Financial Section 2022

For the year ended March 31, 2022

Fujitsu Group
Integrated Report 2022

Contents

FIVE-YEAR SUMMARY

Fujitsu Limited and Consolidated Subsidiaries

(Millions of yen)

	IFRS				
Years ended / At March 31	2018	2019	2020	2021	**2022**
Revenue	¥4,098,379	¥3,952,437	¥3,857,797	¥3,589,702	**¥3,586,839**
Operating profit	182,489	130,227	211,483	266,324	**219,201**
Profit from continuing operations before income taxes	242,488	161,785	228,564	291,855	**239,986**
Profit for the year	177,255	110,718	160,326	213,523	**213,141**
Profit for the year attributable to owners of the parent	169,340	104,562	160,042	202,700	**182,691**
Total comprehensive income for the year	229,583	95,511	170,306	277,091	**263,094**
Total comprehensive income attributable to owners of the parent	219,838	89,311	171,361	264,945	**231,311**
Total equity	¥1,204,902	¥1,253,630	¥1,348,435	¥1,546,905	**¥ 1,715,749**
Total assets	3,121,522	3,104,842	3,187,445	3,190,206	**3,331,809**
Equity per share attributable to owners of the parent (Yen)	¥ 5,283.85	¥ 5,585.35	¥ 6,197.11	¥ 7,287.15	**¥ 8,094.70**
Basic earnings per share (Yen)	825.32	512.50	791.20	1,013.78	**924.21**
Diluted earnings per share (Yen)	825.28	512.33	790.76	1,012.63	**922.97**
Total equity attributable to owners of the parent	¥ 1,087,797	¥ 1,132,055	¥ 1,240,956	¥ 1,450,139	**¥ 1,590,713**
Equity attributable to owners of the parent ratio	34.8%	36.5%	38.9%	45.5%	**47.7%**
Return on equity attributable to owners of the parent (ROE)	17.2%	9.4%	13.5%	15.1%	**12.0%**
Price earnings ratio	7.93	15.58	12.33	15.78	**19.93**
Cash flows from operating activities	¥ 200,415	¥ 99,416	¥ 347,263	¥ 307,947	**¥ 248,347**
Cash flows from investing activities	(22,578)	4,142	(114,206)	(71,561)	**(59,267)**
Cash flows from financing activities	(112,496)	(136,622)	(193,164)	(219,626)	**(193,685)**
Cash and cash equivalents	452,671	416,742	453,036	481,833	**484,020**
Number of employees	140,365	132,138	129,071	126,371	**124,216**
Average number of temporary personnel	16,106	13,707	12,876	12,327	**12,674**

Notes: 1. The Company has prepared its consolidated financial statements in accordance with International Financial Reporting Standards (IFRS).

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

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

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

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

The following section, Management's Discussion and Analysis of Operations, provides an overview of the 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

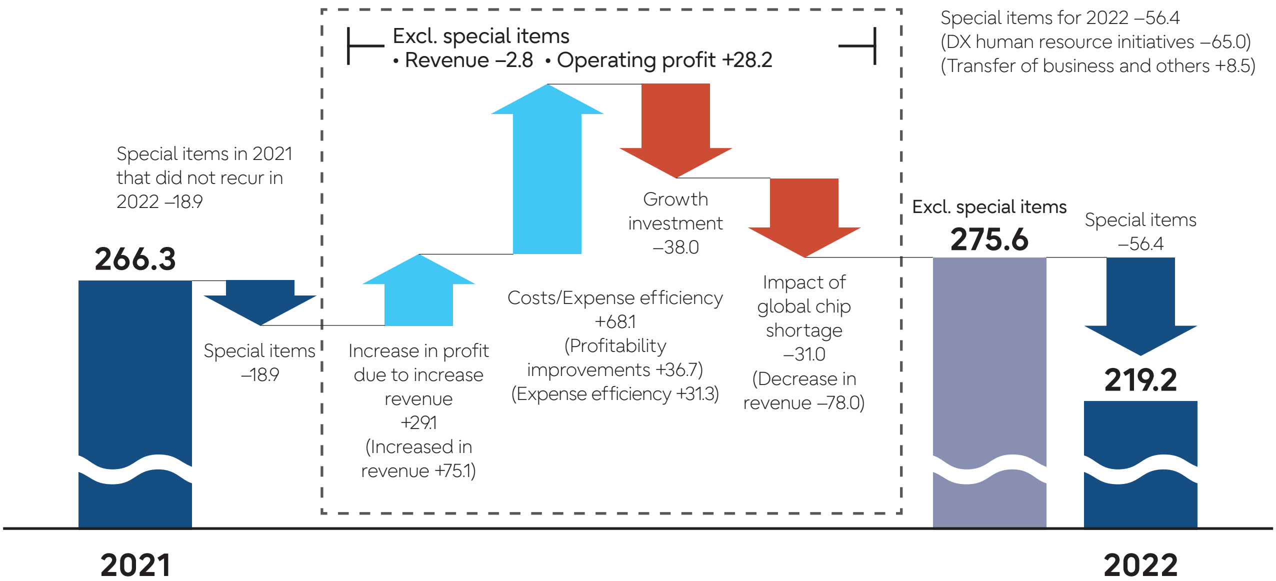
With the aim of realizing its purpose and improving corporate value sustainably into the future, the Group has established a capital allocation policy that allocates in a well-balanced manner free cash flow generated through its business activities to strategic investments contributing to business growth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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Fujitsu Limited and Consolidated Subsidiaries

		(Millions of yen)	
At March 31	Notes	2021	2022
Assets			
Current assets			
Cash and cash equivalents	16	¥ 481,832	¥ 484,020
Trade receivables	15	859,930	878,473
Other receivables	15	48,769	62,327
Contract assets	25	101,941	116,357
Inventories	14	237,013	309,829
Others		131,392	90,823
Subtotal		1,860,877	1,941,829
Assets held for sale	17	12,215	–
Total current assets		1,873,092	1,941,829
Non-current assets			
Property, plant and equipment, net of accumulated depreciation	8, 27	569,593	571,168
Goodwill	9, 27	41,239	47,487
Intangible assets	9, 27	120,459	133,856
Investments accounted for using the equity method	11	154,396	166,126
Other investments	12	176,891	170,105
Retirement benefit asset	21	110,797	139,543
Deferred tax assets	13	76,661	99,838
Others		67,078	61,857
Total non-current assets		1,317,114	1,389,980
Total Assets		¥3,190,206	¥3,331,809

(Millions of yen)

At March 31	Notes	2021	2022
Liabilities and Equity			
Liabilities			
Current liabilities			
Trade payables	24	¥ 468,139	¥ 470,237
Other payables	24	358,425	403,873
Contract liabilities	25	162,577	166,926
Short-term borrowings, current portion of long-term debt and lease liabilities	20, 22	174,268	168,766
Accrued income taxes		32,183	34,610
Provisions	23	60,680	42,851
Others		32,180	33,472
Subtotal		1,288,452	1,320,735
Liabilities directly associated with assets held for sale	17	1,045	–
Total current liabilities		1,289,497	1,320,735
Non-current liabilities			
Long-term debt and lease liabilities	20, 22	142,057	116,553
Retirement benefit liabilities	21	149,994	115,972
Provisions	23	26,615	21,416
Deferred tax liabilities	13	8,451	15,305
Others		26,687	26,079
Total non-current liabilities		353,804	295,325
Total Liabilities		1,643,301	1,616,060
Equity			
Share capital	18	324,625	324,625
Capital surplus	18	241,254	243,048
Treasury stock, at cost	18	(79,495)	(128,897)
Retained earnings	18	909,139	1,088,429
Other components of equity	18	54,616	63,508
Total equity attributable to owners of the parent		1,450,139	1,590,713
Non-controlling interests	10	96,766	125,036
Total Equity		1,546,905	1,715,749
Total Liabilities and Equity		¥3,190,206	¥3,331,809

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

Fujitsu Limited and Consolidated Subsidiaries

Consolidated Statement of Profit or Loss

(Millions of yen, except per share data)

Years ended March 31	Notes	2021	2022
Revenue	6, 25	¥3,589,702	¥3,586,839
Cost of sales	14	(2,509,454)	(2,468,188)
Gross profit		1,080,248	1,118,651
Selling, general and administrative expenses		(834,519)	(852,775)
Other income	26, 27	46,748	39,807
Other expense	26, 27	(26,153)	(86,482)
Operating Profit	6	266,324	219,201
Financial income	29	14,200	11,475
Financial expenses	29	(3,995)	(4,543)
Income from investments accounted for using the equity method, net	11	15,326	13,853
Profit before Income Taxes		291,855	239,986
Income tax expenses	13	(78,332)	(26,845)
Profit for the Year		213,523	213,141
Profit for the year attributable to:			
Owners of the parent		202,700	182,691
Non-controlling interests		10,823	30,450
Total		¥ 213,523	¥ 213,141
Earnings per share			
Basic earnings per share (Yen)	31	¥1,013.78	¥924.21
Diluted earnings per share (Yen)	31	1,012.63	922.97

Consolidated Statement of Comprehensive Income

(Millions of yen)

Years ended March 31	Notes	2021	2022
Profit for the Year		¥213,523	¥213,141
Other Comprehensive Income			
Items that will not be reclassified to profit or loss			
Financial assets measured at fair value through other comprehensive income	18	30,994	(294)
Remeasurements of defined benefit plans	18, 21	7,804	33,001
Share of other comprehensive income of investments accounted for using the equity method	18	312	(51)
		39,110	32,656
Items that may be reclassified subsequently to profit or loss			
Foreign currency translation adjustments	18	22,022	14,721
Cash flow hedges	18	(266)	(173)
Share of other comprehensive income of investments accounted for using the equity method	18	2,702	2,749
		24,458	17,297
Total Other Comprehensive Income for the Year, Net of Taxes		63,568	49,953
Total Comprehensive Income for the Year		¥277,091	¥263,094
Total comprehensive income for the year attributable to:			
Owners of the parent		264,945	231,311
Non-controlling interests		12,146	31,783
Total		¥277,091	¥263,094

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Fujitsu Limited and Consolidated Subsidiaries

(Millions of yen)

		Equity attributable to owners of the parent							
	Notes	Share capital	Capital surplus	Treasury stock, at cost	Retained earnings	Other components of equity	Total	Non-controlling interests	Total equity
Balance at April 1, 2020		¥324,625	¥237,654	¥ (59,614)	¥ 735,920	¥ 2,371	¥1,240,956	¥107,479	¥1,348,435
Profit for the year					202,700		202,700	10,823	213,523
Other comprehensive income	18					62,245	62,245	1,323	63,568
Total comprehensive income for the year		–	–	–	202,700	62,245	264,945	12,146	277,091
Purchase of treasury stock	18			(20,141)			(20,141)		(20,141)
Disposal of treasury stock	18		1	3			4		4
Share-based payment transactions	33		1,284	257			1,541		1,541
Dividends paid	19				(40,052)		(40,052)	(2,489)	(42,541)
Transfer to retained earnings					9,996	(9,996)	–		–
Acquisition (disposal) of non-controlling interests	10		3,064				3,064	(20,810)	(17,746)
Others			(749)		575	(4)	(178)	440	262
Balance at March 31, 2021		¥324,625	¥241,254	¥ (79,495)	¥ 909,139	¥ 54,616	¥1,450,139	¥ 96,766	¥1,546,905
Profit for the year					182,691		182,691	30,450	213,141
Other comprehensive income	18					48,620	48,620	1,333	49,953
Total comprehensive income for the year		–	–	–	182,691	48,620	231,311	31,783	263,094
Purchase of treasury stock	18			(50,164)			(50,164)		(50,164)
Disposal of treasury stock	18		0	0			0		0
Share-based payment transactions	33		683	762			1,445		1,445
Dividends paid	19				(41,680)		(41,680)	(3,303)	(44,983)
Transfer to retained earnings					39,724	(39,724)	–		–
Acquisition (disposal) of non-controlling interests	10		(339)				(339)	339	–
Others			1,450		(1,445)	(4)	1	(549)	(548)
Balance at March 31, 2022		¥324,625	¥243,048	¥(128,897)	¥1,088,429	¥ 63,508	¥1,590,713	¥125,036	¥1,715,749

CONSOLIDATED STATEMENT OF CASH FLOWS

Fujitsu Limited and Consolidated Subsidiaries

		(Millions of yen)	
Years ended March 31	Notes	2021	2022
Cash Flows from Operating Activities			
Profit before income taxes		¥291,855	¥239,986
Depreciation, amortization and impairment loss		175,828	186,376
Increase (decrease) in provisions		(1,252)	(21,207)
Increase (decrease) in net defined benefit liability		(31,822)	(26,156)
Interest and dividend income		(3,783)	(3,580)
Interest charges		3,047	2,955
Income from investments accounted for using the equity method, net		(15,326)	(13,853)
Gain on sales of subsidiaries' stocks		(26,645)	(9,747)
(Increase) decrease in trade receivables		27,804	(8,694)
(Increase) decrease in contract assets		(5,880)	(12,621)
(Increase) decrease in inventories		3,511	(69,201)
Increase (decrease) in trade payables		(18,215)	(7,261)
Increase (decrease) in contract liabilities		(2,682)	831
Other, net	22	(7,238)	41,245
Cash generated from operations		389,202	299,073
Interest received		1,238	1,049
Dividends received		4,424	7,402
Interest paid		(3,128)	(2,994)
Income taxes paid		(83,789)	(56,183)
Net Cash Provided by Operating Activities		307,947	248,347
Cash Flows from Investing Activities			
Purchases of property, plant, equipment, and intangible assets		(128,771)	(143,251)
Proceeds from sale of investment securities		9,343	21,343
Net proceeds from sale of subsidiaries and business		42,743	16,322
Collection of loans receivable		12,189	2,980
Decrease (increase) in short-term investment		(4,577)	42,826
Other, net		(2,488)	513
Net Cash Used in Investing Activities		(71,561)	(59,267)
Cash Flows from Financing Activities			
Increase (decrease) in short-term borrowings	22	7,840	15,668
Proceeds from long-term debt and issuance of bonds	22	545	135
Repayment of long-term debt and bonds	22	(80,373)	(53,423)
Payment of lease liabilities	22	(68,103)	(62,328)
Purchase of treasury stock		(20,141)	(50,164)
Dividends paid to owners of the parent		(40,052)	(41,680)
Acquisition of non-controlling interests		(17,577)	–
Other, net		(1,765)	(1,893)
Net Cash Used in Financing Activities		(219,626)	(193,685)
Net Increase (Decrease) in Cash and Cash Equivalents		16,760	(4,605)
Cash and Cash Equivalents at Beginning of Year		453,036	481,833
Effect of Exchange Rate Changes on Cash and Cash Equivalents		12,037	6,792
Cash and Cash Equivalents at End of Year		¥481,833	¥484,020

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Fujitsu Limited and Consolidated Subsidiaries

1. Reporting Entity

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

2. Basis of Preparation

(a) Compliance with International Financial Reporting Standards

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

The consolidated financial statements were approved on on June 27, 2022 by Takahito Tokita, President and Representative Director, and Takeshi Isobe, Chief Financial Officer.

(b) Basis of measurement

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

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

(c) Functional currency and presentation currency

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

3. Significant Accounting Policies

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

(a) Basis of consolidation

(i) Business combinations

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

The Group measures goodwill at the acquisition date as follows:

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

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

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

(ii) Acquisition of non-controlling interests

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

(iii) Subsidiaries

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

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

(iv) Loss of control

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

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

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

(vi) Consolidation adjustments

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

(b) Foreign currencies

(i) Transactions denominated in foreign currencies

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

(ii) Financial statements of foreign operations

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

(c) Financial instruments

(i) Non-derivative financial assets

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

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

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

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

Financial assets measured at amortized cost

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

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

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

Financial assets measured at fair value

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

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

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

(ii) Impairment of financial assets measured at amortized cost

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

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

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

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

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

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

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

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

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

(iii) Non-derivative financial liabilities

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

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

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

(iv) Presentation of financial assets and financial liabilities

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

(v) Derivative financial instruments

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

Derivatives to which hedge accounting is not applied

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

Derivatives to which hedge accounting is applied

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

Cash flow hedges

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

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

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

(i) Recognition and measurement

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

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

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

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

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

(ii) Subsequent expenditure

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

(iii) Depreciation

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

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

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

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

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

(e) Goodwill

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

Subsequent measurement

Goodwill is measured at cost less accumulated impairment losses.

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

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

(i) Research and development

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

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

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

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

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

(ii) Software and other intangibles

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

(iii) Amortization

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

The estimated useful lives are:

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

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

(g) Leases

(i) Recognition and measurement

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

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

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

(ii) Depreciation

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

(iii) Reassessment of lease liabilities

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

(h) Inventories

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

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

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

(i) Cash and cash equivalents

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

(j) Impairment of non-financial assets

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

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

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

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

(k) Assets classified as held for sale

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

(l) Employee benefits

(i) Retirement benefit plans

Defined benefit plans

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

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

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

Defined contribution plans

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

(ii) Termination benefits

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

(iii) Short-term employee benefits

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

(m) Provisions

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

(i) Provision for restructuring

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

(ii) Provision for product warranties

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

(iii) Provision for contract losses

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

(iv) Asset retirement obligation

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

(n) Share capital

Ordinary shares

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

Treasury shares

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

(o) Share-based payment

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

(p) Revenue

(i) Service revenue

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

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

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

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

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

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

(ii) Hardware product revenue

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

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

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

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

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

(iii) Licensing revenue

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

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

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

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

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

(iv) Contracts with multiple deliverables

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

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

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

(v) Agent transactions

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

(vi) Contract costs

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

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

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

(vii) Contract assets and contract liabilities

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

(viii) Significant financing components in the contract

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

(ix) Operating leases

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

(q) Financial income and expenses

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

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

(r) Income tax expenses

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

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

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

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

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

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

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

(s) Discontinued operations

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

4. Use of Accounting Estimates and Judgments

The preparation of financial statements in conformity with IFRS requires management to make judgments, estimates, and assumptions that affect the application of policies and reported amounts of assets and liabilities and income and expenses. The estimates and assumptions are reviewed by management on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

The Company has formulated a business plan that reflects future uncertainties, including revenue, for determining impairment of goodwill, property, plant and equipment, and intangible assets, and the recoverability of deferred tax assets.

It remains unclear when the COVID-19 pandemic will end, given the emergence of new variants and other factors. 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.

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

(a) Revenue recognition

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

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

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

(b) Property, plant and equipment

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

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

(c) Goodwill

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

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

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

(d) Intangible assets

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

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

(e) Financial assets measured at fair value

A financial asset measured at fair value is measured at fair value at the reporting date. Changes in the fair value are recognized in increasing or decreasing profit or loss or other comprehensive income. When a quoted price in an active market is not available, the fair value is estimated based on discounted future cash flow or other appropriate valuation method, and unobservable inputs are used. Unobservable inputs could be affected by changes in uncertain economic conditions in the future. When they require revision, profit or loss or other comprehensive income could increase or decrease. Regarding the carrying amount and fair value assessment of financial assets, please refer to Note “34. Financial Instruments”.

(f) Deferred tax assets

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

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

(g) Provisions

Provision for restructuring

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

Provision for contract losses

The Group records provisions for losses on service contracts in which the Company undertakes an obligation to provide deliverables, such as turnkey contracts, if it is probable that the total estimated project costs exceed the total estimated project revenues and the amount of losses can be reliably measured. Total estimated project costs are estimated based on the specifications and service period, etc., of each project and the Group may revise the originally estimated total project costs due to the incurrence of additional cost, etc., as well as the possibility of incurring additional expenses or the recording of a reversal of expenses.

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

(h) Defined benefit plan

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

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

5. Accounting Standards Issued but not yet Effective

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

6. Segment Information

(1) Segment overview

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

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

(a) Technology Solutions

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

(b) Ubiquitous Solutions

This segment consists of "client computing devices" such as PCs.

(c) Device Solutions

This segment consists of LSI devices and electronic components such as semiconductor packages and batteries.

Figures for the year ended March 31, 2021 have been reclassified to reflect the following changes.

1) Changes in sales channels in conjunction with the establishment of Fujitsu Japan Limited
By reportable segment, revenue and operating profit increased in Technology Solutions but decreased in Ubiquitous Solutions. With regard to Intersegment Elimination, the amount attributable to revenue declined (increase in the negative amount). As for products and services, revenue rose for services but fell for System Platforms and client computing devices. There were no changes to the information by region.

2) Change in the jurisdiction of the system engineering business for smartphone carriers from System Platforms to Solutions and Services
As the reclassification took place within Technology Solutions, the information by reportable segment remains unchanged. As for products and services, revenue increased for services but decreased for System Platforms.

There were no changes to the information by region.

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

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

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

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

(Millions of yen)

	Reportable segments					
Years ended March 31	Technology Solutions	Ubiquitous Solutions	Device Solutions	Subtotal	Corporate Elimination	Consolidated
2021						
Revenue						
External customers	¥3,061,299	¥243,840	¥284,563	¥3,589,702	¥ –	¥3,589,702
Intersegment	26,478	75,186	9,295	110,959	(110,959)	–
Total revenue	3,087,777	319,026	293,858	3,700,661	(110,959)	3,589,702
Operating Profit	193,273	43,246	29,805	266,324	–	266,324
Financial income						14,200
Financial expenses						(3,995)
Income from investments accounted for using the equity method, net						15,326
Profit before income taxes						291,855
(Other items)						
Depreciation and amortization	(150,923)	(908)	(21,893)	(173,724)	–	(173,724)
Impairment loss	(3,326)	(124)	(15)	(3,465)	–	(3,465)
Reversal of impairment loss	592	166	–	758	–	758
Capital expenditure (including intangible assets and goodwill)	150,435	603	42,436	193,474	–	193,474
2022						
Revenue						
External customers	¥3,035,438	¥186,950	¥364,451	¥3,586,839	¥ –	¥3,586,839
Intersegment	20,940	50,165	11,532	82,637	(82,637)	–
Total revenue	3,056,378	237,115	375,983	3,669,476	(82,637)	3,586,839
Operating Profit	135,001	5,881	78,319	219,201	–	219,201
Financial income						11,475
Financial expenses						(4,543)
Income from investments accounted for using the equity method, net						13,853
Profit before income taxes						239,986
(Other items)						
Depreciation and amortization	(147,186)	(486)	(34,799)	(182,471)	–	(182,471)
Impairment loss	(2,889)	–	(1,465)	(4,354)	–	(4,354)
Reversal of impairment loss	429	–	–	429	–	429
Capital expenditure (including intangible assets and goodwill)	159,996	413	44,001	204,410	–	204,410

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

(3) Information about products and services

Revenue from external customers

(Millions of yen)

Years ended March 31	2021	2022
Technology Solutions		
Services	¥2,607,365	¥2,569,893
System platforms*	422,877	432,751
Other	31,057	32,794
Ubiquitous Solutions		
Client computing device	243,840	186,950
Device Solutions		
Electronic components	284,563	364,451
Total	¥3,589,702	¥3,586,839

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

(4) Geographical information

(a) Revenue from external customers

(Millions of yen)

Years ended March 31	2021	2022
Japan	¥2,417,617	¥2,269,892
Outside Japan		
NWE (Northern & Western Europe)	373,435	383,171
CEE (Central & Eastern Europe)	251,523	254,127
Americas	172,979	238,903
Asia	266,057	331,526
Oceania	73,767	78,639
Others	34,324	30,581
Total	¥3,589,702	¥3,586,839

Notes: 1. Revenue from external customers is classified by countries or regions based on locations of customers.
2. There is no significant country for which a separate individual disclosure is required.
3. NWE (Northern & Western Europe) includes the UK, Finland, Sweden, Denmark, Norway, Spain, Portugal, France, Belgium, Luxembourg, and the Netherlands. CEE (Central & Eastern Europe) includes Germany, Austria, Switzerland, Poland, and Russia.
4. Others include Europe other than NWE and CEE, the Middle East, and Africa.

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

(Millions of yen)

At March 31	2021	2022
Japan	¥558,951	¥572,400
Outside Japan		
NWE (Northern & Western Europe)	62,651	63,575
CEE (Central & Eastern Europe)	39,313	37,199
Americas	16,068	19,127
Asia	22,561	23,761
Oceania	31,739	36,407
Others	8	42
Total	¥731,291	¥752,511

Notes: 1. Revenue from external customers is classified by countries or regions based on locations of customers.
2. There is no significant country for which a separate individual disclosure is required.
3. NWE (Northern & Western Europe) includes the UK, Finland, Sweden, Denmark, Norway, Spain, Portugal, France, Belgium, Luxembourg, and the Netherlands. CEE (Central & Eastern Europe) includes Germany, Austria, Switzerland, Poland, and Russia.
4. Others include Europe other than NWE and CEE, the Middle East, and Africa.

(5) Information about major customers

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

7. Business Combinations and Acquisition of Non-Controlling Interests

Not applicable.

8. Property, Plant and Equipment

Carrying amount

(Millions of yen)

	Land	Buildings	Machinery and equipment, tools, fixtures and fittings	Construction in progress	Total
Balance at April 1, 2020	¥61,236	¥321,648	¥142,108	¥45,178	¥570,170
Additions	232	56,228	74,205	4,921	135,586
Depreciation	(114)	(68,429)	(63,208)	–	(131,751)
Impairment losses	(182)	(652)	(1,344)	(97)	(2,275)
Reversal of impairment losses	97	292	360	–	749
Disposals or reclassifications to assets held for sale	(932)	(11,784)	(1,371)	(987)	(15,074)
Exchange differences on translation	176	9,059	3,090	470	12,795
Others	(99)	(2,897)	2,925	(536)	(607)
Balance at March 31, 2021	60,414	303,465	156,765	48,949	569,593
Additions	338	76,364	89,938	(17,980)	148,660
Depreciation	(102)	(70,374)	(73,516)	–	(143,992)
Impairment losses	(268)	(691)	(695)	(73)	(1,727)
Reversal of impairment losses	–	427	2	–	429
Disposals or reclassifications to assets held for sale	(1,394)	(7,084)	(2,225)	(1,277)	(11,980)
Exchange differences on translation	217	5,215	2,667	100	8,199
Others	(2)	813	2,051	(876)	1,986
Balance at March 31, 2022	¥59,203	¥308,135	¥174,987	¥28,843	¥571,168

Cost

(Millions of yen)

	Land	Buildings	Machinery and equipment, tools, fixtures and fittings	Construction in progress	Total
April 1, 2020	¥81,157	¥831,203	¥924,874	¥45,183	¥1,882,417
March 31, 2021	79,384	864,635	925,485	49,047	1,918,551
March 31, 2022	78,452	886,379	917,106	29,106	1,911,043

Accumulated depreciation and accumulated impairment losses

(Millions of yen)

	Land	Buildings	Machinery and equipment, tools, fixtures and fittings	Construction in progress	Total
April 1, 2020	¥19,921	¥509,555	¥782,766	¥ 5	¥1,312,247
March 31, 2021	18,970	561,170	768,720	98	1,348,958
March 31, 2022	19,249	578,244	742,119	263	1,339,875

Notes: 1. Additions under “Construction in progress” are shown on a net basis that includes an increase in the amount of new additions and amounts transferred to each item in property, plant and equipment.
2. Impairment losses of ¥2,275 million and ¥1,727 million recorded for the years ended March 31, 2021 and 2022, respectively, are included in other expenses in the consolidated statement of profit or loss.
3. The amount of expenditures recognized in the carrying amount of an item of property, plant and equipment in the course of its construction is included in construction in progress and totaled ¥36,651 million and ¥22,580 million at March 31, 2021 and 2022, respectively.

IFRS 16 Leases

Depreciation of right-of-use assets

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

(Millions of yen)

Years ended March 31	2021	2022
Land	¥ 114	¥ 102
Buildings	49,154	47,227
Machinery and equipment, tools, fixtures and fittings	13,255	13,397
Total	¥62,523	¥60,726

Carrying amount of right-of-use assets

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

(Millions of yen)

At March 31	2021	2022
Land	¥ 1,081	¥ 1,074
Buildings	117,222	124,756
Machinery and equipment, tools, fixtures and fittings	33,704	26,672
Total	¥152,007	¥152,502

9. Goodwill and Intangible Assets

Carrying amount

(Millions of yen)

		Intangible assets		
	Goodwill	Software	Others	Total
Balance at April 1, 2020	¥36,709	¥ 93,575	¥13,638	¥107,213
Additions	–	55,989	1,235	57,224
Acquisitions through business combinations	1,079	–	353	353
Amortization	–	(39,358)	(2,615)	(41,973)
Impairment losses	–	(553)	(34)	(587)
Reversal of impairment losses	–	9	–	9
Disposals or reclassifications to assets held for sale	–	(1,675)	(1,519)	(3,194)
Exchange differences on translation	4,043	1,820	145	1,965
Others	(592)	(356)	(195)	(551)
Balance at March 31, 2021	41,239	109,451	11,008	120,459
Additions	–	54,695	1,055	55,750
Acquisitions through business combinations	5,408	–	1,048	1,048
Amortization	–	(36,399)	(2,080)	(38,479)
Impairment losses	(425)	(1,970)	(232)	(2,202)
Reversal of impairment losses	–	–	–	–
Disposals or reclassifications to assets held for sale	–	(3,356)	(182)	(3,538)
Exchange differences on translation	2,434	1,222	375	1,597
Others	(1,169)	(848)	69	(779)
Balance at March 31, 2022	¥47,487	¥122,795	¥11,061	¥133,856

Cost

(Millions of yen)

		Intangible assets		
	Goodwill	Software	Others	Total
April 1, 2020	¥38,702	¥210,560	¥28,172	¥238,732
March 31, 2021	43,424	221,070	35,003	256,073
March 31, 2022	49,426	236,052	31,576	267,628

Accumulated amortization and accumulated impairment losses

(Millions of yen)

		Intangible assets		
	Goodwill	Software	Others	Total
April 1, 2020	¥1,993	¥116,985	¥14,534	¥131,519
March 31, 2021	2,185	111,619	23,995	135,614
March 31, 2022	1,939	113,257	20,515	133,772

Notes: 1. Intangible assets that fall under the category of internally generated are mainly software.
The carrying amounts of internally generated software included in intangible assets totaled ¥100,709 million at March 31, 2021 and ¥112,059 million at March 31, 2022. Additions from internal development included in the above "Additions" totaled ¥52,412 million and ¥50,326 million during the years ended March 31, 2021 and March 31, 2022, respectively.
2. Amortization is included in cost of sales and selling, general and administrative expenses in the consolidated statement of profit or loss.
3. Impairment losses on intangible assets of ¥587 million recorded for the year ended March 31, 2021, and on goodwill and intangible assets of ¥425 million and ¥2,202 million recorded for the year ended March 31, 2022 are included in other expenses in the consolidated statement of profit or loss.

Research and development expenses for the years ended March 31, 2021 and 2022 are as follows.

(Millions of yen)

Years ended March 31	2021	2022
Research and development expenses	¥113,816	¥105,354

10. Subsidiaries

(1) Major subsidiaries

The Group's consolidated financial statements are prepared with the consolidation of 317 subsidiaries. Major changes for the year ended March 31, 2022 are as follows.

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

Excluded due to liquidations, sale, or other: 25 companies

Excluded due to mergers: 30 companies

The major subsidiaries at March 31, 2022 are as follows.

Segments	Name	Country	Ratio of total voting rights (%)
Technology Solutions	Fujitsu Frontech Limited	Japan	100.00
	Fujitsu Japan Limited	Japan	100.00
	PFU Limited	Japan	100.00
	Fujitsu Network Solutions Limited	Japan	100.00
	Fujitsu FSAS Inc.	Japan	100.00
	Transtron Inc.	Japan	51.00
	Fujitsu Services Holdings PLC	UK	100.00
	Fujitsu Technology Solutions (Holding) B.V.*	Netherlands	100.00
	Fujitsu America, Inc.	US	100.00
	Fujitsu Network Communications, Inc.	US	100.00
	Fujitsu Australia Limited	Australia	100.00
	Fujitsu Asia Pte. Ltd.	Singapore	100.00
Ubiquitous Solutions	Fujitsu Personal System Limited	Japan	100.00
Device Solutions	Shinko Electric Industries Co., LTD.	Japan	50.05
	FDK Corporation	Japan	58.90

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

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

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

Years ended March 31	2021	2022
	(Millions of yen)	
Impact on capital surplus from equity transactions with non-controlling interests	¥3,064	¥(339)

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

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

Shinko Electric Industries Co., LTD.

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

Years ended March 31	2021	2022
	(Millions of yen)	
Profit or loss allocated to non-controlling interests	¥9,120	¥26,353

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

(Millions of yen)

At March 31	2021	2022
Proportion of ownership interests held by non-controlling interests	49.95%	49.95%
Accumulated non-controlling interests	¥76,625	¥101,115

(c) Dividends paid to non-controlling interests

(Millions of yen)

Years ended March 31	2021	2022
Dividends paid to non-controlling interests	¥(1,687)	¥(2,362)

(d) Summarized financial information

(i) Summarized consolidated statement of financial position

(Millions of yen)

At March 31	2021	2022
Current assets	¥124,533	¥192,828
Non-current assets	116,157	125,776
Total assets	¥240,690	¥318,604
Current liabilities	¥ 84,677	¥115,042
Non-current liabilities	2,615	1,558
Total liabilities	87,292	116,600
Total equity	153,398	202,004
Total liabilities and equity	¥240,690	¥318,604

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

(Millions of yen)

Years ended March 31	2021	2022
Revenue	¥188,059	¥271,950
Profit for the year	18,259	52,735
Other comprehensive income	886	967
Comprehensive income for the year	¥ 19,145	¥ 53,702

(iii) Summarized consolidated statement of cash flows

(Millions of yen)

Years ended March 31	2021	2022
Net cash provided by operating activities	¥33,943	¥67,802
Net cash used in investing activities	(32,019)	(41,731)
Net cash provided by financing activities	539	178
Net increase (decrease) in cash and cash equivalents	2,463	26,249
Cash and cash equivalents at end of year	¥42,508	¥68,758

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

11. Associates

(1) Major associates

The major associates at March 31, 2022 are as follows.

Name	Country	Ratio of total voting rights (%)	Business description
Fujitsu General Limited	Japan	44.08	Development, production, and sales of air conditioners and information communications equipment and electronic devices, as well as provision of services
Fujitsu Client Computing Limited	Japan	44.00	Development, design, manufacturing, sales of notebook computers, desktop computers, etc.
Socionext Inc.	Japan	40.00	Design, development, and sales of SoC (System on a Chip) and provision of solutions and services
Fujitsu Component Limited	Japan	25.00	Development, manufacture and sales of electronic components and devices
Fujitsu Leasing Co., LTD.	Japan	20.00	Leasing and sales of information processing equipment, communications equipment, etc.

Notes: 1. Investments in associates are accounted for using the equity method and the number of companies to which the method applies is 19. During the year ended March 31, 2022, two companies were included and three companies were excluded.
2. The Group holds 20% or more of the JECC Corporation shares issued, but because it is a special company operated through the joint capital investment of six companies, including domestic computer manufacturing companies, for the promotion of the domestic data processing industry, it is not an equity method associate

(2) Summarized financial information of material equity method associates

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

Fujitsu General Limited

(a) Dividends received from Fujitsu General Limited

(Millions of yen)

Years ended March 31	2021	2022
Dividends received from Fujitsu General Limited	¥1,338	¥1,430

(b) Summarized consolidated financial information

(i) Summarized consolidated statement of financial position

(Millions of yen)

At March 31	2021	2022
Current assets	¥170,108	¥185,929
Non-current assets	89,564	92,076
Total assets	¥259,672	¥278,005
Current liabilities	¥105,212	¥117,294
Non-current liabilities	28,308	27,189
Total liabilities	133,520	144,483
Equity attributable to owners of the parent	122,365	128,980
Non-controlling interests	3,787	4,542
Total equity	126,152	133,522
Total liabilities and equity	¥259,672	¥278,005

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

(Millions of yen)

Years ended March 31	2021	2022
Revenue	¥265,452	¥284,128
Profit for the year	12,742	6,720
Other comprehensive income	6,133	4,896
Total comprehensive income for the year	¥ 18,875	¥ 11,616

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

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

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

(Millions of yen)

At March 31	2021	2022
Equity attributable to owners of the parent	¥122,365	¥128,980
Ownership interest	44.07%	44.06%
Equity attributable to the Group	¥ 53,926	¥ 56,829
Unrealized gains and losses	¥ (455)	¥ (455)
Carrying amount of the Group's investment in the equity method associate	¥ 53,471	¥ 56,374
Fair value of the Group's investment in the equity method associate	¥142,283	¥110,229

12. Other Investments

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

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

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

(Millions of yen)

At March 31	2021	2022
JECC Corporation	¥37,460	¥37,827
Palantir Technologies Inc.	27,725	18,068
Toyota Motor Corporation	12,166	15,692
Fuji Electric Co., Ltd.	18,747	11,251
DENSO TEN Limited	5,976	8,273

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

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

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

(Millions of yen)

Years ended March 31	2021	2022
Fair value	¥8,382	¥18,023
Cumulative gain or loss	4,345	8,915
Dividend income	189	127

13. Income Taxes

(1) Deferred tax assets and liabilities

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

(Millions of yen)

At March 31	2021	2022
Deferred tax assets		
Lease liabilities	¥ 32,433	¥ 35,185
Accrued bonuses	35,971	34,723
Investments in affiliates and other companies	4,240	30,891
Excess of depreciation and amortization, impairment losses, etc.	27,039	30,608
Carryforward of unused tax losses	9,347	12,686
Inventories	11,128	12,077
Net defined benefit liability	6,120	–
Others	22,406	17,960
Total deferred tax assets	148,684	174,130
Deferred tax liabilities		
Right-of-use assets	(36,040)	(39,382)
Financial assets measured at fair value through other comprehensive income	(33,296)	(29,450)
Net defined benefit asset	–	(12,622)
Undistributed profits primarily of subsidiaries outside Japan, etc.	(4,564)	(4,827)
Others	(6,574)	(3,316)
Total deferred tax liabilities	(80,474)	(89,597)
Net deferred tax assets	¥ 68,210	¥ 84,533

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

(Millions of yen)

At March 31	2021	2022
Deferred tax assets	¥76,661	¥99,838
Deferred tax liabilities	(8,451)	(15,305)

(b) Changes in net deferred tax assets

(Millions of yen)

Years ended March 31	2021	2022
Opening balance	¥96,266	¥68,210
Amounts recognized through profit or loss	(13,936)	19,624
Amounts recognized in other comprehensive income		
Foreign currency translation adjustments	(385)	(947)
Cash flow hedges	117	74
Financial assets measured at fair value through other comprehensive income	(11,891)	5,326
Remeasurements of defined benefit plans	(2,806)	(8,561)
Total	(14,965)	(4,108)
Exchange differences on translation and others	845	807
Closing balance	¥68,210	¥84,533

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

(Millions of yen)

At March 31	2021	2022
Deductible temporary differences	¥ 52,818	¥ 43,538
Carryforward of unused tax losses	130,374	136,971
Total	¥183,192	¥180,509

Note: Deductible temporary differences arising from investments in subsidiaries and associates, when the Company intends to hold the investments continuously, are not included. Also, the amounts presented above are calculated multiplying the amounts of deductible temporary differences and carryforward of unused tax losses by applicable tax rates.

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

(Millions of yen)

At March 31	2021	2022
1st year	¥ 2,508	¥ 4,245
2nd year	4,375	3,754
3rd year	3,856	1,477
4th year	1,482	1,614
5th year and thereafter	118,153	125,881
Total	¥130,374	¥136,971

(2) Income tax recognized through profit or loss

(Millions of yen)

Years ended March 31	2021	2022
Current tax expense	¥64,396	¥46,469
Deferred tax expense		
Origination and reversal of temporary differences	11,311	13,884
Others*	2,625	(33,508)
Total deferred tax expense	13,936	(19,624)
Total income tax expense	¥78,332	¥26,845

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

(3) Income tax recognized through other comprehensive income

(Millions of yen)

Years ended March 31	2021	2022
Foreign currency translation adjustments	¥ 385	¥ 947
Cash flow hedges	(117)	(74)
Financial assets measured at fair value through other comprehensive income*	13,487	(854)
Remeasurements of defined benefit plans*	2,724	8,561
Total income tax expense	¥16,479	¥8,580

* The amounts presented above include current tax expense.

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

(%)

Years ended March 31	2021	2022
Applicable tax rate	30.6%	30.6%
Increase and decrease in income tax rate		
Change in unrecognized deferred tax assets	(0.7)%	(15.5)%
Tax credit	(2.6)%	(2.2)%
Income (Loss) from investments accounted for using the equity method, net	(1.7)%	(1.8)%
Others	1.2%	0.1%
Average effective tax rate	26.8%	11.2%

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

14. Inventories

(Millions of yen)

At March 31	2021	2022
Finished goods	¥102,052	¥117,518
Work in progress	72,280	83,959
Raw materials and supplies	62,681	108,352
Total	¥237,013	¥309,829

The amounts of write-downs of inventories recognized as an expense due to a decline in profitability for the years ended March 31, 2021 and 2022 were¥18,351 million and ¥14,907 million, respectively.

15. Trade Receivables and Other Receivables

(1) Trade receivables

(Millions of yen)

At March 31	2021	2022
Accounts receivable	¥857,467	¥874,923
Others	6,244	7,048
Allowance for doubtful accounts*	(3,781)	(3,498)
Total	¥859,930	¥878,473

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

(2) Other receivables

(Millions of yen)

At March 31	2021	2022
Accounts receivable-other	¥46,027	¥60,216
Others	2,742	2,111
Total	¥48,769	¥62,327

16. Cash and Cash Equivalents

At March 31	2021	2022
	(Millions of yen)	
Cash and deposits	¥406,716	¥341,020
Short-term investments	75,116	143,000
Cash and cash equivalents on the consolidated statement of financial position	¥481,832	¥484,020

The difference between cash and cash equivalents on the consolidated statement of financial position and the consolidated statement of cash flows at March 31, 2021 is due to cash and cash equivalents classified as assets held for sale.

17. Assets Held for Sale

For the year ended March 31, 2021

The Group primarily classifies stocks, and assets and liabilities held by subsidiaries that it has decided to sell as "assets held for sale." These assets and liabilities are scheduled to be sold within one year from March 31, 2021.

18. Equity and Other Components of Equity

(1) Share capital

(a) Number of shares authorized

Ordinary shares (no par value)

At March 31	Number of shares (Thousands of shares)
2021	500,000
2022	500,000

(b) Number of shares issued and fully paid

Ordinary shares

(Units: Thousands of shares, Millions of yen)

At March 31	Number of shares	Share capital
2021	207,001	¥324,625
Changes during the year	–	–
2022	207,001	¥324,625

(c) Treasury stock

Ordinary shares

(Units: Thousands of shares, Millions of yen)

At March 31	Number of shares	Amount
2021	8,002	¥ 79,495
Acquisitions*	2,557	50,164
Disposals	(0)	(0)
Share-based payment transactions	(70)	(762)
2022	10,488	¥128,897

* Primarily, the acquisitions were conducted pursuant to a resolution of the Board of Directors' meeting held on April 28, 2021.

(2) Capital surplus and retained earnings

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

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

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

(Millions of yen)

Years ended March 31	2021	2022
Foreign currency translation adjustments		
Opening balance	¥(30,095)	¥ (6,193)
Other comprehensive income	23,902	16,389
Others	–	–
Closing balance	¥ (6,193)	¥ 10,196
Cash flow hedges		
Opening balance	¥ (289)	¥ (125)
Other comprehensive income	164	(85)
Others	–	–
Closing balance	¥ (125)	¥ (210)
Financial assets measured at fair value through other comprehensive income		
Opening balance	¥ 32,755	¥ 60,934
Other comprehensive income	31,285	(512)
Others	(3,106)	(6,900)
Closing balance	¥ 60,934	¥ 53,522
Remeasurements of defined benefit plans		
Opening balance	¥ –	¥ –
Other comprehensive income	6,894	32,828
Others*	(6,894)	(32,828)
Closing balance	¥ –	¥ –
Total other components of equity		
Opening balance	¥ 2,371	¥ 54,616
Other comprehensive income	62,245	48,620
Others	(10,000)	(39,728)
Closing balance	¥ 54,616	¥ 63,508

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

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

(Millions of yen)

Years ended March 31	2021	2022
Foreign currency translation adjustments	¥ 524	¥1,079
Cash flow hedges	(132)	(86)
Financial assets measured at fair value through other comprehensive income	16	1
Remeasurements of defined benefit plans	915	339
Other comprehensive income	¥1,323	¥1,333

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

(Millions of yen)

Years ended March 31	2021	2022
Foreign currency translation adjustments		
Gains (losses) during the year	¥ 22,667	¥ 15,862
Reclassification to profit or loss	(260)	(194)
Amount before related income tax expense	22,407	15,668
Income tax expense	(385)	(947)
Amount after related income tax expense	¥ 22,022	¥ 14,721
Cash flow hedges		
Gains (losses) during the year	¥ (349)	¥ (2,160)
Reclassification to profit or loss	(34)	1,913
Amount before related income tax expense	(383)	(247)
Income tax expense	117	74
Amount after related income tax expense	¥ (266)	¥ (173)
Financial assets measured at fair value through other comprehensive income		
Gains (losses) during the year	¥ 44,481	¥ (1,148)
Amount before related income tax expense	44,481	(1,148)
Income tax expense	(13,487)	854
Amount after related income tax expense	¥ 30,994	¥ (294)
Remeasurements of defined benefit plans		
Gains (losses) during the year	¥ 10,528	¥ 41,562
Amount before related income tax expense	10,528	41,562
Income tax expense	(2,724)	(8,561)
Amount after related income tax expense	¥ 7,804	¥ 33,001
Share of other comprehensive income of investments accounted for using the equity method		
Gains (losses) during the year	¥ 3,798	¥ 2,685
Reclassification to profit or loss	(784)	13
Amount after related income tax expense	¥ 3,014	¥ 2,698
Total other comprehensive income		
Amount after related income tax expense	¥ 63,568	¥ 49,953

19. Dividends

Year ended March 31, 2021

(1) Dividends paid

Resolution	Class of shares	Total dividends (Millions of yen)	Source of dividends	Dividends per share	Record date	Effective date
Board of directors' meeting on May 28, 2020	Ordinary Shares	¥20,024	Retained earnings	¥100	March 31, 2020	June 1, 2020
Board of directors' meeting on October 27, 2020	Ordinary Shares	¥20,028	Retained earnings	¥100	September 30, 2020	November 25, 2020

(2) Among the dividends whose record date falls within the year ended March 31, 2021, those whose effective date falls within the year ending March 31, 2022

Resolution	Class of shares	Total dividends (Millions of yen)	Source of dividends	Dividends per share	Record date	Effective date
Board of directors' meeting on May 27, 2021	Ordinary Shares	¥19,899	Retained earnings	¥100	March 31, 2021	June 7, 2021

Year ended March 31, 2022

(1) Dividends paid

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

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

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

20. Bonds, Borrowings, and Lease Liabilities

Breakdown of interest-bearing loans

	(Millions of yen)				
At March 31	2021	2022	Average interest rate (2021)*1	Average interest rate (2022)*1	Repayment due date
Current portion of bonds*2	¥ 29,997	¥ 9,998	–	–	–
Bonds*2	9,992	–	–	–	–
Short-term borrowings	68,248	84,925	0.46%	0.70%	–
Current portion of long-term borrowings	20,182	25,004	0.21%	0.36%	–
Long-term borrowings	27,889	83	0.37%	2.49%	April 1, 2023 – February 1, 2027
Lease liabilities (current)	55,841	48,839	0.84%	0.93%	–
Lease liabilities (non-current)	104,176	116,470	1.59%	1.43%	April 1, 2023– August 28, 2081
Total	¥316,325	¥285,319			
Short-term borrowings, current portion of long-term debt and lease liabilities (current)	¥174,268	¥168,766			
Long-term debt and lease liabilities (non-current)	¥142,057	¥116,553			

*1 Average interest rates are the weighted average interest rates for the balance at March 31, 2021 and 2022.
*2 A breakdown of the bonds is presented below. Interest rates in total are the weighted average interest rates for the total face value of the bonds.

At March 31

		(Millions of yen)				
Company name/Issue	Issue date	2021	2022	Interest rate(%)	Collateral	Maturity
The Company Thirty-Sixth Series Unsecured Straight Bonds	June 12, 2014	¥29,997	¥ –	0.562	None	June 11, 2021
Thirty-eighth Series Unsecured Straight Bonds	July 22, 2015	9,992	9,998	0.533	None	July 22, 2022
Total		¥39,989	¥9,998	0.533		

21. Post-Employment Benefits

(1) Outline of the retirement benefit plan adopted

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

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

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

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

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

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

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

(2) Defined benefit plans

(a) Risk related to defined benefit plans

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

(i) Investment risk

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

(ii) Interest risk

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

(iii) Longevity risk

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

(iv) Inflation risk

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

(b) Amounts in the financial statements

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

(Millions of yen)

At March 31	2021	2022
Present value of defined benefit obligation	¥(1,604,732)	¥(1,577,660)
Fair value of plan assets	1,565,535	1,601,231
Net defined benefit liability (asset) recognized on the consolidated statement of financial position	¥ (39,197)	¥ 23,571
Retirement benefit assets	¥ 110,797	¥ 139,543
Retirement benefit liabilities	(149,994)	(115,972)
Net defined benefit liability (asset) recognized on the consolidated statement of financial position	¥ (39,197)	¥ 23,571

At March 31, 2021

The present value of the defined benefit obligation at March 31, 2021 comprises –¥711,144 million for plans in Japan and –¥893,588 million for plans outside Japan, while the fair value of plan assets comprises ¥675,889 million for plans in Japan and ¥889,646 million for plans outside Japan.

At March 31, 2022

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

*[1] In the consolidated financial statements, retirement benefit assets previously included in other non-current assets have been disclosed independently from the year ended March 31, 2022. As a result of this change, retirement benefit assets in the amount of ¥110,797 million for the year ended March 31, 2021 have been adjusted to reflect the new classification.

(ii) Components of defined benefit costs

(Millions of yen)

Years ended March 31	2021	2022
Current service cost (net of contribution from plan participants)*[2]	¥13,249	¥12,254
Net interest	(264)	211
Past service cost and gains and losses arising from settlements	147	(2,355)
Total	¥13,132	¥10,110

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

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

(Millions of yen)

Present value of defined benefit obligation	2021	2022
Opening balance	¥(1,455,890)	¥(1,604,732)
Current service cost	(19,574)	(18,844)
Interest expense	(22,008)	(22,439)
Remeasurements of the net defined benefit liability (asset)		
Actuarial gains and losses arising from changes in financial assumptions	(98,761)	58,965
Actuarial gains and losses arising from changes in demographic assumptions	4,073	(37,930)
Past service cost and gains and losses arising from settlements	(147)	2,355
Payments from the plan		
Payments from the employer	7,097	7,068
Payments from plan assets	70,353	74,584
Payments in respect of settlements	–	14,161
Effects of business combinations and disposals	3,348	270
Effect of changes in foreign exchange rates	(93,735)	(51,118)
Transfer to liabilities directly associated with assets held for sale	512	–
Closing balance	¥(1,604,732)	¥(1,577,660)

(Millions of yen)

Fair value of plan assets	2021	2022
Opening balance	¥1,391,027	¥1,565,535
Interest income	22,272	22,228
Remeasurements of the net defined benefit liability (asset)		
Return on plan assets, excluding amounts included in interest income	100,284	21,737
Contributions to the plan		
Contributions by the employer	15,435	22,199
Contributions by the plan participants	6,325	6,590
Payments from the plan		
Payments from plan assets	(70,353)	(74,584)
Payments in respect of settlements	–	(14,161)
Effects of business combinations and disposals	(2,628)	(33)
Effect of changes in foreign exchange rates	103,581	51,720
Transfer to liabilities directly associated with assets held for sale	(408)	–
Closing balance	¥1,565,535	¥1,601,231

(iv) Components of fair value of plan assets

(Millions of yen)

	2021		2022	
	Market price in an active market		Market price in an active market	
At March 31	Quoted	Unquoted	Quoted	Unquoted
Cash and cash equivalents	¥ 59,506	¥ –	¥ 46,080	¥ –
Equity instruments				
Japan	44,935	12,589	46,738	11,270
Outside Japan	22,679	81,935	17,867	94,849
Debt instruments				
Japan	5,008	146,366	4,055	138,093
Outside Japan	580,053	101,965	567,977	140,530
General accounts of life insurance companies	–	257,549	–	263,328
Liability Driven Investment (LDI)*	5,043	190,571	2,445	207,035
Others	6,924	50,412	3,964	57,000
Total	¥724,148	¥841,387	¥689,126	¥912,105

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

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

	2021		2022	
At March 31	Plans in Japan	Plans outside Japan*[1]	Plans in Japan	Plans outside Japan*[1]
Discount rate	0.54%	2.15%	0.66%	2.75%
Life expectancy*[2]	23.6 years	22.4 years	23.6 years	23.0 years
Inflation rate	–	3.20%	–	3.70%

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

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

(i) Sensitivity analysis for significant actuarial assumptions

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

(Millions of yen)

At March 31		2021	2022
Discount rate	0.1% increase*	¥(21,159)	¥(20,423)
	0.1% decrease*	21,719	20,703
Life expectancy	1 year increase	46,129	44,044
Inflation rate	0.1% increase	9,133	7,796
	0.1% decrease	(8,913)	(7,474)

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

(ii) Funding and performance policy of plan assets

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

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

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

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

(iii) Expected contributions to defined benefit plans

The Group expects contributions by the employer of ¥23,462 million to defined benefit plans for the year ending March 31, 2023.

(iv) Maturity profile of the defined benefit obligation.

At March 31	2021	2022
Weighted average duration of the defined benefit obligation	14.4 years	14.0 years

(3) Defined contribution plans and public plans

(Millions of yen)

At March 31	2021	2022
Expenses for defined contribution plans	¥19,766	¥20,980
Expenses for risk-sharing corporate pension plan *	27,957	27,413
Expenses for public plans	73,288	75,733

* In addition to the standard contribution, risk reserve contributions of ¥5,352 million and ¥4,955 million were recorded for the years ended March 31, 2021 and 2022, respectively.

22. Cash Flow Information

(1) Changes in liabilities arising from financing activities

(Millions of yen)

	Bonds and Borrowings	Short-term borrowings	Lease liabilities	Total
Balance at April 1, 2020	¥167,815	¥59,260	¥178,494	¥ 405,569
Changes arising from cash flows	(79,828)	7,840	(68,103)	(140,091)
Non-cash changes				
Acquisition or loss of control	–	(798)	(3,362)	(4,160)
Acquisition of right-of-use assets	–	–	54,494	54,494
Decrease due to cancellation, etc.	–	–	(9,261)	(9,261)
Exchange differences on translation	42	1,941	7,334	9,317
Others	31	5	421	457
Balance at March 31, 2021	¥ 88,060	¥68,248	¥160,017	¥ 316,325
Changes arising from cash flows	(53,288)	15,668	(62,328)	(99,948)
Non-cash changes				
Acquisition or loss of control	299	–	(1,207)	(908)
Acquisition of right-of-use assets	–	–	70,070	70,070
Decrease due to cancellation, etc.	–	–	(7,208)	(7,208)
Exchange differences on translation	5	3,119	5,097	8,221
Others	9	(2,110)	868	(1,233)
Balance at March 31, 2022	¥ 35,085	¥84,925	¥165,309	¥ 285,319

(2) Other

For the year ended March 31, 2022

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

23. Provisions

(Millions of yen)

	Provision for restructuring	Provision for product warranties	Provision for contract losses	Asset retirement obligation	Others	Total
Balance at March 31, 2021	¥ 19,580	¥ 8,996	¥ 20,193	¥22,544	¥15,982	¥ 87,295
Balance at April 1, 2021	19,580	8,996	20,193	22,544	15,982	87,295
Additional provisions made during the year	1,732	2,506	12,846	1,986	2,168	21,238
Amounts used during the year	(14,776)	(3,321)	(16,578)	(4,530)	(6,208)	(45,413)
Change in scope of consolidation	(53)	21	–	(413)	(25)	(470)
Exchange differences on translation and others	397	253	2,275	(354)	(954)	1,617
Balance at March 31, 2022	¥ 6,880	¥ 8,455	¥ 18,736	¥19,233	¥10,963	¥ 64,267

(Millions of yen)

At March 31	2021	2022
Current liabilities	¥60,680	¥42,851
Non-current liabilities	26,615	21,416
Total	¥87,295	¥64,267

Provision for restructuring

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

Provision for product warranties

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

Provision for contract losses

A provision is recognized for losses on service contracts in which the Company undertakes an obligation to provide deliverables, such as turnkey contracts, if it is probable that the total estimated project costs exceed the total estimated project revenues. The timing of the expenditure is affected by future progress of the project and other factors.

Asset retirement obligation

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

Provisions for environmental measures are included in "Others."

24. Trade Payables and Other Payables

(1) Trade payables

(Millions of yen)

At March 31	2021	2022
Accounts payable	¥463,282	¥464,795
Others	4,857	5,442
Total	¥468,139	¥470,237

(2) Other payables

(Millions of yen)

At March 31	2021	2022
Accrued expenses	¥270,532	¥269,261
Accounts payable-other	87,893	134,612
Total	¥358,425	¥403,873

25. Revenue

(1) Classification of revenue

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

Certain revenue recorded in Ubiquitous Solutions for the year ended March 31, 2021 is recorded in Technology Solutions from the year ended March 31, 2022 due to the establishment of Fujitsu Japan Limited. As a result of this change, figures for the year ended March 31, 2021 have been adjusted to reflect the new classification.

Year ended March 31, 2021

(Millions of yen)

Revenue from external customers	Technology Solutions	Ubiquitous Solutions	Device Solutions	Total
Japan	¥2,211,701	¥138,817	¥ 67,099	¥2,417,617
NWE (Northern & Western Europe)	349,107	20,124	4,204	373,435
CEE (Central & Eastern Europe)	169,302	76,524	5,697	251,523
Americas	134,492	–	38,487	172,979
Asia	99,058	1,626	165,373	266,057
Oceania	73,704	–	63	73,767
Others	23,935	6,749	3,640	34,324
Total	¥3,061,299	¥243,840	¥284,563	¥3,589,702

Year ended March 31, 2022

(Millions of yen)

Revenue from external customers	Technology Solutions	Ubiquitous Solutions	Device Solutions	Total
Japan	¥2,110,392	¥ 83,502	¥ 75,998	¥2,269,892
NWE (Northern & Western Europe)	357,728	23,423	2,020	383,171
CEE (Central & Eastern Europe)	172,612	73,930	7,585	254,127
Americas	188,380	–	50,523	238,903
Asia	105,816	1,048	224,662	331,526
Oceania	78,569	–	70	78,639
Others	21,941	5,047	3,593	30,581
Total	¥3,035,438	¥186,950	¥364,451	¥3,586,839

Notes: 1. Includes revenues arising from leases for the years ended March 31, 2021 and 2022 because they are immaterial for the Group.
2. NWE (Northern & Western Europe) includes the UK, Finland, Sweden, Denmark, Norway, Spain, Portugal, France, Belgium, Luxembourg, and the Netherlands. CEE (Central & Eastern Europe) includes Germany, Austria, Switzerland, Poland, and Russia.
3. Others includes Europe other than NWE and CEE, the Middle East, and Africa.

(2) Contract assets and contract liabilities

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

Contract liabilities primarily consist of prepayments received from customers under contracts to provide them with ongoing services. The amounts of revenue recognized for the years ended March 31, 2021 and 2022, included in the balances of contract liabilities at April 1, 2020 and 2021 are ¥109,294 million and ¥107,445 million, respectively.

In the consolidated financial statements, contract assets included within other current assets of current assets and contract liabilities included within other current liabilities of current liabilities have been disclosed independently for the year ended March 31, 2022. As a result of this change, the amounts of contract assets in ¥101,941 million and contract liabilities in ¥162,577 million for the year ended March 31, 2021 have been adjusted to reflect the new classification.

(3) Performance obligations

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

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

Transaction prices allocated to unsatisfied (or partially unsatisfied) performance obligations at March 31, 2021 totaled ¥1,775,708 million. Of this amount, ¥1,120,098 million was expected to be recognized as earnings within one year.

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

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

26. Other Income and Expenses

	(Millions of yen)	
Years ended March 31	2021	2022
Other income	¥46,748	¥39,807
Other expenses	¥26,153	¥86,482

For the year ended March 31, 2021

Other income is mainly composed of a gain of ¥25,447 million related to the transfer of the mobile phone retail store business of Fujitsu Personal System Limited. The gain is included in the Ubiquitous Solutions segment.

In addition to the above, the Group has included income on government grants of ¥7,164 million and gain on sales of property, plant and equipment of ¥3,036 million under other income.

The Group has included business model transformation expenses of ¥6,464 million, loss on disposal of property, plant and equipment of ¥3,910 million, impairment losses of ¥3,465 million, and facility relocation and disposal expenses of ¥2,241 million under other expenses.

For the year ended March 31, 2022

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

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

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

27. Impairment of Non-Financial Assets

(1) Cash-generating unit (CGU)

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

(2) Impairment losses

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

	(Millions of yen)	
Years ended March 31	2021	2022
Property, plant and equipment		
Land	¥ 182	¥ 268
Buildings	652	691
Machinery and equipment, tools, fixtures and fittings	1,344	695
Construction in progress	97	73
Total property, plant and equipment	2,275	1,727
Goodwill	–	425
Intangible assets		
Software	553	1,970
Others	34	232
Total intangible assets	587	2,202
Others	603	–
Total impairment losses	¥3,465	¥4,354

For the year ended March 31, 2021

For Machinery and equipment, tools, fixtures and fittings, the carrying amounts of those relevant CGUs were written down to the recoverable amount due to business withdrawal and other factors.

The breakdown of impairment losses by segment is ¥3,326 million for Technology Solutions, ¥124 million for Ubiquitous Solutions, ¥15 million for Device Solutions.

For the year ended March 31, 2022

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

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

(3) Reversal of impairment losses

In the year ended March 31, 2022, among business assets for which impairment losses had been recognized in previous fiscal years, the carrying amounts were reversed to the recoverable amount for assets due to a review of the future use of the assets that were idle. The Group recorded reversals of impairment losses of ¥427 million for buildings, ¥2 million for machinery and equipment, tools, fixtures and fittings for the year ended March 31, 2022. The breakdown by segment is ¥429 million for Technology Solutions. These reversals of impairment losses are included in other income in the consolidated statement of profit or loss.

(4) Goodwill impairment test

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

The target business regions of FTS are Central & Eastern Europe (CEE) and a portion of Northern & Western Europe (NWE). Because the Group has adopted a business management structure based on country and region, it allocates goodwill to CGUs in eight countries and regions. The eight CGUs include Central Europe, comprising Germany, Switzerland and Austria, along with seven units that include the Netherlands, Belgium and Luxembourg, France, Spain and Portugal, and Poland (the "Other Countries and Regions").

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

At March 31	2021	2022
	(Millions of yen)	
FTS		
Central Europe	¥13,110	¥12,468
Other Countries and Regions	3,155	3,454

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

The value in use relating to the goodwill from Central Europe, which was important in the year ended March 31,2022, was calculated by discounting projected cash flows based on a three-year medium-term management plan and growth rate for subsequent periods incorporating future uncertainties to the present value. The recoverable amount for the year ended March 31, 2022, was well above the carrying amount of the CGU. The medium-term management plan is prepared to reflect the management's judgments for future forecasts and past data, using internal and external data.

The growth rate is determined by considering the long-term average growth rate of the market in each region to which the CGU belongs. The growth rate for the year ended March 31, 2021 and for the year ended March 31, 2022 was 0.5%. The discount rate is calculated based on a pre-tax weighted average capital cost of the CGU. The discount rates before taxes, which were used for the impairment tests of Central Europe in the year ended March 31, 2021 and the year ended March 31, 2022, were 8.1% and 8.0%, respectively.

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

28. Employee Expenses

Years ended March 31	2021	2022
	(Millions of yen)	
Salaries and bonuses	¥ 962,056	¥ 967,955
Retirement benefit cost	60,855	58,505
Legal welfare expenses and others	184,910	242,460
Total	¥1,207,821	¥1,268,920

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

29. Financial Income and Financial Expenses

Financial income

Years ended March 31	2021	2022
	(Millions of yen)	
Interest income	¥ 1,212	¥ 1,029
Dividend income	2,571	2,551
Foreign exchange gains, net	1,375	3,022
Others	9,042	4,873
Total	¥14,200	¥11,475

Financial expenses

		(Millions of yen)
Years ended March 31	2021	2022
Interest expense	¥3,047	¥2,955
Others	948	1,588
Total	¥3,995	¥4,543

Interest income principally arose from financial assets and liabilities measured at amortized cost, and dividend income principally arose from financial assets measured at fair value through other comprehensive income.Interest expense principally arose from financial liabilities measured at amortized cost and lease liabilities .Interest expense on lease liabilities for the years ended March 31, 2021 and 2022 were ¥1,776 million and ¥1,761 million, respectively.

30. Discontinued Operations

Not applicable.

31. Earnings per Share

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

(1) Basic earnings per share

Years ended March 31	2021	2022
Profit for the year attributable to ordinary equity holders of the parent (Millions of yen)	¥ 202,700	¥182,691
Weighted average number of ordinary shares—basic (Thousands of shares)	199,945	197,672
Basic earnings per share (Yen)	¥1,013.78	¥ 924.21

(2) Diluted earnings per share

Years ended March 31	2021	2022
Profit for the year attributable to ordinary equity holders of the parent (Millions of yen)	¥ 202,700	¥182,691
Profit used to calculate diluted earnings per share (Millions of yen)	¥ 202,700	¥182,691
Weighted average number of ordinary shares—basic (Thousands of shares)	199,945	197,672
Adjustment by conditional issuable shares (Thousands of shares)	226	265
Weighted average number of ordinary shares—diluted (Thousands of shares)	200,171	197,937
Diluted earnings per share (Yen)	¥1,012.63	¥ 922.97

32. Non-Cash Transactions

		(Millions of yen)
Years ended March 31	2021	2022
Acquisitions of right-of-use assets	¥53,252	¥62,182

33. Share-Based Payment

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

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

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

Years ended March 31	2021	2022
Number of shares granted during the period (Thousands of shares)*[1]	174	199
Weighted average fair value (Yen)	¥10,273	¥16,422
Expense arising from share-based payment (Millions of yen)*[2]	1,541	1,445

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

34. Financial Instruments

(1) Capital management

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

(2) Risk management

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

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

The Group also loans to business partners and other parties.

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

(a) Credit risk

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

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

The maximum amount of credit risks at March 31, 2022 equals the book value of financial assets on the consolidated statement of financial position that are exposed to credit risk.

Credit risk exposure of trade accounts receivables is as follows.

(Millions of yen)

			Overdue amounts					
At March 31	Total	Within due date	Total	Within 30 days	31 to 60 days	61 to 90 days	91 to 180 days	Over 180 days
2021	¥857,467	¥830,614	¥26,853	¥15,502	¥4,174	¥2,211	¥2,058	¥2,908
2022	874,923	850,884	24,039	14,325	3,980	1,264	1,542	2,928

The balances of allowance for doubtful accounts corresponding to trade accounts receivables at March 31, 2021 and 2022 are ¥3,781 million and ¥3,498 million, respectively.

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

Changes in the allowance for doubtful accounts are presented below.

(Millions of yen)

	Current assets	Non-current assets	Total
Balance at April 1, 2020	¥4,947	¥1,364	¥6,311
Additional provisions made during the year	1,540	828	2,368
Amounts used during the year	(1,852)	(149)	(2,001)
Unused amounts reversed during the year	(1,108)	(914)	(2,022)
Exchange differences on translation and others	254	7	261
Balance at March 31, 2021	3,781	1,136	4,917
Additional provisions made during the year	1,822	640	2,462
Amounts used during the year	(661)	(10)	(671)
Unused amounts reversed during the year	(796)	(650)	(1,446)
Exchange differences on translation and others	(648)	(8)	(656)
Balance at March 31, 2022	¥3,498	¥1,108	¥4,606

(b) Liquidity risk

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

Contractual maturity analysis of financial liabilities is presented below.

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

(Millions of yen)

At March 31	Carrying amount	Contractual cash flow	Within 1 year	1–2 years	2–3 years	3–4 years	4–5 years	Over 5 years
2021								
Non-derivative financial liabilities								
Bonds	¥ 39,989	¥ 40,000	¥ 30,000	¥10,000	¥ –	¥ –	¥ –	¥ –
Borrowings	116,319	116,319	88,429	25,556	207	192	183	1,752
Lease liabilities	160,017	178,476	57,402	37,261	20,425	13,873	10,283	39,232
Derivative financial liabilities	2,001	2,001	1,994	7	–	–	–	–
2022								
Non-derivative financial liabilities								
Bonds	¥ 9,998	¥ 10,000	¥ 10,000	¥ –	¥ –	¥ –	¥ –	¥ –
Borrowings	110,012	110,012	109,929	67	9	4	3	–
Lease liabilities	165,309	184,867	50,276	38,368	21,044	14,902	9,907	50,369
Derivative financial liabilities	2,831	2,831	2,831	–	–	–	–	–

(c) Market risk

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

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

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

(i) Foreign currency sensitivity analysis

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

	(Millions of yen)	
Years ended March 31	2021	2022
Impact on profit before income taxes	¥(331)	¥(402)

(ii) Interest rate sensitivity analysis

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

	(Millions of yen)	
Years ended March 31	2021	2022
Impact on profit before income taxes	¥56	¥43

(3) Hedge accounting

(a) Objective for derivative transactions

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

(b) Policies for derivative transactions

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

(c) Risk management structure for derivative transactions

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

(d) Accounting treatment for derivative transactions

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

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

Cash flow hedges

(Millions of yen)

At March 31	2021	2022
Currency: Forward foreign exchange transaction		
Sell (US dollar)	¥(353)	¥(2,158)
Total	¥(353)	¥(2,158)

(4) Fair value of financial instruments

The fair value hierarchy has the following levels:

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

(a) Financial assets and liabilities measured at fair value

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

Derivatives

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

Equity securities

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

Bonds (financial assets)

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

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

(Millions of yen)

		Fair value			
At March 31	Carrying amount	Total	Level 1	Level 2	Level 3
2021					
Assets					
Financial assets measured at fair value through profit or loss					
Derivatives	¥ 600	¥ 600	¥ –	¥ 600	¥ –
Bonds	18,976	18,976	–	–	18,976
Equity securities	12,206	12,206	4,222	–	7,984
Financial assets measured at fair value through other comprehensive income					
Equity securities	151,849	151,849	90,420	41	61,388
Total	¥183,631	¥183,631	¥94,642	¥ 641	¥88,348
Liabilities					
Financial liabilities measured at fair value through profit or loss					
Derivatives	¥ 2,001	¥ 2,001	¥ –	¥2,001	¥ –
Total	¥ 2,001	¥ 2,001	¥ –	¥2,001	¥ –
2022					
Assets					
Financial assets measured at fair value through profit or loss					
Derivatives	¥ 412	¥ 412	¥ –	¥ 412	¥ –
Bonds	16,001	16,001	–	–	16,001
Equity securities	13,324	13,324	2,548	–	10,776
Financial assets measured at fair value through other comprehensive income					
Equity securities	134,915	134,915	74,352	16	60,547
Total	¥164,651	¥164,651	¥76,900	¥ 428	¥87,324
Liabilities					
Financial liabilities measured at fair value through profit or loss					
Derivatives	¥ 2,831	¥ 2,831	¥ –	¥2,831	¥ –
Total	¥ 2,831	¥ 2,831	¥ –	¥2,831	¥ –

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

	(Millions of yen)
	Carrying amount
Balance at April 1, 2020	¥78,498
Subtotal (Gains and losses)	
Profit or loss	4,170
Other comprehensive income	114
Purchases	9,494
Sales	(711)
Settlements	(500)
Transfers from investments accounted for using the equity method	2,974
Transfer from Level 3	(5,268)
Others	(423)
Balance at March 31, 2021	88,348
Subtotal (Gains and losses)	
Profit or loss	3,564
Other comprehensive income	1,482
Purchases	5,601
Sales	(3,023)
Settlements	(8,508)
Transfer from Level 3	(517)
Others	376
Balance at March 31, 2022	¥87,324

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

(b) Financial assets and liabilities measured at amortized cost

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

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

Bonds (financial liabilities)

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

Long-term borrowings (non-current liabilities)

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

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

(Millions of yen)

		Fair value			
At March 31	Carrying amount	Total	Level 1	Level 2	Level 3
2021					
Assets					
Financial assets measured at amortized cost					
Bonds	¥ 3,045	¥ 3,039	¥ –	¥ –	¥3,039
Total	¥ 3,045	¥ 3,039	¥ –	¥ –	¥3,039
Liabilities					
Financial liabilities measured at amortized cost					
Bonds (Non-current)	¥ 9,992	¥10,051	¥10,051	¥ –	¥ –
Long-term borrowings (Non-current)	27,889	27,943	–	27,943	–
Total	¥37,881	¥37,994	¥10,051	¥27,943	¥ –
2022					
Assets					
Financial assets measured at amortized cost					
Bonds	¥ 5,217	¥ 5,222	¥ –	¥ –	¥5,222
Total	¥ 5,217	¥ 5,222	¥ –	¥ –	¥5,222
Liabilities					
Financial liabilities measured at amortized cost					
Bonds (Non-current)	¥ –	¥ –	¥ –	¥ –	¥ –
Long-term borrowings (Non-current)	83	83	–	83	–
Total	¥ 83	¥ 83	¥ –	¥ 83	¥ –

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

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

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

35. Leases

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

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

(Millions of yen)

At March 31	2021	2022
Land	¥ 1,081	¥ 1,074
Buildings	117,222	124,756
Machinery and equipment, tools, fixtures and fittings	33,704	26,672
Total	¥152,007	¥152,502

The total cost for acquisitions of right-of-use assets were ¥53,252 million and ¥62,182 million for the years ended March 31, 2021 and 2022, respectively.

(2) Maturity analysis of lease liabilities

(Millions of yen)

At March 31, 2021	Carrying amount	Contractual cash flow	Within 1 year	1–2 years	2–3 years	3–4 years	4–5 years	Over 5 years
Lease liabilities	¥160,017	¥178,476	¥57,402	¥37,261	¥20,425	¥13,873	¥10,283	¥39,232

(Millions of yen)

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

(3) Breakdown of lease-related expenses

(Millions of yen)

Years ended March 31	2021	2022
Depreciation of right-of-use assets included in property, plant and equipment		
Land	¥ 114	¥ 102
Buildings	49,154	47,227
Machinery and equipment, tools, fixtures and fittings	13,255	13,397
Total	¥62,523	¥60,726
Interest expense on leases	¥ 1,776	¥ 1,761

(4) Cash outflows

(Millions of yen)

Years ended March 31	2021	2022
Total cash outflows from lease transactions	¥68,103	¥62,328

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

The amounts not included in the measurement of lease liabilities comprised lease transactions for which use has not yet commenced despite lease contracts already being concluded, and totaled ¥25,718 million and ¥736 million at March 31, 2021 and 2022, respectively.

36. Related Parties

(1) Related-party transactions

Year ended March 31, 2021

(Millions of yen)

Class of company	Name	Relationship with Related Parties	Details of the transaction	Transaction amount	Balance
Associate	Fujitsu Client Computing Limited	Consigned manufacturing of PCs included in system business sold by the Group	Purchases and consignment of PC manufacturing	¥228,706	¥48,763

Year ended March 31, 2022

(Millions of yen)

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

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

(2) Key management personnel compensation

(Millions of yen)

Years ended March 31	2021	2022
Base compensation	¥401	¥426
Bonuses	120	100
Performance-based stock compensation	208	104
Total	¥729	¥630

37. Collateral

(1) Collateral assets

(Millions of yen)

At March 31	2021	2022
Cash and cash equivalents	¥ 65	¥ 72
Intangible assets	516	592
Total	¥581	¥664

(2) Secured debts

(Millions of yen)

At March 31	2021	2022
Other obligations	¥ 14	¥ 17
Provision	1,961	1,825
Total	¥1,975	¥1,842

38. Commitments

(Millions of yen)

At March 31	2021	2022
Purchase agreements for property, plant and equipment and intangible assets	¥55,092	¥58,856

39. Contingencies

	(Millions of yen)	
At March 31	2021	2022
Contingent liabilities for guarantee contracts	¥46	¥23
(Guaranteed debts)		
Employees' housing loans	46	23

40. Events after the Reporting Period

Purchase of treasury shares

At the Board of Directors' meeting held on April 28, 2022, the Company resolved matters related to the purchase of treasury shares pursuant to the provisions of Article 459, Paragraph (1) of the Companies Act.

(1) Reason for purchase of treasury shares

To enhance shareholder returns and promote capital efficiency by comprehensively considering the future business environment and other factors based on improved financial conditions for this fiscal year and the next fiscal year, such as increased profits and cash flows

(2) Details concerning the purchase

- Type of shares to be purchased: Common stock of the Company
- Total number of shares to be purchased: Up to 12,000,000 shares (Ratio to the total number of issued shares (excluding treasury shares): 6.11%)
- Aggregate purchase value: Up to ¥150,000 million
- Purchase period: From May 2, 2022 to March 31, 2023
- Purchase method: Purchase by means of market trades on the Tokyo Stock Exchange (including purchases by means of market trades based on a discretionary investment contract with securities firms and through share repurchases outside of trading hours (ToSTNeT-3))

OTHER INFORMATION

Quarterly information (accumulated total) for the year ended March 31, 2022

(Millions of yen)

	Q1	First Half	Nine Months	Full-Year
Revenue	¥801,980	¥1,663,011	¥2,543,537	¥3,586,839
Profit before income taxes	39,595	89,512	158,422	239,986
Profit for the year attributable to owners of the parent	24,165	52,939	124,283	182,691
Basic earnings per share (Yen)	121.60	266.78	627.51	924.21

Quarterly information for the year ended March 31, 2022

(Yen)

	Q1	Q2	Q3	Q4
Basic earnings per share	¥121.60	¥145.22	¥361.60	¥297.22

INDEPENDENT AUDITOR'S REPORT

Independent Auditor's Report

The Board of Directors
Fujitsu Limited

Opinion

We have audited the accompanying consolidated financial statements of Fujitsu Limited and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at March 31, 2022, and the consolidated statements of profit or loss, consolidated statements of comprehensive income, consolidated statements of changes in equity, and consolidated statements of cash flows for the year then ended, and notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at March 31, 2022, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Japan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of the audit of the consolidated financial statements as a whole, and in forming the auditor's opinion thereon, and we do not provide a separate opinion on these matters.

We have considered and addressed areas of higher assessed risk of material misstatement, or significant risks identified, including those communicated as key audit matters in our independent auditor's report of the prior period, throughout the audit. We have also communicated those matters in sufficient detail with the Corporate Auditor and the Board of Corporate Auditors.

As a result, we determined the following areas to be key audit matters in our audit of the consolidated financial statements of the current period.

1. Revenue Recognition Based on Progress toward Complete Fulfillment of Performance Obligations under Service Contracts Containing Obligations to Provide Deliverables and Provision for Contract Losses (Estimates of Total Project Costs)
2. Recognition of Deferred Tax Assets Resulting from the Group's Decision to Restructure its North American Subsidiaries and Liquidate Certain Subsidiaries

Revenue Recognition Based on Progress toward Complete Fulfillment of Performance Obligations under Service Contracts Containing Obligations to Provide Deliverables and Provision for Contract Losses (Estimates of Total Project Costs)

Description of Key Audit Matter	Auditor's Response
As described in Notes 4 and 25 (2) to the consolidated financial statements, revenue arising from service contracts such as system integration services, containing performance obligations to provide the delivery of services are recognized based on the progress toward completion when the outcome of the contract can be reliably estimated. Revenue is measured based on the total estimated project revenues and the progress toward completion, calculated based on costs incurred to date as percentage of total estimated project costs. As described in Note 23, a provision for contract losses is recognized if it is probable that the total estimated project costs will exceed the total estimated project revenues. The Group recorded a provision for contract losses in the amount of ¥18,736 million, which represents 0.6% of total assets as of March 31, 2022. Total estimated project costs are revised throughout the project period, and as a result, the progress toward completion may be affected. As estimates of total project costs in the calculation of progress toward completion involve uncertainties and require significant management judgment because each service contract is unique in terms of specifications and service period, we determined this to be a key audit matter.	We performed the following audit procedures, among others, to assess revenue recognition of contracts containing performance obligations to provide the delivery of services by reference to the progress toward completion and provisions for contract losses: - We evaluated the effectiveness of internal controls over the estimation process of estimated project costs and calculation of the progress toward completion for projects in order to evaluate the effectiveness of its design and the operation of the corresponding process. - We reviewed the terms and conditions of contracts, assessed the consistency between the total project costs and relevant project plans and remeasured the progress toward completion for samples of selected contracts based on materiality in order to assess the reasonableness of estimated project costs and calculation of the progress toward completion. - We assessed the feasibility of the project forecasts approved by management by evaluating the final outcome of projects completed in prior periods and by discussing with management about the latest progress of ongoing projects in order to assess the reasonableness of uncertainty in the estimate of total project costs being considered and incorporated in management's assessment. - We assessed the completeness of the total estimated costs and the provision of contract loss if it is probable that total estimated project costs exceed total estimated project revenue by discussing them with the quality assurance department of the Group. - With the assistance of our data analytics specialists, we performed trend analyses and correlation analyses of the progress toward completion of the project. In addition, in order to identify any deviation with regard to the progress of ongoing projects, we monitored the progress toward completion for ongoing projects by comparing the number of working days to date since the commencement date with the trends from projects completed in prior periods.

Recognition of Deferred Tax Assets Resulting from the Group's Decision to Restructure its North American Subsidiaries and Liquidate Certain Subsidiaries

Description of Key Audit Matter	Auditor's Response

As described in Note 13, in accordance with a resolution at the Board of Directors' meeting held in December 2021, the Group is restructuring its North American subsidiaries and will liquidate certain subsidiaries. As a result of this decision, the Group recognized deferred tax assets on a deductible temporary difference arising from investments due to the cumulative losses in Fujitsu America, Inc ("FAI") and certain subsidiaries, which will be liquidated, (the "affected companies") in the amount of ¥29,110 million, which represents 0.9% of total assets as of March 31, 2022.
 	
The Group has been working on the restructuring of FAI's business structure since fiscal 2019 in response to rapid changes in the North American market and the technology sector. During the year ended March 31, 2021, the Group completed streamlining highly competitive hardware-related businesses to concentrate on the services business.
 	
The purpose of this restructuring is to reduce the number of subsidiaries by liquidating certain subsidiaries, to align the management structure and capital structure and to improve financial conditions of subsidiaries in North America and achieve synergies by ultimately integrating management resources that have been dispersed among multiple subsidiaries in the United States as the final step of the restructuring process.
 	
Specifically, the Group will consolidate its service business in the North America by transferring FAI's business in the United States and shares of FAI's subsidiaries to Fujitsu North America, Inc., and liquidate the affected companies that have become redundant.
 	
In response to the decision, the Group revisited the recoverability of deferred tax assets arising from investments due to the cumulative losses in the affected companies because it is expected that the investments to FAI and associated losses can be realized as tax deductible losses when the Group will absorb losses from the net deficit of the affected companies at the time of liquidation based on the reference to a tax authority and the assistance of the tax specialist. Specifically, the Group recognized deferred tax assets since it is probable that the deductible temporary difference arising from investments to the affected companies will be realized.
	We performed the following audit procedures to assess the deferred tax assets from a deductible temporary difference arising from investments due to cumulative losses in the affected companies:
	
	- In order to understand the plan for the restructuring in North America, we inspected the minutes of Board of Directors' and Executive Management Committee meetings as well as making inquiries.
	
	- We tested internal controls on the process to recognize of deferred tax assets to assess the effectiveness of its design and the operation of the corresponding process.
	
	- We obtained an understanding of the estimation process of the amount of the additional financing expected at the time of liquidation to assess the consistency with the restructuring plan approved by the Board of Directors' and Executive Management Committee.
	
	- In order to assess the assumptions used for the estimate of the amount of the additional financing expected at the time of the affected companies' liquidation, we obtained an understanding of the net deficit of the affected companies as of March 31, 2022 and the adjustment due to expected cash receipt and expenditures by the time of liquidation. We also performed the following audit procedures:
	
	  - As for the transfer of the service business and shares of a subsidiary of FAI, which accounts for a large portion of the total expected cash receipts, we inspected the agreement of those transactions and corroborated the expected cash receipt by a bank record of corresponding cash receipts on April 20, 2022.
	
	  - We tested the transfer prices of the service business and the shares of a subsidiary of FAI, with the assistance of our valuation specialists from our network firms, through the evaluation of the future cash flow estimates that served as the basis of the transfer prices by comparing with budget approved at the Board of Directors' meeting.
	
	- We inquired of a person in charge of tax to understand the tax position of the losses to be absorbed by the Group at the time of liquidation of the affected companies.

Although the Group recognized the deferred tax assets on the deductible tax losses arising from investment of the affected companies based on the Group's estimate of the effect of the decrease in tax expenses related to losses absorbed by the Group at the time of liquidation, the amount of the deferred tax assets are subject to changes based on judgement on recoverability corresponding the purpose and nature of the restructuring, the tax position of losses to be absorbed by the Group, timing of recognition of deductible expenses and future taxable income. As estimates of losses to be absorbed by the Group are complex and require significant management judgment to determine its tax position, we determined this to be a key audit matter.	- We obtained an understanding of the Group's tax position through inspecting the position paper prepared by the Group and the inquiry letter prepared for the reference to the tax authority. - With the assistance of tax specialists from our network firms, we discussed the tax position with a person in charge of tax. - In order to assess the feasibility of the estimate of future taxable income, we performed inquiries and inspection of the medium-term management plan that serves as the basis of future taxable income. We assessed the medium-term management plan by comparing it with the latest budget approved at the Board of Directors' meeting. - In order to assess the effectiveness of management's estimation process of the medium-term management plan, we performed retrospective analysis by comparing the medium-term management plan for prior years with actual results.

Other Information

The other information comprises the information included in the Fujitsu Group Integrated Report 2022 Financial Section that contains audited consolidated financial statements but does not include the consolidated financial statements and our audit report thereon. Management is responsible for preparation and disclosure of the other information. The Corporate Auditor and the Board of Corporate Auditors are responsible for overseeing the Group's reporting process of the other information.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Responsibilities of Management, the Corporate Auditor and the Board of Corporate Auditors for the Consolidated Financial Statements

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

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern and disclosing, as required by IFRSs, matters related to going concern.

The Corporate Auditor and the Board of Corporate Auditors are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
- Consider internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances for our risk assessments, while the purpose of the audit of the consolidated financial statements is not expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation in accordance with IFRSs.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Corporate Auditor and the Board of Corporate Auditors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Corporate Auditor and the Board of Corporate Auditors with a statement that we have complied with the ethical requirements regarding independence that are relevant to our audit of the consolidated financial statements in Japan, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Corporate Auditor and the Board of Corporate Auditors, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Interest Required to Be Disclosed by the Certified Public Accountants Act of Japan

Our firm and its designated engagement partners do not have any interest in the Group which is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

Ernst & Young ShinNihon LLC
Tokyo, Japan

June 27, 2022

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