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, 2023).

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. Previous Medium-Term Management Plan Summary

Under the Previous Medium-Term Management Plan, the Group defined seven strategic priorities to engage with along two strategic pillars: customer value creation and internal transformation.

In rebuilding our global business, we started providing Fujitsu Uvance with globally standardized offerings, achieving sales of ¥200.0 billion in the fiscal year.

We reskilled 8,000 of our 11,000 global sales representatives. At our Global Delivery Centers (GDCs) and Japan Global Gateway (JGG), human resources were boosted to 30,000 people, strengthening our foundation for expansion of the global business.

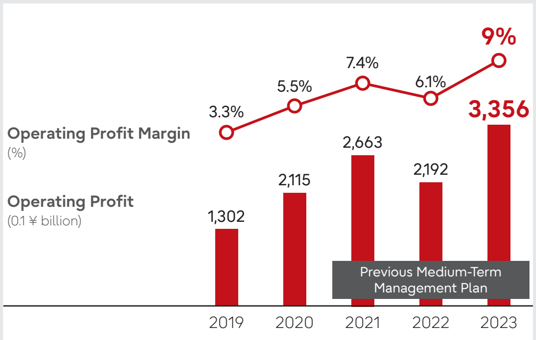
We also established Ridgelinez Limited as a first step to strengthening our consulting services throughout the Group.

Previous Medium-Term Management Plan Performance Results

Fiscal year ended March 31

Progressively improved profitability with record profit in 2023

Financial & Non-Financial Performance Results



	2019	2020	2021	2022	2023
Customer NPS*	–	–	–	+2.3	+18.1
Employee Engagement	–	63	68	67	69
DX Promotion Index	–	1.9	2.4	3.2	3.56

* NPS: Net Promoter Score

Summary: Activities and Results of the Seven Strategic Priorities

Rebuilding our global business strategy	Strengthening issue resolution capabilities	Contributing to greater stability of our customers' business	Becoming our customers' DX partner of choice
Fujitsu Uvance	**Business Producers**	**GDCs & JGG***	**Ridgelinez**
Revenue **¥200 billion**	Reskilled **8,000 people**	System **30,000 people**	Consulting Proposals **250+ companies**

Strengthen data-driven management	Progression to DX employees and improved productivity	All inclusive, ecosystem-based, DX promotion
OneCRM	**Productivity**	**Companywide DX Event**
Operational in **31** countries **20,000** people	Operating income per capita **Up 60%**	Participants **30,000** people

* GDCs: Global Delivery Center
* JGG: Japan Global Gateway

For our internal transformation, we have been working on digital transformation (DX) across all areas. The results of these efforts are reflected in the DX Promotion Indices, and these have now reached the level of a global company. We have also been engaged in One Fujitsu, the core of data-driven management, as well as promoting the Work Life Shift initiative for transforming workstyles and human resource management.

As a result of these measures, productivity increased, with operating profit per employee up 60% compared with the fiscal year ended March 31, 2020.

2. Initiatives to Build a Business Model for Sustainable Growth and Earning Capacity Increase

To better align with recent business conditions, the Group will change its business segments from the fiscal year ending March 31, 2024. The previous Technology Solutions segment will be divided into the Service Solutions segment and the Hardware Solutions segment. The Service Solutions segment comprises global solutions centered on Fujitsu Uvance and the services business delivered in each region, while the Hardware Solutions segment comprises a hardware provision and hardware maintenance business.

Simplifying the business structure in this way will clarify the investments in each growth area, and their effects, strengthening the management of our business portfolio.

The Service Solutions business comprises on-cloud digital services centered on Fujitsu Uvance and conventional on-premises services. Over the three years through to the fiscal year ending March 31, 2026, the Service Solutions segment overall is targeting sales growth of about 20% over the current ¥2,000.0 billion and an increase in its adjusted operating profit margin*1 from the current 8% to 15%.

In on-cloud digital services, we will expand the sales of this highly profitable business to grow both sales and profits. Our main approaches for achieving this are further expanding our consulting capabilities, enhancing strategic partner alliances, developing our leading-edge technologies for business implementation, and developing our people to provide digital services.

For on-premises services, we will increase profits by improving productivity through delivery standardization and expanding modernization that will lead to a shift to the cloud.

*1 An indicator that represents actual profit from the core business calculated by deducting profits from business restructuring, M&A, etc., and one-off profits from changes in regulations from operating profit. (Previously presented as operating profit excluding special items).

Targets for 2026

Fiscal year ended/ending March 31

Increase company profitability and drive growth in Service Solutions through Fujitsu Uvance

Financial

		Consolidated		Service Solutions	
		2023	2026	2023	2026
Business growth and improved profitability	Revenue	¥3.7 trillion	**¥4.2 trillion**	¥2.0 trillion	**¥2.4 trillion**
	Adjusted operating profit*	¥320 billion	**¥500 billion**	¥160 billion	**¥360 billion**
	(%)	9%	**12%**	8%	**15%**
	Fujitsu Uvance Revenue			¥200 billion	**¥700 billion**

* Adjusted operating profit: Indicator which represents an actual profit from core business calculated by deducting profits from business restructuring, M&A, etc., and one-off profits from changes in regulations from operating profit. (Previously presented as operating profit excluding special items).

		2023	2026
Strengthen cash generation capabilities	Core FCF* (companywide)	¥150 billion	**¥300 billion**

* Core free cash flow (FCF): Current FCF after deducting temporary income and expenses associated with business restructuring, M&A, etc.

		2020 – 2023	2023 – 2026
Increase efficiency of corporate capital	EPS CAGR	12%	**14% – 16%**

(1) Financial targets

The Group's financial targets for the fiscal year ending March 31, 2026, are revenue of ¥4.2 trillion, adjusted operating profit of ¥500.0 billion, and adjusted operating profit margin of 12%.

With Fujitsu Uvance as a growth driver, we aim to expand overall profitability, mainly in the Service Solutions segment. In terms of cash generation capabilities, we are aiming for core free cash flow of over ¥300.0 billion, while in Company-wide capital efficiency, we are targeting a compound annual growth rate (CAGR) in earnings per share of 14% to 16% from the fiscal year ending March 31, 2023, to the fiscal year ending March 31, 2026.

(2) Non-financial targets

We have set key performance indicators (KPIs) in four non-financial areas: the environment, customers, productivity, and people; and we are working to achieve targets in each area up to the fiscal year ending March 31, 2026.

Our KPI for the environment is the reduction of greenhouse gas (GHG) emissions, where we are currently in the process of reducing Scope 1 and 2 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%.

For customers, we have retained our previous KPI of Customer Net Promoter Score℠ (NPS®),*2 and we are aiming for a 20 point increase compared with the fiscal year ended March 31, 2023.

Our productivity KPI is operating profit per employee, with a target of a 40% increase compared with the fiscal year ended March 31, 2023.

For people, we have retained our previous KPI of employee engagement, aiming to achieve a global score of 75, which we were unable to achieve last time. We have taken the ratio of female managers at the global level as our KPI for diverse leadership, and we are targeting an increase in the ratio from 14% 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.

The Group is committed to achieving both its financial and non-financial targets.

*2 NPS® is an indicator that enables objective evaluation of the relationship of trust with customers, or 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.

Targets for 2026

Fiscal year ended/ending March 31

Business model and portfolio transformation is complete and 2025+ growth plans are on track

Non-financial

Environment
GHG emissions

Fujitsu Group
– Scope 1, 2 –

50%
Reduction
(Compared to 2021)

Supply chain
– Scope3* –

12.5%
Reduction
(Compared to 2021)
* Category 11: CO_2 emissions due to product power consumption only

Customers

Customer NPS
+20
(Compared to 2023)

Productivity

Operating profit per employee
+40%
(Compared to 2023)

People

Employee engagement
69 (2023) ▷ **75**

Diverse leadership
(e.g. ratio of female managers)
14% (2023) ▷ **20%**

(3) Financial strategy and capital allocation

The Group's financial strategy and capital allocation plan aims to increase corporate value by strengthening cash flow generation capability and optimizing its allocation.

We will dramatically increase base cash flow (free cash flow before growth investments plus lease obligation payments), which is the source of capital to be allocated. Under our previous capital allocation policy, we planned to generate over ¥1,000.0 billion in cash flow over the five years from the fiscal year ended March 31, 2021, through to the fiscal year ending March 31, 2025. Under the new plan, we intend to generate ¥1,300.0 billion in base cash flow over three years from the fiscal year ending March 31, 2024, a significant increase from the previous plan. This is expected to include higher cash flow due to business growth, improved working capital efficiency, and revenue from the sale of non-core assets.

The plan is to allocate approximately ¥700.0 billion to investment for business growth and ¥600.0 billion to shareholder returns. Vigorously investing in business growth will lead to further sustainable growth of our business, and we also plan to include investments for inorganic growth as well as funds for dealing with business risks, such as future business transformation.

On the other hand, shareholder returns are also an important allocation for promoting an increase in corporate value, and we will expand these markedly while assessing our financial base and capital efficiency. We plan to continue stable and steadily increasing dividends while addressing the need for profit growth. We will also flexibly conduct purchases of treasury stock, giving careful consideration to our financial position and capital performance. We have already made an advance purchase of ¥150.0 billion in treasury stock during the fiscal year ended March 31, 2023 in light of the potential for future cash flow expansion. During the fiscal year ended March 31, 2023 of the current Medium-Term Management Plan, from the fiscal year ending March 31, 2024, and onward, we plan to make treasury stock purchases on a similar scale by achieving a solid cash flow increase.

In this way, our plan is to significantly increase the amount of shareholder returns, from approximately ¥350.0 billion over the three years from the fiscal year ended March 31, 2021, to the fiscal year ended March 31, 2023, to approximately ¥600.0 billion in total over the three years starting in the fiscal year ending March 31, 2024. Against the backdrop of expanding earnings and the ability to generate cash flow through sustainable business growth, we will work to secure a solid financial base and improve capital efficiency.

Financial Results Highlights for the Year Ended March 31, 2023

Revenue was ¥3,713.7 billion, operating profit was ¥335.6 billion, and profit for the year attributable to owners of the parent was ¥215.1 billion.

In Technology Solutions, there was an expansion in DX-related demand, such as digitization and modernization projects. The impact of component supply delays continued through the first half of the fiscal year, but the situation hit bottom in the third quarter and progressively recovered, with both revenue and profitability showing gradual improvement.

Excluding one-time profit of ¥14.7 billion associated with business restructuring and business transfers, operating profit on an actual business basis was ¥320.8 billion, with an operating profit margin on an actual business basis of 8.6%, improving 0.9 point year on year. As a special items, the result for the fiscal year included profit from business transfers, while the previous fiscal year's result included expenses from conducting measures to accelerate our transition into a DX company.

(1) Status of progress on cost and expense streamlining

Gross profit increased by ¥25.4 billion, improving 2.3% year on year. As a result, Gross profit was ¥1,144.0 billion and Gross profit margin was 30.8%.

Excluding the impact of business restructuring, gross profit improved significantly in Solutions/Services, but deteriorated in International Regions Excluding Japan and Device Solutions. We continued to drive profitability improvements through continued global standardization of development and operations using GDCs.

Operating expenses increased by ¥0.1 billion year on year. Excluding the impact of business restructuring and business growth investments, operating expenses and other profit and loss improved by ¥30.6 billion. The improvement mainly reflected the emergent effects of workstyle reforms and the sale of idle assets.

(2) Growth investments

Growth investments increased by ¥46.0 billion year on year, to ¥131.0 billion. Investments for value creation were ¥56.5 billion, and investments for organic growth came to ¥74.5 billion.

Investments for value creation included development of global offerings such as Fujitsu Uvance and the further strengthening of JGG to establish a service delivery model. Investments were centered on promoting standardization and internalization of development and maintenance services, and service delivery transformation, such as enhancing development at our GDCs.

Investments for our own transformation included continuous investments to promote internal DX, including One Fujitsu as a data-driven management platform, as well as Work Life Shift for realizing employee wellbeing and for human resource development. Increasing the level of data-driven management enables a faster, more detailed grasp of financial information for more efficient and effective management decision-making.

3. Analysis of Results for the Year Ended March 31, 2023

Summarized Consolidated Statement of Profit or Loss

(Billions of yen)

Years ended March 31	2022	**2023**	YoY change	Change (%)
Revenue	3,586.8	**3,713.7**	126.9	3.5
Cost of sales	(2,468.1)	**(2,569.6)**	(101.4)	4.1
Gross profit	1,118.6	**1,144.0**	25.4	2.3
Selling, general and administrative expenses	(852.7)	**(852.9)**	(0.1)	0.0
Other income (expenses)	(46.6)	**44.5**	91.1	–
Operating profit	219.2	**335.6**	116.4	53.1
Core base operating profit (Note)	[275.6]	**[320.8]**	[45.2]	[16.4]
Financial income (expenses)	6.9	**8.2**	1.2	18.7
Income from investments accounted for using the equity method, net	13.8	**28.0**	14.1	102.4
Profit before income taxes	239.9	**371.8**	131.8	55.0
Income tax expenses	(26.8)	**(127.0)**	(100.1)	373.1
Profit for the year attributable to non-controlling interests	30.4	**29.6**	(0.7)	(2.5)
Profit for the year attributable to owners of the parent	182.6	**215.1**	32.4	17.8

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

Reference: Financial Indicators

(Yen)

	2022	**2023**	YoY change
Gross profit margin	31.2%	**30.8%**	(0.4) pp.
Operating profit margin	6.1%	**9.0%**	2.9 pp.
Return on equity attributable to owners of the parent (ROE)*1	12.0%	**13.5%**	1.5 pp.
EPS*2	¥924.21	**¥1,107.63**	19.8%

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

(1) Revenue

Consolidated revenue for the fiscal year was ¥3,713.7 billion, an increase of ¥126.9 billion year on year. On an actual business basis excluding the impacts of reorganization, such as business restructuring, revenue increased by ¥192.1 billion. System Platforms grew by 10%, overcoming a heavy impact from the delayed supply of components in system products during the first half to recover from the third quarter onward, surpassing the previous fiscal year by a wide margin. The Network Products business grew 15% atop an increase in demand for 5G base stations and photonics systems in North America. In Device Solutions, revenue grew just 2%, as demand expanded rapidly through the first half but then dropped sharply in the second half.

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

For the fiscal year, cost of sales totaled ¥2,569.6 billion and gross profit was ¥1,144.0 billion, up ¥25.4 billion year on year.

Selling, general and administrative (SG&A) expenses were ¥852.9 billion, an increase of ¥0.1 billion year on year. Other income and expenses came to a net income of ¥44.5 billion, a change of ¥91.1 billion from a net expense in the previous fiscal year.

Operating profit for the fiscal year was ¥335.6 billion, compared with ¥219.2 billion in the previous fiscal year. Special items and business restructuring impacts had a positive effect of ¥65.3 billion. The previous fiscal year's results included expenses for DX human resource strategies, while the fiscal year's results included the positive turnaround factor of business restructuring.

Three main factors contributed to the change in actual business-based operating profit, compared with the previous fiscal year. The first factor was an increase in profit of ¥39.6 billion reflecting the impact of higher revenue, driven by the Technology Solutions segment, in which each subsegment also achieved year-on-year growth. The second was steady progress on streamlining maintenance and operational support in infrastructure services, in addition to utilizing GDCs. This enhanced profitability and improved cost and expense efficiencies, lifting profits by ¥37.5 billion. The third was a decrease in earnings of ¥26.0 billion due to expanded business growth investments. We also continued to make investments in our value creation initiatives, including the development of Fujitsu Uvance offerings, as well as internal DX investments for promoting internal transformation.

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

Net financial income amounted to ¥8.2 billion, up ¥1.2 billion from the previous fiscal year. Income from investments accounted for using the equity method, net, was ¥28.0 billion, an increase of ¥14.1 billion year on year.

Profit before income taxes was ¥371.8 billion, an increase of ¥131.8 billion year on year.

(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 ¥244.8 billion, an increase of ¥31.7 billion year on year. Of profit for the year, profit for the year attributable to owners of the parent came to ¥215.1 billion, up ¥32.4 billion year on year. Profit attributable to non-controlling interests was ¥29.6 billion, a decrease of ¥0.7 billion year on year.

Income tax expenses were ¥127.0 billion, an increase of ¥100.1 billion year on year. The tax burden on profit before income taxes changed from 11.2% in the previous fiscal year to 34.2% in the fiscal year. There was also a tax effect of ¥28.0 billion due to liquidation of certain subsidiaries following a reorganization of subsidiaries in North America.

ROE, calculated by dividing profit for the year attributable to owners of the parent by total equity attributable to owners of the parent (owners' equity), was 13.5%, compared with 12.0% in the previous fiscal year. EPS was ¥1,107.63 for the fiscal year, an advancement from ¥924.21 in the previous fiscal year. The CAGR from the fiscal year ended March 31, 2020 to the fiscal year ended March 31, 2023 was 12%, in line with the financial target.

Under a policy of stably expanding shareholder returns, the annual dividend for the fiscal year was ¥240 per share, an increase of ¥20 from the previous fiscal year, for the seventh consecutive year of dividend increases. Moreover, in the fiscal year, the Company conducted a purchase of treasury stock of ¥150.0 billion, completing the entire amount of the acquisition limit of ¥150.0 billion set in April 2022.

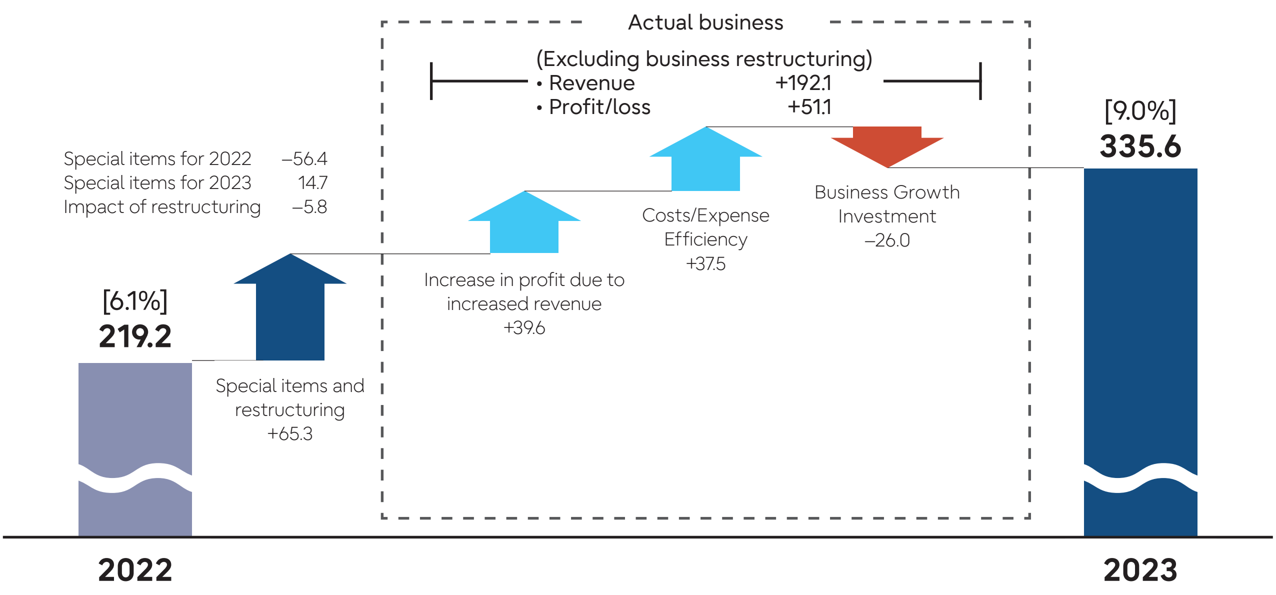
(5) Total other comprehensive income for the year, net of taxes, and total comprehensive income for the year

Total other comprehensive income for the year, net of taxes, was negative ¥25.5 billion. The impact of remeasurements of defined benefit plans was negative ¥41.7 billion, and the impact of financial assets measured at fair value through other comprehensive income was positive ¥17.7 billion.

Factors behind Change in Operating Profit

Fiscal year ended March 31

(Billion of yen)



Total comprehensive income for the year, which combines profit for the year and other comprehensive income after taxes, came to ¥219.3 billion. Of total comprehensive income, total comprehensive income attributable to owners of the parent came to ¥188.3 billion, and total comprehensive income attributable to non-controlling interests was ¥31.0 billion.

(6) Segment information

The reportable segments were consolidated into the three segments of "Technology Solutions," "Ubiquitous Solutions," and "Device Solutions," based on organizational structure and the characteristics of products and services. Technology Solutions consists of Solutions/Services, which includes Solutions/SI such as construction of information and communication systems, cloud services, outsourcing, and maintenance services; System Platforms, comprising system products, which mainly cover the servers and storage systems, and network products, which offer communications infrastructure, such as mobile phone base stations and optical transmission systems; International Regions Excluding Japan, which carry out solutions/services delivery in regions outside Japan; and Common, which includes investments in the entire Technology Solutions segment. Ubiquitous Solutions consists of client computing devices such as PCs. Device Solutions comprises electronic components such as semiconductor packages and batteries.

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

(Billions of yen)

Years ended March 31		2022	**2023**	YoY change	Change (%)
Technology Solutions	Revenue	3,056.3	**3,176.5**	120.1	3.9
	Operating profit	135.0	**263.1**	128.1	94.9
	[Operating profit margin]	[4.4%]	**[8.3%]**	[3.9 pp.]	
Solutions/ Services	Revenue	1,840.5	**1,819.3**	(21.1)	(1.1)
	Operating profit	188.7	**233.7**	44.9	23.8
	[Operating profit margin]	[10.3%]	**[12.8%]**	[2.5 pp.]	
System Platforms	Revenue	617.5	**678.1**	60.6	9.8
	Operating profit	56.6	**68.9**	12.2	21.7
	[Operating profit margin]	[9.2%]	**[10.2%]**	[1.0 pp.]	
International Regions Excluding Japan	Revenue	729.3	**812.4**	83.0	11.4
	Operating profit	23.9	**5.9**	(18.0)	(75.1)
	[Operating profit margin]	[3.3%]	**[0.7%]**	[(2.6 pp.)]	
Common	Revenue	(131.0)	**(133.4)**	(2.3)	–
	Operating profit	(134.4)	**(45.4)**	88.9	–
Ubiquitous Solutions	Revenue	237.1	**232.9**	(4.1)	(1.7)
	Operating profit	5.8	**(6.5)**	(12.4)	–
	[Operating profit margin]	[2.5%]	**[(2.8%)]**	[(5.3 pp.)]	
Device Solutions	Revenue	375.9	**382.6**	6.6	1.8
	Operating profit	78.3	**79.0**	0.7	0.9
	[Operating profit margin]	[20.8%]	**[20.7%]**	[(0.1 pp.)]	
Intersegment Elimination	Revenue	(82.6)	**(78.4)**	4.1	–
Consolidated	Revenue	3,586.8	**3,713.7**	126.9	3.5
	Operating profit	219.2	**335.6**	116.4	53.1
	[Operating profit margin]	[6.1%]	**[9.0%]**	[2.9 pp.]	

(a) Technology Solutions

Revenue in the Technology Solutions segment was ¥3,176.5 billion, up ¥120.1 billion, or 3.9%, year on year. Operating profit was ¥263.1 billion, an increase of ¥128.1 billion year on year due to the inclusion of expenses related to human resource initiatives in the previous fiscal year, along with improvements in profitability.

In Solutions/Services, revenue came to ¥1,819.3 billion, a decrease of ¥21.1 billion, or 1.1%, year on year. Operating profit was ¥233.7 billion, an increase of ¥44.9 billion year on year. The increase reflected improved profits due to the effect of higher sales in SI/Services in Japan as well as the clear results of initiatives undertaken to date, such as standardization of development and increased efficiency in expenses.

System Platforms posted revenue of ¥678.1 billion, up ¥60.6 billion, or 9.8%, year on year. Operating profit was ¥68.9 billion, an increase of ¥12.2 billion year on year. The increase in profit reflected a recovery from the delayed supply of components as well as growth in demand for 5G base stations and higher sales of photonics systems for North America.

In International Regions Excluding Japan, revenue came to ¥812.4 billion, up ¥83.0 billion, or 11.4%, year on year. The increase in revenue was because of an expansion of service business with an enhanced capability of digital related due to M&A, as well as foreign exchange effects. Operating profit was ¥5.9 billion, down ¥18.0 billion year on year. The decrease reflects one-time costs related to an M&A and foreign exchange effects.

Technology Solutions (Common) recorded a revenue of negative of ¥133.4 billion, a deterioration of ¥2.3 billion year on year.

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

Revenue in the "For Growth" business area was ¥1,122.1 billion, an increase of ¥71.3 billion, or 7%, year on year. Solutions/Services recorded a 5% increase in sales. Revenues expanded in areas such as consulting and modernization, DX projects, applications, and the cloud services business. System Platforms sales expanded by 7%, led by 5G base stations and the North American network business. International Regions Excluding Japan sales climbed by 39%. Hybrid IT and security-related services also rose, and growth was also assisted by improved capabilities due to an acquisition conducted in Oceania.

Revenue in the "For Stability" business area was ¥2,054.4 billion, up 2%, or about level year on year.

(b) Ubiquitous Solutions

Revenue in the Ubiquitous Solutions segment came to ¥232.9 billion, a decrease of 1.7% year on year. Operating loss was ¥6.5 billion, a decrease of ¥12.4 billion year on year. Costs increased due to foreign exchange fluctuations and could not be completely absorbed by additional efforts to reduce costs and pass them on to customers.

(c) Device Solutions

Revenue in the Device Solutions segment amounted to ¥382.6 billion, up 1.8% year on year. Strong demand continued through the first half, but was dampened by rapid changes in market conditions from the second half, causing sales volumes to fall sharply. Together with an accompanying decline in operations, the full-year result was basically level with the previous fiscal year.

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

(Billions of yen)

Years ended March 31		2022	**2023**	YoY change	Change (%)
Technology Solutions	Revenue	3,056.3	**3,176.5**	120.1	3.9
	Japan	2,131.2	**2,130.7**	(0.4)	0.0
	Outside Japan	925.1	**1,045.8**	120.6	13.0
Solutions/ Services	Revenue	1,840.5	**1,819.3**	(21.1)	(1.1)
	Japan	1,795.1	**1,800.1**	5.0	0.3
	Outside Japan	45.3	**19.1**	(26.2)	(57.8)
System Platforms	Revenue	617.5	**678.1**	60.6	9.8
	Japan	416.5	**396.1**	(20.4)	(4.9)
	Outside Japan	200.9	**281.9**	81.0	40.3
International Regions Excluding Japan	Revenue	729.3	**812.4**	83.0	11.4
	Japan	0.6	**0.5**	0.0	(13.5)
	Outside Japan	728.7	**811.9**	83.1	11.4
Common	Revenue	(131.0)	**(133.4)**	(2.3)	–
Ubiquitous Solutions	Revenue	237.1	**232.9**	(4.1)	(1.7)
	Japan	129.6	**143.4**	13.7	10.6
	Outside Japan	107.4	**89.5**	(17.8)	(16.6)
Device Solutions	Revenue	375.9	**382.6**	6.6	1.8
	Japan	87.0	**89.6**	2.6	3.0
	Outside Japan	288.9	**293.0**	4.0	1.4
Intersegment Elimination	Revenue	(82.6)	**(78.4)**	4.1	–
Consolidated	Revenue	3,586.8	**3,713.7**	126.9	3.5
	Japan	2,269.8	**2,290.2**	20.3	0.9
	Outside Japan	1,316.9	**1,423.4**	106.5	8.1
	Overseas revenue ratio	36.7%	**38.3%**	1.6 pp.	

(8) Financial information for International Regions Excluding Japan

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

(Billions of yen)

Years ended March 31		2022	**2023**	YoY change	Change (%)
Europe	Revenue	542.2	**578.1**	35.8	6.6
	Operating profit	14.4	**4.1**	(10.2)	(70.8)
	[Operating profit margin]	[2.7%]	**[0.7%]**	[(2.0 pp.)]	
Americas	Revenue	41.5	**52.6**	11.1	26.7
	Operating profit	1.4	**2.6**	1.1	78.6
	[Operating profit margin]	[3.4%]	**[4.9%]**	[1.5 pp.]	
Asia Pacific	Revenue	128.9	**161.8**	32.8	25.4
	Operating profit	4.5	**(2.4)**	(7.0)	–
	[Operating profit margin]	[3.5%]	**[(1.5%)]**	[(5.0 pp.)]	
East Asia	Revenue	34.2	**44.8**	10.5	30.7
	Operating profit	0.4	**1.5**	1.1	275.0
	[Operating profit margin]	[1.2%]	**[3.3%]**	[2.1 pp.]	
Others	Revenue	(17.6)	**(25.0)**	(7.4)	–
	Operating profit	3.0	**0.0**	(3.0)	–
International Regions Excluding Japan	Revenue	729.3	**812.4**	83.0	11.4
	Operating profit	23.9	**5.9**	(18.0)	(75.1)
	[Operating profit margin]	[3.3%]	**[0.7%]**	[(2.6 pp.)]	

Revenues were ¥812.4 billion, increasing by ¥83.0 billion, or 11.4%, year on year, as the service business expanded following the strengthening of digital-related capabilities through an acquisition, as well as foreign exchange effects. Operating profit was ¥5.9 billion, a decrease of ¥18.0 billion year on year, due to the recording of one-time costs in connection with the acquisition and foreign exchange effects.

Furthermore, the Group has revised its regional classification from the current fiscal year. Regarding the details of revision, please refer to Note "6. Segment Information."

4. Assets, Liabilities, and Equity

Summarized Consolidated Statement of Financial Position

(Billions of yen)

At March 31	2022	**2023**	YoY change
Assets			
Current assets	1,941.8	**1,917.8**	(24.0)
Non-current assets	1,389.9	**1,347.7**	(42.2)
Total assets	3,331.8	**3,265.5**	(66.2)
Liabilities			
Current liabilities	1,320.7	**1,276.4**	(44.2)
Non-current liabilities	295.3	**252.3**	(43.0)
Total liabilities	1,616.0	**1,528.7**	(87.3)
Equity			
Total equity attributable to owners of the parent (Owners' equity)	1,590.7	**1,586.8**	(3.8)
Equity attributable to non-controlling interests	125.0	**149.9**	24.9
Total equity	1,715.7	**1,736.8**	21.0
Total liabilities and equity	3,331.8	**3,265.5**	(66.2)
Cash and cash equivalents	484.0	**355.9**	(128.1)
Interest-bearing loans	285.3	**211.1**	(74.1)
Net cash	198.7	**144.7**	(53.9)

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

Reference: Financial Indicators

At March 31	2022	**2023**	YoY change
Equity attributable to owners of the parent ratio (Owners' equity ratio)	47.7%	**48.6%**	0.9 pp.
D/E ratio (Times)	0.18	**0.13**	(0.05)

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, 2023, stood at ¥3,265.5 billion, a decrease of ¥66.2 billion compared with March 31, 2022. Current assets decreased ¥24.0 billion compared with the previous year-end, to ¥1,917.8 billion. Although trade receivables and inventories increased, cash and cash equivalents decreased by ¥128.1 billion compared with the previous year-end, to ¥355.9 billion. Non-current assets decreased by ¥42.2 billion compared with the previous year-end, to ¥1,347.7 billion. Retirement benefit assets decreased, among others.

Total liabilities amounted to ¥1,528.7 billion, a decrease of ¥87.3 billion from March 31, 2022. Interest-bearing loans, which consist of current liabilities and non-current liabilities, corporate bonds, borrowings, and lease liabilities, totaled ¥211.1 billion, down ¥74.1 billion compared with the previous year-end. As a result, the D/E ratio was 0.13 times, a decrease of 0.05 of a point compared with the previous year-end. Net cash, which is cash and cash equivalents minus interest-bearing loans, was ¥144.7 billion, down ¥53.9 billion compared with the previous year-end.

Total equity was ¥1,736.8 billion, an increase of ¥21.0 billion compared with March 31, 2022. Retained earnings were ¥1,226.5 billion, an increase of ¥138.1 billion, mainly due to the recording of profit for the year attributable to owners of the parent. Other components of equity increased ¥7.2 billion compared with the previous year-end, to ¥70.8 billion. Meanwhile, treasury stock was negative ¥277.7 billion. The Company repurchased ¥150.0 billion of shares during the year ended March 31, 2023, as a shareholder return measure. As a result, total equity attributable to owners of the parent (owners' equity) was ¥1,586.8 billion, and the owners' equity ratio was 48.6%, an increase of 0.9 of a percentage point compared with March 31, 2022.

Status of Retirement Benefit Plans

(Billions of yen)

At March 31	2022	**2023**	YoY change
a. Defined benefit obligation	1,577.6	**1,320.2**	(257.4)
b. Plan assets	1,601.2	**1,306.7**	(294.4)
c. Defined benefit obligation in excess of plan assets (b)–(a)	23.5	**(13.5)**	(37.0)

The defined benefit obligation of the employee defined benefit plans in Japan and outside Japan was ¥1,320.2 billion, down ¥257.4 billion compared with March 31, 2022. Plan assets stood at ¥1,306.7 billion, a decrease of ¥294.4 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 a shortfall of ¥13.5 billion, representing a deterioration of ¥37.0 billion compared with the previous year-end. The decline mainly reflected a decrease in plan obligations due to a rise in the discount rate and a decrease in plan assets that are linked to changes in the present value of defined benefit obligations due to fluctuations in interest rates.

5. Cash Flows

Summarized Consolidated Statement of Cash Flows

(Billions of yen)

Years ended March 31	2022	**2023**	YoY change
I Cash flows from operating activities	248.3	**220.3**	(28.0)
II Cash flows from investing activities	(59.2)	**(42.8)**	16.4
I+II Free cash flow	189.0	**177.5**	(11.5)
III Cash flows from financing activities	(193.6)	**(313.5)**	(119.9)
IV Cash and cash equivalents at end of year	484.0	**355.9**	(128.1)

(Reference)

(Billions of yen)

Years ended March 31	2022	**2023**	YoY change
Base cash flow (Note)	211.8	**250.0**	38.2

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

Net cash provided by operating activities for the fiscal year was ¥220.3 billion, a decrease in cash inflows of ¥28.0 billion compared with the previous fiscal year, mainly due to expansion of cash outlays related to DX human resource strategies carried out in the previous fiscal year and increased investments for business growth.

Net cash used in investing activities was ¥42.8 billion, a decrease in cash outflows of ¥16.4 billion compared with the previous fiscal year.

Free cash flow, the sum of cash flows from operating and investing activities, was ¥177.5 billion, representing a decrease in net cash inflows of ¥11.5 billion compared with the previous fiscal year.

Base cash flow, which is free cash flow before growth investments plus lease obligation payments, was positive ¥250.0 billion, an increase in cash inflows of ¥38.2 billion compared with the previous fiscal year. Base cash flow is cash flow generated from business and optimization of asset holdings, and is the source of cash for funding growth investments and the distribution of shareholder returns.

Net cash used in financing activities was ¥313.5 billion, an increase in cash outflows of ¥119.9 billion compared with the previous fiscal year. The Company used ¥45.2 billion for payment of dividends and ¥150.1 billion for purchase of treasury stock, the amount of treasury stock purchases increasing by ¥99.9 billion compared with the previous fiscal year.

As of March 31, 2023, the Group had cash and cash equivalents of ¥355.9 billion.

In order to address urgent demands for funds, the Group maintains liquidity at a level equivalent to approximately several months' worth of sales.

In addition, to raise funds from global capital markets, the Group has acquired bond ratings from Moody's Investors Service (Moody's), Standard & Poor's (S&P), and Rating and Investment Information, Inc. (R&I). As of the submission date of this report, the Company had bond ratings of A3 (long-term) from Moody's, A- (long-term) from S&P, and A+ (long-term) and a-1 (short-term) from R&I.

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

6. Status of Production, Orders Received, and Sales

Orders inside Japan for Fujitsu Limited non-consolidated and Fujitsu Japan increased by 3% year on year atop strong demand for renewal of core systems and modernization, in addition to value propositions for customers' DX steadily leading to business deals.

Orders in Solutions/Services by business were as follows. First, in the private enterprise sector (manufacturing and distribution), strong demand continued throughout the fiscal year, increasing 8% year on year. In the fourth quarter, especially, the Company secured multiple business deals for renewal of core systems and modernization for customers in the manufacturing and logistics industries. The number of DX projects also increased, helping to maintain brisk orders. In the finance and retail sector, orders also increased by 3% year on year, with major business deals secured, also in the fourth quarter, including renewal of core systems for customers in the Internet banking and insurance industries. In the Japan region sector (government, social infrastructure, and others) orders increased by 8% year on year due to multiple large-scale business deals for government projects secured in the fourth quarter. In the Fujitsu Japan sector (local government, healthcare and educational institutions, and small and medium-sized enterprises, among others), orders increased by 3% year on year.

On the other hand, Network Products experienced an 18% decrease in orders, reflecting a fallback after a major order for North America received in the previous fiscal year.

Overseas orders were as follows. In Europe, product orders decreased by 2%, while services orders increased by 7%. The Company won a large-scale renewal project in the first half of the fiscal year. In the Americas, orders fell by 10%, a fallback from multiple-year large-scale business deals for the Canadian government in the previous fiscal year. In Asia Pacific, product orders were down 2%, while services orders grew 20%, the year-on-year growth reflecting multiple large-scale government projects secured in the second half of the fiscal year. The rise in orders was also aided by an increase in digital-related capabilities due to an acquisition.

7. Significant Accounting Policies and Estimates

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