THE POSSIBILITIES ARE INFINITE

FUJITSU

FUJITSU LIMITED

Annual Report

2002

Annual Report 2002

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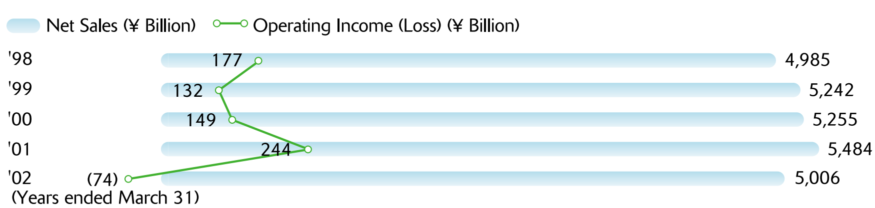
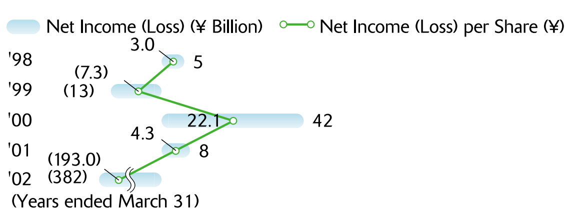
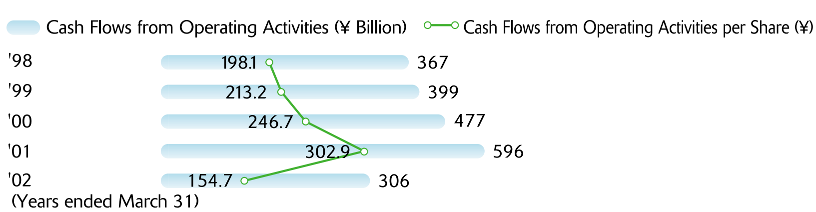
Consolidated Financial Highlights

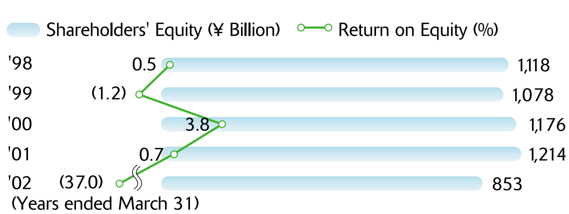
Fujitsu Limited and Consolidated Subsidiaries Years ended March 31	Yen (millions) (except per share data)		U.S. Dollars (millions) (except per share data)
	2001	**2002**	***2002***
For the year:			
Net sales	¥5,484,426	**¥5,006,977**	***$37,646***
Operating income	244,026	**(74,426)**	***(560)***
Income before income taxes and minority interests	157,564	**(594,733)**	***(4,472)***
Net income	8,521	**(382,542)**	***(2,876)***
Cash flows from operating activities	596,462	**306,571**	***2,305***
Per share (Yen and U.S. dollars):			
Earnings			
Basic	¥ 4.3	**¥ (193.0)**	***$ (1.451)***
Diluted	4.3	**(193.0)**	***(1.451)***
Cash flows from operating activities	302.9	**154.7**	***1.163***
Cash dividends	10.0	**5.0**	***0.038***
Cash dividends to face value	20%	**10%**	***10%***
At year-end:			
Shareholders' equity	¥1,214,383	**¥853,756**	***$ 6,419***
Total assets	5,200,071	**4,595,804**	***34,555***

Note: The U.S. dollar amounts above have been translated from yen, for convenience only, at the rate of ¥133 = US$1, the approximate Tokyo foreign exchange market rate on March 31, 2002.
Cash dividends per share of common stock for the year ended March 31, 2002 are the total of interim and year-end dividends approved by the Company's board of directors on October 24, 2001 and at the Annual Shareholders' Meeting on June 25, 2002, respectively.









To Our Shareholders

Fiscal 2001 Summary

A new revolution in the utilization of information technology is taking place on a global scale, impacting nearly every aspect of society. In Japan, too, the increasing importance of IT can be seen in the implementation of the e-Japan initiative, which aims to create one of the world's most advanced information and communication networks. Although the IT industry has experienced a temporary setback, its medium- and long-term growth prospects are excellent, for it serves as the foundation for the ultra high-speed, large-capacity networked society of tomorrow.

However, fiscal 2001 was marked by global economic stagnation and cutbacks in IT-related capital spending. There was a major deterioration in the market for semiconductors and components owing to a decline in worldwide demand for mobile phones and personal computers, as well as cutbacks in capital spending by telecommunications carriers, particularly in North America. This resulted in the most difficult business environment the Fujitsu Group has experienced.

In this challenging environment, we undertook a comprehensive restructuring of the Fujitsu Group in order to improve profitability and realize new growth in the mid-term. We more tightly focused our resources on areas offering potential for high profits and growth, reorganized and streamlined our R&D and manufacturing operations, and exited from certain business areas.

Consolidated net sales for fiscal 2001 were ¥5,006.9 billion (down 8.7% from the previous year), and we posted an operating loss of ¥74.4 billion (compared to an operating profit of ¥244.0 billion the previous year). In addition, we took a restructuring charge of ¥417.0 billion, which included the closure of semiconductor production facilities overseas and the withdrawl from the business of small form factor hard disk drives for desktop PCs. This resulted in a net loss of ¥382.5 billion (compared to a net profit of ¥8.5 billion the previous year). The reduction in shareholders' equity stemming from the large net loss, coupled with an increase in interest-bearing liabilities, resulted in deterioration of our financial base.

Principal Business Reforms Implemented in Fiscal 2001

To solidify the foundation for greater profitability and achieve new types of growth, we positioned fiscal 2001 as a year of fundamental structural reform for the Fujitsu Group, implementing changes focused on three key areas: 1) pursuing higher value-added business through an orientation toward software and services; 2) focusing more tightly on core technologies and products; and 3) enhancing the competitiveness of the Group.

■Electronic Devices

We closed our Gresham semiconductor facility in the U.S. and consolidated our fabrication and assembly lines across the Group, thereby streamlining our production organization. In addition, we concentrated all System LSI (SoC) development work at our Akiruno Technology Center, where we are aggressively developing advanced semiconductor technology solutions to help increase the competitiveness of our servers and networking equipment.

From left:
Tadashi Sekizawa, Chairman
Naoyuki Akikusa, President, CEO & COO

Information Processing

In April 2002, to improve production efficiency we established Fujitsu IT Products Limited, consolidating into one location all our Unix server and storage systems manufacturing. We exited from the business of small form factor hard disk drives for desktop PCs and have instead concentrated on hard disk drives for servers, where value-added is higher and growth prospects are better.

Telecommunications

In the network equipment business, in light of the rapid shift towards IP-based networking hardware, we exited the PBX business in North America. In the field of photonics, we streamlined our North American subsidiary and consolidated the production of advanced-technology products at our Oyama plant. In the mobile area, we concentrated development and manufacturing of 3G mobile equipment at our Nasu facility.

Services and Software

We reorganized the consulting & applications and IT infrastructure services businesses formerly headed by ICL and DMR Consulting in Europe and North America by establishing two new subsidiaries, Fujitsu Services Holdings PLC and Fujitsu Consulting Inc., in April 2002. Uniting these companies under the common Fujitsu brand identity has reinforced their position as part of a global top-quality IT services provider. Fujitsu's goal is to provide one-stop solutions to global multinationals while at the same time providing services carefully tailored to meet the diverse needs of customers in each country and region.

Our Corporate Direction and Business Strategies

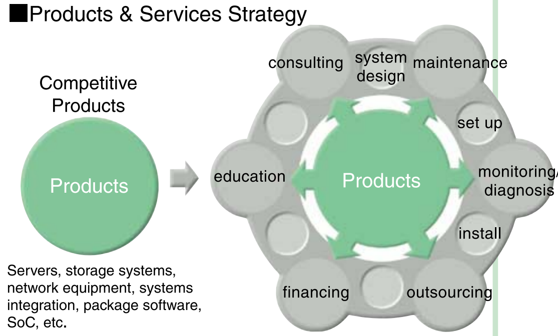
As an IT leader helping to advance the broadband Internet, the Fujitsu Group seeks to foster long-term customer relationships — primarily with corporations and public sector institutions — by providing total solutions comprising high-quality products and services based on superior technology. Most importantly, we continuously strive to understand the needs of our customers, examining things from their perspectives and working to maximize satisfaction by extending our "customer focus" to their

customers. The pace of the IT revolution has been remarkably fast, yet the utilization of IT advancements has not reached full potential. Proposing revolutionary new uses for IT is one way of sparking new demand. The Fujitsu Group is intent on staying at the cutting edge of technological change, and, with customers' needs firmly in mind, proposing new ways to use IT and pioneering new markets.

■Products & Services Strategy

The Fujitsu Group's growth strategy is to increase the software and services orientation of all our business areas. This is not simply a matter of enhancing our Software and Services Business Group; rather, it is a cohesive products & services strategy to provide services that revolve around competitive products throughout our business lines. In our software and services business we are enhancing our service offerings that focus on developing and operating customers' systems, such as consulting, training and security diagnostics. In our product businesses, such as SoC, servers and network equipment, we are seeking to add value by expanding the scope of services we offer. For example, in addition to leveraging our expertise in software development to enhance our hardware offerings, we are also developing a full range of product-related services, such as deployment support, monitoring, and performance diagnostics.

■Products & Services Strategy



■Fujitsu's Value Chain: Technologies, Platforms and Services

Another point of emphasis in the Fujitsu Group's business strategy is our interlocked value chain of technologies, platforms and services. What this means more specifically is using our advanced electronic devices and other technologies as the source of competitive strength for our platform products. In turn, our platform product lines, boasting high reliability, performance and quality, serve as the foundation for increasing the added value of our services. In other words, in order to provide optimal services to our customers, we utilize the best possible platforms and technologies, which enables us to provide more competitive total information systems. Providing comprehensive solutions based on this unique value chain is a major competitive advantage of the Fujitsu Group.

Establishing Stable Profitability and New Sources of Growth in Each of Our Businesses

To achieve more stable sales and profits amidst the ups and downs of the economic cycle, and to find new growth opportunities arising from structural changes in the market, we are pursuing the following measures.

Software and Services Business — Enhancing Profitability

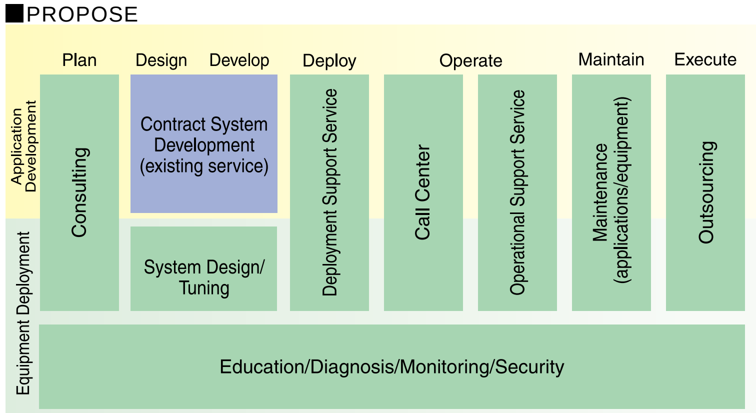
Software and services has become a pillar of the Fujitsu Group's sales and profits. The key to reinforcing the integrity of this pillar is to enhance our competitiveness by expanding our menu of service offerings and improving the productivity of our software development activities. In 1992, we pioneered an easy-to-understand menu of standardized IT service offerings in Japan, called PROPOSE. Based on this model, our services business initially revolved around our existing systems integration business, expanding over time into consulting, maintenance and training, and then to a more complete range of value-added managed services, such as call centers, maintenance and monitoring, and security diagnostics. We aim to improve profitability by increasing the contribution of income from PROPOSE-type service offerings to overall services revenues.

To make the software development process more productive, we are working to improve efficiency by making more effective use of packaged solutions, such as ERP[1] and CRM[2]; promote software componentization; and embed common functions in middleware. Our GLOVIA ERP package, used by international firms such as Dell and Ericsson, takes a fine-grained approach to componentization, with 1,800 functional modules that can be used to organize business know-how in fields like finance, accounting and production management. These components are standardized and can be reused as often as needed. This thorough approach to componentization and component standardization improves development efficiency so that we can quickly deliver optimal solutions to our customers.

1. ERP: Enterprise Resource Planning
   Integrated management of accumulated company information in areas ranging from administrative processes (accounting, personnel, etc.) and manufacturing processes (inventory management) to sales processes (distribution). Provides a framework and methodology for increasing business efficiency.

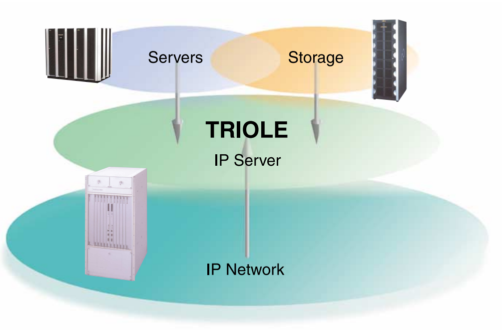
2. CRM: Customer Relationship Management
   A business method that applies information technology to enhance customer satisfaction and make sales activities more efficient. Based on a detailed database of individual customer interactions — sales, maintenance, inquiries and follow-ups — it integrates the management and use of this information.

PROPOSE



Platforms Business — Strengthening Competitiveness through Fusion of Telecommunications and Information Processing

Along with the emergence of the high-speed, high-capacity networked economy, customers now require information systems to have the following four key capabilities: 24x7 nonstop operation, the ability to handle extreme load fluctuations, the ability to rapidly form business linkages between companies, and the ability to handle an expanding range of business applications. It is difficult to meet these demanding requirements through the conventional approach of simply combining stand-alone products. Instead, it is becoming increasingly important to have servers, storage systems and networking equipment that can be combined or easily linked together. These factors were the impetus for our new information system concept for the next-generation network era, called TRIOLE. This new approach integrates and optimizes the special features of our best-of-breed, high-quality servers, storage systems and networking equipment to create network information systems with the utmost scalability, reliability, stability and security. Our ability to develop competitive products combining telecommunications and information processing, and to build high value-added information systems, differentiates Fujitsu in the market and will help increase sales and profitability.



Electronic Devices Business — Focusing on Advanced Semiconductor Solutions

In our electronic devices business, we are focusing chiefly on the development and design of advanced system LSI, or System-on-Chip (SoC). We are strengthening efforts to provide semiconductor solutions that leverage the Fujitsu Group's superior technology and comprehensive capabilities in software and other areas, targeting in particular the markets for digital AV, networking/mobility, and automotive applications. Recognizing the critical importance of next-generation semiconductor technology to Fujitsu's continuing competitiveness in servers and network equipment, we developed 90nm CMOS technology[3] and began prototype production using this technology at our Akiruno Technology Center in December 2001 — an industry first. In regard to volume production, we intend to control new capital spending by contracting out production and other measures.

3. 90nm CMOS technology
Stipulated in the International Technology Roadmap for Semiconductors (ITRS) as the next step in design-rule miniaturization. Ten nanometers is one one-hundred-millionth of a meter.

Clean room at Akiruno Technology Center

Direction Regarding Independent Businesses

Within the business domains of technologies, platforms and services, there are many group companies that have considerable value, as well as many business units that possess highly competitive, advanced technologies. We aim to raise the overall value of the Fujitsu Group by carefully cultivating these as “independent businesses” and unlocking their latent value. By promoting management autonomy, including the development of sales channels outside of Fujitsu proper and the adoption of independent employment practices, we hope to cultivate the ability of these group companies to grow on their own. Within Fujitsu itself, as well, we will spin off units that are considered good candidates for success as independent businesses. Electronic devices-related operations in compound semiconductors, plasma displays, LCDs, SAW filters, and components, as well as small form factor hard disk drive operations, will be positioned as independent businesses. These moves will serve to increase the value of the Fujitsu Group as a whole.

New Corporate Governance Structure

To strengthen management oversight and promote faster decision making and greater management agility, we revised our corporate governance structure. Specifically, we instituted a corporate executive officer system that helps to enhance the oversight role of the Board of Directors, and, by granting wide authority to corporate executive officers, to accelerate the decision-making process. In conjunction with these changes, we introduced a business group structure that ensures flexibility in the allocation of resources and reinforces an organic approach to management that seeks to take advantage of synergy among business units within each group. Of particular note, we have reorganized the telecommunications and information processing groups into a unified “Platforms Business Group” to promote the development of products that fuse computing and networking technologies. Moreover, to ensure that our businesses are more responsive to customer needs, we are enhancing our sales groups along customer and regional lines and strengthening our marketing capabilities.

Global Knowledge Institute executive training seminar at Fujitsu University

Cultivating Top-Caliber Human Resources

In pursuing our business strategy going forward, we recognize that our employees are a vitally important asset. We established a comprehensive training program, Fujitsu University, to develop top-caliber professionals and business leaders. A dynamic, can-do spirit is crucial to our ongoing success, and we aim to strategically cultivate a cadre of leaders who will unlock the opportunities of the future.

Research & Development: Toward the Next Generation of IT Network Systems

As broadband Internet becomes ubiquitous, we believe that next-generation networks will require levels of performance and functionality that mere extensions of current systems will be unable to deliver. The Fujitsu Group has been researching such new areas as organic computers[4] that can autonomously detect and isolate faults, and grid computing[5], in which multiple data processing resources on the Internet can function as one virtual computing center accommodating extreme load fluctuations. We are pursuing R&D of cutting edge technologies to power the IT network systems and their underlying electronic devices for the networked economy of tomorrow.

4. Organic computer
System comprising multiple ultra-thin computers (like blade servers) that can autonomously monitor, diagnose and modify system resources.

5. Grid computing
A combination of midrange and high-performance computers, databases and research facilities, distributed over a wide geographic area, that is made accessible as a whole to individual users regardless of location, providing a computing environment with supercomputer-grade processing power.

Toward Sustainable Growth

What mankind can dream, technology can achieve; reliability and creativity — these have long been the watchwords of the Fujitsu Group as we have pioneered new markets and new technologies. Our corporate message, "The Possibilities Are Infinite," is also an expression of our determination to serve as a trusted partner who can utilize IT to help our customers unleash infinite possibilities for their business success. We will continue to concentrate on providing customer-centric IT solutions for the global marketplace.

At the same time, we have made environmentalism a priority issue for the Group. We are pursuing a variety of environmental initiatives including striving to make all of Fujitsu's products eco-friendly and offering IT-based environmental solutions to our customers.

We posted a significant loss in fiscal 2001, but we are confident that the restructuring initiatives we have implemented will improve profitability in fiscal 2002 and beyond. We will seek to increase shareholder value by strengthening our profitability and our financial base, while continuing to earn the trust of our customers around the world. On behalf of the Fujitsu Group, we wish to thank our shareholders for their continuing support.

Tadashi Sekizawa
Chairman
Tadashi Sekizawa

Naoyuki Akikusa
President, CEO & COO
Naoyuki Akikusa

Excellent Customers Are Our Greatest Assets

At the Fujitsu Group, we place emphasis on delivering comprehensive customer-centric solutions that enable us to maintain long-term customer relationships. Following are some brief profiles that illustrate how our IT systems and services are benefiting customers.

e-Government — Helping to Build Electronic Government Systems Around the World

The Fujitsu Group is involved in a number of projects around the world aimed at helping governments establish electronic administrative processes that are more convenient and accessible for their citizens. Fujitsu has a solid track record in implementing e-initiatives in Canada, for example, which garnered the world's top ranking among 23 countries in terms of its progress toward e-government, according to a report issued in the spring of 2002 by Accenture. Working with the Canadian authorities on a number of federal government projects, Fujitsu Consulting developed online systems for such areas as passport applications, employment insurance, and immigration applications. In Finland, Fujitsu Services is setting up the government's tax-web portal service and a citizen smartcard service, and in England it is deploying various administrative applications systems. In Japan, too, we are providing comprehensive solutions to advance electronic government, including basic e-government enabling systems such as authentication infrastructure and networks for residents' general ledgers; electronic application and

e-Government terminal for administrative applications

Fujitsu's netCommunity showroom for e-government solutions procurement systems for various administrative entities; and front-office systems that will enable local government authorities to improve citizen services. In addition, by proposing a business model that seeks to realize new administrative services through industry-government cooperation, we are supporting the development of a truly interactive — government to citizen and citizen to government — e-Japan initiative.

■Toyota — Global Sales, Manufacturing & Distribution and Procurement Systems

Multinational corporations with far-flung operations are increasingly seeking to implement truly global information systems in order to enhance their international competitiveness. In the automotive industry, the keys to differentiating oneself from one's competitors are the ability to reduce the lead time between product development and delivery, respond to changes in demand or supply with flexible supply chain management, and implement a reliable shipment management system. To support the development of Toyota's global business, we are building a supply-chain management system that integrates production, distribution and sales, and a web-based procurement system. These systems run on Fujitsu's PRIMEPOWER Unix servers and use our Interstage middleware. With stable 24x7 availability, the systems track the delivery of finished vehicles to export markets, as well as product information, pricing, and supply chain conditions, keeping sales channels filled in accordance with market demand and production precisely aligned with product orders, thereby enabling Toyota to develop more strategic sales policies.


Toyota's assembly operations


Medical consultation using bedside terminal

National Center for Child Health and Development — Bedside Terminals Help Improve Quality of Care and Communication

Recently healthcare has been moving toward greater specialization, increased consideration for patients and their families, and comprehensive, ongoing medical care from childhood through old age. Fujitsu's bedside terminal, which enhances person-to-person contact and brings the best quality care literally to the patient's side, was picked by the NCCHD for the first program of its type in Japan. Formerly, medical information was available solely in terminals used by doctors. Placing the terminal at the bedside, however, makes the medical chart available to the patient and allows the patient and doctor to review the course of treatment together, creating an opportunity for greater discussion and better understanding of the treatment. Fujitsu's bedside terminals are now being introduced in other medical facilities, helping to improve the quality of healthcare for a growing number of patients.

Nordstrom — Major Nationwide POS System Order

Information systems for retailers have entered a new era with the emergence of open platforms. Stores can no longer focus solely on issues of improving the efficiency of operations; today they must also seek new ways to improve customer service and reduce total cost of ownership. Nordstrom, a leading department store chain with over 100 locations in 25 states throughout the U.S., gave Fujitsu Transaction Solutions Inc.

TeamPoS2000 point-of-sale system

the contract to implement a nationwide POS system for its stores. Fujitsu's TeamPoS2000 terminals and GlobalSTORE software solution, with its open platform, ease of maintenance and extensive functionality, enables Nordstrom to respond to a wide variety of customer needs and hold overall system costs to a minimum. In addition to Nordstrom, numerous other retailers around the world are using this system.

Yamazaki Baking — Comprehensive Sales Support System

With the proliferation of convenience stores, consumers now expect to be able to buy whatever they want, whenever they want it. To meet that expectation, producers are establishing new distribution systems to handle orders and deliveries. The goal is to control costs while ensuring that their products are delivered to retail shelves on a timely basis. For Yamazaki Baking, Fujitsu built a sales-support system that helps ensure everyday food items like bread and snacks are delivered in the most efficient way possible to retail outlets throughout Japan. The system includes vehicle-installed data terminals with Global Positioning System (GPS) receivers for all delivery vehicles, making it possible to accurately track when any given truck will reach a particular store. Route sales agents carry handheld terminals to input orders, enabling the company and its production facilities to capture precise market data covering deliveries and sales — all in real time. As a result, delivery times have been reduced, orders and payment collections are handled more efficiently, and Yamazaki Baking has extended its sales clout in the market.

Input using mobile handheld terminals

Making All Our Products Eco-Friendly

Promoting the environmental compatibility of our products is a top priority of the Fujitsu Group. We have pioneered the use of materials that place less of a burden on the environment, such as computer casings made from magnesium alloys or halogen-free resins, lead-free solder and biodegradable resins. In cooperation with our suppliers, we are also actively pursuing a “green procurement” system, which gives precedence to environmentally friendly components and materials.

Environmental Accounting

Cost/benefit trends (billions of yen)

		Fujitsu Limited	Major Subsidiaries	Total
FY1999	costs	8.5	8.2	16.7
	benefits	10.3	11.9	22.2
FY2000	costs	8.2	10.9	19.1
	benefits	11.1	13.5	24.6
FY2001	costs	7.7	11.0	18.7
	benefits	12.3	12.0	24.3
FY2002 (est.)	costs	8.0	11.0	19.0
	benefits	12.5	12.0	24.5

Classifications based on Ministry of the Environment’s FY2000 Environmental Reporting Guidelines.

※Fujitsu's environmental accounting reports, including the FY2001 report, are subject to third-party audit and certification.

Enhancing IT-based Environmental Solution Offerings

We have been working to enhance our environmental solutions with the aim of harnessing IT to help create a recycling society. We design environmentally compatible products and provide system-engineering services that are responsive to the needs of our environmentally conscious customers. In Iwaki City in Japan, for instance, we collaborated with Nippon Kasei Chemical and Fujitsu Research Institute to set up a business model for chemical waste recycling. Through such efforts, we are working to safeguard the environment and contribute to the communities in which we do business.

Fujitsu Group volunteers at Eco-Forest Park in Malaysia

Expansion of Overseas Reforestation Activities: Establishing an Eco-Forest Park

Fujitsu has been involved in reforestation projects to help revitalize the endangered tropical rain forests of Southeast Asia since 1997. In January 2002 we established the Fujitsu-Safoda Eco-Forest Park, a 70-hectare preserve in the Kinarut region of Sabah. This project was implemented with support from the Malaysian government, the Japanese Consulate General in Kota Kinabalu, the Japan International Cooperation Agency, and the Japan International Forestry Promotion and Cooperation Center, as well as monetary contributions from Fujitsu employees and the personal involvement of employee volunteers, who helped in the planting of 40,000 trees.

JAIMS Celebrates Thirty Years of International Management Education

Founded in 1972 in Hawaii upon the initiative of Fujitsu, the Japan-America Institute of Management Science (JAIMS) is observing its thirtieth anniversary this year. Participants in the JAIMS program, who come from all over the world, hone their cross-cultural communication abilities and business skills through internships in global companies and organizations, and coursework toward an American M.B.A. degree. After completing the program, they are well prepared to serve as leaders in the international community.

Michiko Hata

who completed the Intercultural Management Program (ICMP), entered JAIMS while making preparations to start her own company. She is active on a variety of fronts, including fostering music and performers, undertaking projects focused on event production, and launching websites. "Even though my base of operations is Japan," she says, "the field I am developing encompasses the whole world. I plan to expand globally, armed with the techniques that I learned at JAIMS."

Lawrence Kieffer

participated in the Japan-focused MBA (JEMBA) program. He was involved in the start-up of AsiaNet, an Internet-based recruiting company that focuses on the Pacific Rim and Asian regions. At present, Kieffer is director of AsiaNet's consulting division, which provides career advancement services for managers and specialist professionals. "I'd like to have my own company some day," he says.

Neeraj Jhanji

who completed the JEMBA program in 1995, is currently CEO of ImaHima, a company founded in 1999. Regarded as a leader in application technology for mobile communication and instant messaging, ImaHima has tie-ups with communications operating companies worldwide and is currently expanding its business in both Europe and Japan. "The Japanese language skills and knowledge of the Japanese finance system that I gained through JEMBA have served me extremely well," says Jhanji.

Support for 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. 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 will be the venue for the 44th competition in 2003, and Fujitsu will be providing a broad range of support as the sole sponsor.

Employees Join with Elementary School to Support Local Volunteer Organization

For nine years, employees of Richardson, Texas-based Fujitsu Network Communications have joined forces with Big Spring Elementary School to lend a hand to the Network of Community Ministries, a non-profit organization made up of local volunteers. By helping to pack and distribute many tons of candy and food, staff members have contributed to the lives of people in their community.

Volunteers pack and deliver food for local charities

Management

Board of Directors

Chairman of the Board
Tadashi Sekizawa
Chairman

Representative Director
Naoyuki Akikusa
President, CEO & COO

Representative Director
Tadayasu Sugita
CTO and President, Platforms Business Group
Corporate Senior Executive Vice President

Representative Director
Takashi Takaya
CFO and Head of Corporate Center
Corporate Senior Executive Vice President

Director
Akira Takashima
Legal & External Affairs, Head of Group Support
Corporate Executive Vice President

Director
Kunihiko Sawa

Director
Toshihiko Fukui

Auditors

Standing Auditors

Keizo Fukagawa
Shin Koizumi

Auditors

Yasuyuki Wakahara
Takeo Kato
Katsuhiko Kondo

Corporate Executive Officers

Naoyuki Akikusa — President, CEO & COO

Corporate Center

Takashi Takaya — CFO and Head of Corporate Center, Corporate Senior Executive Vice President
Takahiko Okada — Corporate Vice President
Kazuhiko Kato — Corporate Vice President

Group Support

Akira Takashima — Legal & External Affairs, Head of Group Support, Corporate Executive Vice President
Kuniaki Nozoe — Corporate Vice President
Haruki Okada — Corporate Vice President

Sales Group

Kazuto Kojima — President, Sales Group (Marketing), Corporate Executive Vice President
Kazuo Murano — President, Sales Group (Overseas), Corporate Senior Vice President
Kuniaki Suzuki — President, Sales Group (Domestic), Corporate Senior Vice President
Hirohisa Yabuuchi — Corporate Senior Vice President
Michiyoshi Mazuka — Corporate Vice President
Yasushi Tajiri — Corporate Vice President
Tetsuo Urano — Corporate Vice President
Takashi Igarashi — Corporate Vice President

Software & Services Business Group

Yuji Hirose — President, Software & Services Business Group, Corporate Executive Vice President
Hiroya Madarame — Corporate Senior Vice President
Hiroaki Kurokawa — Corporate Senior Vice President
Michio Atarashi — Corporate Vice President

Platforms Business Group

Tadayasu Sugita — CTO and President, Platforms Business Group, Corporate Senior Executive Vice President
Junji Maeyama — Corporate Senior Vice President
Koichi Ohta — Corporate Senior Vice President
Hiroaki Takeichi — Corporate Vice President
Takashi Aoki — Corporate Vice President
Ichiro Komura — Corporate Vice President
Chiaki Ito — Corporate Vice President
Takashi Nakamura — Corporate Vice President

Electronic Devices Business Group

Masamichi Ogura — President, Electronic Devices Business Group, Corporate Senior Vice President
Toshihiko Ono — Corporate Vice President
Nobutake Matsumura — Corporate Vice President

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FINANCIAL SECTION

Five-Year Summary

Years ended March 31	1998	1999	2000	2001	2002	2002
					Yen (millions) (except for per share data and number of employees)	*U.S. Dollars (thousands)*
Net sales	¥4,985,382	¥5,242,986	¥5,255,102	¥5,484,426	**¥5,006,977**	***$37,646,444***
Operating income (loss)	177,353	132,287	149,974	244,026	**(74,426)**	***(559,594)***
Income (loss) before income taxes and minority interests	123,855	49,625	74,857	157,564	**(594,733)**	***(4,471,677)***
Net income (loss)	5,587	(13,638)	42,734	8,521	**(382,542)**	***(2,876,256)***
Total assets	5,056,259	5,025,670	5,019,744	5,200,071	**4,595,804**	***34,554,917***
Shareholders' equity	1,118,449	1,078,652	1,176,528	1,214,383	**853,756**	***6,419,218***
Amounts per share of common stock (Yen and U.S. dollars):						
Earnings (loss)						
Basic	¥ 3.0	¥ (7.3)	¥ 22.1	¥ 4.3	**¥ (193.0)**	***$ (1.451)***
Diluted	3.0	(7.3)	21.5	4.3	**(193.0)**	***(1.451)***
Cash dividends	10.0	10.0	10.0	10.0	**5.0**	***(0.038)***
Shareholders' equity	600.6	572.5	599.4	614.2	**426.5**	***3.207***
R&D expenditure	¥ 387,129	¥ 395,063	¥ 401,057	¥ 403,405	**¥ 349,855**	***$ 2,630,489***
Capital expenditure	435,771	288,896	325,706	438,043	**306,966**	***2,308,015***
Number of employees	180,332	188,139	188,053	187,399	**170,111**	
Net sales by business segment (excluding intersegment sales):						
Services and Software	¥1,757,489	¥2,015,409	¥1,969,038	¥2,014,375	**¥2,085,863**	***$15,683,180***
Information Processing	1,724,107	1,848,253	1,649,936	1,571,802	**1,385,355**	***10,416,204***
Telecommunications	742,790	653,375	734,256	778,052	**629,871**	***4,735,872***
Electronic Devices	541,023	506,645	568,159	759,723	**546,555**	***4,109,436***
Financing	—	—	113,070	107,246	**114,472**	***860,692***
Other operations	219,973	219,304	220,643	253,228	**244,861**	***1,841,060***
Total	¥4,985,382	¥5,242,986	¥5,255,102	¥5,484,426	**¥5,006,977**	***$37,646,444***
Net sales by customers' geographic location:						
Japan	¥3,228,363	¥3,127,501	¥3,352,837	¥3,590,282	**¥3,460,915**	***$26,021,917***
Europe	782,946	1,019,482	819,082	725,756	**643,260**	***4,836,542***
The Americas	586,215	708,124	688,179	765,288	**542,144**	***4,076,271***
Asia & Oceania	358,396	359,612	371,458	383,560	**346,425**	***2,604,699***
Africa & the Middle East	29,462	28,267	23,546	19,540	**14,233**	***107,015***
Total	¥4,985,382	¥5,242,986	¥5,255,102	¥5,484,426	**¥5,006,977**	***$37,646,444***

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 ¥133 = US$1, the approximate Tokyo foreign exchange market rate on March 31, 2002.
3. Cash dividends per share of common stock for the year ended March 31, 2002 are the total of interim and year-end dividends approved by the Company's board of directors on October 24, 2001 and at the Annual Shareholders' Meeting on June 25, 2002, respectively.

Net Sales

In the fiscal year ending March 31, 2002 (fiscal 2001), the Fujitsu Group faced a difficult global economic environment, with the impact of the slowdown in the U.S. economy reverberating throughout Japan, Europe and Asia through December. The IT industry has good prospects for growth in the medium to long term, owing to its core role in supporting emerging high-speed, large-volume networks. However, it was in an exceptionally severe position throughout fiscal 2001, as global shipments of cellular phones and personal computers declined, and telecommunications carriers around the world, particularly those North America, continued to sharply curtail capital investment.

On the other hand, since January there have begun to be indications of a market recovery, including signs — mainly in the U.S. and Asia — that the economy has bottomed out; that the slump in overseas demand for PCs and mobile phones may be ending; and that inventory adjustments in semiconductors may have run their course.

Against this backdrop, consolidated net sales in fiscal 2001 were ¥5,006.9 billion, an 8.7% decline from the previous fiscal year.

In Japan, responding to diverse market needs in the area of large-scale IT systems for enterprises and organizations, we achieved higher sales of systems integration and outsourcing services, as well as enterprise servers. Sales of base station systems and other equipment for 3G telecommunications services also increased. Still, with sluggish demand for PCs worldwide and a glut of electronic devices eroding prices, revenues in those areas fell, resulting in a 3.6% decline in overall domestic sales, to ¥3,460.9 billion.

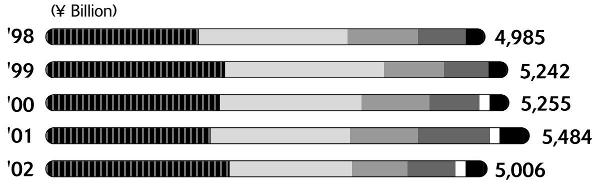
Overseas, deterioration in the financial performance of telecommunications carriers, especially in North America, led to large cutbacks in capital spending, and sales of optical transmission systems were sharply lower. In addition, our exit from the business of small form factor hard disk drives for desktop PCs, the severe deterioration in demand for electronic devices, and lower sales in our European and U.S. services businesses all contributed to an 18.4% overall decline in overseas sales, to ¥1,546.0 billion.

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

The cost of sales for fiscal 2001 totaled ¥3,731.2 billion, 5.4% lower than the previous fiscal year. The cost of sales ratio rose 2.6%, to 74.5%. The gross profit on sales (net sales minus the cost of sales) was ¥1,275.7 billion, a decline of 17.3%. The gross profit margin was 25.5%, 2.6% lower than the previous year's figure of 28.1%. The decline in profitability resulted from lower demand and prices in telecommunications and electronic devices, as well as lower capacity utilization.

Selling, general and administrative (SG&A) expenses totaled ¥1,350.1 billion. Some indirect costs related to operational control that previously were included in the cost of sales are included in this period's SG&A expenses. Due to this and other factors, SG&A increased by 4.0%, and it rose 3.3% as a percentage of sales, to 27.0%. Our R&D investments were focused on web services and other advanced technologies in software and services, computer and telecommunications systems for next-generation networks, and the electronic devices that power these systems. As a result, the portion of SG&A attributable to R&D spending was ¥349.8 billion, down 13.3% from the previous year.

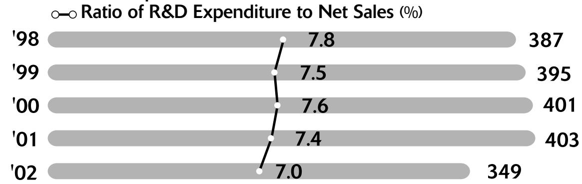
Net Sales by Business Segment (excluding intersegment sales)
(¥ Billion)



(Years ended March 31)

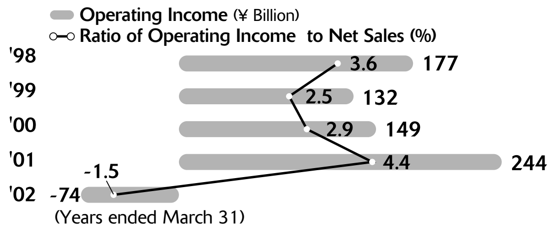
Services and Software / Information Processing / Telecommunications / Electronic Devices / Financing / Other Operations

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



(Years ended March 31)

Due to these factors, we posted an operating loss for fiscal 2001 of ¥74.4 billion, down ¥318.4 billion from the previous year's operating profit. Our operating margin was –1.5%.



Other Income and Expenses, Net Income

Other income and expenses amounted to –¥520.3 billion, as expenses increased by ¥433.8 billion over the previous year.

Of this amount, charges to cover a deficit in pension liabilities rose by ¥13.2 billion, to ¥35.7 billion, as a result of lower prices for stock assets. A deterioration in operating results caused equity in earnings of affiliated companies to decline by ¥10.7 billion, to ¥2.6 billion.

We designated fiscal 2001 as a year of thorough structural reform for the Fujitsu Group. We restructured in every business segment, and related charges totaled ¥417.0 billion, an increase of ¥314.5 billion over the previous year. Major items in the overall restructuring charge are broken out below.

Restructuring Charges by Business Segment (¥ Billion)

Year ended March 31	2002
Services and Software	¥ 42
Information Processing	100
Telecommunications	65
Electronic Devices	208
Consolidated restructuring charge	¥417

Services and Software: Reorganized ICL of the U.K. (renamed "Fujitsu Services Holdings PLC" as of April 2002) and DMR Consulting of the U.S. (renamed "Fujitsu Consulting Inc." as of April 2002) as part of our global push in IT services.

Information Processing: Exited business of small form factor hard disk drives for desktop PCs; restructured manufacturing operations for servers and storage systems.

Telecommunications: Exited North American PBX business and implemented strategy to cope with decline in North American optical transmission market.

Electronic Devices: Closed North American semiconductor plant and reorganized semiconductor production operations in Japan.

Also in the category of other income and expenses was a ¥20.5 billion valuation loss on marketable securities as a result of stock price declines (¥9.9 billion greater than the previous year's valuation loss).

As a result of these factors, the net loss before income taxes and minority interests totaled ¥594.7 billion, a reversal of ¥752.2 billion from the previous year. After factoring in income taxes of –¥199.4 billion and minority interests of –¥12.7 billion, the net loss was ¥382.5 billion, a decline of ¥391.0 billion in income from the previous year. The net loss per share was ¥193.0.

Segment Information
Business Segment Information

Services and Software

Fiscal 2001 sales of services and software rose 5.5% in Japan, to ¥1,534.5 billion, but declined by 1.5% in overseas markets, to ¥551.3 billion. Overall sales were ¥2,085.8 billion, an increase of 3.5% over the previous year. Sales of services in Japan rose steadily, benefiting from brighter prospects for expansion in the IT services market from e-Japan-related key projects, as well as the enhancement of our operational base. Solution services, including supply chain management and other services aimed at helping customers improve the efficiency of their enterprise operations — from parts procurement through manufacturing, distribution and sales — met with favorable demand. In infrastructure services, sales of network-delivered outsourcing services enjoyed solid growth. Overseas, however, cutbacks in corporate IT spending in the U.S. and Europe resulted in a decline in sales, holding overall sales of services to a small gain.

Nevertheless, thanks to higher domestic sales of services and efficiency gains, as well as progress from the restructuring of overseas subsidiaries, operating income in this segment increased by 22.6%, to ¥157.8 billion.

Information Processing

Information processing sales in Japan declined 9.7% from the previous year, to ¥983.8 billion, and overseas sales declined 16.8%, to ¥401.4 billion. Overall sales in this segment totaled ¥1,385.3 billion, a decline of 11.9%. Domestic sales of enterprise servers and storage equipment for large-scale systems increased, and new cellular phones introduced in the second quarter sold well, but demand for PCs dropped significantly, resulting in lower overall domestic sales. Overseas, our exit from the business of small form factor hard disk drives for desktop PCs, coupled with cutbacks in corporate IT spending, especially in the U.S., caused sales to decline.

Reflecting the impact of lower sales, operating income declined by 23.0%, to ¥14.5 billion.

Telecommunications

Telecommunications sales in Japan declined 1.4%, to ¥377.1 billion. Overseas sales in this segment fell 36.1%, to ¥252.7 billion, resulting in a 19.0% decrease in overall sales, to ¥629.8 billion. In Japan, amidst a rapid shift toward broadband networks, demand for conventional switching systems and other equipment declined. On the other hand, sales of base station systems and other equipment for 3G wireless networks increased. Overseas, the weak business performance of telecommunications carriers, particularly in North America, forced major cutbacks in capital spending, resulting in sharply lower sales, especially of optical transmission systems.

Operating income was impacted by the combination of lower sales of optical transmission systems and lower prices, resulting in an operating loss of ¥72.4 billion (compared to operating income of ¥37.9 billion the previous year).

Electronic Devices

Domestic sales of electronic devices totaled ¥263.2 billion, a decrease of 29.6% from the previous year, and overseas sales were ¥283.2 billion, a decline of 26.6%. Overall sales in this segment were ¥546.5 billion, down 28.1%. The deteriorating supply-demand balance, especially in semiconductors, caused unprecedented inventory and production adjustments and severe price competition. All major product categories, including flash memory, logic, SAW filters, and compound semiconductors, experienced significant sales declines.

Lower sales, steep declines in pricing, and low capacity utilization rates severely impacted profitability in this segment, resulting in an operating loss of ¥109.3 billion (compared to operating income of ¥113.4 billion in fiscal 2000).

Financing

Financing net sales totaled ¥114.4 billion, with operating income of ¥4.2 billion.

Other

Other domestic sales rose 2.4%, to ¥187.5 billion, and other overseas sales declined 18.1%, to ¥57.2 billion. Overall, other sales amounted to ¥244.8 billion, a 3.3% decline. Operating income was ¥0.2 billion, a 96.9% decline.

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

Years ended March 31	2001	**2002**	Increase (Decrease) rate(%)
Net sales (including intersegment sales)			
Services and Software	¥2,076	**¥2,138**	3.0%
Information Processing	1,842	**1,637**	(11.1)
Telecommunications	793	**643**	(18.9)
Electronic Devices	908	**637**	(29.9)
Financing	115	**123**	7.6
Other	381	**371**	(2.6)
Intersegment elimination	(633)	**(545)**	
Consolidated net sales	¥5,484	**¥5,006**	(8.7)%
Operating Income			
Services and Software	¥128	**¥157**	22.6%
Information Processing	18	**14**	(23.0)
Telecommunications	37	**(72)**	—
Electronic Devices	113	**(109)**	—
Financing	3	**4**	23.8
Other	8	**0**	(96.9)
Unallocated operating costs and expenses/intersegment elimination	(66)	**(69)**	
Consolidated operating income	¥244	**¥(74)**	—%

Segment Information by Region

Japan

Domestic sales in fiscal 2001 fell by 4.5%, to ¥3,759.7 billion. While services such as systems integration and outsourcing remained strong, lower unit sales of PCs and the market imbalance and price erosion in electronic devices led to lower overall domestic sales. Operating income declined 83.8%, to ¥53.3 billion.

Europe

A decline in ICL's sales of infrastructure services, the market imbalance in electronic devices, and lower sales of optical transmission systems and small form factor hard disk drives all contributed to an 11.8% decline in European sales, to ¥591.6 billion. There was an operating loss of ¥17.9 billion (compared to an operating loss the previous year of ¥6.0 billion).

The Americas

Sales in this region were impacted by sharp cutbacks in capital spending by North American telecommunications carriers, which resulted in dramatically lower sales of optical transmission systems. Overall sales in the region declined 35.2%, to ¥403.9 billion. As a result, there was an operating loss of ¥57.4 billion (compared to the previous year's operating loss of ¥17.4 billion).

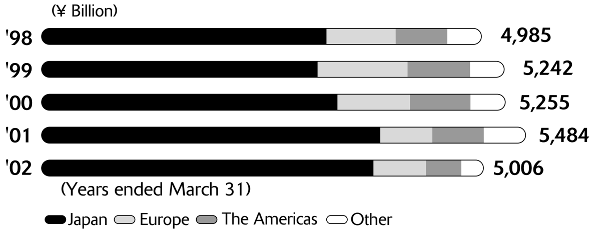
Other

Sales in all other regions, including Asia, totaled ¥251.6 billion, a decline of 0.9%. Worsening operations at small form factor hard disk drive and printed circuit board manufacturing subsidiaries in Southeast Asia resulted in a 57.8% decline in operating income, to ¥5.9 billion.

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

Years ended March 31	2001	**2002**	Increase (Decrease) rate (%)
Net sales (including intersegment sales)			
Japan	¥4,549	**¥4,161**	(8.5)%
Europe	698	**605**	(13.3)
The Americas	696	**446**	(36.0)
Other	555	**473**	(14.7)
Intersegment elimination	(1,016)	**(680)**	
Consolidated net sales	¥5,484	**¥5,006**	(8.7)%
Operating income			
Japan	¥ 328	**¥ 53**	(83.8)%
Europe	(6)	**(17)**	—
The Americas	(17)	**(57)**	—
Other	14	**5**	(57.8)
Unallocated operating costs and expenses/intersegment elimination	(75)	**(58)**	
Consolidated operating income	¥ 244	**¥ (74)**	—%

Net Sales by Customers' Geographic Location
(¥ Billion)



Capital Expenditure

In light of the challenging business environment, capital expenditure in fiscal 2001 contracted by 29.9%, to ¥306.9 billion, targeted only at the most promising growth sectors. Broken out by business segment, capital expenditure was ¥46.5 billion in services and software, ¥40.4 billion in information processing, ¥19.4 billion in telecommunications, ¥180.2 billion in electronic devices (of which ¥122.3 billion was for semiconductors), and ¥20.1 billion in general corporate and other areas.

Capital Expenditure (¥ Billion)

Years ended March 31	2001	**2002**	Increase (Decrease) rate (%)
Services and Software	¥ 65	**¥ 46**	(28.4)%
Information Processing	54	**40**	(26.2)
Telecommunications	44	**19**	(56.0)
Electronic Devices	249	**180**	(27.7)
[Semiconductor production]	[196]	**[122]**	[(37.9)]
Financing	—	**—**	—
Corporate*	24	**20**	(18.2)
Total	¥438	**¥306**	(29.9)%
Domestic	338	**244**	(27.7)
Overseas	99	**62**	(37.4)

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

Major Capital Expenditures

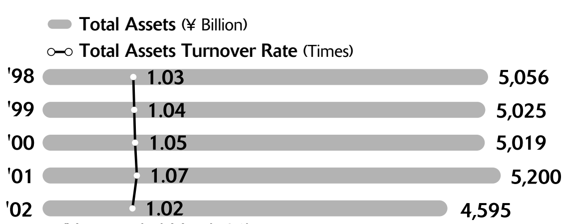
Services and Software:	Outsourcing facilities and network infrastructure
Information Processing:	Development and manufacturing facilities for servers and notebook PC hard disk drives
Telecommunications:	Development and production facilities for 3G wireless base stations
Electronic Devices:	Development facilities for advanced logic chips; production facilities for logic, flash memory, and FRAM devices

Financial Condition and Liquidity

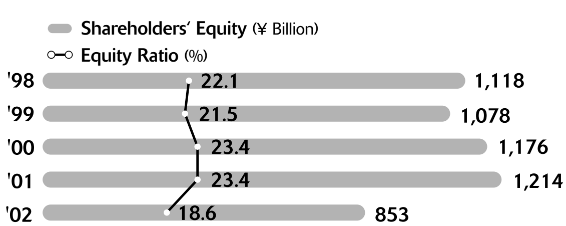
Total assets at the end of fiscal 2001 amounted to ¥4,595.8 billion, a decrease of ¥604.2 billion from the previous year. Current assets were ¥2,223.0 billion, down ¥514.4 billion. Inventories were reduced by ¥260.8 billion thanks to group-wide containment efforts. Receivables, trade declined ¥267.4 billion as a result of lower sales and more efficient collections. Fixed assets amounted to ¥2,372.7 billion, a decrease of ¥89.8 billion from the previous year, reflecting streamlining from restructuring initiatives.

Total liabilities amounted to ¥3,526.5 billion, a decrease of ¥242.1 billion. Current liabilities declined ¥322.4 billion, to ¥2,121.2 billion. Fixed liabilities rose ¥80.2 billion, to ¥1,405.2 billion, as a result of capital procurement through bond issuance and other factors. Because free cash flow was negative, interest-bearing liabilities rose ¥124.4 billion, to ¥1,760.6 billion.

The large net loss resulting from restructuring charges and other factors reduced total shareholders' equity by ¥360.6 billion, to ¥853.7 billion, resulting in the shareholders' equity ratio declining to 18.6%. Of this, the balance of retained earnings decreased by ¥407.5 billion, to ¥76.1 billion. Based on the number of shares outstanding at the end of the period, shareholders' equity per share was ¥426.5.



(Years ended March 31)



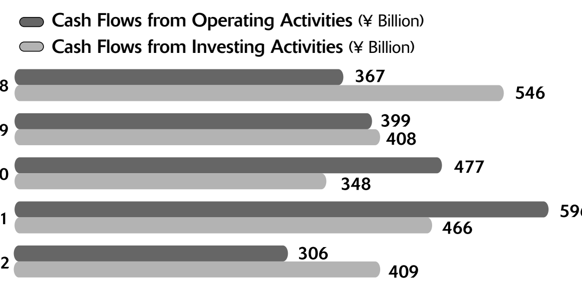
(Years ended March 31)

Cash Flows

Despite significant improvements in business efficiency, such as the group-wide initiative that succeeded in reducing inventories by 29.1%, net cash generated by operating activities in fiscal 2001 declined by ¥289.8 billion, to ¥306.5 billion, primarily as a result of the large net loss stemming from the significant restructuring charges. Because capital expenditures were limited only to the most promising growth sectors, net cash used in investing activities declined by ¥57.3 billion, to ¥409.4 billion.

Free cash flow was negative ¥102.8 billion, compared to positive free cash flow of ¥129.6 billion the previous year.

Net cash generated from financing activities amounted to ¥91.3 billion, compared with ¥137.6 billion the previous year. A corporate bond issue in September 2001 raised ¥180.0 billion for working capital and to cover corporate bond maturities, and additional funds were raised to cover the shortfall in free cash flow.



(Years ended March 31)

Consolidated Subsidiaries

At the end of fiscal 2001, Fujitsu had 494 consolidated subsidiaries, 129 in Japan and 365 abroad, representing a decrease of 23 from last year's total of 517. This decrease was achieved by reorganizing four domestic subsidiaries in the network solutions sector, merging and reorganizing other domestic subsidiaries to make them more competitive, and reorganizing the Amdahl Group and ICL Group. In April 2002, DMR Consulting Group, Inc. was renamed Fujitsu Consulting Inc., and ICL PLC became Fujitsu Services Holdings PLC.

The number of equity affiliates remained at 28.

FINANCIAL SECTION

Consolidated Balance Sheets

At March 31	Yen (millions) 2001	Yen (millions) 2002	U.S. Dollars (thousands) (Note 3) 2002
Assets			
Current assets:			
Cash and cash equivalents	¥ 309,984	**¥ 299,418**	***$ 2,251,263***
Short-term investments (Note 4)	9,744	**4,368**	***32,842***
Receivables, trade (Notes 9 and 16)	1,188,597	**921,107**	***6,925,617***
Allowance for doubtful accounts	(18,839)	**(13,343)**	***(100,323)***
Inventories (Note 5)	896,842	**635,972**	***4,781,744***
Current portion of lease receivables (Note 15)	60,637	**64,049**	***481,571***
Other current assets (Note 11)	290,539	**311,496**	***2,342,075***
Total current assets	2,737,504	**2,223,067**	***16,714,789***
Investments and long-term loans:			
Affiliates (Note 6)	334,984	**341,937**	***2,570,955***
Lease receivables (Note 15)	110,410	**116,859**	***878,639***
Other investments and long-term loans (Notes 4, 6, 9 and 11)	338,865	**438,638**	***3,298,030***
Total investments and long-term loans	784,259	**897,434**	***6,747,624***
Property, plant and equipment (Notes 7 and 9):			
Land	137,205	**140,602**	***1,057,158***
Buildings	804,525	**835,238**	***6,279,985***
Machinery and equipment	2,576,415	**2,540,859**	***19,104,203***
Construction in progress	82,194	**45,685**	***343,496***
	3,600,339	**3,562,384**	***26,784,842***
Less accumulated depreciation	2,216,544	**2,364,918**	***17,781,338***
Property, plant and equipment, net	1,383,795	**1,197,466**	***9,003,504***
Intangible assets:			
Goodwill (Note 8)	131,422	**116,631**	***876,925***
Software	149,143	**146,754**	***1,103,413***
Other intangible assets	13,948	**14,452**	***108,662***
Total intangible assets	294,513	**277,837**	***2,089,000***
Total assets	¥5,200,071	**¥4,595,804**	***$34,554,917***

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

	Yen (millions)		U.S. Dollars (thousands) (Note 3)
	2001	**2002**	***2002***
Liabilities, minority interests and shareholders' equity			
Current liabilities:			
Short-term borrowings (Note 9)	¥ 452,219	**¥ 434,587**	***$ 3,267,572***
Current portion of long-term debt (Note 9)	231,716	**190,767**	***1,434,338***
Payables, trade (Note 16)	977,018	**793,782**	***5,968,286***
Accrued expenses	407,056	**490,807**	***3,690,278***
Customers' advances	31,018	**31,227**	***234,790***
Accrued income taxes	113,932	**34,145**	***256,729***
Other current liabilities (Note 11)	230,714	**145,909**	***1,097,060***
Total current liabilities	2,443,673	**2,121,224**	***15,949,053***
Long-term liabilities:			
Long-term debt (Note 9)	952,289	**1,135,272**	***8,535,880***
Accrued retirement benefits (Note 10)	102,863	**116,484**	***875,819***
Provision for loss on repurchase of computers	88,860	**84,175**	***632,895***
Other long-term liabilities (Note 11)	181,012	**69,367**	***521,556***
Total long-term liabilities	1,325,024	**1,405,298**	***10,566,150***
Minority interests in consolidated subsidiaries	216,991	**215,526**	***1,620,496***
Shareholders' equity (Note 12):			
Common stock:			
Authorized—5,000,000,000 shares			
Issued			
2001—1,977,227,929 shares	314,652		
2002—2,001,962,672 shares		**324,624**	***2,440,782***
Capital surplus	505,449	**519,720**	***3,907,669***
Retained earnings	483,709	**76,176**	***572,752***
Unrealized gains on securities, net of taxes	19,035	**10,417**	***78,323***
Revaluation surplus on land, net of taxes	—	**4,311**	***32,414***
Foreign currency translation adjustments	(108,451)	**(81,323)**	***(611,451)***
Treasury stock, at cost	(11)	**(169)**	***(1,271)***
Total shareholders' equity	1,214,383	**853,756**	***6,419,218***
Commitments and contingent liabilities (Note 13)			
Total liabilities, minority interests and shareholders' equity	¥5,200,071	**¥4,595,804**	***$34,554,917***

FINANCIAL SECTION

Consolidated Statements of Operations

Years ended March 31	Yen (millions) 2000	2001	2002	U.S. Dollars (thousands) (Note 3) 2002
Net sales	¥5,255,102	¥5,484,426	**¥5,006,977**	***$37,646,444***
Operating costs and expenses:				
Cost of sales	3,796,919	3,942,614	**3,731,257**	***28,054,564***
Selling, general and administrative expenses (Note 18)	1,308,209	1,297,786	**1,350,146**	***10,151,474***
	5,105,128	5,240,400	**5,081,403**	***38,206,038***
Operating income (loss)	149,974	244,026	**(74,426)**	***(559,594)***
Other income (expenses):				
Interest and dividend income	12,583	14,291	**10,480**	***78,797***
Equity in earnings of affiliates, net	17,025	13,429	**2,676**	***20,120***
Interest charges	(49,505)	(48,955)	**(43,126)**	***(324,256)***
Other, net (Note 18)	(55,220)	(65,227)	**(490,337)**	***(3,686,744)***
	(75,117)	(86,462)	**(520,307)**	***(3,912,083)***
Income (loss) before income taxes and minority interests	74,857	157,564	**(594,733)**	***(4,471,677)***
Income taxes (Note 11):				
Current	65,595	134,882	**35,122**	***264,075***
Deferred	(37,216)	5,818	**(234,542)**	***(1,763,474)***
	28,379	140,700	**(199,420)**	***(1,499,399)***
Income (loss) before minority interests	46,478	16,864	**(395,313)**	***(2,972,278)***
Minority interests in (income) loss of consolidated subsidiaries	(3,744)	(8,343)	**12,771**	***96,022***
Net income (loss)	¥ 42,734	¥ 8,521	**¥ (382,542)**	***$ (2,876,256)***

	Yen			U.S. Dollars (Note 3)
Amounts per share of common stock:				
Basic earnings (loss) (Note 17)	¥22.1	¥4.3	**¥(193.0)**	***$(1.451)***
Diluted earnings (loss) (Note 17)	21.5	4.3	**(193.0)**	***(1.451)***
Cash dividends	10.0	10.0	**5.0**	***(0.038)***

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

Consolidated Statements of Shareholders' Equity

Years ended March 31	Yen (millions) 2000	2001	2002	U.S. Dollars (thousands) (Note 3) 2002
Common stock:				
Balance at beginning of year	¥ 261,222	¥ 306,246	**¥ 314,652**	***$2,365,805***
Exercise of warrants	34,649	7,007	**—**	***—***
Conversion of bonds	10,375	1,399	**9,707**	***72,985***
Increase as a result of stock exchange	—	—	**265**	***1,992***
Balance at end of year	¥ 306,246	¥ 314,652	**¥ 324,624**	***$2,440,782***
Capital surplus:				
Balance at beginning of year	¥ 447,948	¥ 495,073	**¥ 505,449**	***$3,800,368***
Exercise of warrants	41,133	8,977	**—**	***—***
Conversion of bonds	10,375	1,399	**9,707**	***72,985***
Increase as a result of stock exchange	—	—	**4,564**	***34,316***
Other, net	(4,383)	—	**—**	***—***
Balance at end of year	¥ 495,073	¥ 505,449	**¥ 519,720**	***$3,907,669***
Retained earnings:				
Balance at beginning of year	¥ 456,240	¥ 490,409	**¥ 483,709**	***$3,636,910***
Net income (loss)	42,734	8,521	**(382,542)**	***(2,876,256)***
Cash dividends paid	(19,112)	(19,642)	**(14,842)**	***(111,594)***
Bonuses to directors and statutory auditors	(739)	(728)	**(998)**	***(7,504)***
Increase as a result of newly consolidated subsidiary	6,112	—	**—**	***—***
Other, net	5,174	5,149	**(9,151)**	***(68,804)***
Balance at end of year	¥ 490,409	¥ 483,709	**¥ 76,176**	***$ 572,752***
Unrealized gains on securities, net of taxes:				
Balance at beginning of year	¥ —	¥ —	**¥ 19,035**	***$ 143,120***
Increase	—	19,035	**(8,618)**	***(64,797)***
Balance at end of year	¥ —	¥ 19,035	**¥ 10,417**	***$ 78,323***
Revaluation surplus on land, net of taxes:				
Balance at beginning of year	¥ —	¥ —	**¥ —**	***$ —***
Increase	—	—	**4,311**	***32,414***
Balance at end of year	¥ —	¥ —	**¥ 4,311**	***$ 32,414***
Foreign currency translation adjustments:				
Balance at beginning of year	¥ (86,660)	¥(114,904)	**¥(108,451)**	***$ (815,421)***
Change during the period	(28,244)	6,453	**27,128**	***203,970***
Balance at end of year	¥(114,904)	¥(108,451)	**¥ (81,323)**	***$ (611,451)***
Treasury stock:				
Balance at beginning of year	¥ (98)	¥ (296)	**¥ (11)**	***$ (83)***
(Increase) decrease	(198)	285	**(158)**	***(1,188)***
Balance at end of year	¥ (296)	¥ (11)	**¥ (169)**	***$ (1,271)***

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

Consolidated Statements of Cash Flows

Years ended March 31	Yen (millions) 2000	2001	2002	U.S. Dollars (thousands) (Note 3) 2002
Cash flows from operating activities (A):				
Income (loss) before income taxes and minority interests	¥ 74,857	¥ 157,564	**¥ (594,733)**	*$(4,471,677)*
Adjustments to reconcile income (loss) before income taxes and minority interests to net cash provided by operating activities:				
Depreciation and amortization	359,808	389,090	**417,867**	*3,141,857*
Goodwill amortization	27,621	64,757	**21,090**	*158,571*
Accrual for retirement benefits, less payments	13,883	(73,172)	**12,638**	*95,023*
Provision for loss on repurchase of computers	45,736	38,075	**30,594**	*230,030*
Reversal of provision for loss on repurchase of computers	(48,489)	(38,222)	**(35,279)**	*(265,256)*
Interest charges	49,505	48,955	**43,126**	*324,256*
Interest and dividend income	(12,583)	(14,291)	**(10,480)**	*(78,797)*
Equity in earnings of affiliates, net	(17,025)	(13,429)	**(2,676)**	*(20,120)*
Disposal of non-current assets	27,726	45,678	**177,152**	*1,331,970*
(Increase) decrease in receivables, trade	72,396	(5,057)	**294,617**	*2,215,165*
(Increase) decrease in inventories	20,998	(71,459)	**272,898**	*2,051,865*
(Increase) decrease in other current assets	(41,764)	53,964	**47,232**	*355,128*
Increase (decrease) in payables, trade	35,665	110,687	**(210,938)**	*(1,586,000)*
Increase in other current liabilities	15,535	10,720	**40,215**	*302,368*
Other, net	(53,282)	1,760	**(49,101)**	*(369,180)*
Cash generated from operations	570,587	705,620	**454,222**	*3,415,203*
Interest paid	(50,617)	(48,794)	**(45,458)**	*(341,789)*
Interest received	12,387	6,435	**6,877**	*51,707*
Dividends received	4,264	6,414	**6,686**	*50,270*
Income taxes paid	(59,579)	(73,213)	**(115,756)**	*(870,346)*
Net cash provided by operating activities	477,042	596,462	**306,571**	*2,305,045*
Cash flows from investing activities (B):				
Purchases of property, plant and equipment	(322,794)	(406,928)	**(347,841)**	*(2,615,346)*
Proceeds from sales of property, plant and equipment	30,921	2,136	**15,184**	*114,166*
Purchases of intangible assets	(68,256)	(73,832)	**(71,375)**	*(536,654)*
(Increase) in investments and long-term loans	(42,117)	(34,078)	**(16,401)**	*(123,316)*
Decrease in short-term investments	34,322	2,265	**5,374**	*40,406*
Other, net	19,636	43,628	**5,596**	*42,075*
Net cash used in investing activities	(348,288)	(466,809)	**(409,463)**	*(3,078,669)*
A+B (*)	128,754	129,653	**(102,892)**	*(773,624)*
Cash flows from financing activities:				
Proceeds from long-term debt	107,807	57,167	**448,947**	*3,375,541*
Repayment of long-term debt	(133,934)	(171,179)	**(296,718)**	*(2,230,962)*
Increase (decrease) in short-term borrowings	(329,348)	2,467	**(36,191)**	*(272,113)*
Increase (decrease) in minority interests	17,056	(5,544)	**17,032**	*128,060*
Dividends paid	(19,112)	(19,642)	**(14,842)**	*(111,594)*
Other, net	86,284	(917)	**(26,916)**	*(202,376)*
Net cash provided by (used in) financing activities	(271,247)	(137,648)	**91,312**	*686,556*
Effect of exchange rate changes on cash and cash equivalents	9,159	1,803	**1,014**	*7,624*
Net (decrease) in cash and cash equivalents	(133,334)	(6,192)	**(10,566)**	*(79,444)*
Cash and cash equivalents at beginning of year	449,510	316,176	**309,984**	*2,330,707*
Cash and cash equivalents at end of year	¥316,176	¥309,984	**¥299,418**	*$ 2,251,263*
Noncash financing activities:				
Conversion of bonds into common stock and capital surplus	¥ 20,790	¥ 2,798	**¥ 19,414**	*$ 145,970*

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."

Notes to Consolidated Financial Statements

1. Significant Accounting Policies

(a) Basis of presenting consolidated financial statements

The accompanying consolidated financial statements of Fujitsu Limited (the “Company”) and its consolidated subsidiaries (together, the “Group”) have been prepared in accordance with accounting principles and practices generally accepted in Japan and the regulations under the Securities and Exchange Law of Japan. The accounting principles and practices adopted by the consolidated subsidiaries outside Japan in their respective countries basically conform to those adopted by the Company. In presenting the accompanying consolidated financial statements, certain items have been reclassified for the convenience of readers outside Japan.

The differences between the accounting principles and practices adopted by the Group and those prescribed by International Accounting Standards (“IAS”) are set forth in Note 2.

(b) Principles of consolidation

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

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

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

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

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

(e) Revenue recognition

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

(f) Marketable securities

Marketable securities included in short-term investments and investments and long-term loans are classified as either held-to-maturity investments, which the debt securities which the Group has the positive intent and ability to hold to maturity, or available-for-sale securities, which are stocks and securities not classified as held-to-maturity. Held-to-maturity investments are stated at amortized cost, adjusted for the amortization of premium or 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.

The Group has adopted a new accounting standard in Japan for financial instruments, effective April 1, 2000. The amounts in the financial statements prior to and for the year ended March 31, 2000, have not been restated. The adoption of this standard does not affect a material impact on the consolidated statements of operations.

(g) Allowance for doubtful accounts

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

Notes to Consolidated Financial Statements

(h) Inventories

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

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

Raw materials are mainly stated at cost determined by the moving average method and the most recent purchase price method.

(i) Property, plant and equipment and depreciation

Property, plant and equipment, including renewals and additions, are carried at cost.

Depreciation is computed principally by the declining-balance method at rates based on the estimated useful lives of the respective assets, which vary according to their general classification, type of construction and function.

Maintenance and repairs, including minor renewals and improvements, are charged to income as incurred.

(j) Intangible assets

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

Computer software to be sold is amortized based on the current 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 defined benefit plans, in principle, the costs are determined by the projected unit credit actuarial valuation method.

The Company and consolidated subsidiaries in Japan have adopted a new accounting standard in Japan for retirement benefits, effective April 1, 2000. The adoption of this standard did not have a material impact on net income, as indicated in Note 10.

(m) Provision for loss on repurchase of computers

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

(n) Income taxes

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

(o) Earnings per share

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

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

(p) Derivative financial instruments

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

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

The Group has adopted a new accounting standard in Japan for financial instruments, effective April 1, 2000. The amounts in the financial statements prior to and for the year ended March 31, 2000, have not been restated. The adoption of this standard, however, did not have a material impact on the financial statements.

(q) Change 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 million ($566,444 thousand) of cost of sales, an increase of ¥85,468 million ($642,617 thousand) of selling, general and administrative expenses, and a decrease of ¥10,131 million ($76,173 thousand) 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.

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.

Non-current receivables and payables denominated in foreign currencies

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

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

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 defined in Japan. The Company and its consolidated subsidiaries in Japan devalued property, plant and equipment in accordance with accounting principles generally accepted in Japan. The effects on the aggregate value of property, plant and equipment based on IAS No.36 are not calculated.

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 ¥133= US$1, the approximate rate of exchange prevailing on March 31, 2002.

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

4. Marketable Securities

At March 31, 2001 and 2002, marketable securities included in short-term investments and other investments and long-term loans are as follows.

	Yen (millions)		*U.S. Dollars (thousands)*
	2001	**2002**	***2002***
Held-to-maturity investments			
Carrying value (Amortized cost)	¥ 3,851	**¥ 1,062**	***$ 7,985***
Market value	3,892	**1,006**	***7,564***
Net unrealized gain (loss)	¥ 41	**¥ (56)**	***$ (421)***
Available-for-sale-securities			
Acquisition costs	¥111,887	**¥ 97,991**	***$ 736,774***
Carrying value (Market value)	145,527	**115,616**	***869,293***
Net unrealized gain	¥ 33,640	**¥ 17,625**	***$ 132,519***

5. Inventories

Inventories at March 31, 2001 and 2002 consisted of the following:

	Yen (millions)		U.S. Dollars (thousands)
	2001	**2002**	***2002***
Finished goods	¥365,475	**¥249,166**	***$1,873,428***
Work in process	369,775	**263,484**	***1,981,083***
Raw materials	161,592	**123,322**	***927,233***
	¥896,842	**¥635,972**	***$4,781,744***

6. Investments in Affiliates

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

	Yen (millions)		U.S. Dollars (thousands)
At March 31	2001	**2002**	***2002***
Current assets	¥1,247,229	**¥1,052,893**	***$ 7,916,489***
Non-current assets	398,193	**463,140**	***3,482,255***
	1,645,422	**1,516,033**	***11,398,744***
Current liabilities	481,902	**334,303**	***2,513,556***
Long-term liabilities	79,479	**177,770**	***1,336,617***
Net assets	¥1,084,041	**¥1,003,960**	***$ 7,548,571***

	Yen (millions)			U.S. Dollars (thousands)
Years ended March 31	2000	2001	**2002**	***2002***
Net sales	¥1,075,887	¥1,390,549	**¥1,163,438**	***$8,747,654***
Net income (loss)	50,515	84,337	**(8,803)**	***(66,188)***

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, 2001 and 2002 were as follows:

	Yen (millions)		U.S. Dollars (thousands)
At March 31	2001	**2002**	***2002***
Carrying value	¥ 247,951	**¥ 253,706**	***$ 1,907,564***
Market value	690,253	**653,119**	***4,910,669***

At March 31, 2001 and 2002, the amount of ¥19,373 million ($145,662 thousand) representing the Company's 29.49% investment in JECC has been included in other investments and long-term loans. The Company does not regard JECC as an affiliate as it is unable to exercise significant influence over JECC's affairs. JECC's principal business is the leasing of computers and peripherals purchased from its seven shareholders. At March 31, 2001 and 2002, JECC's issued share capital was ¥65,700 million ($493,985 thousand). Its net sales for the years ended March 31, 2000, 2001 and 2002 amounted to ¥299,746 million, ¥290,214 million and ¥289,340 million ($2,175,489 thousand), respectively.

7. Property, Plant and Equipment

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

	Yen (millions)		U.S. Dollars (thousands)
Years ended March 31	2001	**2002**	***2002***
Land			
Balance at beginning of year, net	¥134,347	**¥137,205**	***$1,031,617***
Additions	2,416	**1**	***7***
Translation differences	968	**867**	***6,519***
Other, net	(526)	**2,529**	***19,015***
Balance at end of year, net	¥137,205	**¥140,602**	***$1,057,158***

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 million ($10,684 thousand) was included in Other, net mentioned as above. The book value of land before and after revaluation was ¥460 million ($3,459 thousand), ¥1,881 million ($14,143 thousand), respectively.

Buildings			
Balance at beginning of year, net	¥368,961	**¥370,445**	***$2,785,301***
Additions	35,348	**45,277**	***340,428***
Depreciation	34,843	**39,438**	***296,526***
Translation differences	6,748	**3,155**	***23,722***
Other, net	(5,769)	**(25,027)**	***(188,173)***
Balance at end of year, net	¥370,445	**¥354,412**	***$2,664,752***
Machinery and equipment			
Balance at beginning of year, net	¥730,950	**¥793,951**	***$5,969,556***
Additions	403,608	**289,712**	***2,178,286***
Depreciation	302,943	**326,038**	***2,451,413***
Translation differences	22,512	**10,023**	***75,361***
Other, net	(60,176)	**(110,881)**	***(833,692)***
Balance at end of year, net	¥793,951	**¥656,767**	***$4,938,098***

Other, net for the year ended March 31, 2002 mainly includes sale or disposal of machinery and equipment and devaluation on the North American semiconductor plant for close of the plant.

Construction in progress			
Balance at beginning of year, net	¥ 44,600	**¥ 82,194**	***$ 618,000***
Additions	336,786	**228,138**	***1,715,323***
Translation differences	2,330	**746**	***5,609***
Transfers	(301,522)	**(265,393)**	***(1,995,436)***
Balance at end of year, net	¥ 82,194	**¥ 45,685**	***$ 343,496***

8. Goodwill

An analysis of goodwill is shown below:

	Yen (millions)		U.S. Dollars (thousands)
Years ended March 31	2001	**2002**	***2002***
Balance at beginning of year	¥186,320	**¥131,422**	***$ 988,135***
Additions	4,192	**1,699**	***12,775***
Amortization	64,757	**21,090**	***158,571***
Translation differences	5,667	**4,600**	***34,586***
Balance at end of year	¥131,422	**¥116,631**	***$ 876,925***

9. Short-Term Borrowings and Long-Term Debt

Short-term borrowings at March 31, 2001 and 2002 consisted of the following:

	Yen (millions)		U.S. Dollars (thousands)
	2001	**2002**	***2002***
Loans, principally from banks, with interest rates ranging from 0.35% to 9.25% at March 31, 2001 and from 0.15% to 9.00% at March 31, 2002:			
Secured	¥ 3,779	**¥ 3,146**	***$ 23,654***
Unsecured	448,440	**431,441**	***3,243,918***
	¥452,219	**¥434,587**	***$3,267,572***

Long-term debt at March 31, 2001 and 2002 consisted of:

	Yen (millions)		U.S. Dollars (thousands)
	2001	**2002**	***2002***
Loans, principally from banks and insurance companies, due 2001 to 2025 with interest rates ranging from 0.24% to 11.70% at March 31, 2001 and due 2002 to 2025 with interest rates ranging from 0.03% to 7.17% at March 31, 2002:			
Secured	¥ 9,427	**¥ 8,473**	***$ 63,707***
Unsecured	379,722	**487,559**	***3,665,857***
Bonds and notes issued by the Company:			
1.4% unsecured convertible bonds due 2004	39,617	**39,617**	***297,872***
1.9% unsecured convertible bonds due 2002	23,310	**—**	***—***
1.95% unsecured convertible bonds due 2003	33,031	**33,031**	***248,353***
2.0% unsecured convertible bonds due 2004	15,577	**15,577**	***117,120***
2.3% bonds due 2001	30,000	**—**	***—***
2.6% bonds due 2002	30,000	**30,000**	***225,564***
2.825% bonds due 2001	60,000	**—**	***—***
3.025% bonds due 2002	30,000	**30,000**	***225,564***
3.225% bonds due 2003	30,000	**30,000**	***225,564***
2.425% bonds due 2003	50,000	**50,000**	***375,940***
2.875% bonds due 2006	50,000	**50,000**	***375,940***
2.575% bonds due 2004	50,000	**50,000**	***375,940***
3.15% bonds due 2009	50,000	**50,000**	***375,940***
3.0% dual currency bonds due 2001	30,210	**—**	***—***
2.3% bonds due 2007	50,000	**50,000**	***375,940***
2.325% bonds due 2008	50,000	**50,000**	***375,940***
3.0% bonds due 2018	30,000	**30,000**	***225,564***
2.175% bonds due 2008	50,000	**50,000**	***375,940***
2.15% bonds due 2008	50,000	**50,000**	***375,940***
0.64% bonds due 2006	—	**100,000**	***751,879***
0.31% bonds due 2004	—	**80,000**	***601,504***
Bonds and notes issued by consolidated subsidiaries:			
Unsecured (2.66% to 3.45%, due 2002–2006)	43,111	**41,782**	***314,150***
Less amounts due within one year	231,716	**190,767**	***1,434,338***
	¥952,289	**¥1,135,272**	***$8,535,880***

Assets pledged as collateral for bank loans and long-term debt at March 31, 2001 and 2002 are presented below:

	Yen (millions)		U.S. Dollars (thousands)
	2001	**2002**	***2002***
Property, plant and equipment, net	¥19,465	**¥17,013**	***$127,917***
Receivables, trade and other current assets	35	**—**	***—***
	¥19,500	**¥17,013**	***$127,917***

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, 2002, the Group has committed line contracts with banks aggregating ¥384,228 million ($2,888,932 thousand). Of the total credit limit, ¥154,052 million ($1,158,285 thousand) was used as the above short-term and long-term borrowings, and the rest ¥230,176 million ($1,730,647 thousand) was unused.

The current conversion prices of the 1.4%, 1.95% and 2.0% convertible bonds issued by the Company are ¥1,751.50, ¥998.00 and ¥998.00 per share, respectively. Each conversion price is subject to adjustment in certain circumstances, including stock splits or free share distributions of common stock. At March 31, 2002, approximately 71 million shares of common stocks were reserved for the conversion of all outstanding convertible bonds.

Certain outstanding convertible bonds and notes can be repurchased at any time and may be redeemed at the option of the Company, in whole or in part, at prices ranging from 102% to 100% of their principal amounts.

The aggregate annual maturities of long-term debt subsequent to March 31, 2002 are summarized as follows:

Years ending March 31	Yen (millions)	*U.S. Dollars (thousands)*
2003	¥190,767	$1,434,338
2004	208,631	1,568,654
2005	258,785	1,945,752
2006	104,126	782,902
2007 and thereafter	563,730	4,238,571

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 by in their internal codes. The employees are entitled to the benefits primarily based on their length of service and basic salary as of the retirement date.

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

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

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

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

Projected benefit obligation and plan assets

	Yen (millions)		*U.S.Dollars (thousands)*
At March 31 (Consolidated domestic accounts)	2001	**2002**	***2002***
Projected benefit obligation	¥(1,567,189)	**¥(1,659,772)**	***$(12,479,489)***
Plan assets	1,009,503	**989,237**	***7,437,872***
Projected benefit obligation in excess of plan assets	(557,686)	**(670,535)**	***(5,041,617)***
Unrecognized net obligation at transition	235,396	**210,036**	***1,579,218***
Unrecognized actuarial loss	317,350	**435,814**	***3,276,797***
Unrecognized prior service cost (reduced obligation)	(87,269)	**(78,188)**	***(587,879)***
Prepaid pension cost	(10,654)	**(13,611)**	***(102,338)***
Accrued retirement benefits	¥ (102,863)	**¥ (116,484)**	***$ (875,819)***

Components of net periodic benefit cost

	Yen (millions)		*U.S.Dollars (thousands)*
Years ended March 31 (Consolidated domestic accounts)	2001	**2002**	***2002***
Service cost	¥ 69,229	**¥ 59,307**	***$ 445,917***
Interest cost	47,601	**46,777**	***351,707***
Expected return on plan assets	(41,792)	**(41,400)**	***(311,278)***
Amortization of unrecognized obligation for retirement benefits:			
Amortization of net obligation at transition	26,264	**26,311**	***197,827***
Amortization of actuarial loss	0	**18,508**	***139,158***
Amortization of prior service cost	(3,801)	**(9,095)**	***(68,384)***
Net periodic benefit cost	¥ 97,501	**¥ 100,408**	***$ 754,947***

The assumptions used in accounting for the plans at March 31, 2001 and 2002 were as follows

Years ended March 31 (Consolidated domestic accounts)	2001	**2002**
Discount rate	3.0%	**3.0%**
Expected rate of return on plan assets	3.3%	**4.1%**
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 million for the amortization of unrecognized net obligation at transition and ¥460,280 million of gains on establishment of the stock holding trust for the retirement benefit plan were recorded as other income (expenses). The remaining unrecognized net obligation for the consolidated subsidiaries in Japan was amortized and ¥26,264 million was recognized as expense for the year ended March 31, 2001.

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

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

The major defined benefit pension plan outside Japan is the ICL pension plan. The plan is subjected to formal actuarial valuation in accordance with SSAP24 (Statements of Standard Accounting Practice 24), and the fair value of the plan assets at April 5, 2000, the most recent valuation date, was sufficient to cover the actuarial present value of future benefit obligations.

The fair value of the plan assets and the present value of future benefit obligations in accordance with FRS17 (Financial Reporting Standards 17), which is a new UK accounting practice for retirement benefits applied from the accounting period ending on March 31, 2004, are now calculating.

11. Income Taxes

The Group is subject to a number of different income taxes. The statutory tax rates in Japan for the years ended March 31, 2000, 2001 and 2002 were approximately 42% in the aggregate.

The components of income taxes are as follows:

	Yen (millions)			U.S. Dollars (thousands)
Years ended March 31	2000	2001	**2002**	*2002*
Current	¥65,595	¥134,882	**¥ 35,122**	*$ 264,075*
Deferred	(37,216)	5,818	**(234,542)**	*(1,763,474)*
Income taxes	¥28,379	¥140,700	**¥(199,420)**	*$(1,499,399)*

A reconciliation of the difference between reported total income tax rate and applicable statutory income tax rate for the years ended March 31, 2000, 2001 and 2002 is as follows:

	2000	2001	2002
Statutory Income tax rate	42.0%	42.0%	42.0%
Increase or Decrease in tax rate:			
Valuation allowance for deferred tax assets	(13.5%)	32.5%	(12.0%)
Amortization of goodwill	15.5%	7.5%	(1.0%)
Non-deductible expenses for tax purposes	4.6%	2.2%	(0.5%)
Realization of equity in earnings of affiliates from establishment of stock holding trust for retirement benefit plan	—	10.1%	—
Tax effect to equity in earnings of affiliates, net	(9.6%)	(3.6%)	0.2%
Tax effect to prior losses of investments in subsidiaries	—	—	6.2%
Other	(1.1%)	(1.4%)	(1.4%)
Reported total income tax rate	37.9%	89.3%	33.5%

The significant components of deferred tax assets and liabilities at March 31, 2001 and 2002 are as follows:

	Yen (millions)		U.S. Dollars (thousands)
At March 31	2001	**2002**	*2002*
Deferred tax assets:			
Tax loss carryforwards	¥ 272,244	**¥ 408,961**	*$ 3,074,895*
Accrued retirement benefits	212,258	**230,010**	*1,729,398*
Accrued employee benefits	26,041	**25,315**	*190,338*
Provision for loss on repurchase of computers	21,580	**22,594**	*169,880*
Intercompany profit on inventory and property, plant and equipment	12,389	**8,900**	*66,917*
Accrued enterprise taxes	9,942	**2,104**	*15,820*
Other	17,654	**59,063**	*444,083*
Gross deferred tax assets	572,108	**756,947**	*5,691,331*
Less: Valuation allowance	(275,703)	**(223,144)**	*(1,677,775)*
Total deferred tax assets	296,405	**533,803**	*4,013,556*
Deferred tax liabilities:			
Gains from establishment of stock holding trust for retirement benefit plan	¥(213,827)	**¥(213,827)**	*$(1,607,722)*
Retained earnings appropriated for tax allowable reserves	(41,097)	**(36,616)**	*(275,308)*
Unrealized gains on securities	(14,740)	**(8,716)**	*(65,534)*
Other	(646)	**(614)**	*(4,616)*
Gross deferred tax liabilities	(270,310)	**(259,773)**	*(1,953,180)*
Net deferred tax assets	¥ 26,095	**¥ 274,030**	*$ 2,060,376*

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

	Yen (millions)		U.S. Dollars (thousands)
At March 31	2001	**2002**	*2002*
Other current assets	¥ 57,233	**¥ 128,987**	*$ 969,827*
Other investments and long-term loans-Others	25,058	**158,539**	*1,192,022*
Other current liabilities	(95)	**(600)**	*(4,511)*
Other long-term liabilities	(56,101)	**(12,896)**	*(96,962)*
Net deferred tax assets	¥ 26,095	**¥ 274,030**	*$ 2,060,376*

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

The changes in the number of issued shares of common stock during the years ended March 31, 2000, 2001 and 2002 are as follows:

	Number of shares		
	2000	2001	**2002**
Balance at beginning of year	1,884,139,404	1,962,939,607	**1,977,227,929**
Exercise of warrants	58,018,995	11,488,174	**—**
Conversion of convertible bonds	20,781,208	2,800,148	**19,452,895**
Increase arising from exchange offer procedures	—	—	**5,281,848**
Balance at end of year	1,962,939,607	1,977,227,929	**2,001,962,672**

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

Appropriations of retained earnings for the year ended March 31, 2002, which included year-end cash dividends of ¥5,004 million ($37,624 thousand), were recorded on the Company's statutory books of account after approval at the Annual Shareholders' Meeting held on June 25, 2002, and will be included in the following year's consolidated balance sheet.

An increase arising from exchange offer procedures during the year ended March 31, 2002 reflected the issuance of stock which the Company made Fujitsu Systems Construction Ltd., a wholly owned subsidiary.

13. Commitments and Contingent Liabilities

Commitments outstanding at March 31, 2002 for purchases of property, plant and equipment were approximately ¥18,454 million ($138,752 thousand).

Contingent liabilities for guarantee contracts amounted to ¥47,686 million ($358,541 thousand) at March 31, 2002. Of the total contingent liabilities, guarantees given for employees' housing loans were ¥20,877 million ($156,970 thousand) in the aggregate and for credit facilities arranged for telecom equipment sales to China were ¥6,385 million ($48,008 thousand).

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

Fair value of derivative financial instruments:

At March 31, 2001 and 2002, all derivative financial instruments were stated at fair 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, 2001 and 2002.

	Yen (millions)		U.S. Dollars (thousands)
	2001	**2002**	***2002***
Minimum lease payments receivable			
Within one year	¥ 60,637	**¥ 64,049**	***$ 481,571***
Over one year but within five year	108,949	**115,386**	***867,565***
Over five year	1,461	**1,473**	***11,075***
Total	¥171,047	**¥180,908**	***$1,360,211***
The present value of minimum lease payments receivable			
Within one year	¥ 49,215	**¥ 53,622**	***$ 403,173***
Over one year but within five year	89,936	**98,052**	***737,233***
Over five year	1,206	**1,252**	***9,414***
Total	¥140,357	**¥152,926**	***$1,149,820***

At March 31, 2001 and 2002, unearned finance income totaled ¥30,690 million and ¥27,982 million ($210,391 thousand), respectively.

At March 31, 2001 and 2002, an accumulated allowance for uncollectible minimum lease payments receivable was ¥671 million and ¥1,160 million ($8,722 thousand), respectively.

At March 31, 2001 and 2002, future minimum lease payments received within one year under non-cancelable operating leases amounted to ¥331 million and ¥205 million ($1,541 thousand), 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, 2001 and 2002.

	Yen (millions)		U.S. Dollars (thousands)
At March 31	2001	**2002**	***2002***
Equivalent amounts of acquisition cost	¥135,225	**¥171,895**	***$1,292,443***
Accumulated depreciation	65,224	**120,656**	***907,188***
Book value of leased assets	70,001	**51,239**	***385,255***
Minimum lease payments required			
Within one year	27,444	**9,290**	***69,850***
Over one year but within five year	71,616	**22,308**	***167,729***
Over five year	13,489	**3,728**	***28,030***
Total	¥112,549	**¥ 35,326**	***$ 265,609***

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)
	2001	**2002**	***2002***
Within one year	¥ 6,805	**¥ 9,257**	***$ 69,601***
Over one year but within five year	16,650	**21,227**	***159,602***
Over five year	4,774	**8,882**	***66,782***
Total	¥28,229	**¥39,366**	***$295,985***

16. Supplementary Information to the Consolidated Balance Sheets

Balances with affiliates at March 31, 2001 and 2002 are presented as follows:

	Yen (millions)		U.S. Dollars (thousands)
	2001	**2002**	***2002***
Receivables, trade	¥73,825	**¥49,306**	***$370,722***
Payables, trade	70,388	**45,832**	***344,602***

17. Earnings Per Share

Years ended March 31	Yen (millions)			U.S. Dollars (thousands)
	2000	2001	**2002**	***2002***
Net income (loss)	¥ 42,734	¥ 8,521	**¥ (382,542)**	***$(2,876,256)***
Effect of dilutive securities				
Convertible bonds	1,257	—	**—**	***—***
Diluted net income (loss)	¥ 43,991	¥ 8,521	**¥ (382,542)**	***$(2,876,256)***

	thousands		
	2000	2001	**2002**
Weighted average number of shares	1,933,665	1,969,295	**1,982,251**
Effect of dilutive securities			
Convertible bonds	109,681	—	**—**
Warrants	7,094	—	**—**
Diluted weighted average number of shares	2,050,440	1,969,295	**1,982,251**

	Yen			U.S. Dollars
	2000	2001	**2002**	***2002***
Basic earnings (loss) per share	¥ 22.1	¥ 4.3	**¥ (193.0)**	***$ (1.451)***
Diluted earnings (loss) per share	21.5	4.3	**(193.0)**	***(1.451)***

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, 2000, 2001 and 2002 were ¥401,057 million, ¥403,405 million and ¥349,855 million ($2,630,489 thousand), respectively.

Other income (expenses)—other, net for the years ended March 31, 2000, 2001 and 2002 consisted of the following:

Years ended March 31	Yen (millions)			U.S. Dollars (thousands)
	2000	2001	**2002**	***2002***
Foreign exchange gains (losses), net	¥(25,679)	¥16,208	**¥ 6,010**	***$ 45,188***
Amortization of unrecognized prior service cost (pension expense)	(21,718)	—	**—**	***—***
Amortization of unrecognized obligation for retirement benefits	—	(22,463)	**(35,724)**	***(268,602)***
Loss on disposal of property, plant and equipment	(12,907)	(16,215)	**(12,620)**	***(94,887)***
Expenses for issuance and offering of securities	(542)	(166)	**(1,008)**	***(7,579)***
Loss on devaluation of marketable securities	—	(10,574)	**(20,535)**	***(154,398)***
Reversal of loss on devaluation of marketable securities	1,846	—	**—**	***—***
Gain on sales of marketable securities	20,351	10,645	**—**	***—***
Gain on sales of subsidiaries' stock	20,448	25,563	**—**	***—***
Restructuring charges	(37,961)	(102,485)	**(417,053)**	***(3,135,737)***
Gain on establishment of stock holding trust for retirement benefit plan	—	460,280	**—**	***—***
Amortization of the unrecognized net obligation for retirement benefits at transition for the Company	—	(415,615)	**—**	***—***
Other, net	942	(10,405)	**(9,407)**	***(70,729)***
	¥(55,220)	¥(65,227)	**¥(490,337)**	***$(3,686,744)***

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

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

Restructuring charges for the year ended March 31, 2000 and 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. Of the total amount of ¥37,961 million for the year ended March 31, 2000, ¥14,717 million related to the restructuring of Electronic devices and Information processing business at the Company. The total amount of ¥102,485 million for the year ended March 31, 2001 included ¥55,865 million for the restructuring of Amdahl Corporation which shifted from traditional IBM-compatible mainframe business to open systems, and ¥26,219 million for the restructuring of the Company, mainly related to Information processing business.

Restructuring charges for the year ended March 31, 2002 related to the comprehensive structural reform of the Group in order to realign and rationalize its development and production in Electronic devices, Information processing and Telecommunications business, as well as to exit from the business of small form factor magnetic disk drives for desktop PCs. Of the total amount of restructuring charges, ¥417,053 million ($3,135,737 thousand), the amounts related to Services & software, Information processing, Telecommunications and Electronic devices business were ¥42,805 million ($321,842 thousand), ¥100,313 million ($754,233 thousand), ¥65,508 million ($492,542 thousand) and ¥208,427 million ($1,567,120 thousand), respectively.

19. Segment Information

Business Segment Information

Yen (millions)

Years ended March 31	Services & Software	Information Processing	Telecom-munications	Electronic Devices	Financing	Other Operations	Elimination & Corporate	Consolidated
2000								
Sales								
Unaffiliated customers	¥1,969,038	¥1,649,936	¥734,256	¥568,159	¥113,070	¥220,643	¥ –	¥5,255,102
Intersegment	69,850	286,554	11,325	148,384	6,440	125,661	(648,214)	–
Total sales	2,038,888	1,936,490	745,581	716,543	119,510	346,304	(648,214)	5,255,102
Operating costs and expenses	1,898,721	1,907,522	723,893	696,364	116,483	342,816	(580,671)	5,105,128
Operating income	140,167	28,968	21,688	20,179	3,027	3,488	(67,543)	149,974
Total assets	1,300,749	1,297,432	562,714	903,907	276,591	368,167	310,184	5,019,744
Depreciation	82,674	92,035	34,171	129,756	51	10,802	8,296	357,785
Capital expenditure	108,464	110,963	37,962	126,744	59	11,233	13,964	409,389
2001								
Sales								
Unaffiliated customers	¥2,014,375	¥1,571,802	¥778,052	¥759,723	¥107,246	¥253,228	¥ –	¥5,484,426
Intersegment	61,922	270,983	15,514	149,213	7,872	128,246	(633,750)	–
Total sales	2,076,297	1,842,785	793,566	908,936	115,118	381,474	(633,750)	5,484,426
Operating costs and expenses	1,947,562	1,823,880	755,644	795,536	111,704	373,292	(567,218)	5,240,400
Operating income	128,735	18,905	37,922	113,400	3,414	8,182	(66,532)	244,026
Total assets	1,348,171	1,241,996	598,402	1,125,190	187,273	430,191	268,848	5,200,071
Depreciation	85,632	90,723	35,066	148,246	46	10,100	12,313	382,126
Capital expenditure	104,521	75,613	49,191	257,385	18	14,142	14,479	515,349

Year ended March 31	Services & Software	Information Processing	Telecom-munications	Electronic Devices	Financing	Other Operations	Elimination & Corporate	Consolidated
								Yen (millions)
2002								
Sales								
Unaffiliated customers	¥2,085,863	¥1,385,355	¥629,871	¥546,555	¥114,472	¥244,861	¥ –	¥5,006,977
Intersegment	52,762	252,221	13,496	91,041	9,432	126,700	(545,652)	–
Total sales	2,138,625	1,637,576	643,367	637,596	123,904	371,561	(545,652)	5,006,977
Operating costs and expenses	1,980,771	1,623,014	715,861	746,908	119,678	371,305	(476,134)	5,081,403
Operating income (loss)	157,854	14,562	(72,494)	(109,312)	4,226	256	(69,518)	(74,426)
Total assets	1,193,072	986,939	415,016	895,015	250,202	464,965	390,595	4,595,804
Depreciation	89,244	91,264	35,933	173,483	46	10,706	11,455	412,131
Capital expenditure	85,870	57,762	25,363	186,902	25	9,681	12,601	378,204
								U.S. Dollars (thousands)
2002 (in U.S. Dollars)								
Sales								
Unaffiliated customers	*$15,683,180*	*$10,416,204*	*$4,735,872*	*$4,109,436*	*$860,692*	*$1,841,060*	*$ –*	*$37,646,444*
Intersegment	*396,707*	*1,896,398*	*101,474*	*684,519*	*70,917*	*952,632*	*(4,102,647)*	*–*
Total sales	*16,079,887*	*12,312,602*	*4,837,346*	*4,793,955*	*931,609*	*2,793,692*	*(4,102,647)*	*37,646,444*
Operating costs and expenses	*14,893,015*	*12,203,113*	*5,382,414*	*5,615,850*	*899,834*	*2,791,767*	*(3,579,955)*	*38,206,038*
Operating income (loss)	*1,186,872*	*109,489*	*(545,068)*	*(821,895)*	*31,775*	*1,925*	*(522,692)*	*(559,594)*
Total assets	*8,970,466*	*7,420,594*	*3,120,421*	*6,729,436*	*1,881,218*	*3,495,977*	*2,936,805*	*34,554,917*
Depreciation	*671,008*	*686,195*	*270,173*	*1,304,383*	*346*	*80,496*	*86,128*	*3,098,729*
Capital expenditure	*645,639*	*434,301*	*190,699*	*1,405,278*	*188*	*72,790*	*94,744*	*2,843,639*

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

2. For the year ended March 31, 2002, "Services & Software", "Information Processing", and "Telecommunications" segments alter their business classifications, because of the review of similarity of products and services, and selling methods, etc. The amounts in the segment information prior to and for the year ended March 31, 2001 have been restated.

3. The principal products and services of the business segments are as follows
   - (1) Services & Software — 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) Information Processing — Servers (UNIX servers, IA servers, Global servers), Peripheral equipment for information systems (Disk array, System printers), Personal computers, Storage equipment (Magnetic and Magneto-optical disk drives), Terminals (Financial terminals, POS systems), Mobile phone handsets
   - (3) Telecommunications — Switching systems (Digital switching systems, IPswitching nodes), Transmission systems (Fiber-optic transmission systems, Optical submarine cable transmission systems), Mobile communication systems (IMT-2000 base station systems, PDC base station systems)
   - (4) Electronic Devices — Logic ICs (System LSI, ASICs, Microcontrollers, FRAM), Memory ICs (Flash memory, FCRAM), LCD panels, Semiconductor packages, Compound semiconductors, SAW devices, Electro-mechanical components, PDPs
   - (5) Financing — Leasing business
   - (6) Other Operations — Electronic materials, Electronics-applied components, Audio/Navigation equipments, Audio electronic devices, Battery

4. Unallocated operating costs and expenses reported in "Elimination & Corporate" for the years ended March 31, 2000, 2001 and 2002 were ¥67,664 million, ¥69,563 million and ¥68,091 million ($511,962 thousand), respectively. Most of these costs and expenses were incurred as basic research and development expenses and general and administrative expenses at the Company.

5. Corporate assets included in "Elimination & Corporate" at March 31, 2000, 2001 and 2002 amounted to ¥676,159 million, ¥788,495 million and ¥1,046,282 million ($7,866,782 thousand), respectively. The assets principally consisted of working capital (cash and cash equivalents), long-term investments and miscellaneous assets held by the general and administrative sections at the Company.

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 "Services & Software", "Information Processing", "Telecommunications" and "Electronic Devices" segments increased by ¥2,296 million ($17,263 thousand), ¥4,198 million ($31,564 thousand), ¥1,913 million ($14,384 thousand) and ¥1,724 million ($12,962 thousand), respectively, thereby operating income of those segments decreased by the same amount.

Notes to Consolidated Financial Statements

Geographic Segment Information

						Yen (millions)
Years ended March 31	Japan	Europe	The Americas	Other	Elimination & Corporate	Consolidated
2000						
Sales						
Unaffiliated customers	¥3,631,006	¥ 787,567	¥ 585,459	¥ 251,070	¥ –	¥5,255,102
Intersegment	593,927	30,400	77,654	298,206	(1,000,187)	–
Total	4,224,933	817,967	663,113	549,276	(1,000,187)	5,255,102
Operating costs and expenses	3,997,180	828,450	676,377	529,956	(926,835)	5,105,128
Operating income (loss)	227,753	(10,483)	(13,264)	19,320	(73,352)	149,974
Total assets	3,530,120	478,283	369,640	267,076	374,625	5,019,744
2001						
Sales						
Unaffiliated customers	¥3,936,526	¥ 670,983	¥ 623,136	¥ 253,781	¥ –	¥5,484,426
Intersegment	613,448	27,230	73,747	302,035	(1,016,460)	–
Total	4,549,974	698,213	696,883	555,816	(1,016,460)	5,484,426
Operating costs and expenses	4,220,987	704,264	714,375	541,795	(941,021)	5,240,400
Operating income (loss)	328,987	(6,051)	(17,492)	14,021	(75,439)	244,026
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**
						U.S. Dollars (thousands)
2002 (in U.S. Dollars)						
Sales						
Unaffiliated customers	***$28,268,947***	***$4,448,805***	***$3,036,955***	***$1,891,737***	***$ –***	***$37,646,444***
Intersegment	***3,019,955***	***104,812***	***317,053***	***1,671,842***	***(5,113,662)***	***–***
Total	***31,288,902***	***4,553,617***	***3,354,008***	***3,563,579***	***(5,113,662)***	***37,646,444***
Operating costs and expenses	***30,888,038***	***4,688,797***	***3,785,827***	***3,519,143***	***(4,675,767)***	***38,206,038***
Operating income (loss)	***400,864***	***(135,180)***	***(431,819)***	***44,436***	***(437,895)***	***(559,594)***
Total assets	***21,883,218***	***3,188,338***	***2,292,083***	***1,762,451***	***5,428,827***	***34,554,917***

Notes: 1. Classification of the geographic segments is determined by geographical location.
2. The principal countries and regions belonging to geographic segments other than Japan:
(1) Europe ——— U.K., France, Spain, Sweden, Germany, Finland, the Netherlands
(2) The Americas ——— U.S.A., Canada
(3) Others ——— China, Thailand, Vietnam, the Philippines, Singapore, Taiwan, Australia
3. Unallocated operating costs and expenses reported in "Elimination & Corporate" for the years ended March 31, 2000, 2001 and 2002 were ¥67,664 million, ¥69,563 million and ¥68,091 million ($511,962 thousand), respectively. Most of these costs and expenses were incurred as basic research and development expenses and general and administrative expenses at the Company.
4. Corporate assets included in "Elimination & Corporate" at March 31, 2000, 2001 and 2002 amounted to ¥676,159 million, ¥788,495 million and ¥1,046,282 million ($7,866,782 thousand), respectively. The assets principally consisted of working capital (cash and cash equivalents), long-term investments and miscellaneous assets held by the general and administrative sections at the Company.
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 million ($76,173 thousand) , thereby operating income of those segments decreased by the same amount.

20. Subsequent events

The Company issued Convertible Bonds as following after the year ended March 31, 2002.

•Name of the Bonds:

Fujitsu Limited, Convertible Bonds due 2009 (convertible bonds type-Bonds with Stock Acquisition Rights, *tenkansyasaigata shinkabu yoyakuken-tsuki shasai*) (the "Bonds")

•Total amount of issue of the Bonds:

¥250,000 million ($1,879,699 thousands)

•Issue price of the Bonds:

100% of the principal amount of the Bonds (The principal amount of each Bond is ¥5,000,000)

•Offer price of the Bonds:

102% of the principal amount of the Bonds

•Final redemption price of the Bonds:

100% of the principal amount of the Bonds

•Coupon:

No coupon

•Date of payment and date of issuance:

May 27, 2002 (maturity : May 27, 2009)

•Use of proceeds:

The net proceeds of the Bonds will be applied towards the repayment of bonds and certain long-term and short-term debt, the making of certain strategic investments in growth areas such as the Services and Software business, and for other general corporate purposes.

•The number of acquisition rights issued:

50,000

•Security of the Bonds:

Unsecured and unguaranteed

•Exercise period:

On and after June 10, 2002 up to and including May 13, 2009 (If the Bonds shall be redeemed prior to may 13, 2009, then up to the close of business on the business day immediately prior to the date fixed for redemption thereof.)

•Amount to be paid upon exercise of the Stock Acquisition Right:

Amount to be paid upon exercise of the Stock Acquisition Right is equal to Issue Price of the Bonds and the initial price at which a Share shall be acquired upon exercise of the Stock Acquisition Right (the "Conversion Price") is ¥1,201.

•Issuer's Call Option:

The Bonds may be redeemed at the option of Fujitsu under certain conditions including, but not limited to, in case, after 3 years from the issuance of the Bonds, if the closing price of the Shares for each of the 20 consecutive trading days is at least 130% of the Conversion Price then in effect, Fujitsu may redeem all of the Bonds at their principal amount.

Independent Auditors' Report

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

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, 2001 and 2002, and the related consolidated statements of operations, shareholders' equity and cash flows for each of the three years in the period ended March 31, 2002, all expressed in yen. Our audits were made in accordance with auditing standards, procedures and practices generally accepted and applied in Japan and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the accompanying consolidated financial statements, expressed in yen, present fairly the consolidated financial position of the Group at March 31, 2001 and 2002, and the consolidated results of its operations and its cash flows for each of the three years in the period ended March 31, 2002, in conformity with accounting principles and practices generally accepted in Japan consistently applied during the periods except for the change, with which we concur, in its accounting policy regarding the scope of production overheads for inventory costing as described in Note 1 to the Consolidated Financial Statements 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, 2002 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 26, 2002

Principal Subsidiaries and Affiliates

Consolidated Subsidiaries

JAPAN

Listed

Shinko Electric Industries, Co., Ltd.
FDK Corporation
Fujitsu Business Systems Ltd.
Fujitsu Support and Service Inc.
Fujitsu Kiden Ltd.
Fujitsu Denso Ltd.
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 AMD Semiconductor Limited
Fujitsu Hitachi Plasma Display Limited
Fujitsu Leasing Co., Ltd.

THE AMERICAS

Unlisted

Fujitsu Network Communications, Inc.
Amdahl Corporation
(Changed trading name to Fujitsu IT Holdings, Inc. on April 1, 2002.)
DMR Consulting Group, Inc.
(Changed trading name to Fujitsu Consulting Inc. on April 1, 2002.)

EUROPE

Unlisted

ICL PLC
(Changed trading name to Fujitsu Services Holdings PLC on April 2, 2002.)

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, 2002)

Shareholders' Data

Capital: ¥324,624 million
Common Stock: Authorized: 5,000,000,000 shares
Issued: 2,001,962,672 shares
Number of Shareholders: 210,949

Principal Shareholders	Number of shares held (thousands)	Percentage of total shares outstanding
Fuji Electric Co., Ltd.	172,663	8.62%
Asahi Mutual Life Insurance Company (Standing proxy: Trust & Custody Services Bank, Ltd.)	100,220	5.01%
Japan Trustee Services Bank, Ltd. (for trust)	81,361	4.06%
The Mitsubishi Trust and Banking Corporation (for trust)	76,993	3.85%
The Dai-Ichi Kangyo Bank, Limited (Standing proxy: Trust & Custody Services Bank, Ltd.)	63,984	3.20%
Mizuho Trust & Banking Co., Ltd. Retirement Benefit Trust (for Fuji Electric Co., Ltd.)	57,300	2.86%
UFJ Trust Bank Limited (for trust)	50,574	2.53%
The Chase Manhattan Bank NA London (Standing proxy: The Fuji Bank, Ltd.)	32,029	1.60%
State Street Bank and Trust Company (Standing proxy: The Fuji Bank, Ltd.)	30,161	1.51%
The Chase Manhattan Bank NA London S L Omnibus Account (Standing proxy: The Fuji Bank, Ltd.)	27,453	1.37%

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

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

Stock Exchange Listings
Japan: Tokyo, Osaka, Nagoya
Overseas: Frankfurt, London, Swiss

(As of March 31, 2002)

Shareholder Information
For further information, please contact:
Fujitsu Limited
Public & Investor Relations
Telephone: +81-3-3213-4160
Facsimile: +81-3-3216-9365
E-mail: ir@pr.fujitsu.com

FUJITSU LIMITED

6-1, Marunouchi 1-chome, Chiyoda-ku, Tokyo 100-8211, Japan
Telephone: +81-3-3213-4160
Facsimile: +81-3-3216-9365
Internet: http://www.fujitsu.com/

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