

January 31, 2017

FY 2016 Nine-Month Financial Results
April 1, 2016 - December 31, 2016

Fujitsu Limited

Consolidated Financial Results for the Nine months Ended December 31, 2016

[Prepared on the basis of International Financial Reporting Standards]

January 31, 2017

Company name	: Fujitsu Limited
Stock exchange listings	: Tokyo, Nagoya
Code number	: 6702
URL	: http://www.fujitsu.com/global/
Representative	: Tatsuya Tanaka, President and Representative Director
Contact person	: Isamu Yamamori, Corporate Executive Officer, SVP, Head of Public and Investor Relations Division Tel. +81 3 6252 2175
Scheduled filing date of statutory financial report	: February 3, 2017
Scheduled dividend payment date	: -
Supplementary material	: Yes
Financial results meeting	: Yes (for media and analysts)

1. Consolidated Results for the Nine months Ended December 31, 2016

(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 (%)
9 Months FY 2016 (4/1/16-12/31/16)	3,200,548	-6.1	63,248	-	68,193	305.2	38,295	-
9 Months FY 2015 (4/1/15-12/31/15)	3,408,238	1.3	1,615	-97.5	16,828	-79.8	-8,054	-

	Profit for the period attributable to owners of the parent		Total comprehensive income for the period	
		Change (%)		Change (%)
9 Months FY 2016 (4/1/16-12/31/16)	32,237	-	52,194	-
9 Months FY 2015 (4/1/15-12/31/15)	-10,679	-	-16,206	-

(Yen)

	Earnings per share	
	Basic	Diluted
9 Months FY 2016 (4/1/16-12/31/16)	15.58	15.58
9 Months FY 2015 (4/1/15-12/31/15)	-5.16	-5.17

(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
December 31, 2016	3,161,315	946,202	809,599	25.6%
March 31, 2016	3,226,303	926,240	782,782	24.3%

2. Dividends per Share (Ordinary Shares)

(Yen)

	Dividends per share				
	1Q	2Q	3Q	Year-end	Full year
FY2015	-	4.00	-	4.00	8.00
FY2016	-	4.00	-		
FY2016(Forecast)				4.00	8.00

Note: Revision of the latest consolidated earnings forecast: None

3. Consolidated Earnings Forecast for FY2016

(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 year attributable to owners of the parent		Basic earnings per share
		Change (%)		Change (%)		Change (%)	
FY2016	4,500,000	-5.0	120,000	-0.5	85,000	-2.0	41.09

Note: Revision of the latest consolidated earnings forecast: None

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 December 31, 2016	2,070,018,213
	As of March 31, 2016	2,070,018,213
2. Treasury stock held at end of period	As of December 31, 2016	1,251,810
	As of March 31, 2016	1,189,496
3. Average number of shares during period	9 Months FY 2016	2,068,804,965
	9 Months FY 2015	2,068,892,684

Notes

1. Compliance with quarterly review procedures

These materials fall outside the jurisdiction of the quarterly review procedures of the Financial Instruments and Exchange Act. Therefore, at the time of disclosure, a portion of the review has not yet been completed. Upon completion of the review, a statutory quarterly report will be submitted on February 3, 2017.

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 relating 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 "Part I: Financial Results, 3. FY2016 Earnings Forecasts" on page 11.

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

1. Explanation of Financial Results

1-1. Third Quarter

FY2016 Third-Quarter Financial Results

(Billions of yen)

	3Q FY2015 10/1/15- 12/31/15	3Q FY2016 10/1/16- 12/31/16	Change vs.	
			3Q FY2015	Change (%)
Revenue	1,166.9	1,115.4	-51.4	-4.4
Operating profit	14.0	37.3	23.2	165.8
[Business Model Transformation Expenses]	[-17.6]	※ [-7.4]	[10.1]	-
[Operating profit margin]	[1.2%]	[3.3%]	[2.1%]	
Financial income (expenses)	2.5	5.5	2.9	115.2
Income from investments accounted for using the equity method, net	3.3	-0.7	-4.0	-
Profit for the period before income taxes	19.9	42.1	22.1	111.0
Profit for the period attributable to owners of the parent	5.2	20.3	15.0	286.1

※ Business outside Japan for EMEIA -7.4

<Profit or Loss>

Consolidated revenue for the third quarter of fiscal 2016 was 1,115.4 billion yen, down 51.4 billion yen from the third quarter of fiscal 2015, but was essentially unchanged on a constant-currency basis. Revenue in Japan rose 3.5%. Although revenue in Japan from LSI devices declined, revenue in the Services sub-segment increased, primarily from system integration services, and revenue from network products also rose. Revenue outside of Japan decreased 15.0%. Results were significantly impacted by foreign exchange movements, and, in addition, there was a decline in revenue from infrastructure services in Europe. 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 60.0 billion yen. Due in part to the impact of foreign exchange movements, the ratio of revenue outside Japan was 37.9%, a decrease of 4.8 percentage points compared to the same period in the prior fiscal year.

Fujitsu recorded an operating profit of 37.3 billion yen, up 23.2 billion yen from the third quarter of fiscal 2015. Operating profit improved on cost reductions in PCs and mobile phones, and because operating profit from network products in Japan benefited from higher revenue. In addition, the burden of business model transformation expenses declined by 10.1 billion yen, from 17.6 billion yen in the third quarter of fiscal 2015, due to the realignment of the hardware products business in Europe, to 7.4 billion yen in the third quarter of fiscal 2016 relating to a resource shift to digital services in European locations.

Net financial income was 5.5 billion yen, an improvement of 2.9 billion yen from the same period in fiscal 2015, primarily from foreign exchange gains. Income from investments accounted for using the equity method, net was an 0.7 billion yen loss, representing a deterioration of 4.0 billion yen from the same period in the prior fiscal year, primarily because a reserve was recorded to cover potential losses from an affiliated company in Japan.

As a result, profit for the period before income taxes was 42.1 billion yen, an increase of 22.1 billion yen over the third quarter of the previous fiscal year.

Profit for the period attributable to owners of the parent was 20.3 billion yen, up 15.0 billion yen from the third quarter of fiscal 2015.

FY2016 Third-Quarter Consolidated Business Segment Information

<Revenue* and Operating Profit>

(Billions of yen)

		3Q FY2015	3Q FY2016	Change vs. 3Q FY2015	
		(10/1/2015 ~ 12/31/2015)	(10/1/2016 ~ 12/31/2016)		Change(%)
Technology Solutions	Revenue	800.3	764.5	-35.7	-4.5
	Japan	472.7	503.4	30.7	6.5
	Outside Japan	327.6	261.1	-66.4	-20.3
	Operating profit	34.9	50.6	15.6	44.8
	[Operating profit margin]	[4.4%]	[6.6%]	[2.2%]	
Services	Revenue	681.6	639.3	-42.3	-6.2
	Japan	393.2	410.9	17.7	4.5
	Outside Japan	288.4	228.4	-60.0	-20.8
	Operating profit	40.2	35.0	-5.2	-13.0
	[Operating profit margin]	[5.9%]	[5.5%]	[-0.4%]	
System Platforms	Revenue	118.6	125.2	6.5	5.5
	Japan	79.5	92.5	13.0	16.4
	Outside Japan	39.1	32.7	-6.4	-16.5
	Operating profit	-5.2	15.6	20.9	-
	[Operating profit margin]	[-4.4%]	[12.5%]	[16.9%]	
Ubiquitous Solutions	Revenue	259.2	259.6	0.3	0.1
	Japan	164.7	171.9	7.1	4.3
	Outside Japan	94.4	87.6	-6.7	-7.2
	Operating profit	-1.0	9.6	10.7	-
	[Operating profit margin]	[-0.4%]	[3.7%]	[4.1%]	
Device Solutions	Revenue	151.6	137.0	-14.6	-9.6
	Japan	73.5	62.1	-11.4	-15.6
	Outside Japan	78.0	74.9	-3.1	-4.0
	Operating profit	5.7	4.3	-1.4	-24.4
	[Operating profit margin]	[3.8%]	[3.2%]	[-0.6%]	
Other/Elimination and Corporate**	Revenue	-44.3	-45.7	-1.4	-
	Operating profit	-25.6	-27.3	-1.7	-
Total	Revenue	1,166.9	1,115.4	-51.4	-4.4
	Japan	669.1	692.3	23.2	3.5
	Outside Japan	497.8	423.0	-74.7	-15.0
	Operating profit	14.0	37.3	23.2	165.8
	[Operating profit margin]	[1.2%]	[3.3%]	[2.1%]	

<Ratio of revenue outside Japan>

42.7%

37.9%

-4.8%

<Revenue* by Principal Products and Services>

(Billions of yen)

	3Q FY2015	3Q FY2016	Change vs. 3Q FY2015	
	(10/1/2015 ~ 12/31/2015)	(10/1/2016 ~ 12/31/2016)		Change(%)
Technology Solutions	800.3	764.5	-35.7	-4.5
Services	681.6	639.3	-42.3	-6.2
Solutions / SI	237.1	250.7	13.5	5.7
Infrastructure Services	444.5	388.6	-55.9	-12.6
System Platforms	118.6	125.2	6.5	5.5
System Products	56.8	54.7	-2.0	-3.7
Network Products	61.8	70.4	8.6	14.0
Ubiquitous Solutions	259.2	259.6	0.3	0.1
PCs / Mobile Phones	162.8	155.4	-7.3	-4.5
Mobilewear	96.4	104.1	7.7	8.1
Device Solutions	151.6	137.0	-14.6	-9.6
LSI***	78.2	68.1	-10.1	-13.0
Electronic Components	73.7	69.2	-4.4	-6.1

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 764.5 billion yen, a decrease of 4.5% from the third quarter of fiscal 2015. Revenue in Japan rose 6.5%. In the Services sub-segment, 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 and services fields, as well as from telecommunications carriers, exceeding the high level of revenue from the same period last year. 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 20.3%. In addition to the impact of foreign exchange movements, revenue from infrastructure services fell on weak sales in Europe and the US.

The segment posted an operating profit of 50.6 billion yen, up 15.6 billion yen compared to the same period in 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 from network products. Business model transformation expenses declined by 9.5 billion yen, from 15.9 billion yen in the third quarter of fiscal 2015, due to the realignment of the hardware products business in Europe, to 6.4 billion yen in the third quarter of fiscal 2016 relating to a resource shift to digital services in European locations.

Ubiquitous Solutions

Revenue in the Ubiquitous Solutions segment was 259.6 billion yen, essentially unchanged from the third quarter of fiscal 2015. Revenue in Japan rose by 4.3%. Revenue from mobile phones declined because of the impact of the leveling-off of growth in the market for smartphones. 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 7.2%. Excluding foreign exchange movements, revenue was essentially unchanged from the same period the previous 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 9.6 billion yen, an improvement of 10.7 billion yen over the same period in fiscal 2015. For PCs, operating profit improved because of the impact of higher revenue in Japan as well as 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. For mobile phones, although revenue declined, operating profit improved as a result of cost reductions and efficiencies. Operating profit increased in Mobilewear because of higher revenue.

Device Solutions

Revenue in the Device Solutions segment amounted to 137.0 billion yen, down 9.6% from the third quarter of fiscal 2015.

The segment posted an operating profit of 4.3 billion yen, down 1.4 billion yen from the third 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 27.3 billion yen, representing a deterioration of 1.7 billion yen from the third quarter of fiscal 2015.

1-2.Nine Months

FY2016 Nine Months Financial Results

(Billions of yen)

	9 Months FY2015 4/1/15- 12/31/15	9 Months FY2016 4/1/16- 12/31/16	Change vs.	
			9 Months FY2015	Change (%)
Revenue	3,408.2	3,200.5	-207.6	-6.1
Operating profit	1.6	63.2	61.6	-
[Business Model Transformation Expenses]	[-21.9]	※ [-7.4]	[14.4]	-
[Operating profit margin]	[0.0%]	[2.0%]	[2.0%]	
Financial income (expenses)	0.9	2.1	1.2	143.0
Income from investments accounted for using the equity method, net	14.3	2.7	-11.5	-80.7
Profit for the period before income taxes	16.8	68.1	51.3	305.2
Profit for the period attributable to owners of the parent	-10.6	32.2	42.9	-

※ Business outside Japan for EMEIA -7.4

<Profit or Loss>

Consolidated revenue for the first nine months of fiscal 2016 was 3,200.5 billion yen, down 207.6 billion yen from the same period in fiscal 2015. Revenue in Japan was essentially unchanged. Although revenue in Japan from LSI devices and mobile phones declined, revenue in the Services sub-segment increased, primarily from outsourcing and systems integration services, and revenue from PCs, Mobilewear, and network products also rose. Revenue outside of Japan declined 15.6%. Results were significantly impacted by foreign exchange movements, and, in addition, there was a decline in revenue from infrastructure services in Europe. 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 185.0 billion yen. Due in part to the impact of foreign exchange movements, the ratio of revenue outside Japan was 37.8%, a decrease of 4.2 percentage points compared to the same period in the prior fiscal year.

Fujitsu recorded an operating profit of 63.2 billion yen, up 61.6 billion yen from the first nine months of fiscal 2015. Although operating profit from LSI devices and from the Services sub-segment outside Japan was adversely affected by lower revenue, overall operating profit improved because of cost reductions and efficiencies in PCs and mobile phones, and because of higher operating profit in Japan in the Services sub-segment and from network products as a result of higher revenue. In addition, business model transformation expenses declined by 14.4 billion yen, from 21.9 billion yen in the first nine months of fiscal 2015, due to the realignment of the hardware products business in Europe and the network business in Japan, to 7.4 billion yen in the first nine months of fiscal 2016 relating to a resource shift to digital services in European locations.

Net financial income was 2.1 billion yen, up 1.2 billion yen from the same period in fiscal 2015. Income from investments accounted for using the equity method, net, was 2.7 billion yen, down 11.5 billion yen from the same period in the prior fiscal year. This was, in part, because a reserve was recorded to cover potential losses from an affiliated company in Japan, and because, in the same period last fiscal year, 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 period before income taxes was 68.1 billion yen, an increase of 51.3 billion yen over the first nine months of the previous fiscal year.

Profit for the period attributable to owners of the parent was 32.2 billion yen, an improvement of 42.9 billion yen from the first nine months of fiscal 2015.

FY2016 Nine Months Consolidated Business Segment Information

<Revenue* and Operating Profit>

(Billions of yen)

		9 Months FY2015	9 Months FY2016	Change vs. 9 Months FY2015	
		〔 4/1/2015 ~ 12/31/2015 〕	〔 4/1/2016 ~ 12/31/2016 〕		Change(%)
Technology Solutions	Revenue	2,318.6	2,183.7	-134.8	-5.8
	Japan	1,391.7	1,445.4	53.6	3.9
	Outside Japan	926.8	738.3	-188.5	-20.3
	Operating profit	67.2	103.9	36.6	54.5
	[Operating profit margin]	[2.9%]	[4.8%]	[1.9%]	
Services	Revenue	1,972.7	1,845.5	-127.1	-6.4
	Japan	1,156.9	1,192.5	35.6	3.1
	Outside Japan	815.8	653.0	-162.8	-20.0
	Operating profit	84.6	82.4	-2.1	-2.5
	[Operating profit margin]	[4.3%]	[4.5%]	[0.2%]	
System Platforms	Revenue	345.8	338.1	-7.6	-2.2
	Japan	234.7	252.8	18.0	7.7
	Outside Japan	111.0	85.3	-25.7	-23.2
	Operating profit	-17.3	21.5	38.8	-
	[Operating profit margin]	[-5.0%]	[6.4%]	[11.4%]	
Ubiquitous Solutions	Revenue	764.3	743.2	-21.0	-2.8
	Japan	489.8	496.1	6.3	1.3
	Outside Japan	274.4	247.0	-27.3	-10.0
	Operating profit	-13.3	28.4	41.7	-
	[Operating profit margin]	[-1.7%]	[3.8%]	[5.5%]	
Device Solutions	Revenue	463.7	406.5	-57.2	-12.3
	Japan	222.2	181.7	-40.5	-18.2
	Outside Japan	241.5	224.8	-16.7	-6.9
	Operating profit	24.3	4.6	-19.7	-81.1
	[Operating profit margin]	[5.2%]	[1.1%]	[-4.1%]	
Other/Elimination and Corporate**	Revenue	-138.4	-133.0	5.4	-
	Operating profit	-76.6	-73.7	2.9	-
Total	Revenue	3,408.2	3,200.5	-207.6	-6.1
	Japan	1,976.6	1,991.8	15.1	0.8
	Outside Japan	1,431.5	1,208.7	-222.8	-15.6
	Operating profit	1.6	63.2	61.6	-
	[Operating profit margin]	[0.0%]	[2.0%]	[2.0%]	

<Ratio of revenue outside Japan>

42.0%

37.8%

-4.2%

<Revenue* by Principal Products and Services>

(Billions of yen)

	9 Months FY2015	9 Months FY2016	Change vs. 9 Months FY2015	
	(4/1/2015 ~ 12/31/2015)	(4/1/2016 ~ 12/31/2016)		Change(%)
Technology Solutions	2,318.6	2,183.7	-134.8	-5.8
Services	1,972.7	1,845.5	-127.1	-6.4
Solutions / SI	701.4	716.2	14.7	2.1
Infrastructure Services	1,271.3	1,129.3	-141.9	-11.2
System Platforms	345.8	338.1	-7.6	-2.2
System Products	171.2	163.1	-8.1	-4.7
Network Products	174.5	175.0	0.4	0.3
Ubiquitous Solutions	764.3	743.2	-21.0	-2.8
PCs / Mobile Phones	477.8	444.7	-33.1	-6.9
Mobilewear	286.4	298.5	12.0	4.2
Device Solutions	463.7	406.5	-57.2	-12.3
LSI***	244.5	200.7	-43.8	-17.9
Electronic Components	220.3	206.6	-13.6	-6.2

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 2,183.7 billion yen, a decrease of 5.8% from the first nine months of fiscal 2015. Revenue in Japan rose 3.9%. In the Services sub-segment, 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 and services fields, as well as from telecommunications carriers, exceeding the high level of revenue from the same period last year. Revenue from infrastructure services also 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 20.3%. In addition to the impact of foreign exchange movements, revenue in the Services sub-segment fell on weak sales in Europe and the US. In the System Platforms sub-segment, revenue from network products fell prior to the anticipated introduction of new optical transmission system models in North America.

The segment posted an operating profit of 103.9 billion yen, up 36.6 billion yen compared to the same period in 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 from network products. The burden of business model transformation expenses declined by 13.7 billion yen, from 20.2 billion yen in the first nine months of fiscal 2015, due to the realignment of the hardware products business in Europe and the network business in Japan, to 6.4 billion yen in the first nine months of fiscal 2016 in line with a resource shift to digital services in European locations.

Ubiquitous Solutions

Revenue in the Ubiquitous Solutions segment was 743.2 billion yen, down 2.8% from the first nine months of fiscal 2015. Revenue in Japan was up 1.3% compared with the same period in the prior fiscal year. For mobile phones, revenue fell sharply due to the impact of the leveling-off of growth in the market for smartphones. 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 10.0%, but if the impact of foreign exchange movements is excluded, 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 28.4 billion yen, representing an improvement of 41.7 billion yen compared to the same period in fiscal 2015. For PCs, operating profit improved on the impact of higher revenue in Japan as well as 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. 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 406.5 billion yen, down 12.3% from the first nine months of fiscal 2015.

The segment posted an operating profit of 4.6 billion yen, down 19.7 billion yen from the first nine months 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 carried out in the first quarter, 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 73.7 billion yen. This was an improvement of 2.9 billion yen compared to the same period in fiscal 2015, due to such factors as cost efficiencies.

2. Explanation of Financial Condition

(1) Assets, Liabilities and Equity

(Billions of yen)

	FY2015 (As of March 31, 2016)	3Q FY2016 (As of December 31, 2016)	Change
Total assets	3,226.3	3,161.3	-64.9
Total liabilities	2,300.0	2,215.1	-84.9
Total equity	926.2	946.2	19.9
Total equity attributable to owners of the parent	782.7	809.5	26.8

Reference;

Cash and cash equivalents	380.8	380.9	0.1
Interest-bearing loans	534.9	612.8	77.9
Net interest-bearing loans	154.1	231.9	77.8
D/E ratio (times)	0.68	0.76	0.08
Net D/E ratio (times)	0.20	0.29	0.09
Equity attributable to owners of the parent ratio (%)	24.3	25.6	1.3

Consolidated total assets at the end of the third quarter of fiscal 2016 were 3,161.3 billion yen, down 64.9 billion yen from the end of fiscal 2015. Inventories increased in preparation for expected sales, particularly in the services business, but trade receivables declined on collections of receivables from sales concentrated toward the end of prior fiscal year.

Consolidated total liabilities amounted to 2,215.1 billion yen, a decrease of 84.9 billion yen compared to the end of fiscal 2015. The decline was attributable to payment of trade payables relating to the concentration of sales at the end of the prior fiscal year, and because there was a decline in retirement benefit liabilities due to an improvement in the funded status of defined benefit plans.

The balance of interest-bearing loans was 612.8 billion yen, an increase of 77.9 billion yen from the end of the prior fiscal year, primarily because a portion of working capital was financed with short-term borrowings.

The balance of total equity was 946.2 billion yen, up 19.9 billion yen from the end of fiscal 2015. Despite the payment of dividends total equity increased because of the recording of profits from the first nine months and as there was 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 25.6%, an increase of 1.3 percentage points from the end of fiscal 2015.

(2) Cash Flows

(Billions of yen)

	9 Months FY2015	9 Months FY2016	Change
I Cash flows from operating activities	33.0	94.2	61.1
II Cash flows from investing activities	-116.6	-130.9	-14.3
I+II Free cash flow	-83.6	-36.7	46.8
III Cash flows from financing activities	84.9	38.9	-46.0
IV Cash and cash equivalents at end of period	364.4	380.9	16.4

Net cash provided by operating activities in the first nine months of the fiscal year amounted to 94.2 billion yen, an increase of 61.1 billion yen from the same period of fiscal 2015. In addition to higher profit for the period before income taxes, there was an improvement in working capital.

Net cash used in investing activities was 130.9 billion yen, primarily reflecting capital expenditures in datacenters. Compared to the same period in fiscal 2015, net outflows increased by 14.3 billion yen.

Free cash flow, the sum of cash flows from operating and investing activities, was negative 36.7 billion yen, representing an increase in net cash inflows of 46.8 billion yen compared with the same period in fiscal 2015.

Net cash provided by financing activities was 38.9 billion yen, as a portion of working capital was financed with short-term borrowings.

As a result of the above factors, cash and cash equivalents at the end of the period were 380.9 billion yen, essentially unchanged from the end of fiscal 2015.

3. FY2016 Earnings Forecasts

There has been no change to the consolidated totals in the forecast announced last time of revenue of 4,500.0 billion yen, operating profit of 120.0 billion yen, and profit for the period attributable to the owners of the parent of 85.0 billion yen. Forecasts for individual segments, however, have been revised.

The forecast for revenue for Technology Solutions has been reduced by 40.0 billion yen. This is to factor in the impact of lower demand in the Services sub-segment outside Japan, particularly in Europe. At the same time, the forecast for Ubiquitous Solutions has been increased by 30.0 billion yen to reflect higher demand for Mobilewear and smartphones, while Other/Elimination and Corporate has been increased by 10.0 billion yen.

With regard to operating profit, 7.0 billion yen in business model transformation expenses (for shifting resources to businesses related to digital services at locations in Europe) that, in the forecast announced last October, were included in the Other/Elimination and Corporate segment have been reallocated, with 6.0 billion to Technology Solutions and 1.0 billion to Ubiquitous Solutions. Besides this, reflecting business variability, the forecast for Technology Solutions has been reduced by 9.0 billion yen. This change factors in the effect of lower revenue from the Services sub-segment outside Japan, as well as the impact of higher component procurement costs, in part due to foreign exchange movements. The operating profit forecast for Ubiquitous Solutions has been increased by 1.0 billion yen. It is expected that the effects of higher revenue and measures such as cost efficiencies in PCs and mobile phones will compensate for the effects of higher component costs. The forecast for Device Solutions has been increased by 7.0 billion yen. This incorporates expected improvements in factory operations, against the background of a recovery in demand, as well as the effects of changes in the foreign exchange rate in the third quarter. The operating loss forecast for Other/Elimination and Corporate has been reduced by 1.0 billion yen due to continuing cost efficiencies.

[Full-year]		(Billions of yen)			
	FY2015 (Actual)	FY2016 (Forecast)	Change vs. October forecast	Change vs. FY2015	Change(%)
Revenue	4,739.2	4,500.0	-	-239.2	-5.0
Operating Profit	120.6	120.0	-	-0.6	-0.5
[Business Model Transformation Expenses]	[-41.5]	[-45.0]	[-]	[-3.4]	-
[Operating Profit Margin]	[2.5%]	[2.7%]	[-%]	[0.2%]	
Profit for the Year Attributable to Owners of the Parent	86.7	85.0	-	-1.7	-2.0

[Revenue by Business Segment]

Technology Solutions	3,283.3	3,100.0	-40.0	-183.3	-5.6
Services	2,765.1	2,590.0	-40.0	-175.1	-6.3
System Platforms	518.1	510.0	-	-8.1	-1.6
Ubiquitous Solutions	1,040.9	1,015.0	30.0	-25.9	-2.5
Device Solutions	603.9	550.0	-	-53.9	-8.9
Other/Elimination and Corporate	-188.8	-165.0	10.0	23.8	-
Total	4,739.2	4,500.0	-	-239.2	-5.0

[Operating Profit by Business Segment]

Technology Solutions	[-35.9]	186.2	[-6.0]	230.0	[-6.0]	-15.0	[29.9]	43.7	23.5
Services	[-19.1]	163.9	[-6.0]	182.0	[-6.0]	-13.0	[13.1]	18.0	11.0
System Platforms	[-16.7]	22.3	[-]	48.0	[-]	-2.0	[16.7]	25.6	115.2
Ubiquitous Solutions	[-5.6]	-7.6	[-1.0]	21.0	[-1.0]	-	[4.6]	28.6	-
Device Solutions	[-]	30.3	[-]	6.0	[-]	7.0	[-]	-24.3	-80.3
Other/Elimination and Corporate	[-]	-88.3	[-38.0]	-137.0	[7.0]	8.0	[-38.0]	-48.6	-
Total	[-41.5]	120.6	[-45.0]	120.0	[-]	-	[-3.4]	-0.6	-0.5

*Figures in [] are Business Model Transformation Expenses

Part II . Financial Tables

1. Condensed Consolidated Statement of Financial Position

(Millions of yen)

	Notes	FY2015 (As of March 31, 2016)	3Q FY2016 (As of December 31, 2016)
Assets			
Current assets			
Cash and cash equivalents		380,810	380,918
Trade receivables		984,630	901,364
Other receivables		93,963	82,121
Inventories		298,849	361,331
Others		79,876	94,973
Subtotal		1,838,128	1,820,707
Assets held for sale		5,735	9,202
Total current assets		1,843,863	1,829,909
Non-current assets			
Property, plant and equipment, net of accumulated depreciation		616,474	604,934
Goodwill		40,255	44,473
Intangible assets		164,292	155,496
Investments accounted for using the equity method		106,026	104,425
Other investments		155,010	177,663
Deferred tax assets		162,812	129,694
Others		137,571	114,721
Total non-current assets		1,382,440	1,331,406
Total assets		3,226,303	3,161,315
Liabilities and equity			
Liabilities			
Current liabilities			
Trade payables		622,334	595,101
Other payables		422,672	349,771
Short-term borrowings, current portion of long-term debt and lease obligations		144,667	235,526
Accrued income taxes		18,772	14,887
Provisions		57,319	50,456
Others		181,279	184,033
Total current liabilities		1,447,043	1,429,774
Non-current liabilities			
Long-term debt and lease obligations		387,882	375,485
Retirement benefit liabilities		383,978	333,346
Provisions		33,353	32,528
Deferred tax liabilities		5,224	4,681
Others		42,583	39,299
Total non-current liabilities		853,020	785,339
Total liabilities		2,300,063	2,215,113
Equity			
Share capital		324,625	324,625
Capital surplus		233,896	231,645
Treasury stock, at cost		-627	-661
Retained earnings		155,930	184,963
Other components of equity		68,958	69,027
Total equity attributable to owners of the parent		782,782	809,599
Non-controlling interests		143,458	136,603
Total equity		926,240	946,202
Total liabilities and equity		3,226,303	3,161,315

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

【Nine Months Condensed Consolidated Statement of Profit or Loss】		(Millions of yen, except per share data)	
	Notes	9 Months FY2015 (For the nine months ended December 31, 2015)	9 Months FY2016 (For the nine months ended December 31, 2016)
Revenue		3,408,238	3,200,548
Cost of sales		-2,560,863	-2,356,999
Gross profit		847,375	843,549
Selling, general and administrative expenses		-817,886	-772,090
Other income (expenses)		-27,874	-8,211
Operating profit		1,615	63,248
Financial income		6,888	6,675
Financial expenses		-5,988	-4,488
Income from investments accounted for using the equity method, net		14,313	2,758
Profit for the period before income taxes		16,828	68,193
Income tax expenses		-24,882	-29,898
Profit for the period		-8,054	38,295
Profit for the period attributable to:			
Owners of the parent		-10,679	32,237
Non-controlling interests		2,625	6,058
Total		-8,054	38,295
Earning per share			
Basic earnings per share (Yen)		-5.16	15.58
Diluted earnings per share (Yen)		-5.17	15.58

【Nine Months Condensed Consolidated Statement of Comprehensive Income】		(Millions of yen)	
	Notes	9 Months FY2015 (For the nine months ended December 31, 2015)	9 Months FY2016 (For the nine months ended December 31, 2016)
Profit for the period		-8,054	38,295
Other comprehensive income			
Items that will not be reclassified to profit or loss			
Remeasurement of defined benefit plans		2,545	14,738
Items that may be reclassified subsequently to profit or loss			
Foreign currency translation adjustments		-5,480	-14,331
Cash flow hedges		-74	51
Available-for-sale financial assets		-3,031	16,490
Share of other comprehensive income of investments accounted for using the equity method		-2,112	-3,049
		-10,697	-839
Total other comprehensive income for the period, net of taxes		-8,152	13,899
Total comprehensive income for the period		-16,206	52,194
Total comprehensive income attributable to:			
Owners of the parent		-17,497	45,652
Non-controlling interests		1,291	6,542
Total		-16,206	52,194

【Third-Quarter Condensed Consolidated Statement of Profit or Loss】 (Millions of yen, except per share data)

	Notes	3Q FY2015 (For the three-month ended December 31, 2015)	3Q FY2016 (For the three-month ended December 31, 2016)
Revenue		1,166,944	1,115,471
Cost of sales		-864,257	-815,729
Gross profit		302,687	299,742
Selling, general and administrative expenses		-268,620	-256,505
Other income (expenses)		-20,015	-5,888
Operating profit		14,052	37,349
Financial income		4,396	7,067
Financial expenses		-1,803	-1,486
Income from investments accounted for using the equity method, net		3,338	-757
Profit for the period before income taxes		19,983	42,173
Income tax expenses		-12,775	-17,988
Profit for the period		7,208	24,185
Profit for the period attributable to:			
Owners of the parent		5,277	20,376
Non-controlling interests		1,931	3,809
Total		7,208	24,185
Earning per share			
Basic earnings per share (Yen)		2.55	9.85
Diluted earnings per share (Yen)		2.55	9.85

【Third-Quarter Condensed Consolidated Statement of Comprehensive Income】 (Millions of yen)

	Notes	3Q FY2015 (For the three-month ended December 31, 2015)	3Q FY2016 (For the three-month ended December 31, 2016)
Profit for the period		7,208	24,185
Other comprehensive income			
Items that will not be reclassified to profit or loss			
Remeasurement of defined benefit plans		1,207	40,273
Items that may be reclassified subsequently to profit or loss			
Foreign currency translation adjustments		214	19,451
Cash flow hedges		37	-118
Available-for-sale financial assets		8,313	15,180
Share of other comprehensive income of investments accounted for using the equity method		-611	2,108
		7,953	36,621
Total other comprehensive income for the period, net of taxes		9,160	76,894
Total comprehensive income for the period		16,368	101,079
Total comprehensive income attributable to:			
Owners of the parent		14,155	92,932
Non-controlling interests		2,213	8,147
Total		16,368	101,079

3. Condensed Consolidated Statement of Changes in Equity

【9 Months FY2015 (For the nine months period ended December 31, 2015)】

(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, 2015	324,625	233,432	-547	130,741	101,838	790,089	144,308	934,397
Profit for the period				-10,679		-10,679	2,625	-8,054
Other comprehensive income					-6,818	-6,818	-1,334	-8,152
Total comprehensive income for the period	—	—	—	-10,679	-6,818	-17,497	1,291	-16,206
Purchase of treasury stock			-75			-75		-75
Disposal of treasury stock			2			2		2
Dividends paid				-16,551		-16,551	-3,052	-19,603
Transfer to retained earnings				2,268	-2,268	—		—
Acquisition (disposal) of non-controlling interests		-34				-34	5,152	5,118
Changes in ownership interests in subsidiaries						—	104	104
Balance at December 31, 2015	324,625	233,398	-620	105,779	92,752	755,934	147,803	903,737

【9 Months FY2016 (For the nine months period ended December 31, 2016)】

(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				32,237		32,237	6,058	38,295
Other comprehensive income					13,415	13,415	484	13,899
Total comprehensive income for the period	—	—	—	32,237	13,415	45,652	6,542	52,194
Purchase of treasury stock			-36			-36	-2	-38
Disposal of treasury stock			2			2		2
Dividends paid				-16,550		-16,550	-2,851	-19,401
Transfer to retained earnings				13,346	-13,346	—		—
Acquisition (disposal) of non-controlling interests		-2,251				-2,251	-10,544	-12,795
Balance at December 31, 2016	324,625	231,645	-661	184,963	69,027	809,599	136,603	946,202

4. Condensed Consolidated Statements of Cash Flows

(Millions of yen)

	Notes	9 Months FY2015 (For the nine months ended December 31, 2015)	9 Months FY2016 (For the nine months ended December 31, 2016)
<i>Cash flows from operating activities</i>			
Profit for the period before income taxes		16,828	68,193
Depreciation, amortization and impairment loss		140,181	130,791
Increase (decrease) in provisions		9,547	-8,247
Increase (decrease) in net defined benefit liability		-2,261	-5,542
Interest and dividend income		-4,749	-4,506
Interest charges		3,996	3,307
Equity in earnings of affiliates, net		-14,313	-2,758
(Increase) decrease in trade receivables		107,556	75,099
(Increase) decrease in inventories		-61,611	-65,198
Increase (decrease) in trade payables		-61,176	-21,813
Other, net		-70,683	-50,855
Cash generated from operations		<u>63,315</u>	<u>118,471</u>
Interest received		1,196	1,150
Dividends received		4,903	5,232
Interest paid		-4,290	-3,575
Income taxes paid		-32,108	-27,077
Net cash provided by operating activities		<u>33,016</u>	<u>94,201</u>
<i>Cash flows from investing activities</i>			
Purchases of property, plant, equipment, and intangible assets		-128,152	-144,119
Proceeds from sale of available-for-sale financial assets		6,384	2,497
Other, net		5,106	10,623
Net cash used in investing activities		<u>-116,662</u>	<u>-130,999</u>
<i>Cash flows from financing activities</i>			
Increase (decrease) in short-term borrowings		135,400	136,956
Proceeds from long-term debt and issuance of bonds		63,881	12,397
Repayment of long-term debt and bonds		-87,948	-67,354
Payment of lease obligation		-11,324	-10,480
Dividends paid to owners of the parent		-16,551	-16,550
Acquisition of non-controlling interests		-228	-12,932
Other, net		1,748	-3,063
Net cash provided by financing activities		<u>84,978</u>	<u>38,974</u>
Net increase (decrease) in cash and cash equivalents		<u>1,332</u>	<u>2,176</u>
Cash and cash equivalents at beginning of period		<u>362,028</u>	<u>380,810</u>
Effect of exchange rate changes on cash and cash equivalents		<u>1,095</u>	<u>-2,068</u>
Cash and cash equivalents at end of period		<u>364,455</u>	<u>380,918</u>

5. Notes to Financial Statements

1. Cautionary Note Regarding Assumptions of a Going Concern

None.