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 acquision 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 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 are 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 the accretion of discounts to maturity. Available-for-sale securities are carried at fair market value, with the unrealized gain or loss, 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, however, did not have a material impact on the financial statements, except for an increase of ¥33,640 million ($271,290 thousand) of investments and long-term loans, ¥14,605 million ($117,782 thousand) of other long-term liabilities and ¥19,035 million ($153,508 thousand) of unrealized gains, net of taxes in shareholders' equity.

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

(h) Inventories
Finished goods are mainly stated at cost determined by the moving average method.
Work in process is mainly stated at cost determined by the specific identification method 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 years' 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 life.
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 in significant accounting policy

Prior to and for 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 the net income and total assets resulting from this change in the method of accounting 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.

Lease (Note 15)

Prior to and for the year ended March 31, 1999, the Company and its subsidiaries in Japan had treated finance leases in the same way as operating leases under accounting principles generally accepted in Japan, which differed from IAS No.17.

For the year ended March 31, 2000 and after, 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

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

For the year ended March 31, 2000 and after, there is no difference from IAS No.27, since Fujitsu Leasing Co., Ltd. has been consolidated.

Decrease in foreign currency translation adjustments

Under IAS No.21, upon the liquidation of a foreign subsidiary, the amount of foreign currency translation adjustments related to a foreign subsidiary should be recognized as income or expense.

For the year ended March 31, 1999, the Group recorded this amount directly in retained earnings.

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 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.

Detachable stock purchase warrants (Note 9)

Under IAS No.32, detachable stock purchase warrants should be recorded as a component of shareholders' equity.

For the year ended March 31, 2000 and before, The Group had included warrants in other current liablities.

Marketable securities (Note 4)

Under IAS No.25, marketable securities included in investments and long-term loans should be stated at the lower of cost or market on a portfolio basis.

Marketable securities are valued as indicated in the section(f) of "Significant Accounting Policies".

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.

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.

Had IAS been applied, the significant effects on the financial statements would have been as follows. The effect of retirement benefit plans for the year ended March 31, 2001 is not available. Instead, the unamortized amount of the unrecognized net obligation upon the application of the new accounting standard is disclosed in Note 10.
Please refer the corresponding note for details of the other items.

	Yen (millions)		*U.S. Dollars (thousands)*
Amount of significant effects on consolidated financial statements	2000	**2001**	***2001***
Detachable stock purchase warrants (Note 9)			
Other current liabilities	¥–1,971	**¥ –**	***$ –***
Total shareholders' equity	+1,971	**–**	***–***

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 ¥124= US$1, the approximate rate of exchange prevailing on March 31, 2001.

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, marketable securities included in short-term investments and other investments and long-term loans are as follows.

	Yen (millions)	*U.S. Dollars (thousands)*
	2001	***2001***
Held-to-maturity investments		
Carrying value (Amortized cost)	**¥ 3,851**	***$ 31,056***
Market value	**3,892**	***31,387***
Net unrealized gain	**¥ 41**	***$ 331***
Available-for-sale securities		
Acquisition costs	**¥111,887**	***$ 902,315***
Carrying value (Market value)	**145,527**	***1,173,605***
Net unrealized gain	**¥ 33,640**	***$ 271,290***

Prior to and for the year ended March 31, 2000, marketable securities included in short-term investments and other investments and long-term loans had been stated at the lower of cost or market, cost being determined by the moving average method.

At March 31, 2000, the carrying value and the fair market value of marketable securities are as follows.

	Yen (millions)
	2000
Carrying value	¥ 124,771
Market value	241,272
Net unrealized gain	¥ 116,501

5. Inventories

Inventories at March 31, 2000 and 2001 consisted of the following:

	Yen (millions)		U.S. Dollars (thousands)
	2000	**2001**	***2001***
Finished goods	¥344,954	**¥365,475**	***$2,947,379***
Work in process	326,859	**369,775**	***2,982,057***
Raw materials	133,813	**161,592**	***1,303,161***
	¥805,626	**¥896,842**	***$7,232,597***

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	2000	**2001**	***2001***
Current assets	¥1,001,081	**¥1,247,229**	***$10,058,298***
Non-current assets	357,058	**398,193**	***3,211,234***
	1,358,139	**1,645,422**	***13,269,532***
Current liabilities	359,654	**481,902**	***3,886,306***
Long-term liabilities	126,553	**79,479**	***640,960***
Net assets	¥ 871,932	**¥1,084,041**	***$ 8,742,266***

	Yen (millions)			U.S. Dollars (thousands)
Years ended March 31	1999	2000	**2001**	***2001***
Net sales	¥822,282	¥1,075,887	**¥1,390,549**	***$11,214,105***
Net income	58,000	50,515	**84,337**	***680,137***

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, 2000 and 2001 were as follows:

	Yen (millions)		U.S. Dollars (thousands)
At March 31	2000	**2001**	***2001***
Carrying value	¥ 291,078	**¥ 247,951**	***$ 1,999,605***
Market value	1,490,597	**690,253**	***5,566,556***

At March 31, 2000 and 2001, the amount of ¥19,373 million ($156,234 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 which it purchases from its seven shareholders. At March 31, 2001, JECC's issued share capital was ¥65,700 million ($529,839 thousand). Its net sales for the years ended March 31, 1999, 2000 and 2001 amounted to ¥298,957 million, ¥299,746 million and ¥290,214 million ($2,340,435 thousand), respectively.

7. Property, Plant and Equipment

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

Years ended March 31	Yen (millions) 2000	2001	U.S. Dollars (thousands) 2001
Land			
Balance at beginning of year, net	¥133,883	**¥134,347**	***$1,083,444***
Additions	9,935	**2,416**	***19,484***
Translation differences	(1,478)	**968**	***7,806***
Other, net	(7,993)	**(526)**	***(4,242)***
Balance at end of year, net	¥134,347	**¥137,205**	***$1,106,492***
Buildings			
Balance at beginning of year, net	¥402,064	**¥368,961**	***$2,975,492***
Additions	21,904	**35,348**	***285,065***
Depreciation	36,409	**34,843**	***280,992***
Translation differences	(8,003)	**6,748**	***54,419***
Other, net	(10,595)	**(5,769)**	***(46,524)***
Balance at end of year, net	¥368,961	**¥370,445**	***$2,987,460***
Machinery and equipment			
Balance at beginning of year, net	¥668,435	**¥730,950**	***$5,894,758***
Additions	338,213	**403,608**	***3,254,903***
Depreciation	279,187	**302,943**	***2,443,089***
Translation differences	(24,732)	**22,512**	***181,548***
Other, net	28,221	**(60,176)**	***(485,290)***
Balance at end of year, net	¥730,950	**¥793,951**	***$6,402,830***
Construction in progress			
Balance at beginning of year, net	¥ 38,046	**¥ 44,600**	***$ 359,678***
Additions	225,437	**336,786**	***2,716,016***
Translation differences	(882)	**2,330**	***18,790***
Transfers	(218,001)	**(301,522)**	***(2,431,629)***
Balance at end of year, net	¥ 44,600	**¥ 82,194**	***$ 662,855***

8. Goodwill

An analysis of goodwill is shown below:

Years ended March 31	Yen (millions) 2000	2001	U.S. Dollars (thousands) 2001
Balance at beginning of year	¥222,608	**¥186,320**	***$1,502,581***
Additions	6,405	**4,192**	***33,806***
Amortization	27,621	**64,757**	***522,234***
Translation differences	(15,072)	**5,667**	***45,702***
Balance at end of year	¥186,320	**¥131,422**	***$1,059,855***

9. Short-Term Borrowings and Long-Term Debt

Short-term borrowings at March 31, 2000 and 2001 consisted of the following:

	Yen (millions)		U.S. Dollars (thousands)
	2000	**2001**	***2001***
Loans, principally from banks, with interest rates ranging from 0.08% to 7.60% at March 31, 2000 and from 0.35% to 9.25% at March 31, 2001:			
Secured	¥ 580	**¥ 3,779**	***$ 30,476***
Unsecured	427,851	**448,440**	***3,616,451***
Commercial paper at interest rate was 0.07% at March 31, 2000:	1,000	**—**	***—***
	¥429,431	**¥452,219**	***$3,646,927***

Long-term debt at March 31, 2000 and 2001 consisted of:

	Yen (millions)		U.S. Dollars (thousands)
	2000	**2001**	***2001***
Loans, principally from banks and insurance companies, due 2000 to 2024 with interest rates ranging from 0.08% to 11.70% at March 31, 2000 and due 2001 to 2025 with interest rates ranging from 0.24% to 11.70% at March 31, 2001:			
Secured	¥ 13,682	**¥ 9,427**	***$ 76,024***
Unsecured	429,694	**379,722**	***3,062,274***
Bonds and notes issued by the Company:			
1.4% unsecured convertible bonds due 2004	39,625	**39,617**	***319,492***
1.9% unsecured convertible bonds due 2002	24,819	**23,310**	***187,984***
1.95% unsecured convertible bonds due 2003	33,936	**33,031**	***266,379***
2.0% unsecured convertible bonds due 2004	15,953	**15,577**	***125,621***
$3\,^1/_8$% U.S. dollar bonds due 2000 with warrants	50,341	**—**	***—***
2.3% bonds due 2001	30,000	**30,000**	***241,935***
2.6% bonds due 2002	30,000	**30,000**	***241,935***
2.825% bonds due 2001	60,000	**60,000**	***483,871***
3.025% bonds due 2002	30,000	**30,000**	***241,935***
3.225% bonds due 2003	30,000	**30,000**	***241,935***
2.425% bonds due 2003	50,000	**50,000**	***403,226***
2.875% bonds due 2006	50,000	**50,000**	***403,226***
2.575% bonds due 2004	50,000	**50,000**	***403,226***
3.15% bonds due 2009	50,000	**50,000**	***403,226***
3.0% dual currency bonds due 2001	30,000	**30,210**	***243,629***
2.3% bonds due 2007	50,000	**50,000**	***403,226***
2.325% bonds due 2008	50,000	**50,000**	***403,226***
3.0% bonds due 2018	30,000	**30,000**	***241,935***
2.175% bonds due 2008	50,000	**50,000**	***403,226***
2.15% bonds due 2008	50,000	**50,000**	***403,226***
Bonds and notes issued by consolidated subsidiaries:			
Unsecured (0.30% to 3.45%, due 2000—2006)	47,594	**43,111**	***347,670***
Less amounts due within one year	132,255	**231,716**	***1,868,677***
	¥1,163,389	**¥952,289**	***$7,679,750***

Assets pledged as collateral for bank loans and long-term debt at March 31, 2000 and 2001 are presented below:

	Yen (millions)		*U.S. Dollars (thousands)*
	2000	**2001**	***2001***
Property, plant and equipment, net	¥15,053	**¥19,465**	***$156,976***
Receivables, trade and other current assets	547	**35**	***282***
	¥15,600	**¥19,500**	***$157,258***

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. Each conversion price is subject to adjustment in certain circumstances, including stock splits or free share distributions of common stock. At March 31, 2001, approximately 95 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 105% to 100% of their principal amounts.

The aggregate annual maturities of long-term debt subsequent to March 31, 2001 are summarized as follows:

Years ending March 31	Yen (millions)	*U.S. Dollars (thousands)*
2002	¥231,716	*$1,868,677*
2003	193,219	*1,558,218*
2004	178,918	*1,442,887*
2005	137,139	*1,105,960*
2006 and thereafter	443,013	*3,572,685*

Bonds with detachable stock purchase warrants are accounted for separately as amounts attributable to the bonds and the stock purchase warrants. 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, 2000 amounted to ¥1,971 million.

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. 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 the components of net periodic benefit cost for the year ended March 31, 2001 are summarized as follows :

Projected benefit obligation and plan assets (At March 31, 2001, consolidated domestic accounts)	Yen (millions)	*U.S.Dollars (thousands)*
Projected benefit obligation	¥(1,567,189)	*$(12,638,621)*
Plan assets, of which stock holding trust for retirement benefit plan of ¥280,127 million ($2,259,089 thousand)	1,009,503	*8,141,153*
Projected benefit obligation in excess of plan assets	(557,686)	*(4,497,468)*
Unrecognized net obligation at transition	235,396	*1,898,355*
Unrecognized actuarial loss	317,350	*2,559,274*
Unrecognized prior service cost (reduced obligation)	(87,269)	*(703,782)*
Prepaid pension cost	(10,654)	*(85,919)*
Accrued retirement benefits	¥ (102,863)	*$ (829,540)*

Components of net periodic benefit cost (Year ended March 31, 2001, consolidated domestic accounts)	Yen (millions)	*U.S.Dollars (thousands)*
Service cost	¥ 69,229	*$ 558,298*
Interest cost	47,601	*383,879*
Expected return on plan assets	(41,792)	*(337,032)*
Amortization of net obligation at transition	26,264	*211,806*
Recognized actuarial loss	0	*0*
Amortization of prior service cost	(3,801)	*(30,653)*
Net periodic benefit cost	¥ 97,501	*$ 786,298*

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

Discount rate	3.0%
Expected rate of return on plan assets	3.3%
Method of allocating actuarial loss	Straight-line method over the employees' average remaining service period
Method of allocating prior service obligation	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

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 a trust which was solely established for the retirement benefit plan. For the year ended March 31, 2001, ¥415,615 million ($3,351,734 thousand) for the amortization of unrecognized net obligation at transition and ¥460,280 million ($3,711,935 thousand) of gain 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 ($211,806 thousand) 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 subject to formal actuarial valuation, 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.

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, 1999, 2000, and 2001 in the aggregate were approximately 47%, 42%, and 42%, respectively.

The components of income taxes are as follows:

			Yen (millions)	*U.S. Dollars (thousands)*
Years ended March 31	1999	2000	**2001**	***2001***
Current	¥57,588	¥65,595	**¥134,882**	***$ 1,087,758***
Deferred	(2,053)	(37,216)	**5,818**	***46,919***
Changes in deferred tax rate	(856)	—	**—**	***—***
Income taxes	¥54,679	¥28,379	**¥140,700**	***$ 1,134,677***

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

	2000	2001
Statutory income tax rate	42.0%	42.0%
Increase (Decrease) in tax rate:		
Valuation allowance for deferred tax assets	(13.5)	32.5
Tax effect to realization of equity in earnings of affiliates from establishment of stock holding trust for retirement benefit plan	—	10.1
Amortization of goodwill	15.5	7.5
Tax effect on equity in earnings of affiliates, net	(9.6)	(3.6)
Non-deductible expenses for tax purposes	4.6	2.2
Other	(1.1)	(1.4)
Reported total income tax rate	37.9%	89.3%

The significant components of deferred tax assets and liabilities at March 31, 2000 and 2001 are as follows:

		Yen (millions)	*U.S. Dollars (thousands)*
	2000	**2001**	***2001***
Deferred tax assets:			
Tax loss carryforwards	¥ 193,307	**¥ 272,244**	***$ 2,195,516***
Accrued retirement benefits	31,793	**212,258**	***1,711,758***
Accrued employee benefits	13,441	**26,041**	***210,008***
Provision for loss on repurchase of computers	20,646	**21,580**	***174,032***
Intercompany profit on inventory and property, plant and equipment	13,635	**12,389**	***99,911***
Accrued enterprise taxes	3,518	**9,942**	***80,177***
Other	19,734	**17,654**	***142,372***
Gross deferred tax assets	296,074	**572,108**	***4,613,774***
Less: Valuation allowance	(199,557)	**(275,703)**	***(2,223,411)***
Total deferred tax assets	96,517	**296,405**	***2,390,363***
Deferred tax liabilities:			
Gains on establishment of stock holding trust for retirement benefit plan	—	**(213,827)**	***(1,724,411)***
Retained earnings appropriated for tax allowable reserves	(43,598)	**(41,097)**	***(331,427)***
Unrealized gains on securities	—	**(14,740)**	***(118,871)***
Other	(6,154)	**(646)**	***(5,210)***
Gross deferred tax liabilities	(49,752)	**(270,310)**	***(2,179,919)***
Net deferred tax assets	¥ 46,765	**¥ 26,095**	***$ 210,444***

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

		Yen (millions)	*U.S. Dollars (thousands)*
At March 31	2000	**2001**	***2001***
Other current assets	¥40,287	**¥57,233**	***$461,556***
Other investments and long-term loans	14,507	**25,058**	***202,081***
Other current liabilities	(1,663)	**(95)**	***(766)***
Other long-term liabilities	(6,366)	**(56,101)**	***(452,427)***
Net deferred tax assets	¥46,765	**¥26,095**	***$210,444***

The tax loss carryforwards included in deferred tax assets expire at various dates, but primarily extend for up to 20 years. Realization is dependent on the ability of the companies to generate sufficient taxable income prior to the expiration of the tax loss carryforwards. A valuation allowance is recorded for certain deferred tax assets to the carryforwards except for those expected to be realized.

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

Deferred tax assets is not provided on a valuation allowance 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, 1999, 2000 and 2001 are as follows:

	Number of shares		
	1999	2000	**2001**
Balance at beginning of year	1,862,355,910	1,884,139,404	**1,962,939,607**
Exercise of warrants	20,275,164	58,018,995	**11,488,174**
Conversion of convertible bonds	328,628	20,781,208	**2,800,148**
Increase arising from a merger	1,179,702	—	**—**
Balance at end of year	1,884,139,404	1,962,939,607	**1,977,227,929**

The issuance of shares upon the conversion of convertible bonds and the exercise of stock purchase warrants are 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, 2001, which included year-end cash dividends of ¥9,886 million ($79,726 thousand), were recorded on the Company's statutory books of account after approval at the general shareholders' meeting held on June 26, 2001, and will be included in the following year's consolidated balance sheet.

An increase arising from a merger during the year ended March 31, 1999 reflected 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, 2001 for purchases of property, plant and equipment were approximately ¥76,405 million ($616,169 thousand).

Contingent liabilities for guarantee contracts amounted to ¥59,927million ($483,282 thousand) at March 31, 2001. Of the total contingent liabilities, guarantees given for employees' housing loans were ¥26,685 million ($215,202 thousand) in the aggregate.

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.

Gain or loss 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, all derivative financial instruments were stated at fair value and recorded on the balance sheet.

At March 31, 2000, the fair value of derivative financial instruments which were not recorded on the balance sheet are as follows.

	Yen (millions)
	2000
Forward exchange contracts	¥584

	Yen (millions)	
	2000	
	Carrying value	Fair value
Interest rate and currency swap contracts	¥ —	¥252
Options contracts:		
Purchased	171	122
Written	145	107

15. Leases

Lessors

The following is a summary of minimum lease payments receivable, their present value, unearned finance income, and the accumulated allowance for uncollectible minimum lease payments receivable, under finance leases operated by Fujitsu Leasing Co., Ltd. at March 31, 2000 and 2001.

	Yen (millions)		*U.S. Dollars (thousands)*
	2000	**2001**	***2001***
Minimum lease payments receivable			
Within one year	¥ 75,723	**¥ 60,637**	***$ 489,008***
Over one year but within five years	147,827	**108,949**	***878,621***
Over five years	3,745	**1,461**	***11,782***
Total	¥227,295	**¥171,047**	***$1,379,411***
The present value of minimum lease payments receivable			
Within one year	¥ 52,232	**¥ 49,215**	***$ 396,895***
Over one year but within five years	99,096	**89,936**	***725,290***
Over five years	2,511	**1,206**	***9,726***
Total	¥153,839	**¥140,357**	***$1,131,911***

At March 31, 2000 and 2001, unearned finance income totaled ¥73,456 million and ¥30,690 million ($247,500 thousand), respectively.

At March 31, 2000 and 2001, the accumulated allowance for uncollectible minimum lease payments receivable were ¥432 million, ¥671 million ($5,411 thousand), respectively.

At March 31, 2000 and 2001, future minimum lease payments to be received within one year under non-cancelable operating leases amounted to ¥198 million and ¥331 million ($2,669 thousand), respectively.

Lessees

The following is a summary of the equivalent amounts of the acquisition costs, accumulated depreciation, book value of leased assets, and the minimum lease payments required under finance leases at March 31, 2000 and 2001.

	Yen (millions)		*U.S. Dollars (thousands)*
	2000	**2001**	***2001***
Equivalent amounts of acquisition costs	¥120,407	**¥135,225**	***$1,090,524***
Accumulated depreciation	54,894	**65,224**	***526,000***
Book value of leased assets	65,513	**70,001**	***564,524***
Minimum lease payments required			
Within one year	18,680	**27,444**	***221,323***
Over one year but within five years	53,305	**71,616**	***577,548***
Over five years	14,714	**13,489**	***108,782***
Total	¥ 86,699	**¥ 112,549**	***$ 907,653***

The following is a summary of future minimum lease payments required under non-cancelable operating leases at March 31, 2000 and 2001.

	Yen (millions) 2000	2001	U.S. Dollars (thousands) 2001
Within one year	¥ 6,523	**¥ 6,805**	***$ 54,879***
Over one year but within five years	15,270	**16,650**	***134,274***
Over five years	4,631	**4,774**	***38,500***
Total	¥26,424	**¥28,229**	***$227,653***

16. Supplementary Information to the Consolidated Balance Sheets

Balances with affiliates at March 31, 2000 and 2001 are presented as follows:

	Yen (millions) 2000	2001	U.S. Dollars (thousands) 2001
Receivables, trade	¥65,399	**¥73,825**	***$595,363***
Payables, trade	55,680	**70,388**	***567,645***

17. Earnings Per Share

Years ended March 31	Yen (millions) 1999	2000	2001	U.S. Dollars (thousands) 2001
Net income (loss)	¥ (13,638)	¥ 42,734	**¥ 8,521**	***$ 68,718***
Effect of dilutive securities				
Convertible bonds	—	1,257	**—**	***—***
Diluted net income (loss)	¥ (13,638)	¥ 43,991	**¥ 8,521**	***$ 68,718***

	thousands 1999	2000	2001
Weighted average number of shares	1,874,396	1,933,665	**1,969,295**
Effect of dilutive securities			
Convertible bonds	—	109,681	**—**
Warrants	—	7,094	**—**
Diluted weighted average number of shares	1,874,396	2,050,440	**1,969,295**

	Yen 1999	2000	2001	U.S. Dollars 2001
Basic earnings (loss) per share	¥ (7.3)	¥ 22.1	**¥ 4.3**	***$ 0.035***
Diluted earnings (loss) per share	(7.3)	21.5	**4.3**	***0.035***

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, 1999, 2000 and 2001 were ¥395,063million, ¥401,057 million and ¥403,405 million ($3,253,266 thousand), respectively.

Other income (expenses)—other, net for the years ended March 31, 1999, 2000 and 2001 consisted of the following:

Years ended March 31	Yen (millions) 1999	2000	2001	U.S. Dollars (thousands) 2001
Foreign exchange gains (losses), net	¥(16,787)	¥(25,679)	**¥16,208**	***$130,710***
Amortization of unrecognized prior service cost (pension expense)	(4,323)	(21,718)	**—**	***—***
Amortization of unrecognized obligation for retirement benefits	—	—	**(22,463)**	***(181,153)***
Loss on disposal of property, plant and equipment	(15,610)	(12,907)	**(16,215)**	***(130,766)***
Expenses for issuance and offering of securities	(1,286)	(542)	**(166)**	***(1,339)***
Loss on devaluation of marketable securities	(5,575)	—	**(10,574)**	***(85,274)***
Reversal of loss on devaluation of marketable securities	—	1,846	**—**	***—***
Gain on sales of marketable securities	19,279	20,351	**10,645**	***85,847***
Gain on sales of subsidiaries' stock	41,002	20,448	**25,563**	***206,153***
Restructuring charges	(43,714)	(37,961)	**(102,485)**	***(826,492)***
Gain on establishment of stock holding trust for retirement benefit plan	—	—	**460,280**	***3,711,935***
Amortization of the unrecognized net obligation for retirement benefits at transition	—	—	**(415,615)**	***(3,351,734)***
Provision for loss on Pathway project	(38,111)	—	**—**	***—***
Other, net	5,729	942	**(10,405)**	***(83,911)***
	¥(59,396)	¥(55,220)	**¥(65,227)**	***$(526,024)***

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 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 included ¥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 for the year ended March 31, 2000, ¥14,717 million related to the restructuring of the electronic devices business and the information processing business at the Company. The total amount of ¥102,485 million ($826,492 thousand) for the year ended March 31, 2001 included ¥55,865 million ($450,524 thousand) for the restructuring of Amdahl Corporation which shifted from traditional IBM-compatible mainframe business to open systems, and ¥26,219 million ($211,444 thousand) for the restructuring of the Company, mainly related to information processing business.

The provision for loss on the Pathway project of ¥38,111 million for the year ended March 31, 1999 related to a realignment of the ICL Pathway Private Finance Initiative (PFI) project, which was 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

Business Segment Information

								Yen (millions)
Years ended March 31	Services & Software	Information Processing	Telecom-munications	Electronic Devices	Financing	Other Operations	Elimination & Corporate	Consolidated
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	466,394	5,025,670
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
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	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	303,932	5,019,744
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

Year ended March 31	Services & Software	Information Processing	Telecom-munications	Electronic Devices	Financing	Other Operations	Elimination & Corporate	Consolidated
								Yen (millions)
2001								
Sales								
Unaffiliated customers	¥2,016,883	¥1,497,500	¥849,846	¥759,723	¥107,246	¥253,228	¥ –	¥5,484,426
Intersegment	67,849	264,987	15,927	149,213	7,872	128,246	(634,094)	–
Total sales	2,084,732	1,762,487	865,773	908,936	115,118	381,474	(634,094)	5,484,426
Operating costs and expenses	1,963,982	1,730,018	833,253	795,536	111,704	373,292	(567,385)	5,240,400
Operating income	120,750	32,469	32,520	113,400	3,414	8,182	(66,709)	244,026
Total assets	1,385,609	1,164,322	627,247	1,125,190	187,273	430,191	280,239	5,200,071
Depreciation	87,305	88,014	36,102	148,246	46	10,100	12,313	382,126
Capital expenditure	106,087	73,398	49,840	257,385	18	14,142	14,479	515,349
								U.S. Dollars (thousands)
2001 (in U.S. Dollars)								
Sales								
Unaffiliated customers	*$16,265,186*	*$12,076,613*	*$6,853,597*	*$6,126,798*	*$864,887*	*$2,042,161*	*$ –*	*$44,229,242*
Intersegment	*547,169*	*2,136,992*	*128,444*	*1,203,331*	*63,484*	*1,034,242*	*(5,113,662)*	*–*
Total sales	*16,812,355*	*14,213,605*	*6,982,041*	*7,330,129*	*928,371*	*3,076,403*	*(5,113,662)*	*44,229,242*
Operating costs and expenses	*15,838,564*	*13,951,758*	*6,719,783*	*6,415,613*	*900,839*	*3,010,419*	*(4,575,686)*	*42,261,290*
Operating income	*973,791*	*261,847*	*262,258*	*914,516*	*27,532*	*65,984*	*(537,976)*	*1,967,952*
Total assets	*11,174,266*	*9,389,694*	*5,058,444*	*9,074,113*	*1,510,266*	*3,469,281*	*2,259,992*	*41,936,056*
Depreciation	*704,073*	*709,790*	*291,145*	*1,195,532*	*371*	*81,452*	*99,298*	*3,081,661*
Capital expenditure	*855,540*	*591,919*	*401,935*	*2,075,685*	*145*	*114,048*	*116,766*	*4,156,038*

Notes: 1. The business segments are classified based on similarity of products and services, and selling methods, etc.
2. "Financing" segment has been added since the year ended March 31, 2000, because of Fujitsu Leasing Co., Ltd. newly consolidated the Group.
3. The principal products and services of business segments are as follows
(1) Services & Software — System integration service, Outsourcing, IDC service, Network service, Internet service, Software, System maintenance and monitoring, System and network construction
(2) Information Processing — Servers (UNIX server, IA server, Global server), Peripherals (Disk array, System printer), Personal computer, Storage device (Magnetic and Optical disk drive), Terminal systems (ATM and POS system)
(3) Telecommunications — Switching system (Digital switching system, IPswitching node), Transmission system (Optical transmission system, Optical undersea transmission system), Mobile telecommunication system (IMT2000 and PDC base station system), Cellular phone
(4) Electronic Devices — Logic IC (System LSI, ASIC, Micro controller), Memory IC (Flash memory, FRAM, FCRAM), LCD, Semiconductor package, Compound semiconductor, SAW device, Electro-mechanical component, PDP
(5) Financing — Leasing business
(6) Other Operations — Electronic material, Electronics-applied component, Audio/Navigation equipment, Audio electronic device, Battery
4. Unallocated operating costs and expenses reported in "Elimination & Corporate" for the years ended March 31, 1999, 2000 and 2001 were ¥64,049 million, ¥67,664 million and ¥69,563 million ($560,992 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, 1999, 2000 and 2001 amounted to ¥803,905 million, ¥676,159 million and ¥788,495million ($6,358,831 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.

Geographic Segment Information

Years ended March 31	Japan	Europe	The Americas	Other	Elimination & Corporate	Consolidated
						Yen (millions)
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	491,507	5,025,670
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**
Assets	**3,568,914**	**493,066**	**408,856**	**273,208**	**456,027**	**5,200,071**
						U.S. Dollars (thousands)
2001 (in U.S. Dollars)						
Sales						
Unaffiliated customers	***$31,746,178***	***$5,411,153***	***$5,025,290***	***$2,046,621***	***$ –***	***$44,229,242***
Intersegment	***4,947,161***	***219,597***	***594,734***	***2,435,766***	***(8,197,258)***	***–***
Total	***36,693,339***	***5,630,750***	***5,620,024***	***4,482,387***	***(8,197,258)***	***44,229,242***
Operating costs and expenses	***34,040,218***	***5,679,548***	***5,761,089***	***4,369,314***	***(7,588,879)***	***42,261,290***
Operating income (loss)	***2,653,121***	***(48,798)***	***(141,065)***	***113,073***	***(608,379)***	***1,967,952***
Assets	***28,781,564***	***3,976,339***	***3,297,226***	***2,203,290***	***3,677,637***	***41,936,056***

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, 1999, 2000 and 2001 were ¥64,049 million, ¥67,664 million and ¥69,563 million ($560,992 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, 1999, 2000 and 2001 amounted to ¥803,905 million, ¥676,159 million and ¥788,495 million ($6,358,831 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.

20. Subsequent events

At the Board of Directors' meeting held on May 25, 2001, the Company and its subsidiary, Fujitsu Systems Construction Ltd. decided to execute exchange offer procedures, under which the Company made Fujitsu Systems Construction Ltd. a wholly owned subsidiary, in order to reorganize the function of network system engineering within the Group. The share exchange ratio was one share of Fujitsu Systems Construction Ltd. for 0.741 shares of the Company's common stock. For dividends purpose, it is deemed that newly issued shares were issued at April 1, 2001. As a result, the common stock of the Company increased by ¥264 million ($2,129 thousand) to ¥314,916 million ($2,539,645 thousand). The effect on net income caused by these exchange offer procedures was immaterial.