July 26, 2018

FY 2018 First Quarter Financial Results

April 1, 2018 - June 30, 2018

Fujitsu Limited

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Consolidated Financial Results for the First-Quarter Ended June 30, 2018
[Prepared on the basis of International Financial Reporting Standards]

July 26, 2018

Company name	:	Fujitsu Limited
Stock exchange listings	:	Tokyo, Nagoya
Code number:	:	6702
URL:	:	http://www.fujitsu.com/global/
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Scheduled filing date of statutory financial report:	:	August 2, 2018
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, 2018

(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	Change (%)	Operating profit	Change (%)	Profit before income taxes	Change (%)	Profit for the period	Change (%)
1Q FY 2018 (4/1/18-6/30/18)	867,657	-6.0	79,593	-	97,000	-	75,954	-
1Q FY 2017 (4/1/17-6/30/17)	922,638	2.5	4,952	-	7,404	-	4,648	-

	Profit for the period attributable to owners of the parent	Change (%)	Total comprehensive income for the period	Change (%)
1Q FY 2018 (4/1/18-6/30/18)	72,756	-	73,238	485.7
1Q FY 2017 (4/1/17-6/30/17)	2,149	-	12,505	-

(Yen)

	Earnings per share	
	Basic	Diluted
1Q FY 2018 (4/1/18-6/30/18)	35.51	35.51
1Q FY 2017 (4/1/17-6/30/17)	1.05	1.05

(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, 2018	3,056,493	1,253,244	1,134,946	37.1%
March 31, 2018	3,121,522	1,204,902	1,087,797	34.8%

2. Dividends per Share (Ordinary Shares)

(Yen)

	Dividends per share				
	1Q	2Q	3Q	Year-end	Full year
FY2017	-	5.00	-	6.00	11.00
FY2018	-				
FY2018(Forecast)		7.00	-	80.00	-

Note: Revision of the latest dividends forecast: None

At the 118th Annual Shareholders Meeting, held June 25, 2018, approval was granted for the consolidation of the Company's common shares at the rate of one share for every ten shares, effective October 1, 2018. In accordance with the share consolidation, on June 25, 2018 Fujitsu revised its dividend forecast for the year ending March 2019 so as to increase the value of the year-end dividend per share by ten, in proportion to the consolidation ratio. The revision is intended to amend the value of the per-share dividend in accordance with the share consolidation and there is no material change in the dividend forecast. Fujitsu left the value of total annual dividend blank (－) as it is impossible to add up the value of the dividend at the end of First Half and that of the end of Fiscal Year dividend in a simple manner.

3. Consolidated Earnings Forecast for FY2018

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

(Millions of yen, except per share data)

	Revenue	Change (%)	Operating profit	Change (%)	Profit for the period attributable to owners of the parent	Change (%)	Basic earnings per share
FY2018	3,900,000	-4.8	140,000	-23.3	110,000	-35.0	537.85

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): Yes
Exclusion; 1 (Name)FUJITSU CLIENT COMPUTING LIMITED

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

For further details, please refer to “5-2 Notes to Financial Statements-Changes in accounting policies,” on page 6.

(3) Number of issued shares (ordinary shares)

1. Number of issued shares at end of period	As of June 30, 2018	2,070,018,213
	As of March 31, 2018	2,070,018,213
2. Treasury stock held at end of period	As of June 30, 2018	26,057,083
	As of March 31, 2018	11,290,924
3. Average number of shares during period	1Q FY 2018	2,048,883,962
	1Q FY 2017	2,050,462,113

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)
- 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

(Impact of forecast for basic earnings per share due to consolidation of common shares)
At the 118th Annual Shareholders Meeting, held June 25, 2018, approval was granted for the consolidation of the Company’s common shares at the rate of one share for every ten shares, effective October 1, 2018. Accordingly, in calculating the forecast for earnings per share, the share consolidation is assumed to occur at the beginning of the period, and the calculation is based on the average number of shares outstanding during the period.

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

1. Condensed Consolidated Statement of Financial Position

(Millions of yen)

	Notes	FY2017 (As of March 31, 2018)	1Q FY2018 (As of June 30, 2018)
Assets			
Current assets			
Cash and cash equivalents	5-1	452,557	533,859
Trade receivables	5-2	965,104	590,362
Other receivables		86,235	158,530
Inventories	5-2	241,603	282,611
Others	5-2	88,258	237,567
Subtotal		1,833,757	1,802,929
Assets held for sale		33,542	68,247
Total current assets		1,867,299	1,871,176
Non-current assets			
Property, plant and equipment, net of accumulated depreciation		525,581	471,965
Goodwill		42,495	42,362
Intangible assets		130,680	123,548
Investments accounted for using the equity method		107,749	126,346
Other investments	5-1	204,043	204,618
Deferred tax assets		129,236	91,923
Others		114,439	124,555
Total non-current assets		1,254,223	1,185,317
Total assets		3,121,522	3,056,493
Liabilities and equity			
Liabilities			
Current liabilities			
Trade payables		540,935	541,896
Other payables		362,969	316,079
Short-term borrowings, current portion of long-term debt and lease obligations		135,387	160,321
Accrued income taxes		42,907	17,394
Provisions		47,990	46,247
Others	5-2	178,303	221,904
Subtotal		1,308,491	1,303,841
Liabilities directly associated with assets held for sale		14,151	3,834
Total current liabilities		1,322,642	1,307,675
Non-current liabilities			
Long-term debt and lease obligations		266,502	227,901
Retirement benefit liabilities	5-1	258,019	160,842
Provisions		29,794	30,082
Deferred tax liabilities		9,823	2,880
Others		29,840	73,869
Total non-current liabilities		593,978	495,574
Total liabilities		1,916,620	1,803,249
Equity			
Share capital		324,625	324,625
Capital surplus		233,941	233,936
Treasury stock, at cost		-7,237	-17,247
Retained earnings	5-2	479,776	555,212
Other components of equity	5-2	56,692	38,420
Total equity attributable to owners of the parent		1,087,797	1,134,946
Non-controlling interests		117,105	118,298
Total equity		1,204,902	1,253,244
Total liabilities and equity		3,121,522	3,056,493

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)

	Notes	1Q FY2017 (For the three-month ended June 30, 2017)	1Q FY2018 (For the three-month ended June 30, 2018)
Continuing Operations			
Revenue		**922,638**	**867,657**
Cost of sales		-676,074	-649,147
Gross profit		246,564	218,510
Selling, general and administrative expenses		-249,970	-241,059
Other income (expenses)	5-1	8,358	102,142
Operating profit		**4,952**	**79,593**
Financial income		2,908	6,040
Financial expenses		-2,057	-1,370
Income from investments accounted for using the equity method, net		1,601	12,737
Profit for the period from continuing operations before income taxes		**7,404**	**97,000**
Income tax expenses		-6,361	-21,046
Profit for the period from continuing operations		**1,043**	**75,954**
Discontinued operations			
Profit for the period from discontinued operations		**3,605**	**—**
Profit for the period		**4,648**	**75,954**
Profit for the period attributable to:			
Owners of the parent		2,149	72,756
Non-controlling interests		2,499	3,198
Total		4,648	75,954
Earning per share			
Basic earnings per share (Yen)		1.05	35.51
Diluted earnings per share (Yen)		1.05	35.51
Earning per share from continuing operations			
Basic earnings per share (Yen)		0.08	35.51
Diluted earnings per share (Yen)		0.08	35.51

【First-Quarter Condensed Consolidated Statement of Comprehensive Income】

(Millions of yen)

	Notes	1Q FY2017 (For the three-month ended June 30, 2017)	1Q FY2018 (For the three-month ended June 30, 2018)
Profit for the period		**4,648**	**75,954**
Other comprehensive income			
Items that will not be reclassified to profit or loss			
Financial assets measured at fair value through other comprehensive income	5-2	—	-581
Remeasurement of defined benefit plans		8,485	184
		8,485	-397
Items that may be reclassified subsequently to profit or loss			
Foreign currency translation adjustments		-43	-1,838
Cash flow hedges		10	-11
Available-for-sale financial assets		-116	—
Share of other comprehensive income of investments accounted for using the equity method		-479	-470
		-628	-2,319
Total other comprehensive income for the period, net of taxes		**7,857**	**-2,716**
Total comprehensive income for the period		**12,505**	**73,238**
Total comprehensive income attributable to:			
Owners of the parent		9,038	69,874
Non-controlling interests		3,467	3,364
Total		12,505	73,238

3. Condensed Consolidated Statement of Changes in Equity

(Millions of yen)

	Notes	Equity attributable to owners of the parent							
		Share capital	Capital surplus	Treasury stock, at cost	Retained earnings	Other components of equity	Total	Non-controlling interests	Total equity
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	—		—
Others			249				249	-702	-453
Balance at June 30, 2017		324,625	231,889	-12,522	265,523	70,792	880,307	138,193	1,018,500

(Millions of yen)

	Notes	Equity attributable to owners of the parent							
		Share capital	Capital surplus	Treasury stock, at cost	Retained earnings	Other components of equity	Total	Non-controlling interests	Total equity
Balance at April 1, 2018		324,625	233,941	-7,237	479,776	56,692	1,087,797	117,105	1,204,902
Cumulative effects of changes in accounting policies	5-2				20,200	-20,467	-267		-267
Balance as of the beginning of the period reflecting Changes in Accounting Policies		324,625	233,941	-7,237	499,976	36,225	1,087,530	117,105	1,204,635
Profit for the period					72,756		72,756	3,198	75,954
Other comprehensive income						-2,882	-2,882	166	-2,716
Total comprehensive income for the period		—	—	—	72,756	-2,882	69,874	3,364	73,238
Purchase of treasury stock			-5	-10,010			-10,015		-10,015
Share-based payment transactions			45				45		45
Dividends paid					-12,352		-12,352	-1,980	-14,332
Transfer to retained earnings					-4,627	4,627	—		—
Others			-45		-541	450	-136	-191	-327
Balance at June 30, 2018		324,625	233,936	-17,247	555,212	38,420	1,134,946	118,298	1,253,244

4.Condensed Consolidated Statements of Cash Flows

(Millions of yen)

	Notes	1Q FY2017 (For the three-month ended June 30, 2017)	1Q FY2018 (For the three-month ended June 30, 2018)
Cash flows from operating activities			
Profit for the period from continuing operations before income taxes		7,404	97,000
Depreciation, amortization and impairment loss		41,067	36,420
Increase (decrease) in provisions		-8,372	-21
Increase (decrease) in net defined benefit liability		-3,009	-89,733
Interest and dividend income		-2,840	-2,790
Interest charges		982	791
Equity in earnings of affiliates, net		-1,609	-12,737
Gain on sales of subsidiaries' stock		-18,095	-13,943
(Increase) decrease in trade receivables		218,683	286,009
(Increase) decrease in inventories		-39,568	-49,478
Increase (decrease) in trade payables		-81,148	-35,919
Other, net		-15,844	-79,808
Cash generated from operations		97,651	135,791
Interest received		300	486
Dividends received		3,129	3,024
Interest paid		-1,235	-1,224
Income taxes paid		-18,180	-33,422
Net cash provided by operating activities		**81,665**	**104,655**
Cash flows from investing activities			
Purchases of property , plant, equipment, and intangible assets		-29,667	-28,965
Proceeds from sales of investment securities	5-2	28	29,089
Net proceeds from sale of subsidiaries and business		-1,180	16,840
Collection of loans receivable		542	2,096
Other, net		-1,126	-200
Net cash provided by (used in) investing activities		**-31,403**	**18,860**
Cash flows from financing activities			
Increase (decrease) in short-term borrowings		27,507	20,365
Proceeds from long-term debt and issuance of bonds		205	9
Repayment of long-term debt and bonds		-1,114	-36,521
Payment of lease obligation		-3,554	-3,057
Purchase of treasury stock		-20	-10,010
Dividends paid to owners of the parent		-10,252	-12,352
Other, net		-3,074	-1,875
Net cash provided by (used in) financing activities		**9,698**	**-43,441**
Net increase (decrease) in cash and cash equivalents		**59,960**	**80,074**
Cash and cash equivalents at beginning of period		**383,969**	**452,671**
Effect of exchange rate changes on cash and cash equivalents		**822**	**1,361**
Cash and cash equivalents at end of period		**444,751**	**534,106**

5. Notes to Financial Statements

1. Changes to a Retirement Benefit Plan

As its retirement benefit plan for employees, the Fujitsu Group has defined benefit plans in Japan, the UK, Germany, and elsewhere. In addition, Fujitsu and some of its subsidiaries in Japan have retirement benefit trusts. In the UK, Japan, Australia, and other countries, it has also established defined contribution plans. The major defined benefit plan in Japan, in which Fujitsu and some of its subsidiaries in Japan participate, is the funded pension plan and retirement benefit plan managed by the Fujitsu Corporate Pension Fund.

On June 21, 2018, for current employees participating in the Fujitsu Corporate Pension Fund's pension plan, the Fujitsu Group introduced a point system reflecting the degree of employee contribution to the company, including years of service, and also introduced a risk-sharing corporate pension plan (For corporate pension plans established in accordance with Japan's Defined Benefit Corporate Pension Plan Act (2001:50), as stipulated by Article 1, Paragraph 3 of the Implementation Regulations for the Defined Benefit Corporate Pension Plan Act (2002. MHLW, No. 22)). This plan shares the risk between the company and plan participants. The company accepts a certain level of risk by making a fixed contribution, including a risk reserve contribution, and the plan participants also accept a certain level of risk, as their benefits will be adjusted if the balance between plan assets and plan obligations becomes skewed. Under the previous defined benefit plan, the company was required to make additional contributions if a shortfall arose in plan assets in relation to plan liabilities. In a risk-sharing corporate pension plan, however, the potential risks that could occur in the future are measured in advance, and a contribution (risk reserve contribution) is made by the company as a level contribution within the scope agreed by the company and plan participants.

In accordance with the shift to a risk-sharing corporate pension plan, to address the shortfall in plan assets at the time of the shift, the total amount of the special contribution, as specified by the fund's terms, is to be contributed in equal installments over three years from the date of the shift to the new plan. At the same time, at the time the shift is made, an assessment is made of the amount of potential future shortfalls to determine the amount of the risk reserve contribution, and this contribution is to be made at a constant rate over four years from the date of the shift to the new plan. Once these contributions are completed, there will be no additional contributions.

In terms of the accounting treatment for retirement benefits, for the risk-sharing corporate pension plan, the portion for which the company effectively has no further obligation for additional contributions is classified as a defined contribution plan. For this reason, for the portion of the risk-sharing corporate pension plan for which it has been determined that the company and some of its subsidiaries in Japan effectively have no further obligation for additional contributions, at the time of the shift to the new plan, gains and losses on settlements are recognized, which arise primarily from recognition in profit or loss for the difference between the retirement benefit liabilities related to the portion that is transferred and the amount of assets transferred to the plan related to the corresponding decrease in the liabilities, and from recognition as liabilities for the total amount corresponding to special contributions stipulated by the fund terms.

As a result, in the Quarterly Consolidated Statement of Financial Position, at the end of this first quarter, retirement benefit liabilities were reduced by 156,493 million yen, and equity increased by 67,147 million yen. In addition, in the Quarterly Consolidated Statement of Profit or Loss for the first quarter, a settlement gain of 91,996 million yen from the shift is recognized in other income (expenses). In accordance with the shift to the new plan, the defined benefit trust assets allocated to the risk-sharing corporate pension plan were returned to the company. As a result, cash and cash equivalents increased by 31,744 million yen, other investments increased by 28,041 million yen, and retirement benefit liabilities increased by 59,785 million yen.

With respect to the impact on profit or loss in the consolidated financial results in the second quarter of fiscal 2018 and beyond, while there will be an increase in retirement benefit expenses from the risk reserve contribution, the impact is expected to be insignificant.

2. Changes in accounting policies

Excluding the changes stated below, the major accounting policies that were applied to this first quarter's consolidated financial statements are the same policies that were applied to the previous fiscal year.

Starting from this first quarter of fiscal 2018, the following standards are being applied.

Standard		Outline of new or amended standards
IFRS 15	Revenue from contracts with customers	Amendments pertaining to accounting treatment and disclosure (such as identification of performance obligations, accounting for variable consideration, and disclosure of remaining performance obligations)
IFRS 9	Financial instruments	Amendments pertaining to classification and measurements of financial instruments (including prohibition of reclassification to profit or loss for subsequent changes in the fair value of an investment in an equity instrument if such changes are elected to be presented in other comprehensive income)

(1) Adoption of IFRS 15 — Revenue from Contracts with Customers

Starting from this first quarter, the Fujitsu Group has adopted IFRS 15 Revenue from Contracts with Customers (issued May 2014) and Clarifications to IFRS 15 (issued April 2016) (hereafter collectively referred to as "IFRS 15"). With the adoption of this standard, the company chose the method of recognizing the cumulative effect of application as of the initial application date, which is one of the transition methods permitted.

In accordance with the adoption of this standard, for some transactions, the company has changed the timing of recognizing revenue by identifying performance obligations under contracts with customers. In addition, with respect to sales incentives, previously, a reduction in revenue was recognized at the time of settlement. Starting from this first quarter, however, the company has estimated incentive payments in advance and recognized them as reductions to revenue to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognized will not occur.

As a result of recognizing, at the beginning of this first quarter, the amount of the cumulative effect of the adoption of this standard, trade receivables were reduced by 70 million yen, inventories were increased by 1,948 million yen, other current liabilities were increased by 2, 145 million yen, and retained earnings were reduced by 267 million yen.

In this first quarter, the impact on assets, liabilities, and equity, as well as the impact on operating profit and profit for the quarter, is negligible.

In accordance with the adoption of this standard, starting from this first quarter, the company has changed its method of presentation of unbilled receivables, which had been included in trade receivables, so that they are now included in other current assets.

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(2) Adoption of IFRS 9 — Financial Instruments

Starting from this first quarter, the Fujitsu Group has adopted IFRS 9 Financial Instruments (final version issued July 2014) (hereafter referred to as “IFRS 9”). In adopting this standard, in accordance with the transition requirements, the company has not restated the comparative information with regard to the classifications and measurements of financial instruments.

Equity instruments that were classified as available-for-sale financial assets under the previous standard, IAS 39 “Financial Instruments,” are in accordance with the adoption of this standard, designated as financial assets measured at fair value through other comprehensive income. Subsequent changes in the fair value of equity instruments are presented in other comprehensive income, and impairment treatment that transfers cumulative losses recognized in other comprehensive income to profit or loss, when its fair value significantly declines, is abolished. Also, gains or losses on the sale of equity instruments are not recognized in profit or loss.

As a result of recognizing, at the beginning of this first quarter, the amount of the cumulative effect of the adoption of this standard, retained earnings were increased by 20,467 million yen, and other components of equity were reduced by 20,467 million yen. This primarily is the result of the reclassification of the cumulative amount of impairment losses recognized in previous fiscal years from retained earnings to other components of equity within equity.
In this first quarter, the impact on assets, liabilities, and equity, as well as the impact on operating profit and profit for the quarter, is negligible.

In accordance with the adoption of this standard, in cash flows from investing activities, the company is changing its method of presentation from “proceeds from sale of available-for-sale financial assets” to “proceeds from sale of investment securities.”

3. Cautionary Note Regarding Assumptions of a Going Concern

None.