1. Significant Accounting Policies

(a) Basis of presenting consolidated financial statements

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

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

(b) Principles of consolidation

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

Acquisitions of companies are accounted for by the purchase method. Goodwill represents the excess of the acquisition cost over the fair value of the net assets of the acquired companies, and is being amortized on a straight-line basis over periods not exceeding 20 years.

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

(c) Cash equivalents

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

(d) Translation of foreign currency accounts

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

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

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

(e) Revenue recognition

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

(f) Marketable securities

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

(g) Allowance for doubtful accounts

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

(h) Inventories

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

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

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

(i) Property, plant and equipment and depreciation

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

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

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

(j) Leases

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

(k) Pension and severance plans

The Company and most consolidated subsidiaries in Japan:

Pension costs of major defined benefit plans are based on annual contributions calculated by a projected benefit valuation method. Accrued severance benefits are stated at the present value of the vested benefit obligation which would be required to be paid if all employees voluntarily terminated their services at the balance sheet dates.

Most consolidated subsidiaries outside Japan:

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

(l) Provision for loss on repurchase of computers

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

(m) Income taxes

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

(n) Earnings per share

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

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

(o) Derivative financial instruments

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

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

(p) Change in significant accounting policy

Prior to the year ended March 31, 1999, the Company and its consolidated subsidiaries in Japan treated finance leases in the same way as operating leases, which is generally accepted in Japan. As Fujitsu Leasing Co., Ltd. became a consolidated subsidiary effective the year ended March 31, 2000, the Group has adopted a method under which the Group, as a lessee, records the leased assets and the corresponding lease obligations, and, as a lessor, records the lease receivables under finance leases.

The effect on consolidated net income and total assets caused by this change was immaterial.

2. Differences with International Accounting Standards

The differences between the accounting principles and practices adopted by the Group and those prescribed by International Accounting Standards ("IAS") are summarized as follows.

Noncurrent monetary items denominated in foreign currencies

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

Cumulative translation adjustments

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

Decrease in cumulative translation adjustments

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

Marketable Securities (Note 4)

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

Inventories

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

Detachable stock purchase warrants (Note 9)

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

Leases (Note 15)

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

For the year ended March 31, 2000, there is no difference from IAS No. 17, since the Group changed its method of accounting for finance leases from accounting such leases in the same manner as operating leases to recording lease receivables and capitalizing them as lease assets.

Scope of consolidation

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

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

Pension and Severance plans (Note 10)

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

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

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

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

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

3. U.S. Dollar Amounts

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

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

4. Marketable Securities

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

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

5. Inventories

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

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

6. Investments in Affiliates

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

	Yen (millions)		U.S. Dollars (thousands)
At March 31	1999	**2000**	***2000***
Current assets	¥ 819,430	**¥1,001,081**	***$ 9,444,160***
Noncurrent assets	547,105	**357,058**	***3,368,472***
	1,366,535	**1,358,139**	***12,812,632***
Current liabilities	371,247	**359,654**	***3,392,962***
Long-term liabilities	188,933	**126,553**	***1,193,896***
Net assets	¥ 806,355	**¥ 871,932**	***$ 8,225,774***

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

Of the affiliates accounted for by the equity method, the carrying and market values of the shares of the publicly listed companies at March 31, 1999 and 2000 were as follows:

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

At March 31, 1999 and 2000, the amount of ¥19,373 million ($182,764 thousand) representing the Company's 29.49% investment in JECC was included in investments and long-term loans—other. The Company does not regard JECC as an affiliate as it is unable to exercise significant influence over JECC's affairs. JECC's principal business is the leasing of computers and peripherals which it purchases from its seven shareholders. At March 31, 2000, JECC's issued share capital was ¥65,700 million ($619,811 thousand). Its net sales for the years ended March 31, 1998, 1999 and 2000 amounted to ¥299,269 million, ¥298,957 million and ¥299,746 million ($2,827,792 thousand) respectively.

7. Property, Plant and Equipment

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

	Yen (millions)		U.S. Dollars (thousands)
Years ended March 31	1999	**2000**	***2000***
Land			
Balance at beginning of year, net	¥134,890	**¥133,883**	***$1,263,047***
Additions	6,230	**9,935**	***93,727***
Translation differences	(1,505)	**(1,478)**	***(13,943)***
Other, net	(5,732)	**(7,993)**	***(75,406)***
Balance at end of year, net	¥133,883	**¥134,347**	***$1,267,425***
Buildings			
Balance at beginning of year, net	¥416,632	**¥402,064**	***$3,793,057***
Additions	32,106	**21,904**	***206,641***
Depreciation	39,129	**36,409**	***343,481***
Translation differences	(7,855)	**(8,003)**	***(75,500)***
Other, net	310	**(10,595)**	***(99,953)***
Balance at end of year, net	¥402,064	**¥368,961**	***$3,480,764***
Machinery and equipment			
Balance at beginning of year, net	¥750,262	**¥668,435**	***$6,305,991***
Additions	279,608	**338,213**	***3,190,689***
Depreciation	286,049	**279,187**	***2,633,840***
Translation differences	(23,289)	**(24,732)**	***(233,321)***
Other, net	(52,097)	**28,221**	***266,236***
Balance at end of year, net	¥668,435	**¥730,950**	***$6,895,755***
Construction in progress			
Balance at beginning of year, net	¥ 54,337	**¥ 38,046**	***$ 358,925***
Additions	175,321	**225,437**	***2,126,764***
Translation differences	(753)	**(882)**	***(8,321)***
Transfers	(190,859)	**(218,001)**	***(2,056,613)***
Balance at end of year, net	¥ 38,046	**¥ 44,600**	***$ 420,755***

8. Goodwill

An analysis of goodwill is shown below:

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

9. Short-Term Borrowings and Long-Term Debt

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

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

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

	Yen (millions)		U.S. Dollars (thousands)
	1999	**2000**	***2000***
Loans, principally from banks and insurance companies, due from 2000 to 2024 at interest rates ranging from 0.08% to 11.7% at March 31, 1999 and 2000:			
Secured	¥ 21,623	**¥ 13,682**	***$ 129,075***
Unsecured	277,956	**429,694**	***4,053,717***
Bonds and notes issued by the Company:			
1.4% unsecured convertible bonds due 2004	39,649	**39,625**	***373,821***
1.9% unsecured convertible bonds due 2002	38,087	**24,819**	***234,142***
1.95% unsecured convertible bonds due 2003	39,303	**33,936**	***320,151***
2.0% unsecured convertible bonds due 2004	18,044	**15,953**	***150,500***
3 $^1/_8$% U.S. dollar bonds due 2000 with warrants	50,341	**50,341**	***474,915***
4.1% bonds due 1999 with warrants	35,000	**—**	***—***
3 $^3/_4$% bonds due 1999	30,000	**—**	***—***
2.3% bonds due 2001	30,000	**30,000**	***283,019***
2.6% bonds due 2002	30,000	**30,000**	***283,019***
2.825% bonds due 2001	60,000	**60,000**	***566,038***
3.025% bonds due 2002	30,000	**30,000**	***283,019***
3.225% bonds due 2003	30,000	**30,000**	***283,019***
2.425% bonds due 2003	50,000	**50,000**	***471,698***
2.875% bonds due 2006	50,000	**50,000**	***471,698***
2.575% bonds due 2004	50,000	**50,000**	***471,698***
3.15% bonds due 2009	50,000	**50,000**	***471,698***
3.0% dual currency bonds due 2001	30,000	**30,000**	***283,019***
2.3% bonds due 2007	50,000	**50,000**	***471,698***
2.325% bonds due 2008	50,000	**50,000**	***471,698***
3.0% bonds due 2018	30,000	**30,000**	***283,019***
2.175% bonds due 2008	50,000	**50,000**	***471,698***
2.15% bonds due 2008	50,000	**50,000**	***471,698***
Bonds and notes issued by consolidated subsidiaries:			
Unsecured (2.66% to 3.45%, due 1999—2006)	48,757	**47,594**	***449,000***
Less amounts due within one year	110,385	**132,255**	***1,247,689***
	¥1,128,375	**¥1,163,389**	***$10,975,368***

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

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

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

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

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

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

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

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

The aggregate amount attributable to stock purchase warrants is reported in other current liabilities in conformity with accounting principles generally accepted in Japan. The warrants outstanding at March 31, 1999 and 2000 amounted to ¥8,477 million and ¥1,971 million ($18,594 thousand), respectively.

Convertible bonds are treated solely as bonds and no value inherent in their conversion feature is recognized in accordance with accounting principles generally accepted in Japan. The total amount of the convertible bonds has been included in long-term debt.

10. Pension and Severance Plans

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

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

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

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

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

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

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

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

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

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

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

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

Unrecognized net obligation upon application of new accounting standards

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

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

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

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

11. Income Taxes

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

The components of income taxes are as follows:

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

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

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

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

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

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

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

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

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

Deferred tax assets have not been provided for losses of subsidiaries, as the utilization of these losses is currently not able to be determined.

12. Shareholders' Equity

The changes in the number of issued shares of common stock during the years ended March 31, 1998, 1999 and 2000 were as follows:

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

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

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

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

13. Commitments and Contingent Liabilities

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

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

14. Derivative Financial Instruments

Purpose of Derivative Trading

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

Basic Policies for Derivative Trading

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

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

Notional amounts of derivative financial instruments

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

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

Fair value of derivative financial instruments

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

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

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

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

Estimate of fair value

Fair value of the forward exchange contracts have been based on quoted market rates at March 31, 1999 and 2000.

Fair value of the interest rate and currency swap contracts and the options contracts have been valued by the discounted cash flow analysis method.

Estimates of fair value were performed as of March 31, 1999 and 2000 based on various assumptions. Accordingly, the Group believes that the estimated fair value may be of limited usefulness.

15. Leases

Lessors

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

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

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

At March 31, 2000, unearned finance income was ¥73,456 million ($692,981 thousand).

At March 31, 2000, the accumulated allowance for uncollectible minimum lease payments receivable was ¥432 million ($4,075 thousand).

At March 31, 2000, future minimum lease payments to be received within one year under non-cancelable operating leases were ¥198 million ($1,868 thousand).

Lessees

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

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

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

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

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

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

16. Supplementary Information to the Consolidated Balance Sheets

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

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

17. Earnings Per Share

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

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

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

18. Supplementary Information to the Consolidated Statements of Operations

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

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

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

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

Restructuring charges related mainly to the reorganization of manufacturing and office facilities and the disposal of assets throughout the Group in order to streamline its business structure. The amount of ¥43,714 million for the year ended March 31, 1999 includes ¥17,221 million principally for the restructuring of the semiconductor factories at the Company and ¥18,440 million in connection with the liquidation of Fujitsu Microelectronics Ltd. in the U.K. Of the total amount of ¥37,961 million ($358,123 thousand) for the year ended March 31, 2000, ¥14,717 million ($138,839 thousand) relates to the restructuring of the electronic devices business and the information processing business at the Company.

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

19. Segment Information

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

Business Segment Information

Yen (millions)

Years ended March 31	Services & Software	Information Processing	Telecom-munications	Electronic Devices	Financing	Other Operations	Elimination & Corporate	Consolidated
1998								
Sales								
Unaffiliated customers	¥1,736,697	¥1,688,402	¥799,287	¥541,023	¥ –	¥219,973	¥ –	¥4,985,382
Intersegment	45,305	246,012	12,450	115,667	–	127,483	(546,917)	–
Total sales	1,782,002	1,934,414	811,737	656,690	–	347,456	(546,917)	4,985,382
Operating costs and expenses	1,662,314	1,884,477	710,823	689,163	–	343,455	(482,203)	4,808,029
Operating income (loss)	119,688	49,937	100,914	(32,473)	–	4,001	(64,714)	177,353
Total assets	1,266,111	1,449,784	601,298	982,234	–	375,193	448,419	5,123,039
Depreciation	68,567	83,403	29,744	152,856	–	8,927	8,296	351,793
Capital expenditure	95,376	106,859	54,892	201,753	–	9,951	19,757	488,588
1999								
Sales								
Unaffiliated customers	¥2,034,569	¥1,801,409	¥681,059	¥506,645	¥ –	¥219,304	¥ –	¥5,242,986
Intersegment	58,245	300,661	10,759	103,161	–	100,949	(573,775)	–
Total sales	2,092,814	2,102,070	691,818	609,806	–	320,253	(573,775)	5,242,986
Operating costs and expenses	1,926,478	2,007,998	676,161	693,145	–	313,196	(506,279)	5,110,699
Operating income (loss)	166,336	94,072	15,657	(83,339)	–	7,057	(67,496)	132,287
Total assets	1,359,518	1,354,471	582,633	890,014	–	372,640	553,054	5,112,330
Depreciation	70,224	86,162	44,458	153,158	–	9,344	7,929	371,275
Capital expenditure	80,360	94,268	45,050	97,291	–	9,463	12,117	338,549

Years ended March 31	Services & Software	Information Processing	Telecom-munications	Electronic Devices	Financing	Other Operations	Elimination & Corporate	Consolidated
								Yen (millions)
2000								
Sales								
Unaffiliated customers	¥1,975,466	¥1,605,301	¥772,463	¥568,159	¥113,070	¥220,643	¥ –	¥5,255,102
Intersegment	77,583	278,985	11,768	148,384	6,440	125,661	(648,821)	–
Total sales	2,053,049	1,884,286	784,231	716,543	119,510	346,304	(648,821)	5,255,102
Operating costs and expenses	1,918,105	1,845,425	767,078	696,364	116,483	342,816	(581,143)	5,105,128
Operating income (loss)	134,944	38,861	17,153	20,179	3,027	3,488	(67,678)	149,974
Total assets	1,345,206	1,240,040	581,901	903,907	276,591	368,167	418,836	5,134,648
Depreciation	83,744	89,091	36,045	129,756	51	10,802	8,296	357,785
Capital expenditure	108,152	110,193	39,044	126,744	59	11,233	13,964	409,389
Yen (U.S. Dollars (thousands)								
2000 (in U.S. Dollars)								
Sales								
Unaffiliated customers	*$18,636,472*	*$15,144,349*	*$7,287,387*	*$5,359,990*	*$1,066,698*	*$2,081,538*	*$ –*	*$49,576,434*
Intersegment	*731,915*	*2,631,934*	*111,019*	*1,399,849*	*60,755*	*1,185,481*	*(6,120,953)*	*–*
Total sales	*19,368,387*	*17,776,283*	*7,398,406*	*6,759,839*	*1,127,453*	*3,267,019*	*(6,120,953)*	*49,576,434*
Operating costs and expenses	*18,095,330*	*17,409,670*	*7,236,585*	*6,569,471*	*1,098,897*	*3,234,113*	*(5,482,481)*	*48,161,585*
Operating income (loss)	*1,273,057*	*366,613*	*161,821*	*190,368*	*28,556*	*32,906*	*(638,472)*	*1,414,849*
Total assets	*12,690,623*	*11,698,491*	*5,489,632*	*8,527,424*	*2,609,349*	*3,473,273*	*3,951,283*	*48,440,075*
Depreciation	*790,038*	*840,481*	*340,047*	*1,224,113*	*481*	*101,906*	*78,264*	*3,375,330*
Capital expenditure	*1,020,302*	*1,039,556*	*368,340*	*1,195,698*	*556*	*105,972*	*131,736*	*3,862,160*

Notes: 1. The business segments are classified based on similarity of products and services, and selling methods, etc.
2. The principal products and services of business segments are as follows:
(1) Services & Software — System integration service, SE support, Consulting, Network service, Outsourcing, Software, Maintenance and system construction works
(2) Information Processing — Servers, Personal computer, Magnetic disk drive, Optical magnetic disk drive, Printer, ATM, POS system
(3) Telecommunications — Digital switching system, Optical transmission system, Optical undersea transmission system, Corporate information network system, Mobile telecommunication system, Cellular phone
(4) Electronic Devices — System LSI, Flash memory, SAW device, Compound semiconductor, PDP, LCD
(5) Financing — Leasing business
(6) Other Operations — Electronic material, Audio/Visual equipment, Auto electronic device, Battery, Logistic service, Insurance and travel service
3. Unallocated operating costs and expenses reported in "Elimination & Corporate" for the years ended March 31, 1998, 1999 and 2000 were ¥65,234 million, ¥64,049 million and ¥67,664 million ($638,340 thousand), respectively. Most of these costs and expenses were incurred as basic research and development expenses and general and administrative expenses at the Company.
4. Corporate assets included in "Elimination & Corporate" at March 31, 1998, 1999 and 2000 amounted to ¥735,282 million, ¥803,905 million and ¥676,159 million ($6,378,858 thousand), respectively. The assets principally consisted of working capital (cash and cash equivalents), long-term investments and miscellaneous assets held by the general and administrative sections.

Geographic Segment Information

Years ended March 31	Japan	Europe	The Americas	Other	Elimination & Corporate	Consolidated
						Yen (millions)
1998						
Sales						
Unaffiliated customers	¥3,528,164	¥ 795,932	¥ 449,998	¥ 211,288	¥ –	¥4,985,382
Intersegment	482,785	30,751	61,694	312,581	(887,811)	–
Total	4,010,949	826,683	511,692	523,869	(887,811)	4,985,382
Operating costs and expenses	3,726,943	834,102	572,293	497,333	(822,642)	4,808,029
Operating income (loss)	284,006	(7,419)	(60,601)	26,536	(65,169)	177,353
Total assets	3,214,068	710,828	484,473	275,152	438,518	5,123,039
1999						
Sales						
Unaffiliated customers	¥3,414,620	¥1,005,646	¥ 573,191	¥ 249,529	¥ –	¥5,242,986
Intersegment	571,769	53,409	95,938	323,426	(1,044,542)	–
Total	3,986,389	1,059,055	669,129	572,955	(1,044,542)	5,242,986
Operating costs and expenses	3,777,230	1,058,644	688,148	559,328	(972,651)	5,110,699
Operating income (loss)	209,159	411	(19,019)	13,627	(71,891)	132,287
Total assets	3,266,960	624,572	371,253	271,378	578,167	5,112,330
2000						
Sales						
Unaffiliated customers	**¥3,631,006**	**¥ 787,567**	**¥ 585,459**	**¥ 251,070**	**¥ –**	**¥5,255,102**
Intersegment	**593,927**	**30,400**	**77,654**	**298,206**	**(1,000,187)**	**–**
Total	**4,224,933**	**817,967**	**663,113**	**549,276**	**(1,000,187)**	**5,255,102**
Operating costs and expenses	**3,997,180**	**828,450**	**676,377**	**529,956**	**(926,835)**	**5,105,128**
Operating income (loss)	**227,753**	**(10,483)**	**(13,264)**	**19,320**	**(73,352)**	**149,974**
Total assets	**3,530,120**	**478,283**	**369,640**	**267,076**	**489,529**	**5,134,648**
						U.S. Dollars (thousands)
2000 (in U.S. Dollars)						
Sales						
Unaffiliated customers	*$34,254,773*	*$7,429,878*	*$5,523,198*	*$2,368,585*	*$ –*	*$49,576,434*
Intersegment	*5,603,085*	*286,792*	*732,585*	*2,813,264*	*(9,435,726)*	*–*
Total	*39,857,858*	*7,716,670*	*6,255,783*	*5,181,849*	*(9,435,726)*	*49,576,434*
Operating costs and expenses	*37,709,245*	*7,815,566*	*6,380,915*	*4,999,585*	*(8,743,726)*	*48,161,585*
Operating income (loss)	*2,148,613*	*(98,896)*	*(125,132)*	*182,264*	*(692,000)*	*1,414,849*
Total assets	*33,303,019*	*4,512,103*	*3,487,170*	*2,519,585*	*4,618,198*	*48,440,075*

Notes: 1. Classification of the geographic segments is determined by geographical location.
2. The principal countries and regions belonging to geographic segments other than Japan:
(1) Europe — U.K., France, Spain, Sweden, Germany, Finland, the Netherlands
(2) The Americas — U.S.A., Canada
(3) Others — China, Thailand, Vietnam, the Philippines, Singapore, Taiwan, Australia
3. Unallocated operating costs and expenses reported in "Elimination & Corporate" for the years ended March 31, 1998, 1999 and 2000 were ¥65,234 million, ¥64,049 million and ¥67,664 million ($638,340 thousand), respectively. Most of these costs and expenses were incurred as basic research and development expenses and general and administrative expenses at the Company.
4. Corporate assets included in "Elimination & Corporate" at March 31, 1998, 1999 and 2000 amounted to ¥735,282 million, ¥803,905 million and ¥676,159 million ($6,378,858 thousand), respectively. The assets principally consisted of working capital (cash and cash equivalents), long-term investments and miscellaneous assets held by the general and administrative sections.

20. Subsequent events

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