## Net Sales

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

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

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

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

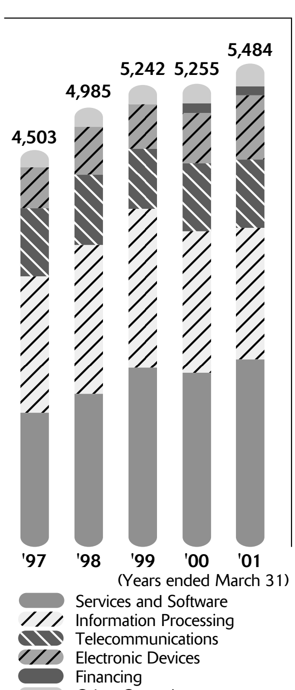
Compared with the previous year, the average exchange rate rose from ¥112 to ¥111 against the U.S. dollar, and ¥180 to ¥163 against the sterling pound. This yen appreciation caused a decrease of approximately ¥88.0 billion in the value of sales after yen conversion, as compared to the value if calculated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

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

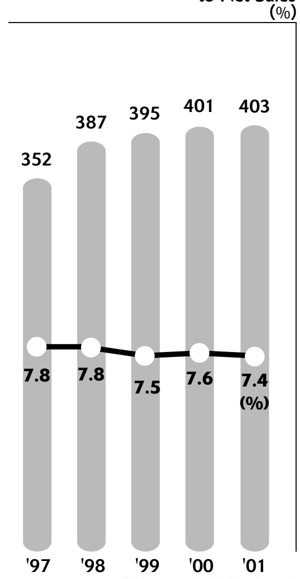
The cost of sales for the current fiscal year totaled ¥3,942.6 billion ($31,795 million), a 3.8% increase over the previous fiscal year, and the cost of sales ratio improved 0.4% to 71.9%. In addition, the gross profit margin rose to 28.1%, a 0.4% increase over last year's figure of 27.7%. One reason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

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

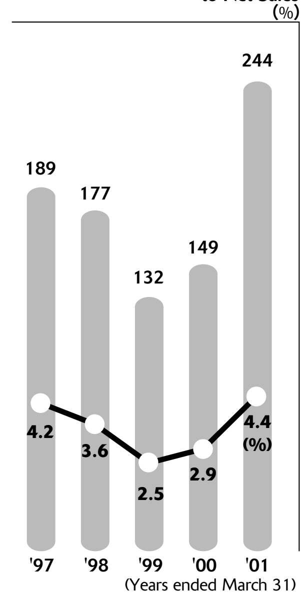
**Net Sales by Business Segment**
(excluding intersegment sales)
(¥ Billion)




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




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



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

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

## Other Income and Expenses, Net Income

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

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

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

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

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

## Segment Information
## Business Segment Information

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

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

### *Services and Software*

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

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

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

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

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

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

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

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

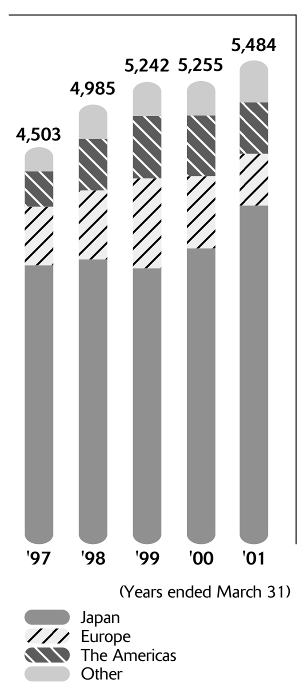
*Financing*
Financing revenue totaled ¥107.2 billion ($865 million) for the fiscal year, with operating income of ¥3.4 billion ($28 million).

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

## Segment Information by Region

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

**Net Sales by Customers' Geographic Location**
(¥ Billion)



*Europe*

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

*The Americas*

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

*Other*

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

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

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

## Capital Expenditure

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

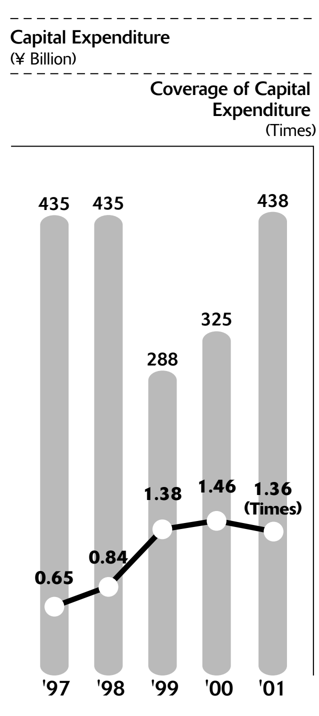
**Capital Expenditure** (¥ Billion)

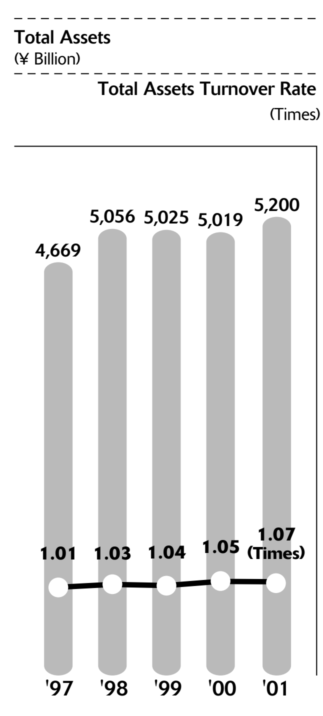
| Years ended March 31 | 2000 | **2001** | Increase (Decrease) rate (%) |
|---|---|---|---|
| Services and software | ¥ 64 | **¥ 65** | 0.5% |
| Information processing | 89 | **54** | (38.4) |
| Telecommunications | 35 | **44** | 24.6 |
| Electronic devices | 113 | **249** | 119.4 |
| [Semiconductor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

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

Major Capital Expenditures:

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



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

## Financial Condition and Liquidity

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

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

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

## Cash Flows

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

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

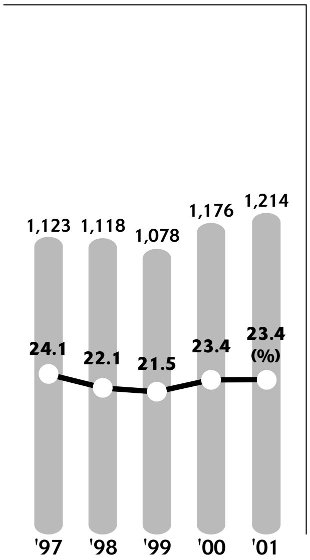
In addition, as a result of a reduction in interest bearing liabilities, net cash used in financing activities during the fiscal year was ¥137.6 billion ($1,110 million).

## Consolidated Subsidiaries

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

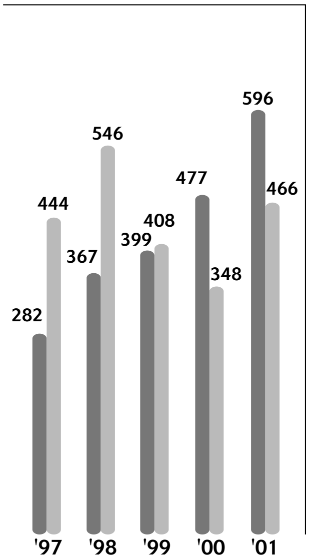
In addition, the number of affiliates for which the equity method was applied increased by 3 from last year to 28 at the end of fiscal 2000 as a result of new ventures, such as the launching of Evolium SAS, a developer of next-generation mobile communication network systems, in conjunction with Alcatel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

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