

Part I: Financial Results

The impact of foreign exchange fluctuations has been calculated by using the average US dollar, euro, and British pound foreign exchange rates for the second quarter and the first half of fiscal 2014 to translate the current period's revenue outside Japan into yen.

1. Explanation of Financial Results

1-1. Second Quarter

FY2015 Second-Quarter Financial Results

(Billions of yen)

	2Q FY2014 7/1/14- 9/30/14	2Q FY2015 7/1/15- 9/30/15	Change vs. 2Q FY2014	Change (%)
Revenue	1,124.1	1,176.2	52.0	4.6
Operating profit [Operating profit margin]	24.9 [2.2%]	14.8 [1.3%]	-10.0 [-0.9%]	-40.4
Financial income (expenses)	5.8	-3.5	-9.4	-
Income from investments accounted for using the equity method, net	1.3	2.3	1.0	76.4
Profit for the period before income taxes	32.1	13.6	-18.5	-57.5
Profit for the period attributable to owners of the parent	17.2	2.9	-14.2	-82.9

<Profit or Loss>

Consolidated revenue for the second quarter of fiscal 2015 was 1,176.2 billion yen, an increase of 4.6% compared to the second quarter of fiscal 2014. Revenue in Japan increased 3.2%. Although revenue from network products and PCs decreased, revenue from system integration services and mobile phones increased. Revenue outside of Japan rose 6.8%. Revenue from network products declined, but overall revenue outside of Japan rose, benefiting from foreign exchange movements. The decline in the value of the yen versus the US dollar served to increase revenue by about 35 billion yen compared to the second quarter of fiscal 2014. The ratio of revenue outside Japan was 40.8%, an increase of 0.8 of a percentage point compared to the same period in the prior fiscal year.

Fujitsu recorded an operating profit of 14.8 billion yen, down 10.0 billion yen from the second quarter of fiscal 2014. In addition to the impact of lower revenues from network products and PCs, there was the negative impact of higher procurement costs in Europe for US dollar-denominated components stemming from the weakening of the euro against the US dollar.

Net financial expenses were 3.5 billion yen, representing a deterioration of 9.4 billion yen from the same period in fiscal 2014, when the company recorded net gain on foreign exchange because of the sharp fall in the value of the yen.

As a result, the profit before income taxes was 13.6 billion yen, a decline of 18.5 billion yen from the second quarter of the previous fiscal year.

Profit for the period attributable to owners of the parent was 2.9 billion yen, down 14.2 billion yen from the second quarter of fiscal 2014. The company's tax burden was higher than the standard effective income tax rate, primarily because there was a review of the balance of deferred tax assets for a subsidiary in Japan that recorded deteriorated earnings.

FY2015 Second-Quarter Consolidated Business Segment Information

<Revenue* by Principal Products and Services>

(Billions of yen)

		2Q FY2014	2Q FY2015	Change vs. 2Q FY2014	
		〔 7/1/2014 ~ 9/30/2014 〕	〔 7/1/2015 ~ 9/30/2015 〕		Change(%)
	Technology Solutions	784.1	799.3	15.2	1.9
	Services	648.5	679.8	31.2	4.8
	Solutions / SI	230.1	252.9	22.8	9.9
	Infrastructure Services	418.4	426.8	8.4	2.0
	System Platforms	135.5	119.5	-15.9	-11.8
	System Products	59.7	59.2	-0.4	-0.8
	Network Products	75.8	60.3	-15.5	-20.5
	Ubiquitous Solutions	245.0	261.8	16.7	6.9
	PCs / Mobile Phones	159.3	163.3	4.0	2.6
	Mobilewear	85.6	98.4	12.7	14.9
	Device Solutions	145.1	162.1	16.9	11.7
	LSI**	75.7	85.6	9.9	13.2
	Electronic Components	69.9	76.8	6.8	9.8

Notes:

* Revenue includes intersegment revenue.

** Revenue figures for LSI include intrasegment revenue to the electronic components segment.

*** "Other/Elimination and Corporate" includes Japan's next-generation supercomputer project; facility services and the development of information services for Fujitsu Group companies; and welfare benefits for Fujitsu Group employees, as well as strategic expenses such as basic research and joint costs associated with Group management conducted by the parent company.

<Revenue* and Operating Profit>

(Billions of yen)

		2Q FY2014	2Q FY2015	Change vs. 2Q FY2014	
		〔 7/1/2014 ~ 9/30/2014 〕	〔 7/1/2015 ~ 9/30/2015 〕		Change(%)
Technology Solutions	Revenue	784.1	799.3	15.2	1.9
	Japan	485.1	495.8	10.7	2.2
	Outside Japan	298.9	303.5	4.5	1.5
	Operating profit	39.3	36.3	-2.9	-7.5
	[Operating profit margin]	[5.0%]	[4.5%]	[-0.5%]	
Services	Revenue	648.5	679.8	31.2	4.8
	Japan	389.1	413.0	23.9	6.1
	Outside Japan	259.3	266.7	7.3	2.8
	Operating profit	35.2	34.4	-0.8	-2.3
	[Operating profit margin]	[5.4%]	[5.1%]	[-0.3%]	
System Platforms	Revenue	135.5	119.5	-15.9	-11.8
	Japan	95.9	82.7	-13.1	-13.7
	Outside Japan	39.6	36.7	-2.8	-7.2
	Operating profit	4.0	1.8	-2.1	-53.3
	[Operating profit margin]	[3.0%]	[1.6%]	[-1.4%]	
Ubiquitous Solutions	Revenue	245.0	261.8	16.7	6.9
	Japan	160.4	169.9	9.5	5.9
	Outside Japan	84.5	91.8	7.2	8.6
	Operating profit	0.9	-4.6	-5.5	-
	[Operating profit margin]	[0.4%]	[-1.8%]	[-2.2%]	
Device Solutions	Revenue	145.1	162.1	16.9	11.7
	Japan	73.9	74.7	0.8	1.2
	Outside Japan	71.2	87.3	16.1	22.6
	Operating profit	6.6	7.8	1.2	18.6
	[Operating profit margin]	[4.6%]	[4.8%]	[0.2%]	
Other/Elimination and Corporate***	Revenue	-50.1	-47.1	2.9	-
	Operating profit	-21.8	-24.7	-2.8	-
Total	Revenue	1,124.1	1,176.2	52.0	4.6
	Japan	674.6	695.8	21.2	3.2
	Outside Japan	449.5	480.3	30.7	6.8
	Operating profit	24.9	14.8	-10.0	-40.4
	[Operating profit margin]	[2.2%]	[1.3%]	[-0.9%]	

<Ratio of revenue outside Japan>

40.0%

40.8%

0.8%

Technology Solutions

Revenue in the Technology Solutions segment amounted to 799.3 billion yen, an increase of 1.9% from the second quarter of fiscal 2014. Revenue in Japan rose 2.2%. In the Services sub-segment, revenue from system integration services rose on increased investment by customers in the financial services sector and public sector, and revenue from infrastructure services continued to be solid. In the System Platforms sub-segment, however, network products revenue decreased due to low second quarter capital spending by customers. Revenue outside Japan increased 1.5%. There was an increase in revenue in the Services sub-segment as the yen continued to weaken compared to the second quarter of fiscal 2014. In the System Platforms sub-segment, revenue from network products declined.

The segment posted an operating profit of 36.3 billion yen, representing a decline of 2.9 billion yen compared to the same period in fiscal 2014. In the Services sub-segment, despite the positive impact of higher revenue, operating profit declined because of higher expenses to expand sales in the internet service provider business, and also due to a lump-sum expense according to the change of the retirement benefit plans of a subsidiary in Japan, as well as other factors. In the System Platforms sub-segment, operating profit declined due to lower revenue.

Ubiquitous Solutions

Revenue in the Ubiquitous Solutions segment was 261.8 billion yen, an increase of 6.9% from the second quarter of fiscal 2014. Revenue in Japan rose by 5.9%. Although revenue from PCs, mainly for enterprises, declined, revenue from mobile phones rose, primarily from the Raku-Raku series of smartphones. Revenue in the Mobilewear sub-segment rose as well. Revenue outside Japan increased 8.6%. Revenue from the Mobilewear sub-segment increased, particularly in Europe, and foreign exchange movements also influenced results.

The Ubiquitous Solutions segment posted an operating loss of 4.6 billion yen, representing a deterioration of 5.5 billion yen compared to the same period in fiscal 2014. In addition to the negative impact of lower revenue from PCs, the weakening of the euro and the yen against the US dollar caused procurement costs for US dollar-denominated components to rise at locations in Europe and Japan. Despite the positive impact of higher revenue from mobile phones, results were adversely impacted by expenses incurred to deal with a defective model, and operating profit deteriorated from last year. Operating profit in the Mobilewear sub-segment increased because of higher revenue.

Device Solutions

Revenue in the Device Solutions segment amounted to 162.1 billion yen, up 11.7% from the second quarter of fiscal 2014. Revenue from both LSI devices and electronic components benefited from foreign exchange movements.

The segment posted an operating profit of 7.8 billion yen, up 1.2 billion yen from the second quarter of fiscal 2014. Although an impairment loss on idle assets was recorded for electronic components, operating profit increased due to the increase in the value of US dollar-denominated exports because of the decline in the value of the yen against the US dollar.

Other/Elimination and Corporate

This segment recorded an operating loss of 24.7 billion yen, representing a deterioration of 2.8 billion yen from the second quarter of fiscal 2014. The higher loss is attributable to an expansion of strategic investments in such fields as next-generation clouds for IoT* platforms, and future healthcare services.

*IoT (Internet of Things): A system in which not only PCs and servers, but a wide variety of things are connected to the internet and exchange information.

1-2. First-Half

FY2015 First-Half Financial Results

(Billions of yen)

	1H FY2014 4/1/14- 9/30/14	1H FY2015 4/1/15- 9/30/15	Change vs. 1H FY2014	Change (%)
Revenue	2,192.8	2,241.2	48.4	2.2
Operating profit [Operating profit margin]	32.2 [1.5%]	-12.4 [-0.6%]	-44.7 [-2.1%]	-
Financial income (expenses)	6.9	-1.6	-8.6	-
Income from investments accounted for using the equity method, net	3.3	10.9	7.6	225.4
Profit for the period before income taxes	42.6	-3.1	-45.7	-
Profit for the period attributable to owners of the parent	24.1	-15.9	-40.0	-

<Profit or Loss>

Consolidated revenue for the first half of fiscal 2015 was 2,241.2 billion yen, an increase of 2.2% compared to the first half of fiscal 2014. Revenue in Japan was essentially unchanged from the same period in fiscal 2014. Revenue from system integration services increased, but revenue from network products and PCs decreased. Revenue outside of Japan rose 5.2%. Revenue from network products and PCs declined, but overall revenue outside of Japan rose, benefiting from foreign exchange movements. The depreciating yen against the US dollar led to a revenue increase of about 65 billion yen compared to the first half of fiscal 2014. The ratio of revenue outside Japan was 41.7%, an increase of 1.2 percentage points compared to the same period in the prior fiscal year.

Fujitsu recorded an operating loss of 12.4 billion yen, representing a deterioration of 44.7 billion yen from the first half of fiscal 2014. In addition to the impact of lower revenues from network products and PCs, there was the negative impact of higher procurement costs in Europe for US dollar-denominated components stemming from the weakening of the euro against the US dollar, and there was also a one-time expense recorded to cover the costs of reallocating employees and other costs in the network business in Japan.

Net financial expenses amounted to a loss of 1.6 billion yen, representing a deterioration of 8.6 billion yen from the same period in fiscal 2014, when the company recorded net gain on foreign exchange because of the sharp fall in the value of the yen.

Income from investments accounted for using the equity method, net, was 10.9 billion yen, an increase of 7.6 billion yen from the first half of fiscal 2014. Fujitsu recorded a dilution gain from changes in equity interest stemming from an offering of shares of an affiliate on China's Shenzhen Stock Exchange. In addition, the system LSI device design and development business was transferred to an affiliate (Socionext Inc., which commenced operations in March 2015, with a ratio of voting rights as follows: 40% Fujitsu, 20% Panasonic Corporation, and 40% Development Bank of Japan, Inc.).

As a result, the loss before income taxes was 3.1 billion yen, representing a deterioration of 45.7 billion yen from the first half of the previous fiscal year.

Loss for the period attributable to owners of the parent was 15.9 billion yen, representing a deterioration of 40.0 billion yen from the first half of fiscal 2014.

FY2015 First-Half Consolidated Business Segment Information

<Revenue* by Principal Products and Services>

(Billions of yen)

		1H FY2014 〔 4/1/2014 ~ 9/30/2014 〕	1H FY2015 〔 4/1/2015 ~ 9/30/2015 〕	Change vs. 1H FY2014	
					Change(%)
	Technology Solutions	1,492.1	1,518.2	26.0	1.7
	Services	1,229.0	1,291.0	62.0	5.0
	Solutions / SI	424.0	464.2	40.2	9.5
	Infrastructure Services	804.9	826.7	21.7	2.7
	System Platforms	263.1	227.1	-35.9	-13.7
	System Products	109.9	114.4	4.5	4.1
	Network Products	153.1	112.7	-40.4	-26.4
	Ubiquitous Solutions	513.9	505.0	-8.8	-1.7
	PCs / Mobile Phones	345.7	315.0	-30.7	-8.9
	Mobilewear	168.1	190.0	21.8	13.0
	Device Solutions	280.4	312.0	31.6	11.3
	LSI**	144.8	166.2	21.4	14.8
	Electronic Components	136.3	146.5	10.2	7.5

Notes:

* Revenue includes intersegment revenue.

** Revenue figures for LSI include intrasegment revenue to the electronic components segment.

*** "Other/Elimination and Corporate" includes Japan's next-generation supercomputer project; facility services and the development of information services for Fujitsu Group companies; and welfare benefits for Fujitsu Group employees, as well as strategic expenses such as basic research and joint costs associated with Group management conducted by the parent company.

<Revenue* and Operating Profit>

(Billions of yen)

		1H FY2014 〔 4/1/2014 ~ 9/30/2014 〕	1H FY2015 〔 4/1/2015 ~ 9/30/2015 〕	Change vs. 1H FY2014 Change(%)	
Technology Solutions	Revenue	1,492.1	1,518.2	26.0	1.7
	Japan	903.3	919.0	15.6	1.7
	Outside Japan	588.8	599.2	10.4	1.8
	Operating profit	50.7	32.3	-18.4	-36.3
	[Operating profit margin]	[3.4%]	[2.1%]	[-1.3%]	
Services	Revenue	1,229.0	1,291.0	62.0	5.0
	Japan	721.2	763.7	42.5	5.9
	Outside Japan	507.8	527.3	19.5	3.8
	Operating profit	48.4	44.3	-4.0	-8.3
	[Operating profit margin]	[3.9%]	[3.4%]	[-0.5%]	
System Platforms	Revenue	263.1	227.1	-35.9	-13.7
	Japan	182.1	155.2	-26.8	-14.7
	Outside Japan	80.9	71.8	-9.0	-11.2
	Operating profit	2.3	-12.0	-14.3	-
	[Operating profit margin]	[0.9%]	[-5.3%]	[-6.2%]	
Ubiquitous Solutions	Revenue	513.9	505.0	-8.8	-1.7
	Japan	342.5	325.1	-17.4	-5.1
	Outside Japan	171.3	179.9	8.5	5.0
	Operating profit	9.6	-12.2	-21.8	-
	[Operating profit margin]	[1.9%]	[-2.4%]	[-4.3%]	
Device Solutions	Revenue	280.4	312.0	31.6	11.3
	Japan	141.8	148.6	6.7	4.8
	Outside Japan	138.5	163.4	24.8	18.0
	Operating profit	9.9	18.5	8.5	86.2
	[Operating profit margin]	[3.6%]	[5.9%]	[2.3%]	
Other/Elimination and Corporate***	Revenue	-93.6	-94.1	-0.4	-
	Operating profit	-38.0	-51.0	-13.0	-
Total	Revenue	2,192.8	2,241.2	48.4	2.2
	Japan	1,305.6	1,307.5	1.8	0.1
	Outside Japan	887.1	933.7	46.5	5.2
	Operating profit	32.2	-12.4	-44.7	-
	[Operating profit margin]	[1.5%]	[-0.6%]	[-2.1%]	

<Ratio of revenue outside Japan>

40.5%

41.7%

1.2%

Technology Solutions

Revenue in the Technology Solutions segment amounted to 1,518.2 billion yen, an increase of 1.7% from the first half of fiscal 2014. Revenue in Japan rose 1.7%. In the Services sub-segment, revenue from system integration services rose on increased investment by customers in the financial services sector and the public sector, and revenue from infrastructure services continued to be solid. In the System Platforms sub-segment, however, although server-related revenue rose, revenue from mobile phone base stations and other network products declined due to low capital spending by customers during the first half. Revenue outside Japan increased 1.8%. In the Services sub-segment, the impact of the continuing weaker yen compared to the first half of fiscal 2014 contributed to higher revenue. In the System Platforms sub-segment, however, revenue from optical transmissions systems in North America declined as investments by telecommunications carriers continued to be constrained with respect to relevant segments of Fujitsu's business.

The segment posted an operating profit of 32.3 billion yen, down 18.4 billion yen compared to the same period in fiscal 2014. In the Services sub-segment, despite the positive impact of higher revenue, operating profit declined because of higher expenses to expand sales in the internet service provider business, and also due to a lump-sum expense associated with a change in the retirement benefit plans of a subsidiary in Japan, among other factors. In the System Platforms sub-segment, operating performance deteriorated due to lower revenue and on one-time expenses of approximately 5 billion yen recorded to cover the costs of reallocating employees and other costs in the network business in Japan.

Ubiquitous Solutions

Revenue in the Ubiquitous Solutions segment was 505.0 billion yen, down 1.7% from the first half of fiscal 2014. Revenue in Japan was down by 5.1%. For PCs, revenue declined as the cycle of higher demand for upgrades resulting from the ending of support for an operating system had peaked in the first quarter of the prior fiscal year. Revenue outside Japan increased 5.0%. Although there was a decline in unit sales of PCs in Europe, revenue from the Mobilewear sub-segment increased, primarily in Europe and US results also benefited from foreign exchange movements.

The Ubiquitous Solutions segment posted an operating loss of 12.2 billion yen, representing a deterioration of 21.8 billion yen compared to the same period in fiscal 2014. In addition to the negative impact of lower revenue from PCs, the decline in the values of the euro and the yen against the US dollar caused procurement costs for US dollar-denominated components to rise in Europe and Japan. Results were also adversely impacted by expenses incurred to deal with a defective model of mobile phones.

Device Solutions

Revenue in the Device Solutions segment amounted to 312.0 billion yen, up 11.3% from the first half of fiscal 2014. In Japan, revenue increased 4.8%. Revenue from LSI devices increased, primarily from devices used in smartphones. Outside Japan, revenue rose 18.0%. Revenue from both LSI devices and electronic components benefited from foreign exchange movements.

The segment posted an operating profit of 18.5 billion yen, up 8.5 billion yen from the first half of fiscal 2014. Operating profit rose on the increase in the value of US dollar-denominated exports resulting from the decline in the value of the yen against the US dollar.

Other/Elimination and Corporate

This segment recorded an operating loss of 51.0 billion yen, representing a deterioration of 13.0 billion yen from the first half of fiscal 2014. The higher loss is attributable to greater strategic investments in such fields as next-generation clouds that perform as IoT platforms, and future healthcare services.