THE POSSIBILITIES ARE INFINITE

FUJITSU LIMITED
Annual Report
2003

Annual Report 2003

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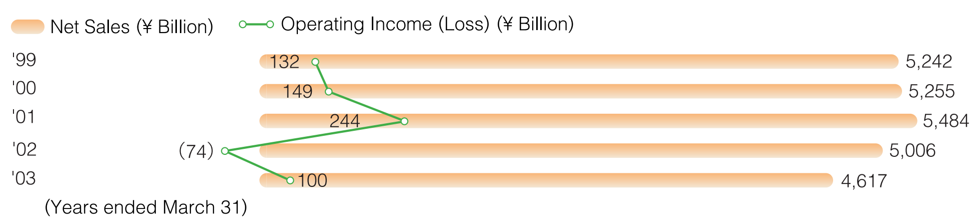
Cautionary Statement

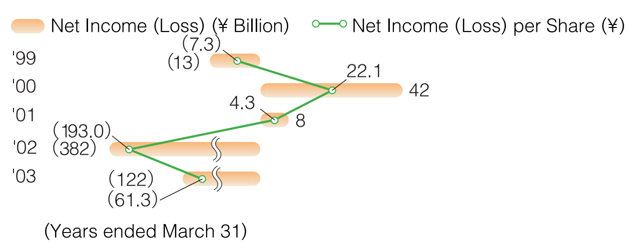
This annual report may contain forward-looking statements that are based on management's current views and assumptions and involve known and unknown risks and uncertainties that could cause actual results, performance or events to differ materially from those expressed or implied in such statements. Words such as "anticipates," "believes," "expects," "estimates," "intends," "plans," "projects," and similar expressions which indicate future events and trends identify forward-looking statements. Actual results may differ materially from those projected or implied in the forward-looking statements due to, without limitation, the following factors: general economic and market conditions in the major geographic markets for Fujitsu's services and products, which are the United States, EU, Japan and elsewhere in Asia, particularly as such conditions may effect customer spending; rapid technological change, fluctuations in customer demand and intensifying price competition in the IT, telecommunications, and microelectronics markets in which Fujitsu competes; Fujitsu's ability to dispose of non-core businesses and related assets through strategic alliances and sales on commercially reasonable terms, and the effect of realization of losses which may result from such transactions; uncertainty as to Fujitsu's access to, or protection for, certain intellectual property rights; uncertainty as to the performance of Fujitsu's strategic business partners; declines in the market prices of Japanese and foreign equity securities held by Fujitsu which could cause Fujitsu to recognize significant losses in the value of its holdings and require Fujitsu to make significant additional contributions to its pension funds in order to make up shortfalls in minimum reserve requirements resulting from such declines; poor operating results, inability to access financing on commercially reasonable terms, insolvency or bankruptcy of Fujitsu's customers, any of which factors could adversely affect or preclude these customers' ability to timely pay accounts receivables owed to Fujitsu; and fluctuations in rates of exchange for the yen and other currencies in which Fujitsu makes significant sales or in which Fujitsu's assets and liabilities are denominated, particularly between the yen and the British pound and U.S. dollar, respectively.

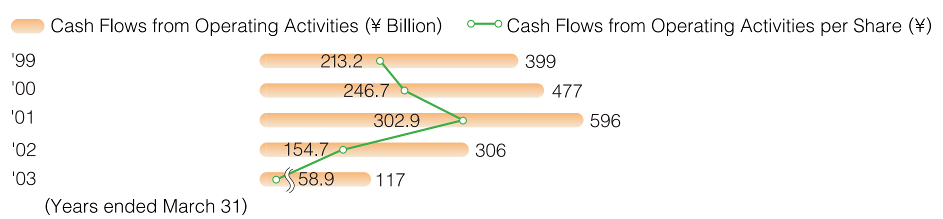
Consolidated Financial Highlights

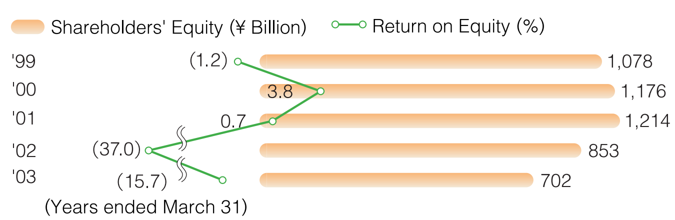
Fujitsu Limited and Consolidated Subsidiaries Years ended March 31	Yen (millions) (except per share data) 2002	 2003	*U.S. Dollars (millions) (except per share data)* *2003*
For the year:			
Net sales	¥ 5,006,977	¥ 4,617,580	*$ 38,480*
Operating income (loss)	(74,426)	100,427	*837*
Income (loss) before income taxes and minority interests	(594,733)	(147,606)	*(1,230)*
Net income (loss)	(382,542)	(122,066)	*(1,017)*
Cash flows from operating activities	306,571	117,797	*982*
Per share (Yen and U.S. dollars):			
Earnings (loss)			
Basic	¥ (193.0)	¥ (61.3)	*$ (0.511)*
Diluted	(193.0)	(61.3)	*(0.511)*
Cash flows from operating activities	154.7	58.9	*0.491*
Cash dividends	5.0	—	—
Cash dividends to face value	10%	—	—
At year-end:			
Shareholders' equity	¥ 853,756	¥ 702,390	*$ 5,853*
Total assets	4,595,804	4,225,361	*35,211*

Note: See Note 17 of Notes to Consolidated Financial Statements with respect to the calculation of basic and diluted earnings per share.
The U.S. dollar amounts above have been translated from yen, for convenience only, at the rate of ¥120 = US$1, the approximate Tokyo foreign exchange market rate on March 31, 2003.









Fiscal 2002 Summary

Fujitsu faced another challenging market environment in fiscal 2002, as market conditions in the U.S. continued to deteriorate amidst the aftermath of the telecom bubble and global deflationary trends. To ensure our future competitiveness in global markets, we continued the comprehensive restructuring initiatives we began the previous year. We streamlined our operations. We looked for ways to cut costs throughout our organization. And we dedicated ourselves to developing new business. As a result of these efforts, we succeeded in generating a major turnaround, posting consolidated operating income of ¥100.4 billion, despite a decline in sales.

Summary of Results

Our consolidated net sales were ¥4,617.5 billion, down 7.8% from the previous year. While sales of PCs and mobile phones increased, overall sales of platform products declined sharply as telecom carriers worldwide cut back on new investments and large-scale system orders in Japan, particularly from financial institutions, dropped off. Our services business also recorded lower sales to the telecommunications and financial sectors. Sales of semiconductors increased, however, as a result of much stronger demand for logic chips and flash memory products.

We managed a significant turnaround in operating income, moving from a loss of ¥74.4 billion the previous year to a profit of ¥100.4 billion in fiscal 2002. Our software and services business achieved better productivity in software development and improved profitability in our U.S. and U.K. services subsidiaries. Our platforms business returned to profitability as a result of restructuring initiatives. And our electronic devices business managed to trim operating losses. With the extraordinary losses stemming from restructuring charges and a charge to cover corrective measures for certain small form-factor hard disk drives, however, we recorded a consolidated net loss of ¥122.0 billion.

By clamping down on capital expenditures, allocating funds to only the most promising growth areas, and selling a portion of our investment securities, we generated free cash flow of ¥53.3 billion.

Restructuring Initiatives in Fiscal 2002

Following the major restructuring we undertook the previous year, in order to further improve our cost structure to cope with increasingly stringent market conditions, we implemented another round of restructuring in fiscal 2002, mainly in our platforms and electronic devices businesses.

Spending constraints among telecom carriers—in Japan as well as North America—continued to be severe. To cope with these business realities, we reorganized our telecommunications equipment production facilities in Japan, as well as our development and production operations for telecom components.

We also reorganized our printed circuit board production facilities in Japan. We spun off our

From left:
Naoyuki Akikusa, Chairman and Representative Director
Hiroaki Kurokawa, President and Representative Director


FUJITSU

printed circuit board division into an independent company in order to enable it to respond more quickly to market opportunities and focus on its value-added interconnect technology offerings for global customers in the IT industry.

Through these initiatives we were able to streamline our operations and raise efficiency. In fiscal 2002, we were able to achieve fixed cost savings of an additional ¥170 billion compared to the previous year. We expect to realize a further ¥30 billion in fixed cost savings in the current fiscal year. Although we have placed the large restructuring charges behind us in fiscal 2002, we will continue to implement measures designed to enhance our competitiveness in response to changes in our markets and the needs of our customers.

Rebuilding Our Balance Sheet

The two consecutive years of large net losses arising from our restructuring efforts have led to a serious deterioration in our balance sheet. Shareholders' equity ratio, which stood at 23.4% at the end of fiscal 2000, declined to 16.6% in fiscal 2002, while interest bearing liabilities remain at an uncomfortably high level of roughly ¥1.7 trillion. We are committed to rebuilding our shareholders' equity base and reducing debt levels. We intend to accomplish this by generating higher profits from our business operations and through more strategic utilization of our asset holdings.

A Trusted Partner to Our Customers

Changes in IT and the Business Environment

Information technology is progressing at an extremely rapid pace. Particularly in recent years, customers have become able to assemble systems comprising high-performance computers and

networking equipment from a variety of different vendors at reasonable prices. In addition, it has become relatively inexpensive to scale IT systems to accommodate new application software and higher processing capacity as their business needs expand. These trends have produced real benefits for IT users and have promoted the widespread use of information technology throughout the business world.

However, because of the complexities involved in linking a variety of different equipment together, unforeseen problems can occur. The expected level of system-wide performance may fail to materialize, or it may be difficult to diagnose the root cause when system failures occur. As complexity has increased, so has the time and cost required to run and manage IT systems. Now operations and maintenance costs account for an increasing portion of customers' IT budgets.

On the other hand, with competition intensifying on a global scale, economic conditions and a variety of risk factors have resulted in a rapidly changing business environment. To enhance their competitive positions, customers need to use information effectively and respond quickly, while at the same time controlling costs. In their IT spending, customers are looking more closely than ever at the efficiency of their investments, how quickly they can achieve their objectives, and the total cost of ownership over the lifecycle of their IT systems, from development to operation and maintenance.

Solutions from Fujitsu

Here is where Fujitsu can create value as a strategic partner helping customers to make optimal use of information technology. Working with customers to find solutions to the management issues they face is the cornerstone of our business strategy.

Our unique combination of strengths in leading-edge computing and network equipment and sophisticated middleware technology enable us to provide a fully integrated IT infrastructure. The result to customers is faster deployment of new systems, smooth connections between disparate systems, reliable operations, lower maintenance and dependable security. In short, we make our customers' lives easier.

Moreover, based on the strong bonds of trust that we have established with our customers over many years, and with a firm understanding of their business processes, we aim to provide solutions to the biggest management challenges our customers face, helping them to accelerate the responsiveness of their businesses and reduce costs.

Building a Prosperous Networked Society

IT as an Integral Part of Our Daily Lives

With the rapid proliferation of broadband Internet access, information technology is becoming an indispensable part of business and our everyday lives. In homes, schools, retail outlets, banks, hospitals and public transportation, information technology is being used all around us. As information technology is woven into the fabric of our lives, we move ever closer to a ubiquitous networked world, where information sharing is available anytime, anyplace and with anyone. For example, frontline salespeople can use PDAs that are linked to a database at their headquarters to exchange data in real time, enabling them to instantly verify inventory levels or place orders. Through instant access to information, they are able to provide their customers with better products and a higher level of service.

Bringing the Benefits of IT to Business and Society

Fujitsu is working to make the ubiquitous networked world a reality. We are building an IT infrastructure that offers 24/7 failsafe availability and that can seamlessly connect disparate systems, enabling information to be smoothly exchanged and put to use. We are also using this IT infrastructure to deliver enterprise solutions as well as services in the fields of healthcare, educational and government.

Fujitsu has three main business areas: IT services; platforms, comprised mainly of hardware products; and electronic devices, such as semiconductors. Our goal is not simply to provide stand-alone products or services. Our unique value is in providing comprehensive IT solutions comprising high-performance, high-quality products and services that incorporate leading-edge electronic device technologies. In helping a vast number of customers make their businesses more efficient through the deployment of information technology, we have accumulated a sophisticated understanding of business needs in a wide array of industries and organizations. This is a unique strength, and we are committed to leveraging it to enhance our customers' competitiveness and build an infrastructure for a more prosperous society.

Focusing on these efforts, we are working to strengthen our financial condition and profitability. As a trusted partner helping our customers use IT to manage their businesses, we also aim to stay a step ahead in the continuously evolving IT industry by constantly improving our own ways of doing business. We understand that providing highly reliable products and services is our first priority, and we will continue to look for ways to improve quality in every aspect of our operations. In addition, we are seeking to enhance our overall approach to risk management by assessing and finding ways to mitigate the risks we face.

At Fujitsu, we approach corporate responsibility from an environmental standpoint, an economic standpoint, and from the standpoint of the communities we serve. We are taking a balanced approach to business that will contribute to the sustainable growth of society.

This year, we have made the difficult decision not to distribute a dividend. We ask for the understanding of our shareholders and apologize for falling short of expectations. We will continue to implement operational reforms to generate stronger earnings and put Fujitsu back on a firm foundation of profitability. We thank you for your continued support.

Naoyuki Akikusa

Naoyuki Akikusa
Chairman and Representative Director

Hiroaki Kurokawa

Hiroaki Kurokawa
President and Representative Director

At a Glance

Software & Services

FY2002 Net Sales: ￥2,025.7 billion

- **Solutions and Systems Integration** ￥940.5 billion
  - **Solutions** — **Specialized offerings for diverse customer needs**
    - CRM
    - SCM
    - ERP
    - IT consulting
    - ASP
  - **Systems Integration** — **Full range of systems construction**
- **Infrastructure Services** ￥1,085.2 billion
  - Internet Data Centers
  - Broadband network services
  - Outsourcing services
  - Managed services
  - Middleware

Platforms

FY2002 Net Sales: ￥1,612.0 billion

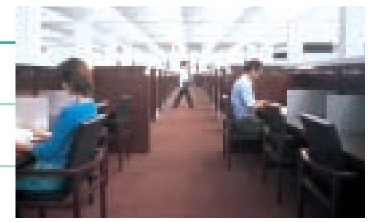
- **Servers** ￥382.8 billion
  - Servers
  - Storage systems
  - Other
- **Mobile & IP Networks** ￥189.7 billion
  - **Mobile Communications Infrastructure**
  - **IP Networks**
- **Transmission Systems** ￥222.6 billion
  - SONET and DWDM systems
- **PCs & Mobile Phones** ￥655.5 billion
  - **PCs**
    - Consumer models
    - Business models
    - Mobile terminals
  - **Mobile Phones**
- **Others** ￥161.4 billion
  - Hard disk drives

Electronic Devices

FY2002 Net Sales: ￥618.6 billion

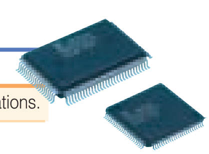
- **Semiconductors** ￥349.3 billion
  - Logic
  - Memory
  - SoC (System-on-Chip)
  - Compound semiconductors
- **Others** ￥269.3 billion
  - PDPs
  - LCDs
  - SAW devices
  - Components

	Main Products
Leverages the rich data that is generated at the point of contact with the customer to generate effective business strategies.	GLOVIA
Optimizes and raises efficiency of entire supply chain, from procurement through production, sales, logistics and delivery.	GLOVIA/SCM
Packaged software improves efficiency of wide range of business operations, such as accounting and production.	GLOVIA/Summit GLOVIA/C glovia.com
Strategic business consulting services to help customers benefit from information technology.	
Network-based provision of application software to customers helps lower operating costs.	
Software and hardware integration and development for customers in wide range of fields, including manufacturing, retail, finance, healthcare and government.	
Focusing on three primary centers in Japan (Tokyo, Tatebayashi and Akashi), provide system resources and packaged software as well as operational management. Expanding to 16 centers nationwide.	
Provide IP-VPN, outsourcing and other network services to 50,000 customers in Japan; rapid deployment of Internet and intranet environments.	FENICS
Provide system operation, management and maintenance services on behalf of customers.	
Security services (intrusion and virus protection) and system maintenance.	
Software for system configuration and operation/management.	
Mainframes: large-scale systems providing high-speed massive data-processing capacity and uninterrupted operation for mission-critical applications.	GS Series, PRIMEFORCE
UNIX servers: reliability, flexibility and world-class performance rivaling mainframes.	PRIMEPOWER Series
IA servers: low-cost system construction made possible with servers based on the Intel architecture.	PRIMERGY Series
Secure management of customer's data assets.	ETERNUS Series
Office printers and other equipment.	
Cellular base stations: systems for 3G-compliant mobile communication systems.	
IP routers: equipment for setting up Internet Protocol-based networks.	GeoStream Series
High-speed fiber-optic telecommunications systems for metro and long-haul.	FLASHWAVE Series
	Desktops (FMV-DESKPOWER) Notebooks (FMV-BIBLO) Mobile notebooks (FMV-BIBLO LOOX)
	Desktops (FMV-DESKTOP) Notebooks (FMV-LIFEBOOK) Tablet PCs (FMV-STYLISTIC)
	PDAs (Pocket LOOX)
	Cameraphones, big-screen phones, FOMA (3G) phones
Compact magnetic disk drives for servers and notebook PCs.	
Microprocessors and digital signal processors used in a variety of consumer electronic appliances; semiconductors used in automotive and digital consumer applications.	
Flash memory used in mobile phones and other products; FeRAM used in smart cards, etc.	
Multi-function single-chip LSI implementations combining, for example, microcontrollers and memory.	
Chips based on two or more types of chemical elements, used in optical transmission and other infrastructure equipment, mobile phones, etc.	
Slim, lightweight, high-resolution plasma displays gaining popularity for large-screen TVs and display monitors.	
Widely used for PC monitors.	
Used to distinguish signals in mobile phones.	
Communication system relays, connectors, keyboards, thermal printers, etc.	






As the following brief profiles illustrate, Fujitsu's comprehensive IT system and service offerings support a wide range of businesses and enrich individual lifestyles.

Kanebo: A Beautiful Solution

What is the most efficient way of raising the effectiveness of your sales force? In the retail cosmetics business, being able to clearly explain a product's features and benefits is essential. The key to success, however, is being able to offer the right product for each customer's individual needs.

Kanebo, one of Japan's leaders in beauty and skin care products, teamed up with Fujitsu to develop a knowledge management system for its nationwide force of 7,000 beauty counselors. Using Fujitsu's Pocket LOOX handheld devices, beauty counselors can access information on the latest styles, products and make-up techniques, as well as key selling points. The system consists of three user-friendly modules covering employee communications, new topics and sales tips. The content is conveyed through voice and images, making it easy for beauty counselors to get the information they need without reading through lengthy manuals. The content is also tailored to the type of retail outlet, location and sales background of each beauty counselor, enabling her to more effectively respond to the needs of her customers. By using this advanced knowledge management system, Kanebo is able to quickly transmit information to its beauty counselors and translate knowledge into sales. And that's a beautiful thing.

ChevronTexaco: Global Contract for Point-of-Sale Systems

In February, Fujitsu successfully concluded a global agreement to provide electronic point-of-sale hardware to one-third of ChevronTexaco Corporation's branded service stations worldwide. ChevronTexaco is the second largest U.S.-based energy company and fifth largest in the world. The agreement is expected to result in the installation or replacement of electronic point-of-sale systems in more than 8,500 of ChevronTexaco's 25,000 branded service stations and convenience stores worldwide over the next five years. Fujitsu's TeamPoS2000 system is based on industry-standard Intel architecture and offers scalability, flexibility and the ability to meet future functionality needs, all of which are anticipated will help ChevronTexaco to reduce its total cost of ownership.

ChevronTexaco sees the alliance with Fujitsu as a key step toward achieving its strategy of global standardization for electronic point-of-sale systems at its branded service stations and convenience stores, and it expects the agreement to deliver products that better meet its customers' needs, greater efficiency, and cost savings across its worldwide downstream business units. That's IT on the move.

Post Office: Comprehensive Services and Systems Integration for Business Transformation

In Europe, where postal system deregulation has been gaining ground, postal authorities must compete against new market entrants while continuing to improve operational efficiency and services delivery. Post Office Ltd., a subsidiary of Royal Mail Group plc of the U.K., is relying on Fujitsu to help transform its business to meet these challenges. London-based Fujitsu Services has been providing the Post Office® with the most advanced and secure electronic banking services and retail network in Europe to support the 170 products and services available, ranging from

financial products, travel services, bill payments, government information and retail products as well as postal services. The systems, which incorporate leading-edge XML and PKI software technologies and feature an easy-to-operate one-touch touch screen interface, are being used to service an average 28 million customers a week across all 17,000 UK Post Office branches.

Under a new seven-year contract for an extended range of services announced in January 2003, Fujitsu Services is developing and integrating the infrastructure, security, reconciliation and accounting systems to enable the Post Office to operate an electronic banking service through its branch network, making possible a range of new online transactions, such as smart card applications, and the processing of some 600 million transactions a year. The system will also allow high street banks, where they have agreements with the Post Office, to offer their customers the facility for deposits, cash withdrawals and balance inquiries through the Post Office branch network. That's business transformation you can bank on.

Panasonic Mobile Communications: Enterprise Resource Planning for Integrated Global Operations

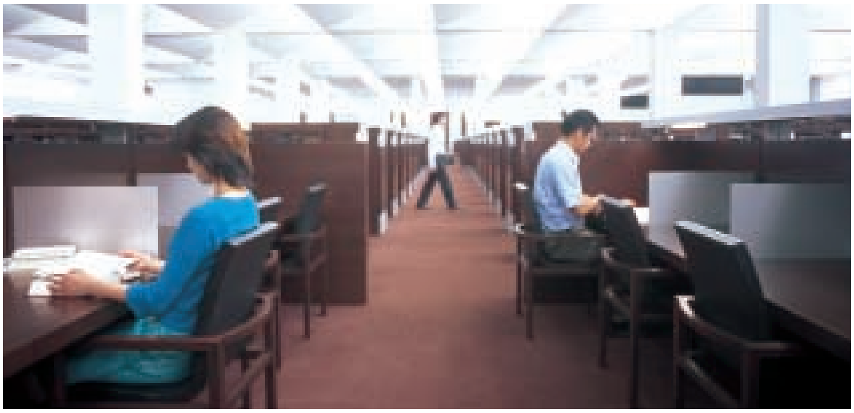
Mobile phones are enjoying increasingly widespread use around the world, but the market is constantly changing. To stay on top of consumer trends and meet market demand, manufacturers need an integrated view of procurement, production, inventory and sales. One leader in this field is Panasonic Mobile Communications, which is actively expanding its business on a global scale under the banner "new communication life to global customers." Using Fujitsu's glovia.com ERP solution, Panasonic has been able to integrate its production activities around the world in a common business platform for a more efficient and coordinated production flow.

Panasonic's previous system was a collection of stand-alone systems for production management, materials procurement and sales management. The data from the individual systems could not be integrated, and it took a considerable amount of time to grasp the total inventory situation.

With glovia.com, however, the company is now able to integrate information from each area and quickly adjust production to reflect conditions in the fast-changing mobile phone market, advancing the optimization of its production flow enterprise-wide. For example, the company can manage sourcing of key product components from Japan, manufacture the units in Beijing, package them to specific customer specifications in the Czech Republic, and then ship the finished handsets to other markets in Europe. That's global integration.

The National Diet Library: Online Access to Japan's Cultural Heritage

Japan's National Diet Library collects materials published in Japan and preserves this cultural heritage for the benefit of the legislative, executive and judicial branches of government as well as the people of Japan. To deal with an ever-expanding collection and provide a full range of library services, in October 2002 the library opened a new facility with a capacity of roughly six million volumes in Kansai Science City in Kyoto Prefecture. The new facility includes a digital library system designed by Fujitsu that features an online archive of historic documents dating from the Meiji Era (1868 – 1912) and a navigation service with links to various online databases. The system also includes functionality to archive web-based information for the benefit of future generations. In addition to designing this massive system, we continue to provide ongoing support. For people anywhere in Japan or around the world, a visit to the new digital library is only a few clicks away. That's IT with room to grow.



Software & Services

Delivering End-to-End, Full Lifecycle Services for Customers' IT Systems

Business Strategy

While market conditions in the IT sector as a whole remain difficult, there are several areas of growth for our software and services business. In addition to the e-Japan initiative and strong sales to the healthcare and automotive sectors, there is growing demand for outsourcing services as well as supply chain management (SCM) and enterprise resource planning (ERP) software products. In a survey of Fujitsu's customers, more than half identified as priority areas customer relationship management (CRM) and sales support, as well as financial and accounting management. According to the same survey, IT managers cited system security and the ability to plan for and propose system improvements as major issues.

To keep pace with these changing customer needs, and taking into account the full array of our customers' various IT-related processes, we are placing special emphasis on providing ongoing information system consulting, planning, application development, outsourcing and security services covering the complete system lifecycle. Assigning customer-specific system engineers, we go beyond just building pieces of an IT system and seek to address what our customers need from an IT system, whether it entails running their systems under an outsourcing contract or maintaining their application programs. In other words, it is our job to understand what our customers' goals are and help them achieve those goals.

To increase productivity and accelerate the system development cycle, we are advancing the use of standardized components and templates for discrete business processes as system building blocks. The benefits to the customer are higher quality, lower cost and faster delivery. In fiscal 2002 our services units in Europe and North America returned to a profitable footing, and they are now aggressively developing new business focused on the outsourcing market and catering to the needs of governments and public sector institutions.

Product Strategies

- In the solutions/systems integration field, we are targeting key sectors among Fujitsu's vast customer base of 170,000 corporations for business expansion. Among services for specific sectors, we are particularly intent on leveraging our domestic and international track record in e-government projects to provide solutions to local governments within Japan and public sector institutions in global markets. In addition, for customers in the vanguard of change within their industries, particularly in the manufacturing and retail sectors, we are seeking to expand our business by offering products such as GLOVIA, a comprehensive software solution that provides managers with an integrated view of their operations, from finance and accounting to production.
- In network services, in addition to offering data processing outsourcing services at our Internet Data Centers or at the customer's premises, we now offer customers the option of outsourcing entire administrative operations to Fujitsu. Moreover, utilizing our FENICS broadband backbone network in Japan, we provide rapid deployment of IP telephony services, which are quickly gaining widespread acceptance, and IP network construction for customers.
- In managed services, we offer system security and operational services through a cadre of 10,000 support professionals—the largest support staff in Japan—and a network of 1,000 locations. As customers' systems become more complex and advanced, the problem of security breaches is on the rise. We employ the latest countermeasures and monitoring resources to keep customer systems and networks secure.
- Fujitsu's middleware offerings, which are the product of close collaboration between our Software and Services and Platforms business groups, showcase the strength of our integrated business model. As key elements in our TRIOLE IT infrastructure, we are placing particular emphasis on two middleware offerings, Interstage and Systemwalker, to meet customer needs for rapid deployment and reliable operation of enterprise systems.

Platforms

Managing Complexity and Capacity in Changing IT Enviroments

Business Strategy

The rapid penetration of the Internet has brought about a new era in IT systems. Now, processes are distributed among multiple systems that are linked together. Many corporations, for example, have created integrated information systems, combining a core ERP system forming with accounting, production control and other built-in functionalities together with SCM and CRM systems. Having these distinct management systems linked to each other as well as to suppliers and customers for 24/7 e-commerce requires ever larger and more complex IT systems. Moreover, higher technical skills are required to handle system changes and capacity upgrades, as well as to keep the system running smoothly. These factors have placed an enormous burden on customers.

It was to resolve these issues that we developed TRIOLE, a new IT infrastructure designed to specifically address the problems of complexity and capacity in a rapidly changing IT environment. TRIOLE forms a central pillar of our business development this fiscal year. Our goal with TRIOLE is to present an open-systems construction and operational infrastructure environment in which we will select the best system components—including products from other vendors—and offer customers seamlessly integrated systems. Specifically, we are emphasizing three key points. The first is, based on the external network infrastructure environment, to ensure that the customer's internal infrastructure can accommodate linkages to a full spectrum of systems inside and outside the company, and to enable these systems to be easily accessed from any terminal, including mobile phones and PDAs. The second is to ensure efficient and stable operation of systems comprised of multiple components. The third is to enable speedy system construction and deployment, as well as to ensure that the system can be easily expanded as a customer's needs grow. Offering the TRIOLE IT infrastructure and its high value-added component products will be a major focus of our business initiatives in the current fiscal year.

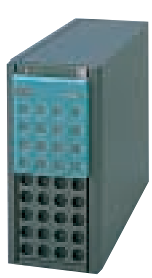
Mobile Phones
FOMA F2051

Notebook PCs
FMV-BIBLO

Desktop PCs
FMV-DESKPOWER

Product Strategies

- For servers, the nucleus of the TRIOLE IT infrastructure, we are adding Linux-based systems as a new pillar of our lineup, which includes UNIX, Windows and mainframe servers. While Linux has proven popular as an operating system for smaller Web and e-mail servers, we are now working to provide Linux servers for a wider range of applications, from small systems to large-scale enterprise systems. We are also enhancing our lineup of systems for large-volume storage and back-up as a key element in our TRIOLE initiative.
- In our PC business, we continue to use supply chain management and precise demand forecasting to optimize production, and we are offering products with fresh designs and easy-to-use features.
- In our mobile phones business, we are focusing on the emerging 3G handset market, as well as on cameraphones and handset models with features that are targeted to appeal to important consumer market segments.
- In telecommunications, we are providing highly competitive products with particular focus on the fields of optical transport (photonics), 3G mobile infrastructure and IP network equipment. We are also pursuing alliances to promote greater business efficiencies. By making our photonics products IP-compatible, we have bolstered our lead in the metro segment, and we are also moving into new areas, such as the cable TV market. In mobile infrastructure, we continue to focus on our business with NTT DoCoMo in Japan, while Evolium, our joint-venture with Alcatel, is the focal point for our expansion in overseas markets. And in IP networks, we are leveraging the technological advances we pioneered in our telecom networking equipment business and applying them to the promising areas of VoIP and IP-VPN.



IA Servers
PRIMERGY

UNIX Servers
PRIMEPOWER

Optical Transmission Systems
FLASHWAVE

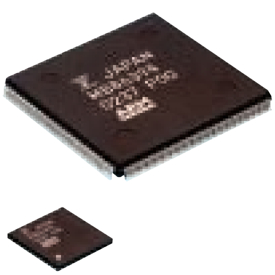
IP Routers
GeoStream

Electronic Devices

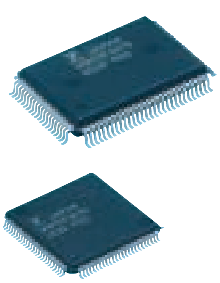
Focusing Resources on Advanced Logic and SoC Devices

Business Strategy

Our goals for this fiscal year are to promote a more customer-centric perspective and manage this business more effectively. Through cost efficiencies and more rapid market responsiveness, we aim to quickly restore profitability. We are focusing resources on our core business of logic chips, especially system-on-chip devices. In addition to enhancing our product lineup, we are expanding beyond simply promoting electronic devices as stand-alone products. In promoting systems solutions through our Software and Services group, there are an increasing number of cases in which an embedded electronic device is the key to delivering value and meeting customer needs, and we are working to leverage our unique strengths in device solutions.



System-on-chip



Microcontroller

PDP

Product Strategies

- In logic chips, we are expanding our existing line of microcontrollers as well as ASICs tailored to specific user needs, such as the digital AV field, and employing the latest fine process technologies to extend our leadership position in the field of system-on-chip solutions. The 90-nm process technology developed at our Akiruno Technology Center is now being used in volume production of CPUs for our high-performance servers. These initiatives support the competitiveness of Fujitsu's platforms products and, by focusing our resources on applications for the digital AV, mobile phone / mobile terminal, and automotive markets—fields in which we have particular strength—we aim to expand sales and restore profitability.
- In flash memory, we are expanding our joint venture with AMD beyond collaboration in production to form a new company that will also encompass marketing, R&D and assembly. Fujitsu will continue to deliver flash memory products that meet the diverse needs of our customers.
- At Fujitsu Quantum Devices, which makes compound semiconductors, and at Fujitsu Media Devices, which makes digital media chips, we aim to improve profitability by focusing on the markets for mobile base stations and mobile phones, particularly in Asia.
- In plasma display panels, through Fujitsu Hitachi Plasma Display, we are mass producing new products that continue to deliver superior levels of brightness and resolution to accommodate the expanding market for flat panel display televisions.
- Liquid crystal displays are produced by Fujitsu Display Technologies, which is now focusing on high-resolution screens of 19" and larger in order to increase profitability. Our alliance with Taiwan's AU Optronics Corporation is emphasizing on LCDs that offer greater brightness and wider viewing angles.
- In our components business, which produces relays, connectors, and other vital components for telecommunications systems, we are implementing manufacturing reforms to increase profitability.

In an IT sector characterized by constant change and intensifying competition, success depends on continually developing new and truly differentiated technologies. At Fujitsu Laboratories, we are pursuing the advanced technologies that are critical to the future development of our networked society. Spanning services, computing and communications systems, as well as the electronic devices, materials, packaging and cooling technologies upon which they depend, Fujitsu's R&D activities are carried out on a global basis by leading researchers in these fields.

Key Research Accomplishments in Fiscal 2002

Software & Services

Personal identification and authentication are critical to making e-government and e-commerce secure. We continued to advance research on biometric identification—including systems based on fingerprints, voiceprints, facial features, and palm vein characteristics—and developed a smart card-based personal authentication system that incorporates biometric technology.

Biometric mouse with palm vein pattern recognition device

Platforms

As a world leader in grid computing research, focusing on enterprise environments, we advanced the practical application of this next-generation server technology, which enables multiple computers to work as one and gives users access to whatever computing resources they need without having to be aware of individual system performance or status. This technology is especially beneficial to any sector with intensive computational demands, such as finance or manufacturing, as it allows for more efficient use of internal resources.

Contactless palm vein pattern biometric authentication system

Electronic Devices

Among our notable achievements in the field of electronic devices was the development of a high-output amplifier based on gallium nitride for use in 3G mobile communications base stations. Previous amplifiers needed to run on a lower voltage than the rest of the base station system, requiring a step-down transformer with its associated losses. But the gallium nitride amplifier can withstand higher operating voltages, reducing power losses and increasing base station efficiency.

Future Areas of Focus

We are at the brink of a new era in information technology, in which interconnected computers and networking devices are becoming an integral and pervasive part of our everyday surroundings: the era of ubiquitous computing. To help make this new era a reality, in software and services, we are working on ubiquitous system solutions, system security and knowledge management technologies. In platforms, we are focusing on business applications of grid computing and ways to merge optical, wireless, and IP-based networking. And in electronic devices, we are developing a single-chip VLIW multiprocessor, as well as next-generation CMOS technologies and advanced devices for wireless base stations. We are also continuing our work on some of the core underpinnings of these technologies, such as environmentally friendly materials, high-density/high-precision packaging technologies, cooling technologies, and reliability assessment technologies.

Environmental Activities

At Fujitsu we view environmental protection as a key management priority and, as a leader in the IT industry, we are harnessing our technologies and creativity to contribute to sustainable development.

Environmental Accounting

Cost / Effect trends (billions of yen)

		Fujitsu Limited	Major Subsidiaries	
FY2000	Costs	8.2	10.9	19.1
	Effects	11.1	13.5	24.6
FY2001	Costs	7.7	11.0	18.7
	Effects	12.3	12.0	24.3
FY2002	Costs	7.9	11.0	18.9
	Effects	8.8	12.2	21.0
FY2003 (est.)	Costs	8.3	11.6	19.9
	Effects	12.0	12.9	24.9

Classifications based on Ministry of the Environment's FY2002 Environmental Reporting Guidelines.
※Fujitsu's environmental accounting reports, including the FY2002 report, are subject to third-party audit and certification.

World's First Notebook Computer to Use Biodegradable Plastics

Together with Fujitsu Laboratories, we have collaborated to develop a biodegradable plastic made from corn, potatoes and other organic material. In an industry first, we have found a way to use this material in the chassis of some of our notebook computers. The main material used in a notebook chassis today is plastic made from petroleum, a non-renewable resource. With this new biodegradable plastic, however, even if a discarded notebook bypasses the recycling system and ends up in a landfill, the plastic will be broken down into water and CO_2 by microorganisms. If incinerated, it releases no dioxin or other harmful emissions. Moreover, compared to the materials currently being used, the new plastic requires only half as much energy to produce. Therefore, it reduces the burden

Community Support

JAIMS: Developing the Next Generation of Global Business Leaders

Now in its 31st year, the Japan-America Institute of Management Science (JAIMS) was established by Fujitsu in Hawaii in 1972. A pioneer in intercultural education, since its inception JAIMS has offered the kind of management education needed to develop individuals with the skills, knowledge and international perspective to become leaders in the global business environment.

Over 20,000 participants from all over the world have completed JAIMS programs and seminars to date. JAIMS offers an intensive Intercultural Management Program, as well on the environment and conserves scarce petroleum-based fuel resources. This is just one example of how Fujitsu is finding innovative solutions to make environmentally friendly products.

Top Rank in Environmental Ratings

For four years in a row, Fujitsu has scored top marks in the environmental component of the Dow Jones Sustainability Index. Our selection was based on a strong assessment of the company's ongoing environmental initiatives, such as making our entire product line environmentally friendly in fiscal 2002. Likewise, the Silicon Valley Toxics Coalition, a U.S.-based non-profit organization that promotes environmentally responsible policies in the IT industry, gave Fujitsu its top rating in environmental practices, the only passing grade in a field of 28 computer manufacturers from around the world. Fujitsu's lead-free manufacturing processes and the quality of our environmental disclosure were among the reasons why Fujitsu was singled out for this distinction.

Applying IT Solutions to Environmental Issues

Another way we are working to aid the environment is by helping our customers apply information technology to make their operations more efficient and thereby consume less energy and fewer resources. We examine every phase in a customer's system—from materials procurement to manufacturing, distribution, use/consumption, and disposal—and propose ways to use energy and other resources more efficiently. For example, when Japanese citizens change their place of residence, they must fill out various forms notifying the local authorities of their move. We examined the environmental impact of automating these procedures through an e-government solution. We compared the reduction in CO_2 emissions from using less paper and transportation with the increase in CO_2 emissions from the use of servers and other hardware. The net result was a 30% reduction in CO_2 emissions. That's just one example of how IT solutions from Fujitsu can deliver convenience and efficiency while lowering the burden on the environment.

as two MBA programs developed in cooperation with the University of Hawaii focusing on Japan and China, respectively. JAIMS also offers overseas seminars on the latest business trends, as well as seminars tailored to the specific needs of corporate and institutional sponsors.

Supporting the International Mathematical Olympiad

The International Mathematical Olympiad is a competition that is dedicated to identifying and fostering mathematically talented young people from all nations. In addition to giving them an opportunity to develop their talents, it promotes friendship among children and educators from around the world who like mathematics.

In the final round of the competition, contestants from around the world attempt six difficult mathematical problems, with the winners receiving gold, silver and bronze medals.

Events have been held every year since the first competition in Romania in 1959, with participating countries serving as host on a rotating basis. Japan has participated since the 31st competition, which was held in China in 1990. The 44th competition is being held in Japan in 2003 with Fujitsu providing a broad range of support as the event's sole sponsor.

Management

Board of Directors


Chairman and Representative Director
Naoyuki Akikusa


President and Representative Director
Hiroaki Kurokawa


Director
Kunihiko Sawa
President and CEO
Fuji Electric Co., Ltd.


Director
Hiroshi Oura
Chairman of the Board and CEO
Advantest Corporation


Director
Akira Takashima


Director, CTO
Michio Fujisaki
President, Fujitsu Laboratories Ltd.


Director, Customer Satisfaction
Hiroya Madarame


Director, Marketing
Kuniaki Suzuki


Director, Manufacturing Innovation
Junji Maeyama


Director, CFO
Masamichi Ogura

Auditors

Standing Auditors

Takashi Takaya
Shin Koizumi

Auditors

Yasuyuki Wakahara
Takeo Kato
Katsuhiko Kondo

Corporate Executive Officers

President

Hiroaki Kurokawa

Corporate Executive Vice Presidents

Akira Takashima
Hiroya Madarame (Group President, Software & Services Business Group)
Kuniaki Suzuki (Group President, Sales Group)
Junji Maeyama (Group President, Platforms Business Group)
Masamichi Ogura (Head of Corporate Center)

Corporate Senior Vice Presidents

Toshihiko Ono (Group President, Electronic Devices Business Group)
Kazuo Murano
Koichi Ohta
Hirohisa Yabuuchi
Michiyoshi Mazuka
Chiaki Ito
Takahiko Okada

Corporate Vice Presidents

Hiroaki Takeichi	Kuniaki Nozoe	Hiromasa Inagaki	Yoshiaki Shibano
Michio Atarashi	Nobutake Matsumura	Yasuo Koike	Yasuaki Ara
Yasushi Tajiri	Takashi Igarashi	Yoshiyuki Tanakura	Kazuya Wada
Takashi Aoki	Takashi Nakamura	Kyung-soo Ahn	Takumi Nakamura
Ichiro Komura	Haruki Okada	Koichi Matsushita	
Kazuhiko Kato	Nobuo Nagaya	Kimihisa Itoh	
Tetsuo Urano	Yoshihisa Nagano	Shigeru Fujii	

FINANCIAL SECTION **CONTENTS**

Years ended March 31	1999	2000	2001	2002	**2003**	*2003*
					Yen (millions) (except for per share data and number of employees)	*U.S. Dollars (thousands)*
Net sales	¥5,242,986	¥5,255,102	¥5,484,426	¥5,006,977	**¥4,617,580**	*$38,479,833*
Operating income (loss)	132,287	149,974	244,026	(74,426)	**100,427**	*836,892*
Income (loss) before income taxes and minority interests	49,625	74,857	157,564	(594,733)	**(147,606)**	*(1,230,050)*
Net income (loss)	(13,638)	42,734	8,521	(382,542)	**(122,066)**	*(1,017,217)*
Total assets	5,025,670	5,019,744	5,200,071	4,595,804	**4,225,361**	*35,211,342*
Shareholders' equity	1,078,652	1,176,528	1,214,383	853,756	**702,390**	*5,853,250*
Amounts per share of common stock (Yen and U.S. dollars):						
Earnings (loss)						
Basic	¥ (7.3)	¥ 22.1	¥ 4.3	¥ (193.0)	**¥ (61.3)**	*$ (0.511)*
Diluted	(7.3)	21.5	4.3	(193.0)	**(61.3)**	*(0.511)*
Cash dividends	10.0	10.0	10.0	5.0	**—**	*—*
Shareholders' equity	572.5	599.4	614.2	426.5	**350.8**	*2.923*
R&D expenditure	¥ 395,063	¥ 401,057	¥ 403,405	¥ 349,855	**¥ 285,735**	*$ 2,381,125*
Capital expenditure	288,896	325,706	438,043	306,966	**147,620**	*1,230,167*
Number of employees	188,139	188,053	187,399	170,111	**157,044**	
Net sales by business segment (excluding intersegment sales):						
Software and Services	¥2,015,409	¥1,969,038	¥2,014,375	¥2,085,863	**¥2,025,790**	*$16,881,583*
Platforms	2,501,628	2,384,192	2,349,854	2,015,226	**1,612,016**	*13,433,466*
Electronic Devices	506,645	568,159	759,723	546,555	**618,632**	*5,155,267*
Financing	—	113,070	107,246	114,472	**119,279**	*993,992*
Other operations	219,304	220,643	253,228	244,861	**241,863**	*2,015,525*
Total	¥5,242,986	¥5,255,102	¥5,484,426	¥5,006,977	**¥4,617,580**	*$38,479,833*
Net sales by customers' geographic location:						
Japan	¥3,127,501	¥3,352,837	¥3,590,282	¥3,460,915	**¥3,280,665**	*$27,338,875*
Europe	1,019,482	819,082	725,756	643,260	**568,763**	*4,739,691*
The Americas	708,124	688,179	765,288	542,144	**390,482**	*3,254,017*
Asia & Oceania	359,612	371,458	383,560	346,425	**369,022**	*3,075,183*
Africa & the Middle East	28,267	23,546	19,540	14,233	**8,648**	*72,067*
Total	¥5,242,986	¥5,255,102	¥5,484,426	¥5,006,977	**¥4,617,580**	*$38,479,833*

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 ¥120 = US$1, the approximate Tokyo foreign exchange market rate on March 31, 2003.

Net Sales

Market conditions affecting Fujitsu in the fiscal year ended March 31, 2003 (fiscal 2002) remained difficult. Amid the prolonged aftermath of the bursting of the IT bubble in the U.S. and the subsequent economic downturn and global deflationary trends, stock markets remained depressed, personal consumption lagged and businesses continued to place stringent restraints on their investments in IT. With price competition increasingly fierce as a result of the rise in production capacity in China and elsewhere, the IT sector continued to experience drastic and rapid structural change, and market conditions remained severe throughout the year. At the same time, however, the implementation of the e-Japan initiative continued to have a beneficial effect, and China and other Asian markets began to recover in the second half. There were also signs that the decline in IT investment by telecommunications carriers in Europe and the U.S. had finally hit bottom. Unfortunately, toward the close of the fiscal year, the prospects for economic recovery worldwide became less certain as a result of the tense international situation, including the Iraq conflict and possible adverse effects from the SARS epidemic.

In this difficult environment, fiscal 2002 consolidated net sales were ¥4,617.5 billion ($38,480 million), a decrease of 7.8% from the previous fiscal year.

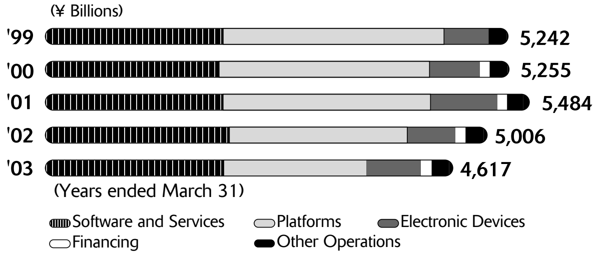
We accelerated worldwide efforts to increase sales of software and services to the manufacturing, government and healthcare sectors and also strived to expand sales of consumer products, such as personal computers and mobile telephones. Despite these initiatives, however, telecommunications carriers worldwide continued to cut back on their capital investments. There was also a drop-off in large-scale system orders in Japan, particularly from financial institutions. As a result, sales of platform products fell significantly. Our services business was also impacted by conditions in the telecommunications and financial sectors. In semiconductors, however, although price competition intensified, there was great improvement in the demand-supply balance for logic chips and flash memory, and sales increased.

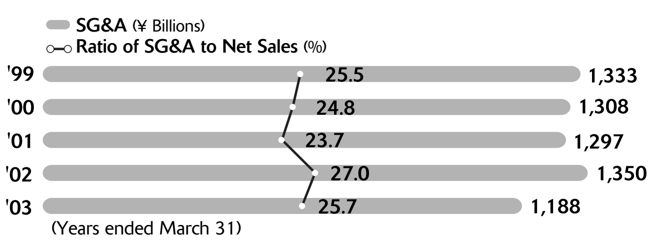
Cost of Sales, Selling, General & Administrative Expenses, and Operating Income

Compared to the previous year, the cost of sales decreased by 10.8%, to ¥3,328.2 billion ($27,736 million), while the cost of sales ratio also fell by 2.4% from the previous fiscal year, to 72.1%. Gross profit on sales (net sales minus the cost of goods sold) rose to ¥1,289.3 billion ($10,744 million), a 1.1% increase over the previous fiscal year. As a result, the gross profit margin improved by 2.4% from last year's 25.5%, to 27.9%. This improvement in profitability is a result of the effects of the streamlining achieved by restructuring as well as concerted efforts to cut costs and make expenditures more productive.

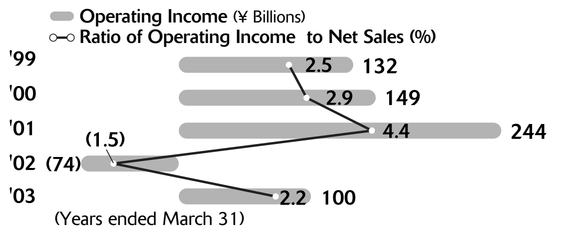
Selling, general and administrative expenses declined by 11.9% from the previous year, to ¥1,188.8 billion ($9,907 million). These efficiency gains, combined with the decrease in sales, led to a 1.3% reduction in the ratio of these expenses to net sales, to 25.7%. As a result of the

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





foregoing factors, operating income for fiscal 2002 increased by ¥174.8 billion over the previous year, to ¥100.4 billion ($837 million). The ratio of operating income to net sales was 2.2%.



Other Income and Expenses, Net Income

Other income and expenses amounted to -¥248.0 billion (-$2,067 million), compared to -¥520.3 billion in the previous year.

With a significant decline in sales volume, we continued the business restructuring initiatives begun in the previous year, recording restructuring charges of ¥151.4 billion ($1,262 million), compared to ¥417.0 billion in the previous year. The restructuring, which included workforce reductions at our production facilities in Japan, was aimed at a fundamental reform of our cost structure in the face of the structural changes in the IT market following the bursting of the IT bubble in the U.S. and the persistence of worldwide deflationary trends.

In addition, we posted ¥30.6 billion ($255 million) for charges to cover the costs of corrective measures for certain small form factor hard disk drives. We recorded ¥21.8 billion ($182 million) in valuation losses for investment securities as a result of stock price declines, compared to ¥20.5 billion of such losses the previous year. We also posted ¥29.3 billion ($245 million) in gains on the sale of investment securities as well as a gain of ¥14.5 billion ($121 million) related to the sale of our printer business. As a result of these factors, we posted a loss before income taxes and minority interests of ¥147.6 billion ($1,230 million). After factoring in income taxes of -¥28.7 billion (-$240 million) and minority interests of ¥3.2 billion ($27 million), the net loss was ¥122.0 billion ($1,017 million). This represented an improvement of ¥260.4 billion compared to the previous year's net loss. The net loss per share was ¥61.3 ($0.511).

Business Segment Information

Software and Services

Fiscal 2002 sales of software and services declined from the previous year by 2.9%, to ¥2,025.7 billion ($16,882 million).

Amid general weakness in IT spending, there were a few bright spots. The spread of the e-Japan initiative helped boost sales to the healthcare sector, overseas expansion resulted in higher sales to the manufacturing sector, and the expanding infrastructure for broadband networks favorably impacted our outsourcing business. With the continuing curtailment of IT investments by telecommunications carriers in Japan, the U.S. and Europe, however, and fewer large-scale projects among financial institutions, overall sales in this segment declined.

The restructuring of our overseas subsidiaries returned our operations in the U.K. and the U.S. to a profitable footing. Business productivity also increased as a result of our promotion of packaged solution offerings and the full-scale utilization of Enterprise Java Beans component technology in software development. As a result, operating income in this segment was ¥176.5 billion ($1,471 million), an improvement of ¥18.6 billion over the previous year.

Platforms

Platforms sales totaled ¥1,612.0 billion ($13,433 million), a significant decrease of 20.0% over the previous year.

Although the overall number of personal computers shipped in the Japanese market was down from the preceding year and price competition became more severe, we increased our share, especially for consumer products. In mobile telephones, sales were particularly strong for our innovative, easy-to-use models.

On the other hand, reflecting the continuing major cutbacks in spending by telecommunications carriers in North America as well as Japan, sales of optical transmission systems fell significantly compared to the previous year. Domestic sales of 3G mobile systems were also weak. A drop-off in major IT investment in the financial sector caused sales of large-scale servers and storage systems to fall sharply. Our withdrawal from the business of small form factor hard disk drives for desktop PCs was another factor that contributed to the large overall decline in platform sales compared to the previous fiscal year. Despite the decline in sales, our restructuring initiatives to streamline operations, cut costs, and improve efficiency resulted in a return to profitability. Operating income for the segment was ¥0.9 billion ($8 million), a ¥58.5 billion improvement compared to the previous year.

Electronic Devices

Electronic Devices net sales were up 13.2% from the previous year, to ¥618.6 billion ($5,155 million).

In semiconductors, thanks to the working through of inventory adjustments, particularly for chips used in digital AV equipment and mobile phones, sales of logic chips and flash memory increased. Other areas, such as plasma display panels and telecommunications components, also posted higher sales.

Although prices for flash memory products remained depressed, the semiconductor market as a whole began to recover. Benefits from the streamlining of our operations materialized, and strong demand for plasma display TVs boosted the profitability of our PDP business. While electronic devices posted an operating loss of ¥31.6 billion ($263 million), this nevertheless represented a major improvement of ¥77.6 billion over the previous year's loss.

Financing

Financing net sales were up 4.2% from the previous year, to ¥119.2 billion ($994 million), with operating income of ¥4.3 billion ($36 million), an increase of ¥0.1 billion.

Other

Other net sales fell 1.2% from the previous year, to ¥241.8 billion ($2,016 million). Operating income was ¥10.0 billion ($83 million), an increase of ¥9.7 billion.

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

Years ended March 31	2002	**2003**	Increase (Decrease) rate(%)
Net sales (including intersegment sales)			
Software and Services	¥2,138	**¥2,097**	(1.9)%
Platforms	2,255	**1,843**	(18.3)
Electronic Devices	637	**687**	7.8
Financing	123	**128**	3.7
Other	371	**378**	2.0
Intersegment elimination	(520)	**(518)**	
Consolidated net sales	¥5,006	**¥4,617**	(7.8)%

	2002	**2003**	Increase (Decrease)
Operating Income			
Software and Services	¥ 157	**¥176**	¥ 18
Platforms	(57)	**0**	58
Electronic Devices	(109)	**(31)**	77
Financing	4	**4**	0
Other	0	**10**	9
Unallocated operating costs and expenses/intersegment elimination	(69)	**(59)**	10
Consolidated operating income	¥ (74)	**¥100**	¥174

Geographic Segment Information

Japan

Domestic sales in fiscal 2002 fell by 5.4%, to ¥3,556.4 billion ($29,637 million).

Sales of services to the manufacturing, government and healthcare sectors remained strong, as did sales of outsourcing services and mobile phones. Net sales overall declined, however, as a result of the drop in demand for optical transmission systems and the effects of our previous withdrawal from the small form factor hard disk drive business for desktop PCs. The streamlining effects of our restructuring initiatives boosted operating income to ¥160.8 billion ($1,340 million), compared to ¥53.3 billion the previous fiscal year.

Europe

Reduced sales from the software and support businesses, along with the effects of the withdrawal from the small form factor hard disk drive business for desktop PCs, contributed to an 11.3% decline in sales in Europe from the previous fiscal year, to ¥524.9 billion ($4,374 million). Operating income, however, improved to a positive ¥3.6 billion ($30 million), compared to an operating loss of ¥17.9 billion in the prior fiscal year.

The Americas

Sales in the Americas in fiscal 2002 were impacted by sharp cutbacks in spending by North American telecommunications carriers, which resulted in lower sales of optical transmission systems. Overall sales in the region declined 36.2%, to ¥257.5 billion ($2,146 million). Through the streamlining of our operations, however, we managed to reduce our operating loss to ¥18.7 billion ($157 million), compared to a ¥57.4 billion loss in the previous fiscal year.

Other

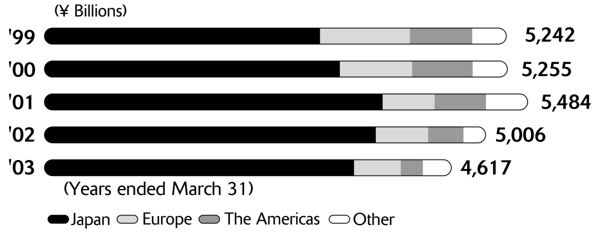
Sales in other regions including Asia totaled ¥278.6 billion ($2,322 million), an increase of 10.8%. Streamlining of our small form factor hard disk drive manufacturing subsidiaries in Southeast Asia contributed to an increase in operating income to ¥12.7 billion ($106 million), compared to ¥5.9 billion in the preceding year.

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

Years ended March 31	2002	**2003**	Increase (Decrease) rate (%)
Net sales (including intersegment sales)			
Japan	¥4,161	**¥3,888**	(6.6)%
Europe	605	**543**	(10.3)
The Americas	446	**278**	(37.6)
Other	473	**464**	(2.1)
Intersegment elimination	(680)	**(556)**	
Consolidated net sales	¥5,006	**¥4,617**	(7.8)%

			Increase (Decrease)
Operating income			
Japan	¥ 53	**¥160**	¥107
Europe	(17)	**3**	21
The Americas	(57)	**(18)**	38
Other	5	**12**	6
Unallocated operating costs and expenses/intersegment elimination	(58)	**(58)**	0
Consolidated operating income	¥ (74)	**¥100**	¥174

For reference:
Net Sales by Customers' Geographic Location
(¥ Billions)



Capital Expenditure

In view of the challenging business environment, we reduced capital expenditure in fiscal 2002 by 51.9%, to ¥147.6 billion ($1,230 million). Such expenditure was targeted at the most promising growth sectors and held within the same range as depreciation expenses. Broken out by business segment, capital expenditures were ¥38.8 billion ($323 million) in software and services, ¥36.7 billion ($306 million) in platforms, ¥60.9 billion ($508 million) in electronic devices (of which ¥38.0 billion ($317 million) was for semiconductors) and ¥11.1 billion ($93 million) for general corporate and other areas.

Capital Expenditure (¥ Billions)

Years ended March 31	2002	**2003**	Increase (Decrease) rate (%)
Software and Services	¥ 46	**¥ 38**	(16.6)%
Platforms	59	**36**	(38.7)
Electronic Devices	180	**60**	(66.2)
[Semiconductor production]	[122]	**[38]**	[(68.9)]
Corporate and others*	20	**11**	(44.7)
Total	¥306	**¥147**	(51.9)%
Japan	244	**125**	(48.6)
Overseas	62	**21**	(64.9)

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

Major Capital Expenditures

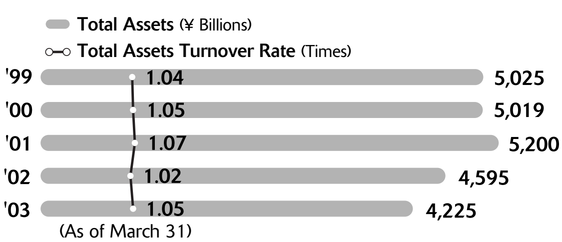
Software and Services:	Outsourcing facilities and network infrastructure
Platforms:	Development and production facilities for servers and network equipment
Electronic Devices:	Volume production facilities for leading-edge logic chips

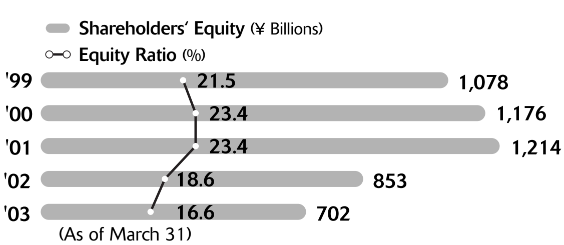
Financial Condition and Liquidity

Total assets at the end of fiscal 2002 amounted to ¥4,225.3 billion ($35,211 million), a decrease of ¥370.4 billion from the previous year. Current assets were ¥2,071.6 billion ($17,264 million), down ¥151.4 billion, primarily as a result of a decline of ¥80.6 billion in trade receivables in conjunction with lower sales and an inventory reduction of ¥39.9 billion from the previous fiscal year end. Fixed assets amounted to ¥2,153.7 billion ($17,947 million), a decrease of ¥219.0 billion from the previous fiscal year as a result of confining capital expenditure to only the most promising growth areas.

Total liabilities amounted to ¥3,308.4 billion ($27,570 million), a decrease of ¥218.1 billion. Current liabilities declined ¥356.0 billion to ¥1,765.2 billion ($14,710 million) as a result of decreases in accrued expenses, bonds and short-term borrowings. Fixed liabilities rose ¥137.8 billion, to ¥1,543.1 billion ($12,860 million), as a result of the issuance of zero coupon convertible bonds and other factors. Interest-bearing liabilities also rose by ¥3.1 billion from the previous fiscal year, to ¥1,763.7 billion ($14,698 million).

The large net loss resulting from restructuring charges and other factors reduced total shareholders' equity by ¥151.3 billion, to ¥702.3 billion ($5,853 million), resulting in a decline in the shareholders' equity ratio to 16.6%. Based on the number of shares outstanding at the end of the period, shareholders' equity per share was ¥350.8 ($2.923).



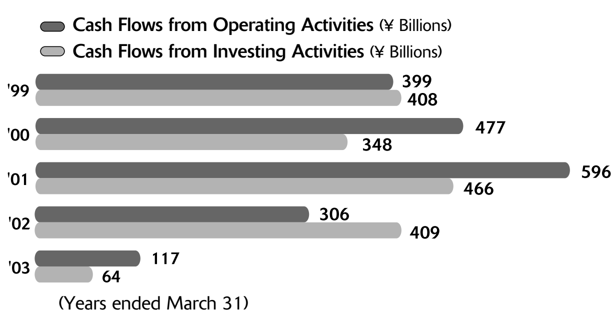


Cash Flows

Although we significantly improved operating income in the period, extraordinary charges stemming from restructuring initiatives and other factors reduced cash flows from operating activities by ¥188.7 billion, to ¥117.7 billion ($982 million). Because capital expenditures were confined to the most promising growth sectors and some assets were sold, cash flows from investing activities declined to -¥64.4 billion (-$537 million), an improvement of ¥345.0 billion from the previous fiscal year.

As a result of the above factors, free cash flow was ¥53.3 billion ($445 million), compared to -¥102.8 billion in the previous fiscal year.

Due in part to the issuance of ¥250.0 billion ($2,083 million) of zero coupon convertible bonds in May 2002 as well as the redemption of bonds and the repayment of outstanding debt, cash flows from financing activities were -¥67.2 billion (-$560 million), compared with ¥91.3 billion last fiscal year.



Consolidated Subsidiaries

At the end of fiscal 2002, Fujitsu had 487 consolidated subsidiaries, 138 in Japan and 349 abroad, representing a decrease of 7 from last year's total of 494. While subsidiaries of Fujitsu Components and Fujitsu Quantum Devices were newly consolidated, we also merged and reorganized other subsidiaries with the aim of increasing their competitiveness, including a reorganization of the Fujitsu Services Group. The net result was a decrease in the total number of subsidiary companies.

The number of affiliates accounted for by the equity method increased by 1 to 29.

At March 31	Yen (millions) 2002	2003	U.S. Dollars (thousands) (Note 3) 2003
Assets			
Current assets:			
Cash and cash equivalents	¥ 299,418	**¥ 282,333**	*$ 2,352,775*
Short-term investments (Note 4)	4,368	**1,652**	*13,767*
Receivables, trade (Note 16)	921,107	**840,408**	*7,003,400*
Allowance for doubtful accounts	(13,343)	**(7,615)**	*(63,458)*
Inventories (Note 5)	635,972	**595,984**	*4,966,533*
Current portion of lease receivables (Note 15)	64,049	**61,951**	*516,258*
Other current assets (Note 11)	311,496	**296,927**	*2,474,392*
Total current assets	2,223,067	**2,071,640**	*17,263,667*
Investments and long-term loans:			
Affiliates (Note 6)	341,937	**285,837**	*2,381,975*
Lease receivables (Note 15)	116,859	**115,392**	*961,600*
Other investments and long-term loans (Notes 4, 6 and 11)	438,638	**500,358**	*4,169,650*
Total investments and long-term loans	897,434	**901,587**	*7,513,225*
Property, plant and equipment (Notes 7 and 9):			
Land	140,602	**133,806**	*1,115,050*
Buildings	835,238	**793,800**	*6,615,000*
Machinery and equipment	2,540,859	**2,246,576**	*18,721,467*
Construction in progress	45,685	**28,597**	*238,308*
	3,562,384	**3,202,779**	*26,689,825*
Less accumulated depreciation	2,364,918	**2,212,227**	*18,435,225*
Property, plant and equipment, net	1,197,466	**990,552**	*8,254,600*
Intangible assets:			
Software	146,754	**150,681**	*1,255,675*
Goodwill (Note 8)	116,631	**97,937**	*816,142*
Other intangible assets	14,452	**12,964**	*108,033*
Total intangible assets	277,837	**261,582**	*2,179,850*
Total assets	¥4,595,804	**¥4,225,361**	*$35,211,342*

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

	2002	2003	2003
		Yen (millions)	*U.S. Dollars (thousands) (Note 3)*
Liabilities, minority interests and shareholders' equity			
Current liabilities:			
Short-term borrowings (Note 9)	¥ 434,587	**¥ 302,666**	***$ 2,522,217***
Current portion of long-term debt (Note 9)	190,767	**203,425**	***1,695,208***
Payables, trade (Note 16)	793,782	**716,842**	***5,973,684***
Accrued expenses	490,807	**331,485**	***2,762,375***
Customers' advances	31,227	**31,665**	***263,875***
Accrued income taxes	34,145	**30,880**	***257,333***
Other current liabilities (Note 11)	145,909	**148,261**	***1,235,508***
Total current liabilities	2,121,224	**1,765,224**	***14,710,200***
Long-term liabilities:			
Long-term debt (Note 9)	1,135,272	**1,257,678**	***10,480,650***
Accrued retirement benefits (Note 10)	116,484	**125,475**	***1,045,625***
Provision for loss on repurchase of computers	84,175	**75,047**	***625,392***
Other long-term liabilities (Note 11)	69,367	**84,991**	***708,258***
Total long-term liabilities	1,405,298	**1,543,191**	***12,859,925***
Minority interests in consolidated subsidiaries	215,526	**214,556**	***1,787,967***
Shareholders' equity:			
Common stock (Note 12)			
Authorized—5,000,000,000 shares			
Issued			
2002—2,001,962,672 shares	324,624		
2003—2,001,962,672 shares		**324,624**	***2,705,200***
Capital surplus (Note 12)	519,720	**519,720**	***4,331,000***
Retained earnings (Deficit)	76,176	**(60,718)**	***(505,983)***
Unrealized gains on securities, net of taxes	10,417	**2,152**	***17,933***
Revaluation surplus on land, net of taxes	4,311	**3,938**	***32,817***
Foreign currency translation adjustments	(81,323)	**(86,517)**	***(720,975)***
Treasury stock, at cost	(169)	**(809)**	***(6,742)***
Total shareholders' equity	853,756	**702,390**	***5,853,250***
Commitments and contingent liabilities (Note 13)			
Total liabilities, minority interests and shareholders' equity	¥4,595,804	**¥4,225,361**	***$35,211,342***

Years ended March 31	2001	2002	Yen (millions) 2003	U.S. Dollars (thousands) (Note 3) 2003
Net sales	¥5,484,426	¥5,006,977	**¥4,617,580**	***$38,479,833***
Operating costs and expenses:				
Cost of sales	3,942,614	3,731,257	**3,328,261**	***27,735,508***
Selling, general and administrative expenses (Note 18)	1,297,786	1,350,146	**1,188,892**	***9,907,433***
	5,240,400	5,081,403	**4,517,153**	***37,642,941***
Operating income (loss)	244,026	(74,426)	**100,427**	***836,892***
Other income (expenses):				
Interest and dividend income	14,291	10,480	**8,495**	***70,791***
Equity in earnings of affiliates, net	13,429	2,676	**570**	***4,750***
Interest charges	(48,955)	(43,126)	**(29,913)**	***(249,275)***
Other, net (Note 18)	(65,227)	(490,337)	**(227,185)**	***(1,893,208)***
	(86,462)	(520,307)	**(248,033)**	***(2,066,942)***
Income (loss) before income taxes and minority interests	157,564	(594,733)	**(147,606)**	***(1,230,050)***
Income taxes (Note 11):				
Current	134,882	35,122	**36,188**	***301,567***
Deferred	5,818	(234,542)	**(64,977)**	***(541,475)***
	140,700	(199,420)	**(28,789)**	***(239,908)***
Income (loss) before minority interests	16,864	(395,313)	**(118,817)**	***(990,142)***
Minority interests in (income) loss of consolidated subsidiaries	(8,343)	12,771	**(3,249)**	***(27,075)***
Net income (loss)	¥ 8,521	¥ (382,542)	**¥ (122,066)**	***$ (1,017,217)***

			Yen	U.S. Dollars (Note 3)
Amounts per share of common stock:				
Basic earnings (loss) (Note 17)	¥4.3	¥(193.0)	**¥(61.3)**	***$(0.511)***
Diluted earnings (loss) (Note 17)	4.3	(193.0)	**(61.3)**	***(0.511)***
Cash dividends	10.0	5.0	**—**	***—***

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

Consolidated Statements of Shareholders' Equity

Years ended March 31	2001	2002	Yen (millions) 2003	U.S. Dollars (thousands) (Note 3) 2003
Common stock (Note 12):				
Balance at beginning of year	¥ 306,246	¥ 314,652	**¥ 324,624**	***$2,705,200***
Exercise of warrants	7,007	—	**—**	***—***
Conversion of bonds	1,399	9,707	**—**	***—***
Increase as a result of stock exchange	—	265	**—**	***—***
Balance at end of year	¥ 314,652	¥ 324,624	**¥ 324,624**	***$2,705,200***
Capital surplus (Note 12):				
Balance at beginning of year	¥ 495,073	¥ 505,449	**¥ 519,720**	***$4,331,000***
Exercise of warrants	8,977	—	**—**	***—***
Conversion of bonds	1,399	9,707	**—**	***—***
Increase as a result of stock exchange	—	4,564	**—**	***—***
Balance at end of year	¥ 505,449	¥ 519,720	**¥ 519,720**	***$4,331,000***
Retained earnings (Deficit):				
Balance at beginning of year	¥ 490,409	¥ 483,709	**¥ 76,176**	***$ 634,800***
Net income (loss)	8,521	(382,542)	**(122,066)**	***(1,017,217)***
Cash dividends paid	(19,642)	(14,842)	**(5,005)**	***(41,708)***
Bonuses to directors and statutory auditors	(728)	(998)	**(598)**	***(4,983)***
Other, net	5,149	(9,151)	**(9,225)**	***(76,875)***
Balance at end of year	¥ 483,709	¥ 76,176	**¥ (60,718)**	***$ (505,983)***
Unrealized gains on securities, net of taxes:				
Balance at beginning of year	¥ —	¥ 19,035	**¥ 10,417**	***$ 86,808***
Increase (decrease)	19,035	(8,618)	**(8,265)**	***(68,875)***
Balance at end of year	¥ 19,035	¥ 10,417	**¥ 2,152**	***$ 17,933***
Revaluation surplus on land, net of taxes:				
Balance at beginning of year	¥ —	¥ —	**¥ 4,311**	***$ 35,925***
Increase (decrease)	—	4,311	**(373)**	***(3,108)***
Balance at end of year	¥ —	¥ 4,311	**¥ 3,938**	***$ 32,817***
Foreign currency translation adjustments:				
Balance at beginning of year	¥(114,904)	¥(108,451)	**¥ (81,323)**	***$ (677,692)***
Change during the period	6,453	27,128	**(5,194)**	***(43,283)***
Balance at end of year	¥(108,451)	¥ (81,323)	**¥ (86,517)**	***$ (720,975)***
Treasury stock:				
Balance at beginning of year	¥ (296)	¥ (11)	**¥ (169)**	***$ (1,408)***
(Increase) decrease	285	(158)	**(640)**	***(5,334)***
Balance at end of year	¥ (11)	¥ (169)	**¥ (809)**	***$ (6,742)***

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

Years ended March 31	2001	2002	Yen (millions) 2003	U.S. Dollars (thousands) (Note 3) 2003
Cash flows from operating activities (A):				
Income (loss) before income taxes and minority interests	¥157,564	¥(594,733)	**¥ (147,606)**	***$(1,230,050)***
Adjustments to reconcile income (loss) before income taxes and minority interests to net cash provided by operating activities:				
Depreciation and amortization	389,090	417,867	**325,618**	***2,713,483***
Goodwill amortization	64,757	21,090	**17,667**	***147,225***
Accrual (payments) for retirement benefits	(73,172)	12,638	**8,936**	***74,467***
Provision for loss on repurchase of computers	38,075	30,594	**26,063**	***217,192***
Reversal of provision for loss on repurchase of computers	(38,222)	(35,279)	**(35,191)**	***(293,258)***
Interest charges	48,955	43,126	**29,913**	***249,275***
Interest and dividend income	(14,291)	(10,480)	**(8,495)**	***(70,791)***
Equity in earnings of affiliates, net	(13,429)	(2,676)	**(570)**	***(4,750)***
Disposal of non-current assets	45,678	177,152	**53,855**	***448,792***
(Increase) decrease in receivables, trade	(5,057)	294,617	**63,246**	***527,050***
(Increase) decrease in inventories	(71,459)	272,898	**39,538**	***329,483***
(Increase) decrease in other current assets	53,964	47,232	**(33,062)**	***(275,517)***
Increase (decrease) in payables, trade	110,687	(210,938)	**(60,500)**	***(504,167)***
Increase (decrease) in other current liabilities	10,720	40,215	**(60,800)**	***(506,667)***
Other, net	1,760	(49,101)	**(45,611)**	***(380,092)***
Cash generated from operations	705,620	454,222	**173,001**	***1,441,675***
Interest paid	(48,794)	(45,458)	**(30,920)**	***(257,667)***
Interest received	6,435	6,877	**6,422**	***53,517***
Dividends received	6,414	6,686	**8,282**	***69,017***
Income taxes paid	(73,213)	(115,756)	**(38,988)**	***(324,900)***
Net cash provided by (used in) operating activities	596,462	306,571	**117,797**	***981,642***
Cash flows from investing activities (B):				
Purchases of property, plant and equipment	(406,928)	(347,841)	**(163,503)**	***(1,362,525)***
Proceeds from sales of property, plant and equipment	2,136	15,184	**91,779**	***764,825***
Purchases of intangible assets	(73,832)	(71,375)	**(66,524)**	***(554,367)***
Purchases of investment securities	(41,617)	(26,220)	**(34,279)**	***(285,658)***
Proceeds from sales of investment securities	41,114	7,538	**98,303**	***819,192***
Other, net	12,318	13,251	**9,809**	***81,741***
Net cash provided by (used in) investing activities	(466,809)	(409,463)	**(64,415)**	***(536,792)***
A+B (*)	129,653	(102,892)	**53,382**	***444,850***
Cash flows from financing activities:				
Proceeds from long-term debt	57,167	448,947	**358,615**	***2,988,458***
Repayment of long-term debt	(171,179)	(296,718)	**(222,779)**	***(1,856,491)***
Increase (decrease) in short-term borrowings	2,467	(36,191)	**(105,167)**	***(876,392)***
Increase (decrease) in minority interests	(5,544)	17,032	**(2,702)**	***(22,517)***
Dividends paid	(19,642)	(14,842)	**(5,005)**	***(41,708)***
Other, net	(917)	(26,916)	**(90,199)**	***(751,658)***
Net cash provided by (used in) financing activities	(137,648)	91,312	**(67,237)**	***(560,308)***
Effect of exchange rate changes on cash and cash equivalents	1,803	1,014	**(3,230)**	***(26,917)***
Net Increase (decrease) in cash and cash equivalents	(6,192)	(10,566)	**(17,085)**	***(142,375)***
Cash and cash equivalents at beginning of year	316,176	309,984	**299,418**	***2,495,150***
Cash and cash equivalents at end of year	¥309,984	¥ 299,418	**¥ 282,333**	***$ 2,352,775***
Noncash investing and financing activities:				
Acquisition of assets under finance leases	¥ 29,655	¥ 24,238	**¥ 32,696**	***$ 272,467***
Conversion of bonds into common stock and capital surplus	2,798	19,414	**—**	***—***

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 Ltd. (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 consolidated subsidiaries outside Japan have adopted the accounting principles and practices in their respective countries. In presenting the accompanying consolidated financial statements, certain items have been reclassified for convenience of readers outside Japan.

Certain accounting principles and practices generally accepted in Japan are different from International Accounting Standards and accounting standards in other countries in certain respects as to application and disclosure requirements. The differences between the accounting principles and practices adopted by the Group and those prescribed by International Accounting Standards are set forth in Note 2.

(b) Principles of consolidation

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

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

Investments in affiliates, with minor exceptions, are accounted for by the equity method.

(c) Cash equivalents

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

(d) Translation of foreign currency accounts

Receivables and payables denominated in foreign currencies are translated into Japanese yen at the foreign currency exchange rates in effect at the respective balance sheet dates.

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

(e) Revenue recognition

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

(f) Marketable securities

Marketable securities included in short-term investments and investments and long-term loans are classified as either held-to-maturity investments, which are the debt securities which the Group has the positive intent and ability to hold to maturity, or available-for-sale securities, which are equity securities or debt securities not classified as held-to-maturity. Held-to-maturity investments are stated at amortized cost, adjusted for the amortization of premium or accretion of discounts to maturity. Available-for-sale securities are carried at fair market value, with the unrealized gains or losses, net of taxes, reported in a separate component of shareholders’ equity.

(g) Allowance for doubtful accounts

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

(h) Inventories

Finished goods are mainly stated at cost determined by the moving average method.

Work in process is mainly stated at cost determined by the specific identification method or the average cost method.

Raw materials are mainly stated at cost determined by the moving average method or 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. Maintenance and repairs, including minor renewals and improvements, are charged to income as incurred.

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.

Certain property, plant and equipment are devalued based on consideration of their future usefulness.

(j) Intangible assets

Goodwill is amortized by the straight-line method over periods not exceeding 20 years.

Computer software for sale is amortized based on the current year sales units to the projected total products' sales units. Computer software for internal use is amortized by the straight-line method over the estimated useful lives.

Other intangible assets are amortized by the straight-line method at the rates based on the estimated useful lives of the respective assets.

(k) Leases

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

(l) Retirement benefits

The Company and the majority of the consolidated subsidiaries have retirement benefit plans.

Under the significant defined benefit plans, in principle, the actuarial valuation used to determine the pension costs is the projected unit credit method.

(m) Provision for loss on repurchase of computers

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

(n) Income taxes

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

(o) Earnings per share

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

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

(p) Derivative financial instruments

The Group uses derivative financial instruments for the purpose of hedging against the risk of fluctuations in interest rates and foreign exchange rates on receivables and payables denominated in foreign currencies.

All derivative financial instruments are stated at fair market value. The Group defers gain or loss on changes in the fair market values of the derivative financial instruments on the balance sheet until the recognition of gain or loss on the hedged items.

(q) Change of accounting policy

The indirect costs related to operational control which had been recorded as cost of sales prior to and for the year ended March 31, 2001, changed to be recorded as selling, general and administrative expenses for the year ended March 31, 2002.

This change resulted in a decrease of ¥75,337 millions of cost of sales, an increase of ¥85,468 millions of selling, general and administrative expenses, and a decrease of ¥10,131 millions of operating income and income before income taxes and minority interests, respectively, for the year ended March 31, 2002. The impact of this change on the segment information is indicated in Note 19. The amounts in the financial statements for the year ended March 31, 2001 have not been restated.

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. This information is out of scope of the audit.

Inventories

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

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

Impairment of Property, plant and equipment

Under IAS No.36, upon impairment of property, plant and equipment, the book value should be devalued to the recoverable amount.

The impairment rule has not been applied in Japan and therefore the effects on the aggregate value of property, plant and equipment based on IAS No.36 are not calculated. However, the Group takes into consideration the recoverability of property, plant and equipment based on future business activities.

Retirement benefits (Note 10)

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

Please refer the corresponding notes for details.

3. U.S. Dollar Amounts

The Company and its consolidated subsidiaries in Japan maintain their books of account in yen. The U.S. dollar amounts included in the accompanying consolidated financial statements and the notes thereto represent the arithmetic results of translating yen into U.S. dollars at ¥120 = US$1, the approximate rate of exchange prevailing on March 31, 2003.

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

4. Marketable Securities

At March 31, 2002 and 2003, marketable securities included in short-term investments and other investments and long-term loans are as follows:

	Yen (millions)		*U.S. Dollars (thousands)*
	2002	**2003**	***2003***
Held-to-maturity investments			
Carrying value (Amortized cost)	¥ 1,062	**¥ 1,509**	***$ 12,575***
Market value	1,006	**1,506**	***12,550***
Net unrealized gain (loss)	¥ (56)	**¥ (3)**	***$ (25)***
Available-for-sale-securities			
Acquisition costs	¥ 97,991	**¥79,214**	***$660,117***
Carrying value (Market value)	115,616	**82,981**	***691,508***
Net unrealized gain	¥ 17,625	**¥ 3,767**	***$ 31,391***

5. Inventories

Inventories at March 31, 2002 and 2003 consisted of the following:

	Yen (millions)		U.S. Dollars (thousands)
	2002	**2003**	***2003***
Finished goods	¥249,166	**¥218,307**	***$1,819,225***
Work in process	263,484	**273,442**	***2,278,683***
Raw materials	123,322	**104,235**	***868,625***
	¥635,972	**¥595,984**	***$4,966,533***

6. Investments in Affiliates

The Company accounts for investments in affiliates by the equity method with minor exceptions.

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	2002	**2003**	***2003***
Current assets	¥1,052,893	**¥ 968,409**	***$ 8,070,075***
Non-current assets	463,140	**483,473**	***4,028,942***
	1,516,033	**1,451,882**	***12,099,017***
Current liabilities	334,303	**361,863**	***3,015,525***
Long-term liabilities	177,770	**194,605**	***1,621,709***
Net assets	¥1,003,960	**¥ 895,414**	***$ 7,461,783***

	Yen (millions)			U.S. Dollars (thousands)
Years ended March 31	2001	2002	**2003**	***2003***
Net sales	¥1,390,549	¥1,163,438	**¥1,214,169**	***$10,118,075***
Net income (loss)	84,337	(8,803)	**445**	***3,708***

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, 2002 and 2003 were as follows:

	Yen (millions)		U.S. Dollars (thousands)
At March 31	2002	**2003**	***2003***
Carrying value	¥ 253,706	**¥ 202,621**	***$ 1,688,508***
Market value	653,119	**391,237**	***3,260,308***

At March 31, 2002 and 2003, the amount of ¥19,373 millions ($161,442 thousands) representing the Company's 29.49% investment in JECC has been included in other investments and long-term loans. The Company does not regard JECC as an affiliate as it is unable to exercise significant influence over JECC's affairs. JECC's principal business is the leasing of computers and peripherals purchased from its seven shareholders. At March 31, 2002 and 2003, JECC's issued share capital was ¥65,700 millions ($547,500 thousands). Its net sales for the years ended March 31, 2001, 2002 and 2003 amounted to ¥290,214 millions, ¥289,340 millions and ¥295,987 millions ($2,466,558 thousands), respectively.

7. Property, Plant and Equipment

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

Years ended March 31	2002	2003	2003
	Yen (millions)		U.S. Dollars (thousands)
Land			
Balance at beginning of year, net	¥137,205	**¥140,602**	***$1,171,683***
Additions	1	**10**	***83***
Translation differences	867	**(882)**	***(7,350)***
Other, net	2,529	**(5,924)**	***(49,366)***
Balance at end of year, net	¥140,602	**¥133,806**	***$1,115,050***

A consolidated subsidiary in Japan revalued its own land used for business operations to the fair value by adopting the Land Revaluation Law of Japan on March 31, 2002. Revaluation surplus on land, net of taxes, was stated in a separate component of shareholders' equity. This revaluation surplus of ¥1,421 millions was included in Other, net mentioned as above. The book value of land before and after revaluation was ¥460 millions, ¥1,881 millions, respectively.

Years ended March 31	2002	2003	2003
Buildings			
Balance at beginning of year, net	¥370,445	**¥354,412**	***$2,953,433***
Additions	45,277	**15,532**	***129,433***
Depreciation	39,438	**31,226**	***260,217***
Translation differences	3,155	**(3,009)**	***(25,075)***
Other, net	(25,027)	**(8,366)**	***(69,716)***
Balance at end of year, net	¥354,412	**¥327,343**	***$2,727,858***
Machinery and equipment			
Balance at beginning of year, net	¥793,951	**¥656,767**	***$5,473,058***
Additions	289,712	**174,669**	***1,455,575***
Depreciation	326,038	**244,506**	***2,037,550***
Translation differences	10,023	**(8,029)**	***(66,908)***
Other, net	(110,881)	**(78,095)**	***(650,792)***
Balance at end of year, net	¥656,767	**¥500,806**	***$4,173,383***

Other, net for the year ended March 31, 2002 and 2003 mainly related to the comprehensive structural reform of the Group. Mainly, for the year ended March 31, 2002, sale or disposal of machinery and equipment and devaluation on the North American semiconductor plant for close of the plant were included. Mainly, for the year ended March 31, 2003, sale or disposal of machinery and equipment were included.

Years ended March 31	2002	2003	2003
Construction in progress			
Balance at beginning of year, net	¥ 82,194	**¥ 45,685**	***$ 380,708***
Additions	228,138	**118,711**	***989,258***
Translation differences	746	**(801)**	***(6,675)***
Transfers	(265,393)	**(134,998)**	***(1,124,983)***
Balance at end of year, net	¥ 45,685	**¥ 28,597**	***$ 238,308***

8. Goodwill

An analysis of goodwill is shown below:

Years ended March 31	2002	2003	2003
	Yen (millions)		U.S. Dollars (thousands)
Balance at beginning of year	¥131,422	**¥116,631**	***$971,925***
Additions	1,699	**2,023**	***16,858***
Amortization	21,090	**17,667**	***147,225***
Translation differences	4,600	**(3,050)**	**(25,416)**
Balance at end of year	¥116,631	**¥ 97,937**	***$816,142***

9. Short-Term Borrowings and Long-Term Debt

Short-term borrowings at March 31, 2002 and 2003 consisted of the following:

	Yen (millions)		U.S. Dollars (thousands)
	2002	**2003**	***2003***
Loans, principally from banks, with the weighted average interest rates were 2.41% at March 31, 2002 and 1.11% at March 31, 2003:			
Secured	¥ 3,146	**¥ 2,945**	***$ 24,542***
Unsecured	431,441	**295,721**	***2,464,342***
Commercial papers, with the weighted average interest rate was 0.10% at March 31, 2003:			
Unsecured	—	**4,000**	***33,333***
	¥434,587	**¥302,666**	***$2,522,217***

Long-term debt at March 31, 2002 and 2003 consisted of:

	Yen (millions)		U.S. Dollars (thousands)
	2002	**2003**	***2003***
Loans, principally from banks and insurance companies, due 2002 to 2025 with the weighted average interest rate was 1.52% at March 31, 2002 and due 2003 to 2020 with the weighted average interest rate was 1.63% at March 31, 2003:			
Secured	¥ 8,473	**¥ 6,325**	***$ 52,708***
Unsecured	487,559	**483,684**	***4,030,700***
Bonds and notes issued by the Company:			
1.4% unsecured convertible bonds due 2004	39,617	**39,617**	***330,141***
1.95% unsecured convertible bonds due 2003	33,031	**—**	***—***
2.0% unsecured convertible bonds due 2004	15,577	**15,577**	***129,808***
zero coupon unsecured convertible bonds due 2009	—	**250,000**	***2,083,333***
2.6% unsecured bonds due 2002	30,000	**—**	***—***
3.025% unsecured bonds due 2002	30,000	**—**	***—***
3.225% unsecured bonds due 2003	30,000	**30,000**	***250,000***
2.425% unsecured bonds due 2003	50,000	**50,000**	***416,667***
2.875% unsecured bonds due 2006	50,000	**50,000**	***416,667***
2.575% unsecured bonds due 2004	50,000	**50,000**	***416,667***
3.15% unsecured bonds due 2009	50,000	**50,000**	***416,667***
2.3% unsecured bonds due 2007	50,000	**50,000**	***416,667***
2.325% unsecured bonds due 2008	50,000	**50,000**	***416,667***
3.0% unsecured bonds due 2018	30,000	**30,000**	***250,000***
2.175% unsecured bonds due 2008	50,000	**50,000**	***416,667***
2.15% unsecured bonds due 2008	50,000	**50,000**	***416,667***
0.64% unsecured bonds due 2006	100,000	**100,000**	***833,333***
0.31% unsecured bonds due 2004	80,000	**80,000**	***666,666***
Bonds and notes issued by consolidated subsidiaries: due 2002 to 2006 with the weighted average interest rate was 3.04% at March 31, 2002 and due 2003 to 2006 with the weighted average interest rate was 1.34% at March 31, 2003:			
Unsecured	41,782	**25,900**	***215,833***
Less amounts due within one year	190,767	**203,425**	***1,695,208***
	¥1,135,272	**¥1,257,678**	***$10,480,650***

Assets pledged as collateral for bank loans and long-term debt at March 31, 2002 and 2003 are principally presented below:

	Yen (millions)		U.S. Dollars (thousands)
	2002	**2003**	***2003***
Property, plant and equipment, net	¥17,013	**¥17,909**	***$149,242***

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.

At March 31, 2003, the Group has committed line contracts with banks aggregating ¥353,455 millions ($2,945,458 thousands). Of the total credit limit, ¥147,261 millions ($1,227,175 thousands) was used as the above short-term and long-term borrowings, and the rest ¥206,194 millions ($1,718,283 thousands) was unused.

The current conversion prices of the 1.4%, 2.0% and zero coupon convertible bonds issued by the Company are ¥1,751.50, ¥998.00 and ¥1,201.00 per share, respectively. Each conversion price is subject to adjustment in certain circumstances, including stock splits or free share distributions of common stock. At March 31, 2003, these convertible bonds were convertible into approximately 246 millions shares of common stocks.

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 101% to 100% of their principal amounts.

The aggregate annual maturities of long-term debt subsequent to March 31, 2003 are summarized as follows:

Years ending March 31	Yen (millions)	*U.S. Dollars (thousands)*
2004	¥203,425	$1,695,208
2005	265,891	2,215,758
2006	165,191	1,376,592
2007	185,892	1,549,100
2008 and thereafter	640,704	5,339,200

Convertible bonds are treated solely as liabilities and value inherent in their conversion feature is not recognized as equity in accordance with accounting principles generally accepted in Japan. The total amount of the convertible bonds has been included in long-term debt.

10. Retirement benefits

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

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

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

The balances of the projected benefit obligation and plan assets, funded status and the amounts recognized in the consolidated financial statements as of March 31, 2002 and 2003, and the components of net periodic benefit cost for the years ended March 31, 2001, 2002 and 2003 are summarized as follows :

Projected benefit obligation and plan assets

	Yen (millions)		*U.S.Dollars (thousands)*
At March 31 (Consolidated domestic accounts)	2002	**2003**	***2003***
Projected benefit obligation	¥(1,659,772)	**¥(1,677,032)**	***$(13,975,267)***
Plan assets	989,237	**809,565**	***6,746,375***
Projected benefit obligation in excess of plan assets	(670,535)	**(867,467)**	***(7,228,892)***
Unrecognized net obligation at transition	210,036	**183,011**	***1,525,092***
Unrecognized actuarial loss	435,814	**658,079**	***5,483,992***
Unrecognized prior service cost (reduced obligation)	(78,188)	**(69,840)**	***(582,000)***
Prepaid pension cost	(13,611)	**(29,258)**	***(243,817)***
Accrued retirement benefits	¥ (116,484)	**¥ (125,475)**	***$ (1,045,625)***

Components of net periodic benefit cost

		Yen (millions)		*U.S.Dollars (thousands)*
Years ended March 31 (Consolidated domestic accounts)	2001	2002	**2003**	***2003***
Service cost	¥69,229	¥ 59,307	**¥ 57,011**	***$475,092***
Interest cost	47,601	46,777	**49,363**	***411,358***
Expected return on plan assets	(41,792)	(41,400)	**(42,654)**	***(355,450)***
Amortization of unrecognized obligation for retirement benefits:				
Amortization of net obligation at transition	26,264	26,311	**26,487**	***220,725***
Amortization of actuarial loss	—	18,508	**26,403**	***220,025***
Amortization of prior service cost	(3,801)	(9,095)	**(8,989)**	***(74,908)***
Net periodic benefit cost	¥97,501	¥100,408	**¥107,621**	***$896,842***

The assumptions used in accounting for the plans at March 31, 2002 and 2003 were as follows

Years ended March 31 (Consolidated domestic accounts)	2002	**2003**
Discount rate	3.0%	**3.0%**
Expected rate of return on plan assets	4.1%	**4.3%**
Method of allocating actuarial loss	Straight-line method over the employees' average remaining service period	**Straight-line method over the employees' average remaining service period**
Method of allocating prior service obligation	Straight-line method over 10 years	**Straight-line method over 10 years**
Amortization period for net obligation at transition	The Company : Fully recognized at transition Consolidated subsidiaries in Japan : 10 years	**The Company : Fully recognized at transition** **Consolidated subsidiaries in Japan : 10 years**

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

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

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

The major defined benefit pension plan outside Japan is the ICL Group Pension Plan. This plan is subject to formal actuarial valuation in accordance with the UK accounting standard SSAP24 (Statements of Standard Accounting Practice 24).

The Accounting Standards Board of the UK has issued a new UK accounting standard, FRS17 (Financial Reporting Standard 17). It is proposed that FRS17 will be fully effective as the replacement of SSAP24 for accounting periods beginning on or after January 1, 2005. In accordance with the transitional arrangements set out in FRS17, certain disclosures are required using the different measurement bases laid down in FRS17.

The projected benefit obligation and the fair value of the plan assets in accordance with FRS 17 are summarized as follows:

Projected benefit obligation and plan assets

	Yen (millions)		*U.S.Dollars (thousands)*
At March 31 (ICL Group Pension Plan)	2002	**2003**	***2003***
Projected benefit obligation	¥(330,757)	**¥(322,898)**	***$(2,690,816)***
Plan assets	266,094	**207,637**	***1,730,308***
Deficit in the Plan	¥ (64,663)	**¥(115,261)**	***$ (960,508)***
Discount rate	6.00%	**5.75%**	

11. Income Taxes

The Group is subject to a number of different income taxes. The statutory tax rates in Japan for the year ended March 31, 2001, 2002 and 2003 were approximately 42% in the aggregate. Due to a recent revision to the Local Tax Law in Japan, the statutory tax rate will be reduced to approximately 40.6% effective the year ending March 31, 2005 or after. The revised tax rate was applied to the non-current portion of deferred tax assets and liabilities as of March 31, 2003.

The components of income taxes are as follows:

	Yen (millions)			U.S. Dollars (thousands)
Years ended March 31	2001	2002	**2003**	***2003***
Current	¥134,882	¥ 35,122	**¥ 36,188**	***$ 301,567***
Deferred	5,818	(234,542)	**(77,015)**	***(641,792)***
Effect of change in statutory tax rate	—	—	**12,038**	***100,317***
Income taxes	¥140,700	¥(199,420)	**¥ (28,789)**	***$ (239,908)***

A reconciliation of the difference between applicable statutory income tax and the effective income tax rate for the year ended March 31, 2001, 2002 and 2003 is as follows:

	2001	2002	2003
Statutory Income tax rate	42.0%	42.0%	42.0%
Increase (Decrease) in tax rate:			
Valuation allowance for deferred tax assets	32.5%	(12.0%)	(10.1%)
Amortization of goodwill	7.5%	(1.0%)	(5.0%)
Non-taxable income	(0.5%)	0.3%	3.1%
Non-deductible expenses for tax purposes	2.2%	(0.5%)	(2.1%)
Tax effect to equity in earnings of affiliates, net	(3.6%)	0.2%	0.2%
Effect of change in statutory tax rate	—	—	(8.2%)
Tax effect to prior losses of subsidiaries	—	6.2%	—
Realization of equity in earnings of affiliates from establishment of stock holding trust for retirement benefit plan	10.1%	—	—
Other	(0.9%)	(1.7%)	(0.4%)
Effective income tax rate	89.3%	33.5%	19.5%

The significant components of deferred tax assets and liabilities at March 31, 2002 and 2003 are as follows:

	Yen (millions)		U.S. Dollars (thousands)
At March 31	2002	**2003**	***2003***
Deferred tax assets:			
Tax loss carryforwards	¥ 408,961	**¥ 455,928**	***$ 3,799,400***
Accrued retirement benefits	230,010	**229,780**	***1,914,833***
Accrued employee benefits	25,315	**32,766**	***273,050***
Provision for loss on repurchase of computers	22,594	**19,894**	***165,783***
Intercompany profit on inventory and property, plant and equipment	8,900	**9,104**	***75,867***
Accrued enterprise taxes	2,104	**2,820**	***23,500***
Other	59,063	**53,231**	***443,592***
Gross deferred tax assets	756,947	**803,523**	***6,696,025***
Less: Valuation allowance	(223,144)	**(248,641)**	***(2,072,008)***
Total deferred tax assets	533,803	**554,882**	***4,624,017***
Deferred tax liabilities:			
Gains from establishment of stock holding trust for retirement benefit plan	¥(213,827)	**¥(206,699)**	***$(1,722,492)***
Retained earnings appropriated for tax allowable reserves	(36,616)	**(8,074)**	***(67,283)***
Unrealized gains on securities	(8,716)	**(1,906)**	***(15,883)***
Other	(614)	**(1,639)**	***(13,659)***
Gross deferred tax liabilities	(259,773)	**(218,318)**	***(1,819,317)***
Net deferred tax assets	¥ 274,030	**¥ 336,564**	***$ 2,804,700***

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

	Yen (millions)		U.S. Dollars (thousands)
At March 31	2002	**2003**	***2003***
Other current assets	¥ 128,987	**¥ 115,900**	***$ 965,833***
Other investments and long-term loans-Others	158,539	**233,269**	***1,943,908***
Other current liabilities	(600)	**(82)**	***(683)***
Other long-term liabilities	(12,896)	**(12,523)**	***(104,358)***
Net deferred tax assets	¥ 274,030	**¥ 336,564**	***$ 2,804,700***

The Company and the wholly-owned subsidiaries in Japan have adopted the consolidated tax return system of Japan effective for and after the year ended March 31, 2003.

The tax loss carryforwards expire at various dates, but extend up to 5 years in Japan and primarily 20 years outside Japan. Realization is dependent on the abilities of the companies to generate sufficient taxable income prior to the expiration of the tax loss carryforwards. A valuation allowance has been recorded for these deferred tax assets to the loss carryforwards except for those expected to be realized.

Deferred tax liabilities has 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 except for those expected to be realized.

12. Shareholders' Equity

In accordance with the Commercial Code of Japan (the "Code"), the Company has accounted for the issuance of shares including upon conversion of convertible bonds and the exercise of stock purchase warrants 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 additional paid-in capital account. Additional paid-in capital was included in the capital surplus account and amounted to ¥394,441 millions ($3,287,008 thousands) at March 31, 2002 and 2003.

Also, in accordance with the Code, the Company has provided a legal reserve. The Code provides that an amount equal to at least 10% of the amount to be disbursed as distributions of earnings be appropriated to the legal reserve account until the total amount of such reserve and additional paid-in capital equals 25% of the amount of common stock. The legal reserve was included in the retained earnings (deficit) account and amounted to ¥36,447 millions ($303,725 thousands) at March 31, 2002 and 2003.

The Code provides that neither additional paid-in capital nor the legal reserve is available for dividends, but both may be used to reduce or eliminate a deficit by resolution of the shareholders or may be transferred to common stock by resolution of the board of directors. On October 1, 2001, an amendment (the "Amendment") to the Code became effective. The Amendment provides that if the total amount of additional paid-in capital and the legal reserve exceeds 25% of the amount of common stock, the excess may be distributed to the shareholders either as return of capital or as dividends subject to the approval of the shareholders. In addition, the Amendment eliminates the stated par value of the Company's outstanding shares, which resulted in all outstanding shares having no par value as of October 1, 2001. The Amendment also provides that all share issuances after September 30, 2001 will be of shares with no par value. Prior to the date on which the Amendment came into effect, the Company's shares had a par value of ¥50.

Appropriations of retained earnings (deficit) for the year ended March 31, 2003, were recorded on the Company's statutory books of account after approval at the Annual Shareholder's Meeting held on June 24, 2003, and will be included in the following year's consolidated balance sheet.

An increase as a result of stock exchange for the year ended March 31, 2002 reflected the issuance of shares by which the Company turned Fujitsu Systems Construction Ltd. into a wholly owned subsidiary.

The changes in the number of issued shares of common stock for the years ended March 31, 2001, 2002 and 2003 are as follows:

	Number of shares		
	2001	2002	**2003**
Balance at beginning of year	1,962,939,607	1,977,227,929	**2,001,962,672**
Exercise of warrants	11,488,174	—	—
Conversion of convertible bonds	2,800,148	19,452,895	—
Increase as a result of stock exchange	—	5,281,848	—
Balance at end of year	1,977,227,929	2,001,962,672	**2,001,962,672**

13. Commitments and Contingent Liabilities

Commitments outstanding at March 31, 2003 for purchases of property, plant and equipment were approximately ¥15,130 millions ($126,083 thousands).

Contingent liabilities for guarantee contracts amounted to ¥39,001 millions ($325,008 thousands) at March 31, 2003. Of the total contingent liabilities, guarantees given for employees' housing loans were ¥16,900 millions ($140,833 thousands) in the aggregate and for credit facilities arranged for telecommunication equipment sales to China were ¥4,345 millions ($36,208 thousands).

14. Derivative Financial Instruments

Purpose of Derivative Trading

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

Basic Policies for Derivative Trading

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

The Group, in principle, has no intention to use derivative financial instruments that would increase market risks.

Furthermore, the counterparties to the derivative transactions are thoroughly assessed in terms of their credit risks. Therefore, the Group believes that their derivative financial instruments entail minimal market and credit risks.

Control of Derivative Trading

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

Hedge accounting

The group has adopted hedge accounting for its derivative transactions.

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

Fair value of derivative financial instruments:

At March 31, 2002 and 2003, all derivative financial instruments were stated at fair market value and recorded on the balance sheet.

15. Leases

Lessors

The following is a summary of minimum lease payments receivable, present value, unearned finance income, and an accumulated allowance for uncollectible minimum lease payments receivable, under finance leases operated by Fujitsu Leasing Co., Ltd. at March 31, 2002 and 2003.

	Yen (millions)		U.S. Dollars (thousands)
At March 31	2002	**2003**	***2003***
Minimum lease payments receivable			
Within one year	¥ 64,049	**¥ 61,951**	***$ 516,258***
Over one year but within five year	115,386	**113,971**	***949,758***
Over five year	1,473	**1,421**	***11,842***
Total	¥180,908	**¥177,343**	***$1,477,858***
The present value of minimum lease payments receivable			
Within one year	¥ 53,622	**¥ 52,438**	***$ 436,983***
Over one year but within five year	98,052	**98,156**	***817,967***
Over five year	1,252	**1,224**	***10,200***
Total	¥152,926	**¥151,818**	***$1,265,150***

At March 31, 2002 and 2003, unearned finance income totaled ¥27,982 millions and ¥25,525 millions ($212,708 thousands), respectively.

At March 31, 2002 and 2003, an accumulated allowance for uncollectible minimum lease payments receivable was ¥1,160 millions and ¥1,012 millions ($8,433 thousands), respectively.

At March 31, 2002 and 2003, future minimum lease payments received within one year under non-cancelable operating leases amounted to ¥205 millions and ¥278 millions ($2,317 thousands), respectively.

Lessees

The following is a summary of equivalent amounts of acquisition cost, accumulated depreciation, book value of leased assets, and minimum lease payments required under finance leases at March 31, 2002 and 2003.

	Yen (millions)		U.S. Dollars (thousands)
At March 31	2002	**2003**	***2003***
Acquisition cost	¥171,895	**¥82,286**	***$685,717***
Accumulated depreciation	120,656	**27,085**	***225,709***
Book value of leased assets	51,239	**55,201**	***460,008***
Minimum lease payments required			
Within one year	9,290	**16,286**	***135,717***
Over one year but within five year	22,308	**39,027**	***325,225***
Over five year	3,728	**322**	***2,683***
Total	¥ 35,326	**¥ 55,635**	***$ 463,625***

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	2002	**2003**	***2003***
Within one year	¥ 9,257	**¥ 8,672**	***$ 72,267***
Over one year but within five year	21,227	**16,475**	***137,292***
Over five year	8,882	**7,912**	***65,933***
Total	¥39,366	**¥33,059**	***$275,492***

16. Supplementary Information to the Consolidated Balance Sheets

Balances with affiliates at March 31, 2002 and 2003 are presented as follows:

	Yen (millions) 2002	Yen (millions) 2003	U.S. Dollars (thousands) 2003
Receivables, trade	¥49,306	**¥50,616**	***$421,800***
Payables, trade	45,832	**47,102**	***392,517***

17. Earnings Per Share

Years ended March 31	2001	2002	**2003**	***2003***
	Yen (millions)			U.S. Dollars (thousands)
Net income (loss)	¥ 8,521	¥ (382,542)	**¥ (122,066)**	***$(1,017,217)***
Bonuses to directors and statutory auditors from retained earnings (deficit)			**(582)**	***(4,850)***
Net income (loss) for common stock shareholders			**(122,648)**	***(1,022,067)***
Effect of dilutive securities	—	—	**—**	***—***
Diluted net income (loss)	¥ 8,521	¥ (382,542)	**¥ (122,648)**	***$(1,022,067)***
	thousands			
Weighted average number of shares	1,969,295	1,982,251	**2,001,138**	
Effect of dilutive securities	—	—	**—**	
Diluted weighted average number of shares	1,969,295	1,982,251	**2,001,138**	
	Yen			U.S. Dollars
Basic earnings (loss) per share	¥ 4.3	¥ (193.0)	**¥ (61.3)**	***$ (0.511)***
Diluted earnings (loss) per share	4.3	(193.0)	**(61.3)**	***(0.511)***

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, 2001, 2002 and 2003 were ¥403,405 millions, ¥349,855 millions and ¥285,735 millions ($2,381,125 thousands), respectively.

Other income (expenses)—other, net for the years ended March 31, 2001, 2002 and 2003 consisted of the following:

Years ended March 31	Yen (millions) 2001	2002	**2003**	U.S. Dollars (thousands) ***2003***
Gain on sales of marketable securities	¥ 10,645	¥ —	**¥ 29,362**	***$ 244,683***
Gain on business transfer	—	—	**14,536**	***121,133***
Gain on establishment of stock holding trust for retirement benefit plan	460,280	—	**—**	***—***
Gain on sales of subsidiaries' stock	25,563	—	**—**	***—***
Loss on disposal of property, plant and equipment	(16,215)	(12,620)	**(10,185)**	***(84,875)***
Expenses for bonds issued	(166)	(1,008)	**(310)**	***(2,583)***
Amortization of unrecognized obligation for retirement benefits	(22,463)	(35,724)	**(43,901)**	***(365,842)***
Amortization of unrecognized net obligation for retirement benefits at transition for the Company	(415,615)	—	**—**	***—***
Restructuring charges	(102,485)	(417,053)	**(151,486)**	***(1,262,383)***
Cost of corrective measures for products	—	—	**(30,600)**	***(255,000)***
Loss on devaluation of marketable securities	(10,574)	(20,535)	**(21,802)**	***(181,683)***
Foreign exchange gains (losses), net	16,208	6,010	**(5,710)**	***(47,583)***
Other, net	(10,405)	(9,407)	**(7,089)**	***(59,075)***
	¥(65,227)	¥(490,337)	**¥(227,185)**	***$(1,893,208)***

Gain on business transfer related to the transfer of a part of printer systems business to Fuji Xerox Co.,Ltd.

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

Restructuring charges for the year ended March 31, 2001 related mainly to the reform of manufacturing, the reorganization of business operations and the disposal of assets in order to improve its business structure. The total amount of ¥102,485 millions included ¥55,865 millions for the restructuring of Amdahl Corporation which shifted from traditional IBM-compatible mainframe business to open systems, and ¥26,219 millions for the restructuring of the Company, mainly related to Platforms business.

Restructuring charges for the years ended March 31, 2002 and 2003 related mainly to the comprehensive structural reform of the Group in order to realign and rationalize its development and production in Electronic Devices and Platforms business, as well as to exit from the business of small-form-factor magnetic disk drives for desktop PCs. Of the total amount of 417,053 millions for the year ended March 31, 2002, the amounts related to Software & Services, Platforms and Electronic Devices business were ¥42,805 millions, ¥165,821 millions and ¥208,427 millions, respectively. Of the total amount of ¥151,486 millions ($1,262,383 thousands) for the year ended March 31, 2003, the amounts related to Software & Services, Platforms and Electronic Devices business were ¥24,365 millions ($203,041 thousands), ¥96,354 millions ($802,950 thousands) and ¥30,767 millions ($256,392 thousands), respectively.

Cost of corrective measures for products related to certain small-form-factor hard disk (magnetic disk) drives due to some procured parts that were found to be defective.

19. Segment Information

Business Segment Information

Yen (millions)

Years ended March 31	Software& Services	Platforms	Electronic Devices	Financing	Other Operations	Elimination& Corporate	Consolidated
2001							
Sales							
Unaffiliated customers	¥2,014,375	¥2,349,854	¥759,723	¥107,246	¥253,228	¥ –	¥5,484,426
Intersegment	61,922	254,535	149,213	7,872	128,246	(601,788)	–
Total sales	2,076,297	2,604,389	908,936	115,118	381,474	(601,788)	5,484,426
Operating costs and expenses	1,947,562	2,547,886	795,536	111,704	373,292	(535,580)	5,240,400
Operating income (loss)	128,735	56,503	113,400	3,414	8,182	(66,208)	244,026
Total assets	1,348,171	1,807,108	1,125,190	187,273	430,191	302,138	5,200,071
Depreciation	85,632	125,789	148,246	46	10,100	12,313	382,126
Capital expenditure	104,521	124,804	257,385	18	14,142	14,479	515,349
2002							
Sales							
Unaffiliated customers	¥2,085,863	¥2,015,226	¥546,555	¥114,472	¥244,861	¥ –	¥5,006,977
Intersegment	52,762	240,447	91,041	9,432	126,700	(520,382)	–
Total sales	2,138,625	2,255,673	637,596	123,904	371,561	(520,382)	5,006,977
Operating costs and expenses	1,980,771	2,313,234	746,908	119,678	371,305	(450,493)	5,081,403
Operating income (loss)	157,854	(57,561)	(109,312)	4,226	256	(69,889)	(74,426)
Total assets	1,193,072	1,368,610	895,015	250,202	464,965	423,940	4,595,804
Depreciation	89,244	127,197	173,483	46	10,706	11,455	412,131
Capital expenditure	85,870	83,125	186,902	25	9,681	12,601	378,204

Years ended March 31	Software& Services	Platforms	Electronic Devices	Financing	Other Operations	Elimination& Corporate	Consolidated
							Yen (millions)
2003							
Sales							
Unaffiliated customers	¥2,025,790	¥1,612,016	¥618,632	¥119,279	¥241,863	¥ –	¥4,617,580
Intersegment	72,167	231,260	68,816	9,148	137,082	(518,473)	–
Total sales	2,097,957	1,843,276	687,448	128,427	378,945	(518,473)	4,617,580
Operating costs and expenses	1,921,428	1,842,303	719,071	124,099	368,943	(458,691)	4,517,153
Operating income(loss)	176,529	973	(31,623)	4,328	10,002	(59,782)	100,427
Total assets	1,278,880	1,113,208	693,910	245,707	486,457	407,199	4,225,361
Depreciation	87,359	86,694	128,720	164	9,779	11,581	324,297
Capital expenditure	79,503	51,818	65,327	59	5,910	9,660	212,277
							U.S. Dollars (thousands)
2003 (in U.S. Dollars)							
Sales							
Unaffiliated customers	*$16,881,583*	*$13,433,466*	*$5,155,267*	*$ 993,992*	*$2,015,525*	*$ –*	*$38,479,833*
Intersegment	*601,392*	*1,927,167*	*573,466*	*76,233*	*1,142,350*	*(4,320,608)*	–
Total sales	*17,482,975*	*15,360,633*	*5,728,733*	*$1,070,225*	*3,157,875*	*(4,320,608)*	*38,479,833*
Operating costs and expenses	*16,011,900*	*15,352,525*	*5,992,258*	*1,034,158*	*3,074,525*	*(3,822,425)*	*37,642,941*
Operating income (loss)	*1,471,075*	*8,108*	*(263,525)*	*36,067*	*83,350*	*(498,183)*	*836,892*
Total assets	*10,657,334*	*9,276,734*	*5,782,583*	*2,047,558*	*4,053,808*	*3,393,325*	*35,211,342*
Depreciation	*727,991*	*722,450*	*1,072,667*	*1,367*	*81,492*	*96,508*	*2,702,475*
Capital expenditure	*662,525*	*431,816*	*544,392*	*492*	*49,250*	*80,500*	*1,768,975*

1. The business segments are classified based on similarity of products and services, and selling methods, etc.
2. For the year ended March 31, 2003, "Information Processing" and "Telecommunications" segments were combined in the new "Platforms" segment to reflect the ongoing fusion of computer and network products and technologies in the IT market, as well as the Group's strategic focus on providing integrated systems solutions that optimally combine servers, storage and networks. Segment information prior to and for the year ended March 31, 2002 has been restated.
3. The principal products and services of business segments are as follows:
   - (1) Software & Services — Systems construction (System integration services), Introductory and operational support services, Consulting services, Comprehensive management of information systems (Outsourcing services, IDC services), Provision of network environment for information systems as well as various network services (Network services, Internet services), Software, Information and network systems maintenance and monitoring, Information systems infrastructure construction and network construction
   - (2) Platforms — Servers (UNIX servers, IA servers, Global servers), Peripheral equipment for information systems (Disk array, etc.), Personal computers, Storage equipment (Magnetic and Magneto-optical disk drives), Terminals (Financial terminals, POS systems), Mobile phone handsets, IP systems (Geo Stream, etc.), Fiber-optic transmission systems,Mobile communication systems (3G base station systems)
   - (3) Electronic Devices — Logic ICs (System LSI, ASICs, Microcontrollers, FRAM), Memory ICs (Flash memory, FCRAM), Semiconductor packages, Compound semiconductors, SAW devices, Electro-mechanical components, LCD panels, PDPs
   - (4) Financing — Leasing business
   - (5) Other Operations — Electronic materials, Electronics-applied components, Audio/Navigation equipments, Audio electronic devices, Battery
4. Unallocated operating costs and expenses reported in "Eliminations & Corporate" for the years ended March 31, 2001 2002, and 2003 were ¥69,563 millions, ¥68,091millions and ¥57,822 millions ($481,850 thousands), respectively. Most of these costs and expenses were incurred as basic research and development expenses and general and administrative expenses at the Company.
5. Corporate assets included in "Eliminations & Corporate" at March 31, 2001 2002, and 2003 amounted to ¥788,495 millions, ¥1,046,282 millions and ¥1,048,824 millions ($8,740,200 thousands), respectively. The assets principally consisted of working capital (cash and cash equivalents), long-term investments and miscellaneous assets held by the general and administrative sections at the Company.
6. As described in Note 1, the indirect costs related to operational control which had been recorded as cost of sales changed to be recorded as selling, general and administrative expenses for the year ended March 31, 2002. As a result of this change, operating costs and expenses of "Software & Services" , "Platforms" and "Electronic Devices" segments increased by ¥2,296 millions, ¥6,111 millions and ¥1,724 millions, respectively, thereby operating income of those segments decreased by the same amount. Segment information for the year ended March 31, 2001 has not been restated.

Geographic Segment Information

Years ended March 31	Japan	Europe	The Americas	Other	Elimination & Corporate	Consolidated
						Yen (millions)
2001						
Sales						
Unaffiliated customers	¥3,936,526	¥ 670,983	¥ 623,136	¥ 253,781	¥ –	¥5,484,426
Intersegment	613,448	27,230	73,747	302,035	(1,016,460)	–
Total	4,549,974	698,213	696,883	555,816	(1,016,460)	5,484,426
Operating costs and expenses	4,220,987	704,264	714,375	541,795	(941,021)	5,240,400
Operating income (loss)	328,987	(6,051)	(17,492)	14,021	(75,439)	244,026
Total assets	3,568,914	493,066	408,856	273,208	456,027	5,200,071
2002						
Sales						
Unaffiliated customers	¥3,759,770	¥ 591,691	¥ 403,915	¥ 251,601	¥ –	¥5,006,977
Intersegment	401,654	13,940	42,168	222,355	(680,117)	–
Total	4,161,424	605,631	446,083	473,956	(680,117)	5,006,977
Operating costs and expenses	4,108,109	623,610	503,515	468,046	(621,877)	5,081,403
Operating income (loss)	53,315	(17,979)	(57,432)	5,910	(58,240)	(74,426)
Total assets	2,910,468	424,049	304,847	234,406	722,034	4,595,804
2003						
Sales						
Unaffiliated customers	**¥3,556,437**	**¥ 524,910**	**¥ 257,575**	**¥ 278,658**	**¥ –**	**¥4,617,580**
Intersegment	**332,151**	**18,130**	**20,595**	**185,505**	**(556,381)**	**–**
Total	**3,888,588**	**543,040**	**278,170**	**464,163**	**(556,381)**	**4,617,580**
Operating costs and expenses	**3,727,730**	**539,408**	**296,952**	**451,419**	**(498,356)**	**4,517,153**
Operating income (loss)	**160,858**	**3,632**	**(18,782)**	**12,744**	**(58,025)**	**100,427**
Total assets	**2,756,667**	**348,886**	**203,880**	**196,875**	**719,053**	**4,225,361**
						U.S. Dollars (thousands)
2003 (in U.S. Dollars)						
Sales						
Unaffiliated customers	***$29,636,975***	***$4,374,250***	***$2,146,458***	***$2,322,150***	***$ –***	***$38,479,833***
Intersegment	***2,767,925***	***151,083***	***171,625***	***1,545,875***	***(4,636,508)***	***–***
Total	***32,404,900***	***4,525,333***	***2,318,083***	***3,868,025***	***(4,636,508)***	***38,479,833***
Operating costs and expenses	***31,064,417***	***4,495,066***	***2,474,600***	***3,761,825***	***(4,152,967)***	***37,642,941***
Operating income (loss)	***1,340,483***	***30,267***	***(156,517)***	***106,200***	***(483,541)***	***836,892***
Total assets	***22,972,225***	***2,907,383***	***1,699,000***	***1,640,625***	***5,992,109***	***35,211,342***

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., Spain, Germany, Finland, the Netherlands
   (2) The Americas —— U.S.A., Canada
   (3) Others —— China, Thailand, Vietnam, the Philippines, Singapore, Korea, Taiwan, Australia
3. Unallocated operating costs and expenses reported in "Elimination & Corporate" for the years ended March 31, 2001, 2002 and 2003 were ¥69,563 millions, ¥68,091 millions and ¥57,822 millions ($481,850 thousands), 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, 2001, 2002 and 2003 amounted to ¥788,495 millions, ¥1,046,282 millions and ¥1,048,824 millions ($8,740,200 thousands), respectively. The assets principally consisted of working capital (cash and cash equivalents), long-term investments and miscellaneous assets held by the general and administrative sections at the Company.
5. As described in Note 1, the indirect costs related to operational control which had been recorded as cost of sales changed to be recorded as selling, general and administrative expenses for the year ended March 31, 2002. As a result of this change, operating costs and expenses of "Japan" segment increased by ¥10,131 millions, thereby operating income of those segments decreased by the same amount. Segment information for the year ended March 31, 2001 has not been restated.

20. Related Party Transactions

This information is required by the Securities and Exchange Law of Japan.

For the year ended March 31, 2003, the Company entered into the transactions with its affiliate as follows:

- •Related party: Fanuc Ltd.
  - Common stock – ¥69,014 millions ($575,117 thousands)
  - The Company's voting rights – 35.4%
  - Relationship with the Company – 2 concurrent board members
- •Transactions: The Company received Fanuc Ltd.'s self-tender offer and sold a part of its holding of Fanuc Ltd. shares to Fanuc Ltd.
- •Transactions date: August 27, 2002
- •Transactions amounts: ¥78,473 millions ($653,942 thousands)

21. Subsequent events

The Company sold a portion of its stockholdings in "Fanuc Ltd." after the year ended March 31, 2003 as part of the Company's efforts to reduce interest-bearing liabilities.

•Number of shares sold:

11,000,000

•Proceeds from the sale:

¥55,385 millions ($461,542 thousands)

•Date of sales:

May 30, 2003

•Impact on Financial Results:

The above-mentioned sale of shares will result in Other income of ¥26,313 millions ($219,275 thousands) and in Net income of ¥3,104 millions ($25,867 thousands) for the year ending March 31, 2004.

Shin Nihon & Co.

Certified Public Accountants
Hibiya Kokusai Bldg.
2-2-3, Uchisaiwai-cho,
Chiyoda-ku, Tokyo 100-0011
C.P.O. Box 1196, Tokyo 100-8641

Phone:03 3503-1100
Fax: 03 3503-1197

Independent Auditors' Report

The Board of Directors
FUJITSU LIMITED

We have audited the accompanying consolidated balance sheets of Fujitsu Limited and consolidated subsidiaries (the "Group") as of March 31, 2002 and 2003, and the related consolidated statements of operations, shareholders' equity, and cash flows for each of the three years in the period ended March 31, 2003, all expressed in yen. These financial statements are the responsibility of the Company's management. Our responsibility is to independently express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards, procedures and practices generally accepted and applied in Japan. Those standards, procedures and practices require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above, expressed in yen, present fairly, in all material respects, the consolidated financial position of the Group at March 31, 2002 and 2003, and the consolidated results of its operations and its cash flows for each of the three years in the period ended March 31, 2003, in conformity with accounting principles and practices generally accepted in Japan.

As described in Note 1 to the consolidated financial statements, the Group changed its accounting policy regarding the scope of production overheads for inventory costing with respect to the year ended March 31, 2002.

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2003 are presented solely for convenience. Our audit 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.

Shin Nihon & Co.

June 25, 2003

Principal Subsidiaries and Affiliates

Consolidated Subsidiaries

JAPAN

Listed

Shinko Electric Industries Co., Ltd.
FDK Corporation
Fujitsu Business Systems Ltd.
Fujitsu Support and Service Inc.
Fujitsu Frontech Ltd.
Fujitsu Access Ltd.
Fujitsu Devices Inc.
Fujitsu Component Ltd.

OTC

Fujitsu Broad Solution & Consulting Inc.

Unlisted

Fujitsu Laboratories Ltd.
Fujitsu TEN Limited
PFU Limited
Fujitsu Quantum Devices Limited
Fujitsu Network Solutions Limited
Fujitsu Media Devices Limited
Fujitsu FIP Corporation
NIFTY Corporation
Fujitsu IT Products Ltd.
Fujitsu Display Technologies Corporation
Fujitsu AMD Semiconductor Limited
Fujitsu Hitachi Plasma Display Limited
Fujitsu Leasing Co., Ltd.

THE AMERICAS

Unlisted

Fujitsu IT Holdings, Inc.
Fujitsu Network Communications, Inc.
Fujitsu Consulting Holdings, Inc.

EUROPE

Unlisted

Fujitsu Services Holdings PLC

Affiliates—Equity Method Applied Only

JAPAN

Listed

Fanuc Ltd.
Fujitsu General Ltd.
Advantest Corporation

EUROPE

Unlisted

Fujitsu Siemens Computers (Holding) B.V.

(As of March 31, 2003)

Shareholders' Data

Capital: ¥324,624 million
Common Stock: Authorized: 5,000,000,000 shares
Issued: 2,001,962,672 shares
Number of Shareholders: 247,161

Principal Shareholders	Number of shares held (thousands)	Percentage of total shares outstanding
Mizuho Trust & Banking Co., Ltd. Retirement Benefit Trust (for Fuji Electric Co., Ltd.)	122,600	6.17%
Fuji Electric Co., Ltd.	107,363	5.40%
The Master Trust Bank of Japan, Ltd. (for trust)	88,627	4.46%
Japan Trustee Services Bank, Ltd. (for trust)	82,851	4.17%
Mizuho Corporate Bank, Ltd.	62,441	3.14%
Asahi Mutual Life Insurance Company	50,220	2.52%
Euroclear Bank SA/NV	41,340	2.08%
Trust & Custody Services Bank, Ltd. (for trust)	39,659	1.99%
J.P. Morgan Trust Bank, Ltd.	29,068	1.46%
Boston Safe deposit BSDT Treaty Clients Omnibus Account	27,608	1.39%

Corporate Headquarters

Shiodome City Center
1-5-2 Higashi-Shimbashi, Minato-ku, Tokyo 105-7123, Japan
Telephone: +81-3-6252-2220

Transfer Agent

UFJ Trust Bank Limited
4-3, Marunouchi 1-chome, Chiyoda-ku, Tokyo 100-0005, Japan

Stock Exchange Listings

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

(As of March 31, 2003)

Shareholder Information

For further information, please contact:
Fujitsu Limited
Public & Investor Relations
Telephone: +81-3-6252-2175
Facsimile: +81-3-6252-2783

FUJITSU LIMITED

Shiodome City Center, 1-5-2 Higashi-Shimbashi, Minato-ku, Tokyo 105-7123, Japan
Telephone: +81-3-6252-2175
Facsimile: +81-3-6252-2783
Internet: www.fujitsu.com

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