

FUJITSU LIMITED

Annual Report  
1999

FUJITSU



## C O N T E N T S

1	Consolidated Financial Highlights
2	To Our Shareholders
6	Special Feature—Solutions Business
12	State of Readiness for Year 2000
13	Consolidated Net Sales and Operating Income by Segment
14	Environmental and Social Activities
18	Board of Directors and Auditors
19	Five-Year Summary
20	Management’s Discussion and Analysis of Operations
24	Consolidated Balance Sheets
26	Consolidated Statements of Operations
27	Consolidated Statements of Shareholders’ Equity
28	Consolidated Statements of Cash Flows
29	Notes to Consolidated Financial Statements
45	Independent Auditors’ Report
46	Fujitsu Group Companies
49	Shareholders’ Data

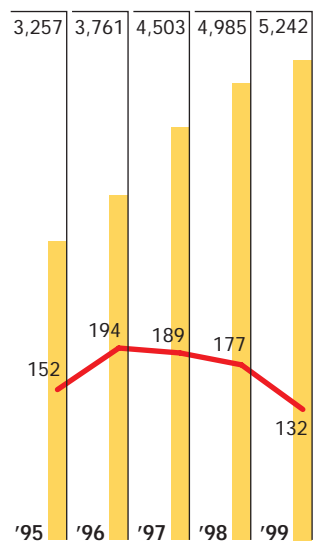
# Consolidated Financial Highlights 1

Fujitsu Limited and Consolidated Subsidiaries Years ended March 31	Yen (millions) (except per share data)		U.S. Dollars (millions) (except per share data)
	1998	1999	1999
<b>For the year:</b>			
Net sales .....	¥4,985,382	<b>¥5,242,986</b>	<b>\$43,330</b>
Operating income .....	177,353	<b>132,287</b>	<b>1,093</b>
Income before income taxes and minority interests .....	123,855	<b>49,625</b>	<b>410</b>
Net income (loss) .....	5,587	<b>(13,638)</b>	<b>(112)</b>
Cash flows from operating activities.....	323,856	<b>350,296</b>	<b>2,895</b>
<b>Per share (Yen and U.S. dollars):</b>			
Earnings (loss)			
Basic .....	¥ 3.0	<b>¥ (7.3)</b>	<b>\$ (0.060)</b>
Diluted.....	3.0	—	—
Cash flows from operating activities.....	174.4	<b>186.9</b>	<b>1.544</b>
Cash dividends.....	10.0	<b>10.0</b>	<b>0.083</b>
Cash dividends to face value .....	20%	<b>20%</b>	<b>20%</b>
<b>At year-end:</b>			
Shareholders' equity .....	¥1,185,229	<b>¥1,165,312</b>	<b>\$ 9,630</b>
Total assets .....	5,123,039	<b>5,112,330</b>	<b>42,250</b>

Note: The U.S. dollar amounts above have been translated from yen, for convenience only, at the rate of ¥121=US\$1, the approximate Tokyo foreign exchange market rate as of March 31, 1999.

**Net Sales**  
(¥ Billion)

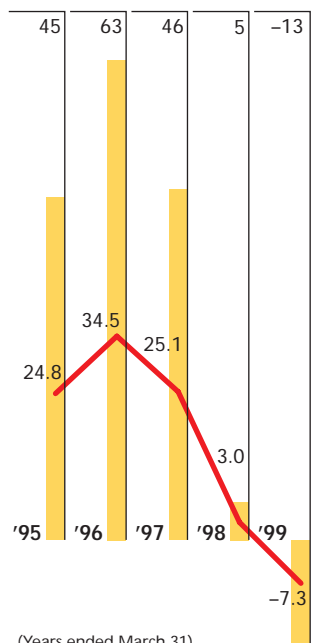
**Operating Income**  
(¥ Billion)



(Years ended March 31)

**Net Income (Loss)**  
(¥ Billion)

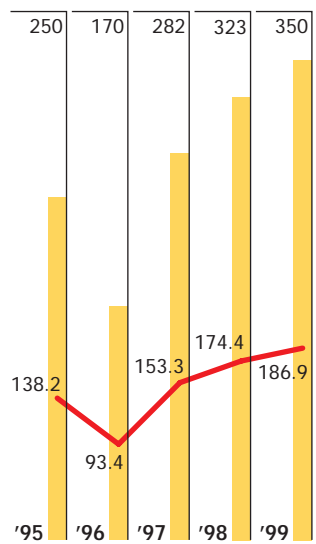
**Net Income (Loss) per Share**  
(¥)



(Years ended March 31)

**Cash Flows from Operating Activities**  
(¥ Billion)

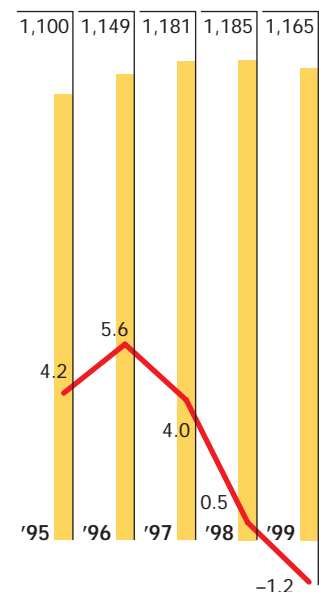
**Cash Flows from Operating Activities per Share**  
(¥)



(Years ended March 31)

**Shareholders' Equity**  
(¥ Billion)

**Return on Equity**  
(%)



(Years ended March 31)

**New Directions for the Internet Age** ➤ Rapid advances in information and communications technologies centering on the Internet have accelerated globalization in every industry and brought great changes to the ways that companies do business and people live.

The Fujitsu Group foresaw these revolutionary changes early on, and we have been reorganizing our operational structure to focus on providing solutions that unleash the potential of the network age. We have been developing our services and software business in Japan and overseas as major profit centers going forward. At the same time, we have been restructuring our semiconductor business. To be better positioned to take advantage of global opportunities emerging in the Internet era, several challenges remain, including the need to further improve operational efficiency as well as to restore profitability to our semiconductor business. By being more selective and further concentrating our management resources on Internet-related core business areas, we intend to capitalize on these opportunities.

In fiscal 1998, ended March 31, 1999, we continued to face difficult business conditions, including cutbacks in investment by Japanese telecommunications companies and declining semiconductor prices. However, sustained efforts in our overseas businesses, as well as in services and software, began to bear fruit so that we were able to increase consolidated net sales 5.2%, to ¥5,242.9 billion. Nevertheless, due to declines in telecommunications sales in Japan and operating income, as well as extraordinary expenses resulting from the restructuring of our semiconductor operations, we posted a net loss of ¥13.6 billion for the year. Looking ahead, on the strength of our ongoing structural reform measures and our Internet-based business strategy, we anticipate a quick return to profitability.

**An Unwavering Focus on the Needs of the Customer** ➤ Today, when the burgeoning use of the Internet is bringing great change to society, companies and individuals, “customer focus” is a value proposition that is more essential to achieving healthy growth and profits than ever before. We intend to seize new business opportunities by keeping carefully attuned to the evolving needs of our customers. By thoroughly adopting and internalizing this mindset throughout the Fujitsu Group, and by acting upon it, we can tap a wellspring of new growth and fulfill our mission as a global leader in the information technology (IT) industry.

One of our strongest assets in this regard is the Fujitsu Group’s corps of 55,000 top-notch services and software personnel, who are using their high-level expertise in implementing large-scale systems to bring optimal solutions to customers on a global basis. Based on our “Global Solution Link” concept, Fujitsu Group companies like Amdahl Corporation and DMR Consulting Group, Inc. in North America, ICL PLC in Europe, Fujitsu Asia Pte. Ltd. and

*From left:  
Tadashi Sekizawa, Chairman  
Naoyuki Akikusa, President*



Fujitsu Australia Ltd. are pooling their know-how, services and products to offer world-class, locally tailored solutions that precisely satisfy customers' diverse needs.

We recently made NIFTY Corporation a wholly owned subsidiary. By integrating our NIFTY SERVE and InfoWeb on-line services, we will further consolidate our position as Japan's largest Internet service provider and as a leader in offering content and forums that are opening up new vistas for Japanese users. In addition to providing the state-of-the-art equipment needed to support the continuing expansion of the Internet, we will also take full advantage of this infrastructure to help companies create new ways of doing business.

**Leveraging Our Core Technological Strengths** 🚀 The Fujitsu Group continues to make strides and gain recognition as a total solutions provider. The solutions that our customers rate most highly for their quality are those that are supported by products embodying our advanced core technologies.

In the United States, which leads the world in Internet penetration, demand is increasing for high-speed, high-capacity communications infrastructure, and this trend is spreading to Japan and the rest of the world. We are making important contributions to next-generation network infrastructure through our R&D in leading-edge wavelength division multiplexing (WDM) optical network technology and through innovative products, such as our FETEX-150 E-Cube hybrid switching system with Internet protocol functionality and our experimental W-CDMA equipment for mobile communications.

In the information processing field, we will be enhancing the network functionality of our full range of products, including Intel architecture servers, UNIX servers and global servers (mainframes). Furthermore, through technological advances in system-on-chip, flash memory, compound semiconductor, plasma display panel (PDP) and other component areas, we are upgrading the speed, mobility, multimedia capability and overall performance of these systems to help users exploit the full potential of the Internet.

In this way, utilizing our unique capabilities and strengths, we will continue to play a leading role in building and enhancing the infrastructure for the Internet age. By focusing our core technologies in telecommunications, information processing and electronic devices more intensively on the Internet, we will more rapidly bring to market the sophisticated products that consumers and businesses demand.

**A Management Objective of 10% ROE in FY 2000** ➤ The Fujitsu Group is committed to maximizing capital efficiency, and we utilize such management indicators as return on equity (ROE) and free cash flow. Unfortunately, ROE worsened in fiscal 1998. This was largely the result of continuing weakness in the Japanese telecommunications market, coupled with the extraordinary losses that we incurred as we restructured our semiconductor business, including the shift from DRAMs to system-on-chip. These measures were taken for the sake of future growth and improved profits. By selectively allocating and concentrating our management resources so as to offer Internet-based global products and solutions, we are confident that we will achieve an ROE of 10% in fiscal 2000.

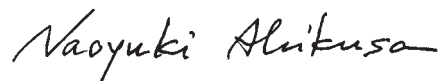
**A New Dimension to Our Corporate Mission** ➤ We will continually strive to develop original technologies and ideas that can meet the challenge of our corporate slogans: "Reliability and Creativity" and "What Mankind Can Dream, Technology Can Achieve." In addition, we will reinforce our focus on the Internet, both in services and in products and components, to enhance the value of our core businesses by adopting the slogan "Everything on the Internet."

Although our business environment may become even harsher in the years to come, by rapidly responding to change and concentrating our management resources on the areas that have the Internet as their core, we are confident that we can improve our growth and profit potential, promote management efficiency and strengthen our financial position. At the same time, we will continue to devote special attention to dealing with global environmental problems on a groupwide basis, such as by creating environment-friendly products and expanding recycling programs.

We are determined to be a global industry leader in the 21st century, a company that is trusted and relied on by customers and is constantly renewing itself. In this way, we will strive to earn the continued support of our shareholders.



Tadashi Sekizawa, Chairman



Naoyuki Akikusa, President

# The Value of Our Comprehensive IT Solutions Springs from a Single- Minded Focus on the Customer

The emergence of a networked society revolving around the Internet is dramatically changing people's lifestyles and ways of doing business. Moreover, this transformation is occurring at lightning speed and on a global scale. Amid these revolutionary changes, we are leveraging our advanced information and Internet technologies to speedily bring to market solutions that precisely meet the needs of our customers.

Our mission is to maintain a leading position in this rapidly evolving Internet age by anticipating, identifying and fully satisfying not only the needs of our customers but also the needs of their customers. We provide reliable, customized systems and solutions that contribute directly to the prosperity of our customers' businesses and to society at large. The value of our solutions, we believe, derives from a deep and unrelenting focus on the customer.

The following profiles illustrate how the Fujitsu Group's global pool of IT professionals has taken "customer focus" to heart in providing creative, tailor-made solutions that have brought tangible benefits to our customers' businesses. To satisfy the exacting requirements of world-class clients that are building innovative new businesses and provide the level of reliability that society expects, we offer solutions that are conceived from the customer's point of view, developed in collaboration with the customer, and work to the direct benefit of the customer.





## What Do We Mean by Customer Focus?

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### ➤ ***Solutions Conceived from the Customer's Point of View***

At Fujitsu, we aim to help solve our customers' problems by ensuring a level of complete satisfaction that extends through to our customers' customers. Not limited to the IT field, this encompasses any effort that can help our customers improve their management and operational efficiencies. We believe that true solutions require looking beneath the surface to identify and respond to underlying problems. This depth of attention to the essential elements of our customers' business performance is what we mean by "customer focus."

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### ➤ ***Total Solutions—from Hardware to Software, Services and Consulting***

Backed by a full range of world-class technologies in information processing, telecommunications and electronic devices, we are able to offer optimal, end-to-end solutions for customers in every industry. Our solutions encompass the entire system life cycle—from planning to system construction and operation—and can incorporate everything from networks and computer hardware and software to systems integration, outsourcing, help desks, training and maintenance support.

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### ➤ ***Long-Established Global Support Structure***

The Internet is in many ways breaking down the traditional barriers of time, distance and national boundaries in the conduct of business. Nevertheless, it is becoming increasingly important for businesses to take into consideration the distinctive cultural and historical features of different regions, and demand is increasing worldwide for talented IT professionals who are sensitive to local concerns and business practices.

We have long emphasized the vital role that talented human resources play in our business success and have developed education and training programs to assure that we have an abundant pool of professionals with world-class competencies. Today, the Fujitsu Group has a corps of more than 55,000 services and software experts around the world—among the largest of any company—leveraging their collective expertise in IT and the sophisticated know-how gleaned from long-standing partnerships with the world's leading companies in diverse industries to provide best-of-breed solutions attuned to local needs.

**NTT DoCoMo*****Streamlining Complicated Administrative Procedures Advances Major BPR Program*** **ALADIN Real-Time Management System Is among World's Largest**

NTT DoCoMo has achieved astounding growth since its establishment seven years ago, posting net sales of ¥3.12 trillion in its most recent fiscal year and accumulating 23.9 million subscribers throughout Japan. However, its swift growth was matched by a mushrooming of administrative duties, and in July 1994 the company embarked upon an aggressive business process reengineering (BPR) program. Fujitsu was called upon to help create ALADIN, a system to streamline procedures at DoCoMo's nationwide sales outlets, thoroughly revamp back-office operations, and facilitate real-time administrative management.

Working closely with the customer, some 1,300 Fujitsu software and systems

integration experts successfully completed the multiyear project, which included the full-scale deployment of a UNIX-based relational database management system linked to some 17,000 terminals and 60,000 facsimile machines—among the largest systems of its kind. ALADIN has received glowing reports from DoCoMo management, who cite significant improvements in efficiency and customer service: "Previously, internal processing of mobile phone subscriptions resulted in an administrative backlog that took days and sometimes weeks to resolve. ALADIN allows us to complete all administrative processes at the time we hand over the phone to the customer, significantly reducing

staff overtime. The application process has also been made much simpler."

By carrying out continuous, real-time synchronization of sales, inventory and accounting data for managing customer accounts, telephone numbers and authorized dealers, ALADIN has greatly facilitated on-the-spot decision making and the development of more effective marketing strategies.

Moreover, the efficiencies generated by ALADIN have enabled the company to avoid major staff increases and reduced personnel-related costs to 4% of total costs.

**Tokyo Stock Exchange*****New Stock Trading System to Reduce Costs and Improve Functionality*** **Next-Generation System Provides Maximum Reliability and Scalability**

The Tokyo Stock Exchange (TSE) ranks with its London and New York counterparts as one of the world's largest exchanges and is the central market for the securities and financial dealings that underpin the Japanese economy. Looking to transform the stock trading floor into an information center offering innovative new services and instantaneous market information, the TSE has teamed up with Fujitsu to create a next-generation stock trading system that will bolster the functionality of the market infrastructure, reduce

costs through the integration of existing systems, and improve ease of use for member companies.

With our long experience in providing mission-critical large-scale systems for major securities and financial institutions, we were able to meet the client's exacting system-reliability requirements, which included provision of an emergency backup system capable of taking over within seconds of a problem arising. Our large-capacity, highly scalable solution also satisfied the TSE's requirements that the system not only be

immediately able to handle two million transactions a day but also allows for dynamic expansion to accommodate future market growth. Yet another decisive factor in securing the contract was our successful track record in providing the TSE's existing floor order routing and execution system, which will be integrated with the new stock trading system.

The new system, which will be used for the trading of some 2,000 individual stock issues, is scheduled to become operational in March 2000.

**Globe Telecom*****Rapid System Construction Enables NCC to Seize New Market Opportunity*** **Turnkey Solution Encompasses Equipment Supply, Software Development and Systems Construction**

Privatization of the telecommunications industry in the Philippines has been an important element of the government's economic stimulus program in recent years and has enabled the emergence of successful new common carriers, such as Globe Telecom. Under the government's deregulation plans, each new entrant was allocated a region or segment where it could operate. The operating license Globe Telecom received in the mobile and international telephone business in 1996 specified the installation of 700,000 fixed telephone lines, which the company had

to complete in the relatively short span of three years from receipt of license. This necessitated first selecting a vendor and then completing equipment procurement, systems construction, and service rollout and maintenance within the specified time frame.

Globe Telecom chose Fujitsu for the demanding project, citing our experience as a top-tier player in the global fiber-optic communications business and our strong track record in the digital switching systems market in Asia. In addition to supplying all switching, transmission and wireless equipment as well

as outside plants for the project, our solution included the design and deployment of a sophisticated billing system, which we jointly developed with ICL. Working under challenging conditions, we set up an interdivisional structure to help leverage the full resources of the Group to quickly, flexibly and accurately respond to Globe Telecom's requirements. Now, in just its fourth year of operation, Globe Telecom is already turning a profit and making a significant contribution to the expansion of telephone services in the Philippines.



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**Clearnet***Enhanced Call Center Functionality Supports Successful PCS Launch*

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**Consulting Expertise Helps Formulate Business Strategy and Define IT Architecture**

Clearnet Communications Inc., a leading player in the Canadian wireless communications market, operates three types of wireless networks, including a digital personal communications service (PCS). Launched in the fourth quarter of 1997, Clearnet's PCS broke North American records for fastest growth in subscriptions within one quarter. The company followed up on this auspicious start with industry-leading revenue growth and operating metrics in 1998, more than doubling its digital subscriber base.

Clearnet management recognized early on that the introduction of PCS

for the mass consumer market would require state-of-the-art call center functionality and a rapid expansion of existing capabilities. The company enlisted DMR, a Fujitsu Group company, to help develop the vision and guiding principles for the call handling groups supporting the launch. After first helping define user requirements and select the right telecommunications system for PCS support, DMR assisted in selecting the technology and managing systems implementation for a variety of enhanced call center services. For the actual implementation, DMR managed the installation of telecommunications facilities,

monitored software loading, facilitated training, led end-user testing, and directed the successful cut-over to the new system.

Complicating the project was Clearnet's move to a new headquarters and the relocation of the key call center just two weeks after the launch. DMR worked closely with Clearnet and the systems vendor to ensure that all moves were transparent to Clearnet's clients. As a result, not a single call was lost, and all the moves took place on time and within budget.

**NatWest***Innovative Information Service Builds Customer Loyalty and Attracts New Business*

e

**Development of Multichannel Application for Personalized Information Service**

Having decided to diversify its business and add value to its retail offerings, UK-based financial services giant NatWest joined forces with Fujitsu Group company ICL to develop a revolutionary information service designed to help consumers manage their increasingly busy lifestyles. The service, called Zenda, uses customer-provided data to personalize information searches and responses, delivering the needed information precisely when and how the customer wants it, including by phone, facsimile, E-mail, pager or post.

ICL worked closely with the business

and IT departments of NatWest to help develop the Zenda customer database and pilot a multichannel application to run the new service. The solution called for an application that could accept a variety of incoming contacts, prioritize them, gather the information from third-party information providers, such as news outlets and transportation agencies, link into the Zenda customer database, and then craft and send a personalized reply via the most appropriate delivery channel.

"ICL proved that they could evolve their extensive experience with new

technologies elsewhere to the exacting levels of innovative thinking required for this job," says Tim Jones, managing director of NatWest's retail banking services. "They demonstrated an ability to establish good working relationships with us and deliver pragmatic solutions within tight time schedules." The service was launched in June 1998. Among the significant new enhancements being planned for the service are a wedding planner, property finder, home moving aid, and complete travel and holiday services.

**Matsushita Electric Industrial***Intercompany Logistics Network Helps Boost Profitability*

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**Multifaceted Systems Construction Supports Operational Improvements**

One of the world's leading providers of electronic and electric products for consumer, business and industrial use, Matsushita Electric Industrial Co., Ltd. recognizes that to maintain its competitive edge it must increase operational efficiency and speed responsiveness across its entire supply chain. Specifically, this involves linking together a complex web of companies, including components suppliers and sales companies, in a knowledge-sharing network in which information on everything from parts procurement and manufacturing to sales and distribution can be exchanged at the corporate and divisional levels.

Previously, we assisted Matsushita in deploying a centralized sales management

system for its home appliance, housing equipment, information processing equipment and other businesses that links some 100 Matsushita-affiliated sales companies throughout Japan. Subsequently, we helped implement an intercompany order-processing network, which consolidates multiple orders from the many sales companies and relays the integrated information to the appropriate production divisions.

Nevertheless, as a consumer electronics manufacturer hit hard by slumping prices, Matsushita realized that it must further enhance its systems to control inventory, boost management efficiency and shorten lead times in order to support its drive for increased

profitability. Working to meet this challenge, Matsushita is streamlining the distribution activities of each sales company by consolidating them into a nationwide organization comprising eight regional logistics centers and developing a companywide logistics system closely linked to its intercompany order-processing network. Marshaling the comprehensive expertise and capabilities of our systems development experts throughout Japan, we are supporting the deployment and operation of this new system, thereby playing a pivotal role in helping to improve the efficiency of Matsushita's groupwide logistics operations.



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**For more information on Y2K issues, please refer to the following site:**

<http://www.fujitsu.co.jp/hypertext/2000/English/index.html>

*The information on this page is intended solely to provide general information on Fujitsu's response to the Y2K problem and should not be construed as an assurance, statement of obligation, or abrogation of rights.*

The entire Fujitsu Group acknowledges the critical importance of the Year 2000 (Y2K) problem, and we are aggressively responding on a groupwide basis.

**In-House Systems** ➤ In addressing the potential Y2K problem in our in-house systems, we recognize the need to look at not only our computer systems but also our networks, factory production equipment and facilities, and research

facilities. From top management on down, everyone at Fujitsu is cognizant of the serious potential impact, and we are placing top priority on dealing with the systems that support our core business activities. Each division is taking responsibility for addressing potential problems, and we are ensuring that useful information is shared across divisional lines. More specifically, the process starts with identifying where Y2K problems may exist and, when they are found, is followed by ascertaining what remediation measures should be taken and what tests should be conducted. When necessary, further steps are taken to plan and execute comprehensive inspections covering all business processes as well as crisis management schemes.

As of the end of March 1999, about 90% of our in-house systems had been tested for Y2K compliance. Proceeding steadily with full testing and trial operation, we are on track to confirm the Y2K compliance of all in-house systems by September 1999.

Furthermore, we believe that the stability of our business is also affected by the Y2K readiness of our suppliers and business partners. We requested and, by the end of March 1999, received compliance reports from our principal partners, and we are now following up on them.

**Products** ➤ Although customers must judge for themselves whether their computer systems are Y2K compliant, we have been actively assisting them by providing information on assessing the Y2K readiness of Fujitsu products and third party products we sell, as well as offering specific proposals for remediation. We are also assisting consumers by disseminating information through a variety of media, including our web site, newspaper advertisements and brochures.

Moreover, we will have regular support teams available throughout the year-end/new year period to ensure our customers a worry-free start to 2000.

**Associated Expenditures** ➤ We have been handling internal Y2K issues mostly with our own technicians, and it is difficult to distinguish Y2K costs from regular internal costs, particularly personnel expenses. We estimate that total external costs for Y2K compliance will amount to ¥5.7 billion on an unconsolidated basis, of which ¥3.8 billion has been spent as of the end of fiscal 1998. We are confident that the final costs of addressing Y2K compliance are not of a magnitude that will significantly impact our business.

**Risk Management Plans** ➤ Based on careful consideration of the potential risk to our operations, we have developed Y2K contingency plans that focus on our core business activities and incorporate backup measures. These plans, which were finalized at the end of June 1999, detail our emergency response structure and outline hypothetical problems and countermeasures.

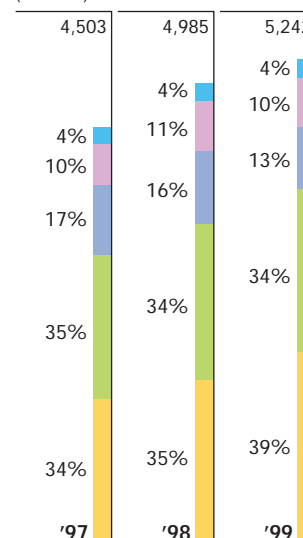
**Net Sales**

		(¥ Billion)		
Years ended March 31		1997	1998	1999
<b>Services and Software</b>	Unaffiliated customers .....	¥1,521.0	¥1,736.6	<b>¥2,034.5</b>
	Intersegment .....	44.0	45.3	<b>58.2</b>
	Total sales .....	<b>¥1,565.0</b>	<b>¥1,782.0</b>	<b>¥2,092.8</b>
<b>Information Processing</b>	Unaffiliated customers .....	¥1,547.2	¥1,688.4	<b>¥1,801.4</b>
	Intersegment .....	210.6	246.0	<b>300.6</b>
	Total sales .....	<b>¥1,757.8</b>	<b>¥1,934.4</b>	<b>¥2,102.0</b>
<b>Telecommunications</b>	Unaffiliated customers .....	¥ 774.4	¥ 799.2	<b>¥ 681.0</b>
	Intersegment .....	19.5	12.4	<b>10.7</b>
	Total sales .....	<b>¥ 793.9</b>	<b>¥ 811.7</b>	<b>¥ 691.8</b>
<b>Electronic Devices</b>	Unaffiliated customers .....	¥ 464.5	¥ 541.0	<b>¥ 506.6</b>
	Intersegment .....	150.6	115.6	<b>103.1</b>
	Total sales .....	<b>¥ 615.1</b>	<b>¥ 656.6</b>	<b>¥ 609.8</b>
<b>Other Operations</b>	Unaffiliated customers .....	¥ 196.2	¥ 219.9	<b>¥ 219.3</b>
	Intersegment .....	133.7	127.4	<b>100.9</b>
	Total sales .....	<b>¥ 329.9</b>	<b>¥ 347.4</b>	<b>¥ 320.2</b>
<b>Intersegment Elimination</b> .....		<b>¥ (558.5)</b>	<b>¥ (546.9)</b>	<b>¥ (573.7)</b>
<b>Consolidated Net Sales</b> .....		<b>¥4,503.4</b>	<b>¥4,985.3</b>	<b>¥5,242.9</b>

**Operating Income**

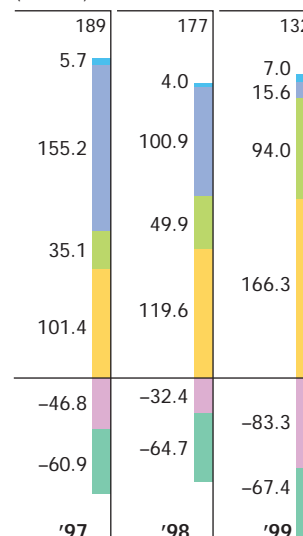
		(¥ Billion)		
Years ended March 31		1997	1998	1999
<b>Services and Software</b> .....		¥101.4	¥119.6	<b>¥166.3</b>
	Operating income to total sales .....	6.4%	6.7%	<b>7.9%</b>
<b>Information Processing</b> .....		¥ 35.1	¥ 49.9	<b>¥ 94.0</b>
	Operating income to total sales .....	2.0%	2.6%	<b>4.5%</b>
<b>Telecommunications</b> .....		¥155.2	¥100.9	<b>¥ 15.6</b>
	Operating income to total sales .....	19.5%	12.4%	<b>2.3%</b>
<b>Electronic Devices</b> .....		¥ (46.8)	¥ (32.4)	<b>¥ (83.3)</b>
	Operating income (loss) to total sales .....	(7.6%)	(4.9%)	<b>(13.7%)</b>
<b>Other Operations</b> .....		¥ 5.7	¥ 4.0	<b>¥ 7.0</b>
	Operating income to total sales .....	1.7%	1.2%	<b>2.2%</b>
<b>Unallocated Operating Costs and Expenses/Intersegment Elimination</b> .....		<b>¥ (60.9)</b>	<b>¥ (64.7)</b>	<b>¥ (67.4)</b>
<b>Consolidated Operating Income</b> .....		<b>¥189.7</b>	<b>¥177.3</b>	<b>¥132.2</b>
Operating income to net sales .....		4.2%	3.6%	<b>2.5%</b>

Note: See page 43 for list of principal products for each segment.

**Consolidated Net Sales by Segment**  
 (excluding inter-segment sales)  
 (¥ Billion)


(Years ended March 31)

- Services and Software
- Information Processing
- Telecommunications
- Electronic Devices
- Other Operations

**Consolidated Operating Income by Segment**  
 (¥ Billion)


(Years ended March 31)

- Services and Software
- Information Processing
- Telecommunications
- Electronic Devices
- Other Operations
- Unallocated Operating Costs and Expenses/Intersegment Elimination

# Environmental and Social Contribution Activities Underpin Our Commitment to Responsible Corporate Citizenship

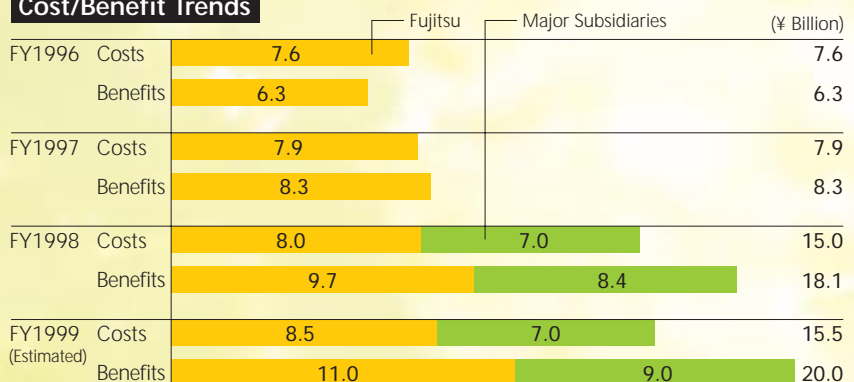
Fujitsu engages in a wide variety of social contribution activities that aim to enrich peoples' lives, both in their relations with one another and with the world at large. To help cultivate tomorrow's business leaders, we are supporting education, academic research and international exchange programs. In addition, we are actively carrying out an extensive range of environmental protection activities.

*By quantifying costs and benefits, the Fujitsu Environmental Accounting System helps us maximize the effectiveness of our environmental investments. Our environmental protection activities and investments will be continued on a long-term basis in tandem with a comprehensive public information program.*



## Environmental Accounting

### Cost/Benefit Trends



Note: Costs are based on the Environmental Protection Agency's "Guidelines for Understanding and Publicizing the Costs of Environmental Protection." Benefits are determined according to Fujitsu's "Guidelines for Environmental Accounting."





## Breakdown of Environmental Costs and Benefits: Fiscal 1998

### Costs ¥15.0 billion

	Fujitsu		Major Subsidiaries		(¥ Billion)
<b>Direct Costs:</b> Environmental protection to maintain production activities	4.2		3.5		7.7
<b>Indirect Costs:</b> Environmental promotion activities (personnel costs), obtaining ISO 14001 certification and maintenance expenses	1.1	1.5			2.6
<b>Energy Conservation Costs:</b> Energy conservation measures	0.8	0.1			0.9
<b>Recycling Costs:</b> Collection and remanufacturing of products	0.2	0.2			0.4
Waste processing	0.8	0.8			1.6
<b>Research and Development Costs:</b> Development of environmentally sound products and environmental technologies	0.1	0.5			0.6
<b>Costs for Public Information:</b> Promotion of green spaces, creation of environmental reports and environmental publicity	0.2	0.3			0.5
<b>Other:</b> Costs for dealing with environmental risks, such as restoration of polluted soil and antidioxin measures	0.6	0.1			0.7
	Fujitsu: 8.0		Major Subsidiaries: 7.0		Total: 15.0

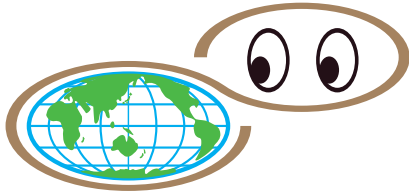
### Benefits ¥18.1 billion

	Fujitsu		Major Subsidiaries		(¥ Billion)
<b>Environmental Protection Activities in Support of Production:</b> Contribution of environmental protection activities to overall value added through production activities	3.7		2.3		6.0
<b>Energy Conservation Cost Savings for Manufacturing Facilities:</b> Reduction of expenses resulting from reduced use of electricity, oil and gas	0.6	0.3			0.9
<b>Recycling Activities:</b> Sales of new products and reusable products utilizing recycled waste materials	0.5	2.9			3.4
Cost reductions resulting from decreased volume of waste materials	0.2	0.1			0.3
<b>Risk Management:</b> Expenses avoided for facility operation losses due to nonobservance of legal restrictions	1.8	1.4			3.2
Expenses avoided for resident indemnification and insurance covering groundwater pollution and dioxin countermeasures	0.9	0.5			1.4
<b>Environmental Business Activities:</b> Contribution to sales by environmental business products (environmental safety data sheet management system for chemical substances, environmental monitoring systems, etc.)	0.5	0.3			0.8
<b>Increased Efficiency of Environmental Activities:</b> Cost reductions from decreased paper use and utilization of management systems	1.3	0.3			1.6
<b>Environmental Education Activities:</b> Cost benefits resulting from in-house education of environmental ISO system construction consultants and inspectors	0.3	0.2			0.5
	Fujitsu: 9.7		Major Subsidiaries: 8.4		Total: 18.1

Independent Opinion on "Environmental Cost and Effect" Information for the 1999 Annual Report (Year Ended March 31, 1999) of Fujitsu Limited	
June 23, 1999	
Naomichi Akizawa President Fujitsu Limited	
1. Purpose and Scope of Review	
We have reviewed the "Environmental Cost and Effect" information for the 1999 annual report of Fujitsu Limited ("Fujitsu" or the "Company") and its principal subsidiaries, prepared and furnished to us by the Company, who are responsible for its contents. The purpose of our review is to express an opinion on the "Environmental Cost and Effect" information, to validate the procedures performed by the Company in collecting this data and to ensure that the methods of accounting followed were in accordance with Fujitsu's "Guidelines for Environmental Accounting."	
2. Procedures	
With the Company's consent, we conducted our review as follows:	
(1) We reviewed the procedures performed by the Company and the methods of accounting followed in the preparation of the "Environmental Cost and Effect" information.	
(2) We compared the information presented in the "Environmental Cost and Effect" information to the respective supporting documents and verified the accuracy of the calculations.	
(3) When deemed necessary, we visited the Company's factories and a subsidiary and made inquiries of the individuals responsible, conducted inspections of the sites and reviewed the decision-making process at such locations.	
The professionals assigned to our review team included a certified environmental measure, environmental management system auditors and certified public accountants.	

3. Opinion
As a result of our examination, the independent opinion of Ota Showa Environmental Management and Quality Research Institute is as follows:
In our opinion, the procedures performed by the Company and the methods of accounting followed in the preparation of the "Environmental Cost and Effect" information included in the Company's 1999 annual report are presented fairly in conformity with Fujitsu Limited's "Guidelines for Environmental Accounting."
Naoto Kuribara Representative Director Ota Showa Environmental Management and Quality Research Institute

Fujitsu is the first Japanese company to receive independent certification in respect to environmental accounting from the Ota Showa Environmental Management and Quality Research Institute.



We care for the Earth.

*This environmental symbol, which uses the infinity mark from the Fujitsu logo in combination with images of the earth and a pair of watchful eyes, is intended to promote groupwide awareness of our environmental protection program. At the same time, it provides customers and the wider society a tangible indication of Fujitsu's commitment to protecting the earth's environment.*

#### Green Product Assessment Standards

- Product recycling rate should exceed 75%
- Products should comply and be registered with the Energy Star Program
- Plastic components weighing more than 25g should display materials information
- 13 additional requirements

## FUJITSU'S ENVIRONMENTAL GUIDELINES AND OBJECTIVES

In July 1992, we established "Fujitsu's Commitment to the Environment," a statement of basic principles and conduct guidelines based on the fundamental philosophy of fully leveraging our resources as a technology creator to help harmonize human activity with the earth's environment. Following up and giving concrete shape to that initiative, we introduced our Second Environmental Protection Program in April 1996, which detailed a comprehensive range of measures and set several targets to be achieved by the end of fiscal 2000.

#### Environmental Goals for Fiscal 2000

- Establish and implement ISO-based environmental management systems in plants and offices, including development and service activities
- Attain a recycling rate of 90% for collected waste products
- Cut industrial waste materials output to 20% of fiscal 1991 levels
- Reduce chemical waste 20% from fiscal 1995 levels
- Lower electricity consumption as a ratio of net sales by 20% to 30% from fiscal 1990 levels

**Continued Progress in ISO Certification** ➤ By December 1997, all 11 of our domestic production bases had been awarded ISO 14001 certification, an international standard for environmental management systems. In February 1998, two of our development facilities were also so designated. Expanding efforts to include the manufacturing facilities of our principal domestic and overseas Group companies, a total of 39 domestic and 14 overseas bases had been awarded such certification as of the end of March 1999. In Asia, where the need to respond to environmental issues is particularly acute, all Fujitsu Group affiliates—with the exception of some recently constructed facilities—have obtained ISO 14001 certification. By the end of fiscal 2000, we intend to have achieved such certification at a total of 66 bases in Japan and 17 bases overseas.

**Expanding Our Lineup of Environmentally Sound Products** ➤ Our commitment to the environment includes a nationwide recycling program in Japan. During fiscal 1998, we collected approximately 8,000 tons of discarded products and achieved a recycling rate of 88%. In the area of product design and development, we have been promoting the development of environmentally sound products since fiscal 1993. In fiscal 1997, based on Germany's "Blue Angel" eco-mark, which denotes products that meet strict ecological standards, we established "Green Product" standards for our own product development efforts. Products developed according to these standards now bear Fujitsu's unique environmental symbol. As of the end of fiscal 1998, we had 45 types of Green Products, especially many of our personal computer models, and our goal is to eventually manufacture all products according to these demanding standards.

**Reducing Chemical Waste** ➤ At Fujitsu Computer Products of Vietnam, Inc. (FCV), which began operations in the summer of 1998, we introduced an innovative method for converting copper chloride produced in the metal plating process into copper oxide, a useful by-product. FCV is now exporting the copper oxide from this process to Japan, where it is used as a raw material for producing ferrite. The system has allowed the plant to reduce waste to 25% of previous levels.

**Global Environmental Protection Activities** ➤ Recognizing early on the global impact of environmental problems, we have been working to implement activities to protect the earth's environment on a worldwide basis. In March 1996, Fujitsu received "The Grand Prize for the Environmental Award," and in September 1998, we decided to commemorate this award with a tree-planting project. Fifty thousand seedlings were planted in an area of approximately 50 hectares within Thailand's Kaeng Krachan National Park. Volunteers from Fujitsu (Thailand) Co., Ltd. collaborated in the planting.

Furthermore, during 1999 we plan to continue such tree-planting activities in a different region. Based on funds contributed by Fujitsu employees, we will cooperate with Fujitsu Computer Products of Vietnam in the regeneration of forests in Vietnam.



*Chairman Tadashi Sekizawa planting trees in Thailand's Kaeng Krachan National Park*

## SOCIAL CONTRIBUTION ACTIVITIES

**Cultivating Young Mathematical Talent** ➤ We provide support for the Mathematical Olympiad Foundation of Japan, which fosters mathematical creativity and promotes activities to discover mathematically gifted young people and help them further develop their abilities. The Foundation is responsible for selecting the Japanese representatives who participate in the International Mathematical Olympiad (IMO). Over the last nine years, more than 10,000 aspiring mathematicians have taken part in the Japanese Mathematical Olympiad and over 50 of these participants have been selected to represent their country at the IMO.



*Japan Mathematical Olympiad Awards Ceremony*

**Supporting Education, Academic Research and International Exchange** ➤ A longstanding example of our efforts to help cultivate tomorrow's business leaders is our continuing support of the Japan-America Institute of Management Science (JAIMS), which we founded in Hawaii in 1972. JAIMS' mission is to contribute to the human and economic development of the Asia-Pacific region by educating and training managers to be effective leaders in an increasingly interdependent economy. To date, the institute has educated and trained more than 17,000 academic and seminar participants from over 50 countries.

In the same year that JAIMS was founded, we also established the Foundation for International Information Processing Education (FINIPED), which supports training in information processing for students from Japan and overseas. FINIPED subsidizes trainees and researchers who pursue excellence in their fields through exchanges and activities at JAIMS and universities around the world.

In 1985, the 50th anniversary of Fujitsu's establishment, we set up the Fujitsu Asia-Pacific Scholarship Program, whose mission is to provide opportunities for business people and students from the Asia-Pacific region to study the management styles and cultural values of the United States, Japan and China. Participants in the program acquire a broader outlook on their regional neighbors, accompanied by deeper mutual understanding—gains that will eventually benefit these individuals and their countries. Fujitsu bears all travel, living and education expenses.

### International Mathematical Olympiad

Every summer, six high school students from each of the world's countries are selected to attend the IMO, in which participants pit their abilities against difficult mathematical problems. Promoting international relations and fostering mathematical creativity, the Olympiad was inaugurated in 1959 in Romania and will be held there again in 1999 to mark the 40th anniversary of the event. Japan is slated to host the IMO in 2003.



*JAIMS trainees*



*Tadashi Sekizawa  
Chairman*



*Naoyuki Akikusa  
President*

CHAIRMAN

**Tadashi Sekizawa**

VICE CHAIRMAN

**Michio Naruto**

PRESIDENT

**Naoyuki Akikusa**

SENIOR EXECUTIVE  
VICE PRESIDENTS

**Takesi Maruyama  
Masuo Tanaka  
Keizo Fukagawa**

EXECUTIVE VICE PRESIDENTS

**Michio Fujisaki  
Tadayasu Sugita**

SENIOR VICE PRESIDENTS

**Akira Takashima  
Yoshiro Yoshioka  
Kazunari Shirai  
Tatsuhiko Otaki  
Kazuto Kojima  
Akio Moridera  
Isao Suzuki  
Hiroshi Oshima  
Yuji Hirose  
Takashi Takaya**

MEMBERS OF THE BOARD

**Kunihiko Sawa  
Tatsuzumi Furukawa  
Ryusuke Hoshikawa  
Junji Maeyama  
Hiroya Madarame  
Masaru Takei  
Tatsushi Miyazawa  
Kazuo Murano  
Noboru Ogi  
Hidetoshi Shibagaki  
Hiroaki Kurokawa  
Hirohisa Yabuuchi  
Koichi Ota  
Takahiko Okada**

STANDING AUDITORS

**Hideo Watanabe  
Satoshi Sugimoto**

AUDITORS

**Yasuyuki Wakahara  
Takeo Kato**

Years ended March 31	(except per share data and number of employees)					Yen (millions)	U.S. Dollars (thousands)
	1995	1996	1997	1998	1999	1999	
Net sales .....	¥3,257,706	¥3,761,966	¥4,503,474	¥4,985,382	¥5,242,986	\$43,330,463	
Operating income .....	152,942	194,872	189,785	177,353	132,287	1,093,281	
Income before income taxes and minority interests.....	96,597	139,587	146,821	123,855	49,625	410,124	
Net income (loss) .....	45,020	63,113	46,147	5,587	(13,638)	(112,711)	
Total assets .....	3,713,769	4,324,480	4,727,600	5,123,039	5,112,330	42,250,661	
Shareholders' equity .....	1,100,268	1,149,389	1,181,403	1,185,229	1,165,312	9,630,678	
Amounts per share of common stock:							
Earnings (loss)							
Basic .....	¥ 24.8	¥ 34.5	¥ 25.1	¥ 3.0	¥ (7.3)	\$ (0.060)	
Diluted.....	24.2	32.5	24.0	3.0	—	—	
Cash dividends.....	10.0	10.0	10.0	10.0	10.0	0.083	
Shareholders' equity .....	605.6	624.2	641.6	636.4	618.5	5.112	
R&D expenditure.....	¥ 323,900	¥ 346,389	¥ 352,818	¥ 387,129	¥ 395,063	\$ 3,264,983	
Capital expenditure.....	234,841	403,839	435,692	435,771	288,896	2,387,570	
Number of employees.....	164,000	165,000	167,000	180,000	188,000		
Net sales by business segment (excluding intersegment sales):							
Services and software.....	¥1,194,717	¥1,351,126	¥1,521,065	¥1,736,697	¥2,034,569	\$16,814,620	
Information processing .....	1,007,881	1,160,245	1,547,239	1,688,402	1,801,409	14,887,677	
Telecommunications .....	449,901	568,765	774,456	799,287	681,059	5,628,587	
Electronic devices.....	420,672	499,543	464,500	541,023	506,645	4,187,149	
Other operations.....	184,535	182,287	196,214	219,973	219,304	1,812,430	
Total .....	¥3,257,706	¥3,761,966	¥4,503,474	¥4,985,382	¥5,242,986	\$43,330,463	
Net sales by customers' geographic location:							
Japan.....	¥2,283,353	¥2,645,077	¥3,161,365	¥3,228,363	¥3,127,501	\$25,847,116	
Europe.....	470,985	564,537	664,697	782,946	1,019,482	8,425,471	
The Americas .....	280,114	310,416	403,206	586,215	708,124	5,852,264	
Asia & Oceania .....	201,295	218,002	251,299	358,396	359,612	2,972,000	
Africa & the Middle East .....	21,959	23,934	22,907	29,462	28,267	233,612	
Total .....	¥3,257,706	¥3,761,966	¥4,503,474	¥4,985,382	¥5,242,986	\$43,330,463	

Notes: 1. See Note 17 of Notes to Consolidated Financial Statements with respect to the calculation of basic and diluted earnings per share.

2. The U.S. dollar amounts above have been translated from yen, for convenience only, at the rate of ¥121=US\$1, the approximate Tokyo foreign exchange market rate as of March 31, 1999.

## Net Sales

In fiscal 1998, the year ended March 31, 1999, consolidated net sales increased 5% from the previous year, to ¥5,242.9 billion (\$43,330 million), an all-time high. These sales included the operations of the parent company, 132 subsidiaries in Japan and 386 subsidiaries overseas.

Although domestic sales benefited from the continued growth in our services business, particularly systems integration, the impact of sharply lower capital investment by domestic telecommunications carriers contributed to a 3% decrease in domestic sales, to ¥3,127.5 billion (\$25,847 million). However, overseas sales jumped 20%, to ¥2,115.4 billion (\$17,483 million), and as a proportion of total sales rose from 35% to 40%. The strong growth in overseas sales was attributable to the inclusion of Amdahl Corporation—which joined the consolidated Group in the second half of the previous term and enjoyed robust global server (mainframe) sales in the U.S.—in the consolidated results for the full period, expansion of our services and software business, increased network demand in the U.S. and Europe, buoyant sales of PCs in the European consumer market, and higher global demand for small form factor hard disk drives.

The average yen exchange rate during the year fell from ¥123 to ¥128 against the U.S. dollar, from ¥202 to ¥212 against the British pound, and moved from ¥88 to ¥79 against the Australian dollar. The average yen rate against the Euro was ¥131. The increase in overseas sales attributable to the effects of exchange rate differences on overseas subsidiaries' earnings totaled ¥60.0 billion.

## Cost of Sales and Selling, General and Administrative Expenses

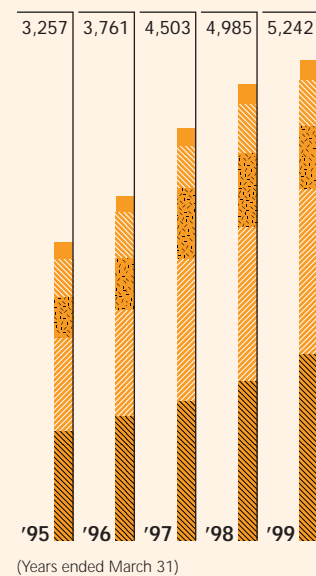
Cost of sales totaled ¥3,776.8 billion (\$31,213 million), an increase of 7% from fiscal 1997. The cost of sales ratio for the year was 72%.

Gross profit was marginally down at ¥1,466.1 billion (\$12,116 million). The gross profit margin fell from 29.4% to 28.0%, adversely affected by capital spending cutbacks implemented by domestic telecommunications firms and the global decline in semiconductor prices, particularly DRAM prices.

Selling, general and administrative expenses increased ¥44.6 billion, to ¥1,333.8 billion (\$11,023 million), of which ¥44.4 billion (\$366 million) was the result of the inclusion of Amdahl in the consolidated results for the full fiscal period. Selling, general and administrative expenses as a proportion of net sales, however, improved to 25.5%, a 0.3% reduction on the previous year. We continued to pursue increases in efficiency and reductions in expenses while maintaining our commitment to R&D. R&D expenditure rose 2%, to ¥395.0 billion (\$3,264 million). However, as a proportion of net sales, R&D expenditure decreased by 0.3%, to 7.5%.

In the previous fiscal year, amortization of goodwill totaled ¥33.9 billion, primarily attributable to the amortization of ¥20.0 billion in goodwill resulting from the acquisition of Amdahl as a wholly owned subsidiary. This amount comprised a lump-sum amortization of ¥15.2 billion and amortization of ¥4.8 billion, which was the fiscal 1997 portion of goodwill to be amortized over a ten-year period. In fiscal 1998, amortization of goodwill declined ¥12.1 billion, to ¥21.7 billion (\$179 million), of which ¥10.1 billion (\$83 million) was related to Amdahl.

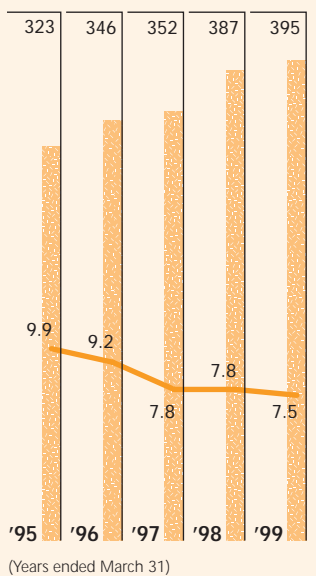
**Net Sales by Business Segment (excluding intersegment sales)**  
(¥ Billion)



- Services and Software
- Information Processing
- Telecommunications
- Electronic Devices
- Other Operations

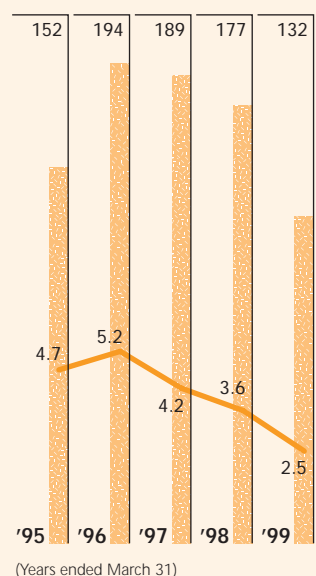
**R&D Expenditure**  
(¥ Billion)

**Ratio of R&D Expenditure to Net Sales**  
(%)



**Operating Income**  
(¥ Billion)

**Ratio of Operating Income to Net Sales**  
(%)



## Other Income and Expenses and Net Income (Loss)

Increases in selling, general and administrative expenses caused operating income to decline ¥45.0 billion, to ¥132.2 billion (\$1,093 million). Operating income comprised 2.5% of net sales, a decrease of 1.1% from the previous year.

With regard to other income and expenses, interest and dividend income less interest charges decreased ¥1.8 billion, to -¥45.7 billion (-\$378 million). Foreign exchange losses resulting from the stronger yen in the second half of the fiscal period totaled ¥16.7 billion (\$138 million), compared with ¥9.4 billion in the previous fiscal year.

Investment profits arising from the equity method increased ¥3.5 billion, to ¥22.4 billion (\$185 million), as a result of healthy earnings at 34 affiliated companies accounted for by the equity method.

Other, net includes ¥41.0 billion (\$338 million) in gains on the listings of three domestic subsidiaries—Fujitsu Support and Service Inc., Fujitsu Systems Construction Ltd. and Fujitsu Devices Inc.—on the Tokyo Stock Exchange and ¥19.2 billion (\$159 million) in gains on disposals of marketable securities.

Other, net also includes an exceptional charge of ¥38.1 billion (\$314 million) related to the realignment of a Pathway project involving U.K. subsidiary ICL PLC. This large-scale project relates to the design, installation and operation of systems to enable increased automation at U.K. post offices and the payment of social welfare benefits through post offices. Losses incurred on restructuring expenses totaled ¥43.7 billion (\$361 million), which comprised ¥17.2 billion (\$142 million) for structural upgrading, mainly relating to our domestic semiconductor facilities, and ¥18.4 billion (\$152 million) incurred on the closure of a U.K. semiconductor subsidiary. Devaluation losses on marketable securities amounted to ¥5.5 billion (\$46 million).

As a result of these factors, income before income taxes and minority interests decreased 60% from the previous fiscal term, to ¥49.6 billion (\$410 million).

After deducting corporate income tax of ¥54.6 billion (\$451 million) and minority interests of ¥8.5 billion (\$70 million), net income declined ¥19.2 billion, resulting in a net loss of ¥13.6 billion (\$112 million). Net loss per share was ¥7.3 (\$0.060) and return on equity was -1.2%. Cash dividends per share were unchanged at ¥10 (\$0.083).

### Segment Information

To enable a more precise breakdown of information by segments, from fiscal 1998 we have adopted the following business segments: Services and Software, Information Processing, Telecommunications, Electronic Devices, and Other Operations. For comparison purposes, consolidated financial information for the previous fiscal year has been restated according to the new segment breakdown.

### Business Segment Information

**Services and Software:** Led by robust domestic and overseas sales of systems integration, outsourcing and other services, which rose by 36%, fiscal 1998 consolidated sales for the services and software segment jumped 17%, to ¥2,034.5 billion (\$16,814 million). Of these, domestic services and software sales grew 11%, to ¥1,260.7 billion (\$10,420 million), while overseas sales in this category advanced 29%, to ¥773.8 billion (\$6,395 million). Services and software operating income jumped 39%, to ¥166.3 billion (\$1,375 million), thanks to strong growth in our services, particularly systems integration, software and maintenance businesses. By making the most of our worldwide corps of 55,000 services and software professionals and our accumulated expertise in systems design and construction, the services and software segment succeeded in achieving

improved sales, operating income and operating income ratio compared to the previous fiscal year.

**Information Processing:** Strong overseas sales of information processing systems and equipment, up 30%, to ¥726.5 billion (\$6,005 million), helped offset a 5% decline in domestic sales of ¥1,074.8 billion (\$8,882 million), boosting consolidated sales for the category as a whole by 7%, to ¥1,801.4 billion (\$14,887 million). In addition to expanding sales of global servers (mainframes) in the U.S., we enjoyed robust growth in sales of personal computers in the European consumer market, while strong demand for small form factor hard disk drives was reflected in solid sales gains, particularly overseas. Operating income for the category jumped 88%, to ¥94.0 billion (\$777 million).

**Telecommunications:** Increased network demand, mainly in the U.S. and Europe, led to buoyant overseas telecommunications sales, which grew 12%, to ¥284.8 billion (\$2,355 million). However, due to major reductions in capital investment by Japanese telecommunications service providers, domestic sales declined 27%, to ¥396.1 billion (\$3,274 million), resulting in a 15% drop in overall consolidated telecommunications sales, to ¥681.0 billion (\$5,629 million). Operating income in this business segment sank 84% from the previous fiscal period, to ¥15.6 billion (\$129 million). This fall was principally due to the aforementioned reductions in spending by Japanese telecommunications carriers, as well as to our increased R&D investment in W-CDMA and other multimedia-capable telecommunications technologies.

Net Sales and Operating Income by Business Segment			(¥ Billion)
Years ended March 31	1998	1999	Increase (decrease) rate (%)
<b>Net Sales</b>			
(including intersegment sales)			
Services and software .....	¥1,782	¥2,092	17.4%
Information processing .....	1,934	2,102	8.7
Telecommunications .....	811	691	(14.8)
Electronic devices .....	656	609	(7.1)
Other operations .....	347	320	(7.8)
Intersegment elimination .....	(546)	(573)	—
Consolidated net sales .....	¥4,985	¥5,242	5.2%
<b>Operating Income</b>			
Services and software .....	¥119	¥166	39.0%
Information processing .....	49	94	88.4
Telecommunications .....	100	15	(84.5)
Electronic devices .....	(32)	(83)	—
Other operations .....	4	7	76.4
Unallocated operating costs and expenses/intersegment elimination .....	(64)	(67)	—
Consolidated operating income .....	¥177	¥132	(25.4)%

**Electronic Devices:** Lower sales volumes resulting from our strategic reduction in the commodity DRAM business pushed overall consolidated sales of electronic devices down 6%, to ¥506.6 billion (\$4,187 million). Domestic sales declined 7%, to ¥238.2 billion (\$1,969 million), while overseas sales slipped 5%, to ¥268.4 billion (\$2,218 million). Although the significant restructuring measures we undertook during this period—particularly in regard to DRAMs—have set the stage for a return to profitability, in fiscal 1998 we recorded an operating loss of ¥83.3 billion (\$689 million), principally due to the performance of the DRAM business.

**Other Operations:** Total sales volumes accounted for by other operations shrank 0.3% from the previous fiscal period, to ¥219.3 billion (\$1,812 million). Domestic sales contracted 2%, to ¥157.5 billion (\$1,302 million), while overseas sales grew 4%, to ¥61.7 billion (\$510 million). Operating income in this business segment soared 76%, to ¥7.0 billion (\$58 million).

### Geographic Segment Information

**Japan:** Fujitsu's overall domestic sales decreased 1%, to ¥3,986.3 billion (\$32,945 million), principally due to falling prices in the semiconductor market and reduced demand from Japanese telecommunications services providers. Domestic operating income sank 26% from the previous fiscal term, to ¥209.1 billion (\$1,728 million).

**Europe:** We expanded sales significantly in European markets, thanks in particular to continued buoyant demand for software and services provided by ICL and strong sales of PCs for personal use. Consequently, total sales in the European region

increased 28%, to ¥1,059.0 billion (\$8,752 million), while an improvement of ¥7.8 billion in operating income led to a net operating profit of ¥0.4 billion (\$3 million).

**The Americas:** Sales in this region rose 31%, to ¥669.1 billion (\$5,530 million), reflecting the strong performance of our global server and services businesses, as well as expanded demand for networks. Unfortunately, our semiconductor manufacturing subsidiary in the U.S. continued to turn a loss, and although operating income improved ¥41.5 billion from the previous term, we recorded an overall operating loss of ¥19.0 billion (\$157 million) in the region.

### Net Sales by Customers' Geographic Location

(¥ Billion)



(Years ended March 31)



**Other:** Sales in this geographic segment, which includes Asian markets outside Japan, climbed 9%, to ¥572.9 billion (\$4,735 million). However, operating income declined 49%, to ¥13.6 billion (\$113 million).

### Net Sales and Operating Income by Geographic Segment

Years ended March 31	1998	1999	Increase (decrease) rate (%)
<b>Net sales</b> (including intersegment sales)			
Japan .....	¥4,010	<b>¥3,986</b>	(0.6)%
Europe.....	826	<b>1,059</b>	28.1
The Americas.....	511	<b>669</b>	30.8
Other.....	523	<b>572</b>	9.4
Intersegment elimination .....	(887)	<b>(1,044)</b>	—
<b>Consolidated net sales .....</b>	<b>¥4,985</b>	<b>¥5,242</b>	5.2%
<b>Operating income</b>			
Japan .....	¥284	<b>¥209</b>	(26.4)%
Europe.....	(7)	<b>0</b>	—
The Americas.....	(60)	<b>(19)</b>	—
Other.....	26	<b>13</b>	(48.6)
Unallocated operating costs and expenses/intersegment elimination .....	(65)	<b>(71)</b>	—
<b>Consolidated operating income .....</b>	<b>¥177</b>	<b>¥132</b>	(25.4)%

### Capital Expenditure

During the fiscal period under review, we reduced capital expenditure 34%, or ¥146.9 billion, to ¥288.8 billion (\$2,387 million). Looking at this amount by business segment, we outlaid ¥48.9 billion (\$404 million) for services and software, ¥79.9 billion (\$660 million) for information processing, ¥41.2 billion (\$340 million) for telecommunications, ¥97.9 billion (\$809 million) for electronic devices, including ¥80.4 billion (\$664 million) for semiconductors, and ¥9.6 billion (\$79 million) for other operations.

We reduced semiconductor expenditure 54% from the previous fiscal period's total of ¥175.3 billion, and focused expenditure on such growth and strategic areas as equipment for the development of advanced technology.

Major capital expenditure included:

- Services and software—facilities and equipment related to outsourcing;
- Information processing—facilities and equipment related to the development and manufacture of printed circuit boards as well as optical and magnetic disks;
- Telecommunications—facilities and equipment related to the development and manufacture of switching equipment and transmission systems;
- Electronic devices—equipment for the development of system LSIs, equipment to support increased integration of logic ICs, and flash memory manufacturing facilities and equipment.



Capital Expenditure		(¥ Billion)		Increase (decrease) rate (%)
Years ended March 31	1998	1999		
Services and software .....	¥ 65	¥ 48	(25.2)%	
Information processing .....	89	79	(10.6)	
Telecommunications .....	46	41	(11.5)	
Electronic devices.....	205	97	(52.4)	
[Semiconductor production].....	[175]	[80]	[(54.2)]	
Other operations .....	10	9	(9.2)	
Corporate* .....	18	11	(38.2)	
Capital expenditure .....	¥435	¥288	(33.7)%	
Domestic .....	298	207	(30.7)	
Overseas.....	136	81	(40.2)	

\* Nonallocable capital expenditure for shared R&D and parent company management division

### Financial Condition and Liquidity

Total assets at March 31, 1999 stood at ¥5,112.3 billion (\$42,250 million), down ¥10.7 billion from the end of the previous fiscal term. Net property, plant and equipment stood at ¥1,242.4 billion (\$10,268 million), down ¥113.6 billion. Total interest-bearing liabilities rose ¥36.5 billion, to ¥1,927.3 billion (\$15,928 million), largely due to the issue of commercial paper.

Largely due to the disposition of the legal reserve and retained earnings, shareholders' equity decreased ¥19.9 billion,

to ¥1,165.3 billion (\$9,630 million). The shareholders' equity ratio slipped from 23.1% to 22.8%, and shareholders' equity per share, based on the number of shares outstanding at year-end, was ¥618.5 (\$5.112) compared with ¥636.4 the previous year.

### Cash Flows

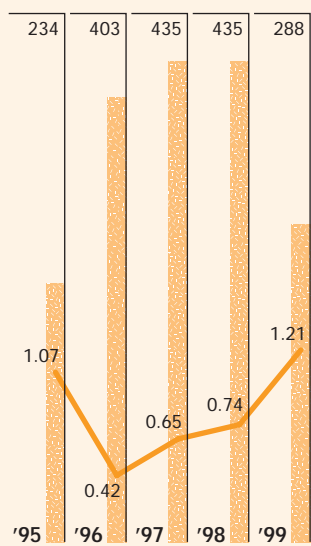
Net cash provided by operating activities increased ¥26.4 billion, to ¥350.2 billion (\$2,895 million), despite the fall in net income. The principal causes for this increase in working capital were reductions in the recovery period for receivables and decreases in inventories.

Net cash used in investing activities shrank to ¥359.3 billion (\$2,969 million), a ¥142.9 billion reduction from the previous term that was mainly due to a contraction in acquisitions of property, plant and equipment reflecting reduced capital expenditure.

Although cash used in investing activities exceeded cash provided by operating activities, resulting in a net cash outflow of ¥9.0 billion (\$74 million), this represented an improvement of ¥169.4 billion compared with the previous fiscal year.

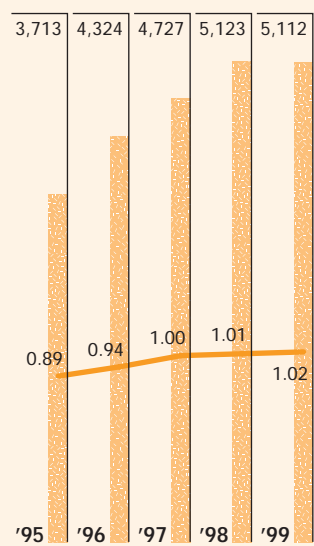
Net cash provided by financing activities stood at ¥69.1 billion (\$571 million), a drop of ¥85.4 billion that principally derived from reductions in the issuance of company bonds and a decrease in proceeds from long-term debt.

**Capital Expenditure**  
(¥ Billion)  
**Coverage of Capital Expenditure**  
(Times)



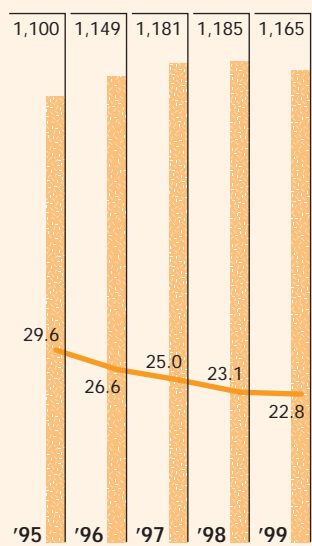
(Years ended March 31)

**Total Assets**  
(¥ Billion)  
**Total Assets Turnover Rate**  
(Times)



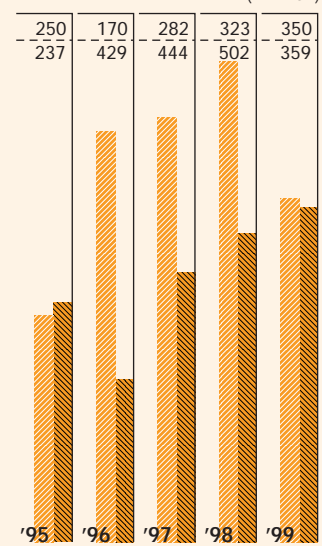
(Years ended March 31)

**Shareholders' Equity**  
(¥ Billion)  
**Equity Ratio**  
(%)



(Years ended March 31)

**Cash Flows from Operating Activities**  
(¥ Billion)  
**Cash Flows from Investing Activities**  
(¥ Billion)



(Years ended March 31)

● Cash Flows from Operating Activities  
▨ Cash Flows from Investing Activities

At March 31	1998	Yen (millions) 1999	U.S. Dollars (thousands) (Note 3) 1999
<b>Assets</b>			
<b>Current assets:</b>			
Cash and cash equivalents .....	¥ 392,190	¥ 449,510	\$ 3,714,959
Short-term investments (Note 4) .....	27,691	46,937	387,909
Receivables, trade (Note 16) .....	1,325,868	1,259,279	10,407,264
Allowance for doubtful accounts .....	(21,300)	(18,151)	(150,008)
Inventories (Note 5) .....	958,466	905,992	7,487,537
Other current assets (Note 11) .....	127,688	199,747	1,650,802
Total current assets .....	2,810,603	2,843,314	23,498,463
<b>Investments and long-term loans:</b>			
Affiliates (Note 6) .....	311,799	333,802	2,758,694
Other (Notes 4, 6, 9 and 11) .....	326,123	366,804	3,031,438
Total investments and long-term loans .....	637,922	700,606	5,790,132
<b>Property, plant and equipment (Notes 7 and 9):</b>			
Land .....	134,890	134,805	1,114,091
Buildings .....	787,442	778,222	6,431,587
Machinery and equipment .....	2,378,998	2,221,935	18,363,099
Construction in progress .....	54,337	38,046	314,430
	3,355,667	3,173,008	26,223,207
Less accumulated depreciation .....	1,999,546	1,930,580	15,955,207
Property, plant and equipment, net .....	1,356,121	1,242,428	10,268,000
<b>Intangible assets:</b>			
Goodwill (Note 8) .....	231,267	222,608	1,839,735
Other intangible assets .....	15,746	13,839	114,372
Total intangible assets .....	247,013	236,447	1,954,107
<b>Other assets:</b>			
Cumulative translation adjustment .....	66,780	86,660	716,199
Discount on bonds .....	4,600	2,875	23,760
Total other assets .....	71,380	89,535	739,959
<b>Total assets</b> .....	<b>¥5,123,039</b>	<b>¥5,112,330</b>	<b>\$42,250,661</b>

The accompanying Notes to Consolidated Financial Statements are an integral part of these statements.

	1998	Yen (millions) 1999	U.S. Dollars (thousands) (Note 3) 1999
<b>Liabilities and shareholders' equity</b>			
<b>Current liabilities:</b>			
Short-term borrowings (Note 9) .....	¥ 661,857	¥ 688,583	\$ 5,690,769
Current portion of long-term debt (Note 9) .....	165,460	110,385	912,273
Payables, trade (Note 16) .....	836,543	850,995	7,033,017
Accrued expenses .....	403,653	379,768	3,138,578
Customers' advances .....	35,201	44,231	365,545
Accrued income taxes .....	81,951	46,616	385,256
Other current liabilities (Note 11) .....	160,299	166,534	1,376,314
Total current liabilities .....	2,344,964	2,287,112	18,901,752
<b>Long-term liabilities:</b>			
Long-term debt (Note 9) .....	1,063,525	1,128,375	9,325,413
Accrued severance benefits (Note 10) .....	147,125	161,701	1,336,372
Provision for loss on repurchase of computers .....	96,247	91,760	758,347
Other long-term liabilities (Note 11) .....	112,838	85,065	703,017
Total long-term liabilities .....	1,419,735	1,466,901	12,123,149
Minority interests in consolidated subsidiaries .....	173,111	193,005	1,595,082
<b>Shareholders' equity (Note 12):</b>			
Common stock:			
Authorized—5,000,000,000 shares			
Issued (¥50 par value)			
1998—1,862,355,910 shares .....	249,347		
1999—1,884,139,404 shares .....		261,222	2,158,859
Capital surplus .....	436,023	447,948	3,702,050
Retained earnings .....	499,883	456,240	3,770,579
Treasury stock .....	(24)	(98)	(810)
Total shareholders' equity .....	1,185,229	1,165,312	9,630,678
<b>Commitments and contingent liabilities (Note 13)</b>			
<b>Total liabilities and shareholders' equity .....</b>	<b>¥5,123,039</b>	<b>¥5,112,330</b>	<b>\$42,250,661</b>



Years ended March 31	Yen (millions)			U.S. Dollars (thousands) (Note 3)
	1997	1998	1999	1999
<b>Common stock:</b>				
Balance at beginning of year.....	¥237,626	¥237,674	¥249,347	\$2,060,719
Exercise of warrants.....	—	9,547	11,635	96,157
Conversion of bonds.....	48	2,126	181	1,495
Increase by merger.....	—	—	59	488
Balance at end of year.....	¥237,674	¥249,347	¥261,222	\$2,158,859
<b>Capital surplus:</b>				
Balance at beginning of year.....	¥419,780	¥424,578	¥436,023	\$3,603,496
Exercise of warrants.....	—	9,576	11,744	97,058
Conversion of bonds.....	79	2,126	180	1,488
Other, net.....	4,719	(257)	1	8
Balance at end of year.....	¥424,578	¥436,023	¥447,948	\$3,702,050
<b>Retained earnings:</b>				
Balance at beginning of year.....	¥491,993	¥519,238	¥499,883	\$4,131,265
Net income (loss).....	46,147	5,587	(13,638)	(112,711)
Cash dividends paid.....	(18,413)	(18,508)	(18,686)	(154,430)
Bonuses to directors and statutory auditors.....	(869)	(940)	(925)	(7,645)
Decrease in cumulative translation adjustment (Note 2).....	—	—	(5,927)	(48,983)
Other, net.....	380	(5,494)	(4,467)	(36,917)
Balance at end of year.....	¥519,238	¥499,883	¥456,240	\$3,770,579
<b>Treasury stock:</b>				
Balance at beginning of year.....	¥ (10)	¥ (87)	¥ (24)	\$ (198)
(Increase) decrease.....	(77)	63	(74)	(612)
Balance at end of year.....	¥ (87)	¥ (24)	¥ (98)	\$ (810)

The accompanying Notes to Consolidated Financial Statements are an integral part of these statements.

Years ended March 31	Yen (millions)			U.S. Dollars (thousands) (Note 3)
	1997	1998	1999	1999
<b>Cash flows from operating activities:</b>				
Income before income taxes and minority interests.....	¥146,821	¥123,855	¥ 49,625	\$ 410,124
Adjustments to reconcile income before income taxes and minority interests to net cash provided by operating activities:				
Depreciation and amortization .....	288,996	316,766	329,082	2,719,686
Goodwill amortization.....	10,896	33,909	21,754	179,785
Accrual for severance benefits, less payments.....	14,781	10,443	14,235	117,645
Provision for loss on repurchase of computers .....	53,272	53,124	48,638	401,967
Reversal of provision for loss on repurchase of computers .....	(57,697)	(53,313)	(53,124)	(439,041)
Interest charges.....	49,276	56,615	58,240	481,322
Interest and dividend income .....	(9,758)	(12,760)	(12,499)	(103,298)
Equity in earnings of affiliates, net.....	(3,747)	(18,964)	(22,475)	(185,744)
Loss on disposal of property, plant and equipment.....	11,656	12,866	30,704	253,752
Decrease (increase) in receivables, trade .....	(155,299)	(96,607)	29,874	246,893
Decrease (increase) in inventories .....	(26,835)	(65,771)	40,748	336,760
(Increase) decrease in other current assets .....	1,018	1,646	(61,775)	(510,537)
Increase in payables, trade .....	103,991	68,166	48,769	403,050
(Decrease) increase in other current liabilities.....	(31,831)	4,260	(3,704)	(30,612)
Other, net .....	(6,374)	40,063	(30,574)	(252,678)
Cash generated from operations .....	389,166	474,298	487,518	4,029,074
Interest paid.....	(48,113)	(57,462)	(60,395)	(499,132)
Interest received .....	6,829	8,964	5,257	43,446
Dividends received .....	2,808	976	6,329	52,306
Income taxes paid .....	(68,450)	(102,920)	(88,413)	(730,686)
Net cash provided by operating activities.....	282,240	323,856	350,296	2,895,008
<b>Cash flows from investing activities:</b>				
Purchase of property, plant and equipment .....	(438,969)	(448,869)	(279,226)	(2,307,653)
Proceeds from sales of property, plant and equipment .....	8,250	17,418	25,325	209,298
(Increase) in investments and long-term loans.....	(22,699)	(14,209)	(112,870)	(932,810)
(Increase) decrease in short-term investments.....	(11,153)	33,385	(20,452)	(169,025)
Acquisition of Amdahl Corporation, net of cash acquired.....	—	(97,403)	—	—
Other, net .....	19,914	7,384	27,899	230,570
Net cash used in investing activities .....	(444,657)	(502,294)	(359,324)	(2,969,620)
<b>Cash flows from financing activities:</b>				
Proceeds from long-term debt.....	274,100	466,540	204,899	1,693,380
Repayment of long-term debt .....	(128,399)	(279,700)	(185,031)	(1,529,182)
Increase (decrease) in short-term borrowings.....	(1,416)	(23,630)	42,682	352,744
Increase (decrease) in minority interests.....	8,828	(4,483)	11,513	95,149
Dividends paid .....	(18,413)	(18,508)	(18,686)	(154,430)
Other, net .....	(4,929)	14,389	13,822	114,232
Net cash provided by financing activities .....	129,771	154,608	69,199	571,893
Effect of exchange rate changes on cash and cash equivalents.....	12,608	2,120	(2,851)	(23,562)
Net increase (decrease) in cash and cash equivalents.....	(20,038)	(21,710)	57,320	473,719
Cash and cash equivalents at beginning of year .....	433,938	413,900	392,190	3,241,240
Cash and cash equivalents at end of year.....	¥413,900	¥392,190	¥449,510	\$3,714,959
<b>Noncash financing activities:</b>				
Conversion of bonds into common stock and capital surplus .....	¥ 127	¥ 4,252	¥ 361	\$ 2,983

The accompanying Notes to Consolidated Financial Statements are an integral part of these statements.

## 1. Significant Accounting Policies

### (a) Basis of presenting consolidated financial statements

The accompanying consolidated financial statements of Fujitsu Limited (the "Company") and its consolidated subsidiaries (together, the "Group") have been prepared in accordance with accounting principles and practices generally accepted in Japan and the regulations under the Securities and Exchange Law of Japan. The accounting principles and practices adopted by the consolidated subsidiaries outside Japan in their respective countries basically conform to those adopted by the Company. In presenting the accompanying consolidated financial statements, certain items have been reclassified for the convenience of readers outside Japan.

The differences between the accounting principles and practices adopted by the Group and those prescribed by International Accounting Standards ("IAS") are set forth in Note 2.

### (b) Principles of consolidation

The consolidated financial statements include the accounts of the Company and, with minor exceptions, those of its majority-owned subsidiaries, whether directly or indirectly controlled.

Acquisitions of companies are accounted for using the purchase method. Goodwill represents the excess of the acquisition cost over the fair value of the net assets of the acquired companies, and is being amortized on a straight-line basis over periods not exceeding 20 years.

Investments in affiliates owned 20% to 50%, with minor exceptions, are accounted for by the equity method.

### (c) Cash equivalents

For the purpose of the statement of cash flows, the Group considers all short-term, highly liquid instruments with a maturity of three months or less to be cash equivalents.

### (d) Translation of foreign currency accounts

Current receivables and payables denominated in foreign currencies are translated into Japanese yen at the exchange rates in effect at the respective balance sheet dates. Noncurrent monetary items denominated in foreign currencies are translated into Japanese yen at historical exchange rates.

The asset and liability accounts of the consolidated subsidiaries outside Japan are translated into Japanese yen at the applicable fiscal year-end rates. Income and expense accounts are translated at the average rate during the year. The resulting translation adjustments are recorded in assets as cumulative translation adjustment in conformity with accounting principles generally accepted in Japan.

### (e) Revenue recognition

Revenues from sales of communications products and computer systems are generally recognized upon acceptance by the customers, while revenues from sales of personal computers, peripherals, other equipment and electronic devices are recognized when the products are shipped.

### (f) Marketable securities

Marketable securities included in short-term investments, and investments and long-term loans are stated at the lower of cost or market, cost being determined by the moving average method.

### (g) Allowance for doubtful accounts

The allowance for doubtful accounts is provided at an amount that is deemed sufficient to cover estimated future losses.

### (h) Inventories

Finished goods are stated at cost determined by the moving average method and the first-in, first-out method ("FIFO").

Work in process is stated at cost determined by FIFO.

Raw materials are stated at cost determined by the moving average method, the most recent purchase price method and FIFO.

**(i) Property, plant and equipment and depreciation**

Property, plant and equipment, including renewals and additions, are carried at cost.

Depreciation is computed principally by the declining-balance method at rates based on the estimated useful lives of the respective assets, which vary according to their general classification, type of construction and function.

Maintenance and repairs, including minor renewals and improvements, are charged to income as incurred.

**(j) Leases**

Leased assets are recorded under property, plant and equipment and lease liabilities are included in long-term liabilities under finance leases except those in Japan. The Company and its consolidated subsidiaries in Japan treat finance leases in the same way as operating leases.

**(k) Retirement and severance benefits**

Employees who terminate their services with the Group are generally entitled to annuities or lump-sum severance payments based on their current basic rates of pay and length of service.

The Company and its consolidated subsidiaries in Japan have contributory defined benefit plans with insurance companies, trust banks and investment management companies to supplement the public welfare pension plan. The plans entitle eligible employees upon retirement to receive either a lump-sum payment or annuity payments for life, or a combination of both.

Most consolidated subsidiaries outside Japan have defined benefit plans and/or defined contribution plans covering substantially all employees. The cost of benefits for annuities and lump-sum severance payments is currently funded or accrued.

**(l) Provision for loss on repurchase of computers**

Certain computers manufactured by the Group are sold to Japan Electronic Computer Company Limited ("JECC") and other leasing companies and financial institutions for leasing to the ultimate users under contracts which require that the Group repurchase the computers if they are returned by the users after a certain period. Based on past experience, an estimated amount for the loss arising from such repurchases is provided at the point of sale and is charged to income.

**(m) Income taxes**

The Group has adopted the balance sheet liability method of tax effect accounting to recognize the effect of all temporary differences in the recognition of assets and liabilities for tax and financial reporting purposes.

**(n) Earnings per share**

Basic earnings per share is computed based on the weighted average number of shares of common stock outstanding during the respective years.

Diluted earnings per share is computed based on the weighted average number of shares after consideration of the dilutive effect of the shares of common stock issuable upon the exercise of warrants and the conversion of convertible bonds.

**(o) Derivative financial instruments**

Gains and losses on derivative financial instruments used to reduce exposure on receivables and liabilities denominated in foreign currencies are recognized over the lives of the contracts. Gains and losses arising from the related receivables and liabilities are offset.

The differentials to be paid or received related to swap contracts are recognized over the lives of the contracts.



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## 2. Differences with International Accounting Standards

The differences between the accounting principles and practices adopted by the Group and those prescribed by International Accounting Standards ("IAS") are summarized as follows.

### **Noncurrent monetary items denominated in foreign currencies**

Had noncurrent monetary items denominated in foreign currencies been translated at the exchange rates in effect at the balance sheet dates pursuant to IAS No. 21, the differences would not have been significant.

### **Cumulative translation adjustment**

Although IAS No. 21 requires that cumulative translation adjustment be reported as a component of shareholders' equity, the Group reported it in assets.

### **Decrease in cumulative translation adjustment**

According to IAS No. 21, upon the liquidation of a foreign subsidiary, the amount of the cumulative translation adjustment related to the foreign subsidiary should be recognized as income or expenses. The Group records this amount directly in the retained earnings.

### **Marketable Securities (Note 4)**

Although IAS No. 25 requires that marketable securities recorded in investments and long-term loans be stated at the lower of cost or market on a portfolio basis, the Company determines the value of the securities on an item-by-item basis in order to state the value of the securities more conservatively. The difference is immaterial.

### **Inventories**

IAS No. 2 requires that inventories be valued at the lower of their historical cost or net realizable value. Had IAS No. 2 been applied, the difference in the aggregate value of the inventories would not have been significant.

### **Detachable stock purchase warrants (Note 9)**

According to IAS No. 32, detachable stock purchase warrants should be recorded as a component of shareholders' equity. The Group includes warrants in other current liabilities.

### **Leases (Note 15)**

Although IAS No. 17 stipulates that leased assets be recorded under property, plant and equipment and lease liabilities be reflected in long-term liabilities under any finance leases, finance leases in Japan are treated in the same way as operating leases.

### **Scope of consolidation (Note 6)**

According to IAS No. 27, Fujitsu Leasing Co., Ltd., an affiliate of the Group, should be included in consolidation. The Company excludes this enterprise from consolidation in accordance with the regulations under the Securities and Exchange Law of Japan.

### **Retirement and severance benefits (Note 10)**

IAS No. 19 requires that the cost of providing retirement benefits should be determined using an accrued benefit valuation method or a projected benefit valuation method.

Under the severance benefit plans adopted by the Company and most consolidated subsidiaries in Japan, accrued severance benefits in the consolidated balance sheets are stated at the present value of the vested benefit obligation. The difference is calculated assuming that the Company and most consolidated subsidiaries in Japan had used an accrued benefit valuation method from the year ended March 31, 1999.

Had IAS been applied, the significant effects on the accompanying consolidated financial statements would have been as follows:

Amount of significant effects on consolidated financial statements	Yen (millions)		U.S. Dollars (thousands)
	1998	1999	1999
Cumulative translation adjustment			
Cumulative translation adjustment .....	¥ -66,780	¥ -86,660	\$-716,199
Total shareholders' equity .....	-66,780	-86,660	-716,199
Decrease in cumulative translation adjustment			
Net loss .....	—	-5,927	-48,983
Decrease in cumulative translation adjustment [Statement of shareholders' equity] .....	—	+5,927	+48,983
Detachable stock purchase warrants (Note 9)			
Other current liabilities .....	-8,593	-8,477	-70,058
Total shareholders' equity .....	+8,593	+8,477	+70,058
Leases (Note 15)			
Property, plant and equipment, net .....	+76,217	+72,830	+601,901
Total long-term liabilities .....	+76,217	+72,830	+601,901
Scope of consolidation (Note 6)		(Unaudited)	
Total assets .....	+156,395	+162,531	+1,343,231
Total liabilities .....	+152,228	+157,888	+1,304,859
Minority interests in consolidated subsidiaries .....	+4,167	+4,643	+38,372
Retirement and severance benefits (Note 10)		(Unaudited)	
Investments and long-term loans—other .....	—	+12,418	+102,628
Accrued severance benefits .....	—	+29,567	+244,355
Retained earnings (= Net loss) .....	—	-17,149	-141,727

### 3. U.S. Dollar Amounts

The Company and its consolidated subsidiaries in Japan maintain their books of account in yen. The U.S. dollar amounts included in the accompanying consolidated financial statements and the notes thereto represent the arithmetic results of translating yen into dollars at ¥121= US\$1, the approximate rate of exchange prevailing on March 31, 1999. The U.S. dollar amounts are presented solely for the convenience of the reader and the translation is not intended to imply that the assets and liabilities which originated in yen have been or could readily be converted, realized or settled in U.S. dollars at the above or any other rate.

### 4. Marketable Securities

The current and noncurrent portfolios of marketable securities at March 31, 1998 and 1999, which are included in short-term investments (current) and in investments and long-term loans—other (noncurrent), are summarized as follows:

	Yen (millions)		U.S. Dollars (thousands)
	1998	1999	1999
Current:			
Carrying value .....	¥ 24,521	¥ 12,447	\$ 102,868
Market value .....	24,745	12,270	101,405
Net unrealized gains (losses) .....	¥ 224	¥ (177)	\$ (1,463)
Noncurrent:			
Carrying value .....	¥103,624	¥119,346	\$ 986,331
Market value .....	164,324	179,806	1,486,000
Net unrealized gains .....	¥ 60,700	¥ 60,460	\$ 499,669

## 5. Inventories

Inventories at March 31, 1998 and 1999 consisted of the following:

		Yen (millions)	U.S. Dollars (thousands)
	1998	1999	1999
Finished goods .....	¥433,620	¥421,986	\$3,487,488
Work in process .....	366,251	342,507	2,830,636
Raw materials.....	158,595	141,499	1,169,413
	¥958,466	¥905,992	\$7,487,537

## 6. Investments in Affiliates

A summary of the financial information of the affiliates accounted for on an equity basis is presented below:

		Yen (millions)	U.S. Dollars (thousands)
	1998	1999	1999
At March 31			
Current assets.....	¥ 772,633	¥ 819,430	\$ 6,772,149
Noncurrent assets .....	543,585	547,105	4,521,529
	1,316,218	1,366,535	11,293,678
Current liabilities.....	454,928	371,247	3,068,157
Long-term liabilities .....	109,339	188,933	1,561,430
Net assets .....	¥ 751,951	¥ 806,355	\$ 6,664,091

		Yen (millions)	U.S. Dollars (thousands)
	1997	1998	1999
Years ended March 31			
Net sales.....	¥937,439	¥1,062,300	¥822,282
Net income.....	16,182	60,812	58,000
			\$6,795,719
			479,339

Of the affiliates accounted for on an equity basis, the carrying and market values of the shares of the publicly listed companies at March 31, 1998 and 1999 were as follows:

		Yen (millions)	U.S. Dollars (thousands)
	1998	1999	1999
At March 31			
Carrying value .....	¥256,356	¥271,158	\$2,240,975
Market value .....	646,212	685,100	5,661,983

At March 31, 1998 and 1999, the amount of ¥19,373 million (\$160,107 thousand) representing the Company's 29.49% investment in JECC was included in investments and long-term loans—other. The Company does not regard JECC as an affiliate, as it is unable to exercise significant influence over JECC's affairs. JECC's principal business is the leasing of computers and peripherals which it purchases from its seven shareholders. At March 31, 1999, JECC's issued share capital was ¥65,700 million (\$542,975 thousand). Its net sales for the years ended March 31, 1997, 1998 and 1999 amounted to ¥305,221 million, ¥299,269 million and ¥298,957 million (\$2,470,719 thousand).

Due to the amendment to the scope of consolidation based on controlling powers in regulations under the Securities and Exchange Law of Japan, Fujitsu Leasing Co., Ltd., which was an affiliate of the Group as of March 31, 1999, will become a consolidated subsidiary effective the year beginning April 1, 1999.

## 7. Property, Plant and Equipment

Changes in property, plant and equipment have resulted from the following:

Years ended March 31	Yen (millions)		U.S. Dollars (thousands)
	1998	1999	1999
<b>Land</b>			
Balance at beginning of year, net .....	¥122,798	¥134,890	\$1,114,793
Additions .....	11,590	6,230	51,488
Translation differences .....	189	(1,505)	(12,438)
Other, net .....	313	(5,732)	(47,372)
Balance at end of year, net .....	¥134,890	¥133,883	\$1,106,471
<b>Buildings</b>			
Balance at beginning of year, net .....	¥391,142	¥416,632	\$3,443,240
Additions .....	67,419	32,106	265,339
Depreciation .....	35,410	39,129	323,380
Translation differences .....	71	(7,855)	(64,918)
Other, net .....	(6,590)	310	2,562
Balance at end of year, net .....	¥416,632	¥402,064	\$3,322,843
<b>Machinery and equipment</b>			
Balance at beginning of year, net .....	¥651,259	¥750,262	\$6,200,512
Additions .....	426,941	279,608	2,310,810
Depreciation .....	279,627	286,049	2,364,041
Translation differences .....	(2,077)	(23,289)	(192,471)
Other, net .....	(46,234)	(52,097)	(430,554)
Balance at end of year, net .....	¥750,262	¥668,435	\$5,524,256
<b>Construction in progress</b>			
Balance at beginning of year, net .....	¥ 96,077	¥ 54,337	\$ 449,066
Additions .....	292,756	175,321	1,448,934
Translation differences .....	80	(753)	(6,223)
Transfer .....	(334,576)	(190,859)	(1,577,347)
Balance at end of year, net .....	¥ 54,337	¥ 38,046	\$ 314,430

## 8. Goodwill

An analysis of goodwill is shown below:

Years ended March 31	Yen (millions)		U.S. Dollars (thousands)
	1998	1999	1999
Balance at beginning of year .....	¥137,667	¥231,267	\$1,911,297
Additions .....	114,627	27,311	225,711
Amortization .....	33,909	21,754	179,785
Translation differences .....	12,882	(14,216)	(117,488)
Balance at end of year .....	¥231,267	¥222,608	\$1,839,735

## 9. Short-Term Borrowings and Long-Term Debt

Short-term borrowings at March 31, 1998 and 1999 comprised the following:

	1998	Yen (millions) 1999	U.S. Dollars (thousands) 1999
Loans, principally from banks, at interest rates ranging from 0.81% to 8.41% at March 31, 1998 and from 0.47% to 8.00% at March 31, 1999:			
Secured.....	¥ 9,113	¥ 867	\$ 7,165
Unsecured.....	572,194	573,716	4,741,455
Commercial paper at interest rates ranging from 0.50% to 7.95% at March 31, 1998 and from 0.10% to 0.31% at March 31, 1999.....	80,550	114,000	942,149
	<b>¥661,857</b>	<b>¥688,583</b>	<b>\$5,690,769</b>

Long-term debt at March 31, 1998 and 1999 consisted of:

	1998	Yen (millions) 1999	U.S. Dollars (thousands) 1999
Loans, principally from banks and insurance companies, due from 1999 to 2025 at interest rates ranging from 0.47% to 11.70% at March 31, 1998 and 1999:			
Secured .....	¥ 18,339	¥ 21,623	\$ 178,703
Unsecured .....	284,684	277,956	2,297,157
Bonds and notes issued by the Company:			
3.0% U.S. dollar convertible bonds due 1999 .....	274	—	—
1.3% unsecured convertible bonds due 1998 .....	39,782	—	—
1.4% unsecured convertible bonds due 2004 .....	39,649	39,649	327,678
1.9% unsecured convertible bonds due 2002 .....	38,139	38,087	314,769
1.95% unsecured convertible bonds due 2003 .....	39,342	39,303	324,818
2.0% unsecured convertible bonds due 2004 .....	18,045	18,044	149,124
3.0% Swiss franc notes due 1998 with warrants .....	29,578	—	—
3 <sup>1</sup> / <sub>8</sub> % U.S. dollar bonds due 2000 with warrants.....	50,341	50,341	416,041
4.1% bonds due 1999 with warrants .....	35,000	35,000	289,256
7.0% bonds due 1998.....	30,000	—	—
3 <sup>3</sup> / <sub>4</sub> % bonds due 1999.....	30,000	30,000	247,934
3.6% bonds due 1998.....	20,000	—	—
2.3% bonds due 2001.....	30,000	30,000	247,934
2.6% bonds due 2002.....	30,000	30,000	247,934
2.825% bonds due 2001.....	60,000	60,000	495,868
3.025% bonds due 2002.....	30,000	30,000	247,934
3.225% bonds due 2003.....	30,000	30,000	247,934
2.425% bonds due 2003.....	50,000	50,000	413,223
2.875% bonds due 2006.....	50,000	50,000	413,223
2.575% bonds due 2004.....	50,000	50,000	413,223
3.15% bonds due 2009.....	50,000	50,000	413,223
3.0% dual currency bonds due 2001 .....	30,000	30,000	247,934
2.3% bonds due 2007.....	50,000	50,000	413,223
2.325% bonds due 2008.....	50,000	50,000	413,223
3.0% bonds due 2018.....	—	30,000	247,934
2.175% bonds due 2008.....	—	50,000	413,223
2.15% bonds due 2008.....	—	50,000	413,223
Bonds and notes issued by consolidated subsidiaries:			
Unsecured (2.66% to 3.45%, due 1999–2006) .....	45,812	48,757	402,950
Less amounts due within one year .....	165,460	110,385	912,273
	<b>¥1,063,525</b>	<b>¥1,128,375</b>	<b>\$9,325,413</b>

Assets pledged as collateral for bank loans and long-term debt at March 31, 1998 and 1999 are presented below:

	1998	Yen (millions) 1999	U.S. Dollars (thousands) 1999
Investments and long-term loans .....	¥ 330	¥ 7	\$ 58
Property, plant and equipment, net.....	27,181	23,411	193,479
	<u>¥27,511</u>	<u>¥23,418</u>	<u>\$193,537</u>

As is customary in Japan, substantially all loans from banks (including short-term loans) are made under general agreements which provide that, at the request of the banks, the borrower is required to provide collateral or guarantors (or additional collateral or guarantors, as appropriate) with respect to such loans, and that all assets pledged as collateral under such agreements will be applicable to all present and future indebtedness to the banks concerned. These general agreements further provide that the banks have the right, as the indebtedness matures or becomes due prematurely by default, to offset deposits at the banks against the indebtedness due to the banks.

The current conversion prices of the 1.4%, 1.9%, 1.95% and 2.0% convertible bonds issued by the Company are ¥1,751.50, ¥998.00, ¥998.00 and ¥998.00 per share, respectively, and the current exercise prices of the warrants issued with the 3<sup>1</sup>/<sub>8</sub>% and 4.1% bonds are ¥1,220.00 and ¥1,144.90 per share, respectively. The conversion and exercise prices referred to above are subject to adjustment in certain circumstances, including stock splits or free share distributions of common stock. At March 31, 1999, approximately 188 million shares of common stock were reserved for the conversion or exercise of all outstanding convertible bonds and warrants.

Certain outstanding convertible bonds and notes can be repurchased at any time and may be redeemed at the option of the Company, in whole or in part, at prices ranging from 105% to 100% of their principal amounts.

The aggregate annual maturities of long-term debt subsequent to March 31, 1999 are summarized as follows:

Years ending March 31	Yen (millions)	U.S. Dollars (thousands)
2000 .....	¥110,385	\$ 912,273
2001 .....	115,621	955,545
2002 .....	195,611	1,616,620
2003 .....	161,158	1,331,884
2004 and thereafter .....	655,985	5,421,364

Bonds with detachable stock purchase warrants issued on or after April 1, 1994 have been accounted for as amounts separately attributable to the bonds and the stock purchase warrants. As for bonds with warrants issued before that date, the value of the stock purchase warrants have not been computed retroactively as they are not detachable.

The aggregate amount attributable to the stock purchase warrants is reported in other current liabilities in conformity with accounting principles generally accepted in Japan. The warrants outstanding at March 31, 1998 and 1999 amounted to ¥8,593 million and ¥8,477 million (\$70,058 thousand), respectively.

Convertible bonds are treated entirely as bonds and no value inherent in the conversion feature is recognized in accordance with accounting principles generally accepted in Japan. The total amount of convertible bonds are included in long-term debt.

## 10. Retirement and Severance Benefits

Accrued severance benefits in the consolidated balance sheets comprise the principal pension plans which are unfunded defined benefit plans. Under the plans, employees are entitled to lump-sum payments based on their current basic rates of pay and length of service. Accrued severance benefits in the consolidated balance sheets are stated at the present value of the vested benefit obligation which would be required if all employees voluntarily terminated their services at the balance sheet dates. Provisions for employees' severance benefits charged to income for the years ended March 31, 1997, 1998 and 1999 amounted to ¥26,697 million, ¥25,352 million and ¥31,975 million (\$264,256 thousand), respectively.

In addition to the plans described above, substantially all employees of the Company and most subsidiaries in Japan are covered by contributory defined benefit plans, which include a substitutional portion of the benefits under the National Welfare Pension Plan of Japan ("the NWP Plan"). The plans require that the liability reserve and the annual contributions be actuarially calculated by the open aggregate cost method for the substitutional portion of the NWP Plan, and by the entry-age normal cost method for the remainder.

The liability reserve for the substitutional portion of the NWP Plan of the Company and certain subsidiaries at March 31, 1997 and 1998, the most recent valuation dates, amounted to ¥217,740 million and ¥242,300 million (\$2,002,479 thousand), respectively. The liability reserve for the remainder at March 31, 1997 and 1998 amounted to ¥245,892 million and ¥312,194 million (\$2,580,116 thousand), respectively.

At March 31, 1997 and 1998 the aggregate fair value of the plan assets of the contributory defined benefit plans, which primarily consist of marketable securities, totaled ¥463,782 million and ¥528,633 million (\$4,368,868 thousand), respectively.

The assumed rate for salary increases, the expected long-term rate of return and the discount rate for the above contributory pension plans ranged from 2.2% to 5.3%, 5.5%, and 5.5%, respectively.

The unrecognized balance of past service cost of ¥33,088 million (\$273,455 thousand) as of March 31, 1998 is being amortized over 7 years. Amortization of past service cost for the years ended March 31, 1996, 1997 and 1998 totaled ¥5,132 million, ¥5,578 million and ¥6,064 million (\$50,116 thousand), respectively.

Effective January 1, 1999 the Company and most consolidated subsidiaries in Japan determined to shift their severance benefit plans to contributory defined benefit plans. For the year ended March 31, 1999, the shift covered only employees who retire at the age of sixty and, therefore, there was no accompanying reversal of the accrued severance benefits. The unrecognized past service cost resulting from this shift is being amortized over 10 years.

Most subsidiaries outside Japan have defined benefit pension plans and/or defined contribution pension plans covering substantially all employees. The major plan is the ICL Group Pension Plan, which is a defined benefit plan. The pension cost of this plan is calculated by the projected unit method. The plan is subject to formal actuarial valuation and the fair value of the plan assets at April 5, 1997, the most recent valuation date, was sufficient to cover the actuarial present value of future benefit obligations.

IAS No. 19 requires that the cost of providing retirement benefits be determined by the accrued benefit valuation method or a projected benefit valuation method.

Under the contributory defined benefit plans adopted by the Company and most consolidated subsidiaries in Japan, the liability reserve and the annual contributions are calculated actuarially by the projected benefit valuation method and, therefore, the difference is immaterial.

However, under the severance benefit plans adopted by the Company and most consolidated subsidiaries in Japan, accrued severance benefits in the consolidated balance sheets are stated at the present value of the vested benefit obligation which would be satisfied if all employees voluntarily terminated their services at the balance sheet dates. Had the Company and most consolidated subsidiaries in Japan followed the accrued benefit valuation method, the material difference would have been as follows. The difference has been calculated assuming that the Company and most consolidated subsidiaries in Japan had followed the method from the year ended March 31, 1999.

The severance benefit plans (The Company and most subsidiaries in Japan)

Year ended March 31	Yen (millions)	U.S. Dollars (thousands)
As of March 31, 1999 (estimated):	(Unaudited)	
Present value of severance benefits.....	¥410,783	\$3,394,901
Fair value of plan assets of tax-qualified pension plans.....	(12,880)	(106,446)
Excess of projected benefit obligation over plan assets.....	397,903	3,288,455
Unrecognized net obligation at transition (assuming that it is amortized over 10 years from April 1998).....	(206,635)	(1,707,727)
Unrecognized accrued severance benefits (the difference between IAS and the accounting principles adopted by the Group).....	(29,567)	(244,355)
Accrued severance benefits in the consolidated balance sheet .....	¥161,701	\$1,336,372
The year ended March 31, 1999 (estimated):	(Unaudited)	
Current service cost of severance benefit plans.....	¥ 40,530	\$ 334,959
Expected return on plan assets .....	(732)	(6,050)
Past service cost (depreciation of net obligation at transition).....	22,960	189,752
Cost of the severance benefit plans, net .....	62,758	518,661
Unrecognized cost of severance benefit plans (the difference between IAS and the accounting principles adopted by the Group) .....	(29,567)	(244,355)
Cost of the severance benefit plans in the consolidated statement of operations .....	¥ 33,191	\$ 274,306

The above estimation of the cost of the severance benefit plans for the year ended March 31, 1999 was based on the following rates assumed to be in effect as of April 1, 1998. The discount rate, the expected long-term rate of return, and the assumed rate for salary increases were assumed at 4.5%, 6.7% and from 2.7% to 4.6%, respectively.

The major plan outside Japan is the ICL Group Pension Plan, which is a defined benefit plan. Under the plan, the cost of providing retirement benefits is determined using the accrued benefit valuation method.

## 11. Income Taxes

The Group is subject to a number of different income taxes. The statutory tax rates in Japan for the years ended March 31, 1997, 1998, and 1999 were, in the aggregate, approximately 51%, 51%, and 47%, respectively. Due to a recent revision to the Corporate Tax Law, the statutory rate has been reduced to approximately 42% effective the year ending March 31, 2000 or after, and this figure has been used in calculating the future tax effects of temporary differences as of March 31, 1999.

The components of income taxes are summarized as follows:

Years ended March 31	Yen (millions)			U.S. Dollars (thousands)
	1997	1998	1999	1999
Current .....	¥96,620	¥111,220	¥57,588	\$475,934
Deferred .....	(121)	(1,731)	(2,053)	(16,967)
Changes in deferred tax rate .....	—	(939)	(856)	(7,074)
Income taxes .....	¥96,499	¥108,550	¥54,679	\$451,893

The significant components of deferred tax assets and liabilities at March 31, 1998 and 1999 are summarized as follows:

	Yen (millions)		U.S. Dollars (thousands)
	1998	1999	1999
Deferred tax assets:			
Accrued severance benefits .....	¥19,854	¥23,125	\$191,116
Intercompany profit on inventories and property, plant and equipment ...	8,588	12,365	102,190
Accrued enterprise taxes .....	6,623	2,935	24,256
Accrued employee benefits .....	57	2,148	17,752
Other .....	17,182	12,021	99,347
Gross deferred tax assets .....	52,304	52,594	434,661
Less: Valuation allowance .....	(1,510)	(9,496)	(78,479)
Total deferred tax assets .....	50,794	43,098	356,182
Deferred tax liabilities:			
Retained earnings appropriated for tax deductible reserves .....	(40,271)	(28,760)	(237,686)
Other .....	(12,298)	(7,311)	(60,422)
Gross deferred tax liabilities .....	(52,569)	(36,071)	(298,108)
Net deferred tax assets (liabilities) .....	¥ (1,775)	¥ 7,027	\$ 58,074

Net deferred tax assets (liabilities) have been reflected in the consolidated balance sheets as follows:

At March 31	Yen (millions)		U.S. Dollars (thousands)
	1998	1999	1999
Other current assets .....	¥17,266	¥23,309	\$192,636
Investments and long-term loans—other .....	—	967	7,992
Other current liabilities .....	—	(2,338)	(19,322)
Other long-term liabilities .....	(19,041)	(14,911)	(123,232)
Net deferred tax assets (liabilities) .....	¥ (1,775)	¥ 7,027	\$ 58,074



**Unused tax loss carryforwards**

In addition, at March 31, 1999, for tax return purposes, the Group had tax loss carryforwards amounting to approximately ¥179,947 million (\$1,487,165 thousand). These carryforwards expire at various dates, but primarily extend up to 20 years. Realization is dependent on the ability of the companies to generate sufficient taxable income prior to the expiration of the tax loss carryforwards. No deferred tax assets have been recorded for these carryforwards, as the utilization of these losses is currently not able to be determined.

**Undistributed profits of affiliates**

Deferred tax liabilities have not been provided on the undistributed profit of affiliates as it is deemed that any distributions will not give rise to tax liabilities.

**Valuation allowance for losses of subsidiaries**

Deferred tax assets have not been provided on valuation allowance for losses of subsidiaries, as the utilization of these losses is currently not able to be determined.

**12. Shareholders' Equity**

The changes in the number of issued shares of common stock during the years ended March 31, 1997, 1998 and 1999 were as follows:

	Number of shares		
	1997	1998	1999
Balance at beginning of year .....	1,841,272,768	1,841,435,783	<b>1,862,355,910</b>
Exercise of warrants .....	—	16,661,107	<b>20,275,164</b>
Conversion of bonds .....	163,015	4,259,020	<b>328,628</b>
Increase by merger .....	—	—	<b>1,179,702</b>
Balance at end of year .....	<b>1,841,435,783</b>	<b>1,862,355,910</b>	<b>1,884,139,404</b>

The issuance of shares upon conversion of convertible bonds and the exercise of stock purchase warrants is accounted for by crediting an amount equal to at least 50% of the amount of each issuance to the common stock account and the balance to the capital surplus account in accordance with certain provisions of the Commercial Code of Japan, which became effective October 1, 1982.

Appropriations of retained earnings for the year ended March 31, 1999, which included year-end cash dividends of ¥9,420 million (\$77,851 thousand), were recorded on the Company's statutory books of account after approval at the general shareholders' meeting held on June 29, 1999, and will be included in the following year's consolidated balance sheet.

Increase by merger during the year ended March 31, 1999 reflects the issuance of stock in connection with the merger of Fujitsu Towa Electron Ltd. with the Company in October 1998.

**13. Commitments and Contingent Liabilities**

Commitments outstanding at March 31, 1999 for purchases of property, plant and equipment were approximately ¥16,180 million (\$133,719 thousand).

Contingent liabilities for guarantee contracts amounted to ¥68,858 million (\$569,074 thousand) at March 31, 1999. Of the total contingent liabilities, guarantees given for employees' housing loans were ¥33,230 million (\$274,628 thousand) in the aggregate and guarantees given as buyers' credit related to exports to China were ¥10,033 million (\$82,917 thousand).

**14. Derivative Financial Instruments****Purpose of Derivative Trading**

The Group enters into derivative transactions related to foreign currency and interest to reduce the risk exposure arising from fluctuations in foreign currency exchange rates and interest rates, to reduce the costs of the funds financed, and to improve their return on invested funds.

**Basic Policies for Derivative Trading**

The Group basically enters into derivative transactions only to cover their actual requirements for the effective management of receivables/liabilities, and not for speculative or dealing purposes.

The Group, in principle, has no intention to use derivative financial instruments that would increase market risks. Furthermore, the counterparties to the derivative transactions are thoroughly assessed in terms of their credit risks. Therefore, the Group believes that their derivative financial instruments entails minimal market and credit risks.

**Notional amounts of derivative financial instruments**

The notional amounts related to the forward exchange contracts, the interest rate and currency swap contracts and the option contracts at March 31, 1998 and 1999 were as follows:

	Yen (millions)		<i>U.S. Dollars</i> <i>(thousands)</i>
	1998	1999	1999
Forward exchange contracts:			
To buy foreign currencies.....	¥123,182	¥ <b>73,658</b>	\$ <b>608,744</b>
To sell foreign currencies .....	142,760	<b>37,537</b>	<b>310,223</b>
Interest rate and currency swap contracts .....	249,463	<b>259,343</b>	<b>2,143,331</b>
Option contracts:			
Purchased.....	16,218	<b>33,489</b>	<b>276,769</b>
Written.....	16,158	<b>38,887</b>	<b>321,380</b>

**Fair values of derivative financial instruments**

The estimated fair values of the forward exchange contracts at March 31, 1998 and 1999 were as follows:

	Yen (millions)		<i>U.S. Dollars</i> <i>(thousands)</i>
	1998	1999	1999
Forward exchange contracts.....	¥1,386	¥(104)	\$(860)

The carrying amounts and estimated fair values of the interest rate and currency swap contracts and the option contracts at March 31, 1998 and 1999 were as follows:

	Yen (millions)				<i>U.S. Dollars (thousands)</i>	
	1998		1999		1999	
	Carrying amount	Estimated fair value	Carrying amount	Estimated fair value	<i>Carrying amount</i>	<i>Estimated fair value</i>
Interest rate and currency swap contracts .....	¥ —	¥(1,695)	¥ —	¥(3,132)	\$ —	\$(25,884)
Option contracts:						
Purchased.....	203	317	991	1,104	8,190	9,124
Written.....	202	204	1,016	1,200	8,397	9,917

**Estimate of fair values**

The fair values of the forward exchange contracts have been based on quoted market rates at March 31, 1998 and 1999.

The fair values of the interest rate and currency swap contracts and the option contracts have been valued by the discounted cash flow analysis methods.

The estimates of the fair values were performed as of March 31, 1998 and 1999, based on various assumptions. Accordingly, the Group believes that the estimated fair values may be of limited usefulness.

**15. Leases**

At March 31, 1998, the equivalent amount of the book value of the leased assets of the Company and its consolidated subsidiaries in Japan was ¥76,217 million.

At March 31, 1999, the equivalent amounts of acquisition cost, accumulated depreciation and book value of leased assets of the Company and its consolidated subsidiaries in Japan were ¥138,150 million (\$1,141,736 thousand), ¥65,320 million (\$539,835 thousand) and ¥72,830 million (\$601,901 thousand), respectively.

At March 31, 1999, future minimum lease payments under finance leases of the consolidated subsidiaries outside Japan amounted to ¥16,654 million (\$137,636 thousand) due within one year, ¥44,176 million (\$365,091 thousand) due over one year and within five years, and ¥23,443 million (\$193,744 thousand) due over five years.

At March 31, 1999, future minimum lease payments under finance leases of the Company and its consolidated subsidiaries in Japan consisted of ¥23,558 million (\$194,694 thousand) due within one year, ¥44,937 million (\$371,380 thousand) due over one year and within five years, and ¥4,335 million (\$35,826 thousand) due over five years.

Total lease payments under finance leases of the Company and its consolidated subsidiaries in Japan for the years ended March 31, 1997, 1998 and 1999 amounted to ¥21,993 million, ¥23,118 million and ¥24,695 million (\$204,091 thousand), respectively.

The equivalent amount of depreciation under finance leases of the Company and its consolidated subsidiaries in Japan for the year ended March 31, 1999 was ¥24,695 million (\$204,091 thousand). Presentation of the 1997 and 1998 information is not required by the regulations under the Securities and Exchange Law of Japan.

At March 31, 1999, future minimum lease payments under operating leases of the Company and its consolidated subsidiaries in Japan represented ¥1,136 million (\$9,388 thousand) due within one year and ¥184 million (\$1,521 thousand) due over one year and within five years.

## 16. Supplementary Information to the Consolidated Balance Sheet

Balances with affiliates at March 31, 1998 and 1999 were shown below:

	Yen (millions)		U.S. Dollars (thousands)
	1998	1999	1999
Receivables, trade.....	¥88,817	<b>¥87,608</b>	<b>\$724,033</b>
Payables, trade.....	36,842	<b>40,178</b>	<b>332,050</b>

## 17. Earnings Per Share

Basic earnings per share and diluted earnings per share are calculated as follows:

	Net income (loss)	Weighted- average shares	Earnings (loss) per share	
	Yen (millions)	(thousands)	Yen	U.S. Dollars
For the year ended March 31, 1997				
Basic earnings per share .....	¥ 46,147	1,841,365	¥25.1	
Effect of dilutive securities				
Convertible bonds .....	1,482	145,653		
Diluted earnings per share .....	¥ 47,629	1,987,018	¥24.0	
For the year ended March 31, 1998				
Basic earnings per share .....	¥ 5,587	1,857,216	¥ 3.0	
Effect of dilutive securities				
Warrants .....	—	16,149		
Diluted earnings per share .....	¥ 5,587	1,873,365	¥ 3.0	
<b>For the year ended March 31, 1999</b>				
Basic losses per share .....	<b>¥(13,638)</b>	<b>1,874,396</b>	<b>¥(7.3)</b>	<b>\$(0.060)</b>

Note: Diluted earnings per share for the year ended March 31, 1999 are not presented as a net loss was recorded.

## 18. Supplementary Information to the Consolidated Statements of Operations

Research and development expenses charged to selling, general and administrative expenses for the years ended March 31, 1997, 1998 and 1999 were ¥352,818 million, ¥387,129 million and ¥395,063 million (\$3,264,983 thousand), respectively.

Other income (expenses)—other, net for the years ended March 31, 1997, 1998 and 1999 consisted of the following:

	Yen (millions)			U.S. Dollars (thousands)
	1997	1998	1999	1999
Foreign exchange gains (losses), net .....	¥22,524	¥ (9,445)	<b>¥(16,787)</b>	<b>\$(138,736)</b>
Loss on disposal of property, plant and equipment .....	(11,656)	(12,866)	<b>(15,610)</b>	<b>(129,008)</b>
Expenses for issuance and offering of securities .....	(1,264)	(1,818)	<b>(1,286)</b>	<b>(10,628)</b>
Loss on devaluation of marketable securities .....	(5,283)	(13,200)	<b>(5,575)</b>	<b>(46,074)</b>
Gain on sales of marketable securities .....	—	14,593	<b>19,279</b>	<b>159,331</b>
Gain on sales of subsidiaries' stock .....	—	—	<b>41,002</b>	<b>338,859</b>
Restructuring charges .....	(4,964)	—	<b>(43,714)</b>	<b>(361,273)</b>
Provision for loss on Pathway project .....	—	—	<b>(38,111)</b>	<b>(314,967)</b>
Other, net .....	(6,550)	(5,871)	<b>1,406</b>	<b>11,620</b>
	¥ (7,193)	¥(28,607)	<b>¥(59,396)</b>	<b>\$(490,876)</b>

Restructuring charges related mainly to the reorganization of manufacturing and office facilities and the disposal of assets throughout the Group in order to streamline its business structure. The amount of ¥4,964 million for the year ended March 31, 1997 related to the restructuring of FDK Corporation. The amount of ¥43,714 million (\$361,273 thousand) for the year ended March 31, 1999 includes ¥17,221 million (\$142,322 thousand) principally for restructuring of the semiconductor factories at the Company and ¥18,440 million (\$152,397 thousand) in connection with the liquidation of Fujitsu Microelectronics Ltd. in the U.K.

The provision for loss on the Pathway project of ¥38,111 million (\$314,967 thousand) for the year ended March 31, 1999 is related to the realignment of the ICL Pathway Private Finance Initiative (PFI) project, which is a large-scale plan to automate postal services throughout the U.K. and to construct, implement and operate a system to deliver social benefit payments through the postal service.

## 19. Segment Information

The Group, as a total supplier, supplies products and services which satisfy customers' needs by incorporating leading-edge technologies in one business segment, the information technology industry. Effective the year ended March 31, 1999, however, this business segment has been divided into 5 new segments of "Services & Software," "Information Processing," "Telecommunications," "Electronic Devices" and "Other Operations" in order to present more useful information regarding the Group's business. These segments are classified based upon similarity of products and services, and selling methods, etc.

### Business Segment Information

Years ended March 31	Yen (millions)						
	Services & Software	Information Processing	Telecommunications	Electronic Devices	Other Operations	Elimination & Corporate	Consolidated
<b>1997</b>							
Sales							
Unaffiliated customers .....	¥1,521,065	¥1,547,239	¥774,456	¥464,500	¥196,214	¥ —	¥4,503,474
Intersegment .....	44,013	210,607	19,510	150,634	133,769	(558,533)	—
Total sales .....	1,565,078	1,757,846	793,966	615,134	329,983	(558,533)	4,503,474
Operating costs and expenses ...	1,463,665	1,722,671	638,676	661,972	324,260	(497,555)	4,313,689
Operating income (loss) .....	101,413	35,175	155,290	(46,838)	5,723	(60,978)	189,785
Total assets .....	1,032,210	1,414,489	508,743	909,841	361,462	500,855	4,727,600
Depreciation .....	35,264	75,417	23,059	140,107	7,374	7,937	289,158
Capital expenditure .....	52,391	113,906	37,128	203,292	9,792	15,178	431,687
<b>1998</b>							
Sales							
Unaffiliated customers .....	¥1,736,697	¥1,688,402	¥799,287	¥541,023	¥219,973	¥ —	¥4,985,382
Intersegment .....	45,305	246,012	12,450	115,667	127,483	(546,917)	—
Total sales .....	1,782,002	1,934,414	811,737	656,690	347,456	(546,917)	4,985,382
Operating costs and expenses ...	1,662,314	1,884,477	710,823	689,163	343,455	(482,203)	4,808,029
Operating income (loss) .....	119,688	49,937	100,914	(32,473)	4,001	(64,714)	177,353
Total assets .....	1,266,111	1,449,784	601,298	982,234	375,193	448,419	5,123,039
Depreciation .....	43,095	77,892	27,648	150,628	7,905	7,676	314,844
Capital expenditure .....	60,087	97,165	51,451	196,461	8,794	18,324	432,282

Year ended March 31	Yen (millions)						
	Services & Software	Information Processing	Telecommunications	Electronic Devices	Other Operations	Elimination & Corporate	Consolidated
<b>1999</b>							
Sales							
Unaffiliated customers .....	¥2,034,569	¥1,801,409	¥681,059	¥506,645	¥219,304	¥ —	¥5,242,986
Intersegment.....	58,245	300,661	10,759	103,161	100,949	(573,775)	—
Total sales.....	2,092,814	2,102,070	691,818	609,806	320,253	(573,775)	5,242,986
Operating costs and expenses ...	1,926,478	2,007,998	676,161	693,145	313,196	(506,279)	5,110,699
Operating income (loss).....	166,336	94,072	15,657	(83,339)	7,057	(67,496)	132,287
Total assets .....	1,359,518	1,354,471	582,633	890,014	372,640	553,054	5,112,330
Depreciation .....	42,609	79,596	41,764	149,913	8,173	7,167	329,222
Capital expenditure.....	42,637	86,775	41,351	92,252	8,123	11,317	282,455

*U.S. Dollars (thousands)*

**1999 (in U.S. Dollars)**

Sales							
Unaffiliated customers .....	\$16,814,620	\$14,887,677	\$5,628,587	\$4,187,149	\$1,812,430	\$ —	\$43,330,463
Intersegment.....	481,364	2,484,802	88,917	852,570	834,289	(4,741,942)	—
Total sales.....	17,295,984	17,372,479	5,717,504	5,039,719	2,646,719	(4,741,942)	43,330,463
Operating costs and expenses ...	15,921,306	16,595,025	5,588,107	5,728,471	2,588,397	(4,184,124)	42,237,182
Operating income (loss).....	1,374,678	777,454	129,397	(688,752)	58,322	(557,818)	1,093,281
Total assets .....	11,235,686	11,193,975	4,815,149	7,355,488	3,079,669	4,570,694	42,250,661
Depreciation .....	352,140	657,820	345,157	1,238,950	67,545	59,231	2,720,843
Capital expenditure.....	352,372	717,149	341,744	762,413	67,132	93,529	2,334,339

- Notes: 1. The business segments are classified based on similarity of products and services, and selling methods, etc.
2. Principal products and services of business segments are as follows:
- (1) Services & Software ..... System integration service, Outsourcing, Network service, Consulting, SE support, User training, Internet service, Maintenance and system construction works, Operating system, Middleware, Application software, Multimedia contents
  - (2) Information Processing ... High performance computer, Global server, UNIX server, Intel-architecture server, Workstation, Personal computer, LAN, ATM, Smart card, POS system, Handy terminal, Medicare system, Magnetic disk, Optical magnetic disk, Magnetic tape, Printer, Word processor
  - (3) Telecommunications ..... Electronic switching system, ATM switching system, Optical transmission system, Optical undersea transmission system, Wireless system, Satellite telecommunication system, Corporate information network system, Mobile telecommunication system, Cellular phone
  - (4) Electronic Devices ..... Memory IC (DRAM, Flash memory), Logic IC (ASIC, Microcontroller, System LSI), Media device (PC card, SAW device), PDP, LCD, Compound semiconductor, Relay, Connector, Keyboard
  - (5) Other Operations ..... Electronic material, Battery, Audio/Visual equipment, Auto electronic device, Logistic service, Insurance and travel service
3. Unallocated operating costs and expenses reported in "Elimination & Corporate" for the years ended March 31, 1997, 1998 and 1999 were ¥62,292 million, ¥65,234 million and ¥64,049 million (\$529,331 thousand), respectively. Most of those costs and expenses are incurred as basic research and development expenses and general and administrative expenses at the Company.
4. Corporate assets included in "Elimination & Corporate" at March 31, 1997, 1998 and 1999 were ¥729,369 million, ¥735,282 million and ¥803,905 million (\$6,643,843 thousand), respectively. The assets principally consisted of working capital (cash and cash equivalents), long-term investments and miscellaneous assets held by the general and administrative sections.

**Geographic Segment Information**

	Yen (millions)					
Years ended March 31	Japan	Europe	The Americas	Other	Elimination & Corporate	Consolidated
<b>1997</b>						
Sales						
Unaffiliated customers .....	¥3,376,708	¥637,011	¥324,819	¥164,936	¥ —	¥4,503,474
Intersegment .....	385,520	24,770	51,757	229,724	(691,771)	—
Total .....	3,762,228	661,781	376,576	394,660	(691,771)	4,503,474
Operating costs and expenses .....	3,481,405	684,557	390,593	389,372	(632,238)	4,313,689
Operating income (loss) .....	280,823	(22,776)	(14,017)	5,288	(59,533)	189,785
Total assets .....	3,072,360	359,705	488,303	250,060	557,172	4,727,600
<b>1998</b>						
Sales						
Unaffiliated customers .....	¥3,528,164	¥795,932	¥449,998	¥211,288	¥ —	¥4,985,382
Intersegment .....	482,785	30,751	61,694	312,581	(887,811)	—
Total .....	4,010,949	826,683	511,692	523,869	(887,811)	4,985,382
Operating costs and expenses .....	3,726,943	834,102	572,293	497,333	(822,642)	4,808,029
Operating income (loss) .....	284,006	(7,419)	(60,601)	26,536	(65,169)	177,353
Total assets .....	3,214,068	710,828	484,473	275,152	438,518	5,123,039
<b>1999</b>						
Sales						
Unaffiliated customers .....	¥3,414,620	¥1,005,646	¥573,191	¥249,529	¥ —	¥5,242,986
Intersegment .....	571,769	53,409	95,938	323,426	(1,044,542)	—
Total .....	3,986,389	1,059,055	669,129	572,955	(1,044,542)	5,242,986
Operating costs and expenses .....	3,777,230	1,058,644	688,148	559,328	(972,651)	5,110,699
Operating income (loss) .....	209,159	411	(19,019)	13,627	(71,891)	132,287
Total assets .....	3,266,960	624,572	371,253	271,378	578,167	5,112,330

*U.S. Dollars (thousands)***1999 (in U.S. Dollars)**

Sales						
Unaffiliated customers .....	\$28,220,000	\$8,311,124	\$4,737,116	\$2,062,223	\$ —	\$43,330,463
Intersegment .....	4,725,364	441,397	792,876	2,672,942	(8,632,579)	—
Total .....	32,945,364	8,752,521	5,529,992	4,735,165	(8,632,579)	43,330,463
Operating costs and expenses .....	31,216,777	8,749,124	5,687,174	4,622,546	(8,038,439)	42,237,182
Operating income (loss) .....	1,728,587	3,397	(157,182)	112,619	(594,140)	1,093,281
Total assets .....	26,999,669	5,161,752	3,068,207	2,242,793	4,778,240	42,250,661

Notes: 1. Classification of the geographic segments is determined by geographical location.

2. Principal countries and regions belong to geographic segments except Japan:

(1) Europe..... U.K., Spain, Sweden, Germany, Finland, the Netherlands

(2) The Americas..... U.S.A., Canada

(3) Others ..... China, Thailand, Vietnam, Malaysia, the Philippines, Singapore, Taiwan, Australia

3. Unallocated operating costs and expenses reported in "Elimination &amp; Corporate" for the years ended March 31, 1997, 1998 and 1999 were ¥62,292 million, ¥65,234 million and ¥64,049 million (\$529,331 thousand), respectively. Most of those costs and expenses are incurred as basic research and development expenses and general and administrative expenses at the Company.

4. Corporate assets included in "Elimination &amp; Corporate" at March 31, 1997, 1998 and 1999 were ¥729,369 million, ¥735,282 million and ¥803,905 million (\$6,643,843 thousand), respectively. The assets principally consisted of working capital (cash and cash equivalents), long-term investments and miscellaneous assets held by the general and administrative sections.

**Showa Ota & Co.**  
CERTIFIED PUBLIC ACCOUNTANTS

The Board of Directors  
FUJITSU LIMITED

We have examined the consolidated balance sheets of Fujitsu Limited and consolidated subsidiaries (the "Group") as of March 31, 1998 and 1999, and the related consolidated statements of operations, shareholders' equity and cash flows for each of the three years in the period ended March 31, 1999, all expressed in yen. Our examinations were made in accordance with auditing standards, procedures and practices generally accepted and applied in Japan and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the accompanying consolidated financial statements, expressed in yen, present fairly the consolidated financial position of the Group at March 31, 1998 and 1999, and the consolidated results of its operations and its cash flows for each of the three years in the period ended March 31, 1999, in conformity with accounting principles and practices generally accepted in Japan applied on a consistent basis.

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 1999 are presented solely for convenience. Our examination also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 3 to the consolidated financial statements.

Tokyo, Japan  
June 29, 1999

*Showa Ota & Co.*

## Consolidated Subsidiaries

Company Name [Residence] **Country** (*foreign entity only*) Ownership %

### JAPAN

Fujitsu Laboratories Ltd. [Kawasaki] 100%	Fujitsu Sinter Ltd. [Kawasaki] 100%
Fujitsu Denso Ltd. [Kawasaki] 51%	Fujitsu Kosan Ltd. [Tokyo] 100%
FDK Corporation [Tokyo] 51%	Fujitsu Chugoku Systems Ltd. [Hiroshima] 100%
Shinko Electric Industries Co., Ltd. [Nagano] 50%	Fujitsu International Engineering Ltd. [Kawasaki] 100%
Fujitsu Systems Construction Ltd. [Tokyo] 67%	Fujitsu Office Machines Ltd. [Tokyo] 100%
Fujitsu Support and Service Inc. [Tokyo] 56%	Fujitsu Kyushu System Engineering Ltd. [Fukuoka] 90%
Takamisawa Electric Co., Ltd. [Tokyo] 53%	Fujitsu Communication Systems Ltd. [Yokohama] 100%
Fujitsu Kiden Ltd. [Tokyo] 54%	Fujitsu Peripherals Ltd. [Hyogo] 100%
Fujitsu Devices Inc. [Tokyo] 67%	Fujitsu Social Systems Engineering Ltd. [Tokyo] 100%
Fujitsu Business Systems Ltd. [Tokyo] 53%	Fujitsu Chubu Systems Ltd. [Nagoya] 100%
Fujitsu AMD Semiconductor Ltd. [Fukushima] 50%	Fujitsu Network Engineering Ltd. [Kawasaki] 100%
Fujitsu TEN Ltd. [Kobe] 55%	Fujitsu Learning Media Ltd. [Tokyo] 100%
Fujitsu Takamisawa Component Ltd. [Tokyo] 100%	Fujitsu Basic Software Corporation [Tokyo] 70%
PFU Ltd. [Ishikawa] 56%	Fujitsu Kanto Systems Ltd. [Saitama] 100%
Fujitsu Quantum Devices Ltd. [Yamanashi] 100%	Shin-etsu Fujitsu Ltd. [Nagano] 88%
Fujitsu Media Devices Ltd. [Nagano] 100%	Fujitsu Financial Solutions and Outsourcing Ltd. [Osaka] 100%
Fujitsu FIP Corporation [Tokyo] 100%	Fujitsu LSI Technology Ltd. [Kawasaki] 100%
Fujitsu Automation Ltd. [Tochigi] 100%	Fujitsu Kansai System Engineering Ltd. [Osaka] 100%
Fujitsu I Network Systems Ltd. [Tokyo] 55%	Fujitsu Research Institute [Tokyo] 100%
Fujitsu Isotec Ltd. [Tokyo] 100%	Fujitsu Terminal Systems Ltd. [Gunma] 100%
Kyushu Fujitsu Electronics Ltd. [Kagoshima] 100%	Fujitsu Technosystems Ltd. [Tokyo] 100%
Transtron Inc. [Kawasaki] 51%	Fujitsu Digital Technology Ltd. [Yokohama] 100%
NIFTY Corporation [Tokyo] 100%	Fujitsu Tohoku Systems Engineering Ltd. [Miyagi] 100%
Fujitsu Personal System Ltd. [Tokyo] 100%	Fujitsu Nagano Systems Engineering Ltd. [Nagano] 100%
Fujitsu Products and Supplies Ltd. [Tokyo] 100%	Fujitsu Middleware Ltd. [Yokohama] 80%
Fujitsu Kasei Ltd. [Yokohama] 100%	Nihon Dengyo Ltd. [Tokyo] 74%
Fujitsu Tokyo Systems Ltd. [Tokyo] 92%	Fujitsu Tokushima Systems Engineering Ltd. [Tokushima] 100%
Fujitsu System Integration Laboratories Ltd. [Kawasaki] 100%	Fujitsu Hokkaido Systems Engineering Ltd. [Sapporo] 100%
Fujitsu Fudosan Ltd. [Kawasaki] 100%	Fujitsu Advanced Printing & Publishing Co., Ltd. [Kawasaki] 100%
G-Search Ltd. [Tokyo] 65%	Fujitsu Oita Software Laboratories Ltd. [Oita] 80%
Fujitsu VLSI Ltd. [Aichi] 100%	Fujitsu Hokuriku Systems Ltd. [Ishikawa] 100%
Corporate Software Ltd. [Tokyo] 55%	Okinawa Fujitsu Systems Engineering Ltd. [Okinawa] 100%
Shimane Fujitsu Ltd. [Shimane] 100%	Kagoshima Infonet Ltd. [Kagoshima] 65%
Fujitsu Kawasaki Sports Management Ltd. [Kawasaki] 100%	Fujitsu Aichi Engineering Ltd. [Nagoya] 100%
Fujitsu Social Science Laboratory Ltd. [Tokyo] 100%	Fujitsu Aomori Systems Engineering Ltd. [Aomori] 100%
Fujitsu Tohoku Electronics Ltd. [Fukushima] 100%	Fujitsu Akita Systems Engineering Ltd. [Akita] 100%
Fujitsu Miyagi Electronics Ltd. [Miyagi] 100%	Fujitsu Store Automation Systems Ltd. [Tokyo] 100%
Yamagata Fujitsu Ltd. [Yamagata] 100%	Fujitsu Ehime Information Systems Ltd. [Ehime] 100%
Toyama Fujitsu Ltd. [Toyama] 100%	Fujitsu Oasys Development Ltd. [Niigata] 100%
Fujitsu Financial Systems Ltd. [Tokyo] 100%	Fujitsu Okayama Systems Engineering Ltd. [Okayama] 70%
Fujitsu Logistics Ltd. [Yokohama] 100%	Fujitsu Kansai Communication Systems Ltd. [Osaka] 100%
	Fujitsu Kansai Digital Technology Ltd. [Osaka] 100%
	Fujitsu CAD Tech Ltd. [Tochigi] 100%
	Fujitsu Capital Ltd. [Tokyo] 100%



Fujitsu Kyushu Communication Systems Ltd. [Fukuoka] 100%  
 Fujitsu Kyushu Digital Technology Ltd. [Fukuoka] 100%  
 Fujitsu Keihin Systems Engineering Ltd. [Yokohama] 100%  
 Fujitsu Keiyo Systems Engineering Ltd. [Chiba] 100%  
 Fujitsu Kochi Systems Engineering Ltd. [Kochi] 100%  
 Fujitsu Kobe Engineering Ltd. [Kobe] 100%  
 Fujitsu Kobe Systems Ltd. [Kobe] 100%  
 Fujitsu Computer Technology Ltd. [Yokohama] 100%  
 Fujitsu System LSI Ltd. [Tokyo] 100%  
 Fujitsu Shizuoka Engineering Ltd. [Shizuoka] 100%  
 Fujitsu Information Network Systems Ltd. [Tokyo] 100%  
 Fujitsu Software Engineering Laboratory Ltd. [Kanagawa] 100%  
 Fujitsu Chugoku Communication Systems Ltd. [Hiroshima] 100%  
 Fujitsu Defense Systems Engineering Ltd. [Kawasaki] 71%  
 Fujitsu Tohoku Communication Systems Ltd. [Miyagi] 100%  
 Fujitsu Tohoku Digital Technology Ltd. [Sendai] 100%  
 Fujitsu Tokki Systems Ltd. [Kawasaki] 100%  
 Fujitsu Nagoya Communication Systems Ltd. [Nagoya] 100%  
 Fujitsu Niigata Systems Ltd. [Niigata] 100%  
 Fujitsu Personal Computer Systems Ltd. [Kawasaki] 100%  
 Fujitsu Personal Computer Laboratory Ltd. [Nagano] 100%  
 Fujitsu PAREX Ltd. [Tokyo] 70%  
 Fujitsu Program Laboratories Ltd. [Kawasaki] 100%  
 Fujitsu Hokuriku Communication Systems Ltd. [Ishikawa] 100%  
 Fujitsu Hokkaido Communication Systems Ltd. [Sapporo] 100%  
 Fujitsu Hokkaido Digital Technology Ltd. [Sapporo] 100%  
 Fujitsu Minami-Kyushu Systems Engineering Ltd. [Kumamoto] 70%  
 Fujitsu Refre Ltd. [Kawasaki] 100%  
 Fujitsu Wakayama Systems Engineering Ltd. [Wakayama] 100%  
 Yonago Fujitsu Ltd. [Tottori] 100%  
 Fujitsu Facilities Engineering Ltd. [Fukushima] 100%  
 Fujitsu Tottori Systems Engineering Ltd. [Tottori] 100%  
 Fujitsu Higashi-Hokkaido Systems Engineering Ltd. [Hokkaido] 100%  
 Fujitsu Yamaguchi Information Ltd. [Yamaguchi] 80%  
 Fujitsu Kagawa Systems Engineering Ltd. [Kagawa] 100%  
 Shiga Fujitsu Software Ltd. [Shiga] 60%  
 Fujitsu Shikoku Infortec Ltd. [Kagawa] 100%  
 Fujitsu Mobile Telecommunication Ltd. [Tokyo] 100%  
 Two-One Ltd. [Kanagawa] 57%  
 Fujitsu Institute of Management Ltd. [Tokyo] 100%  
 Fujitsu Analysis Laboratory Ltd. [Kawasaki] 100%  
 Fujitsu Techno Research Ltd. [Kawasaki] 100%  
 Iwaki Electronics Co., Ltd. [Fukushima] 100%  
 Shinano Fujitsu Ltd. [Nagano] 100%

Totalizator Engineering Ltd. [Tokyo] 100%  
 Tochigi Fujitsu Ten Ltd. [Tochigi] 100%  
 Fujitsu Advanced Communication Systems Ltd. [Kawasaki] 100%

#### EUROPE

TeamWare Group Holding Oy [Helsinki] **FINLAND** 100%  
 Fujitsu France S. A. [Rungis Cedex] **FRANCE** 100%  
 Fujitsu Mikroelektronik GmbH  
 [Dreieich-Buchsschlag] **GERMANY** 100%  
 Fujitsu Telecom Deutschland GmbH  
 [Dreieich-Buchsschlag] **GERMANY** 100%  
 Fujitsu Deutschland GmbH [München] **GERMANY** 100%  
 Shinko Microelectronics Ireland Ltd. [Dublin] **IRELAND** 100%  
 Fujitsu Italia S.p.A. [Milano] **ITALY** 100%  
 Fujitsu Microelectronics Italia S.r.l. [Milano] **ITALY** 100%  
 Fujitsu International Finance (Netherlands) B.V.  
 [Amsterdam] **NETHERLANDS** 100%  
 Fujitsu Telecommunications Technology of the CIS, LLC  
 [Moscow] **RUSSIA** 60%  
 Fujitsu ICL España, S.A. [Madrid] **SPAIN** 100%  
 Fujitsu Nordic AB [Sollentuna] **SWEDEN** 100%  
 Fujitsu Europe Ltd. [Middlesex] **U.K.** 100%  
 Fujitsu Microelectronics Ltd. [Berkshire] **U.K.** 100%  
 Fujitsu Finance (U.K.) Plc [Middlesex] **U.K.** 100%  
 Fujitsu Europe Telecom R&D Centre Ltd. [Middlesex] **U.K.** 100%  
 ICL PLC [London] **U.K.** 100%  
 Fujitsu Telecommunications Europe Ltd. [Birmingham] **U.K.** 100%  
 Fujitsu European Centre for Information Technology Ltd.  
 [Middlesex] **U.K.** 100%  
 Fujitsu Computers (Europe) Ltd. [Berkshire] **U.K.** 100%

#### THE AMERICAS

Fujitsu do Brasil Ltda. [São Paulo] **BRAZIL** 100%  
 Fujitsu Canada, Inc. [Ontario] **CANADA** 100%  
 Fujitsu America, Inc. [San Jose (CA)] **U.S.A.** 100%  
 Amdahl Corporation [Sunnyvale (CA)] **U.S.A.** 100%  
 DMR Consulting Group, Inc. (Amdahl Group Company)  
 [Edison (NJ)] **U.S.A.** 100%  
 Fujitsu Microelectronics, Inc. [San Jose (CA)] **U.S.A.** 100%  
 Fujitsu Systems Business of America, Inc.  
 [Santa Clara (CA)] **U.S.A.** 100%  
 Fujitsu Personal Systems, Inc. [Santa Clara (CA)] **U.S.A.** 100%  
 Fujitsu Computer Packaging Technologies, Inc.  
 [San Jose (CA)] **U.S.A.** 100%  
 Fujitsu Software Corporation [San Jose (CA)] **U.S.A.** 100%  
 HAL Computer Systems, Inc. [Campbell (CA)] **U.S.A.** 100%  
 Ross Technology, Inc. [Austin (TX)] **U.S.A.** 59%  
 Fujitsu PC Corporation [Milpitas (CA)] **U.S.A.** 100%

Reliance Computer Corp. [Santa Clara (CA)] **U.S.A.** 90%

Fujitsu Business Communication Systems, Inc.  
[Anaheim (CA)] **U.S.A.** 100%

Fujitsu Computer Products of America, Inc.  
[San Jose (CA)] **U.S.A.** 100%

Fujitsu Network Communications, Inc.  
[Richardson (TX)] **U.S.A.** 100%

Fujitsu Compound Semiconductor, Inc.  
[San Jose (CA)] **U.S.A.** 100%

Knowledge Pool, Inc. [Dallas (TX)] **U.S.A.** 100%

#### **ASIA, OCEANIA & THE MIDDLE EAST**

Fujitsu Australia Ltd. [New South Wales] **AUSTRALIA** 100%

Fujitsu Australia Software Technology Pty. Ltd.  
[New South Wales] **AUSTRALIA** 100%

Fujitsu ICIM Software Technologies Pty. Ltd.  
[Sydney] **AUSTRALIA** 70%

Beijing Fujitsu Systems Engineering Co., Ltd.  
[Beijing] **CHINA** 51%

Nanjing Fujitsu Computer Products Co., Ltd.  
[Nanjing] **CHINA** 56%

Jiangsu Fujitsu Telecommunications Technology Co., Ltd.  
[Jiangsu] **CHINA** 55%

Fujitsu (China) Co., Ltd. [Beijing] **CHINA** 100%

Shanghai Fujitsu Telecommunications Equipment Co., Ltd.  
[Shanghai] **CHINA** 68%

Xian Fujitsu Telecommunications Equipment Co., Ltd.  
[Xian] **CHINA** 60%

Fujitsu (Shanghai) Co., Ltd. [Shanghai] **CHINA** 89%

Fujitsu Research and Development Center Co., Ltd.  
[Beijing] **CHINA** 100%

Nanjing Fujitsu Nanda Software Technology Co., Ltd.  
[Nanjing] **CHINA** 87%

Fujitsu Hong Kong Ltd. **HONG KONG** 100%

Fujitsu Microelectronics Pacific Asia Ltd. **HONG KONG** 100%

Fujitsu India Telecom Ltd. [Punjab] **INDIA** 51%

Fujitsu Optel Ltd. [Bhopal] **INDIA** 61%

Fujitsu India Ltd. [New Delhi] **INDIA** 100%

P.T. Fujitsu Systems Indonesia [Jakarta] **INDONESIA** 80%

Fujitsu Microelectronics Israel Ltd. [Hertzelia] **ISRAEL** 100%

Fujitsu Korea Ltd. [Seoul] **KOREA** 100%

Fujitsu Microelectronics (Malaysia) Sdn. Bhd.  
[Selangor] **MALAYSIA** 100%

Fujitsu Telecommunications Asia Sdn. Bhd.  
[Kuala Lumpur] **MALAYSIA** 100%

Fujitsu Component (Malaysia) Sdn. Bhd.  
[Johor] **MALAYSIA** 100%

Fujitsu Computer Systems (Malaysia) Sdn. Bhd.  
[Kuala Lumpur] **MALAYSIA** 100%

Fujitsu (Malaysia) Sdn. Bhd. [Kuala Lumpur] **MALAYSIA** 100%

MFC Ltd. [Yangon] **MYANMAR** 100%

Fujitsu Computer Products Corporation of the Philippines  
[Laguna] **PHILIPPINES** 100%

Fujitsu (Singapore) Pte. Ltd. **SINGAPORE** 100%

Fujitsu Microelectronics Asia Pte. Ltd. **SINGAPORE** 100%

Fujitsu PC (Asia) Pte Ltd. **SINGAPORE** 100%

Fujitsu Asia Pte. Ltd. **SINGAPORE** 100%

Fujitsu Computers (Singapore) Pte. Ltd. **SINGAPORE** 100%

Fujitsu Taiwan Ltd. [Taipei] **TAIWAN** 100%

Fujitsu Telecommunications Taiwan Ltd. [Hsin Chu] **TAIWAN** 100%

Fujitsu (Thailand) Co., Ltd. [Pathumthani] **THAILAND** 90%

Fujitsu Computer Products of Vietnam, Inc.  
[Dong Nai] **VIETNAM** 100%

Fujitsu Computer Systems of Vietnam Ltd. [Hanoi] **VIETNAM** 100%

As of March 31, 1999

#### **Affiliates—equity method applied only**

Company Name [Residence] **Country** (*foreign entity only*) Ownership %

Fujitsu General Ltd. [Kawasaki] 47%

Shinko Telecom Engineering Corp. [Tokyo] 25%

Fanuc Ltd. [Yamanashi] 39%

Advantest Corporation [Tokyo] 21%

FFC Limited [Tokyo] 40%

Fujitsu Leasing Co., Ltd. [Tokyo] 50%

Tsuzuki Tsushin Gijyutsu Co., Ltd. [Tokyo] 20%

Center Systems Service Ltd. [Tokyo] 40%

Kanda Tsushin Kogyo Co., Ltd. [Tokyo] 32%

Ingenieria e Integracion Avanzados, S.A. [Malaga] **SPAIN** 40%

Glovia International, LLC [El Segundo (CA)] **U.S.A.** 31%

FKL Dongnhwa Ltd. [South Chungchong] **KOREA** 50%

Fujitsu Philippines, Inc. [Manila] **PHILIPPINES** 40%

Fujitsu Development Corporation of the Philippines  
[Laguna] **PHILIPPINES** 40%

Fujitsu Systems Business (Thailand) Ltd. [Bangkok] **THAILAND** 49%

As of March 31, 1999

**Capital:** ¥261,222 million

**Common Stock:** Authorized: 5,000,000,000 shares  
Issued: 1,884,139,404

**Number of Shareholders:** 156,110

Principal Shareholders	Number of shares held (thousands)	Percentage of total shares outstanding
Fuji Electric Co., Ltd.	237,963	12.6%
Asahi Mutual Life Insurance Company	117,172	6.2%
The Dai-ichi Kangyo Bank, Limited	76,817	4.1%
The Sumitomo Trust and Banking Company, Limited (Trust services)	60,851	3.2%
The Chase Manhattan Bank NA London (Standing proxy: The Fuji Bank, Ltd.)	46,437	2.5%
The Industrial Bank of Japan, Limited	42,202	2.2%
The Chuo Trust and Banking Company, Limited (Trust services)	38,284	2.0%
The Mitsubishi Trust and Banking Corporation (Trust services)	38,024	2.0%
The Asahi Bank, Ltd.	29,221	1.6%
The Sakura Bank, Ltd.	27,090	1.4%

#### Corporate Headquarters

6-1, Marunouchi 1-chome, Chiyoda-ku, Tokyo 100-8211, Japan  
Telephone: +81-3-3216-3211

#### Transfer Agent

The Toyo Trust and Banking Company, Limited  
4-3, Marunouchi 1-chome, Chiyoda-ku, Tokyo 100-0005, Japan

#### Stock Exchange Listings

Japan: Tokyo, Osaka, Nagoya  
Overseas: Frankfurt, London, Zurich, Basel, Geneva

#### Shareholder Information

For further information, please contact:

**Fujitsu Limited**

**Investor Relations**

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(March 31, 1999)

## **FUJITSU LIMITED**

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