THE POSSIBILITIES ARE INFINITE

FUJITSU LIMITED
Annual Report
2000

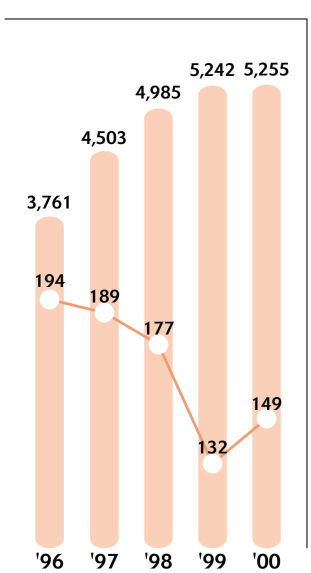
Consolidated Financial Highlights

Fujitsu Limited and Consolidated Subsidiaries
Years ended March 31

	Yen (millions) (except per share data)		*U.S. Dollars (millions) (except per share data)*
	1999	**2000**	***2000***
For the year:			
Net sales	¥5,242,986	**¥5,255,102**	***$49,576***
Operating income	132,287	**149,974**	***1,414***
Income before income taxes and minority interests	49,625	**74,857**	***706***
Net income (loss)	(13,638)	**42,734**	***403***
Cash flows from operating activities	399,711	**477,042**	***4,500***
Per share (Yen and U.S. dollars):			
Earnings (loss)			
Basic	¥ (7.3)	**¥ 22.1**	***$ 0.208***
Diluted	—	**21.5**	***0.202***
Cash flows from operating activities	213.2	**246.7**	***2.327***
Cash dividends	10.0	**10.0**	***0.094***
Cash dividends to face value	20%	**20%**	***20%***
At year-end:			
Shareholders' equity	¥1,165,312	**¥1,291,432**	***$12,183***
Total assets	5,112,330	**5,134,648**	***48,440***

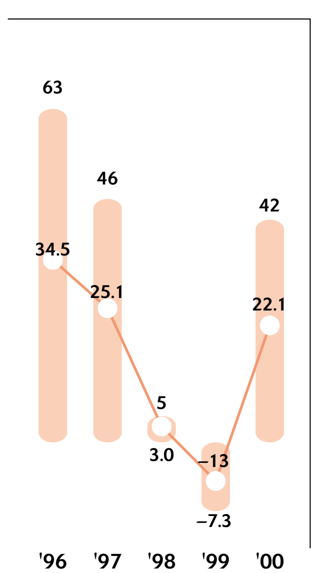
Note: The U.S. dollar amounts above have been translated from yen, for convenience only, at the rate of ¥106 = US$1, the approximate Tokyo foreign exchange market rate as of March 31, 2000.

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



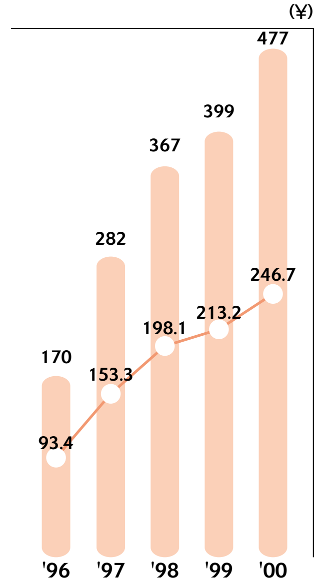
(Years ended March 31)

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



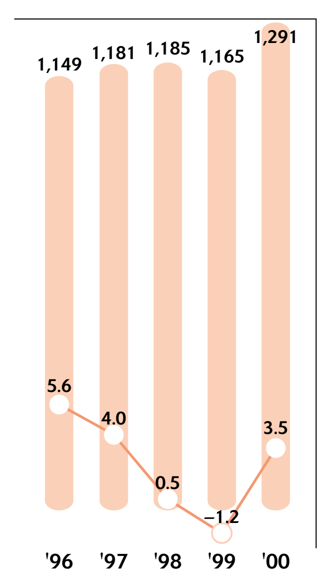
(Years ended March 31)

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)

Fujitsu. The Possibilities Are Infinite

Anticipating change and concentrating resources on Internet-related business areas

At the dawn of the 21st century, the Internet is establishing itself as a new social infrastructure. In addition to changing the structure of business in every industry, the Internet is stimulating the emergence of new types of business that transcend conventional fields and, on the individual level, opening up diverse possibilities for daily life.

While striving to better anticipate the changes that are transforming business and society, the Fujitsu Group is committed to aggressively introducing products and services that utilize the most advanced information technology, as well as to responding to our customers' diverse needs by providing solutions to their business problems.

Since adopting "Everything on the Internet" as our business strategy in fiscal 1999, we have restructured our business by focusing our resources on areas that have the Internet as their core. Affected by such factors as Y2K-related constraints on IT investment and a reduction in the yen-converted value of sales by our overseas subsidiaries due to the high yen, consolidated sales were ¥5,255.1 billion, roughly the same as in the previous fiscal year. Operating income increased to ¥149.9 billion, up 13.4% over the preceding year, thanks to the restoration of profitability to our electronic devices business. Consolidated net income was ¥42.7 billion, an improvement of ¥56.3 billion. More efficient management enabled us to reduce interest-bearing debt by ¥202.2 billion during this period, helping to strengthen our overall financial situation.

Giving greater emphasis to customer focus

In today's new world, where the rapid growth of the Internet is bringing great change to society, enterprises and individuals alike, we believe that constantly keeping our customers' needs in mind and promptly providing them with solutions to their problems–in other words, customer focus–is more important than ever.

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

Recognizing the Internet as a wellspring of growth, we are helping customers revolutionize their businesses by providing comprehensive solutions, from development of information systems to operational and maintenance services.

The Fujitsu Group has some 60,000 highly qualified personnel engaged in services and software operations around the world, and our sophisticated know-how regarding construction of large-scale systems is a particular asset. To provide customers in every country with timely, high-quality solutions tailored to their specific needs, we, together with DMR (in North America), ICL (in Europe) and our other group companies around the globe, are combining our world-class know-how and offering common services and products, while at the same time catering to local cultures and ways of doing business.

● Promoting the Fujitsu corporate brand

To help customers around the world better understand the Fujitsu Group, we have begun working to raise the value of the Fujitsu name as a global brand. As a first step, on June 20, 2000, we launched a corporate advertising campaign in Japan centering on the theme of providing the most appropriate Internet solution for each and every customer. Moreover, to articulate our strong commitment to helping our customers make the most of the limitless opportunities offered by the Internet, we have adopted “The Possibilities Are Infinite” as Fujitsu's new corporate motto.

● Introduction of stock option system

We recently introduced a stock option system that gives top executives the right to acquire newly issued shares of Fujitsu stock. The system is intended to further improve morale and strengthen commitment to achieve better corporate performance. By enhancing the value of the company, it will also contribute to the profits of all our shareholders.

● Increasing awareness of shareholder value

We are making a major effort to utilize our capital as efficiently as possible and are emphasizing return on

equity (ROE) as a key indicator of management performance. Although the 3.5% ROE we recorded in fiscal 1999 was an improvement over the previous year, it remains too low. By rigorously focusing our resources, we will devote maximum effort to achieving our goal of 10% ROE in the 2000 fiscal year.

Striving for even greater growth

For some time, we have used the slogans “What Mankind Can Dream, Technology Can Achieve” and “Reliability and Creativity” to express Fujitsu's efforts to give shape to the innovative ideas that flow from our R&D activities and actively promote business transformation. In June 1999, to enable us to better keep pace with the IT market, we replaced our four former operating divisions with a new organizational struture that vests detailed management authority in newly created business units. At the same time, we established a new management council with responsibility for planning the Group's overall business strategy.

Finally, we would like to emphasize that protecting the natural environment is also an important management priority at Fujitsu, and our efforts include making products that are environmentally friendly and providing environmental management services.

Through the kind of efforts and activities described above, as well as in the pages that follow, Fujitsu is working to continuously reinvent itself. Our goal is to be recognized as a company that anticipates the changes of the 21st century and is trusted by customers around the world. In this endeavor we will do our best to earn the continued support of our shareholders.

Tadashi Sekizawa
Chairman

Naoyuki Akikusa
President and CEO

“Everything on the Internet”

Focusing on Three Core Business Areas

Since last year, when we adopted “Everything on the Internet” to describe the Fujitsu Group's business strategy, we have been focusing our resources on those business areas that have the Internet at their core. This strategy clearly reflects our determination to play an active role in establishing the foundation of the rapidly developing network society. This section describes the specific strategies we are adopting to grow our business and how we plan to make the most effective use of our resources.

● Aiming for number one in three Internet fields

Today, with the diffusion of the Internet accelerating and the business environment undergoing dramatic change, it is more essential than ever to follow the principle of “selection and concentration” in order to effectively utilize corporate resources. In making “Everything on the Internet” our business strategy, we have committed ourselves to aggressively expanding core Internet-related business activities and increasing profitability. As we implement this strategy, we have set the goal of being a leader in three areas of the Internet.

First, as a provider of comprehensive solutions centering on services and software, we intend to become number one in providing customers with the most advanced and effective Internet solutions.

Second, as operator of @nifty, the ISP with the largest number of subscribers in Japan, we are determined to play a major role in supporting the new social infrastructure as Japan's top Internet service provider.

Third, we are striving ourselves to be the most advanced Internet user. By so doing, we will be in an excellent position to provide customers with optimal solutions.

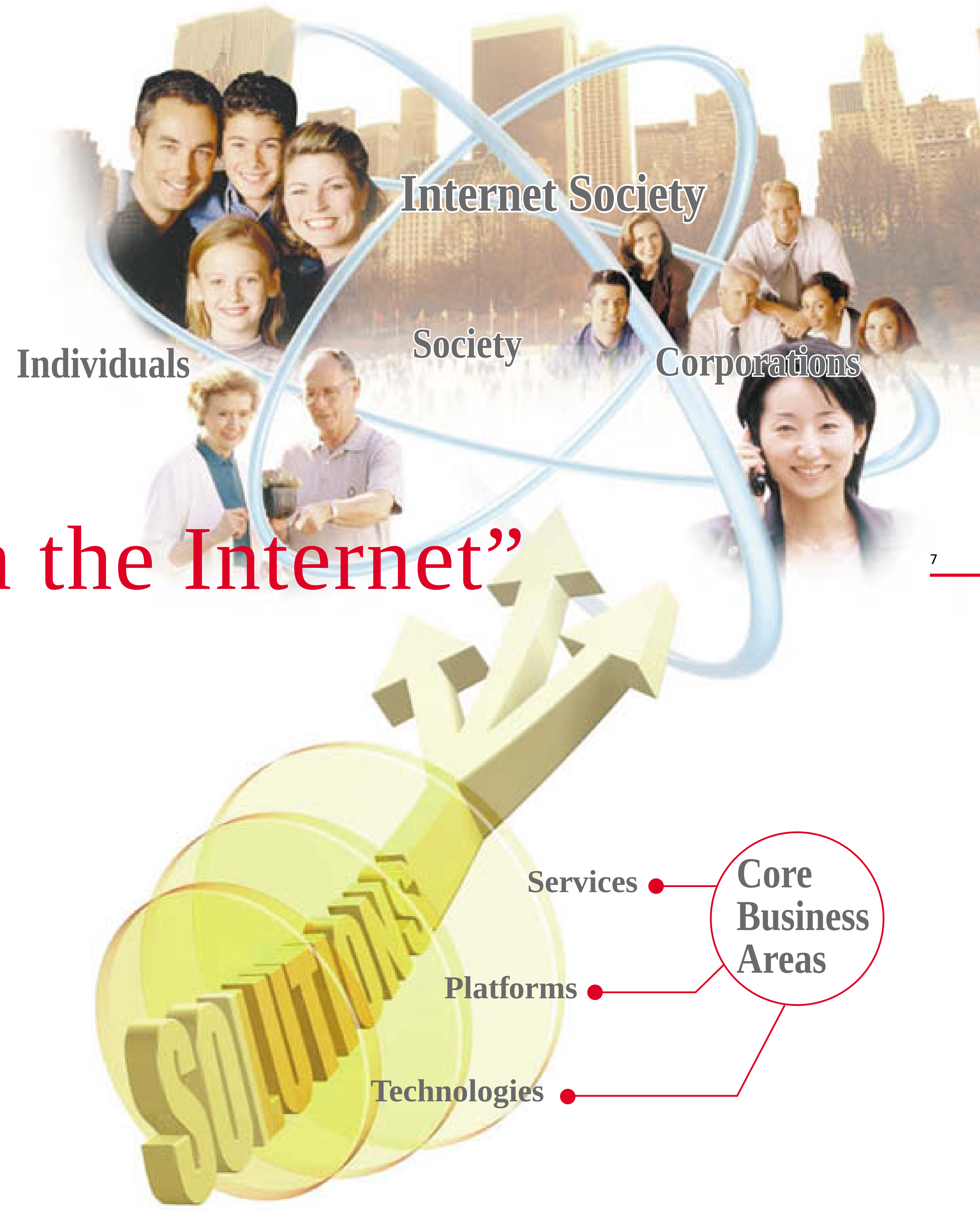
● Services, platforms and technologies

Keeping in mind these three goals, we have carried out a broad reorganization and rearrangement of traditional business areas to create a completely new business strategy. The basic principle behind our strategy is to rigorously concentrate on developing Internet-focused business in three core business areas: services, through which we offer solutions to our customers; platforms, which are an important tool for providing those solutions; and technologies, which support those platforms.

Our principal services offerings are consulting, systems integration, maintenance & support, network services and full-service outsourcing, from maintenance and operations to system expansion. We are constantly enhancing the content of our services so that we can offer comprehensive solutions optimized to meet the needs of our customers.

Some of our major platforms include IMT-2000 next-generation mobile communications networks, optical networks (SONET/WDM), servers & clients, and network middleware. By integrating the capabilities we have cultivated in information processing and communications, we are able to offer superior products optimized for the Internet.

In technologies, we emphasize state-of-the-art products with high added value, including electronic devices such as system LSI (SOC), flash memory, system memory and compound semiconductors.



● Our Internet leadership strategy

1 First in Internet Solutions

Our ability to provide customers with optimal Internet solutions derives from the in-depth know-how that we have accumulated–and that has been validated by numerous customers–over many years. In addition, our highly reliable servers, which handle evolving network environments, and software development capabilities, including middleware for managing network control and operations that interface between operating software and user-developed application software, are among our special strengths.

2 Number One Internet Service Provider

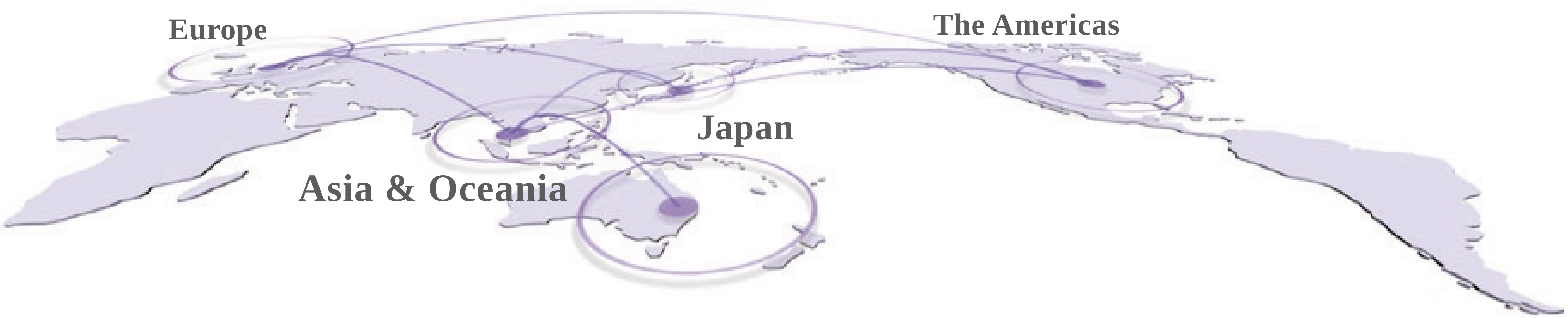
Our strength as an Internet Service Provider centers on our operation of @nifty, which was established in November of last year as the result of the integration of the Nifty-Serve and InfoWeb services. We are striving to create a “cyber-city” of 10 million subscribers by 2003, which will serve as foundation for an abundant Internet society made up of diverse communities, as well as a major venue for business, including B to B and B to C transactions.

3 Leading Internet User

Our advanced Internet usage is changing not only the way we do business at the Fujitsu Group but also our management style and even our organizational structure. We firmly believe that our own experience with the Internet can serve as a cornerstone for the solutions we offer customers.

● Helping make possible a richer network society for all

With a more nimble and dynamic structure in place based on the clear division of management and operational responsibilities, and with a sharp focus on our “Everything on the Internet” business strategy, each of our business units is moving ahead with vigor and speed. Moreover, seeking to identify the Fujitsu Group even more closely with the Internet, we intend to make a major contribution to fostering an abundant network society linking individuals, families, companies and the broader society.



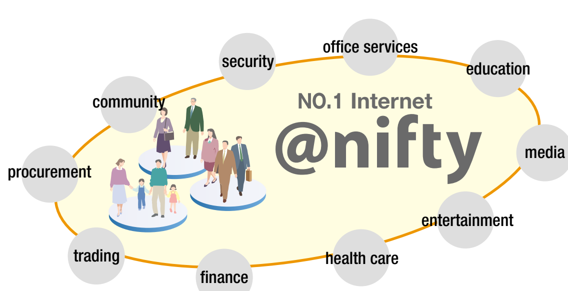
Activities in Our Major Business Areas

Services and Software

Growing our solutions and network services businesses

In the services and software area, we have worked hard to place ourselves in our customers' shoes and strengthen Internet-based solutions that help solve their management problems, and we have positioned this business as a major source of growth and profit for the

entire Fujitsu Group. Specifically, in July 1999 we introduced our Internet Business Solutions concept, building upon our existing @SolutionVision menu of packaged solutions. These original offerings were improved by adding two new areas of focus: developing systems that enable customers to leverage the Internet for improving their businesses and helping them to create new Internet businesses.



We added or significantly enhanced a number of new @SolutionVision products in fiscal 1999, including: @SuccessVision, an application service provider (ASP) offering targeted primarily at medium-sized enterprises; @EcoVision, the industry's first comprehensive environmental management solution; @Intercommunity-Vision, a solution designed to help local governments optimize their use of IT; and @PressVision, a solution for the newspaper industry.

We have high expectations for growth and increased profitability in the network services area. In order to help our customers quickly develop new business opportunities while also letting them focus on their core businesses, as well as to respond to their needs to adapt their systems to the Internet, we enhanced and have been promoting our Tatebayashi and Akashi outsourcing centers as Internet Data Centers (IDCs).

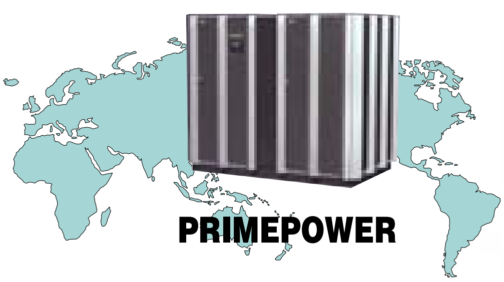
Another notable expansion of our network services business was the creation in November 1999 of @nifty, Japan's largest Internet service provider. @nifty, which combined our former Nifty-Serve and InfoWeb services, aims to be a cyber city of 10 million by 2003, and it typifies our commitment to concentration of investment, management efficiency and profit of scale. In the true sense of a “community,”@nifty has enhanced the civic functions it offers to individual users, for example, in banking, shopping, local government and education. And we are working closely with various businesses and organizations to offer services that make the lives of @nifty's “citizens” more enjoyable and rewarding. Moreover, we are developing venues for the creation of new business opportunities for our corporate customers, including B to C links bringing customer companies together with @nifty subscribers, B to B links among companies, and “in B” systems, which bring a department or unit of an enterprise together with its employees as a whole.

Information Processing

Expanding our global business

In the information processing area, the mainstay of profitability is shifting from global servers, an offshoot of the mainframe, to fast-growing UNIX servers, IA (Intel architechture) servers and personal computers. Our strategy is to expand on a global basis our business in these dynamic product categories.

We have positioned high-performance UNIX servers as a pivotal hardware infrastructure product for supporting our Internet solutions business. In fiscal 1999, we introduced the GP7000F model 2000 high-performance UNIX server, whose utility ranges from supporting the Internet to large-scale scientific and technical computation. At the same time, we began selling UNIX servers, including this model, on a worldwide basis. Our UNIX server product lineup embodies the high degree of reliability we have cultivated during our many years of developing mainframes.



Moreover, as part of our effort to develop products that are standardized on a global basis we have strengthened cooperative links covering R&D, manufacturing and sales both within the Fujitsu Group and with partner companies.

One example is our joint venture with Siemens AG, Fujitsu-Siemens Computers BV, which develops, manufactures and markets a broad range of servers and personal computers. Supported by the combined resources of Fujitsu and Siemens, the new company is quickly bringing to market products that have an edge in technology, performance and price.

In May 2000, the Fujitsu Group launched globally unified server brands (PRIMERGY IA Servers, PRIMEPOWER UNIX Servers, and PRIMEFORCE large-scale enterprise servers), together with updated product line-ups. This is a major step forward in implementing our global business strategy and we are aggressively working to maintain the momentum and expand sales.

Activities in Our Major Business Areas

Telecommunications

● Focusing on optical transmission, mobile and IP communications

Our optical transmission business has expanded greatly in response to the dramatic increase in Internet traffic in the U.S. Some industry watchers forecast that the volume of telecommunications traffic in the U.S. in

2002 will grow to more than 26 times that in 1998. The Fujitsu Group has closely supported this dramatic growth since its early stages, and we hold top share in the U.S. regional telephone company market. Moreover, we have been expanding our business with MCI WorldCom and other companies in the long-distance telephone market.

We are also well placed to develop photonic systems business, based on our strengths in next-generation optical communications technology. Looking ahead, we expect growth in the optical transmission field to shift from SONET to WDM technology and demand to rise for next-generation OADM and OXC equipment*. We are actively pursuing development of competitive systems in these fields.

Turning to mobile communications, in fiscal 1999 we established ourselves as a comprehensive vendor of broadband mobile communications systems (W-CDMA). Fujitsu was selected by NTT DoCoMo as a total systems supplier–covering not only the mobile switch and base station fields but also including terminals and transmission equipment–for the world's first commercial W-CDMA-based IMT-2000 service, which will begin from the spring of 2001 and has been recognized as a standard in Japan and Europe. Moreover, in May 2000 Fujitsu and Alcatel agreed to establish a joint venture to engage in W-CDMA business in Europe. The new joint venture is intended to speed up the development process by bringing together Fujitsu's development capabilities for W-CDMA systems and Alcatel's for GSM systems. We expect these activities and our accumulated operational know-how to contribute to the overall expansion of our mobile business on a global basis.

Finally, in the area of switching systems, we are concentrating our development resources on IP switches for supporting interconnection of high-speed Internet links. In fiscal 1999, we successfully developed high-speed backbone switches for corporate use. Building on this accomplishment, we are proceeding with development of such switches for the carrier market.

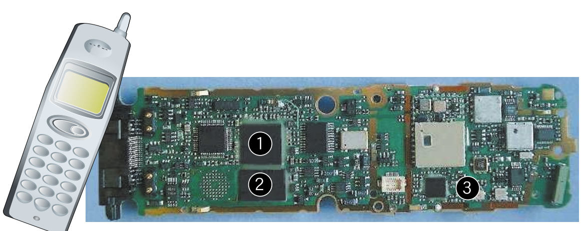
*SONET: Synchronous Optical Network
WDM: Wavelength Division Multiplexing
OADM: Optical Add-Drop Multiplexing
OXC: Optical Cross Connect

Electronic Devices

● Business structure reforms bring improved profitability

In the electronic devices area, we have carried out a radical restructuring of our business, reducing production of commodity DRAM products and shifting emphasis to high value-added products such as system LSI (SOC), FCRAM (fast-cycle RAM), and compound semiconductors. We have moved ahead in implementing mixed-line production of flash memory and logic ICs at our Iwate plant in northeastern Japan and accelerated the shift to flash memory at our Gresham plant in the U.S.

Fujitsu's industry-leading mobile communications products



1. System LSI (SOC)
2. Flash memory (Flash+SRAM)
3. SAW filter,duplexer

We have also strengthened and expanded our production system for key devices, such as flash memory and SAW filters to fill the rapidly expanding needs of the cellular telephone market and compound semiconductors for the optical transmission equipment*. We are proud to hold top share worldwide for these three products, and we intend to take full advantage of our product development and technological strengths in these areas in the future. In May 2000, in response to the expanding demand for flash memory, we decided to invest in a third plant for Fujitsu AMD Semiconductor Ltd., our joint venture with AMD of the U.S.

42-inch PDP with ALiS technology for HDTV use

Another electronic device for which we have high expectations of growth in the future is the plasma display panel (PDP). With the move toward digital broadcasting, a major expansion is anticipated in the demand for PDPs, which should gain wide use as wall-mounted consumer-use high definition televisions. Fujitsu Hitachi Plasma Display Ltd., in which Sony Corporation recently took a capital participation, is pressing ahead with development of next-generation PDPs as well as new volume production process technology.

* SAW: Surface Acoustic Wave

Environmental Activities

Leveraging Our Practical Expertise to Provide Environmental Management Solutions

The Fujitsu Group has been actively addressing global environmental issues according to the principles set forth in our “Commitment to the Environment,” a statement of basic principles and conduct guidelines announced in 1992 and based on the fundamental philosophy of fully leveraging our resources as a technology creator to help harmonize human activity with the earth's environment. This section highlights our environmental activities during fiscal 1999.

Environmental Accounting

Cost/Benefit Trends

		Fujitsu	Major Subsidiaries	(¥ Billion)
FY1997	Costs	79		79
	Benefits	83		83
FY1998	Costs	80	70	150
	Benefits	97	84	181
FY1999	Costs	85	82	167
	Benefits	103	119	222
FY2000 (Estimated)	Costs	89	94	183
	Benefits	120	128	248

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

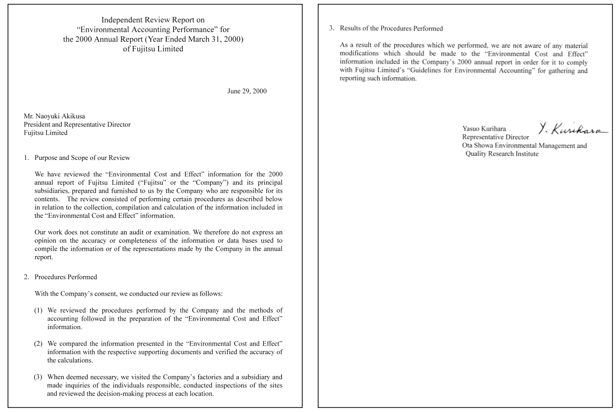
● Green products and environmental solutions

Since pioneering environmentally friendly PCs in 1998, we have worked to steadily increase our “green product” offerings. As of the end of fiscal 1999, we had 141 different green products on the market. In the future, in addition to consumer products, we will endeavor to promote environmental friendliness among all our products, including core operations products such as large-scale computers and telecommunications equipment.

In August 1999 we launched the Japanese industry's first comprehensive environmental management solution, called @EcoVision. Making use of the Fujitsu Group's own practical environmental expertise and utilizing the most advanced Internet and other information technologies, @EcoVision supports customers' environmental management initiatives, thereby helping to foster the development of an environmentally sustainable society.

● Achieving ISO14001 certification ahead of target

We are actively working to attain ISO14001 environmental management certification for our domestic plants and major offices by the end of fiscal 2000. In March 2000 we received ISO14001 certification for our Kawasaki research and manufacturing facilities one year ahead of schedule.



Independent Review Report on
“Environmental Accounting Performance” for
the 2000 Annual Report (Year Ended March 31, 2000)
of Fujitsu Limited

June 29, 2000

Mr. Naoyuki Akikusa
President and Representative Director
Fujitsu Limited

1. Purpose and Scope of our Review

We have reviewed the “Environmental Cost and Effect” information for the 2000 annual report of Fujitsu Limited (“Fujitsu” or the “Company”) and its principal subsidiaries, prepared and furnished to us by the Company who are responsible for its contents. The review consisted of performing certain procedures as described below in relation to the collection, compilation and calculation of the information included in the “Environmental Cost and Effect” information.

Our work does not constitute an audit or examination. We therefore do not express an opinion on the accuracy or completeness of the information or data bases used to compile the information or of the representations made by the Company in the annual report.

2. Procedures Performed

With the Company’s consent, we conducted our review as follows:

(1) We reviewed the procedures performed by the Company and the methods of accounting followed in the preparation of the “Environmental Cost and Effect” information.

(2) We compared the information presented in the “Environmental Cost and Effect” information with the respective supporting documents and verified the accuracy of the calculations.

(3) When deemed necessary, we visited the Company’s factories and a subsidiary and made inquiries of the individuals responsible, conducted inspections of the sites and reviewed the decision-making process at each location.

3. Results of the Procedures Performed

As a result of the procedures which we performed, we are not aware of any material modifications which should be made to the “Environmental Cost and Effect” information included in the Company’s 2000 annual report in order for it to comply with Fujitsu Limited’s “Guidelines for Environmental Accounting” for gathering and reporting such information.

Yasuo Kurihara Y. Kurihara
Representative Director
Ota Showa Environmental Management and Quality Research Institute

Fujitsu has received independent certification of its environmental accountlng from the Ota Showa Environmental Management and Quality Research Institute.

This achievement was especially noteworthy given the scale of the Kawasaki complex, which employs some 14,000 people.

● Ongoing reforestation efforts overseas

Since the very beginning of the company, management has sought to promote greenery around Fujitsu's plants as a way to encourage harmony with nature. Reflecting this philosophy, in August 1999 we planted 250,000 mangrove seedlings in Vietnam that were purchased using company and employee contributions. We plan to plant an additional 250,000 seedlings in fiscal 2000. Separately, in September 1999, we received an award for our tree-planting activities in Thailand since 1998.

● Establishing Corporate Environmental Affairs Group

In April 2000 we established the Corporate Environmental Affairs Group with the intention of stepping up company-wide environmental activities and promoting full-fledged participation in environment-related businesses.

● International recognition for environmental excellence

Fujitsu continues to earn high environmental ratings from such leading international organizations as Dow Jones, oekom research AG, Zürcher Kantonalbank and Business in the Community. Among the commonly cited factors behind these rankings are the farsightedness and rapid response of our environmental activities. Specifically, we have been praised for our recycling system–an integrated system that spans collection to processing–and for our system of environmental accounting, which clearly identifies costs and benefits.

Engaging in a Wide Range of Social Contribution Activities

Fujitsu is playing an active and expanding corporate citizenship role in such fields as international relations, the arts and social welfare. This section highlights our activities in this regard during fiscal 1999.

● Promoting the International Mathematical Olympiad

Through our support of the Mathematical Olympiad Foundation of Japan, we are helping to foster mathematical creativity among gifted young people who will use their talents to contribute to the advancement of society. The foundation selects people to represent Japan in the International Mathematical Olympiad (IMO) and helps send them to the international event. Over the past decade, more than 11,000 Japanese high school students have participated in the Japan Mathematical Olympiad, and 60 have gone on to attend the IMO.

The IMO's goal is to discover youth with exceptional mathematical abilities and give them an opportunity to further develop their gifts. This international competition offers youngsters who enjoy mathematics the chance to deepen relationships with those of similar interests, and to mingle with educators. Inaugurated in 1959 in Romania, the Olympiad is held in a different country every year. Japan, which first participated in the

1990 IMO in Beijing, is slated to host the event in 2003, and Fujitsu will provide a full range of support.

● Supporting education, academic research and international exchange

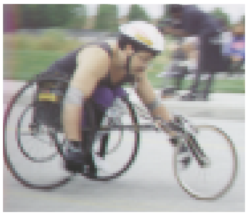
Fujitsu is engaged in various activities intended to promote the development of future business leaders who possess an international perspective. A longstanding example of this is our continuing support of the Japan-America Institute of Management Science (JAIMS), which we founded in Hawaii in 1972. JAIMS' mission is to contribute to human and economic development by educating and training managers from around the world to be effective leaders in an increasingly interdependent economy.

In the same year that JAIMS was founded, we also established the Foundation for International Information Processing Education (FINIPED), which supports training in information processing for students from Japan and overseas. FINIPED contributes to the development of information processing specialists in Japan and other countries by subsidizing trainees and researchers who pursue excellence in their fields at JAIMS and universities around the world.

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

● Supporting the ‘Run for the Kids’ charity race

In the US, San Jose-based Fujitsu Microelectronics, Inc. has for many years co-sponsored the “Run for the Kids” charity race with local television station KNTV-11. Over the past 12 years, the race has helped raise more than $600,000 to help support various child welfare programs in the area.



Tadashi Sekizawa
Chairman

Naoyuki Akikusa
President and CEO

MEMBERS OF THE BOARD

CHAIRMAN
Tadashi Sekizawa

PRESIDENT and CEO
Naoyuki Akikusa

SENIOR EXECUTIVE VICE PRESIDENT
Keizo Fukagawa

EXECUTIVE VICE PRESIDENTS
Tadayasu Sugita
Akira Takashima
Kazunari Shirai
Tatsuhiko Otaki
Kazuto Kojima
Akio Moridera
Isao Suzuki
Yuji Hirose
Takashi Takaya

SENIOR VICE PRESIDENTS
Hiroshi Oshima
Tatsuzumi Furukawa
Junji Maeyama
Hiroya Madarame
Masaru Takei
Tatsushi Miyazawa

OTHER BOARD MEMBERS
Kunihiko Sawa
Ryusuke Hoshikawa
Kazuo Murano
Noboru Ogi
Hidetoshi Shibagaki
Hiroaki Kurokawa
Hirohisa Yabuuchi
Koichi Ota
Takahiko Okada
Kuniaki Suzuki
Taketoshi Ishii
Masamichi Ogura
Toshihiro Nishimura
Hiroaki Takeichi

AUDITORS

STANDING AUDITORS
Hideo Watanabe
Satoshi Sugimoto

AUDITORS
Yasuyuki Wakahara
Takeo Kato
Katsuhiko Kondo

Years ended March 31	Yen (millions) (except for per share data and number of employees)					*U.S. Dollars (thousands)*
	1996	1997	1998	1999	**2000**	***2000***
Net sales	¥3,761,966	¥4,503,474	¥4,985,382	¥5,242,986	**¥5,255,102**	***$49,576,434***
Operating income	194,872	189,785	177,353	132,287	**149,974**	***1,414,849***
Income before income taxes and minority interests	139,587	146,821	123,855	49,625	**74,857**	***706,198***
Net income (loss)	63,113	46,147	5,587	(13,638)	**42,734**	***403,151***
Total assets	4,324,480	4,727,600	5,123,039	5,112,330	**5,134,648**	***48,440,075***
Shareholders' equity	1,149,389	1,181,403	1,185,229	1,165,312	**1,291,432**	***12,183,321***
Amounts per share of common stock:						
Earnings (loss)						
Basic	¥ 34.5	¥ 25.1	¥ 3.0	¥ (7.3)	**¥ 22.1**	***$ 0.208***
Diluted	32.5	24.0	3.0	—	**21.5**	***0.202***
Cash dividends	10.0	10.0	10.0	10.0	**10.0**	***0.094***
Shareholders' equity	624.2	641.6	636.4	618.5	**657.9**	***6.207***
R&D expenditure	¥ 346,389	¥ 352,818	¥ 387,129	¥ 395,063	**¥ 401,057**	***$ 3,783,557***
Capital expenditure	403,839	435,692	435,771	288,896	**325,706**	***3,072,698***
Number of employees	165,056	166,864	180,332	188,139	**188,053**	
Net sales by business segment (excluding intersegment sales):						
Services and software	¥1,351,126	¥1,521,065	¥1,736,697	¥2,034,569	**¥1,975,466**	***$18,636,472***
Information processing	1,160,245	1,547,239	1,688,402	1,801,409	**1,605,301**	***15,144,349***
Telecommunications	568,765	774,456	799,287	681,059	**772,463**	***7,287,387***
Electronic devices	499,543	464,500	541,023	506,645	**568,159**	***5,359,990***
Financing	—	—	—	—	**113,070**	***1,066,698***
Other operations	182,287	196,214	219,973	219,304	**220,643**	***2,081,538***
Total	¥3,761,966	¥4,503,474	¥4,985,382	¥5,242,986	**¥5,255,102**	***$49,576,434***
Net sales by customers' geographic location:						
Japan	¥2,645,077	¥3,161,365	¥3,228,363	¥3,127,501	**¥3,352,837**	***$31,630,538***
Europe	564,537	664,697	782,946	1,019,482	**819,082**	***7,727,188***
The Americas	310,416	403,206	586,215	708,124	**688,179**	***6,492,255***
Asia & Oceania	218,002	251,299	358,396	359,612	**371,458**	***3,504,321***
Africa & the Middle East	23,934	22,907	29,462	28,267	**23,546**	***222,132***
Total	¥3,761,966	¥4,503,474	¥4,985,382	¥5,242,986	**¥5,255,102**	***$49,576,434***

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 ¥106 = US$1, the approximate rate on the Tokyo foreign exchange market rate on March 31, 2000.

Net Sales

In fiscal 1999, the year ended March 31, 2000, the Fujitsu Group's domestic operating environment was characterized by signs of recovery in some categories of personal consumption, such as personal computers. Nevertheless, the economy as a whole failed to rebound, affected partly by continued sluggish corporate capital investment levels. The European and U.S. economies expanded, and Asian economies continued to recover. At the same time, the business environment for the Fujitsu Group as a whole remained challenging, owing to global corporate efforts to rein in IT-related investments out of concern for the ramifications of Year 2000 (Y2K) problems.

In this environment, consolidated net sales remained essentially unchanged from the preceding term, at ¥5,255.1 billion ($49,576 million). Domestic information system sales declined as a result of companies reducing investment, however PC sales to individual consumers increased, and our outsourcing business as well as flash memory and logic semiconductor businesses expanded. Consequently, domestic sales rose 7.2%, to ¥3,352.8 billion ($31,630 million).

Conversely, overseas sales fell 10.1%, to ¥1,902.2 billion ($17,945 million). Among the factors affecting these sales were restrained global capital investment, owing to Y2K-related concerns, and the October 1999 merger of our European PC manufacturing and sales subsidiary with a unit of Germany's Siemens AG, which resulted in shift to the equity accounting method for the new joint venture company. Also, there was a decrease in the value of overseas sales due to yen appreciation.

The average exchange rate during the year rose from ¥128 to ¥112 against the U.S. dollar, and from ¥212 to ¥180 against the British pound. This yen appreciation caused a decrease of approximately ¥267.0 billion ($2,519 million) in the value of sales after yen conversion, as compared to the value if calculated at the previous year's conversion rate.

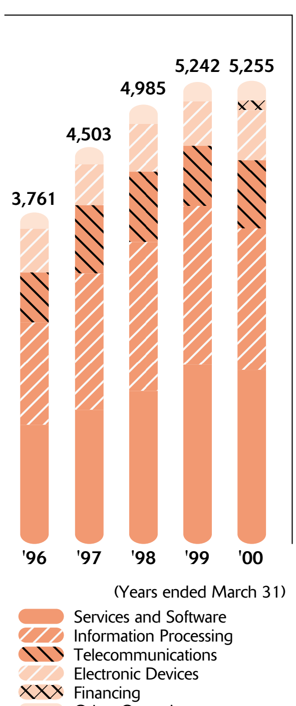
Cost of Sales
Selling, General & Administrative Expenses
Operating Income

Cost of sales totaled ¥3,796.9 billion ($35,819 million), an increase of 0.5% from fiscal 1998. The cost of sales ratio for the year was 72.3%.

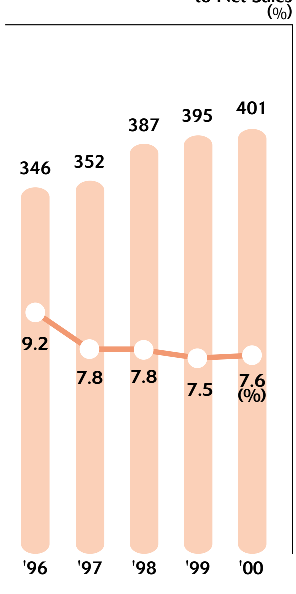
Gross profit was down slightly, to ¥1,458.1 billion ($13,756 million). Affected by Y2K concerns, sales of global servers declined. This factor, combined with price erosion in small form factor hard disk drives, reduced gross profit margin from 28.0% to 27.7%.

However, owing to successful efforts to improve the efficiency of selling expenses while at the same time promoting leading-edge R&D, selling, general and administrative expenses declined by ¥25.6 billion, to ¥1,308.2 billion ($12,341 million), and sales, general and administrative expenses as a percentage of net sales dropped 0.7 of a percentage point, to 24.8%. We continued to aggressively invest in advanced technology for future growth areas such as next-generation telecommunications systems for IMT-2000. As a result, R&D expenditure rose 1.5%, to ¥401.0 billion ($3,783 million). As a proportion of net sales, R&D expenditure increased 0.1 percentage point, to 7.6%. In addition, amortization of goodwill grew ¥5.8 billion over fiscal 1998, to ¥27.6 billion ($260

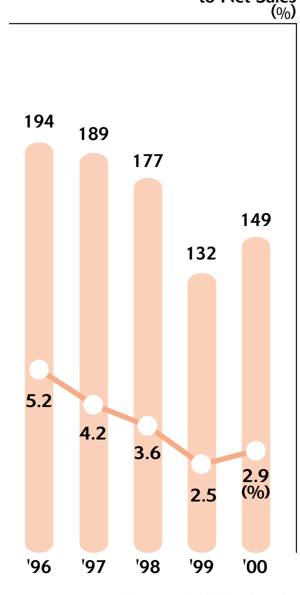
Net Sales by Business Segment
(excluding intersegment sales)
(¥ Billion)



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



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



million), due to such factors as the inclusion of NIFTY Corporation as a consolidated subsidiary.

Accordingly, operating income rose ¥17.6 billion, to ¥149.9 billion ($1,414 million). Operating income as a percentage of net sales improved 0.4 of a percentage point, to 2.9%.

Other Income and Expenses Net Income (Loss)

Other income and expenses improved ¥7.5 billion, to –¥75.1 billion (–$708 million), while interest and dividend income less interest charges improved ¥8.8 billion, to –¥36.9 billion (–$348 million), due to a reduction in interest-bearing liabilities. On the other hand, foreign exchange losses increased by ¥8.8 billion to ¥25.6 billion ($242 million). As we are gradually shifting our severance benefit plans to contributory defined plans in order to fortify our pension assets, pension costs increased by ¥17.4 billion over the previous period.

In addition, we recorded a gain of ¥20.4 billion ($192 million) from the sale of shares in a Finnish subsidiary of ICL PLC and ¥22.1 billion ($209 million) in gains on sales of marketable securities and other factors, totaling ¥42.6 billion ($402 million), down ¥12.0 billion from the previous year. We recorded ¥37.9 billion ($358 million) in restructuring costs, down ¥5.7 billion from last year, related to continued restructuring activities. Fujitsu's restructuring costs accounted for ¥14.7 billion ($138 million) of this amount, while those of our domestic and overseas subsidiaries, including ICL and Amdahl Corporation, totaled ¥23.2 billion ($219 million). In fiscal 1998, we recorded a charge of ¥38.1 billion related to the restructuring of the Pathway Project being carried out by ICL.

As a result of these factors, income before income taxes and minority interests increased 50.8% from the previous fiscal term, to ¥74.8 billion ($706 million). After deducting corporate income tax of ¥28.3 billion ($267 million) and minority interests of ¥3.7 billion ($35 million), net income improved ¥56.3 billion, to ¥42.7 billion ($403 million), compared with a net loss during fiscal 1998. Net income per share was ¥22.1 ($0.208), and return on equity was 3.5%.

Segment Information

Because of the change in the status of Fujitsu Leasing Co., Ltd. during this period from an affiliated company to a consolidated subsidiary, we have added an additional business segment (Financing) to the previous five segments (Services and Software, Information Processing, Telecommunications, Electronic Devices and Other Operations).

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

Years ended March 31	1999	**2000**	Increase (Decrease) rate(%)
Net Sales (including intersegment sales)			
Services and software	¥2,092	**¥2,053**	(1.9)%
Information processing	2,102	**1,884**	(10.4)
Telecommunications	691	**784**	13.4
Electronic devices	609	**716**	17.5
Financing	—	**119**	—
Other operations	320	**346**	8.1
Intersegment elimination	(573)	**(648)**	—
Consolidated net sales	¥5,242	**¥5,255**	0.2 %
Operating Income			
Services and software	¥166	**¥134**	(18.9)%
Information processing	94	**38**	(58.7)
Telecommunications	15	**17**	9.6
Electronic devices	(83)	**20**	—
Financing	—	**3**	—
Other operations	7	**3**	(50.6)
Unallocated operating costs and expenses/intersegment elimination	(67)	**(67)**	—
Consolidated operating income	¥132	**¥149**	13.4%

Business Segment Information

Services and Software

Fiscal 1999 consolidated services and software sales rose 4.8% domestically, to ¥1,320.8 billion ($12,461 million), while overseas sales in this category fell 15.4%, to ¥654.5 billion ($6,175 million). Together, these sales declined 2.9%, to ¥1,975.4 billion ($18,636 million). Bolstering domestic sales in this category were steady increases in our network services business, focusing primarily on outsourcing, while overseas, favorable developments in European PFI projects and other matters contributed to sales. However, Y2K-related concerns caused a slowdown in domestic and overseas systems integration sales, and overseas sales in this segment were also adversely affected by yen appreciation, which reduced the value of sales by overseas subsidiaries by ¥110.0 billion ($1,037 million) when compared to the value as calculated at last year's exchange rate, and as a result, overall sales for the category declined. Affected by such factors as the lower performance of ICL and DMR Consulting Group, Inc. owing to Y2K-related issues, operating income for this sector slipped 18.9%, to ¥134.9 billion ($1,273 million).

Information Processing

Domestic sales of information processing systems and equipment fell 2.6%, to ¥1,047.1 billion ($9,878 million), and overseas sales dropped 23.2%, to ¥558.1 billion ($5,265 million). As a result, consolidated sales for the category as a whole decreased 10.9%, to ¥1,605.3 billion

($15,144 million). Owing to the expansion of Internet usage, domestic sales of PCs and UNIX servers were buoyant, and overseas sales of small form factor hard disk drives for notebook PCs and UNIX servers also increased. However, because of lower IT investment globally due to Y2K-related concerns, sales of global servers fell in Japan, the Americas and Europe.

In addition to an ¥87.8 billion ($828 million) impact on overseas sales due to yen appreciation, the sales decline in this category was also attributable in part to the October 1999 merger of Fujitsu's European PC manufacturing and sales subsidiary with a unit of Germany's Siemens AG, making the resulting joint venture company subject to the equity accounting method.

Operating income for the category dropped 58.7%, to ¥38.8 billion ($366 million). This reduction was attributable primarily to lower sales of corporate information systems, as well as increased competition in large-scale servers (especially in the US) and substantial price erosion in the small form factor hard disk drive and desktop products businesses.

Telecommunications

Domestic sales in the telecommunications segment rose 5.3%, to ¥417.2 billion ($3,936 million), while overseas sales expanded 24.7%, to ¥355.1 billion ($3,350 million). For the segment as a whole, consolidated sales improved 13.4%, to ¥772.4 billion ($7,287 million). Offsetting increasingly severe market competition in China, which caused a decrease in sales of switching systems, and a ¥44.6 billion ($420 million) decrease in the value of overseas sales due to yen appreciation, our aggressive efforts to increase both the speed and capacity of network systems that provide Internet and database support were successful; US sales of optical transmission systems surged, and sales of large-scale optical submarine cables also increased. Due in part to active promotion of leading-edge R&D in next-generation mobile communications systems for IMT-2000, growth in operating income in this business segment was limited to a gain of 9.6%, to ¥17.1 billion ($161 million).

Electronic Devices

Overall consolidated sales of electronic devices rose 12.1%, to ¥568.1 billion ($5,359 million), including domestic sales of ¥296.3 billion ($2,795 million), up 24.4%, and overseas sales of ¥271.8 billion ($2,564 million), which were up 1.3%. Although overseas sales were subjected to a negative yen conversion effect of ¥24.7 billion ($233 million), our efforts to restructure our DRAM business and concentrate management resources on higher-value-added products bore fruit. Demand soared for flash memories and logic ICs used in mobile telephones and digital AV equipment, prompting significant sales increases in this category. Also favorable were sales of SAW filters for mobile telephones and compound semiconductors for optical transmission systems. As a result, operating income for the electronic devices segment in fiscal 1999 was ¥20.1 billion ($190 million), compared with a ¥83.3 billion loss in fiscal 1998.

Financing

In fiscal 1999, the financing segment generated consolidated sales of ¥113.0 billion ($1,066 million) and operating income of ¥3.0 billion ($28 million). This segment was added as the result of the inclusion of Fujitsu Leasing as a consolidated subsidiary beginning in fiscal 1999.

Other Operations

Total sales accounted for by other operations edged up 0.6% from the preceding period, to ¥220.6 billion ($2,081 million). Domestic sales rose 0.4%, to ¥158.1 billion ($1,492 million), while overseas sales expanded 1.2%, to ¥62.4 billion ($589 million). Operating income in this business segment amounted to ¥3.4 billion ($32 million).

Geographic Segment Information

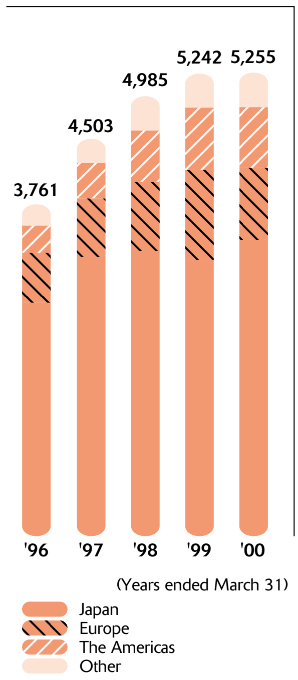
Japan

Overall domestic sales grew 6.3%, to ¥3,631.0 billion ($34,254 million), thanks to improvements in the semiconductor business. Domestic operating income improved 8.9%, to ¥227.7 billion ($2,148 million).

Europe

Sales in European markets sank 21.7%, to ¥787.5 billion ($7,429 million), owing to the combined effects of sluggish sales of ICL's services and software and yen appreciation, as well as the shift to the equity accounting method for consolidating the results of our European PC sales and manufacturing subsidiary following its merger with a unit of

Net Sales by Customers' Geographic Location
(¥ Billion)



Siemens. Our operating income for this region declined, and we posted an operating loss of ¥10.4 billion ($98 million).

The Americas

Lower information systems sales by Amdahl and yen appreciation negatively affected sales in this region, but boosted by the strong performance of our transmission business, sales in the Americas rose 2.1%, to ¥585.4 billion ($5,523 million). Increased sales and business restructuring, together with a smaller loss by our U.S. semiconductor plant, resulted in a ¥5.7 billion operating-level improvement, and we recorded an operating loss of ¥13.2 billion ($125 million) in this region.

Other

Sales in this geographic segment, which includes Asian markets outside Japan, increased 0.6%, to ¥251.0 billion ($2,368 million). Operating income soared 41.8%, to ¥19.3 billion ($182 million).

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

Years ended March 31	1999	2000	Increase (Decrease) rate (%)
Net sales (including intersegment sales)			
Japan	¥3,986	**¥4,224**	6.0%
Europe	1,059	**817**	(22.8)
The Americas	669	**663**	(0.9)
Other	572	**549**	(4.1)
Intersegment elimination	(1,044)	**(1,000)**	—
Consolidated net sales	¥5,242	**¥5,255**	0.2%
Operating income			
Japan	¥ 209	**¥ 227**	8.9%
Europe	0	**(10)**	—
The Americas	(19)	**(13)**	—
Other	13	**19**	41.8
Unallocated operating costs and expenses/intersegment elimination	(71)	**(73)**	—
Consolidated operating income	¥ 132	**¥ 149**	13.4%

Capital Expenditure

Responding to increased demand for semiconductors and focusing our investments in growth areas, we expanded capital expenditure in fiscal 1999 by 12.8%, or ¥36.9 billion to ¥325.7 billion ($3,072 million). By business segment, outlays for services and software totaled ¥64.7 billion ($610 million), ¥89.2 billion ($841 million) for information processing, ¥35.5 billion ($334 million) for telecommunications, ¥113.6 billion ($1,071 million) for electronic devices, of which ¥87.9 billion ($829 million) was invested in semiconductors, and ¥9.8 billion ($92 million) in other operations.

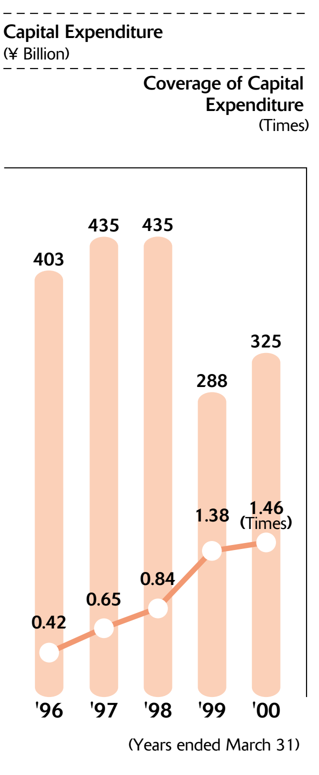
Capital Expenditure (¥ Billion)

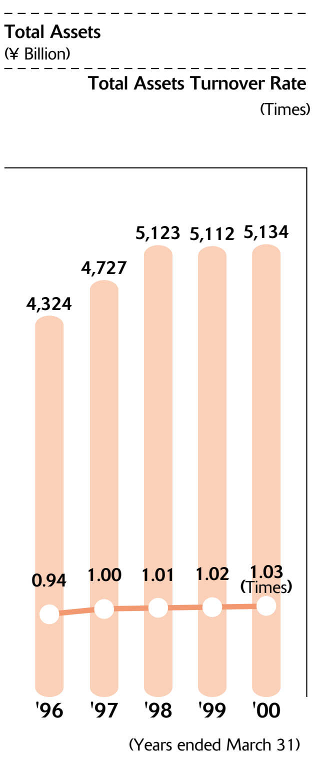
Years ended March 31	1999	2000	Increase (Decrease) rate (%)
Services and software	¥ 48	**¥ 64**	32.4%
Information processing	79	**89**	11.6
Telecommunications	41	**35**	(13.9)
Electronic devices	97	**113**	16.0
[Semiconductor production]	[80]	**[87]**	[9.4]
Financing	—	**—**	—
Other operations	9	**9**	1.8
Corporate*	11	**12**	13.5
Capital expenditure	¥288	**¥325**	12.8%
Domestic	207	**227**	9.8
Overseas	81	**98**	20.1

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

Major capital expenditure included:

* Services and software — Outsourcing facilities for the network services business, server expansion and infrastructure related to the consolidation of NiftyServe and InfoWeb into @nifty
* Information processing — Magnetic disk drive development and manufacturing facilities, printed circuit board production facilities, UNIX systems R&D facilities





* Telecommunications — R&D and production equipment for optical transmission systems and next-generation mobile communications systems
* Electronic devices — Advanced logic development line, logic and flash memory production facilities, and SAW filter mass-production facilities

Financial Condition and Liquidity

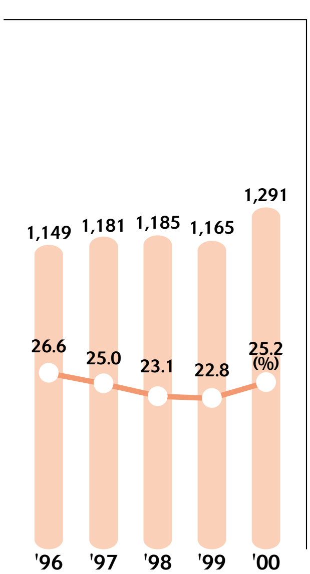
Total assets at March 31, 2000 stood at ¥5,134.6 billion ($48,440 million), up ¥22.3 billion from the end of previous fiscal year. This rise was owing to the increase in lease assets resulting from the inclusion of Fujitsu Leasing as a consolidated subsidiary. Excluding this factor, total assets decreased approximately ¥300.0 billion, attributable primarily to our efforts to slim overall current assets through effective use of excess cash, successful collection of accounts receivable, reduction of inventories, and other means.

By slimming current assets and thanks to aggressive conversion of convertible bonds into stock, interest-bearing liabilities were reduced by ¥202.2 billion, to ¥1,725.0 billion ($16,274 million), despite an increase of ¥205.3 billion relating to the consolidation of Fujitsu Leasing.

Shareholders' equity increased ¥126.1 billion, to ¥1,291.4 billion ($12,183 million), due to the conversion of convertible bonds into shares, as well as exercise of stock purchase warrants. The shareholders' equity ratio rose from 22.8% to 25.2%, and shareholders' equity per share, based on the number of shares outstanding at year-end, was ¥657.9 ($6.207), compared with ¥618.5 the previous year.

Shareholders' Equity
(¥ Billion)

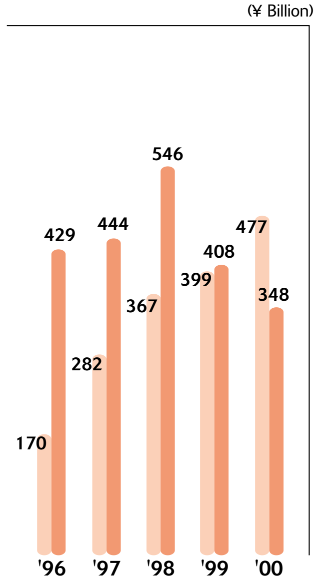
Equity Ratio
(%)



(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 provided by operating activities increased ¥77.3 billion, to ¥477.0 billion ($4,500 million). This rise resulted from an increase in overall profit and the slimming of current assets.

Primarily because of a decrease in investments and long-term loans, net cash used in investing activities fell ¥60.4 billion, to ¥348.2 billion ($3,285 million).

Stemming from the factors described above, the difference between cash provided by operating activities and cash used in investing activities (free cash flow) improved ¥137.7 billion from the –¥9.0 billion of fiscal 1998, resulting in positive cash flow of ¥128.7 billion ($1,214 million).

As a result of a reduction in interest bearing liabilities, net cash used in financing activities stood at ¥271.2 billion ($2,558 million), down ¥340.4 billion from the previous year.

Consolidated Subsidiaries

As of March 31, 2000, Fujitsu's consolidated subsidiaries numbered 493, of which 134 were based in Japan and 359 overseas. In April 1999, we established Fujitsu Hitachi Plasma Display Co., Ltd. as a specialized manufacturer of PDP devices. In January 2000, we created Internet Trading Securities Inc. Also, we have included Fujitsu Leasing in our consolidation. Despite these increases in the number of consolidated subsidiaries, our former European PC sales and marketing subsidiary, Fujitsu Computers (Europe) Limited, was united in a joint venture company with a unit of Siemens of Germany, and overall, the number of subsidiaries decreased by 25 during the year, from 518 at the end of fiscal 1998.

At March 31	Yen (millions) 1999	2000	U.S. Dollars (thousands) (Note 3) 2000
Assets			
Current assets:			
Cash and cash equivalents	¥ 449,510	**¥ 316,176**	*$ 2,982,792*
Short-term investments (Note 4)	46,937	**11,438**	*107,906*
Receivables, trade (Notes 9 and 16)	1,259,279	**1,158,478**	*10,929,038*
Allowance for doubtful accounts	(18,151)	**(15,484)**	*(146,076)*
Inventories (Note 5)	854,664	**805,626**	*7,600,245*
Current portion of lease receivables (Note 15)	—	**75,723**	*714,368*
Other current assets (Note 11)	199,747	**248,434**	*2,343,717*
Total current assets	2,791,986	**2,600,391**	*24,531,990*
Investments and long-term loans:			
Affiliates (Note 6)	333,802	**361,510**	*3,410,472*
Lease receivables (Note 15)	—	**151,572**	*1,429,924*
Other (Notes 4, 6, 9 and 11)	294,941	**283,833**	*2,677,670*
Total investments and long-term loans	628,743	**796,915**	*7,518,066*
Property, plant and equipment (Notes 7 and 9):			
Land	134,805	**134,347**	*1,267,425*
Buildings	778,222	**781,668**	*7,374,226*
Machinery and equipment	2,221,935	**2,551,347**	*24,069,311*
Construction in progress	38,046	**44,600**	*420,755*
	3,173,008	**3,511,962**	*33,131,717*
Less accumulated depreciation	1,930,580	**2,233,104**	*21,067,019*
Property, plant and equipment, net	1,242,428	**1,278,858**	*12,064,698*
Intangible assets:			
Goodwill (Note 8)	222,608	**186,320**	*1,757,736*
Other intangible assets	137,030	**156,110**	*1,472,736*
Total intangible assets	359,638	**342,430**	*3,230,472*
Other assets:			
Cumulative translation adjustments	86,660	**114,904**	*1,084,000*
Discounts on bonds	2,875	**1,150**	*10,849*
Total other assets	89,535	**116,054**	*1,094,849*
Total assets	¥5,112,330	**¥5,134,648**	*$48,440,075*

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

	1999	Yen (millions) 2000	U.S. Dollars (thousands) (Note 3) 2000
Liabilities and shareholders' equity			
Current liabilities:			
Short-term borrowings (Note 9)	¥ 688,583	**¥ 429,431**	***$ 4,051,236***
Current portion of long-term debt (Note 9)	110,385	**132,255**	***1,247,689***
Payables, trade (Note 16)	850,995	**876,438**	***8,268,283***
Accrued expenses	379,768	**381,202**	***3,596,245***
Customers' advances	44,231	**33,461**	***315,670***
Accrued income taxes	46,616	**51,077**	***481,858***
Other current liabilities (Notes 9 and 11)	166,534	**173,522**	***1,637,000***
Total current liabilities	2,287,112	**2,077,386**	***19,597,981***
Long-term liabilities:			
Long-term debt (Note 9)	1,128,375	**1,163,389**	***10,975,368***
Accrued severance benefits (Note 10)	161,701	**175,998**	***1,660,358***
Provision for loss on repurchase of computers	91,760	**89,007**	***839,689***
Other long-term liabilities (Note 11)	85,065	**123,874**	***1,168,622***
Total long-term liabilities	1,466,901	**1,552,268**	***14,644,037***
Minority interests in consolidated subsidiaries	193,005	**213,562**	***2,014,736***
Shareholders' equity (Note 12):			
Common stock:			
Authorized—5,000,000,000 shares			
Issued (¥ 50 par value)			
1999—1,884,139,404 shares	261,222		
2000—1,962,939,607 shares		**306,246**	***2,889,113***
Capital surplus	447,948	**495,073**	***4,670,500***
Retained earnings	456,240	**490,409**	***4,626,500***
Treasury stock	(98)	**(296)**	***(2,792)***
Total shareholders' equity	1,165,312	**1,291,432**	***12,183,321***
Commitments and contingent liabilities (Note 13)			
Total liabilities and shareholders' equity	¥5,112,330	**¥5,134,648**	***$48,440,075***

Consolidated Statements of Operations

Years ended March 31	1998	1999	Yen (millions) 2000	U.S. Dollars (thousands) (Note 3) 2000
Net sales	¥4,985,382	¥5,242,986	**¥5,255,102**	***$49,576,434***
Operating costs and expenses:				
Cost of sales	3,518,821	3,776,886	**3,796,919**	***35,819,991***
Selling, general and administrative expenses (Note 18)	1,289,208	1,333,813	**1,308,209**	***12,341,594***
	4,808,029	5,110,699	**5,105,128**	***48,161,585***
Operating income	177,353	132,287	**149,974**	***1,414,849***
Other income (expenses):				
Interest and dividend income	12,760	12,499	**12,583**	***118,708***
Equity in earnings of affiliates, net	18,964	22,475	**17,025**	***160,613***
Interest charges	(56,615)	(58,240)	**(49,505)**	***(467,028)***
Other, net (Note 18)	(28,607)	(59,396)	**(55,220)**	***(520,944)***
	(53,498)	(82,662)	**(75,117)**	***(708,651)***
Income before income taxes and minority interests	123,855	49,625	**74,857**	***706,198***
Income taxes (Note 11):				
Current	111,220	57,588	**65,595**	***618,821***
Deferred	(2,670)	(2,909)	**(37,216)**	***(351,095)***
	108,550	54,679	**28,379**	***267,726***
Income (loss) before minority interests	15,305	(5,054)	**46,478**	***438,472***
Minority interests in income of consolidated subsidiaries	(9,718)	(8,584)	**(3,744)**	***(35,321)***
Net income (loss)	¥ 5,587	¥ (13,638)	**¥ 42,734**	***$ 403,151***

			Yen	U.S. Dollars (Note 3)
Amounts per share of common stock:				
Basic earnings (loss) (Note 17)	¥ 3.0	¥(7.3)	**¥22.1**	***$0.208***
Diluted earnings (Note 17)	3.0	—	**21.5**	***0.202***
Cash dividends	10.0	10.0	**10.0**	***0.094***

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

Consolidated Statements of Shareholders' Equity

Years ended March 31	1998	1999	Yen (millions) 2000	U.S. Dollars (thousands) (Note 3) 2000
Common stock:				
Balance at beginning of year	¥237,674	¥249,347	**¥261,222**	***$2,464,359***
Exercise of warrants	9,547	11,635	**34,649**	***326,877***
Conversion of bonds	2,126	181	**10,375**	***97,877***
Increase as a result of merger	—	59	**—**	***—***
Balance at end of year	¥249,347	¥261,222	**¥306,246**	***$2,889,113***
Capital surplus:				
Balance at beginning of year	¥424,578	¥436,023	**¥447,948**	***$4,225,925***
Exercise of warrants	9,576	11,744	**41,133**	***388,047***
Conversion of bonds	2,126	180	**10,375**	***97,877***
Other, net	(257)	1	**(4,383)**	***(41,349)***
Balance at end of year	¥436,023	¥447,948	**¥495,073**	***$4,670,500***
Retained earnings:				
Balance at beginning of year	¥519,238	¥499,883	**¥456,240**	***$4,304,151***
Net income (loss)	5,587	(13,638)	**42,734**	***403,151***
Cash dividends paid	(18,508)	(18,686)	**(19,112)**	***(180,302)***
Bonuses to directors and statutory auditors	(940)	(925)	**(739)**	***(6,972)***
Decrease in cumulative translation adjustments (Note 2)	—	(5,927)	**—**	***—***
Increase as a result of newly consolidated subsidiary	—	—	**6,112**	***57,661***
Other, net	(5,494)	(4,467)	**5,174**	***48,811***
Balance at end of year	¥499,883	¥456,240	**¥490,409**	***$4,626,500***
Treasury stock:				
Balance at beginning of year	¥ (87)	¥ (24)	**¥ (98)**	***$ (924)***
(Increase) decrease	63	(74)	**(198)**	***(1,868)***
Balance at end of year	¥ (24)	¥ (98)	**¥ (296)**	***$ (2,792)***

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

Consolidated Statements of Cash Flows

Years ended March 31	1998	1999	Yen (millions) 2000	U.S. Dollars (thousands) (Note 3) 2000
Cash flows from operating activities (A):				
Income before income taxes and minority interests	¥123,855	¥ 49,625	**¥ 74,857**	*$ 706,198*
Adjustments to reconcile income before income taxes and minority interests to net cash provided by operating activities:				
Depreciation and amortization	353,715	371,195	**359,808**	*3,394,415*
Goodwill amortization	33,909	21,754	**27,621**	*260,575*
Accrual for severance benefits, less payments	10,443	14,235	**13,883**	*130,972*
Provision for loss on repurchase of computers	53,124	48,638	**45,736**	*431,472*
Reversal of provision for loss on repurchase of computers	(53,313)	(53,124)	**(48,489)**	*(457,443)*
Interest charges	56,615	58,240	**49,505**	*467,028*
Interest and dividend income	(12,760)	(12,499)	**(12,583)**	*(118,708)*
Equity in earnings of affiliates, net	(18,964)	(22,475)	**(17,025)**	*(160,613)*
Disposal of property, plant and equipment	16,695	38,378	**27,726**	*261,566*
Decrease (increase) in receivables, trade	(96,607)	29,874	**72,396**	*682,981*
Decrease (increase) in inventories	(62,704)	40,321	**20,998**	*198,094*
(Increase) decrease in other current assets	1,646	(61,775)	**(41,764)**	*(394,000)*
Increase in payables, trade	68,166	48,769	**35,665**	*336,462*
(Decrease) increase in other current liabilities	4,260	(3,704)	**15,535**	*146,557*
Other, net	40,278	(30,519)	**(53,282)**	*(502,660)*
Cash generated from operations	518,358	536,933	**570,587**	*5,382,896*
Interest paid	(57,462)	(60,395)	**(50,617)**	*(477,519)*
Interest received	8,964	5,257	**12,387**	*116,859*
Dividends received	976	6,329	**4,264**	*40,226*
Income taxes paid	(102,920)	(88,413)	**(59,579)**	*(562,066)*
Net cash provided by operating activities	367,916	399,711	**477,042**	*4,500,396*
Cash flows from investing activities (B):				
Purchases of property, plant and equipment	(448,869)	(279,226)	**(322,794)**	*(3,045,227)*
Proceeds from sales of property, plant and equipment	17,432	25,325	**30,921**	*291,708*
Purchases of intangible assets	(60,696)	(61,848)	**(68,256)**	*(643,924)*
(Increase) in investments and long-term loans	(907)	(102,595)	**(42,117)**	*(397,330)*
(Increase) decrease in short-term investments	33,385	(20,452)	**34,322**	*323,792*
Acquisition of Amdahl Corporation, net of cash acquired	(97,403)	—	**—**	*—*
Other, net	10,704	30,057	**19,636**	*185,245*
Net cash used in investing activities	(546,354)	(408,739)	**(348,288)**	*(3,285,736)*
A+B (*)	(178,438)	(9,028)	**128,754**	*1,214,660*
Cash flows from financing activities:				
Proceeds from long-term debt	466,540	204,899	**107,807**	*1,017,047*
Repayment of long-term debt	(279,700)	(185,031)	**(133,934)**	*(1,263,528)*
Increase (decrease) in short-term borrowings	(23,630)	42,682	**(329,348)**	*(3,107,057)*
Increase (decrease) in minority interests	(4,483)	11,513	**17,056**	*160,906*
Dividends paid	(18,508)	(18,686)	**(19,112)**	*(180,302)*
Other, net	14,389	13,822	**86,284**	*814,000*
Net cash provided by (used in) financing activities	154,608	69,199	**(271,247)**	*(2,558,934)*
Effect of exchange rate changes on cash and cash equivalents	2,120	(2,851)	**9,159**	*86,406*
Net increase (decrease) in cash and cash equivalents	(21,710)	57,320	**(133,334)**	*(1,257,868)*
Cash and cash equivalents at beginning of year	413,900	392,190	**449,510**	*4,240,660*
Cash and cash equivalents at end of year	¥392,190	¥449,510	**¥316,176**	*$2,982,792*
Noncash financing activities:				
Conversion of bonds into common stock and capital surplus	¥ 4,252	¥ 361	**¥ 20,790**	*$ 196,132*

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.

Acquisitions of companies are 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, and is being amortized on a straight-line basis over periods not exceeding 20 years.

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

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

The asset and liability accounts of the consolidated subsidiaries outside Japan are translated into Japanese yen at the applicable fiscal year-end rates. Income and expense accounts are translated at the average rate during the year.

The resulting translation adjustments are recorded in assets as cumulative translation adjustments in conformity with accounting principles generally accepted in Japan.

(e) Revenue recognition

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

(f) Marketable securities

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

(g) Allowance for doubtful accounts

The allowance for doubtful accounts is provided at an amount 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) 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.

(k) Pension and severance plans

The Company and most consolidated subsidiaries in Japan:

Pension costs of major defined benefit plans are based on annual contributions calculated by a projected benefit valuation method. Accrued severance benefits are 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 dates.

Most consolidated subsidiaries outside Japan:

Pension costs of major defined benefit plans are calculated by a projected unit credit method.

(l) Provision for loss on repurchase of computers

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

(m) Income taxes

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

(n) Earnings per share

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

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

(o) Derivative financial instruments

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

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

(p) Change in significant accounting policy

Prior to 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 consolidated net income and total assets caused by this change 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.

Noncurrent monetary items denominated in foreign currencies

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

Cumulative translation adjustments

Although IAS No. 21 requires that cumulative translation adjustments be reported as a component of shareholders' equity, the Group has reported this under assets.

Decrease in cumulative translation adjustments

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

Marketable Securities (Note 4)

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

Inventories

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

Detachable stock purchase warrants (Note 9)

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

Leases (Note 15)

Before the year ended March 31, 1999, the Company and its consolidated subsidiaries in Japan treated finance leases in the same way as operating leases under accounting principles generally accepted in Japan, which differ from IAS No.17.

For the year ended March 31, 2000, 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

Fujitsu Leasing Co., Ltd. was excluded from consolidation in the year ended March 31, 1999 in accordance with accounting principles generally accepted in Japan, and this represents a deviation from the scope of consolidation prescribed under IAS No. 27.

For the year ended March 31, 2000, there was no difference from IAS No. 27, since Fujitsu Leasing Co., Ltd. was initially consolidated.

Pension and Severance plans (Note 10)

Accounting standards in Japan for retirement benefits adopted effective April 1, 2000, are analogous to the revised IAS No. 19, except for the period for amortizing the unrecognized net obligation upon the application of the new accounting standards. These standards require that severance benefits and pension liabilities and costs be stated by the projected unit credit method.

The Company and its consolidated subsidiaries in Japan, as of April 1, 2000, initially estimated the unrecognized net obligation upon application of the new accounting standards, as set forth in Note 10. The unrecognized net obligation assuming that they had followed the new accounting standards for the year ended March 31, 2000 was not computed. The estimate of this amount was not readily determinable, because the pension plans were under reformation.

Had IAS been applied, the significant effects on the consolidated financial statements would have been as follows. As the effect of pension and severance plans for the year ended March 31, 2000 was not computed, the effect for the year beginning on April 1, 2000 is estimated and disclosed in Note 10.

Please refer to the corresponding notes for details of the other items.

	Yen (millions)		U.S. Dollars (thousands)
Amount of significant effects on consolidated financial statements	1999	**2000**	***2000***
Cumulative translation adjustments			
Cumulative translation adjustments	¥ –86,660	**¥–114,904**	***$–1,084,000***
Total shareholders' equity	–86,660	**–114,904**	***–1,084,000***
Decrease in cumulative translation adjustments			
Net loss	–5,927	—	—
Decrease in cumulative translation adjustments [Statement of shareholders' equity]	+5,927	—	—
Detachable stock purchase warrants (Note 9)			
Other current liabilities	–8,477	**–1,971**	***–18,594***
Total shareholders' equity	+8,477	**+1,971**	***+18,594***
Leases (Note 15)			
Property, plant and equipment, net	+72,830	—	—
Total long-term liabilities	+72,830	—	—
Scope of consolidation	(Unaudited)		
Total assets	+306,861	—	—
Total liabilities	+302,218	—	—
Minority interests in consolidated subsidiaries	+4,643	—	—

3. U.S. Dollar Amounts

The Company and its consolidated subsidiaries in Japan maintain their books of account in yen. The U.S. dollar amounts included in the accompanying consolidated financial statements and the notes thereto represent the arithmetic results of translating yen into dollars at ¥106= US$1, the approximate rate of exchange prevailing on March 31, 2000.

The U.S. dollar amounts are presented solely for the convenience of the reader and the translation is not intended to imply that the assets and liabilities which originated in yen have been or could readily be converted, realized or settled in U.S. dollars at the above or any other rate.

4. Marketable Securities

The current and noncurrent portfolios of marketable securities at March 31, 1999 and 2000, which are included in short-term investments (current) and in investments and long-term loans — other (noncurrent), are summarized as follows:

	Yen (millions)		U.S. Dollars (thousands)
	1999	**2000**	***2000***
Current:			
Carrying value	¥ 12,447	**¥ 7,456**	***$ 70,340***
Market value	12,270	**8,187**	***77,236***
Net unrealized gains (losses)	¥ (177)	**¥ 731**	***$ 6,896***
Noncurrent:			
Carrying value	¥119,346	**¥117,315**	***$ 1,106,745***
Market value	179,806	**233,085**	***2,198,915***
Net unrealized gains	¥ 60,460	**¥115,770**	***$1,092,170***

5. Inventories

Inventories at March 31, 1999 and 2000 consisted of the following:

	Yen (millions)		U.S. Dollars (thousands)
	1999	**2000**	***2000***
Finished goods	¥397,661	**¥344,954**	***$3,254,283***
Work in process	315,504	**326,859**	***3,083,575***
Raw materials	141,499	**133,813**	***1,262,387***
	¥854,664	**¥805,626**	***$7,600,245***

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	1999	**2000**	***2000***
Current assets	¥ 819,430	**¥1,001,081**	***$ 9,444,160***
Noncurrent assets	547,105	**357,058**	***3,368,472***
	1,366,535	**1,358,139**	***12,812,632***
Current liabilities	371,247	**359,654**	***3,392,962***
Long-term liabilities	188,933	**126,553**	***1,193,896***
Net assets	¥ 806,355	**¥ 871,932**	***$ 8,225,774***

	Yen (millions)			U.S. Dollars (thousands)
Years ended March 31	1998	1999	**2000**	***2000***
Net sales	¥1,062,300	¥822,282	**¥1,075,887**	***$10,149,877***
Net income	60,812	58,000	**50,515**	***476,557***

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, 1999 and 2000 were as follows:

	Yen (millions)		U.S. Dollars (thousands)
At March 31	1999	**2000**	***2000***
Carrying value	¥271,158	**¥ 291,078**	***$ 2,746,019***
Market value	685,100	**1,490,597**	***14,062,236***

At March 31, 1999 and 2000, the amount of ¥19,373 million ($182,764 thousand) representing the Company's 29.49% investment in JECC was included in investments and long-term loans—other. The Company does not regard JECC as an affiliate as it is unable to exercise significant influence over JECC's affairs. JECC's principal business is the leasing of computers and peripherals which it purchases from its seven shareholders. At March 31, 2000, JECC's issued share capital was ¥65,700 million ($619,811 thousand). Its net sales for the years ended March 31, 1998, 1999 and 2000 amounted to ¥299,269 million, ¥298,957 million and ¥299,746 million ($2,827,792 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	1999	**2000**	*2000*
Land			
Balance at beginning of year, net	¥134,890	**¥133,883**	*$1,263,047*
Additions	6,230	**9,935**	*93,727*
Translation differences	(1,505)	**(1,478)**	*(13,943)*
Other, net	(5,732)	**(7,993)**	*(75,406)*
Balance at end of year, net	¥133,883	**¥134,347**	*$1,267,425*
Buildings			
Balance at beginning of year, net	¥416,632	**¥402,064**	*$3,793,057*
Additions	32,106	**21,904**	*206,641*
Depreciation	39,129	**36,409**	*343,481*
Translation differences	(7,855)	**(8,003)**	*(75,500)*
Other, net	310	**(10,595)**	*(99,953)*
Balance at end of year, net	¥402,064	**¥368,961**	*$3,480,764*
Machinery and equipment			
Balance at beginning of year, net	¥750,262	**¥668,435**	*$6,305,991*
Additions	279,608	**338,213**	*3,190,689*
Depreciation	286,049	**279,187**	*2,633,840*
Translation differences	(23,289)	**(24,732)**	*(233,321)*
Other, net	(52,097)	**28,221**	*266,236*
Balance at end of year, net	¥668,435	**¥730,950**	*$6,895,755*
Construction in progress			
Balance at beginning of year, net	¥ 54,337	**¥ 38,046**	*$ 358,925*
Additions	175,321	**225,437**	*2,126,764*
Translation differences	(753)	**(882)**	*(8,321)*
Transfers	(190,859)	**(218,001)**	*(2,056,613)*
Balance at end of year, net	¥ 38,046	**¥ 44,600**	*$ 420,755*

8. Goodwill

An analysis of goodwill is shown below:

	Yen (millions)		U.S. Dollars (thousands)
Years ended March 31	1999	**2000**	*2000*
Balance at beginning of year	¥231,267	**¥222,608**	*$2,100,075*
Additions	27,311	**6,405**	*60,425*
Amortization	21,754	**27,621**	*260,575*
Translation differences	(14,216)	**(15,072)**	*(142,189)*
Balance at end of year	¥222,608	**¥186,320**	*$1,757,736*

9. Short-Term Borrowings and Long-Term Debt

Short-term borrowings at March 31, 1999 and 2000 comprised the following:

	Yen (millions)		U.S. Dollars (thousands)
	1999	**2000**	***2000***
Loans, principally from banks, at interest rates ranging from 0.47% to 8.00% at March 31, 1999 and from 0.08% to 7.60% at March 31, 2000:			
Secured	¥ 867	**¥ 580**	***$ 5,472***
Unsecured	573,716	**427,851**	***4,036,330***
Commercial paper at interest rates ranging from 0.10% to 0.31% at March 31, 1999 and at 0.07% at March 31, 2000	114,000	**1,000**	***9,434***
	¥688,583	**¥429,431**	***$4,051,236***

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

	Yen (millions)		U.S. Dollars (thousands)
	1999	**2000**	***2000***
Loans, principally from banks and insurance companies, due from 2000 to 2024 at interest rates ranging from 0.08% to 11.7% at March 31, 1999 and 2000:			
Secured	¥ 21,623	**¥ 13,682**	***$ 129,075***
Unsecured	277,956	**429,694**	***4,053,717***
Bonds and notes issued by the Company:			
1.4% unsecured convertible bonds due 2004	39,649	**39,625**	***373,821***
1.9% unsecured convertible bonds due 2002	38,087	**24,819**	***234,142***
1.95% unsecured convertible bonds due 2003	39,303	**33,936**	***320,151***
2.0% unsecured convertible bonds due 2004	18,044	**15,953**	***150,500***
3 $^{1}/_{8}$% U.S. dollar bonds due 2000 with warrants	50,341	**50,341**	***474,915***
4.1% bonds due 1999 with warrants	35,000	**—**	***—***
3 $^{3}/_{4}$% bonds due 1999	30,000	**—**	***—***
2.3% bonds due 2001	30,000	**30,000**	***283,019***
2.6% bonds due 2002	30,000	**30,000**	***283,019***
2.825% bonds due 2001	60,000	**60,000**	***566,038***
3.025% bonds due 2002	30,000	**30,000**	***283,019***
3.225% bonds due 2003	30,000	**30,000**	***283,019***
2.425% bonds due 2003	50,000	**50,000**	***471,698***
2.875% bonds due 2006	50,000	**50,000**	***471,698***
2.575% bonds due 2004	50,000	**50,000**	***471,698***
3.15% bonds due 2009	50,000	**50,000**	***471,698***
3.0% dual currency bonds due 2001	30,000	**30,000**	***283,019***
2.3% bonds due 2007	50,000	**50,000**	***471,698***
2.325% bonds due 2008	50,000	**50,000**	***471,698***
3.0% bonds due 2018	30,000	**30,000**	***283,019***
2.175% bonds due 2008	50,000	**50,000**	***471,698***
2.15% bonds due 2008	50,000	**50,000**	***471,698***
Bonds and notes issued by consolidated subsidiaries:			
Unsecured (2.66% to 3.45%, due 1999—2006)	48,757	**47,594**	***449,000***
Less amounts due within one year	110,385	**132,255**	***1,247,689***
	¥1,128,375	**¥1,163,389**	***$10,975,368***

Assets pledged as collateral for bank loans and long-term debt at March 31, 1999 and 2000 are presented below:

	Yen (millions)		*U.S. Dollars (thousands)*
	1999	**2000**	***2000***
Investments and long-term loans	¥ 7	**¥ —**	***$ —***
Property, plant and equipment, net	23,411	**15,053**	***142,009***
Receivables, trade and other current assets	—	**547**	***5,161***
	¥23,418	**¥15,600**	***$147,170***

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

The current conversion prices of the 1.4%, 1.9%, 1.95% and 2.0% convertible bonds issued by the Company are ¥1,751.50, ¥998.00, ¥998.00 and ¥998.00 per share, respectively, and the current exercise price of the warrants issued with the 3 $^1/_8$% bonds is ¥1,220.00 per share. The conversion and exercise prices referred to above are subject to adjustment in certain circumstances, including stock splits or free share distributions of common stock. At March 31, 2000, approximately 116 million shares of common stock were reserved for the conversion or exercise of all outstanding convertible bonds and warrants.

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

The aggregate annual maturities of long-term debt subsequent to March 31, 2000 are summarized as follows:

Years ending March 31	Yen (millions)	*U.S. Dollars (thousands)*
2001	¥132,255	*$1,247,689*
2002	233,803	*2,205,689*
2003	185,342	*1,748,510*
2004	185,024	*1,745,509*
2005 and thereafter	559,220	*5,275,660*

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

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, 1999 and 2000 amounted to ¥8,477 million and ¥1,971 million ($18,594 thousand), respectively.

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. Pension and Severance Plans

Upon retirement, employees of the Group are entitled to a lump-sum payment or annuity payments for life as described below. The Company and its consolidated subsidiaries in Japan adopt severance benefit plans, under which the cost of benefits is not funded and the liabilities for the benefits are accrued. Under the plans, employees are entitled to lump-sum payments based on their current basic rates of pay and length of service. Accrued severance benefits in the consolidated balance sheets are stated at the present value of the vested benefit obligation which would be required to be paid if all employees voluntarily terminated their services as of the balance sheet date. Provisions for employees' severance benefits charged to income for the years ended March 31, 1998, 1999 and 2000 amounted to ¥25,352 million, ¥31,975 million and ¥33,959 million ($320,368 thousand), respectively.

In addition to the plans described above, the Company and its consolidated subsidiaries in Japan have contributory defined benefit plans with insurance companies, trust banks and investment management companies to supplement the public welfare pension plan. The plans entitle the eligible employees upon retirement to receive either a lump-sum payment or annuity payments for life, or a combination of both. These plans include a substitutional portion of the benefits under the National Welfare Pension Plan of Japan ("the NWP Plan"). The plans require that the liability reserve and the annual contributions be calculated actuarially by the open aggregate cost method for the substitutional portion of the NWP Plan, and by the entry-age normal cost method for the remainder.

The liability reserve for the substitutional portion of the NWP Plan of the Company and certain subsidiaries at March 31, 1998 and 1999, the most recent valuation dates, amounted to ¥242,300 million and ¥245,434 million ($2,315,415 thousand), respectively. The liability reserve for the remainder at March 31, 1998 and 1999 amounted to ¥312,194 million and ¥515,141 million ($4,859,821 thousand), respectively.

At March 31, 1998 and 1999, the aggregate fair value of the plan assets of the contributory defined benefit plans, which primarily consist of marketable securities, totaled ¥528,633 million and ¥574,893 million ($5,423,519 thousand), respectively.

The assumed rate for salary increases, the expected long-term rate of return and the discount rate for the above contributory pension plans ranged from 2.2% to 5.3%, and from 4.5% to 5.5%, and 5.5%, respectively.

The unrecognized balance of past service cost as of March 31, 1999 was ¥172,991 million ($1,631,991 thousand). Amortization of past service cost for the years ended March 31, 1997, 1998 and 1999 totaled ¥5,578 million, ¥6,064 million and ¥10,677 million ($100,726 thousand), respectively.

Effective January 1, 1999, the Company and most consolidated subsidiaries in Japan decided to shift their severance benefit plans to contributory defined benefit plans. For the year ended March 31, 2000, the shift covered only employees who retire at the age of sixty and, therefore, there was no accompanying reversal of accrued severance benefits. The unrecognized past service cost resulting from this shift is being amortized over 9 years.

Most subsidiaries outside Japan have defined benefit pension plans and/or defined contribution pension plans covering substantially all employees. The major plan is the ICL Group Pension Plan, which is a defined benefit plan. The pension cost of this plan is calculated by the projected unit method. The plan is subject to formal actuarial valuation, but the fair value of the plan assets tentatively estimated at April 5, 1999 was almost sufficient to cover the actuarial present value of future benefit obligations.

The revised IAS No. 19 requires that the cost of providing retirement benefits be determined by the accrued benefit valuation method.

The Company and its consolidated subsidiaries in Japan, as of April 1, 2000, estimate the unrecognized net obligation upon application of the new accounting standards as follows:

Pension and severance plan (The Company and its consolidated subsidiaries in Japan)

	Yen (billions)	*U.S. Dollars (millions)*
As of April 1, 2000 (estimated)	(Unaudited)	
Present value of obligation	¥1,580	*$14,905*
Fair value of plan assets	740	*6,981*
Beginning balance of accrued severance benefits	180	*1,698*
Unrecognized net obligation upon application of new accounting standards	¥ 660	*$ 6,226*

Unrecognized net obligation upon application of new accounting standards

The Company and its consolidated subsidiaries in Japan will amortize the ¥660 billion ($6,226 million) [estimated] of the unrecognized net obligation upon application of new accounting standards with the following manners.

The Company fully amortizes ¥420 billion ($3,962 million) [estimated], which is equivalent to the Company's portion of the unrecognized net obligation. Simultaneously, the Company places its holding marketable securities in trust which is solely established for severance benefits, as described in Note 20. For the year ending March 31, 2001, approximately ¥420 billion ($3,962 million) of an extraordinary loss for amortizing the unrecognized net obligation and approximately ¥460 billion ($4,339 million) of an extraordinary gain by establishing the trust will be recorded.

The remaining ¥240 billion ($2,264 million) [estimated], which is equivalent to the unrecognized net obligation for its consolidated subsidiaries in Japan, is to be amortized over 10 years beginning the year ending March 31, 2001.

The above estimation of the benefit obligations at April 1, 2000 was based on the assumed discount rate at 3.0%.

11. Income Taxes

The Group is subject to a number of different income taxes. The applicable statutory tax rates in Japan for the years ended March 31, 1998, 1999, and 2000 were, in the aggregate, approximately 51%, 47%, and 42%, respectively.

The components of income taxes are as follows:

			Yen (millions)	*U.S. Dollars (thousands)*
Years ended March 31	1998	1999	**2000**	***2000***
Current	¥111,220	¥57,588	**¥ 65,595**	***$ 618,821***
Deferred	(1,731)	(2,053)	**(37,216)**	***(351,095)***
Changes in deferred tax rate	(939)	(856)	**—**	***—***
Income taxes	¥108,550	¥54,679	**¥ 28,379**	***$ 267,726***

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

Applicable statutory income tax rate	42.0%
Increase (decrease) in tax rate:	
Amortization of goodwill	15.5%
Valuation allowance for deferred tax assets	(13.5%)
Equity in earnings of affiliates, net	(9.6%)
Non-deductible expenses for tax purposes	4.6%
Other	(1.1%)
Reported total income tax rate	37.9%

The significant components of deferred tax assets and liabilities at March 31, 1999 and 2000 are as follows:

		Yen (millions)	*U.S. Dollars (thousands)*
	1999	**2000**	***2000***
Deferred tax assets:			
Tax loss carryforwards	¥ 189,443	**¥ 193,307**	***$ 1,823,651***
Accrued severance benefits	23,125	**31,793**	***299,934***
Provision for loss on repurchase of computers	19,328	**20,646**	***194,773***
Intercompany profits on inventories and property, plant and equipment	12,365	**13,635**	***128,632***
Accrued employee benefits	2,148	**13,441**	***126,802***
Accrued enterprise taxes	2,935	**3,518**	***33,189***
Other	16,988	**19,734**	***186,170***
Gross deferred tax assets	266,332	**296,074**	***2,793,151***
Less: Valuation allowance	(203,906)	**(199,557)**	***(1,882,613)***
Total deferred tax assets	62,426	**96,517**	***910,538***
Deferred tax liabilities:			
Retained earnings appropriated for tax deductible reserves	(48,088)	**(43,598)**	***(411,302)***
Other	(7,311)	**(6,154)**	***(58,057)***
Gross deferred tax liabilities	(55,399)	**(49,752)**	***(469,358)***
Net deferred tax assets (liabilities)	¥ 7,027	**¥ 46,765**	***$ 441,179***

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

		Yen (millions)	*U.S. Dollars (thousands)*
	1999	**2000**	***2000***
Other current assets	¥ 23,309	**¥40,287**	***$380,066***
Investments and long-term loans—other	967	**14,507**	***136,858***
Other current liabilities	(2,338)	**(1,663)**	***(15,689)***
Other long-term liabilities	(14,911)	**(6,366)**	***(60,056)***
Net deferred tax assets (liabilities)	¥ 7,027	**¥46,765**	***$441,179***

The tax loss carryforwards included in deferred tax assets expire at various dates, but primarily extend up to 20 years. Realization is dependent on the abilities of the companies to generate sufficient taxable income prior to the expiration of the tax loss carryforwards. Valuation allowance has been recorded for these deferred tax assets to the carryforwards except for those expected to be realized, as realization of these deferred tax assets is not assured.

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

Deferred tax assets have not been provided 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, 1998, 1999 and 2000 were as follows:

	Number of shares		
	1998	1999	**2000**
Balance at beginning of year	1,841,435,783	1,862,355,910	**1,884,139,404**
Exercise of warrants	16,661,107	20,275,164	**58,018,995**
Conversion of bonds	4,259,020	328,628	**20,781,208**
Increase arising from a merger	—	1,179,702	**—**
Balance at end of year	1,862,355,910	1,884,139,404	**1,962,939,607**

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

Appropriations of retained earnings for the year ended March 31, 2000, which included year-end cash dividends of ¥9,814 million ($92,587 thousand), were recorded on the Company's statutory books of account after approval at the general shareholders' meeting held on June 29, 2000, and will be included in the following year's consolidated balance sheet.

The increase arising from a merger during the year ended March 31, 1999 reflects the issuance of stock in connection with the merger of Fujitsu Towa Electron Ltd. with the Company in October 1998.

13. Commitments and Contingent Liabilities

Commitments outstanding at March 31, 2000 for purchases of property, plant and equipment were approximately ¥1,390 million ($13,113 thousand).

Contingent liabilities for guarantee contracts amounted to ¥58,635 million ($553,160 thousand) at March 31, 2000. Of the total contingent liabilities, guarantees given for employees' housing loans were ¥28,674 million ($270,509 thousand) in the aggregate.

14. Derivative Financial Instruments

Purpose of Derivative Trading

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

Basic Policies for Derivative Trading

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

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

Notional amounts of derivative financial instruments

The notional amounts related to the forward foreign exchange contracts, the interest rate and currency swap contracts and options contracts at March 31, 1999 and 2000 were as follows:

		Yen (millions)	*U.S. Dollars (thousands)*
	1999	**2000**	***2000***
Forward foreign exchange contracts:			
To buy foreign currencies	¥ 73,658	**¥ 32,418**	***$ 305,830***
To sell foreign currencies	37,537	**18,419**	***173,764***
Interest rate and currency swap contracts	259,343	**209,292**	***1,974,453***
Options contracts:			
Purchased	33,489	**10,987**	***103,651***
Written	38,887	**8,577**	***80,915***

Fair value of derivative financial instruments
The estimated fair value of the forward foreign exchange contracts at March 31, 1999 and 2000 were as follows:

	Yen (millions)		U.S. Dollars (thousands)
	1999	**2000**	***2000***
Forward foreign exchange contracts	¥(104)	**¥584**	***$5,509***

The carrying amounts and estimated fair value of the interest rate and currency swap contracts and option contracts at March 31, 1999 and 2000 were as follows:

	Yen (millions)				U.S. Dollars (thousands)	
	1999		**2000**		***2000***	
	Carrying amount	Estimated fair value	Carrying amount	Estimated fair value	*Carrying amount*	*Estimated fair value*
Interest rate and currency swap contracts	¥ —	¥(3,132)	**¥ —**	**¥252**	***$ —***	***$2,377***
Options contracts:						
Purchased	991	1,104	**171**	**122**	***1,613***	***1,151***
Written	1,016	1,200	**145**	**107**	***1,368***	***1,009***

Estimate of fair value
Fair value of the forward exchange contracts have been based on quoted market rates at March 31, 1999 and 2000.
Fair value of the interest rate and currency swap contracts and the options contracts have been valued by the discounted cash flow analysis method.
Estimates of fair value were performed as of March 31, 1999 and 2000 based on various assumptions. Accordingly, the Group believes that the estimated fair value may be of limited usefulness.

15. Leases

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

Since Fujitsu Leasing Co., Ltd. was not a consolidated subsidiary but an affiliate during the year ended March 31, 1999, the Group, as a lessor, had no finance leases for the year ended March 31, 1999.

	Yen (millions)	U.S. Dollars (thousands)
	2000	***2000***
Minimum lease payments receivable		
Within one year	**¥ 75,723**	***$ 714,368***
Over one year but within five years	**147,827**	***1,394,594***
Over five years	**3,745**	***35,330***
Total	**¥227,295**	***$2,144,292***
The present value of minimum lease payments receivable		
Within one year	**¥ 52,232**	***$ 492,755***
Over one year but within five years	**99,096**	***934,868***
Over five years	**2,511**	***23,688***
Total	**¥153,839**	***$1,451,311***

At March 31, 2000, unearned finance income was ¥73,456 million ($692,981 thousand).
At March 31, 2000, the accumulated allowance for uncollectible minimum lease payments receivable was ¥432 million ($4,075 thousand).
At March 31, 2000, future minimum lease payments to be received within one year under non-cancelable operating leases were ¥198 million ($1,868 thousand).

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

	Yen (millions)	U.S. Dollars (thousands)
	2000	***2000***
Equivalent amounts of acquisition costs	**¥120,407**	***$1,135,915***
Accumulated depreciation	**54,894**	***517,868***
Book value of leased assets	**65,513**	***618,047***
Minimum leases payments required		
Within one year	**¥ 18,680**	***$ 176,227***
Over one year but within five years	**53,305**	***502,877***
Over five years	**14,714**	***138,814***
Total	**¥ 86,699**	***$ 817,915***

At March 31, 1999, equivalent amounts of acquisition costs, accumulated depreciation and book value of leased assets of the Company and its consolidated subsidiaries in Japan were ¥138,150 million, ¥65,320 million and ¥72,830 million, respectively. Minimum lease payments required under finance leases of the Company and its consolidated subsidiaries in Japan amounted to ¥23,558 million for within one year, ¥44,937 million for over one year but within five years, and ¥4,335 million for over five years. Since Fujitsu Leasing Co., Ltd. was not a consolidated subsidiary but an affiliate before the year ended March 31,1999, finance leases between the Group companies in Japan and Fujitsu Leasing Co., Ltd. were not eliminated for the year ended March 31, 1999 or before. As stated in Note 1 '(p) Change in significant accounting policy', these finance leases were treated in the same way as operating leases before the year ended March 31, 1999.

At March 31, 1999, equivalent amounts of acquisition costs, accumulated depreciation and book value of leased assets of the consolidated subsidiaries outside Japan were ¥102,956 million, ¥33,555 million and ¥69,401 million, respectively. Minimum lease payments required under finance leases of the consolidated subsidiaries outside Japan amounted to ¥16,654 million for within one year, ¥44,176 million for over one year but within five years, and ¥23,443 million for over five years.

The following is a summary of future minimum lease payments required under non-cancelable operating leases in the aggregate and for each of the following periods.

	Yen (millions)		*U.S. Dollars (thousands)*
At March 31	1999	**2000**	***2000***
Future minimum lease payments required			
Within one year	¥1,136	**¥1,253**	***$11,821***
Over one year but within five years	184	**782**	***7,377***
Total	¥1,320	**¥2,035**	***$19,198***

16. Supplementary Information to the Consolidated Balance Sheets

Balances with affiliates at March 31, 1999 and 2000 are presented as follows:

	Yen (millions)		*U.S. Dollars (thousands)*
	1999	**2000**	***2000***
Receivables, trade	¥87,608	**¥65,399**	***$616,972***
Payables, trade	40,178	**55,680**	***525,283***

17. Earnings Per Share

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

	Yen (millions)	(thousands)	Yen	*U.S. Dollars*
	Net income (loss)	Weighted-average number of shares		*Earnings (loss) per share*
For the year ended March 31, 1998				
Basic earnings per share	¥ 5,587	1,857,216	¥ 3.0	
Effect of dilutive securities:				
Warrants	—	16,149		
Diluted earnings per share	¥ 5,587	1,873,365	¥ 3.0	
For the year ended March 31, 1999				
Basic losses per share	¥(13,638)	1,874,396	¥ (7.3)	
For the year ended March 31, 2000				
Basic earnings per share	**¥ 42,734**	**1,933,665**	**¥22.1**	***$0.208***
Effect of dilutive securities:				
Convertible bonds	**1,257**	**109,681**		
Warrants	**—**	**7,094**		
Diluted earnings per share	**¥ 43,991**	**2,050,440**	**¥21.5**	***$0.202***

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

18. Supplementary Information to the Consolidated Statements of Operations

Research and development expenses charged to selling, general and administrative expenses for the years ended March 31, 1998, 1999 and 2000 were ¥387,129million, ¥395,063 million and ¥401,057 million ($3,783,557 thousand), respectively.

Other income (expenses)—other, net for the years ended March 31, 1998, 1999 and 2000 consisted of the following:

	Yen (millions)			*U.S. Dollars (thousands)*
Years ended March 31	1998	1999	**2000**	***2000***
Foreign exchange gains (losses), net	¥ (9,445)	¥(16,787)	**¥(25,679)**	***$(242,255)***
Amortization of unrecognized past service cost (pension expense)	—	(4,323)	**(21,718)**	***(204,887)***
Loss on disposal of property, plant and equipment	(12,866)	(15,610)	**(12,907)**	***(121,764)***
Expenses for issuance and offering of securities	(1,818)	(1,286)	**(542)**	***(5,113)***
Loss on devaluation of marketable securities	(13,200)	(5,575)	**—**	***—***
Reversal of loss on devaluation of marketable securities	—	—	**1,846**	***17,415***
Gain on sales of marketable securities	14,593	19,279	**20,351**	***191,990***
Gain on sales of subsidiaries' stock	—	41,002	**20,448**	***192,906***
Restructuring charges	—	(43,714)	**(37,961)**	***(358,123)***
Provision for loss on Pathway project	—	(38,111)	**—**	***—***
Other, net	(5,871)	5,729	**942**	***8,887***
	¥(28,607)	¥(59,396)	**¥(55,220)**	***$(520,944)***

The Company and most consolidated subsidiaries in Japan decided to shift their covered severance benefit plans to contributory defined benefit plans effective January 1, 1999. Unrecognized past service cost (pension expense) related to this shift.

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 includes ¥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 ($358,123 thousand) for the year ended March 31, 2000, ¥14,717 million ($138,839 thousand) relates to the restructuring of the electronic devices business and the information processing business at the Company.

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

19. Segment Information

The Group, as a total supplier, supplies products and services which satisfy customers' needs by incorporating leading-edge technologies in one business segment, the information technology industry. Effective the year ended March 31, 1999, however, this business segment has been divided into 5 new segments: "Services & Software," "Information Processing," "Telecommunications," "Electronic Devices" and "Other Operations" in order to present more useful information regarding the Group's business. "Financing" has been newly added effective the year ended March 31, 2000, accompanied with the consolidation of Fujitsu Leasing Co., Ltd. These segments are classified based upon similarity of products and services, and selling methods, etc.

Business Segment Information

Yen (millions)

Years ended March 31	Services & Software	Information Processing	Telecom-munications	Electronic Devices	Financing	Other Operations	Elimination & Corporate	Consolidated
1998								
Sales								
Unaffiliated customers	¥1,736,697	¥1,688,402	¥799,287	¥541,023	¥ –	¥219,973	¥ –	¥4,985,382
Intersegment	45,305	246,012	12,450	115,667	–	127,483	(546,917)	–
Total sales	1,782,002	1,934,414	811,737	656,690	–	347,456	(546,917)	4,985,382
Operating costs and expenses	1,662,314	1,884,477	710,823	689,163	–	343,455	(482,203)	4,808,029
Operating income (loss)	119,688	49,937	100,914	(32,473)	–	4,001	(64,714)	177,353
Total assets	1,266,111	1,449,784	601,298	982,234	–	375,193	448,419	5,123,039
Depreciation	68,567	83,403	29,744	152,856	–	8,927	8,296	351,793
Capital expenditure	95,376	106,859	54,892	201,753	–	9,951	19,757	488,588
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	553,054	5,112,330
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

Years ended March 31	Services & Software	Information Processing	Telecom-munications	Electronic Devices	Financing	Other Operations	Elimination & Corporate	Consolidated
								Yen (millions)
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 (loss)	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	418,836	5,134,648
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 (U.S. Dollars (thousands)								
2000 (in U.S. Dollars)								
Sales								
Unaffiliated customers	*$18,636,472*	*$15,144,349*	*$7,287,387*	*$5,359,990*	*$1,066,698*	*$2,081,538*	*$ –*	*$49,576,434*
Intersegment	*731,915*	*2,631,934*	*111,019*	*1,399,849*	*60,755*	*1,185,481*	*(6,120,953)*	*–*
Total sales	*19,368,387*	*17,776,283*	*7,398,406*	*6,759,839*	*1,127,453*	*3,267,019*	*(6,120,953)*	*49,576,434*
Operating costs and expenses	*18,095,330*	*17,409,670*	*7,236,585*	*6,569,471*	*1,098,897*	*3,234,113*	*(5,482,481)*	*48,161,585*
Operating income (loss)	*1,273,057*	*366,613*	*161,821*	*190,368*	*28,556*	*32,906*	*(638,472)*	*1,414,849*
Total assets	*12,690,623*	*11,698,491*	*5,489,632*	*8,527,424*	*2,609,349*	*3,473,273*	*3,951,283*	*48,440,075*
Depreciation	*790,038*	*840,481*	*340,047*	*1,224,113*	*481*	*101,906*	*78,264*	*3,375,330*
Capital expenditure	*1,020,302*	*1,039,556*	*368,340*	*1,195,698*	*556*	*105,972*	*131,736*	*3,862,160*

Notes: 1. The business segments are classified based on similarity of products and services, and selling methods, etc.

2. The principal products and services of business segments are as follows:
   - (1) Services & Software — System integration service, SE support, Consulting, Network service, Outsourcing, Software, Maintenance and system construction works
   - (2) Information Processing — Servers, Personal computer, Magnetic disk drive, Optical magnetic disk drive, Printer, ATM, POS system
   - (3) Telecommunications — Digital switching system, Optical transmission system, Optical undersea transmission system, Corporate information network system, Mobile telecommunication system, Cellular phone
   - (4) Electronic Devices — System LSI, Flash memory, SAW device, Compound semiconductor, PDP, LCD
   - (5) Financing — Leasing business
   - (6) Other Operations — Electronic material, Audio/Visual equipment, Auto electronic device, Battery, Logistic service, Insurance and travel service

3. Unallocated operating costs and expenses reported in "Elimination & Corporate" for the years ended March 31, 1998, 1999 and 2000 were ¥65,234 million, ¥64,049 million and ¥67,664 million ($638,340 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, 1998, 1999 and 2000 amounted to ¥735,282 million, ¥803,905 million and ¥676,159 million ($6,378,858 thousand), respectively. The assets principally consisted of working capital (cash and cash equivalents), long-term investments and miscellaneous assets held by the general and administrative sections.

Geographic Segment Information

Years ended March 31	Japan	Europe	The Americas	Other	Elimination & Corporate	Consolidated
						Yen (millions)
1998						
Sales						
Unaffiliated customers	¥3,528,164	¥ 795,932	¥ 449,998	¥ 211,288	¥ –	¥4,985,382
Intersegment	482,785	30,751	61,694	312,581	(887,811)	–
Total	4,010,949	826,683	511,692	523,869	(887,811)	4,985,382
Operating costs and expenses	3,726,943	834,102	572,293	497,333	(822,642)	4,808,029
Operating income (loss)	284,006	(7,419)	(60,601)	26,536	(65,169)	177,353
Total assets	3,214,068	710,828	484,473	275,152	438,518	5,123,039
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	578,167	5,112,330
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**	**489,529**	**5,134,648**
						U.S. Dollars (thousands)
2000 (in U.S. Dollars)						
Sales						
Unaffiliated customers	*$34,254,773*	*$7,429,878*	*$5,523,198*	*$2,368,585*	*$ –*	*$49,576,434*
Intersegment	*5,603,085*	*286,792*	*732,585*	*2,813,264*	*(9,435,726)*	*–*
Total	*39,857,858*	*7,716,670*	*6,255,783*	*5,181,849*	*(9,435,726)*	*49,576,434*
Operating costs and expenses	*37,709,245*	*7,815,566*	*6,380,915*	*4,999,585*	*(8,743,726)*	*48,161,585*
Operating income (loss)	*2,148,613*	*(98,896)*	*(125,132)*	*182,264*	*(692,000)*	*1,414,849*
Total assets	*33,303,019*	*4,512,103*	*3,487,170*	*2,519,585*	*4,618,198*	*48,440,075*

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, 1998, 1999 and 2000 were ¥65,234 million, ¥64,049 million and ¥67,664 million ($638,340 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, 1998, 1999 and 2000 amounted to ¥735,282 million, ¥803,905 million and ¥676,159 million ($6,378,858 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.

20. Subsequent events

At the Board of Directors' meeting on April 26, 2000, the Company decided to place its holding marketable securities in trust, to achieve a reduction in its unrecognized net obligation for severance benefits upon the application of new accounting standards for retirement benefits effective April 1, 2000 in Japan. The securities held in this trust are qualified as plan assets under the accounting principles in Japan. The effects on the Group's income or loss for the year ending March 31, 2001 will be approximately ¥420 billion ($3,962 million) of an extraordinary loss by amortizing the unrecognized net obligation at one time and approximately ¥460 billion ($4,339 million) of an extraordinary gain by contributing the securities to the trust. The net income will not be significantly affected after taking income taxes into consideration.

Century Ota Showa & Co.
CERTIFIED PUBLIC ACCOUNTANTS

The Board of Directors
FUJITSU LIMITED

We have examined the consolidated balance sheets of Fujitsu Limited and consolidated subsidiaries (the "Group") as of March 31, 1999 and 2000, and the related consolidated statements of operations, shareholders' equity and cash flows for each of the three years in the period ended March 31, 2000, 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, 1999 and 2000, and the consolidated results of its operations and its cash flows for each of the three years in the period ended March 31, 2000, in conformity with accounting principles and practices generally accepted in Japan applied on a consistent basis.

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2000 are presented solely for convenience. Our examination also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 3 to the consolidated financial statements.

Tokyo, Japan
June 29, 2000

Century Ota Showa & Co.

Consolidated Subsidiaries

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

JAPAN

Fujitsu Laboratories Ltd. [Kawasaki] 100%

Fujitsu Denso Ltd. [Kawasaki] 50%

FDK Corporation [Tokyo] 61%

Shinko Electric Industries Co., Ltd. [Nagano] 50%

Fujitsu Systems Construction Ltd. [Tokyo] 67%

Fujitsu Support and Service Inc. [Tokyo] 56%

Takamisawa Electric Co., Ltd. [Tokyo] 53%

Fujitsu Kiden Ltd. [Tokyo] 54%

Fujitsu Devices Inc. [Tokyo] 67%

Fujitsu Business Systems Ltd. [Tokyo] 53%

Fujitsu AMD Semiconductor Ltd. [Fukushima] 50%

Fujitsu Hitachi Plasma Display Ltd. [Kawasaki] 50%

Fujitsu TEN Ltd. [Kobe] 55%

Fujitsu Takamisawa Component Ltd. [Tokyo] 100%

PFU Ltd. [Ishikawa] 61%

Fujitsu Quantum Devices Ltd. [Yamanashi] 100%

Fujitsu Media Devices Ltd. [Nagano] 100%

Fujitsu FIP Corporation [Tokyo] 100%

Fujitsu Automation Ltd. [Tochigi] 100%

Fujitsu I Network Systems Ltd. [Tokyo] 55%

Fujitsu Isotec Ltd. [Fukushima] 100%

Fujitsu System Solutions Ltd. [Tokyo] 95%

Internet Trading Securities Inc. [Tokyo] 65%

Kyushu Fujitsu Electronics Ltd. [Kagoshima] 100%

Transtron Inc. [Kawasaki] 51%

NIFTY Corporation [Tokyo] 100%

Fujitsu CoWorCo Ltd. [Tokyo] 100%

Fujitsu Personal System Ltd. [Tokyo] 100%

Fujitsu Kasei Ltd. [Yokohama] 100%

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

Fujitsu System Integration Laboratories Ltd. [Kawasaki] 100%

Fujitsu Fudosan Ltd. [Kawasaki] 100%

G-Search Ltd. [Tokyo] 65%

Fujitsu VLSI Ltd. [Aichi] 100%

Corporate Software Ltd. [Tokyo] 55%

Shimane Fujitsu Ltd. [Shimane] 100%

Fujitsu Kawasaki Sports Management Ltd. [Kawasaki] 100%

Fujitsu Social Science Laboratory Ltd. [Kawasaki] 100%

Fujitsu Tohoku Electronics Ltd. [Fukushima] 100%

Fujitsu Miyagi Electronics Ltd. [Miyagi] 100%

Yamagata Fujitsu Ltd. [Yamagata] 100%

Toyama Fujitsu Ltd. [Toyama] 100%

Fujitsu Financial Systems Ltd. [[Tokyo] 100%

Fujitsu Logistics Ltd. [Yokohama] 100%

Fujitsu Sinter Ltd. [Kawasaki] 100%

Fujitsu Travelance Ltd. [Tokyo] 100%

Fujitsu Chugoku Systems Ltd. [Hiroshima] 100%

Fujitsu International Engineering Ltd. [Kawasaki] 100%

Fujitsu Office Machines Ltd. [Tokyo] 100%

Fujitsu Kansai Systems Ltd. [Osaka] 100%

Fujitsu Kyushu System Engineering Ltd. [Fukuoka] 90%

Fujitsu Communication Systems Ltd. [Yokohama] 100%

Fujitsu Peripherals Ltd. [Hyogo] 100%

Fujitsu Social Systems Engineering Ltd. [Tokyo] 100%

Fujitsu Chubu Systems Ltd. [Nagoya] 100%

Fujitsu Network Engineering Ltd. [Kawasaki] 100%

Fujitsu Learning Media Ltd. [Tokyo] 100%

Fujitsu Basic Software Corporation [Tokyo] 70%

Shin-etsu Fujitsu Ltd. [Nagano] 88%

Fujitsu Financial Solutions and Outsourcing Ltd. [Osaka] 100%

Fujitsu LSI Technology Ltd. [Kawasaki] 100%

Fujitsu Research Institute [Tokyo] 100%

Fujitsu Terminal Systems Ltd. [Gunma] 100%

Fujitsu Technosystems Ltd. [Tokyo] 100%

Fujitsu Digital Technology Ltd. [Yokohama] 100%

Fujitsu Tohoku Systems Engineering Ltd. [Sendai] 100%

Fujitsu Nagano Systems Engineering Ltd. [Nagano] 100%

Fujitsu Middleware Ltd. [Yokohama] 80%

Nihon Dengyo Ltd. [Tokyo] 74%

Fujitsu Tokushima Systems Engineering Ltd. [Tokushima] 100%

Fujitsu Hokkaido Systems Engineering Ltd. [Sapporo] 100%

Fujitsu Advanced Printing & Publishing Co., Ltd. [Kawasaki] 100%

Fujitsu Oita Software Laboratories Ltd. [Oita] 80%

Fujitsu Hokuriku Systems Ltd. [Ishikawa] 100%

Okinawa Fujitsu Systems Engineering Ltd. [Okinawa] 100%

Kagoshima Infonet Ltd. [Kagoshima] 65%

Fujitsu Aichi Engineering Ltd. [Nagoya] 100%

Fujitsu Aomori Systems Engineering Ltd. [Aomori] 100%

Fujitsu Akita Systems Engineering Ltd. [Akita] 100%

Fujitsu Store Automation Systems Ltd. [Tokyo] 100%

Fujitsu Ehime Information Systems Ltd. [Ehime] 100%

Fujitsu Oasys Development Ltd. [Niigata] 100%

Fujitsu Okayama Systems Engineering Ltd. [Okayama] 70%

Fujitsu Kansai Communication Systems Ltd. [Osaka] 100%

Fujitsu Kansai Digital Technology Ltd. [Osaka] 100%

Fujitsu CAD Tech Ltd. [Tochigi] 100%

Fujitsu Capital Ltd. [Tokyo] 100%

Fujitsu Kyushu Communication Systems Ltd. [Fukuoka] 100%

Fujitsu Kyushu Digital Technology Ltd. [Fukuoka] 100%

Fujitsu Kochi Systems Engineering Ltd. [Kochi] 100%

Fujitsu Kobe Engineering Ltd. [Kobe] 100%

Fujitsu Computer Technology Ltd. [Yokohama] 100%

Fujitsu System LSI Ltd. [Tokyo] 100%

Fujitsu Shizuoka Engineering Ltd. [Shizuoka] 100%

Fujitsu Information Network Systems Ltd. [Tokyo] 100%

Fujitsu Software Engineering Laboratory Ltd. [Kanagawa] 100%

Fujitsu Chugoku Communication Systems Ltd. [Hiroshima] 100%

Fujitsu Defense Systems Engineering Ltd. [Kawasaki] 71%

Fujitsu Tohoku Communication Systems Ltd. [Sendai] 100%

Fujitsu Tohoku Digital Technology Ltd. [Sendai] 100%

Fujitsu Tokki Systems Ltd. [Kawasaki] 100%

Fujitsu Nagoya Communication Systems Ltd. [Nagoya] 100%

Fujitsu Niigata Systems Ltd. [Niigata] 100%

Fujitsu Personal Computer Systems Ltd. [Kawasaki] 100%

Fujitsu Personal Computer Laboratory Ltd. [Nagano] 100%

Fujitsu PAREX Ltd. [Tokyo] 70%

Fujitsu Program Laboratories Ltd. [Kawasaki] 100%

Fujitsu Hokuriku Communication Systems Ltd. [Ishikawa] 100%

Fujitsu Hokkaido Communication Systems Ltd. [Sapporo] 100%

Fujitsu Hokkaido Digital Technology Ltd. [Sapporo] 100%

Fujitsu Minami-Kyushu Systems Engineering Ltd. [Kumamoto] 70%

Fujitsu Refre Ltd. [Kawasaki] 100%

Fujitsu Wakayama Systems Engineering Ltd. [Wakayama] 100%

Yonago Fujitsu Ltd. [Tottori] 100%

YFC Ltd. [Yokohama] 90%

Fujitsu Facilities Engineering Ltd. [Fukushima] 100%

Fujitsu Tottori Systems Engineering Ltd. [Tottori] 100%

Fujitsu Higashi-Hokkaido Systems Engineering Ltd. [Hokkaido] 100%

Fujitsu Yamaguchi Information Ltd. [Yamaguchi] 80%

Fujitsu Kagawa Systems Engineering Ltd. [Kagawa] 100%

Shiga Fujitsu Software Ltd. [Shiga] 60%

Fujitsu Shikoku Infortec Ltd. [Kagawa] 100%

Fujitsu Mobile Telecommunication Ltd. [Tokyo] 100%

Care Net Ltd. [Kawasaki] 100%

Two-One Ltd. [Kanagawa] 57%

Fujitsu Institute of Management Ltd. [Tokyo] 100%

Fujitsu Analysis Laboratory Ltd. [Kawasaki] 100%

Fujitsu Techno Research Ltd. [Kawasaki] 100%

Iwaki Electronics Co., Ltd. [Fukushima] 100%

Shinano Fujitsu Ltd. [Nagano] 100%

Totalizator Engineering Ltd. [Tokyo] 100%

Tochigi Fujitsu Ten Ltd. [Tochigi] 100%

Fujitsu Advanced Communication Systems Ltd. [Kawasaki] 100%

Kyusyu FHP Ltd. [Miyazaki] 100%

EUROPE

TeamWare Group Holding Oy [Helsinki] ***FINLAND*** 100%

Fujitsu France S. A. [Rungis Cedex] ***FRANCE*** 100%

Fujitsu Microelectronics Europe GmbH
[Dreieich-Buchschlag] ***GERMANY*** 100%

Fujitsu Telecom Deutschland GmbH
[Dreieich-Buchschlag] ***GERMANY*** 100%

Fujitsu Deutschland GmbH [Munich] ***GERMANY*** 100%

Shinko Microelectronics Ireland Ltd. [Dublin] ***IRELAND*** 100%

Fujitsu Italia S.p.A. [Milano] ***ITALY*** 100%

Fujitsu Microelectronics Italia S.r.l. [Milano] ***ITALY*** 100%

Fujitsu International Finance (Netherlands) B.V.
[Amsterdam] ***NETHERLANDS*** 100%

Fujitsu Telecommunications Technology of the CIS, LLC
[Moscow] ***RUSSIA*** 60%

Fujitsu ICL España, S.A. [Madrid] ***SPAIN*** 100%

Fujitsu Nordic AB [Sollentuna] ***SWEDEN*** 100%

Fujitsu Europe Ltd. [Middlesex] ***U.K.*** 100%

Fujitsu Finance (U.K.) PLC [Middlesex] ***U.K.*** 100%

Fujitsu Europe Telecom R&D Centre Ltd. [Middlesex] ***U.K.*** 100%

ICL PLC [London] ***U.K.*** 100%

Fujitsu Telecommunications Europe Ltd. [Birmingham] ***U.K.*** 100%

Fujitsu European Centre for Information Technology Ltd.
[Middlesex] ***U.K.*** 100%

Fujitsu Computers (Europe) Ltd. [Berkshire] ***U.K.*** 100%

THE AMERICAS

Fujitsu do Brasil Ltda. [San Paulo] ***BRAZIL*** 100%

Fujitsu Canada, Inc. [Ontario] ***CANADA*** 100%

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

Amdahl Corporation [Sunnyvale (CA)] ***U.S.A.*** 100%

DMR Consulting Group, Inc. (Amdahl Group Company)
[Edison (NJ)] ***U.S.A.*** 100%

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

Fujitsu Systems Business of America, Inc.
[Santa Clara (CA)] ***U.S.A.*** 100%

Fujitsu Computer Packaging Technologies, Inc.
[San Jose (CA)] ***U.S.A.*** 100%

Fujitsu Software Corporation [San Jose (CA)] ***U.S.A.*** 100%

HAL Computer Systems, Inc. [Campbell (CA)] ***U.S.A.*** 100%

Ross Technology, Inc. [Austin (TX)] ***U.S.A.*** 59%

Fujitsu PC Corporation [Milpitas (CA)] ***U.S.A.*** 100%

Reliance Computer Corp. [Santa Clara (CA)] ***U.S.A.*** 63%

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

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

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

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

Glovia International, LLC [El Segundo (CA)] ***U.S.A.*** 100%

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

ASIA,OCEANIA & THE MIDDLE EAST

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Fujitsu Quantum Devices Singapore Pte. Ltd. ***SINGAPORE*** 100%

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

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

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

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

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

As of March 31, 2000

Affiliates—equity method applied only

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

Fujitsu General Ltd. [Kawasaki] 47%

Shinko Telecom Engineering Corp. [Tokyo] 25%

Fanuc Ltd. [Yamanashi] 39%

Advantest Corporation [Tokyo] 21%

FFC Limited [Tokyo] 40%

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

Center Systems Service Ltd. [Tokyo] 40%

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

Financial Network Technologies, Ltd. [Yokohama] 50%

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

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

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

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

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

Fujitsu Siemens Computers (Holding) B.V. [Amsterdam] ***NETHERLANDS*** 50%

As of March 31, 2000

Capital: ¥306,246 million

Common Stock: Authorized: 5,000,000,000 shares

Issued: 1,962,939,607 shares

Number of Shareholders: 142,394

Principal Shareholders	Number of shares held (thousands)	Percentage of total shares outstanding
Fuji Electric Co., Ltd.	231,963	11.8%
Asahi Mutual Life Insurance Company	100,163	5.1%
The Dai-Ichi Kangyo Bank, Limited	75,717	3.9%
The Chase Manhattan Bank NA London (Standing proxy: The Fuji Bank, Ltd.)	63,743	3.2%
State Street Bank and Trust Company (Standing proxy: The Fuji Bank Ltd.)	58,597	3.0%
The Sumitomo Trust and Banking Company, Limited (Trust services)	50,112	2.6%
The Mitsubishi Trust and Banking Corporation (Trust services)	43,067	2.2%
The Industrial Bank of Japan, Limited	42,202	2.1%
The Sakura Bank, Ltd.	27,090	1.4%
Nippon Life Insurance Company	25,272	1.3%

Corporate Headquarters

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

Transfer Agent

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

Stock Exchange Listings

Japan: Tokyo, Osaka, Nagoya
Overseas: Frankfurt, London, Swiss*

(*) The original version stated Zurich, Basel and Geneva exchanges.

Shareholder Information

For further information, please contact:
Fujitsu Limited
Investor Relations
Telephone: +81-3-3213-4160
Facsimile: +81-3-3216-9365
E-mail: ir@hq.fujitsu.co.jp

(March 31, 2000)