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 operating results, financial position, and status of cash flows of the Company and its consolidated subsidiaries and equity method associates (together, the "Group"), along with management's assessment, analysis and discussion of the status of the Group's operations. Forward-looking statements in this section are based on judgments as of the end of the consolidated fiscal year under review (March 31, 2022).

In this section, the consolidated fiscal year under review and the previous consolidated fiscal year are referred to simply as the "fiscal year" and the "previous fiscal year", respectively.

1. The Group's Management Targets and Initiatives for Sustainably Increasing Corporate Value

Management Targets

The Group has defined its Purpose as "to make the world more sustainable by building trust in society through innovation," and all its business activities are carried out for the realization of this Purpose. To make a stable contribution over the long term in order to realize its Purpose, the Group needs to build relationships of trust with all stakeholders and to grow sustainably. To this end, we have incorporated non-financial indicators at the heart of our business activities and are working to make progress on them alongside our financial targets.

Toward Sustainable Enhancement of Corporate Value

(Yen)

Financial Targets	• Revenue in Technology Solutions	**3.2 trillion**	**Companywide**	**3.7 trillion**
	• Operating profit margin in Technology Solutions	**10% (320.0 billion)**	**Companywide**	**400.0 billion**
	• EPS CAGR (2021-2025)	**12%**		

Non-Financial KPIs	• Customer NPS	vs 2022 base	**+3.7 points**		
	• Employee engagement	**63** 2020 (Actual)	**68** 2021 (Actual)	**67** 2022 (Actual)	**75** 2023 (Target)
	• DX Promotion Indices	**1.9** 2020 (Actual)	**2.4** 2021 (Actual)	**3.2** 2022 (Actual)	**3.5** 2023 (Target)

(1) Financial indicators

By focusing on the seven Key Focus Areas,*1 we will further accelerate our investment in growth. In the Technology Solutions business, we have set financial targets for the year ending March 31, 2023 of revenue of ¥3,200.0 billion, operating profit of ¥320.0 billion, and an operating profit margin of 10%. Our revenue target was lowered by ¥300.0 billion from the initial target, as we expect the transformations currently underway to be delayed by one year. However, we believe we can achieve our operating profit margin of 10% as the measures we have been taking have steadily produced results.

*1 The seven Key Focus Areas are divided into two categories: Horizontal Areas, which are the foundation to support the offering of diverse services to our customers, and Vertical Areas, which are cross-industry business areas that relate to solving various issues confronting society. The Horizontal Areas include three fields: "Digital Shifts," which support data-driven decision-making, operations, and workstyle innovation; "Business Applications," which provide cloud integration and applications; and "Hybrid IT," which provides cloud computing and security services for customers' core systems. The Vertical Areas consist of the following four fields: "Sustainable Manufacturing," which realizes circular, traceable manufacturing focused on the environment and people; "Consumer Experience," which enables payment, retail, and logistics to deliver diverse experiences to consumers; "Healthy Living," which supports the wellbeing of all people; and "Trusted Society," which contributes to the creation of a safe, secure, and resilient society.

(2) Non-financial indicators

The Company has set three non-financial indicators for the year ending March 31, 2023. In customer Net Promoter Score (NPS),*2 which measures customer trust, we aim to achieve an increase of 3.7 points compared with the year ended March 31, 2022; in employee engagement,*3 which shows employees' connection with the Company, we aim to achieve 75 points; and in DX Promotion Indices,*4 we aim to achieve 3.5 points.

*2 A metric to measure "customer loyalty" (the customers' levels of trust and attachment toward a company, product, or service) and is used for analyzing the level of customer experience and its improvement. While conventional customer satisfaction surveys ask about current levels of satisfaction, customer NPS is calculated based on a single question concerning the probability of recommendation to another person: "How likely are you to recommend our product or service to a friend or colleague?" The resulting score is then used to predict changes in customer behavior.

*3 "Employee engagement" shows the level of employees' empathy toward Our Purpose and the overall direction of our company. It furthermore measures their degree of loyalty toward the organization and gives better understanding about how autonomous and self-directed employees work and contribute to the Company.

*4 This indicator has been established by Japan's Ministry of Economy, Trade and Industry (METI) with the aim of encouraging companies to promote digital management reforms. To this end, the indices provide opportunities for senior executives; personnel engaged in business operations, digital transformation, and IT; and other stakeholders to share their awareness of current situations and challenges in the promotion of digital transformation and to utilize the resulting insights for further actions. Based on 35 qualitative and other indices, companies conduct self-diagnoses and submit the results to the Information-technology Promotion Agency, a neutral organization that comprehensively analyzes the diagnosis results and benchmarks them against those of other participating companies.

The Group is promoting organizational transformation while focusing on seven priority issues within its Global Responsible Business (GRB) platform: Human Rights and Diversity & Inclusion, Wellbeing, Environment, Compliance, Supply Chain, Occupational Health and Safety, and Community. We believe that conducting business in a way that meets our responsibilities to all our stakeholders earns the trust of customers and society and increases employee engagement. To measure our performance in these areas, we have established the customer Net Promoter Score (NPS), employee engagement, and DX Promotion Indices, which show progress in advancing our organizational culture as non-financial indicators. Employees with high engagement levels can provide customers with high-quality services, while positive evaluation from customers further increases the motivation of employees. Setting the customer NPS, employee engagement, and DX Promotion Indices as non-financial indicators enables us to advance our transformation into a business organization that is strongly focused on Our Purpose and value creation for our customers.

Over the medium to long term, we will analyze and clarify the relationship between performance data based on financial and non-financial indicators as well as between performance data based on Global Responsible Business initiatives and non-financial indicators with the goals of demonstrating our dynamism as a data-driven organization and creating innovative value. Based on the financial and non-financial indicators, we will expand our cash flow generation capability by growing our businesses and then optimally allocate the cash flow generated through business growth to growth investments and shareholder returns, thereby engendering further business growth and increasing our corporate value.

Financial Results Highlights for the Year Ended March 31, 2022

Revenue was ¥3,586.8 billion, operating profit was ¥219.2 billion, and profit for the year attributable to owners of the parent was ¥182.6 billion.

Despite the adverse business environment resulting from the ongoing COVID-19 pandemic and the negative impacts associated with the semiconductor shortage, on an actual business basis, excluding a one-time loss of ¥56.4 billion related to business restructuring and business transfers, operating profit was ¥275.6 billion, with an operating profit margin of 7.7%, an increase of over 10% year on year.

There are three notable points regarding the Company's core businesses. First, there was a significant increase in orders for Solutions/Services both in Japan and overseas. The increase was particularly notable for overseas services. Second, the gross profit margin increased by 1.1 percentage points year on year, to 31.2%. The Company made progress in improving profitability in Solutions/Services, and electronic components also saw increased profitability driven by strong demand. Third, the Company made proactive growth investments. Investments doubled year on year, as the Company increased investments for new value creation as well as for its own transformation.

In addition, the Company took measures to accelerate its transformation to a DX company. To promote new career formation for employees and appropriate allocation of resources, the Group provided a limited-time support system for those seeking to take up the challenge of a new career outside the Group.

(1) Status of progress on cost and expense streamlining

Gross profit increased by ¥38.4 billion year on year. The gross profit margin rose 1.1 percentage points year on year.

The Company worked to improve productivity through changes in system development, such as further expansion of agile development, service delivery transformation, including Japan Global Gateway (JGG), which organizes and incorporates standard operations, and support operation transformation, such as expansion of remote maintenance, among other efforts. In addition to capturing a highly profitable service business deal in the United Kingdom, the results also reflect the impact of progress on structural transformation in North America. Furthermore, Device Solutions also saw a significant turnaround in profitability as a result of progress on operational improvements driven by an increase in demand.

Operating expenses decreased by ¥31.3 billion. This mainly reflected productivity increases due to concentration of existing development functions, offshore development, and workstyle reform.

(2) Growth investments

Growth investments increased by ¥45.0 billion year on year, to ¥85.0 billion. Investments for value creation were ¥35.0 billion, and investments for organic growth came to ¥50.0 billion.

Investments for value creation included development of global offerings to drive service business expansion and further strengthening of JGG to establish a service delivery model. We will work to increase both quality and productivity by promoting standardization and internalization of development and maintenance services and enhancing development at our Global Delivery Centers (GDCs).

Investments for our own transformation included continuous investments to promote Work Life Shift for realizing employee wellbeing and for human resource development, as well as One Fujitsu as a data-driven management platform. Increasing the level of data-driven management enables a faster, more detailed grasp of financial information for more efficient and effective management decision-making. The effects of such growth investments are already becoming apparent. The Company achieved cost streamlining effects of around ¥20.0 billion in the year ended March 31, 2022, including ¥9.0 billion from the use of JGG and GDCs, ¥9.0 billion from global offerings, and ¥2.0 billion from borderless offices.

(3) Human resource initiatives bolstering fujitsu's status as DX leader

We conducted three main initiatives in the year ended March 31, 2022.

First, we implemented a transformation of our human resources into business producers. We conducted reskilling/skill change training for all sales positions at Group companies in Japan, about 8,000 people in total, in order to transform them from traditional salespeople to business producers responsible for creating business across industry boundaries. We also conducted an initiative to visualize their existing skills.

Second, we carried out initiatives to ensure that the appropriate person is in the appropriate position. We applied a position-based HR system to employees of management rank to ensure rapid personnel allocation. We also introduced Groupwide job postings to enable employees to take on the challenge of a different role internally on their own initiative. The position-based HR system was also applied to general employees from April 2022.

Third, we expanded the Self-Producer Support System for a limited time for employees who want to take on the challenge of a new career outside the Fujitsu Group to accelerate optimization of personnel allocation.

(4) Component supply delays

The delays in component supplies caused decreases of ¥78.0 billion in revenue and ¥31.0 billion in operating profit.

The decreases reflected the impact of delays in supplies of components and other items, which led to delays in sales and increases in component prices. We implemented countermeasures such as changing procurement channels, switching to substitute components, and passing on costs in product prices. Despite these efforts, delays with component vendors for parts in short supply occurred frequently from the end of the first half through to the third quarter, and the impact spread. Sales were negatively impacted in the fourth quarter also, but only a limited range of components experienced a shortage.

Initiatives to Achieve Management Goals for the Year Ending March 31, 2023

Toward meeting our targets for the year ending March 31, 2023, we continue to steadily implement measures focused on expanding revenue in the "For Growth"*1 business area, in which we contribute to the transformation and growth of our customers' businesses, and to improving profitability in the "For Stability,"*2 business area, in which we contribute to stable operations of customers' IT platforms and businesses.

As a result of measures carried out in the year ended March 31, 2022 to strengthen the solutions business and our interface with customers, mainly in Japan, we are aiming to achieve revenue growth of 6%. In addition, we are forecasting 1% revenue growth from initiatives under our new business brand, Fujitsu Uvance, targeting the seven Key Focus Areas selected based on social issues, as well as 1% growth due to a reduction in the negative impact of component supply delays, for a total growth forecast of 8%.

We are also anticipating cost and expense efficiency gains of ¥60.0 billion due to the further use of GDCs and JGG in the domestic business, transformation of our delivery model, and the effects of forward-looking investments in borderless offices, and other solutions.

*1 Digital (DX, modernization)
*2 Conventional IT (system maintenance and operation, product supply)

In the year ending March 31, 2023, the Company will accelerate growth investments compared with the year ended March 31, 2022, with plans to invest ¥120.0 billion.

We plan to invest ¥60.0 billion for value creation, which includes development of a global offering for the launch of Fujitsu Uvance and JGG and new business creation for the establishment of a service delivery model, and ¥60.0 billion for our own transformation, which entails the data-driven management platform One Fujitsu, security enhancement, optimal arrangement of business sites, and workstyle reforms for employees.

Capital Allocation Policy

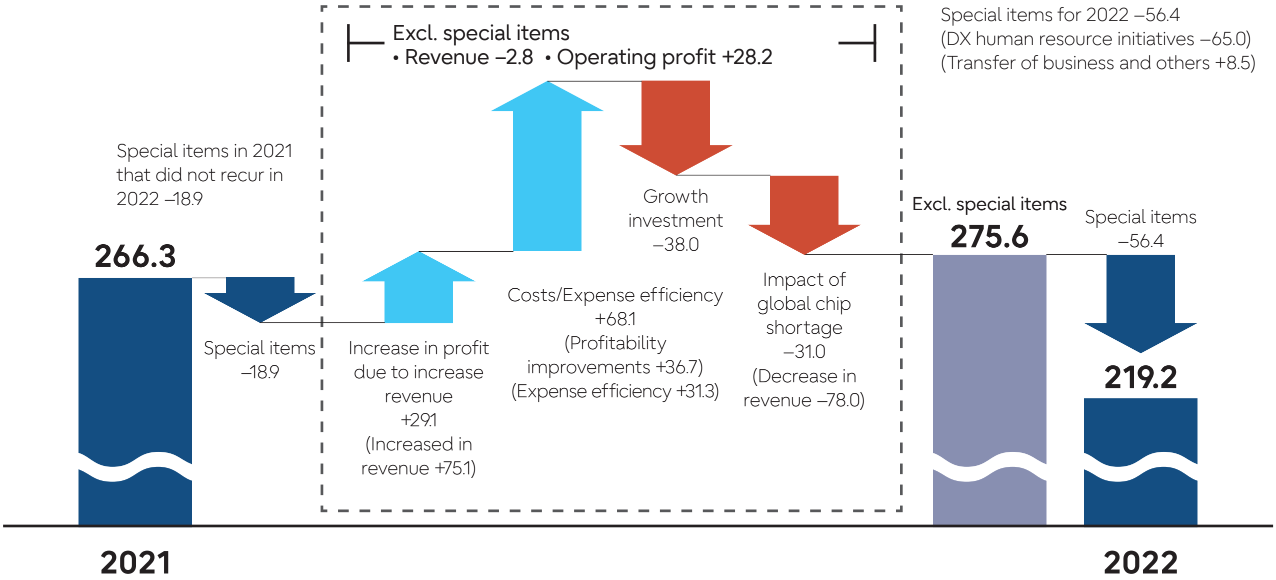
With the aim of realizing its purpose and improving corporate value sustainably into the future, the Group has established a capital allocation policy that allocates in a well-balanced manner free cash flow generated through its business activities to strategic investments contributing to business growth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

In the five years from the year ended March 31, 2021 to the year ending March 31, 2025, the Company plans to generate over ¥1 trillion in base cash flow (free cash flow before growth investments plus lease obligation payments), maintaining a sound financial base while allocating the acquired cash with a ratio of around 6 to 4: ¥500.0 billion to ¥600.0 billion for strategic growth investments and ¥400.0 billion to ¥500.0 billion for shareholder returns. In this way, we will work to expand business and strengthen earnings capability while increasing capital efficiency.

As for strategic growth investments, 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 value, strengthen research and development to accelerate innovation, expand consulting services to realize our customers' DX, and establish alliances with leading partners, among others.

Factors Behind Change in Operating Profit

(Billions of yen)



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 the declining birthrate and aging population, and contribute to regional communities 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 such purposes for a long time.

Looking at the Company's progress over the three years to the year ending March 31, 2023, we expect to achieve base cash flow of around ¥740.0 billion for allocation over the three-year period, exceeding our plan. As we expect to continue making steady progress from the year ending March 31, 2024 onward, with the added effect of recycling asset holdings, we also expect to exceed the planned base cash flow of ¥1 trillion for the five-year period by a significant margin. Against this backdrop, we are looking at revising the overall capital allocation, for example, by expanding strategic investments to accelerate business growth and reviewing the level of shareholder returns in view of capital efficiency. We plan to revise this in line with the next medium-term management plan.

2. Analysis of Results for the Year Ended March 31, 2022

Summarized Consolidated Statement of Profit or Loss

(Billions of yen)

Years ended March 31	2021	**2022**	YoY change	Change (%)
Revenue	3,589.7	**3,586.8**	(2.8)	(0.1)
Cost of sales	(2,509.4)	**(2,468.1)**	41.2	(1.6)
Gross profit	1,080.2	**1,118.6**	38.4	3.6
Selling, general and administrative expenses	(834.5)	**(852.7)**	(18.2)	2.2
Other income (expenses)	20.5	**(46.6)**	(67.2)	–
Operating profit	266.3	**219.2**	(47.1)	(17.7)
Core base operating profit (Note)	[247.3]	**[275.6]**	[28.2]	[11.4]
Financial income (expenses)	10.2	**6.9**	(3.2)	(32.1)
Income from investments accounted for using the equity method, net	15.3	**13.8**	(1.4)	(9.6)
Profit before income taxes	291.8	**239.9**	(51.8)	(17.8)
Income tax expenses	(78.3)	**(26.8)**	51.4	(65.7)
Profit for the year attributable to non-controlling interests	10.8	**30.4**	19.6	181.3
Profit for the year attributable to owners of the parent	202.7	**182.6**	(20.0)	(9.9)

Note: Operating profit excluding temporary gains and losses such as business restructuring expenses, profit or loss on business transfer, and purchase price allocation related to M&A

Reference: Financial Indicators

(Yen)

	2021	**2022**	YoY change
Gross profit margin	30.1%	**31.2%**	1.1 pp.
Operating profit margin	7.4%	**6.1%**	(1.3) pp.
Return on equity attributable to owners of the parent (ROE)*1	15.1%	**12.0%**	(3.1) pp.
EPS*2	¥1,013.78	**¥924.21**	(8.8)%

*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

Financial Indicators (Core Base)

(Yen)

	2021	**2022**	YoY change
Operating profit margin	6.9%	**7.7%**	0.8 pp.
Return on equity attributable to owners of the parent (ROE)	14.2%	**14.4%**	0.2 pp.
EPS	¥952.8	**¥1,108.9**	16.4%

The Group recorded revenue of ¥3,586.8 billion, operating profit of ¥219.2 billion, and profit for the year attributable to owners of the parent of ¥182.6 billion in the year ended March 31, 2022. On an actual business basis, excluding a one-time loss of ¥56.4 billion related to business restructuring and business transfers, operating profit was ¥275.6 billion, with an operating profit margin of 7.7%, an increase of over 10% year on year.

(1) Revenue

Consolidated revenue for the year ended March 31, 2022 was ¥3,586.8 billion, a decrease of ¥2.8 billion year on year. However, excluding the impacts of restructured business, namely low-profitability countries in Europe, the product business in North America, and the mobile phone retail store business, revenue increased by ¥32.3 billion, or 0.9%. A decrease of ¥78.0 billion in revenue due to the impact of component procurement delays was offset by increases in revenue owing to the impacts of foreign exchange rates, namely the yen's depreciation, an increase in sales in the network business, and an increase in sales of electronic components due to high global demand for semiconductors.

For the year ended March 31, 2022, the average yen exchange rates against the US dollar, the euro, and the British pound were ¥112, ¥131, and ¥154, respectively, representing year-on-year depreciation against all currencies, with falls of ¥6 against the dollar, ¥7 against the euro, and ¥15 against the British pound. Currency exchange rate fluctuations had a positive impact on revenue of ¥79.3 billion year on year. The impact comprised fluctuations versus the US dollar that led to an increase in revenue of ¥27.4 billion and fluctuations versus the euro and the British pound that led to increases in revenue of ¥19.4 billion and ¥25.8 billion, respectively.

The overseas revenue ratio was 36.7%, increasing 4.0 percentage points year on year.

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

For the year ended March 31, 2022, cost of sales totaled ¥2,468.1 billion; gross profit was ¥1,118.6 billion; and the gross profit margin was 31.2%, up 1.1 percentage points year on year.

Selling, general and administrative (SG&A) expenses were ¥852.7 billion, an increase of ¥18.2 billion year on year. Other income and expenses came to a net expense of ¥46.6 billion, a deterioration of ¥67.2 billion year on year.

Operating profit for the year ended March 31, 2022 was ¥219.2 billion, compared with ¥266.3 billion in the previous fiscal year. In one-time profit and loss related to business restructuring and business transfers, in the year ended March 31, 2022, the Company recorded a loss of ¥56.4 billion, mainly reflecting ¥65.0 billion in expenses for human resource initiatives to accelerate the transformation to a DX company; while in the previous fiscal year, the Company recorded ¥18.9 billion in gain on transfer of business related to mobile phone retail stores. Actual basis operating profit excluding one-time profit or loss was ¥275.6 billion in the year ended March 31, 2022, compared with ¥247.3 billion in the previous fiscal year, an increase of ¥28.2 billion.

There are four main factors behind the change in operating profit from the previous fiscal year. First, the impact of increased revenue lifted profit by ¥29.1 billion. An increase in sales in the network business arose mainly from 5G base stations for North America, while the Device Solutions segment also recorded higher sales for electronic components due to high demand for semiconductors. Second, cost and expense efficiency gains increased profit by ¥68.1 billion. Increased cost efficiency further boosted profit by ¥36.7 billion. In addition to profitability improvements in the Technology Solutions segment, profitability in the Device Solutions segment also improved, reflecting the effect of higher sales of electronic components. Increased expense efficiency boosted profit by ¥31.3 billion. Efficiency gains were made through streamlining of existing development and productivity improvements through workstyle reforms. Third, profit was decreased by ¥38.0 billion due to an aggressive increase in growth investments, such as One Fujitsu as a data-driven management platform, security enhancement, optimal arrangement of business sites, and promotion of workstyle reforms for employees. Fourth, the impact of the delay in supply of components reduced profit by ¥31.0 billion. This reflects a decrease in revenue as well as the impact of increased costs. The negative impacts exceeded efforts to pass on the cost increase to prices. The combined impact of the above factors resulted in operating profit increasing by ¥28.2 billion on an actual basis.

Foreign exchange fluctuations had a positive impact of about ¥7.0 billion on operating profit year on year. The yen's depreciation resulted in strong performance in profits from overseas subsidiaries and exports of electronic components on one hand, but also had a negative impact due to increased procurement costs for products priced in US dollars. Overall, the impact was positive. For the year ended March 31, 2022, the impact on operating profit of a ¥1 appreciation of the yen exchange rate would be a negative effect of approximately ¥1.1 billion for the US dollar and a negative effect of approximately ¥0.1 billion for the euro. There would be no effect for the British pound.

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

Net financial income amounted to ¥6.9 billion, down ¥3.2 billion from the year ended March 31, 2021. Income from investments accounted for using the equity method, net, was ¥13.8 billion, a decrease of ¥1.4 billion year on year.

Profit before income taxes was ¥239.9 billion, a decrease of ¥51.8 billion year on year due to the recording of expenses for human resource measures of ¥65.0 billion to accelerate the Company's transformation to a DX company.

(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 ¥213.1 billion, a decrease of ¥0.3 billion year on year. Of profit for the year, profit for the year attributable to owners of the parent came to ¥182.6 billion, down ¥20.0 billion year on year. Profit attributable to non-controlling interests was ¥30.4 billion, rising ¥19.6 billion year on year.

Income tax expenses were ¥26.8 billion, a decrease of ¥51.4 billion year on year. The tax burden on profit before income taxes changed from 26.8% in the previous fiscal year to 11.2% in the year ended March 31, 2022. There was also a tax effect of ¥28.0 billion due to liquidation of certain subsidiaries following a reorganization of subsidiaries in North America.

ROE, calculated by dividing profit for the year attributable to owners of the parent by total equity attributable to owners of the parent (owners' equity), was 12.0%. However, on an actual basis excluding one-time profit or loss related to business restructuring and business transfers, ROE was 14.4%, an increase of 0.2 of a percentage point year on year. EPS on an actual basis was ¥1,108.9, increasing 16.4% from ¥952.8 in the year ended March 31, 2021 following expansion of the profit base. Compared with the year ended March 31, 2020, CAGR was 13.2%, exceeding the financial target of CAGR of 12%.

Under a policy of stably expanding shareholder returns, the annual dividend for the year ended March 31, 2022 was ¥220, an increase of ¥20 from the previous fiscal year, for a sixth consecutive year of dividend increases. Moreover, in the year ended March 31, 2022, the Company conducted a purchase of treasury shares of ¥50.0 billion, completing the entire amount of the acquisition limit of ¥50.0 billion set in April 2021. As a result, the total payout ratio of dividends plus share repurchase was 51.2%.

(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 ¥49.9 billion. The impact of remeasurements of defined benefit plans was ¥33.0 billion, and the impact of favorable translation adjustments of foreign subsidiaries resulting from the weakened yen was ¥14.7 billion.

Total comprehensive income for the year, which combines profit for the year and other comprehensive income after taxes, came to ¥263.0 billion. Of total comprehensive income, total comprehensive income attributable to owners of the parent came to ¥231.3 billion, and total comprehensive income attributable to non-controlling interests was ¥31.7 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 in 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.

(Billions of yen)

Years ended March 31		2021	**2022**	YoY change	Change (%)
Technology Solutions	Revenue	3,087.7	**3,056.3**	(31.3)	(1.0)
	Operating profit	193.2	**135.0**	(58.2)	(30.2)
	[Operating profit margin]	[6.3%]	**[4.4%]**	[(1.9 pp.)]	
Solutions/ Services	Revenue	1,883.6	**1,840.5**	(43.1)	(2.3)
	Operating profit	190.7	**188.7**	(1.9)	(1.0)
	[Operating profit margin]	[10.1%]	**[10.3%]**	[0.2 pp.]	
System Platforms	Revenue	633.7	**617.5**	(16.2)	(2.6)
	Operating profit	38.8	**56.6**	17.8	46.0
	[Operating profit margin]	[6.1%]	**[9.2%]**	[3.1 pp.]	
International Regions Excluding Japan	Revenue	723.7	**729.3**	5.6	0.8
	Operating profit	11.6	**23.9**	12.3	106.2
	[Operating profit margin]	[1.6%]	**[3.3%]**	[1.7 pp.]	
Common	Revenue	(153.3)	**(131.0)**	22.2	–
	Operating profit	(47.8)	**(134.4)**	(86.5)	–
Ubiquitous Solutions	Revenue	319.0	**237.1**	(81.9)	(25.7)
	Operating profit	43.2	**5.8**	(37.3)	(86.4)
	[Operating profit margin]	[13.6%]	**[2.5%]**	[(11.1 pp.)]	
Device Solutions	Revenue	293.8	**375.9**	82.1	27.9
	Operating profit	29.8	**78.3**	48.5	162.8
	[Operating profit margin]	[10.1%]	**[20.8%]**	[10.7 pp.]	
Intersegment Elimination	Revenue	(110.9)	**(82.6)**	28.3	–
Consolidated	Revenue	3,589.7	**3,586.8**	(2.8)	(0.1)
	Operating profit	266.3	**219.2**	(47.1)	(17.7)
	[Operating profit margin]	[7.4%]	**[6.1%]**	[(1.3 pp.)]	

(a) Technology Solutions

Revenue in the Technology Solutions segment was ¥3,056.3 billion, down ¥31.3 billion, or 1.0%, year on year. However, this includes the impact of a ¥68.1 billion decrease in sales due to component supply issues. Excluding this, revenue increased. Operating profit was ¥135.0 billion, a decrease of ¥58.2 billion year on year including expenses related to human resource initiatives.

In Solutions/Services, revenue came to ¥1,840.5 billion, a decrease of ¥43.1 billion, or 2.3%, year on year. This decrease reflects the impacts of the semiconductor shortage as well as a fallback in the wake of a major business deal in the previous fiscal year, and lackluster performance in the hardware-related business, mainly for local government, education, and medium-sized enterprises, despite strong performance in the services domain, including system development. Operating profit was ¥188.7 billion, a decrease of ¥1.9 billion year on year. The decrease was attributable to an expansion in growth investments and the impact of delayed supply of components, despite increased efficiency in expenses and profitability improvement.

System Platforms posted revenue of ¥617.5 billion, down ¥16.2 billion, or 2.6%, year on year. The result includes the impact of delays in component procurement, which reduced revenue by ¥25.8 billion. The impact of a fallback from revenue associated with a super computer in the previous fiscal year was offset by an increase in revenue in the network business, primarily for 5G base stations. Operating profit was ¥56.6 billion, an increase of ¥17.8 billion year on year. In addition to the impact of increased sales in the network business, the increase in profit also reflected increased expense efficiency, including a decreased burden from business model transformation expenses related to the reorganization of domestic plants in the previous fiscal year.

In International Regions Excluding Japan, revenue came to ¥729.3 billion, up ¥5.6 billion, or 0.8%, year on year. The growth reflects increased sales in the services business in Northern & Western Europe (NWE) and North America, as well as the impact of the yen's depreciation in foreign exchange. Operating profit was ¥23.9 billion, up ¥12.3 billion year on year. In addition to the impact of the yen's depreciation in foreign exchange, the Company recorded one-time profits such as a gain on transfer of subsidiaries, among other factors, while all regions posted profits.

Technology Solutions (Common) recorded an operating loss of ¥134.4 billion, a deterioration of ¥86.5 billion year on year. The Company is increasing growth investments, including investments that accelerate the transformation of its own operations, which include internal DX and workstyle reforms. The Company is also promoting One ERP and workstyle reforms with the goal of becoming a fully data-driven operation, as well as steadily advancing its Work Life Shift initiative, aimed at increasing wellbeing and productivity.

The Technology Solutions segment has been divided into two business areas for value creation: "For Growth" and "For Stability." Here, we look at revenue in each.

Revenue in the "For Growth" business area was ¥1,050.8 billion, about level year on year. Solutions/Services recorded a 2% increase in sales, while International Regions Excluding Japan saw sales increase by 30% as services expanded, including the provision of global offerings, which contributed to this surge in sales. On the other hand, System Platforms sales decreased by 15%. Overseas sales of 5G base stations grew from the previous fiscal year but were unable to overcome the impact of a fallback from revenue recorded in the previous fiscal year from the supercomputer Fugaku that did not recur in the fiscal year under review.

Revenue in the "For Stability" business area was ¥2,005.5 billion, down 2% year on year, mainly reflecting component procurement impacts.

(b) Ubiquitous Solutions

Revenue in the Ubiquitous Solutions segment came to ¥237.1 billion, a decrease of 25.7% year on year. The decrease reflects a fallback from telework demand and the GIGA School business deal in the previous fiscal year. Operating profit was ¥5.8 billion, a decrease of ¥37.3 billion year on year. The decrease mainly reflects the absence of a ¥25.4 billion gain on the transfer of the mobile phone retail store business in the previous fiscal year, as well as the impact of lower revenue.

(c) Device Solutions

Revenue in the Device Solutions segment amounted to ¥375.9 billion, up 27.9% year on year. Electronic component sales were extremely favorable due to the increase in demand for semiconductors. Operating profit was ¥78.3 billion, an upturn of ¥48.5 billion year on year. In addition to the effect of higher sales, profitability increased significantly due to operational improvements.

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

(Billions of yen)

Years ended March 31		2021	**2022**	YoY change	Change (%)
Technology Solutions	Revenue	3,087.7	**3,056.3**	(31.3)	(1.0)
	Japan	2,237.6	**2,131.2**	(106.4)	(4.8)
	Outside Japan	850.1	**925.1**	75.0	8.8
Solutions/ Services	Revenue	1,883.6	**1,840.5**	(43.1)	(2.3)
	Japan	1,842.8	**1,795.1**	(47.7)	(2.6)
	Outside Japan	40.7	**45.3**	4.6	11.4
System Platforms	Revenue	633.7	**617.5**	(16.2)	(2.6)
	Japan	505.3	**416.5**	(88.7)	(17.6)
	Outside Japan	128.4	**200.9**	72.5	56.5
International Regions Excluding Japan	Revenue	723.7	**729.3**	5.6	0.8
	Japan	0.4	**0.6**	0.1	37.9
	Outside Japan	723.2	**728.7**	5.4	0.8
Common	Revenue	(153.3)	**(131.0)**	22.2	–
Ubiquitous Solutions	Revenue	319.0	**237.1**	(81.9)	(25.7)
	Japan	209.0	**129.6**	(79.3)	(38.0)
	Outside Japan	109.9	**107.4**	(2.5)	(2.3)
Device Solutions	Revenue	293.8	**375.9**	82.1	27.9
	Japan	75.8	**87.0**	11.1	14.7
	Outside Japan	217.9	**288.9**	70.9	32.6
Intersegment Elimination	Revenue	(110.9)	**(82.6)**	28.3	–
Consolidated	Revenue	3,589.7	**3,586.8**	(2.8)	(0.1)
	Japan	2,417.6	**2,269.8**	(147.7)	(6.1)
	Outside Japan	1,172.0	**1,316.9**	144.8	12.4
	Overseas revenue ratio	32.7%	**36.7%**	4.0 pp.	

(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		2021	**2022**	YoY change	Change (%)
NWE	Revenue	347.8	**362.7**	14.8	4.3
	Operating profit	5.3	**7.9**	2.5	47.2
	[Operating profit margin]	[1.6%]	**[2.2%]**	[0.6 pp.]	
CEE	Revenue	170.4	**169.0**	(1.4)	(0.8)
	Operating profit	5.4	**7.5**	2.0	37.6
	[Operating profit margin]	[3.2%]	**[4.5%]**	[1.3 pp.]	
Americas	Revenue	50.7	**39.1**	(11.5)	(22.8)
	Operating profit	(5.4)	**0.6**	6.1	–
	[Operating profit margin]	[(10.8%)]	**[1.7%]**	[12.5 pp.]	
Asia	Revenue	79.8	**83.4**	3.5	4.5
	Operating profit	2.6	**2.7**	0.1	6.6
	[Operating profit margin]	[3.3%]	**[3.3%]**	[– pp.]	
Oceania	Revenue	74.3	**79.7**	5.4	7.4
	Operating profit	1.7	**3.9**	2.2	123.7
	[Operating profit margin]	[2.4%]	**[5.0%]**	[2.6 pp.]	
Others	Revenue	0.4	**(4.7)**	(5.2)	–
	Operating profit	1.8	**1.0**	(0.8)	(44.1)
International Regions Excluding Japan	Revenue	723.7	**729.3**	5.6	0.8
	Operating profit	11.6	**23.9**	12.3	106.2
	[Operating profit margin]	[1.6%]	**[3.3%]**	[1.7 pp.]	

(a) NWE (Northern & Western Europe)

The NWE region includes the United Kingdom, Ireland, and other countries in Northern & Western Europe. Revenue in the region was ¥362.7 billion, an increase of 4.3% year on year. Operating profit came to ¥7.9 billion, up ¥2.5 billion year on year due to increased sales and cost efficiency.

(b) CEE (Central & Eastern Europe)

The CEE region includes Germany, Switzerland, Austria, and countries in Eastern Europe. Revenue came to ¥169.0 billion, down 0.8% year on year. Operating profit was ¥7.5 billion, an increase of ¥2.0 billion year on year. Profit increased mainly due to a gain on the transfer of a subsidiary, despite the impact of delays in component supplies on reducing sales.

(c) Americas

The Americas region comprises countries including the United States, Canada, Brazil, and others. Revenue amounted to ¥39.1 billion, down 22.8% from the previous fiscal year. To a large degree, this reflects the impact of a reorganization, including withdrawal from the products business; however, services business sales increased. Operating profit was ¥0.6 billion, an improvement of ¥6.1 billion year on year. The increase in profit was mainly due to the effect of business restructuring and increased sales in the services business.

(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 ¥83.4 billion, an increase of 4.5% year on year. Operating profit was ¥2.7 billion, a year-on-year increase of ¥0.1 billion.

(e) Oceania

The Oceania region includes Australia and New Zealand. Revenue was ¥79.7 billion, rising 7.4% year on year. Operating profit amounted to ¥3.9 billion, an increase of ¥2.2 billion year on year.

3. Assets, Liabilities, and Equity

Summarized Consolidated Statement of Financial Position

(Billions of yen)

At March 31	2021	**2022**	YoY change
Assets			
Current assets	1,873.0	**1,941.8**	68.7
Non-current assets	1,317.1	**1,389.9**	72.8
Total assets	3,190.2	**3,331.8**	141.6
Liabilities			
Current liabilities	1,289.4	**1,320.7**	31.2
Non-current liabilities	353.8	**295.3**	(58.4)
Total liabilities	1,643.3	**1,616.0**	(27.2)
Equity			
Total equity attributable to owners of the parent (Owners' equity)	1,450.1	**1,590.7**	140.5
Equity attributable to non-controlling interests	96.7	**125.0**	28.2
Total equity	1,546.9	**1,715.7**	168.8
Total liabilities and equity	3,190.2	**3,331.8**	141.6
Cash and cash equivalents	481.8	**484.0**	2.1
Interest-bearing loans	316.3	**285.3**	(31.0)
Net cash	165.5	**198.7**	33.1

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

Reference: Financial Indicators

At March 31	2021	**2022**	YoY change
Equity attributable to owners of the parent ratio (Owners' equity ratio)	45.5%	**47.7%**	2.2 pp.
D/E ratio (Times)	0.22	**0.18**	(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)

Consolidated total assets as of March 31, 2022 stood at ¥3,331.8 billion, an increase of ¥141.6 billion compared with March 31, 2021. Current assets increased ¥68.7 billion compared with the previous year-end, to ¥1,941.8 billion.

Inventories increased following supply delays for certain components, among other factors. Cash and cash equivalents were up ¥2.1 billion compared with March 31, 2021, to ¥484.0 billion. Non-current assets increased ¥72.8 billion compared with the previous year-end, to ¥1,389.9 billion. Favorable management of plan assets resulted in an increase in assets related to retirement benefits.

Total liabilities amounted to ¥1,616.0 billion, a decrease of ¥27.2 billion from March 31, 2021. Interest-bearing loans, which consist of current liabilities and non-current liabilities, corporate bonds, borrowings, and lease liabilities, totaled ¥285.3 billion, down ¥31.0 billion compared with the previous year-end. As a result, the D/E ratio was 0.18 times, a decrease of 0.04 of a point compared with the previous year-end. Net cash, which is cash and cash equivalents minus interest-bearing loans, was ¥198.7 billion, up ¥33.1 billion compared with the previous year-end.

Total equity was ¥1,715.7 billion, an increase of ¥168.8 billion compared with March 31, 2021. Retained earnings was ¥1,088.4 billion, an increase of ¥179.2 billion, mainly due to recording profit for the year attributable to owners of the parent. Other components of equity increased ¥8.8 billion compared with the previous year-end, to ¥63.5 billion. An increase in foreign currency translation adjustments had an impact on subsidiaries outside of Japan due to the yen's depreciation in foreign exchange. Meanwhile, treasury stock was negative ¥128.8 billion. The Company repurchased ¥50.0 billion of shares during the year ended March 31, 2022 as a shareholder return measure. As a result, total equity attributable to owners of the parent (owners' equity) was ¥1,590.7 billion, and the owners' equity ratio was 47.7%, an increase of 2.2 percentage points compared with March 31, 2021.

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 ¥58.8 billion.

Status of Retirement Benefit Plans

(Billions of yen)

At March 31	2021	**2022**	YoY change
a. Defined benefit obligation	1,604.7	**1,577.6**	(27.0)
b. Plan assets	1,565.5	**1,601.2**	35.6
c. Defined benefit obligation in excess of plan assets (b)–(a)	(39.1)	**23.5**	62.8

The defined benefit obligation of the employee defined benefit plans in Japan and outside Japan was ¥1,577.6 billion, down ¥27.0 billion compared with March 31, 2021. Plan assets stood at ¥1,601.2 billion, an increase of ¥35.6 billion compared with the previous year-end. As a result, the funded status of employee defined benefit plans (defined benefit obligation in excess of plan assets) amounted to an excess of ¥23.5 billion, representing an improvement of ¥62.8 billion compared with the previous year-end. The improvement mainly reflects a decrease in plan obligations due to a rise in the discount rate and an increase in plan assets owing to a rise in share prices.

4. Cash Flows

Summarized Consolidated Statement of Cash Flows

(Billions of yen)

Years ended March 31	2021	**2022**	YoY change
I Cash flows from operating activities	307.9	**248.3**	(59.6)
II Cash flows from investing activities	(71.5)	**(59.2)**	12.2
I+II Free cash flow	236.3	**189.0**	(47.3)
III Cash flows from financing activities	(219.6)	**(193.6)**	25.9
IV Cash and cash equivalents at end of year	481.8	**484.0**	2.1

(Reference)

(Billions of yen)

Years ended March 31	2021	**2022**	YoY change
Base cash flow (Note)	191.0	**211.8**	20.8

Note: Free cash flow before growth investments plus lease obligation payments

Net cash used in investing activities was ¥59.2 billion, a decrease in cash outflows of ¥12.2 billion compared with the previous fiscal year. The Company made capital expenditures of ¥32.0 billion directed toward growth.

Free cash flow, the sum of cash flows from operating and investing activities, was ¥189.0 billion, representing a decrease in net cash inflows of ¥47.3 billion compared with the previous fiscal year.

Base cash flow, which is free cash flow before growth investments plus lease obligation payments, was positive ¥211.8 billion, an increase in cash inflows of ¥20.8 billion compared with the previous fiscal year. Base cash flow is cash flow generated from business and optimization of asset holdings, and is the source of cash for funding growth investments and distribution of shareholder returns. With the expansion of base cash flow, growth investments and shareholder returns have both increased markedly from the previous fiscal year.

Net cash used in financing activities was ¥193.6 billion, a decrease in cash outflows of ¥25.9 billion compared with the previous fiscal year. The Company used ¥41.6 billion for payment of dividends and ¥50.1 billion for purchase of treasury stock. The decrease in cash outflows reflects a decrease in outflows for repayments of long-term borrowings and redemption of bonds, despite the amount of treasury stock purchases increasing by ¥30.0 billion compared with the previous fiscal year.

As of March 31, 2022, the Group had cash and cash equivalents of ¥484.0 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 stable, 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

Solutions/Services-related orders increased both inside and outside of Japan. The increase is partly due to the effects of global offerings in which the Group is standardizing its service provision globally.

Orders in Japan (Fujitsu Limited non-consolidated and Fujitsu Japan) contracted by 3% from the previous fiscal year, but a recovery trend has emerged.

By business, orders for PCs decreased by 23%, and orders for servers, networks, and others decreased by 17%; however, orders for the mainstay Solutions/Services business increased by 3%.

Orders by sector were as follows. In the private enterprise sector (manufacturing and distribution), the significant impact of a decrease in the first quarter resulted in a 1% decrease for the full year. From the second quarter onward, the volume of orders increased year on year, mainly due to capturing business deals for renewal of large-scale mission-critical systems in the mobility field. While customers were also impacted by the semiconductor supply shortage and high raw material prices, DX demand remained firm. In the finance and retail sector, orders grew by 3%. The Company won large-scale business deals mainly in the finance field while also seeing an increase in investments related to DX, including in the retail field. In the Japan region sector (government, social infrastructure, and others), orders decreased by 4%. The decrease reflects the impact of large-scale business deals in the previous fiscal year in the government and telecommunications carrier field. In the Fujitsu Japan sector (local government, healthcare and educational institutions, and small and medium-sized enterprises), orders decreased by 10%. For local government and healthcare, business deals have been delayed due to the continued strong impacts of COVID-19, despite high needs for DX. In education, there was a fallback in orders following the large-scale GIGA School business deal in the previous fiscal year. In small and medium-sized enterprises, orders were impacted by the shortage in component procurement and high prices for raw materials.

Overseas orders were as follows. In the NWE (Northern & Western Europe) region, services orders increased sharply, but product orders decreased significantly, for an overall decrease of 3%. In the services business in the United Kingdom, the Company continued to receive orders from the government for business deals to upgrade mission-critical systems, which started in the previous fiscal year. In the CEE (Central & Eastern Europe) region, the services business saw increased orders, but the products business saw orders decrease due to significant component supply issues, leading overall orders down by 1% for the year. In the Americas, orders increased 19%. The Company withdrew from the products business in this region and restructured, making a clean break to concentrate on the services business, which has started to grow steadily. In Asia, orders increased 21%, with steady growth mainly in Singapore, Taiwan, Thailand, and Vietnam. In Oceania, orders decreased 17%. This partially reflected the impact of a fallback from a major business deal in the previous fiscal year; however, the pipeline is growing for the year ending March 31, 2023 and beyond, with strong demand for services aimed at data use.

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."

7. Impact of the COVID-19 Pandemic

Although it is unclear when the COVID-19 pandemic will end, global economic activities gradually started to recover in the year ended March 31, 2022. Nevertheless, in terms of the financial impact on the Group's business results in the foreseeable future, 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 48%, 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.