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

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

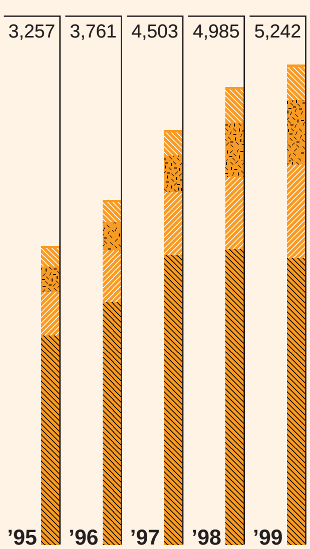
Geographic Segment Information

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

Europe: We expanded sales significantly in European markets, thanks in particular to continued buoyant demand for software and services provided by ICL and strong sales of PCs for personal use. Consequently, total sales in the European region increased 28%, to ¥1,059.0 billion ($8,752 million), while an improvement of ¥7.8 billion in operating income led to a net operating profit of ¥0.4 billion ($3 million).

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

Net Sales by Customers' Geographic Location
(¥ Billion)



(Years ended March 31)
- Japan
- Europe
- The Americas
- Asia & Oceania
- Africa & the Middle East

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

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

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

Capital Expenditure

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

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

Major capital expenditure included:

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

Capital Expenditure (¥ Billion)

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

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

Financial Condition and Liquidity

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

Largely due to the disposition of the legal reserve and retained earnings, shareholders' equity decreased ¥19.9 billion, to ¥1,165.3 billion ($9,630 million). The shareholders' equity ratio slipped from 23.1% to 22.8%, and shareholders' equity per share, based on the number of shares outstanding at year-end, was ¥618.5 ($5.112) compared with ¥636.4 the previous year.

Cash Flows

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

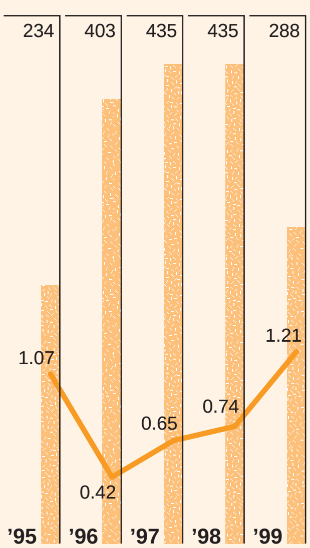
Net cash used in investing activities shrank to ¥359.3 billion ($2,969 million), a ¥142.9 billion reduction from the previous term that was mainly due to a contraction in acquisitions of property, plant and equipment reflecting reduced capital expenditure.

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

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

Capital Expenditure
(¥ Billion)

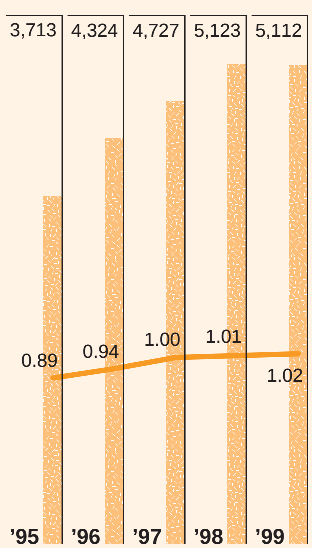
Coverage of Capital Expenditure
(Times)



(Years ended March 31)

Total Assets
(¥ Billion)

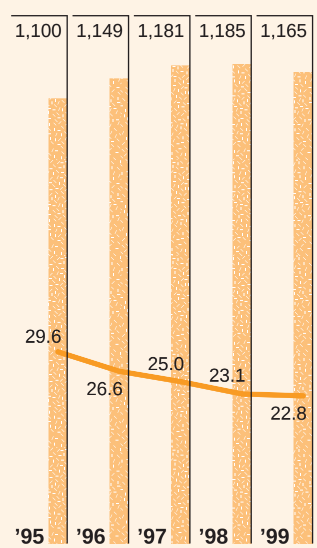
Total Assets Turnover Rate
(Times)



(Years ended March 31)

Shareholders' Equity
(¥ Billion)

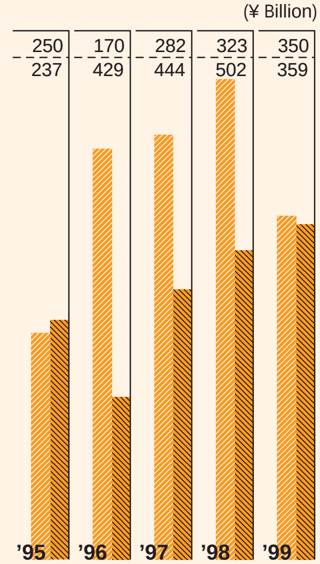
Equity Ratio
(%)



(Years ended March 31)

Cash Flows from Operating Activities
(¥ Billion)

Cash Flows from Investing Activities
(¥ Billion)



(Years ended March 31)

Cash Flows from Operating Activities

Cash Flows from Investing Activities