

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

1. Explanation of Financial Results

1-1. Second Quarter

FY2016 Second-Quarter Financial Results

(Billions of yen)

	2Q FY2015 7/1/15- 9/30/15	2Q FY2016 7/1/16- 9/30/16	Change vs. 2Q FY2015	
			Change (%)	
Revenue	1,176.2	1,098.5	-77.6	-6.6
Operating profit	14.8	37.1	22.2	149.4
[Operating profit margin]	[1.3%]	[3.4%]	[2.1%]	
Financial income (expenses)	-3.5	0.6	4.1	-
Income from investments accounted for using the equity method, net	2.3	1.4	-0.8	-36.6
Profit for the period before income taxes	13.6	39.2	25.5	187.2
Profit for the period attributable to owners of the parent	2.9	25.9	22.9	779.4

<Profit or Loss>

Consolidated revenue for the second quarter of fiscal 2016 was 1,098.5 billion yen, down 77.6 billion yen from the second quarter of fiscal 2015, but was essentially unchanged on a constant-currency basis. Revenue in Japan rose 1.8%. Although revenue in Japan from LSI devices declined, services revenue increased, primarily from outsourcing and systems integration services, and revenue from PCs and network products also rose. Revenue outside of Japan decreased 18.8%. In addition to a decline in revenue from infrastructure services in Europe, and a decline in revenue from network products in North America, results were also significantly impacted by foreign exchange movements. Compared to the same period in the prior fiscal year, the appreciation of the yen against the US dollar, the British pound, and other currencies served to reduce revenue by roughly 75.0 billion yen. Due in part to the impact of foreign exchange movements, the ratio of revenue outside Japan was 35.5%, a decrease of 5.3 percentage points compared to the same period in the prior fiscal year.

Fujitsu recorded an operating profit of 37.1 billion yen, up 22.2 billion yen from the second quarter of fiscal 2015. Although operating profit from LSI devices was adversely affected by lower revenue and foreign exchange movements, overall operating profit improved because of cost reductions and efficiencies in PCs and mobile phones, and because operating profit from network products in Japan benefited from higher revenue.

Net financial income was 0.6 billion yen, an improvement of 4.1 billion yen from the same period in fiscal 2015, primarily from foreign exchange gains.

As a result, profit for the period before income taxes was 39.2 billion yen, an increase of 25.5 billion yen over the second quarter of the previous fiscal year.

Profit for the period attributable to owners of the parent was 25.9 billion yen, up 22.9 billion yen from the second quarter of fiscal 2015.

FY2016 Second-Quarter Consolidated Business Segment Information

<Revenue* and Operating Profit>

(Billions of yen)

		2Q FY2015	2Q FY2016	Change vs. 2Q FY2015	
		〔 7/1/2015 ~ 9/30/2015 〕	〔 7/1/2016 ~ 9/30/2016 〕		Change(%)
Technology Solutions	Revenue	799.3	746.3	-53.0	-6.6
	Japan	495.8	511.5	15.6	3.2
	Outside Japan	303.5	234.8	-68.6	-22.6
	Operating profit	36.3	46.2	9.8	27.1
	[Operating profit margin]	[4.5%]	[6.2%]	[1.7%]	
Services	Revenue	679.8	627.9	-51.8	-7.6
	Japan	413.0	420.2	7.2	1.7
	Outside Japan	266.7	207.6	-59.1	-22.2
	Operating profit	34.4	32.4	-2.0	-5.9
	[Operating profit margin]	[5.1%]	[5.2%]	[0.1%]	
System Platforms	Revenue	119.5	118.4	-1.1	-0.9
	Japan	82.7	91.2	8.4	10.2
	Outside Japan	36.7	27.2	-9.5	-26.0
	Operating profit	1.8	13.7	11.8	631.8
	[Operating profit margin]	[1.6%]	[11.6%]	[10.0%]	
Ubiquitous Solutions	Revenue	261.8	263.7	1.9	0.8
	Japan	169.9	185.0	15.0	8.9
	Outside Japan	91.8	78.7	-13.1	-14.3
	Operating profit	-4.6	14.1	18.7	-
	[Operating profit margin]	[-1.8%]	[5.4%]	[7.2%]	
Device Solutions	Revenue	162.1	139.4	-22.7	-14.0
	Japan	74.7	62.8	-11.9	-16.0
	Outside Japan	87.3	76.5	-10.8	-12.4
	Operating profit	7.8	1.4	-6.4	-81.7
	[Operating profit margin]	[4.8%]	[1.0%]	[-3.8%]	
Other/Elimination and Corporate**	Revenue	-47.1	-51.0	-3.9	-
	Operating profit	-24.7	-24.6	0.0	-
Total	Revenue	1,176.2	1,098.5	-77.6	-6.6
	Japan	695.8	708.7	12.8	1.8
	Outside Japan	480.3	389.7	-90.5	-18.8
	Operating profit	14.8	37.1	22.2	149.4
	[Operating profit margin]	[1.3%]	[3.4%]	[2.1%]	

<Ratio of revenue outside Japan>

40.8%

35.5%

-5.3%

<Revenue* by Principal Products and Services>

(Billions of yen)

	2Q FY2015	2Q FY2016	Change vs. 2Q FY2015	
	(7/1/2015 ~ 9/30/2015)	(7/1/2016 ~ 9/30/2016)		Change(%)
Technology Solutions	799.3	746.3	-53.0	-6.6
Services	679.8	627.9	-51.8	-7.6
Solutions / SI	252.9	253.9	0.9	0.4
Infrastructure Services	426.8	373.9	-52.8	-12.4
System Platforms	119.5	118.4	-1.1	-0.9
System Products	59.2	55.2	-4.0	-6.8
Network Products	60.3	63.2	2.9	4.9
Ubiquitous Solutions	261.8	263.7	1.9	0.8
PCs / Mobile Phones	163.3	163.3	-0.0	- 0.0
Mobilewear	98.4	100.4	2.0	2.0
Device Solutions	162.1	139.4	-22.7	-14.0
LSI***	85.6	68.8	-16.8	-19.6
Electronic Components	76.8	70.8	-6.0	-7.8

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.

Technology Solutions

Revenue in the Technology Solutions segment amounted to 746.3 billion yen, a decrease of 6.6% from the second quarter of fiscal 2015. Revenue in Japan rose 3.2%. In the Services sub-segment, revenue from infrastructure services rose, primarily in outsourcing services. In addition, even though revenue from a deal for a large-scale project in the financial services field had already peaked, revenue from system integration services rose due to growth in business from customers in the manufacturing field and retailing and distribution field, as well as from telecommunications carriers, slightly exceeding the high level of revenue from the same period last year. 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 22.6%. In the Services sub-segment, revenue fell as a result of weak sales in Europe and the US, in addition to the impact of foreign exchange movements. In the System Platforms sub-segment, revenue fell prior to the anticipated introduction of new optical transmission system models in North America.

The segment posted an operating profit of 46.2 billion yen, up 9.8 billion yen compared to the same period in fiscal 2015. In the Services sub-segment, operating profit fell due in part to the end of some large-scale public sector contracts outside Japan since the previous year, in addition to the impact of foreign exchange movements, despite the fact that, in the same period in the previous year, one-time expenses related to a change in retirement benefit plans were recorded at a subsidiary in Japan. In the System Platforms sub-segment, in addition to profitability improvements in x86 servers, the operating profit for network products improved due to a reduction in overhead costs resulting from a business reorganization carried out last year, in addition to the impact of increased revenue in Japan.

Ubiquitous Solutions

Revenue in the Ubiquitous Solutions segment was 263.7 billion yen, about the same as the second quarter of fiscal 2015. Revenue in Japan rose by 8.9%. For mobile phones, revenue fell, particularly in feature phones. 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 14.3%. In addition to a fall in revenue from PC sales in Europe, there was a significant impact from the strong yen.

The Ubiquitous Solutions segment posted an operating profit of 14.1 billion yen, an improvement of 18.7 billion yen over the same period in fiscal 2015. For PCs, operating profit improved due to cost efficiencies, in addition to ongoing component cost reductions at locations in Japan because of the continued strength of the yen against the US dollar, as well as the impact of higher revenue in Japan. For mobile phones, although revenue declined, operating profit improved as a result of cost reductions and efficiencies. Operating profit increased from Mobilewear because of higher revenue.

Device Solutions

Revenue in the Device Solutions segment amounted to 139.4 billion yen, down 14.0% from the second quarter of fiscal 2015.

The segment posted an operating profit of 1.4 billion yen, down 6.4 billion yen from the second quarter of fiscal 2015. In addition to the impact of lower revenue from LSI devices, particularly for use in smartphones, operating profit declined for both LSI devices and electronic components due to the impact of lower revenue as a result of the continuing strength of the yen against the US dollar.

Other/Elimination and Corporate

This segment recorded an operating loss of 24.6 billion yen, essentially unchanged from the same period in the previous year.

1-2.First Half

FY2016 First-Half Financial Results

(Billions of yen)

	1H FY2015	1H FY2016	Change vs.	
	4/1/15- 9/30/15	4/1/16- 9/30/16	1H FY2015	Change (%)
Revenue	2,241.2	2,085.0	-156.2	-7.0
Operating profit	-12.4	25.8	38.3	-
[Business Model Transformation Expenses]	[-4.3]	[-]	[4.3]	-
[Operating profit margin]	[-0.6%]	[1.2%]	[1.8%]	
Financial income (expenses)	-1.6	-3.3	-1.7	-
Income from investments accounted for using the equity method, net	10.9	3.5	-7.4	-68.0
Profit for the period before income taxes	-3.1	26.0	29.1	-
Profit for the period attributable to owners of the parent	-15.9	11.8	27.8	-

<Profit or Loss>

Consolidated revenue for the first half of fiscal 2016 was 2,085.0 billion yen, down 156.2 billion yen from the first half of fiscal 2015. Revenue in Japan was essentially unchanged. Although revenue in Japan from LSI devices and mobile phones declined, services revenue increased, primarily from outsourcing and systems integration services, and revenue from PCs, Mobilewear, and network products also rose. Revenue outside of Japan decreased 15.9%. In addition to a decline in revenue from infrastructure services in Europe, and a decline in revenue from network products in North America, results were also significantly impacted by foreign exchange movements. Compared to the same period in the prior fiscal year, the appreciation of the yen against the US dollar, the British pound, and other currencies served to reduce revenue by roughly 120.0 billion yen. Due in part to the impact of foreign exchange movements, the ratio of revenue outside Japan was 37.7%, a decrease of 4.0 percentage points compared to the same period in the prior fiscal year.

Fujitsu recorded an operating profit of 25.8 billion yen, representing an improvement of 38.3 billion yen from the first half of fiscal 2015. Although operating profit from LSI devices was adversely affected by lower revenue and foreign exchange movements, overall operating profit improved because of cost reductions and efficiencies in PCs and mobile phones. Operating profit also benefited from increased profits in the network products business in Japan because of the impact of higher revenue, and because, in the first half of fiscal 2015, the business recorded a one-time expense to cover the costs of reallocating employees and other costs.

Net financial expenses were 3.3 billion yen, a deterioration of 1.7 billion yen from the same period in fiscal 2015, primarily from foreign exchange losses. Income from investments accounted for using the equity method, net, was 3.5 billion yen, a decrease of 7.4 billion yen from the first half of fiscal 2015. This was, in part, the result of recording one-time profits from an offering of shares of an affiliate on China's Shenzhen Stock Exchange in the same period of fiscal 2015.

As a result, profit for the period before income taxes was 26.0 billion yen, an improvement of 29.1 billion yen over the first half of the previous fiscal year.

Profit for the period attributable to owners of the parent was 11.8 billion yen, representing an improvement of 27.8 billion yen from the first half of fiscal 2015.

FY2016 First-Half Consolidated Business Segment Information

<Revenue* and Operating Profit>

(Billions of yen)

		1H FY2015	1H FY2016	Change vs. 1H FY2015	
		〔 4/1/2015 ~ 9/30/2015 〕	〔 4/1/2016 ~ 9/30/2016 〕		Change(%)
Technology Solutions	Revenue	1,518.2	1,419.1	-99.0	-6.5
	Japan	919.0	941.9	22.9	2.5
	Outside Japan	599.2	477.1	-122.0	-20.4
	Operating profit	32.3	53.3	21.0	65.0
	[Operating profit margin]	[2.1%]	[3.8%]	[1.7%]	
Services	Revenue	1,291.0	1,206.2	-84.8	-6.6
	Japan	763.7	781.6	17.9	2.3
	Outside Japan	527.3	424.5	-102.7	-19.5
	Operating profit	44.3	47.4	3.0	6.9
	[Operating profit margin]	[3.4%]	[3.9%]	[0.5%]	
System Platforms	Revenue	227.1	212.9	-14.2	-6.3
	Japan	155.2	160.3	5.0	3.3
	Outside Japan	71.8	52.6	-19.2	-26.8
	Operating profit	-12.0	5.8	17.9	-
	[Operating profit margin]	[-5.3%]	[2.8%]	[8.1%]	
Ubiquitous Solutions	Revenue	505.0	483.6	-21.4	-4.2
	Japan	325.1	324.2	-0.8	-0.3
	Outside Japan	179.9	159.3	-20.5	-11.4
	Operating profit	-12.2	18.7	30.9	-
	[Operating profit margin]	[-2.4%]	[3.9%]	[6.3%]	
Device Solutions	Revenue	312.0	269.4	-42.6	-13.7
	Japan	148.6	119.5	-29.0	-19.5
	Outside Japan	163.4	149.8	-13.5	-8.3
	Operating profit	18.5	0.2	-18.3	-98.7
	[Operating profit margin]	[5.9%]	[0.1%]	[-5.8%]	
Other/Elimination and Corporate**	Revenue	-94.1	-87.2	6.9	-
	Operating profit	-51.0	-46.4	4.6	-
Total	Revenue	2,241.2	2,085.0	-156.2	-7.0
	Japan	1,307.5	1,299.4	-8.0	-0.6
	Outside Japan	933.7	785.6	-148.1	-15.9
	Operating profit	-12.4	25.8	38.3	-
	[Operating profit margin]	[-0.6%]	[1.2%]	[1.8%]	

<Ratio of revenue outside Japan>

41.7%

37.7%

-4.0%

<Revenue* by Principal Products and Services>

(Billions of yen)

	1H FY2015	1H FY2016	Change vs. 1H FY2015	
	(4/1/2015 ~ 9/30/2015)	(4/1/2016 ~ 9/30/2016)		Change(%)
Technology Solutions	1,518.2	1,419.1	-99.0	-6.5
Services	1,291.0	1,206.2	-84.8	-6.6
Solutions / SI	464.2	465.4	1.2	0.3
Infrastructure Services	826.7	740.7	-86.0	-10.4
System Platforms	227.1	212.9	-14.2	-6.3
System Products	114.4	108.3	-6.0	-5.3
Network Products	112.7	104.5	-8.1	-7.3
Ubiquitous Solutions	505.0	483.6	-21.4	-4.2
PCs / Mobile Phones	315.0	289.3	-25.7	-8.2
Mobilewear	190.0	194.3	4.3	2.3
Device Solutions	312.0	269.4	-42.6	-13.7
LSI***	166.2	132.5	-33.6	-20.3
Electronic Components	146.5	137.4	-9.1	-6.3

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.

Technology Solutions

Revenue in the Technology Solutions segment amounted to 1,419.1 billion yen, a decrease of 6.5% from the first half of fiscal 2015. Revenue in Japan rose 2.5%. In the Services sub-segment, revenue from infrastructure services rose, primarily in outsourcing services. In addition, even though revenue from a deal for a large-scale project in the financial services field had already peaked, revenue from system integration services rose due to growth in business from customers in the manufacturing field and retailing and distribution field, as well as from telecommunications carriers, slightly exceeding the high level of revenue from the same period last year. In the System Platforms sub-segment, revenue from network products rose due to sales of mobile phone base stations to telecommunications carriers. Revenue outside Japan fell 20.4%. In the Services sub-segment, revenue fell due to weak sales in Europe and the US, in addition to the impact of foreign exchange movements. In the System Platforms sub-segment, revenue fell prior to the anticipated introduction of new optical transmission system models in North America.

The segment posted an operating profit of 53.3 billion yen, up 21.0 billion yen compared to the same period in fiscal 2015. In the Services sub-segment, operating profit declined outside Japan due in part to the impact of foreign exchange movements, in addition to lower revenue. On the other hand, operating profit rose in Japan because of the impact of higher revenue, and because, in the same period in the previous year, one-time expenses related to a change in retirement benefit plans were recorded at a subsidiary in Japan. In the System Platforms sub-segment, profitability improvements further progressed, especially in x86 servers. Operating profit in network products improved on the impact of higher revenue in Japan and the impact of measures implemented to reduce overhead expenses, as well as the impact of 4.3 billion yen in business model transformation expenses (one-time expenses related to the relocation of employees at a business in Japan) recorded in the same period in the previous year.

Ubiquitous Solutions

Revenue in the Ubiquitous Solutions segment was 483.6 billion yen, down 4.2% from the first half of fiscal 2015. Revenue in Japan was essentially unchanged from the same period last year. For mobile phones, sales fell sharply from the same period last year, primarily in high-end models, in part because of the lengthening of the replacement cycle. For PCs, revenue rose on strong enterprise sales, despite weak consumer sales. Revenue from Mobilewear in audio navigation devices also rose compared to the same period last year. Revenue outside Japan fell by 11.4%, but if the impact of foreign exchange movements is removed, it was essentially unchanged from the same period last year. Although there was a decline in revenue from PCs in Europe, revenue from the Mobilewear sub-segment increased, primarily in Europe and the US.

The Ubiquitous Solutions segment posted an operating profit of 18.7 billion yen, representing an improvement of 30.9 billion yen compared to the same period in fiscal 2015. For PCs, operating profit improved due to cost efficiencies and higher revenue in Japan, in addition to ongoing component cost reductions at locations in Japan because of the continued strength of the yen against the US dollar. For mobile phones, although revenue declined, operating profit improved as a result of cost reductions and efficiencies. Operating profit increased for Mobilewear because of higher revenue.

Device Solutions

Revenue in the Device Solutions segment amounted to 269.4 billion yen, down 13.7% from the first half of fiscal 2015.

The segment posted an operating profit of 0.2 billion yen, down 18.3 billion yen from the first half of fiscal 2015. In addition to the impact of lower revenue from LSI devices, particularly for those used in smartphones, operating profit declined due to the cost burden and lower capacity utilization accompanying inspections of manufacturing facilities, which are mandated by law. In addition operating profit for both LSI devices and electronic components was adversely affected by lower revenue as a result of the continuing strength of the yen against the US dollar.

Other/Elimination and Corporate

This segment recorded an operating loss of 46.4 billion yen. This is an improvement of 4.6 billion yen over the same period in fiscal 2015, due to measures such as cost efficiencies.