

Financial Section 2024

For the year ended March 31, 2024

Fujitsu Group
Integrated Report 2024

Contents

02	Five-Year Summary
03	Management's Analysis of Financial Position and Operating Results, and Status of Cash Flows
14	Consolidated Statement of Financial Position
16	Consolidated Statement of Profit or Loss and Consolidated Statement of Comprehensive Income
17	Consolidated Statement of Changes in Equity
18	Consolidated Statement of Cash Flows
19	Notes to Consolidated Financial Statements
76	Other Information
78	Independent Auditor's Report

FIVE-YEAR SUMMARY

Fujitsu Limited and Consolidated Subsidiaries

Years ended / At March 31	(Millions of yen)				
	IFRS				
	2020	2021	2022	2023	2024
Revenue	¥3,857,797	¥3,589,702	¥3,586,839	¥3,713,767	¥3,756,059
Operating profit	211,483	266,324	219,201	335,614	160,260
Profit before income taxes	228,564	291,855	239,986	371,876	178,180
Profit for the year	160,326	213,523	213,141	244,865	266,680
Profit for the year attributable to owners of the parent	160,042	202,700	182,691	215,182	254,478
Total comprehensive income for the year	170,306	277,091	263,094	219,344	332,127
Total comprehensive income attributable to owners of the parent	171,361	264,945	231,311	188,329	317,878
Total equity	¥1,348,435	¥1,546,905	¥1,715,749	¥1,736,823	¥1,918,834
Total assets	3,187,445	3,190,206	3,331,809	3,265,579	3,514,818
Equity per share attributable to owners of the parent (Yen)	¥ 6,197.11	¥ 7,287.15	¥ 8,094.70	¥ 842.54	¥ 952.76
Basic earnings per share (Yen)	791.20	1,013.78	924.21	110.76	135.59
Diluted earnings per share (Yen)	790.76	1,012.63	922.97	110.54	135.34
Total equity attributable to owners of the parent	¥1,240,956	¥1,450,139	¥1,590,713	¥1,586,835	¥1,752,393
Equity attributable to owners of the parent ratio	38.9%	45.5%	47.7%	48.6%	49.9%
Return on equity attributable to owners of the parent (ROE)	13.5%	15.1%	12.0%	13.5%	15.2%
Price earnings ratio	12.33	15.78	19.93	16.10	18.36
Cash flows from operating activities	¥ 347,263	¥ 307,947	¥ 248,347	¥ 220,329	¥ 309,221
Cash flows from investing activities	(114,206)	(71,561)	(59,267)	(42,809)	(157,239)
Cash flows from financing activities	(193,164)	(219,626)	(193,685)	(313,585)	(181,488)
Cash and cash equivalents	453,036	481,833	484,020	355,901	342,139
Number of employees	129,071	126,371	124,216	124,055	123,527
Average number of temporary personnel	12,876	12,327	12,674	11,738	12,873

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

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

3. The Company conducted a 10-for-1 stock split of its common stock, effective April 1, 2024. Equity per share attributable to owners of the parent and basic earnings per share and diluted earnings per share have been calculated on the basis that the stock split had been conducted at the beginning of the previous fiscal year.

Please note that the share price as of the end of the fiscal year ended March 31, 2024, is the ex-rights share price associated with this stock split. Accordingly, the price earnings ratio for the fiscal year ended March 31, 2024, has been calculated by dividing the ex-rights share price by basic earnings per share adjusted for the stock split.

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

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

The following section, Management's Discussion and Analysis of Operations, provides an overview of the operating results, financial position, and status of cash flows of the Company and its consolidated subsidiaries and equity method associates (together, the "Group"), along with management's assessment, analysis, and discussion of the status of the Group's operations. Forward-looking statements in this section are based on judgments as of the end of the consolidated fiscal year under review (March 31, 2024).

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

1. Progress of Medium-Term Management Plan

To ensure a stable, long-term contribution to the realization of our Purpose, it is essential to build trusted relationships with all stakeholders and to pursue sustainable growth. We have therefore incorporated non-financial indicators as part of our core business activities, and we are promoting initiatives to achieve them in tandem with our financial targets.

(1) Financial targets

		Fiscal 2022	Fiscal 2025
Business growth and improved profitability	Revenue	¥3.7 trillion	¥4.2 trillion
	Service Solutions	¥2.0 trillion	¥2.4 trillion
	Fujitsu Uvance revenue	¥200 billion	¥700 billion
	Adjusted operating profit*1	¥320 billion	¥500 billion
	Service Solutions	¥160 billion	¥360 billion
Adjusted operating profit margin		9%	12%
	Service Solutions	8%	15%
Strengthen cash generation capabilities	Core FCF*2 (Companywide)	¥150 billion	¥300 billion
Increase efficiency of corporate capital	EPS CAGR	Fiscal 2019–fiscal 2022	Fiscal 2022–fiscal 2025
		12%	14–16%

*1 An indicator of the real profits from the business, in which one-time gains or losses from such activities (adjusted items) as business restructurings, acquisitions or divestitures, and institutional changes are subtracted from operating profit.

*2 Ordinary free cash flow, the sum of cash flows from operating activities and cash flows from investing activities in the consolidated statements of cash flows, excluding one-time cash inflows or outflows from such activities as business restructurings, acquisitions or divestitures, and institutional changes.

Our financial targets for fiscal 2025, the final year of new Medium-Term Management Plan, starting in fiscal 2023, are revenue of ¥4.2 trillion, adjusted operating profit of ¥500.0 billion, and an adjusted operating profit margin of 12%. Centering on Service Solutions, we aim to boost profitability, driven by growth from Fujitsu Uvance. Furthermore, by improving working capital efficiency to strengthen our cash flow generation capabilities, by fiscal 2025 we aim to expand core free cash flow (Core FCF) to ¥300.0 billion, around twice the fiscal 2022 level. Also, by this date, we intend to achieve a compound annual growth rate (CAGR) in earnings per share (EPS) of between 14% and 16% by optimally allocating the increased cash flow.

In the fiscal year, we set about transforming our business portfolio with the Service Solutions segment as the pillar of growth. As a result, revenue growth was brisk, increasing 2.2% year on year to ¥3,756.0 billion on a consolidated basis, excluding the impactor of business restructuring, and by 9.9% year on year to ¥2,137.5 billion in Service Solutions. Consolidated adjusted operating profit decreased 11.6% year on year to ¥283.6 billion. This owed to lackluster demand in Device Solutions and Network Products, as well as the impacts of increased investments in cutting-edge R&D and internal digital transformation (DX) measures. In Service Solutions, adjusted operating profit rose a sharp 45.5% year on year to ¥237.2 billion, reflecting the benefits of various

measures implemented in this business segment.

Also, core free cash flow for the fiscal year was ¥197.2 billion, representing an increase of cash inflows of ¥40.1 billion compared with the previous fiscal year. From the previous fiscal year to the fiscal year under review, the compound annual growth rate (CAGR) in adjusted EPS—an indicator of capital efficiency—was 19.6%.

(2) Non-financial targets

The Group has set key performance indicators (KPIs) in four categories: the environment, customers, productivity, and people. We are more or less on track to achieving all of our targets for the fiscal year ending March 31, 2026.

Our KPIs for the environment are to reduce our Scope 1 and 2 greenhouse gas (GHG) emissions across the Fujitsu Group by 50% from the fiscal year ended March 31, 2021, and to reduce Scope 3 supply chain emissions by 12.5%. We have already reduced our Scope 3 emissions by 31%, which is well above our 12.5% reduction target for the fiscal year ending March 31, 2026, but this reflects the temporary impact of weak sales in Network Products, therefore this KPI target remains unchanged.

For customers, we have retained our previous KPI of Customer Net Promoter ScoreSM (NPS[®])* and we are targeting a 20 point increase compared with the fiscal year ended March 31, 2023.

Our productivity KPI is operating profit per employee and we are targeting a 40% increase compared with the fiscal year ended March 31, 2023. Productivity in the fiscal year was dragged down by weaker consolidated operating profit, but in the Group's growth domain of the Service Solutions segment, productivity increased by more than 40% from the previous fiscal year.

For people, we continue to use our previous KPI of employee engagement, aiming to reach a global score of 75, which we were unable to achieve last time. The score for this fiscal year was the same as the previous fiscal year. We have addressed the issues that were identified in an internal survey, starting with those that can be tackled immediately,

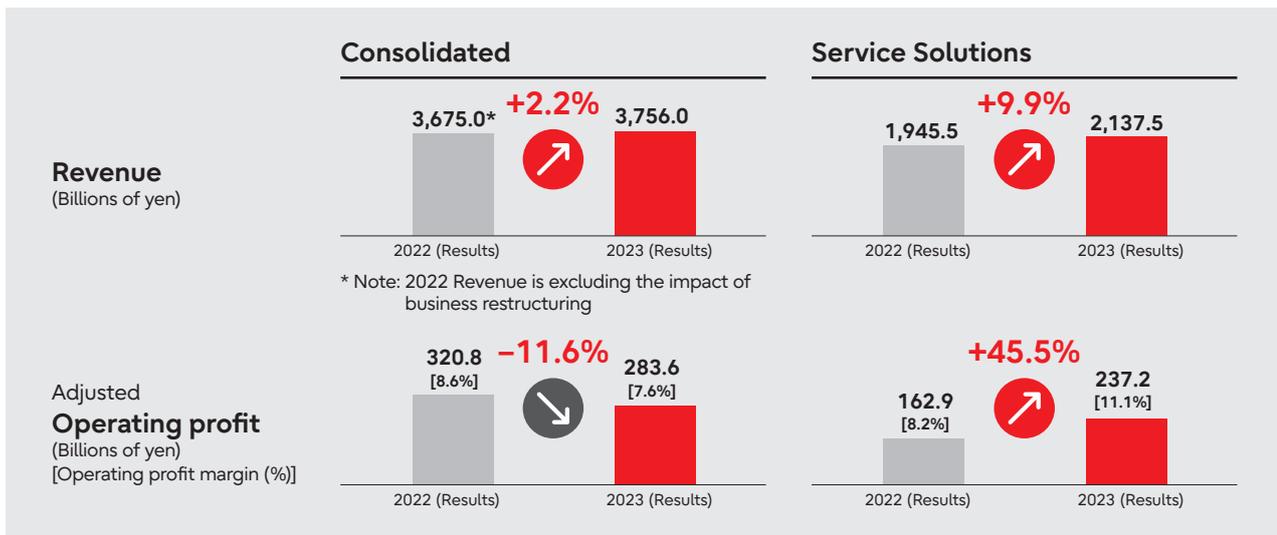
and for the next stage, we are now addressing some of the more complex issues. Also, our KPI for diversity leadership is the percentage of female managers at the global level and we are targeting an increase from 15% in the fiscal year ended March 31, 2023, to 20% in the fiscal year ending March 31, 2026. This target was determined by backcasting from a goal of 30% by the fiscal year ending March 31, 2031.

* NPS® is an indicator that enables objective evaluation of the relationship of trust with customers, or in other words, customer loyalty. Unlike customer satisfaction, which indicates the degree of satisfaction or dissatisfaction with a purchased product or service, customer loyalty is characterized by the ability to determine the degree of customer attachment and the likelihood of repeat purchases.

Medium-Term Management Plan

Progress of Financial Performance Indicators

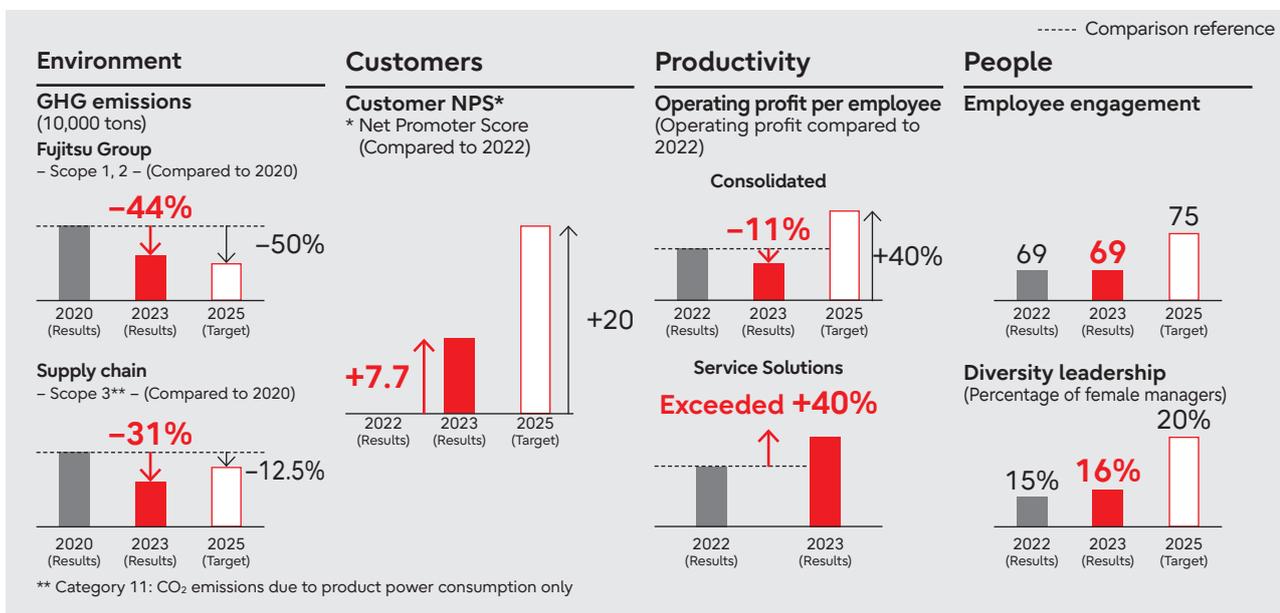
Fiscal year ended March 31



Medium-Term Management Plan

Progress of Non-Financial Performance Indicators

Fiscal year ended/ending March 31



Financial Results Highlights for the Year Ended March 31, 2024

Revenue was ¥3,756.0 billion, operating profit was ¥160.2 billion, and profit for the year attributable to owners of the parent was ¥254.4 billion. We have now posted record-high consolidated profit for the year for two consecutive years. This primarily owes to the impact of lower tax expenses after recognizing deferred tax assets in connection with the restructuring of our corporate structure in Europe, despite the booking of one-off losses arising from the expansion of structural reforms centered on business in Regions (International).

Adjusted operating profit—which strips out the impact of business restructurings, acquisitions or divestitures, institutional changes, and one-off profit or loss items from changes in regulations—was ¥283.6 billion. Of this, ¥237.2 billion came from Service Solutions, and the adjusted operating profit margin improved 2.9 percentage points year on year to 11.1%.

(1) Progress on the streamlining of costs and expenses

In order to improve the gross margin ratio in the Service Solutions segment, we are pressing ahead with two initiatives: delivery transformation and value-based pricing. At our Global Delivery Centers (GDCs), we are working to expand headcount, and to increase both the insourcing ratio and the offshore ratio. At Japan Global Gateway (JGG), we are making use of Groupwide development platforms to drive standardization and automation of development tasks, the benefits of which are materializing in the form of reduced man hours. In addition, we are moving away from traditional cost-plus pricing and shifting toward value-based pricing, which is determined according to the value provided.

(2) Growth investments

Growth investments increased by ¥81.4 billion year on year to ¥202.1 billion. This breaks down to approximately ¥65.0 billion in strengthening Fujitsu Uvance and the consulting business, around ¥35.0 billion in cutting-edge R&D, approximately ¥75.0 billion in strengthening the management foundation, including data-driven management, and about ¥25.0 billion in enhancing quality and security, as well as developing human resources.

The amount spent on strengthening Fujitsu Uvance and the consulting business includes the cost of acquiring Germany-based GK Software SE. Cutting-edge R&D pertains to the cost of developing the Fujitsu Kozuchi AI Platform and technology related to quantum computing. Also, as a data-driven management initiative for strengthening our management foundation, we are currently rolling out the OneERP+ system as a project that will integrate all of our enterprise resource planning (ERP) platforms into a single system for the entire Group. The OneERP+ program is already up and running in some overseas regions and it is slated to go live in Japan in the fiscal year ending March 31, 2025.

2. Building a Business Model for Sustainable Growth and Stronger Earnings

The Group's value creation vision for the year 2030 is to become a technology company that realizes net positive* through digital services. We have positioned the three years of the medium-term management plan (from the fiscal year ended March 31, 2024, to the fiscal year ending March 31, 2026) as a period to build a business model for sustainable growth and stronger earnings with a view to 2030 and beyond. To achieve this objective, we are implementing the following three major initiatives: business model and portfolio transformation, reliably supporting our customers' modernization, and improving international business profitability.

* Net positive means, in addition to maximizing financial returns, we are committed to solving global environmental problems, developing a digital society, and improving people's well-being, through using technology and innovation to create a positive impact on society as a whole.

(1) Business model and portfolio transformation

We are implementing a transformation in our business model and business portfolio by shifting away from the traditional system integration (SI) model toward on-cloud digital services and business applications, as well as cross-industry solutions, centered on Fujitsu Uvance. Revenue from Fujitsu Uvance for the fiscal year came to ¥367.9 billion, a sharp increase of 84% from the previous fiscal year, and well above the initial forecast of ¥300.0 billion. In the previous fiscal year, Horizontal areas, which provide the technology and solutions to support the DX efforts of customers, comprised the lion's share of revenue, but this fiscal year, Vertical areas, which are aimed at resolving societal issues, accounted for more than 30% of Fujitsu Uvance's overall revenue, as a result of our efforts to beef up our offerings in Sustainable Manufacturing and Consumer Experience. Also, in terms of cross-industry initiatives, the integration and utilization of data is a key element, which is why we embedded Fujitsu Kozuchi into 22 different offerings this fiscal year. In the fiscal year ending March 31, 2025, we will look to further expand the number of offerings that carry our AI platform, strengthen our new consulting service, Uvance Wayfinders, and step up the provision of global services in anticipation of a full-fledged overseas rollout.

(2) Reliably supporting our customers' modernization

The modernization business is steadily growing, mainly in Japan. In the fiscal year, we visualized the resource requirements to meet demand, streamlined business meetings and project execution through the Modernization Knowledge Center, a center of excellence (CoE) that functions as a focal point for technical information, know-how, and knowledge indispensable to modernization, and also rolled out proven tools in collaboration with global partners. We forecast that demand for the modernization of existing systems will continue in the fiscal year ending March 31, 2025, and beyond. Based on the resource requirements that have been visualized, we will dynamically assign resources according to business discussions to reliably and efficiently carry out projects. In addition, we will continue to develop and grow the number of skilled employees for modernization, and support the modernization efforts of customers in anticipation of cloud migration and DX, all the while adapting to business changes.

(3) Improving international business profitability

Revenue in Regions (International) for the fiscal year was ¥604.1 billion, up 3.9% from the previous fiscal year. With an adjusted operating profit margin of only 1.7%, profitability remains an issue, but we expect to see a recovery on account of the business portfolio transformation and other initiatives. In the Americas, the business portfolio transformation is progressing smoothly, the weighting of services business is increasing, and the adjusted operating profit margin is improving. In the fiscal year ending March 31, 2025, we will focus on expanding business scale and further boosting profitability. In Europe, we are in the process of carrying out structural reforms, chiefly by divesting the private cloud business in Germany, withdrawing from loss-making regions, and reorganizing our corporate structure in order to separate the services and hardware businesses. This restructuring is scheduled for completion in the fiscal year ending March 31, 2026. In Asia Pacific, we are considering structural reforms in order to shift away from the intensely competitive infrastructure business and into business applications and other service-based businesses. In all regions, we intend to press ahead with the repositioning toward service businesses centering on Fujitsu Uvance.

3. Analysis of Results for the Year Ended March 31, 2024

Summarized Consolidated Statement of Profit or Loss

Years ended March 31	(Billions of yen)			
	2023	2024	YoY change	Change (%)
Revenue	3,713.7	3,756.0	42.2	1.1
Excluding impact of restructuring	3,675.0	3,756.0	80.9	2.2
Impact of restructuring	38.6	-	(38.6)	-
Cost of sales	(2,569.6)	(2,591.2)	(21.5)	0.8
Gross profit	1,144.0	1,164.8	20.7	1.8
Selling, general and administrative expenses	(852.9)	(904.5)	(51.6)	6.1
Other income (expenses)	44.5	(99.9)	(144.4)	-
Operating profit	335.6	160.2	(175.3)	(52.2)
Financial income (expenses)	8.2	6.7	(1.4)	(17.6)
Income from investments accounted for using the equity method, net	28.0	11.1	(16.8)	(60.3)
Profit before income taxes	371.8	178.1	(193.6)	(52.1)
Income tax expenses	(127.0)	88.5	215.5	-
Profit for the year attributable to:	244.8	266.6	21.8	8.9
Owners of the parent	215.1	254.4	39.2	18.3
Non-controlling interests	29.6	12.2	(17.4)	(58.9)

Adjusted operating profit and adjusted profit for the year

Years ended March 31	(Billions of yen)			
	2023	2024	YoY change	Change (%)
Operating profit	335.6	160.2	(175.3)	(52.2)
Adjusted items	14.7	(123.4)	(138.1)	-
Adjusted operating profit (subtracting adjusted items above)	320.8	283.6	(37.1)	(11.6)
Profit for the year attributable to owners of the parent	215.1	254.4	39.2	18.3
Adjusted items	11.0	18.6	7.6	-
Adjusted profit for the year (subtracting adjusted items above) ^(Note)	204.1	235.8	31.6	15.5

Note: An indicator of the profits from the business, in which one-time gains or losses from such activities (adjusted items) as business restructurings, acquisitions or divestitures, institutional changes, and taxes related to these activities are subtracted from profit for the year attributable to owners of the parent.

Reference: Financial Indicators

	(Yen)		
	2023	2024	YoY change
Adjusted operating profit margin	8.6%	7.6%	(1.0) pp.
Adjusted EPS ^{*1}	¥105.1	¥125.6	19.6%
Return on equity attributable to owners of the parent (ROE) ^{*2}	13.5%	15.2%	1.7 pp.

*1 Adjusted earnings per share (EPS). The Company conducted a 10-for-1 stock split of its common stock, effective April 1, 2024. Basic earnings per share are calculated as if the stock split had occurred at the beginning of previous fiscal year.

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

(1) Revenue

Consolidated revenue for the fiscal year was ¥3,756.0 billion, an increase of ¥42.2 billion year on year. On a continuing operations basis, excluding the impacts of business restructuring, revenue increased by ¥80.9 billion. Service Solutions revenue grew by 9.9%, driven by DX and modernization projects for the domestic market. Hardware Solutions revenue decreased by 2.2% overall on the dropout of the previous year's strong demand in the Network Products business, despite higher revenue in the System Products business centered on servers and storage systems, owing to the impact of exchange rate fluctuations. Revenue in the Device Solutions segment fell by 25.2% due to persistently weak demand for semiconductor packages.

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

For the fiscal year, cost of sales totaled ¥2,591.2 billion and gross profit was ¥1,164.8 billion, up ¥20.7 billion year on year.

Selling, general and administrative (SG&A) expenses were ¥904.5 billion, an increase of ¥51.6 billion year on year. We are actively stepping up business growth investments, mainly in cutting-edge R&D and internal DX measures. Other income and expenses came to a net expense of ¥99.9 billion, a change of ¥144.4 billion from net income of ¥44.5 billion in the previous fiscal year.

As a consequence, operating profit for the fiscal year was ¥160.2 billion, a decrease of ¥175.3 billion year on year. This includes a loss of ¥123.4 billion this fiscal year in the adjusted items for operating profit, such as business structuring expenses mainly in Europe, which resulted in an overall negative impact of ¥138.1 billion compared with the previous fiscal year. Adjusted operating profit, subtracting the abovementioned adjusted items, was ¥283.6 billion for the fiscal year, compared with ¥320.8 billion in the previous fiscal year. The deterioration of ¥37.1 billion in overall consolidated adjusted operating profit partly owes to increased expenses from aggressively investing in business growth, as well as sluggish demand in Device Solutions and Network Products, despite a positive year-on-year turnaround of ¥74.2 billion in the Service Solutions segment, the Group's mainstay pillar of growth.

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

Net financial income amounted to ¥6.7 billion, down ¥1.4 billion from the previous fiscal year. Income from investments accounted for using the equity method, net, was ¥11.1 billion, a decrease of ¥16.8 billion year on year.

Profit before income taxes was ¥178.1 billion, a decrease of ¥193.6 billion year on year, primarily reflecting the decrease in operating profit.

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

Profit for the year came to ¥266.6 billion, an increase of ¥21.8 billion year on year. Of profit for the year, profit for the year attributable to owners of the parent came to ¥254.4 billion, up ¥39.2 billion from the previous fiscal year. Profit attributable to non-controlling interests was ¥12.2 billion, a decrease of ¥17.4 billion year on year. Income tax expenses were negative ¥88.5 billion, a decrease of ¥215.5 billion year on year. In connection with the decision to liquidate the European subsidiary Fujitsu Services Holdings PLC, we recognized deferred tax assets of ¥140.5 billion associated with deductible temporary differences arising from investments, and, as a result, income tax expenses decreased by the same amount.

ROE, calculated by dividing profit for the year attributable to owners of the parent by total equity attributable to owners of the parent (owners' equity), was 15.2%, compared with 13.5% in the previous fiscal year. Adjusted EPS was ¥125.6 for the fiscal year, up from ¥105.1 in the previous fiscal year. The CAGR from the fiscal year ended March 31, 2023, to the fiscal year ended March 31, 2024, was 19.6%, above the target for the fiscal year ending March 31, 2026.

Under a policy of stably expanding shareholder returns, the annual dividend for the fiscal year was ¥26* per share, an increase of ¥2 per share from the previous fiscal year, marking eight consecutive years of dividend hikes from the fiscal year ended March 31, 2016. Also, in the fiscal year, the Company conducted purchases of treasury stock worth ¥103.1 billion. Due to insider trading restrictions, the start date for the stock buybacks was delayed and the annual amount to be purchased was lowered from the initial plan of ¥150.0 billion. However, the plan to provide a total of ¥600.0 billion in shareholder returns in the form of dividends and share buybacks over the three-year period from the fiscal year ended March 31, 2024, to the fiscal year ending March 31, 2026, remains intact.

* A 10-for-1 split of common stock was carried out on April 1, 2024. The dividend per share has been recalculated using figures after the stock split.

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

Total other comprehensive income for the year, net of taxes, was ¥65.4 billion. There was a positive impact of ¥35.0 billion from financial assets measured at fair value through other comprehensive income, and yen depreciation boosted foreign currency translation adjustments at subsidiaries outside Japan by ¥21.8 billion and the remeasurement of defined benefit plans by ¥5.0 billion.

Total comprehensive income for the year, which combines profit for the year and other comprehensive income after taxes, came to ¥332.1 billion. Of total comprehensive income, total comprehensive income attributable to owners of the parent came to ¥317.8 billion, and total comprehensive income attributable to non-controlling interests was ¥14.2 billion.

(6) Segment information

Having merged a number of the business segments, the Group now has the following four reportable segments based on management structure and the characteristics of products and services: Service Solutions, Hardware Solutions, Ubiquitous Solutions, and Device Solutions. The Service Solutions segment comprises the Global Solutions subsegment, which creates and provides global value-added services centered on Fujitsu Uvance, the Regions (Japan) subsegment, which delivers services to the Japanese market, and the Regions (International) subsegment, which delivers services to overseas markets. The Hardware Solutions segment consists of the System Products business, which includes servers and storage systems that function as the backbone of ICT, and the Network Products business, which provides communication infrastructure such as mobile phone base stations and optical transmission systems. The Ubiquitous Solutions segment mainly comprises the Client Computing Devices business, such as PCs. The Device Solutions segment consists of the Electronic Components business, which includes semiconductor packages and batteries.

Revenues (including revenue from intersegment sales) and operating profit by segment for the fiscal year are as follows.

		(Billions of yen)			
Years ended March 31		2023	2024	YoY change	Change (%)
Service Solutions	Revenue.....	1,984.2	2,137.5	153.3	7.7
	Excluding the impact of restructuring....	1,945.5	2,137.5	192.0	9.9
	Impact of restructuring....	38.6	-	(38.6)	-
	Adjusted operating profit.....	162.9	237.2	74.2	45.5
	[Adjusted operating profit margin].....	[8.2%]	[11.1%]	[2.9 pp.]	
Global Solutions	Revenue.....	407.2	480.3	73.0	17.9
	Adjusted operating profit.....	5.0	13.7	8.6	171.7
	[Adjusted operating profit margin].....	[1.2%]	[2.9%]	[1.7 pp.]	
Regions (Japan)	Revenue.....	1,194.6	1,262.1	67.5	5.7
	Excluding the impact of restructuring....	1,155.9	1,262.1	106.1	9.2
	Impact of restructuring....	38.6	-	(38.6)	-
	Adjusted operating profit.....	147.7	213.1	65.4	44.3
	[Adjusted operating profit margin].....	[12.4%]	[16.9%]	[4.5 pp.]	

		(Billions of yen)			
Years ended March 31		2023	2024	YoY change	Change (%)
Regions (International)	Revenue.....	581.7	604.1	22.4	3.9
	Adjusted operating profit.....	10.3	10.3	0	0.1
	[Adjusted operating profit margin].....	[1.8%]	[1.7%]	[(0.1 pp.)]	
Intersegment Elimination	Revenue.....	(199.3)	(209.1)	(9.7)	-
	Revenue.....	1,132.3	1,108.0	(24.3)	(2.2)
Hardware Solutions	Adjusted operating profit.....	112.6	83.6	(28.9)	(25.7)
	[Adjusted operating profit margin].....	[9.9%]	[7.6%]	[(2.3 pp.)]	
	System Products	Revenue.....	862.6	925.0	62.3
Network Products	Revenue.....	269.7	183.0	(86.7)	(32.2)
Ubiquitous Solutions	Revenue.....	286.0	273.3	(12.6)	(4.4)
	Adjusted operating profit.....	8.6	24.2	15.5	178.4
	[Adjusted operating profit margin].....	[3.0%]	[8.9%]	[(5.9 pp.)]	
Device Solutions	Revenue.....	382.6	286.3	(96.3)	(25.2)
	Adjusted operating profit.....	77.4	18.3	(59.0)	(76.3)
	[Adjusted operating profit margin].....	[20.2%]	[6.4%]	[(13.8 pp.)]	
Intersegment Elimination/ Corporate	Revenue.....	(71.5)	(49.1)	22.3	-
	Adjusted operating profit.....	(40.9)	(79.7)	(38.8)	-
Consolidated	Revenue.....	3,713.7	3,756.0	42.2	1.1
	Adjusted operating profit.....	320.8	283.6	(37.1)	(11.6)
	[Adjusted operating profit margin].....	[8.6%]	[7.6%]	[(1.0 pp.)]	

(a) Service Solutions

Revenue in the Service Solutions segment was ¥2,137.5 billion, an increase of ¥192.0 billion from the previous fiscal year (after deducting the impact of business restructuring). Adjusted operating profit was ¥237.2 billion, an increase of ¥74.2 billion year on year. The change from the previous fiscal year owes primarily to the following three factors. First, higher revenue boosted profit growth by ¥60.2 billion, while sales grew by 10% year on year, mainly in Japan. Second, profitability improvements drove profit growth of ¥35.3 billion, with ongoing efforts aimed at the in-house production of projects, the greater use of offshore services, and the application of development standardization and automation has steadily enhanced profitability, particularly in domestic services. The gross profit margin improved by 2% from the previous fiscal year, to 35%. Third, accelerated investments and other factors dented profit by ¥21.4 billion. We continue to make aggressive investments that directly contribute to growth, for example, the development of Fujitsu Uvance offerings, the nurturing of human resources, and security enhancements.

Revenue in the Global Solutions subsegment was ¥480.3 billion, an increase of ¥73.0 billion, or 17.9%, year on year. Adjusted operating profit was ¥13.7 billion, an increase of ¥8.6 billion year on year. Sales increased, chiefly through Fujitsu Uvance, and even as we continue to actively scale up investments, profit levels rose sharply by virtue of stronger revenue and profitability improvements.

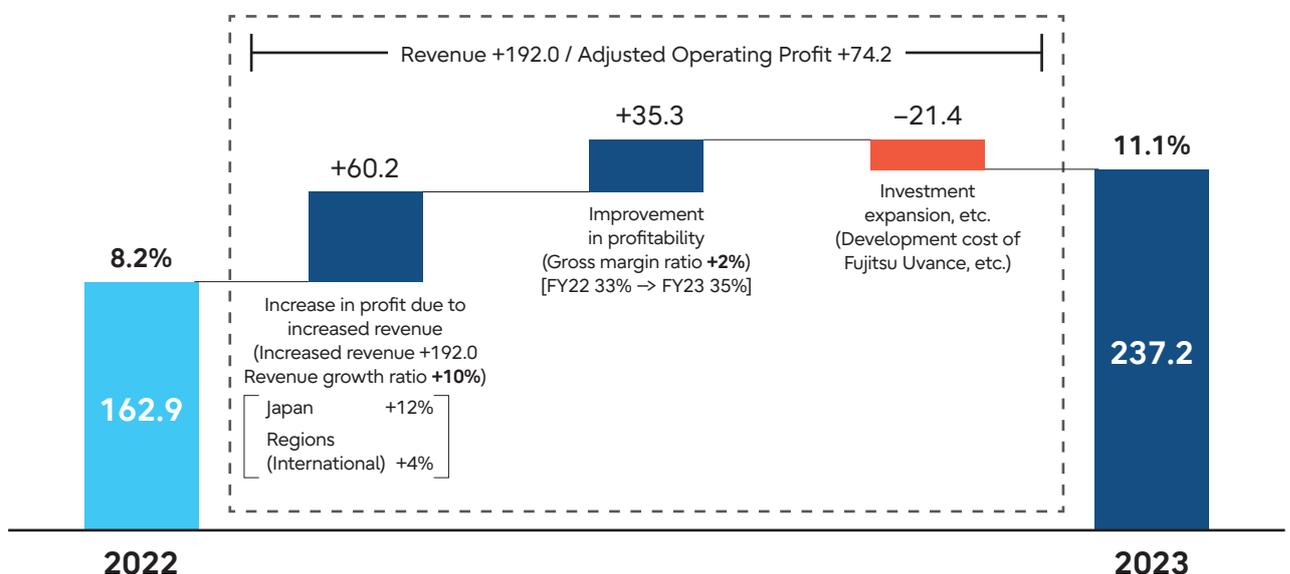
Revenue in the Regions (Japan) subsegment was ¥1,262.1 billion, an increase of ¥67.5 billion, or 5.7%, year on year. Adjusted operating profit was ¥213.1 billion, an increase of ¥65.4 billion year on year. Revenue and profit growth was driven by DX and modernization projects in a broad range of areas, including finance, the public sector, and healthcare.

Revenue in the Regions (International) subsegment was ¥604.1 billion, an increase of ¥22.4 billion, or 3.9%, year on year, reflecting not only Fujitsu Uvance sales growth, but also the impact of currency movements. Adjusted operating profit was ¥10.3 billion, on par with the previous fiscal year.

Factors behind Change in Adjusted Operating Profit in Service Solutions

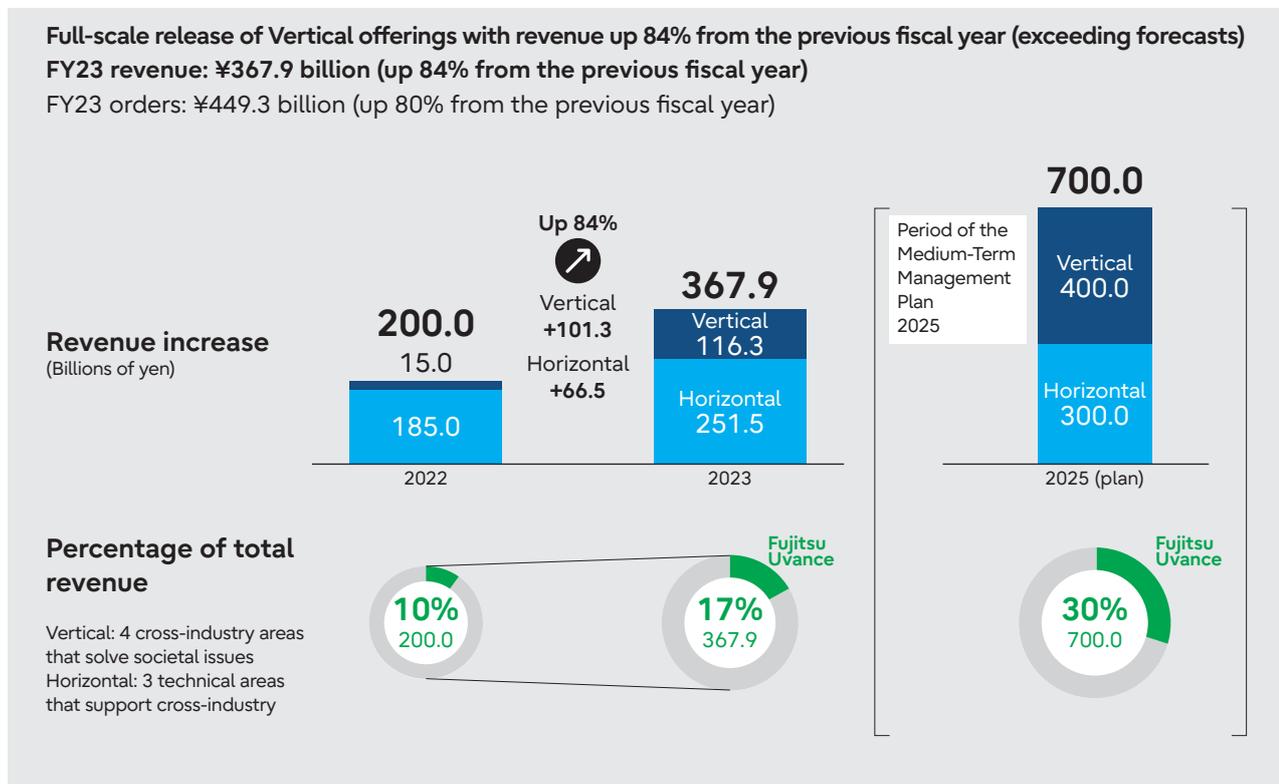
Fiscal year ended March 31

(Billion of yen)



Status of Fujitsu Uvance

Fiscal year ended March 31



The graphic above shows the progress of orders and revenue for Fujitsu Uvance, which we consider integral to business growth and the transformation of our business portfolio. Orders for the fiscal year were ¥449.3 billion, up 80% year on year, and revenue was ¥367.9 billion, an increase of 84%. In the fiscal year, we released Vertical offerings in earnest, focusing mainly on the area of Sustainable Manufacturing, as well as Healthy Living and Trusted Society. The weighting of Fujitsu Uvance sales as a percentage of overall Service Solutions revenue increased from 10% in the previous fiscal year to 17% this fiscal year, indicating that the portfolio transformation is making steady progress.

* For Fujitsu Uvance, we have established seven Key Focus Areas. These areas are divided into two categories: Vertical areas and Horizontal areas. The former are groups of services that help solve issues in society, while the latter are the technological platforms that support the delivery of services. There are four Vertical areas: Sustainable Manufacturing, which facilitates circular and traceable manufacturing with consideration for the environment and people; Consumer Experience, in which diverse experiences are provided to consumers through payments, retail, and distribution; Healthy Living, which supports the well-being of people from all walks of life; and Trusted Society, which contributes to the building of a safe, secure, and resilient society. There are three Horizontal areas: Digital Shifts, which support data-driven decision-making, operations, and workstyle reforms; Business Applications, which provide cloud integration and applications; and Hybrid IT, which offers cloud migration and security services for our customers' backbone systems.

(b) Hardware Solutions

Revenue in the Hardware Solutions segment was ¥1,108.0 billion, a drop of 2.2% year on year. Adjusted operating profit was ¥83.6 billion, a decrease of ¥28.9 billion year on year. Revenue in the System Products business was boosted by forex movements. In contrast, revenue in the Network Products business declined due to the winding down of large-scale demand; it is in this environment that we are ramping up investments in developments for the next cycle in order to achieve faster and higher capacity networks that use less energy.

(c) Ubiquitous Solutions

Revenue in the Ubiquitous Solutions segment was ¥273.3 billion, a decrease of 4.4% year on year. Adjusted operating profit was ¥24.2 billion, an increase of ¥15.5 billion from the previous fiscal year. We made progress on additional cost reductions and cost pass-alongs in response to higher prices of components, including the impact of foreign exchange rates.

(d) Device Solutions

Revenue in the Device Solutions segment was ¥286.3 billion, a decrease of 25.2% year on year, as demand for semiconductor packages remained weak.

(7) Financial information for Regions (International)

One of the Group's management priorities is to increase revenue and raise profitability on a global basis. Accordingly, financial information for the Regions (International) subsegment in the Service Solutions segment is important to the Group's business management and is useful for shareholders and investors to gain a broader understanding of the Group's financial position.

		(Billions of yen)			
Years ended March 31		2023	2024	YoY change	Change (%)
Europe	Revenue.....	396.4	419.1	22.6	5.7
	Adjusted operating profit.....	1.1	2.3	1.2	105.6
	[Adjusted operating profit margin].....	[0.3%]	[0.6%]	[0.3 pp.]	
Americas	Revenue.....	52.6	54.1	1.5	2.9
	Adjusted operating profit.....	2.9	3.4	0.4	16.7
	[Adjusted operating profit margin].....	[5.6%]	[6.4%]	[0.8 pp.]	
Asia Pacific	Revenue.....	95.4	102.4	6.9	7.3
	Adjusted operating profit.....	4.6	3.5	(1.0)	(23.2)
	[Adjusted operating profit margin].....	[4.8%]	[3.5%]	[(1.4 pp.)]	
East Asia	Revenue.....	44.8	39.0	(5.8)	(13.0)
	Adjusted operating profit.....	1.5	1.2	(0.3)	(22.9)
	[Adjusted operating profit margin].....	[3.5%]	[3.1%]	[(0.4 pp.)]	
Others	Revenue.....	(7.7)	(10.5)	(2.8)	-
	Adjusted operating profit.....	-	(0.2)	(0.2)	-
	Revenue.....	581.7	604.1	22.4	3.9
Regions (International)	Adjusted operating profit.....	10.3	10.3	0	0.1
	[Adjusted operating profit margin].....	[1.8%]	[1.7%]	[(0.1 pp.)]	

Revenue came to ¥604.1 billion, an increase of ¥22.4 billion, or 3.9%, year on year, reflecting not only Fujitsu Uvance sales growth, but also the impact of currency movements. Adjusted operating profit was ¥10.3 billion, on par with the previous fiscal year. As we withdraw from unprofitable businesses, for example, by divesting the private cloud business in Germany, and continue to pivot toward business domains centered on Fujitsu Uvance.

4. Assets, Liabilities, and Equity**Summarized Consolidated Statement of Financial Position**

		(Billions of yen)		
At March 31		2023	2024	YoY change
Assets				
	Current assets.....	1,917.8	1,896.4	(21.3)
	Non-current assets.....	1,347.7	1,618.3	270.6
	Total assets.....	3,265.5	3,514.8	249.2
Liabilities				
	Current liabilities.....	1,276.4	1,311.1	34.6
	Non-current liabilities.....	252.3	284.8	32.5
	Total liabilities.....	1,528.7	1,595.9	67.2
Equity				
	Total equity attributable to owners of the parent (Owners' equity).....	1,586.8	1,752.3	165.5
	Equity attributable to non-controlling interests.....	149.9	166.4	16.4
	Total equity.....	1,736.8	1,918.8	182.0
	Total liabilities and equity.....	3,265.5	3,514.8	249.2
	Cash and cash equivalents.....	355.9	342.1	(13.7)
	Interest-bearing loans.....	211.1	245.6	34.5
	Net cash.....	144.7	96.4	(48.2)

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

Reference: Financial Indicators

At March 31	2023	2024	YoY change
Equity attributable to owners of the parent ratio (Owners' equity ratio).....	48.6%	49.9%	1.3 pp.
D/E ratio (Times).....	0.13	0.14	0.01

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

Consolidated total assets as of March 31, 2024, stood at ¥3,514.8 billion, an increase of ¥249.2 billion compared with March 31, 2023. Current assets decreased by ¥21.3 billion compared with the previous year-end, to ¥1,896.4 billion. While inventories decreased, so did cash and cash equivalents, by ¥13.7 billion compared with the previous year-end, to ¥342.1 billion. Non-current assets increased by ¥270.6 billion compared with the previous year-end, to ¥1,618.3 billion. More specifically, in connection with the decision to liquidate the European subsidiary Fujitsu Services Holdings PLC, we recognized deferred tax assets associated with deductible temporary differences arising from investments, while intangible assets and goodwill also increased owing to the execution of M&As.

Total liabilities amounted to ¥1,595.9 billion, an increase of ¥67.2 billion from March 31, 2023. Interest-bearing loans, which consist of current liabilities and non-current liabilities, borrowings, and lease liabilities, totaled ¥245.6 billion, up ¥34.5 billion compared with the previous year-end. As a result, the D/E ratio was 0.14 times, an increase of 0.01 of a point compared with the previous year-end. Net cash, which is cash and cash equivalents minus interest-bearing loans, was ¥96.4 billion, down ¥48.2 billion compared with the previous year-end.

Total equity was ¥1,918.8 billion, an increase of ¥182.0 billion compared with March 31, 2023. Retained earnings were ¥1,487.3 billion, an increase of ¥260.8 billion, mainly due to the recording of profit for the year attributable to owners of the parent. Other components of equity increased by ¥9.5 billion compared with the previous year-end, to ¥80.3 billion. Meanwhile, treasury stock was negative ¥380.8 billion. The Company repurchased ¥103.1 billion of shares during the year ended March 31, 2024, as a shareholder return measure. As a result, total equity attributable to owners of the parent (owners' equity) was ¥1,752.3 billion, and the owners' equity ratio was 49.9%, an increase of 1.3 percentage points compared with March 31, 2023.

Status of Retirement Benefit Plans

At March 31	(Billions of yen)		
	2023	2024	YoY change
a. Defined benefit obligation	1,320.2	1,396.6	76.4
b. Plan assets	1,306.7	1,407.9	101.2
c. Defined benefit obligation in excess of plan assets (b)-(a)	(13.5)	11.2	24.7

The defined benefit obligation of the employee defined benefit plans in Japan and overseas was ¥1,396.6 billion, up ¥76.4 billion compared with March 31, 2023. Plan assets stood at ¥1,407.9 billion, an increase of ¥101.2 billion compared with the previous year-end. As a result, the funded status of employee defined benefit plans (defined benefit obligation in excess of plan assets) amounted to an excess of ¥11.2 billion, representing an improvement of ¥24.7 billion compared with the previous year-end. The improvement mainly reflected a decrease in plan obligations due to a rise in the discount rate and an increase in plan assets owing to share price appreciation.

5. Cash Flows

Summarized Consolidated Statement of Cash Flows

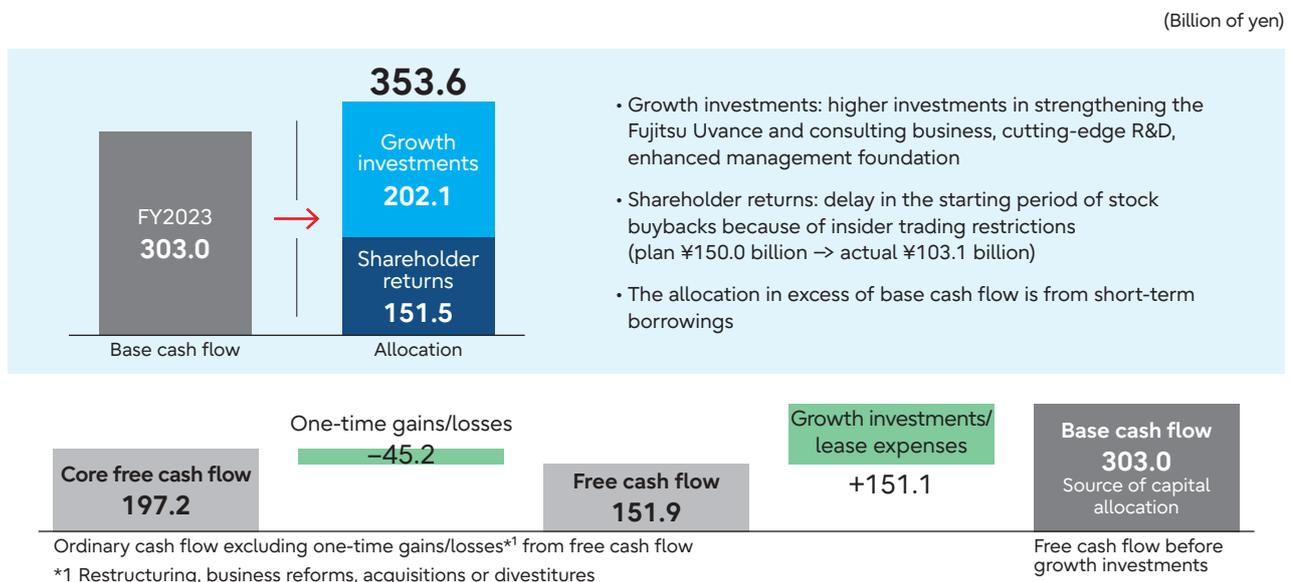
Years ended March 31	(Billions of yen)		
	2023	2024	YoY change
I Cash flows from operating activities	220.3	309.2	88.8
II Cash flows from investing activities	(42.8)	(157.2)	(114.4)
I+II Free cash flow	177.5	151.9	(25.5)
Adjusted items	20.4	(45.2)	(65.6)
Core free cash flow (excluding adjusted items above)	157.1	197.2	40.1
III Cash flows from financing activities	(313.5)	(181.4)	132.0
IV Cash and cash equivalents at end of year	355.9	342.1	(13.7)

(Reference)

Years ended March 31	(Billions of yen)		
	2023	2024	YoY change
Base cash flow	250.0	303.0	53.0

Note: Cash flows including free cash flow before growth investments and lease expenses

Progress of Capital Allocation



Net cash provided by operating activities for the fiscal year was ¥309.2 billion, an increase in cash inflows of ¥88.8 billion compared with the previous fiscal year. The increase from the previous fiscal year reflects progress made to reduce inventories and to collect accounts receivable, despite an increase in corporate tax payments due to year-earlier profit growth.

Net cash used in investing activities was ¥157.2 billion, an increase in cash outflows of ¥114.4 billion compared with the previous fiscal year. This mainly owed to the acquisition of GK Software SE in Germany and increase in capital expenditures in Device Solutions.

Free cash flow, the sum of cash flows from operating and investing activities, was ¥151.9 billion, representing a decrease in net cash inflows of ¥25.5 billion compared with the previous fiscal year.

Base cash flow was positive ¥303.0 billion, an increase in cash inflows of ¥53.0 billion compared with the previous fiscal year. Base cash flow is cash flow generated from business and the optimization of asset holdings, and is the source of cash for funding growth investments and the distribution of shareholder returns. In the fiscal year, ¥202.1 billion was allocated to strengthening Fujitsu Uvance and the consulting business, as well as growth investments centered on cutting-edge R&D, and ¥151.5 billion to shareholder returns in the form of share buybacks and dividends (the allocation of cash in excess of base cash flow came from short-term borrowings).

Net cash used in financing activities was ¥181.4 billion, a decrease in cash outflows of ¥132.0 billion compared with the previous fiscal year. Due to insider trading restrictions, the start date for stock buybacks was delayed and the annual amount to be purchased was lowered, while borrowings increased due to a one-off expense in Europe for the acquisition of GK Software SE.

As of March 31, 2024, the Group had cash and cash equivalents of ¥342.1 billion. In order to address urgent demands for funds, the Group maintains liquidity at a level equivalent to approximately several months' worth of sales. In addition, to raise funds from global capital markets, the Group has acquired bond ratings from Moody's Investors Service (Moody's) and Rating and Investment Information, Inc. (R&I). As of the submission date of this report, the Company had bond ratings of A3 (long-term) from Moody's, and A+ (long-term) and a-1 (short-term) from R&I.

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

we will be able to realize returns that are higher than the cost of raising funds.

6. Production, Orders Received, and Sales

Orders inside Japan in the Service Solutions segment increased 16% year on year on the back of strong demand for core system upgrades and modernization, in addition to value propositions for customers' DX steadily leading to business deals.

Orders in Service Solutions by type of industry were as follows. First, in the private enterprise sector (manufacturing, distribution, and retail), orders increased 7% year on year, driven mainly by demand for modernization projects from the manufacturing, mobility, and retail sectors. In finance (financial services and insurance), orders increased 15% year on year. We were able to secure multiple orders for core system upgrades and modernization from megabank and insurance industry customers. In the public sector and healthcare field (public agencies, local governments, and medical institutions), orders increased 19% year on year. The sharp growth in orders was driven by multiple system upgrade projects for public sector agencies, while investments in electronic health records and medical information systems by healthcare customers were also brisk. Elsewhere, we secured large-scale deals for national security projects, which pushed growth in orders above the strong showing in the previous fiscal year.

Overseas orders were as follows. In Europe, orders declined 8% year on year owing to the drop of large deals in the previous fiscal year and the impact of divesting the private cloud business in Germany. In contrast, orders rose 27% in the Americas on growth in the services business, including business application deals for the private sector. In Asia Pacific, however, orders fell 17% due to the absence of the large-scale public sector projects in the previous fiscal year.

7. Material Accounting Policies and Estimates

The preparation of financial statements in conformity with IFRS requires management to make judgments, estimates, and assumptions that affect the application of policies and reported amounts of assets and liabilities, as well as income and expenses. The estimates and assumptions are reviewed by management on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected. With regard to key estimates and judgments that have a material impact on the amounts recognized in the consolidated financial statements, please refer to Note "4. Use of Accounting Estimates and Judgments."

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Fujitsu Limited and Consolidated Subsidiaries

At March 31	Notes	(Millions of yen)	
		2023	2024
Assets			
Current assets			
Cash and cash equivalents	16	¥ 355,901	¥ 342,139
Trade receivables	15	927,849	928,727
Other receivables	15	84,766	87,068
Contract assets	25	125,442	140,513
Inventories	14	337,008	298,804
Others		86,858	99,180
Total current assets		1,917,824	1,896,431
Non-current assets			
Property, plant and equipment, net of accumulated depreciation	8, 27	572,172	602,928
Goodwill	7, 9, 27	55,132	80,205
Intangible assets	7, 9, 27	146,264	213,405
Investments accounted for using the equity method	11	155,594	160,809
Other investments	12	195,463	137,750
Retirement benefit assets	21	81,883	115,487
Deferred tax assets	13	73,310	218,922
Others		67,937	88,881
Total non-current assets		1,347,755	1,618,387
Total Assets		¥3,265,579	¥3,514,818

At March 31	Notes	(Millions of yen)	
		2023	2024
Liabilities and Equity			
Liabilities			
Current liabilities			
Trade payables	24	¥ 463,730	¥ 455,453
Other payables	24	367,399	380,591
Contract liabilities	25	194,455	204,478
Short-term borrowings, current portion of long-term debt and lease liabilities	20, 22	103,577	136,692
Accrued income taxes		85,079	43,765
Provisions	23	35,015	58,988
Others		27,201	31,175
Total current liabilities		<u>1,276,456</u>	<u>1,311,142</u>
Non-current liabilities			
Long-term debt and lease liabilities	20, 22	107,598	108,984
Retirement benefit liabilities	21	95,388	104,205
Provisions	23	20,654	27,005
Deferred tax liabilities	7, 13	5,612	15,196
Others		23,048	29,452
Total non-current liabilities		<u>252,300</u>	<u>284,842</u>
Total Liabilities		<u>1,528,756</u>	<u>1,595,984</u>
Equity			
Share capital	18	324,625	325,638
Capital surplus	18	242,512	239,856
Treasury stock, at cost	18	(277,702)	(380,881)
Retained earnings	18	1,226,595	1,487,397
Other components of equity	18	70,805	80,383
Total equity attributable to owners of the parent		<u>1,586,835</u>	<u>1,752,393</u>
Non-controlling interests	7, 10	149,988	166,441
Total Equity		<u>1,736,823</u>	<u>1,918,834</u>
Total Liabilities and Equity		<u>¥3,265,579</u>	<u>¥3,514,818</u>

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

Fujitsu Limited and Consolidated Subsidiaries

Consolidated Statement of Profit or Loss

Years ended March 31	Notes	(Millions of yen, except per share data)	
		2023	2024
Revenue	6, 25	¥ 3,713,767	¥ 3,756,059
Cost of sales	14	(2,569,685)	(2,591,250)
Gross profit		1,144,082	1,164,809
Selling, general and administrative expenses		(852,974)	(904,599)
Other income	26, 27	85,411	34,593
Other expenses	8, 26, 27	(40,905)	(134,543)
Operating Profit		335,614	160,260
Financial income	29	15,087	13,759
Financial expenses	29	(6,862)	(6,983)
Income from investments accounted for using the equity method, net	11	28,037	11,144
Profit before Income Taxes		371,876	178,180
Income tax expenses	13	(127,011)	88,500
Profit for the Year		244,865	266,680
Profit for the year attributable to:			
Owners of the parent		215,182	254,478
Non-controlling interests		29,683	12,202
Total		¥ 244,865	¥ 266,680

Earnings per share

Basic earnings per share (Yen)	31	¥110.76	¥135.59
Diluted earnings per share (Yen)	31	110.54	135.34

Consolidated Statement of Comprehensive Income

Years ended March 31	Notes	(Millions of yen)	
		2023	2024
Profit for the Year		¥244,865	¥266,680
Other Comprehensive Income			
Items that will not be reclassified to profit or loss			
Financial assets measured at fair value through other comprehensive income	18	17,770	35,088
Remeasurements of defined benefit plans	18, 21	(41,784)	5,040
Share of other comprehensive income of investments accounted for using the equity method	18	122	645
		(23,892)	40,773
Items that may be reclassified subsequently to profit or loss			
Foreign currency translation adjustments	18	(2,771)	21,899
Cash flow hedges	18	412	(153)
Share of other comprehensive income of investments accounted for using the equity method	18	730	2,928
		(1,629)	24,674
Total Other Comprehensive Income for the Year, Net of Taxes		(25,521)	65,447
Total Comprehensive Income for the Year		¥219,344	¥332,127
Total comprehensive income for the year attributable to:			
Owners of the parent		188,329	317,878
Non-controlling interests		31,015	14,249
Total		¥219,344	¥332,127

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Fujitsu Limited and Consolidated Subsidiaries

(Millions of yen)

	Notes	Equity attributable to owners of the parent					Total	Non-controlling interests	Total equity
		Share capital	Capital surplus	Treasury stock, at cost	Retained earnings	Other components of equity			
Balance at April 1, 2022		¥324,625	¥243,048	¥(128,897)	¥1,088,429	¥ 63,508	¥1,590,713	¥125,036	¥1,715,749
Profit for the year		-	-	-	215,182	-	215,182	29,683	244,865
Other comprehensive income	18	-	-	-	-	(26,853)	(26,853)	1,332	(25,521)
Total comprehensive income for the year		-	-	-	215,182	(26,853)	188,329	31,015	219,344
Purchase of treasury stock	18	-	-	(150,103)	-	-	(150,103)	-	(150,103)
Disposal of treasury stock	18	-	1	2	-	-	3	-	3
Share-based payment transactions	33	-	1,858	1,296	-	-	3,154	-	3,154
Dividends paid	19	-	-	-	(45,210)	-	(45,210)	(4,571)	(49,781)
Transfer to retained earnings		-	-	-	(34,077)	34,077	-	-	-
Acquisition (disposal) of non-controlling interests	10	-	(32)	-	-	-	(32)	(1,477)	(1,509)
Changes in ownership interests in subsidiaries		-	648	-	(721)	73	-	(103)	(103)
Others		-	(3,011)	-	2,992	-	(19)	88	69
Balance at March 31, 2023		¥324,625	¥242,512	¥(277,702)	¥1,226,595	¥ 70,805	¥1,586,835	¥149,988	¥1,736,823
Profit for the year		-	-	-	254,478	-	254,478	12,202	266,680
Other comprehensive income	18	-	-	-	-	63,400	63,400	2,047	65,447
Total comprehensive income for the year		-	-	-	254,478	63,400	317,878	14,249	332,127
Purchase of treasury stock	18	-	-	(103,180)	-	-	(103,180)	-	(103,180)
Disposal of treasury stock	18	-	0	1	-	-	1	-	1
Share-based payment transactions	33	1,013	(135)	-	-	-	878	-	878
Dividends paid	19	-	-	-	(47,098)	-	(47,098)	(5,124)	(52,222)
Transfer to retained earnings		-	-	-	53,822	(53,822)	-	-	-
Acquisition (disposal) of non-controlling interests	10	-	(2,518)	-	-	-	(2,518)	(2,593)	(5,111)
Changes in ownership interests in subsidiaries	7	-	-	-	-	-	-	9,858	9,858
Others		-	(3)	-	(400)	-	(403)	63	(340)
Balance at March 31, 2024		¥325,638	¥239,856	¥(380,881)	¥1,487,397	¥ 80,383	¥1,752,393	¥166,441	¥1,918,834

CONSOLIDATED STATEMENT OF CASH FLOWS

Fujitsu Limited and Consolidated Subsidiaries

Years ended March 31	Notes	(Millions of yen)	
		2023	2024
Cash Flows from Operating Activities			
Profit before income taxes		¥ 371,876	¥ 178,180
Depreciation, amortization and impairment loss		179,228	185,564
Increase (decrease) in provisions		(8,852)	29,110
Increase (decrease) in net defined benefit liability		(19,034)	(14,981)
Interest and dividend income		(6,037)	(9,715)
Interest charges		3,958	5,241
Income from investments accounted for using the equity method, net		(28,037)	(11,144)
Gain on sales of subsidiaries' stocks		(39,158)	(113)
(Increase) decrease in trade receivables		(65,320)	15,883
(Increase) decrease in contract assets		(8,690)	(9,760)
(Increase) decrease in inventories		(51,939)	44,363
Increase (decrease) in trade payables		5,659	(15,432)
Increase (decrease) in contract liabilities		32,798	1,450
Other, net	22	(92,972)	51,125
Cash generated from operations		273,480	449,771
Interest received		2,658	5,717
Dividends received		7,081	12,147
Interest paid		(3,984)	(5,270)
Income taxes paid		(58,906)	(153,144)
Net Cash Provided by Operating Activities		220,329	309,221
Cash Flows from Investing Activities			
Purchases of property, plant and equipment, and intangible assets		(168,098)	(195,839)
Proceeds from sales of property, plant and equipment		15,580	4,769
Proceeds from sales and redemption of investment securities	22	46,244	112,059
Purchases of investment securities		(27,624)	(11,563)
Net proceeds from sale of subsidiaries, equity method associates and businesses	22	88,049	(29,535)
Payments for acquisition of subsidiaries	7	(9,824)	(43,311)
Other, net		12,864	6,181
Net Cash Used in Investing Activities		(42,809)	(157,239)
Cash Flows from Financing Activities			
Increase (decrease) in short-term borrowings	22	(25,502)	29,336
Proceeds from long-term debt and issuance of bonds	22	2,268	291
Repayment of long-term debt and bonds	22	(35,298)	(2,126)
Payment of lease liabilities	22	(58,566)	(52,609)
Purchase of treasury stock	18	(150,103)	(103,180)
Dividends paid to owners of the parent	19	(45,210)	(47,098)
Other, net		(1,174)	(6,102)
Net Cash Used in Financing Activities		(313,585)	(181,488)
Net Increase (Decrease) in Cash and Cash Equivalents		(136,065)	(29,506)
Cash and Cash Equivalents at Beginning of Year		484,020	355,901
Effect of Exchange Rate Changes on Cash and Cash Equivalents		7,946	15,744
Cash and Cash Equivalents at End of Year		¥ 355,901	¥ 342,139

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Fujitsu Limited and Consolidated Subsidiaries

1. Reporting Entity

Fujitsu Limited (the "Company") is a company domiciled in Japan. The Company's consolidated financial statements consist of financial information of the Company, its consolidated subsidiaries (together, the "Group"), and the equity interests held by the Group. The Group have operations in different regions around the world, including Japan, and provide digital services globally. The main businesses of the Group consist of four segments, "Service Solutions," "Hardware Solutions," "Ubiquitous Solutions," and "Device Solutions."

From the current fiscal year, the Group has made partial changes to segments. For details on the main products and services of each segment, please refer to Note "6. Segment Information."

2. Basis of Preparation

(a) Compliance with International Financial Reporting Standards

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

The consolidated financial statements were approved on June 24, 2024 by Takahito Tokita, President and Representative Director, and Takeshi Isobe, Chief Financial Officer.

(b) Basis of measurement

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

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

(c) Functional currency and presentation currency

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

3. Material Accounting Policies

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

(a) Basis of consolidation

(i) Business combinations

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

The Group measures goodwill at the acquisition date as follows:

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

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

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

(ii) Acquisition of non-controlling interests

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

(iii) Subsidiaries

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

(iv) Loss of control

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

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

Associates are those entities in which the Group has significant influence, but not control, over the financial and operating policies. If the Group holds 20% or more of the voting power of the investee, it is presumed that the Group has significant influence over the investee, unless it can be clearly demonstrated that this is not the case. In addition, the Group assumes that it has significant influence over the investee, if the Group has rights for involvements in deciding financial and operating policies of the investee through the Board meeting. Joint ventures are those entities over whose activities the Group has joint control, established by contractual agreement, requiring unanimous consent of the parties sharing control for important financial and operating decisions, and the parties, including the Group, have rights to the net assets of the arrangement. Investments in associates and joint ventures are initially accounted for at cost and subsequently under the equity-method. Any acquisition costs are included in the cost of the investment.

(vi) Consolidation adjustments

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

(b) Foreign currencies

(i) Transactions denominated in foreign currencies

Transactions denominated in foreign currencies are translated into the functional currency of each Group company at the foreign exchange rate prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated into the functional currency at the foreign exchange rate prevailing at the reporting date. Non-monetary assets and liabilities measured at historical cost denominated in foreign currencies are translated at the foreign exchange rate at the date of the transaction. Foreign exchange differences arising on translation are recognized in profit or loss.

(ii) Financial statements of foreign operations

The assets and liabilities of foreign operations, including any goodwill arising on the acquisition and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition, are translated into Japanese yen at the

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

(c) Financial instruments

(i) Non-derivative financial assets

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

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

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

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

Financial assets measured at amortized cost

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

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

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

Financial assets measured at fair value

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

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.

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

(ii) Impairment of financial assets measured at amortized cost

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

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

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

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

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

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

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

(iii) Non-derivative financial liabilities

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

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

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

(iv) Derivative financial instruments

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

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

(i) Recognition and measurement

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

(ii) Depreciation

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

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

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

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

(e) Goodwill

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

Subsequent measurement

Goodwill is measured at cost less accumulated impairment losses.

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

(f) Intangible assets (excluding right-of-use assets)*(i) Research and development*

Expenditures on research activities are expensed as incurred in profit or loss.

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

(ii) Software and other intangibles

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

(iii) Amortization

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

The estimated useful lives are 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.

(g) Leases*(i) Recognition and measurement*

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

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

The Group recognizes right-of-use assets and lease liabilities from lease contracts as of the commencement date of the lease. The amount is calculated by adjusting the initial measurement of the lease liability with lease payments made at or before the commencement date of the lease. A lease liability is measured as the present value of the lease payments that are not paid as of the commencement date of the lease.

(ii) Depreciation

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

(iii) Reassessment of lease liabilities

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

(h) Inventories

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

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

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

(i) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, demand deposits, and short-term highly liquid investments with a maturity of three months or less from the date of acquisition and an insignificant risk of changes in value.

(j) Impairment of non-financial assets

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

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

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

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

(k) Assets classified as held for sale

Non-current assets (or disposal group) are classified as held for sale if the carrying amount of the assets will be principally recovered through sale rather than through continuing use. Non-current assets (or disposal group) classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell and they are no longer depreciated or amortized. An impairment loss is recognized in profit or loss for any initial or subsequent write-down of the non-current assets (or disposal group) to fair value less costs to sell.

(l) Employee benefits*(i) Retirement benefit plans*

Defined benefit plans

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

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

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

Defined contribution plans

Contributions to defined contribution plans are recognized as employee costs in profit or loss in the period when the service is provided by the employee. The risk-sharing corporate pension plan is classified as a defined contribution plan because the Group effectively has no further obligation for additional contributions.

(ii) Short-term employee benefits

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

(m) Provisions

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

(i) Provision for restructuring

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

(ii) Provision for loss on orders received

A provision is recognized for losses on service contracts in which the Company has 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.

(n) Share capital

Ordinary shares

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

Treasury shares

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

(o) Share-based payment

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

(p) Revenue

(i) Service revenue

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

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

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

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

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

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

(ii) Hardware product revenue

Supply of stand-alone hardware products is a performance obligation satisfied at a point in time because it is usually not a performance obligation satisfied over time. In such a 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 recognized, in principle, upon the customer's acceptance.

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

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

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

(iii) Licensing revenue

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

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

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

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

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

(iv) Contracts with multiple deliverables

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

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

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

on method, such as estimated costs plus a margin approach for the respective performance obligations in the contract with multiple deliverables, and the transaction price is allocated.

(v) Agent transactions

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

(vi) Contract costs

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

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

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

(vii) Contract assets and contract liabilities

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

(q) Income tax expenses

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

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

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

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

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

(r) Discontinued operations

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

4. Use of Accounting Estimates and Judgments

The preparation of financial statements in conformity with IFRS requires management to make judgments, estimates, and assumptions that affect the application of policies and reported amounts of assets and liabilities and income and expenses. The estimates and assumptions are reviewed by management on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected. The Company has formulated a business plan that reflects future uncertainties, including revenue, for determining impairment of goodwill, property, plant and equipment, and intangible assets, and the recoverability of deferred tax assets.

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

(a) Revenue recognition

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

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

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

(b) Property, plant and equipment

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

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

(c) Goodwill

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

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

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

(d) Intangible assets

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

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

(e) Deferred tax assets

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

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

(f) Provisions**Provision for restructuring**

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

Provision for loss on orders received

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

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

(g) Defined benefit plan

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

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

5. Accounting Standards Issued but Not Yet Effective

As of the approval date of the consolidated financial statements, the following standard was newly issued, but the Group has decided not to early adopt it.

We are currently examining the impact of its adoption, and, at this juncture, making an assessment is difficult.

Standard	Standard name	Mandatory adoption	Scheduled adoption by the Group	Overview
IFRS 18	Presentation and Disclosure in Financial Statements	Fiscal years commencing on or after January 1, 2027	FY2027 (From April 1, 2027, to March 31, 2028)	Replaces IAS 1, the current accounting standard for the presentation and disclosure of financial statements. The key items are as follows. <ul style="list-style-type: none"> • New subtotals and categories for income statements • Presentation of management-defined performance measures (MPMs) • More useful grouping of information in financial statements

6. Segment Information

(1) Segment overview

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

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

(a) Service Solutions

This segment consists of Global Solutions, which includes creating and providing global value services centered on Fujitsu Uvance; Regions (Japan), which cover provision of services to the Japanese market (including implementation of Fujitsu Uvance); and Regions (International), which carry out provision of services in regions outside of Japan (including implementation of Fujitsu Uvance).

(b) Hardware Solutions

This segment consists of System Products, which cover mainly hardware sales and maintenance services for servers, storage systems and other hardware, and Network Products, which offer communications infrastructure, such as mobile phone base stations and optical transmission systems.

(c) Ubiquitous Solutions

This segment consists of client computing devices such as PCs.

(d) Device Solutions

This segment comprises electronic components such as semiconductor packages and batteries.

(Partial Changes to Segments)

The Group has revised its segment classification from the current fiscal year. Comparative information for the previous fiscal year reflects the revised classification. Key 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.*

(2) Measurement of revenue and operating profit or loss by reportable segment

From the current fiscal year, the profit or loss for reportable segments has been changed from Operating Profit to Adjusted Operating Profit. Adjusted Operating Profit is an indicator of the real profits from the business, in which one-time gains or losses from such activities (adjusted items) as business restructurings, acquisitions or divestitures, and institutional changes are subtracted from operating profit. Comparative information for the previous fiscal year reflects the revised classification.

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

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

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

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

Years ended March 31	Reportable segments					(Millions of yen)	
	Service Solutions	Hardware Solutions	Ubiquitous Solutions	Device Solutions	Subtotal	Inter-segment Elimination / Corporate	Consolidated
2023							
Revenue							
External customers	¥1,948,877	¥1,079,895	¥280,649	¥368,345	¥3,677,766	¥ 36,001	¥3,713,767
Intersegment	35,323	52,491	5,351	14,336	107,501	(107,501)	–
Total revenue	1,984,200	1,132,386	286,000	382,681	3,785,267	(71,500)	3,713,767
Adjusted Operating Profit	162,999	112,648	8,699	77,415	361,761	(40,900)	320,861
Business restructuring / Business model transformation cost							24,633
M&A related expenses							(9,880)
Operating Profit							335,614
Financial income							15,087
Financial expenses							(6,862)
Income from investments accounted for using the equity method, net							28,037
Profit before income taxes							371,876
(Other items)							
Depreciation and amortization	(85,118)	(19,684)	(241)	(39,020)	(144,063)	(34,649)	(178,712)
Capital expenditure (including intangible assets and goodwill)	78,423	15,708	–	73,501	167,632	56,415	224,047
2024							
Revenue							
External customers	¥2,104,841	¥1,066,257	¥269,246	¥279,074	¥3,719,418	¥ 36,641	¥3,756,059
Intersegment	32,726	41,761	4,084	7,229	85,800	(85,800)	–
Total revenue	2,137,567	1,108,018	273,330	286,303	3,805,218	(49,159)	3,756,059
Adjusted Operating Profit	237,200	83,694	24,215	18,324	363,433	(79,748)	283,685
Business restructuring / Business model transformation cost							(114,718)
M&A related expenses							(8,707)
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
(Other items)							
Depreciation and amortization	(80,202)	(15,893)	(191)	(31,823)	(128,109)	(36,041)	(164,150)
Capital expenditure (including intangible assets and goodwill)	90,676	18,660	27	79,573	188,936	56,704	245,640

- Notes: 1. Revenue under "Inter-segment Elimination / Corporate" represents mainly revenue for external customers of corporate functions's subsidiaries which is providing services to the Group and the elimination of intersegment transactions.
2. Adjusted Operating Profit under "Inter-segment Elimination / Corporate" include the Group's common expenses 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, and sales and disposal of common assets, etc. and elimination of inter-segment transactions, etc.
3. Business restructuring / Business model transformation cost is one-off expenses necessary for major business restructuring aimed at improving future profitability and avoiding future losses. Regarding the details of it, please refer to Note "26. Other Income, Expenses and Income from investments accounted for using the equity-method, net."
4. M&A related expenses is the expenses related to the acquisition such as advisory fee, amortization of intangible assets identified by the PPA, and earnout to be expensed, etc.

(4) Information about products and services

As a result of the segment changes in the current fiscal year, the Group's type of products and services are the same for each reportable segment. Therefore, it is omitted in this note.

(5) Geographical information

(a) Revenue from external customers

Years ended March 31	(Millions of yen)	
	2023	2024
Japan	¥2,290,285	¥2,437,613
Outside Japan		
Europe	666,464	703,730
Americas	296,217	201,227
Asia Pacific	282,730	273,835
East Asia	170,629	132,434
Others	7,442	7,220
Total	¥3,713,767	¥3,756,059

- Notes: 1. Revenue from external customers is classified by country or region based on the location of customers.
2. There is no significant country for which a separate individual disclosure is required.
3. "Others" includes the Middle East and Africa.

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

At March 31	(Millions of yen)	
	2023	2024
Japan	¥593,298	¥660,593
Outside Japan		
Europe	99,805	153,733
Americas	14,896	15,385
Asia Pacific	54,542	57,990
East Asia	11,027	8,837
Total	¥773,568	¥896,538

- Notes: 1. Revenue from external customers is classified by country or region based on the location of customers.
2. There is no significant country for which a separate individual disclosure is required.

(6) Information about major customers

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

7. Business Combinations, etc.

1. Acquisition of GK Software SE

The Company resolved at a Board of Directors meeting held on February 28, 2023, to conduct a public takeover offer (hereinafter the "Public Takeover Offer") of GK Software SE (hereinafter "GK Software") via the Company's consolidated subsidiary Fujitsu ND Solutions AG (hereinafter "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) Overview 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) Business combination date

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

(c) Main reason for the business combination

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

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

The acquisition of GK Software was conducted in accordance with conditions set forth in the public acquisition disclosure document approved by the Federal Financial Supervisory Authority of Germany.

(2) Consideration for the acquisition and breakdown

Item	(Millions of yen)	
	Amount	
Cash		¥44,082
Total		¥44,082

The Company recorded expenses related to the acquisition of ¥1,432 million in full in other expenses.

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

Item	(Millions of yen)	
	Finalized amount*1	
Current assets*2		¥15,372
Non-current assets*3		36,453
Total assets		¥51,824
Current liabilities		¥ 7,351
Non-current liabilities		12,532
Total liabilities		¥19,883
Fair value of acquired assets and assumed liabilities (net amount)	A	¥31,941
Non-controlling interests*4	B	¥10,313
Consideration for the acquisition*5	C	¥44,082
Goodwill*6	C-(A-B)	¥22,454

Item	(Millions of yen)	
	Amount	Weighted average amortization period
Intangible assets related to customer relationships	¥16,132	Approx. 11 years
Intangible assets related to technology	¥11,270	Approx. 19 years
Intangible assets related to partnerships	¥ 2,266	Approx. 10 years
Intangible assets related to trademarks, etc.	¥ 1,122	Approx. 10 years

Notes: 1. The provisional accounting treatment was finalized in the fourth quarter of the current fiscal year. As a result, significant revisions were made to the initial allocation amount of consideration for the acquisition. The main impacts on acquired assets and assumed liabilities were an increase of ¥30,936 million in non-current assets, including identifiable intangible assets, and an increase of ¥8,786 million in non-current liabilities, including deferred tax liabilities. Accordingly, non-controlling interests increased by ¥6,204 million and goodwill decreased by ¥15,946 million.

2. Current assets includes trade and other receivables of ¥7,688 million. The total amount of receivables is equal to the fair value, and there is no expectation that this will be uncollectible.
3. The main items of identifiable intangible assets included in non-current assets are listed above. The weighted average amortization period for all identifiable intangible assets is approximately 12 years. The fair value measurements were carried out by external experts, who performed a purchase price allocation (PPA) to recognize and measure the acquired identifiable assets and assumed liabilities, and were calculated using an income approach valuation model. In this valuation model, future business plans, discounts, and other inputs were used.
4. The value of non-controlling interests was measured by multiplying the fair value of the identifiable net assets of the acquired company, as of the date of the business combination, by the percentage owned by non-controlling shareholders, excluding the portion that is individually attributable to non-controlling shareholders.
5. The amount of ¥5,859 million in cash and cash equivalents held by GK Software that was deducted from the consideration for the acquisition of ¥44,082 million is included in "Payments for acquisition of subsidiaries" in the consolidated statement of cash flows.
6. The main items of goodwill are the synergies with existing businesses and excess earnings capacity expected to arise from the acquisition that do not separately satisfy the recognition requirements. No amounts are expected to be included in expenses for tax purposes.

(4) Impact on the Group's performance

Revenue and net profit generated by the acquired company since the date of the business combination are deemed to be immaterial, and have therefore been omitted.

In addition, the impact of the acquired company's earnings on the consolidated statement of profit or loss, on the assumption that the business combination took place at the beginning of the fiscal year, is also deemed to be immaterial and is therefore not disclosed. Please note that this pro forma financial information has not been audited.

2. Conclusion of agreement regarding the shares of consolidated subsidiary Shinko Electric Industries Co., Ltd.

At a meeting of the Board of Directors held on December 12, 2023, the Company passed a resolution to approve a basic transaction agreement (hereinafter the "Basic Transaction Agreement") with JICC-04, Ltd. (hereinafter the "Tender Offeror"), whose outstanding shares are held entirely by JIC Capital, Ltd., a wholly owned subsidiary of Japan Investment Corporation. The agreement pertains to a series of transactions aimed at privatizing the shares of Shinko Electric Industries Co., Ltd. (hereinafter "Shinko"), which involve the following: (1) the non-participation in the tender offer by the Tender Offeror for the ordinary shares of Shinko (hereinafter the "Shares of Shinko," and the tender offer, the "Tender Offer"); (2) a share consolidation (hereinafter the "Share Consolidation") to be conducted by Shinko to make the Company and the Tender Offeror the only shareholders of Shinko, if the Tender Offeror is unable to acquire all of the Shares of Shinko (excluding the Shares of Shinko held by the Company (hereinafter the "Shares to be Sold by the Company") and the treasury shares held by Shinko) through the Tender Offer; (3) the provision of funds to Shinko by the Tender Offeror and a reduction in the amounts of stated capital, capital reserve, and retained earnings of Shinko for the purpose of securing sufficient funds and a distributable amount necessary for Shinko to acquire the Shares to be Sold by the Company; and (4) the transfer of the Shares to be Sold by the Company, with the Company agreeing to the buy-back of the treasury shares of Shinko (hereinafter the "Share Transfer").

(1) Reason for the share transfer

The Share Transfer is intended to accelerate efforts towards a portfolio transformation in line with the business model and portfolio strategy called for 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) Share transfer date

Date of resolution by the Board of Directors	December 12, 2023
Date of conclusion of the Basic Transaction Agreement	December 12, 2023
Period of the Tender Offer	Owing to the fact that some time will most likely be needed for the necessary procedures and steps to be taken in accordance with foreign competition laws and investment regulations, the commencement of the Tender Offer will be affected by the time it takes for competition authorities outside of Japan, and

	the authorities responsible for investment regulations and the like, to finalize their procedures, even though the Tender Offeror aims to start the process in late August 2024. The period of the Tender Offer is expected to be 20 business days.
Share Consolidation	Scheduled to be implemented after the completion of the Tender Offer settlement
Share Transfer	Scheduled to be implemented after the completion of the Share Consolidation

(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 sales of semiconductor packages.

(c) Business relationships with the Company

The Company accepts deliveries of Shinko's products. There are no other noteworthy business relationships.

(5) Overview of the divestiture, including legal form

Share transfer for cash.

(6) Number of shares to be transferred, transfer price, and number of shares held before and after the transfer

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

Notes: 1. The number of shares to be transferred will be the number of Shares to be Sold by the Company, less the number of fractional shares to be purchased by the Tender Offeror as a result of the Share Consolidation.

2. The total transfer price for the Share Transfer is expected to be the amount obtained by multiplying the share transfer value by the number of Shares to be Sold by the Company, less the number of fractional shares to be purchased by the Tender Offeror as a result of the Share Consolidation. Please note that the amount stated above is a reference value calculated by multiplying the share transfer value by the number of Shares to be Sold by the Company.

(7) Future outlook

Based on the Company's decision to transfer all of the Shares to be Sold by the Company, subject to the completion of the Tender Offer and according to the Basic Transaction Agreement, the Company intends to classify the business of Shinko and its subsidiaries as discontinued operations in the consolidated financial results for the next fiscal year, with the profit or loss generated by the businesses and operations of Shinko recorded as profit or loss before income taxes from discontinued operations.

Also, conditional upon the completion of the Tender Offer, the impact on the Company's financial results in the next fiscal year, if the Share Transfer is executed during that fiscal year, is as follows:

- Consolidated financial results

The Company expects to record approximately ¥150.0 billion as gain on sales of subsidiaries' stocks (profit before income taxes from discontinued operations).

Note: The aforementioned impact on financial results is based on judgments made from currently available information. Actual results may differ significantly due to various factors.

Please note that the Share Transfer will have no impact on the Company's financial results for this fiscal year.

8. Property, Plant and Equipment

Carrying amount

	(Millions of yen)				
	Land	Buildings	Machinery and equipment, tools, fixtures and fittings	Construction in progress	Total
Balance at April 1, 2022	¥59,203	¥308,135	¥174,987	¥28,843	¥ 571,168
Additions	503	50,349	59,130	48,905	158,887
Depreciation	(100)	(59,696)	(75,188)	–	(134,984)
Impairment losses	(28)	(31)	(113)	(30)	(202)
Reversal of impairment losses	340	57	–	–	397
Disposals or reclassifications to assets held for sale	(5,638)	(17,139)	(5,484)	(449)	(28,710)
Exchange differences on translation	203	3,025	1,368	82	4,678
Others	(209)	(591)	2,102	(363)	939
Balance at March 31, 2023	¥54,274	¥284,109	¥156,801	¥76,988	¥ 572,172
Additions	2,568	88,091	63,839	14,381	168,879
Acquisitions through business combinations	101	3,864	1,688	77	5,730
Depreciation	(100)	(58,533)	(67,634)	–	(126,267)
Impairment losses	–	(5,591)	(1,578)	(211)	(7,380)
Reversal of impairment losses	–	288	14	–	302
Disposals or reclassifications to assets held for sale	(1,065)	(11,432)	(6,837)	(1,790)	(21,125)
Exchange differences on translation	116	8,122	3,879	617	12,734
Others	(3)	(202)	(1,840)	(73)	(2,117)
Balance at March 31, 2024	¥55,891	¥308,716	¥148,332	¥89,989	¥ 602,928

Cost

	(Millions of yen)				
	Land	Buildings	Machinery and equipment, tools, fixtures and fittings	Construction in progress	Total
April 1, 2022	¥78,452	¥886,379	¥917,106	¥29,106	¥1,911,043
March 31, 2023	72,748	832,809	897,644	77,297	1,880,498
March 31, 2024	74,210	825,486	871,187	90,330	1,861,213

Accumulated depreciation and accumulated impairment losses

	(Millions of yen)				
	Land	Buildings	Machinery and equipment, tools, fixtures and fittings	Construction in progress	Total
April 1, 2022	¥19,249	¥578,244	¥742,119	¥263	¥1,339,875
March 31, 2023	18,474	548,700	740,843	309	1,308,326
March 31, 2024	18,319	516,770	722,855	341	1,258,285

- Notes: 1. Additions under "Construction in progress" are shown on a net basis that includes an increase in the amount of new additions and amounts transferred to each item in property, plant and equipment.
2. Impairment losses of ¥202 million and ¥7,380 million recorded for the years ended March 31, 2023 and 2024, respectively, are included in other expenses in the consolidated statement of profit or loss.
3. The amount of expenditures recognized in the carrying amount of an item of property, plant and equipment in the course of its construction is included in construction in progress and totaled ¥63,346 million and ¥68,024 million at March 31, 2023 and 2024, respectively.

IFRS 16 Leases

Depreciation of right-of-use assets

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

Years ended March 31	(Millions of yen)	
	2023	2024
Land	¥ 100	¥ 100
Buildings	39,405	36,521
Machinery and equipment, tools, fixtures and fittings	11,780	11,823
Total	¥51,285	¥48,444

Carrying amount of right-of-use assets

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

At March 31	(Millions of yen)	
	2023	2024
Land	¥ 1,083	¥ 1,034
Buildings	112,271	102,392
Machinery and equipment, tools, fixtures and fittings	23,770	22,471
Total	¥137,124	¥125,897

9. Goodwill and Intangible Assets

Carrying amount

	(Millions of yen)			
	Goodwill	Intangible assets		
		Software	Others	Total
Balance at April 1, 2022	¥47,487	¥122,795	¥11,061	¥133,856
Additions	-	59,107	6,053	65,160
Acquisitions through business combinations	8,331	10	4,498	4,508
Amortization	-	(41,068)	(2,660)	(43,728)
Impairment losses	(393)	(22)	(296)	(318)
Disposals or reclassifications to assets held for sale	-	(13,864)	(54)	(13,918)
Exchange differences on translation	1,511	728	76	804
Others	(1,804)	(100)	-	(100)
Balance at March 31, 2023	55,132	127,586	18,678	146,264
Additions	-	74,761	592	75,353
Acquisitions through business combinations	26,172	412	33,605	34,017
Amortization	-	(37,548)	(2,731)	(40,279)
Impairment losses	(8,266)	(2,611)	(1,063)	(3,674)
Disposals or reclassifications to assets held for sale	-	(1,514)	-	(1,514)
Exchange differences on translation	7,167	2,499	734	3,233
Others	-	5	-	5
Balance at March 31, 2024	¥80,205	¥163,590	¥49,815	¥213,405

Cost

	(Millions of yen)			
	Goodwill	Intangible assets		
		Software	Others	Total
April 1, 2022	¥49,426	¥236,052	¥31,576	¥267,628
March 31, 2023	55,538	244,640	48,258	292,898
March 31, 2024	88,428	286,139	91,028	377,167

Accumulated amortization and accumulated impairment losses

	(Millions of yen)			
	Goodwill	Intangible assets		
		Software	Others	Total
April 1, 2022	¥1,939	¥113,257	¥20,515	¥133,772
March 31, 2023	406	117,054	29,580	146,634
March 31, 2024	8,223	122,549	41,213	163,762

Notes: 1. Intangible assets that fall under the category of internally generated are mainly software.

The carrying amounts of internally generated software included in intangible assets totaled ¥117,117 million at March 31, 2023, and ¥126,672 million at March 31, 2024. Additions from internal development included in the above "Additions" totaled ¥53,838 million and ¥58,696 million during the years ended March 31, 2023 and March 31, 2024, respectively.

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

3. Impairment losses on goodwill and intangible assets of ¥393 million and ¥318 million, respectively, recorded for the year ended March 31, 2023, and on goodwill and intangible assets of ¥8,266 million and ¥3,674 million, respectively, recorded for the year ended March 31, 2024, are mainly included in other expenses in the consolidated statement of profit or loss.

Research and development expenses for the years ended March 31, 2023 and 2024 are as follows.

Years ended March 31	(Millions of yen)	
	2023	2024
Research and development expenses	¥109,571	¥123,302

10. Subsidiaries

(1) Major subsidiaries

The Group's consolidated financial statements are prepared with the consolidation of 291 subsidiaries. Major changes for the year ended March 31, 2024, are as follows.

Newly consolidated as a result of acquisitions or formations of new companies: 23 companies

Excluded due to liquidation, sale, or other: 14 companies

Excluded due to mergers: 9 companies

The major subsidiaries at March 31, 2024, are as follows.

Segment	Name	Country	Ratio of total voting rights (%)
Service Solutions	Fujitsu Japan Limited	Japan	100.00
	Fujitsu FSAS Inc.	Japan	100.00
	Fujitsu Network Solutions Limited	Japan	100.00
	Fujitsu Defense & National Security Ltd.	Japan	100.00
	Ridgelinez Limited	Japan	100.00
	Transtron Inc.	Japan	51.00
	Fujitsu Technology Solutions (Holding) B.V.*	Netherlands	100.00
	Fujitsu Services Holdings PLC	UK	100.00
	Fujitsu North America, Inc.	US	100.00
	Fujitsu Australia Limited	Australia	100.00
	Fujitsu Asia Pte. Ltd.	Singapore	100.00
	GK Software SE	Germany	72.07
Hardware Solutions	Fujitsu Frontech Limited	Japan	100.00
	Fujitsu Isotec Limited	Japan	100.00
	Fujitsu Telecom Networks Limited	Japan	100.00
	Fujitsu Network Communications, Inc.	US	100.00
Ubiquitous Solutions	Fujitsu Personal System Limited	Japan	100.00
Device Solutions	Shinko Electric Industries Co., LTD.	Japan	50.03
	FDK Corporation	Japan	58.93

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

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

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

Years ended March 31	(Millions of yen)	
	2023	2024
Impact on capital surplus from equity transactions with non-controlling interests	¥(32)	¥(2,518)

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

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

Shinko Electric Industries Co., LTD.

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

Years ended March 31	(Millions of yen)	
	2023	2024
Profit or loss allocated to non-controlling interests	¥27,258	¥9,358

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

At March 31	(Millions of yen)	
	2023	2024
Proportion of ownership interests held by non-controlling interests	49.97%	49.98%
Accumulated non-controlling interests	¥125,624	¥132,619

(c) Dividends paid to non-controlling interests

Years ended March 31	(Millions of yen)	
	2023	2024
Dividends paid to non-controlling interests	¥(3,544)	¥(3,376)

(d) Summarized financial information

(i) Summarized consolidated statement of financial position

At March 31	(Millions of yen)	
	2023	2024
Current assets	¥226,076	¥184,459
Non-current assets	160,295	210,712
Total assets	¥386,371	¥395,171
Current liabilities	¥133,809	¥127,281
Non-current liabilities	1,534	2,899
Total liabilities	135,343	130,180
Total equity	251,028	264,991
Total liabilities and equity	¥386,371	¥395,171

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

Years ended March 31	(Millions of yen)	
	2023	2024
Revenue	¥286,358	¥209,972
Profit for the year	54,559	18,757
Other comprehensive income	1,799	1,901
Comprehensive income for the year	¥ 56,358	¥ 20,658

(iii) Summarized consolidated statement of cash flows

Years ended March 31	(Millions of yen)	
	2023	2024
Net cash provided by operating activities	¥117,918	¥ 44,444
Net cash used in investing activities	(63,954)	(70,741)
Net cash provided by (used in) financing activities	(7,130)	(6,820)
Net increase (decrease) in cash and cash equivalents	46,834	(33,117)
Cash and cash equivalents at end of year	¥115,592	¥ 82,475

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

11. Associates

(1) Major associates

The major associates at March 31, 2024, are as follows.

Name	Country	Ratio of total voting rights (%)	Business description
Fujitsu General Limited	Japan	44.06	Development, production, and sales of air conditioners and information communications equipment and electronic devices, as well as provision of services
Fujitsu Client Computing Limited	Japan	49.00	Development, design, manufacturing, and sales of notebook computers, desktop computers, etc.
FLCS Co., Ltd.	Japan	20.00	Leasing and sales of information processing equipment, communications equipment, etc.
PFU Ltd.	Japan	20.00	Development, manufacture, and sales of information systems and ICT-related equipment, and provision of related services

Notes: 1. Investments in associates are accounted for using the equity-method and the number of companies to which the method applies is 15. For the year ended March 31, 2024, no companies were added and four companies were subtracted.

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

(2) Summarized financial information of material equity-method associates

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

Fujitsu General Limited

(a) Dividends received from Fujitsu General Limited

Years ended March 31	(Millions of yen)	
	2023	2024
Dividends received from Fujitsu General Limited	¥1,522	¥1,614

(b) Summarized consolidated financial information

(i) Summarized consolidated statement of financial position

At March 31	(Millions of yen)	
	2023	2024
Current assets	¥215,981	¥186,332
Non-current assets	92,441	102,010
Total assets	¥308,422	¥288,342
Current liabilities	¥140,707	¥112,202
Non-current liabilities	27,962	28,496
Total liabilities	168,669	140,698
Equity attributable to owners of the parent	134,194	139,749
Non-controlling interests	5,559	7,895
Total equity	139,753	147,644
Total liabilities and equity	¥308,422	¥288,342

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

Years ended March 31	(Millions of yen)	
	2023	2024
Revenue	¥371,019	¥316,476
Profit for the year	6,797	4,132
Other comprehensive income	1,799	5,732
Total comprehensive income for the year	¥ 8,596	¥ 9,865

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

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

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

At March 31	(Millions of yen)	
	2023	2024
Equity attributable to owners of the parent	¥134,194	¥139,749
Ownership interest	44.05%	44.03%
Equity attributable to the Group	¥ 59,109	¥ 61,531
Unrealized gains and losses	¥ (455)	¥ (455)
Carrying amount of the Group's investment in the equity method associate	¥ 58,654	¥ 61,076
Fair value of the Group's investment in the equity method associate	¥172,262	¥ 86,892

12. Other Investments

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

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

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

At March 31	(Millions of yen)	
	2023	2024
JECC Corporation	¥38,367	¥39,038
Fuji Electric Co., Ltd.	9,498	18,722
DENSO TEN Limited	9,384	11,361
TSUZUKI DENKI CO.,LTD.	3,754	5,611
TOYOTA TSUSHO CORPORATION	1,900	3,471

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

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

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

Years ended March 31	(Millions of yen)	
	2023	2024
Fair value	¥16,057	¥112,380
Cumulative gain or loss	11,265	94,607
Dividend income	217	1,123

13. Income Taxes

(1) Deferred tax assets and liabilities

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

At March 31	(Millions of yen)	
	2023	2024
Deferred tax assets		
Investments in affiliates and other companies*	¥ 28,884	¥166,148
Lease liabilities	30,740	31,676
Accrued bonuses	35,570	31,103
Inventories	12,498	22,762
Excess of depreciation and amortization, impairment losses, etc.	19,198	13,940
Carryforward of unused tax losses	5,204	4,575
Asset retirement obligation	1,702	4,360
Others	21,385	26,526
Total deferred tax assets	155,181	301,090
Deferred tax liabilities		
Right-of-use assets	(33,345)	(30,310)
Financial assets measured at fair value through other comprehensive income	(37,830)	(27,104)
Net defined benefit assets	(6,678)	(20,364)
Intangible assets recognized in business combinations	(67)	(9,585)
Undistributed profits primarily of subsidiaries outside Japan, etc.	(6,776)	(7,563)
Others	(2,787)	(2,438)
Total deferred tax liabilities	(87,483)	(97,364)
Net deferred tax assets	¥ 67,698	¥203,726

As a result of recording expenses associated with business model transition, the Group's subsidiary in Europe, Fujitsu Technology Solutions (Holding) B.V. (hereinafter "FTS"), has recognized deferred tax assets of ¥7,603 million and ¥11,696 million for the previous fiscal year and the current fiscal year, respectively, in the tax jurisdictions where losses were booked in the previous or current fiscal year. The utilization of the deferred tax asset is dependent on future taxable profits in excess of the profits arising from the reversal of existing taxable temporary differences. The management recognized deferred tax assets to the extent that it is probable that future taxable profits will be available against which they can be utilized based on the business plan prepared to reflect judgments for future forecasts and data in the past, using internal and external data.

* As part of the business portfolio transformation geared towards improving profitability in Europe, the Company has decided to streamline and reorganize, according to each mainstay business and region, the complex corporate structure of its European operations with the aim of further improving the efficiency of management and strengthening corporate governance. More specifically, in March 2024 we decided to reorganize our European subsidiaries and to liquidate some of them in conjunction with the restructuring, including the liquidation of our European subsidiary Fujitsu Services Holdings PLC (hereinafter "FS Holdings"). The services business will be consolidated under the umbrella of FTS, the hardware business will be consolidated as a European subsidiary of Fsas Technologies Inc., and FS Holdings, after fulfilling its role as an intermediate holding company, will be liquidated. As a result, deferred tax assets of ¥140,521 million were recognized with respect to deductible temporary differences arising from investments in FS Holdings.

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

At March 31	(Millions of yen)	
	2023	2024
Deferred tax assets	¥73,310	¥218,922
Deferred tax liabilities	(5,612)	(15,196)

(b) Changes in net deferred tax assets

Years ended March 31	(Millions of yen)	
	2023	2024
Opening balance	¥ 84,533	¥ 67,698
Amounts recognized through profit or loss	(20,570)	142,625
Amounts recognized in other comprehensive income		
Foreign currency translation adjustments	758	(978)
Cash flow hedges	(187)	17
Financial assets measured at fair value through other comprehensive income	(7,788)	10,469
Remeasurements of defined benefit plans	15,931	(8,006)
Total	8,714	1,502
Exchange differences on translation and others	(4,979)	(8,099)
Closing balance	¥67,698	¥203,726

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

At March 31	(Millions of yen)	
	2023	2024
Deductible temporary differences*	¥ 59,698	¥ 50,582
Carryforward of unused tax losses	115,736	156,189
Total	¥175,434	¥206,771

* Deductible temporary differences arising from investments in subsidiaries and associates, when the Company intends to hold the investments continuously, are not included. The amount of deductible temporary differences arising from investments in subsidiaries for which deferred tax assets are not recognized (income basis) was ¥663,119 million at March 31, 2023, and ¥290,414 million at March 31, 2024. In connection with the decision to liquidate FS Holdings, deductible temporary differences arising from investments decreased by ¥414,677 million, mainly reflecting the recognition of deferred tax assets.

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

At March 31	(Millions of yen)	
	2023	2024
1st year	¥ 579	¥ 3,914
2nd year	1,372	1,802
3rd year	2,011	2,027
4th year	2,189	3,324
5th year and thereafter	109,585	145,122
Total	¥115,736	¥156,189

(2) Income tax recognized through profit or loss

Years ended March 31	(Millions of yen)	
	2023	2024
Current tax expense	¥106,441	¥ 54,125
Deferred tax expense		
Origination and reversal of temporary differences	8,388	(3,583)
Others*	12,182	(139,042)
Total deferred tax expense	20,570	(142,625)
Total income tax expense	¥127,011	¥ (88,500)

* Benefits from previously unrecognized temporary differences used to reduce deferred tax expense are included for the year ended March 31, 2024. This is mainly due to a decrease in deferred tax expense of ¥140,521 million in the recognition of deferred tax assets with respect to deductible temporary differences arising from investments in FS Holdings, a European subsidiary, following its liquidation decision. In addition, having reassessed the likelihood of future taxable profits arising at the Company and its domestic affiliates in which deductible temporary differences can be utilized, a decrease in deferred tax expense of ¥11,821 million is included due to the recognition of deferred tax assets not previously recognized. For the year ended March 31, 2024, the other major component is tax expense arising from write-down of deferred tax assets pertaining to the carryforward of unused tax losses, whereas in the previous fiscal year, ended March 31, 2023, it was mainly composed of tax expense arising from write-down of deferred tax assets pertaining to the carryforward of unused tax losses.

(3) Income tax recognized through other comprehensive income

Years ended March 31	(Millions of yen)	
	2023	2024
Foreign currency translation adjustments	¥ (758)	¥ 978
Cash flow hedges	187	(17)
Financial assets measured at fair value through other comprehensive income*	11,388	15,365
Remeasurements of defined benefit plans	(15,931)	8,006
Total income tax expense	¥ (5,114)	¥24,332

* The amounts presented above include current tax expense.

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

Years ended March 31	(%)	
	2023	2024
Applicable tax rate	30.6%	30.6%
Increase and decrease in income tax rate		
Change in unrecognized deferred tax assets*	4.7%	(79.4)%
Tax credit	(1.6)%	(13.1)%
Income (loss) from investments accounted for using the equity method, net	(2.3)%	(1.9)%
Non-deductible tax expenses	1.0%	11.6%
Others	1.8%	2.5%
Average effective tax rate	34.2%	(49.7)%

* In the year ended March 31, 2024, the Group recognized deferred tax assets not been previously recognized as a result of the liquidation decision of its European subsidiary FS Holdings and the reassessment of the likelihood of future taxable income. For details, please refer to "(2) Income taxes recognized through profit or loss."

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

(5) Impact of the application of Pillar Two Model Rules

The Group has applied the International Tax Reform—Pillar Two Model Rules (amendments to IAS 12 Income Taxes). The amendments provide clarity around the application of IAS 12 to income taxes arising from tax laws enacted or substantively enacted for the implementation of the OECD's BEPS Pillar Two GloBE (Global Anti-Base Erosion) Rules for global minimum taxation. The amendments also introduce a temporary exception to the accounting for deferred tax assets and liabilities related to corporate income tax arising from the global minimum taxation rules. The Group has applied this exception and has not recognized or disclosed deferred tax assets and liabilities related to income taxes arising from the global minimum tax rules.

Moreover, in some countries where the Group conducts its business, there is the possibility of income taxes arising from the application of the global minimum tax rules, however, the impact of these taxes on the Group's consolidated financial statements will be minimal.

14. Inventories

At March 31	(Millions of yen)	
	2023	2024
Finished goods	¥127,714	¥113,874
Work in progress	84,989	76,316
Raw materials and supplies	124,305	108,614
Total	¥337,008	¥298,804

The amounts of write-downs of inventories recognized as an expense due to a decline in profitability for the years ended March 31, 2023 and 2024 were ¥21,200 million and ¥38,027 million, respectively.

15. Trade Receivables and Other Receivables

(1) Trade receivables

	(Millions of yen)	
At March 31	2023	2024
Accounts receivable	¥924,872	¥926,157
Others	6,102	5,739
Allowance for doubtful accounts*	<u>(3,125)</u>	<u>(3,169)</u>
Total	<u>¥927,849</u>	<u>¥928,727</u>

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

(2) Other receivables

	(Millions of yen)	
At March 31	2023	2024
Accounts receivable-other	¥82,468	¥83,719
Others	<u>2,298</u>	<u>3,349</u>
Total	<u>¥84,766</u>	<u>¥87,068</u>

16. Cash and Cash Equivalents

	(Millions of yen)	
At March 31	2023	2024
Cash and deposits	¥325,901	¥342,139
Short-term investments	<u>30,000</u>	<u>—</u>
Cash and cash equivalents on the consolidated statement of financial position	<u>¥355,901</u>	<u>¥342,139</u>

17. Assets Held for Sale

Not applicable.

18. Equity and Other Components of Equity

(1) Share capital

(a) Number of shares authorized

Ordinary shares (no par value)

	(Thousands of shares)
At March 31	Number of shares
2023	500,000
2024	500,000

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

	(Units: Thousands of shares, Millions of yen)	
	Number of shares	Share capital
At March 31		
2023	207,001	¥324,625
Changes during the year* ²	109	1,013
2024	207,110	¥325,638

*¹ 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.

*² As a result of the issuance of new shares through a third-party allotment for the purpose of paying stock-based compensation (in-kind contribution of monetary receivables as contributed capital), on August 23, 2023, the total number of issued shares increased by 109,000 shares, and both share capital and capital surplus increased by ¥1,013 million.

(c) Treasury stock
 Ordinary shares

	(Units: Thousands of shares, Millions of yen)	
	Number of shares	Amount
At March 31		
2023	18,661	¥277,702
Acquisitions* ⁴	4,520	103,180
Disposals	(0)	(1)
2024	23,182	¥380,881

*³ 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.

*⁴ Primarily, the acquisitions were conducted pursuant to a resolution of the Board of Directors' meeting held on April 27, 2023.

(2) Capital surplus and retained earnings

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

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

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

Years ended March 31	(Millions of yen)	
	2023	2024
Foreign currency translation adjustments		
Opening balance	¥ 10,196	¥ 7,271
Other comprehensive income	(2,925)	23,486
Others	-	-
Closing balance	<u>¥ 7,271</u>	<u>¥ 30,757</u>
Cash flow hedges		
Opening balance	¥ (210)	¥ (4)
Other comprehensive income	206	39
Others	-	-
Closing balance	<u>¥ (4)</u>	<u>¥ 35</u>
Financial assets measured at fair value through other comprehensive income		
Opening balance	¥ 53,522	¥ 63,538
Other comprehensive income	17,767	35,208
Others* ¹	(7,751)	(49,155)
Closing balance	<u>¥ 63,538</u>	<u>¥ 49,591</u>
Remeasurements of defined benefit plans		
Opening balance	¥ -	¥ -
Other comprehensive income	(41,901)	4,667
Others* ²	41,901	(4,667)
Closing balance	<u>¥ -</u>	<u>¥ -</u>
Total other components of equity		
Opening balance	¥ 63,508	¥ 70,805
Other comprehensive income	(26,853)	63,400
Others	34,150	(53,822)
Closing balance	<u>¥ 70,805</u>	<u>¥ 80,383</u>

*¹ 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 as retained earnings. Please refer to Note "22. Cash Flow Information" for more details about the main financial assets derecognized in the fiscal year under review.

*² Remeasurements of the net defined benefit liability or asset (actuarial gains and losses) are recognized, after adjusting for tax effects, under other comprehensive income and are immediately reflected in retained earnings.

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

Years ended March 31	(Millions of yen)	
	2023	2024
Foreign currency translation adjustments	¥ 875	¥1,207
Cash flow hedges	215	(58)
Financial assets measured at fair value through other comprehensive income	(3)	10
Remeasurements of defined benefit plans	245	888
Other comprehensive income	<u>¥1,332</u>	<u>¥2,047</u>

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

Years ended March 31	(Millions of yen)	
	2023	2024
Foreign currency translation adjustments		
Gains (losses) during the year	¥ 2,659	¥ 23,008
Reclassification to profit or loss	(6,188)	(131)
Amount before related income tax expense	(3,529)	22,877
Income tax expense	758	(978)
Amount after related income tax expense	¥ (2,771)	¥ 21,899
Cash flow hedges		
Gains (losses) during the year	¥ (1,999)	¥ (1,584)
Reclassification to profit or loss	2,598	1,414
Amount before related income tax expense	599	(170)
Income tax expense	(187)	17
Amount after related income tax expense	¥ 412	¥ (153)
Financial assets measured at fair value through other comprehensive income		
Gains (losses) during the year	¥ 29,158	¥ 50,453
Amount before related income tax expense	29,158	50,453
Income tax expense	(11,388)	(15,365)
Amount after related income tax expense	¥ 17,770	¥ 35,088
Remeasurements of defined benefit plans		
Gains (losses) during the year	¥(57,715)	¥ 13,046
Amount before related income tax expense	(57,715)	13,046
Income tax expense	15,931	(8,006)
Amount after related income tax expense	¥(41,784)	¥ 5,040
Share of other comprehensive income of investments accounted for using the equity method		
Gains (losses) during the year	¥ 619	¥ 3,707
Reclassification to profit or loss	233	(134)
Amount after related income tax expense	¥ 852	¥ 3,573
Total other comprehensive income		
Amount after related income tax expense	¥(25,521)	¥ 65,447

19. Dividends

Year ended March 31, 2023

(1) Dividends paid

Resolution	Class of shares	Total dividends (Millions of yen)	Source of dividends	Dividends per share	Record date	Effective date
Board of Directors' meeting on May 26, 2022	Ordinary shares	¥21,616	Retained earnings	¥110	March 31, 2022	June 6, 2022
Board of Directors' meeting on October 27, 2022	Ordinary shares	¥23,594	Retained earnings	¥120	September 30, 2022	November 30, 2022

(2) Among the dividends whose record date falls within the year ended March 31, 2023, those whose effective date falls within the year ended March 31, 2024

Resolution	Class of shares	Total dividends (Millions of yen)	Source of dividends	Dividends per share	Record date	Effective date
Board of Directors' meeting on May 25, 2023	Ordinary shares	¥22,600	Retained earnings	¥120	March 31, 2023	June 5, 2023

Year ended March 31, 2024

(1) Dividends paid

Resolution	Class of shares	Total dividends (Millions of yen)	Source of dividends	Dividends per share	Record date	Effective date
Board of Directors' meeting on May 25, 2023	Ordinary shares	¥22,600	Retained earnings	¥120	March 31, 2023	June 5, 2023
Board of Directors' meeting on October 26, 2023	Ordinary shares	¥24,498	Retained earnings	¥130	September 30, 2023	November 30, 2023

(2) Among the dividends whose record date falls within the year ended March 31, 2024, those whose effective date falls within the year ended March 31, 2025

Resolution	Class of shares	Total dividends (Millions of yen)	Source of dividends	Dividends per share	Record date	Effective date
Board of Directors' meeting on May 29, 2024	Ordinary shares	¥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.

20. Borrowings, and Lease Liabilities

Breakdown of interest-bearing loans

At March 31	(Millions of yen)		Average interest rate (2023)* ¹	Average interest rate (2024)* ¹	Repayment due date
	2023	2024			
Short-term borrowings	¥ 58,461	¥ 94,140	2.86%	3.14%	–
Current portion of long-term borrowings	4	20	0.06%	2.87%	–
Long-term borrowings	2,080	2,628	5.65%	4.00%	April 1, 2025– June 1, 2033
Lease liabilities (current)	45,112	42,532	1.16%	1.43%	–
Lease liabilities (non-current)	105,518	106,356	1.66%	1.96%	April 5, 2025– August 28, 2081
Total	¥211,175	¥245,676	–	–	
Short-term borrowings, current portion of long-term debt and lease liabilities (current)	¥103,577	¥136,692			
Long-term debt and lease liabilities (non-current)	¥107,598	¥108,984			

*¹ Average interest rates are the weighted average interest rates for the balance at March 31, 2023 and 2024.

21. Post-Employment Benefits

(1) Outline of the retirement benefit plan adopted

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

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

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

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

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

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

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

bonds to match the defined benefit obligation. FTS used to provide an unfunded defined benefit plan, which was closed for new participation in 1999. Since then, a defined contribution plan has been provided for employees to participate in.

(2) Defined benefit plans

(a) Risks related to the defined benefit plans

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

(i) Investment risk

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

(ii) Interest risk

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

(iii) Longevity risk

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

(iv) Inflation risk

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

(b) Amounts in the financial statements

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

	(Millions of yen)	
At March 31	2023	2024
Present value of defined benefit obligation	¥(1,320,257)	¥(1,396,578)
Fair value of plan assets	1,307,010	1,408,268
Effect of asset ceiling	(258)	(408)
Net defined benefit liability (asset) recognized on the consolidated statement of financial position	<u>¥ (13,505)</u>	<u>¥ 11,282</u>
Retirement benefit assets	<u>¥ 81,883</u>	<u>¥ 115,487</u>
Retirement benefit liabilities	<u>(95,388)</u>	<u>(104,205)</u>
Net defined benefit liability (asset) recognized on the consolidated statement of financial position	<u>¥ (13,505)</u>	<u>¥ 11,282</u>

At March 31, 2023

The present value of the defined benefit obligation at March 31, 2023, comprises –¥610,010 million for plans in Japan and –¥710,247 million for plans outside Japan, while the fair value of plan assets comprises ¥643,576 million for plans in Japan and ¥663,434 million for plans outside Japan.

At March 31, 2024

The present value of the defined benefit obligation at March 31, 2024, comprises –¥583,117 million for plans in Japan and –¥813,461 million for plans outside Japan, while the fair value of plan assets comprises ¥677,041 million for plans in Japan and ¥731,227 million for plans outside Japan.”

The adjustment amount due to the asset ceiling is defined as the amount adjusted due to the partial restriction of an amount of assets recognized under IAS 19 Employee Benefits, where the excess amount in cases in which accumulated plan assets exceed the present value of defined benefit plan liabilities is recognized as an asset related to retirement benefits.

(ii) Components of defined benefit costs

Years ended March 31	(Millions of yen)	
	2023	2024
Current service cost (net of contribution from plan participants)	¥11,663	¥12,793
Net interest	(368)	971
Past service cost and gains and losses arising from settlements	(106)	(1,179)
Total	¥11,189	¥12,585

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

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

Present value of defined benefit obligation	(Millions of yen)	
	2023	2024
Opening balance	¥(1,577,660)	¥(1,320,257)
Current service cost	(17,829)	(19,615)
Interest expense	(29,460)	(41,602)
Remeasurements of the net defined benefit liability (asset)		
Actuarial gains and losses arising from changes in financial assumptions	265,680	18,116
Actuarial gains and losses arising from changes in demographic assumptions	(29,305)	(14,012)
Past service cost and gains and losses arising from settlements	106	1,179
Payments from the plan		
Payments from the employer	8,372	7,340
Payments from plan assets	77,007	76,776
Effects of business combinations and disposals	14,445	1,648
Effect of changes in foreign exchange rates	(31,613)	(106,151)
Closing balance	¥(1,320,257)	¥(1,396,578)

Fair value of plan assets	(Millions of yen)	
	2023	2024
Opening balance	¥1,601,231	¥1,307,010
Interest income	29,828	40,631
Remeasurements of the net defined benefit liability (asset)		
Return on plan assets, excluding amounts included in interest income	(294,839)	7,395
Contributions to the plan		
Contributions by the employer	21,984	20,213
Contributions by the plan participants	6,166	6,822
Payments from the plan		
Payments from plan assets	(77,007)	(76,776)
Effects of business combinations and disposals	(9,499)	594
Effect of changes in foreign exchange rates	29,146	102,379
Closing balance	¥1,307,010	¥1,408,268

(iv) Components of fair value of plan assets

At March 31	(Millions of yen)			
	2023		2024	
	Market price in an active market		Market price in an active market	
	Quoted	Unquoted	Quoted	Unquoted
Cash and cash equivalents	¥ 38,844	¥ –	¥ 46,993	¥ –
Equity instruments				
Japan	49,945	11,747	61,718	13,527
Outside Japan	21,797	81,814	23,784	90,803
Debt instruments				
Japan	4,714	136,837	1,449	136,867
Outside Japan	295,922	186,058	269,177	266,846
General accounts of life insurance companies	–	265,372	–	268,545
Liability Driven Investment (LDI)	–	152,265	–	192,058
Others	1,861	59,834	993	35,508
Total	¥413,083	¥893,927	¥404,114	¥1,004,154

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

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

At March 31	2023		2024	
	Plans in Japan	Plans outside Japan* ¹	Plans in Japan	Plans outside Japan* ¹
Discount rate	1.07%	4.90%	1.35%	4.95%
Life expectancy* ²	23.6 years	22.9 years	23.6 years	22.7 years
Inflation rate	–	3.30%	–	3.14%

*¹ Assumptions for plans outside Japan represent the assumptions for the defined benefit plan provided by a UK subsidiary.

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

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

The sensitivity analysis below shows the effect on the defined benefit obligation when one of the significant actuarial assumptions changes reasonably while holding all other assumptions constant. However, the change in assumptions would not necessarily occur in isolation from one another. In addition, for the defined benefit plan of a UK subsidiary, because the investments in the plan assets are managed matching the defined benefit obligation, the impact on the funded status arising from changes in the discount rate will be limited. A negative amount represents a decrease of the defined benefit obligation while a positive amount represents an increase of the defined benefit obligation.

At March 31		(Millions of yen)	
		2023	2024
Discount rate	0.1% increase	¥(14,598)	¥(15,083)
	0.1% decrease	14,850	15,407
Life expectancy	1 year increase	38,893	44,451
Inflation rate	0.1% increase	5,277	6,117
	0.1% decrease	(5,352)	(6,019)

(ii) Funding and performance policy of plan assets

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

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

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

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

(iii) Expected contributions to defined benefit plans

The Group expects contributions by the employer of ¥19,712 million to defined benefit plans for the year ending March 31, 2025.

(iv) Maturity profile of the defined benefit obligation

At March 31	2023	2024
Weighted average duration of the defined benefit obligation	13.5 years	12.0 years

(3) Defined contribution plans and public plans

At March 31	(Millions of yen)	
	2023	2024
Expenses for defined contribution plans	¥21,020	¥26,251
Expenses for risk-sharing corporate pension plan	20,173	19,940
Expenses for public plans	75,689	77,486

In addition to the standard contribution, risk reserve contributions of ¥417 million were recorded for the year ended March 31, 2023, and risk reserve contributions were not recorded for the year ended March 31, 2024.

22. Cash Flow Information

(1) Changes in liabilities arising from financing activities

	(Millions of yen)			
	Bonds and borrowings	Short-term borrowings	Lease liabilities	Total
Balance at April 1, 2022	¥ 35,085	¥ 84,925	¥165,309	¥ 285,319
Changes arising from cash flows	(33,030)	(25,502)	(58,566)	(117,098)
Non-cash changes				
Acquisition or loss of control	-	-	(2,663)	(2,663)
Acquisition of right-of-use assets	-	-	46,380	46,380
Decrease due to cancellation, etc.	-	-	(3,211)	(3,211)
Exchange differences on translation	27	890	2,159	3,076
Others	2	(1,852)	1,222	(628)
Balance at March 31, 2023	¥ 2,084	¥ 58,461	¥150,630	¥ 211,175
Changes arising from cash flows	(1,835)	29,336	(52,609)	(25,108)
Non-cash changes				
Acquisition or loss of control	2,000	952	201	3,153
Acquisition of right-of-use assets	-	-	47,892	47,892
Decrease due to cancellation, etc.	-	-	(7,107)	(7,107)
Exchange differences on translation	399	5,402	8,523	14,324
Others	-	(11)	1,358	1,347
Balance at March 31, 2024	¥ 2,648	¥94,140	¥148,888	¥ 245,676

(2) Other

For the year ended March 31, 2023

Other cash flows from operating activities included ¥64,335 million of a decrease in payables related to the extra retirement payments as part of expansion of the “Self-Produce Support System” recorded in the fiscal year ended March 31, 2022.

“Net proceeds from sale of subsidiaries, equity-method associates and businesses” within cash flows from investing activities includes ¥90,584 million as consideration for the transfer of 80% of the shares of the Company’s consolidated subsidiary PFU Limited (hereinafter “PFU”) to Ricoh Company, Ltd. (hereinafter “Ricoh”), on September 1, 2022, and ¥42,060 million as the transferred amount of cash and cash equivalents held by PFU.

For the year ended March 31, 2024

“Proceeds from sales and redemption of investment securities” under cash flows from investing activities includes ¥71,950 million from the sale of shares in Socionext Inc. We participated as one of the selling shareholders in the secondary offering of shares of common stock of Socionext, as publicly announced in a Socionext press release dated July 5, 2023 (Notice Regarding Secondary Offering of Shares and Change in the Largest Shareholder (which is also a Principal Shareholder) and Principal Shareholders). At a meeting of the Board of Directors held on July 11, 2023, the Company passed a resolution to sell its shareholdings, and the shares were subsequently sold on July 13, 2023.

The shares of Socionext were measured at fair value, with changes recognized as other comprehensive income. Owing to the fact that this other comprehensive income was derecognized when the shares were sold, the cumulative amount of other comprehensive income previously recognized has been reclassified as retained earnings, resulting in no impact on profit or loss.

“Net proceeds from sale of subsidiaries, equity method associates and businesses” under cash flows from investing activities includes expenses associated with the transfer of the private cloud business in Germany. Please refer to Note “26. Other Income, Expenses and Income from Investments Accounted for Using the Equity-Method, Net” for more details.

23. Provisions

	(Millions of yen)					
	Provision for restructuring	Provision for product warranties	Provision for loss on orders received	Asset retirement obligation	Others	Total
Balance at March 31, 2023	¥ 5,427	¥ 8,013	¥12,728	¥19,116	¥10,385	¥ 55,669
Additional provisions made during the year	23,593	2,897	12,062	3,279	7,131	48,962
Amounts used during the year	(2,183)	(3,142)	(9,724)	(3,253)	(2,652)	(20,954)
Change in scope of consolidation	(72)	–	(2,257)	(39)	(214)	(2,582)
Exchange differences on translation and others	1,475	446	731	878	1,368	4,898
Balance at March 31, 2024	<u>¥28,240</u>	<u>¥ 8,214</u>	<u>¥13,540</u>	<u>¥19,981</u>	<u>¥16,018</u>	<u>¥ 85,993</u>

	(Millions of yen)	
At March 31	2023	2024
Current liabilities	¥35,015	¥58,988
Non-current liabilities	20,654	27,005
Total	<u>¥55,669</u>	<u>¥85,993</u>

Provision for restructuring

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

Provision for product warranties

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

Provision for loss on orders received

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

Asset retirement obligation

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

Provisions for environmental measures are included in "Others."

24. Trade Payables and Other Payables

(1) Trade payables

	(Millions of yen)	
At March 31	2023	2024
Accounts payable	¥458,280	¥449,985
Others	5,450	5,468
Total	<u>¥463,730</u>	<u>¥455,453</u>

(2) Other payables

	(Millions of yen)	
At March 31	2023	2024
Accrued expenses	¥286,295	¥285,629
Accounts payable—other	81,104	94,962
Total	<u>¥367,399</u>	<u>¥380,591</u>

25. Revenue

(1) Classification of revenue

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

Furthermore, the Group has revised its segment classification from the current fiscal year. Comparative information for the previous fiscal year reflects the revised classification. Regarding the details of revision, please refer to Note "6. Segment Information."

Year ended March 31, 2023

						(Millions of yen)
Revenue from external customers	Service Solutions	Hardware Solutions	Ubiquitous Solutions	Device Solutions	Inter-segment Elimination / Corporate	Total
Japan	¥1,350,693	¥ 643,952	¥184,633	¥ 76,704	¥34,303	¥2,290,285
Europe	378,093	184,464	90,442	12,187	1,278	666,464
Americas	63,478	175,593	173	56,603	370	296,217
Asia Pacific	104,043	72,406	3,651	102,608	22	282,730
East Asia	45,299	3,370	1,750	120,182	28	170,629
Others	7,271	110	-	61	-	7,442
Total	¥1,948,877	¥1,079,895	¥280,649	¥368,345	¥36,001	¥3,713,767

Year ended March 31, 2024

						(Millions of yen)
Revenue from external customers	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 for the years ended March 31, 2023 and 2024 because they are immaterial for the Group.

2. "Others" includes the Middle East and Africa.

(2) Contract assets and contract liabilities

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

Contract liabilities primarily consist of prepayments received from customers under contracts to provide them with ongoing services. The amounts of revenue recognized for the years ended March 31, 2023 and 2024, included in the balances of contract liabilities at April 1, 2022 and 2023, are ¥114,423 million and ¥112,624 million, respectively.

(3) Performance obligations

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

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

Transaction prices allocated to unsatisfied (or partially unsatisfied) performance obligations at March 31, 2023, totaled ¥1,769,824 million. Of this amount, ¥1,126,491 million is expected to be recognized as earnings within one year.

Transaction prices allocated to unsatisfied (or partially unsatisfied) performance obligations at March 31, 2024, totaled ¥1,796,086 million. Of this amount, ¥1,193,870 million is expected to be recognized as earnings within one year.

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

26. Other Income, Expenses, and Income from Investments Accounted for Using the Equity-Method, Net

For the year ended March 31, 2023

The main components of other income are as follows.

The Group has included a gain of ¥30,821 million related to the transfer of 80% of the shares of PFU Limited (hereinafter referred to as "PFU"), a consolidated subsidiary of the Company, to Ricoh Company, Ltd. on September 1, 2022.

The Group has also included income on government grants of ¥21,441 million mainly for research and development of Post-5G/Beyond-5G as grants related to income. The income is mainly included in the Inter-segment Elimination/Corporate segment.

In addition to the above, the Group has included gain on sales of property, plant and equipment of ¥15,903 million under other income.

The Group has included loss on disposal of property, plant and equipment of ¥7,113 million, restructuring expenses of ¥3,785 million, and facility relocation and disposal expenses of ¥2,597 million under other expenses.

The main component of income from investments accounted for using the equity-method, net, is a gain of ¥7,705 million on fair value valuation as PFU became an associate of the Company by the equity-method.

As described in Note "6. Segment Information", we have revised our segments from this fiscal year. Accordingly, comparative information for the previous fiscal year reflects the revised classification.

For the year ended March 31, 2024

The main components of other income are as follows.

The Group has included income on government grants of ¥18,804 million primarily for the building of next-generation digital infrastructure for the Green Innovation Fund project as grants related to income. The income is mainly included in the Inter-segment Elimination/Corporate segment.

In addition to the above, the Group has included gain on sales of property, plant and equipment of ¥3,117 million under other income.

Other expenses mainly include business restructuring and business structure reforms of ¥114,718 million. This was chiefly for accelerating the business portfolio transformation with a view to improving profitability in Europe.

We carved out the German private cloud business in order to narrow down traditional businesses that have been unprofitable. The aim of this was to quicken the transition to a new business model centered on Fujitsu Uvance in the service business in Germany, by transferring a part of the business that includes the private cloud business of Fujitsu Services GmbH to AEQUITA SE & Co. KGaA, a German investment fund. In connection with this, we recorded a loss of ¥34,917 million.

We also decided to withdraw from the client computing devices business in Europe due to the intensely competitive environment in which we struggled to turn a profit. Accordingly, we recorded expenses of ¥24,156 million as a result of this withdrawal.

Furthermore, we recorded expenses of ¥14,670 million associated with the withdrawal from loss-making regions in Europe and the shift in focus to major countries, as well as expenses of ¥13,057 million related to the downsizing of corporate functions in Europe.

These expenses mainly include costs related to personnel measures, plus costs pertaining to the disposal of, and impairment losses on, inventories and fixed assets.

In addition to the above, the Group has included a loss on disposal of property, plant, and equipment of ¥2,318 million, and facility relocation and disposal expenses of ¥2,775 million under other expenses.

27. Impairment of Non-Financial Assets

(1) Cash-generating unit (CGU)

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

(2) Impairment losses

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

Years ended March 31	(Millions of yen)	
	2023	2024
Property, plant and equipment		
Land	¥ 28	-
Buildings	31	¥ 5,591
Machinery and equipment, tools, fixtures and fittings	113	1,578
Construction in progress	30	211
Total property, plant and equipment	202	7,380
Goodwill	393	8,266
Intangible assets		
Software	22	2,611
Others	296	1,063
Total intangible assets	318	3,674
Total impairment losses	¥913	¥19,320

For the year ended March 31, 2023

The breakdown of impairment losses by segment is ¥81 million for Service Solutions, ¥686 million for Hardware Solutions, and ¥146 million for Device Solutions. ¥686 million for Hardware Solutions is mainly an impairment of goodwill resulting from carrying amounts of those relevant CGUs were written down to the recoverable amount due to business downsizing or withdrawal and other factors.

As described in "6. Segment Information," the Group has revised its segment classification from the current fiscal year. Comparative information for the previous fiscal year reflects the revised classification.

For the year ended March 31, 2024

The breakdown of impairment losses by segment is ¥1,049 million for Service Solutions and ¥719 million for Device Solutions. In addition, adjusted items for Adjusted Operating Profit includes ¥17,552 million which is not included in each segment income. ¥17,552 million for adjusted items is mainly impairments of goodwill with significantly reduced profitability and impairments of buildings and structures with reduced profitability resulting from carrying amounts of those relevant CGUs were written down to the recoverable amount. This was chiefly for accelerating the business portfolio transformation with a view to improving profitability in Europe.

(3) Reversal of impairment losses

For the year ended March 31, 2023

Following the sale of business assets for which impairment losses had been recognized in the previous fiscal year, the carrying amounts were reversed to the recoverable amount for the assets. The Group recorded reversals of impairment losses of ¥57 million for buildings and ¥340 million for land. These reversals of impairment losses are included in other income in the consolidated statement of profit or loss. In segment information, they are included in Service Solutions.

For the year ended March 31, 2024

Following the sale of business assets for which impairment losses had been recognized in the previous fiscal year, the carrying amounts were reversed to the recoverable amount for the assets. The Group recorded reversals of impairment losses of ¥288 million for buildings and ¥14 million for Machinery and equipment, tools, fixtures and fittings. These reversals of impairment losses are included in other income in the consolidated statement of profit or loss. In segment information, they are included in Service Solutions.

(4) Goodwill impairment test

For the CGUs to which goodwill has been allocated, we perform goodwill impairment tests at certain times each fiscal year, and whenever there are indications of impairment.

Of the goodwill allocated to each CGU, the following are the most important.

At March 31	(Millions of yen)	
	2023	2024
FTS (Central Europe)* ¹	¥13,554	¥14,954
FAL (Australia)* ²	17,137	18,841
GKS* ³	–	24,652

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

The target business region of FTS is Europe. Because the Group has adopted a business management structure based on country and region, it allocates goodwill to CGUs in six countries or regions. The six CGUs include Central Europe, comprising Germany, Switzerland, and Austria, along with five units that include the Netherlands, Belgium and Luxembourg, France, Spain and Portugal, and Poland (the "Other Countries and Regions").

At March 31	(Millions of yen)	
	2023	2024
FTS		
Central Europe	¥13,554	¥14,954
Other Countries and Regions	3,522	4,015

*2. Fujitsu Australia Limited (FAL) recognizes goodwill primarily related to KAZ Group Pty Ltd, an IT services company acquired from Telstra Corporation in April 2009, and Enable Professional Services Pty Ltd, an IT consulting services company acquired in August 2022.

The target business region of FAL is Oceania. Because the Group has adopted a business management structure based on country, it allocates goodwill to three CGUs; Australia, New Zealand, and Other.

FAL has changed its CGUs from the current fiscal year. Comparative information for the previous fiscal year reflects this change.

At March 31	(Millions of yen)	
	2023	2024
FAL		
Australia	¥17,137	¥18,841
New Zealand and Other	883	2,725

*3. Goodwill related to GK Software SE acquired through a public takeover offer in May 2023.

The recoverable amount is measured based on the value in use.

The values in use was calculated by discounting projected cash flows based on a three or four-year medium-term management plan and growth rate for subsequent periods incorporating future uncertainties to the present value. The recoverable amount for the year ended March 31, 2024, was well above the carrying amount of the CGU respectively. The medium-term management plan is prepared to reflect the management's judgments for future forecasts and past data, using internal and external data.

The growth rate is determined by considering the long-term average growth rate of the market or country to which the CGU belongs. The discount rate is calculated based on a pre-tax weighted average capital cost of the CGU.

The growth and discount rate used to calculate the recoverable amount of CGU are as follows:

	2023		2024	
	Growth rate	Discount rate	Growth rate	Discount rate
FTS (Central Europe)	0.5%	11.0%	0.5%	9.5%
FAL (Australia)* ⁴	–	–	2.5%	9.4%
GKS	–	–	2.0%	9.7%

*4. As for FAL (Australia), FAL changed its CGUs during the current fiscal year, the description of the previous fiscal year is omitted.

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

28. Employee Expenses

Years ended March 31	(Millions of yen)	
	2023	2024
Salaries and bonuses	¥ 980,129	¥1,039,918
Retirement benefit cost	52,382	58,776
Legal welfare expenses and others	185,524	229,582
Total	<u>¥1,218,035</u>	<u>¥1,328,276</u>

Note: Legal welfare expenses and others for the year ended March 31, 2024, include a portion of personnel expenses for business restructuring and business model transformation expenses, which amounted to ¥114,718 million.

29. Financial Income and Financial Expenses

Financial income

Years ended March 31	(Millions of yen)	
	2023	2024
Interest income	¥ 2,703	¥ 5,663
Dividend income	3,334	4,052
Foreign exchange gains, net	3,154	1,751
Others	5,896	2,293
Total	<u>¥15,087</u>	<u>¥13,759</u>

Financial expenses

Years ended March 31	(Millions of yen)	
	2023	2024
Interest expense	¥3,958	¥5,241
Others	2,904	1,742
Total	<u>¥6,862</u>	<u>¥6,983</u>

Interest income principally arose from financial assets and liabilities measured at amortized cost, and dividend income principally arose from financial assets measured at fair value through other comprehensive income. Interest expense principally arose from financial liabilities measured at amortized cost and lease liabilities. Interest expense on lease liabilities for the years ended March 31, 2023 and 2024, was ¥1,837 million and ¥2,088 million, respectively.

30. Discontinued Operations

Not applicable.

31. Earnings per Share

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

(1) Basic earnings per share

Years ended March 31	2023	2024
Profit for the year attributable to ordinary equity holders of the parent (Millions of yen)	¥ 215,182	¥ 254,478
Weighted average number of ordinary shares—basic (Thousands of shares)	1,942,731	1,876,873
Basic earnings per share (Yen)	¥ 110.76	¥ 135.59

(2) Diluted earnings per share

Years ended March 31	2023	2024
Profit for the year attributable to ordinary equity holders of the parent (Millions of yen)	¥215,182	¥254,478
Profit used to calculate diluted earnings per share (Millions of yen)	¥215,182	¥254,478
Weighted average number of ordinary shares—basic (Thousands of shares)	1,942,731	1,876,873
Adjustment by conditional issuable shares (Thousands of shares)	3,889	3,376
Weighted average number of ordinary shares—diluted (Thousands of shares)	1,946,620	1,880,249
Diluted earnings per share (Yen)	¥110.54	¥135.34

Note: The Company conducted a 10-for-1 stock split of its common stock effective April 1, 2024. Basic earnings per share and diluted earnings per share are calculated as if the stock split had occurred at the beginning of previous fiscal year.

32. Non-Cash Transactions

Years ended March 31	(Millions of yen)	
	2023	2024
Acquisitions of right-of-use assets	¥42,667	¥42,678

33. Share-Based Payment

The Company has introduced a performance-based stock compensation plan and a restricted stock-based compensation plan for executive directors, external directors, executive officers, and employees who hold positions above a certain level of responsibility in the Company and at certain subsidiaries (hereinafter "Eligible Recipients"). In doing so, the Company intends to provide the Eligible Recipients with a medium- to long-term incentive for improving corporate value, also will endeavor to further management from a shareholder's perspective.

(1) Performance-based stock compensation plan

The Company grants Eligible Recipients a base number of stock units in accordance with their position and responsibilities, a performance evaluation period (three years), and performance targets (revenue and adjusted operating profit, etc.). The number of stock units is calculated by multiplying the base number of stock units by a coefficient corresponding with the level of performance target achievement for each fiscal year. At the end of the performance evaluation period, the total number of shares for each Eligible Recipient is calculated, with one stock unit corresponding to one share. A portion of the total number of shares is paid in cash in consideration of the tax liabilities likely to be incurred by the Eligible Recipients owing to the payment of this compensation, while the remainder is allocated in shares of the Company.

The performance-based stock compensation plan is accounted for as an equity-settled share-based payment. The base number of stock units granted during the period and the weighted average of the fair value at grant date (weighted average fair value) are as follows.

Years ended March 31	2023	2024
Base number of stock units granted during the period (Thousands of units)	2,685	2,377
Weighted average fair value (Yen)	¥1,821	¥1,796

Note: The Company conducted a 10-for-1 stock split of its common stock effective April 1, 2024. Base number of stock units and weighted average fair value are calculated as if the stock split had occurred at the beginning of the previous fiscal year.

(2) Restricted stock-based compensation plan

For each fiscal year, the Company sets in advance a number of stock units according to the Eligible Recipient's position. At the end of the period of continuous service (three years), the number of shares for each Eligible Recipient is calculated, with one stock unit corresponding to one share. A portion of the number of shares is paid in cash in consideration of the tax liabilities likely to be incurred by the Eligible Recipients owing to the payment of this compensation, while the remainder is allocated in shares of the Company.

The restricted stock-based compensation plan is accounted for as an equity-settled share-based payment. The number of stock units granted during the period and the fair value at grant date are as follows.

Years ended March 31	2023	2024
Number of stock units granted during the period (Thousands of units)	-	10
Weighted average fair value (Yen)	-	¥1,860

Note: The Company conducted a 10-for-1 stock split of its common stock effective April 1, 2024. Number of stock units and weighted average fair value are calculated as if the stock split had occurred at the beginning of the previous fiscal year.

(3) Expenses arising from share-based payments

Expenses arising from share-based payments are recorded under selling, general and administrative expenses in the consolidated statement of profit or loss, and are as follows.

Years ended March 31	(Millions of yen)	
	2023	2024
Performance-based stock compensation plan	¥3,154	¥2,109
Restricted stock-based compensation plan	-	6
Total	¥3,154	¥2,115

34. Financial Instruments

(1) Capital management

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

In order to improve profitability and efficiency of invested capital for businesses, the Group places importance on operating profit margin and EPS (earnings per share) as management indicators.

(2) Risk management

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

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

The Group also loans to business partners and other parties.

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

(a) Credit risk

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

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

The maximum amount of credit risk at March 31, 2024, equals the book value of financial assets on the consolidated statement of financial position that are exposed to credit risk.

Credit risk exposure of trade accounts receivables is as follows.

At March 31			Overdue amounts					(Millions of yen)
	Total	Within due date	Total	Within 30 days	31 to 60 days	61 to 90 days	91 to 180 days	Over 180 days
2023	¥924,872	¥890,693	¥34,179	¥21,285	¥5,665	¥1,761	¥2,094	¥3,374
2024	926,157	890,785	35,372	20,856	5,480	2,023	2,410	4,573

The balances of allowance for doubtful accounts corresponding to trade accounts receivables at March 31, 2023 and 2024 are ¥3,125 million and ¥3,169 million, respectively.

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

Changes in the allowance for doubtful accounts are presented below.

	(Millions of yen)		
	Current assets	Non-current assets	Total
Balance at April 1, 2022	¥ 3,498	¥1,108	¥ 4,606
Additional provisions made during the year	1,326	559	1,885
Amounts used during the year	(559)	(219)	(778)
Unused amounts reversed during the year	(1,000)	(654)	(1,655)
Exchange differences on translation and others	(140)	(16)	(156)
Balance at March 31, 2023	3,125	778	3,903
Additional provisions made during the year	1,213	698	1,912
Amounts used during the year	(793)	(66)	(859)
Unused amounts reversed during the year	(712)	(536)	(1,248)
Exchange differences on translation and others	335	-	335
Balance at March 31, 2024	<u>¥ 3,169</u>	<u>¥ 874</u>	<u>¥ 4,043</u>

(b) Liquidity risk

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

Contractual maturity analysis of financial liabilities is presented below.

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

At March 31	(Millions of yen)							
	Carrying amount	Contractual cash flow	Within 1 year	1-2 years	2-3 years	3-4 years	4-5 years	Over 5 years
2023								
Non-derivative financial liabilities								
Borrowings	¥ 60,546	¥ 60,546	¥58,465	¥ 1,865	¥ 212	¥ 3	¥ -	¥ -
Lease liabilities	150,630	171,527	46,303	33,976	20,458	13,466	10,341	46,983
Derivative financial liabilities	1,409	1,409	1,409	-	-	-	-	-
2024								
Non-derivative financial liabilities								
Borrowings	¥ 96,789	¥ 96,789	¥94,160	¥ 1,335	¥ 504	¥ 500	¥ 92	¥ 197
Lease liabilities	148,888	173,881	43,905	31,276	21,736	16,314	13,141	47,509
Derivative financial liabilities	1,619	1,619	1,519	100	-	-	-	-

(c) Market risk

The Group utilizes foreign exchange forward contracts in respect of 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 of borrowings and corporate bonds to mitigate interest rate fluctuation risk.

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

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

(i) Foreign currency sensitivity analysis

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

Years ended March 31	(Millions of yen)	
	2023	2024
Impact on profit before income taxes	¥(314)	¥(185)

(ii) Interest rate sensitivity analysis

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

Years ended March 31	(Millions of yen)	
	2023	2024
Impact on profit before income taxes	¥40	¥42

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

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

(b) Policies for derivative transactions

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

(c) Risk management structure for derivative transactions

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

(d) Accounting treatment for derivative transactions

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

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

Cash flow hedges

	(Millions of yen)	
At March 31	2023	2024
Currency: Forward foreign exchange transaction		
Sell (US dollar)	¥(1,999)	¥(1,584)
Total	<u>¥(1,999)</u>	<u>¥(1,584)</u>

(4) Fair value of financial instruments

The fair value hierarchy has the following levels:

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

(a) Financial assets and liabilities measured at fair value

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

Derivatives

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

Equity securities

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

Bonds (financial assets)

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

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

		(Millions of yen)			
At March 31	Carrying amount	Fair value			
		Total	Level 1	Level 2	Level 3
2023					
Assets					
Financial assets measured at fair value through profit or loss					
Derivatives	¥ 654	¥ 654	¥ -	¥ 654	¥ -
Bonds	13,203	13,203	-	-	13,203
Equity securities	12,141	12,141	2,141	-	10,001
Financial assets measured at fair value through other comprehensive income					
Equity securities	167,573	167,573	103,893	-	63,680
Total	¥193,571	¥193,571	¥106,033	¥ 654	¥86,884
Liabilities					
Financial liabilities measured at fair value through profit or loss					
Derivatives	¥ 1,409	¥ 1,409	¥ -	¥1,409	¥ -
Total	¥ 1,409	¥ 1,409	¥ -	¥1,409	¥ -
2024					
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	2,367	-	9,141
Financial assets measured at fair value through other comprehensive income					
Equity securities	120,992	120,992	52,590	-	68,402
Total	¥139,475	¥139,475	¥ 54,957	¥ 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	¥ -

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

	(Millions of yen)
	Carrying amount
Balance at April 1, 2022	¥ 87,324
Subtotal (gains and losses)	
Profit or loss	(348)
Other comprehensive income	2,289
Purchases	27,487
Sales	(5,622)
Settlements	(23,155)
Others	(1,091)
Balance at March 31, 2023	¥ 86,884
Subtotal (gains and losses)	
Profit or loss	(318)
Other comprehensive income	2,094
Purchases	1,332
Sales	(6,102)
Settlements	(1,467)
Others	1,269
Balance at March 31, 2024	¥ 83,692

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

*(b) Financial assets and liabilities measured at amortized cost**(i) Measurement method of fair value for financial assets and liabilities***Bonds (financial assets)**

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

Bonds (financial liabilities)

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

Long-term borrowings (non-current liabilities)

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

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

		(Millions of yen)			
At March 31	Carrying amount	Fair value			
		Total	Level 1	Level 2	Level 3
2023					
Assets					
Financial assets measured at amortized cost					
Bonds	¥2,000	¥1,992	¥ -	¥ -	¥1,992
Total	¥2,000	¥1,992	¥ -	¥ -	¥1,992
Liabilities					
Financial liabilities measured at amortized cost					
Long-term borrowings (non-current)	¥2,080	¥2,081	¥ -	¥2,081	¥ -
Total	¥2,080	¥2,081	¥ -	¥2,081	¥ -
2024					
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	¥ -

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

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

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

35. Leases

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

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

At March 31	(Millions of yen)	
	2023	2024
Land	¥ 1,083	¥ 1,034
Buildings	112,271	102,392
Machinery and equipment, tools, fixtures and fittings	23,770	22,471
Total	¥137,124	¥125,897

The total cost for acquisitions of right-of-use assets was ¥42,667 million and ¥42,678 million for the years ended March 31, 2023 and 2024, respectively.

(2) Maturity analysis of lease liabilities

									(Millions of yen)
At March 31, 2023	Carrying amount	Contractual cash flow	Within 1 year	1-2 years	2-3 years	3-4 years	4-5 years	Over 5 years	
Lease liabilities	¥150,630	¥171,527	¥46,303	¥33,976	¥20,458	¥13,466	¥10,341	¥46,983	

									(Millions of yen)
At March 31, 2024	Carrying amount	Contractual cash flow	Within 1 year	1-2 years	2-3 years	3-4 years	4-5 years	Over 5 years	
Lease liabilities	¥148,888	¥173,881	¥43,905	¥31,276	¥21,736	¥16,314	¥13,141	¥47,509	

(3) Breakdown of lease-related expenses

			(Millions of yen)	
Years ended March 31	2023	2024		
Depreciation of right-of-use assets included in property, plant and equipment				
Land	¥ 100	¥ 100		
Buildings	39,405	36,521		
Machinery and equipment, tools, fixtures and fittings	11,780	11,823		
Total	<u>¥51,285</u>	<u>¥48,444</u>		
Interest expense on leases	<u>¥ 1,837</u>	<u>¥ 2,088</u>		

(4) Cash outflows

			(Millions of yen)	
Years ended March 31	2023	2024		
Total cash outflows from lease transactions	<u>¥58,566</u>	<u>¥52,609</u>		

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

The amounts not included in the measurement of lease liabilities comprised lease transactions for which use has not yet commenced despite lease contracts already being concluded, and totaled ¥1,052 million and N/A at March 31, 2023 and 2024, respectively.

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

Year ended March 31, 2023

					(Millions of yen)	
Class of company	Name	Relationship with related parties	Details of the transaction	Transaction amount	Balance	
Associate	Fujitsu Client Computing Limited	Manufacturing of PCs included in system business sold by the Group	Purchases and PC manufacturing	¥207,499	¥40,381	

Year ended March 31, 2024

					(Millions of yen)	
Class of company	Name	Relationship with related parties	Details of the transaction	Transaction amount	Balance	
Associate	Fujitsu Client Computing Limited	Manufacturing of PCs included in system business sold by the Group	Purchases and PC manufacturing	¥197,077	¥45,219	

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

(2) Key management personnel compensation

	(Millions of yen)	
Years ended March 31	2023	2024
Base compensation	¥439	¥431
Bonuses	124	125
Performance-based stock compensation	277	411
Restricted stock units	-	12
Total	<u>¥840</u>	<u>¥979</u>

37. Collateral

(1) Collateral assets

	(Millions of yen)	
At March 31	2023	2024
Intangible assets	¥545	¥451
Total	<u>¥545</u>	<u>¥451</u>

(2) Secured debts

	(Millions of yen)	
At March 31	2023	2024
Provision	¥1,758	¥1,770
Total	<u>¥1,758</u>	<u>¥1,770</u>

38. Commitments

	(Millions of yen)	
At March 31	2023	2024
Purchase agreements for property, plant and equipment and intangible assets	¥121,056	¥56,981

39. Contingencies

(1)

	(Millions of yen)	
At March 31	2023	2024
Contingent liabilities for guarantee contracts (Guaranteed debts)	¥8	¥127
Bank loans of subsidiaries	-	125
Employees' housing loans	8	2

(2)

Fujitsu Services Ltd., the Company's consolidated subsidiary, is responding to the U.K. 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.

40. Events after the Reporting Period

1. Stock split

At a meeting of the Board of Directors held on January 31, 2024, the Company passed a resolution to conduct a stock split and, in conjunction with the stock split, to make partial amendments to the Articles of Incorporation. Based on this resolution, the stock split was implemented on April 1, 2024.

(1) Purpose of the stock split

To enhance the stock's liquidity and further broaden our investor base by lowering the investment unit price.

(2) Overview of the stock split

(a) Method

As of the record date of March 31, 2024 (effective Friday, March 29, 2024, the immediate preceding business day prior to Sunday, March 31, 2024), we conducted a 10-for-one split of the Company's common stock held by shareholders listed or recorded in the shareholder registry as of the end of that day.

(b) Increase in the number of shares

Total number of issued shares before the stock split	207,110,845
Increase in the number of shares from this stock split	1,863,997,605
Total number of issued shares after the stock split	2,071,108,450
Total number of authorized shares after the stock split	5,000,000,000

(c) Schedule

Date of public notice of record date	March 15, 2024 (Friday)
Record date	March 31, 2024 (Sunday)
Effective date	April 1, 2024 (Monday)

(3) Impact on per share information

For the impact on per share information, please refer to Note "31. Earnings per share."

(4) Partial amendments to the Articles of Incorporation

(a) Reason for the change

In line with the stock split, the total authorized number of shares stipulated in Article 6 of the Company's Articles of Incorporation was changed, effective April 1, 2024, pursuant to a resolution of the Board of Directors and in accordance with the provisions of Article 184, Paragraph 2, of the Companies Act.

(b) Details of the change

The details of the change to the Articles of Incorporation are as follows. The amendments are underlined.

Before the change	After the change
Article 6 (Total number of authorized shares)	Article 6 (Total number of authorized shares)
The total number of authorized shares shall be 500,000,000.	The total number of authorized shares shall be <u>5,000,000,000</u> .

(c) Schedule

Date of resolution by the Board of Directors: January 31, 2024 (Wednesday)
Effective date: April 1, 2024 (Monday)

(5) Other matters**(a) Year-end dividend for the fiscal year under review**

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

(b) Adjustment to the total number of allocated shares in the stock compensation plans

In line with the stock split, the total number of ordinary shares allocated to eligible directors based on the following stock compensation plans was adjusted from April 1, 2024, in accordance with the split ratio. The shares to be allocated after the adjustment are as follows.

	Before the change	After the change
Performance-based stock compensation for directors	No more than 75,000 shares per year	No more than 750,000 shares per year
Restricted stock units for external directors	No more than 6,000 shares per year	No more than 60,000 shares per year

(c) Change in amount of stated capital

The amount of stated capital remains unchanged after the stock split.

2. Purchase of treasury shares

At the 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.

(1) Reason for purchase of treasury shares

The decision to purchase treasury shares was based on a comprehensive review of the business environment, financial conditions, and improvements in capital efficiency, among other factors, in light of the growth in profits and cash flows in the fiscal year under review and forecasts thereof for the following fiscal year.

(2) Details concerning the purchase

- Type of shares to be purchased: Common stock of the Company
- Total number of shares to be purchased: Up to 150,000,000 shares
(percentage of the total number of issued shares [excluding treasury shares]: 8.16%)
- Aggregate purchase value: Up to ¥180,000 million
- 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: Part, or all, of the purchase may not be carried out depending on any sudden changes in the business environment, sharp increases in demand for capital, insider trading restrictions, and other factors.

OTHER INFORMATION

Quarterly information (accumulated total) for the year ended March 31, 2024

	(Millions of yen)			
	Q1	First Half	Nine Months	Full-Year
Revenue	¥799,640	¥1,711,897	¥2,642,722	¥3,756,059
Profit before income taxes	8,357	59,317	59,422	178,180
Profit for the year attributable to owners of the parent	4,249	37,364	25,290	254,478
Basic earnings per share (Yen)	2.26	19.83	13.42	135.59

Quarterly information for the year ended March 31, 2024

	(Yen)			
	Q1	Q2	Q3	Q4
Basic earnings per share	¥2.26	¥17.58	¥(6.41)	¥123.52

Notes: 1. The Company conducted a 10-for-one split of common stock, effective April 1, 2024. Basic earnings per share are calculated as if the stock split had occurred at the beginning of the fiscal year.

2. Provisional accounting treatments for a business combination were finalized in the fourth quarter, and figures in the quarterly information for the first three quarters have been adjusted to reflect this finalization.

INDEPENDENT AUDITOR'S REPORT

Independent Auditor's Report

The Board of Directors
Fujitsu Limited

Opinion

We have audited the accompanying consolidated financial statements of Fujitsu Limited (the Company) and its subsidiaries (collectively, the Group), which comprise the consolidated statement of financial position as at March 31, 2024, and the consolidated statement of profit or loss, consolidated statement of comprehensive income, consolidated statement of changes in equity, and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at March 31, 2024, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Opinion

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

Key Audit Matters

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

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

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

1. Revenue Recognition Based on Progress toward Complete Fulfillment of Performance Obligations under Service Contracts Containing Obligations to Provide Deliverables and Provision for Loss on Orders Received (Estimates of Total Project Costs)
2. Recognition of Deferred Tax Assets Resulting from the Company's Decision to Reorganize its European Subsidiaries and Liquidate Certain Subsidiaries

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

Description of Key Audit Matter	Auditor's Response
<p>As described in Notes 4 and 25 (2) to the consolidated financial statements, revenue arising from service contracts such as system integration services, containing performance obligations to provide the delivery of services are recognized based on the progress toward completion when the outcome of the contract can be reliably estimated. Revenue is measured based on the total estimated project revenues and the progress toward completion, calculated based on costs incurred to date as percentage of total estimated project costs. As described in Note 23, a provision for loss on orders received is recognized if it is probable that the total estimated project costs will exceed the total estimated project revenues. The Group recorded a provision for loss on orders received in the amount of ¥13,540 million, which represents 0.4% of total assets as of March 31, 2024. Total estimated project costs are revised throughout the project period, and as a result, the progress toward completion may be affected.</p> <p>As estimates of total project costs in the calculation of progress toward completion involve uncertainties and require significant management judgment because each service contract is unique in terms of specifications and service period, we determined this to be a key audit matter.</p>	<p>We performed the following audit procedures, among others, to assess revenue recognition of contracts containing performance obligations to provide the delivery of services by reference to the progress toward completion and provisions for loss on orders received:</p> <ul style="list-style-type: none"> - We evaluated the effectiveness of internal controls over the estimation process of estimated project costs and calculation of the progress toward completion for projects in order to evaluate the effectiveness of its design and the operation of the corresponding process. - We reviewed the terms and conditions of contracts, assessed the consistency between the total project costs and relevant project plans and remeasured the progress toward completion for samples of selected contracts based on materiality in order to assess the reasonableness of estimated project costs and calculation of the progress toward completion. - We assessed the feasibility of the project forecasts approved by management by evaluating the final outcome of projects completed in prior periods and by discussing with management about the latest progress of ongoing projects in order to assess the reasonableness of uncertainty in the estimate of total project costs being considered and incorporated in management's assessment. - We assessed the completeness of the total estimated costs and the provision for losses on orders received if it is probable that total estimated project costs exceed total estimated project revenue by discussing them with the quality assurance department of the Group. - With the assistance of our data analytics specialists, we performed trend analyses and correlation analyses of the progress toward completion of the project. In addition, in order to identify any deviation with regard to the progress of ongoing projects, we monitored the progress toward completion for ongoing projects by comparing the number of working days to date since the commencement date with the trends from projects completed in prior periods.

Recognition of Deferred Tax Assets Resulting from the Company's Decision to Reorganize its European Subsidiaries and Liquidate Certain Subsidiaries	
Description of Key Audit Matter	Auditor's Response
<p>As described in Note 13, in accordance with a resolution by the Board of Directors' meeting held in March 2024, the Company will reorganize its European subsidiaries and liquidate Fujitsu Services Holdings PLC (hereinafter "FS Holdings").</p> <p>As a result of this decision, the Company recognized deferred tax assets on a deductible temporary difference arising from investments in FS Holdings, in the amount of ¥140,521 million, which represents 4.0% of total assets as of March 31, 2024.</p> <p>The Company aims to further improve the efficiency of management and strengthen corporate governance through streamlining and reorganizing, according to each mainstay business and region, the complex corporate structure of its European operations. Specifically, the services business will be consolidated under the umbrella of Fujitsu Technology Solutions (Holding) B.V., the hardware business will be consolidated as a European subsidiary of Fsas Technologies Inc., and FS Holdings, after fulfilling its role as an intermediate holding company, will be liquidated.</p> <p>In response to the decision, the Company revisited the recoverability of deferred tax assets on the deductible temporary difference arising from investments due to cumulative losses in FS Holdings that represents the difference between the book value for tax purposes as of March 31, 2024 and the estimated liquidation value which is reflective of the planned reorganization including the liquidation given that it is probable that the temporary difference is deductible for tax purposes. Specifically, the Company recognized deferred tax assets on the temporary differences arising from investments in FS Holdings given that it is probable that the temporary differences is reversed upon the liquidation.</p> <p>The amount of the deferred tax assets on the deductible temporary differences arising from investments in FS Holdings is subject to change depending on the recoverability due to the purpose and nature of the reorganization, the subsidiaries' cash flows including the expected proceeds from the sales of the business by completion of the liquidation, the tax treatment of the losses that the</p>	<p>We performed the following audit procedures to assess the deferred tax assets on the deductible temporary difference arising from investments due to cumulative losses in FS Holdings:</p> <ul style="list-style-type: none"> - We inspected the minutes of Board of Directors' meetings and Executive Management Committee meetings to understand the reorganization plan, and obtained an understanding of the adjustments made on net assets of FS Holdings as of March 31, 2024 based on expected cash inflows and cash outflows by completion of the liquidation. - We performed procedures to evaluate the internal controls on the process to recognize the deferred tax assets to assess the design and the operating effectiveness of the controls. - In order to assess the selling value of the investment in significant operating subsidiaries under FS Holdings, we engaged valuation specialists from our network firms and assessed the future cash flows which is the basis for the valuation by comparing it with the latest budget approved by management. - We obtained an understanding of the Company's tax position through inspecting the position paper prepared by the Company. - With the assistance of tax specialists from our network firms, we discussed the tax position with a person in charge of tax. - In order to assess the feasibility of the estimated future taxable income, we compared the medium-term management plan to the latest budget approved by the Board of Directors' meeting. - In order to assess the effectiveness of management's estimation process of developing the medium-term management plan, we performed retrospective analysis by comparing the medium-term management plan in prior years with actual results.

<p>Company incurred, the timing of the deduction of the temporary difference and future taxable income. Therefore, estimates on losses to be absorbed by the Company are complex and require significant management judgment to determine its tax position, we determined this matter to be a key audit matter.</p>	
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Other Information

The other information comprises the information included in Fujitsu Group Integrated Report 2024 Financial Section that contains audited consolidated financial statements but does not include the consolidated financial statements and our auditor's report thereon. Management is responsible for preparation and disclosure of the other information. The Audit and Supervisory Board Member and the Audit and Supervisory Board are responsible for overseeing the Group's reporting process of the other information.

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

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

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

We have nothing to report in this regard.

Responsibilities of Management, the Audit and Supervisory Board Member and the Audit and Supervisory Board for the Consolidated Financial Statements

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

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

The Audit and Supervisory Board Member and the Audit and Supervisory Board are responsible for overseeing the Group's financial reporting process.

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

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

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

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

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

We also provide the Audit and Supervisory Board Member and the Audit and Supervisory Board with a statement that we have complied with the ethical requirements regarding independence that are relevant to our audit of the consolidated financial statements in Japan, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied to reduce threats to an acceptable level.

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

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

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

Ernst & Young ShinNihon LLC
Tokyo, Japan

June 24, 2024

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