1. Significant Accounting Policies

(a) Basis of presenting consolidated financial statements

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

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

(b) Principles of consolidation

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

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

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

(c) Cash equivalents

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

(d) Translation of foreign currency accounts

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

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

(e) Revenue recognition

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

(f) Marketable securities

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

(g) Allowance for doubtful accounts

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

(h) Inventories

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

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

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

(i) Property, plant and equipment and depreciation

Property, plant and equipment, including renewals and additions, are carried at cost. Maintenance and repairs, including minor renewals and improvements, are charged to income as incurred.

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

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

(j) Intangible assets

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

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

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

(k) Leases

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

(l) Retirement benefits

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

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

(m) Provision for loss on repurchase of computers

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

(n) Income taxes

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

(o) Earnings per share

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

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

(p) Derivative financial instruments

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

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

(q) Change of accounting policy

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

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

2. Differences with International Accounting Standards

The differences between the accounting principles and practices adopted by the Group and those prescribed by International Accounting Standards ("IAS") are summarized as follows. This information is out of scope of the audit.

Inventories

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

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

Impairment of Property, plant and equipment

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

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

Retirement benefits (Note 10)

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

Please refer the corresponding notes for details.

3. U.S. Dollar Amounts

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

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

4. Marketable Securities

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

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

5. Inventories

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

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

6. Investments in Affiliates

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

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

	Yen (millions)		U.S. Dollars (thousands)
At March 31	2002	**2003**	***2003***
Current assets	¥1,052,893	**¥ 968,409**	***$ 8,070,075***
Non-current assets	463,140	**483,473**	***4,028,942***
	1,516,033	**1,451,882**	***12,099,017***
Current liabilities	334,303	**361,863**	***3,015,525***
Long-term liabilities	177,770	**194,605**	***1,621,709***
Net assets	¥1,003,960	**¥ 895,414**	***$ 7,461,783***

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

Of the affiliates accounted for by the equity method, the carrying and market values of the shares of the publicly listed companies at March 31, 2002 and 2003 were as follows:

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

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

7. Property, Plant and Equipment

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

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

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

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

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

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

8. Goodwill

An analysis of goodwill is shown below:

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

9. Short-Term Borrowings and Long-Term Debt

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

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

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

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

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

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

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

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

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

Certain outstanding convertible bonds and notes can be repurchased at any time and may be redeemed at the option of the Company, in whole or in part, at prices ranging from 101% to 100% of their principal amounts.

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

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

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

10. Retirement benefits

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

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

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

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

Projected benefit obligation and plan assets

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

Components of net periodic benefit cost

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

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

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

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

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

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

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

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

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

Projected benefit obligation and plan assets

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

11. Income Taxes

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

The components of income taxes are as follows:

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

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

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

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

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

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

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

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

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

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

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

12. Shareholders' Equity

In accordance with the Commercial Code of Japan (the "Code"), the Company has accounted for the issuance of shares including upon conversion of convertible bonds and the exercise of stock purchase warrants by crediting an amount equal to at least 50% of the amount of each issuance to the common stock account and the balance to the additional paid-in capital account. Additional paid-in capital was included in the capital surplus account and amounted to ¥394,441 millions ($3,287,008 thousands) at March 31, 2002 and 2003.

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

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

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

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

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

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

13. Commitments and Contingent Liabilities

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

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

14. Derivative Financial Instruments

Purpose of Derivative Trading

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

Basic Policies for Derivative Trading

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

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

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

Control of Derivative Trading

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

Hedge accounting

The group has adopted hedge accounting for its derivative transactions.

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

Fair value of derivative financial instruments:

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

15. Leases

Lessors

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

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

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

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

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

Lessees

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

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

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

	Yen (millions)		*U.S. Dollars (thousands)*
At March 31	2002	**2003**	***2003***
Within one year	¥ 9,257	**¥ 8,672**	***$ 72,267***
Over one year but within five year	21,227	**16,475**	***137,292***
Over five year	8,882	**7,912**	***65,933***
Total	¥39,366	**¥33,059**	***$275,492***

16. Supplementary Information to the Consolidated Balance Sheets

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

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

17. Earnings Per Share

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

18. Supplementary Information to the Consolidated Statements of Operations

Research and development expenses charged to selling, general and administrative expenses for the years ended March 31, 2001, 2002 and 2003 were ¥403,405 millions, ¥349,855 millions and ¥285,735 millions ($2,381,125 thousands), respectively.

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

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

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

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

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

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

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

19. Segment Information

Business Segment Information

Yen (millions)

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

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

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

Geographic Segment Information

Yen (millions)

Years ended March 31	Japan	Europe	The Americas	Other	Elimination & Corporate	Consolidated
2001						
Sales						
Unaffiliated customers	¥3,936,526	¥ 670,983	¥ 623,136	¥ 253,781	¥ –	¥5,484,426
Intersegment	613,448	27,230	73,747	302,035	(1,016,460)	–
Total	4,549,974	698,213	696,883	555,816	(1,016,460)	5,484,426
Operating costs and expenses	4,220,987	704,264	714,375	541,795	(941,021)	5,240,400
Operating income (loss)	328,987	(6,051)	(17,492)	14,021	(75,439)	244,026
Total assets	3,568,914	493,066	408,856	273,208	456,027	5,200,071
2002						
Sales						
Unaffiliated customers	¥3,759,770	¥ 591,691	¥ 403,915	¥ 251,601	¥ –	¥5,006,977
Intersegment	401,654	13,940	42,168	222,355	(680,117)	–
Total	4,161,424	605,631	446,083	473,956	(680,117)	5,006,977
Operating costs and expenses	4,108,109	623,610	503,515	468,046	(621,877)	5,081,403
Operating income (loss)	53,315	(17,979)	(57,432)	5,910	(58,240)	(74,426)
Total assets	2,910,468	424,049	304,847	234,406	722,034	4,595,804
2003						
Sales						
Unaffiliated customers	**¥3,556,437**	**¥ 524,910**	**¥ 257,575**	**¥ 278,658**	**¥ –**	**¥4,617,580**
Intersegment	**332,151**	**18,130**	**20,595**	**185,505**	**(556,381)**	**–**
Total	**3,888,588**	**543,040**	**278,170**	**464,163**	**(556,381)**	**4,617,580**
Operating costs and expenses	**3,727,730**	**539,408**	**296,952**	**451,419**	**(498,356)**	**4,517,153**
Operating income (loss)	**160,858**	**3,632**	**(18,782)**	**12,744**	**(58,025)**	**100,427**
Total assets	**2,756,667**	**348,886**	**203,880**	**196,875**	**719,053**	**4,225,361**

U.S. Dollars (thousands)

2003 (in U.S. Dollars)						
Sales						
Unaffiliated customers	*$29,636,975*	*$4,374,250*	*$2,146,458*	*$2,322,150*	*$ –*	*$38,479,833*
Intersegment	*2,767,925*	*151,083*	*171,625*	*1,545,875*	*(4,636,508)*	*–*
Total	*32,404,900*	*4,525,333*	*2,318,083*	*3,868,025*	*(4,636,508)*	*38,479,833*
Operating costs and expenses	*31,064,417*	*4,495,066*	*2,474,600*	*3,761,825*	*(4,152,967)*	*37,642,941*
Operating income (loss)	*1,340,483*	*30,267*	*(156,517)*	*106,200*	*(483,541)*	*836,892*
Total assets	*22,972,225*	*2,907,383*	*1,699,000*	*1,640,625*	*5,992,109*	*35,211,342*

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

20. Related Party Transactions

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

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

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

21. Subsequent events

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

•Number of shares sold:

11,000,000

•Proceeds from the sale:

¥55,385 millions ($461,542 thousands)

•Date of sales:

May 30, 2003

•Impact on Financial Results:

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