

July 27, 2017

FY 2017 First Quarter Financial Results
April 1, 2017 - June 30, 2017

Fujitsu Limited

Consolidated Financial Results for the First-Quarter Ended June 30, 2017

[Prepared on the basis of International Financial Reporting Standards]

July 27, 2017

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 Stock exchange listings : Tokyo, Nagoya
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 Scheduled filing date of statutory financial report: : August 4, 2017
 Scheduled dividend payment date: : -
 Supplementary material: : Yes
 Financial results meeting: : Yes (for media and analysts)

1. Consolidated Results for the First-Quarter Ended June 30, 2017

(Monetary amounts are rounded to the nearest million yen.)

(1) Consolidated financial results

(The percentage figures represent the percentage of increase or decrease against the same period of the previous year.)

(Millions of yen)

	Revenue		Operating profit		Profit before income taxes		Profit for the period	
		Change (%)		Change (%)		Change (%)		Change (%)
1Q FY 2017 (4/1/17-6/30/17)	922,638	2.5	4,952	-	7,404	-	4,648	-
1Q FY 2016 (4/1/16-6/30/16)	899,943	-	-13,709	-	-15,570	-	-15,211	-

	Profit for the period attributable to owners of the parent		Total comprehensive income for the period	
		Change (%)		Change (%)
1Q FY 2017 (4/1/17-6/30/17)	2,149	-	12,505	-
1Q FY 2016 (4/1/16-6/30/16)	-14,054	-	-99,014	-

(Yen)

	Earnings per share	
	Basic	Diluted
1Q FY 2017 (4/1/17-6/30/17)	1.05	1.05
1Q FY 2016 (4/1/16-6/30/16)	-6.79	-6.84

From the first quarter of 2017, the Fujitsu Group classifies FUJITSU TEN Limited under “discontinued operations.” In the Condensed Consolidated Statement of Profit or Loss, the profit from discontinued operations is therefore presented separately from the figures for continuing operations. Accordingly, the figures for revenue, operating profit, and profit before income taxes are all from continuing operations. Because the figures presented for the first quarter of fiscal 2016 have been modified in the same way, figures for the percentage change versus the same period in the previous fiscal year are not presented for revenue, operating profit, or profit before income taxes.

(2) Consolidated financial position

(Millions of yen)

	Total assets	Total equity	Equity attributable to owners of the parent	Equity attributable to owners of the parent ratio (%)
June 30, 2017	3,041,324	1,018,500	880,307	28.9%
March 31, 2017	3,191,498	1,019,202	881,292	27.6%

2. Dividends per Share (Ordinary Shares)

(Yen)

	Dividends per share				
	1Q	2Q	3Q	Year-end	Full year
FY2016	-	4.00	-	5.00	9.00
FY2017	-				
FY2017(Forecast)		5.00	-	6.00	11.00

Note: Revision of the latest dividends forecast: None

3. Consolidated Earnings Forecast for FY2017

(The percentage figures represent the percentage of increase or decrease against the previous year.)

(Millions of yen, except per share data)

	Revenue		Operating profit		Profit for the period attributable to owners of the parent		Basic earnings per share
		Change (%)		Change (%)		Change (%)	
FY2017	4,100,000	-0.8	185,000	57.5	145,000	63.9	70.72

Note: Revision of the latest consolidated earnings forecast: None

As with (1) Consolidated financial results, the figures for revenue and operating profit are all from continuing operations. Likewise, for the percentage change versus the previous period, figures are presented for the percentage change from the previous period's revenue and operating profit from continuing operations.

4. Other Information

(1) Significant changes to subsidiaries in the current reporting period

(Changes to specified subsidiaries resulting from changes in scope of consolidation): None

(2) Changes in accounting policies and accounting estimates

1. Changes in accounting policies required by IFRS: None
2. Changes arising from factors other than 1: None
3. Changes in accounting estimates: None

(3) Number of issued shares (ordinary shares)

1. Number of issued shares at end of period	As of June 30, 2017	2,070,018,213
	As of March 31, 2017	2,070,018,213
2. Treasury stock held at end of period	As of June 30, 2017	19,566,624
	As of March 31, 2017	19,540,434
3. Average number of shares during period	1Q FY 2017	2,050,462,113
	1Q FY 2016	2,068,823,076

Notes

1. This financial report is not subject to quarterly review

2. Precautions on usage of earnings projections

These materials may contain forward-looking statements that are based on management's current information, views and assumptions and involve known and unknown risks and uncertainties that could cause actual results, performance or events to differ materially from those expressed or implied in such statements. Actual results may differ materially from those projected or implied in the forward-looking statements due to, without limitation, the following factors listed below.

- General economic and market conditions in key markets
(Particularly in Japan, Europe, North America, and Asia, including China)
- Rapid changes in the high-technology market (particularly semiconductors, PCs, etc.)
- Fluctuations in exchange rates or interest rates
- Fluctuations in capital markets
- Intensifying price competition
- Changes in market positioning due to competition in R&D
- Changes in the environment for the procurement of parts and components
- Changes in competitive relationships due to collaborations, alliances and technical provisions
- Risks related to public regulations, public policy and tax matters
- Risks related to product or services defects
- Potential emergence of unprofitable projects
- Risks related to R&D investments, capital expenditures, business acquisitions, business restructuring, etc.
- Risks related to natural disasters and unforeseen events
- Changes in accounting policies

For information regarding the assumptions used to prepare these projections, please refer to the supplemental explanation materials (Presentation Material).

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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 2016 to translate the current period's revenue outside Japan into yen.

Discontinued Operations

On April 28, 2017, Fujitsu reached an agreement with DENSO Corporation to sell DENSO a portion of the shares it holds in FUJITSU TEN LIMITED. Accordingly, from the first quarter of 2017, FUJITSU TEN is classified under "discontinued operations." The profit or loss from discontinued operations is presented separately from the figures for continuing operations as "Profit for the Period/Year from Discontinued Operations," and actual results from the previous fiscal year are presented in the same format. For the amounts, please refer to the supplemental explanation materials (Presentation Material).

1. Explanation of Financial Results

(1) Profit or Loss

Consolidated revenue for the first quarter of fiscal 2017 was 922.6 billion yen, up 22.6 billion yen from the first quarter of fiscal 2016. Revenue in Japan rose 5.4%. Apart from the impact of approximately 13.0 billion yen decrease in revenue due to the exclusion of Nifty's consumer ISP business in Fujitsu's consolidated results, revenue in Japan from the Services sub-segments increased. Revenue from network products, PCs, mobile phones, and LSI devices also all increased. Excluding the impact of the Nifty reorganization, revenue from all three of Fujitsu reportable segments rose. Outside of Japan, revenue fell by 2.0%. In addition to a decrease in revenue from the Services sub-segment resulting from a decline in the value of the British pound against the yen, revenue from electronic components also decreased. The ratio of revenue outside Japan was 37.3%, a decrease of 1.7 percentage points compared to the same period of the previous fiscal year.

Fujitsu recorded an operating profit of 4.9 billion yen, an improvement of 18.6 billion yen from the first quarter of fiscal 2016. Contributing factors include the impact of two special one-time circumstances. The first factor is the approximately 16.0 billion yen net gain on the sale of assets from Nifty's consumer ISP business, and others. The second is a deterioration factor of approximately 7.0 billion yen associated with the result of a legal dispute procedure at an overseas subsidiary. Excluding the impact from these factors, operating profit improved due to higher revenue in the network products of mobile phone base stations in Japan, PCs, mobile phones, and LSI devices as well as a result of not having the cost burden incurred in last fiscal year's first quarter from mandatory inspections of LSI device manufacturing facilities.

Profit for the period before income taxes from continuing operations was 7.4 billion yen, an improvement of 22.9 billion yen from the same period in fiscal 2016. In addition to improved operating profit, this was attributable to a reduction in the burden of financial expenses. In the first quarter of fiscal 2016, a foreign exchange loss of approximately 5.0 billion yen was recorded due to the sudden rise in the value of the yen.

Profit for the period attributable to owners of the parent, including from discontinued operations, was 2.1 billion yen, an improvement of 16.2 billion yen from the first quarter of fiscal 2016.

(2) Business Segment Information

Please refer to supplemental explanation materials (Presentation Material).

2. Explanation of Financial Condition

(1) Assets, Liabilities and Equity

Consolidated total assets at the end of the first quarter of fiscal 2017 were 3,041.3 billion yen, down 150.1 billion yen from the end of fiscal 2016. Trade receivables declined on collections of receivables from sales concentrated toward the end of fiscal 2016.

Consolidated total liabilities amounted to 2,022.8 billion yen, a decrease of 149.4 billion yen compared to the end of fiscal 2016. In addition to the payment of trade payables relating to the concentration of sales at the end of the previous fiscal year, the decline was attributable to a decrease in other payables due to the payment of bonuses.

The balance of interest-bearing loans was 508.9 billion yen, an increase of 22.2 billion yen, partly from short-term borrowings to finance a portion of the working capital.

The balance of total equity was 1,018.5 billion yen, and is essentially unchanged from the end of fiscal 2016. Despite the payment of dividends, total equity increased because of the profit recorded for the period and an improvement in the funded status of defined benefit plans, primarily in Japan.

Equity attributable to owners of the parent ratio (shareholders' equity ratio) was 28.9%, an increase of 1.3 percentage points from the end of fiscal 2016.

(2) Cash Flows

Net cash provided by operating activities in the first quarter amounted to 81.6 billion yen, an increase of 19.6 billion yen from the first quarter of fiscal 2016 resulting from an improvement in profit for the period before income taxes.

Net cash used in investing activities was 31.4 billion yen, primarily reflecting capital expenditures in datacenters and other areas. Compared to the same period in fiscal 2016, net outflows declined by 6.9 billion yen.

Free cash flow, the sum of cash flows from operating and investing activities, was 50.2 billion yen, representing an increase in net cash inflows of 26.6 billion yen compared with the first quarter of fiscal 2016.

Net cash provided by financing activities was 9.6 billion yen, primarily because a portion of working capital was financed with short-term borrowings. Compared to the first quarter of fiscal 2016, cash inflows decreased by 17.1 billion yen.

As a result of the above factors, cash and cash equivalents at the end of the first quarter of fiscal 2017 were 444.7 billion yen, up 60.7 billion yen from the end of fiscal 2016.

Earnings Forecast for FY2017

Please refer to supplemental explanation materials (Presentation Material).

Part II . Financial Tables

1. Condensed Consolidated Statement of Financial Position

	(Millions of yen)	
	Notes	
	FY2016	1Q FY2017
	(As of March 31, 2017)	(As of June 30, 2017)
Assets		
Current assets		
Cash and cash equivalents	380,695	436,304
Trade receivables	999,238	731,355
Other receivables	66,849	68,312
Inventories	293,163	298,250
Others	79,052	100,135
Subtotal	1,818,997	1,634,356
Assets held for sale	23,408	177,423
Total current assets	1,842,405	1,811,779
Non-current assets		
Property, plant and equipment, net of accumulated depreciation	596,649	550,989
Goodwill	41,237	42,785
Intangible assets	153,974	138,057
Investments accounted for using the equity method	109,854	108,187
Other investments	181,970	179,469
Deferred tax assets	132,591	118,125
Others	132,818	91,933
Total non-current assets	1,349,093	1,229,545
Total assets	3,191,498	3,041,324
Liabilities and equity		
Liabilities		
Current liabilities		
Trade payables	617,706	482,936
Other payables	382,894	290,101
Short-term borrowings, current portion of long-term debt and lease obligations	130,788	192,742
Accrued income taxes	21,740	10,576
Provisions	75,047	62,669
Others	191,803	211,636
Subtotal	1,419,978	1,250,660
Liabilities directly associated with assets held for sale	12,014	104,346
Total current liabilities	1,431,992	1,355,006
Non-current liabilities		
Long-term debt and lease obligations	354,304	315,299
Retirement benefit liabilities	309,031	278,002
Provisions	31,363	31,869
Deferred tax liabilities	4,788	3,583
Others	40,818	39,065
Total non-current liabilities	740,304	667,818
Total liabilities	2,172,296	2,022,824
Equity		
Share capital	324,625	324,625
Capital surplus	231,640	231,889
Treasury stock, at cost	-12,502	-12,522
Retained earnings	265,893	265,523
Other components of equity	71,636	70,792
Total equity attributable to owners of the parent	881,292	880,307
Non-controlling interests	137,910	138,193
Total equity	1,019,202	1,018,500
Total liabilities and equity	3,191,498	3,041,324

2. Condensed Consolidated Statement of Profit or Loss and Condensed Consolidated Statement of Comprehensive Income

【First-Quarter Condensed Consolidated Statement of Profit or Loss】		(Millions of yen, except per share data)	
		1Q FY2016	1Q FY2017
	Notes	(For the three-month ended June 30, 2016)	(For the three-month ended June 30, 2017)
Continuing Operations			
Revenue		899,943	922,638
Cost of sales		-665,791	-676,074
Gross profit		234,152	246,564
Selling, general and administrative expenses		-247,742	-249,970
Other income (expenses)		-119	8,358
Operating profit		-13,709	4,952
Financial income		2,997	2,908
Financial expenses		-6,891	-2,057
Income from investments accounted for using the equity method, net		2,033	1,601
Profit for the period from continuing operations before income taxes		-15,570	7,404
Income tax expenses		-911	-6,361
Profit for the period from continuing operations		-16,481	1,043
Discontinued operations			
Profit for the period from discontinued operations		1,270	3,605
Profit for the period		-15,211	4,648
Profit for the period attributable to:			
Owners of the parent		-14,054	2,149
Non-controlling interests		-1,157	2,499
Total		-15,211	4,648
Earning per share			
Basic earnings per share (Yen)		-6.79	1.05
Diluted earnings per share (Yen)		-6.84	1.05
Earning per share from continuing operations			
Basic earnings per share (Yen)		-7.14	0.08
Diluted earnings per share (Yen)		-7.18	0.08

【First-Quarter Condensed Consolidated Statement of Comprehensive Income】		(Millions of yen)	
		1Q FY2016	1Q FY2017
	Notes	(For the three-month ended June 30, 2016)	(For the three-month ended June 30, 2017)
Profit for the period		-15,211	4,648
Other comprehensive income			
Items that will not be reclassified to profit or loss			
Remeasurement of defined benefit plans		-51,120	8,485
Items that may be reclassified subsequently to profit or loss			
Foreign currency translation adjustments		-26,765	-43
Cash flow hedges		271	10
Available-for-sale financial assets		-2,975	-116
Share of other comprehensive income of investments accounted for using the equity method		-3,214	-479
		-32,683	-628
Total other comprehensive income for the period, net of taxes		-83,803	7,857
Total comprehensive income for the period		-99,014	12,505
Total comprehensive income attributable to:			
Owners of the parent		-92,997	9,038
Non-controlling interests		-6,017	3,467
Total		-99,014	12,505

3. Condensed Consolidated Statement of Changes in Equity

(Millions of yen)

Notes	Equity attributable to owners of the parent						Non-controlling interests	Total equity
	Share capital	Capital surplus	Treasury stock, at cost	Retained earnings	Other components of equity	Total		
Balance at April 1, 2016	324,625	233,896	-627	155,930	68,958	782,782	143,458	926,240
Profit for the period				-14,054		-14,054	-1,157	-15,211
Other comprehensive income					-78,943	-78,943	-4,860	-83,803
Total comprehensive income for the period	—	—	—	-14,054	-78,943	-92,997	-6,017	-99,014
Purchase of treasury stock			-4			-4	-1	-5
Disposal of treasury stock			2			2		2
Dividends paid				-8,275		-8,275	-1,713	-9,988
Transfer to retained earnings				-49,163	49,163	—		—
Acquisition (disposal) of non-controlling interests		-1,664				-1,664	-8,600	-10,264
Balance at June 30, 2016	324,625	232,232	-629	84,438	39,178	679,844	127,127	806,971

(Millions of yen)

Notes	Equity attributable to owners of the parent						Non-controlling interests	Total equity
	Share capital	Capital surplus	Treasury stock, at cost	Retained earnings	Other components of equity	Total		
Balance at April 1, 2017	324,625	231,640	-12,502	265,893	71,636	881,292	137,910	1,019,202
Profit for the period				2,149		2,149	2,499	4,648
Other comprehensive income					6,889	6,889	968	7,857
Total comprehensive income for the period	—	—	—	2,149	6,889	9,038	3,467	12,505
Purchase of treasury stock			-20			-20		-20
Dividends paid				-10,252		-10,252	-2,482	-12,734
Transfer to retained earnings				7,733	-7,733	—		—
Acquisition (disposal) of non-controlling interests		249				249	-619	-370
Changes in ownership interests in subsidiaries						—	-83	-83
Balance at June 30, 2017	324,625	231,889	-12,522	265,523	70,792	880,307	138,193	1,018,500

4. Condensed Consolidated Statements of Cash Flows

		(Millions of yen)	
	Notes	1Q FY2016 (For the three- month ended June 30, 2016)	1Q FY2017 (For the three- month ended June 30, 2017)
<i>Cash flows from operating activities</i>			
Profit for the period from continuing operations before income taxes		-15,570	7,404
Depreciation, amortization and impairment loss		42,159	41,067
Increase (decrease) in provisions		-9,882	-8,372
Increase (decrease) in net defined benefit liability		-344	-3,009
Interest and dividend income		-2,294	-2,840
Interest charges		1,119	982
Equity in earnings of affiliates, net		-2,041	-1,609
(Increase) decrease in trade receivables		243,018	218,683
(Increase) decrease in inventories		-36,305	-39,568
Increase (decrease) in trade payables		-93,362	-81,148
Other, net		-42,998	-33,939
Cash generated from operations		83,500	97,651
Interest received		332	300
Dividends received		2,773	3,129
Interest paid		-1,294	-1,235
Income taxes paid		-23,269	-18,180
Net cash provided by operating activities		62,042	81,665
<i>Cash flows from investing activities</i>			
Purchases of property , plant, equipment, and intangible assets		-39,430	-29,667
Proceeds from sale of available-for-sale financial assets		1,102	28
Net proceeds from sale of subsidiaries and business		—	-1,180
Other, net		-74	-584
Net cash used in investing activities		-38,402	-31,403
<i>Cash flows from financing activities</i>			
Increase (decrease) in short-term borrowings		48,565	27,507
Proceeds from long-term debt and issuance of bonds		2,394	205
Repayment of long-term debt and bonds		-125	-1,114
Payment of lease obligation		-3,514	-3,554
Purchase of treasury stock		-4	-20
Dividends paid to owners of the parent		-8,275	-10,252
Acquisition of non-controlling interests		-10,267	-385
Other, net		-1,972	-2,689
Net cash provided by financing activities		26,802	9,698
Net increase (decrease) in cash and cash equivalents		50,442	59,960
Cash and cash equivalents at beginning of period		380,810	383,969
Effect of exchange rate changes on cash and cash equivalents		-11,362	822
Cash and cash equivalents at end of period		419,890	444,751

5. Notes to Financial Statements

1. Cautionary Note Regarding Assumptions of a Going Concern

None.