Notes to Consolidated Financial Statements

1. Significant Accounting Policies

(a) Basis of presenting consolidated financial statements

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

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

(b) Principles of consolidation

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

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

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

(c) Cash equivalents

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

(d) Translation of foreign currency accounts

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

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

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

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

(e) Revenue recognition

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

(f) Marketable securities

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

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

(g) Allowance for doubtful accounts

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

(h) Inventories

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

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

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

(i) Property, plant and equipment and depreciation

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

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

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

(j) Intangible assets

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

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

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

(k) Leases

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

(l) Retirement benefits

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

Under the defined benefit plans, in principle, the costs are determined by the projected unit credit actuarial valuation method.

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

(m) Provision for loss on repurchase of computers

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

(n) Income taxes

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

(o) Earnings per share

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

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

(p) Derivative financial instruments

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

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

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

(q) Change of accounting policy

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

This change resulted in a decrease of ¥75,337 million ($566,444 thousand) of cost of sales, an increase of ¥85,468 million ($642,617 thousand) of selling, general and administrative expenses, and a decrease of ¥10,131 million ($76,173 thousand) of operating income and income before income taxes and minority interests, respectively, for the year ended March 31, 2002. The impact of this change on the segment information is indicated in Note 19.

2. Differences with International Accounting Standards

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

Non-current receivables and payables denominated in foreign currencies

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

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

Inventories

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

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

Impairment of Property, plant and equipment

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

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

Retirement benefits (Note 10)

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

Please refer the corresponding notes for details.

3. U.S. Dollar Amounts

The Company and its consolidated subsidiaries in Japan maintain their books of account in yen. The U.S. dollar amounts included in the accompanying consolidated financial statements and the notes thereto represent the arithmetic results of translating yen into U.S. dollars at ¥133= US$1, the approximate rate of exchange prevailing on March 31, 2002.

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

4. Marketable Securities

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

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

5. Inventories

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

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

6. Investments in Affiliates

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

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

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

Of the affiliates accounted for by the equity method, the carrying and market values of the shares of the publicly listed companies at March 31, 2001 and 2002 were as follows:

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

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

7. Property, Plant and Equipment

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

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

A consolidated subsidiary in Japan revalued its own land used for business operations to the fair value by adopting the Land Revaluation Law of Japan on March 31, 2002. Revaluation surplus on land, net of taxes, was stated in a separate component of shareholders' equity. This revaluation surplus of ¥1,421 million ($10,684 thousand) was included in Other, net mentioned as above. The book value of land before and after revaluation was ¥460 million ($3,459 thousand), ¥1,881 million ($14,143 thousand), respectively.

Years ended March 31	Yen (millions) 2001	2002	U.S. Dollars (thousands) 2002
Buildings			
Balance at beginning of year, net	¥368,961	**¥370,445**	***$2,785,301***
Additions	35,348	**45,277**	***340,428***
Depreciation	34,843	**39,438**	***296,526***
Translation differences	6,748	**3,155**	***23,722***
Other, net	(5,769)	**(25,027)**	***(188,173)***
Balance at end of year, net	¥370,445	**¥354,412**	***$2,664,752***
Machinery and equipment			
Balance at beginning of year, net	¥730,950	**¥793,951**	***$5,969,556***
Additions	403,608	**289,712**	***2,178,286***
Depreciation	302,943	**326,038**	***2,451,413***
Translation differences	22,512	**10,023**	***75,361***
Other, net	(60,176)	**(110,881)**	***(833,692)***
Balance at end of year, net	¥793,951	**¥656,767**	***$4,938,098***

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

Years ended March 31	Yen (millions) 2001	2002	U.S. Dollars (thousands) 2002
Construction in progress			
Balance at beginning of year, net	¥ 44,600	**¥ 82,194**	***$ 618,000***
Additions	336,786	**228,138**	***1,715,323***
Translation differences	2,330	**746**	***5,609***
Transfers	(301,522)	**(265,393)**	***(1,995,436)***
Balance at end of year, net	¥ 82,194	**¥ 45,685**	***$ 343,496***

8. Goodwill

An analysis of goodwill is shown below:

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

9. Short-Term Borrowings and Long-Term Debt

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

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

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

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

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

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

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

At March 31, 2002, the Group has committed line contracts with banks aggregating ¥384,228 million ($2,888,932 thousand). Of the total credit limit, ¥154,052 million ($1,158,285 thousand) was used as the above short-term and long-term borrowings, and the rest ¥230,176 million ($1,730,647 thousand) was unused.

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

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

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

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

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

10. Retirement benefits

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

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

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

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

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

Projected benefit obligation and plan assets

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

Components of net periodic benefit cost

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

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

Years ended March 31 (Consolidated domestic accounts)	2001	**2002**
Discount rate	3.0%	**3.0%**
Expected rate of return on plan assets	3.3%	**4.1%**
Method of allocating actuarial loss	Straight-line method over the employees' average remaining service period	**Straight-line method over the employees' average remaining service period**
Method of allocating prior service obligation	Straight-line method over 10 years	**Straight-line method over 10 years**
Amortization period for net obligation at transition	The Company : Fully recognized at transition Consolidated subsidiaries in Japan : 10 years	**The Company : Fully recognized at transition Consolidated subsidiaries in Japan : 10 years**

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

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

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

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

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

11. Income Taxes

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

The components of income taxes are as follows:

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

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

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

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

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

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

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

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

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

Deferred tax assets have not been provided for losses of subsidiaries except for those expected to be realized.

12. Shareholders' Equity

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

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

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

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

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

13. Commitments and Contingent Liabilities

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

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

14. Derivative Financial Instruments

Purpose of Derivative Trading

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

Basic Policies for Derivative Trading

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

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

Control of Derivative Trading

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

Hedge accounting

The group has adopted hedge accounting for its derivative transactions.

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

Fair value of derivative financial instruments:

At March 31, 2001 and 2002, all derivative financial instruments were stated at fair value and recorded on the balance sheet.

15. Leases

Lessors

The following is a summary of minimum lease payments receivable, present value, unearned finance income, and an accumulated allowance for uncollectible minimum lease payments receivable, under finance leases operated by Fujitsu Leasing Co., Ltd. at March 31, 2001 and 2002.

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

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

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

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

Lessees

The following is a summary of equivalent amounts of acquisition cost, accumulated depreciation, book value of leased assets, and minimum lease payments required under finance leases at March 31, 2001 and 2002.

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

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

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

16. Supplementary Information to the Consolidated Balance Sheets

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

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

17. Earnings Per Share

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

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

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

18. Supplementary Information to the Consolidated Statements of Operations

Research and development expenses charged to selling, general and administrative expenses for the years ended March 31, 2000, 2001 and 2002 were ¥401,057 million, ¥403,405 million and ¥349,855 million ($2,630,489 thousand), respectively.

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

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

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

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

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

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

19. Segment Information

Business Segment Information

Yen (millions)

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

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

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

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

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

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

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

6. As described in Note 1, the indirect costs related to operational control which had been recorded as cost of sales changed to be recorded as selling, general and administrative expenses for the year ended March 31, 2002. As a result of this change, operating costs and expenses of "Services & Software", "Information Processing", "Telecommunications" and "Electronic Devices" segments increased by ¥2,296 million ($17,263 thousand), ¥4,198 million ($31,564 thousand), ¥1,913 million ($14,384 thousand) and ¥1,724 million ($12,962 thousand), respectively, thereby operating income of those segments decreased by the same amount.

Notes to Consolidated Financial Statements

Geographic Segment Information

Yen (millions)

Years ended March 31	Japan	Europe	The Americas	Other	Elimination & Corporate	Consolidated
2000						
Sales						
Unaffiliated customers	¥3,631,006	¥ 787,567	¥ 585,459	¥ 251,070	¥ –	¥5,255,102
Intersegment	593,927	30,400	77,654	298,206	(1,000,187)	–
Total	4,224,933	817,967	663,113	549,276	(1,000,187)	5,255,102
Operating costs and expenses	3,997,180	828,450	676,377	529,956	(926,835)	5,105,128
Operating income (loss)	227,753	(10,483)	(13,264)	19,320	(73,352)	149,974
Total assets	3,530,120	478,283	369,640	267,076	374,625	5,019,744
2001						
Sales						
Unaffiliated customers	¥3,936,526	¥ 670,983	¥ 623,136	¥ 253,781	¥ –	¥5,484,426
Intersegment	613,448	27,230	73,747	302,035	(1,016,460)	–
Total	4,549,974	698,213	696,883	555,816	(1,016,460)	5,484,426
Operating costs and expenses	4,220,987	704,264	714,375	541,795	(941,021)	5,240,400
Operating income (loss)	328,987	(6,051)	(17,492)	14,021	(75,439)	244,026
Total assets	3,568,914	493,066	408,856	273,208	456,027	5,200,071
2002						
Sales						
Unaffiliated customers	**¥3,759,770**	**¥ 591,691**	**¥ 403,915**	**¥ 251,601**	**¥ –**	**¥5,006,977**
Intersegment	**401,654**	**13,940**	**42,168**	**222,355**	**(680,117)**	**–**
Total	**4,161,424**	**605,631**	**446,083**	**473,956**	**(680,117)**	**5,006,977**
Operating costs and expenses	**4,108,109**	**623,610**	**503,515**	**468,046**	**(621,877)**	**5,081,403**
Operating income (loss)	**53,315**	**(17,979)**	**(57,432)**	**5,910**	**(58,240)**	**(74,426)**
Total assets	**2,910,468**	**424,049**	**304,847**	**234,406**	**722,034**	**4,595,804**

U.S. Dollars (thousands)

2002 (in U.S. Dollars)						
Sales						
Unaffiliated customers	***$28,268,947***	***$4,448,805***	***$3,036,955***	***$1,891,737***	***$ –***	***$37,646,444***
Intersegment	***3,019,955***	***104,812***	***317,053***	***1,671,842***	***(5,113,662)***	***–***
Total	***31,288,902***	***4,553,617***	***3,354,008***	***3,563,579***	***(5,113,662)***	***37,646,444***
Operating costs and expenses	***30,888,038***	***4,688,797***	***3,785,827***	***3,519,143***	***(4,675,767)***	***38,206,038***
Operating income (loss)	***400,864***	***(135,180)***	***(431,819)***	***44,436***	***(437,895)***	***(559,594)***
Total assets	***21,883,218***	***3,188,338***	***2,292,083***	***1,762,451***	***5,428,827***	***34,554,917***

Notes: 1. Classification of the geographic segments is determined by geographical location.
2. The principal countries and regions belonging to geographic segments other than Japan:
(1) Europe —— U.K., France, Spain, Sweden, Germany, Finland, the Netherlands
(2) The Americas —— U.S.A., Canada
(3) Others —— China, Thailand, Vietnam, the Philippines, Singapore, Taiwan, Australia
3. Unallocated operating costs and expenses reported in "Elimination & Corporate" for the years ended March 31, 2000, 2001 and 2002 were ¥67,664 million, ¥69,563 million and ¥68,091 million ($511,962 thousand), respectively. Most of these costs and expenses were incurred as basic research and development expenses and general and administrative expenses at the Company.
4. Corporate assets included in "Elimination & Corporate" at March 31, 2000, 2001 and 2002 amounted to ¥676,159 million, ¥788,495 million and ¥1,046,282 million ($7,866,782 thousand), respectively. The assets principally consisted of working capital (cash and cash equivalents), long-term investments and miscellaneous assets held by the general and administrative sections at the Company.
5. As described in Note 1, the indirect costs related to operational control which had been recorded as cost of sales changed to be recorded as selling, general and administrative expenses for the year ended March 31, 2002. As a result of this change, operating costs and expenses of "Japan" segment increased by ¥10,131 million ($76,173 thousand) , thereby operating income of those segments decreased by the same amount.

20. Subsequent events

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

•Name of the Bonds:

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

•Total amount of issue of the Bonds:

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

•Issue price of the Bonds:

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

•Offer price of the Bonds:

102% of the principal amount of the Bonds

•Final redemption price of the Bonds:

100% of the principal amount of the Bonds

•Coupon:

No coupon

•Date of payment and date of issuance:

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

•Use of proceeds:

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

•The number of acquisition rights issued:

50,000

•Security of the Bonds:

Unsecured and unguaranteed

•Exercise period:

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

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

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

•Issuer's Call Option:

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