## 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 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 the convenience of readers outside Japan.

Certain accounting principles and practices generally accepted in Japan are different from International Financial Reporting 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 Financial Reporting 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

Revenue from sales of IT systems and products including software development contracts is recognized upon acceptance by the customers, whereas revenue from sales of personal computers, other equipment and electronic devices is 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. The cost of available-for-sale securities sold is calculated by the moving average method. 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, 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 Co., Ltd. ("JECC") and other leasing companies for leasing to ultimate users under contracts which require the Group to 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 sales 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 stocks 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 gain or loss on the hedged items are recognized.

## 2. Differences with International Financial Reporting Standards

The Group is discussing the requirements for adoption of International Financial Reporting Standards. The Group believes at present that there are certain differences between the accounting principles and practices adopted by the Group and those prescribed by International Financial Reporting Standards ("IFRS/IAS") at March 31, 2004, which are presented below.

This note is out of scope of the audit.

### Software development contracts

Under IAS 11, revenue and costs associated with construction contracts should be recognized by the percentage-of-completion method when the outcome of the contracts can be estimated reliably. The Group generally recognizes revenue and costs associated with software development contracts, which should be accounted for as construction contracts under IAS 11, at the acceptance by the customers as indicated in section (e) of "Significant Accounting Policies."

In addition, under IAS 11, the expected loss should be recognized immediately when it is probable that total contract costs will exceed total contract revenue. The Group recognized the expected loss from the software development contracts which were proved to be unprofitable at March 31, 2004 as "restructuring charges."

### Inventories

Under IAS 2, inventories should be stated at the lower of their historical cost or net realizable value. The Group evaluates inventories mainly at cost as indicated in section (h) of "Significant Accounting Policies." The effects on the aggregate value of inventories based on IAS 2 are not calculated. However, the Group takes into consideration the recoverability of inventories based on future business environments.

### Impairment of assets

Under IAS 36, upon impairment of assets, the book value should be devaluated to the recoverable amount. The impairment rule will not be applied mandatorily in Japan until the year ended March 31, 2006. Therefore the effects on the aggregate value of assets based on IAS 36 are not calculated. However, the Group takes into consideration the recoverability of assets based on future business activities.

### Goodwill

Under IFRS 3, goodwill should not be amortized and the impairment rule should be applied in accordance with IAS 36. The Group amortizes goodwill by the straight-line method over periods not exceeding 20 years as indicated in section (j) of "Significant Accounting Policies" and does not apply the impairment rule.

### Retirement benefits (Note 10)

Under IAS 19, the unrecognized net obligation upon the application of a new accounting standard should be recognized immediately. The accounting procedure for this obligation is indicated in Note 10.

As a result of future revisions of IFRS/IAS or the other effects, there is a possibility that certain differences may arise for the accounting procedures that are not discussed above (such as financial instruments).

## 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 ¥106 = US$1, the approximate exchange rate at March 31, 2004.

The U.S. dollar amounts are presented solely for the convenience of readers 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, 2003 and 2004, marketable securities included in "short-term investments" and "other investments and long-term loans" were as follows:

| | | Yen (millions) | *U.S. Dollars (thousands)* |
|---|---|---|---|
| | 2003 | 2004 | *2004* |
| Held-to-maturity investments | | | |
| Carrying value (Amortized cost) | ¥ 1,509 | **¥ 2,208** | ***$ 20,830*** |
| Market value | 1,506 | **2,225** | ***20,990*** |
| Net unrealized gain (loss) | ¥ (3) | **¥ 17** | ***$ 160*** |
| Available-for-sale securities | | | |
| Acquisition costs | ¥79,214 | **¥ 64,794** | ***$ 611,264*** |
| Carrying value (Market value) | 82,981 | **317,891** | ***2,998,972*** |
| Net unrealized gain | ¥ 3,767 | **¥253,097** | ***$2,387,708*** |

After a certain portion of shares in Fanuc Ltd. was sold for the year ended March 31, 2004, the remaining shares were stated as available-for-sale securities. At March 31, 2004, available-for-sale securities' acquisition costs, carrying value (market value) and net unrealized gain on investments in Fanuc Ltd. were ¥379 million ($3,576 thousand), ¥218,585 million ($2,062,123 thousand) and ¥218,206 million ($2,058,547 thousand), respectively.

## 5. Inventories

Inventories at March 31, 2003 and 2004 consisted of the following:

| | | Yen (millions) | U.S. Dollars (thousands) |
|---|---|---|---|
| | 2003 | 2004 | 2004 |
| Finished goods | ¥218,307 | **¥193,039** | ***$1,821,123*** |
| Work in process | 273,442 | **240,637** | ***2,270,160*** |
| Raw materials | 104,235 | **87,450** | ***825,000*** |
| | ¥595,984 | **¥521,126** | ***$4,916,283*** |

## 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 | 2003 | 2004 | 2004 |
| Current assets | ¥ 968,409 | **¥ 778,871** | ***$ 7,347,839*** |
| Non-current assets | 483,473 | **450,182** | ***4,247,000*** |
| | 1,451,882 | **1,229,053** | ***11,594,839*** |
| Current liabilities | 361,863 | **616,255** | ***5,813,726*** |
| Long-term liabilities | 194,605 | **275,723** | ***2,601,160*** |
| Net assets | ¥ 895,414 | **¥ 337,075** | ***$ 3,179,953*** |

| | | | Yen (millions) | U.S. Dollars (thousands) |
|---|---|---|---|---|
| Years ended March 31 | 2002 | 2003 | 2004 | 2004 |
| Net sales | ¥1,163,438 | ¥1,214,169 | **¥1,393,351** | ***$13,144,821*** |
| Net income (loss) | (8,803) | 445 | **39,994** | ***377,302*** |

The carrying and market values of the shares of the publicly listed equity method affiliates at March 31, 2003 and 2004 were as follows:

| | | Yen (millions) | U.S. Dollars (thousands) |
|---|---|---|---|
| At March 31 | 2003 | 2004 | 2004 |
| Carrying value | ¥ 202,621 | **¥ 18,148** | ***$ 171,208*** |
| Market value | 391,237 | **79,581** | ***750,764*** |

Carrying and market values at March 31, 2003 consisted of ¥186,801 million and ¥363,304 million, respectively, for Fanuc Ltd. After a certain portion of shares in Fanuc Ltd. was sold for the year ended March 31, 2004, the remaining shares were no longer treated as investments in affiliates at March 31, 2004.

At March 31, 2003 and 2004, the amount of ¥19,373 million ($182,764 thousand) representing the Company's 29.49% investment in JECC was 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 six shareholders. At March 31, 2003 and 2004, JECC's issued share capital was ¥65,700 million ($619,811 thousand). Its net sales for the years ended March 31, 2002, 2003 and 2004 amounted to ¥289,340 million, ¥295,987 million and ¥303,285 million ($2,861,179 thousand), respectively.

As a result of reformation, Flash memory operations, Fujitsu Leasing Co., Ltd. and FDK Corporation were shifted from consolidated subsidiaries to equity method affiliates. The aggregate total assets and liabilities of these companies at the shift are presented below:

| | Yen (millions) | U.S. Dollars (thousands) |
|---|---|---|
| Current assets | **¥ 146,751** | ***$ 1,384,443*** |
| Non-current assets | **335,255** | ***3,162,783*** |
| | **¥ 482,006** | ***$ 4,547,226*** |
| | | |
| Current liabilities | **¥ 205,804** | ***$ 1,941,547*** |
| Long-term liabilities | **168,412** | ***1,588,793*** |
| | **¥ 374,216** | ***$ 3,530,340*** |

## 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 | 2003 | 2004 | 2004 |
| Land | | | |
| Balance at beginning of year, net | ¥140,602 | **¥133,806** | ***$1,262,321*** |
| Additions | 10 | **4,728** | ***44,603*** |
| Translation differences | (882) | **(588)** | ***(5,547)*** |
| Other, net | (5,924) | **(3,729)** | ***(35,179)*** |
| Balance at end of year, net | ¥133,806 | **¥134,217** | ***$1,266,198*** |
| Buildings | | | |
| Balance at beginning of year, net | ¥354,412 | **¥327,343** | ***$3,088,142*** |
| Additions | 15,532 | **25,621** | ***241,708*** |
| Depreciation | 31,226 | **28,165** | ***265,708*** |
| Translation differences | (3,009) | **(4,318)** | ***(40,736)*** |
| Other, net | (8,366) | **(44,222)** | ***(417,189)*** |
| Balance at end of year, net | ¥327,343 | **¥276,259** | ***$2,606,217*** |

Other, net for the year ended March 31, 2004 mainly consisted of decrease due to the shifting of Flash memory operations and FDK Corporation from consolidated subsidiaries to equity method affiliates, the securitization of Fujitsu Solution Square (located in Kamata, Tokyo), and the sales of other properties that had been used for employees' welfare.

| | 2003 | 2004 | 2004 |
|---|---|---|---|
| Machinery and equipment | | | |
| Balance at beginning of year, net | ¥656,767 | **¥500,806** | ***$4,724,585*** |
| Additions | 174,669 | **135,389** | ***1,277,255*** |
| Depreciation | 244,506 | **177,174** | ***1,671,453*** |
| Translation differences | (8,029) | **(8,756)** | ***(82,604)*** |
| Other, net | (78,095) | **(77,586)** | ***(731,943)*** |
| Balance at end of year, net | ¥500,806 | **¥372,679** | ***$3,515,840*** |

Other, net for the year ended March 31, 2003 mainly consisted of sales or disposal of machinery and equipment upon restructuring. Other, net for the year ended March 31, 2004 mainly consisted of decrease due to the shifting of Flash memory operations and FDK Corporation from consolidated subsidiaries to equity method affiliates.

| | 2003 | 2004 | 2004 |
|---|---|---|---|
| Construction in progress | | | |
| Balance at beginning of year, net | ¥ 45,685 | **¥ 28,597** | ***$ 269,783*** |
| Additions | 118,711 | **106,544** | ***1,005,132*** |
| Translation differences | (801) | **(350)** | ***(3,302)*** |
| Transfers | (134,998) | **(114,923)** | ***(1,084,179)*** |
| Balance at end of year, net | ¥ 28,597 | **¥ 19,868** | ***$ 187,434*** |

## 8. Goodwill

An analysis of goodwill is presented below:

| | Yen (millions) | | U.S. Dollars (thousands) |
|---|---|---|---|
| Years ended March 31 | 2003 | 2004 | 2004 |
| Balance at beginning of year | ¥116,631 | **¥ 97,937** | ***$ 923,934*** |
| Additions | 2,023 | **114** | ***1,075*** |
| Amortization | 17,667 | **31,144** | ***293,811*** |
| Translation differences | (3,050) | **(862)** | ***(8,132)*** |
| Balance at end of year | ¥ 97,937 | **¥ 66,045** | ***$ 623,066*** |

## 9. Short-Term Borrowings and Long-Term Debt

Short-term borrowings at March 31, 2003 and 2004 consisted of the following:

| | Yen (millions) | | U.S. Dollars (thousands) |
|---|---|---|---|
| | 2003 | 2004 | 2004 |
| Loans, principally from banks, with weighted average interest rates of 1.11% at March 31, 2003 and 0.99% at March 31, 2004: | | | |
| Secured | ¥ 2,945 | **¥ 833** | ***$ 7,858*** |
| Unsecured | 295,721 | **177,549** | ***1,674,991*** |
| Commercial paper, with the weighted average interest rate of 0.10% at March 31, 2003: | | | |
| Unsecured | 4,000 | **—** | ***—*** |
| | ¥302,666 | **¥178,382** | ***$1,682,849*** |

Long-term debt at March 31, 2003 and 2004 consisted of the following:

| | Yen (millions) | | U.S. Dollars (thousands) |
|---|---|---|---|
| | 2003 | 2004 | 2004 |
| Loans, principally from banks and insurance companies, due 2003 to 2020 with the weighted average interest rate of 1.63% at March 31, 2003 and due 2004 to 2020 with the weighted average interest rate of 2.12% at March 31, 2004: | | | |
| Secured | ¥ 6,325 | **¥ 3,233** | ***$ 30,500*** |
| Unsecured | 483,684 | **220,104** | ***2,076,453*** |
| Bonds and notes issued by the Company: | | | |
| 1.4% unsecured convertible bonds due 2004 | 39,617 | **39,617** | ***373,745*** |
| 2.0% unsecured convertible bonds due 2004 | 15,577 | **—** | ***—*** |
| zero coupon unsecured convertible bonds due 2009 | 250,000 | **250,000** | ***2,358,492*** |
| 3.225% unsecured bonds due 2003 | 30,000 | **—** | ***—*** |
| 2.425% unsecured bonds due 2003 | 50,000 | **—** | ***—*** |
| 2.875% unsecured bonds due 2006 | 50,000 | **50,000** | ***471,698*** |
| 2.575% unsecured bonds due 2004 | 50,000 | **50,000** | ***471,698*** |
| 3.15% unsecured bonds due 2009 | 50,000 | **50,000** | ***471,698*** |
| 2.3% unsecured bonds due 2007 | 50,000 | **50,000** | ***471,698*** |
| 2.325% unsecured bonds due 2008 | 50,000 | **50,000** | ***471,698*** |
| 3.0% unsecured bonds due 2018 | 30,000 | **30,000** | ***283,019*** |
| 2.175% unsecured bonds due 2008 | 50,000 | **50,000** | ***471,698*** |
| 2.15% unsecured bonds due 2008 | 50,000 | **50,000** | ***471,698*** |
| 0.64% unsecured bonds due 2006 | 100,000 | **100,000** | ***943,396*** |
| 0.31% unsecured bonds due 2004 | 80,000 | **80,000** | ***754,717*** |
| Bonds and notes issued by consolidated subsidiaries: due 2003 to 2006 with the weighted average interest rate of 1.34% at March 31, 2003 and due 2005 to 2006 with the weighted average interest rate of 1.38% at March 31, 2004: | | | |
| Unsecured | 25,900 | **25,785** | ***243,255*** |
| Less amounts due within one year | (203,425) | **(204,367)** | ***(1,927,991)*** |
| | ¥1,257,678 | **¥894,372** | ***$8,437,472*** |

Assets pledged as collateral for short-term borrowings and long-term debt at March 31, 2003 and 2004 are principally presented below:

| | Yen (millions) | | U.S. Dollars (thousands) |
|---|---|---|---|
| | 2003 | 2004 | 2004 |
| Property, plant and equipment, net | ¥17,909 | **¥6,268** | ***$59,132*** |

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, 2004, the Group had committed line contracts with banks aggregating ¥265,499 million ($2,504,708 thousand). Of the total credit limit, ¥107,014 million ($1,009,566 thousand) was used as the above short-term and long-term borrowings, and the rest ¥158,485 million ($1,495,142 thousand) was unused.

The current conversion prices of the 1.4% and zero coupon convertible bonds issued by the Company are ¥1,751.50 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, 2004, these convertible bonds were convertible into approximately 231 million 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 100% of their principal amounts.

The aggregate annual maturities of long-term debt subsequent to March 31, 2004 are summarized as follows:

| Years ending March 31 | Yen (millions) | *U.S. Dollars (thousands)* |
|---|---|---|
| 2005 | **¥204,367** | ***$1,927,991*** |
| 2006 | **107,151** | ***1,010,858*** |
| 2007 | **167,097** | ***1,576,387*** |
| 2008 | **160,481** | ***1,513,972*** |
| 2009 and thereafter | **459,643** | ***4,336,254*** |

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 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. Regarding the employees' pension plan, in response to the enactment of the Japanese Welfare Pension Insurance Law on defined-benefit pension plans, the Fujitsu Welfare Pension Fund applied for an exemption from the obligation to pay benefits for future employee services related to the substitutional portion, and on March 23, 2004 received approval of the exemption from the Minister of Health, Labour and Welfare.

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, 2003 and 2004, and the components of net periodic benefit cost for the years ended March 31, 2002, 2003 and 2004 are summarized as follows:

**Projected benefit obligation and plan assets**

| | Yen (millions) | | *U.S.Dollars (thousands)* |
|---|---|---|---|
| At March 31 (Consolidated domestic accounts) | 2003 | 2004 | *2004* |
| Projected benefit obligation | ¥(1,677,032) | **¥(1,209,288)** | ***$(11,408,377)*** |
| Plan assets | 809,565 | **799,058** | ***7,538,283*** |
| Projected benefit obligation in excess of plan assets | (867,467) | **(410,230)** | ***(3,870,094)*** |
| Unrecognized net obligation at transition | 183,011 | **98,874** | ***932,773*** |
| Unrecognized actuarial loss | 658,079 | **335,285** | ***3,163,066*** |
| Unrecognized prior service cost (reduced obligation) | (69,840) | **(682)** | ***(6,434)*** |
| Prepaid pension cost | (29,258) | **(102,447)** | ***(966,481)*** |
| Accrued retirement benefits | ¥ (125,475) | **¥ (79,200)** | ***$ (747,170)*** |

Applying the transitional provisions as prescribed in paragraph 47-2 of "Practical Guidelines of Accounting and Retirement Benefits-Interim Report" (Accounting Committee Report No.13 issued by the Japanese Institute of Certified Public Accountants), the Company and certain consolidated subsidiaries in Japan accounted for the elimination of the future and past benefit obligations of the substitutional portion as well as the related government-specified portion of the employees' pension plan assets at the date of the approval.

The amount of pension assets which were to be transferred to the Japanese Government was valued at ¥310,657 million ($2,930,726 thousand) at March 31, 2004.

The figures presented above for the year ended March 31, 2003 included the substitutional portion of benefit obligation.

**Components of net periodic benefit cost**

| | | | Yen (millions) | *U.S.Dollars (thousands)* |
|---|---|---|---|---|
| Years ended March 31 (Consolidated domestic accounts) | 2002 | 2003 | 2004 | *2004* |
| Service cost | ¥ 59,307 | ¥ 57,011 | **¥ 53,613** | ***$ 505,783*** |
| Interest cost | 46,777 | 49,363 | **48,004** | ***452,868*** |
| Expected return on plan assets | (41,400) | (42,654) | **(36,125)** | ***(340,802)*** |
| Amortization of unrecognized obligation for retirement benefits: | | | | |
| Amortization of net obligation at transition | 26,311 | 26,487 | **25,435** | ***239,953*** |
| Amortization of actuarial loss | 18,508 | 26,403 | **39,578** | ***373,377*** |
| Amortization of prior service cost | (9,095) | (8,989) | **(8,070)** | ***(76,132)*** |
| Net periodic benefit cost | ¥100,408 | ¥107,621 | **¥122,435** | ***$1,155,047*** |
| Gain on transfer of substitutional portion of employees' pension funds | — | — | **(146,532)** | ***(1,382,377)*** |
| Total | ¥100,408 | ¥107,621 | **¥ (24,097)** | ***$ (227,330)*** |

**The assumptions used in accounting for the plans**

| At March 31 (Consolidated domestic accounts) | 2003 | 2004 |
|---|---|---|
| Discount rate | 3.0% | **2.5%** |
| Expected rate of return on plan assets | 4.3% | **4.5%** |
| 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 for the year ended March 31, 2001, 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 of marketable securities in trust which was solely established for the retirement benefit plan.

The major defined benefit pension plan provided outside Japan is the plan that Fujitsu Services group provides in the UK. 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 different measurement bases laid down in FRS17.

The projected benefit obligation and the fair value of the plan assets in accordance with FRS17 are summarized as follows:

**Projected benefit obligation and plan assets**

| | | Yen (millions) | *U.S.Dollars (thousands)* |
|---|---|---|---|
| At March 31 | 2003 | 2004 | *2004* |
| Projected benefit obligation | ¥(322,898) | **¥(348,759)** | ***$(3,290,179)*** |
| Plan assets | 207,637 | **257,427** | ***2,428,556*** |
| Deficit in the Plan | ¥(115,261) | **¥ (91,332)** | ***$ (861,623)*** |
| Discount rate | 5.75% | **5.90%** | |

## 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, 2002, 2003 and 2004 were approximately 42% in the aggregate.

The components of income taxes are as follows:

| | | | Yen (millions) | U.S. Dollars (thousands) |
|---|---|---|---|---|
| Years ended March 31 | 2002 | 2003 | 2004 | *2004* |
| Current | ¥ 35,122 | ¥ 36,188 | **¥ 34,125** | ***$ 321,934*** |
| Deferred | (234,542) | (77,015) | **58,085** | ***547,972*** |
| Effect of change in statutory tax rate | — | 12,038 | **—** | ***—*** |
| Income taxes | ¥(199,420) | ¥ (28,789) | **¥ 92,210** | ***$ 869,906*** |

The reconciliations between applicable statutory income tax and the effective income tax rate for the year ended March 31, 2002, 2003 and 2004 are as follows:

| | 2002 | 2003 | 2004 |
|---|---|---|---|
| Statutory Income tax rate | 42.0% | 42.0% | **42.0%** |
| Increase (Decrease) in tax rate: | | | |
| Tax effect on prior losses of subsidiaries | 6.2% | — | **(72.5%)** |
| Valuation allowance for deferred tax assets | (12.0%) | (10.1%) | **53.2%** |
| Adjustment of net gain on sale of investments in subsidiaries and affiliated companies | — | — | **26.6%** |
| Amortization of goodwill | (1.0%) | (5.0%) | **8.1%** |
| Non-deductible expenses for tax purposes | (0.5%) | (2.1%) | **1.7%** |
| Tax effect on equity in earnings of affiliates, net | 0.2% | 0.2% | **(1.1%)** |
| Non-taxable income | 0.3% | 3.1% | **(0.6%)** |
| Effect of change in statutory tax rate | — | (8.2%) | **—** |
| Other | (1.7%) | (0.4%) | **1.3%** |
| Effective income tax rate | 33.5% | 19.5% | **58.7%** |

The significant components of deferred tax assets and liabilities at March 31, 2003 and 2004 were as follows:

| | | Yen (millions) | U.S. Dollars (thousands) |
|---|---|---|---|
| At March 31 | 2003 | 2004 | *2004* |
| Deferred tax assets: | | | |
| Tax loss carryforwards | ¥ 455,928 | **¥ 402,881** | ***$ 3,800,764*** |
| Accrued retirement benefits | 229,780 | **189,402** | ***1,786,811*** |
| Accrued employee benefits | 32,766 | **35,949** | ***339,142*** |
| Provision for loss on repurchase of computers | 19,894 | **19,645** | ***185,330*** |
| Intercompany profit on inventory and property, plant and equipment | 9,104 | **10,106** | ***95,340*** |
| Other | 56,051 | **62,132** | ***586,151*** |
| Gross deferred tax assets | 803,523 | **720,115** | ***6,793,538*** |
| Less: | | | |
| Valuation allowance on tax loss carryforwards | (226,956) | **(204,111)** | ***(1,925,576)*** |
| Other valuation allowance | (21,685) | **(13,610)** | ***(128,396)*** |
| Total valuation allowance | (248,641) | **(217,721)** | ***(2,053,972)*** |
| Total deferred tax assets | 554,882 | **502,394** | ***4,739,566*** |
| Deferred tax liabilities: | | | |
| Gains from establishment of stock holding trust for retirement benefit plan | ¥(206,699) | **¥(206,699)** | ***$(1,949,990)*** |
| Unrealized gains on securities | (1,906) | **(102,552)** | ***(967,472)*** |
| Retained earnings appropriated for tax allowable reserves | (8,074) | **(10,816)** | ***(102,038)*** |
| Other | (1,639) | **(2,060)** | ***(19,434)*** |
| Gross deferred tax liabilities | (218,318) | **(322,127)** | ***(3,038,934)*** |
| Net deferred tax assets | ¥ 336,564 | **¥ 180,267** | ***$ 1,700,632*** |

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

| At March 31 | Yen (millions) 2003 | Yen (millions) 2004 | U.S. Dollars (thousands) 2004 |
|---|---|---|---|
| Other current assets | ¥ 115,900 | **¥ 103,449** | ***$ 975,934*** |
| Other investments and long-term loans-Others | 233,269 | **89,868** | ***847,811*** |
| Other current liabilities | (82) | **(6,448)** | ***(60,830)*** |
| Other long-term liabilities | (12,523) | **(6,602)** | ***(62,283)*** |
| Net deferred tax assets | ¥ 336,564 | **¥ 180,267** | ***$ 1,700,632*** |

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 7 years in Japan and primarily 20 years outside Japan. Realization depends on the abilities of the companies to generate sufficient taxable income prior to the expiration of the tax loss carryforwards. Deferred tax assets have been recorded for the loss carryforwards except for those that are unlikely to be realized.

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

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

## 12. Shareholders' Equity

The changes in the number of issued shares of common stock for the years ended March 31, 2002, 2003 and 2004 were as follows:

| | Number of shares 2002 | Number of shares 2003 | Number of shares 2004 |
|---|---|---|---|
| Balance at beginning of year | 1,977,227,929 | 2,001,962,672 | **2,001,962,672** |
| Conversion of convertible bonds | 19,452,895 | — | **—** |
| Increase as a result of stock exchange | 5,281,848 | — | **—** |
| Balance at end of year | 2,001,962,672 | 2,001,962,672 | **2,001,962,672** |

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.

## 13. Commitments and Contingent Liabilities

Commitments outstanding at March 31, 2004 for purchases of property, plant and equipment were approximately ¥940 million ($8,868 thousand).

Contingent liabilities for guarantee contracts amounted to ¥50,028 million ($471,962 thousand) at March 31, 2004. Of the total contingent liabilities, guarantees given for loans by FASL LLC (the company name was altered to Spansion LLC at June 28, 2004) group were ¥26,162 million ($246,811 thousand) and for employees' housing loans were ¥12,508 million ($118,000 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 controls 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, 2003 and 2004, all derivative financial instruments were stated at fair market value and recorded on the balance sheet.

## 15. Leases

### Lessors

On September 30, 2004, Fujitsu Leasing Co., Ltd. was shifted from a consolidated subsidiary to an equity method affiliate and no lease payments receivable was consolidated at March 31, 2004.

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

| | Yen (millions) | | U.S. Dollars (thousands) |
|---|---|---|---|
| At March 31 | 2003 | 2004 | *2004* |
| Minimum lease payments receivable | | | |
| Within one year | ¥ 61,951 | ¥ — | $ — |
| Over one year but within five years | 113,971 | — | — |
| Over five years | 1,421 | — | — |
| Total | ¥177,343 | ¥ — | $ — |
| The present value of minimum lease payments receivable | | | |
| Within one year | ¥ 52,438 | ¥ — | $ — |
| Over one year but within five years | 98,156 | — | — |
| Over five years | 1,224 | — | — |
| Total | ¥151,818 | ¥ — | $ — |

At March 31, 2003, unearned finance income totaled ¥25,525 million and an accumulated allowance for uncollectible minimum lease payments receivable was ¥1,012 million.

At March 31, 2003, future minimum lease payments received within one year under non-cancelable operating leases amounted ¥278 million.

### 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, which were recorded in the corresponding asset accounts, at March 31, 2003 and 2004.

| | Yen (millions) | | U.S. Dollars (thousands) |
|---|---|---|---|
| At March 31 | 2003 | 2004 | *2004* |
| Equivalent amounts of acquisition cost | ¥82,286 | **¥ 233,553** | ***$ 2,203,330*** |
| Accumulated depreciation | 27,085 | **140,019** | ***1,320,934*** |
| Book value of leased assets | 55,201 | **93,534** | ***882,396*** |
| Minimum lease payments required | | | |
| Within one year | 16,286 | **30,393** | ***286,727*** |
| Over one year but within five years | 39,027 | **67,336** | ***635,245*** |
| Over five years | 322 | **2,582** | ***24,358*** |
| Total | ¥ 55,635 | **¥ 100,311** | ***$ 946,330*** |

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 | 2003 | 2004 | *2004* |
| Within one year | ¥ 8,672 | **¥10,821** | ***$ 102,085*** |
| Over one year but within five years | 16,475 | **29,955** | ***282,594*** |
| Over five years | 7,912 | **20,443** | ***192,859*** |
| Total | ¥33,059 | **¥ 61,219** | ***$ 577,538*** |

## 16. Supplementary Information to the Consolidated Balance Sheets

Balances with affiliates at March 31, 2003 and 2004 were as follows:

| | | Yen (millions) | U.S. Dollars (thousands) |
|---|---|---|---|
| | 2003 | 2004 | 2004 |
| Receivables, trade | ¥50,616 | **¥43,457** | ***$409,972*** |
| Payables, trade | 47,102 | **67,277** | ***634,089*** |

## 17. Earnings Per Share

| | | | Yen (millions) | U.S. Dollars (thousands) |
|---|---|---|---|---|
| Years ended March 31 | 2002 | 2003 | 2004 | 2004 |
| Net income (loss) | ¥ (382,542) | ¥ (122,066) | **¥49,704** | ***$468,906*** |
| Bonuses to directors and statutory auditors from retained earnings (deficit) | | (582) | **(596)** | ***(5,623)*** |
| Net income (loss) for common stock shareholders | | (122,648) | **49,108** | ***463,283*** |
| Effect of dilutive securities | — | — | **(1)** | ***(9)*** |
| Diluted net income (loss) | ¥ (382,542) | ¥ (122,648) | **¥49,107** | ***$463,274*** |

| | | | thousands |
|---|---|---|---|
| Weighted average number of shares | 1,982,251 | 2,001,138 | **2,000,366** |
| Effect of dilutive securities | — | — | **208,159** |
| Diluted weighted average number of shares | 1,982,251 | 2,001,138 | **2,208,525** |

| | | | Yen | U.S. Dollars |
|---|---|---|---|---|
| Basic earnings (loss) per share | ¥ (193.0) | ¥ (61.3) | **¥ 24.5** | ***$ 0.231*** |
| Diluted earnings (loss) per share | (193.0) | (61.3) | **22.2** | ***0.209*** |

## 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, 2002, 2003 and 2004 were ¥349,855 million, ¥285,735 million and ¥250,910 million ($2,367,075 thousand), respectively.

"Other income (expenses)—other, net" for the years ended March 31, 2002, 2003 and 2004 consisted of the following:

| | | | Yen (millions) | U.S. Dollars (thousands) |
|---|---|---|---|---|
| Years ended March 31 | 2002 | 2003 | 2004 | 2004 |
| Gain on transfer of substitutional portion of employees' pension funds | ¥ — | ¥ — | **¥146,532** | ***$ 1,382,377*** |
| Gain on sales of marketable securities | — | 29,362 | **134,624** | ***1,270,038*** |
| Gain on sales of property, plant and equipment | — | — | **13,649** | ***128,764*** |
| Gain on business transfer | — | 14,536 | **—** | ***—*** |
| Restructuring charges | (417,053) | (151,486) | **(164,202)** | ***(1,549,075)*** |
| Amortization of unrecognized obligation for retirement benefits | (35,724) | (43,901) | **(56,943)** | ***(537,198)*** |
| HDD litigation-related expenses | — | — | **(10,220)** | ***(96,415)*** |
| Loss on disposal of property, plant and equipment | (12,620) | (10,185) | **(7,142)** | ***(67,377)*** |
| Casualty loss | — | — | **(4,700)** | ***(44,340)*** |
| Cost of corrective measures for products | — | (30,600) | **—** | ***—*** |
| Loss on devaluation of marketable securities | (20,535) | (21,802) | **—** | ***—*** |
| Foreign exchange gains (losses), net | 6,010 | (5,710) | **(6,972)** | ***(65,774)*** |
| Other, net | (10,415) | (7,399) | **(20,425)** | ***(192,689)*** |
| | ¥(490,337) | ¥(227,185) | **¥ 24,201** | ***$ 228,311*** |

Gain on sales of marketable securities for the year ended March 31, 2004 related mainly to the sales of shares in Fanuc Ltd.

Gain on sales of property, plant and equipment related to securitization of the land and buildings of Fujitsu Solution Square (located in Kamata, Tokyo), and the sales of other properties that had been used for employees' welfare.

Gain on business transfer for the year ended March 31, 2003 related to the transfer of a portion of the printer systems business to Fuji Xerox Co., Ltd.

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 the Electronic Devices and Platforms businesses, as well as to withdraw from the business of small-form-factor magnetic disk drives for desktop PCs.

Restructuring charges for the year ended March 31, 2004 related to the cost of ¥75,775 million ($714,858 thousand) for reduction in force, disposal of assets and one-time amortization of goodwill with regard to global restructuring focusing on North America, the expected loss of ¥68,316 million ($644,491 thousand) based on strict analysis of predicted future returns with regard to fundamental reform of the Software & Services business in Japan, and other costs of ¥20,111 million ($189,726 thousand) for reduction in force and disposal of assets with regard to restructuring of subsidiaries.

Amortization of unrecognized obligation for retirement benefits related mainly to amortization of actuarial loss in Japan and net obligation at transition for the consolidated subsidiaries in Japan.

HDD litigation-related expenses included expenses relating to the settlement of a class-action lawsuit in the United States regarding certain Fujitsu-manufactured magnetic hard disk drives, as well as other litigation-related expenses and expenses for corrective measures for customers.

Casualty loss related to repairing expenses incurred to cover damages to property as a result of the earthquake that occurred off the coast of Miyagi Prefecture, Japan, on May 26, 2003.

Cost of corrective measures for products for the year ended March 31, 2003 related to certain small-form-factor magnetic hard disk drives due to some procured parts that were found to be defective.

Please refer to Note 10 for Gain on transfer of substitutional portion of employees' pension funds.

## 19. Segment Information

### Business Segment Information

Yen (millions)

| Years ended March 31 | Software & Services | Platforms | Electronic Devices | Financing | Other Operations | Elimination & Corporate | Consolidated |
|---|---|---|---|---|---|---|---|
| 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 |
| 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 |

| Years ended March 31 | Software & Services | Platforms | Electronic Devices | Financing | Other Operations | Elimination & Corporate | Consolidated |
|---|---|---|---|---|---|---|---|
| | | | | | | | Yen (millions) |
| 2004 | | | | | | | |
| Sales | | | | | | | |
| Unaffiliated customers | **¥2,094,261** | **¥1,608,178** | **¥734,320** | **¥50,391** | **¥279,738** | **¥ —** | **¥4,766,888** |
| Intersegment | **52,112** | **224,705** | **70,365** | **4,027** | **138,554** | **(489,763)** | **—** |
| Total sales | **2,146,373** | **1,832,883** | **804,685** | **54,418** | **418,292** | **(489,763)** | **4,766,888** |
| Operating costs and expenses | **2,007,615** | **1,803,639** | **777,147** | **52,411** | **404,654** | **(428,920)** | **4,616,546** |
| Operating income (loss) | **138,758** | **29,244** | **27,538** | **2,007** | **13,638** | **(60,843)** | **150,342** |
| Total assets | **1,240,641** | **1,031,589** | **749,552** | **—** | **458,744** | **385,063** | **3,865,589** |
| Depreciation | **85,953** | **68,523** | **84,924** | **70** | **10,611** | **11,724** | **261,805** |
| Capital expenditure | **95,387** | **42,409** | **62,793** | **49** | **8,609** | **9,235** | **218,482** |
| | | | | | | | *U.S. Dollars (thousands)* |
| *2004 (in U.S. Dollars)* | | | | | | | |
| Sales | | | | | | | |
| Unaffiliated customers | ***$19,757,179*** | ***$15,171,491*** | ***$6,927,547*** | ***$475,387*** | ***$2,639,038*** | ***$ —*** | ***$44,970,642*** |
| Intersegment | ***491,623*** | ***2,119,858*** | ***663,821*** | ***37,991*** | ***1,307,113*** | ***(4,620,406)*** | ***—*** |
| Total sales | ***20,248,802*** | ***17,291,349*** | ***7,591,368*** | ***513,378*** | ***3,946,151*** | ***(4,620,406)*** | ***44,970,642*** |
| Operating costs and expenses | ***18,939,764*** | ***17,015,462*** | ***7,331,575*** | ***494,444*** | ***3,817,491*** | ***(4,046,415)*** | ***43,552,321*** |
| Operating income (loss) | ***1,309,038*** | ***275,887*** | ***259,793*** | ***18,934*** | ***128,660*** | ***(573,991)*** | ***1,418,321*** |
| Total assets | ***11,704,160*** | ***9,731,972*** | ***7,071,245*** | ***—*** | ***4,327,774*** | ***3,632,670*** | ***36,467,821*** |
| Depreciation | ***810,877*** | ***646,443*** | ***801,170*** | ***660*** | ***100,104*** | ***110,604*** | ***2,469,858*** |
| Capital expenditure | ***899,877*** | ***400,085*** | ***592,387*** | ***462*** | ***81,217*** | ***87,123*** | ***2,061,151*** |

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 into 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. Fujitsu Leasing Co., Ltd., an operating company under the “Financing” segment, was shifted from a consolidated subsidiary to an equity method affiliate at September 30, 2003.
4. 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, mainframes), 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, 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 equipment, audio electronic devices, batteries
5. Unallocated operating costs and expenses included in “Elimination & Corporate” for the years ended March 31, 2002, 2003 and 2004 were ¥68,091 million, ¥57,822 million and ¥61,032 million ($575,774 thousand), respectively. Most of these costs and expenses were incurred as basic research and development expenses and general and administrative expenses at the Company.
6. Corporate assets included in “Elimination & Corporate” at March 31, 2002, 2003 and 2004 amounted to ¥1,046,282 million, ¥1,048,824 million and ¥955,034 million ($9,009,755 thousand), respectively. The assets principally consisted of working capital (cash and cash equivalents), long-term investments and miscellaneous assets held by the general and administrative sections at the Company.

### Geographic Segment Information

| Years ended March 31 | Japan | Europe | The Americas | Others | Elimination & Corporate | Consolidated |
|---|---|---|---|---|---|---|
| | | | | | | Yen (millions) |
| 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 |
| 2004 | | | | | | |
| Sales | | | | | | |
| Unaffiliated customers | **¥3,605,665** | **¥ 544,593** | **¥ 254,488** | **¥ 362,142** | **¥ —** | **¥4,766,888** |
| Intersegment | **465,811** | **18,768** | **20,210** | **217,037** | **(721,826)** | **—** |
| Total | **4,071,476** | **563,361** | **274,698** | **579,179** | **(721,826)** | **4,766,888** |
| Operating costs and expenses | **3,867,743** | **556,675** | **287,859** | **565,675** | **(661,406)** | **4,616,546** |
| Operating income (loss) | **203,733** | **6,686** | **(13,161)** | **13,504** | **(60,420)** | **150,342** |
| Total assets | **2,411,533** | **347,871** | **226,122** | **206,993** | **673,070** | **3,865,589** |
| | | | | | | *U.S. Dollars (thousands)* |
| *2004 (in U.S. Dollars)* | | | | | | |
| Sales | | | | | | |
| Unaffiliated customers | ***$34,015,708*** | ***$5,137,670*** | ***$2,400,830*** | ***$3,416,434*** | ***$ —*** | ***$44,970,642*** |
| Intersegment | ***4,394,443*** | ***177,056*** | ***190,661*** | ***2,047,519*** | ***(6,809,679)*** | ***—*** |
| Total | ***38,410,151*** | ***5,314,726*** | ***2,591,491*** | ***5,463,953*** | ***(6,809,679)*** | ***44,970,642*** |
| Operating costs and expenses | ***36,488,142*** | ***5,251,650*** | ***2,715,651*** | ***5,336,557*** | ***(6,239,679)*** | ***43,552,321*** |
| Operating income (loss) | ***1,922,009*** | ***63,076*** | ***(124,160)*** | ***127,396*** | ***(570,000)*** | ***1,418,321*** |
| Total assets | ***22,750,311*** | ***3,281,802*** | ***2,133,227*** | ***1,952,764*** | ***6,349,717*** | ***36,467,821*** |

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 included in “Elimination & Corporate” for the years ended March 31, 2002, 2003 and 2004 were ¥68,091 million, ¥57,822 million and ¥61,032 million ($575,774 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, 2002, 2003 and 2004 amounted to ¥1,046,282 million, ¥1,048,824 million and ¥955,034 million ($9,009,755 thousand), respectively. The assets principally consisted of working capital (cash and cash equivalents), long-term investments and miscellaneous assets held by the general and administrative sections at the Company.

## 20. 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 million
  - 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 amount: ¥78,473 million

For the year ended March 31, 2004, there was no relevant transaction.

## 21. Subsequent Events

At the Board of Directors' meeting held on May 17, 2004, the Company and its subsidiary, Fujitsu Support and Service Inc. ("Fsas") resolved to sign a share exchange agreement, under the purpose of turning Fsas into a wholly owned subsidiary of the Company, in order to reorganize and strengthen the function of systems support and operational services in Japan within the Group.

The exchange of shares is expected to take place on October 1, 2004. The share exchange ratio will be one share of Fsas for 2.72 shares of the Company's common stock. The number of new shares to be issued by the Company is 68,054,400 shares of its common stock. The Company's shareholding of 32 million shares of Fsas common stock will not be exchanged.