

# Financial Section 2019

For the year ended March 31, 2019

Fujitsu Group  
Integrated Report 2019

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## FIVE-YEAR SUMMARY

Fujitsu Limited and Consolidated Subsidiaries

Years ended March 31	(Millions of yen)				
	IFRS				
	2015	2016	2017	2018	2019
Revenue	¥4,753,210	¥4,739,294	¥4,132,972	¥4,098,379	<b>¥3,952,437</b>
Operating profit	178,628	120,612	117,455	182,489	<b>130,227</b>
Profit from continuing operations before income taxes	198,864	131,822	124,162	242,488	<b>161,785</b>
Profit for the year	145,011	90,421	95,317	177,255	<b>110,718</b>
Profit for the year attributable to owners of the parent	140,024	86,763	88,489	169,340	<b>104,562</b>
Total comprehensive income for the year	250,283	5,530	137,087	229,583	<b>95,511</b>
Total comprehensive income attributable to owners of the parent	240,329	8,860	129,191	219,838	<b>89,311</b>
Total equity	¥ 934,397	¥ 926,240	¥1,019,202	¥1,204,902	<b>¥1,253,630</b>
Total assets	3,271,121	3,226,303	3,191,498	3,121,522	<b>3,104,842</b>
Equity per share attributable to owners of the parent (Yen)	¥ 381.88	¥ 378.37	¥ 429.80	¥ 5,283.85	<b>¥ 5,585.35</b>
Basic earnings per share (Yen)	67.68	41.94	42.83	825.32	<b>512.50</b>
Diluted earnings per share (Yen)	67.64	41.93	42.83	825.28	<b>512.33</b>
Total equity attributable to owners of the parent	¥ 790,089	¥ 782,782	¥ 881,292	¥1,087,797	<b>¥1,132,055</b>
Equity attributable to owners of the parent ratio	24.2%	24.3%	27.6%	34.8%	<b>36.5%</b>
Return on equity attributable to owners of the parent (ROE)	20.6%	11.0%	10.6%	17.2%	<b>9.4%</b>
Price earnings ratio	12.10	9.94	15.90	7.93	<b>15.58</b>
Cash flows from operating activities	¥ 280,149	¥ 253,092	¥ 250,331	¥ 200,415	<b>¥ 99,416</b>
Cash flows from investing activities	(200,516)	(164,317)	(145,479)	(22,578)	<b>4,142</b>
Cash flows from financing activities	(17,327)	(67,741)	(98,896)	(112,496)	<b>(136,622)</b>
Cash and cash equivalents	362,028	380,810	383,969	452,671	<b>416,742</b>
Number of employees	158,846	156,515	155,069	140,365	<b>132,138</b>
Average number of temporary personnel	17,304	17,207	16,684	16,106	<b>13,707</b>

Notes: 1. The Fujitsu Group adopted International Financial Reporting Standards (IFRS) for the preparation of its consolidated financial statements in the year ended March 31, 2015. April 1, 2013 is the date of transition to IFRS.

2. Account names are under IFRS. Account names in JGAAP corresponding to names in IFRS are mainly as follows:

- Income (loss) before minority interests/Profit for the year
  - Net income (loss)/Profit for the year attributable to owners of the parent
  - Owners' equity/Total equity attributable to owners of the parent
  - Owners' equity ratio/Equity attributable to owners of the parent ratio
- (Owners' equity: Total net assets – Subscription rights to shares – Non-controlling interests in consolidated subsidiaries)

3. Consumption taxes are not included in revenue.

4. Average number of temporary personnel includes contracted employees, part-time workers, and others but excludes temporary staff provided by agencies.

5. On November 1, 2017, the Company transferred a portion of the shares of Fujitsu TEN Limited (hereinafter "Fujitsu TEN") to DENSO Corporation. Accordingly, Fujitsu TEN has been classified as a discontinued operation, and revenue, operating profit, and profit before income taxes for the year ended March 31, 2017 have been restated accordingly.

6. The Company conducted a share consolidation of its common shares with a ratio of ten (10) shares to one (1) share effective October 1, 2018. Equity per share attributable to owners of the parent, basic earnings per share, and diluted earnings per share have been calculated assuming the share consolidation was conducted as of April 1, 2017.

# MANAGEMENT'S ANALYSIS OF FINANCIAL POSITION AND OPERATING RESULTS, AND STATUS OF CASH FLOWS

## Overview of Status of Operations and Management's Discussion and Analysis of Operations

The following section, Management's Discussion and Analysis of Operations, provides an overview of the consolidated financial statements of Fujitsu Limited (the "Company") and its consolidated subsidiaries (together, the "Group") and equity method associates for the year ended March 31, 2019. Forward-looking statements in this section are based on management's understanding and best judgments as of March 31, 2019.

### 1. Issues and Initiatives

In all kinds of situations throughout the world today, digital transformation that dramatically transforms business frameworks is accelerating, as the latest digital technologies are incorporated into the operational processes that form the core of business. It is expected that cutting-edge technologies such as AI and the Internet of Things (IoT) will make our lives and our world even better.

Fujitsu calls it Connected Services that, based on a secure ICT foundation, process and visualize the massive amount of data created from all things connected to a network and help customers make better decisions through the use of AI. These services strengthen our customers' businesses and provide value by spurring new innovation. In addition, we are leveraging our Connected Services to realize co-creation with organizations that share our vision and understand the value we wish to provide. This in turn helps us accelerate the establishment of new business models.

In October 2015, we formulated the Management Direction, under which we adopted the following as medium-term key performance indicators (KPIs): (1) consolidated operating profit margin of over 10%; (2) free cash flow of over ¥150 billion; (3) owners' equity ratio of 40% or more; and (4) percentage of sales outside Japan of over 50%. At the same time, we pushed forward with dramatic changes to our business structure with the aim of transforming our business model. These changes have focused primarily on two kinds of transformations. The first is "business structure transformation," which entails transitioning from a vertically integrated structure that spans the three business fields of Technology Solutions, Ubiquitous Solutions, and Device Solutions, to a structure that is centered mainly on Technology Solutions. The second is "growth strategy transformation," which aims to expand Connected Services based on our digital technologies.

Looking back on our efforts to achieve these changes over the past three years, we have made steady progress in terms of business structure transformation. This has included transitioning main businesses within the Ubiquitous Solutions and Device Solutions segments into competitive independent businesses. In particular, in fiscal 2018 we spun off the PC business and decided to transfer the shares of the Mie Plant and a sales company within the Large Scale Integration (LSI) business, thereby finally establishing a structure in which we can focus Groupwide efforts on the Technology Solutions segment. In this way, we believe we are taking a significant step forward with our business structure transformation. On the other hand, we have not been making progress at the pace we expected in regard to growth strategy transformation and have yet to see sufficient results from our efforts toward transitioning our digital business into a growth driver. It was for this reason that we

hammered out new initiatives for growth in October 2018 and revised our projected timeline for achieving a consolidated operating profit margin of 10%, which we adopted as a KPI. At the same time, we have excluded our target for percentage of sales outside Japan as a KPI for the time being, in order to prioritize the shift to a more robust profit structure over the pursuit of increased sales volumes.

### Progress in "Business Structure Transformation" (concentrating management resources in Technology Solutions)

In May 2018, Fujitsu, Lenovo Group Limited, and the Development Bank of Japan Inc. established a joint venture undertaking research and development, design, manufacturing, and sales of PCs and related products for the global market. The investment ratio of the three companies in this new joint venture is 44%, 51%, and 5%, respectively. In conjunction with Technology Solutions, Fujitsu will continue to offer high-quality, innovative, and highly reliable Fujitsu brand PC products and support services to global corporate customers, assisting them in their digital transformation.

In June 2018, Fujitsu Semiconductor Limited (FSL), a semiconductor manufacturing subsidiary, decided to transfer all of its shares in Mie Fujitsu Semiconductor Limited (MIFS) to United Microelectronics Corporation (UMC). MIFS is a joint venture between FSL and UMC that manufactures 300mm semiconductors. In addition to the 15.9% of MIFS shares currently owned by UMC, FSL will transfer the remaining 84.1% of its shares in MIFS to UMC, making MIFS a wholly owned subsidiary of the Taiwan-based UMC. Furthermore, in January 2019 FSL transferred 70% of its shares in Fujitsu Electronics Inc. (FEI), a company selling semiconductors, to Kaga Electronics Co., Ltd. (Kaga Electronics). FSL will transfer the remaining 30% of its shares in FEI to Kaga Electronics by the end of 2021.

In January 2019, Fujitsu Component Limited (FCL), an electronic components subsidiary, changed its capital structure. FCL accepted an infusion of capital from a company affiliated with the Longreach Group, an independent investment company. Furthermore, Fujitsu decided to accept an offer from FCL to buy back its own shares of stock from Fujitsu, resulting in equity interests of 25% for Fujitsu and 75% for the Longreach Group. This change of capital structure will strengthen FCL's financial foundation while increasing its independence and enhancing its ability to grow.

In April 2019, Fujitsu integrated the datacenter service business of Fujitsu FIP Corporation by an absorption-type company split. With the growth of cloud services in recent years, customers have a greater need for digital services that demand more advanced expertise, such as multi-cloud and Hybrid IT.\*1 To address this need, Fujitsu is strengthening a structure for the timely delivery of services, with datacenters as a common platform.

\*1 Hybrid IT is a system that connects the differing ICT environments of on-premises hardware and hybrid and private clouds.

### Initiatives for Accelerating "Growth Strategy Transformation"

The growth initiatives that we announced in October 2018 aim to change our approach to customers by establishing new relationships with them as their partner. Until now, we provided services only after customers requested them. However, going forward, we will consider

the management and business strategies of customers from the upstream stage and examine issues together with customers as we transition to a proposal-focused way of providing services. "Transformation of sales in Japan" and "strengthening businesses" are two specific measures aimed at achieving this goal.

In "transformation of sales in Japan," we will reform our sales structure as we strive to further strengthen our domestic businesses. We will also raise the level of expertise and readiness of our sales division. The Fujitsu Group's current sales staff in Japan consists of over 10,000 employees. However, these talented personnel are dispersed across the entire Group. Rethinking this setup, we will shift these employees to our digital business, the Company's priority field. We will also expand our sales operations to include not only our more conventional, industry-specific account sales but also specialized sales, which will respond to various needs in the line of business,\*<sup>2</sup> digital technologies, and cross-industry fields.

We are implementing various efforts under our "strengthening business" strategy in accordance with the following four policies: "global product development based on unified strategy," "stop 'not invented here' syndrome," "rapid delivery of services that meet market needs," and "acquire and foster globally competitive talent." In terms of specific measures based on these policies, we are working to strengthen our service integration business, increase our global product competitiveness, bolster the network business, and also bolster our overseas business, particularly the reorganization and consolidation of our EMEIA business.

\*<sup>2</sup> The line of business refers to operating divisions and other frontline divisions of a company, which differ from a company's indirect functions.

### Shifting Resources toward Growth

In addition to reinforcing our sales and delivery divisions, we are shifting approximately 5,000 personnel from our indirect and support divisions, which currently have approximately 16,000 employees when including our Group companies. From the perspective of placing the optimal personnel in the optimal location as a service-oriented company, we are shifting human resources in our indirect divisions that have an abundance of knowledge applicable to consultation and specialized sales. In conjunction with this reshuffling, we are enhancing training courses that strengthen employee skills and promote a change in mindset and are encouraging employees to attend such courses. Additionally, we are enhancing the efficiency of Group management by consolidating the indirect and support functions of Group companies into our headquarters. Furthermore, as part of these policies, we are providing certain support for 2,850 employees who wish to pursue a change in career path outside the Group.

### Changes to Management Structure

With the goal of accelerating management decision making and execution, we have halved the number of executive officers by limiting executive officers to executive vice presidents and above, thereby clarifying business responsibility. Also, by integrating several business divisions into the Technology Solutions Division, we will simplify the chain of command and work to generate synergies that overcome the frameworks of our conventional divisions. Furthermore, by having the officers of Fujitsu itself serve concurrently as the

presidents of certain major subsidiaries, we will accelerate reforms to our Group formation from the perspective of overall optimization, thereby further enhancing the Group's governance.

To maintain a high level of growth and competitiveness in the digital era and win against fierce global competition, Fujitsu will complete its business model transformation. Going forward, as a service-oriented company we will create a cycle that further generates co-creation from the business success achieved through digital transformation based on our Connected Services. Through such a cycle, we will enhance the value we offer both our customers and society and realize sustainable growth.

### Summarized Consolidated Statement of Profit or Loss

Years ended March 31			(Billions of yen)	
	2018	2019	YoY change	Change (%)
Revenue	4,098.3	<b>3,952.4</b>	(145.9)	(3.6)
Cost of sales	(2,966.5)	<b>(2,879.8)</b>	86.6	(2.9)
Gross profit	1,131.7	<b>1,072.5</b>	(59.2)	(5.2)
Selling, general and administrative expenses	(1,009.5)	<b>(933.3)</b>	76.2	(7.5)
Other income (expenses)	60.2	<b>(8.9)</b>	(69.2)	—
Operating profit	182.4	<b>130.2</b>	(52.2)	(28.6)
Financial income (expenses)	47.8	<b>8.9</b>	(38.8)	(81.3)
Income from investments accounted for using the equity method, net	12.1	<b>22.6</b>	10.4	85.9
Profit for the year from continuing operations before income taxes	242.4	<b>161.7</b>	(80.7)	(33.3)
Income tax expenses	(74.4)	<b>(51.0)</b>	23.3	(31.4)
Profit for the year from discontinued operations	9.2	—	(9.2)	—
Profit for the year attributable to non-controlling interests	7.9	<b>6.1</b>	(1.7)	(22.2)
Profit for the year attributable to owners of the parent	169.3	<b>104.5</b>	(64.7)	(38.3)

### Reference: Financial Indicators

			(Billions of yen)	
	2018	2019	YoY change	
Ratio of revenue outside Japan	36.8%	<b>36.3%</b>	(0.5 ppt)	
EMEIA* <sup>1</sup>	799.6	<b>789.9</b>	(9.7)	
Americas	276.8	<b>248.6</b>	(28.1)	
Asia	332.1	<b>312.2</b>	(19.9)	
Oceania	98.1	<b>84.6</b>	(13.5)	
Revenue outside Japan by locations of customers	1,506.8	<b>1,435.4</b>	(71.4)	
Gross profit margin	27.6%	<b>27.1%</b>	(0.5 ppt)	
Operating profit margin	4.5%	<b>3.3%</b>	(1.2 ppt)	
Return on equity attributable to owners of the parent (ROE)* <sup>2</sup>	17.2%	<b>9.4%</b>	(7.8 ppt)	

\*<sup>1</sup> EMEIA: Europe, the Middle East, India, and Africa

\*<sup>2</sup> ROE = Profit for the year attributable to owners of the parent ÷ [(Beginning balance of total equity attributable to owners of the parent (Owners' equity) + Ending balance of total equity attributable to owners of the parent (Owners' equity)) ÷ 2]

**Reference: Exchange Rate**

	2018	2019	YoY change
US dollar/Yen . . . . .	¥111	<b>¥111</b>	—
Euro/Yen . . . . .	¥130	<b>¥128</b>	¥(2)
British pound/Yen . . . . .	¥147	<b>¥146</b>	¥(1)
Euro/US dollar . . . . .	\$1.17	<b>\$1.16</b>	\$(0.01)

## 2. Analysis of Results for the Year Ended March 31, 2019

**(1) Revenue**

Consolidated revenue for the year ended March 31, 2019 was ¥3,952.4 billion, a decrease of ¥145.9 billion, or 3.6%, compared with the year ended March 31, 2018. Due to the transfer of the mobile phone business and the reorganization of the PC business, sales of PCs for individual customers have been removed from the scope of consolidated revenue. This placed downward pressure on earnings to the extent of approximately ¥160.0 billion. In addition, the removal of a semiconductor sales subsidiary and an electronic components subsidiary from the scope of consolidation had a negative impact on earnings of roughly ¥50.0 billion. Revenue in Japan decreased 2.9%. Sales of system integration services grew to record-high levels driven by the strong performance in the public sector and the manufacturing and distribution industries. Also, revenue in the system products business grew significantly. However, revenue from sales of LSI devices and network products decreased. Demand for LSI devices geared toward smartphones was sluggish, while demand from mobile phone base stations in Japan was weak due to a drop-off in investment by telecommunications carriers. Revenue outside Japan decreased 4.7%. In addition to a sluggish performance of infrastructure services in the United States and Oceania, sales of LSI devices and network products were down. Also, performance outside Japan was impacted by yen appreciation.

For the year ended March 31, 2019, the average yen exchange rates against the US dollar, the euro, and the British pound were ¥111, ¥128, and ¥146, respectively, representing year-on-year appreciation of ¥2 against the euro and ¥1 against the British pound. Exchange rate fluctuations versus the euro and the British pound led to decreases in revenue of approximately ¥6.0 billion and ¥3.0 billion, respectively.

As a result, currency exchange rate fluctuations had a negative impact of approximately ¥9.0 billion on revenue in the year ended March 31, 2019. The overseas revenue ratio decreased by 0.5 of a percentage point, to 36.3%, year on year.

**(2) Cost of sales, selling, general and administrative expenses, other income (expenses), and operating profit**

For the year ended March 31, 2019, cost of sales totaled ¥2,879.8 billion; gross profit was ¥1,072.5 billion; and the gross profit margin was 27.1%, down 0.5 of a percentage point year on year.

Selling, general and administrative (SG&A) expenses were ¥933.3 billion, a decrease of ¥76.2 billion year on year, due mainly to the transfer of the mobile phone business and the reorganization of the PC business. R&D spending amounted to ¥134.9 billion, a decrease of ¥23.7 billion year on year, mainly in the reorganized PC business and mobile phone business. The ratio of R&D expenses to revenue was 3.4%.

Other expenses totaled ¥8.9 billion, worsening ¥69.2 billion from net other income in the year ended March 31, 2018. This reflected the recording of ¥117.5 billion in business model transformation expenses, which offset temporary profit following a change in retirement benefit plan of ¥91.9 billion and the gain on transfer of the PC and electronic components businesses of ¥16.0 billion. For the breakdown of these business model transformation expenses, the Group recorded expenses of ¥63.8 billion related to the reorganization of the EMEA business, which included the closing of the site in Germany, the withdrawal of management resources from countries with low profitability and the subsequent concentration of management resources in more profitable countries, and efforts to revise and further enhance the efficiency of indirect departments. The Group also recorded expenses of ¥45.8 billion related to support for employees who wish to pursue a career outside the Group as part of its shift of resources toward growth. In addition, the Group recorded expenses of ¥7.8 billion related to the revisions of its manufacturing structure and the change in the direction of the cloud business.

As a result, operating profit amounted to ¥130.2 billion, a decrease of ¥52.2 billion year on year. The absence of profit from special items recorded in the previous fiscal year, primarily temporary profit from business transfers, had an impact of ¥52.7 billion on this result. Furthermore, the recording of special items for the year had a negative impact of ¥12.2 billion, and the restructuring of the Ubiquitous Solutions and Device Solutions segments, which removed certain subsidiaries from the scope of consolidation, had a negative impact of ¥21.4 billion. On a basis that excludes special items and the impact of business restructuring, operating profit was up ¥34.1 billion, centered on the major increase in profits from domestic services. The operating profit margin was 3.3%, declining 1.2 percentage points year on year.

The impacts of exchange rate volatility on operating profit were as follows. For bases in Japan, where the Japanese yen is used, the US dollar, the euro, and the British pound had a minimal effect on operating profit, amounting to about ¥2.0 billion year on year. Procurement costs for US dollar-denominated components for PCs and other products were at about the same level as US dollar-denominated export sales of LSI devices and electronic components. In addition, exchange rate fluctuations were relatively small throughout the fiscal year. For the year ended March 31, 2019, the effect on operating profit of a fluctuation of ¥1 in the exchange rate for foreign currency would be approximately ¥0.15 billion, ¥0.32 billion, and ¥0.01 billion for the US dollar, the euro, and the British pound, respectively. In the case of certain European bases, fluctuations in the value of the euro versus the US dollar cause fluctuations in procurement costs for components and materials denominated in US dollars. For the year ended March 31, 2019, the euro/US dollar pair traded at 1.16 euros, down 0.01 euro year on year. As the fluctuation in the exchange rate for the euro was minimal, the impact of exchange rate fluctuations on profits was limited. The Group will continue working diligently to minimize the impact of foreign exchange fluctuations on profits as much as possible by reducing costs and taking steps to heighten the efficiency of manufacturing and logistics bases in Europe.

### (3) Financial income (expenses), income from investments accounted for using the equity method, net, and profit before income taxes

Net financial income amounted to ¥8.9 billion, declining ¥38.8 billion from the year ended March 31, 2018. This result was due in part to the absence of the gain on sale of shares of ¥27.3 billion after the Group reviewed its cross-shareholding relationship with Fuji Electric Co., Ltd. Meanwhile, income from investments accounted for using the equity method, net, was ¥22.6 billion, an increase of ¥10.4 billion year on year.

As a result, profit before income taxes was ¥161.7 billion, a decrease of ¥80.7 billion year on year, primarily reflecting a decrease in operating profit and financial income.

### (4) Income tax expenses, profit for the year, and profit for the year attributable to owners of the parent

Profit for the year came to ¥110.7 billion, a decrease of ¥66.5 billion year on year. Of profit for the year, profit for the year attributable to owners of the parent came to ¥104.5 billion and profit attributable to non-controlling interests was ¥6.1 billion, for decreases of ¥64.7 billion and ¥1.7 billion year on year, respectively. Income tax expenses were ¥51.0 billion, down ¥23.3 billion year on year. The tax burden on profit before income taxes increased from 30.7% in the year ended March 31, 2018 to 31.6% in the year ended March 31, 2019.

ROE, calculated by dividing profit for the year attributable to owners of the parent by equity attributable to owners of the parent (owners' equity), was 9.4%, down 7.8 percentage points year on year due to a decrease in profit for the year attributable to owners of the parent.

Profit attributable to owners of the parent for the year ended March 31, 2019 came to ¥104.5 billion. In response, the Company has been strengthening its financial structure, and based on the forecast for continued stable free cash flow it has decided to increase the return to shareholders. The annual dividend for the year ended March 31, 2019 has been set at ¥150 per share, up ¥40 from the year ended March 31, 2018. Furthermore, the Company acquired ¥10.0 billion of treasury stock in May 2018 and also acquired treasury stock in November 2018 and March 2019, which totaled ¥12.3 billion of treasury stock.

### (5) Total other comprehensive income for the year, net of taxes, and total comprehensive income for the year

Total other comprehensive income for the year, net of taxes, was negative ¥15.2 billion, owing mainly to the impact of the sale of shares held via cross-shareholdings.

Total comprehensive income for the year, which combines profit for the year and other comprehensive income after taxes, came to ¥95.5 billion. Of total comprehensive income, total comprehensive income attributable to owners of the parent came to ¥89.3 billion and total comprehensive income attributable to non-controlling interests was ¥6.2 billion.

### (6) Segment information

The reportable segments were consolidated into the three segments of "Technology Solutions," "Ubiquitous Solutions," and "Device Solutions," based on organizational structure, the characteristics of the products and services, and the similarities in sales markets. The "Other Operations" segment includes operations not included in the reportable segments, such as Japan's Next-Generation Supercomputer project, next-generation cloud business, facility services and the development of information systems for Group companies, and welfare benefits for Group employees. Revenue (including intersegment revenue) and operating profit by segment for the year ended March 31, 2019 are shown as follows.

		(Billions of yen)			
Years ended March 31		2018	2019	YoY change	Change (%)
Technology Solutions	Revenue . . . . .	3,052.7	<b>3,123.7</b>	71.0	2.3
	Operating profit . . .	189.3	<b>187.9</b>	(1.4)	(0.8)
	[Operating profit margin] . . . . .	[6.2%]	<b>[6.0%]</b>	[(0.2 ppt)]	
Ubiquitous Solutions	Revenue . . . . .	663.9	<b>509.9</b>	(153.9)	(23.2)
	Operating profit (loss) . . . . .	11.3	<b>(20.4)</b>	(31.7)	—
	[Operating profit margin] . . . . .	[1.7%]	<b>[(4.0%)]</b>	[(5.7 ppt)]	
Device Solutions	Revenue . . . . .	560.0	<b>487.0</b>	(73.0)	(13.0)
	Operating profit . . .	13.6	<b>4.5</b>	(9.1)	(66.9)
	[Operating profit margin] . . . . .	[2.4%]	<b>[0.9%]</b>	[(1.5 ppt)]	
Other Operations/ Elimination & Corporate	Revenue . . . . .	(178.2)	<b>(168.2)</b>	10.0	—
	Operating profit (loss) . . . . .	(31.8)	<b>(41.7)</b>	(9.8)	—
Consolidated	Revenue . . . . .	4,098.3	<b>3,952.4</b>	(145.9)	(3.6)
	Operating profit . . .	182.4	<b>130.2</b>	(52.2)	(28.6)
	[Operating profit margin] . . . . .	[4.5%]	<b>[3.3%]</b>	[(1.2 ppt)]	

#### (a) Technology Solutions

The Technology Solutions segment delivers products, software, and services to customers in an optimal, integrated package of comprehensive services. These consist of Solutions/SI for information communication system consulting and construction; Infrastructure Services, which primarily comprise outsourcing services (integrated information system operation and management); System Products, which cover mainly the servers and storage systems that comprise ICT platforms; and Network Products, which are used to build communications infrastructure such as mobile phone base stations and optical transmission systems.

Revenue was ¥3,123.7 billion, up 2.3% from the year ended March 31, 2018. Revenue in Japan increased 5.6%. While revenue from network products decreased due to sluggish investment in mobile phone base stations by telecommunications carriers, revenue from system integration services grew significantly in the public sector, which saw a steady increase of not only major projects but also minor and semi-major business deals. Performance of these services continued to be solid in the manufacturing and distribution industries as well. In addition, revenue was up from infrastructure services, IA servers, and software. Meanwhile, revenue outside Japan was down 3.9%, due mainly to the unfavorable performance of infrastructure services in the United States and Oceania as well as the impact of yen appreciation on foreign exchange rates.

The segment posted operating profit of ¥187.9 billion, down ¥1.4 billion from the year ended March 31, 2018. The Company recorded business model transformation expenses of ¥47.4 billion, up ¥39.0 billion year on year. These expenses were related to the reorganization of the EMEIA business, which included efforts to revise and further enhance efficiency of indirect departments, as well as the closing of the site in Germany and the withdrawal of management resources from countries with low profitability and the subsequent concentration of management resources in more profitable countries. Excluding the impact of these expenses, operating profit in the segment increased ¥37.6 billion. While there was a decrease in revenue from infrastructure services overseas, operating profit grew significantly year on year thanks to the impacts of increased sales of system integration and infrastructure services in Japan and the reduction of losses from unprofitable projects.

### (b) Ubiquitous Solutions

The Ubiquitous Solutions segment contains ubiquitous terminals or sensors, including personal computers and mobile phones, as well as mobility IoT and human-centric IoT, that collect and utilize various information and knowledge generated from the behavioral patterns of people and organizations needed to achieve the Group's vision of a "Human Centric Intelligent Society" (a safer, more prosperous, and sustainable society built by the power of technology).

Revenue came to ¥509.9 billion, down 23.2% from the year ended March 31, 2018. Revenue in Japan decreased 28.8%. This result was impacted by the transfer of the mobile phone business and the removal of sales of PCs for individual customers from the scope of revenue following the reorganization of the PC business. Revenue from overseas fell 5.9%. This decrease was due to the impact of a decrease in revenue in the PC business in Europe.

The segment recorded an operating loss of ¥20.4 billion. On a basis that excludes the ¥20.3 billion in business model transformation expenses related to the reorganization of the EMEIA business, the Ubiquitous Solutions segment essentially broke even at the operating profit level. The turnaround of ¥31.7 billion from operating profit in the year ended March 31, 2018, was due not only to the recording of business model transformation expenses but also to the transfer of the mobile phone business and the removal of sales of PCs for individual customers from the scope of revenue following the reorganization of the PC business.

### (c) Device Solutions

The Device Solutions segment provides cutting-edge technology products, such as LSI devices used in digital home appliances, automobiles, mobile phones, and servers, as well as electronic components consisting chiefly of semiconductor packages and batteries.

Revenue amounted to ¥487.0 billion, down 13.0% from the year ended March 31, 2018. Revenue in Japan decreased 18.5%. This decrease resulted from the negative impact on revenue that followed the transfer of a semiconductor sales subsidiary and the reorganization of an electronic components subsidiary. The decrease was also a result of the sluggish demand for LSI devices for smartphones. Revenue from overseas decreased 8.0%, with a decrease in overall demand for LSI devices.

The segment posted operating profit of ¥4.5 billion, down ¥9.1 billion from the year ended March 31, 2018, due to the decrease in revenue.

### (d) Other Operations/Elimination and Corporate

This category includes operations not included in the reportable segments, such as Japan's Next-Generation Supercomputer project, next-generation cloud business, facility services and the development of information systems for Group companies, and welfare benefits for Group employees.

This category also includes expenses that are not classified under an operating segment. The expenses consist of strategic expenses such as basic research and development expenses and IT strategic investment, as well as Group management shared expenses incurred by the Company.

This category posted an operating loss of ¥41.7 billion, worsening ¥9.8 billion from the loss recorded in the year ended March 31, 2018. The Group continued to pursue high-level investments in this area, including strategic investments—primarily in next-generation cloud technology, next-generation supercomputers, and related expenses for basic testing and research—and strategic AI and IT investments. Also, the Group recorded a temporary gain of ¥91.9 billion resulting from change in retirement benefit plan for the Fujitsu Corporate Pension Fund. The Group also recorded expenses of ¥45.8 billion related to support for employees who wish to pursue a career outside the Group as part of its shift of resources in Japan.



## (7) Geographic information

One of the Group's management priorities is to increase revenue and raise profitability of its business in growing markets outside Japan.

Geographic financial information is important to the Group's business management and is useful for shareholders and investors in understanding the Group's financial overview.

Years ended March 31		(Billions of yen)			
		2018	2019	YoY change	Change (%)
Japan	Revenue . . . . .	3,005.7	<b>2,972.7</b>	(32.9)	(1.1)
	Operating profit . . . . .	182.5	<b>210.3</b>	27.8	15.3
	[Operating profit margin] . . . . .	[6.1%]	<b>[7.1%]</b>	[1.0 ppt]	
EMEIA (Europe, the Middle East, India, and Africa)	Revenue . . . . .	810.1	<b>792.9</b>	(17.2)	(2.1)
	Operating profit (loss) . . . . .	9.0	<b>(43.9)</b>	(52.9)	—
	[Operating profit margin] . . . . .	[1.1%]	<b>[(5.5%)]</b>	[(6.6 ppt)]	
The Americas	Revenue . . . . .	280.7	<b>247.9</b>	(32.7)	(11.7)
	Operating profit (loss) . . . . .	6.5	<b>(4.8)</b>	(11.3)	—
	[Operating profit margin] . . . . .	[2.3%]	<b>[(2.0%)]</b>	[(4.3 ppt)]	
Asia	Revenue . . . . .	277.1	<b>270.4</b>	(6.7)	(2.4)
	Operating profit . . . . .	4.8	<b>3.9</b>	(0.8)	(17.8)
	[Operating profit margin] . . . . .	[1.7%]	<b>[1.5%]</b>	[(0.2 ppt)]	
Oceania	Revenue . . . . .	100.5	<b>87.0</b>	(13.4)	(13.4)
	Operating profit . . . . .	4.0	<b>2.8</b>	(1.2)	(30.1)
	[Operating profit margin] . . . . .	[4.1%]	<b>[3.3%]</b>	[(0.8 ppt)]	
Elimination & Corporate	Revenue . . . . .	(375.9)	<b>(418.6)</b>	(42.7)	—
	Operating profit (loss) . . . . .	(24.5)	<b>(38.1)</b>	(13.6)	—
Consolidated	Revenue . . . . .	4,098.3	<b>3,952.4</b>	(145.9)	(3.6)
	Operating profit . . . . .	182.4	<b>130.2</b>	(52.2)	(28.6)
	[Operating profit margin] . . . . .	[4.5%]	<b>[3.3%]</b>	[(1.2 ppt)]	

### (a) Japan

Revenue came to ¥2,972.7 billion, a decrease of 1.1% from the year ended March 31, 2018. Sales of system integration services expanded to record-high levels driven by the strong performance in the public sector and the manufacturing and distribution industries. However, the revenue was impacted negatively by the transfer of the mobile phone business and the removal of sales of PCs for individual customers following the reorganization of the PC business. Revenue was also adversely impacted by the removal of a semiconductor sales subsidiary and an electronic components subsidiary from the scope of consolidation. Operating profit was ¥210.3 billion, a year-on-year improvement of ¥27.8 billion, as a result of the increase in revenue from system integration services and infrastructure services as well as the reduction of losses from unprofitable projects.

### (b) EMEIA (Europe, the Middle East, India, and Africa)

Revenue came to ¥792.9 billion, a decrease of 2.1% year on year. In addition to a decrease in revenue in the PC business, this decrease was due to the progression of continued yen appreciation against the euro and the British pound. The EMEIA business posted an operating loss of ¥43.9 billion, a turnaround of ¥52.9 billion from operating profit in the year ended March 31, 2018. The Company recorded business model transformation expenses of ¥63.8 billion during the year ended March 31, 2019. These expenses were related to the closing of the site in Germany, the withdrawal of management resources from countries with low profitability and the subsequent concentration of management resources in more profitable countries, and efforts to revise and further enhance the efficiency of indirect departments.

### (c) Americas

Revenue totaled ¥247.9 billion, a decrease of 11.7% year on year. This decrease reflected revenue decreases in infrastructure services and the network business. The Americas business posted an operating loss of ¥4.8 billion, a turnaround of ¥11.3 billion from operating profit in the year ended March 31, 2018. This loss was due mainly to the decreased revenue in infrastructure services.

### (d) Asia

Revenue amounted to ¥270.4 billion, a year-on-year decrease of 2.4%. The decrease in revenue came mainly from LSI devices and electronic components. Operating profit was ¥3.9 billion, down ¥0.8 billion from the year ended March 31, 2018, following the decrease in revenue.

### (e) Oceania

Revenue came to ¥87.0 billion, down 13.4% year on year, due mainly to a decrease in revenues from infrastructure services and other services. Operating profit was ¥2.8 billion, a decrease of ¥1.2 billion, following the decrease in revenue.

### 3. Assets, Liabilities, and Equity

#### Summarized Consolidated Statement of Financial Position

Years ended March 31	(Billions of yen)		
	2018	2019	YoY change
<b>Assets</b>			
Current assets . . . . .	1,867.2	<b>1,959.3</b>	92.0
Non-current assets . . . . .	1,254.2	<b>1,145.4</b>	(108.7)
<b>Total assets . . . . .</b>	<b>3,121.5</b>	<b>3,104.8</b>	(16.6)
<b>Liabilities</b>			
Current liabilities . . . . .	1,322.6	<b>1,364.9</b>	42.2
Non-current liabilities . . . . .	593.9	<b>486.3</b>	(107.6)
<b>Total liabilities . . . . .</b>	<b>1,916.6</b>	<b>1,851.2</b>	(65.4)
<b>Equity</b>			
Total equity attributable to owners of the parent (Owners' equity) . . . . .	1,087.7	<b>1,132.0</b>	44.2
Equity attributable to non-controlling interests . . . . .	117.1	<b>121.5</b>	4.4
<b>Total equity . . . . .</b>	<b>1,204.9</b>	<b>1,253.6</b>	48.7
<b>Total liabilities and equity . . . . .</b>	<b>3,121.5</b>	<b>3,104.8</b>	(16.6)
Cash and cash equivalents . . . . .	452.5	<b>416.6</b>	(35.8)
Interest-bearing loans . . . . .	402.2	<b>316.2</b>	(86.0)
Net interest-bearing loans . . . . .	(50.2)	<b>(100.4)</b>	(50.2)

Notes: 1. Owner's equity = Total equity attributable to owners of the parent  
2. Interest-bearing loans include bonds, borrowings, and lease obligations.  
3. Net interest-bearing loans = Interest-bearing loans – Cash and cash equivalents

#### Reference: Financial Indicators

Years ended March 31	2018	2019	YoY change
<b>Equity attributable to owners of the parent ratio</b>			
(Owners' equity ratio) . . . . .	34.8%	<b>36.5%</b>	1.7ppt
D/E ratio (Times) . . . . .	0.37	<b>0.28</b>	(0.09)
Net D/E ratio (Times) . . . . .	(0.05)	<b>(0.09)</b>	(0.04)

Notes: 1. Owners' equity ratio = Total equity attributable to owners of the parent (Owners' equity) ÷ Total assets  
2. D/E ratio = Interest-bearing loans ÷ Total equity attributable to owners of the parent (Owners' equity)  
3. Net D/E ratio = (Interest-bearing loans – Cash and cash equivalents) ÷ Total equity attributable to owners of the parent (Owners' equity)

#### Reference: Status of Retirement Benefit Plans

Years ended March 31	(Billions of yen)		
	2018	2019	YoY change
a. Defined benefit obligation . . . . .	(2,413.7)	<b>(1,611.8)</b>	801.8
b. Plan assets . . . . .	2,198.4	<b>1,502.6</b>	(695.8)
c. Defined benefit obligation in excess of plan assets (a)+(b) . . . . .	(215.2)	<b>(109.2)</b>	106.0

Consolidated total assets as of March 31, 2019 stood at ¥3,104.8 billion, a decrease of ¥16.6 billion from March 31, 2018. Current assets increased ¥92.0 billion compared with March 31, 2018, to ¥1,959.3 billion. This increase was the result of the rise in trade receivables and others that followed the increase in domestic service sales. Cash and cash equivalents were down ¥35.8 billion from March 31, 2018, to ¥416.6 billion. This was due in part to the Company's efforts to redeem corporate bonds and repay debt. Inventories decreased ¥15.5 billion, to ¥226.0 billion. The monthly inventory turnover rate, an indicator of asset efficiency, was 1.22 times, which was relatively unchanged from March 31, 2018. Non-current assets decreased ¥108.7 billion, to ¥1,145.4 billion. Property, plant and equipment, net of accumulated depreciation, decreased ¥86.5 billion. This decrease was partly the result of replacing the property, plant and equipment held by MIFS, a 300mm wafer foundry joint venture, with assets held for the purpose of sale following the transfer of shares of MIFS to the Taiwan-based UMC.

Total liabilities amounted to ¥1,851.2 billion, a decrease of ¥65.4 billion from March 31, 2018. Current liabilities came to ¥1,364.9 billion, up ¥42.2 billion compared with March 31, 2018. Other payables increased ¥63.3 billion compared with March 31, 2018, mainly due to the recording of accounts payable—other related to support for employees in indirect and support departments who wish to pursue a career outside the Group. Non-current liabilities came to ¥486.3 billion, a decrease of ¥107.6 billion. In addition to a decrease of ¥81.1 billion in corporate bonds, borrowings, and lease obligations, retirement benefit liabilities were down ¥76.7 billion following the revision of the Fujitsu Corporate Pension Fund. Interest-bearing loans, which consist of current liabilities and non-current liabilities, corporate bonds, borrowings, and lease obligations, totaled ¥316.2 billion, a decrease of ¥86.0 billion compared with March 31, 2018, as the Company proceeded to repay debt and partially redeemed straight bonds. As a result, the D/E ratio was 0.28 times, a decrease of 0.09 of a point compared with March 31, 2018. The Company made significant progress in improving its financial position, with a balance of net interest-bearing loans, representing interest-bearing loans minus cash and cash equivalents, reported at negative ¥100.4 billion, an improvement of ¥50.2 billion from March 31, 2018, and an expansion in the Company's net cash position.

Total equity was ¥1,253.6 billion, an increase of ¥48.7 billion from March 31, 2018. Retained earnings was ¥576.8 billion, an increase of ¥97.0 billion compared with March 31, 2018. This increase resulted in part from the recording of ¥104.5 billion in profit for the year attributable to owners of the parent. Other components of equity decreased ¥32.0 billion compared with March 31, 2018, to ¥24.6 billion. This was due to the adoption of IFRS 9 (financial instruments) and the sale of shares held via cross-shareholdings. Treasury stock was negative ¥29.5 billion, an increase of ¥22.3 billion in holdings compared with March 31, 2018, reflecting the Company's progress in acquiring treasury stock. As a result, total equity attributable to owners of the parent (owners' equity) was ¥1,132.0 billion and the equity attributable to owners of the parent ratio was 36.5%, an increase of 1.7 percentage points compared with March 31, 2018.

Fujitsu sets an owners' equity ratio of 40% or higher as a medium-term KPI. Going forward, the Company will enhance owners' equity and strengthen its financial soundness by carrying out business model transformation and increasing profitability.

As an off-balance liability not recorded on the consolidated statement of financial position, the future minimum lease payments related to non-cancellable operating leases as designated under IAS 17—Leases were ¥149.1 billion, and the contracted commitment stipulated to acquire assets under IAS 16—Property, Plant and Equipment and IAS 38—Intangible Assets was ¥37.8 billion.

The defined benefit obligation of the employee defined benefit plans was ¥1,611.8 billion, down ¥801.8 billion from March 31, 2018. Plan assets stood at ¥1,502.6 billion, down ¥695.8 billion from March 31, 2018. As a result, the funded status of employee defined benefit plans (defined benefit obligation less plan assets) was a shortage of ¥109.2 billion, representing an improvement of ¥106.0 billion compared with March 31, 2018. The funded status of employee retirement benefit plans in Japan improved ¥85.3 billion from March 31, 2018, resulting from the revision of the Fujitsu Corporate Pension Fund. The funded status of employee retirement benefit plans overseas improved ¥20.7 billion from March 31, 2018, partly due to a decrease in employee retirement benefit obligation.

#### 4. Cash Flows

##### Summarized Consolidated Statement of Cash Flows

Years ended March 31	(Billions of yen)		
	2018	2019	YoY change
I Cash flows from operating activities . .	200.4	<b>99.4</b>	(100.9)
II Cash flows from investing activities . .	(22.5)	<b>4.1</b>	26.7
I+II Free cash flow . . . . .	177.8	<b>103.5</b>	(74.2)
III Cash flows from financing activities . .	(112.4)	<b>(136.6)</b>	(24.1)
IV Cash and cash equivalents at end of year . . . . .	452.6	<b>416.7</b>	(35.9)

Net cash provided by operating activities in the year ended March 31, 2019 amounted to ¥99.4 billion, representing a decrease in cash inflows of ¥100.9 billion compared with the year ended March 31, 2018. Factors included a decrease in profit before income taxes and an increase in income taxes paid.

Net cash provided by investing activities was ¥4.1 billion, a turnaround of ¥26.7 billion from net cash used in investing activities in the year ended March 31, 2018. Cash outflows came to ¥120.6 billion due to the acquisition of property, plant and equipment, including services and electronic component-related facilities, and the acquisition of intangible assets, centered on software. On the other hand, there was a cash inflow of ¥77.9 billion from proceeds from sales of investment securities, which resulted partly from the sale of shares held via cross-shareholdings. In addition, proceeds from business transfers related to business model transformation and the collection of loans receivable resulted in cash inflows of ¥43.7 billion.

Free cash flow, the sum of cash flows from operating and investing activities, was ¥103.5 billion, representing a decrease in net cash inflows of ¥74.2 billion compared with the year ended March 31, 2018.

Net cash used in financing activities was ¥136.6 billion. The Company made progress in repaying debt and redeeming corporate bonds. In addition, there were cash outflows for the acquisition of treasury stock. Accordingly, net cash outflows increased ¥24.1 billion from the year ended March 31, 2018.

As a result of the above, cash and cash equivalents as of March 31, 2019 stood at ¥416.7 billion, a decrease of ¥35.9 billion compared with March 31, 2018.

To ensure efficient funding when the need for funds arises, the Group views the maintenance of an appropriate level of liquidity as an important policy with respect to its financing activities. "Liquidity" refers to cash and cash equivalents and the total unused balance of financing frameworks based on commitment lines established with multiple financial institutions. As of March 31, 2019, the Group had liquidity of ¥541.4 billion, of which ¥416.7 billion was cash and cash equivalents and ¥124.7 billion was unused commitment lines.

To raise funds from global capital markets, the Group has acquired bond ratings from Moody's Investors Service (Moody's), Standard & Poor's (S&P), and Rating and Investment Information, Inc. (R&I). As of March 31, 2019, the Company had bond ratings (long-term/short-term) of A3 (long-term) from Moody's, BBB+ (long-term) from S&P, and A (long-term) and a-1 (short-term) from R&I, all unchanged from the year ended March 31, 2018.

For the year ended March 31, 2019, capital expenditures totaled ¥83.5 billion, a decrease of 11.2% compared with the year ended March 31, 2018. In the Technology Solutions segment, capital expenditures totaled ¥49.3 billion, up 6.8% year on year, mainly for investment in datacenters in Japan and overseas and cloud service equipment. In the Ubiquitous Solutions segment, the Group invested ¥1.2 billion, down 83.6% year on year. This decrease resulted from the transfer of the mobile phone business and the reorganization of the PC business. In the Device Solutions segment, capital expenditures totaled ¥26.4 billion, a decrease of 19.7% year on year, mainly for LSI manufacturing facilities and semiconductor package manufacturing facilities within electronic components. In areas other than the aforementioned segments, capital expenditures were ¥6.5 billion.

## 5. Status of Production, Orders Received, and Sales

The Group's production and sales items are wide-ranging and diverse, and, within the Group's management, the scale of production and orders received in monetary amount or volume are not presented by segment. Sales performance by segment for the year ended March 31, 2019 is presented in Note "6. Segment Information."

## 6. Significant Accounting Policies and Estimates

The Company's consolidated statements are prepared in accordance with International Financial Reporting Standards ("IFRS"). Regarding critical accounting policies applied to the consolidated financial statements, please refer to "Notes to Consolidated Financial Statements 3. Significant Accounting Policies."

The preparation of financial statements in conformity with IFRS requires management to make judgments, estimates, and assumptions that affect the application of policies and reported amounts of assets and liabilities and income and expenses. The estimates and assumptions are reviewed by management on an ongoing basis.

Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected. Assumptions about the current situation and future prospects could change depending on the changes in the market or other circumstances that are out of the control of the Group. The assumptions are revised when such changes occur. The following assumptions and estimates based on the application of accounting principles are those that the management believes may have a material impact on the consolidated financial statements.

### (1) Property, plant and equipment

Depreciation for property, plant and equipment is primarily computed by the straight-line method at rates based on the estimated useful lives of the respective assets, reflecting the likely period over which the value of the assets can be realized under normal business conditions. In the future, some equipment and facilities may become obsolete or may be repurposed as a result of technical innovation or other factors. In such cases, their actual useful lives may be reduced to shorter than their originally estimated useful lives. As such, there is a risk that depreciation expenses for the period may increase. In addition, impairment losses may be recognized in cases in which there is a decrease in expected future cash flows from assets due to production facilities becoming idle and a decrease in the capacity utilization rate, associated with rapid changes in the operating environment or other factors, and business realignment.

### (2) Goodwill

Goodwill is tested for impairment both annually and when there is an indication of impairment. An impairment loss is recognized if the recoverable amount of a cash-generating unit (CGU) to which the goodwill is allocated is less than its carrying amount. The recoverable amount of a CGU is in most cases measured at the value in use. The value in use of a CGU is calculated using the discounted cash flow model with assumptions such as future cash flow, growth rate, and

discount rate. Future cash flow is based on the business plan. The discount rate is calculated based on the weighted average cost of capital of the Group company to which each CGU belongs.

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 market environment or other changes in circumstances.

### (3) Intangible assets

Computer software for sale is amortized by a method based on projected sales volume over the estimated useful life. An intangible asset with a finite useful life, including software for internal use and other intangible assets, is amortized on a straight-line basis in principle to reflect the pattern in which the asset's future economic benefits are expected to be consumed by the Group. Should actual sales volumes fail to meet initial projected volumes due to changes in the business environment, etc., or should actual useful life in the future be less than the original estimate, there is a risk that amortization expenses for the reporting period may increase.

### (4) Deferred tax assets

Reasonable estimates and judgments about various factors are necessary in the calculation of income taxes. Such factors include interpretation of tax regulations and revision of tax laws in the jurisdictions where the Group operates as well as the amount and timing of taxable income. A deferred tax asset is recognized for the carryforward of unused tax losses, unused tax credits, and deductible temporary differences to the extent that it is probable that future taxable profit will be available against which they can be utilized. The carrying amount of a deferred tax asset is reviewed at the end of the reporting period. The carrying amount of a deferred tax asset is reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow the benefit of part or all of that deferred tax asset to be utilized. The amount of and the timing when the taxable profit occurs could be affected by uncertain changes in economic terms in the future. In addition, the carrying amount of a deferred tax asset could fluctuate if an effective tax rate changes as a result of an amendment to tax laws.

### (5) Defined benefit plans

The Group has defined benefit, risk-sharing, and defined contribution retirement benefit plans. A change in net defined benefit liability (the present value of the defined benefit obligation less the fair value of plan assets) is recognized, when remeasured, in other comprehensive income after adjusting for tax effects. The gains and losses recognized in other comprehensive income are immediately reclassified into retained earnings. 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.

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Fujitsu Limited and Consolidated Subsidiaries

At March 31	Notes	(Millions of yen)	
		2018	2019
<b>Assets</b>			
Current assets			
Cash and cash equivalents	16	¥ 452,557	¥ 416,684
Trade receivables	2, 15	965,104	906,120
Other receivables	15	86,235	119,446
Inventories	2, 14	241,603	226,045
Others	2, 25	88,258	217,673
Subtotal		<u>1,833,757</u>	<u>1,885,968</u>
Assets held for sale	17	<u>33,542</u>	<u>73,381</u>
Total current assets		<u>1,867,299</u>	<u>1,959,349</u>
Non-current assets			
Property, plant and equipment, net of accumulated depreciation	8, 27	525,581	439,078
Goodwill	9, 27	42,495	38,348
Intangible assets	9, 27	130,680	116,905
Investments accounted for using the equity method	11	107,749	147,788
Other investments	12	204,043	149,799
Deferred tax assets	13	129,236	105,663
Others		<u>114,439</u>	<u>147,912</u>
Total non-current assets		<u>1,254,223</u>	<u>1,145,493</u>
Total Assets		<u><u>¥3,121,522</u></u>	<u><u>¥3,104,842</u></u>

At March 31	Notes	(Millions of yen)	
		2018	2019
<b>Liabilities and equity</b>			
<b>Liabilities</b>			
Current liabilities			
Trade payables	24	¥ 540,935	¥ 528,744
Other payables	24	362,969	426,344
Short-term borrowings, current portion of long-term debt and lease obligations	20, 22	135,387	130,875
Accrued income taxes		42,907	13,517
Provisions	23	47,990	56,489
Others	2, 25	178,303	201,333
Subtotal		<u>1,308,491</u>	<u>1,357,302</u>
Liabilities directly associated with assets held for sale	17	14,151	7,605
Total current liabilities		<u>1,322,642</u>	<u>1,364,907</u>
Non-current liabilities			
Long-term debt and lease obligations	20, 22	266,502	185,336
Retirement benefit liabilities	21	258,019	181,246
Provisions	23	29,794	55,388
Deferred tax liabilities	13	9,823	2,820
Others		29,840	61,515
Total non-current liabilities		<u>593,978</u>	<u>486,305</u>
Total Liabilities		<u>1,916,620</u>	<u>1,851,212</u>
<b>Equity</b>			
Share capital	18	324,625	324,625
Capital surplus	18	233,941	235,455
Treasury stock, at cost	18	(7,237)	(29,556)
Retained earnings	2, 18	479,776	576,857
Other components of equity	2, 18	56,692	24,674
Total equity attributable to owners of the parent		<u>1,087,797</u>	<u>1,132,055</u>
Non-controlling interests	10	117,105	121,575
Total Equity		<u>1,204,902</u>	<u>1,253,630</u>
Total Liabilities and Equity		<u>¥3,121,522</u>	<u>¥3,104,842</u>

# CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Fujitsu Limited and Consolidated Subsidiaries

## Consolidated Statement of Profit or Loss

Years ended March 31	Notes	(Millions of yen, except per share data)	
		2018	2019
<b>Continuing Operations</b>			
<b>Revenue</b>	6, 25	¥ 4,098,379	¥ 3,952,437
Cost of sales	14	(2,966,583)	(2,879,884)
Gross profit		1,131,796	1,072,553
Selling, general and administrative expenses		(1,009,588)	(933,366)
Other income	26	87,479	133,590
Other expense	26, 27	(27,198)	(142,550)
<b>Operating Profit</b>	6	182,489	130,227
Financial income	29	57,349	14,154
Financial expenses	29	(9,525)	(5,226)
Income from investments accounted for using the equity method, net	11	12,175	22,630
<b>Profit for the Year from Continuing Operations before Income Taxes</b>		242,488	161,785
Income tax expenses	13	(74,464)	(51,067)
<b>Profit for the Year from Continuing Operations</b>		168,024	110,718
<b>Discontinued Operations</b>			
<b>Profit for the Year from Discontinued Operations</b>	30	9,231	-
<b>Profit for the Year</b>		177,255	110,718
Profit for the year attributable to:			
Owners of the parent	30	169,340	104,562
Non-controlling interests	30	7,915	6,156
Total		¥ 177,255	¥ 110,718
Earnings per share			
Basic earnings per share (Yen)	31	¥825.32	¥512.50
Diluted earnings per share (Yen)	31	825.28	512.33
Earnings per share from continuing operations			
Basic earnings per share (Yen)	31	¥791.12	¥512.50
Diluted earnings per share (Yen)	31	791.07	512.33

## Consolidated Statement of Comprehensive Income

Years ended March 31	Notes	(Millions of yen)	
		2018	2019
<b>Profit for the Year</b>		¥177,255	¥110,718
<b>Other Comprehensive Income</b>			
Items that will not be reclassified to profit or loss			
Financial assets measured at fair value through other comprehensive income	2, 18	-	(6,812)
Remeasurements of defined benefit plans	18, 21	66,762	(3,749)
Share of other comprehensive income of investments accounted for using the equity method	18	8	(194)
		66,770	(10,755)
Items that may be reclassified subsequently to profit or loss			
Foreign currency translation adjustments	18	(4,412)	(3,877)
Cash flow hedges	18	5	(104)
Available-for-sale financial assets	18	(9,029)	-
Share of other comprehensive income of investments accounted for using the equity method	18	(1,006)	(471)
		(14,442)	(4,452)
<b>Total Other Comprehensive Income for the Year, Net of Taxes</b>		52,328	(15,207)
<b>Total Comprehensive Income for the Year</b>		¥229,583	¥ 95,511
Total comprehensive income for the year attributable to:			
Owners of the parent		219,838	89,311
Non-controlling interests		9,745	6,200
Total		¥229,583	¥ 95,511

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Fujitsu Limited and Consolidated Subsidiaries

(Millions of yen)

	Notes	Equity attributable to owners of the parent					Total	Non-controlling interests	Total equity
		Share capital	Capital surplus	Treasury stock, at cost	Retained earnings	Other components of equity			
<b>Balance at April 1, 2017</b>		¥324,625	¥231,640	¥(12,502)	¥265,893	¥ 71,636	¥ 881,292	¥137,910	¥1,019,202
Profit for the year					169,340		169,340	7,915	177,255
Other comprehensive income	18					50,498	50,498	1,830	52,328
Total comprehensive income for the year		-	-	-	169,340	50,498	219,838	9,745	229,583
Purchase of treasury stock	18			(106)			(106)	(2)	(108)
Disposal of treasury stock	18		2,030	5,371			7,401	(7,405)	(4)
Share-based payment transactions	33		52				52		52
Dividends paid	19				(20,504)		(20,504)	(4,778)	(25,282)
Transfer to retained earnings					65,442	(65,442)			
Acquisition (disposal) of non-controlling interests	10		(176)				(176)	(464)	(640)
Changes in ownership interests in subsidiaries			395		(395)			(17,901)	(17,901)
<b>Balance at March 31, 2018</b>		¥324,625	¥233,941	¥ (7,237)	¥479,776	¥ 56,692	¥1,087,797	¥117,105	¥1,204,902
Cumulative effects of changes in accounting policies	2				20,200	(20,467)	(267)		(267)
Balance of April 1, 2018 restated		324,625	233,941	(7,237)	499,976	36,225	1,087,530	117,105	1,204,635
Profit for the year					104,562		104,562	6,156	110,718
Other comprehensive income	18					(15,251)	(15,251)	44	(15,207)
Total comprehensive income for the year		-	-	-	104,562	(15,251)	89,311	6,200	95,511
Purchase of treasury stock	18		(6)	(22,327)			(22,333)		(22,333)
Disposal of treasury stock	18			8			8		8
Share-based payment transactions	33		261				261		261
Dividends paid	19				(26,660)		(26,660)	(3,035)	(29,695)
Transfer to retained earnings					(1,400)	1,400			
Acquisition (disposal) of non-controlling interests	10		3,824				3,824	3,101	6,925
Changes in ownership interests in subsidiaries			(2,606)		379	2,212	(15)	(1,796)	(1,811)
Others			41			88	129		129
<b>Balance at March 31, 2019</b>		¥324,625	¥235,455	¥(29,556)	¥576,857	¥ 24,674	¥1,132,055	¥121,575	¥1,253,630



## CONSOLIDATED STATEMENT OF CASH FLOWS

Fujitsu Limited and Consolidated Subsidiaries

Years ended March 31	Notes	(Millions of yen)	
		2018	2019
<b>Cash Flows from Operating Activities</b>	22		
Profit for the year from continuing operations before income taxes		¥ 242,488	¥ 161,785
Depreciation, amortization and impairment loss		169,749	158,106
Increase (decrease) in provisions		(22,912)	38,206
Increase (decrease) in net defined benefit liability		(1,748)	(109,168)
Interest and dividend income		(5,464)	(6,681)
Interest charges		4,174	3,231
Income from investments accounted for using the equity method, net		(12,191)	(22,630)
Gain on sales of subsidiaries' stocks		(72,635)	(22,046)
Gain on sales of available-for-sale financial assets		(28,538)	-
(Increase) decrease in trade receivables		(36,430)	(79,082)
(Increase) decrease in inventories		(10,593)	(20,481)
Increase (decrease) in trade payables		14,221	(10,424)
Other, net	22, 25	(4,345)	79,110
Cash generated from operations		235,776	169,926
Interest received		1,879	3,152
Dividends received		5,129	5,430
Interest paid		(4,218)	(3,668)
Income taxes paid		(38,151)	(75,424)
Net Cash Provided by Operating Activities		200,415	99,416
<b>Cash Flows from Investing Activities</b>	22		
Purchases of property, plant, equipment, and intangible assets		(135,005)	(120,637)
Proceeds from sale of investment securities	2	41,883	77,941
Net proceeds from sale of subsidiaries and business	22	52,231	17,130
Collection of loans receivable	22	22,303	26,592
Other, net		(3,990)	3,116
Net Cash Used in Investing Activities		(22,578)	4,142
<b>Cash Flows from Financing Activities</b>	22		
Increase (decrease) in short-term borrowings	22	(7,757)	7,792
Proceeds from long-term debt and issuance of bonds	22	5,819	116
Repayment of long-term debt and bonds	22	(71,966)	(87,743)
Payment of lease obligations	22	(12,680)	(13,107)
Purchase of treasury stock		(106)	(22,327)
Dividends paid to owners of the parent	19	(20,504)	(26,660)
Other, net		(5,302)	5,307
Net Cash Used in Financing Activities		(112,496)	(136,622)
Net Increase (Decrease) in Cash and Cash Equivalents		65,341	(33,064)
Cash and Cash Equivalents at Beginning of Year		383,969	452,671
Effect of Exchange Rate Changes on Cash and Cash Equivalents		3,361	(2,865)
Cash and Cash Equivalents at End of Year	16	¥ 452,671	¥ 416,742

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Fujitsu Limited and Consolidated Subsidiaries

## 1. Reporting Entity

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

## 2. Basis of Preparation

### (a) Compliance with International Financial Reporting Standards

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

The consolidated financial statements were approved on June 24, 2019 by Takahito Tokita, President and Representative Director, and Takeshi Isobe, Chief Financial Officer.

### (b) Basis of measurement

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

Financial instruments measured at fair value

Net defined benefit liability or asset measured at present value of the defined benefit obligation less the fair value of plan assets

### (c) Functional currency and presentation currency

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

### (d) Changes in accounting policies

#### (1) Adoption of IFRS 15—Revenue from Contracts with Customers

Beginning the year ended March 31, 2019, the Fujitsu Group has adopted IFRS 15—Revenue from Contracts with Customers (issued May 2014) and Clarifications to IFRS 15 (issued April 2016) (hereinafter collectively referred to as "IFRS 15"). With the adoption of this standard, the Company chose the method of recognizing the cumulative effect of application as of the initial application date, which is one of the transition methods permitted.

In accordance with the adoption of this standard, the Company has changed the timing of recognizing revenue by identifying performance obligations under contracts with customers for some transactions. In addition, with respect to sales incentives, the Company previously recorded them as reductions to revenue at the time of settlement. Starting from the year ended March 31, 2019, however, the Company has estimated incentive payments in advance and recognized them as reductions to revenue to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognized will not occur.

As a result of recognizing the amount of the cumulative effect of the adoption of this standard, at the beginning of the year ended March 31, 2019, trade receivables decreased by ¥70 million, inventories increased by ¥1,948 million, other current liabilities increased by ¥2,145 million, and retained earnings decreased by ¥267 million.

The impact on assets, liabilities, and equity at the beginning of the fiscal year, as well as the impact on operating profit and profit for the year ended March 31, 2019 was immaterial.

In accordance with the adoption of this standard, starting from the year ended March 31, 2019, the Company has changed its method of presentation of unbilled receivables, which had been included in trade receivables, so that they are now included in other current assets and at the beginning of the fiscal year, the amount of ¥78,636 million included in trade receivables was reclassified into other current assets.

## (2) Adoption of IFRS 9—Financial Instruments

Beginning the year ended March 31, 2019, the Fujitsu Group has adopted IFRS 9—Financial Instruments (final version issued July 2014) (hereinafter referred to as “IFRS 9”). In adopting this standard, in accordance with the transition requirements, the Company has not restated the comparative information with regard to the classifications and measurements of financial instruments.

Equity instruments that were classified as available-for-sale financial assets under the previous standard, IAS 39 “Financial Instruments,” are, in accordance with the adoption of this standard, classified as financial assets measured at fair value through other comprehensive income. Subsequent changes in the fair value of equity instruments are presented in other comprehensive income, and impairment treatment that transfers cumulative losses recognized in other comprehensive income to profit or loss, when fair value significantly declines, is abolished. Also, gains or losses on the sale of equity instruments are not recognized in profit or loss.

As a result of recognizing the amount of the cumulative effect of the adoption of this standard, at the beginning of the year ended March 31, 2019, retained earnings increased by ¥20,467 million, and other components of equity decreased by ¥20,467 million. This primarily is the result of the reclassification of the cumulative amount of impairment losses recognized in previous fiscal years from retained earnings to other components of equity within equity.

The impact on assets, liabilities, and equity at the beginning of the fiscal year, as well as the impact on operating profit and profit for the year ended March 31, 2019 was immaterial.

In accordance with the adoption of this standard, in cash flows from investing activities, the Company changed its method of presentation from “proceeds from sale of available-for-sale financial assets” to “proceeds from sale of investment securities.”

## 3. Significant Accounting Policies

### (a) Basis of consolidation

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

#### (i) Business combinations

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

The Group measures goodwill at the acquisition date as follows:

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

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

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

#### (ii) Acquisition of non-controlling interests

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

#### (iii) Subsidiaries

Subsidiaries are entities that the Group controls. Financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences to the date that control ceases.

Comprehensive income of a subsidiary is attributed to the owners of the parent and non-controlling interests even if this results in the non-controlling interests having a deficit balance.

*(iv) Loss of control*

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

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

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

*(vi) Consolidation adjustments*

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

**(b) Foreign currencies**

*(i) Transactions denominated in foreign currencies*

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

*(ii) Financial statements of foreign operations*

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

## (c) Financial instruments

### (i) Non-derivative financial assets

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

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

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

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

#### Financial assets measured at amortized cost

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

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

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

#### Financial assets measured at fair value

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

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

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

### (ii) Impairment of financial assets measured at amortized cost

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

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

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

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

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

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

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

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

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

*(iii) Non-derivative financial liabilities*

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

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

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

*(iv) Presentation of financial assets and financial liabilities*

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

*(v) Derivative financial instruments*

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

*Derivatives to which hedge accounting is not applied*

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

*Derivatives to which hedge accounting is applied*

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

*Cash flow hedges*

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

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

**(d) Property, plant and equipment (excluding leased assets)***(i) Recognition and measurement*

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

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

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

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

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

*(ii) Subsequent expenditure*

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

*(iii) Depreciation*

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

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

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

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

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

**(e) Goodwill**

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

## Subsequent measurement

Goodwill is measured at cost less accumulated impairment losses.

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

**(f) Intangible assets***(i) Research and development*

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

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

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

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

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

*(ii) Software and other intangibles*

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

*(iii) Amortization*

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

The estimated useful lives are:

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

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

**(g) Leased assets**

Leases in terms of which the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. On initial recognition, the leased asset is measured at the lower of its fair value and the present value of minimum lease payments at inception of the lease term. Subsequently, the asset is depreciated over the shorter period of either the lease term or the economic useful life of the leased asset. The depreciation expense is recognized as incurred in profit or loss.

All other leases are assumed to be operating leases and the annual rentals are charged to profit or loss on a straight-line basis over the lease term.

**(h) Inventories**

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

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

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

**(i) Cash and cash equivalents**

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

**(j) Impairment of non-financial assets**

If there is an indication of impairment for non-financial assets other than inventories and deferred tax assets, the 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 (CGU) is less than its carrying amount.



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

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

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

### **(k) Assets classified as held for sale**

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

### **(l) Employee benefits**

#### *(i) Retirement benefit plans*

##### Defined benefit plans

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

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

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

##### Defined contribution plans

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

*(ii) Termination benefits*

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

*(iii) Short-term employee benefits*

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

**(m) Provisions**

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

*(i) Provision for restructuring*

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

*(ii) Provision for product warranties*

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

*(iii) Provision for contract losses*

A provision is recognized for losses on projects such as customized software development if it is probable that the total estimated project costs exceed the total estimated project revenues.

*(iv) Asset retirement obligation*

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

**(n) Share capital**

## Ordinary shares

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

## Treasury shares

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

**(o) Share-based payment**

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

**(p) Revenue***(i) Service revenue*

Supply of service usually corresponds to any of the following criteria: a) the customer simultaneously receives and consumes all of the benefits provided by the Group as the Group performs; b) the Group's performance creates or enhances an asset that the customer controls as the asset is created; or 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 for fixed price service contracts including construction contracts 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.

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.

Revenue on ongoing service contracts is recognized by measuring the progress based on the period ratio of services already provided over the whole service period. Where outsourcing services are charged on a per unit basis, revenue is recognized when the service is rendered and is billed or billable. Where services are charged on a time period basis, revenue is recognized evenly over the period of the service contract. For maintenance, in principle revenue is recognized over the period in which the services are provided; however, where the contracts are charged on a time period basis, revenue is recognized on a time and materials basis.

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

*(ii) Hardware product revenue*

Supply of standalone 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 percentage of completion as measured using a method that faithfully depicts the completion of the performance obligation.

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

*(iii) Licensing revenue*

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

For software, the license of which constitutes the principal license of the Group, usually after supply of a license, the Group is not obligated to undertake any activities to change the form or functionality of the intellectual property or activities to maintain the value of the intellectual property over the license period. When any of the above criteria is 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.

*(iv) Contracts with multiple deliverables*

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

Goods or services promised to a customer are identified as a distinct performance obligation if the customer can benefit from the good or service either on its own or together with other resources that are readily available to the customer (i.e., the good or service is capable of being distinct); and the Group's promise to transfer the goods 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 determine the stand-alone selling price at contract inception of the distinct good or service underlying each performance obligation in the contract and allocate the transaction price in proportion to those stand-alone selling prices. If a stand-alone selling price is not directly observable, it is estimated based on the method such as estimated costs plus a margin approach for the respective performance obligations in the contract with multiple deliverables, and the transaction price is allocated.

*(v) Agent transactions*

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

*(vi) Contract costs*

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

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

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

*(vii) Contract assets and contract liabilities*

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

*(viii) Significant financing components in the contract*

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

*(ix) Operating leases*

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

**(q) Financial income and expenses**

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

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

**(r) Income tax expenses**

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

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

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

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

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

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

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

#### **(s) Discontinued operations**

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

### **4. Use of Accounting Estimates and Judgments**

The preparation of financial statements in conformity with IFRS requires management to make judgments, estimates, and assumptions that affect the application of policies and reported amounts of assets and liabilities and income and expenses. The estimates and assumptions are reviewed by management on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected. Assumptions about the current situation and future prospects could change depending on the changes in the market or other circumstances that are out of the control of the Group. The assumptions are revised when such changes occur. The key estimates and judgments that have a significant effect on the amounts recognized in the consolidated financial statements are as follows.

#### **(a) Revenue recognition**

Revenue and cost for fixed-price service contracts, including construction contracts, are recognized by reference to the stage of completion when the outcome of the contract can be reliably estimated. Recognition of the revenue and cost is dependent on the estimate of project costs and revenues as well as the measurement of the stage of completion. The Group, in principle, adopts the percentage of completion method based on costs incurred to date as a percentage of total estimated project costs. When milestones are defined at contract inception, revenue is recognized based on completion of contractual milestones.

Assumptions about the estimates and measurement are reviewed as necessary. The impact from changes in the assumptions is recognized in the period in which the reliable estimate can be made. Revisions to the original estimate, as a result of the changes in the contract amount or costs for completion, could have a significant effect on the amounts recognized in the consolidated financial statements.

#### **(b) Inventories**

Inventories are measured at cost. However, should the NRV at the reporting date fall below the cost, inventories are subsequently measured based on the NRV, with the difference in value between the cost and the NRV, in principle, booked as cost of sales. Slow-moving inventories and those outside the normal operating cycle are calculated at an NRV that reflects future demand and market trends. The Group may experience substantial losses in cases where the NRV drops dramatically as a result of deterioration in the market environment against the forecast.

#### **(c) Property, plant and equipment**

Depreciation for an item of property, plant and equipment is calculated primarily using the straight-line method, based on the estimated useful life that reflects the period in which the asset's future economic benefits are expected to be consumed. The depreciation charge for the period could increase if an item of property, plant and equipment becomes obsolete or repurposed in the future and the estimated useful life becomes shorter. An impairment loss may 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.

**(d) Goodwill**

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

The recoverable amount of a CGU is in most cases measured at the value in use. The value in use of a CGU is calculated using the discounted cash flow model with assumptions such as future cash flow, growth rate, and discount rate. Future cash flow is based on the business plan. The growth rate for the periods beyond the term of the business plan is determined primarily based on the inflation rate in the area where each CGU is located and long-term average growth rate in the industry to which each CGU belongs. The discount rate is calculated primarily based on the weighted average cost of capital of the Group company to which each CGU belongs.

These assumptions represent management's best estimates and judgments. Impairment losses could be recognized when the assumptions are revised as a result of a change in the market environment or other changes in the circumstances.

**(e) Intangible assets**

Computer software for sale is amortized by a method based on projected sales volume over the estimated useful life. An intangible asset with a finite useful life, including software for internal use and other intangible assets, is amortized on a straight-line basis, in principle, to reflect the pattern in which the asset's future economic benefits are expected to be consumed by the Group. Should actual sales volumes fail to meet initial projected volumes due to changes in the business environment, etc., or should actual useful life in the future be less than the original estimate, there is a risk that amortization expenses for the reporting period may increase.

**(f) Financial assets measured at fair value**

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 in increasing or decreasing profit or loss or 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, there could be a significant effect in the consolidated financial statements.

**(g) Deferred tax assets**

Reasonable estimates and judgments about various factors are necessary in the calculation of income taxes. Such factors include interpretation of tax regulations and revision of tax laws in the jurisdictions where the Group operates. If there is a difference between the amount of income tax that the Group recognized and the amount presented by the taxation authorities, there could be a significant effect on the amounts recognized in the consolidated financial statements for the following periods.

A deferred tax asset is recognized for the carryforward of unused tax losses, unused tax credits, and deductible temporary differences to the extent that it is probable that future taxable profit will be available against which they can be utilized. The carrying amount of a deferred tax asset is reviewed at the end of the reporting period. The carrying amount of a deferred tax asset is reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow the benefit of part or all of that deferred tax asset to be utilized. The amount and the timing when the taxable profit occurs could be affected by uncertain changes in economic terms in the future. When the actual amount and timing are different from those of the estimate, there could be a significant effect on the amounts recognized in the consolidated financial statements for the following periods. In addition, the carrying amount of a deferred tax asset could fluctuate if an effective tax rate changes as a result of an amendment to tax laws.

A deferred tax asset is not recognized for certain unused tax losses, unused tax credits, and deductible temporary differences. Tax losses can be carried forward for 10 years under the current tax laws for Japan, 20 years for the US, and indefinitely for the UK.

**(h) Provisions***(i) Provision for restructuring*

A provision is recognized for the estimated costs of restructuring such as personnel rationalization and disposal of business. The costs are estimated based on the announced plan and could fluctuate when the plan is reviewed as a result of a rapid change in the business environment.

*(ii) Provision for product warranties*

Some of the Group's products such as servers, PCs and network products are covered by contracts that require the Group to repair or exchange them free of charge during a certain period of time. The Group recognizes a provision for estimated repair and exchange expenses at the time of sale based on past records such as defect ratio, repair cost, and residual contract period. The Group is taking steps to strengthen quality management during the product development, manufacturing, and procurement stages. However, should product defects or other problems occur at a level in excess of that covered by the estimated expenses, additional expenses may be incurred.

*(iii) Provision for contract losses*

The Group records provisions for losses on projects such as customized software development 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 is taking steps to curtail the emergence of new, unprofitable projects by moving ahead with the standardization of its business processes, establishing a check system as a dedicated organizational component, and conducting risk management throughout the entire progression of projects (beginning with business negotiations). Notwithstanding these efforts, the Group may incur additional losses in the event of an increase in estimated project costs in the future.

*(iv) Asset retirement obligation*

A provision is made, in preparation for restoring the leased site based on the contract, at an estimated amount to be paid based on past experience. Such expenses are expected to be paid when leaving the site and could change depending on the review of the business plan in the future.

**(i) Defined benefit plans**

The Company and its consolidated subsidiaries have both defined benefit and defined contribution retirement benefit plans. Net defined benefit liability (the present value of the defined benefit obligation less the fair value of plan assets) is recognized, when remeasured, in other comprehensive income after adjusting for tax effects. The gains and losses recognized in other comprehensive income are immediately reclassified into retained earnings. 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.

**5. Accounting Standards Issued But Not Yet Effective**

The following new or amended accounting standards have been released by the date that the consolidated financial statements were approved, but the Group has not yet applied them.

Standard	Effective date	Timing of application	Outline of new or amended standards
IFRS 16      Leases	Annual reporting periods beginning on or after January 1, 2019	FY2019 April 1, 2019– March 31, 2020	Amendments pertaining to accounting treatment and disclosure on leases primarily for a lessee (such as recognition of right-of-use assets and lease liabilities in principle for all leases including operating leases)

With the application of IFRS 16, for leases that are classified as operating leases by the lessee with lease payments treated as expenses under the previous standard, IAS 17 "Leases," the right-of-use asset and lease liability will be recognized on the statement of financial position, and expensed over the lease term. To estimate the lease term, it is necessary to incorporate the term covered by extension or termination options to the non-cancellable lease term if the lessee is reasonably certain of exercising those options, and the lease term must be estimated by taking into account the length of the non-cancellable lease term and the extension and termination options reasonably certain to be exercised, and the cancellable term may also be the lease term.

As a result of the adoption of IFRS 16, the Group estimates that the effect on the consolidated financial statements will be an increase of approximately ¥170 billion in right-of-use assets and lease liabilities, respectively, in the consolidated statement of financial position at the beginning of the year ending March 31, 2020, and an immaterial effect on the consolidated statement of profit or loss.



In the consolidated statement of cash flows, operating lease payments were included in Cash Flows from Operating Activities under the previous standard, IAS 17 "Leases." However, with the adoption of IFRS 16, adjustments related to depreciation of right-of-use assets will be included in Cash Flows from Operating Activities, and payments of lease liabilities will be included in Cash Flows from Financing Activities. As a result, Net Cash Provided by (Used in) Operating Activities will increase and Net Cash Provided by (Used in) Financing Activities will decrease compared with what would have been achieved under the previous standard, IAS 17.

In applying this standard, a company can choose either the method of retrospectively applying to each of the past reporting periods presented or the method of recognizing the cumulative effect of adoption on the initial application date. The Group is planning to choose the latter method.

## 6. Segment Information

### (1) Segment overview

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

In the field of information and communication technology (ICT), while delivering a wide variety of services, the Group offers comprehensive solutions, from the development, manufacturing, and sales to the maintenance and operations of cutting-edge, high-performance, high-quality products and electronic devices that support services. The Group's business is organized into three reportable segments—Technology Solutions, Ubiquitous Solutions, and Device Solutions—based on the Group's managerial structure, characteristics of the products and services, and the similarities of the sales market within each operating segment. Managerial structure and product and service classification in each reportable segment are as follows.

#### (a) Technology Solutions

The Group has a composite business management structure, organized along business lines, with categories of products and services enabling global strategic proposals, cost management, and other business management operations so as to provide customers optimum products, software, and services in an integrated format. This matrix structure is also organized along customer lines, categorized into five regions consisting of Japan, EMEA (Europe, the Middle East, India, and Africa), Americas, Asia, and Oceania.

This reportable segment consists of Solutions/Systems Integration, which are services for the construction of information and communication systems; Infrastructure Services, which are primarily cloud services, outsourcing, and maintenance services; System Products, which cover mainly the servers and storage systems that comprise ICT platforms, and Network Products, which are used to build communications infrastructure, such as mobile phone base stations and optical transmission systems.

#### (b) Ubiquitous Solutions

The Ubiquitous Solutions segment contains ubiquitous terminals or sensors, including personal computers and mobility IoT and human-centric IoT, that collect and utilize various information and knowledge generated from the behavioral patterns of people and organizations needed to achieve the Group's vision of a "Human Centric Intelligent Society" (a safer, more prosperous and sustainable society built by the power of technology).

#### (c) Device Solutions

The segment is organized by product in independent business management units that include the respective sales departments and contains cutting-edge technologies, including LSI devices used in mobile phones, digital home appliances, automobiles, and servers, as well as electronic components, such as semiconductor packages and batteries.

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

Profit figures for the operating segments are presented on the basis of operating profit, but because corporate expenses are managed on the basis of the entire Group, they are not allocated to the operating segments. In addition, because the Group's finances (including financial income and expenses) and income from investments accounted for using the equity method are also managed on the basis of the entire Group, they are not allocated to the operating segments.

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

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

Years ended March 31	Reportable segments				Other	Elimination and Corporate	Consolidated
	Technology Solutions	Ubiquitous Solutions	Device Solutions	Subtotal			
(Millions of yen)							
2018							
Revenue							
External customers	¥2,993,329	¥540,230	¥523,376	¥4,056,935	¥ 12,707	¥ 28,737	¥4,098,379
Inter-segment	59,396	123,680	36,664	219,740	54,693	(274,433)	—
Total revenue	3,052,725	663,910	560,040	4,276,675	67,400	(245,696)	4,098,379
Operating profit	189,389	11,350	13,646	214,385	(23,890)	(8,006)	182,489
Financial income							
Financial expenses							
Income from investments accounted for using the equity method, net							
Profit for the year from continuing operations before income taxes							
							57,349
							(9,525)
							12,175
							242,488
(Other items)							
Depreciation and amortization	(97,954)	(8,973)	(43,339)	(150,266)	(4,107)	(7,071)	(161,444)
Impairment loss	(1,248)	(247)	(552)	(2,047)	—	(742)	(2,789)
Reversal of impairment loss	1,173	—	—	1,173	—	—	1,173
Capital expenditure (including intangible assets and goodwill)	87,678	8,907	36,472	133,057	2,479	6,359	141,895
2019							
Revenue							
External customers	¥3,071,941	¥372,955	¥459,329	¥3,904,225	¥ 15,550	¥ 32,662	¥3,952,437
Inter-segment	51,792	136,971	27,680	216,443	50,721	(267,164)	—
Total revenue	3,123,733	509,926	487,009	4,120,668	66,271	(234,502)	3,952,437
Operating profit	187,957	(20,446)	4,511	172,022	(22,149)	(19,646)	130,227
Financial income							
Financial expenses							
Income from investments accounted for using the equity method, net							
Profit for the year from continuing operations before income taxes							
							14,154
							(5,226)
							22,630
							161,785
(Other items)							
Depreciation and amortization	(92,571)	(3,699)	(39,028)	(135,298)	(3,632)	(6,752)	(145,682)
Impairment loss	(8,222)	(1,061)	(3,077)	(12,360)	—	(64)	(12,424)
Capital expenditure (including intangible assets and goodwill)	89,245	2,686	27,802	119,733	2,662	4,556	126,951

Notes: 1. The "Other" segment consists of operations not included in the reportable segments, such as Japan's Next-Generation Supercomputer project, Next-Generation Cloud services and facility services and the development of information systems for Group companies.

2. Revenue under "Elimination and Corporate" represents the elimination of intersegment transactions and others.

3. Operating profit under "Elimination and Corporate" includes corporate expenses and the elimination of intersegment transactions. For the years ended March 31, 2018 and 2019, corporate expenses were -¥2,278 million (including gain on sales of subsidiaries' stocks totaling ¥71,414 million) and -¥22,278 million (including gain on revision of the defined benefit plan of ¥91,996 million and expense associated with the resource shifts in Japan of -¥45,813 million), and the elimination of intersegment transactions were -¥5,728 million and ¥2,632 million, respectively.

Corporate expenses mainly consist of strategic expenses such as basic research and development expenses that are not attributable to the reportable segments and shared Group management expenses incurred by the Company.

**(3) Information about products and services**

## Revenue from external customers

Years ended March 31	(Millions of yen)	
	2018	2019
Technology Solutions		
Services* <sup>1</sup>	¥2,555,825	¥2,626,921
System platforms* <sup>2</sup>	437,504	445,020
Ubiquitous Solutions		
PCs/Mobile phones	503,064	332,313
Mobilewear* <sup>3</sup>	37,166	40,642
Device Solutions		
LSI	264,552	203,578
Electronic components	258,824	255,751
Other Operations	12,707	15,550
Elimination and Corporate	28,737	32,662
Total	<u>¥4,098,379</u>	<u>¥3,952,437</u>

\*<sup>1</sup> System integration (system construction and business applications), consulting, front-end technologies (ATMs, POS systems, etc.), outsourcing services (data-centers, ICT operation/management, application operation/management, business process outsourcing, etc.), cloud services (IaaS, PaaS, SaaS, etc.), network services (business networks, etc.), system support services (maintenance and surveillance services for information systems and networks), and security solutions

\*<sup>2</sup> Full range of servers (mainframe, UNIX, mission-critical x86 and other x86 servers), storage systems, various types of software (operating system, middleware), network management systems, optical transmission systems, and mobile phone base stations

\*<sup>3</sup> Mobility IoT, human-centric IoT, and others

**(4) Geographical information**

## (a) Revenue from external customers

Years ended March 31	(Millions of yen)	
	2018	2019
Japan	¥2,591,515	¥2,517,032
Outside Japan		
EMEIA	799,689	789,921
Americas	276,857	248,670
Asia	332,166	312,208
Oceania	98,152	84,606
Total	<u>¥4,098,379</u>	<u>¥3,952,437</u>

Notes: 1. Revenue from external customers is classified by countries or regions based on locations of customers.

2. Principal countries and regions comprising the segments other than Japan:

(1) EMEIA (Europe, the Middle East, India, and Africa): UK, Germany, Spain, Finland, and Sweden

(2) Americas: US and Canada

(3) Asia: China, Singapore, Korea, and Taiwan

(4) Oceania: Australia

3. There is no country for which a separate individual disclosure is required.

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

At March 31	(Millions of yen)	
	2018	2019
Japan	¥560,344	¥473,411
Outside Japan		
EMEIA	76,084	67,567
Americas	20,710	17,510
Asia	19,786	14,526
Oceania	21,832	21,317
Total	<u>¥698,756</u>	<u>¥594,331</u>

Notes: 1. Non-current assets are classified by countries or regions based on locations of the Group.

2. Principal countries and regions comprising the segments other than Japan:

(1) EMEIA (Europe, the Middle East, India, and Africa): UK, Germany, Spain, Finland, and Sweden

(2) Americas: US and Canada

(3) Asia: China, Singapore, Korea, and Taiwan

(4) Oceania: Australia

3. There is no country for which a separate individual disclosure is required.

**(5) Information about major customers**

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

**7. Business Combinations and Acquisition of Non-Controlling Interests**

Not applicable.

**8. Property, Plant and Equipment**

Carrying amount

	(Millions of yen)				
	Land	Buildings	Machinery and equipment, tools, fixtures and fittings	Construction in progress	Total
Balance at April 1, 2017	¥ 86,644	¥257,942	¥215,435	¥36,628	¥ 596,649
Additions* <sup>1</sup>	2	19,584	80,335	(5,884)	94,037
Acquisitions through business combinations	—	26	234	1	261
Depreciation	—	(24,495)	(82,537)	—	(107,032)
Impairment losses* <sup>2</sup>	(145)	(729)	(1,033)	(348)	(2,255)
Reversal of impairment losses* <sup>3</sup>	—	—	1,173	—	1,173
Disposals or reclassifications to assets held for sale	(11,439)	(14,318)	(30,629)	(1,000)	(57,386)
Exchange differences on translation	62	403	790	51	1,306
Others	(416)	(143)	527	(1,140)	(1,172)
Balance at March 31, 2018* <sup>4</sup>	74,708	238,270	184,295	28,308	525,581
Additions* <sup>1</sup>	1,860	14,926	66,703	(1,824)	81,665
Depreciation	—	(21,656)	(75,265)	—	(96,921)
Impairment losses* <sup>2</sup>	(16)	(1,117)	(4,898)	(22)	(6,053)
Disposals or reclassifications to assets held for sale	(6,565)	(22,719)	(31,796)	(4,310)	(65,390)
Exchange differences on translation	(71)	(861)	(427)	(63)	(1,422)
Others	17	(306)	2,048	(141)	1,618
Balance at March 31, 2019* <sup>4</sup>	¥ 69,933	¥206,537	¥140,660	¥21,948	¥ 439,078

Cost

	(Millions of yen)				
	Land	Buildings	Machinery and equipment, tools, fixtures and fittings	Construction in progress	Total
April 1, 2017	¥107,633	¥802,956	¥1,331,473	¥36,729	¥2,278,791
March 31, 2018	94,824	739,798	1,178,854	28,700	2,042,176
March 31, 2019	88,041	653,346	954,424	21,954	1,717,765

Accumulated depreciation and accumulated impairment losses

	(Millions of yen)				
	Land	Buildings	Machinery and equipment, tools, fixtures and fittings	Construction in progress	Total
April 1, 2017	¥20,989	¥545,014	¥1,116,038	¥101	¥1,682,142
March 31, 2018	20,116	501,528	994,559	392	1,516,595
March 31, 2019	18,108	446,809	813,764	6	1,278,687

\*<sup>1</sup> Additions under construction in progress are shown on a net basis that includes an increase in the amount of new additions and amounts transferred to each item in property, plant and equipment.

\*<sup>2</sup> Impairment losses of ¥2,255 million and ¥6,053 million recorded for the years ended March 31, 2018 and 2019, respectively, are included in other expenses in the consolidated statement of profit or loss.

\*<sup>3</sup> Reversal of impairment losses of ¥1,173 million recorded for the year ended March 31, 2018 is included in other expenses in the consolidated statement of profit or loss.

\*<sup>4</sup> The amount of expenditures recognized in the carrying amount of an item of property, plant and equipment in the course of its construction is included in construction in progress and totaled ¥21,614 million and ¥18,319 million at March 31, 2018 and 2019, respectively.

## Carrying amount of finance leased assets

The carrying amount of finance leased assets included in property, plant and equipment is as follows.

	(Millions of yen)	
	2018	2019
At March 31		
Buildings	¥ 2,349	¥ 1,751
Machinery and equipment, tools, fixtures and fittings	14,105	17,585
Total	<u>¥16,454</u>	<u>¥19,336</u>

## 9. Goodwill and Intangible Assets

## Carrying amount

	(Millions of yen)			
	Intangible assets*1			
	Goodwill	Software	Others	Total
Balance at April 1, 2017	¥41,237	¥126,535	¥27,439	¥153,974
Additions	—	45,949	1,909	47,858
Acquisitions through business combinations	482	39	509	548
Amortization*2	—	(49,048)	(5,364)	(54,412)
Impairment losses*3	—	(534)	—	(534)
Disposals or reclassifications to assets held for sale	(820)	(11,013)	(5,858)	(16,871)
Exchange differences on translation	1,596	341	(60)	281
Others	—	(2)	(162)	(164)
Balance at March 31, 2018	<u>42,495</u>	<u>112,267</u>	<u>18,413</u>	<u>130,680</u>
Additions	405	42,405	870	43,275
Acquisitions through business combinations	—	2	527	529
Amortization*2	—	(44,467)	(4,294)	(48,761)
Impairment losses*3	(3,442)	(484)	(560)	(1,044)
Disposals or reclassifications to assets held for sale	—	(5,779)	(1,844)	(7,623)
Exchange differences on translation	(1,110)	(380)	3	(377)
Others	—	547	(321)	226
Balance at March 31, 2019	<u>¥38,348</u>	<u>¥104,111</u>	<u>¥12,794</u>	<u>¥116,905</u>

## Cost

	(Millions of yen)			
	Intangible assets*1			
	Goodwill	Software	Others	Total
April 1, 2017	¥42,925	¥257,610	¥50,034	¥307,644
March 31, 2018	44,334	244,428	36,082	280,510
March 31, 2019	43,439	227,123	27,005	254,128

## Accumulated amortization and accumulated impairment losses

	(Millions of yen)			
	Intangible assets*1			
	Goodwill	Software	Others	Total
April 1, 2017	¥1,688	¥131,075	¥22,595	¥153,670
March 31, 2018	1,839	132,161	17,669	149,830
March 31, 2019	5,091	123,012	14,211	137,223

\*1 Intangible assets that fall under the category of internally generated are mainly software.

The carrying amounts of internally generated software included in intangible assets totaled ¥103,367 million at March 31, 2018 and ¥95,129 million at March 31, 2019. Additions from internal development included in the above Additions totaled ¥41,720 million at March 31, 2018 and ¥38,267 million at March 31, 2019.

\*2 Amortization is included in cost of sales and selling, general and administrative expenses in the consolidated statement of profit or loss.

\*3 Impairment losses on intangible assets of ¥534 million recorded for the year ended March 31, 2018, and on goodwill of ¥3,442 million and on intangible assets of ¥1,044 million recorded for the year ended March 31, 2019 are included in other expenses in the consolidated statement of profit or loss.

Research and development expenses for the years ended March 31, 2018 and 2019 are as follows.

Years ended March 31	(Millions of yen)	
	2018	2019
Research and development expenses	¥158,665	¥134,941

## 10. Subsidiaries

### (1) Major subsidiaries

The Group's consolidated financial statements are prepared with consolidation of 411 subsidiaries. Major changes for the year ended March 31, 2019 are as follows.

Newly consolidated as a result of acquisitions or formations of new companies: 8 companies

Excluded due to liquidations, sale, or other: 55 companies

Excluded due to mergers: 4 companies

The major subsidiaries at March 31, 2019 are as follows.

Segment	Name	Country	Ratio of total voting rights (%)
Technology Solutions	Fujitsu Frontech Limited	Japan	53.47
	Fujitsu Broad Solution & Consulting Inc.	Japan	100.00
	Fujitsu Marketing Limited	Japan	100.00
	Fujitsu Services Holdings PLC	UK	100.00
	Fujitsu Technology Solutions (Holding) B.V.* <sup>1</sup>	Netherlands	100.00
	Fujitsu America, Inc.	US	100.00
	Fujitsu Australia Limited	Australia	100.00
	Fujitsu FSAS Inc.	Japan	100.00
	PFU Limited	Japan	100.00
	Fujitsu FIP Corporation	Japan	100.00
	Fujitsu IT Products Limited	Japan	100.00
	Fujitsu Telecom Networks Limited	Japan	100.00
	Fujitsu Network Communications, Inc.	US	100.00
	Fujitsu Advanced Engineering Limited	Japan	100.00
	Fujitsu Kyushu Systems Limited	Japan	100.00
	Fujitsu Research Institute	Japan	100.00
	Fujitsu Social Science Laboratory Limited	Japan	100.00
Fujitsu Network Solutions Limited	Japan	100.00	
Ubiquitous Solutions* <sup>2</sup>	Fujitsu Personal System Limited	Japan	100.00
	Fujitsu Isotec Limited	Japan	100.00
	Transtron Inc.	Japan	51.00
Device Solutions* <sup>3</sup>	Fujitsu Semiconductor Ltd.	Japan	100.00
	Shinko Electric Industries Co., LTD.	Japan	50.05
	FDK Corporation	Japan	58.89
Other	Fujitsu Laboratories Ltd.	Japan	100.00

\*<sup>1</sup> The PC business of Fujitsu Technology Solutions (Holding) B.V. falls under Ubiquitous Solutions.

\*<sup>2</sup> Fujitsu Client Computing Limited, which was included in Ubiquitous Solutions, was excluded from consolidation due to partial transfers of its shares.

\*<sup>3</sup> Fujitsu Electronics Inc., which was included in Device Solutions, was excluded from consolidation due to partial transfers of its shares, and Fujitsu Component Limited was excluded from consolidation due to changes in its capital structure.

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

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

Years ended March 31	(Millions of yen)	
	2018	2019
Impact on capital surplus from equity transactions with non-controlling interests	¥(176)	¥3,824

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

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

Shinko Electric Industries Co., LTD.

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

Years ended March 31	(Millions of yen)	
	2018	2019
Profit or loss allocated to non-controlling interests	¥2,043	¥3,901

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

At March 31	(Millions of yen)	
	2018	2019
Proportion of ownership interests held by non-controlling interests	49.94%	49.95%
Accumulated non-controlling interests	¥67,225	¥69,612

**(c) Dividends paid to non-controlling interests**

Years ended March 31	(Millions of yen)	
	2018	2019
Dividends paid to non-controlling interests	¥(1,686)	¥(1,687)

**(d) Summarized financial information***(i) Summarized consolidated statement of financial position*

At March 31	(Millions of yen)	
	2018	2019
Current assets	¥103,645	¥103,962
Non-current assets	79,338	75,500
Total assets	¥182,983	¥179,462
Current liabilities	¥ 36,955	¥ 36,488
Non-current liabilities	11,429	3,622
Total liabilities	48,384	40,110
Total equity	134,599	139,352
Total liabilities and equity	¥182,983	¥179,462

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

Years ended March 31	(Millions of yen)	
	2018	2019
Revenue	¥147,113	¥142,278
Profit for the year	4,099	7,783
Other comprehensive income	452	348
Comprehensive income for the year	¥ 4,551	¥ 8,131

*(iii) Summarized consolidated statement of cash flows*

Years ended March 31	(Millions of yen)	
	2018	2019
Net cash provided by operating activities	¥ 20,335	¥ 17,352
Net cash used in investing activities	(18,473)	(13,260)
Net cash used in financing activities	(3,443)	(3,443)
Net increase (decrease) in cash and cash equivalents	(1,581)	649
Cash and cash equivalents at end of year	¥ 45,667	¥ 46,316

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

## 11. Associates

### (1) Major associates

The major associates at March 31, 2019 are as follows.

Name	Country	Ratio of total voting rights (%)	Business description	Business transactions, etc.
Fujitsu General Limited	Japan	44.10	Development, production, and sales of air conditioners and information communications equipment and electronic devices, as well as provision of services	Contracted manufacturing and sales of the Company's products
Fujitsu Leasing Co., LTD.	Japan	20.00	Leasing and sales of information processing equipment, communications equipment, etc.	Leasing and sales of the Company's products
Socionext Inc.	Japan	40.00	Design, development, and sales of SoC (System on a Chip) and provision of solutions and services	Some of its products are supplied to the Company
Fujitsu Connected Technologies Limited	Japan	30.00	Research, development, manufacturing, and sales of mobile devices	Some of its products are supplied to the Company
Fujitsu Client Computing Limited	Japan	44.00	Development, design, manufacturing, sales of notebook computers, desktop computers, etc.	Some of its products are supplied to the Company
Fujitsu Component Limited	Japan	25.00	Development, manufacture, and sales of electronic components and devices	Some of its products are supplied to the Company
Fujitsu Electronics Inc.	Japan	30.00	Design and development of LSIs and related software and sales of electronic devices	Sales of products of the Company's subsidiaries

Notes: 1. Investments in associates are accounted for using the equity method, and the number of companies to which the method applies is 26. For the year ended March 31, 2019, six companies were added and three companies were subtracted.

2. The Group holds 20% or more of the JECC Corporation shares issued, but because it is a special company operated through the joint capital investment of six companies, including domestic computer manufacturing companies, for the promotion of the domestic data processing industry, it is not an equity method associate.

### (2) Fujitsu Client Computing Limited

The Company sold 51% of shares in Fujitsu Client Computing Limited (hereinafter "FCCL") to Lenovo and 5% to Development Bank of Japan Inc. in May 2018, resulting in FCCL becoming an equity method associate. Accordingly, a gain on valuation of fair value of ¥11,624 million is recorded as "Income from investments accounted for using the equity method."

Please refer to Note "26. Other Income and Expenses" for the gain from the partial transfers of shares of FCCL.



**(3) Summarized financial information of material equity method associates**

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

Fujitsu General Limited

**(a) Dividends received from Fujitsu General Limited**

Years ended March 31	(Millions of yen)	
	2018	2019
Dividends received from Fujitsu General Limited	¥1,060	¥1,153

**(b) Summarized consolidated financial information***(i) Summarized consolidated statement of financial position*

At March 31	(Millions of yen)	
	2018	2019
Current assets	¥156,554	¥151,754
Non-current assets	51,342	61,932
Total assets	<u>¥207,896</u>	<u>¥213,686</u>
Current liabilities	¥ 82,743	¥ 81,990
Non-current liabilities	17,528	18,262
Total liabilities	<u>100,271</u>	<u>100,252</u>
Equity attributable to owners of the parent	104,943	110,371
Non-controlling interests	2,682	3,063
Total equity	<u>107,625</u>	<u>113,434</u>
Total liabilities and equity	<u>¥207,896</u>	<u>¥213,686</u>

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

Years ended March 31	(Millions of yen)	
	2018	2019
Revenue	¥262,340	¥252,667
Profit for the year	13,378	9,955
Other comprehensive income	1,276	(1,379)
Total comprehensive income for the year	<u>¥ 14,654</u>	<u>¥ 8,576</u>

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

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

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

At March 31	(Millions of yen)	
	2018	2019
Equity attributable to owners of the parent	¥104,943	¥110,371
Ownership interest	44.08%	44.08%
Equity attributable to the Group	<u>¥ 46,259</u>	<u>¥ 48,652</u>
Unrealized gains and losses	<u>¥ (455)</u>	<u>¥ (455)</u>
Carrying amount of the Group's investment in the equity method associate	<u>¥ 45,804</u>	<u>¥ 48,197</u>
Fair value of the Group's investment in the equity method associate	<u>¥ 87,768</u>	<u>¥ 72,226</u>

## 12. Other Investments

### (i) Breakdown of other investments

Other investments comprise primarily available-for-sale financial assets as of March 31, 2018, and primarily financial assets measured at fair value through other comprehensive income as of March 31, 2019.

The Group does not designate any financial assets included in other investments as financial assets measured at fair value through profit or loss. Please refer to Note "34. Financial Instruments" for effects of adopting IFRS 9.

### (ii) Financial assets measured at fair value through other comprehensive income

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

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

Issuer	(Millions of yen)	
	At March 31, 2019	
JECC Corporation		¥36,016
Fuji Electric Co., Ltd.		12,769
Toyota Motor Corporation		9,160
Computer Engineering & Consulting Ltd.		6,948
Nippon Telegraph and Telephone Corporation		5,756

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

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

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

Year ended March 31, 2019	(Millions of yen)	
Fair value		¥77,488
Cumulative gain or loss		(845)
Dividend income		549

## 13. Income Taxes

### (1) Deferred tax assets and liabilities

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

At March 31	(Millions of yen)	
	2018	2019
Deferred tax assets		
Net defined benefit liability	¥ 72,997	¥ 30,463
Accrued bonuses	30,830	29,799
Excess of depreciation and amortization, impairment losses, etc.	26,058	24,764
Carryforward of unused tax losses	12,762	14,429
Inventories	10,377	10,430
Intercompany profit	4,311	4,486
Others	23,240	26,224
Total deferred tax assets	180,575	140,595
Deferred tax liabilities		
Financial assets measured at fair value through other comprehensive income	–	(24,550)
Gains and losses on revaluation of available-for-sale financial assets to fair value	(26,298)	–
Undistributed profits primarily of subsidiaries outside Japan	(16,411)	(5,527)
Others	(18,453)	(7,675)
Total deferred tax liabilities	(61,162)	(37,752)
Net deferred tax assets	¥119,413	¥102,843

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

At March 31	(Millions of yen)	
	2018	2019
Deferred tax assets	¥129,236	¥105,663
Deferred tax liabilities	(9,823)	(2,820)

Fujitsu Technology Solutions (Holding) B.V. (hereinafter "FTS") is moving forward with business model transformation, such as the decision to close a manufacturing plant in Germany and the review and streamlining of indirect divisions.

FTS recognized deferred tax assets of ¥7,055 million at March 31, 2018 and ¥6,780 million at March 31, 2019 in the tax jurisdiction where it recorded losses in the current or preceding period as a result of recording business model transformation expenses. The utilization of the deferred tax asset is dependent on future taxable profits in excess of the profits arising from the reversal of existing taxable temporary differences. The management recognized deferred tax assets to the extent that it is probable that future taxable profits will be available against which they can be utilized based on the business plan prepared to reflect judgments for future forecasts and data in the past, using internal and external data.

#### (b) Changes in net deferred tax assets

Years ended March 31	(Millions of yen)	
	2018	2019
Opening balance	¥127,803	¥119,413
Amounts recognized through profit or loss		
Continuing operations	(28,209)	(29,185)
Discontinued operations	3,684	—
Total	(24,525)	(29,185)
Amounts recognized in other comprehensive income		
Foreign currency translation adjustments	404	26
Cash flow hedges	(15)	4
Available-for-sale financial assets	3,931	—
Financial assets measured at fair value through other comprehensive income	—	19,658
Remeasurements of defined benefit plans	15,994	(1,747)
Total	20,314	17,941
Exchange differences on translation and others	(4,179)	(5,326)
Closing balance	¥119,413	¥102,843

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

At March 31	(Millions of yen)	
	2018	2019
Deductible temporary differences*	¥ 66,513	¥ 61,050
Carryforward of unused tax losses*	122,308	126,983
Total	¥188,821	¥188,033

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

At March 31	(Millions of yen)	
	2018	2019
1st year	¥ 7,352	¥ 3,473
2nd year	3,614	4,631
3rd year	4,658	3,583
4th year	4,189	4,132
5th year and thereafter	102,495	111,164
Total	¥122,308	¥126,983

\* The amounts presented above are calculated, multiplying the amounts of deductible temporary differences and carryforward of unused tax losses by applicable tax rates.

**(2) Income tax recognized through profit or loss**

Years ended March 31	(Millions of yen)	
	2018	2019
Current tax expense	¥46,255	¥21,882
Deferred tax expense		
Origination and reversal of temporary differences	14,768	29,425
Changes in tax rate* <sup>1</sup>	3,292	—
Others* <sup>2</sup>	10,149	(240)
Total deferred tax expense	28,209	29,185
Total income tax expense	74,464	51,067
Discontinued operations	2,317	—
Total	¥76,781	¥51,067

\*<sup>1</sup> During the year ended March 31, 2018, the Company's consolidated subsidiaries in the US revised their applied tax rates following a revision of the US tax system. As a result, the amount of deferred tax expense increased by ¥3,292 million.

\*<sup>2</sup> During the year ended March 31, 2018, Fujitsu Services Holdings PLC, an overseas consolidated subsidiary of the Company, revised its future taxable profit estimation. As a result, deferred tax expense increased by ¥5,430 million due to write-downs of deferred tax assets.

**(3) Income tax recognized through other comprehensive income**

Years ended March 31	(Millions of yen)	
	2018	2019
Foreign currency translation adjustments	¥ (404)	¥ (26)
Cash flow hedges	15	(4)
Available-for-sale financial assets	(3,931)	—
Financial assets measured at fair value through other comprehensive income	—	(1,699)
Remeasurements of defined benefit plans*	(706)	4,093
Total income tax expense	¥(5,026)	¥ 2,364

\* Remeasurements of defined benefit plans includes current tax expense.

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

Years ended March 31	(%)	
	2018	2019
Applicable tax rate	30.8%	30.6%
Increase and decrease in income tax rate		
Change in unrecognized deferred tax assets	5.4%	8.1%
Income (Loss) from investments accounted for using the equity method, net	(1.5)%	(4.3)%
Tax credit	(4.3)%	(3.5)%
Others	0.3%	0.7%
Average effective tax rate	30.7%	31.6%

The Company and its consolidated subsidiaries in Japan are primarily affected by corporation, residents, and business taxes. As a result of the enactment in November 2016 of the Law Concerning the Revision of the Tax System in Japan, the applicable tax rates calculated based on this revision were 30.8% and 30.6% in the year ended March 31, 2018 and 2019, respectively. The Company's consolidated subsidiaries outside Japan are affected by corporation and other taxes at the domicile of each subsidiary.

## 14. Inventories

At March 31	(Millions of yen)	
	2018	2019
Finished goods	¥109,129	¥ 95,728
Work in progress	80,336	79,250
Raw materials and supplies	52,138	51,067
Total	<u>¥241,603</u>	<u>¥226,045</u>

The amounts of write-downs of inventories recognized as an expense due to a decline in profitability for the years ended March 31, 2018 and 2019 were ¥21,956 million and ¥18,911 million, respectively.

## 15. Trade Receivables and Other Receivables

### (1) Trade receivables

At March 31	(Millions of yen)	
	2018	2019
Accounts receivable	¥961,963	¥904,956
Others	10,445	8,817
Allowance for doubtful accounts*	(7,304)	(7,653)
Total	<u>¥965,104</u>	<u>¥906,120</u>

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

### (2) Other receivables

At March 31	(Millions of yen)	
	2018	2019
Accounts receivable—other	¥80,209	¥110,321
Others	6,026	9,125
Total	<u>¥86,235</u>	<u>¥119,446</u>

## 16. Cash and Cash Equivalents

At March 31	(Millions of yen)	
	2018	2019
Cash and deposits	¥265,750	¥304,684
Short-term investments	186,807	112,000
Cash and cash equivalents in consolidated statement of financial position	<u>¥452,557</u>	<u>¥416,684</u>

The following is a reconciliation of cash and cash equivalents at the end of the year from the consolidated statement of financial position and the consolidated statement of cash flows.

At March 31	(Millions of yen)	
	2018	2019
Cash and cash equivalents in the consolidated statement of financial position	¥452,557	¥416,684
Cash and cash equivalents included in assets held for sale	114	58
Cash and cash equivalents at end of year in the consolidated statement of cash flows	<u>¥452,671</u>	<u>¥416,742</u>

## 17. Assets Held for Sale

At March 31	(Millions of yen)	
	2018	2019
Assets held for sale	¥33,542	¥73,381
Liabilities directly associated with assets held for sale	¥14,151	¥ 7,605

For the year ended March 31, 2018

The Group decided to sell certain assets and liabilities related mainly to the following businesses, and classified them as “assets held for sale” or “liabilities directly associated with assets held for sale.”

On November 2, 2017, the Company, Lenovo Group Limited (hereinafter “Lenovo”), and Development Bank of Japan Inc. (hereinafter “DBJ”) announced a strategic collaboration to establish a joint venture (Fujitsu Client Computing Limited [hereinafter “FCCL”]) to conduct research and development, design, manufacturing, and sale of PCs and related products in the global PC market. The Company sold 51% of shares in FCCL to Lenovo and 5% to DBJ. Accordingly, the assets and liabilities of FCCL were classified as “assets held for sale.” The transfer of shares was completed on May 2, 2018, resulting in FCCL becoming an equity method applied entity. The assets and liabilities were included under the Ubiquitous Solutions segment.

Fujitsu Semiconductor Limited (hereinafter “FSL”), a wholly owned domestic subsidiary of the Company, and ON Semiconductor agreed that ON Semiconductor would purchase from FSL a 30% share of Aizu Fujitsu Semiconductor Manufacturing Limited (hereinafter “AFSM”), a 200mm-sized wafer manufacturing factory. As a result, ON Semiconductor’s ownership of AFSM increased to 40% on April 1, 2018 and 60% on October 1, 2018, with plans to increase its ownership to 100% in the first half of 2020.

Accordingly, AFSM’s assets and liabilities have been classified as “assets held for sale” or “liabilities directly associated with assets held for sale.” The assets and liabilities were included under the Device Solutions segment.

“Assets held for sale” mainly comprises ¥14,061 million of inventories and ¥7,697 million of property, plant and equipment. “Liabilities directly associated with assets held for sale” mainly comprises ¥6,544 million of other liabilities and ¥2,054 million of liabilities related to defined benefit pension plans.

The Group conducts group finance to increase capital efficiency, and FCCL holds ¥10,897 million of its operating capital as deposits within the Group as of March 31, 2018. These deposits have been eliminated as internal transactions in the process of the Group’s consolidation and are not included in “assets held for sale.”

For the year ended March 31, 2019

The Group decided to sell certain assets and liabilities related mainly to the following businesses, and classified them as “assets held for sale” or “liabilities directly associated with assets held for sale.”

Fujitsu Semiconductor Limited (hereinafter “FSL”), a wholly owned domestic subsidiary of the Company, and United Microelectronics Corporation (hereinafter “UMC”) agreed on June 29, 2018 that UMC would acquire all of the shares of Mie Fujitsu Semiconductor Limited (MIFS), a 300mm-sized wafer foundry joint venture between both companies.

Accordingly, MIFS’s assets and liabilities have been classified as “assets held for sale.” These assets and liabilities have been included under the Device Solutions Segment.

The companies have applied to the relevant government authorities for approval of the transfer of the shares; however, the approval is taking longer than initially anticipated. The transfer is planned for the year ending March 31, 2020, pending approval of the relevant authorities.

“Assets held for sale” mainly comprises ¥43,980 million of property, plant and equipment and ¥11,111 million of trade receivables. “Liabilities directly associated with assets held for sale” mainly comprises ¥3,827 million of other liabilities and ¥2,422 million of trade payables.

The Group conducts group finance to increase capital efficiency, and MIFS holds ¥11,354 million of its operating capital as deposits within the Group. These deposits have been eliminated as internal transactions in the process of the Group’s consolidation and are not included in “assets held for sale.”

## 18. Equity and Other Components of Equity

### (1) Share capital

#### (a) Number of shares authorized

Ordinary shares (no par value)

At March 31	(Thousands of shares)
	Number of shares
2018	5,000,000
2019*1	500,000

\*1 On October 1, 2018, the Company conducted a share consolidation of common stock at a ratio of ten (10) shares into one (1) share.

#### (b) Number of shares issued and fully paid

Ordinary shares

At March 31	(Units: Thousands of shares, Millions of yen)	
	Number of shares	Share capital
2018	2,070,018	¥324,625
Changes during the year*2	(1,863,017)	—
2019	207,001	¥324,625

\*2 The change in the number of shares was due to the share consolidation of common stock at a ratio of ten (10) shares into one (1) share on October 1, 2018.

#### (c) Treasury stock

Ordinary shares

At March 31	(Units: Thousands of shares, Millions of yen)	
	Number of shares	Amount
2018	11,290	¥ 7,237
Acquisitions	16,500	22,327
Disposals	(10)	(8)
Decrease due to consolidation of shares	(23,463)	—
2019	4,317	¥29,556

### (2) Capital surplus and retained earnings

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

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

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

Years ended March 31	(Millions of yen)	
	2018	2019
Foreign currency translation adjustments		
Opening balance	¥ (5,129)	¥(11,110)
Other comprehensive income	(5,981)	(4,584)
Others	—	—
Closing balance	<u>¥(11,110)</u>	<u>¥(15,694)</u>
Cash flow hedges		
Opening balance	¥ 18	¥ (66)
Other comprehensive income	(84)	(26)
Others	—	100
Closing balance	<u>¥ (66)</u>	<u>¥ 8</u>
Available-for-sale financial assets		
Opening balance	¥ 76,747	¥ 67,868
Cumulative effect of changes in accounting policies	—	¥(67,868)
Opening balance as related	¥ 76,747	—
Other comprehensive income	(8,879)	—
Others	—	—
Closing balance	<u>¥ 67,868</u>	<u>¥ —</u>
Financial assets measured at fair value through other comprehensive income		
Opening balance	¥ —	¥ —
Cumulative effect of changes in accounting policies	—	47,401
Opening balance as related	—	47,401
Other comprehensive income	—	(7,093)
Others	—	52
Closing balance	<u>¥ —</u>	<u>¥ 40,360</u>
Remeasurements of defined benefit plans		
Opening balance	¥ —	¥ —
Other comprehensive income	65,442	(3,548)
Others	(65,442)	3,548
Closing balance	<u>¥ —</u>	<u>¥ —</u>
Total other components of equity		
Opening balance	¥ 71,636	¥ 56,692
Cumulative effect of changes in accounting policies	—	(20,467)
Opening balance as related	¥ 71,636	¥ 36,225
Other comprehensive income	50,498	(15,251)
Others	(65,442)	3,700
Closing balance	<u>¥ 56,692</u>	<u>¥ 24,674</u>



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

Years ended March 31	(Millions of yen)	
	2018	2019
Foreign currency translation adjustments	¥ 389	¥163
Cash flow hedges	21	(5)
Available-for-sale financial assets	92	-
Financial assets measured at fair value through other comprehensive income	-	(20)
Remeasurements of defined benefit plans	1,328	(94)
Other comprehensive income	<u>¥1,830</u>	<u>¥ 44</u>

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

Years ended March 31	(Millions of yen)	
	2018	2019
Foreign currency translation adjustments		
Gains (losses) during the year	¥ (2,020)	¥ (2,319)
Reclassification to profit or loss	(2,796)	(1,584)
Amount before related income tax expense	(4,816)	(3,903)
Income tax expense	404	26
Amount after related income tax expense	<u>¥ (4,412)</u>	<u>¥ (3,877)</u>
Cash flow hedges		
Gains (losses) during the year	¥ 66	¥ (115)
Reclassification to profit or loss	(46)	7
Amount before related income tax expense	20	(108)
Income tax expense	(15)	4
Amount after related income tax expense	<u>¥ 5</u>	<u>¥ (104)</u>
Available-for-sale financial assets		
Gains (losses) during the year	¥ 15,278	¥ -
Reclassification to profit or loss	(28,238)	-
Amount before related income tax expense	(12,960)	-
Income tax expense	3,931	-
Amount after related income tax expense	<u>¥ (9,029)</u>	<u>¥ -</u>
Financial assets measured at fair value through other comprehensive income		
Gains (losses) during the year	¥ -	¥ (8,511)
Amount before related income tax expense	-	(8,511)
Income tax expense	-	1,699
Amount after related income tax expense	<u>¥ -</u>	<u>¥ (6,812)</u>
Remeasurements of defined benefit plans		
Gains (losses) during the year	¥ 66,056	¥ 344
Amount before related income tax expense	66,056	344
Income tax expense	706	(4,093)
Amount after related income tax expense	<u>¥ 66,762</u>	<u>¥ (3,749)</u>
Share of other comprehensive income of investments accounted for using the equity method		
Gains (losses) during the year	¥ 830	¥ (651)
Reclassification to profit or loss	(1,828)	(14)
Amount after related income tax expense	<u>¥ (998)</u>	<u>¥ (665)</u>
Total other comprehensive income		
Amount after related income tax expense	<u>¥ 52,328</u>	<u>¥(15,207)</u>

## 19. Dividends

Year ended March 31, 2018

### (1) Dividends paid

Resolution	Class of shares	Total dividends (Millions of yen)	Source of dividends	Dividends per share	Record date	Effective date
Board of Directors' meeting on May 25, 2017	Ordinary shares	¥10,252	Retained earnings	5 yen	March 31, 2017	June 5, 2017
Board of Directors' meeting on October 26, 2017	Ordinary shares	¥10,252	Retained earnings	5 yen	September 30, 2017	November 24, 2017

### (2) Among the dividends whose record date falls within the year ended March 31, 2018, those whose effective date falls within the year ended March 31, 2019

Resolution	Class of shares	Total dividends (Millions of yen)	Source of dividends	Dividends per share	Record date	Effective date
Board of Directors' meeting on May 24, 2018	Ordinary shares	¥12,352	Retained earnings	6 yen	March 31, 2018	June 4, 2018

Year ended March 31, 2019

### (1) Dividends paid

Resolution	Class of shares	Total dividends (Millions of yen)	Source of dividends	Dividends per share	Record date	Effective date
Board of Directors' meeting on May 24, 2018	Ordinary shares	¥12,352	Retained earnings	6 yen	March 31, 2018	June 4, 2018
Board of Directors' meeting on October 26, 2018	Ordinary shares	¥14,308	Retained earnings	7 yen	September 30, 2018	November 27, 2018

Cash dividends per share applicable to the October 26, 2018 resolution are based on the number of shares outstanding prior to the consolidation as the record date is prior to October 1, 2018.

### (2) Among the dividends whose record date falls within the year ended March 31, 2019, those whose effective date falls within the year ending March 31, 2020

Resolution	Class of shares	Total dividends (Millions of yen)	Source of dividends	Dividends per share	Record date	Effective date
Board of Directors' meeting on May 23, 2019	Ordinary shares	¥16,214	Retained earnings	80 yen	March 31, 2019	June 3, 2019

## 20. Bonds, Borrowings, and Lease Obligations

### (1) Breakdown of interest-bearing loans

	(Millions of yen)		Average interest rate (2018)* <sup>1</sup>	Average interest rate (2019)* <sup>1</sup>	Repayment due date
	2018	2019			
At March 31					
Current portion of bonds* <sup>2</sup>	¥ 64,986	¥ 39,995	—	—	—
Bonds* <sup>2</sup>	114,830	74,910	—	—	—
Short-term borrowings	36,888	41,109	2.30%	2.69%	—
Current portion of long-term borrowings	23,578	40,132	0.14%	0.16%	—
Long-term borrowings	135,196	92,986	0.28%	0.32%	April 1, 2020 – December 20, 2036
Lease obligations (current)	9,935	9,639	2.48%	2.30%	—
Lease obligations (non-current)	16,476	17,440	2.89%	2.58%	April 1, 2020 – August 28, 2081
Total	¥401,889	¥316,211			
Short-term borrowings, current portion of long-term debt and lease obligations (current)	¥135,387	¥130,875			
Long-term debt and lease obligations (non-current)	266,502	185,336			

\*<sup>1</sup> Average interest rates are the weighted average interest rates for the balance at March 31, 2018 and 2019.

\*<sup>2</sup> A breakdown of the bonds is on the next page. Interest rates in total are the weighted average interest rates for the total face value of the bonds.

At March 31

Company name/Issue	Issue date	(Millions of yen)		Interest rate (%)	Collateral	Maturity
		2018	2019			
The Company						
Seventeenth Series Unsecured Straight Bonds	May 8, 1998	¥ 29,999	¥ —	3.000%	None	May 8, 2018
Thirty-Third Series Unsecured Straight Bonds	October 16, 2013	34,987	—	0.410%	None	October 16, 2018
Thirty-Fourth Series Unsecured Straight Bonds	October 16, 2013	14,977	14,986	0.644%	None	October 16, 2020
Thirty-Fifth Series Unsecured Straight Bonds	June 12, 2014	39,967	39,995	0.339%	None	June 12, 2019
Thirty-Sixth Series Unsecured Straight Bonds	June 12, 2014	29,949	29,965	0.562%	None	June 11, 2021
Thirty-Seventh Series Unsecured Straight Bonds	July 22, 2015	19,964	19,980	0.352%	None	July 22, 2020
Thirty-Eighth Series Unsecured Straight Bonds	July 22, 2015	9,973	9,979	0.533%	None	July 22, 2022
Total		¥179,816	¥114,905	0.456%		

**(2) Minimum lease payments**

At March 31	(Millions of yen)			
	2018		2019	
	Undiscounted	Present value	Undiscounted	Present value
Not later than one year	¥10,593	¥ 9,935	¥10,172	¥ 9,639
Later than one year and not later than five years	16,143	15,316	16,222	15,444
Later than five years	4,016	1,160	4,794	1,996
Total	30,752	26,411	31,188	27,079
Less: future financial expenses	(4,341)	—	(4,109)	—
Total present value	¥26,411	¥26,411	¥27,079	¥27,079

**21. Post-Employment Benefits****(1) Outline of the retirement benefit plan adopted**

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

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

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

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

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

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

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

## **(2) Defined benefit plans**

### **(a) Risk related to the defined benefit plans**

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

#### *(i) Investment risk*

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

*(ii) Interest risk*

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

*(iii) Longevity risk*

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

*(iv) Inflation risk*

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

**(b) Amounts in the financial statements***(i) Reconciliation for the closing balance of the defined benefit obligation and plan assets and net defined benefit liability (asset) recognized in the consolidated statement of financial position*

At March 31	(Millions of yen)	
	2018	2019
Present value of defined benefit obligation	¥(2,413,724)	¥(1,611,839)
Fair value of plan assets	2,198,442	1,502,620
Net defined benefit liability (asset) recognized in the consolidated statement of financial position	<u>¥ (215,282)</u>	<u>¥ (109,219)</u>
Retirement benefit assets* <sup>1</sup>	¥ 42,737	¥ 72,027
Retirement benefit liabilities	(258,019)	(181,246)
Net defined benefit liability (asset) recognized in the consolidated statement of financial position	<u>¥ (215,282)</u>	<u>¥ (109,219)</u>

\*<sup>1</sup> Retirement benefit assets are included in others under non-current assets in the consolidated statement of financial position.

## At March 31, 2018

The present value of the defined benefit obligation at March 31, 2018 comprises –¥1,526,326 million for plans in Japan and –¥887,398 million for plans outside Japan, while the fair value of plan assets comprises ¥1,374,675 million for plans in Japan and ¥823,767 million for plans outside Japan.

## At March 31, 2019

The present value of the defined benefit obligation at March 31, 2019 comprises –¥758,034 million for plans in Japan and –¥853,805 million for plans outside Japan, while the fair value of plan assets comprises ¥691,687 million for plans in Japan and ¥810,933 million for plans outside Japan.

*(ii) Components of defined benefit costs*

Years ended March 31	(Millions of yen)	
	2018	2019
Current service cost (net of contribution from plan participants)* <sup>2</sup>	¥51,217	¥ 22,698
Net interest	3,169	1,874
Past service cost and gains and losses arising from settlements* <sup>3</sup>	(764)	(91,405)
Total	<u>¥53,622</u>	<u>¥(66,833)</u>

\*<sup>2</sup> Current service cost (net of contribution from plan participants) includes defined benefit costs related to multi-employer plans.

\*<sup>3</sup> A gain arising from settlement of ¥91,996 million is included as the net amount of ¥156,493 million for the difference between the estimated amount of retirement benefit liabilities related to the portion transferred to the risk-sharing corporate pension plan in June 2018 and the estimated amount of transferred plan assets corresponding to the decrease in liabilities, and ¥64,497 million recognized as liabilities for the total amount corresponding to the special contributions stipulated by the fund terms.

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

	(Millions of yen)	
	2018	2019
Present value of defined benefit obligation		
Opening balance	¥(2,438,975)	¥(2,413,724)
Current service cost	(58,284)	(29,560)
Interest expense	(30,374)	(24,882)
Remeasurements of the net defined benefit liability (asset)		
Actuarial gains and losses arising from changes in financial assumptions	(3,448)	(24,095)
Actuarial gains and losses arising from changes in demographic assumptions	11,178	(5,011)
Past service cost and gains and losses arising from settlements* <sup>1</sup>	764	155,902
Payments from the plan		
Payments from the employer	8,992	7,857
Payments from plan assets	93,902	90,602
Payments in respect of settlements	10,423	591,365
Effects of business combinations and disposals	46,866	15,134
Effect of changes in foreign exchange rates	(56,822)	24,573
Transfer to liabilities directly associated with assets held for sale	2,054	—
Closing balance	<u>¥(2,413,724)</u>	<u>¥(1,611,839)</u>
	(Millions of yen)	
	2018	2019
Fair value of plan assets		
Opening balance	¥2,151,124	¥2,198,442
Interest income	27,205	23,008
Remeasurements of the net defined benefit liability (asset)		
Return on plan assets, excluding amounts included in interest income	58,698	28,858
Contributions to the plan		
Contributions by the employer	49,281	19,198
Contributions by the plan participants	7,067	6,862
Payments from the plan		
Payments from plan assets	(93,902)	(90,602)
Payments in respect of settlements	(10,423)	(591,365)
Return of trust assets* <sup>2</sup>	—	(59,785)
Effects of business combinations and disposals	(40,312)	(10,632)
Effect of changes in foreign exchange rates	49,704	(21,364)
Closing balance	<u>¥2,198,442</u>	<u>¥1,502,620</u>

\*<sup>1</sup> Includes ¥156,493 million of the difference between the estimated amount of retirement benefit liabilities related to the portion transferred to the risk-sharing corporate pension plan in June 2018 and the estimated amount of transferred plan assets corresponding to the decrease in liabilities

\*<sup>2</sup> In accordance with the shift to the new plan, the defined benefit trust assets allocated to the risk-sharing corporate pension plan were returned to the Company. As a result, cash and cash equivalents increased by ¥31,744 million, other investments increased by ¥28,041 million, and retirement benefit liabilities increased by ¥59,785 million.

(iv) Components of fair value of plan assets

	(Millions of yen)			
	2018		2019	
	Market price in an active market		Market price in an active market	
At March 31	Quoted	Unquoted	Quoted	Unquoted
Cash and cash equivalents	¥100,887	¥ —	¥ 73,214	¥ —
Equity instruments				
Japan	133,370	32,484	43,610	16,160
Outside Japan	128,742	120,021	98,244	54,437
Debt instruments				
Japan	26,184	475,001	38,049	137,915
Outside Japan	461,445	141,104	454,918	78,400
General accounts of life insurance companies	—	295,121	—	245,274
Liability Driven Investment (LDI)*	22,063	180,890	7,486	187,730
Others	3,115	78,015	3,912	63,271
Total	<u>¥875,806</u>	<u>¥1,322,636</u>	<u>¥719,433</u>	<u>¥783,187</u>

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

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

At March 31	2018		2019	
	Plans in Japan	Plans outside Japan* <sup>1</sup>	Plans in Japan	Plans outside Japan* <sup>1</sup>
Discount rate	0.50%	2.40%	0.42%	2.40%
Life expectancy* <sup>2</sup>	23.3 years	22.7 years	23.6 years	22.3 years
Inflation rate	—	3.05%	—	3.15%

\*<sup>1</sup> Assumptions for plans outside Japan represent the assumptions for the defined benefit plan provided by a UK subsidiary.

\*<sup>2</sup> Life expectancy is based on a male currently at age 60 for plans in Japan and on a male currently at age 65 for plans outside Japan.

**(c) Amount, timing, and uncertainty of future cash flows***(i) Sensitivity analysis for significant actuarial assumptions*

The sensitivity analysis below shows the effect on the defined benefit obligation when one of the significant actuarial assumptions changes reasonably while holding all other assumptions constant. However, the change in assumptions would not necessarily occur in isolation from one another. A negative amount represents a decrease of the defined benefit obligation while a positive amount represents an increase of the defined benefit obligation.

At March 31		(Millions of yen)	
		2018	2019
Discount rate	0.1% increase*	¥(31,002)	¥(21,737)
	0.1% decrease*	31,907	22,251
Life expectancy	1 year increase	44,409	43,484
Inflation rate	0.1% increase	12,710	8,976
	0.1% decrease	(9,280)	(8,780)

\* For the defined benefit plan of a UK subsidiary, because the investments in the plan assets are managed matching with the defined benefit obligation, the impact on the funded status arising from changes in the discount rate will be limited.

*(ii) Funding and performance policy of plan assets*

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

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

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

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

*(iii) Expected contributions to defined benefit plans*

The Group expects contributions by the employer of ¥19,717 million to defined benefit plans for the year ending March 31, 2020.

*(iv) Maturity profile of the defined benefit obligation*

At March 31	2018	2019
Weighted average duration of the defined benefit obligation	13.8 years	14.2 years

### (3) Defined contribution plans and public plans

At March 31	(Millions of yen)	
	2018	2019
Expenses for defined contribution plans	¥21,482	¥21,082
Expenses for risk-sharing corporate pension plan*	—	28,474
Expenses for public plans	84,547	81,461

\* Includes in addition to the standard contribution for the year ended March 31, 2019, ¥9,867 million of risk reserve contribution. From the years ending March 31, 2020 to 2022, the Company expects to contribute ¥20,400 million in risk reserve contribution.

## 22. Cash Flow Information

### (1) Consolidated Statement of Cash Flows

The Consolidated Statement of Cash Flows consists of cash flows from continuing operations and discontinued operations. For the cash flows from discontinued operations, please refer to Note "30. Discontinued Operations."

### (2) Changes in liabilities arising from financing activities

	(Millions of yen)			
	Bonds and borrowings	Short-term borrowings	Lease obligations	Total
Balance at April 1, 2017	¥404,640	¥47,864	¥ 32,588	¥485,092
Changes arising from cash flows	(66,147)	(7,757)	(12,680)	(86,584)
Non-cash changes				
Acquisition or loss of control	(69)	(2,624)	(2,287)	(4,980)
New lease contracts	—	—	8,411	8,411
Exchange differences on translation	21	(595)	566	(8)
Others	145	—	(187)	(42)
Balance at March 31, 2018	¥338,590	¥36,888	¥ 26,411	¥401,889
Changes arising from cash flows	(87,627)	7,792	(13,107)	(92,942)
Non-cash changes				
Acquisition or loss of control	(3,000)	(4,505)	(82)	(7,587)
New lease contracts	—	—	14,165	14,165
Exchange differences on translation	(13)	934	(234)	687
Others	73	—	(74)	(1)
Balance at March 31, 2019	¥248,023	¥41,109	¥ 27,079	¥316,211

The Group has applied IAS 7 "Statement of Cash Flows" (amended January 29, 2016) from the year ended March 31, 2018.

### (3) Net proceeds from sale of subsidiaries and business

For the year ended March 31, 2018

With regard to the sale of the mobile device business, the breakdown of the assets and liabilities (the amount that eliminated inter-Group transactions between the mobile device business and the Group from the assets and liabilities held by the mobile device business just before the sale) at the time of loss of control and the consideration for the acquisition were as follows.

	(Millions of yen)
Breakdown of assets at the time of loss of control	
Current assets	¥ 40,320
Non-current assets	11,424
Breakdown of liabilities at the time of loss of control	
Current liabilities	25,410
Non-current liabilities	1,883
Consideration for the acquisition	59,244
Cash and cash equivalents at the time of loss of control	(13,609)
Net proceeds from sale of subsidiaries and business	¥ 45,635



**(4) Collection of loans receivable**

For the year ended March 31, 2018

Collection of loans receivable in the consolidated statement of cash flows is primarily the collection of loans to Fujitsu TEN Limited (hereinafter "Fujitsu TEN"). Fujitsu TEN was excluded from consolidation when the Company transferred a portion of its shareholdings in Fujitsu TEN to DENSO Corporation.

For the year ended March 31, 2019

This mainly includes the following.

On January 1, 2019, Fujitsu Semiconductor Limited (hereinafter "FSL"), a domestic consolidated subsidiary of the Company, transferred 70% of the shares of Fujitsu Electronics Inc. (hereinafter "FEI") to Kaga Electronics Co., Ltd. (hereinafter "Kaga Electronics"). Under the share transfer agreement, FSL received an amount corresponding to its loans to FEI from Kaga Electronics.

On July 26, 2018, the Company and Fujitsu Component Limited (hereinafter "FCL") decided to change the capital structure of FCL. On January 31, 2019, FCL accepted an infusion of capital from FC Holdings G.K., and the Company accepted an offer from FCL to buy back its own shares.

As a result, FCL was excluded from consolidation. Accordingly, the Company recovered its loans to FCL.

**(5) Other**

For the year ended March 31, 2019

Other cash flows from operating activities included ¥31,744 million of an increase in cash and cash equivalents from retirement benefit trust assets returned to the Company in association with a transition to risk-sharing corporate pension plans and ¥45,813 million of an increase in payables related to the special additional retirement benefits provided to employees seeking a new career path. These benefits are granted to full-time employees aged 45 and over who are employed in back-office positions or support departments, or those re-employed through the post-retirement re-employment system.

**23. Provisions**

	(Millions of yen)					
	Provision for restructuring	Provision for product warranties	Provision for contract losses	Asset retirement obligation	Others	Total
Balance at March 31, 2018	¥ 9,226	¥ 9,971	¥ 17,526	¥17,562	¥23,499	¥ 77,784
Effect of change in accounting standard					(2,818)	(2,818)
Balance at April 1, 2018	9,226	9,971	17,526	17,562	20,681	74,966
Additional provisions made during the year	55,031	3,615	7,836	1,201	1,859	69,542
Amounts used during the year	(5,985)	(5,113)	(13,242)	(1,340)	(5,502)	(31,182)
Change in scope of consolidation	—	(3)	—	(154)	(6)	(163)
Exchange differences on translation and others	(1,612)	(164)	(88)	139	439	(1,286)
Balance at March 31, 2019	<u>¥56,660</u>	<u>¥ 8,306</u>	<u>¥ 12,032</u>	<u>¥17,408</u>	<u>¥17,471</u>	<u>¥111,877</u>

	(Millions of yen)	
At March 31	2018	2019
Current liabilities	¥47,990	¥ 56,489
Non-current liabilities	29,794	55,388
Total	<u>¥77,784</u>	<u>¥111,877</u>

**Provision for restructuring**

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

Most of the expenditure is expected within 1 or 2 years.

**Provision for product warranties**

A provision for product warranties is recognized at the time of sales of the products at an amount that represents the estimated cost, based on past experience, to repair or exchange certain products within the warranty period. Most of the expenditure is expected within 1 or 2 years.

**Provision for contract losses**

A provision is recognized for losses on projects such as customized software development if it is probable that the total estimated project costs exceed the total estimated project revenues. The timing of the expenditure is affected by future progress of the project and other factors.

**Asset retirement obligation**

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

Provisions for environmental measures are included in "Others."

**24. Trade Payables and Other Payables****(1) Trade payables**

	(Millions of yen)	
At March 31	2018	2019
Accounts payable	¥519,850	¥521,491
Others	21,085	7,253
Total	<u>¥540,935</u>	<u>¥528,744</u>

**(2) Other payables**

	(Millions of yen)	
At March 31	2018	2019
Accrued expenses	¥293,450	¥286,946
Accounts payable-other	69,519	139,398
Total	<u>¥362,969</u>	<u>¥426,344</u>

**25. Revenue****(1) Classification of revenue**

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

Year ended March 31, 2019

	(Millions of yen)					
Revenue from external customers	Japan	EMEIA	Americas	Asia	Oceania	Total
Technology Solutions	¥2,058,741	¥653,024	¥174,051	¥101,576	¥84,549	¥3,071,941
Ubiquitous Solutions	240,569	105,960	2,270	24,156	—	372,955
Device Solutions	194,041	30,935	64,061	170,235	57	459,329
Other / Elimination and Corporate	23,681	2	8,288	16,241	—	48,212
Total	<u>¥2,517,032</u>	<u>¥789,921</u>	<u>¥248,670</u>	<u>¥312,208</u>	<u>¥84,606</u>	<u>¥3,952,437</u>

Notes: 1. Includes revenues arising from leases

2. Principal countries or regions belonging to each overseas category

(1) EMEIA (Europe, the Middle East, India, and Africa): the UK, Germany, Spain, Finland, and Sweden

(2) Americas: the US and Canada

(3) Asia: China, Singapore, South Korea, and Taiwan

(4) Oceania: Australia

## (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.

The balance of contract assets was ¥78,636 million at the beginning of the year ended March 31, 2019 and ¥107,719 million at the end of the year ended March 31, 2019.

Contract liabilities primarily consist of prepayments received from customers under contracts to provide them with ongoing services. The balance of contract liabilities was ¥145,500 million at the beginning of the year ended March 31, 2019 and ¥166,313 million at the end of the year ended March 31, 2019. In addition, the amount of contract liabilities at the beginning of the year ended March 31, 2019 within the revenue recognized for the fiscal year was ¥104,550 million.

In the consolidated financial statements, contract assets are included within other current assets and contract liabilities are included within other current liabilities.

## (3) Performance obligations

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

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

Transaction prices allocated to unsatisfied (or partially unsatisfied) performance obligations at the end of the year ended March 31, 2019 totaled ¥1,846,036 million. Of this amount, approximately 60% is expected to be recognized as earnings within one year.

## 26. Other Income and Expenses

Years ended March 31	(Millions of yen)	
	2018	2019
Other income	¥87,479	¥133,590
Other expenses	¥27,198	¥142,550

For the year ended March 31, 2018

The Company is pursuing "business model transformation" to convert the Group's "shape" and "characteristics." These included the sales of the mobile device business and the consumer business, mainly ISP (Internet Service Provider) business, for which the Group recorded gains on sales of shares of ¥54,467 million and ¥16,947 million, respectively. Also, the Group is continuing its activities for achieving greater efficiency in the overseas business and preparing for the digital shift. It recorded expenses of ¥8,377 million for promoting efficiency gains, mainly through offshore personnel increases and response to automation, and for expanding new domains.

The Group recorded losses of ¥10,303 million associated with a legal dispute involving an overseas subsidiary.

The above expenses and losses are included under the Technology Solutions segment.

In addition to the above, the Group has included a gain on sales of property, plant and equipment of ¥5,059 million, income on government grants of ¥2,845 million, and facility relocation and disposal expenses of ¥2,242 million under other income (expenses).

For the year ended March 31, 2019

The main components of other income are as follows.

The Company recorded a gain of ¥91,996 million associated with changes in the retirement benefit plans. Please refer to Note "21. Post-Employment Benefits." The gain is included under elimination and corporate.

The Company recorded a gain of ¥11,330 million related to the transfer of business in conjunction with reorganization of the PC business. The gain is included under elimination and corporate.

In addition to the above, the Group has included gain on sales of subsidiaries' stocks of ¥10,537 million, gain on sales of property, plant and equipment of ¥8,879 million, and income on government grants of ¥3,390 million under other income.

The main components of other expenses are as follows.

The expenses related to the business model transformation were ¥117,521 million. These mainly reflected the recording of ¥63,893 million in restructuring expenses for the European business and ¥45,813 million in expenses related to shifting resources in Japan.

Restructuring expenses for the European business included ¥35,242 million in personnel expenses and impairment losses on fixed assets related to the closure of the Augsburg site and ¥9,996 million in expenses associated with concentrating management resources in more profitable countries, which included the withdrawal of management resources from countries with low profitability. Meanwhile, expenses related to shifting resources mainly consisted of expenses for the special addition of retirement benefits provided to employees seeking a new career path. These benefits are granted to full-time employees aged 45 and over who are employed in back-office positions or support departments, or those re-employed through the post-retirement re-employment system, in Japan.

The breakdown of other expenses by segment is ¥47,444 million for Technology Solutions, ¥20,340 million for Ubiquitous Solutions, ¥622 million for Device Solutions, ¥3,302 million for Other Operations, and ¥45,813 million for elimination and corporate.

In addition to the above, the Group has included loss on transfer of business of ¥3,299 million, loss on disposal of property, plant and equipment of ¥3,051 million, and facility relocation and disposal expenses of ¥2,114 million under other expenses.

"Other income" and "other expenses," which were presented as "other income (expenses)" for the year ended March 31, 2018, have been presented independently for the year ended March 31, 2019. Accordingly, reclassification of the present has been made to comparative information for the year ended March 31, 2018 reflects this reclassification.

## 27. Impairment of Non-Financial Assets

### (1) Cash-generating unit (CGU)

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

### (2) Impairment losses

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

Years ended March 31	(Millions of yen)	
	2018	2019
Property, plant and equipment		
Land	¥ 145	¥ 16
Buildings	729	1,117
Machinery and equipment, tools, fixtures and fittings	1,033	4,898
Construction in progress	348	22
Total property, plant and equipment	2,255	6,053
Goodwill	—	3,442
Intangible assets		
Software	534	484
Others	—	560
Total intangible assets	534	1,044
Assets held for sale	—	1,885
Total impairment losses	¥2,789	¥12,424

For the year ended March 31, 2018

For machinery and equipment, tools, fixtures and fittings, and other items of businesses whose profitability had declined markedly due to reduced demand and other factors, and for buildings and others not to be provided for business use, the carrying amounts of those relevant CGUs were written down to the recoverable amount.

The breakdown of impairment losses by segment is ¥1,248 million for Technology Solutions, ¥247 million for Ubiquitous Solutions, ¥552 million for Device Solutions, and ¥742 million for corporate expenses.

For the year ended March 31, 2019

Impairment of ¥3,075 million was recorded for goodwill allocated to the platform software business following the partial wind-down of the European business. The recoverable amount was measured by the value in use, which was zero because the discounted future cash flow was calculated as negative.

Impairment losses of ¥2,036 million were recognized in association with the decision to close the Augsburg site. The breakdown of impairment losses by asset type is ¥1,167 million in machinery and equipment, tools, fixtures and fittings and ¥869 million in other assets. The recoverable amount was measured at fair value less costs of disposal. The fair value less costs of disposal was evaluated at ¥6,560 million, with the estimated sale value as a baseline. The fair value hierarchy classification was Level 3.

The breakdown of impairment losses by segment is described below.

In Technology Solutions, an impairment loss of ¥8,222 million was recorded. The major components were an impairment loss of ¥3,075 million for goodwill allocated to the platform software business and an impairment loss of ¥1,589 million related to the decision to close the Augsburg site. In Ubiquitous Solutions, an impairment loss of ¥1,061 million was recorded. The major component was an impairment loss of ¥447 million related to the decision to close the Augsburg site. In Device Solutions, an impairment loss of ¥3,077 million was recorded, mainly in relation to the electronic components business for semiconductor packages. The other impairment loss of ¥64 million was recorded for corporate expenses.

### (3) Reversal of impairment losses

In the year ended March 31, 2018, among business assets of the Managed Infrastructure Services business in North America, for which impairment losses had been recognized in the year ended March 31, 2016, the carrying amounts were reversed to the recoverable amount for assets that the Group decided to sell. The Group recorded reversals of impairment losses of ¥1,173 million for machinery and equipment, tools, fixtures and fittings for the year ended March 31, 2018. These reversals of impairment losses are included in "other expenses" in the consolidated statement of profit or loss and under Technology Solutions in segment information.

### (4) Goodwill impairment test

Fujitsu Technology Solutions (Holding) B.V. (FTS), of which the target business regions are continental Europe, the Middle East, Africa, and India, recognizes goodwill that consists primarily of the goodwill related to the product support business acquired from Siemens Business Service GmbH in April 2006.

Until the year ended March 31, 2018, the goodwill was allocated to two CGUs—one was Full Portfolio Countries, which focus on the services business and conduct product sales and maintenance, and the other was Focus Portfolio Countries, which consist of the product group that develops and manufactures products and the countries/regions that conduct mainly product sales and maintenance. Full Portfolio Countries consisted of Germany, Spain, the Benelux countries, and France while Focus Portfolio Countries consisted of other countries and regions, such as Poland, Czech Republic, and South Africa.

In the year ended March 31, 2019, the Group undertook drastic structural reforms to improve profit margins in the EMEIA business, which is the core of its overseas business. The Group revised the business management structure based on country and region for the entire EMEIA region, changing the CGUs to which it allocates goodwill at FTS from the previous two units to eight national and regional units. The eight CGUs after the change include Central Europe, comprising Germany, Switzerland, and Austria, along with seven units that include the Netherlands, Belgium and Luxembourg, France, Spain and Portugal, and Poland (the "Other Countries and Regions").

In line with this change, the goodwill allocated to Full Portfolio Countries and Product/Focus Portfolio Countries in the year ended March 31, 2018 was reallocated to Central Europe and Other Countries and Regions in the year ended March 31, 2019.

Important goodwill allotted to each CGU was assigned to Full Portfolio Countries in the year ended March 31, 2018, and to Central Europe in the year ended March 31, 2019.

	(Millions of yen)	
	2018	2019
FTS		
Full Portfolio Countries	¥10,305	¥ —
Product/Focus Portfolio Countries	6,050	—
Central Europe	—	12,572
Other Countries and Regions	—	3,036

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

The value in use relating to the goodwill from Central Europe, which was important in the year ended March 31, 2019, was calculated by discounting projected cash flows based on a three-year business plan and growth rate to the present value. The recoverable amount for the year ended March 31, 2019 was well above the carrying amount of the CGU.

The business plan is prepared to reflect the management's judgments for future forecasts and data in the past, using internal and external data.

The growth rate is determined by considering the long-term average growth rate of the market in each region to which the CGU belongs. The growth rate for the year ended March 31, 2018 and for the year ended March 31, 2019 was 0.5%. The discount rate is calculated based on a pre-tax weighted average capital cost of the CGU. The discount rate before taxes, which was used for the impairment test of Full Portfolio Countries in the year ended March 31, 2018, was 13.8%, and the discount rate that was used for the impairment test of Central Europe in the year ended March 31, 2019 was 9.7%.

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

## 28. Employee Expenses

Years ended March 31	(Millions of yen)	
	2018	2019
Salaries and bonuses	¥1,038,396	¥ 996,860
Retirement benefit cost	75,104	(17,277)
Legal welfare expenses and others	202,349	299,683
Total	<u>¥1,315,849</u>	<u>¥1,279,266</u>

Notes: 1. Retirement benefit cost for the year ended March 31, 2019 includes a gain arising from the settlement of ¥91,996 million associated with the transition of certain plans within the Fujitsu Corporate Pension Fund to risk-sharing corporate pension plans in June 2018.

2. Legal welfare expenses and others for the year ended March 31, 2019 include the portion of personnel expenses related to expenses of ¥63,893 million for the realignment in Europe and expenses of ¥45,813 million for shifting resources in Japan.

## 29. Financial Income and Financial Expenses

### Financial income

Years ended March 31	(Millions of yen)	
	2018	2019
Interest income	¥ 1,850	¥ 3,162
Dividend income	3,452	3,519
Foreign exchange gains, net	—	4,855
Others	52,047	2,618
Total	<u>¥57,349</u>	<u>¥14,154</u>

### Financial expenses

Years ended March 31	(Millions of yen)	
	2018	2019
Interest expense	¥4,008	¥3,231
Foreign exchange losses, net	3,121	—
Others	2,396	1,995
Total	<u>¥9,525</u>	<u>¥5,226</u>

Note: For the year ended March 31, 2018, others in financial income includes profit on sales of ¥27,360 million associated with the Company's sale of a portion of the stock of Fuji Electric Co., Ltd. and a gain on valuation of fair value of ¥21,200 million upon ceasing to apply the equity method to Tongfu Microelectronics Co., Ltd., due to losing significant influence after Tongfu Microelectronics conducted a private placement of new shares to increase capital.

For the year ended March 31, 2019, interest income and expense principally arose from financial assets and liabilities measured at amortized cost, and dividend income principally arose from financial assets measured at fair value through other comprehensive income.

### 30. Discontinued Operations

#### (1) Summary of discontinued operations

On November 1, 2017, the Company transferred a portion of the shares of Fujitsu TEN Limited, which is a car electronics manufacturing subsidiary (hereinafter "Fujitsu TEN"), to DENSO Corporation. Accordingly, the Company has classified operations of Fujitsu TEN as a discontinued operation, and on the consolidated statement of profit or loss, profit for the year from discontinued operations is presented in a separate category from that of continuing operations.

#### (2) Profit or loss from discontinued operations

Years ended March 31	(Millions of yen)	
	2018	2019
Discontinued Operations		
Revenue	¥ 215,311	¥—
Cost of sales and operating expenses	(203,809)	—
Operating profit	11,502	—
Financial income (expenses) and income from investments accounted for using the equity method, net	46	—
Profit for the year from discontinued operations before income taxes	11,548	—
Income tax expenses	(2,317)	—
Profit for the year from discontinued operations	¥ 9,231	¥—

#### (3) Profit for the year attributable to

Years ended March 31	(Millions of yen)	
	2018	2019
Owners of the parent		
Profit for the year from continuing operations	¥162,321	¥104,562
Profit for the year from discontinued operations	7,019	—
Total	169,340	104,562
Non-controlling interests		
Profit for the year from continuing operations	5,703	6,156
Profit for the year from discontinued operations	2,212	—
Total	¥ 7,915	¥ 6,156

#### (4) Cash flows from discontinued operations

Years ended March 31	(Millions of yen)	
	2018	2019
Cash flows from operating activities	¥ 8,903	¥—
Cash flows from investing activities	365	—
Cash flows from financing activities	(2,262)	—
Total	¥ 7,006	¥—

### 31. Earnings per Share

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

#### (1) Basic earnings per share

Years ended March 31	2018	2019
Profit for the year attributable to ordinary equity holders of the parent (Millions of yen)		
Continuing Operations	¥162,321	¥104,562
Discontinued Operations	7,019	—
Total	<u>¥169,340</u>	<u>¥104,562</u>
Weighted average number of ordinary shares—basic (Thousands of shares)	205,180	204,024
Basic earnings per share (Yen)		
Continuing Operations	¥ 791.12	¥ 512.50
Discontinued Operations	34.21	—
Total	<u>¥ 825.32</u>	<u>¥ 512.50</u>

#### (2) Diluted earnings per share

Years ended March 31	2018	2019
Profit for the year attributable to ordinary equity holders of the parent (Millions of yen)		
Continuing Operations	¥162,321	¥104,562
Discontinued Operations	7,019	—
Total	<u>¥169,340</u>	<u>¥104,562</u>
Adjustment related to dilutive securities issued by subsidiaries and associates (Millions of yen)		
Continuing Operations	¥ (7)	¥ (16)
Discontinued Operations	—	—
Total	<u>¥ (7)</u>	<u>¥ (16)</u>
Profit used to calculate diluted earnings per share (Millions of yen)		
Continuing Operations	¥162,314	¥104,546
Discontinued Operations	7,019	—
Total	<u>¥169,333</u>	<u>¥104,546</u>
Weighted average number of ordinary shares—basic (Thousands of shares)	205,180	204,024
Adjustment by conditional issuable shares	3	37
Weighted average number of ordinary shares—diluted (Thousands of shares)	<u>205,183</u>	<u>204,061</u>
Diluted earnings per share (Yen)		
Continuing Operations	¥ 791.07	¥ 512.33
Discontinued Operations	34.21	—
Total	<u>¥ 825.28</u>	<u>¥ 512.33</u>

Note: The Company conducted a share consolidation of its common shares with a ratio of ten (10) shares to one (1) share effective October 1, 2018. In accordance with IAS 33 "Earnings per Share," basic earnings per share and diluted earnings per share have been calculated assuming the share consolidation was conducted as of April 1, 2017.

### 32. Non-Cash Transactions

	(Millions of yen)	
Years ended March 31	2018	2019
Acquisitions of finance leased assets	¥6,000	¥11,291



### 33. Share-Based Payment

The Company has introduced a performance-based stock compensation plan (hereinafter "the Plan") to executive directors and executive officers, along with corporate officers at certain subsidiaries and senior executives overseas (hereinafter "Executives"). The Company intends to grant Executives medium- to long-term incentives for improving corporate value, and also will endeavor to further management from a shareholders' perspective.

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

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

Years ended March 31	(Millions of yen)	
	2018	2019
Number of shares granted during the period (Thousands of shares)* <sup>1</sup>	¥ 29	¥ 74
Weighted average fair value (Yen)	8,278	6,762
Expense arising from share-based payment (Millions of yen)* <sup>2</sup>	52	268

\*<sup>1</sup> The Base Number of Shares is presented.

\*<sup>2</sup> Expense arising from share-based payment is included in selling, general and administrative expenses in the consolidated statement of profit or loss.

### 34. Financial Instruments

#### (1) Effects of adopting IFRS 9

Starting from the year ended March 31, 2019, the Group has adopted IFRS 9 Financial Instruments ("IFRS 9"). Classification and carrying amount under IAS 39 Financial Instruments: Recognition and Measurement and IFRS 9 as at the date of initial application (April 1, 2018) are as follows.

"Cash and cash equivalents," "Trade receivables," and "Other receivables" are reclassified as financial assets measured at amortized cost under IFRS 9. "Trade payables" and "Other payables" are classified as financial liabilities measured at amortized cost, the same as the previous fiscal year.

	(Millions of yen)		
	Carrying amount under IAS 39	Reclassification	Carrying amount under IFRS 9
Asset			
Financial assets measured at amortized cost			
Bonds	¥ —	¥ 2,000	¥ 2,000
Financial assets measured at fair value through profit or loss			
Derivatives	1,220	—	1,220
Bonds	—	9,359	9,359
Equity securities and others	—	7,157	7,157
Available-for-sale financial assets			
Equity securities and others	11,359	(11,359)	—
Bonds	195,049	(195,049)	—
Financial assets measured at fair value through other comprehensive income			
Equity securities and others	—	187,892	187,892
Total	¥207,628	¥ —	¥207,628

#### (2) Capital management

The fundamental principles of the Group's capital management are to provide a stable return to shareholders while a portion of retained earnings is used by the Company to strengthen its financial base and support new business development opportunities that will result in improved long-term performance.

The Group views equity attributable to owners of the parent and ROE (return on equity attributable to owners of the parent) as important management indicators that show profitability and efficiency of invested capital for businesses.

### (3) Risk management

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

Trade receivables such as notes receivables and trade accounts receivables are exposed to customer credit risk. Additionally, some trade receivables from exports of products are denominated in foreign currencies and exposed to exchange rate fluctuation risk. Other financial assets are composed primarily of the certificates of deposit held for fund management and the shares issued by customers or other parties for the purpose of maintaining and strengthening 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 and other parties.

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

#### (a) Credit risk

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

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

The maximum amount of credit risks at March 31, 2019 equals the book value of financial assets in the consolidated statement of financial position that are exposed to credit risk.

Credit risk exposure of trade accounts receivables is as follows.

At March 31	(Millions of yen)							
	Total	Within due date	Overdue amounts					
			Total	Within 30 days	31 to 60 days	61 to 90 days	91 to 180 days	Over 180 days
2018	¥961,963	¥920,741	¥41,222	¥23,282	¥5,527	¥1,814	¥2,641	¥7,958
2019	904,956	861,721	43,235	20,307	6,204	4,528	2,486	9,710

The balances of allowance for doubtful accounts corresponding to trade accounts receivables at March 31, 2018 and 2019 are ¥7,304 million and ¥7,653 million, respectively.

Impairment is accounted for using the allowance for doubtful accounts, not directly reducing the carrying amount of financial assets. Changes in the allowance for doubtful accounts are presented below.

	(Millions of yen)		
	Current assets	Non-current assets	Total
Balance at April 1, 2017	¥ 7,837	¥ 2,354	¥10,191
Additional provisions made during the year	1,648	1,399	3,047
Amounts used during the year	(1,675)	(24)	(1,699)
Unused amounts reversed during the year	(784)	(1,204)	(1,988)
Exchange differences on translation and others	278	(582)	(304)
Balance at March 31, 2018	7,304	1,943	9,247
Additional provisions made during the year	2,458	1,226	3,684
Amounts used during the year	(802)	(628)	(1,430)
Unused amounts reversed during the year	(818)	(772)	(1,590)
Exchange differences on translation and others	(489)	(37)	(526)
Balance at March 31, 2019	¥ 7,653	¥ 1,732	¥ 9,385

**(b) Liquidity risk**

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

Contractual maturity analysis of financial liabilities is presented below.

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

For the undiscounted future cash flows of lease obligations, please refer to Note "20. Bonds, Borrowings, and Lease Obligations."

At March 31	(Millions of yen)							
	Carrying amount	Contractual cash flow	Within 1 year	1-2 years	2-3 years	3-4 years	4-5 years	Over 5 years
<b>2018</b>								
Non-derivative financial liabilities								
Bonds	¥179,816	¥180,000	¥65,000	¥40,000	¥35,000	¥30,000	¥10,000	¥ —
Borrowings	195,662	195,662	60,466	40,341	45,197	20,165	27,162	2,331
Lease obligations	26,411	26,411	9,935	6,677	4,702	2,630	1,307	1,160
Derivative financial liabilities	781	781	752	5	4	4	4	12
<b>2019</b>								
Non-derivative financial liabilities								
Bonds	¥114,905	¥115,000	¥40,000	¥35,000	¥30,000	¥10,000	¥ —	¥ —
Borrowings	174,227	174,227	81,241	45,295	20,179	25,165	165	2,182
Lease obligations	27,079	27,079	9,639	6,679	4,409	2,884	1,472	1,996
Derivative financial liabilities	291	291	284	7	—	—	—	—

To ensure efficient funding when the need for funds arises, the Group enters into commitment line contracts established with multiple financial institutions.

At March 31	(Millions of yen)	
	2018	2019
<b>Commitment lines</b>		
Used	¥ —	¥ —
Unused	152,200	124,700
<b>Total</b>	<b>¥152,200</b>	<b>¥124,700</b>

**(c) Market risk**

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

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

The Group enters into derivative transactions based on 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 the transactions undertaken and changes in the transaction balance to the CFO and the head of the accounting department.

*(i) Foreign currency sensitivity analysis*

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

Years ended March 31	(Millions of yen)	
	2018	2019
Impact on profit before income taxes	¥(617)	¥(430)

*(ii) Interest rate sensitivity analysis*

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

Years ended March 31	(Millions of yen)	
	2018	2019
Impact on profit before income taxes	¥37	¥53

**(4) Hedge accounting****(a) Objective for derivative transactions**

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

**(b) Policies for derivative transactions**

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

**(c) Risk management structure for derivative transactions**

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

**(d) Accounting treatment for derivative transactions**

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

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

## Cash flow hedges

At March 31	(Millions of yen)	
	2018	2019
Interest: Interest rate swap transaction		
Pay fixed/Receive variable	¥(32)	¥-
Shares: Put options	671	-
Total	¥639	¥-

**(5) Fair value of financial instruments**

The fair value hierarchy has the following levels:

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

**(a) Financial assets and liabilities measured at fair value***(i) Measurement method of fair value for financial assets and liabilities***Derivatives**

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

**Equity securities**

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

**Bonds (Financial assets)**

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

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

At March 31	Carrying amount	Fair value				(Millions of yen)
		Total	Level 1	Level 2	Level 3	
<b>2018</b>						
Assets						
Financial assets measured at fair value through profit or loss						
Derivatives	¥ 1,220	¥ 1,220	¥ –	¥1,220	¥ –	
Available-for-sale financial assets						
Equity securities	11,359	11,359	–	–	11,359	
Bonds	195,049	195,049	137,803	32	57,214	
<b>Total</b>	<b>¥207,628</b>	<b>¥207,628</b>	<b>¥137,803</b>	<b>¥1,252</b>	<b>¥68,573</b>	
Liabilities						
Financial liabilities measured at fair value through profit or loss						
Derivatives	¥ 781	¥ 781	¥ –	¥ 781	¥ –	
<b>Total</b>	<b>¥ 781</b>	<b>¥ 781</b>	<b>¥ –</b>	<b>¥ 781</b>	<b>¥ –</b>	
<b>2019</b>						
Assets						
Financial assets measured at fair value through profit or loss						
Derivatives	¥ 748	¥ 748	¥ –	¥ 748	¥ –	
Equity securities	10,569	10,569	–	–	10,569	
Bonds	6,094	6,094	1,720	–	4,374	
Financial assets measured at fair value through other comprehensive income						
Equity securities	130,946	130,946	71,631	30	59,285	
<b>Total</b>	<b>¥148,357</b>	<b>¥148,357</b>	<b>¥ 73,351</b>	<b>¥ 778</b>	<b>¥74,228</b>	
Liabilities						
Financial liabilities measured at fair value through profit or loss						
Derivatives	¥ 291	¥ 291	¥ –	¥ 291	¥ –	
<b>Total</b>	<b>¥ 291</b>	<b>¥ 291</b>	<b>¥ –</b>	<b>¥ 291</b>	<b>¥ –</b>	

Available-for-sale financial assets mainly consists of shares.

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

	(Millions of yen)
	Carrying amount
Balance at April 1, 2017	¥53,085
Subtotal (Gains and losses)	
Profit or loss	(682)
Other comprehensive income	1,381
Purchases	14,939
Sales	(540)
Settlements	(1)
Others	391
Balance at March 31, 2018	68,573
Effect of applying IFRS 9	(2,000)
Balance at April 1, 2018	66,573
Subtotal (Gains and losses)	
Profit or loss	(95)
Other comprehensive income	7,791
Purchases	1,240
Sales	(851)
Settlements	—
Others	(430)
Balance at March 31, 2019	¥74,228

Gains and losses recognized in profit or loss are included in financial income or financial expenses in the consolidated statement of profit or loss. Gains and losses recognized in other comprehensive income are included in available-for-sale financial assets for the year ended March 31, 2018 and financial assets at fair value through other comprehensive income for the year ended March 31, 2019, in the consolidated statement of comprehensive income.

**(b) Financial assets and liabilities measured at amortized cost**

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

Bonds (Financial assets)

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

Bonds (Financial liabilities)

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

Long-term borrowings and lease obligations (Non-current liabilities)

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

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

At March 31	Carrying amount	Fair value				(Millions of yen)
		Total	Level 1	Level 2	Level 3	
2018						
Liabilities						
Financial liabilities measured at amortized cost						
Bonds (Non-current)	¥114,830	¥115,942	¥115,942	¥ –	¥ –	
Long-term borrowings (Non-current)	135,196	136,032	–	136,032	–	
Lease obligations (Non-current)	16,476	16,526	–	16,526	–	
Total	¥266,502	¥268,500	¥115,942	¥152,558	¥ –	
2019						
Assets						
Financial assets measured at amortized cost						
Bonds	¥ 2,900	¥ 2,983	¥ –	¥ –	¥2,983	
Total	¥ 2,900	¥ 2,983	¥ –	¥ –	¥2,983	
Liabilities						
Financial liabilities measured at amortized cost						
Bonds (Non-current)	¥ 74,910	¥ 75,643	¥ 75,643	¥ –	¥ –	
Long-term borrowings (Non-current)	92,986	93,321	–	93,321	–	
Lease obligations (Non-current)	17,440	17,590	–	17,590	–	
Total	¥185,336	¥186,554	¥ 75,643	¥110,911	¥ –	

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

### 35. Operating Leases

Total of future minimum lease payments under non-cancellable operating leases

At March 31	(Millions of yen)	
	2018	2019
Not later than one year	¥ 21,228	¥ 25,818
Later than one year and not later than five years	51,662	64,762
Later than five years	31,635	58,316
Total	¥104,525	¥148,896

Lease payments recognized as an expense under non-cancellable operating leases were ¥20,475 million and ¥25,670 million for the years ended March 31, 2018 and 2019, respectively.

**36. Related Parties****(1) Related-party transactions**

For the year ended March 31, 2018

No significant transactions are recorded for the year ended March 31, 2018.

For the year ended March 31, 2019

				(Millions of yen)	
Class of company	Name	Relationship with related parties	Details of the transaction	Transaction amount	Balance
Associate	Fujitsu Client Computing Limited	Consigned manufacturing of PCs included in system business sold by the Group	Purchases and consignment of PC manufacturing	¥251,082	¥55,947
			Agency purchase transaction	213,139	27,668

**(2) Key management personnel compensation**

			(Millions of yen)	
Years ended March 31			2018	2019
Base compensation			¥481	¥464
Stock-based compensation			9	—
Bonuses			33	65
Performance-based stock compensation			6	20
Total			¥529	¥549

**37. Collateral**

			(Millions of yen)	
At March 31			2018	2019
Land			¥4,074	¥2,367
Buildings			556	124
Total			¥4,630	¥2,491

**38. Commitments**

			(Millions of yen)	
At March 31			2018	2019
Purchase agreements for property, plant and equipment and intangible assets			¥14,046	¥37,891

**39. Contingencies**

			(Millions of yen)	
At March 31			2018	2019
Contingent liabilities for guarantee contracts (Guaranteed debts)			¥220	¥133
Employees' housing loans			220	133

**40. Events after the Reporting Period**

Not applicable.



## OTHER INFORMATION

Quarterly information (accumulated total) for the year ended March 31, 2019

	(Millions of yen)			
	Q1	First Half	Nine Months	Full-Year
Revenue	¥867,657	¥1,834,544	¥2,811,862	¥3,952,437
Profit from continuing operations before income taxes	97,000	117,211	91,358	161,785
Profit for the year attributable to owners of the parent	72,756	81,131	51,459	104,562
Basic earnings per share (Yen)	35.51	396.46	251.85	512.50

Quarterly information for the year ended March 31, 2019

	(Yen)			
	Q1	Q2	Q3	Q4
Basic earnings per share	¥355.10	¥40.97	¥(145.67)	¥261.44

Note: The Company conducted a share consolidation of its common shares with a ratio of ten (10) shares to one (1) share effective October 1, 2018. Basic earnings per share has been calculated assuming the share consolidation was conducted as of April 1, 2018.

# INDEPENDENT AUDITOR'S REPORT



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## Independent Auditor's Report

The Board of Directors  
Fujitsu Limited

We have audited the accompanying consolidated financial statements of Fujitsu Limited and its consolidated subsidiaries, which comprise the consolidated statement of financial position as at March 31, 2019, and the consolidated statement of profit or loss, consolidated statement of comprehensive income, consolidated statement of changes in equity, and consolidated statement of cash flows for the year then ended and notes to consolidated financial statements, all expressed in Japanese yen.

### *Management's Responsibility for the Consolidated Financial Statements*

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for designing and operating such internal control as management determines is necessary to enable the preparation and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

### *Auditor's Responsibility*

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. The purpose of an audit of the consolidated financial statements is not to express an opinion on the effectiveness of the entity's internal control, but in making these risk assessments the auditor considers internal controls relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### *Opinion*

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Fujitsu Limited and its consolidated subsidiaries as at March 31, 2019, and their consolidated financial performance and cash flows for the year then ended in conformity with International Financial Reporting Standards.

June 24, 2019  
Tokyo, Japan

# FUJITSU LIMITED

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## Legibility

We have reviewed this report using our ColorSelector tool to choose a highly accessible color combination so that the text and figures are as legible as possible to the widest range of readers.

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