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 and equity method associates (together, the "Group") for the year ended March 31, 2021. Forward-looking statements in this section are based on management's understanding and best judgments as of March 31, 2021. The Company revised its segment classifications from the first quarterly consolidated accounting period in the year ended March 31, 2021. For details on the revision, please refer to "Notes to Consolidated Financial Statements 6. Segment Information."

1. Issues and Initiatives

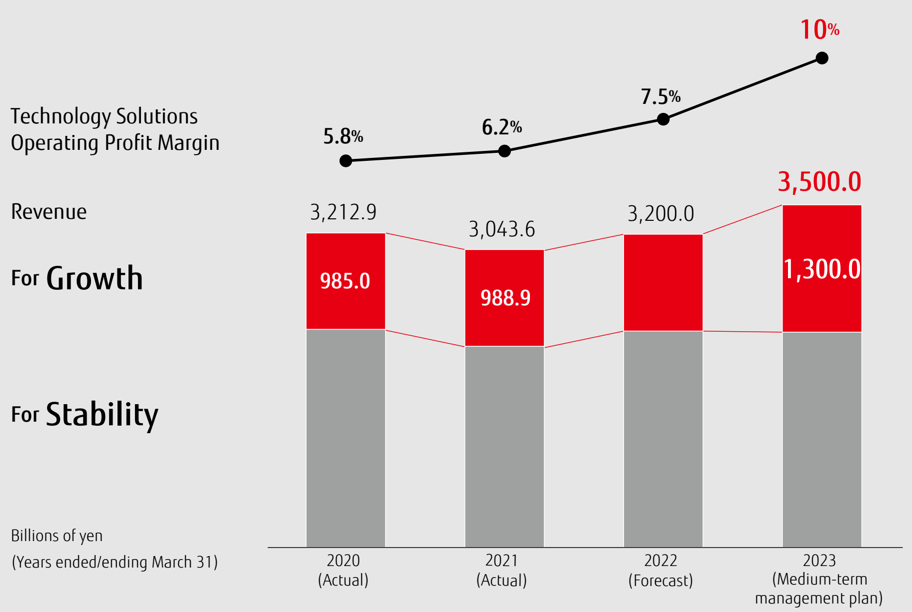
Our Purpose is to make the world more sustainable by building trust in society through innovation. To achieve this purpose, the Group is tackling two challenges that are contributing to the growth and stability of our customers' businesses by creating value through "For Growth" and "For Stability" and transforming itself by implementing internal DX to a greater extent.

The Group has positioned the digital field, which combines the DX business based on technologies such as artificial intelligence (AI) and those for leveraging data with modernization required to achieve DX, such as cloud migration, as a "For Growth" business area in which it will contribute to the transformation and growth of customer businesses. At the same time, we have designated the conventional IT field, centered on building large-scale mission-critical systems that are related to companies' principal areas of business and providing operation services for those systems, as a "For Stability" business area in which we will contribute to providing greater stability for customer businesses. We will also accelerate our own transformation by implementing internal DX, including data-driven management and the upgrading of internal processes and information infrastructure.

The Group has set out the achievement of revenue of ¥3,500 billion and an operating profit margin of 10% in Technology Solutions, its core business, for the year ending March 31, 2023 as the Group's medium-term management target in order to achieve sustainable growth and raise profitability.

In the year ended March 31, 2021, Technology Solutions posted revenue of ¥3,043.6 billion, operating profit of ¥188.4 billion, and an operating margin of 6.2%. While revenue was down compared with the previous fiscal year, reflecting the significant impact of postponements and delays in projects due to the COVID-19 pandemic, both operating profit and operating margin improved as we steadily tackled the seven priority issues for achieving Our Purpose. Through these efforts, we improved profitability due to such factors as enhancing quality control and expanding remote development and maintenance centered on the Solutions/Services business while making progress in improvement of profitability and increasing efficiency in relation to operating expenses in overseas business.

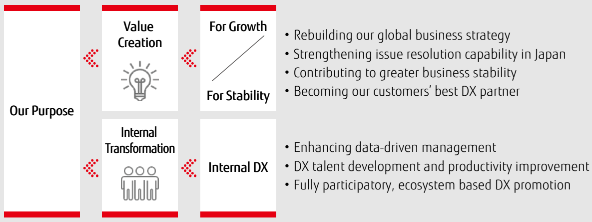
Initiatives to Achieve Management Goals by the year ending March 31, 2023



Issues to be Addressed for Achieving Our Purpose and Progress Status

Seven Priority Issues in Achieving Our Purpose

- Creating value through "For Growth" and "For Stability" initiatives, and contributing to the growth and stability of our customers' businesses
- Self-transformation through further implementation of internal DX initiatives



(1) Rebuilding our global business strategy

In the year ended March 31, 2021, as globally uniform measures, we selected priority accounts and expanded offerings in line with our portfolio while endeavoring to improve our cost competitiveness by leveraging our Global Delivery Centers, which we deploy in eight countries across the world as offshore development bases, to promote the standardization and optimization of our service delivery. We will increase the number of employees at Global Delivery Centers to 20,000 by 2022 and plan to expand their operational scope, which has focused on application development in the past, to encompass the entire lifecycle of an IT system, including the design and operation phases.

In addition, we promoted business restructuring specific to each of our regions of operation. In Europe, we completed the revision of our product manufacturing structure, which included the closure of the Augsburg site in Germany, and the withdrawal from countries with low profitability. In the Americas, we embarked on business restructuring that encompassed our business systems. In Oceania, we identified focus markets based on their size and rate of growth and strengthened our organizational formation by industry in line with those factors. In Asia, meanwhile, we proceeded with the shift to a services business and identified priority areas while improving offerings matched to each of those areas.

(2) Strengthening issue resolution capability in Japan

In Japan, we established Fujitsu Japan Ltd. (hereinafter, "Fujitsu Japan") in October 2020 and launched full-fledged activities in April 2021 with a workforce of 11,000 employees in an effort to strengthen our organizational structure for contributing to the resolution of social issues in Japan.

We unified the contact points for customers in second-tier, mid-sized companies and SMEs in the private sector, local governments, and medical and educational institutions to Fujitsu Japan's operations in order to provide one-stop consulting and support services. We also divided the country into six areas and established responsible headquarters in each area. These moves enable us to accelerate the advancement of information and communication technology (ICT) for customers, the resolution of various social issues local communities are facing, and the creation of new businesses in each area of Japan.

(3) Contributing to greater business stability

We established the "Japan Global Gateway" in November 2020 as an organization designed to analyze business customs and needs specific to Japan in a form suited to offshore services and to expand the use of our Global Delivery Centers. To facilitate the Company's transformation into a company that is able to continuously deliver high- value-added IT services by Japan Global Gateway, we will aim to improve quality and productivity through thoroughgoing internal production, delivery skill enhancement, and standardization. In addition, the Company and Fujitsu Japan conducted an absorption-type merger with 15 SI Group companies in Japan in April 2021, integrating 11 of these companies into the Japan Global Gateway. Also, to further accelerate the transformation to a DX company, Fujitsu Laboratories was fully integrated into the Company. This move will drive innovation through the research and development of advanced technologies and offer the Company potential to further strengthen its technological strategic planning function by consolidating research and analysis functions dispersed throughout the Company. By consolidating strengths that had been dispersed in Group companies, we reinforced the Group's overall capabilities to contribute to our customers' greater business stability.

(4) Becoming our customers' best DX partner

We have strengthened frontline functions. Identifying latent customer needs using design thinking, the Group is working to develop business producers who can lead DX efforts by empathizing with customers. Approximately 3,700 employees in Japan have already taken the developing program. In addition, Ridgelinez Limited, which we launched in April 2020, provides consulting services aimed at realizing DX to a diverse range of customers already numbering approximately 300 companies, thereby promoting a unique business distinct from the Company with a focus on DX.

(5) Enforcing data-driven management

In order to transform itself, the Company promotes One Fujitsu initiatives, making uniform all important business operations underpinning the Group's business to complement its internal DX efforts. Under One Fujitsu, the Company has established the One ERP Project, standardizing management and operational processes for the entire Group while making use of the data analysis technology of Palantir Technologies Inc.—a partner in collaboration with the Company—to commit to predictive-model, data-driven management that collects and analyzes all data created internally immediately.

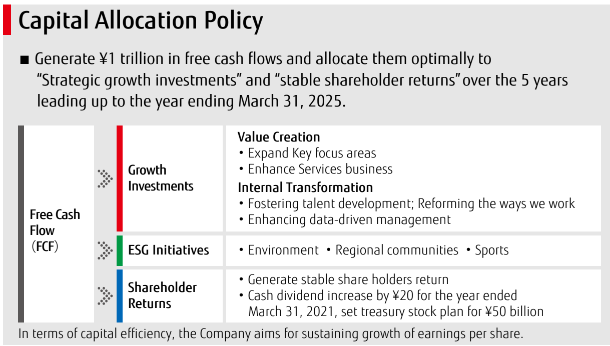
(6) DX talent development and productivity improvement

We work on training DX talent actively by disseminating design thinking, unhampered by conventional ideas or precedent. Meanwhile, job-based human resource management and the "Work Life Shift" campaign, introduced in July 2020, are helping employees realize highly productive workstyles that enable them to exercise their capabilities.

(7) Full participation and ecosystem-based DX promotion

We launched Fujitsu Transformation (hereinafter, "FUJITRA") in July 2020 as a companywide DX project to transform internal operational processes and organizations as well as its corporate culture and climate. Under FUJITRA, DX officers appointed at specific business sites are responsible for communication functions among divisions with the aim of achieving cross-sectional transformation matching internal needs. This project currently promotes approximately 300 themes simultaneously.

Capital Allocation Policy



With the aim of realizing its purpose and improving corporate value sustainably into the future, the Group has established a capital allocation policy that allocates in a well-balanced manner free cash flow generated through its business activities to strategic investments contributing to business growth and stable shareholder returns.

The Company seeks to generate ¥1 trillion in free cash flows over the five years leading up to the year ending March 31, 2025, based on a long-term perspective looking beyond the current medium-term management plan—set to conclude in the year ending March 31, 2023—that will contribute to its sustainable corporate growth. By optimally allocating the acquired funds to strategic growth investments and stable shareholder returns while maintaining a sound financial foundation, we will endeavor to expand our business and strengthen profitability as well as improving capital efficiency.

As for strategic growth investments, we will actively execute investments of between ¥500.0 billion and ¥600.0 billion over the five-year period leading up to the year ending March 31, 2025. Meanwhile, to realize growth in key focus areas centered on the digital field, such as AI and DX, we will carry out service-offering investment to create new values, strengthen the research and development to accelerate the innovation, expand consulting services to realize our customers' DX, and establish alliances with leading partners, etc. In addition, with the goal of encouraging its own transformation, the Company will carry out investments to that end, including acquiring and developing highly talented professionals, bolstering internal systems aimed at achieving data-driven management, and implementing workstyle reforms. Besides these efforts, we will also examine environmental, social, and governance (ESG)-related investment, which will include development of solutions to address environmental issues such as global warming and social issues such as declining birthrate and aging population, and contributing to regional community through sports and other activities to strengthen the sustainability of our business.

As for shareholder returns, the Company will implement stable returns to shareholders over the medium to long term in line with the growth stages of its business profits and actively carry out flexible buybacks of its own shares, using internal reserves that have been reserved for a long time. Accordingly, we aim to return a total of between ¥400.0 billion and ¥500.0 billion to shareholders over the five years leading up to the year ending March 31, 2025.

The Group has long concentrated management resources in Technology Solutions, its core business, while building a robust financial foundation appropriate for a company supporting social infrastructure. We therefore believe we have at the present time secured a certain level of financial soundness. Going forward, with a focus on initiatives for raising capital efficiency, we will aim for a compound annual growth rate (CAGR) of 12% for companywide earnings per share (EPS) over the years leading up to the year ending March 31, 2025.

Free cashflows, growth investments, and shareholder returns for the year ended March 31, 2021 were ¥236.3 billion, ¥40.0 billion, and ¥60.0 billion, respectively. The projected amount for said items for the year ending March 31, 2022 will be ¥210.0 billion, ¥100.0 billion, and ¥93.1 billion, respectively.

Impact of the COVID-19 Pandemic

In the year ended March 31, 2021, COVID-19 brought about negative impacts of ¥146.9 billion on revenue and ¥48.2 billion on operating profit. In Japan, COVID-19 prompted postponements and delays in projects primarily in the first half of the year in private-sector businesses, such as industry and logistics, local government, healthcare, and other fields. Overseas, meanwhile, the Company was more seriously impacted than it was in Japan, as strict lockdowns continued.

Although it is unclear when the COVID-19 pandemic will end, the Company assumes that global economic activities will recover gradually from the year ending March 31, 2022. Nevertheless, in terms of the financial impact on the Group's business results, while certain countries, regions, and businesses may continue to be affected by COVID-19, the Company does not believe that the Group's business results will be significantly impacted.

With liquidity on hand at a level of ¥500.0 billion, the Group has sufficient solvency to address urgent demands for funds, when including its capacity to raise additional funds. Moreover, with an owners' equity ratio of approximately 45%, the Group has sufficient owners' equity. Based on these sound financial foundations, the Group believes that it will not experience any significant problems over the short term or medium to long term, such as in financing its operations, as a consequence of COVID-19.

2. Analysis of Results for the Year Ended March 31, 2021

Summarized Consolidated Statement of Profit or Loss

(Billions of yen)

Years ended March 31	2020	**2021**	YoY change	Change (%)
Revenue	3,857.7	**3,589.7**	(268.0)	(6.9)
Cost of sales	(2,748.4)	**(2,509.4)**	239.0	(8.7)
Gross profit	1,109.3	**1,080.2**	(29.0)	(2.6)
Selling, general and administrative expenses	(864.6)	**(834.5)**	30.1	(3.5)
Other income (expenses)	(33.1)	**20.5**	53.7	–
Operating profit	211.4	**266.3**	54.8	25.9
Financial income (expenses)	2.2	**10.2**	7.9	346.2
Income from investments accounted for using the equity method, net	14.7	**15.3**	0.5	3.6
Profit before income taxes	228.5	**291.8**	63.2	27.7
Income tax expenses	(68.2)	**(78.3)**	(10.0)	14.8
Profit for the year attributable to non-controlling interests	0.2	**10.8**	10.5	–
Profit for the year attributable to owners of the parent	160.0	**202.7**	42.6	26.7

Reference: Financial Indicators

(Yen)

	2020	**2021**	YoY change
Gross profit margin	28.8%	**30.1%**	1.3%
Operating profit margin	5.5%	**7.4%**	1.9%
Return on equity attributable to owners of the parent (ROE)*1	13.5%	**15.1%**	1.6%
EPS*2	¥791.20	**¥1,013.78**	28.1%

*1 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]
*2 EPS = Basic earnings per share

The Group recorded net sales of ¥3,589.7 billion, operating profit of ¥266.3 billion, and net profit attributable to owners of the parent of ¥202.7 billion in the year ended March 31, 2021. In addition to the improved profitability of Technology Solutions, the increase in revenue and profitability of electronic components in Device Solutions as well as the profit from the transfer of Ubiquitous Solutions business, resulted in record-high operating profit and net profit.

(1) Revenue

Consolidated revenue for the year ended March 31, 2021 was ¥3,589.7 billion, a decrease of ¥268.0 billion, or 6.9%, year on year.

While revenue increased in the network business centered on fifth-generation (5G) base stations, and demand for electronic components remained at a high level due to the global expansion in demand for semiconductors, revenue was down overall. COVID-19 placed downward pressure on earnings to the extent of ¥146.9 billion. Moreover a fallback, primarily due to the absence of replacement demand for PCs seen in the year ended March 31, 2020 following the end of the support period for Windows 7, had a negative impact on earnings of ¥122.0 billion in Ubiquitous Solutions. In addition, reorganization—including the removal of the Mie semiconductor plant and the mobile phone retail store business from the scope of consolidation coupled with the withdrawal from countries in Europe with low profitability and the product business in North America—had a negative impact on earnings of ¥93.6 billion.

For the year ended March 31, 2020, the average yen exchange rates against the US dollar, the euro, and the British pound were ¥106, ¥124, and ¥139, respectively, representing year-on-year appreciation of ¥3 against the dollar and year-on-year depreciation of ¥3 against the euro and ¥1 against the British pound. Currency exchange rate fluctuations had a positive impact on revenue of ¥4.5 billion year on year. The impact comprised fluctuations versus the US dollar that led to a decrease in revenue of ¥6.5 billion and fluctuations versus the euro and the British pound that led to increases in revenue of ¥9.8 billion, and ¥1.2 billion, respectively.

The overseas revenue ratio increased by 0.9 percentage point, to 32.7% year on year.

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

For the year ended March 31, 2021, cost of sales totaled ¥2,509.4 billion; gross profit was ¥1,080.2 billion; and the gross profit margin was 30.1%, up 1.3 percentage points year on year.

Selling, general and administrative (SG&A) expenses were ¥834.5 billion, a decrease of ¥30.1 billion year on year, due primarily to a reduction in general expenses from promotion of the Work Life Shift initiative and greater efficiency in developing IA servers in the System Platforms business. On the other hand, we are also carrying out proactive investments for growth. In addition to investments to strengthen our service business and internal DX investments for data-driven management, we invested approximately ¥40 billion in growth, including the construction of a secure network environment and remodeling of our office environment to accelerate the Work Life Shift initiative. Of this, ¥15 billion was recorded as operating expenses.

Other income improved ¥53.7 billion to ¥20.5 billion. A one-time gain of ¥25.4 billion related to the transfer of the mobile phone sales agency business was recorded in the year ended March 31, 2021, while a cost of ¥6.4 billion was recorded for business model transformation, mainly related to the restructuring of domestic plants. The business model transformation expenses decreased significantly from the ¥23.4 billion recorded in the year ended March 31, 2020 and the major framework for business model transformation was completed in the year ended March 31, 2021. In Europe, in September 2020, as planned, the Augsburg site was closed and the manufacturing of servers and other equipment was transferred to an external manufacturing subcontractor. At the same time, we completed the consolidation of R&D functions that had been dispersed in Japan and overseas. We also completed our withdrawal from low-profit countries as scheduled. In North America, we completed our withdrawal from the product business in the year ended March 31, 2021, as planned. From the beginning of the year ending March 31, 2022, we will receive the benefits from these business model transformation efforts throughout the year.

As a result, operating profit amounted to ¥266.3 billion, an increase of ¥54.8 billion year on year. The operating profit margin was 7.4%, an increase of 1.9 percentage points year on year. On a basis that excludes special items such as business model transformation expenses, operating profit increased ¥18.9 billion year on year. In the year ended March 31, 2021, we saw decreases in operating profit of ¥48.2 billion stemming from the impact of COVID-19 and of ¥12.1 billion in Ubiquitous Solutions, reflecting the absence of replacement demand for PCs seen during the year ended March 31, 2020. However, these decreases were outweighed by increases in operating profit of ¥52.8 billion in Technology Solutions, due to such factors as an improvement in profitability centered on the services business and the increase in sales of 5G base stations in network business and of ¥26.4 billion in Device Solutions, which was supported by firm demand for semiconductors.

The impact of exchange rate fluctuations on operating profit increased ¥8.5 billion year on year. While the appreciation of the yen led to lower procurement costs of components denominated in U.S. dollars for products such as PCs and servers, export sales of electronic components denominated in U.S. dollars decreased. For the year ended March 31, 2021, the effect on operating profit of a fluctuation of ¥1 in the exchange rate for foreign currency would be a positive effect of approximately ¥3 billion for the US dollar and a negative effect of approximately ¥1 billion for the euro. There would be no effect for the British pound. In addition, 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, 2021, the effect on operating profit would be ¥1.3 billion if the euro/US dollar exchange rate was 0.01 higher.

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

Net financial income amounted to ¥10.2 billion, up ¥7.9 billion from the year ended March 31, 2020. Income from investments accounted for using the equity method, net, was ¥15.3 billion, an increase of ¥0.5 billion year on year. Profit before income taxes was ¥291.8 billion, an increase of ¥63.2 billion year on year, primarily reflecting the increase in operating profit.

(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 ¥213.5 billion, an increase of ¥53.1 billion year on year. Of profit for the year, profit for the year attributable to owners of the parent came to ¥202.7 billion, up ¥42.6 billion year on year. Profit attributable to non-controlling interests was ¥10.8 billion, rising ¥10.5 billion year on year. Income tax expenses were ¥78.3 billion, up ¥10.0 billion year on year due to an increase in taxable income. The tax burden on profit before income taxes decreased from 29.9% in the year ended March 31, 2020 to 26.8% in the year ended March 31, 2021.

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 15.1%, up 1.6 percentage points year on year due to the increase in profit for the year attributable to owners of the parent.

Based on an improvement in its financial condition for the year ended March 31, 2021, including the increases in profit attributable to owners of the parent and cash flow, and comprehensively taking into account considerations such as the business environment, the Company set the annual dividend for the year ended March 31, 2021 at ¥200 per share, up ¥20 from the year ended March 31, 2020, with the aim of increasing shareholder returns and improving capital efficiency. At the same time, the Company acquired ¥20.0 billion of treasury stock in the year ended March 31, 2021, thereby completing the acquisition of the maximum allowance of ¥50.0 billion for acquisition of treasury stock set in January 2020. As a result, the total return ratio, which is based on the sum of dividends and treasury stock acquisitions, was 29.6%.

(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 ¥63.5 billion. The impact of a rise in the market value of financial assets held was ¥30.9 billion, the impact of favorable translation adjustments of foreign subsidiaries resulting from the depreciation of the yen was ¥22 billion, and the impact of remeasurement of defined benefit plans was ¥7.8 billion. Total comprehensive income for the year, which combines profit for the year and other comprehensive income after taxes, came to ¥277.0 billion. Of total comprehensive income, total comprehensive income attributable to owners of the parent came to ¥264.9 billion, and total comprehensive income attributable to non-controlling interests was ¥12.1 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 and the characteristics of products and services. Technology Solutions consists of Solutions/Services, which includes Solutions/SI such as construction of information and communication systems, cloud services, outsourcing and maintenance services; System Platforms, comprising system products, which cover mainly the servers and storage systems, and network products, which offer communications infrastructure, such as mobile phone base stations and optical transmission systems; International Regions Excluding Japan, which carry out solutions/services delivery in regions outside Japan; and Common, which includes investments to the entire Technology Solutions segment. Ubiquitous Solutions consists of client computing devices such as PCs. Device Solutions comprises electronic components such as semiconductor packages and batteries.

Revenue (including intersegment revenue) and operating profit by segment for the year ended March 31, 2021 are shown as follows.

(Billions of yen)

Years ended March 31		2020	2021	YoY change	Change (%)
Technology Solutions	Revenue	3,212.9	**3,043.6**	(169.2)	(5.3)
	Operating profit	187.9	**188.4**	0.5	0.3
	[Operating profit margin]	[5.8%]	**[6.2%]**	[0.4%]	
Solutions/ Services	Revenue	1,883.0	**1,765.9**	(117.0)	(6.2)
	Operating profit	179.5	**183.5**	4.0	2.2
	[Operating profit margin]	[9.5%]	**[10.4%]**	[0.9%]	
System Platforms	Revenue	647.0	**665.4**	18.4	2.8
	Operating profit	27.4	**41.2**	13.7	49.9
	[Operating profit margin]	[4.2%]	**[6.2%]**	[2.0%]	
International Regions Excluding Japan	Revenue	766.3	**723.7**	(42.6)	(5.6)
	Operating profit	3.8	**11.6**	7.7	199.3
	[Operating profit margin]	[0.5%]	**[1.6%]**	[1.1%]	
Common	Revenue	(83.5)	**(111.5)**	(28.0)	–
	Operating profit	(22.9)	**(47.8)**	(24.9)	–
Ubiquitous Solutions	Revenue	455.2	**334.6**	(120.6)	(26.5)
	Operating profit	26.7	**48.0**	21.2	79.3
	[Operating profit margin]	[5.9%]	**[14.4%]**	[8.5%]	
Device Solutions	Revenue	308.4	**293.8**	(14.6)	(4.7)
	Operating profit	(3.2)	**29.8**	33.0	–
	[Operating profit margin]	[(1.1%)]	**[10.1%]**	[11.2%]	
Intersegment Elimination	Revenue	(118.8)	**(82.3)**	36.4	–
Consolidated	Revenue	3,857.7	**3,589.7**	(268.0)	(6.9)
	Operating profit	211.4	**266.3**	54.8	25.9
	[Operating profit margin]	[5.5%]	**[7.4%]**	[1.9%]	

(a) Technology Solutions

Revenue in the Technology Solutions segment was ¥3,043.6 billion, down 5.3% year on year, reflecting the impact of COVID-19. Operating profit was ¥188.4 billion, an increase of ¥0.5 billion year on year.

In Solutions/Services, revenue came to ¥1,765.9 billion, a decrease of 6.2% year on year. This decrease was attributable to the impact of COVID-19 and a fallback in the hardware-related business accompanying the end of the support period for Windows 7 in the year ended March 31, 2020. Operating profit was ¥183.5 billion, an increase of ¥4.0 billion year on year. This outcome stemmed from an improvement in profitability in Solutions/SI and operation and maintenance services, in addition to progress in increasing efficiency in relation to operating expenses, which offset the impact of the decline in revenue.

System Platforms posted revenue of ¥665.4 billion, up 2.8% year on year. Revenue increased due to the growth in demand for communication infrastructure such as 5G base stations in the network business, despite a decline in revenue for system products—including servers and storage systems—as a result of COVID-19. Operating profit stood at ¥41.2 billion, a year-on-year increase of ¥13.7 billion. This increase partly reflected increasing efficiency in our IA server development system globally, in addition to the effect of revenue expansion in the network business.

In International Regions Excluding Japan, revenue came to ¥723.7 billion, a decrease of 5.6% year on year. COVID-19 made more serious impact to overseas than in Japan within the Group, as strict lockdowns continued. Operating profit was ¥11.6 billion, an increase of ¥7.7 billion year on year. We grew operating profit due to the improvements in NWE (Northern & Western Europe) and Americas in addition to the impact of the decrease in business model transformation expenses centered on North America in the year ended March 31, 2020. We were able to offset the decline in revenue thanks to progress in improving profitability and increasing efficiency in relation to expenses, as the business model transformation efforts implemented thus far are taking effect.

Technology Solutions (Common) recorded an operating loss of ¥47.8 billion, with an increase in expenses of ¥24.9 billion year on year. The increase in investments for growth to accelerate internal DX and the Work Life Shift initiative had an impact of ¥15.2 billion, and the absence of profit from business transfers recorded in the year ended March 31, 2020 had an impact of ¥9.6 billion.

(b) Ubiquitous Solutions

Revenue in the Ubiquitous Solutions segment came to ¥334.6 billion, a decrease of 26.5% year on year. Revenue declined due to the impact of the absence of replacement demand for PCs accompanying the end of the support period for Windows 7 seen in the year ended March 31, 2020, coupled with the impact of the transfer of the mobile phone retail store business in the year ended March 31, 2021. Operating profit came to ¥48.0 billion, an increase of ¥21.2 billion year on year. Excluding the profit of ¥25.4 billion stemming from special items such as the transfer of the mobile phone retail store business, operating profit declined ¥4.7 billion from the year ended March 31, 2020 due to the impact of the contraction in revenue.

(c) Device Solutions

Revenue in the Device Solutions amounted to ¥293.8 billion, down 4.7% year on year. While the impact of the transfer of the Mie Plant in the third quarter of the year ended March 31, 2020 led to this decline, revenue increased year on year on a basis that excludes the impact of this restructuring due to an expansion in demand for electronic components. Operating profit was ¥29.8 billion, a turnaround of ¥33.0 billion from an operating loss in the year ended March 31, 2020. The turnaround resulted from the absence of expenses accompanying restructuring in the electronic components business recorded in the year ended March 31, 2020, which totaled ¥10.0 billion. Excluding this impact, operating profit increased ¥23.0 billion, reflecting favorable results from electronic components throughout the year due to the growth in demand for semiconductors.

(7) Business segment information (Revenue in Japan and outside Japan)

(Billions of yen)

Years ended March 31		2020	**2021**	YoY change	Change (%)
Technology Solutions	Revenue	3,212.9	**3,043.6**	(169.2)	(5.3)
	Japan	2,304.2	**2,193.4**	(110.8)	(4.8)
	Outside Japan	908.6	**850.1**	(58.4)	(6.4)
Solutions/ Services	Revenue	1,883.0	**1,765.9**	(117.0)	(6.2)
	Japan	1,838.8	**1,725.2**	(113.5)	(6.2)
	Outside Japan	44.1	**40.7**	(3.4)	(7.8)
System Platforms	Revenue	647.0	**665.4**	18.4	2.8
	Japan	529.5	**537.0**	7.5	1.4
	Outside Japan	117.5	**128.4**	10.9	9.3
International Regions Excluding Japan	Revenue	766.3	**723.7**	(42.6)	(5.6)
	Japan	1.1	**0.4**	(0.6)	(58.6)
	Outside Japan	765.2	**723.2**	(42.0)	(5.5)
Common	Revenue	(83.5)	**(111.5)**	(28.0)	–
Ubiquitous Solutions	Revenue	455.2	**334.6**	(120.6)	(26.5)
	Japan	323.4	**224.6**	(98.8)	(30.6)
	Outside Japan	131.8	**109.9**	(21.8)	(16.6)
Device Solutions	Revenue	308.4	**293.8**	(14.6)	(4.7)
	Japan	112.1	**75.8**	(36.2)	(32.3)
	Outside Japan	196.3	**217.9**	21.6	11.0
Intersegment Elimination	Revenue	(118.8)	**(82.3)**	36.4	–
Consolidated	Revenue	3,857.7	**3,589.7**	(268.0)	(6.9)
	Japan	2,629.2	**2,417.6**	(211.6)	(8.1)
	Outside Japan	1,228.5	**1,172.0**	(56.4)	(4.6)
	Overseas revenue ratio	31.8%	**32.7%**	0.9%	

(8) Financial information for International Regions Excluding Japan

One of the Group's management priorities is to increase revenue and raise profitability on a global basis. Accordingly, financial information for International Regions Excluding Japan, which is included in the Technology Solutions segment, is important to the Group's business management and is useful for shareholders and investors in understanding the Group's financial overview.

(Billions of yen)

Years ended March 31		2020	**2021**	YoY change	Change (%)
NWE	Revenue	356.0	**347.8**	(8.1)	(2.3)
	Operating profit	4.7	**5.3**	0.6	12.5
	[Operating profit margin]	[1.3%]	**[1.6%]**	[0.3%]	
CEE	Revenue	171.6	**1,70.4**	(1.1)	(0.7)
	Operating profit	10.8	**5.3**	(5.5)	(50.5)
	[Operating profit margin]	[6.3%]	**[3.2%]**	[(3.1%)]	
Americas	Revenue	66.6	**50.7**	(15.9)	(23.9)
	Operating profit	(17.4)	**(5.4)**	11.9	–
	[Operating profit margin]	[(26.2%)]	**[(10.8%)]**	[15.4%]	
Asia	Revenue	86.4	**79.8**	(6.5)	(7.6)
	Operating profit	2.3	**2.6**	0.2	9.6
	[Operating profit margin]	[2.8%]	**[3.3%]**	[0.5%]	
Oceania	Revenue	74.5	**74.3**	(0.2)	(0.3)
	Operating profit	2.0	**1.7**	(0.2)	(11.8)
	[Operating profit margin]	[2.7%]	**[2.4%]**	[(0.3%)]	
Others	Revenue	11.0	**0.4**	(10.5)	–
	Operating profit	1.2	**1.9**	0.6	–
International Regions Excluding Japan	Revenue	766.3	**723.7**	(42.6)	(5.6)
	Operating profit	3.8	**11.6**	7.7	199.4
	[Operating profit margin]	[0.5%]	**[1.6%]**	[1.1%]	

(a) NWE (Northern & Western Europe)

The NWE region includes the United Kingdom, Ireland, and other countries in Northern and Western Europe. Revenue in the region was ¥347.8 billion, a decrease of 2.3% year on year. Operating profit came to ¥5.3 billion, up ¥0.6 billion year on year. The increase in operating profit reflected progress in improving profitability in the services business and the impact of yen depreciation, which outweighed the significant impact of the COVID-19 pandemic centered on the United Kingdom and Northern Europe.

(b) CEE (Central & Eastern Europe)

The CEE region includes Germany, Switzerland, Austria, and countries in Eastern Europe. Revenue came to ¥170.4 billion, down 0.7% year on year. Operating profit stood at ¥5.3 billion, a decline of ¥5.5 billion year on year. In the CEE region, we closed the Augsburg site in Germany and created a structure for the transfer of manufacturing to an electronics manufacturing service by September 2020 while completing our withdrawal from countries with low profitability.

(c) Americas

The Americas region comprises countries including the United States, Canada, Brazil, and Mexico. Revenue amounted to ¥50.7 billion, down 23.9% from the year ended March 31, 2020 due to the impact of our withdrawal from the products and maintenance services businesses. This region recorded an operating loss of ¥5.4 billion, an improvement of ¥11.9 billion year on year. While the impact of the absence of business model transformation expenses recorded in the year ended March 31, 2020 contributed to this improvement, we were able to reduce the operating loss by steadily withdrawing from the low-profit products business, strengthening our services business, which has a high profit margin, and making progress in increasing efficiency in relation to operating expenses. Looking ahead, we plan to steadily improve profitability by concentrating on projects with high profit margins centered on the digital field while increasing delivery efficiency and standardization.

(d) Asia

The Asia region includes various Southeast Asian countries such as Singapore as well as encompassing China, South Korea, Hong Kong, and Taiwan. Revenue in this region stood at ¥79.8 billion, a decrease of 7.6% year on year. Operating profit was ¥2.6 billion, a year-on-year increase of ¥0.2 billion. While the impact of COVID-19 led to a decline in revenue, this was offset by increasing efficiency in relation to operating expenses and other factors.

(e) Oceania

The Oceania region includes Australia and New Zealand. Revenue was ¥74.3 billion, edging down 0.3% year on year. Operating profit amounted to ¥1.7 billion, a decline of ¥0.2 billion year on year. The decrease in revenue was due in part to the absence of large-scale business projects seen in the year ended March 31, 2020.

3. Assets, Liabilities, and Equity

Summarized Consolidated Statement of Financial Position

(Billions of yen)

At March 31	2020	**2021**	YoY change
Assets			
Current assets	1,891.1	**1,873.0**	(18.0)
Non-current assets	1,296.3	**1,317.1**	20.7
Total assets	3,187.4	**3,190.2**	2.7
Liabilities			
Current liabilities	1,365.6	**1,289.4**	(76.1)
Non-current liabilities	473.4	**353.8**	(119.5)
Total liabilities	1,839.0	**1,643.3**	(195.7)
Equity			
Total equity attributable to owners of the parent (Owners' equity)	1,240.9	**1,450.1**	209.1
Equity attributable to non-controlling interests	107.4	**96.7**	(10.7)
Total equity	1,348.4	**1,546.9**	198.4
Total liabilities and equity	3,187.4	**3,190.2**	2.7
Cash and cash equivalents	451.8	**481.8**	29.9
Interest-bearing loans	405.5	**316.3**	(89.2)
Net cash	46.2	**165.5**	119.2

Notes: 1. Owners' equity = Total equity attributable to owners of the parent
2. Interest-bearing loans include bonds, borrowings, and lease liabilities.
3. Net cash = Cash and cash equivalents − Interest-bearing loans

Reference: Financial Indicators

At March 31	2020	**2021**	YoY change
Equity attributable to owners of the parent ratio (Owners' equity ratio)	38.9%	**45.5%**	6.6%
D/E ratio (Times)	0.33	**0.22**	(0.11)

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)

Consolidated total assets as of March 31, 2021 stood at ¥3,190.2 billion, an increase of ¥2.7 billion compared with March 31, 2020. Current assets decreased ¥18.0 billion compared with March 31, 2020, to ¥1,873.0 billion. The trade receivables balance declined due to the impact of the contraction in revenue as a result of factors that included the impact of COVID-19. Cash and cash equivalents were up ¥29.9 billion compared with March 31, 2020, to ¥481.8 billion. Non-current assets increased ¥20.7 billion compared with March 31, 2020, to ¥1,317.1 billion due to the rise in price of cross-shareholdings included in other investments.

Total liabilities amounted to ¥1,643.3 billion, a decrease of ¥195.7 billion compared with March 31, 2020. Interest-bearing loans, which consist of current liabilities and non-current liabilities, corporate bonds, borrowings, and lease liabilities, totaled ¥316.3 billion, down ¥89.2 billion compared with March 31, 2020. This decrease was due in part to the partial redemption of corporate bonds and efforts to repay borrowings. As a result, the D/E ratio was 0.22 times, a drop of 0.11 point compared with March 31, 2020. Net cash, which is cash and cash equivalents minus interest-bearing loans, was ¥165.5 billion, up ¥119.2 billion compared with March 31, 2020. In addition, the funded status of the employee defined benefit plans in Japan improved thanks to the rise in share price, the defined benefit obligation decreased ¥40.3 billion compared with March 31, 2020.

Total equity was ¥1,546.9 billion, an increase of ¥198.4 billion compared with March 31, 2020. Retained earnings was ¥909.1 billion, an increase of ¥173.2 billion compared with March 31, 2020. This increase resulted in part from the recording of ¥202.7 billion in profit for the year attributable to owners of the parent. Other components of equity increased ¥52.2 billion compared with March 31, 2020, to ¥54.6 billion. This was due to an increase in the foreign currency translation adjustments of subsidiaries outside Japan because of yen depreciation and a rise in the valuation of securities held. Meanwhile, treasury stock was negative ¥79.4 billion. Holdings increased following the acquisition of ¥20.0 billion of treasury stock in the year ended March 31, 2021 as a shareholder return measure. As a result, total equity attributable to owners of the parent (owners' equity) was ¥1,450.1 billion. The equity attributable to owners of the parent (owners' equity) ratio was 45.5%, an increase of 6.6 percentage points compared with March 31, 2020.

As an off-balance liability not recorded on the consolidated statement of financial position, the contracted commitment stipulated to acquire assets under IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets was ¥55.0 billion.

Status of Retirement Benefit Plans

(Billions of yen)

At March 31	2020	**2021**	YoY change
a. Defined benefit obligation	1,455.8	**1,604.7**	148.8
b. Plan assets	1,391.0	**1,565.5**	174.5
c. Defined benefit obligation in excess of plan assets (b)−(a) . . .	(64.8)	**(39.1)**	25.6

The defined benefit obligation of the employee defined benefit plans in Japan and outside Japan was ¥1,604.7 billion, up ¥148.8 billion compared with March 31, 2020. Plan assets stood at ¥1,565.5 billion, an increase of ¥174.5 billion compared with March 31, 2020. As a result, the funded status of employee defined benefit plans (defined benefit obligation in excess of plan assets) was a shortage of ¥39.1 billion, representing an improvement of ¥25.6 billion compared with March 31, 2020, because of the increase in plan assets due to the rise in share price.

4. Cash Flows

Summarized Consolidated Statement of Cash Flows

(Billions of yen)

Years ended March 31	2020	**2021**	YoY change
I Cash flows from operating activities. .	347.2	**307.9**	(39.3)
II Cash flows from investing activities . .	(114.2)	**(71.5)**	42.6
I+II Free cash flow	233.0	**236.3**	3.3
III Cash flows from financing activities . .	(193.1)	**(219.6)**	(26.4)
IV Cash and cash equivalents at end of year	453.0	**481.8**	28.7

Net cash provided by operating activities in the year ended March 31, 2021 amounted to ¥307.9 billion, representing a decrease in cash inflows of ¥39.3 billion compared with the year ended March 31, 2020. This decrease was due in part to an expansion in tax expenses, which outweighed an increase resulting from a rise in profits.

Net cash used in investing activities was ¥71.5 billion, a decline of ¥42.6 billion compared with the year ended March 31, 2020. This decrease resulted from the cash inflows from the sale of the mobile phone retail store and earnout revenue from PC business restructuring, as well as through the sale of assets including the Augsburg site in Germany. Meanwhile, there was a net outflow of ¥4.5 billion from short-term investments such as time deposits, a decrease of ¥29.1 billion year on year.

Free cash flow, the sum of cash flows from operating and investing activities, was ¥236.3 billion, representing an increase in net cash inflows of ¥3.3 billion compared with the year ended March 31, 2020.

Net cash used in financing activities was ¥219.6 billion, up ¥26.4 billion year on year. This increase was attributable to the repayment of borrowings and the impact of a tender offer for shares in Fujitsu Frontech Limited, which is a listed subsidiary of the Company, for the purpose of owning whole shares in Fujitsu Frontech Limited.

As a result of the above, cash and cash equivalents as of March 31, 2021 stood at ¥481.8 billion, an increase of ¥28.7 billion compared with March 31, 2020.

As of March 31, 2021, the Group had cash and cash equivalents of ¥481.8 billion. In order to address urgent demands for funds, the Group maintains liquidity at a level equivalent to approximately several months' worth of sales.

In addition, 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 the submission date of this report, the Company had bond ratings of A3 (long-term) from Moody's, A- (long-term) from S&P, and A+ (long-term) and a-1 (short-term) from R&I.

Taking into account the characteristics and risks of each business, country, and region, the Group calculates the cost of raising funds as the weighted average of the cost of shareholders' equity and the cost of borrowing. The Group uses this approach as a guideline when making investment decisions and assessing the recoverability of investments in each business. The Group will concentrate management resources in the DX business, where demand will continue to rise, and achieve high levels of profitability over the medium to long term. Through these efforts, we believe that we will be able to realize returns that are higher than the cost of raising funds.

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, 2021 is presented in 2. (6) Segment information.

6. Significant Accounting Policies and Estimates

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. With regard to key estimates and judgments that have a significant effect on the amounts recognized in the consolidated financial statements, please refer to Note "4. Use of Accounting Estimates and Judgments."