THE POSSIBILITIES ARE INFINITE

FUJITSU LIMITED
Annual Report
2001

Annual Report 2001

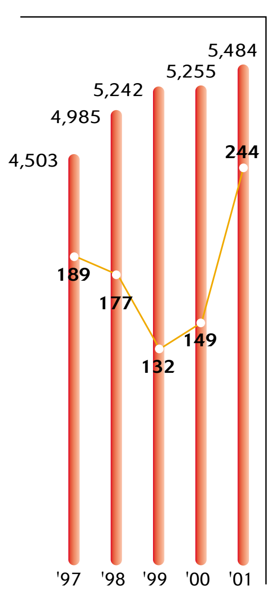
CONTENTS

Consolidated Financial Highlights

Fujitsu Limited and Consolidated Subsidiaries Years ended March 31	Yen (millions) (except per share data) 2000	 2001	*U.S. Dollars (millions) (except per share data)* *2001*
For the year:			
Net sales	¥5,255,102	**¥5,484,426**	***$44,229***
Operating income	149,974	**244,026**	***1,968***
Income before income taxes and minority interests	74,857	**157,564**	***1,271***
Net income	42,734	**8,521**	***69***
Cash flows from operating activities	477,042	**596,462**	***4,810***
Per share (Yen and U.S. dollars):			
Earnings			
Basic	¥ 22.1	**¥ 4.3**	***$ 0.035***
Diluted	21.5	**4.3**	***0.035***
Cash flows from operating activities	246.7	**302.9**	***2.443***
Cash dividends	10.0	**10.0**	***0.081***
Cash dividends to face value	20%	**20%**	***20%***
At year-end:			
Shareholders' equity	¥1,176,528	**¥1,214,383**	***$ 9,793***
Total assets	5,019,744	**5,200,071**	***41,936***

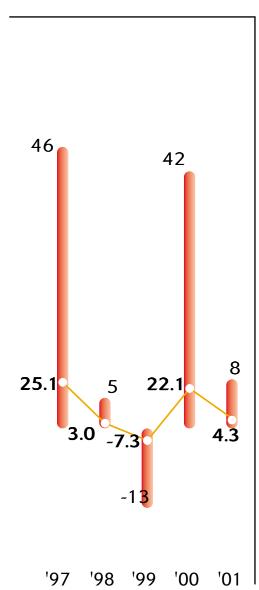
Note: The U.S. dollar amounts above have been translated from yen, for convenience only, at the rate of ¥124 = US$1, the approximate Tokyo foreign exchange market rate as of March 31, 2001.

Net Sales
(¥ Billion)
Operating Income
(¥ Billion)



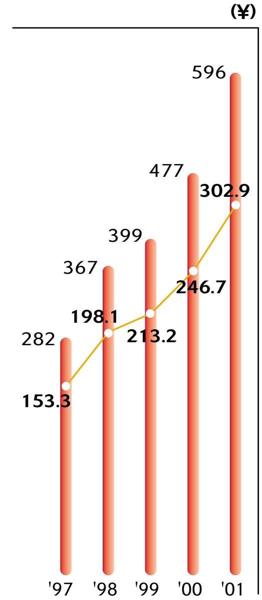
(Years ended March 31)

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



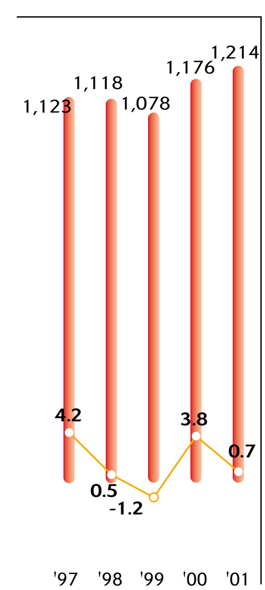
(Years ended March 31)

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)

To Our Shareholders

THE POSSIBILITIES ARE INFINITE

Fiscal 2000 Performance Summary

Throughout the world, the rapid development of the broadband Internet is bringing major changes to both the ways corporations do business and the lifestyles of individuals. The Internet has established itself as the new social infrastructure of our time, and the IT industry, which is driving the future development of an abundant network society, enjoys exceptional growth prospects in the medium term.

During the first half of fiscal 2000, the market environment for the Fujitsu Group was encouraging. Economic conditions in Japan gradually improved, boosted by such factors as higher corporate investment in information technology and greater demand for personal digital appliances and personal computers, and economic conditions in both the U.S. and Europe were still positive. The market environment rapidly deteriorated in the second half of the fiscal year, however, as the economic slowdown in the U.S. and the factors behind it—namely, capital investment cutbacks and inventory adjustments—spread to both Japan and Europe.

Against this backdrop, we continued restructuring efforts to concentrate the resources of the Fujitsu Group on growth areas. Total sales in fiscal 2000 were ¥5,484.4 billion, a 4.4% increase over the previous year. Improved sales and a concerted effort throughout the group to lower operating expenses were among the factors that boosted operating income to a record ¥244.0 billion, a 62.7% increase over the previous year.

Our net income in this period declined by 80.1%, to ¥8.5 billion, as a result of such factors as the extraordinary losses associated with the realignment of our U.S. subsidiary Amdahl to the open systems business and structural reforms in the business operations of both U.K.-based ICL and U.S.-based DMR Consulting. To strengthen our financial base, we implemented measures to promote greater management efficiency and were able to achieve an ¥88.8 billion reduction in interest-bearing liabilities.

Fujitsu Helps Open Up the Broadband Internet Era

As the Internet's reach continues to spread around the world in the 21st century, an infrastructure for information and communications systems is rapidly being put into place. The Internet itself is evolving toward higher speeds and greater capacity, and we are seeing the full-fledged emergence of a framework for interactive communication and mobile usage.

In anticipation of these trends, we at Fujitsu have been continuing to build up our business around the Internet, in line with our business strategy of "Everything on the Internet." To that end, we are placing special emphasis on the following three points:

From left:
Tadashi Sekizawa, Chairman
Naoyuki Akikusa, President and CEO

To Our Shareholders

(1) Building New Customer Relationships —Enhancing Customer Focus

We realize that the most important way of advancing our business is to constantly keep in mind what the customer wants and act according to our “customer focus” value proposition, which aims at maximizing customer satisfaction by anticipating the customer’s needs. In the new broadband Internet era, we will continue to place utmost importance on this ideal while forging new relationships with our customers—ones in which we work as a partner in developing new business with them.

(2) Offering Cutting-Edge Technology and Competitive Products

Our ability to create new business for our customers and provide the optimal solutions they require derives from our cutting-edge technology and competitive product lines. High-speed, high-capacity optical networks, high-performance, highly reliable server technology, leading-edge semiconductor technology, sophisticated security technology, and operating expertise are all areas in which we can bring to bear our strengths. We will focus the Fujitsu Group’s efforts and concentrate our resources on these areas.

(3) Providing Solutions Worldwide

Over the years we have built strong relations with our customers on the basis of mutual trust, and we enjoy the distinction of being the leading solutions vendor in Japan. As customers’ business activities become more globalized, we will pool the expertise, services and products of the Fujitsu Group, including DMR Consulting and ICL, in order to offer high-quality, locally attuned solutions to customers throughout the world.

Nations throughout the world are working to realize the potential of IT. For the Fujitsu Group, this trend will open up new opportunities to utilize the expertise and experience we have accumulated over many years. In Japan, for example, the government has announced its “e-Japan” strategy, which aims to vault the country to global leadership in cutting-edge IT within five years. We are confident that Fujitsu will play an instrumental role in achieving the aims of this initiative in such areas as the construction of super high-speed networks, the spread of e-commerce, and the implementation of e-government services.

Enhancing Corporate Value

As expressed in our slogans "What Mankind Can Dream, Technology Can Achieve" and "Reliability and Creativity," Fujitsu has long striven to bring leading-edge ideas to fruition through tireless research and development efforts, while proactively dealing with changes in the business environment. By anticipating the changes that the new broadband Internet era will bring, and concentrating resources in our core businesses, we will work to raise profitability and enhance corporate value.

We have begun concerted efforts to increase the value of "Fujitsu" as a global brand. In addition, combining the concepts of quality and infinity, we launched our "Qfinity" initiative in 2001 to encourage employees to maximize quality by fully utilizing information technology to share and create knowledge. Qfinity aims to improve the reliability of our products as well as the work quality of all of our employees, and thereby enhance the trust our customers place in us. Our corporate motto, "The Possibilities are Infinite," is intended to express the idea of Fujitsu as a partner that customers can rely on to uncover the infinite possibilities latent in their businesses. We will continue to strive to create new business opportunities for our customers and to raise the value of the "Fujitsu" brand name.

In terms of our activities to protect the global environment, we have issued our third environmental action plan, whose theme is "Focused on the Green." We consider this plan, which calls for manufacturing environmentally friendly products and offering services that support environmental management, to be a major management priority.

As a company driving the development of the broadband Internet era, we are firmly committed to boosting our competitiveness, maintaining the trust of our customers around the world, and constantly reinventing ourselves. Based on these endeavors, we hope to enjoy the continued support of our shareholders.

Tadashi Sekizawa

Chairman
Tadashi Sekizawa

Naoyuki Akikusa

President and CEO
Naoyuki Akikusa

Tea fields are part of lush greenery at the Numazu Plant complex.

Interview with President Akikusa

President Naoyuki Akikusa Discusses Fujitsu's Strategic Direction

Meeting the Challenges of the Next Stage of "Everything on the Internet"

"Everything on the Internet"—Two years ago, the Fujitsu Group adopted a corporate strategy summarized in this phrase, and since then we have been concentrating our resources on fields with the Internet at their core. With the arrival of broadband Internet access, the corporate strategy of the Group is about to enter a new stage. President Naoyuki Akikusa talks about his view of this evolution and the company's management direction going forward.

Boldly Advancing Selection and Concentration

In implementing the business strategy of the Fujitsu Group, what priorities were emphasized in fiscal 2000?

In order to remain globally competitive in today's dramatically changing IT industry, it is essential for us to keep on top of changes in our business environment. During fiscal 2000, we rigorously pursued the Fujitsu Group's business strategy of focusing our various activities on the Internet, and we boldly applied the concept of "selection and concentration" across our business units.

In technologies, centering on electronic devices, we continued to shift into fields with high added value, such as system LSI (SOC), flash memory and compound semiconductors. In platforms, integrating information processing and communications, we shifted to open systems in such areas as Unix servers and storage systems, and we concentrated on new types of communications infrastructure, such as photonic transmission and 3G mobile networks. In services, which we are developing and expanding based on these technologies and platforms, we focused on growing our business in new areas, such as Internet solutions and outsourcing.

You moved forcefully restructure your overseas operations in fiscal 2000, didn't you?

First of all, we shifted the business focus of our U.S.-based subsidiary, Amdahl, from legacy systems, which it had been handling for 30 years, to an open systems model centering on Unix and IA servers, and we undertook management changes. At DMR Consulting, also based in the U.S., we strengthened consulting capabilities and further focused on solutions for the telecommunications and finance industries. We took advantage of the strengths of U.K.-based ICL in both the U.K. and Scandinavian markets, concentrating further on Internet-based systems integration and outsourcing services. We also reevaluated low-margin businesses and cut costs in order to improve profitability. We intend to change the names of DMR Consulting and ICL to the Fujitsu brand and pursue a unified solutions business strategy for the Fujitsu Group.

Amdahl, DMR Consulting and ICL all have valuable, long-standing customer assets of their own. We would like to maintain and expand these relationships while enhancing competitiveness and improving profitability.

Implementing Our Corporate Strategy

The Internet is about to enter the broadband era. In light of this new development, what are the most important points to keep in mind as you carry out your strategy?

As we advance the Fujitsu Group's corporate strategy to the next phase, I believe that the following three points are especially important.

The first is to gain a firm grasp of the changes in the business environment that the broadband Internet will bring. Our vision of the broadband Internet era goes beyond simply transmitting images over greater bandwidth. Instead, we think of it as an era in which forms of communication will change significantly—becoming interactive, always on, and mobile—and in which the terminals used to access information, as well as the fields of usage, will become increasingly diversified. I want us to develop our business based on a clear understanding of the changes that will occur in this emerging era.

The second point is to create new relationships with our customers based on broadband Internet. I want the Fujitsu Group to become an essential business partner that our customers can rely upon to help grow their businesses. We will strive to make better proposals to our customers and enable them to add value to their businesses by providing Internet-based solutions for their core enterprise systems.

The third point is to further expand our global alliances. As the scope of IT use continues to grow, it is no longer possible for any one company to handle the entire range on its own. We currently have a variety of alliances in place, but choosing the most appropriate collaborative partners will be an increasingly important issue for us going forward. This issue runs parallel to our strategy of "selection and concentration." I believe that making sure that we choose the right global corporate alliances—the ones most likely to succeed—will be an especially significant consideration.

Interview with President Akikusa

The Fujitsu Group seems to be putting considerable effort into the much-discussed programming language XML (eXtensible Markup Language).

XML is a shared language for exchanging such information as electronic documents and data, not only within a single company but also between companies and organizations, in a way that transcends industries and national boundaries. As a standard platform enabling the seamless distribution of information, I believe XML will become increasingly important in the era of broadband Internet. The Fujitsu Group has been a leader in applying XML to the development of cutting-edge technologies in all of our businesses. We have developed XML applications for all types of advanced systems, such as trade finance EDI. We also have been proactive in adopting XML within our organization. We recently started a company-wide project on XML and are intensively committing resources toward this effort. We believe that fully exploiting the promise of XML will allow our customers to expand their Internet businesses and bring added convenience to people's lives.

Close Links among Our Three Core Businesses

What are the greatest strengths that the Fujitsu Group can draw on as you implement your strategy for the broadband Internet era?

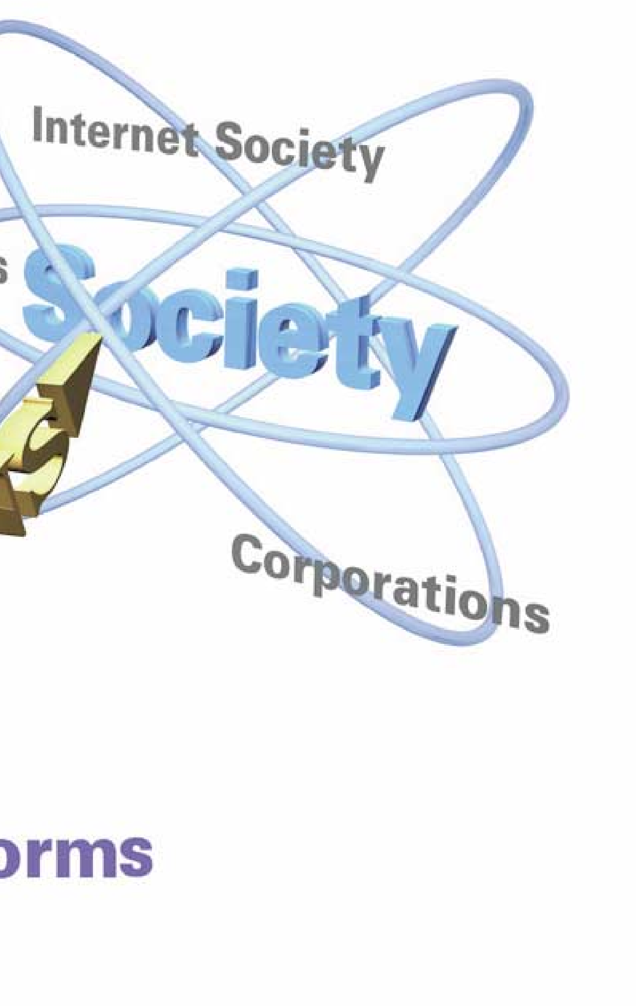
Our major strength is the record of reliability and trust that we have earned by cultivating good relations with numerous customers over the years and growing together with them. The expertise that we have developed by offering comprehensive solutions based on strong technology and products is our greatest asset. We are gathering together this expertise as a knowledge management system for the Fujitsu Group.

In the broadband Internet era, we will continue to capitalize on these same strengths and concentrate on increasing the competitiveness of our core Internet-focused operations in technologies, platforms and services, as well as further bolstering linkages among each area.

Raising the Competitiveness of Each Business To a Higher Level

You've spoken about implementing a policy of selection and concentration, but in order to stay ahead of global competitors, isn't it necessary to increase the competitiveness of each business segment, as well?

As a global company, it is extremely important for us to be among the front-runners in each of our product and business areas. In the services and software business, the Fujitsu Group ranks number three in the world and number one in Japan. The major points that distinguish us from the competition in this field are our world-class human resources and our systems construction capabilities and know-how. In our Internet-related services business, we have enhanced our @Vision Series solutions products. We are also putting emphasis on web integration services, which involves providing comprehensive support for every aspect of business-related Internet usage, from strategic planning to system design, construction, operation and maintenance.



In the information processing business, our highly reliable, high-performance servers continue to hold the top position in the Japanese market. We have placed special emphasis on high-end Unix servers, concentrating our development resources in that area. Furthermore, in the telecommunications business, in October 2000 we introduced a 1.76 terabits/sec wavelength division multiplexing (WDM) transmission system—the world's largest capacity WDM system—in the North American market. We intend to maintain our position as a leading player in the global market by building on our record of success with North American communications carriers in the synchronous optical networks (SONET) area as well as our strength in WDM technology.

In electronic devices, we are putting special attention on system LSI, or system-on-chip. In designing large-scale, high-speed system LSI with more than a million gates, we are able to take advantage of the high-level design techniques and expertise that we have developed in the process of manufacturing high-performance LSI chips for our own servers and communications devices. Our system LSI business provides solutions to help create high-performance products, and this is an area in which we can also make use of the know-how we have developed in our systems integration business. In the future, we would like to increase the synergy among our various business segments to further strengthen our competitiveness and thereby increase the confidence that our customers have in us.

Pursuing “Internet Management”

Fujitsu has set for itself the goals of being the leading provider of Internet solutions, the number one Internet service provider in Japan, and the top Internet user. Could you tell us something about the thinking behind the Fujitsu Group’s pursuit of “Internet management”?

Firstly, we view being the number one Internet user as the basis for being number one in Internet solutions and Japan’s number one Internet service provider. In other words, we are convinced that thoroughly immersing ourselves in the Internet will enable us to offer the most appropriate

solutions to our customers and play a leading role in building the Internet society.

In my view, “Internet management” refers to the use of the Internet to change decision-making processes, systems and organizations in order to accelerate management speed and responsiveness. As among the largest Internet users in Japan, the Fujitsu Group is thoroughly integrating the Internet into management processes as we continue to reinvent ourselves.

To that end, it is essential to foster the development of human resources to manage the Fujitsu Group of tomorrow. As part of that effort, we established our Global Knowledge Institute for training the next generation of world-class management leaders on a group-wide basis. Managers in the broadband Internet era will have to make and implement decisions about how to use information technology in an organization, how to maximize the utility of IT in management, and how to manage organizations by taking advantage of knowledge systems.

I believe that the era of broadband Internet will be one in which our main products will be our knowledge and experience. I am firmly convinced that the most valuable knowledge and technology we possess as an Internet solutions and services provider will emerge from our own experience as the number one Internet user.

Services and Software

Services

Our net community e-government showroom in Tokyo

Enhancing advanced solutions for a wide range of needs

Taking advantage of the excellent growth opportunities in the services and software business provided by the dawning of the broadband Internet era, we are developing a wide range of services, from consulting to maintenance, while expanding our middleware product offerings and pursuing a strategy of selection and concentration in regard to our packaged software business. Moreover, we are making concerted efforts to bolster earnings by integrating and restructuring our systems engineering affiliates and related companies in Japan, and pooling know-how and strengthening ties with our key overseas services companies, ICL and DMR Consulting.

In consulting and systems integration services, we are strengthening our operations to meet the needs of the expanding electronic commerce market. In particular, we have bolstered our Strategic Internet Professional Services (SIPS) business—which provides comprehensive web-based support for business, from strategic planning to the design, construction and operational management of information systems—thereby enhancing our ability to solve the management problems our clients actually face. In addition, we are placing emphasis on services tailored to specific industries, including advanced settlement systems for the financial services industry, large-scale electronic commerce systems for the manufacturing and distribution industries, electronic government for the public sector, and medical systems incorporating electronic clinical charts for hospitals. Moreover, we are working to further strengthen the Internet capabilities of our Customer Relationship Management (CRM) offerings in order to help make better use of customer contact information to develop focused marketing campaigns and increase customer satisfaction.

In the network services business, we have expanded our Internet Data Centers (IDCs) to twelve locations throughout Japan, with our main centers located in Tatebayashi and Akashi, and we are broadening the range of services at our IDCs to include Application Service Provider (ASP) services. We are also enhancing FENICS, our core network infrastructure, for the emerging broadband era in order to offer services and infrastructure support to all customers, no matter what industry they are in or where they are located. Our Internet service provider, @nifty, is expanding its advertising, content and e-commerce services, thereby increasing its revenue sources beyond the subscriber fees it receives for its Internet connection service.

In the maintenance services area, we have begun offering SupportDesk in Japan to support round-the-clock operation of our customers' systems. SupportDesk goes beyond merely integrating maintenance services for both hardware and software. Using Internet-based technology, we are able to constantly monitor the status of our customers' systems, enabling us to minimize system problems and speed recovery times.

In the software business, we are working to improve earnings by expanding our offerings of middleware to support systems construction for the broadband Internet era and applying the concept of selection and concentration to our product offerings in packaged software, focusing on ERP and CAD software.

Platforms

Testing of PRIMEPOWER Unix Server

Focusing on open environments and offering products with superior reliability to build high value-added systems

We are striving to develop our information processing business on a global basis, with particular emphasis on servers, storage systems and personal computers. In addition to further enhancing our own advanced technologies in these fields—whose merits include high quality and reliability, small size and light weight—we are also emphasizing forward-looking investment in industry standard technologies, as well as strengthening and expanding our relationships with strategic partners.

We are working to provide solutions integrating our product offerings with packaged software, services and support, while at the same time improving and expanding individual products. One of the Fujitsu Group's strengths is our ability to provide comprehensive solutions combining high-performance, highly reliable platform products integrated into systems characterized by stable operations and management. Our objective is to improve our profitability by offering information systems that help make our customers more efficient.

In our server and storage systems businesses, we have adopted the basic strategy of concentrating on open platform products that are compatible with industry-standard technology and will serve as core products for the broadband Internet era. Making vigorous efforts to develop our open server business group-wide, in May 2000 we unified our Intel architecture (IA) server lines under the PRIMERGY brand name and our Unix servers under the PRIMEPOWER brand name.

With PRIMEPOWER, we employed technology derived from powerful large-scale mainframe computers to develop a model with up to 128 CPUs and succeeded in taking first place in the Transaction Processing Performance Council's TPC-C benchmark. Moreover, PRIMEPOWER has demonstrated superior reliability, with a system availability rate of 99.999%, equivalent to less than 5 minutes of downtime in a year. In response to the desire of our customers for systems that are both reliable and economical, we have developed PRIMERGY models to run on Linux as well as Windows2000. In the field of storage systems for open environments, an area poised for rapid growth, we have significantly expanded our line of products in the GR700 series, offering highly reliable integrated storage management functions that can run continuously 24×7, as well as an instant copy function for enhanced operations management. As illustrated by the range of sophisticated products described above, our ability to provide comprehensive support for the corporate information systems and Internet Data Centers (IDCs) increasingly in demand in the broadband Internet era is one of the Fujitsu Group's greatest strengths.

In our personal computer business, we are putting efforts into "always on" broadband Internet and wireless technology, especially Bluetooth. We are also expanding our global marketing efforts, particularly in the notebook computer area.

Telecommunications

Platforms

Testing of WDM system equipment

Growing Our Network Solutions Business on a Global Basis

We have adopted three basic guidelines for our telecommunications business in the broadband Internet era:

- Growing as a network solutions provider that offers comprehensive solutions rather than just individual products;
- Expanding into global markets, centering on photonics and 3G mobile communications; and
- Adhering to "selection and concentration" in order to enhance profitability.

Based on these principles, we are pursuing a strategy focused on the fields of photonics, 3G mobile communications and IP products.

In implementing this strategy, first we plan to further strengthen our photonics business, an area in which we have achieved great success with regional telephone companies in the U.S. market. We are working to build even more competitive systems to respond to increased demand for high-speed, high-capacity transmission technology accompanying the shift from SONET to the rapidly expanding WDM technology. In addition, we are strengthening our business activities with long-distance telephone companies and new common carriers, and we intend to use our success in the American market as a springboard for expanding our business in Europe. In fiscal 2000, we unveiled a WDM system with the world's largest transmission capacity (1.76 Tb/s) and participated in WorldCom's "Terabit Challenge" field trials, and we aim to be a full-fledged participant in building its commercial network. We also have received a large-scale project order from Dynegy Connect, the communications subsidiary of a major U.S. electric power company. We are building on these accomplishments to reinforce our leadership position in the photonics field.

In 3G mobile communications, particularly W-CDMA, we will intensify efforts to expand our business globally. Capitalizing on our experience and know-how as a comprehensive supplier for NTT DoCoMo, which is promoting W-CDMA technology, we will use Evolium SAS, our joint venture with Alcatel formed in November 2000, as a base for promoting this business, particularly in Europe, where there are significant business opportunities stemming from the shift from the current GSM standard to W-CDMA.

In the field of IP products, we plan to differentiate ourselves from the competition by expanding our high-performance, highly reliable, high-quality routers and switching systems for telecommunications carriers. In addition, anticipating future growth of IP-based networks, we will use our strategic alliance with Lucent Technologies to develop the network intelligence business utilizing leading-edge softswitch technology to improve network performance.

*SONET: Synchronous Optical NETwork
WDM: Wavelength Division Multiplexing
W-CDMA: Wideband-CDMA
GSM: Global System for Mobile Communication

Technologies

Assembly of optical devices

Pursuing strong earnings through rigorous selection and concentration

In our electronic devices business, our basic objective is to secure a foundation for strong earnings through rigorous selection and concentration on high-growth markets, pursuing a strategy of becoming leaders in those markets. Positioning ourselves to capitalize on the anticipated growth markets of the broadband Internet era and grow our business in devices for such areas as mobile terminals, digital appliances and networks, we are concentrating on system LSI chips and flash memory, as well as high value–added products like compound semiconductors, FCRAM, FRAM and SAW devices.

In regard to capital expenditures, preserving a healthy cash flow is our main concern. We give priority to investing in key products, and we are increasing the efficiency of our capital expenditures by strict targeting of our investments, making better use of our cooperative ventures and foundry partners, and exploiting the full potential of our existing facilities. Our cooperative ventures include a flash memory joint venture with Advanced Micro Devices (AMD), cooperation with Sony to develop and produce chips integrating logic with embedded DRAM, and a project to develop next-generation FCRAM technology in cooperation with Toshiba and Winbond Electronics in Taiwan. These are just some of the ways in which we are trying to speed up our development processes and enhance the competitiveness of our products.

Regarding product-specific strategies, for system LSI, we are working to enhance earnings by concentrating our resources in fields with high growth potential, such as digital AV, mobile communications, and WAN/high-end LAN. In flash memory, we are developing a wide range of new markets beyond cellular telephones, including communication networks and digital AV appliances. The Fujitsu Group holds the leading market position in Japan for flash memory and is also among the global leaders in this category, an achievement which stems from our technological edge in areas such as compact packaging and superior production capabilities. In compound semiconductors, we are focusing our efforts on the market for high-speed, high-capacity optical transmission systems—an area poised for expansion with the spread of broadband Internet. In FCRAMs, we are taking full advantage of this technology's high speed and low power consumption to develop and offer new products for the cellular phone and network markets ahead of our competition. In the area of FRAM, we are expanding our sales to the IC-card and smart-card markets—areas which are expected to grow with the development of e-commerce and mobile networks—and are promoting our products as de facto standards in these markets. In SAW devices, by maintaining the top share in the mobile communications market, we are aiming to secure a foundation for strong earnings going forward.

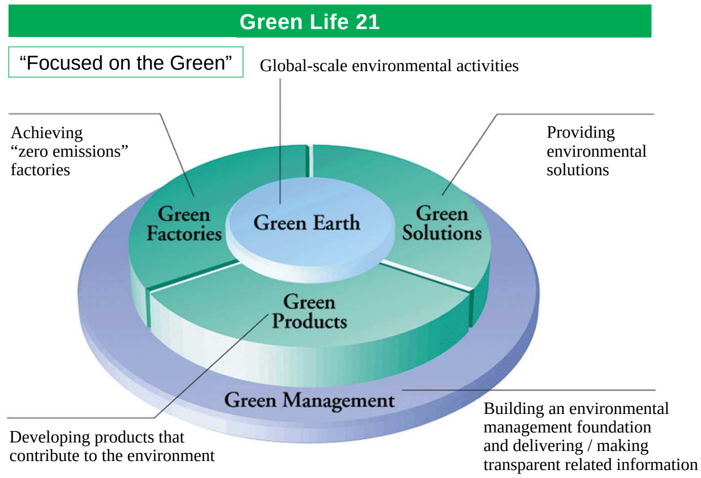
With regard to development and production facilities, we opened the Fujitsu Akiruno Technology Center in July 2000 to serve as our base for developing electronic devices. This facility combines our process development and research divisions, and will soon have prototype production lines, as well, enabling us to accelerate the development of process technologies. Also in July 2000, Fujitsu AMD Semiconductor Limited began construction of a third flash memory plant in Aizu-Wakamatsu with production to begin in August 2001. In plasma display panels (PDPs), Fujitsu-Hitachi Plasma Display Limited completed construction of the world's largest mass production plant for PDPs and began product shipments in April 2001. The new plant is producing 32-inch and 37-inch PDPs for household use, in addition to 42-inch models.

*FCRAM: Fast Cycle Random Access Memory
FRAM: Ferroelectric Random Access Memory
FRAM is a registered trademark of U.S.-based Ramtron International Corporation.
SAW: Surface Acoustic Wave

Environmental Activities

Realizing a Recycling Society Through IT

In recent years, increasing attention has been focused on harnessing IT to help achieve a recycling society and tackle environmental problems. In fiscal 2000, we adopted the slogan "Focused on the Green" and introduced our "Green Life 21" concept for Fujitsu's environmental activities into the 21st century. With these two keynotes, we adopted our third environmental action plan. Here are some of the main activities we undertook in the environmental field during the fiscal year.



Environmental Accounting

Cost / Benefit Trends

		Fujitsu	Major Subsidiaries	(¥ Billion)
FY1998	Costs	8.0	7.0	15.0
	Benefits	9.7	8.4	18.1
FY1999	Costs	8.5	8.2	16.7
	Benefits	10.3	11.9	22.2
FY2000	Costs	8.2	10.9	19.1
	Benefits	11.1	13.5	24.6
FY2001 (Estimated)	Costs	9.6	11.9	21.5
	Benefits	12.7	15.3	28.0

Classification system is in accordance with "Establishing an Environmental Accounting System" (2000 Report) of the Ministry of the Environment

*We continued to receive third-party certification of our environmental accounting in FY2000. Moreover, during the year, we implemented a system for collecting and aggregating environmental data from our operations in over 120 countries worldwide. As a result, we are now able to aggregate cost-effectiveness data on a monthly basis, rather than the previous semi-annual basis.

Environmental Solutions for Local Governments

In April 2000, as an addition to our existing "@EcoVision" service offerings, we introduced "Local Government Environmental Solutions," new services that provide IT support for environmental administration by local governments in Japan. The new services offer comprehensive support for local governments with advanced environmental programs, including environmental know-how incorporating Fujitsu's own experience, advanced Internet-focused information and communications technologies, and our abundant experience in building information systems for local governments. In August 1999, Fujitsu was the first Japanese IT vendor to announce a series of environmental

Contributions to Society

Actively Engaging in Wide Range of Community Support Activities

Fujitsu's social contributions encompass a wide variety of areas, including international exchange, academic research and education, culture, the arts and social welfare. Below are some examples of our activities in these areas during fiscal 2000.

International Mathematical Olympiad

Fujitsu supports the activities of the Mathematical Olympiad Foundation to help identify and foster talented young individuals who have the potential to apply their mathematical skills creatively toward the future advancement of society. The Mathematical Olympiad Foundation's activities include selecting candidates to represent Japan at the International Mathematical Olympiad (IMO), and since 1991 it has been organizing the preliminary tournament in Japan, the Japan Math Olympics.

Over 1,200 junior and senior high school students participated in the eleventh annual tournament in 2001, and six were ultimately selected to participate in the International Mathematical Olympiad.

The IMO is an international competition aimed at discovering mathematically gifted young people from throughout the world and giving them a chance to develop their talents. It is also intended to promote fellowship

solutions principally for customers in the manufacturing industry. With the addition of these new solutions for local government to our already-announced solutions for environmental management and environmental assessment, we now offer total environmental solutions for local government—from assistance in securing ISO to environmental information administration systems.

Making All Our Products Green

Based on our "Green Product Assessment Standards," which we have adopted globally as part of our corporate environmental policy, we are continuing to pursue development of environmentally friendly products. Up to now, we have focused on consumer products, such as personal computers. Going forward, however, we intend to apply green standards to all new product development, including enterprise products such as servers and telecommunications equipment, and encompassing a total of 320 product groups by the end of fiscal 2002 (end of fiscal 2003 for the Fujitsu Group overall). Moreover, we plan to increase the proportion of green parts procurement (parts not containing any harmful chemical substances) to over 99% of the value of total procurement within the same time frame.

Zero Waste Emission Policy Includes Kitchen Garbage

In dealing with waste matter at our factories, we are taking the definition of "zero emissions" one step further by going beyond industrial waste to include kitchen garbage and other waste products from daily life. By this strict standard, we intend to achieve zero emissions at all our plants by the end of fiscal 2003. Regarding kitchen waste treatment, we are not content with simply turning it into organic fertilizer. We are putting the extra effort into sorting and packing in order to make the kind of high-quality fertilizer that farmers can really use. What is more, we have achieved a total recycling system, whereby we supply this fertilizer to organic farmers on a contractual basis and then purchase the crops grown with it for use in our employee cafeterias.

FNC Greatly Reduces Chemical and Solid Waste

At its plant in Richardson, Texas, Fujitsu Network Communications, Inc. (FNC) was able last year to reduce its emissions of chemical waste matter by 60% and solid waste by 77%. As a result, the company achieved total cost savings of over $100,000, which it then donated to local charities.

Local elementary school students benefited from FNC donation made possible by waste reduction cost savings.

among boys and girls—as well as among educators—from around the world who share a love for mathematics. The competition has taken place in a different participating country every year since the first competition was held in Romania in 1959. Japan has been participating since the 31st competition in China in 1990. Incidentally, Japan was selected as the site for the 44th competition in 2003, and we are looking forward to supporting every aspect of the competition.

Education, Academic Research and International Exchange

Based on a global perspective, and in the hope of fostering the development of the coming generation, Fujitsu has been actively engaged in supporting a number of educational and exchange programs.

For example, the Japan-America Institute of Management Science (JAIMS), which Fujitsu founded in Hawaii in 1972, brings together business people from all over the world, with the goal of fostering effective business leaders for the global age. The Foundation for International Information Processing (FINIPED), founded by Fujitsu in the same year, provides funding for students to receive education or training in information processing at universities in Japan or overseas, thereby fostering the development of human resources worldwide in this field.

In 1985, which marked the 50th anniversary of our establishment, we set up the Fujitsu Asia-Pacific Scholarship Program. The program's objective is to provide students and business people from the Asia-Pacific region with the opportunity to study the respective management styles and cultures of Japan, the United States and China, and learn about their different value systems.

Members of the Board and Auditors

(From left: Tadashi Sekizawa, Tadayasu Sugita, Takashi Takaya, Akio Moridera, Naoyuki Akikusa)

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PRESIDENT and CEO
Naoyuki Akikusa

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Akio Moridera
Takashi Takaya

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AUDITORS

STANDING AUDITORS
Keizo Fukagawa
Shin Koizumi

AUDITORS
Yasuyuki Wakahara
Takeo Kato
Katsuhiko Kondo

Financial Section

CONTENTS

Five-Year Summary

Years ended March 31	1997	1998	1999	2000	2001	2001
	Yen (millions) (except for per share data and number of employees)					*U.S. Dollars (thousands)*
Net sales	¥4,503,474	¥4,985,382	¥5,242,986	¥5,255,102	**¥5,484,426**	***$44,229,242***
Operating income	189,785	177,353	132,287	149,974	**244,026**	***1,967,952***
Income before income taxes and minority interests	146,821	123,855	49,625	74,857	**157,564**	***1,270,677***
Net income (loss)	46,147	5,587	(13,638)	42,734	**8,521**	***68,718***
Total assets	4,669,483	5,056,259	5,025,670	5,019,744	**5,200,071**	***41,936,056***
Shareholders' equity	1,123,286	1,118,449	1,078,652	1,176,528	**1,214,383**	***9,793,411***
Amounts per share of common stock (Yen and U.S. dollars):						
Earnings (loss)						
Basic	¥ 25.1	¥ 3.0	¥ (7.3)	¥ 22.1	**¥ 4.3**	***$ 0.035***
Diluted	24.0	3.0	(7.3)	21.5	**4.3**	***0.035***
Cash dividends	10.0	10.0	10.0	10.0	**10.0**	***0.081***
Shareholders' equity	610.0	600.6	572.5	599.4	**614.2**	***4.953***
R&D expenditure	¥ 352,818	¥ 387,129	¥ 395,063	¥ 401,057	**¥ 403,405**	***$ 3,253,266***
Capital expenditure	435,692	435,771	288,896	325,706	**438,043**	***3,532,605***
Number of employees	166,864	180,332	188,139	188,053	**187,399**	
Net sales by business segment (excluding intersegment sales):						
Services and software	¥1,521,065	¥1,736,697	¥2,034,569	¥1,975,466	**¥2,016,883**	***$16,265,186***
Information processing	1,547,239	1,688,402	1,801,409	1,605,301	**1,497,500**	***12,076,613***
Telecommunications	774,456	799,287	681,059	772,463	**849,846**	***6,853,597***
Electronic devices	464,500	541,023	506,645	568,159	**759,723**	***6,126,798***
Financing	—	—	—	113,070	**107,246**	***864,887***
Other operations	196,214	219,973	219,304	220,643	**253,228**	***2,042,161***
Total	¥4,503,474	¥4,985,382	¥5,242,986	¥5,255,102	**¥5,484,426**	***$44,229,242***
Net sales by customers' geographic location:						
Japan	¥3,161,365	¥3,228,363	¥3,127,501	¥3,352,837	**¥3,590,282**	***$28,953,887***
Europe	664,697	782,946	1,019,482	819,082	**725,756**	***5,852,871***
The Americas	403,206	586,215	708,124	688,179	**765,288**	***6,171,677***
Asia & Oceania	251,299	358,396	359,612	371,458	**383,560**	***3,093,226***
Africa & the Middle East	22,907	29,462	28,267	23,546	**19,540**	***157,581***
Total	¥4,503,474	¥4,985,382	¥5,242,986	¥5,255,102	**¥5,484,426**	***$44,229,242***

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 ¥124 = US$1, the approximate rate on the Tokyo foreign exchange market rate on March 31, 2001.

Net Sales

In fiscal 2000, the year ended March 31, 2001, the Fujitsu Group's domestic operating environment was characterized by a modest recovery in the Japanese economy in the first half of the fiscal year resulting from increased corporate IT investment and increased consumer demand for digital appliances and personal computers. Overseas, the economies of both the U.S. and Europe started strong, but in the second half of the fiscal year the slowdown in U.S. economic growth caused cutbacks in capital expenditures and inventory adjustments by corporations. As the worsening economic conditions spread to both Japan and Europe, Fujitsu's external environment deteriorated.

Amidst these conditions, consolidated net sales in fiscal 2000 were ¥5,484.4 billion ($44,229 million), a 4.4% increase over the previous fiscal year.

In Japan, although growth in demand for electronic devices for mobile phones and digital appliances softened in the second half of the fiscal year, proactive efforts to meet increased demand in the first half of the year led to a significant increase in sales. Moreover, our services business, which centers on systems integration and outsourcing, grew at a steady pace. Consequently, overall domestic sales rose 7.1% to ¥3,590.2 billion ($28,954 million).

Overseas, sales of electronic devices increased, as well as sales of optical transmission systems in North America, but the slowdown in the U.S. economy during the second half of the year caused the growth in sales of electronic devices to level off. In addition, European and U.S. sales in our services business and sales of small form factor hard disk drives decreased. Our sales results in comparison with the previous fiscal year were also affected by the application of the equity accounting method to our European PC manufacturing and sales affiliate from the latter half of the previous fiscal year, as well as the impact of yen appreciation in decreasing the converted value of sales of our overseas subsidiaries. Overall, overseas sales remained essentially unchanged from the preceding term, at ¥1,894.1 billion ($15,275 million).

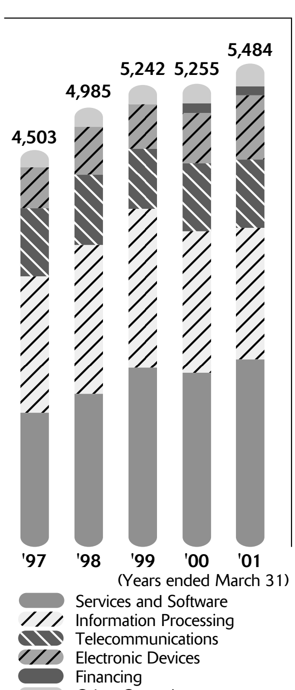
Compared with the previous year, the average exchange rate rose from ¥112 to ¥111 against the U.S. dollar, and ¥180 to ¥163 against the sterling pound. This yen appreciation caused a decrease of approximately ¥88.0 billion in the value of sales after yen conversion, as compared to the value if calculated at the previous year's exchange rates.

Cost of Sales, Selling, General & Administrative Expenses, and Operating Income

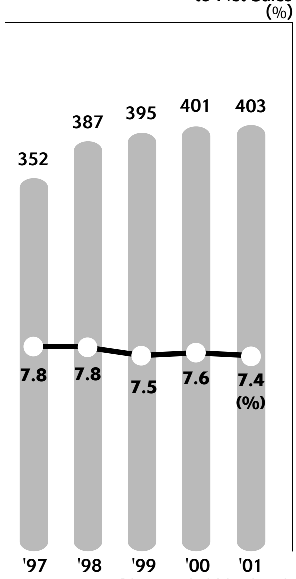
The cost of sales for the current fiscal year totaled ¥3,942.6 billion ($31,795 million), a 3.8% increase over the previous fiscal year, and the cost of sales ratio improved 0.4% to 71.9%. In addition, the gross profit margin rose to 28.1%, a 0.4% increase over last year's figure of 27.7%. One reason for this improvement was the increased profitability of our electronic devices business, which had undergone a timely restructuring.

Selling, general and administrative (SG&A) expenses decreased 0.8% from the previous year, to ¥1,297.7 billion ($10,466 million), and SG&A as a percentage of sales decreased 1.1%, to 23.7%, thanks to group-wide efforts to promote efficiency and reduce overhead costs while at the same time promoting leading-edge R&D. In the area of research and development, we concentrated our resources on cutting-edge technologies with bright prospects for future growth, such as next-generation mobile communications systems. R&D spending rose

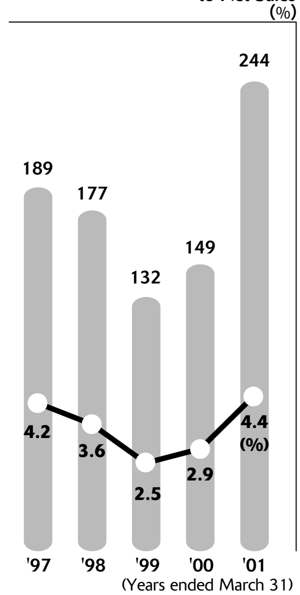
Net Sales by Business Segment
(excluding intersegment sales)
(¥ Billion)



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



Operating Income
(¥ Billion)
Ratio of Operating Income to Net Sales
(%)



0.6% to ¥403.4 billion ($3,253 million).

Accordingly, operating income for the current fiscal year was ¥244.0 billion ($1,968 million), the highest ever, representing a 62.7% increase over the previous year. Our operating profit margin rose 1.5% over the previous year to 4.4%.

Other Income and Expenses, Net Income

Other income and expenses amounted to –¥86.4 billion (–$697 million), as expenses increased ¥11.3 billion over the previous year.

The depreciation of the yen during the course of the fiscal year led to a foreign exchange gain of ¥16.2 billion ($131 million), an improvement of ¥41.8 billion over the previous fiscal year, in which yen appreciation resulted in foreign exchange losses of ¥25.6 billion. Interest and dividend income less interest charges increased by ¥2.2 billion over the previous year, to –¥34.6 billion (–¥280 million), as a result of a further reduction in interest bearing liabilities. However, equity in earnings of affiliated companies decreased ¥3.5 billion, to ¥13.4 billion ($108 million), as a result of the contribution of affiliates' stock to a retirement benefits trust.

Looking toward fiscal 2001 and beyond, we continued to restructure our operations in fiscal 2000, and restructuring costs increased ¥64.5 billion over the previous year to ¥102.4 billion ($826 million). Included in this figure are ¥55.9 billion ($451 million) in charges to restructure U.S. subsidiary Amdahl Corporation's server business to an open systems model, ¥26.2 billion ($211 million) in charges to reorganize Fujitsu's operations, mainly in information processing, and ¥9.2 billion ($74 million) in restructuring of U.K.-based subsidiary ICL PLC. The implementation of these restructuring moves was aimed at returning Amdahl and ICL to profitability on an accelerated schedule. In addition, we took a charge of ¥415.6 billion ($3,352 million) to amortize unrecognized net obligation for retirement benefits, and at the same time posted a gain of ¥460.2 billion ($3,712 million) on establishment of a stock holding trust for the retirement benefits plan. Moreover, we posted a valuation loss of ¥10.5 billion ($85 million) on marketable securities and a gain of ¥10.6 billion ($86 million) on sales of marketable securities, a decline of ¥9.7 billion in comparison with gains on sales of marketable securities of ¥20.3 billion in the previous year. These various factors caused other expenses to rise ¥11.3 billion over the previous year.

Income before income taxes and minority interests increased 110.5% over the previous year to ¥157.5 billion ($1,271 million). Corporate income taxes totaled ¥140.7 billion ($1,135 million), 89.3% of income before income taxes and minority interests. Our corporate income tax burden was larger than the statutory income tax rate because such factors as an increase in restructuring charges for Amdahl and ICL served to reduce income before income taxes and minority interests.

After subtracting minority interests of ¥8.3 billion ($67 million), net income declined 80.1% from the previous year to ¥8.5 billion ($69 million). Net income per share was ¥4.3 ($0.035) for the period.

Segment Information
Business Segment Information

Net Sales and Operating Income by Business Segment (¥ Billion)

Years ended March 31	2000	**2001**	Increase (Decrease) rate(%)
Net Sales (including intersegment sales)			
Services and software	¥2,053	**¥2,084**	1.5%
Information processing	1,884	**1,762**	(6.5)
Telecommunications	784	**865**	10.4
Electronic devices	716	**908**	26.9
Financing	119	**115**	(3.7)
Other operations	346	**381**	10.2
Intersegment elimination	(648)	**(634)**	
Consolidated net sales	¥5,255	**¥5,484**	4.4%
Operating Income			
Services and software	¥134	**¥120**	(10.5)%
Information processing	38	**32**	(16.4)
Telecommunications	17	**32**	89.6
Electronic devices	20	**113**	462.0
Financing	3	**3**	12.8
Other operations	3	**8**	134.6
Unallocated operating costs and expenses/intersegment elimination	(67)	**(66)**	
Consolidated operating income	¥149	**¥244**	62.7%

Services and Software

Fiscal 2000 sales of services and software rose 10.1% above the previous fiscal year in our domestic market, to ¥1,454.4 billion ($11,730 million), but declined by 14.1%, to ¥562.3 billion ($4,535 million), in our overseas markets. Overall sales in this segment rose by 2.1% over the previous year to ¥2,016.8 billion ($16,265 million). Domestically, the expanding use of the Internet led to higher sales in our services business, such as systems integration and outsourcing. However, overseas sales were affected by cutbacks in corporate IT investments in Europe and the United States, and overall services sales declined.

Cutbacks in IT investment in Europe and the U.S. in the second half of the year caused a deterioration in the profit performance of U.S. subsidiary DMR Consulting Group, Inc., and operating income in this segment declined by 10.5% from the previous year to ¥120.7 billion ($974 million).

Information Processing

Sales in Japan decreased 3.1% from the previous year, to ¥1,015.0 billion ($8,186 million), while overseas sales declined by 13.6% to ¥482.4 billion ($3,891 million). The total of ¥1,497.5 billion ($12,077 million) was a 6.7% decrease over the previous year. Domestically, efforts to develop and market products to support active use of the Internet resulted in increased sales of UNIX servers and personal computers for individual consumers. However, due in part to a drop in demand for global servers in overall domestic sales declined. Overseas, sales of small form factor hard disk drives for desktop personal computers decreased as a result of the economic slowdown in the U.S. in the second half of the year. This, along with the fact that our PC manufacturing and sales affiliate in Europe changed over to the equity accounting method in the second half of the previous fiscal year, resulted in a sales decline overseas.

Such factors as the aforementioned sales decreases for global servers and small form factor hard disk drives primarily for desktop PCs resulted in a 16.4% decline in operating income from the previous year to ¥32.4 billion ($262 million).

Telecommunications

Sales in the telecommunications segment increased by 9.4% to ¥456.4 billion ($3,681 million) in Japan and by 10.8% to ¥393.4 billion ($3,173 million) overseas. The total of ¥849.8 billion ($6,854 million) was a 10.0% increase over the previous year. In North America, sales of optical transmission systems were sluggish, due to cutbacks in investment by carriers during the second half of the year. Nevertheless, thanks to growing demand for faster, higher-capacity communications networks, sales increased for the year as a whole. Domestically, full-fledged shipments of switching systems and base stations for the next-generation mobile communications systems began in anticipation of the initiation of commercial 3G service. The increase in sales was also attributable to growth in demand for new mobile phone models for the new i-mode service.

The increased sales yielded operating income of ¥32.5 billion ($262 million) in the segment, an 89.6% increase over the previous year.

Electronic Devices

Domestic sales of electronic devices increased by 26.2% over the previous year, to ¥373.8 billion ($3,015 million), and overseas sales increased by 41.9%, to ¥385.8 billion ($3,112 million), for a total increase of 33.7% over the previous year to ¥759.7 billion ($6,127 million). Impacted by such factors as the slowdown in the U.S. economy, sales growth in both domestic and overseas markets abruptly leveled off after January 2001 as corporations made inventory adjustments. However, by aggressively responding to the rapid increase in demand in the first half of the year for flash memories for mobile phones and digital appliances, SAW devices, logic ICs, and compound semiconductors for optical transmission systems, electronic devices sales increased significantly for the year.

Operating income increased 462.0% over the previous fiscal year, to ¥113.4 billion ($915 million), thanks to such things as our efforts to aggressively take advantage of growth in the market.

Financing

Financing revenue totaled ¥107.2 billion ($865 million) for the fiscal year, with operating income of ¥3.4 billion ($28 million).

Other

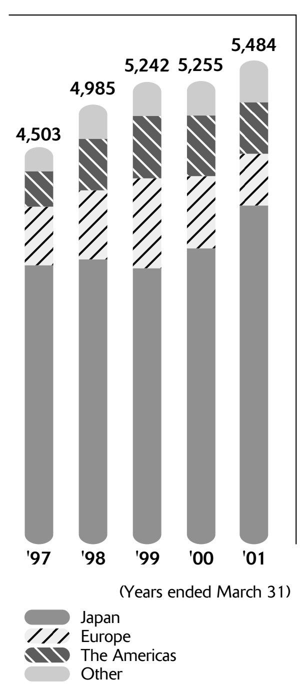
Other domestic sales increased by 15.9% over the previous year, to ¥183.2 billion ($1,478 million), and other overseas sales increased 12.0% to ¥69.9 billion ($564 million). Overall, other sales rose 14.8%, to ¥253.2 billion ($2,042 million). Operating income increased 134.6% over the previous year, to ¥8.1 billion ($66 million).

Segment Information by Region

Japan

During fiscal 2000, overall domestic sales rose 8.4% over the previous year to ¥3,936.5 billion ($31,746 million). Demand for electronic devices leveled off during the latter half of the year, but by taking full advantage of increased demand in the first half of the year, we were able to increase sales. In addition to an increase in sales related to next-generation mobile communications systems, growth in corporate IT investment led to higher sales of services, UNIX servers, and personal computers. The increased sales resulted in a 44.4% increase in operating income to ¥328.9 billion ($2,653 million).

Net Sales by Customers' Geographic Location
(¥ Billion)



Europe

Sales in Europe decreased 14.8% from the previous year to ¥670.9 billion ($5,411 million). A decline in ICL's sales of services and software, the lower yen value of sales resulting from the appreciation of the yen and the depreciation of the sterling pound, and the shift to the equity accounting method during the latter half of the previous fiscal year for our personal computer manufacturing and sales affiliate in Europe all contributed to an overall decline. Continued losses at ICL contributed to an overall operating loss of ¥6.0 billion ($49 million) in Europe.

The Americas

Sales in this region increased 6.4% over the previous year, to ¥623.1 billion ($5,025 million), as a result of such factors as increased sales of optical transmission systems. However, Amdahl, including DMR Consulting, again posted a loss, resulting in an overall operating loss of ¥17.4 billion ($141 million) for the region.

Other

Sales in other regions, including Asia, increased 1.1% over the previous fiscal year to ¥253.7 billion ($2,047 million). Operating income decreased 27.4% from the previous year, to ¥14.0 billion ($113 million), due to lower profits at manufacturing subsidiaries in Southeast Asia owing to the decrease in sales of hard disk drives.

Net Sales and Operating Income by Geographic Segment (¥ Billion)

Years ended March 31	2000	**2001**	Increase (Decrease) rate (%)
Net sales (including intersegment sales)			
Japan	¥4,224	**¥4,549**	7.7%
Europe	817	**698**	(14.6)
The Americas	663	**696**	5.1
Other	549	**555**	1.2
Intersegment elimination	(1,000)	**(1,016)**	
Consolidated net sales	¥5,255	**¥5,484**	4.4%
Operating income			
Japan	¥ 227	**¥ 328**	44.4%
Europe	(10)	**(6)**	—
The Americas	(13)	**(17)**	—
Other	19	**14**	(27.4)
Unallocated operating costs and expenses/intersegment elimination	(73)	**(75)**	
Consolidated operating income	¥ 149	**¥ 244**	62.7%

Capital Expenditure

In fiscal 2000, we increased capital expenditure by 34.5% from the previous year, to ¥438.0 billion ($3,533 million), focusing primarily on growth areas such as semiconductors, where demand was rapidly increasing. By business sector, we invested ¥65.0 billion ($524 million) in services and software, ¥54.9 billion ($443 million) in information processing, ¥44.2 billion ($356 million) in telecommunications, ¥249.2 billion ($2,010 million) in electronic devices, of which ¥206.2 billion ($1,663 million) was in semiconductors, and ¥12.2 billion ($98 million) in other sectors.

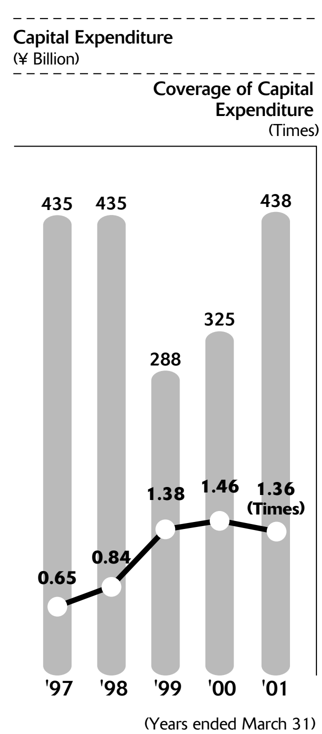
Capital Expenditure (¥ Billion)

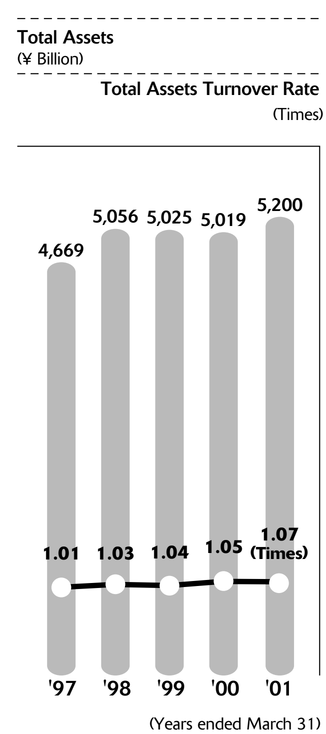
Years ended March 31	2000	**2001**	Increase (Decrease) rate (%)
Services and software	¥ 64	**¥ 65**	0.5%
Information processing	89	**54**	(38.4)
Telecommunications	35	**44**	24.6
Electronic devices	113	**249**	119.4
[Semiconductor production]	[87]	**[206]**	[134.6]
Financing	—	**—**	—
Other operations	9	**12**	24.5
Corporate*	12	**12**	(3.6)
Capital expenditure	¥325	**¥438**	34.5%
Domestic	227	**338**	48.7
Overseas	98	**99**	1.6

* Non-allocable capital expenditure for shared R&D and parent company management division

Major Capital Expenditures:

* Services and Software — Outsourcing facilities for our network services business
* Information Processing — Development facilities for UNIX systems





* Telecommunications — R&D and manufacturing facilities for optical transmission systems; development and manufacturing facilities for next-generation mobile communication network systems
* Electronic Devices — Flash memory manufacturing facilities; advanced logic production lines; mass-production facilities for compound semiconductors; Akiruno Technology Center

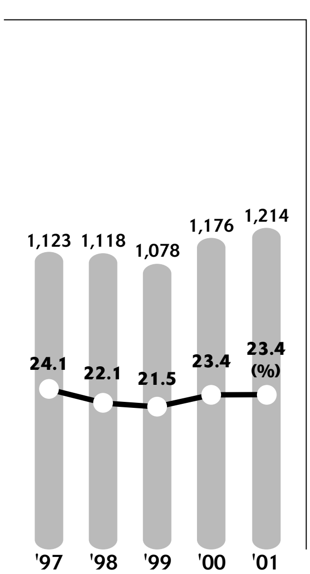
Financial Condition and Liquidity

Total assets at the end of fiscal 2000 amounted to ¥5,200.0 billion ($41,936 million), an increase of ¥180.3 billion from the previous year. Inventories increased due to such factors as imbalances in supply and demand arising from sudden market changes since January 2001, and fixed assets rose in tandem with the increase in capital expenditures.

Total liabilities amounted to ¥3,768.6 billion ($30,393 million), an increase of ¥139.0 billion from the previous year. Current liabilities rose by ¥366.2 billion, to ¥2,443.6 billion ($19,707 million), as a result of increases in accounts payable and tax liabilities. However, long-term liabilities shrank by ¥227.2 billion, to ¥1,325.0 billion ($10,686 million), due to a reduction in interest-bearing liabilities, which showed a year-end balance of ¥1,636.2 billion ($13,195 million), a decrease of ¥88.8 billion from the previous year.

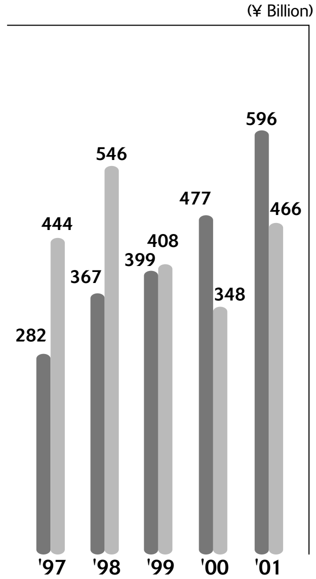
Shareholders' equity increased by ¥37.8 billion from the previous year to ¥1,214.3 billion ($9,793 million). The shareholders' equity ratio was 23.4%, and shareholders' equity per share was ¥614.18 ($4.95), based on the number of shares outstanding at the end of the period.

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

Cash Flows

Net cash generated by operating activities over the fiscal year increased by ¥119.4 billion from last year, to ¥596.4 billion ($4,810 million), mainly owing to an increase in income before income taxes and minority interests. Net cash used in investing activities increased by ¥118.5 billion, to ¥466.8 billion ($3,765 million), as a result of such factors as a rise in capital expenditures, particularly in the semiconductor area.

We were again able to keep free cash flow – the difference between cash provided by operating activities and cash used in investing activities – in the black this fiscal year at ¥129.6 billion ($1,046 million), similar to last year.

In addition, as a result of a reduction in interest bearing liabilities, net cash used in financing activities during the fiscal year was ¥137.6 billion ($1,110 million).

Consolidated Subsidiaries

As of the end of fiscal 2000, Fujitsu had 517 consolidated subsidiaries, 129 in Japan and 388 abroad, representing an increase of 24 over last year's total of 493. This was attributable to the establishment of new companies, such as Fujitsu LSI Solutions, Inc. (established August 2000), which designs and develops system LSI solutions geared toward fields such as networks and next-generation portable information terminals. Similarly, the restructuring of Amdahl's business operations led to the establishment of new Amdahl subsidiaries, including Fujitsu Technology Solutions, which offers UNIX servers, Intel Architecture (IA) servers, and storage systems, and Fujitsu Software Technology Corporation, which develops and sells software products such as storage management software.

In addition, the number of affiliates for which the equity method was applied increased by 3 from last year to 28 at the end of fiscal 2000 as a result of new ventures, such as the launching of Evolium SAS, a developer of next-generation mobile communication network systems, in conjunction with Alcatel of France.

Consolidated Balance Sheets

At March 31	Yen (millions) 2000	2001	U.S. Dollars (thousands) (Note 3) 2001
Assets			
Current assets:			
Cash and cash equivalents	¥ 316,176	**¥ 309,984**	*$ 2,499,871*
Short-term investments (Note 4)	11,438	**9,744**	*78,580*
Receivables, trade (Notes 9 and 16)	1,158,478	**1,188,597**	*9,585,460*
Allowance for doubtful accounts	(15,484)	**(18,839)**	*(151,927)*
Inventories (Note 5)	805,626	**896,842**	*7,232,597*
Current portion of lease receivables (Note 15)	75,723	**60,637**	*489,008*
Other current assets (Note 11)	248,434	**290,539**	*2,343,056*
Total current assets	2,600,391	**2,737,504**	*22,076,645*
Investments and long-term loans:			
Affiliates (Note 6)	361,510	**334,984**	*2,701,484*
Lease receivables (Note 15)	151,572	**110,410**	*890,403*
Other investments and long-term loans (Notes 4, 6, 9 and 11)	283,833	**338,865**	*2,732,782*
Total investments and long-term loans	796,915	**784,259**	*6,324,669*
Property, plant and equipment (Notes 7 and 9):			
Land	134,347	**137,205**	*1,106,492*
Buildings	781,668	**804,525**	*6,488,105*
Machinery and equipment	2,551,347	**2,576,415**	*20,777,540*
Construction in progress	44,600	**82,194**	*662,855*
	3,511,962	**3,600,339**	*29,034,992*
Less accumulated depreciation	2,233,104	**2,216,544**	*17,875,355*
Property, plant and equipment, net	1,278,858	**1,383,795**	*11,159,637*
Intangible assets:			
Goodwill (Note 8)	186,320	**131,422**	*1,059,855*
Software	136,460	**149,143**	*1,202,766*
Other intangible assets	19,650	**13,948**	*112,484*
Total intangible assets	342,430	**294,513**	*2,375,105*
Other assets:			
Discounts on bonds	1,150	**—**	*—*
Total other assets	1,150	**—**	*—*
Total assets	¥5,019,744	**¥5,200,071**	*$41,936,056*

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

	Yen (millions)		U.S. Dollars (thousands) (Note 3)
	2000	**2001**	***2001***
Liabilities, minority interests and shareholders' equity			
Current liabilities:			
Short-term borrowings (Note 9)	¥ 429,431	**¥ 452,219**	***$ 3,646,927***
Current portion of long-term debt (Note 9)	132,255	**231,716**	***1,868,677***
Payables, trade (Note 16)	876,438	**977,018**	***7,879,177***
Accrued expenses	381,202	**407,056**	***3,282,710***
Customers' advances	33,461	**31,018**	***250,145***
Accrued income taxes	51,077	**113,932**	***918,807***
Other current liabilities (Notes 9 and 11)	173,522	**230,714**	***1,860,597***
Total current liabilities	2,077,386	**2,443,673**	***19,707,040***
Long-term liabilities:			
Long-term debt (Note 9)	1,163,389	**952,289**	***7,679,750***
Accrued retirement benefits (Note 10)	175,998	**102,863**	***829,540***
Provision for loss on repurchase of computers	89,007	**88,860**	***716,613***
Other long-term liabilities (Note 11)	123,874	**181,012**	***1,459,774***
Total long-term liabilities	1,552,268	**1,325,024**	***10,685,677***
Minority interests in consolidated subsidiaries	213,562	**216,991**	***1,749,928***
Shareholders' equity (Note 12):			
Common stock:			
Authorized—5,000,000,000 shares			
Issued (¥ 50 par value)			
2000—1,962,939,607 shares	306,246		
2001—1,977,227,929 shares		**314,652**	***2,537,516***
Capital surplus	495,073	**505,449**	***4,076,202***
Retained earnings	490,409	**483,709**	***3,900,879***
Unrealized gains on securities, net of taxes	—	**19,035**	***153,508***
Foreign currency translation adjustments	(114,904)	**(108,451)**	***(874,605)***
Treasury stock	(296)	**(11)**	***(89)***
Total shareholders' equity	1,176,528	**1,214,383**	***9,793,411***
Commitments and contingent liabilities (Note 13)			
Total liabilities, minority interests and shareholders' equity	¥5,019,744	**¥5,200,071**	***$41,936,056***

Consolidated Statements of Operations

Years ended March 31	1999	2000	Yen (millions) 2001	U.S. Dollars (thousands) (Note 3) 2001
Net sales	¥5,242,986	¥5,255,102	**¥5,484,426**	***$44,229,242***
Operating costs and expenses:				
Cost of sales	3,776,886	3,796,919	**3,942,614**	***31,795,274***
Selling, general and administrative expenses (Note 18)	1,333,813	1,308,209	**1,297,786**	***10,466,016***
	5,110,699	5,105,128	**5,240,400**	***42,261,290***
Operating income	132,287	149,974	**244,026**	***1,967,952***
Other income (expenses):				
Interest and dividend income	12,499	12,583	**14,291**	***115,250***
Equity in earnings of affiliates, net	22,475	17,025	**13,429**	***108,298***
Interest charges	(58,240)	(49,505)	**(48,955)**	***(394,799)***
Other, net (Note 18)	(59,396)	(55,220)	**(65,227)**	***(526,024)***
	(82,662)	(75,117)	**(86,462)**	***(697,275)***
Income before income taxes and minority interests	49,625	74,857	**157,564**	***1,270,677***
Income taxes (Note 11):				
Current	57,588	65,595	**134,882**	***1,087,758***
Deferred	(2,909)	(37,216)	**5,818**	***46,919***
	54,679	28,379	**140,700**	***1,134,677***
Income (loss) before minority interests	(5,054)	46,478	**16,864**	***136,000***
Minority interests in income of consolidated subsidiaries	(8,584)	(3,744)	**(8,343)**	***(67,282)***
Net income (loss)	¥ (13,638)	¥ 42,734	**¥ 8,521**	***$ 68,718***

			Yen	U.S. Dollars (Note 3)
Amounts per share of common stock:				
Basic earnings (loss) (Note 17)	¥(7.3)	¥22.1	**¥4.3**	***$0.035***
Diluted earnings (loss) (Note 17)	(7.3)	21.5	**4.3**	***0.035***
Cash dividends	10.0	10.0	**10.0**	***0.081***

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

Consolidated Statements of Shareholders' Equity

Years ended March 31	1999	2000	Yen (millions) 2001	U.S. Dollars (thousands) (Note 3) 2001
Common stock:				
Balance at beginning of year	¥249,347	¥ 261,222	**¥ 306,246**	***$2,469,726***
Exercise of warrants	11,635	34,649	**7,007**	***56,508***
Conversion of bonds	181	10,375	**1,399**	***11,282***
Increase as a result of merger	59	—	**—**	***—***
Balance at end of year	¥261,222	¥ 306,246	**¥ 314,652**	***$2,537,516***
Capital surplus:				
Balance at beginning of year	¥436,023	¥ 447,948	**¥ 495,073**	***$3,992,525***
Exercise of warrants	11,744	41,133	**8,977**	***72,395***
Conversion of bonds	180	10,375	**1,399**	***11,282***
Other, net	1	(4,383)	**—**	***—***
Balance at end of year	¥447,948	¥ 495,073	**¥ 505,449**	***$4,076,202***
Retained earnings:				
Balance at beginning of year	¥499,883	¥ 456,240	**¥ 490,409**	***$3,954,911***
Net income (loss)	(13,638)	42,734	**8,521**	***68,718***
Cash dividends paid	(18,686)	(19,112)	**(19,642)**	***(158,403)***
Bonuses to directors and statutory auditors	(925)	(739)	**(728)**	***(5,871)***
Decrease in foreign currency translation adjustments (Note 2)	(5,927)	—	**—**	***—***
Increase as a result of newly consolidated subsidiary	—	6,112	**—**	***—***
Other, net	(4,467)	5,174	**5,149**	***41,524***
Balance at end of year	¥456,240	¥ 490,409	**¥ 483,709**	***$3,900,879***
Unrealized gains on securities, net of taxes:				
Balance at beginning of year	¥ —	¥ —	**¥ —**	***$ —***
Increase	—	—	**19,035**	***153,508***
Balance at end of year	¥ —	¥ —	**¥ 19,035**	***$ 153,508***
Foreign currency translation adjustments:				
Balance at beginning of year	¥ (66,780)	¥ (86,660)	**¥(114,904)**	***$ (926,645)***
Change during the period	(19,880)	(28,244)	**6,453**	***52,040***
Balance at end of year	¥ (86,660)	¥(114,904)	**¥(108,451)**	***$ (874,605)***
Treasury stock:				
Balance at beginning of year	¥ (24)	¥ (98)	**¥ (296)**	***$ (2,387)***
(Increase) decrease	(74)	(198)	**285**	***2,298***
Balance at end of year	¥ (98)	¥ (296)	**¥ (11)**	***$ (89)***

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

Consolidated Statements of Cash Flows

Years ended March 31	Yen (millions) 1999	2000	**2001**	U.S. Dollars (thousands) (Note 3) ***2001***
Cash flows from operating activities (A):				
Income before income taxes and minority interests	¥ 49,625	¥ 74,857	**¥ 157,564**	***$1,270,677***
Adjustments to reconcile income before income taxes and minority interests to net cash provided by operating activities:				
Depreciation and amortization	371,195	359,808	**389,090**	***3,137,823***
Goodwill amortization	21,754	27,621	**64,757**	***522,234***
Accrual for retirement benefits, less payments	14,235	13,883	**(73,172)**	***(590,097)***
Provision for loss on repurchase of computers	48,638	45,736	**38,075**	***307,056***
Reversal of provision for loss on repurchase of computers	(53,124)	(48,489)	**(38,222)**	***(308,242)***
Interest charges	58,240	49,505	**48,955**	***394,798***
Interest and dividend income	(12,499)	(12,583)	**(14,291)**	***(115,250)***
Equity in earnings of affiliates, net	(22,475)	(17,025)	**(13,429)**	***(108,298)***
Disposal of non-current assets	38,378	27,726	**45,678**	***368,371***
(Increase) decrease in receivables, trade	29,874	72,396	**(5,057)**	***(40,782)***
(Increase) decrease in inventories	40,321	20,998	**(71,459)**	***(576,282)***
(Increase) decrease in other current assets	(61,775)	(41,764)	**53,964**	***435,194***
Increase in payables, trade	48,769	35,665	**110,687**	***892,637***
Increase (decrease) in other current liabilities	(3,704)	15,535	**10,720**	***86,452***
Other, net	(30,519)	(53,282)	**1,760**	***14,193***
Cash generated from operations	536,933	570,587	**705,620**	***5,690,484***
Interest paid	(60,395)	(50,617)	**(48,794)**	***(393,500)***
Interest received	5,257	12,387	**6,435**	***51,895***
Dividends received	6,329	4,264	**6,414**	***51,726***
Income taxes paid	(88,413)	(59,579)	**(73,213)**	***(590,428)***
Net cash provided by operating activities	399,711	477,042	**596,462**	***4,810,177***
Cash flows from investing activities (B):				
Purchases of property, plant and equipment	(279,226)	(322,794)	**(406,928)**	***(3,281,677)***
Proceeds from sales of property, plant and equipment	25,325	30,921	**2,136**	***17,226***
Purchases of intangible assets	(61,848)	(68,256)	**(73,832)**	***(595,419)***
(Increase) in investments and long-term loans	(102,595)	(42,117)	**(34,078)**	***(274,823)***
(Increase) decrease in short-term investments	(20,452)	34,322	**2,265**	***18,266***
Other, net	30,057	19,636	**43,628**	***351,839***
Net cash used in investing activities	(408,739)	(348,288)	**(466,809)**	***(3,764,588)***
A+B (∗)	(9,028)	128,754	**129,653**	***1,045,589***
Cash flows from financing activities:				
Proceeds from long-term debt	204,899	107,807	**57,167**	***461,024***
Repayment of long-term debt	(185,031)	(133,934)	**(171,179)**	***(1,380,476)***
Increase (decrease) in short-term borrowings	42,682	(329,348)	**2,467**	***19,895***
Increase (decrease) in minority interests	11,513	17,056	**(5,544)**	***(44,710)***
Dividends paid	(18,686)	(19,112)	**(19,642)**	***(158,403)***
Other, net	13,822	86,284	**(917)**	***(7,395)***
Net cash provided by (used in) financing activities	69,199	(271,247)	**(137,648)**	***(1,110,065)***
Effect of exchange rate changes on cash and cash equivalents	(2,851)	9,159	**1,803**	***14,541***
Net increase (decrease) in cash and cash equivalents	57,320	(133,334)	**(6,192)**	***(49,935)***
Cash and cash equivalents at beginning of year	392,190	449,510	**316,176**	***2,549,806***
Cash and cash equivalents at end of year	¥449,510	¥316,176	**¥309,984**	***$2,499,871***
Noncash financing activities:				
Conversion of bonds into common stock and capital surplus	¥ 361	¥ 20,790	**¥ 2,798**	***$ 22,565***

The accompanying Notes to Consolidated Financial Statements are an integral part of these statements.
(∗)This is referred to as "free cash flow" in "Management's Discussion and Analysis of Operations."

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.

The acquision of companies is accounted for by the purchase method. Goodwill represents the excess of the acquisition cost over the fair value of the net assets of the acquired companies.

Investments in affiliates, 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

Receivables and payables, regardless of whether they are current or non-current items, denominated in foreign currencies are translated into Japanese yen at the foreign currency exchange rates in effect at the respective balance sheet dates.

The assets and liabilities accounts of the consolidated subsidiaries outside Japan are translated into Japanese yen at the exchange rates in effect at the respective balance sheet dates. Income and expense accounts are translated at the average exchange rate during the year. The resulting translation adjustments are recorded in a separate component of shareholders' equity as foreign currency translation adjustments.

For the year ended March 31, 2001, non-current receivables and payables denominated in foreign currencies were translated into Japanese yen at the exchange rate in effect at the balance sheet date in accordance with a revised accounting standard in Japan for foreign currency translation. The amounts in the financial statements prior to and for the year ended March 31, 2000, remained translated at their transaction rates and have not been restated. However, this change did not have a material impact on the financial statements.

This standard also requires that translation adjustments arising from the translation of the financial statements of the consolidated subsidiaries be stated as a component of shareholders' equity. The amounts in the financial statements prior to and for the year ended March 31,2000 have been restated.

(e) Revenue recognition

Revenues from sales of communications products and computer systems are generally recognized upon acceptance by the customers, whereas 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 classified as either held-to-maturity investments, which are debt securities which the Group has the positive intent and ability to hold to maturity, or available-for-sale securities, which are stocks and securities not classified as held-to-maturity. Held-to-maturity investments are stated at amortized cost, adjusted for the amortization of premium or the accretion of discounts to maturity. Available-for-sale securities are carried at fair market value, with the unrealized gain or loss, net of taxes, reported in a separate component of shareholders' equity.

The Group has adopted a new accounting standard in Japan for financial instruments, effective April 1, 2000. The amounts in the financial statements prior to and for the year ended March 31,2000, have not been restated. The adoption of this standard, however, did not have a material impact on the financial statements, except for an increase of ¥33,640 million ($271,290 thousand) of investments and long-term loans, ¥14,605 million ($117,782 thousand) of other long-term liabilities and ¥19,035 million ($153,508 thousand) of unrealized gains, net of taxes in shareholders' equity.

(g) Allowance for doubtful accounts
The allowance for doubtful accounts is provided at an amount deemed sufficient to cover estimated future losses.

(h) Inventories
Finished goods are mainly stated at cost determined by the moving average method.
Work in process is mainly stated at cost determined by the specific identification method and the average cost method.
Raw materials are mainly stated at cost determined by the moving average method and the most recent purchase price method.

(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) Intangible assets
Goodwill is amortized by the straight-line method over periods not exceeding 20 years
Computer software to be sold is amortized based on the current years' sales units to the projected total products' sales units. Computer software for internal use is amortized by the straight-line method over the estimated useful life.
Other intangible assets are amortized by the straight-line method at the rates based on the estimated useful lives of the respective assets.

(k) Leases
Receivable accounts recognized by the lessors in finance lease transactions are recorded as lease receivables and, assets acquired by lessees in finance lease transactions are recorded in the corresponding asset accounts.

(l) Retirement benefits
The Company and the majority of the consolidated subsidiaries have retirement benefit plans.
Under the defined benefit plans, in principle, the costs are determined by the projected unit credit actuarial valuation method.
The Company and consolidated subsidiaries in Japan have adopted a new accounting standard in Japan for retirement benefits, effective April 1, 2000.
The adoption of this standard did not have a material impact on net income, as indicated in Note 10.

(m) Provision for loss on repurchase of computers
Certain computers manufactured by the Group are sold to Japan Electronic Computer Company Limited ("JECC"), 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.

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

(o) 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.

(p) Derivative financial instruments
The Group uses derivative financial instruments for the purpose of hedging against the risk of fluctuations in interest rates and foreign exchange rates on receivables and payables denominated in foreign currencies.
All derivative financial instruments are stated at fair value. The Group defers gain or loss on changes in the fair values of the derivative financial instruments on the balance sheet until the recognition of gain or loss on the hedged items.
The Group has adopted a new accounting standard in Japan for financial instruments, effective April 1, 2000. The

amounts in the financial statements prior to and for the year ended March 31, 2000, have not been restated. The adoption of this standard, however, did not have a material impact on the financial statements.

(q) Change in significant accounting policy
Prior to and for the year ended March 31, 1999, the Company and its consolidated subsidiaries in Japan treated finance leases in the same way as operating leases, which is generally accepted in Japan. As Fujitsu Leasing Co., Ltd. became a consolidated subsidiary effective the year ended March 31, 2000, the Group has adopted a method under which the Group, as a lessee, records the leased assets and the corresponding lease obligations, and, as a lessor, records the lease receivables under finance leases.

The effect on the net income and total assets resulting from this change in the method of accounting was immaterial.

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.

Lease (Note 15)
Prior to and for the year ended March 31, 1999, the Company and its subsidiaries in Japan had treated finance leases in the same way as operating leases under accounting principles generally accepted in Japan, which differed from IAS No.17.

For the year ended March 31, 2000 and after, there is no difference from IAS No.17, since the Group changed its method of accounting for finance leases from accounting such leases in the same manner as operating leases to recording lease receivables and capitalizing them as lease assets.

Scope of consolidation
Prior to and for the year ended March 31, 1999, Fujitsu Leasing Co., Ltd. had been excluded from consolidation in accordance with accounting principles generally accepted in Japan, and this represented a deviation from the scope of consolidation prescribed under IAS No.27.

For the year ended March 31, 2000 and after, there is no difference from IAS No.27, since Fujitsu Leasing Co., Ltd. has been consolidated.

Decrease in foreign currency translation adjustments
Under IAS No.21, upon the liquidation of a foreign subsidiary, the amount of foreign currency translation adjustments related to a foreign subsidiary should be recognized as income or expense.

For the year ended March 31, 1999, the Group recorded this amount directly in retained earnings.

Non-current receivables and payables denominated in foreign currencies
Prior to and for the year ended March 31, 2000, non-current receivables and payables denominated in foreign currencies had been translated into Japanese yen at the exchange rate in effect at their transaction dates, which differed from IAS No.21.

For the year ended March 31, 2001, there is no difference from IAS No.21, as the amounts in the financial statements are translated at the exchange rate in effect at the balance sheet date.

Detachable stock purchase warrants (Note 9)
Under IAS No.32, detachable stock purchase warrants should be recorded as a component of shareholders' equity.

For the year ended March 31, 2000 and before, The Group had included warrants in other current liablities.

Marketable securities (Note 4)
Under IAS No.25, marketable securities included in investments and long-term loans should be stated at the lower of cost or market on a portfolio basis.

Marketable securities are valued as indicated in the section(f) of "Significant Accounting Policies".

Inventories
Under IAS No.2, inventories should be stated at the lower of their historical cost or net realizable value.

Inventories are valued as indicated in the section(h) of "Significant Accounting Policies". Had IAS No.2 been applied, the difference in the aggregate value of inventories would not have been significant.

Retirement benefits (Note 10)
Under IAS No.19, the period of amortizing the unrecognized net obligation upon application of a new accounting standard should be less than five years.
The accounting procedure for this amortization is indicated in Note 10.

Had IAS been applied, the significant effects on the financial statements would have been as follows. The effect of retirement benefit plans for the year ended March 31, 2001 is not available. Instead, the unamortized amount of the unrecognized net obligation upon the application of the new accounting standard is disclosed in Note 10.
Please refer the corresponding note for details of the other items.

Amount of significant effects on consolidated financial statements	Yen (millions) 2000	Yen (millions) **2001**	U.S. Dollars (thousands) ***2001***
Detachable stock purchase warrants (Note 9)			
Other current liabilities	¥–1,971	¥ –	$ –
Total shareholders' equity	+1,971	–	–

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 U.S. dollars at ¥124= US$1, the approximate rate of exchange prevailing on March 31, 2001.

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

At March 31, 2001, marketable securities included in short-term investments and other investments and long-term loans are as follows.

	Yen (millions) **2001**	U.S. Dollars (thousands) ***2001***
Held-to-maturity investments		
Carrying value (Amortized cost)	**¥ 3,851**	***$ 31,056***
Market value	**3,892**	***31,387***
Net unrealized gain	**¥ 41**	***$ 331***
Available-for-sale securities		
Acquisition costs	**¥111,887**	***$ 902,315***
Carrying value (Market value)	**145,527**	***1,173,605***
Net unrealized gain	**¥ 33,640**	***$ 271,290***

Prior to and for the year ended March 31, 2000, marketable securities included in short-term investments and other investments and long-term loans had been stated at the lower of cost or market, cost being determined by the moving average method.

At March 31, 2000, the carrying value and the fair market value of marketable securities are as follows.

	Yen (millions) 2000
Carrying value	¥ 124,771
Market value	241,272
Net unrealized gain	¥ 116,501

5. Inventories

Inventories at March 31, 2000 and 2001 consisted of the following:

	Yen (millions)		U.S. Dollars (thousands)
	2000	**2001**	***2001***
Finished goods	¥344,954	**¥365,475**	***$2,947,379***
Work in process	326,859	**369,775**	***2,982,057***
Raw materials	133,813	**161,592**	***1,303,161***
	¥805,626	**¥896,842**	***$7,232,597***

6. Investments in Affiliates

A summary of the financial information of the affiliates accounted for by the equity method is presented below:

	Yen (millions)		U.S. Dollars (thousands)
At March 31	2000	**2001**	***2001***
Current assets	¥1,001,081	**¥1,247,229**	***$10,058,298***
Non-current assets	357,058	**398,193**	***3,211,234***
	1,358,139	**1,645,422**	***13,269,532***
Current liabilities	359,654	**481,902**	***3,886,306***
Long-term liabilities	126,553	**79,479**	***640,960***
Net assets	¥ 871,932	**¥1,084,041**	***$ 8,742,266***

	Yen (millions)			U.S. Dollars (thousands)
Years ended March 31	1999	2000	**2001**	***2001***
Net sales	¥822,282	¥1,075,887	**¥1,390,549**	***$11,214,105***
Net income	58,000	50,515	**84,337**	***680,137***

Of the affiliates accounted for by the equity method, the carrying and market values of the shares of the publicly listed companies at March 31, 2000 and 2001 were as follows:

	Yen (millions)		U.S. Dollars (thousands)
At March 31	2000	**2001**	***2001***
Carrying value	¥ 291,078	**¥ 247,951**	***$ 1,999,605***
Market value	1,490,597	**690,253**	***5,566,556***

At March 31, 2000 and 2001, the amount of ¥19,373 million ($156,234 thousand) representing the Company's 29.49% investment in JECC has been included in other investments and long-term loans. 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, 2001, JECC's issued share capital was ¥65,700 million ($529,839 thousand). Its net sales for the years ended March 31, 1999, 2000 and 2001 amounted to ¥298,957 million, ¥299,746 million and ¥290,214 million ($2,340,435 thousand), respectively.

7. Property, Plant and Equipment

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

	Yen (millions)		U.S. Dollars (thousands)
Years ended March 31	2000	**2001**	*2001*
Land			
Balance at beginning of year, net	¥133,883	**¥134,347**	*$1,083,444*
Additions	9,935	**2,416**	*19,484*
Translation differences	(1,478)	**968**	*7,806*
Other, net	(7,993)	**(526)**	*(4,242)*
Balance at end of year, net	¥134,347	**¥137,205**	*$1,106,492*
Buildings			
Balance at beginning of year, net	¥402,064	**¥368,961**	*$2,975,492*
Additions	21,904	**35,348**	*285,065*
Depreciation	36,409	**34,843**	*280,992*
Translation differences	(8,003)	**6,748**	*54,419*
Other, net	(10,595)	**(5,769)**	*(46,524)*
Balance at end of year, net	¥368,961	**¥370,445**	*$2,987,460*
Machinery and equipment			
Balance at beginning of year, net	¥668,435	**¥730,950**	*$5,894,758*
Additions	338,213	**403,608**	*3,254,903*
Depreciation	279,187	**302,943**	*2,443,089*
Translation differences	(24,732)	**22,512**	*181,548*
Other, net	28,221	**(60,176)**	*(485,290)*
Balance at end of year, net	¥730,950	**¥793,951**	*$6,402,830*
Construction in progress			
Balance at beginning of year, net	¥ 38,046	**¥ 44,600**	*$ 359,678*
Additions	225,437	**336,786**	*2,716,016*
Translation differences	(882)	**2,330**	*18,790*
Transfers	(218,001)	**(301,522)**	*(2,431,629)*
Balance at end of year, net	¥ 44,600	**¥ 82,194**	*$ 662,855*

8. Goodwill

An analysis of goodwill is shown below:

	Yen (millions)		U.S. Dollars (thousands)
Years ended March 31	2000	**2001**	*2001*
Balance at beginning of year	¥222,608	**¥186,320**	*$1,502,581*
Additions	6,405	**4,192**	*33,806*
Amortization	27,621	**64,757**	*522,234*
Translation differences	(15,072)	**5,667**	*45,702*
Balance at end of year	¥186,320	**¥131,422**	*$1,059,855*

9. Short-Term Borrowings and Long-Term Debt

Short-term borrowings at March 31, 2000 and 2001 consisted of the following:

	Yen (millions)		U.S. Dollars (thousands)
	2000	**2001**	***2001***
Loans, principally from banks, with interest rates ranging from 0.08% to 7.60% at March 31, 2000 and from 0.35% to 9.25% at March 31, 2001:			
Secured	¥ 580	**¥ 3,779**	***$ 30,476***
Unsecured	427,851	**448,440**	***3,616,451***
Commercial paper at interest rate was 0.07% at March 31, 2000:	1,000	**—**	***—***
	¥429,431	**¥452,219**	***$3,646,927***

Long-term debt at March 31, 2000 and 2001 consisted of:

	Yen (millions)		U.S. Dollars (thousands)
	2000	**2001**	***2001***
Loans, principally from banks and insurance companies, due 2000 to 2024 with interest rates ranging from 0.08% to 11.70% at March 31, 2000 and due 2001 to 2025 with interest rates ranging from 0.24% to 11.70% at March 31, 2001:			
Secured	¥ 13,682	**¥ 9,427**	***$ 76,024***
Unsecured	429,694	**379,722**	***3,062,274***
Bonds and notes issued by the Company:			
1.4% unsecured convertible bonds due 2004	39,625	**39,617**	***319,492***
1.9% unsecured convertible bonds due 2002	24,819	**23,310**	***187,984***
1.95% unsecured convertible bonds due 2003	33,936	**33,031**	***266,379***
2.0% unsecured convertible bonds due 2004	15,953	**15,577**	***125,621***
3 1/8% U.S. dollar bonds due 2000 with warrants	50,341	**—**	***—***
2.3% bonds due 2001	30,000	**30,000**	***241,935***
2.6% bonds due 2002	30,000	**30,000**	***241,935***
2.825% bonds due 2001	60,000	**60,000**	***483,871***
3.025% bonds due 2002	30,000	**30,000**	***241,935***
3.225% bonds due 2003	30,000	**30,000**	***241,935***
2.425% bonds due 2003	50,000	**50,000**	***403,226***
2.875% bonds due 2006	50,000	**50,000**	***403,226***
2.575% bonds due 2004	50,000	**50,000**	***403,226***
3.15% bonds due 2009	50,000	**50,000**	***403,226***
3.0% dual currency bonds due 2001	30,000	**30,210**	***243,629***
2.3% bonds due 2007	50,000	**50,000**	***403,226***
2.325% bonds due 2008	50,000	**50,000**	***403,226***
3.0% bonds due 2018	30,000	**30,000**	***241,935***
2.175% bonds due 2008	50,000	**50,000**	***403,226***
2.15% bonds due 2008	50,000	**50,000**	***403,226***
Bonds and notes issued by consolidated subsidiaries:			
Unsecured (0.30% to 3.45%, due 2000—2006)	47,594	**43,111**	***347,670***
Less amounts due within one year	132,255	**231,716**	***1,868,677***
	¥1,163,389	**¥952,289**	***$7,679,750***

Assets pledged as collateral for bank loans and long-term debt at March 31, 2000 and 2001 are presented below:

	Yen (millions)		*U.S. Dollars (thousands)*
	2000	**2001**	***2001***
Property, plant and equipment, net	¥15,053	**¥19,465**	***$156,976***
Receivables, trade and other current assets	547	**35**	***282***
	¥15,600	**¥19,500**	***$157,258***

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. Each conversion price is subject to adjustment in certain circumstances, including stock splits or free share distributions of common stock. At March 31, 2001, approximately 95 million shares of common stocks were reserved for the conversion of all outstanding convertible bonds.

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, 2001 are summarized as follows:

Years ending March 31	Yen (millions)	*U.S. Dollars (thousands)*
2002	¥231,716	*$1,868,677*
2003	193,219	*1,558,218*
2004	178,918	*1,442,887*
2005	137,139	*1,105,960*
2006 and thereafter	443,013	*3,572,685*

Bonds with detachable stock purchase warrants are accounted for separately as amounts attributable to the bonds and the stock purchase warrants. The aggregate amount attributable to stock purchase warrants is reported in other current liabilities in conformity with accounting principles generally accepted in Japan. The warrants outstanding at March 31, 2000 amounted to ¥1,971 million.

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

10. Retirement benefits

The Company and the majority of the consolidated subsidiaries in Japan have unfunded lump-sum retirement plans which, in general, cover all employees who retire before a retirement age prescribed by in their internal codes. The employees are entitled to the benefits primarily based on their length of service and basic salary as of the retirement date.

In addition, the Company and the majority of the consolidated subsidiaries in Japan participate in Group contributory defined benefit plans which cover substantially all employees. The major contributory defined benefit plan (the "Plan"), which is referred to as the Fujitsu Welfare Pension Fund, entitles employees upon retirement at the normal retirement age to either a lump-sum payment or pension annuity payments for life commencing at age 60 or a combination of both based on their length of service, basic salary as of the retirement date and the number of years of participation in the Plan. The contributions of the Company and the subsidiaries covered by the Plan and their employees are made to the Fujitsu Welfare Pension Fund which is an external organization.

For the year ended March 31, 2001, the government portion of the projected benefit obligation of the Welfare Pension Fund for the Company and the subsidiaries was reduced under the revision of Japanese Welfare Pension Insurance Law, effective in March 2000.

The majority of the consolidated subsidiaries outside Japan have defined benefit plans and/or defined contribution plans covering substantially all their employees.

The balances of the projected benefit obligation and plan assets, funded status and the amounts recognized in the consolidated financial statements as of March 31, 2001 and the components of net periodic benefit cost for the year ended March 31, 2001 are summarized as follows :

Projected benefit obligation and plan assets (At March 31, 2001, consolidated domestic accounts)	Yen (millions)	*U.S.Dollars* *(thousands)*
Projected benefit obligation	¥(1,567,189)	*$(12,638,621)*
Plan assets, of which stock holding trust for retirement benefit plan of ¥280,127 million ($2,259,089 thousand)	1,009,503	*8,141,153*
Projected benefit obligation in excess of plan assets	(557,686)	*(4,497,468)*
Unrecognized net obligation at transition	235,396	*1,898,355*
Unrecognized actuarial loss	317,350	*2,559,274*
Unrecognized prior service cost (reduced obligation)	(87,269)	*(703,782)*
Prepaid pension cost	(10,654)	*(85,919)*
Accrued retirement benefits	¥ (102,863)	*$ (829,540)*

Components of net periodic benefit cost (Year ended March 31, 2001, consolidated domestic accounts)	Yen (millions)	*U.S.Dollars* *(thousands)*
Service cost	¥ 69,229	*$ 558,298*
Interest cost	47,601	*383,879*
Expected return on plan assets	(41,792)	*(337,032)*
Amortization of net obligation at transition	26,264	*211,806*
Recognized actuarial loss	0	*0*
Amortization of prior service cost	(3,801)	*(30,653)*
Net periodic benefit cost	¥ 97,501	*$ 786,298*

The assumptions used in accounting for the plans at March 31, 2001 were as follows

Discount rate	3.0%
Expected rate of return on plan assets	3.3%
Method of allocating actuarial loss	Straight-line method over the employees' average remaining service period
Method of allocating prior service obligation	Straight-line method over 10 years
Amortization period for net obligation at transition	The Company : Fully recognized at transition Consolidated subsidiaries in Japan : 10 years

Under a new accounting standard in Japan, the Company fully recognized in income the Company's portion of the unrecognized net obligation at transition. For additional plan assets to cover the unrecognized net obligation at transition, the Company placed its holding marketable securities in a trust which was solely established for the retirement benefit plan. For the year ended March 31, 2001, ¥415,615 million ($3,351,734 thousand) for the amortization of unrecognized net obligation at transition and ¥460,280 million ($3,711,935 thousand) of gain on establishment of the stock holding trust for the retirement benefit plan were recorded as other income (expenses). The remaining unrecognized net obligation for the consolidated subsidiaries in Japan was amortized and ¥26,264 million ($211,806 thousand) was recognized as expense for the year ended March 31, 2001.

Under a previous accounting standard in Japan, pension costs of major defined benefit plans were based on annual contributions calculated by the projected benefit valuation method. Accrued lump-sum benefits were stated at the present value of the vested benefit obligation which would be required to be paid if all employees voluntarily terminated their services at the balance sheet date.

Considering the above trust scheme, the adoption of the new accounting standard had no material impact on net income for the year ended March 31, 2001.

The major defined benefit pension plan outside Japan is the ICL pension plan. The plan is subject to formal actuarial valuation, and the fair value of the plan assets at April 5, 2000, the most recent valuation date, was sufficient to cover the actuarial present value of future benefit obligations.

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, 1999, 2000, and 2001 in the aggregate were approximately 47%, 42%, and 42%, respectively.

The components of income taxes are as follows:

			Yen (millions)	*U.S. Dollars (thousands)*
Years ended March 31	1999	2000	**2001**	***2001***
Current	¥57,588	¥65,595	**¥134,882**	***$ 1,087,758***
Deferred	(2,053)	(37,216)	**5,818**	***46,919***
Changes in deferred tax rate	(856)	—	**—**	***—***
Income taxes	¥54,679	¥28,379	**¥140,700**	***$ 1,134,677***

A reconciliation of the difference between reported total income tax rate and applicable statutory income tax rate for the years ended March 31, 2000 and 2001 is as follows:

	2000	2001
Statutory income tax rate	42.0%	42.0%
Increase (Decrease) in tax rate:		
Valuation allowance for deferred tax assets	(13.5)	32.5
Tax effect to realization of equity in earnings of affiliates from establishment of stock holding trust for retirement benefit plan	—	10.1
Amortization of goodwill	15.5	7.5
Tax effect on equity in earnings of affiliates, net	(9.6)	(3.6)
Non-deductible expenses for tax purposes	4.6	2.2
Other	(1.1)	(1.4)
Reported total income tax rate	37.9%	89.3%

The significant components of deferred tax assets and liabilities at March 31, 2000 and 2001 are as follows:

		Yen (millions)	*U.S. Dollars (thousands)*
	2000	**2001**	***2001***
Deferred tax assets:			
Tax loss carryforwards	¥ 193,307	**¥ 272,244**	***$ 2,195,516***
Accrued retirement benefits	31,793	**212,258**	***1,711,758***
Accrued employee benefits	13,441	**26,041**	***210,008***
Provision for loss on repurchase of computers	20,646	**21,580**	***174,032***
Intercompany profit on inventory and property, plant and equipment	13,635	**12,389**	***99,911***
Accrued enterprise taxes	3,518	**9,942**	***80,177***
Other	19,734	**17,654**	***142,372***
Gross deferred tax assets	296,074	**572,108**	***4,613,774***
Less: Valuation allowance	(199,557)	**(275,703)**	***(2,223,411)***
Total deferred tax assets	96,517	**296,405**	***2,390,363***
Deferred tax liabilities:			
Gains on establishment of stock holding trust for retirement benefit plan	—	**(213,827)**	***(1,724,411)***
Retained earnings appropriated for tax allowable reserves	(43,598)	**(41,097)**	***(331,427)***
Unrealized gains on securities	—	**(14,740)**	***(118,871)***
Other	(6,154)	**(646)**	***(5,210)***
Gross deferred tax liabilities	(49,752)	**(270,310)**	***(2,179,919)***
Net deferred tax assets	¥ 46,765	**¥ 26,095**	***$ 210,444***

Net deferred tax assets are included in the consolidated balance sheets as follows:

		Yen (millions)	*U.S. Dollars (thousands)*
At March 31	2000	**2001**	***2001***
Other current assets	¥40,287	**¥57,233**	***$461,556***
Other investments and long-term loans	14,507	**25,058**	***202,081***
Other current liabilities	(1,663)	**(95)**	***(766)***
Other long-term liabilities	(6,366)	**(56,101)**	***(452,427)***
Net deferred tax assets	¥46,765	**¥26,095**	***$210,444***

The tax loss carryforwards included in deferred tax assets expire at various dates, but primarily extend for 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. A valuation allowance is recorded for certain deferred tax assets to the carryforwards except for those expected to be realized.

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

Deferred tax assets is not provided on a 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, 1999, 2000 and 2001 are as follows:

	Number of shares		
	1999	2000	**2001**
Balance at beginning of year	1,862,355,910	1,884,139,404	**1,962,939,607**
Exercise of warrants	20,275,164	58,018,995	**11,488,174**
Conversion of convertible bonds	328,628	20,781,208	**2,800,148**
Increase arising from a merger	1,179,702	—	**—**
Balance at end of year	1,884,139,404	1,962,939,607	**1,977,227,929**

The issuance of shares upon the conversion of convertible bonds and the exercise of stock purchase warrants are 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 a provision of the Commercial Code of Japan, which became effective October 1, 1982.

Appropriations of retained earnings for the year ended March 31, 2001, which included year-end cash dividends of ¥9,886 million ($79,726 thousand), were recorded on the Company's statutory books of account after approval at the general shareholders' meeting held on June 26, 2001, and will be included in the following year's consolidated balance sheet.

An increase arising from a merger during the year ended March 31, 1999 reflected 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, 2001 for purchases of property, plant and equipment were approximately ¥76,405 million ($616,169 thousand).

Contingent liabilities for guarantee contracts amounted to ¥59,927million ($483,282 thousand) at March 31, 2001. Of the total contingent liabilities, guarantees given for employees' housing loans were ¥26,685 million ($215,202 thousand) in the aggregate.

14. Derivative Financial Instruments

Purpose of Derivative Trading

The Group enters into derivative transactions related to foreign currency exchange rates and interest rates in order to reduce their risk exposure arising from fluctuations in these rates, to reduce the cost 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 entail minimal market and credit risks.

Control of Derivative Trading

The Group enters into derivative transactions based on regulations established by the Company, and control the risk of the transaction by assessing the efficiency of their hedging.

Hedge accounting

The group has adopted hedge accounting for its derivative transactions.

Gain or loss on changes in the fair values of the hedging instruments which consist of forward exchange, option and swap contracts and related complex contracts are recognized in income when the relating hedged items are reflected in income.

Fair value of derivative financial instruments:

At March 31, 2001, all derivative financial instruments were stated at fair value and recorded on the balance sheet.

At March 31, 2000, the fair value of derivative financial instruments which were not recorded on the balance sheet are as follows.

	Yen (millions)
	2000
Forward exchange contracts	¥584

	Yen (millions)	
	2000	
	Carrying value	Fair value
Interest rate and currency swap contracts	¥ —	¥252
Options contracts:		
Purchased	171	122
Written	145	107

15. Leases

Lessors

The following is a summary of minimum lease payments receivable, their present value, unearned finance income, and the accumulated allowance for uncollectible minimum lease payments receivable, under finance leases operated by Fujitsu Leasing Co., Ltd. at March 31, 2000 and 2001.

	Yen (millions)		*U.S. Dollars (thousands)*
	2000	**2001**	***2001***
Minimum lease payments receivable			
Within one year	¥ 75,723	**¥ 60,637**	***$ 489,008***
Over one year but within five years	147,827	**108,949**	***878,621***
Over five years	3,745	**1,461**	***11,782***
Total	¥227,295	**¥171,047**	***$1,379,411***
The present value of minimum lease payments receivable			
Within one year	¥ 52,232	**¥ 49,215**	***$ 396,895***
Over one year but within five years	99,096	**89,936**	***725,290***
Over five years	2,511	**1,206**	***9,726***
Total	¥153,839	**¥140,357**	***$1,131,911***

At March 31, 2000 and 2001, unearned finance income totaled ¥73,456 million and ¥30,690 million ($247,500 thousand), respectively.

At March 31, 2000 and 2001, the accumulated allowance for uncollectible minimum lease payments receivable were ¥432 million, ¥671 million ($5,411 thousand), respectively.

At March 31, 2000 and 2001, future minimum lease payments to be received within one year under non-cancelable operating leases amounted to ¥198 million and ¥331 million ($2,669 thousand), respectively.

Lessees

The following is a summary of the equivalent amounts of the acquisition costs, accumulated depreciation, book value of leased assets, and the minimum lease payments required under finance leases at March 31, 2000 and 2001.

	Yen (millions)		*U.S. Dollars (thousands)*
	2000	**2001**	***2001***
Equivalent amounts of acquisition costs	¥120,407	**¥135,225**	***$1,090,524***
Accumulated depreciation	54,894	**65,224**	***526,000***
Book value of leased assets	65,513	**70,001**	***564,524***
Minimum lease payments required			
Within one year	18,680	**27,444**	***221,323***
Over one year but within five years	53,305	**71,616**	***577,548***
Over five years	14,714	**13,489**	***108,782***
Total	¥ 86,699	**¥ 112,549**	***$ 907,653***

The following is a summary of future minimum lease payments required under non-cancelable operating leases at March 31, 2000 and 2001.

	Yen (millions)		U.S. Dollars (thousands)
	2000	**2001**	***2001***
Within one year	¥ 6,523	**¥ 6,805**	***$ 54,879***
Over one year but within five years	15,270	**16,650**	***134,274***
Over five years	4,631	**4,774**	***38,500***
Total	¥26,424	**¥28,229**	***$227,653***

16. Supplementary Information to the Consolidated Balance Sheets

Balances with affiliates at March 31, 2000 and 2001 are presented as follows:

	Yen (millions)		U.S. Dollars (thousands)
	2000	**2001**	***2001***
Receivables, trade	¥65,399	**¥73,825**	***$595,363***
Payables, trade	55,680	**70,388**	***567,645***

17. Earnings Per Share

	Yen (millions)			U.S. Dollars (thousands)
Years ended March 31	1999	2000	**2001**	***2001***
Net income (loss)	¥ (13,638)	¥ 42,734	**¥ 8,521**	***$ 68,718***
Effect of dilutive securities				
Convertible bonds	—	1,257	**—**	***—***
Diluted net income (loss)	¥ (13,638)	¥ 43,991	**¥ 8,521**	***$ 68,718***

	thousands		
Weighted average number of shares	1,874,396	1,933,665	**1,969,295**
Effect of dilutive securities			
Convertible bonds	—	109,681	**—**
Warrants	—	7,094	**—**
Diluted weighted average number of shares	1,874,396	2,050,440	**1,969,295**

	Yen			U.S. Dollars
Basic earnings (loss) per share	¥ (7.3)	¥ 22.1	**¥ 4.3**	***$ 0.035***
Diluted earnings (loss) per share	(7.3)	21.5	**4.3**	***0.035***

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, 1999, 2000 and 2001 were ¥395,063million, ¥401,057 million and ¥403,405 million ($3,253,266 thousand), respectively.

Other income (expenses)—other, net for the years ended March 31, 1999, 2000 and 2001 consisted of the following:

	Yen (millions)			U.S. Dollars (thousands)
Years ended March 31	1999	2000	**2001**	***2001***
Foreign exchange gains (losses), net	¥(16,787)	¥(25,679)	**¥16,208**	***$130,710***
Amortization of unrecognized prior service cost (pension expense)	(4,323)	(21,718)	**—**	***—***
Amortization of unrecognized obligation for retirement benefits	—	—	**(22,463)**	***(181,153)***
Loss on disposal of property, plant and equipment	(15,610)	(12,907)	**(16,215)**	***(130,766)***
Expenses for issuance and offering of securities	(1,286)	(542)	**(166)**	***(1,339)***
Loss on devaluation of marketable securities	(5,575)	—	**(10,574)**	***(85,274)***
Reversal of loss on devaluation of marketable securities	—	1,846	**—**	***—***
Gain on sales of marketable securities	19,279	20,351	**10,645**	***85,847***
Gain on sales of subsidiaries' stock	41,002	20,448	**25,563**	***206,153***
Restructuring charges	(43,714)	(37,961)	**(102,485)**	***(826,492)***
Gain on establishment of stock holding trust for retirement benefit plan	—	—	**460,280**	***3,711,935***
Amortization of the unrecognized net obligation for retirement benefits at transition	—	—	**(415,615)**	***(3,351,734)***
Provision for loss on Pathway project	(38,111)	—	**—**	***—***
Other, net	5,729	942	**(10,405)**	***(83,911)***
	¥(59,396)	¥(55,220)	**¥(65,227)**	***$(526,024)***

The Company and the majority of the consolidated subsidiaries in Japan decided to shift their covered lump-sum retirement plans to contributory defined benefit plans effective January 1, 1999. Unrecognized prior service cost (pension expense) related to this shift.

Amortization of unrecognized obligation for retirement benefits related mainly to amortization of net obligation at transition for the consolidated subsidiaries in Japan, under a new accounting standard in Japan for retirement benefits, effective April 1, 2000.

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 ¥43,714 million for the year ended March 31, 1999 included ¥17,221 million principally for the restructuring of the semiconductor factories at the Company and ¥18,440 million in connection with the liquidation of Fujitsu Microelectronics Ltd. in the U.K. Of the total amount of ¥37,961 million for the year ended March 31, 2000, ¥14,717 million related to the restructuring of the electronic devices business and the information processing business at the Company. The total amount of ¥102,485 million ($826,492 thousand) for the year ended March 31, 2001 included ¥55,865 million ($450,524 thousand) for the restructuring of Amdahl Corporation which shifted from traditional IBM-compatible mainframe business to open systems, and ¥26,219 million ($211,444 thousand) for the restructuring of the Company, mainly related to information processing business.

The provision for loss on the Pathway project of ¥38,111 million for the year ended March 31, 1999 related to a realignment of the ICL Pathway Private Finance Initiative (PFI) project, which was 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

Business Segment Information

Yen (millions)

Years ended March 31	Services & Software	Information Processing	Telecom-munications	Electronic Devices	Financing	Other Operations	Elimination & Corporate	Consolidated
1999								
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	466,394	5,025,670
Depreciation	70,224	86,162	44,458	153,158	–	9,344	7,929	371,275
Capital expenditure	80,360	94,268	45,050	97,291	–	9,463	12,117	338,549
2000								
Sales								
Unaffiliated customers	¥1,975,466	¥1,605,301	¥772,463	¥568,159	¥113,070	¥220,643	¥ –	¥5,255,102
Intersegment	77,583	278,985	11,768	148,384	6,440	125,661	(648,821)	–
Total sales	2,053,049	1,884,286	784,231	716,543	119,510	346,304	(648,821)	5,255,102
Operating costs and expenses	1,918,105	1,845,425	767,078	696,364	116,483	342,816	(581,143)	5,105,128
Operating income	134,944	38,861	17,153	20,179	3,027	3,488	(67,678)	149,974
Total assets	1,345,206	1,240,040	581,901	903,907	276,591	368,167	303,932	5,019,744
Depreciation	83,744	89,091	36,045	129,756	51	10,802	8,296	357,785
Capital expenditure	108,152	110,193	39,044	126,744	59	11,233	13,964	409,389

Yen (millions)

Year ended March 31	Services & Software	Information Processing	Telecom-munications	Electronic Devices	Financing	Other Operations	Elimination & Corporate	Consolidated
2001								
Sales								
Unaffiliated customers	¥2,016,883	¥1,497,500	¥849,846	¥759,723	¥107,246	¥253,228	¥ –	¥5,484,426
Intersegment	67,849	264,987	15,927	149,213	7,872	128,246	(634,094)	–
Total sales	2,084,732	1,762,487	865,773	908,936	115,118	381,474	(634,094)	5,484,426
Operating costs and expenses	1,963,982	1,730,018	833,253	795,536	111,704	373,292	(567,385)	5,240,400
Operating income	120,750	32,469	32,520	113,400	3,414	8,182	(66,709)	244,026
Total assets	1,385,609	1,164,322	627,247	1,125,190	187,273	430,191	280,239	5,200,071
Depreciation	87,305	88,014	36,102	148,246	46	10,100	12,313	382,126
Capital expenditure	106,087	73,398	49,840	257,385	18	14,142	14,479	515,349

U.S. Dollars (thousands)

2001 (in U.S. Dollars)								
Sales								
Unaffiliated customers	*$16,265,186*	*$12,076,613*	*$6,853,597*	*$6,126,798*	*$864,887*	*$2,042,161*	*$ –*	*$44,229,242*
Intersegment	*547,169*	*2,136,992*	*128,444*	*1,203,331*	*63,484*	*1,034,242*	*(5,113,662)*	*–*
Total sales	*16,812,355*	*14,213,605*	*6,982,041*	*7,330,129*	*928,371*	*3,076,403*	*(5,113,662)*	*44,229,242*
Operating costs and expenses	*15,838,564*	*13,951,758*	*6,719,783*	*6,415,613*	*900,839*	*3,010,419*	*(4,575,686)*	*42,261,290*
Operating income	*973,791*	*261,847*	*262,258*	*914,516*	*27,532*	*65,984*	*(537,976)*	*1,967,952*
Total assets	*11,174,266*	*9,389,694*	*5,058,444*	*9,074,113*	*1,510,266*	*3,469,281*	*2,259,992*	*41,936,056*
Depreciation	*704,073*	*709,790*	*291,145*	*1,195,532*	*371*	*81,452*	*99,298*	*3,081,661*
Capital expenditure	*855,540*	*591,919*	*401,935*	*2,075,685*	*145*	*114,048*	*116,766*	*4,156,038*

Notes: 1. The business segments are classified based on similarity of products and services, and selling methods, etc.
2. "Financing" segment has been added since the year ended March 31, 2000, because of Fujitsu Leasing Co., Ltd. newly consolidated the Group.
3. The principal products and services of business segments are as follows
(1) Services & Software — System integration service, Outsourcing, IDC service, Network service, Internet service, Software, System maintenance and monitoring, System and network construction
(2) Information Processing — Servers (UNIX server, IA server, Global server), Peripherals (Disk array, System printer), Personal computer, Storage device (Magnetic and Optical disk drive), Terminal systems (ATM and POS system)
(3) Telecommunications — Switching system (Digital switching system, IPswitching node), Transmission system (Optical transmission system, Optical undersea transmission system), Mobile telecommunication system (IMT2000 and PDC base station system), Cellular phone
(4) Electronic Devices — Logic IC (System LSI, ASIC, Micro controller), Memory IC (Flash memory, FRAM, FCRAM), LCD, Semiconductor package, Compound semiconductor, SAW device, Electro-mechanical component, PDP
(5) Financing — Leasing business
(6) Other Operations — Electronic material, Electronics-applied component, Audio/Navigation equipment, Audio electronic device, Battery
4. Unallocated operating costs and expenses reported in "Elimination & Corporate" for the years ended March 31, 1999, 2000 and 2001 were ¥64,049 million, ¥67,664 million and ¥69,563 million ($560,992 thousand), respectively. Most of these costs and expenses were incurred as basic research and development expenses and general and administrative expenses at the Company.
5. Corporate assets included in "Elimination & Corporate" at March 31, 1999, 2000 and 2001 amounted to ¥803,905 million, ¥676,159 million and ¥788,495million ($6,358,831 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 at the Company.

Geographic Segment Information

Years ended March 31	Japan	Europe	The Americas	Other	Elimination & Corporate	Consolidated
						Yen (millions)
1999						
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	491,507	5,025,670
2000						
Sales						
Unaffiliated customers	¥3,631,006	¥ 787,567	¥ 585,459	¥ 251,070	¥ –	¥5,255,102
Intersegment	593,927	30,400	77,654	298,206	(1,000,187)	–
Total	4,224,933	817,967	663,113	549,276	(1,000,187)	5,255,102
Operating costs and expenses	3,997,180	828,450	676,377	529,956	(926,835)	5,105,128
Operating income (loss)	227,753	(10,483)	(13,264)	19,320	(73,352)	149,974
Total assets	3,530,120	478,283	369,640	267,076	374,625	5,019,744
2001						
Sales						
Unaffiliated customers	**¥3,936,526**	**¥ 670,983**	**¥ 623,136**	**¥ 253,781**	**¥ –**	**¥5,484,426**
Intersegment	**613,448**	**27,230**	**73,747**	**302,035**	**(1,016,460)**	**–**
Total	**4,549,974**	**698,213**	**696,883**	**555,816**	**(1,016,460)**	**5,484,426**
Operating costs and expenses	**4,220,987**	**704,264**	**714,375**	**541,795**	**(941,021)**	**5,240,400**
Operating income (loss)	**328,987**	**(6,051)**	**(17,492)**	**14,021**	**(75,439)**	**244,026**
Assets	**3,568,914**	**493,066**	**408,856**	**273,208**	**456,027**	**5,200,071**
						U.S. Dollars (thousands)
2001 (in U.S. Dollars)						
Sales						
Unaffiliated customers	***$31,746,178***	***$5,411,153***	***$5,025,290***	***$2,046,621***	***$ –***	***$44,229,242***
Intersegment	***4,947,161***	***219,597***	***594,734***	***2,435,766***	***(8,197,258)***	***–***
Total	***36,693,339***	***5,630,750***	***5,620,024***	***4,482,387***	***(8,197,258)***	***44,229,242***
Operating costs and expenses	***34,040,218***	***5,679,548***	***5,761,089***	***4,369,314***	***(7,588,879)***	***42,261,290***
Operating income (loss)	***2,653,121***	***(48,798)***	***(141,065)***	***113,073***	***(608,379)***	***1,967,952***
Assets	***28,781,564***	***3,976,339***	***3,297,226***	***2,203,290***	***3,677,637***	***41,936,056***

Notes: 1. Classification of the geographic segments is determined by geographical location.
2. The principal countries and regions belonging to geographic segments other than Japan:
(1) Europe — U.K., France, Spain, Sweden, Germany, Finland, the Netherlands
(2) The Americas — U.S.A., Canada
(3) Others — China, Thailand, Vietnam, the Philippines, Singapore, Taiwan, Australia
3. Unallocated operating costs and expenses reported in "Elimination & Corporate" for the years ended March 31, 1999, 2000 and 2001 were ¥64,049 million, ¥67,664 million and ¥69,563 million ($560,992 thousand), respectively. Most of these costs and expenses were 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, 1999, 2000 and 2001 amounted to ¥803,905 million, ¥676,159 million and ¥788,495 million ($6,358,831 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 at the Company.

20. Subsequent events

At the Board of Directors' meeting held on May 25, 2001, the Company and its subsidiary, Fujitsu Systems Construction Ltd. decided to execute exchange offer procedures, under which the Company made Fujitsu Systems Construction Ltd. a wholly owned subsidiary, in order to reorganize the function of network system engineering within the Group. The share exchange ratio was one share of Fujitsu Systems Construction Ltd. for 0.741 shares of the Company's common stock. For dividends purpose, it is deemed that newly issued shares were issued at April 1, 2001. As a result, the common stock of the Company increased by ¥264 million ($2,129 thousand) to ¥314,916 million ($2,539,645 thousand). The effect on net income caused by these exchange offer procedures was immaterial.

Century Ota Showa & Co.

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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, 2000 and 2001, and the related consolidated statements of operations, shareholders' equity and cash flows for each of the three years in the period ended March 31, 2001, 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, 2000 and 2001, and the consolidated results of its operations and its cash flows for each of the three years in the period ended March 31, 2001, in conformity with accounting principles and practices generally accepted in Japan applied on a consistent basis.

As described in Note1 to the Consolidated Financial Statements, the Group has adopted new accounting standards for retirement benefits, financial instruments, and foreign currency translation effective the year ended March 31, 2001, in the preparation of their consolidated financial statements.

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2001 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.

Century Ota Showa & Co.

Tokyo, Japan
June 27, 2001

Principal Subsidiaries and Affiliates

Consolidated Subsidiaries

JAPAN

Listed
Shinko Electric Industries Co., Ltd.
FDK Corporation
Fujitsu Business Systems Ltd.
Fujitsu Support and Service Inc.
Fujitsu Kiden Ltd.
Fujitsu Denso Ltd.
Takamisawa Electric Co., Ltd.
Fujitsu Devices Inc.
Fujitsu Systems Construction Ltd.

OTC
Fujitsu Basic Software Corporation

Unlisted
Fujitsu Laboratories Ltd.
Fujitsu TEN Ltd.
PFU Ltd.
Fujitsu Quantum Devices Ltd.
Fujitsu Media Devices Ltd.
Fujitsu FIP Corporation
NIFTY Corporation
Fujitsu AMD Semiconductor Ltd.
Fujitsu Hitachi Plasma Display Ltd.
Fujitsu Leasing Co., Ltd.

THE AMERICAS

Unlisted
Fujitsu Network Communications, Inc.
Amdahl Corporation
DMR Consulting Group, Inc.

EUROPE

Unlisted
ICL PLC

Affiliates—Equity Method Applied Only

JAPAN

Listed
Fanuc Ltd.
Fujitsu General Ltd.
Advantest Corporation

EUROPE

Unlisted
Fujitsu Siemens Computers (Holding) B.V.

Shareholders' Data

Capital: ¥314,652 million
Common Stock: Authorized: 5,000,000,000 shares
Issued: 1,977,227,929 shares
Number of Shareholders: 173,730

Principal Shareholders	Number of shares held (thousands)	Percentage of total shares outstanding
Fuji Electric Co., Ltd.	197,163	9.97%
Asahi Mutual Life Insurance Company	100,163	5.07%
Japan Trustee Services Bank, Ltd. (for trust)	90,236	4.56%
The Chase Manhattan Bank NA London (Standing proxy: The Fuji Bank, Ltd.)	68,288	3.45%
The Dai-Ichi Kangyo Bank, Limited	63,895	3.23%
The Mitsubishi Trust and Banking Corporation (for trust)	51,768	2.62%
State Street Bank and Trust Company (Standing proxy: The Fuji Bank, Ltd.)	45,792	2.32%
Mizuho Trust & Banking Co., Ltd. Retirement benefit trust (for Fuji Electric Co., Ltd)	32,800	1.66%
The Toyo Trust & Banking Company, Limited (for trust A)	31,641	1.60%
Nippon Life Insurance Company	25,272	1.28%

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Transfer Agent
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Stock Exchange Listings
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Overseas: Frankfurt, London, Swiss

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(As of March 31, 2001)

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