

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 fiscal 2015 to translate the current period's revenue outside Japan into yen.

1. Explanation of Financial Results

FY2016 Full-Year Financial Results

(Billions of yen)

	FY2015 4/1/15- 3/31/16	FY2016 4/1/16- 3/31/17	Change vs. FY2015		Change vs. Jan Forecast
				Change (%)	
Revenue	4,739.2	4,509.6	-229.6	-4.8	9.6
Operating profit	120.6	128.8	8.2	6.8	8.8
[Business Model Transformation Expenses]	[-41.5]	※ [-44.7]	[-3.1]	-	[0.2]
[Operating profit margin]	[2.5%]	[2.9%]	[0.4%]		[0.2%]
Financial income (expenses)	-7.2	-0.6	6.5	-	
Income from investments accounted for using the equity method, net	18.4	6.9	-11.5	-62.3	
Profit for the year before income taxes	131.8	135.1	3.3	2.5	
Profit for the year attributable to owners of the parent	86.7	88.4	1.7	2.0	3.4

※ Reflects 34.0 billion yen in expenses outside Japan for a shift toward digital business, 3.9 billion yen in expenses to restructure datacenters in Japan, and 6.6 billion yen in expenses to restructure production facilities.

<Profit or Loss>

Consolidated revenue for fiscal 2016 was 4,509.6 billion yen, down 229.6 billion yen from fiscal 2015. The decline in revenue was primarily due to the strong yen. Excluding the impact of foreign exchange movements, revenue was essentially unchanged from the previous fiscal year. Revenue in Japan was essentially unchanged from fiscal 2015. Revenue from LSI devices used in smartphones declined on weak demand, as there was a decline in mobile phone shipments resulting from a lengthening of the replacement cycle in the smartphone market. On the other hand, revenue in the Services sub-segment remained strong, both in system integration and infrastructure services, and there was an increase in revenue from enterprise PCs and the Mobilewear sub-segment. Revenue outside of Japan fell 13.2%. Results were significantly impacted by foreign exchange movements, and, in addition, there was a decline in revenue from infrastructure services in Europe and from network products in North America. Compared to the prior fiscal year, the appreciation of the yen against the US dollar, the euro, the British pound, and other currencies served to reduce revenue by roughly 200.0 billion yen. The ratio of revenue outside Japan was 36.5%, a decrease of 3.5 percentage points compared to fiscal 2015.

Fujitsu recorded an operating profit of 128.8 billion yen, up 8.2 billion yen from fiscal 2015. Operating profit in the Device Solutions segment declined because of weak demand for LSI devices and because of the impact of the stronger yen. On the other hand, in the Ubiquitous Solutions segment, in addition to the beneficial impact of higher revenue from enterprise PCs and from the Mobilewear sub-segment, operating profit also improved because of cost reductions and cost efficiencies in PCs and mobile phones, resulting in an overall increase in consolidated operating profit. Fujitsu recorded 44.7 billion yen in business model transformation expenses in fiscal 2016, an increase of 3.1 billion yen from fiscal 2015. Of that amount for this fiscal year, 34.0 billion yen was for structural reform expenses outside of Japan for greater efficiencies and a shift toward digital business (of which 29.4 billion yen was for a shift toward digital business in Europe), 3.9 billion yen was for restructuring expenses for datacenters in Japan, and 6.6 billion yen was for restructuring expenses for production facilities both in and outside of Japan.

Net financial expenses were 0.6 billion yen, representing an improvement of 6.5 billion yen from the prior fiscal year, primarily from foreign exchange gains. Income from investments accounted for using the equity method was 6.9 billion yen, representing a decline of 11.5 billion yen from fiscal 2015. The decline was due to a reserve recorded to cover potential losses from an affiliated company in Japan, and because, in fiscal 2015, one-time profits were recorded from an offering of shares of an affiliate on China's Shenzhen Stock Exchange.

As a result, profit for the year before income taxes was 135.1 billion yen, an increase of 3.3 billion yen over the previous fiscal year.

Profit for the year attributable to owners of the parent was 88.4 billion yen, up 1.7 billion yen from fiscal 2015.

[Expenses Recorded by Subsidiaries in Europe for the Shift toward Digital Business]

(1) Overview of Subsidiaries Affected

Company name	Fujitsu Technology Solutions (Holding) B.V. (Below, "FTS")	Fujitsu Services Holdings PLC (Below, "FS")
Head office	The Netherlands	UK
Representative	Duncan Tait	Duncan Tait
Business description	Delivery of consulting services and services relating to the building and operation of systems	Delivery of outsourcing services and services relating to the building and operation of systems
Capital	€272,752 thousand	£ 1,598,001 thousand

(2) Description of the expenses

At FTS and FS, which are Fujitsu's subsidiaries in Europe, 29.4 billion yen in expenses were recorded to advance the digital transformation of their services businesses. In addition to strengthening the competitiveness of their existing IT services, they seek to launch and grow new services in the field of digital services. As part of this initiative, expenses for workforce rationalization measures covering approximately 3,200 employees were recorded for Europe overall, primarily for the UK, Germany, the Nordic region, and Spain. In addition, the amount also includes expenses to promote greater efficiency, such as to promote automation in service delivery, sales, and marketing.

(3) Outlook

With the goal of building a framework responsive to the needs of the digital services field, together with strengthening human resources of about 1,200 people, the Company will invest in cultivating the human talent needed for new fields. The Earnings Forecast for fiscal 2017 on page 9 includes the impact of the organizational changes resulting from these business model transformation expenses.

FY2016 Full-Year Consolidated Business Segment Information

<Revenue* and Operating Profit>

(Billions of yen)

		FY2015	FY2016	Change vs. FY2015	
		〔 4/1/2015 ~ 3/31/2016 〕	〔 4/1/2016 ~ 3/31/2017 〕		Change(%)
Technology Solutions	Revenue	3,283.3	3,126.6	-156.7	-4.8
	Japan	2,052.1	2,113.0	60.9	3.0
	Outside Japan	1,231.2	1,013.6	-217.6	-17.7
	Operating profit	186.2	190.7	4.5	2.4
	[Operating profit margin]	[5.7%]	[6.1%]	[0.4%]	
Services	Revenue	2,765.1	2,624.2	-140.8	-5.1
	Japan	1,681.9	1,730.7	48.8	2.9
	Outside Japan	1,083.2	893.5	-189.7	-17.5
	Operating profit	163.9	150.0	-13.8	-8.5
	[Operating profit margin]	[5.9%]	[5.7%]	[-0.2%]	
System Platforms	Revenue	518.1	502.3	-15.8	-3.1
	Japan	370.1	382.2	12.0	3.3
	Outside Japan	147.9	120.0	-27.8	-18.8
	Operating profit	22.3	40.7	18.3	82.5
	[Operating profit margin]	[4.3%]	[8.1%]	[3.8%]	
Ubiquitous Solutions	Revenue	1,040.9	1,025.7	-15.1	-1.5
	Japan	678.3	690.8	12.4	1.8
	Outside Japan	362.5	334.9	-27.5	-7.6
	Operating profit	-7.6	28.7	36.4	-
	[Operating profit margin]	[-0.7%]	[2.8%]	[3.5%]	
Device Solutions	Revenue	603.9	544.3	-59.5	-9.9
	Japan	289.7	247.2	-42.4	-14.6
	Outside Japan	314.2	297.0	-17.1	-5.5
	Operating profit	30.3	4.2	-26.1	-86.0
	[Operating profit margin]	[5.0%]	[0.8%]	[-4.2%]	
Other/Elimination and Corporate**	Revenue	-188.8	-187.1	1.7	-
	Operating profit	-88.3	-94.9	-6.5	-
Total	Revenue	4,739.2	4,509.6	-229.6	-4.8
	Japan	2,845.0	2,865.6	20.5	0.7
	Outside Japan	1,894.2	1,644.0	-250.1	-13.2
	Operating profit	120.6	128.8	8.2	6.8
	[Operating profit margin]	[2.5%]	[2.9%]	[0.4%]	

<Ratio of revenue outside Japan>

40.0%

36.5%

-3.5%

<Revenue* by Principal Products and Services>

(Billions of yen)

	FY2015	FY2016	Change vs. FY2015	
	(4/1/2015 ~ 3/31/2016)	(4/1/2016 ~ 3/31/2017)		Change(%)
Technology Solutions	3,283.3	3,126.6	-156.7	-4.8
Services	2,765.1	2,624.2	-140.8	-5.1
Solutions / SI	1,010.9	1,024.1	13.2	1.3
Infrastructure Services	1,754.2	1,600.0	-154.1	-8.8
System Platforms	518.1	502.3	-15.8	-3.1
System Products	262.0	255.5	-6.5	-2.5
Network Products	256.0	246.8	-9.2	-3.6
Ubiquitous Solutions	1,040.9	1,025.7	-15.1	-1.5
PCs / Mobile Phones	651.3	611.6	-39.7	-6.1
Mobilewear	389.5	414.1	24.6	6.3
Device Solutions	603.9	544.3	-59.5	-9.9
LSI***	314.6	269.4	-45.2	-14.4
Electronic Components	290.7	276.0	-14.7	-5.1

<External revenue by Location of Customers>

Japan	2,845.0	2,865.6	20.5	0.7
Outside Japan	1,894.2	1,644.0	-250.1	-13.2
EMEIA****	952.0	778.1	-173.9	-18.3
Americas	420.4	386.9	-33.5	-8.0
Asia	421.0	385.1	-35.9	-8.5
Oceania	100.6	93.8	-6.7	-6.8

Notes:

* Revenue in each segment includes intersegment revenue.

** "Other/Elimination and Corporate" includes Japan's next-generation supercomputer project, Next-Generation Cloud services and 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 figures for LSI include intrasegment revenue to the electronic components segment.

**** EMEIA...Europe, Middle East, India and Africa

Technology Solutions

Revenue in the Technology Solutions segment amounted to 3,126.6 billion yen, a decrease of 4.8% from fiscal 2015. Revenue in Japan rose 3.0%. In systems integrations services in the Services sub-segment, even though revenue from a deal for a large-scale project in the financial services field and My Number projects in the public sector had already peaked, there was an increase in revenue from customers in the manufacturing and services fields, as well as from telecommunications carriers, exceeding the high level of revenue in fiscal 2015. In addition, revenue from infrastructure services rose, primarily in outsourcing services. In the System Platforms sub-segment, revenue from network products rose on sales of mobile phone base stations to telecommunications carriers. Revenue outside Japan fell 17.7%. In addition to the impact of foreign exchange movements, revenue in Europe from infrastructure services fell compared to the prior year because some large-scale public sector contracts ended, and revenue also declined because of weak sales of network products in North America.

The segment posted an operating profit of 190.7 billion yen, up 4.5 billion yen compared to fiscal 2015. Despite the impact of lower revenue from the Services sub-segment outside Japan, operating profit increased, primarily due to the effects of higher revenue in the Services sub-segment in Japan and, owing to the impact of a strong yen, cost reductions in system products stemming from the lower cost of purchasing US dollar-denominated components. Business model transformation expenses were essentially unchanged from fiscal 2015. (Business model transformation expenses for fiscal 2016 were 36.2 billion yen, of which 32.2 billion yen were related to locations outside Japan, primarily stemming from the shift in resources toward digital services at locations in Europe, and 3.9 billion yen were restructuring expenses for datacenters in Japan.)

Ubiquitous Solutions

Revenue in the Ubiquitous Solutions segment was 1,025.7 billion yen, down 1.5% from fiscal 2015. Revenue in Japan rose by 1.8%. Revenue from mobile phones declined because of lower shipments as a result of the lengthening of the replacement cycle in the smartphone market. For PCs, revenue rose on the back of continuing strong sales of enterprise PCs. Revenue from Mobilewear in car audio navigation devices also rose. Revenue outside Japan fell by 7.6%. Excluding the impact of foreign exchange movements, revenue was essentially unchanged from the previous fiscal year. Revenue from PCs in Europe fell, but revenue in the Mobilewear sub-segment rose, primarily in Europe and the US.

The Ubiquitous Solutions segment posted an operating profit of 28.7 billion yen, an improvement of 36.4 billion yen over fiscal 2015. There were significant improvements in both PCs and mobile phones, as operations in both product areas returned to profitability. In addition to the beneficial impact of higher revenues from PCs in Japan, both PCs and mobile phones benefited from cost reduction and further progress in cost efficiencies. In addition to lower procurement prices for components, the cost reductions also include the impact of lower procurement costs because of the stronger yen. Operating profit increased in Mobilewear because of higher revenue.

Device Solutions

Revenue in the Device Solutions segment amounted to 544.3 billion yen, down 9.9% from fiscal 2015.

The segment posted an operating profit of 4.2 billion yen, down 26.1 billion yen from fiscal 2015. In addition to the impact of sluggish demand for LSI devices, primarily for smartphones, there was the impact of lower revenue from LSI devices and electronic components as a result of the continuing strength of the yen against the US dollar. In addition, 4.0 billion yen was posted for restructuring expenses in electronic components for production facilities both in and outside of Japan.

Other/Elimination and Corporate

This segment recorded an operating loss of 94.9 billion yen, representing a deterioration of 6.5 billion yen from fiscal 2015. In addition to an expansion in strategic investments, primarily in next-generation cloud platforms as a platform for using IoT*, the impact of special factors last fiscal year, stemming from the partial release of reserves related to a legal dispute, was significant, and while progress was made in generating cost efficiencies, the operating loss increased compared to fiscal 2015.

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