu Data Center (Fukuoka), global data centers (around the world)

2. Employees (As of March 31, 2022)

(1) Employees of the Fujitsu Group

Segment	*Number of employees*
Technology Solutions	115,509
Ubiquitous Solutions	386
Device Solutions	8,321
Total	124,216 (-2,155 compared to the end of fiscal 2020)

(2) Employees of Fujitsu Limited

Segment	*Number of employees*
Technology Solutions	34,308
Ubiquitous Solutions	122
Total	34,430 (+2,404 compared to the end of fiscal 2020)

Average age	43.6	*Average years of employment*	19.2

Note: The Company revised its business segment information in the first quarter of fiscal 2021, so no comparison was made with the end of fiscal 2020 in the number of employees for each segment.

3. *Concurrent Positions of External Directors and Auditors and Their Activities (As of March 31, 2022)*

Section	*Name*	*Companies at which concurrent positions are held and the positions held* / *Major activities, outline of duties performed in relation to roles expected of external directors*
External Director	Chiaki Mukai	Specially Appointed Vice President of Tokyo University of Science Outside Director, Kao Corporation
		Attended 100% of the Board of Directors Meetings held during fiscal 2021. As the Company expected that she would provide fair and objective oversight and advice based on broad knowledge of science and technology and a global perspective, she appropriately fulfilled her role as an External Director of the Company by providing oversight and advice to the Board of Directors of the Company concerning business execution from diverse perspectives. She also played a leading role in enhancing deliberations as the Chairperson of the Compensation Committee.
	Atsushi Abe	Managing Partner, Senior Advisor, Sangyo Sosei Advisory Inc. Director, ON Semiconductor Corporation
		Attended 100% of the Board of Directors Meetings held during fiscal 2021. As the Company expected that, in addition to providing oversight and advice from a shareholder and investor perspective, he would contribute to timely and decisive management decision-making, he contributed to timely and decisive management decision-making by managing proceedings objectively from his perspective as an investor gained through his experience to date and dialogues with institutional investors and leading discussion as the Chairman of the Board of Directors, in addition to actively contributing comments at the Board of Directors of the Company from a shareholder and investor perspective. He also played a leading role in enhancing deliberations as the Chairperson of the Executive Nomination Committee.
	Yoshiko Kojo	Professor of Department of International Politics, Aoyama Gakuin University School of International Politics, Economics and Communication
		Attended 100% of the Board of Directors Meetings held during fiscal 2021. As the Company expected that she would provide oversight and advice concerning the Company’s responses to change in the external environment during a dramatic transition of international politics and initiatives for SDGs based on in-depth knowledge of international politics, she appropriately fulfilled her role as an External Director of the Company by providing oversight and advice to the Board of Directors of the Company concerning business execution from said perspectives. She also participated in active discussions as a member of the Executive Nomination Committee and Compensation Committee.
	Scott Callon	Chief Executive Officer, Ichigo Asset Management, Ltd. Director and Chairman of the Board of Directors, Chairman and Representative Statutory Executive Officer, Ichigo Inc. Chairman, Representative Executive Officer, CEO and Director, and Chairman of the Board of Directors, Japan Display Inc.
		Attended 100% of the Board of Directors Meetings held during fiscal 2021. As the Company expected that he would provide oversight and advice from a standpoint of shareholder and investors, he appropriately fulfilled his role as an External Director of the Company by actively providing oversight and advice to the management team at the Board of Directors Meetings from a shareholder and investors’ perspective. He also participated in active discussions as a member of the Executive Nomination Committee and Compensation Committee.

Section	*Name*	*Companies at which concurrent positions are held and the positions held* *Major activities, outline of duties performed in relation to roles expected of external directors*
External Director	Kenichiro Sasae	President, The Japan Institute of International Affairs Outside Director, SEIREN CO., LTD. Outside Director, MITSUBISHI MOTORS CORPORATION Outside Director, Asahi Group Holdings, Ltd.
		Attended 90.9% (10 out of 11) of the Board of Directors Meetings held after taking office. As the Company expected that he would provide oversight and advice from a global perspective based on his in-depth knowledge and practical experience of international politics and economics, he appropriately fulfilled his role as an External Director of the Company by providing fair and objective oversight and advice to the Board of Directors of the Company concerning business execution from said perspectives. He also participated in active discussions as a member of the Compensation Committee.
External Audit & Supervisory Board Member	Koji Hatsukawa	Certified Public Accountant External Director (Audit & Supervisory Committee member), Takeda Pharmaceutical Company Limited
		Attended 100% of the Board of Directors Meetings and the Audit & Supervisory Board Meetings held during fiscal 2021, respectively, and contributed comments from the standpoint of an expert in matters relating to finance and accounting based on his wealth of experience in auditing global companies as a Certified Public Accountant.
	Hideo Makuta	Special Advisor, Nagashima Ohno & Tsunematsu Outside Audit & Supervisory Board Member, Daicel Corporation
		Attended 100% of the Board of Directors Meetings and the Audit & Supervisory Board Meetings held during fiscal 2021, respectively, and contributed comments based upon his professional perspective as a lawyer.

Notes:

1. Director Atsushi Abe serves as Managing Partner of Sangyo Sosei Advisory Inc. The Company has no business relationship or competitive relationship with Sangyo Sosei Advisory Inc.
2. Director Scott Callon serves as Chief Executive Officer of Ichigo Asset Management, Ltd. and Director and Chairman of the Board of Directors, Chairman and Representative Statutory Executive Officer of Ichigo Inc. The Company has no business relationship or competitive relationship with either Ichigo Asset Management, Ltd. or Ichigo Inc.
3. Director Scott Callon serves as Chairman, Representative Executive Officer, CEO and Director, and Chairman of the Board of Directors of Japan Display Inc. The Company do engage in transactions with Japan Display Inc.
4. Director Kenichiro Sasae is the President of the Japan Institute of International Affairs. The Company has no business relationship or competitive relationship with the Japan Institute of International Affairs.
5. The Company has business relationships with Academic Corporation Tokyo University of Science, Kao Corporation, ON Semiconductor Corporation, SEIREN CO., LTD., MITSUBISHI MOTORS CORPORATION, Asahi Group Holdings Ltd., Takeda Pharmaceutical Company Limited and Daicel Corporation.
6. During fiscal 2021, the Company convened the Board of Directors Meetings 14 times (of which 2 were extraordinary meetings of the Board of Directors) and the Audit & Supervisory Board Meetings 9 times.

4. System to Ensure the Properness of Fujitsu Group Operations

(1) Policy on the Internal Control System

1. Objective

To continuously increase the corporate value of the Fujitsu Group, it is necessary to pursue management efficiency and control risks arising from business activities. Recognizing this, the Directors who are entrusted with the management of the Company by the shareholders, present to the shareholders, who have entrusted authority in them, the policy regarding a) how to practice and promote the Fujitsu Way, the principles that underlie the Fujitsu Group's conduct, and b) what systems and rules are used to pursue management efficiency and control the risks arising from the Company's business activities in the application of their management approach, as described below.

2. Systems to Ensure that Directors Carry Out Their Responsibilities Efficiently

(1) Business Execution Decision-Making and Business Execution Structure

a. The Company has Corporate Executive Officers (hereafter, the Representative Directors and Corporate Executive Officers are referred to collectively as "Senior Management") who share business execution authority with the Representative Director and CEO, and the Corporate Executive Officers carry out decision-making and business execution in accordance with their responsibilities.

b. The Company has a Chief Financial Officer who is responsible for managing finance and accounting for the Fujitsu Group.

c. The Company has a Management Council made up of Representative Directors and Corporate Executive Officers to assist the Representative Director and CEO in decision-making.

d. The Representative Director and CEO puts in place systems and procedures (Management Council rules, systems for approvals, etc.) needed for decision-making by Senior Management and employees entrusted by Senior Management with authority.

e. The Representative Director and CEO reports financial and business results at each regularly-scheduled meeting of the Board of Directors, makes periodic reports to the Board of Directors on the operational status of the "Policy on the Internal Control System," and receives confirmation that operations are being undertaken correctly.

(2) System to Promote More Efficient Operations

a. The Company has an organization that uses reforms to the Fujitsu Group's business processes to promote higher productivity, lower costs, and expenditure controls, and it pursues more efficient management.

3. Rules and Other Systems Relating to Managing the Risk of Losses

(1) System for Managing the Risk of Losses in General

a. The Company aims to maintain the business continuity of the Fujitsu Group, increase its corporate value, and sustainably expand its business activities. In order to deal with risks that pose a threat to achieving these goals, the Company has a Risk Management & Compliance Committee, which oversees risk management for the entire Fujitsu Group. The Company also assigns certain departments to be responsible for specific kinds of risks, and has appropriate systems in place for risk management.

b. The Risk Management & Compliance Committee constantly assesses and verifies risks that might cause losses to the Fujitsu Group. When risks are identified in business operations, it works to control the risk, such as by formulating preventative measures, and attempts to minimize the loss that might result.

c. To minimize losses from any risks that arise, the Risk Management & Compliance Committee, through the systems described in paragraph "a" above, periodically analyzes any risks that have arisen, reports on them to the Board of Directors and any other relevant person or organization, and takes action to prevent a recurrence of such risks.

(2) Systems for Managing the Specific Risks of Losses

In addition to the Risk Management & Compliance Committee, the Company has risk management systems that include the following to deal with specific risks of losses it identifies in its business operations.

a. Risk Management System for Defects in Products and Services

- The Company has a quality-assurance system designed to analyze defects in Fujitsu Group products and services and prevent them from recurring. In particular, it has an organization that continuously works to improve quality, contracts, and rules to ensure that social infrastructure systems run reliably.

b. Management System for Contracted Development Projects

- To prevent the emergence of unprofitable projects among its contracted development projects, such as systems integration projects, the Company has a specialized organization that monitors risks relating to project negotiations and project execution.
- This specialized organization creates a monitoring process for contract amounts, contract terms, quality, expenses, deadlines and other relevant items, and monitors projects under consistent conditions.
- Based on the results of this monitoring, the specialized organization issues corrective recommendations to relevant projects.

c. Security System

- The Company has an organization to deal with cyber-terrorism, unauthorized use, and data breaches in the services it provides.

(3) Responses to Management Risks

a. System to Manage Financial Risks

- Financial risks are under the purview of the Chief Financial Officer.

b. Systems to Manage Other Forms of Management Risk

- Other forms of management risks, including market trends and price competition, are handled by each department according to a division of responsibilities established by the Representative Director and CEO.

4. Systems to Ensure that Business Execution of Directors and Employees Complies with Laws, Regulations and Articles of Incorporation

(1) Compliance System

a. Senior Management adheres to the Code of Conduct in the Fujitsu Way as a basic philosophy for compliance issues, including compliance with laws, regulations and the articles of incorporation, and proactively promotes the Group's overall compliance based upon its ethics as Senior Management.

b. The Risk Management & Compliance Committee has purview over compliance matters for the Fujitsu Group, which it executes as follows.

- It ensures scrupulous adherence to the Code of Conduct in the Fujitsu Way among all Fujitsu Group employees through ongoing educational efforts.
- It clarifies the laws and regulations that relate to the Fujitsu Group's business activities and establishes internal rules, education, and oversight systems to ensure compliance with them to promote compliance throughout the Group.
- When Senior Management or employee recognizes a serious compliance violation or when a situation may appear to present one relating to the performance of the responsibilities of Senior Management or an employee, the Risk Management & Compliance Committee makes such person immediately report such fact to the Committee via the normal chain of command.
- To ensure that compliance problems can be discovered quickly and handled appropriately through an alternative communications channel apart from the normal chain of command, it establishes and operates an internal reporting system that safeguards the reporter.
- The Risk Management & Compliance Committee immediately reports serious compliance violations or situations that may appear to present one to the Board of

Directors and any other relevant person or organization

(2) System to Ensure Proper Financial Reporting

a. The Company has, apart from the organization that prepares financial reports, an organization under the Chief Financial Officer responsible for establishing, operating, and evaluating internal control over Fujitsu Group financial reporting, to ensure the effectiveness and reliability of financial reports.

b. These organizations create rules for establishing, operating, and evaluating internal control over the unified accounting policies shared throughout the Fujitsu Group and financial reporting.

c. The organization responsible for establishing, operating, and evaluating internal control over financial reporting periodically reports to the Board of Directors and any other relevant person or organization the results of evaluations on the effectiveness of the internal control.

(3) System for Information Disclosure

The Company has a system to ensure timely and fair disclosure of company information.

(4) Internal Auditing System

a. The Company has an organization that conducts internal audits of business execution (the "Internal Auditing Organization"), and ensures its independence.

b. The Internal Auditing Organization establishes internal auditing rules and conducts audits based on those rules.

c. The Internal Auditing Organization liaises with internal auditing organizations in other Group companies to internally audit the Fujitsu Group as a whole.

d. The results of internal audits are periodically reported to the Board of Directors, Audit & Supervisory Board and other relevant person or organization of the Company and of other relevant Group companies.

5. System for Storing and Managing Information in Accordance with the Execution of Directors' Responsibilities

a. Senior Management assigns people with the responsibility for storing and managing documents, and, in accordance with internal rules, appropriately stores and manages the following documents (including electronic records) related to the execution of Senior Management' responsibilities, along with other important information.

- Minutes of Annual Shareholders' Meetings and related materials.
- Minutes of Board of Directors Meetings and related materials.
- Other minutes and related materials involved in important decision-making meetings.
- Approval documents and related materials involving Senior Management decisions.
- Other important documents that relate to the performance of Senior Management's responsibilities.

b. To verify the status of business execution, Directors and Audit & Supervisory Board Members have access at any time to the documents in paragraph "a" above, and people with the responsibility for storing and managing documents establish systems to enable Directors and Audit & Supervisory Board Members to access the documents at any time in response to requests for the documents by Directors or Audit & Supervisory Board Members.

6. System to Ensure the Properness of Fujitsu Group Operations

a. In addition to creating and instituting the above systems and rules for the Fujitsu Group, the Company establishes systems for receiving reports from the Senior Management of Group companies on matters relating to their business execution. Moreover, the Company guides, supports, and supervises the establishment of efficient, legal, and appropriate business execution systems of Group companies.

b. The Company institutes standard rules regarding the delegation of authority from the Representative Director and CEO to Group companies, such as the scope of decision-making authority and the decision-making process relating to important matters at Group companies.

c. The Representative Director and CEO determines what each Group company's divisional area of responsibility is, and the Corporate Executive Officer who is responsible for the business execution for each divisional area, verifies the implementation and compliance with paragraphs "a" and "b" above through each Group company's president, CEO, etc.

d. The Senior Management of the Company and other Group companies share information on Fujitsu Group management strategies and on issues relating to the achievement of Group goals through periodical meetings or other sufficient measures, and cooperate on Group business management.

7. System to Ensure the Properness of Audits by the Audit & Supervisory Board Members

(1) Ensuring the Independence of Audit & Supervisory Board Members

a. The Company has an Auditing Support Division with employees assigned to assist Audit & Supervisory Board Members in carrying out their duties. Appropriate employees with the ability and expertise required by the Audit & Supervisory Board Members are assigned to the Division.

b. In order to ensure the independence of the employees in the Auditing Support Division and to ensure that they will implement the instructions of Audit & Supervisory Board Members, Senior Management shall receive the consent of Audit & Supervisory Board Members on matters relating to the appointment, transfer and compensation of employees in the Auditing Support Division.

c. In principle, Senior Management does not assign employees in the Auditing Support Division to other divisions or duties.

In instances, however, where a need arises to give dual assignments to employees with specialized knowledge in response to requests from Audit & Supervisory Board Members, care is given to ensuring their independence in accordance with paragraph "b" above.

(2) Reporting System

a. Senior Management of Fujitsu and Group companies provides the Audit & Supervisory Board Members with the opportunity to attend important meetings.

b. In cases where risks arise that could affect management or financial results, or when there is an awareness of major compliance violations or the possibility of major compliance violations in connection with the execution of business activities, Senior Management of Fujitsu and Group companies immediately report them to the Audit & Supervisory Board Members.

c. Senior Management of Fujitsu and Group companies periodically report to the Audit & Supervisory Board Members on the status of business execution.

d. Senior management of Fujitsu and Group companies shall not subject senior management or employees to adverse treatment for the reason that reports were submitted in accordance with paragraphs "b" or "c" above.

(3) Ensuring the Effectiveness of Audits by the Audit & Supervisory Board Members

a. Senior Management of Fujitsu and Group companies periodically exchange information with the Audit & Supervisory Board Members.

b. With respect to expenses incurred by Audit & Supervisory Board Members in the execution of their duties in accordance with Article 388 of the Companies Act, Senior Management shall determine the methods for processing the requests stipulated in Article 388.

c. The Internal Auditing Organization periodically reports audit results to the Audit & Supervisory Board Members.

(2) Overview of the Status of Operation of the System to Ensure the Properness of Fujitsu Group Operations

1. Systems to Ensure that Directors Carry Out Their Responsibilities Efficiently

The Company has Corporate Executive Officers who share business execution authority with the Representative Director and CEO, and the Corporate Executive Officers carry out decision-making and business execution in accordance with their responsibilities.

The Management Council meets twice a month, in principle, and assists the Representative Director and CEO in decision-making. The Management Council consists of the minimum number of members, which include the CEO. By operating the Management Council as a body that enables timely discussion of and decision-making on any matters concerning business execution, the efficiency and the speed of management and the effectiveness of the meetings of the Management Council are enhanced. In addition, the Council is striving to further increase the speed of management by integrating the rules determining the scope of delegation of duties from Representative Directors to other executives and employees and other matters, and the rules on various approvals to make the approval standards accompany extensive delegation of duties.

2. Risk Management System and Compliance System

The Company positions the risk management system and the compliance system at the heart of the "Policy on the Internal Control System" and has established the Risk Management & Compliance Committee (the "Committee"), which supervises these systems globally and reports to the Board of Directors.

The Committee is chaired by the Representative Director and CEO and consists of Executive Directors. The Committee meets periodically and determines policies for preventing risks in business operations from arising and for countermeasures for losses caused by risks that have arisen.

Regarding risks in business operations, including compliance violations and information security issues, the Committee has established and operates a system that covers not only the Company but the Fujitsu Group and ensures reporting to the Committee in a timely manner when such risks arise. It also operates the internal reporting system.

Under the Committee, the Company has appointed a Chief Information Security Officer (CISO) in accordance with the Fujitsu Group Information Security Policy (Global Security Policy). Further, under the CISO, regional CISOs have been appointed to formulate and implement information security measures. In response to the unauthorized access incident that came to light during the period under review, the CISO was made into a full-time position, an assistant CISO was appointed, and the divisions in charge of information security measures were reorganized to strengthen the system.

In the course of operating the systems described above, besides the case of risk occurrence, the Committee periodically reports the progress and results of its activities to the Board of Directors and is supervised.

Moreover, the Global Business Standards, which provide guidance on how individual executives and employees should apply the Fujitsu Way Code of Conduct in their actions and are available in 20 languages, are applied uniformly across the Fujitsu Group. In addition to establishment and operation of compliance-related rules applicable to the entire Fujitsu Group, the Company has established the Global Compliance Program and is implementing various education programs and awareness raising activities to maintain and improve the structure for legal compliance across the Fujitsu Group.

Regarding the internal reporting system, the Fujitsu Group has established points of contact inside and outside the Company, operated as the Compliance Line/Fujitsu Alert, to receive reports from all Group executives and employees and offer consultations. Group companies also have established and are operating their own points of contact for reporting and consultation. These systems enable early detection of unlawful action and remediation, and help strengthen fair management ensuring compliance with laws and regulations.

3. Risk Management System for Defects in Products and Services

The Company has, as a risk management system for defects in products and services, created company-wide quality management rules and assigned a Quality Management Representatives, who is responsible for building and operating the quality management system, at each organization. In addition, in response to the fact that a serious problem occurred in the social system in fiscal 2020, we continued to re-examine our customer system in fiscal 2021 and an organization under the direct control of the CEO, in addition to the quality assurance process for each business division, is also working to introduce cross-sectional systems and make improvements to monitor the effectiveness of each process and share the knowledge and know-how among the divisions in order to strengthen the company-wide quality assurance system.

4. System to Ensure Proper Financial Reporting

Under the direction of the Committee, the organization responsible for internal control and internal audits has established the system, and in accordance with the rules established by the Company based on the principles of the "Practice Standards for Management Assessment and Audit concerning Internal Control Over Financial Reporting" published by the Business Accounting Council, internal control over financial reporting throughout the Fujitsu Group is assessed. The activity status and assessment results are reported to the Chief Financial Officer and the Committee.

5. System to Ensure the Properness of Fujitsu Group Operations

The systems described above cover the Fujitsu Group.

Especially for risk management and compliance systems, Regional Risk Management & Compliance Committees have been established for individual Regions, which are geographical executive divisions of the Fujitsu Group worldwide. These regional committees are positioned under the Committee to function so that the entire Fujitsu Group is covered.

In addition, as a part of a system to ensure the properness of Fujitsu Group operations, the Company has established the Rules for Delegation of Authority that determine authority for decision-making on important matters of Fujitsu Group companies (excluding certain subsidiaries), the decision-making process and the reporting obligations. The Company has its Group companies comply with the Rules. In this way, the Company has put in place systems for decision-making on and reporting of important matters of the Group.

The status of operation of the internal control system centering on the above is periodically reported to the Board of Directors.

Notes to Consolidated Financial Statements

[Notes to Significant Items Concerning Preparation of Consolidated Financial Statements and Changes in Scope of Consolidation or Application of Equity Method]

1. The Company prepares for consolidated financial statements in accordance with the Regulation on Corporate Accounting (Ministry of Justice Order No. 13 of February 7, 2006 and Amendment of Ministry of Justice Order No. 1 of January 29, 2021). The consolidated financial statements are prepared in conformity with the International Financial Reporting Standards (IFRS) as per Article 120, paragraph (1) of the Regulation on Corporate Accounting. Following the latter part of the paragraph, some disclosure items required under IFRS are omitted in these notes.

2. Scope of consolidation

This consolidated financial report is prepared with consolidation of 317 major subsidiaries. The scope of consolidation for this fiscal year has been changed in that 8 companies were added and 55 companies were subtracted. Major additions and subtractions are described below. Names of the major subsidiaries are omitted in this note because they are noted in “1. Business Overview (4) The Fujitsu Group” of the Business Report.

Newly consolidated subsidiaries as a result of acquisition or formation: .... 8 companies
Subtracted due to liquidation or sale: .... 25 companies
Subtracted due to merger: .... 30 companies

3. Application of the equity method

(1) The number and names of major associates to which the equity method is applied

Investments in associates are accounted for using the equity method and the number of companies to which the method applies is 19.

Major associates are Fujitsu General Ltd., Fujitsu Client Computing Ltd., Fujitsu Leasing Co., Ltd., and Socionext Inc. The scope of application of the equity method for this fiscal year has been changed in that 2 companies were added and 3 companies were subtracted.

(2) The Company does not treat JECC Corporation as an associate although the Company holds more than 20% of the outstanding shares of JECC Corporation. This is because JECC Corporation is a special corporation operated under the joint investments of 6 companies, including Japanese computer manufacturers, to develop the information processing industry in Japan.

4. Significant accounting policies

(1) Valuation standards and methods for assets

(a) Financial assets

(i) Non-derivative financial assets

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.

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; and
- 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 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.

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.

(ii) Derivative financial assets

Derivatives are initially and subsequently measured at fair value. When a derivative is not designated as a hedging instrument, any changes in the fair value of the derivative are recognized in profit or loss. For cash flow hedges, the effective portion of changes in fair value of a derivative is recognized in other comprehensive income, whereas any ineffective portion of the changes is recognized in profit or loss.

(b) Non-financial assets

(i) 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.

(ii) Property, plant and equipment

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

(iii) Goodwill

Goodwill acquired in a business combination is measured at cost less accumulated impairment losses.

(iv) Intangible assets

Intangible assets are measured at cost less accumulated amortization and impairment losses.

(v) Impairment

If there is an indication of impairment for non-financial assets other than inventories, the asset's recoverable amount is estimated and the asset is 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 is less than its carrying amount.

(2) Depreciation method for assets

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

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 as follows:

- Buildings and structures.........................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 at each reporting date and adjusted if necessary.

(b) Intangible assets (excluding right-of-use 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 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.

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.

(c) Right-of-use assets

Right-of-use assets included in property, plant and equipment and in intangible assets, which represent the right of a lessee to use the underlying asset for the lease term, are depreciated on a straight-line basis from the commencement date to the earlier of the end of useful life of the right-of-use asset or the end of the lease term.

(3) Recognition criteria for provisions

A provision is recognized if, as 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.

(4) Retirement benefit plan

Defined benefit plan

The Group's net defined benefit liability (asset) is measured at the present value of 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 to date 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.

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

Defined contribution plan

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 substantively has no further obligation for additional contributions.

(5) Revenue

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

Revenue under service contracts in which the Company undertakes an obligation to provide deliverables, such as turnkey contracts (systems 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 such service contracts, costs are incurred by the Group during the performance of the contracts, and as tasks progress, services tailored for the customer will be near completion, a state where 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 always stand ready, 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.

(b) 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 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 in principle recognized 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.

(c) 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 licenses of which constitute the principal licenses of the Group, usually after supply of a license, the Group is not obligated to undertake any activities to change the form or the 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 therefore not 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, their revenue is recognized at the same time as a single performance obligation.

(d) 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 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.

(e) 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.

(6) Other significant principles for the preparation of consolidated financial statements

(a) Application of the consolidated tax return system

The consolidated tax return system is applied.

[Notes to Accounting Estimates]

Items recorded in the consolidated financial statements with accounting estimates for this fiscal year and, that can have a significant effect on the consolidated financial statements for the next fiscal year are as follows.

1. Revenue Recognition

   Contract assets amounting to 116,357 million yen are recorded on the consolidated statement of financial position. Revenue and costs 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 revenue and are transferred to trade receivables when the customer accept the deliverables.

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

2. Property, plant and equipment

   Property, plant and equipment amounting to 571,168 million yen are recorded on the consolidated statement of financial position.

   Depreciation 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.

3. Goodwill

   Goodwill amounting to 47,487 million yen is recorded on the consolidated statement of financial position.

   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 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.

4. Intangible assets

Intangible assets amounting to 133,856 million yen are recorded on the consolidated statement of financial position.

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 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 sales volumes failing 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.

5. Financial assets measured at fair value

Financial assets measured at fair value with no availability to quoted prices in an active market amounting to 87,752 million yen are recorded on the consolidated statement of financial position. Financial assets measured at fair value are mainly included within other investments.

A financial asset measured at fair value is measured at fair value based on the market price or other inputs at the reporting date. Changes in the fair value are recognized as an increase or a decrease in profit or loss or in other comprehensive income. When 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, and unobservable inputs are used. Unobservable inputs could be affected by changes in uncertain economic conditions in the future. When they require revision, profit or loss or other comprehensive income could increase or decrease.

6. Deferred tax assets

Deferred tax assets amounting to 99,838 million yen are recorded on the consolidated statement of financial position.

Based on the taxable profit calculated using future business plans, a deferred tax asset is recognized for carryforwards of unused tax losses, unused tax credits, and deductible temporary differences to the extent, that it 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 business environment, the amount of deferred tax assets may be reduced and additional expenses may incur.

7. Provisions

Provision for restructuring charges

Provision for restructuring charges amounting to 6,880 million yen are recorded on the consolidated statement of financial position.

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 sudden change in the business environment.

Provision for construction contract losses

Provision for construction contract losses amounting to 18,736 million yen are recorded on the consolidated statement of financial position.

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. The Group may revise the originally estimated total project costs due to the incurrence of additional cost, etc., as well as the possibility of incurring additional expenses or the recording of a reversal of expenses.

8. Defined benefit plan

Retirement benefit assets amounting to 139,543 million yen and retirement benefit liabilities amounting to 115,972 million yen are recorded on the consolidated statement of financial position.

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.

(Additional Information)

Due to the emergence of new variants, etc. there is continuing uncertainty regarding when COVID-19 will be settled down, and it is possible that the effect from COVID-19 will continue in some of the countries, regions and business operations, whereas it is not expected that there would be a material impact on the Group’s financial results.

[Notes to the Consolidated Statement of Financial Position]

1. Assets pledged as collateral and liabilities associated with collateral (Millions of yen)

(1) Assets pledged as collateral

Balance of pledged assets		664
(Pledged assets)	Cash and cash equivalents	72
	Intangible assets	592

(2) Liabilities associated with collateral

Balance of secured debt		1,842
(Secured debts)	Other payables	17
	Provisions	1,825

2. Bad debt allowance presented net with the associated assets

(1) Trade receivables 3,498

(2) Other non-current assets 1,108

3. Accumulated depreciation of property, plant and equipment 1,315,966
(including accumulated impairment losses)

4. Contingent liabilities for guarantee contracts

Balance of contingent liabilities for guarantee contracts		23
(Guaranteed debts)	Housing loans of employees	23

[Notes to the Consolidated Statement of Profit or Loss]

1. Other expenses

The main components were extra retirement payments of 64,382 million yen 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.

[Notes to the Consolidated Statement of Changes in Equity]

1. Number of shares issued at the end of this fiscal year

Common stock .... 207,001,821 shares

2. Dividends distributed from retained earnings during this fiscal year

Resolution	Type of stock	Total amount of dividends (Millions of yen)	Dividend per share (Yen)	Record date	Effective date
Board of Directors Meeting on May 27, 2021	Common stock	19,899	100	March 31, 2021	June 7, 2021

Board of Directors Meeting on October 27, 2021	Common stock	21,781	110	September 30, 2021	November 30, 2021

3. Dividends to be distributed from retained earnings after the end of this fiscal year

Resolution	Type of stock	Total amount of dividends (Millions of yen)	Dividend resource	Dividend per share (Yen)	Record date	Effective date
Board of Directors Meeting on May 26, 2022	Common stock	21,616	Retained earnings	110	March 31, 2022	June 6, 2022

[Notes to Financial Instruments]

1. Policies on Financial Instruments

The Group carries out its financial activities in accordance with the "Fujitsu Group Treasury Policy" and primarily obtains funds through bank borrowing 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 dealing purposes.

"Trade receivables" and contract assets are exposed to customer credit risk. Additionally, some trade receivables are denominated in foreign currencies in conjunction with the export of products and exposed to exchange rate fluctuation risk. Other financial assets are comprised 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 the business relationship. Shares are exposed to market price fluctuation risk and financial risk of the Company invested. The Group also loans to business partners, etc.

"Trade payables" and other payables are generally payable within one year. Some trade payables are denominated in foreign currencies in conjunction with the import of components and exposed to exchange rate fluctuation risk. Corporate bonds and borrowings 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 providing services. For trade receivables and contract assets, a unit independent from the sales units assesses the credit standing of customers, and for trade receivables, it manages collection dates and the balance outstanding for each customer to ensure smooth collection. Regarding the loan receivable, the Group periodically assesses debtor's financial condition and reviews the terms of the loan if needed.

The counterparties to derivative transactions are selected upon assessment of their credit risk.

The amounts of the largest credit risks as of the reporting date are indicated in the carrying amount of the financial assets that are exposed to credit risk.

(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.

(c) Market risk

The Group utilizes foreign exchange forward contracts in respect to trade receivables and trade payables denominated in foreign currencies to mitigate 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 the 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 the Group policy. Following the 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 transactions undertaken and changes in the transaction balance to the CFO and the head of the accounting department.

2. Fair values of financial instruments and their breakdown by fair value hierarchy

The carrying amount and fair value of financial instruments as of March 31, 2022 are as follows:

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

(Millions of yen)

	Carrying amount	Fair value			
		Total	Level 1	Level 2	Level 3
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	–

Notes:

1. Measurement of fair value for financial instruments:

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.

2. Lease liabilities are not included in the “Fair values of financial instruments and their breakdown by fair value hierarchy.”

(b) Financial assets and liabilities measured at amortized cost

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

(Millions of yen)

	Carrying amount	Fair value			
		Total	Level 1	Level 2	Level 3
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	–

Notes:

1. The disclosure for the current portion of financial assets and liabilities measured at amortized cost is omitted in the notes to "Fair values of financial instruments and their breakdown by fair value hierarchy" because the carrying amount is a reasonable approximation of its fair value.
2. Measurement of fair value for financial instruments:

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.

Long-term borrowings: 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.

[Notes to Per Share Data]

Equity attributable to owners of the parent per share ....8,094.70 yen

Basic earnings per share ....924.21 yen

[Notes to Revenue Recognition]

(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.

(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
NWE (Northern & Western Europe)	357,728	23,423	2,020	383,171
CEE (Central & Eastern Europe)	172,612	73,930	7,585	254,127
Americas	188,380	–	50,523	238,903
Asia	105,816	1,048	224,662	331,526
Oceania	78,569	–	70	78,639
Others	21,941	5,047	3,593	30,581
Total	3,035,438	186,950	364,451	3,586,839

Notes:

1. Includes revenues arising from leases because they are immaterial for the Group.
2. NWE (Northern & Western Europe) includes the UK, Finland, Sweden, Denmark, Norway, Spain, Portugal, France, Belgium, Luxembourg, and the Netherlands. CEE (Central & Eastern Europe) includes Germany, Austria, Switzerland, Poland, and Russia.
3. Others include Europe other than NWE and CEE, the Middle East, and Africa.
4. Technology Solutions consist of the following:
   - Solutions/SI such as construction of information and communication systems, cloud services, and outsourcing and maintenance services.
   - System Products, which cover mainly the servers and storage systems that provide the foundation for ICT platforms, and Network Products, which offer communications infrastructure, such as mobile phone base stations and optical transmission systems.
5. Ubiquitous Solutions consist of “client computing devices” such as PCs.
6. Device Solutions consist of LSI devices and electronic components such as semiconductor packages and batteries.

(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 advance received from customers under contracts to provide them with ongoing services. The amount of revenue recognized for this fiscal year, included in the balance of contract liabilities as of the beginning of the period is 107,445 million yen.

Contract assets, which were included in “Others” under “Current assets,” and contract liabilities, which were included in “Others” under “Current liabilities,” are separately presented as “Contract assets” and “Contract liabilities” for clarification from this fiscal year onward.

(3) Performance obligations

See “4. Significant accounting policies” under “Notes to Significant Items Concerning Preparation of Consolidated Financial Statements and Changes in Scope of Consolidation or Application of Equity Method.”

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 the end of the current period was 1,827,263 million yen, of which 1,223,019 million yen is expected to be recognized as revenue within one year.

The Group does not apply the practical expedient of paragraph 121 in IFRS 15 “Revenue from Contracts with Customers” 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.

[Notes to Significant Events after the Reporting Period]

1. Purchase of treasury shares

At the Board of Directors' Meeting held on April 28, 2022, the Company resolved matters related to 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 this fiscal year and the next fiscal year, such as increased profits and cash flows

(2) Details of matters concerning the Purchase

- Type of shares to be repurchased: Common stock of the Company
- Total number of shares to be purchased: 12 million shares (maximum)
(Ratio to the total number of issued shares (excluding treasury shares): 6.11%)
- Aggregate purchase value: 150 billion yen (maximum)
- Purchase period: From May 2, 2022 to March 31, 2023
- Purchase method: Purchase by means of market trades on the Tokyo Stock Exchange (including purchases by means of market trade based on a discretionary investment contract with securities firms and through share repurchases outside of trading hours (ToSTNeT-3))

Unconsolidated Statement of Changes in Net Assets

(Year ended March 31, 2022)

(Millions of yen)

	Shareholders' equity					
		Capital surplus		Retained earnings		
					Other retained earnings	
	Common stock	Other capital surplus	Total capital surplus	Legal retained earnings	Retained earnings brought forward	Total retained earnings
Beginning balance	**324,625**	**167,822**	**167,822**	**27,065**	**541,723**	**568,789**
Cumulative effect of a change in accounting policy	–	–	–	–	**(980)**	**(980)**
Balance as of the beginning of the year reflecting a change in accounting policy	**324,625**	**167,822**	**167,822**	**27,065**	**540,742**	**567,808**
Increase (Decrease) during the period						
Dividends paid	–	–	–	**4,168**	**(45,849)**	**(41,680)**
Net income	–	–	–	–	**201,143**	**201,143**
Purchase of treasury stock	–	–	–	–	–	–
Disposal of treasury stock	–	**636**	**636**	–	–	–
Decrease due to company split	–	**(14,655)**	**(14,655)**	–	–	–
Net increase (decrease) during the period, except for items under shareholders' equity	–	–	–	–	–	–
Total	–	**(14,018)**	**(14,018)**	**4,168**	**155,294**	**159,462**
Ending balance	**324,625**	**153,804**	**153,804**	**31,233**	**696,037**	**727,270**

	Shareholders' equity		Valuation and translation adjustments		Total net assets
	Treasury stock	Total shareholders' equity	Unrealized gain and loss on securities, net of taxes	Total valuation and translation adjustments	
Beginning balance	**(79,495)**	**981,741**	**49,178**	**49,178**	**1,030,919**
Cumulative effect of a change in accounting policy	–	**(980)**	–	–	**(980)**
Balance as of the beginning of the year reflecting a change in accounting policy	**(79,495)**	**980,760**	**49,178**	**49,178**	**1,029,938**
Increase (Decrease) during the period					
Dividends paid	–	**(41,680)**	–	–	**(41,680)**
Net income	–	**201,143**	–	–	**201,143**
Purchase of treasury stock	**(50,164)**	**(50,164)**	–	–	**(50,164)**
Disposal of treasury stock	**763**	**1,399**	–	–	**1,399**
Decrease due to company split	–	**(14,655)**	–	–	**(14,655)**
Net increase (decrease) during the period, except for items under shareholders' equity	–	–	**(13,254)**	**(13,254)**	**(13,254)**
Total	**(49,401)**	**96,042**	**(13,254)**	**(13,254)**	**82,787**
Ending balance	**(128,897)**	**1,076,802**	**35,923**	**35,923**	**1,112,726**

Notes to Unconsolidated Financial Statements

[Notes to Significant Accounting Policies]

1. The Company prepares for financial statements in accordance with the Regulation on Corporate Accounting (Ministry of Justice Order No. 13 of February 7, 2006 and Amendment of Ministry of Justice Order No. 1 of January 29, 2021).

2. Valuation standards and methods for assets
   (1) Marketable securities
   Shares in subsidiaries and affiliates ....Moving average cost method
   Available-for-sale securities
   - Other than non-marketable stocks
   ....Market value method based on the market price on the closing date
   Treatment of the difference between the acquisition cost and the market value
   ....Booked directly to net assets
   Calculation of costs of securities sold
   ....Moving average cost method
   - Non-marketable stocks.. Moving average cost method
   (2) Derivatives
   Derivatives ....Market value method
   (3) Inventories
   Inventories held for sale in normal operating cycle
   - Finished goods ....Moving average cost method
   - Work in process..................................Cost method determined by the specific identification method or the periodic average method
   - Raw materials....................................Moving average cost method
   Costs of inventories with lower profitability are written down.

3. Depreciation and amortization of fixed assets
   (1) Tangible fixed assets except for leased assets
   Depreciation of tangible fixed assets except for leased assets is calculated by the straight-line method.
   The useful lives, reflected by the likely period over which the value of asset can be realized under actual business conditions, are estimated as stated below:
   - Buildings and structures...................7 to 50 years
   - Machinery ....3 to 7 years

- Equipment..2 to 10 years

(2) Intangible fixed assets except for leased assets

Software

- For sale...Method based on projected sales volume over the estimated life of the product (3 years)
- For internal use ....Straight-line method based on the estimated useful life of the software (within 5 years)

Others...Straight-line method

(3) Leased assets

Depreciation and amortization of finance leases that do not transfer ownership of the leased property to the lessee are calculated by the straight-line method over the lease period deemed as useful lives.

4. Accounting policies for provisions

(1) Allowance for doubtful accounts

To prepare for loss on doubtful accounts such as trade receivables and loans, an estimated irrecoverable amount is provided on the basis of the actual loan loss ratio for unspecified receivables and on the basis of individual collectability for specified receivables such as loans with default possibility.

(2) Provision for construction contract losses

The estimated amount of future losses relating to customized software and construction contracts whose profitability potentially has deteriorated is provided at the end of this fiscal year.

(3) Provision for product warranties

To prepare for the disbursement of expenses for the free repair and exchange of products during the warranty period based on contracts, the estimated repair and exchange expenses based on the historical data are recorded when the product is sold.

(4) Provision for loss on business of subsidiaries and affiliates

To prepare for possible losses relating to business of subsidiaries and affiliates, an estimated amount of loss is provided, taking into account the financial conditions of individual subsidiaries and affiliates.

(5) Provision for bonuses to board members

To prepare for bonuses to board members, an estimated amount is provided.

(6) Provision for restructuring charges

To prepare for restructuring charges on disposal of business, the expected losses are provided.

(7) Defined benefit liability

To prepare for disbursement of employees' retirement benefits under the defined benefit plan, an amount based on the defined benefit obligation and plan assets at the end of this fiscal year is recognized.

Method of attributing benefit to periods of service

Benefit is attributed to periods of service under the plan's benefit formula.

Method of attributing actuarial gains and losses and past service cost

- Method of attributing past service cost

…………Straight-line method (10 years)

- Method of attributing actuarial gains and losses

…………An amount on a straight-line basis (over the expected average remaining service period of employees) is recognized from the year after the actuarial loss has arisen.

(8) Provision for share-based payments

To prepare for share-based payment to board members and Corporate Executive Officers, an estimated amount is provided.

(9) Provision for environmental measures

To prepare for environmental measures such as disposal of PCB (polychlorobiphenyl) embedded products and purification of soil, the expected losses are provided.

5. Revenues and expenses recognition

(1) 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 Company as the Company performs; b) the Company's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or c) the Company's performance does not create an asset with an alternative use to the Company and the Company 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, revenue from a service is recognized by measuring the progress. If the progress cannot be reasonably measured, revenue from a service is recognized only to the extent of the costs incurred until such time that the outcome of the performance obligation can be reasonably measured.

Revenue under service contracts in which the Company undertakes an obligation to provide deliverables, such as turnkey contracts (systems 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 such service contracts, costs are incurred by the Company during the performance of the contracts, and as tasks progress, services tailored for the customer will be near completion, a state where the services are available for the customer. When milestones for the obligations to be performed by the Company 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 Company is required to always stand ready, 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.

(2) 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 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 Company considers whether or not a) the Company has a present right to payment for the asset; b) the customer has legal title to the asset; c) the Company 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 in principle recognized upon the customer's acceptance.

Revenue on standard hardware, such as personal computers, 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 Company's performance does not create an asset with an alternative use to the Company and the Company has an enforceable right to payment for performance completed to date, the Company recognizes revenue in accordance with the progress as measured using a method that faithfully depicts the completion of the performance obligation.

The Company 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 Company 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.

(3) Licensing revenue

For supply of licenses, revenue is recognized over time as a right to access the Company'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 Company's intellectual property (a right to use). The criteria are (a) the contract requires, or the customer reasonably expects, that the Company 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 Company'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 licenses of which constitute the principal licenses of the Company, usually after supply of a license, the Company is not obligated to undertake any activities to change the form or the 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 therefore not 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, their revenue is recognized at the same time as a single performance obligation.

(4) 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 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 Company'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 Company 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.

(5) Agent transactions

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

6. Other significant items concerning the preparation of unconsolidated financial statements

(1) Hedge accounting

Deferred hedge accounting is adopted.

(2) Defined benefit liability

Accounting of unrecognized actuarial gains and losses and past service costs under the defined benefit plan for the unconsolidated financial statements is different from that for the consolidated financial statements.

(3) Application of the consolidated tax return system

The consolidated tax return system is applied.

[Notes to Changes in Accounting Policies]

1. Adoption of accounting standards for revenue recognition

Effective from the beginning of this fiscal year, the Company has adopted the "Accounting Standards for Revenue Recognition" (ASBJ No. 29, March 31, 2020, hereinafter referred to as the "Revenue Recognition Accounting Standards").

The cumulative effect of the application of the Revenue Recognition Accounting Standards was recognized at the beginning of this fiscal year in accordance with the transitional treatment stipulated in Paragraph 87 of the Revenue Recognition Accounting Standards, resulting in a decrease of 980 million yen in retained earnings brought forward.

The impact on assets, liabilities, and equity, as well as on operating income, ordinary income and net income for this fiscal year was immaterial.

In accordance with the adoption of the Revenue Recognition Accounting Standards, unbilled trade receivables, which were included in "Accounts receivable, trade," are separately presented as "Contract assets," and "Advance received" are now presented as "Contract liabilities."

2. Adoption of accounting standards for measurement of fair value

   Effective from the beginning of this fiscal year, the Company has adopted the "Accounting Standards for Measurement of Fair Value" (ASBJ No. 30, July 4, 2019, hereinafter referred to as "Accounting Standards for Fair Value Measurement").

   New accounting policies as prescribed by the Accounting Standards for Fair Value Measurement will be applied prospectively in accordance with the transitional treatment prescribed in Paragraph 19 of the Accounting Standards for Fair Value Measurement and Paragraph 44-2 of the Accounting Standards for Financial Instruments (ASBJ No. 10, July 4, 2019). The adoption of this accounting standard has no effect on the unconsolidated financial statements.

[Notes on Changes in the Method of Presentation]

"Reversal of provision for loss on business of subsidiaries and associates" which was included in "Other financial income" under "Other income" for the previous fiscal year, is presented as a separate item for this fiscal year onward, because its quantitative materiality increased.

[Notes to Accounting Estimates]

Items recorded in the unconsolidated financial statements with accounting estimates for this fiscal year and, that can significantly affect the unconsolidated financial statements for the next fiscal year are as follows.

1. Revenue Recognition

   Contract assets of 83,732 million yen are recorded on the unconsolidated balance sheet. Please refer to "Notes to Accounting Estimates 1. Revenue Recognition" in "Notes to Consolidated Financial Statements."

2. Property, plant and equipment

   Property, plant and equipment amounting to 192,668 million yen are recorded on the unconsolidated balance sheet.

   Please refer to "Notes to Accounting Estimates 2. Property, plant and equipment" in "Notes to Consolidated Financial Statements."

3. Intangible assets

   Intangible assets amounting to 66,268 million yen are recorded on the unconsolidated balance sheet.

   Please refer to "Notes to Accounting Estimates 4. Intangible assets" in "Notes to Consolidated Financial Statements."

4. Deferred tax assets

   Deferred tax assets amounting to 60,447 million yen are recorded on the unconsolidated balance sheet.

   Please refer to "Notes to Accounting Estimates 6. Deferred tax assets" in "Notes to Consolidated Financial Statements."

5. Provisions

   Provisions for construction contract losses amounting to 9,595 million yen are recorded on the unconsolidated balance sheet.

   Please refer to "Notes to Accounting Estimates 7. Provisions" in "Notes to Consolidated Financial Statements."

   Provisions for loss on business of subsidiaries and associates amounting to 69,767 million yen are recorded on the unconsolidated balance sheet.

   The Company recognizes an estimated amount of loss as provision, taking into account the financial conditions of individual subsidiaries and associates. Expected losses can be revised for reasons such as changes in the financial conditions of individual subsidiaries and associates and future revisions of business plans.

6. Defined benefit plan

Prepaid pension costs amounting to 27,495 million yen and provision for retirement benefits amounting to 1,311 million yen are recorded on the unconsolidated balance sheet.

The Company has both defined benefit and defined contribution retirement benefit plans. Additional costs may incur if the fair value of plan assets decreases as a result of a deterioration of returns on plan assets or if a defined benefit obligation increases as a result of changes in assumptions (such as discount rate, turnover ratio, and mortality ratio) for determining the defined benefit obligation.

(Additional Information)

Due to the emergence of new variants, etc. there is continuing uncertainty regarding when COVID-19 will be settled down, whereas it is not expected that there would be a material impact on the Company’s financial results.

[Notes to the Unconsolidated Balance Sheet]

1. Accumulated depreciation of tangible fixed assets

	(Millions of yen)
Buildings	248,777
Structures	15,499
Machinery	23,165
Vehicles and delivery equipment	48
Equipment	177,479
Total	464,970

2. Contingent liabilities for guarantee contracts

Balance of contingent liabilities for guarantee contracts		39
(Main guaranteed debt)	Housing loans of employees	23

3. Monetary claims and obligations to subsidiaries and affiliates (excluding those separately disclosed)

Short-term monetary claims	387,238
Long-term monetary claims	498
Short-term monetary obligations	204,884
Long-term monetary obligations	1,932

[Notes to the Unconsolidated Income Statements]

1. Transactions with subsidiaries and affiliates

Business transactions	(Millions of yen)
Sales	594,583
Purchases	764,779
Transactions other than business transactions	38,786

2. Reversal of provision for loss on business of subsidiaries and associates

Reversal of provision for loss on business of subsidiaries and associates was mainly recorded with respect to the amount by which a North American subsidiary's liabilities exceeded its assets. As stated in "1. Capital injection in North American subsidiaries" under "Notes to Significant Events after the Reporting Period," Fujitsu America, Inc. (hereinafter "FAI") transferred its service business in the U.S. and shares of FAI's subsidiaries to Fujitsu North America, Inc. (renamed on April 1, 2022). As a result, the amount by which FAI's liabilities exceeded its assets will be expected to decrease, and a reversal was recorded.

3. Gain on extinguishment of tie-in shares

Following the absorption-type mergers of Fujitsu Laboratories Limited, 11 domestic SI subsidiaries and other domestic subsidiaries, the difference between the amount of the assets acquired and the liabilities assumed from the non-surviving subsidiaries and the carrying amount of shares of domestic subsidiaries were recorded.

4. Gain on sales of investment securities

The main component is sales of shares of Fuji Electric Co., Ltd.

5. Restructuring charges

There were extra retirement payments 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 this fiscal year to accelerate transformation toward becoming a DX company, the aforesaid initiative has been expanded for a limited period only.

[Notes to the Unconsolidated Statements of Changes in Net Assets]

1. Number of treasury stock at the end of this fiscal year

   Common stock .... 10,488,990 shares

[Notes to the Unconsolidated Tax Effect Accounting]

Deferred tax assets are recognized primarily due to valuation loss on subsidiaries' and affiliates' stock, provision for loss on business of subsidiaries and associates, and accrued bonuses. Deferred tax liabilities are recognized primarily due to unrealized gains on securities. Valuation allowance is deducted from deferred tax assets pertaining to loss on valuation of shares of subsidiaries' and affiliates' stock and other items for which scheduling of the timing of the reversal is impossible.

[Notes to Business Combination, etc.]

Transactions under Common Control

1. Business combination

   (1) Overview of the business combination

      (a) Names of the entities and description of the business involved in the business combination

         (i) Names of the entities involved in the business combination

         The Company and the Company's consolidated subsidiaries, Fujitsu Laboratories Ltd. ("Laboratories"), Fujitsu Broad Solution & Consulting Inc., Fujitsu Social Science Laboratory Limited, Fujitsu Software Technologies Limited, Fujitsu Advanced Engineering Limited, Fujitsu Public Solutions Limited, Fujitsu Applications Limited, Fujitsu Systems Web Technology Limited, Fujitsu Kyushu Systems Limited, Fujitsu Hokuriku Systems Limited, Fujitsu Systems Applications & Support Limited, and Okinawa Fujitsu Systems Engineering Limited (hereafter "11 SI group companies in Japan")

         (ii) Description of the business

         Laboratories: Research and development of information systems, communication systems, and electronic devices

         11 SI group companies in Japan: System integration, and design, development, sales, maintenance, support of software

      (b) Date of the business combination

      April 1, 2021

(c) Legal form of the business combination

Absorption-type merger with the Company being the surviving company and Laboratories and 11 SI group companies in Japan being the absorbed companies

(d) Name of the entity after combination

Fujitsu Limited

(e) Overview of the business combination including its purpose

(i) Laboratories

To accelerate the transformation from an IT company into a DX company by driving innovation through the research and development of advanced technologies, Laboratories will be fully integrated into the Company. The move offers the Company the potential to further strengthen its technological strategic planning function by consolidating research and analysis functions scattered throughout the company. By cementing the alignment with the management team, the Company will promote further research and development with rapid decision-making and judgments in line with its overall direction and strategy.

(ii) 11 SI group companies in Japan

To strengthen issue resolution capabilities in Japan, the Company has started new initiatives centered on Fujitsu Japan Limited in its domestic business. At the same time, the Company has been working on transformation of global delivery functions (design, development, deployment, operation, and maintenance of solution services) to contribute to greater stability for customer businesses. In order to further accelerate those efforts, 11 SI group companies in Japan have been absorbed and merged into the Company.

In relation with the above, 4 SI group companies in Japan have been integrated into Fujitsu Japan Limited.

(2) Overview the accounting treatment implemented

This merger was treated as a business combination of entities under common control in accordance with the “Accounting Standard for Business Combinations” and the “Implementation Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures.” Associated with this merger, a gain on extinguishment of tie-in shares amounting to 36,269 million yen was recorded as extraordinary income.

2. Business divestiture
   (1) Overview of business divestiture
      (a) Name of succeeding company and description of the business involved in the business divestiture
         (i) Name
         Fujitsu Japan Limited ("Fujitsu Japan")
         (ii) Description of the business
         The solution business and service and product related business for second-tier, medium-sized and small companies in the private sector, local governments, medical and educational institutions, local agriculture, forestry and fisheries organizations, and local media
      (b) Date of the business divestiture
      April 1, 2021
      (c) Main reason for the business divestiture
      Under this new company formation, Fujitsu Japan aims to contribute to the attainment of Society 5.0, an ultra-smart and sustainable society, while delivering business continuity and measures to resolve urgent issues confronting society amidst the emergence of the challenges of the "New Normal" in the wake of the COVID-19 pandemic. Through consolidating the business into Fujitsu Japan and gathering the business divisions responsible for customers from all over the country within Fujitsu Japan, Fujitsu aims to accelerate the advancement of ICT for its domestic customers, the resolution of various local social issues, and the creation of new business.
      (d) Overview of the divestiture including legal form
      Absorption-type demerger with the Company being the split company and Fujitsu Japan being the succeeding company
   (2) Overview the accounting treatment implemented
   This divestiture was treated as a business divestiture of entities under common control in accordance with the "Accounting Standard for Business Combinations" and "Accounting Standard for Business Divestitures," and the "Implementation Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures."

[Notes to Transactions with Related Parties]

Subsidiaries and Affiliates

Million yen

Type	Name	Percentage of voting rights	Relationship	Transactions		Transaction amount	Account	Ending balance
Subsidiary	Fujitsu Japan Limited*2)	Ownership Direct 100%	Sales and maintenance of Fujitsu's products Interlocking of directors	Sale of Fujitsu's products	Sales	222,615	Accounts receivable, trade	42,485
							Contract assets	2,105
				Agency purchase transactions, etc.		112,590	Accounts receivable, other	50,502
Subsidiary	FUJITSU TELECOM NETWORKS LIMITED	Ownership Direct 100%	Consignment of manufacturing of our products Interlocking of directors	Consignment of manufacturing of our products	Purchases	94,812	Accounts payable, trade	22,868
				Agency purchase transactions, etc.		87,041	Accounts receivable, other	20,119
Subsidiary	Fujitsu FSAS Inc.	Ownership Direct 100%	Consignment of support services, etc., sales and maintenance of Fujitsu's products Interlocking of directors	Consignment of support services, etc.	Purchases	81,523	Accounts payable, trade	21,556
Subsidiary	Fujitsu Technology Solutions (Holding) B.V.	Ownership Direct 100%	Sales of Fujitsu's products in Europe and provision of information systems services for Fujitsu's customers outside Japan Interlocking of directors	Sale of Fujitsu's products	Sales	131,643	Accounts receivable, trade	24,871
Subsidiary	Fujitsu Capital Ltd.	Ownership Direct 100%	Group financing in Japan Interlocking of directors	Withdrawal of funds	Withdrawal of funds*3)	51,880	Deposits paid*4)	145,014
Affiliate	Fujitsu Client Computing Ltd.	Ownership Direct 44%	Consignment of manufacturing of PCs that are included in systems sold by the Company Interlocking of directors	Consignment of manufacturing of PCs	Purchases	194,518	Accounts payable, trade	37,399

Notes:

1. Transactions listed above generally have terms of business based on arms-length.
2. On April 1, 2021, the Company, a part of its business was split and merged with Fujitsu Japan Limited. See “2. Business divestiture” under “Notes to Business Combination, etc.,” for details.

3. The amount of funds withdrawn and transacted with Fujitsu Capital Ltd. is presented as the amount obtained by deducting deposits from withdrawals.
4. The balance at the end of the period includes the amount received from subsidiaries that were merged into the Company during this fiscal year. See “1. Business combination” under “Notes to Business Combination, etc.” for details.

[Notes to Per Share Data]

Net assets per share..5,662.36 yen

Earnings per share ....1,017.56 yen

[Notes to Revenue Recognition]

Basic information to understand revenue from contracts with customers

Please refer to “5. Revenues and expenses recognition” under “Notes to Significant Accounting Policies.”

[Notes to Significant Events after the Reporting Period]

1. Capital injection in North American subsidiaries

In April 2022, the Company increased the capital in its North American subsidiary, Fujitsu North America, Inc., by 36,961 million yen (US$285 million).

In December 2021, the Company decided to restructure its North American subsidiaries and consequently liquidate parts of its North American subsidiaries. The purpose is to pursue synergies by integrating management resources that have been dispersed among multiple subsidiaries in North America.

Fujitsu America, Inc. (hereinafter “FAI”) transferred its service business in the U.S. and shares of FAI’s subsidiaries to Fujitsu North America, Inc. (renamed on April 1, 2022, hereinafter “FNA”), thereby integrating the service business in North America. After the completion of the business integration, FNA has restarted as a specialized service company for North America. FAI and parts of its subsidiaries that have completed their roles will be liquidated.

2. Transfer of subsidiary shares

At a meeting of the Board of Directors held on April 28, 2022, a resolution was passed to transfer the shares of PFU Limited (hereinafter referred to as “PFU”), a consolidated subsidiary of the Company, to Ricoh Company, Ltd. (hereinafter referred to as “Ricoh”), and a share transfer agreement was subsequently concluded. As a result, PFU is expected to change from a consolidated subsidiary to an associate of the Company by the equity method.

(1) Reason for share transfer

PFU operates businesses centered upon the manufacture, sales, 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 DX 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.

We believe that this can expand business by maximizing the value of the products and services that PFU has cultivated, including the fi Series and ScanSnap brands, image scanners and sales and maintenance channels of self-service terminals as well as 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 further bolster the businesses of the two companies by taking full advantage of their respective strengths.

(2) Name of company to which shares are transferred

Ricoh Company, Ltd.

(3) Period of share transfer

July 1, 2022 (scheduled)

(4) Name of subsidiary, nature of business, and business relationship with the Company

(a) Name of Subsidiary

PFU Limited

(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

(c) Business relationship with the Company

There are transactions between the Company and the said company for the provision of information system services to the Company's customers and for the sale and maintenance of the Company's products. There are no other noteworthy business relationships.

(5) Number of shares to be transferred, transfer price, gain or loss on transfer, and shareholding ratio after transfer

(a) Number of shares held before transfer
3,854,496 shares (Number of voting rights: 3,854,496)
(Percentage of voting rights held: 100%)

(b) Number of shares transferred
3,083,596 shares (Number of voting rights: 3,083,596)

(c) Transfer price
84.0 billion yen

(d) Gain or loss on transfer
A gain of approximately 50.0 billion yen from the transfer of these shares is expected to be recorded as a "Gain on sales of subsidiaries' and affiliates' stocks" under "Extraordinary income."

(e) Number of shares held after transfer
770,900 shares (Number of voting rights: 770,900)
(Percentage of voting rights held: 20.00%)

3. Purchase of treasury shares

Notes are omitted as the same information is provided in "1. Purchase of treasury shares" of "Notes to Significant Events after the Reporting Period" in the "Notes to Consolidated Financial Statements."