Matters Subject to Measures for Electronic Provision (Matters Excluded from Paper-Based Documents Delivered Upon Request) at the Time of Notice of the 124th Annual Shareholders' Meeting

Fujitsu Limited

Note:

This English version of *Matters Subject to Measures for Electronic Provision (Matters Excluded from Paper-Based Documents Delivered Upon Request) at the Time of Notice of the 124th Annual Shareholders' Meeting* is a translation for reference only. The style of this English version differs slightly from the original Japanese version.

1. *Fujitsu Group Principal Offices and Plants (As of March 31, 2024)*

(1) Fujitsu Limited

Registered office	4-1-1, Kamikodanaka, Nakahara-ku, Kawasaki-shi, Kanagawa
Head Office	1-5-2, Higashi-Shimbashi, Minato-ku, Tokyo
Domestic business offices	Sapporo Hub (Sapporo-shi), Sendai Hub (Sendai-shi), Saitama Hub (Saitama-shi), Kanazawa Hub (Kanawaza-shi), Nagoya Hub (Nagoya-shi), Osaka Hub (Osaka-shi), Hiroshima Hub (Hiroshima-shi), Fukuoka Hub (Fukuoka-shi)
Software / Services	Sapporo Systems Laboratory (Sapporo-shi), Aomori Systems Laboratory (Aomori-shi), Makuhari System Laboratory (Chiba-shi), Ichigaya Office (Chiyoda-ku, Tokyo), Fujitsu Solution Square (Ohta-ku, Tokyo), Fujitsu Uvance Kawasaki Tower (Kawasaki-shi), Kouchi Fujitsu Technoport (Nankoku-shi, Kouchi)
R&D / Plants	Oyama Plant (Oyama-shi, Tochigi), Nasu Plant (Otawara-shi, Tochigi), Kawasaki Plant (Kawasaki-shi), Fujitsu Shin-Kawasaki Technology Square (Kawasaki-shi), Numazu Plant (Numazu-shi, Shizuoka), Kyushu R&D Center (Fukuoka-shi)

Notes:

1. As of April 1, 2024, the Kawasaki Plant was renamed Fujitsu Technology Park, Fujitsu Solution Square (in Japanese) was renamed Fujitsu Solution Square (in English), and Fujitsu Shin-Kawasaki Technology Square was renamed Fujitsu Development Center.
2. The head office was closed on April 30, 2024, and the corporate division located at the head office was relocated to Fujitsu Technology Park, and the front office division dealing with customer relations and the business divisions was relocated to Fujitsu Uvance Kawasaki Tower.

(2) Subsidiaries

Japan	Fujitsu Japan Limited (Minato-ku, Tokyo), Fujitsu FSAS Inc. (Kawasaki-shi), Fujitsu Network Solutions Limited (Kawasaki-shi), Fujitsu Defense & National Security Limited (Kawasaki-shi), Ridgelinez Limited (Chiyoda-ku, Tokyo), TRANSTRON Inc. (Yokohama-shi), Fujitsu Frontech Limited (Inagi-shi, Tokyo), Fujitsu Isotec Limited (Date-shi, Fukushima), Fujitsu Telecom Networks Limited (Oyama-shi, Tochigi), Fujitsu Personal System Limited (Kawasaki-shi), SHINKO ELECTRIC INDUSTRIES CO., LTD. (Nagano-shi, Nagano), FDK CORPORATION (Minato-ku, Tokyo)
Outside of Japan	Fujitsu Technology Solutions (Holding) B.V. (Netherlands), Fujitsu Services Holdings PLC (U.K.), Fujitsu North America, Inc. (U.S.), Fujitsu Australia Limited (Australia), Fujitsu Asia Pte. Ltd. (Singapore), GK Software SE (Germany), Fujitsu Network Communications, Inc. (U.S.)

Notes:

1. Fujitsu Japan Limited relocated its registered office to Kawasaki-shi, Japan, effective April 1, 2024.
2. Fujitsu FSAS Inc. changed its trade name to Fsas Technologies Inc. as of April 1, 2024.

(3) Data centers

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

2. *Employees (As of March 31, 2024)*

(1) Employees of the Fujitsu Group

Segment	*Number of employees*
Service Solutions	92,257
Hardware Solutions	11,317
Ubiquitous Solutions	341

Segment	*Number of employees*
Device Solutions	8,226
Intersegment Eliminations / Corporate	11,386
Total	123,527 (-528 from end of previous period)

(2) Employees of Fujitsu Limited

Segment	*Number of employees*
Service Solutions	23,385
Hardware Solutions	4,044
Ubiquitous Solutions	109
Intersegment Eliminations / Corporate	8,386
Total	35,924 (+832 from end of previous period)

Note: Due to the partial change in segments starting in the period under review, there is no comparison with the number of employees by segment at the end of the previous fiscal year in (1) and (2) above.

Average age	43.6	*Average years of employment*	18.8

3. Principal Lenders (As of March 31, 2024)

(Millions of yen)

Lender	*Loan amount*
MUFG Bank, Ltd.	48,236
The Hachijuni Bank, Ltd.	14,000
Mizuho Bank, Ltd.	10,682
Sumitomo Mitsui Banking Corporation	9,953
The Shizuoka Bank, Ltd.	5,500

4. Stock (As of March 31, 2024)

(1) Number of Authorized Shares: 500,000,000 shares

(2) Number of Outstanding Shares: 207,110,845 shares

(3) Stated capital: 325,638,181,205 yen

(4) Number of Shareholders: 91,389 (-7,646 compared to the end of previous period)

Note: Due to the issuance of new shares in order to pay stock compensation to 250 officers and employees of the Company and its subsidiaries, the number of outstanding shares increased by 109,024 shares and share capital increased by 1,013,105,520 yen as of August 23, 2023.

(5) Principal Shareholders

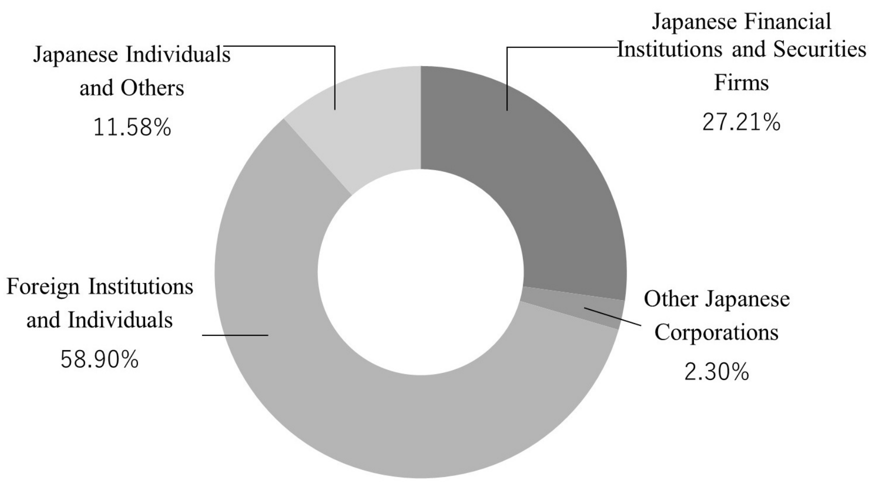
Name of shareholder	*Number of shares held (thousands)*	*Percentage of shares held (%)*
The Master Trust Bank of Japan, Ltd. (for trust)	28,558	15.53
Ichigo Trust Pte. Ltd.	11,183	6.08

Name of shareholder	*Number of shares held (thousands)*	*Percentage of shares held (%)*
Custody Bank of Japan, Ltd. (for trust)	10,142	5.51
GIC PRIVATE LIMITED - C	6,703	3.64
JP MORGAN CHASE BANK 385632	5,903	3.21
SSBTC CLIENT OMNIBUS ACCOUNT	3,981	2.16
STATE STREET BANK WEST CLIENT – TREATY 505234	3,553	1.93
Asahi Mutual Life Insurance Company	3,518	1.91
STATE STREET BANK AND TRUST COMPANY 505223	3,445	1.87
Fujitsu Employee Shareholding Association	3,439	1.87

Notes:

1. The investment ratio is calculated after exclusion of treasury stock holdings (23,182,246 shares).
2. The shares held by The Master Trust Bank of Japan, Ltd. (for trust) and Custody Bank of Japan, Ltd. (for trust) pertain to their trust business.

< Equity Shareholdings by Type of Shareholder >



(6) Shares Granted as Consideration for Duties Performed by the Company's Directors and Audit & Supervisory Board Members during the Period under Review

	Number of shares granted	*No. of grantees*
Directors (excluding External Directors)	7,582	3
External Directors	—	—
Audit & Supervisory Board Members	—	—

Note: The details of our stock compensation are described in "b) Compensation of Directors and Audit & Supervisory Board Members" on page A-17 of the Reports on the 124th Business Period.

(7) Important Matters Concerning the Stock

At a meeting of the Board of Directors held on April 27, 2023, the Company resolved to repurchase its common stock up to either a maximum of 12 million shares or a maximum aggregate purchase value of 150 billion yen during the period from May 1, 2023 to March 29, 2024 and purchased approximately 4.51 million shares of its common stock with the aggregate purchase value of approximately 103 billion yen during the period under review.

At a meeting of the Board of Directors held on January 31, 2024, the Company resolved to effect a 10-for-1 stock split, effective April 1, 2024, and at the same time, to amend the Company's Articles of Incorporation regarding the total number of shares authorized for issuance. As a result, the total number of authorized shares increased to 5 billion shares and the total number of shares outstanding increased to 2,071,108,450 shares.

5. Stock Acquisition Rights

As of March 31, 2024, no stock acquisition right was granted as consideration for duties performed by the Company's Directors and Audit & Supervisory Board Members, and no stock acquisition right was granted to employees during the period under review as consideration for their duties.

6. Overview of the Liability Limitation Agreement

The Company has entered into an agreement limiting liability for damages under Article 423, paragraph (1) of the Companies Act with each of the Non-Executive Directors and Audit & Supervisory Board Members. The maximum amount of liability for damages in accordance with the relevant agreement is the minimum liability amount stipulated by laws and regulations. The said liability limitation shall apply only when a relevant Non-Executive Director or Audit & Supervisory Board Member executes a duty that created a liability in good faith and without gross negligence.

Note: Non-executive Directors as of March 31, 2024 refer to External Directors, and Director and Senior Advisor Masami Yamamoto. As Hidenori Furuta assumed the position of Non-Executive Chairman, Member of the Board, on April 1, 2024, the Company also entered into a liability limitation agreement with Hidenori Furuta with the same terms as of April 1, 2024.

7. Summary of the Contents of Directors and Officers Liability Insurance Policy, etc.

The Company has concluded directors and officers liability insurance policies with some insurance companies as stipulated in Article 430-3, paragraph (1) of the Companies Act. A summary of the contents of the policies and other information shall be as follows.

(1) Scope of the insured

Directors, Audit & Supervisory Board Members, Corporate Executive Officers, etc. of the Company and its consolidated subsidiaries (excluding listed subsidiaries)

(2) Summary of the contents of the insurance policies

The policies shall cover damages and legal costs, etc. incurred by the insured due to claims for damages arising from acts (including omissions) committed by the insured in an official capacity. However, in order not to compromise the proper enforcement of duties by the insured, no compensation etc. shall be payable in the event of any claims arising from profits or advantage being obtained illegally, or arising from dishonest acts, etc. The Company pays all premiums and the insured does not pay anything.

8. Concurrent Positions of External Directors and Audit & Supervisory Board Members and Their Activities (As of March 31, 2024)

Classification	*Name*	*Companies at which concurrent positions are held and the positions held*	*Major activities, outline of duties performed in relation to roles expected of External Directors*
External Director	Chiaki Mukai	Specially Appointed Vice President of Tokyo University of Science	Attended 100% of the Board of Directors Meetings held during the period under review. As the Company expected that she would provide fair and objective oversight and advice based on broad knowledge of science and technology and a global perspective, she appropriately fulfilled her role as an External Director of the Company by providing oversight and advice to the Board of Directors of the Company concerning business execution from diverse perspectives. She also played a leading role in enhancing deliberations as the Chairperson of the Compensation Committee.
	Atsushi Abe	Managing Partner, Advanced Solutions, Inc. Director, On Semiconductor Corporation	Attended 100% of the Board of Directors Meetings held during the period under review As the Company expected that, in addition to providing oversight and advice from a shareholder and investor perspective, he would contribute to timely and decisive management decision-making, he contributed to timely and decisive management decision-making by managing proceedings objectively from his perspective as an investor gained through his experience to date and dialogues with institutional investors and leading discussion as the Chairman of the Board of Directors, in addition to actively contributing comments at the Board of Directors of the Company from a shareholder and investor perspective. He also played a leading role in enhancing deliberations as the Chairperson of the Executive Nomination Committee.
	Yoshiko Kojo	Professor of Department of International Politics, School of International Politics, Economics and Communication, Aoyama Gakuin University	Attended 100% of the Board of Directors Meetings held during the period under review As the Company expected that she would provide oversight and advice concerning the Company's responses to change in the external environment during a dramatic transition of international politics and initiatives for ESG management based on in-depth knowledge of international politics, she appropriately fulfilled her role as an External Director of the Company by providing oversight and advice to the Board of Directors of the Company concerning business execution from said perspectives. She also participated in active discussions as a member of the Executive Nomination Committee.
	Kenichiro Sasae	President, The Japan Institute of International Affairs Outside Director, SEIREN CO., LTD. Outside Director, MITSUBISHI MOTORS CORPORATION Outside Director, Asahi Group Holdings, Ltd.	Attended 83.3% (15 out of 18) of the Board of Directors Meetings held during the period under review. As the Company expected that he would provide oversight and advice from a global perspective based on his in-depth knowledge and practical experience of international politics and economics, he appropriately fulfilled his role as an External Director of the Company by providing fair and objective oversight and advice to the Board of Directors of the Company concerning business execution from said perspectives. He also participated in active discussions as a member of the Compensation Committee.

Classification	*Name*	*Companies at which concurrent positions are held and the positions held* *Major activities, outline of duties performed in relation to roles expected of External Directors*
External Director	Byron Gill	Managing Partner, Indus Capital Partners, LLC
		Attended 100% of the Board of Directors Meetings held after taking office. In addition to providing oversight and advice from a fair and objective standpoint based on his extensive experience in dialogue with portfolio companies, as an institutional investor, he is expected to provide feedback from shareholders and investors to the Company's management, and he appropriately fulfilled his role as an External Director of the Company by providing oversight and advice to the Board of Directors of the Company concerning business execution from said perspectives. He also participated in active discussions as a member of the Compensation Committee.
External Audit & Supervisory Board Member	Koji Hatsukawa	Certified Public Accountant External Director (Audit & Supervisory Committee member), Takeda Pharmaceutical Company Limited
		Attended 88.9% (16 out of 18) of the Board of Directors Meetings and 90.9% (10 out of 11) of the Audit & Supervisory Board Meetings held during the period under review. He contributed comments mainly from the standpoint of an expert in matters relating to finance and accounting based on his wealth of experience in auditing global companies as a Certified Public Accountant.
	Hideo Makuta	Lawyer Outside Audit & Supervisory Board Member, Daicel Corporation
		Attended 100% of the Board of Directors Meetings and Audit & Supervisory Board Meetings held during the period under review. He contributed comments based mainly upon his professional perspective gained through his practical experience as a prosecutor, Commissioner of the Japan Fair Trade Commission and lawyer concerning legal affairs and compliance, as well as his in-depth knowledge of matters associated with corporate management, such as the economy and society.
	Catherine O'Connell	Principal, Catherine O'Connell Law Outside Audit & Supervisory Board Member, TOYOTA MOTOR CORPORATION
		Attended 100% of the Board of Directors Meetings and Audit & Supervisory Board Meetings held during the period under review. She contributed comments from the standpoint of an expert in matters relating to legal affairs and compliance, based mainly on her wealth of practical experience at law offices in Japan and overseas as well as at the legal divisions of Japanese companies as an attorney at law in New Zealand.

Notes:

1. Director Atsushi Abe serves as Managing Partner of Advanced Solutions, Inc. The Company has no business relationship or competitive relationship with Advanced Solutions, Inc.
2. Director Kenichiro Sasae serves as President of the Japan Institute of International Affairs. The Company has no business relationship or competitive relationship with the Japan Institute of International Affairs.
3. Director Byron Gill serves as Managing Partner of Indus Capital Partners, LLC. The Company has no business relationship or competitive relationship with Indus Capital Partners, LLC.
4. Ms. Catherine O'Connell, Audit & Supervisory Board Member, serves as Principal of Catherine O'Connell Law. The Company has no business relationship or competitive relationship with Catherine O'Connell Law.
5. The Company has business relationships with Academic Corporation Tokyo University of Science, On Semiconductor Corporation, SEIREN CO., LTD., MITSUBISHI MOTORS CORPORATION, Asahi Group Holdings Ltd., Takeda Pharmaceutical Company Limited, Daicel Corporation, and TOYOTA MOTOR CORPORATION.
6. During the period under review, the Company convened the Board of Directors Meetings 18 times (of which 6 were extraordinary meetings of the Board of Directors) and the Audit & Supervisory Board Meetings 11 times (of which 2 were extraordinary meetings of Audit & Supervisory Board).

9. *Other Matters Regarding Management*

(1) Executive Nomination Committee and Compensation Committee

The Company has established the Executive Nomination Committee and the Compensation Committee as advisory bodies to its Board of Directors to ensure the transparency and objectivity of its process for nominating Directors and Audit & Supervisory Board Members and for determining executive compensation as well as to ensure the fairness of the system and level of executive compensation while conducting efficient and substantive deliberations.

The Executive Nomination Committee deliberates about candidates for Director and Audit & Supervisory Board Member positions in accordance with the “Structural framework” and the “Procedures and policy of Directors and Auditors nomination/dismissal” stipulated in the Company’s Corporate Governance Policy and provides its findings or recommendations to the Board of Directors. In addition, the Compensation Committee provides its findings or recommendations about the level of base compensation and the method for calculating performance-based compensation to the Board of Directors in accordance with the “Procedures and policy of determining Directors and Auditors compensation” stipulated in the Company’s Corporate Governance Policy.

Members of the Executive Nomination Committee and the Compensation Committee were as follows as of March 31, 2024:

<Executive Nomination Committee>

Chairperson	Atsushi Abe
Committee Members	Yoshiko Kojo, Masami Yamamoto

<Compensation Committee>

Chairperson	Chiaki Mukai
Committee Members	Kenichiro Sasae, Byron Gill

After the selection of the above committee members in June 2023, the Executive Nomination Committee met 9 times and the Compensation Committee met 7 times by the end of period under review. The Executive Nomination Committee considered a proposal for the election of Representative Directors, including the CEO, and proposals for the election of candidates for Directors, Audit & Supervisory Board Members, and the Chairman of the Board of Directors, etc. The Compensation Committee discussed the revision to the level of compensation of Directors, revision to the performance-related compensation for the Executive Directors and the introduction of share-based compensation for the Non-Executive Directors. And each Committee provided its findings to the Board of Directors by the end of the period under review.

The Executive Nomination Committee also considered the succession plan for the CEO, etc. and the selection of candidates for External Directors and Audit & Supervisory Board Members, and conducted a peer-review of Non-Executive Directors, while the Compensation Committee discussed the amount of compensation paid to each Executive Director for the period under review.

Note: The full text of the Corporate Governance Policy is available at the Company’s website. (https://www.fujitsu.com/global/about/ir/library/governance/governancereport-b-en.pdf)

(2) Independent Directors & Auditors Council

In response to the requirements of Japan's Corporate Governance Code, which facilitates the activities of Independent Directors and Auditors, and in order to invigorate discussions on the medium- to long-term direction of the Company at its Board of Directors Meetings, the Company believes it essential to establish a system enabling Independent Directors and Auditors, who maintain a certain degree of separation from the execution of business activities, to consistently gain a deeper understanding of the Company's business. Based on this recognition, the Company established the Independent Directors and Auditors Council. In the Independent Directors and Auditors Council, members discuss the medium- to long-term direction of the Company and share information and exchange viewpoints so that they can each formulate their own opinions.

In the period under review, the Independent Directors and Auditors Council met 8 times. The members continuously discussed on the Company's management direction and on important management matters that were associated with business restructuring including mergers and acquisitions by the Company and the Fujitsu Group and shared information and exchanged viewpoints.

10. Basic Policy on the Control of the Company

Based on the fundamental recognition that the increase in corporate value creates the defensive power as a consequence, the Company is focusing on increasing corporate value and does not adopt any specific anti-takeover measures at this time.

In the case that an acquisition offer is made to the Company, the Board of Directors takes appropriate action based on the recognition that the shareholders determine where the control of the Company lies.

11. Policy on Decision Regarding Dividends of Surplus etc.

Article 40 of the Company's Articles of Incorporation grants the Board of Directors the authority to distribute surplus. As part of its basic policy on the exercise of this authority, the Company believes that a portion of surplus should continue to be paid to stable dividends of surplus to shareholders based on sustainable business growth, in accordance with the Company's capital allocation policy. In addition, while balancing the funding needs, the Company will flexibly repurchase the Company's own shares using long-term surplus funds.

12. Accounting Auditor

(1) Name of the Accounting Auditor：Ernst & Young ShinNihon LLC

(2) Remuneration to be Paid to the Accounting Auditor

(Million yen)

a. Amount of remuneration, etc. as an accounting auditor for the period under review	490
b. Total amount of cash and other proprietary benefits that the Company and its subsidiaries should pay to the accounting auditor	863

Notes:

1. The Company does not clearly differentiate the amounts of compensation for an audit under the Companies Act from an audit under the Financial Instruments and Exchange Act. The Amount stated in a. thus includes the compensation for the audit under the Financial Instruments and Exchange Act.
2. Some subsidiaries of the Company receive an audit from an audit corporation other than the accounting auditor of the Company.

3. The Audit & Supervisory Board, in accordance with the Company's Standards for Nomination and Evaluation of Accounting Auditor, evaluated the performance of auditing by the accounting auditor in fiscal 2022 and, reflecting the evaluation results, reviewed appropriateness of the audit plan for fiscal 2023 in terms of the time spent on auditing and staffing, the status of execution of duties by the Accounting Auditor, and the estimated amount of remuneration. As a result, the Audit & Supervisory Board gave consent pursuant to Article 399, paragraph (1) of the Companies Act concerning compensation for the accounting auditor.

(3) Contents of Non-Audit Services

The Company commissioned the accounting auditor to provide services mainly concerning assurance report on internal control over the Company's cloud service, which fall outside the scope of audit and attestation services under Article 2, paragraph (1) of the Certified Public Accountants Act, and paid fees.

(4) Policy on Decision of Dismissal and Refusal of Reappointment of the Accounting Auditor

When it is considered that the accounting auditor falls under any of the items stipulated in Article 340, paragraph (1) of the Companies Act, the Company will dismiss the accounting auditor subject to the unanimous consent of the Audit & Supervisory Board Members.

In addition to the above, the Audit & Supervisory Board will determine the content of a shareholder resolution to be proposed at an Annual Shareholders' Meeting to dismiss or refuse the reappointment of the accounting auditor, when it is deemed to be difficult for the accounting auditor to execute auditing properly because of the occurrence of events that impair its qualification, independence or expertise, or when otherwise events occur that the Audit & Supervisory Board judges make it necessary to do so.

13. System to Ensure the Properness of Fujitsu Group Operations

(1) Policy on the Internal Control System

1. Objective

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

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

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

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

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

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

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

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

(2) System to Promote More Efficient Operations

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

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

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

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

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

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

(2) Systems for Managing the Specific Risks of Losses

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

a. Risk Management System for Defects in Products and Services

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

b. Management System for Contracted Development Projects

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

c. Security System

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

(3) Responses to Management Risks

a. System to Manage Financial Risks

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

b. Systems to Manage Other Forms of Management Risk

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

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

(1) Compliance System

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

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

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

(2) System to Ensure Proper Financial Reporting

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

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

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

(3) System for Information Disclosure

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

(4) Internal Auditing System

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

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

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

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

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

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

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

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

6. System to Ensure the Properness of Fujitsu Group Operations

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

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

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

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

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

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

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

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

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

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

(2) Reporting System

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

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

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

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

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

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

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

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

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

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

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

The Management Council meets twice a month, in principle, and assists the Representative Director, CEO in decision-making. The Management Council consists of the minimum number of members, which include the CEO. By operating the Management Council as a body that enables timely discussion of and decision-making on any matters concerning business execution, the Council facilitates decision-making by Representative Directors and enhances the efficiency and the speed of management. In addition, the Company has, in order to further increase the speed of management, improved the approval standard accompanied by extensive delegation of duties from the Representative Directors to other executives and employees and established a framework that allows the CEO to appoint a CxO responsible for the business execution of key operations.

2. Risk Management System and Compliance System

The Company positions the risk management system and the compliance system at the heart of the "Policy on the Internal Control System" and the Risk Management & Compliance Committee (the "Committee") under the policy reports to the Board of Directors and is chaired by the Representative Director, CEO and consists of five Executive Directors.

The Committee investigates critical risks as part of the Fujitsu Group's potential risk management with respect to business execution risks, including compliance violations, information security issues, and defects or deficiencies in products and services. In addition, the Committee has established and operates a system that covers not only the Company but the Fujitsu Group and ensures reporting to the Committee in a timely manner when such risks arise. In accordance with such reporting, it decides measures to prevent the recognized risks in business operations from arising and handle loss caused by the risks that arose.

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

As a system to ensure timely reporting from the Fujitsu Group to the Committee, Regional Risk Management & Compliance Committees have been established for individual Regions, which are overseas geographical business divisions of the Fujitsu Group. These regional committees are positioned under the Committee to function so that the entire Fujitsu Group is covered.

In the information security field, the Company has appointed a dedicated Chief Information Security Officer (CISO) in accordance with the Fujitsu Group Information Security Policy (Global Security Policy). Further, under the CISO, regional CISOs have been appointed in individual Regions, which are overseas geographical business divisions of the Fujitsu Group, and they formulate and implement information security measures.

Moreover, the Global Business Standards outlining the Fujitsu Way Code of Conduct (We respect human rights. We protect and respect intellectual property. We comply with all laws and regulations. We maintain confidentiality. We act with fairness in our business dealings. We do not use our position in our organization for personal gain.) in a manner befitting executives and employees are available in 20 languages and used as a guideline on compliance at the Fujitsu Group. Under the Global Business Standards, the Company has established the Global Compliance Program, and is sending out top management messages, developing rules, and implementing various education programs and awareness raising activities to maintain and improve the structure for legal compliance across the Fujitsu Group.

Regarding the internal reporting system, the Fujitsu Group has established points of contact inside and outside the Company, operated as the Compliance Line/Fujitsu Alert, to receive reports from all Group executives and employees and offer consultations. Group companies also have established and are operating their own points of contact for reporting and consultation. Based on these systems, the Fujitsu Group aims to put the Code of Conduct into practice by working a self-cleansing function against unlawful or unfair action through an early detection and remediation of it.

During the period under review, the following measures were taken to strengthen the risk management and compliance systems for the purpose of thorough CEO-led risk management: (1) a new Chief Quality Officer (CQO) was appointed as the person responsible for quality for the entire Group, (2) the CQO was added as a member of the Committee. The Committee now meets monthly to decide on and promptly implement specific measures, including company-wide measures for information security and system quality, as well as responses to individual events.

3. System to Ensure Proper Financial Reporting

The organization responsible for internal control and internal audits has established the system and assesses internal control over financial reporting throughout the Fujitsu Group, and reports the activity status and assessment results to the Representative Director, CEO, Chief Financial Officer, Audit & Supervisory Board Members and the Board of Directors in accordance with the principles of the "Standards and Practice Standards for Management Assessment and Audit concerning Internal Control Over Financial Reporting" published by the Business Accounting Council.

During the period under review, the organization in charge of internal control and internal audit of the Company underwent an "External Assessment of the Internal Audit Division" conducted by the Institute of Internal Auditors Japan in order to improve the internal audit function.

4. System to Ensure the Properness of Fujitsu Group Operations

The systems described above cover the Fujitsu Group.

Especially for risk management and compliance systems are as outlined in item 2 above. In addition, as a part of a system to ensure the properness of Fujitsu Group operations, the Company has established the Rules for Delegation of Authority that determine authority for decision-making on important matters of Fujitsu Group companies (excluding certain subsidiaries), the decision-making process and the reporting obligations. The Company has its Group companies comply with the Rules. In this way, the Company has put in place systems for decision-making on and reporting of important matters of the Group.

The status of operation of the internal control system centering on the above is periodically reported to the Board of Directors and Audit & Supervisory Board Members.

Consolidated Statement of Financial Position

(As of March 31, 2024)

		(Millions of yen)
Assets		
Current assets:		
Cash and cash equivalents	**Y**	**342,139**
Trade receivables		**928,727**
Other receivables		**87,068**
Contract assets		**140,513**
Inventories		**298,804**
Others		**99,180**
Total current assets		**1,896,431**
Non-current assets:		
Property, plant and equipment, net of accumulated depreciation		**602,928**
Goodwill		**80,205**
Intangible assets		**213,405**
Investments accounted for using the equity method		**160,809**
Other investments		**137,750**
Retirement benefit assets		**115,487**
Deferred tax assets		**218,922**
Others		**88,881**
Total non-current assets		**1,618,387**
Total assets	**Y**	**3,514,818**

		(Millions of yen)
Liabilities and equity		
Liabilities		
Current liabilities:		
Trade payables	Y	**455,453**
Other payables		**380,591**
Contract liabilities		**204,478**
Current portion of long-term debt and lease liabilities		**136,692**
Accrued income taxes		**43,765**
Provisions		**58,988**
Others		**31,175**
Total current liabilities		**1,311,142**
Non-current liabilities:		
Long-term debt and lease liabilities		**108,984**
Retirement benefit liabilities		**104,205**
Provisions		**27,005**
Deferred tax liabilities		**15,196**
Others		**29,452**
Total non-current liabilities		**284,842**
Total liabilities		**1,595,984**
Equity		
Share capital		**325,638**
Capital surplus		**239,856**
Treasury stock, at cost		**(380,881)**
Retained earnings		**1,487,397**
Other components of equity		**80,383**
Total equity attributable to owners of parent		**1,752,393**
Non-controlling interests		**166,441**
Total Equity		**1,918,834**
Total Liabilities and Equity	Y	**3,514,818**

Consolidated Statement of Profit or Loss

(Year ended March 31, 2024)

		(Millions of yen)
Revenue	Y	**3,756,059**
Cost of sales		(2,591,250)
Gross profit		**1,164,809**
Selling, general and administrative expenses		(904,599)
Other income		34,593
Other expenses		(134,543)
Operating profit		**160,260**
Financial income		13,759
Financial expenses		(6,983)
Income from investments accounted for using the equity method, net		11,144
Profit before income taxes		**178,180**
Income tax expenses		**88,500**
Profit for the year	Y	**266,680**
Profit for the year attributable to:		
Owners of the parent		254,478
Non-controlling interests		12,202
Total	Y	**266,680**

Consolidated Statement of Changes in Equity

(Year ended March 31, 2024)

(Millions of yen)

	Equity Attributable to Owners of the Parent			
	Share Capital	Capital Surplus	Treasury Stock, at Cost	Retained Earnings
Balance at April 1, 2023	**324,625**	**242,512**	**(277,702)**	**1,226,595**
Profit for the year				**254,478**
Other comprehensive income				
Total comprehensive income for the year	–	–	–	**254,478**
Purchase of treasury stock			**(103,180)**	
Disposal of treasury stock		**0**	**1**	
Share-based payment transactions	**1,013**	**(135)**	**1,296**	
Dividends paid				**(47,098)**
Transfer to retained earnings				**53,822**
Acquisition (disposal) of non-controlling interests		**(2,518)**		
Changes in ownership interests in subsidiaries				
Others		**(3)**		**(400)**
Balance at March 31, 2024	**325,638**	**239,856**	**(380,881)**	**1,487,397**

	Equity Attributable to Owners of the Parent					
	Other Components of Equity					Total Equity Attributable to Owners of the Parent
	Foreign Currency Translation Adjustment	Cash Flow Hedges	Financial Assets Measured at Fair Value through Other Comprehensive Income	Remeasurement of Defined Benefit Plans	Total Other Components of Equity	
Balance at April 1, 2023	**7,271**	**(4)**	**63,538**	–	**70,805**	**1,586,835**
Profit						**254,478**
Other comprehensive income	**23,486**	**39**	**35,208**	**4,667**	**63,400**	**63,400**
Total comprehensive income for the year	**23,486**	**39**	**35,208**	**4,667**	**63,400**	**317,878**
Purchase of treasury stock						**(103,180)**
Disposal of treasury stock						**1**
Share-based payment transactions						**878**
Dividends paid						**(47,098)**
Transfer to retained earnings			**(49,155)**	**(4,667)**	**(53,822)**	–
Acquisition (disposal) of non-controlling interests						**(2,518)**
Changes in ownership interests in subsidiaries						–
Others						**(403)**
Balance at March 31, 2024	**30,757**	**35**	**49,591**	–	**80,383**	**1,752,393**

	Non-Controlling Interests	Total Equity
Balance at April 1, 2023	**149,988**	**1,736,823**
Profit	**12,202**	**266,680**
Other comprehensive income	**2,047**	**65,447**
Total comprehensive income for the year	**14,249**	**332,127**
Purchase of treasury stock		**(103,180)**
Disposal of treasury stock		**1**
Share-based payment transactions		**878**
Dividends paid	**(5,124)**	**(52,222)**
Transfer to retained earnings		**–**
Acquisition (disposal) of non-controlling interests	**(2,593)**	**(5,111)**
Changes in ownership interests in subsidiaries	**9,858**	**9,858**
Others	**63**	**(340)**
Balance at March 31, 2024	**166,441**	**1,918,834**

[Unaudited] Simplified Consolidated Statement of Comprehensive Income

(Year ended March 31, 2024)

		(Millions of yen)
Profit for the year	**Y**	**266,680**
Other Comprehensive Income		**65,447**
Total Comprehensive Income		**332,127**
Total Comprehensive Income attributable to:		
Owners of the parent		317,878
Non-controlling interests		14,249
Total	**Y**	**332,127**

Note: Major components of other comprehensive income are remeasurement of defined benefit plans, foreign currency translation adjustments, and financial assets measured at fair value through other comprehensive income.

[Unaudited] Simplified Consolidated Statement of Cash Flows

(Year ended March 31, 2024)

		(Millions of yen)
1. Cash flows from operating activities	**Y**	**309,221**
2. Cash flows from investing activities		**(157,239)**
1+2 [Free cash flow]		**151,982**
3. Cash flows from financing activities		**(181,488)**
4. Cash and cash equivalents at end of year	**Y**	**342,139**

Notes to Consolidated Financial Statements

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

1. The Company prepares for consolidated financial statements in accordance with the Regulation on Corporate Accounting (Ministry of Justice Order No. 13 of February 7, 2006 and the last amendment of Ministry of Justice Order No. 12 of March 27, 2024). The consolidated financial statements are prepared in conformity with the International Financial Reporting Standards (IFRS) as per Article 120, paragraph (1) of the Regulation on Corporate Accounting. Following the latter part of the paragraph, some disclosure items required under IFRS are omitted in these notes.

2. Scope of consolidation

   This consolidated financial report is prepared with consolidation of 291 major subsidiaries. The scope of consolidation for this fiscal year has been changed in that 23 companies were added and 23 companies were subtracted. Major additions and subtractions are described below. Names of the major subsidiaries are omitted in this note because they are noted in “1. Business Overview (4) The Fujitsu Group” of the Business Report.

   Newly consolidated subsidiaries as a result of acquisition or formation: .... 23 companies
   Subtracted due to liquidation or sale: .... 14 companies
   Subtracted due to merger: .... 9 companies

3. Application of the equity method

   Investments in associates are accounted for using the equity method and the number of companies to which the method applies is 15.
   Major associates are Fujitsu General Ltd., Fujitsu Client Computing Ltd., FLCS Co., Ltd., and PFU Limited.
   The scope of application of the equity method for this fiscal year has been changed in that 0 companies were added and 4 companies were subtracted.

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

4. Significant accounting policies

(1) Valuation standards and methods for assets

(a) Financial assets

(i) Non-derivative financial assets

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

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

Financial assets measured at amortized cost

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

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

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

Financial assets measured at fair value

Financial assets are classified as financial assets measured at fair value unless these are measured at amortized cost. Equity instruments measured at fair value are individually designated as being measured either through profit or loss or through other comprehensive income, except for those that are held for sale, which are measured through profit or loss, and this designation must be applied continuously.

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

(ii) Derivative financial assets

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

(b) Non-financial assets

(i) Inventories

Inventories are measured at cost. However, should the net realizable value ("NRV") at the reporting date fall below the cost, inventories are measured at the NRV, with the difference in value between the cost and the NRV, in principle, booked as cost of sales. The cost of inventories comprises costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. The cost of inventories of items that are interchangeable is determined by the moving average cost method or the periodic average method, whereas the cost of inventories of items that are not interchangeable is determined by the specific identification method.

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

(ii) Property, plant, and equipment

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

(iii) Goodwill

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

(iv) Intangible assets

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

(v) Impairment

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

(2) Depreciation method for assets

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

The depreciable amount (cost less residual value) for items of property, plant, and equipment is allocated on a systematic basis over its useful life. The Group, in principle, adopts the straight-line method of depreciation reflecting the pattern of consumption (matching of costs with revenue) of the future economic benefits from the asset. Depreciation of an asset begins when it is available for use and ceases at the earlier of the date that the asset is either classified as held for sale or is derecognized.

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

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

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if necessary.

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

Computer Software held for sale is amortized by a method based on projected sales volume over the estimated useful life. Software for internal use and other intangible assets with finite useful lives are amortized over their respective useful lives using, in principle, the straight-line method to reflect the pattern of consumption of the expected future benefits from the assets.

The estimated useful lives are as follows:

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

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

(c) Right-of-use assets

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

(3) Accounting policies for provisions

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

(4) Retirement benefit plan

Defined benefit plan

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

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

Defined contribution plan

Contributions to defined contribution plans are recognized as employee costs in profit or loss in the period when the service is provided by the employee.

The risk-sharing corporate pension plan is classified as a defined contribution plan because the Group substantively has no further obligation for additional contributions.

(5) Revenue

(a) Service revenue

Supply of service usually corresponds to any of the following criteria: a) the customer simultaneously receives and consumes all of the benefits provided by the Group as the Group performs; b) the Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or c) the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date and, therefore, is a performance obligation that is satisfied over time. If the progress toward complete satisfaction of the performance obligation can be reasonably measured, revenue from a service is recognized by measuring the progress. If the progress cannot be reasonably measured, revenue from a service is recognized only to the extent of the costs incurred until such time that the outcome of the performance obligation can be reasonably measured.

Revenue under service contracts in which the Group undertakes an obligation to provide deliverables, such as turnkey contracts (systems integration etc.), is in principle recognized by the method of measuring the progress based on the costs incurred to date as a percentage of the total estimated project costs. This is because, in such service contracts, costs are incurred by the Group during the performance of the contracts, and as tasks progress, services tailored for the customer will be near completion, a state where the services are available for the customer. When milestones for the obligations to be performed by the Group are defined at contract inception, revenue is recognized based on completion of the contractual milestones.

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

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

(b) Hardware product revenue

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

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

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

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

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

(c) Licensing revenue

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

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

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

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

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

(d) Contracts with multiple deliverables

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

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

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

(e) Agent transactions

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

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

(a) Application of a group relief system

A group relief system is applied.

[Notes to Accounting Estimates]

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

1. Revenue Recognition

Contract assets amounting to 140,513 million yen are recorded on the consolidated statement of financial position.

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

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

2. Property, plant, and equipment

Property, plant, and equipment amounting to 602,928 million yen are recorded on the consolidated statement of financial position.

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

3. Goodwill

Goodwill amounting to 80,205 million yen is recorded on the consolidated statement of financial position.

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

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

4. Intangible assets

Intangible assets amounting to 213,405 million yen are recorded on the consolidated statement of financial position.

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

5. Deferred tax assets

Deferred tax assets amounting to 218,922 million yen are recorded on the consolidated statement of financial position.

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 business environment, the amount of deferred tax assets may be reduced and additional expenses may incur.

6. Provisions

Provision for restructuring charges

Provision for restructuring charges amounting to 28,240 million yen are recorded on the consolidated statement of financial position.

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

Provision for loss on orders received

Provision for loss on orders received amounting to 13,540 million yen are recorded on the consolidated statement of financial position.

The Group records provisions for losses on service contracts in which the Group 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, working hours, and contract-related risks, 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.

7. Defined benefit plan

Retirement benefit assets amounting to 115,487 million yen and retirement benefit liabilities amounting to 104,205 million yen are recorded on the consolidated statement of financial position. The Group has both defined benefit and defined contribution retirement benefit plans. Net defined benefit liability could be worsened if the fair value of plan assets decreases as a result of deterioration of return on plan assets or if a defined benefit liability increases as a result of a change in assumptions (such as discount rate, turnover ratio, and mortality ratio) for determining the defined benefit liability, which could lead to a reduction in equity. If changes are made to retirement benefit plans, there could be a significant impact on profit or loss.

[Notes to Consolidated Statement of Financial Position]

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

(1) Assets pledged as collateral

Balance of pledged assets 451

(Pledged assets)	Intangible assets	451

(2) Liabilities associated with collateral

Balance of secured debt 1,770

(Secured debts)	Provisions	1,770

2. Allowance for doubtful accounts presented net with the associated assets

(1) Trade receivables 3,169

(2) Other non-current assets 874

3. Accumulated depreciation of property, plant and equipment 1,258,285

(including accumulated impairment losses)

4. Contingent liabilities for guarantee contracts

Balance of contingent liabilities for guarantee contracts 127

(Guaranteed debt)	Subsidiaries' bank loans	125
	Housing loans of employees	2

[Notes to Consolidated Statement of Profit or Loss]

1. Other expenses

The main item was 114,718 million yen in business restructuring and business model transformation expenses.

These expenses have mainly been incurred accelerating reforms to business portfolio to improve profitability in Europe.

In order to narrow down its low-margin, traditional business, the Group has carved out its private cloud business in Germany. To be more specific, in the services business in Germany, in order to accelerate the transition to a new business model centered on Fujitsu Uvance, Fujitsu Services GmbH transferred some of its businesses, including the private cloud business, to AEQUITA, a German investment fund. A loss of 34,917 million yen was recorded as a result of this transaction.

In addition, the Group decided to exit from the client computing device business in Europe, where the competitive environment is severe and it is difficult to maintain profitability and recorded 24,156 million yen in expenses associated with the exit.

Furthermore, the Group recorded 14,670 million yen in expenses associated with exit from low profitability regions in Europe and concentration on key countries, and 13,057 million yen in expenses associated with downsizing of corporate functions in the Europe region. These mainly include costs related to personnel measures, as well as other costs such as disposal and impairment losses on inventories and fixed assets.

2. Income tax expenses

As part of our business portfolio reform in Europe, the Group has decided to reorganize and restructure the complex corporate structure of its business in Europe by core business and by region in order to further improve management efficiency and strengthen governance. In March 2024, the Company decided to reorganize its subsidiaries in Europe and to liquidate certain subsidiaries as a result of this reorganization. Specifically, the service business companies will be integrated under Fujitsu Technology Solutions (Holding) B.V., the hardware business companies will be integrated as subsidiaries in Europe of FSAS Technologies Inc., and Fujitsu Services Holdings PLC (hereinafter referred to as “FS Holdings”), which will end its current role as an intermediate holding company, will be liquidated.

As a result, deferred tax assets amounting to 140,521 million yen was recognized in relation to the deductible temporary difference on the write-down of FS Holdings’ shares, resulting in a decrease in tax expenses of the same amount.

[Notes to Consolidated Statement of Changes in Equity]

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

Common stock .... 207,110,845 shares

Notes:

1. Due to the paid issuance of new shares through third-party allotment (monetary remuneration claims are used as investment assets for contribution in kind) to pay stock compensation, the number of outstanding shares increased by 109,024 shares as of August 23, 2023.
2. The Company conducted a 10-for-1 stock split of its common stock effective April 1, 2024, and the number of shares before the stock split is shown for the above.

2. Dividends distributed from retained earnings during this fiscal year

Resolution	Type of stock	Total amount of dividends (Millions of yen)	Dividend per share (Yen)	Record date	Effective date
Board of Directors Meeting on May 25, 2023	Common stock	22,600	120	March 31, 2023	June 5, 2023
Board of Directors Meeting on October 26, 2023	Common stock	24,498	130	September 30, 2023	November 30, 2023

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

Resolution	Type of stock	Total amount of dividends (Millions of yen)	Dividend resource	Dividend per share(Yen)	Record date	Effective date
Board of Directors Meeting on May 29, 2024	Common stock	23,910	Retained earnings	130	March 31, 2024	June 3, 2024

Note: The Company conducted a 10-for-1 stock split of its common stock effective April 1, 2024, and the actual dividend amount before the stock split is shown.

[Notes to Business Combination, etc.]

1. Acquisition of GK Software SE

At a Board of Directors' meeting held on February 28, 2023, the Company resolved a public takeover offer (hereinafter referred to as "Public Takeover Offer") of GK Software SE (hereinafter referred to as "GK Software") via the Company's consolidated subsidiary Fujitsu ND Solutions AG (hereinafter referred to as "ND Solutions"). As a result of conducting the Public Takeover Offer based on this resolution, ND Solutions acquired 68.03% of the issued common stock of GK Software on May 16, 2023.

(1) Summary of the business combination

(a) Name and business description of the acquired company

Name of the acquired company	GK Software SE
Location of the acquired company	Germany
Business description	Development, manufacture, and sales of cloud solutions for the retail industry

(b) Date of business combination

May 16, 2023 (Germany local time: May 16, 2023)

(c) Main reason for the business combination

With the acquisition of GK Software, the Company will acquire the cloud solutions of GK Software, whose strengths are the global retail industry, which is complementary to the Company's products and services centered on Japan, thereby expanding the Company's product portfolio and enabling the provision of even more powerful and comprehensive solutions to rapidly growing markets.

(d) Methods of acquisition of control over the acquired company

Acquisition of shares through cash public takeover offer

(2) Consideration for the acquisition and breakdown

(Millions of yen)

Item	Amount
Cash	44,082
Total	44,082

The Company recorded the entire amount of expenses related to the acquisition of 1,432 million yen.

(3) Fair value of acquired assets and assumed liabilities, non-controlling interests and goodwill at the date of business combination

(Millions of yen)

Item		Fixed Amount
Current assets Non-current assets (Note 1)		15,372 36,453
Total assets		51,824
Current liabilities Non-current liabilities		7,351 12,532
Total liabilities		19,883
Fair value of acquired and assumed liabilities, net	A	31,941
Non-controlling interests	B	10,313
Purchase price	C	44,082
Goodwill (Note 2)	C-(A-B)	22,454

(Millions of yen)

Item	Amount	Weighted average amortization period
Intangible assets related to customer relationship	16,132	Approx. 11 years
Intangible assets related to technology	11,270	Approx. 19 years
Intangible assets related to Partnership	2,266	Approx. 10 years
Intangible assets related to trademarks and other	1,122	Approx. 10 years

Notes:

1. The principal identifiable intangible assets included in non-current assets are as stated above. The weighted average amortization period for all identifiable intangible assets is approximately 12 years.
2. Goodwill consists primarily of synergies with existing operations and excess earning power expected to result from the acquisition that do not meet individual recognition requirements.

(4) Impact on the Group's financial results

Revenues and earnings generated by the acquired company after the date of the business combination have been omitted as they are not material.
In addition, income information is not provided as if the business combination had occurred at the beginning of period because the impact on the consolidated statement of income is not material. The pro forma information has not been audited.

(Additional Information)

Execution of Agreement Regarding Shares of Consolidated Subsidiary (SHINKO ELECTRIC INDUSTRIES CO., LTD.)

At a Board of Directors' meeting held on December 12, 2023, the Company resolved to approve the following basic transaction agreement with JICC-04 Corporation (hereinafter referred to as "Offeror"), all of whose issued shares are owned by JIC Capital, Ltd., a wholly owned subsidiary of Japan Investment Corporation, and entered into the basic transaction agreement (hereinafter referred to as "Basic Transaction Agreement"): (i) not to proceed with the public takeover offer (the "Public takeover Offer") by the Offeror for the common stock shares of our consolidated subsidiary, SHINKO ELECTRIC INDUSTRIES CO., LTD. (hereinafter referred to as "SHINKO ELECTRIC INDUSTRIES") (the "SHINKO Shares"); (ii) a reverse stock split to be conducted by SHINKO ELECTRIC INDUSTRIES (hereinafter referred to as "Reverse Stock Split") to make the Company and Offeror the sole shareholders of SHINKO ELECTRIC INDUSTRIES if the Offeror does not acquire all of the SHINKO Shares through the Public Takeover Offer (excluding SHINKO Shares held by the Company (hereinafter referred to as "Shares to be sold by the Company") and treasury shares held by SHINKO ELECTRIC INDUSTRIES); (iii) the provision of capital by the Offeror to SHINKO ELECTRIC INDUSTRIES for the purpose of securing funds and distributable amounts to enable SHINKO ELECTRIC INDUSTRIES to effect the acquisition of Shares to be sold by the Company; and a reduction in the amount of the share capital, legal capital surplus and legal retained earnings of SHINKO ELECTRIC INDUSTRIES; and (iv) a series of transactions for the purpose of privatizing SHINKO Shares through the transfer of Shares to be sold by the Company by way of the acceptance of the share repurchase by SHINKO ELECTRIC INDUSTRIES (the "Share Transfer").

(1) Reason for the share transfer

This share transfer is intended to accelerate reforms to business portfolio efforts in accordance with the "Business Model and Portfolio Strategy" set out in the Medium-Term Management Plan announced on May 24, 2023.

(2) Name of company to which shares are transferred

SHINKO ELECTRIC INDUSTRIES CO., LTD.

(3) Period of share transfer

Date resolved by the Board of Directors	December 12, 2023
Signing date of the Basic Transaction Agreement	December 12, 2023
Duration of the Public Takeover Offer	Although the Offeror aims to commence the Public Takeover Offer at the end of August 2024, the Public Takeover Offer is expected to take a certain period of time to complete the necessary procedures and responses under foreign competition laws and investment control laws and regulations, etc. Therefore, the commencement of the Public Takeover Offer will be affected by the time required for procedures, etc., with foreign competition authorities and authorities having jurisdiction over investment control laws and regulations, etc. In addition, the Public Takeover Offer period is expected to be 20 business days.
Reverse Stock Split	To be implemented upon completion of the settlement of the Public Takeover Offer
Share Transfer	To be implemented upon completion of the Reverse Stock Split

(4) Name of subsidiary and nature of business

(a) Name of subsidiary

SHINKO ELECTRIC INDUSTRIES CO., LTD.

(b) Description of the business

Development, manufacture and sale of semiconductor packages

(c) Relationship with the Company

There are transactions between the Company and the said company for the supply of its products to the Company. There are no other significant business relationships.

(5) Summary of the transactions including legal form

Share transfer for cash

(6) Number of shares transferred, transfer price and shares held before and after transfer

Number of shares held before transfer	67,587,024 shares (Note 1) (Number of voting rights: 675,870) (Percentage of voting rights held: 50.03%)
Number of shares transferred	67,587,024 shares (Number of voting rights: 675,870)
Transfer price	285.1 billion yen (Note 2)
Number of shares held after transfer	0 shares (Number of voting rights: 0) (Percentage of voting rights held: 0%)

Notes:

1. The number of shares to be transferred in the Share Transfer shall be the number of Shares to be sold by the Company less the number of shares to be acquired by the Offeror as fractional shares in connection with the Reverse Stock Split.
2. The total transfer price of the Share Transfer is the Share Transfer price multiplied by the number of Shares to be sold by the Company less the number of shares to be acquired by the Offeror as fractional shares in connection with the Reverse Stock Split. Please note that the above amount is a reference amount calculated by multiplying the Share Transfer price by the number of Shares to be sold by the Company.

(7) Future outlook

Following the decision to transfer all of shares to be sold by the Company by Share Transfer, subject to the completion of the Public Takeover Offer in accordance with the Basic Transaction Agreement, the Company will classify the business of SHINKO ELECTRIC INDUSTRIES and its subsidiaries as the discontinued operation in its consolidated financial results for the next fiscal year, and will report the gains and losses arising from the business and other operations of SHINKO ELECTRIC INDUSTRIES and its subsidiaries as profit or loss before income taxes from the discontinued operation.

If the Share Transfer is executed in the next consolidated fiscal year, subject to the completion of the Public Takeover Offer, the impact on the Company's financial results in the next consolidated fiscal year will be as follows.

・Consolidated performance

Gain on sales of subsidiaries' and affiliates' stocks (profit before income taxes from the discontinued operation) is expected to be approximately 150 billion yen.

Note: The above impact on our business performance is based on our assessment of the information available to us at this time, and actual results may differ from the projected figures due to various factors.

The Share Transfer did not have any impact on our business in the period under review.

[Notes to Financial Instruments]

1. Policies on Financial Instruments

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

"Trade receivables" and contract assets are exposed to customer credit risk. Additionally, some trade receivables are denominated in foreign currencies in conjunction with the export of products and exposed to exchange rate fluctuation risk. Other financial assets are comprised primarily of the certificates of deposit held for fund management and the shares issued by customers or other parties for the purpose of maintaining and strengthening the business relationship. Shares are exposed to market price fluctuation risk and financial risk of the Company invested. The Group also loans to business partners, etc.

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

(a) Credit risk

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

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

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

(b) Liquidity Risk

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

(c) Market risk

The Group utilizes foreign exchange forward contracts in respect to trade receivables and trade payables denominated in foreign currencies to mitigate 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 corporate bonds and borrowings to mitigate interest rate fluctuation risk.
For the shares issued by customers or other parties, the Group regularly monitors the fair value and the financial conditions of the issuers and reviews its investment on a regular basis, taking into account its relationship with the counterparties.
The Group enters into derivative transactions based on the Group policy. Following the policies approved by the Chief Financial Officer (CFO), the finance division undertakes particular transactions, records them, and confirms the balance of transactions with counterparties. In addition, the finance division reports on the content of transactions undertaken and changes in the transaction balance to the CFO and the head of the accounting department.

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

The carrying amount and fair value of financial instruments as of March 31, 2024, are as follows:

The fair value hierarchy has the following levels:

Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 inputs are inputs other than quoted prices included within level 1 that are observable for assets or liabilities, either directly or indirectly.

Level 3 inputs are unobservable inputs for assets or liabilities.

(a) Financial assets and liabilities measured at fair value

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

(Millions of yen)

	Carrying amount	Fair value			
		Total	Level 1	Level 2	Level 3
Assets					
Financial assets measured at fair value through profit or loss					
Derivatives	826	826	–	826	-
Bonds	6,149	6,149	–	–	6,149
Equity securities	11,507	11,507	2,366	–	9,141
Financial assets measured at fair value through other comprehensive income					
Equity securities	120,992	120,992	52,590	–	68,402
Total	139,474	139,474	54,956	826	83,692
Liabilities					
Financial liabilities measured at fair value through profit or loss					
Derivatives	1,619	1,619	–	1,619	–
Total	1,619	1,619	–	1,619	–

Notes:

1. Measurement of fair value for financial instruments:

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

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

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

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

(b) Financial assets and liabilities measured at amortized cost

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

(Millions of yen)

	Carrying amount	Fair value			
		Total	Level 1	Level 2	Level 3
Assets					
Financial assets measured at amortized cost					
Bonds	361	361	–	–	361
Total	361	361	–	–	361
Liabilities					
Financial liabilities measured at amortized cost					
Long-term borrowings (non-current)	2,628	2,628	–	2,628	–
Total	2,628	2,628	–	2,628	–

Notes:

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

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

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

[Notes to Per Share Data]

Equity attributable to owners of parent per share .... 952.76 yen

Basic earnings per share.. 135.59 yen

Note: The Company conducted a 10-for-1 stock split of its common stock effective April 1, 2024. Equity attributable to owners of parent per share and basic earnings per share are calculated as if the stock split had occurred at the beginning of period under review.

[Notes to Revenue Recognition]

(1) Classification of revenue

The Group classifies its revenue by region based on the location of its customers.

The relationship between revenue categorized by region and reportable segments is as follows.

Effective from the fiscal year under review, some of the segments have been changed. The three main changes are as follows:

(i) Technology Solutions was eliminated, and “Service Solutions” and “Hardware Solutions” were newly established.

(ii) Sales and maintenance services for personal computers and other equipment, which were previously included in Technology Solutions, are now included under Ubiquitous Solutions.

(iii) “Corporate Eliminations” has been renamed “Inter-segment Elimination/Corporate” to include sales and disposal of common assets, etc. and elimination of inter-segment transactions, etc. which were previously included in Technology Solutions, such as advanced R&D for company-wide common use not belonging to any segment such as Fujitsu Laboratories, and investments in business growth common to the Group such as internal digital transformation investments on a global Group basis.

(Millions of yen)

	Service Solutions	Hardware Solutions	Ubiquitous Solutions	Device Solutions	Inter-segment Elimination / Corporate	Total
Japan	1,478,658	663,742	197,266	62,792	35,155	2,437,613
Europe	409,183	210,621	67,675	15,113	1,138	703,730
Americas	61,485	104,882	3	34,622	235	201,227
Asia-Pacific	109,944	84,201	2,525	77,108	57	273,835
East Asia	38,565	2,657	1,777	89,379	56	132,434
Others	7,006	154	–	60	–	7,220
total	2,104,841	1,066,257	269,246	279,074	36,641	3,756,059

Notes:

1. Includes revenues arising from leases because they are immaterial for the Group.
2. Others include the Middle East and Africa.
3. Service Solutions consist of the following:
   - Creating and providing global value services centered on Fujitsu Uvance
   - Provision of services to the Japanese market (including implementation of Fujitsu Uvance)
   - Provision of services in regions outside of Japan (including implementation of Fujitsu Uvance)
4. Hardware Solutions consist of the following:
   - Hardware sales and maintenance services for servers, storage systems and other hardware that form the foundation of ICT

- Network products which offer communications infrastructure, such as mobile phone base stations and optical transmission systems

5. Ubiquitous Solutions consist of "client computing devices" such as PCs.
6. Device Solutions consist of LSI devices and electronic components such as semiconductor packages and batteries.

(2) Contract assets and contract liabilities

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

Contract liabilities primarily consist of advance received from customers under contracts to provide them with ongoing services. The amount of revenue recognized for this fiscal year, included in the balance of contract liabilities as of the beginning of the period is 112,624 million yen.

(3) Performance obligations

For the performance obligations for products and services in reportable segments and for how to measure the revenues from them, please refer to the "4. Significant accounting policies" under "Notes to Significant Items Concerning Preparation of Consolidated Financial Statements and Changes in Scope of Consolidation or Application of Equity Method."

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

Transaction prices allocated to unsatisfied (or partially unsatisfied) performance obligations at the end of the current period was 1,796,086 million yen, of which 1,193,870 million yen is expected to be recognized as revenue within one year.

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

[Notes to Contingencies]

Fujitsu Services Ltd., the Company's consolidated subsidiary, is responding to the UK statutory public Inquiry regarding an accounting system for the U.K. Post Office. Based on the findings of the Inquiry, we will take appropriate measures with the U.K. government, but it is difficult to predict the impact of this matter on the consolidated financial statements at this time.

[Notes to Significant Events after the Reporting Period]

1. Stock split

At a Board of Directors' meeting held on January 31, 2024, the Company resolved to conduct a stock split and to partially amend the Articles of Incorporation in connection with the stock split as follows. In accordance with this resolution, the Company implemented a stock split on April 1, 2024.

(1) Purpose of the stock split

The purpose of the stock split is to increase the liquidity of the Company's shares and to further broaden the investor base by reducing the investment unit.

(2) Summary of the stock split

(a) Method of stock split

The Company conducted a 10-for-1 stock split of the Company's common stock held by shareholders stated or recorded in the Company's most recent shareholder registry as of the record date, Sunday, March 31, 2024 (effectively Friday, March 29, 2024, as that date was a holiday for the shareholder registry administrator).

(b) Number of shares increased by the split

Total number of shares issued and outstanding before stock split	207,110,845 shares
Number of shares to be increased by this stock split	1,863,997,605 shares
Total number of shares issued and outstanding after stock split	2,071,108,450 shares
Total number of authorized shares after stock split	5,000,000,000 shares

(c) Schedule of stock split

Publication date of record date	Friday, March 15, 2024
Record date	Sunday, March 31, 2024
Effective date	Monday, April 1, 2024

(3) Effect on per share information

The effect on per share information is set forth in the “Notes to Consolidated Financial Statements: Notes to Per Share Information.”

(4) Partial amendments to the Articles of Incorporation

(a) Reason for the amendment

In accordance with the stock split, the total number of authorized shares in Article 6 of the Company’s Articles of Incorporation was amended by resolution of the Board of Directors pursuant to Article 184, paragraph (2) of the Companies Act, with effect as of April 1, 2024.

(b) Details of the amendments

The details of the amendments are as follows.

(The underline indicates a change)

Current Articles of Incorporation	After amendment
Article 6 (Total Number of Authorized Shares) The total number of authorized shares of the Company shall be <u>500 million</u> shares.	Article 6 (Total Number of Authorized Shares) The total number of authorized shares of the Company shall be <u>5 billion</u> shares.

(c) Schedule of amendments

Date resolved by the Board of Directors Wednesday, January 31, 2024

Effective date Monday, April 1, 2024

(5) Other

(a) Year-end dividend for the consolidated period under review

As the stock split will be effective on April 1, 2024, the year-end dividend for the period under review with a record date of March 31, 2024 will be paid on the shares before the stock split.

(b) Adjustment of the total number of shares to be allotted under the stock compensation plan

In connection with the stock split, the total number of shares of the Company’s common stock to be allotted to eligible Directors under the stock compensation plan below was adjusted in proportion to the split ratio, effective April 1, 2024. The details after adjustment are as follows.

	Before adjustment	After adjustment
Performance-based stock compensation for Directors	Up to 75,000 shares per year	Up to 750,000 shares per year
Restricted Stock Units for External Directors	Up to 6,000 shares per year	Up to 60,000 shares per year

(c) Change in share capital

The share capital will not change as a result of this stock split.

2. Purchase of treasury shares

At a Board of Directors' meeting held on April 25, 2024, the Company resolved matters related to the purchase of treasury shares pursuant to the provisions of Article 459, paragraph (1) of the Companies Act as follows.

(1) Reason for purchase of treasury shares

The repurchase is made with consideration for the current fiscal year's results, and profit and cash flow growth projected for subsequent fiscal year, and as a result of a comprehensive review of the business environment, financial status, and improvement of capital efficiency.

(2) Details of matters concerning the purchase of treasury shares

- Type of shares to be repurchased: Common stock
- Total number of shares to be repurchased: 150 million shares (maximum) (Ratio to the total number of shares (excluding treasury shares): 8.16%)
- Aggregate purchase value: 180 billion yen (maximum)
- Purchase period: From May 1, 2024 to March 31, 2025
- 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))

Note: The Company could potentially fail to purchase an intended number of treasury shares, partially or wholly, due to drastic change in the business environment, significant increase in cash demand, and/or regulation regarding insider trading, among other reasons.

Unconsolidated Balance Sheet

(As of March 31, 2024)

		(Millions of yen)
Assets		
Current assets:		
Cash and deposits	Y	**5,754**
Deposits paid		**42,987**
Notes receivable, trade		**170**
Accounts receivable, trade		**504,804**
Contract assets		**96,851**
Finished goods		**64,290**
Work in process		**7,282**
Raw materials and supplies		**71,094**
Advanced payments		**4,367**
Short-term loans to affiliated companies		**13,306**
Accounts receivable, other		**139,971**
Others		**37,728**
Allowance for doubtful accounts		**(11,508)**
Total current assets		**977,101**
Non-current assets:		
Property, plant and equipment, net of accumulated depreciation		
Buildings		**91,118**
Structure		**2,567**
Machinery and equipment		**841**
Vehicles and delivery equipment		**3**
Tools, fixtures and fittings		**46,664**
Land		**38,741**
Construction in progress		**9,714**
Total property, plant and equipment		**189,652**
Intangible assets		
Software		**109,015**
Others		**11,050**
Total intangible assets		**120,066**
Investments and other non-current assets:		
Investment securities		**74,327**
Subsidiaries' and affiliates' stocks		**325,608**
Receivables from companies under bankruptcy or reorganization process		**61**
Prepaid pension costs		**33,662**
Deferred tax assets		**207,927**
Others		**44,403**
Allowance for doubtful accounts		**(536)**
Total investments and other non-current assets		**685,454**
Total non-current assets		**995,173**
Total assets	Y	**1,972,275**

		(Millions of yen)
Liabilities and net assets		
Liabilities		
Current liabilities:		
Accounts payable, trade		**361,114**
Lease obligations		**1,180**
Accrued liability		**48,602**
Accrued expenses		**112,981**
Accrued income taxes		**8,479**
Contract liabilities		**72,824**
Deposits received		**16,270**
Provision for loss on orders received		**5,045**
Provision for product warranties		**3,734**
Provision for loss on business of subsidiaries and associates		**147,872**
Provision for bonuses to board members		**125**
Provision for restructuring		**1,030**
Provision for share-based payments		**1,912**
Provision for environmental measures		**355**
Others		**2,924**
Total current liabilities		**784,453**
Non-current liabilities:		
Lease obligations		**1,955**
Provision for restructuring		**447**
Provision for share-based payments		**3,474**
Asset retirement obligations		**9,876**
Others		**5,561**
Total non-current liabilities		**21,314**
Total liabilities		**805,768**
Net assets		
Shareholders' equity:		
Share capital		**325,638**
Capital surplus		
Legal capital surplus		**1,013**
Other capital surplus		**154,506**
Total capital surplus		**155,519**
Retained earnings		
Legal retained earnings		**40,464**
Other retained earnings		
Retained earnings brought forward		**997,380**
Total retained earnings		**1,037,844**
Treasury stock		**(380,881)**
Total shareholders' equity		**1,138,120**
Valuation and translation adjustments:		
Unrealized gain and loss on securities, net of taxes		**28,386**
Total valuation and translation adjustments		**28,386**
Total net assets		**1,166,506**
Total liabilities and net assets	**Y**	**1,972,275**

Unconsolidated Statement of Profit and Loss

(Year ended March 31, 2024)

		(Millions of yen)
Net sales	**Y**	**1,851,493**
Cost of sales		1,254,861
Gross profit		**596,632**
Selling, general and administrative expenses		475,532
Operating profit		**121,099**
Non-operating income:		
Interest income		225
Dividend income		103,227
Other finance income		918
Total non-operating income		**104,371**
Non-operating expenses:		
Interest expenses		60
Foreign exchange losses		766
Provision of allowance for doubtful accounts		1,397
Bad debt loss		730
Provision for loss on business of subsidiaries and associates		88,441
Other finance expenses		440
Total non-operating expenses		**91,837**
Ordinary profit		**133,633**
Extraordinary income:		
Gain on extinguishment of tie-in shares		5,405
Gain on sales of subsidiaries' and affiliates' stocks		411
Gain on sales of investment securities		84,142
Gain on sales of non-current assets		2,437
Total extraordinary income		**92,396**
Extraordinary losses:		
Loss on valuation of subsidiaries' and affiliates' stocks		111,710
Restructuring charges		9,560
Impairment losses		333
Total extraordinary losses		**121,604**
Net profit before income taxes		**104,425**
Income taxes:		
Current		32,003
Deferred		(151,183)
Total income taxes		**(119,180)**
Net profit	**Y**	**223,606**

Unconsolidated Statement of Changes in Net Assets

(From April 1, 2023 to March 31, 2024)

(Millions of yen)

	Shareholders' equity						
		Capital surplus			Retained earnings		
						Other retained earnings	
	Share capital	Legal capital surplus	Other capital surplus	Total capital surplus	Legal retained earnings	Retained earnings brought forward	Total retained earnings
Balance at April 1, 2023	**324,625**	**–**	**154,506**	**154,506**	**35,754**	**825,583**	**861,337**
Changes during period under review							
Dividends of surplus	**–**	**–**	**–**	**–**	**4,709**	**(51,808)**	**(47,098)**
Profit	**–**	**–**	**–**	**–**		**223,606**	**223,606**
Purchase of treasury stock	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Disposal of treasury stock	**–**	**–**	**0**	**0**	**–**	**–**	**–**
Issuance of shares accompanying share-based payment	**1,013**	**1,013**	**–**	**1,013**	**–**	**–**	**–**
Net changes in items other than shareholders' equity	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Total changes during period under review	**1,013**	**1,013**	**0**	**1,013**	**4,709**	**171,797**	**176,507**
Balance at March 31, 2024	**325,638**	**1,013**	**154,506**	**155,519**	**40,464**	**997,380**	**1,037,844**

	Shareholders' equity		Valuation and translation adjustments		Total net assets
	Treasury stock	Total shareholders' equity	Valuation difference on available-for-sale securities	Total valuation and translation adjustments	
Balance at April 1, 2023	**(277,702)**	**1,062,766**	**54,150**	**54,150**	**1,116,916**
Changes during period under review					
Dividends of surplus	**–**	**(47,098)**	**–**	**–**	**(47,098)**
Profit	**–**	**223,606**	**–**	**–**	**223,606**
Purchase of treasury stock	**(103,180)**	**(103,180)**	**–**	**–**	**(103,180)**
Disposal of treasury stock	**1**	**1**	**–**	**–**	**1**
Issuance of shares accompanying share-based payment	**–**	**2,026**	**–**	**–**	**2,026**
Net changes in items other than shareholders' equity	**–**	**–**	**(25,764)**	**(25,764)**	**(25,764)**
Total changes during period under review	**(103,179)**	**75,354**	**(25,764)**	**(25,764)**	**49,590**
Balance at March 31, 2024	**(380,881)**	**1,138,120**	**28,386**	**28,386**	**1,166,506**

Notes to Unconsolidated Financial Statements

[Notes to Significant Accounting Policies]

1. The Company prepares for financial statements in accordance with the Regulation on Corporate Accounting (Ministry of Justice Order No. 13 of February 7, 2006 and the last amendment of Ministry of Justice Order No. 12 of March 27, 2024).

2. Valuation standards and methods for assets

(1) Marketable securities

Shares in subsidiaries and affiliates............ Moving average cost method

Available-for-sale securities

- Other than non-marketable stocks......... Market value method based on the market price on the closing date

Treatment of the difference between the acquisition cost and the market value .... Booked directly to net assets

Calculation of costs of securities sold ....Moving average cost method

- Non-marketable stocks.......................... Moving average cost method

(2) Derivatives, etc.

Derivatives .... Market value method

(3) Inventories

Inventories held for sale in normal operating cycle

- Finished goods .... Moving average cost method
- Work in process.................................... Cost method determined by the specific identification method or the periodic average method
- Raw materials and supplies.................. Moving average cost method

Costs of inventories with lower profitability are written down.

3. Depreciation and amortization of non-current assets

(1) Property, plant, and equipment except for leased assets

Depreciation of tangible fixed assets except for leased assets is calculated by the straight-line method.

The useful lives, reflected by the likely period over which the value of asset can be realized under actual business conditions, are estimated as stated below:

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

(2) Intangible assets except for leased assets

Software

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

Other... Straight-line method

(3) Leased assets

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

4. Accounting policies for provisions

(1) Allowance for doubtful accounts

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

(2) Provision for loss on orders received

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

(3) Provision for product warranties

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

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

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

(5) Provision for bonuses to board members

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

(6) Provision for restructuring

Estimated losses from restructuring of businesses in the course of business structure improvement, etc. are recorded.

(7) Provision for retirement benefits or prepaid pension costs

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

Method of attributing benefit to periods of service

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

Method of attributing actuarial gains and losses and past service cost

- Method of attributing past service cost

…………Straight-line method (10 years)

- Method of attributing actuarial gains and losses

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

(8) Provision for share-based payments

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

(9) Provision for environmental measures

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

5. Revenues and expenses recognition

(1) Service revenue

Supply of service by the Company is a performance obligation to be satisfied over a certain period of time because it usually corresponds to any of the following criteria: a) the customer enjoys the benefits provided by the Company as its performs its obligations under a contract with the former party; b) the Company's performance of its obligations under a contract with the customer creates or enhances an asset, causing the customer to control it in pace with the performance; or c) the Company's performance of its obligations under a contract with the customer creates an asset without an alternative use, and the former party has an enforceable right to receive payment for a portion of the performance completed by it. If the progress toward complete satisfaction of the performance obligation can be reasonably estimated, revenue from the service is recognized in accordance with the progress. If the progress cannot be reasonably estimated, while an expense incurred when satisfying the performance obligation is likely to be recovered, revenue from the service is recognized on the cost recovery method until such time that the progress of the performance obligation satisfaction can be reasonably estimated.

Revenue under service contracts in which the Company undertakes an obligation to provide deliverables, such as turnkey contracts (systems integration etc.), is in principle recognized by the method of estimating the progress based on the costs incurred to date as a percentage of the total estimated project costs. This is because, in such service contracts, costs are incurred by the Company during the performance of the contracts, and as tasks progress, services tailored for the customer will be near completion, a state where the services are available for the customer. When milestones for the obligations to be performed by the Company are defined at contract inception, revenue is recognized based on completion of the contractual milestones.

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

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

(2) Hardware product revenue

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

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

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

On the other hand, for commissioned manufacturing and manufacturing contracting, in cases where the Company's performance creates an asset unable to be used for other purpose and it has an enforceable right to payment for performance completed to date, the Company recognizes revenue in accordance with the progress as estimated using a method that faithfully depicts the completion of the performance obligation.

The Company provides various marketing programs to customers in various sales channels, such as volume discounts and sales incentives. When there is a possibility of subsequent variability in the consideration paid to these customers, the variable consideration is estimated and accounted for under revenue solely with respect to a portion that is highly unlikely to experience, when the uncertainty is eliminated, a significant decrease in a revenue recorded until the time of the elimination. To estimate the variable consideration, the Company uses either the expected value method or the most likely amount method, selecting the method that enables the most appropriate estimate of the amount of the consideration for these rights to be obtained.

(3) Licensing revenue

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

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

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

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

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

(4) Contracts with multiple deliverables

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

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

When allocating the transaction price to each performance obligation in a contract with multiple deliverables in accordance with the ratio of a stand-alone selling price, the Company determines the stand-alone selling price at contract inception for 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 ratio. If a stand-alone selling price is not directly observable, it is estimated based on method such as estimated costs plus a margin approach for the respective performance obligations in the contract with multiple deliverables, and the transaction price is allocated.

(5) Agent transactions

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

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

(1) Hedge accounting

Deferred hedge accounting is adopted.

(2) Accounting for retirement benefits

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

(3) Application of a group relief system

A group relief system is applied.

[Notes to Accounting Estimates]

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

1. Revenue recognition

Contract assets of 96,851 million yen are recorded on the unconsolidated balance sheet.

Please refer to the "Notes to Consolidated Financial Statements: Notes to Accounting Estimates, 1. Revenue Recognition."

2. Property, plant, and equipment

Property, plant, and equipment amounting to 189,652 million yen are recorded on the unconsolidated balance sheet.

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

3. Intangible assets

Intangible assets amounting to 120,066 million yen are recorded on the unconsolidated balance sheet.

Please refer to the "Notes to Consolidated Financial Statements: Notes to Accounting Estimates, 4. Intangible assets."

4. Deferred tax assets

Deferred tax assets amounting to 207,927 million yen are recorded on the unconsolidated balance sheet.

Please refer to the "Notes to Consolidated Financial Statements: Notes to Accounting Estimates, 5. Deferred tax assets."

5. Provisions

Provision for loss on orders received amounting to 5,045 million yen are recorded on the unconsolidated balance sheet.

Please refer to the "Notes to Consolidated Financial Statements: Notes to Accounting Estimates, 6. Provisions."

Provision for loss on business of subsidiaries and associates amounting to 147,872 million yen are recorded on the unconsolidated balance sheet.

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

6. Defined benefit plan

Prepaid pension cost amounting to 33,662 million yen are recorded on the unconsolidated balance sheet.

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

7. Valuation of subsidiaries' and affiliates' stocks

Subsidiaries' and affiliates' stocks amounting to 325,608 million yen are recorded on the unconsolidated balance sheet.

When the real value of non-marketable equity securities declines significantly relative to the acquisition price due to deterioration in the financial condition of the issuing company, unless recoverability is supported by sufficient evidence, a substantial write-down is made and the difference in value recognized as a loss. For stocks acquired reflecting excess earning power, the real value reflects that excess earning power, and if the excess earning power is judged to be impaired, the real value is valued reflecting the impairment of that earning power.

[Notes to the Unconsolidated Balance Sheet]

1. Accumulated depreciation of property, plant, and equipment

	(Millions of yen)
Buildings	222,994
Structures	13,778
Machinery and equipment	17,574
Vehicles and delivery equipment	47
Tools, fixtures and fittings	161,510
Total	415,907

2. Contingent liabilities for guarantee contracts

Balance of guarantee obligations		1
(Main guaranteed debt)	Housing loans of employees	1

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

Short-term monetary claims	268,529
Long-term monetary claims	415
Short-term monetary obligations	212,933
Long-term monetary obligations	1,421

4. Short-term loans to affiliated companies

The loan to Fujitsu America Inc., a subsidiary of the Company.

[Notes to the Unconsolidated Statement of Profit and Loss]

1. Transactions with subsidiaries and affiliates

Business transactions	(Millions of yen)
Net sales	527,252
Purchases	761,270
Transactions other than business transactions	101,954

2. Provision for loss on business of subsidiaries and associates

Provision for loss on business of subsidiaries and associates is recorded mainly against the amount of capital deficit expanded in its European subsidiaries as a result of accruing expenses related to business restructuring and business model transformation in those subsidiaries to accelerate reforms to business portfolio to improve profitability in Europe. For details of the business restructuring and business model transformation, please refer to “Notes to Consolidated Financial Statements: Notes to Consolidated Statement of Profit or Loss 1. Other Expenses.” In addition, as part of our business portfolio reform in Europe, liquidation of Fujitsu Services Holdings PLC, our

European subsidiary, and, reorganization and restructuring of the complex corporate structure of our operations in Europe by core business and by region, were decided in March 2024, in order to further improve management efficiency and strengthen governance. Accordingly, a provision for loss on business of subsidiaries and associates of 13,161 million yen was recorded. For details of the liquidation, please refer to "Notes to Consolidated Financial Statements: Notes to Consolidated Statement of Profit or Loss, 2. Income tax expenses."

3. Gain on sales of investment securities

Mainly related to the sale of shares in Socionext Inc. and Palantir Technologies Inc.

4. Loss on valuation of subsidiaries' and affiliates' stocks

Loss on valuation of subsidiaries' and affiliates' stocks amounting to 104,862 is recorded mainly due to the decision to liquidate Fujitsu Services Holdings PLC, our European subsidiary, in March 2024. For details of the liquidation, please refer to the "Notes to Consolidated Financial Statements: Notes to Consolidated Statement of Profit or Loss, 2. Income tax expenses."

5. Restructuring charges

In order to accelerate business portfolio reforms to improve profitability in Europe, the Company has decided to exit from the client computing device business in Europe, where the competition is severe and it has been difficult to maintain profitability, and recorded the associated loss.

6. Income taxes - deferred

Following the decision to liquidate Fujitsu Services Holdings PLC, our European subsidiary, in March 2024, deferred tax assets of 140,521 million yen were recognized related to the deductible temporary difference on the write down of Fujitsu Services Holdings PLC's stocks recorded in prior and current fiscal years, resulting in a decrease in income tax expenses by the same amount. For details of the liquidation, please refer to the "Notes to Consolidated Financial Statements: Notes to Consolidated Statement of Profit or Loss, 2. Income tax expenses."

[Notes to Unconsolidated Statement of Changes in Net Assets]

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

Common stock..23,182,246 shares

Note: The Company conducted a 10-for-1 stock split of its common stock effective on April 1, 2024, and the number of shares before the stock split is shown for the above.

[Notes to Tax Effect Accounting]

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

[Notes to Transactions with Related Parties]

Subsidiaries and Affiliates

(Millions of yen)

Type	Name of company, etc.	Percentage of voting rights	Relationship	Transactions		Transaction amount	Account	Ending balance
Subsidiary	Fujitsu Japan Limited	Ownership Direct 100%	Sales and maintenance of Fujitsu products Interlocking of directors	Sale of Fujitsu products	Net Sales	186,933	Accounts receivable, trade Contract assets	43,050 991
				Agency purchase transactions, etc.		145,665	Accounts receivable, other	58,392
Subsidiary	Fujitsu FSAS Inc.	Ownership Direct 100%	Consignment of support services, etc., sales and maintenance of Fujitsu products Interlocking of directors	Consignment of support services, etc.	Purchases	85,337	Accounts payable, trade	23,589
Subsidiary	Fujitsu Personal System Limited	Ownership Direct 100%	Sale of Fujitsu products Interlocking of directors	Sale of Fujitsu products	Net Sales	81,878	Accounts receivable, trade	20,768
Subsidiary	Fujitsu ND Solutions AG	Ownership Direct 100%	Holding company of GK Software SE	Underwriting of increasing capital		50,004	-	-
Subsidiary	Fujitsu Capital Ltd.	Ownership Direct 100%	Group financing in Japan Interlocking of directors	Withdrawal of funds	Withdrawal of funds	3,864	Deposits paid	42,987
Affiliate	Fujitsu Client Computing Ltd.	Ownership Direct 49%	Manufacture of PCs that are included in systems sold by the Company Interlocking of directors	Manufacture of PCs	Purchases	196,144	Accounts payable, trade	43,376

Notes:

1. Transactions listed above generally have terms of business based on arms-length.
2. The amount of transactions with Fujitsu Capital Ltd. is presented as the amount obtained by deducting deposits from withdrawals.

[Notes to Per Share Data]

Net assets per share ....634.21 yen

Earnings per share ....119.13 yen

Note: The Company conducted a 10-for-1 stock split of its common stock effective on April 1, 2024. Net assets per share and earnings per share are calculated as if the stock split had occurred at the beginning of period under review.

[Notes to Revenue Recognition]

Basic information to understand revenue from contracts with customers

Please refer to "Notes to Important Matters Pertaining to Accounting Policies, 5. Revenues and expenses recognition".

[Notes to Significant Events after the Reporting Period]

1. Stock split

   Notes are omitted as the same information is provided in "Notes to Consolidated Financial Statements: Notes to Significant Events after the reporting period, 1. Stock split."

2. Purchase of treasury shares

   Notes are omitted as the same information is provided in "Notes to Consolidated Financial Statements: Notes to Important Subsequent Events, 2. Purchase of treasury shares."

3. Company Split with a consolidated subsidiary, Fujitsu FSAS Inc.

   To strengthen the foundation of hardware business, centered on servers and storage and other product solutions, as of April 1, 2024, FSAS Technologies Inc. was launched. The Company will pursue speedy decision-making and thorough efficiency in management, and provide high value-added total solutions as a whole of the Group by consolidating the function of development, manufacturing, sales, maintenance, and others that have previously been scattered throughout the Group to create a one-stop system.

   To this end, at the board of directors of the Company held on December 26, 2023, the Company has resolved that effective April 1, 2024, its consolidated subsidiary, Fujitsu FSAS INC. (hereinafter "FSAS"), manages the Company's business in Japan pertaining to the development, manufacturing, sales and maintenance of servers, storage and select enterprise network products, and the business for direct sales of PCs to enterprises throughout the company split. The Company manages the maintenance business of mainframe and UNIX servers and the infrastructure construction service business of FSAS through a company split (hereinafter collectively, "Reorganization"). Absorption-type split agreement were concluded. Pursuant to this resolution, the Company implemented the Reorganization on April 1, 2024.

[Company split in which the Company is the splitting company in absorption-type split and FSAS is the successor company in absorption-type split]

(1) Summary of the company split

(a) Name of successor company and outline of the business to be split

(i) Name

Fujitsu FSAS Inc. (The trade name of Fujitsu FSAS INC. was changed to FSAS Technologies Inc. as of April 1, 2024)

(ii) Outline of the business

Business in Japan related to the development, manufacturing, sales, and maintenance of servers and storage (excluding mainframe and UNIX servers) hardware centered around the PC server "PRIMERGY," mission-critical IA server "PRIMEQUEST," and storage system "ETERNUS," and select network products (excluding networks for telecommunication carriers) centered around the network server "IPCOM"; sales and maintenance of network products produced by alliance partners; and direct sales of enterprise PCs.

(b) Date of the company split

April 1, 2024

(c) Reason of company split

To strengthen the foundation of the hardware solutions business centered on servers, storage, and other product solutions, as of April 1, 2024, The Company will integrate this business and its related functions in Japan into FSAS, which handles the planning, consulting, operation and maintenance business of ICT infrastructure. Through this integration and establishing an integrated system from development, manufacturing and sales to maintenance, the Company will clarify management responsibility in its Group companies and pursue speedy decision making and thorough efficiency in management.

This will enable both the Company and FSAS to leverage their respective strengths and provide comprehensive solutions as a whole Group, thereby increasing the value provided to the customers.

(d) Outline of the transactions including legal form

Company split in which the Company is the splitting company in absorption-type split and FSAS is the successor company in absorption-type split.

(2) Outline of the accounting treatment implemented

This company split was treated as a transaction under common control in accordance with the "Accounting Standard for Business Combinations" and "Accounting Standard for Business Divestitures," and the "Implementation Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures."

(3) Estimated amount of net sales related to the business to be split recorded in the statement of profit or loss of the current fiscal year

Net sales: Approximately 323.1 billion yen

[Company split in which FSAS is the splitting company and the Company is the successor company]

(1) Summary of the company split

(a) Name of successor company and outline of the business to be split

(i) Name

Fujitsu Limited

(ii) Outline of the business

Maintenance business of mainframe and UNIX servers, software support and call center business (excluding some regions and customers), and infrastructure construction services business

(b) Date of company split

April 1, 2024

(c) Reason of company split

In implementing the Company split in which the Company is the splitting company in absorption-type split and FSAS is the successor company in absorption-type split, the Company has succeeded the business of the Company's area which FSAS had operated, in order to clarify the business area of the Company and FSAS.

(d) Outline of the transactions including legal form

Company split in which FSAS is the splitting company and the Company is the successor company

(2) Outline of the accounting treatment implemented

This company split was treated as a transaction under common control in accordance with the "Accounting Standard for Business Combinations" and "Accounting Standard for Business Divestitures," and the "Implementation Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures."

(3) Estimated amount of net sales related to the business to be split recorded in the statement of profit or loss of the current fiscal year

Net sales: Approximately 29.3 billion yen

[Additional Information]

1. Execution of Agreement Regarding Shares of Consolidated Subsidiary (SHINKO ELECTRIC INDUSTRIES CO., LTD.)

Notes are omitted because the same information is provided in the "Notes to Consolidated Financial Statements: Notes to Business Combination, etc., 2. Execution of Agreement Regarding Shares of Consolidated Subsidiary (SHINKO ELECTRIC INDUSTRIES CO., LTD.)."

If the Share Transfer is executed in the next fiscal year, subject to the completion of the Public Takeover Offer, the effect on the Company's financial results in the next fiscal year will be as follows.

・Unconsolidated performance

Gain on sales of subsidiaries' and affiliates' stocks (extraordinary income) of approximately 250 billion yen is expected.

Note: The above impact on our business performance is estimated on our assessment using available information to us at this time, and actual results may differ from the projected figures due to various factors.