

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

1. Explanation of Financial Results

FY2016 First-Quarter Financial Results

(Billions of yen)

	1Q FY2015	1Q FY2016	Change vs.	
	4/1/15- 6/30/15	4/1/16- 6/30/16	1Q FY2015	Change (%)
Revenue	1,065.0	986.5	-78.5	-7.4
Operating profit	-27.3	-11.2	16.0	-
[Business Model Transformation Expenses]	[-4.4]	[-]	[4.4]	-
[Operating profit margin]	[-2.6%]	[-1.1%]	[1.5%]	
Financial income (expenses)	1.8	-4.0	-5.8	-
Income from investments accounted for using the equity method, net	8.6	2.0	-6.6	-76.4
Profit for the period before income taxes	-16.8	-13.2	3.5	-
Profit for the period attributable to owners of the parent	-18.9	-14.0	4.8	-

<Profit or Loss>

Consolidated revenue for the first quarter of fiscal 2016 was 986.5 billion yen, down 78.5 billion yen from the first quarter of fiscal 2015. Revenue in Japan decreased 3.4%. Although revenue in Japan from services increased, especially in systems integration and outsourcing services, revenue from mobile phones and LSI devices declined. Revenue outside of Japan decreased 12.7%. In addition to a decline in revenue from infrastructure services in the US and Europe, and a decline in revenue from network products in North America, results were impacted by foreign exchange movements. The appreciation in the value of the yen, mainly versus the US dollar and British pound, led to a decrease in revenue by about 45.0 billion yen compared to the first quarter of fiscal 2015. Due in part to the impact of foreign exchange movements, the ratio of revenue outside Japan was 40.1%, a decrease of 2.5 percentage points compared to the same period in the prior fiscal year.

Fujitsu recorded an operating loss of 11.2 billion yen, an improvement of 16.0 billion yen from the first quarter of fiscal 2015. Despite the impact of lower revenue from LSI devices and other areas, operating profit improved because of higher revenue from services in Japan and cost reductions and efficiencies in PCs and mobile phones, as well as the impact in the first quarter of fiscal 2015 of one-time expenses related to employee relocations in the network business in Japan.

Net financial loss was 4.0 billion yen, representing a deterioration of 5.8 billion yen from the same period in fiscal 2015. This was due to the recording of a foreign exchange loss accompanying the sudden rise in the value of the yen at the end of this first quarter. Income from investments accounted for using the equity method, net, was 2.0 billion yen, a decrease of 6.6 billion yen from the first quarter 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, the loss before income taxes was 13.2 billion yen, an improvement of 3.5 billion yen from the first quarter of the previous fiscal year.

The loss for the period attributable to owners of the parent was 14.0 billion yen, an improvement of 4.8 billion yen from the first quarter of fiscal 2015.

FY2016 First-Quarter Consolidated Business Segment Information

<Revenue* and Operating Profit>

(Billions of yen)

		1Q FY2015	1Q FY2016	Change vs. 1Q FY2015	
		〔 4/1/2015 ~ 6/30/2015 〕	〔 4/1/2016 ~ 6/30/2016 〕		Change(%)
Technology Solutions	Revenue	718.8	672.7	-46.0	-6.4
	Japan	423.1	430.4	7.2	1.7
	Outside Japan	295.7	242.3	-53.3	-18.0
	Operating profit	-4.0	7.1	11.1	-
	[Operating profit margin]	[-0.6%]	[1.1%]	[1.7%]	
Services	Revenue	611.2	578.3	-32.9	-5.4
	Japan	350.6	361.3	10.6	3.0
	Outside Japan	260.6	216.9	-43.6	-16.7
	Operating profit	9.9	15.0	5.0	51.3
	[Operating profit margin]	[1.6%]	[2.6%]	[1.0%]	
System Platforms	Revenue	107.6	94.4	-13.1	-12.2
	Japan	72.4	69.0	-3.3	-4.7
	Outside Japan	35.1	25.3	-9.7	-27.7
	Operating profit	-13.9	-7.8	6.0	-
	[Operating profit margin]	[-13.0%]	[-8.4%]	[4.6%]	
Ubiquitous Solutions	Revenue	243.2	219.8	-23.3	-9.6
	Japan	155.1	139.2	-15.9	-10.3
	Outside Japan	88.1	80.6	-7.4	-8.5
	Operating profit	-7.6	4.6	12.2	-
	[Operating profit margin]	[-3.1%]	[2.1%]	[5.2%]	
Device Solutions	Revenue	149.9	130.0	-19.8	-13.3
	Japan	73.8	56.7	-17.1	-23.2
	Outside Japan	76.0	73.2	-2.7	-3.6
	Operating profit	10.7	-1.1	-11.9	-
	[Operating profit margin]	[7.1%]	[-0.9%]	[-8.0%]	
Other/Elimination and Corporate**	Revenue	-46.9	-36.1	10.8	-
	Operating profit	-26.3	-21.7	4.6	-
Total	Revenue	1,065.0	986.5	-78.5	-7.4
	Japan	611.6	590.7	-20.9	-3.4
	Outside Japan	453.3	395.8	-57.5	-12.7
	Operating profit	-27.3	-11.2	16.0	-
	[Operating profit margin]	[-2.6%]	[-1.1%]	[1.5%]	

<Ratio of revenue outside Japan>

42.6%

40.1%

-2.5%

<Revenue* by Principal Products and Services>

(Billions of yen)

	1Q FY2015	1Q FY2016	Change vs. 1Q FY2015	
	(4/1/2015 ~ 6/30/2015)	(4/1/2016 ~ 6/30/2016)		Change(%)
Technology Solutions	718.8	672.7	-46.0	-6.4
Services	611.2	578.3	-32.9	-5.4
Solutions / SI	211.3	211.5	0.2	0.1
Infrastructure Services	399.9	366.7	-33.2	-8.3
System Platforms	107.6	94.4	-13.1	-12.2
System Products	55.1	53.1	-2.0	-3.6
Network Products	52.4	41.3	-11.1	-21.2
Ubiquitous Solutions	243.2	219.8	-23.3	-9.6
PCs / Mobile Phones	151.6	125.9	-25.6	-16.9
Mobilewear	91.6	93.9	2.2	2.5
Device Solutions	149.9	130.0	-19.8	-13.3
LSI***	80.5	63.7	-16.8	-20.9
Electronic Components	69.7	66.6	-3.1	-4.5

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 672.7 billion yen, a decrease of 6.4% from the first quarter of fiscal 2015. Revenue in Japan rose 1.7%. In the Services sub-segment, 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, even though a deal for a large-scale project in the financial services field had already passed its peak. Revenue from infrastructure services also rose, primarily in outsourcing services. In the System Platforms sub-segment, however, revenue fell because of constrained investment in infrastructure hardware by network products customers. Revenue outside Japan fell 18%. 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 due to continued investment constraints by telecommunications carriers in North America in optical transmission systems.

The segment posted an operating profit of 7.1 billion yen, representing an improvement of 11.1 billion yen compared to the same period in fiscal 2015. In the Services sub-segment, although revenue fell, primarily outside Japan, operating profit increased because of ongoing profitability improvements both in and outside Japan. In the System Platforms sub-segment, in addition to profitability improvements in the server-related business, primarily in x86 servers, the operating profit for network products improved as a result of lower overhead costs and because, in the first quarter of fiscal 2015, the Company recorded 4.4 billion yen in business model transformation expenses (one-time expenses related to the relocation of employees in the business in Japan), despite the negative impact of lower sales.

Ubiquitous Solutions

Revenue in the Ubiquitous Solutions segment was 219.8 billion yen, a decrease of 9.6% from the first quarter of fiscal 2015. Revenue in Japan fell by 10.3%. For mobile phones, there was a significant decline in revenue from the previous year, primarily in high-end models, due to a longer replacement cycle. For PCs, although enterprise sales remained strong, revenue fell because of lower consumer sales. On the other hand, revenue in Mobilewear increased. Revenue outside Japan fell by 8.5%. Excluding the impact of foreign exchange movements, however, it was essentially unchanged. Revenue from PCs in Europe fell, but revenue in the Mobilewear sub-segment rose, primarily in Europe.

The Ubiquitous Solutions segment posted an operating profit of 4.6 billion yen, an improvement of 12.2 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 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 130.0 billion yen, down 13.3% from the first quarter of fiscal 2015.

The segment posted an operating loss of 1.1 billion yen, representing a deterioration of 11.9 billion yen from the first quarter of fiscal 2015. In addition to the impact of lower revenue from LSI devices, particularly for use in smartphones, operating profit declined due to the cost burden and lower capacity utilization accompanying inspections of manufacturing facilities, 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 21.7 billion yen. Because of cost efficiencies and other factors, the operating loss narrowed by 4.6 billion yen from the first quarter of fiscal 2015.