Management's Discussion and Analysis of Operations

The following section, Management's Discussion and Analysis of Operations, provides an overview of the consolidated financial statements of Fujitsu Limited (the "Company") and its consolidated subsidiaries (together, the "Group") for the year ended March 31, 2006 (fiscal 2005). Forward-looking statements in this section are based on management's understanding and best judgment as of March 31, 2006.

1. Analysis of Results

Business Environment

Compared to previous years, the business environment in which the Fujitsu Group operates was relatively stable during fiscal 2005. While soaring crude oil prices and higher prices for raw materials, as well as rising interest rates in the US, were cause for concern, the global economy was boosted by growth in the US and Asia, especially China. Japan's economy also shifted to a firmer footing, helped by rising equity markets, a recovery in corporate earnings resulting from solid export growth, and an upturn in household spending.

With respect to IT investment, there was continued robustness in overseas markets, and even within Japan, which had been seen as lagging other markets, there was evidence of more aggressive spending on the part of corporations seeking to ensure their future competitiveness, particularly companies in the telecommunications and financial services industries.

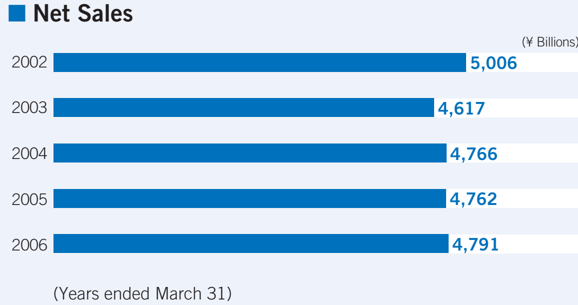
Corporations are now broadening their objectives for employing IT systems. While in the past the focus was on boosting management and operational efficiency, IT systems are increasingly being used to support innovation on the front lines of sales and marketing, product development, manufacturing, procurement and distribution. In line with the broader role IT systems are playing in corporate management, there is now greater emphasis being placed on addressing the rising need for security and business continuity, as well as on strengthening internal control in light of corporate regulatory reforms. In daily life as well, the expansion of IT networks into the fabric of society is enhancing services in such areas as medical and nursing care, education, and entertainment.

Recognizing the central role Fujitsu plays in supporting the infrastructures that underpin our customers' businesses, as well as society as a whole, we are very conscious of the important responsibility we bear in maintaining the reliability of IT and in proposing new related applications. Going forward, along with placing even further emphasis on ensuring stable systems operation, we will seek to take the lead in demonstrating new uses of IT in our own operations. In addition, all of our employees are committed to conducting themselves in a manner deserving of customers' trust and that meets their high expectations. Seeking to serve as a valued and indispensable partner in the operation and management of our customers' businesses, we will strive to continuously provide the most advanced and efficient solutions based on superior technology and sophisticated services.

Net Sales

Consolidated net sales for fiscal 2005 were ¥4,791.4 billion (US$40,605 million), an increase of 0.6% over the previous fiscal year. Excluding the impact of a change in accounting policies from this fiscal year and the transfer of our flat panel display businesses last fiscal year, net sales increased by 2.4%. In Japan, sales of server-related products and PCs declined, but optical transmission systems in North America, outsourcing services in the UK, consulting services in North America, and HDDs for overseas markets all posted significantly higher sales.

■ Net Sales

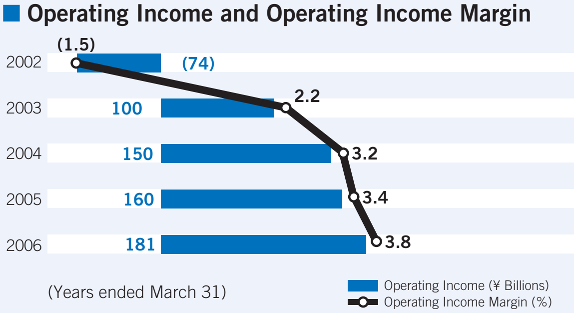


Cost of Sales, Selling, General & Administrative Expenses, and Operating Income

In fiscal 2005, the cost of sales was ¥3,523.4 billion (US$29,860 million), while selling, general and administrative (SG&A) expenses were ¥1,086.5 billion (US$9,208 million). The cost of sales ratio and the ratio of SG&A expenses to net sales improved by 0.3 and 0.1 of a percentage point, respectively, to 73.5% and 22.7%.

Consolidated operating income was ¥181.4 billion (US$1,538 million), an increase of ¥21.2 billion over the previous fiscal year. Excluding a positive impact of ¥4.8 billion stemming from the change in accounting policies this fiscal year, operating income increased by ¥16.4 billion. Income was affected by factors such as intensified competition in server-related markets in Japan and overseas, as well as forward-looking investments including accelerated development expenses for certain products and expenses related to start-up of the 300mm wafer semiconductor production facility (Fab No. 1) at our Mie Plant. However, this was offset by higher sales of optical transmission systems, outsourcing services, and HDDs, as well as by cost reductions stemming from enhanced initiatives in manufacturing innovation, significantly lower losses from loss-generating projects in our domestic systems integration business, and the effect of restructuring our flat panel display business, together enabling us to post higher profits.

Operating Income and Operating Income Margin



Other Income (Expenses) and Net Income

Other expenses, net totaled ¥63.4 billion (US$537 million). Net interest, comprising interest and dividend income and interest charges, was negative ¥8.5 billion (US$73 million), an improvement of ¥1.0 billion compared to a year earlier and reflecting a decrease in interest-bearing loans and other factors. Equity in earnings of affiliates, net was a loss of ¥1.4 billion (US$13 million). Separately, we booked a loss on change in interest of ¥8.4 billion (US$71 million) related to the initial public offering of Spansion Inc. Amortization of unrecognized obligation for retirement benefits was ¥28.2 billion (US$239 million), an improvement of ¥11.0 billion, due to revisions in the Company's pension system in Japan. With effect from the fiscal year under review, we began booking a provision for prior product warranties as an expense under other income (expenses). This is related to the provision to cover warranty-related costs for products sold in prior fiscal years and totaled ¥7.4 billion (US$63 million) in the year under review. In addition, we booked a settlement gain of ¥15.9 billion (US$135 million) related to the reconciliation of litigation brought against component vendors and other parties in fiscal 2001 with respect to our HDD business. In addition, there was a gain on business transfer of ¥3.4 billion (US$29 million) related to the transfer of LCD panel operations.

We recognized ¥37.0 billion (US$314 million) as income taxes, which combines current and deferred income taxes, against ¥118.0 billion (US$1,001 million) of income before income taxes and minority interests. This represented a significant decrease in taxes over fiscal 2004, when the tax burden was higher due to the booking of a large valuation allowance on deferred tax assets. Net income for fiscal 2005 was ¥68.5 billion (US$581 million), an increase of ¥36.6 billion compared to a year earlier.

2. Segment Information

Business Segment Information

The following section provides information on net sales (including intersegment sales) and operating income in each of our principal business segments. Business segment classifications were changed with effect from the year under review, and year-on-year comparisons are based on figures adjusted to reflect this change.

Technology Solutions

Consolidated net sales in this segment were ¥2,983.9 billion (US$25,288 million), up 1.7% over fiscal 2004. Although sales of servers and related products declined in Japan due to sluggish IT investment and the absence of special demand generated by the redesign of Japanese bank notes in the previous fiscal year, overall sales for the segment increased, thanks to the continued strength of our UNIX server business outside Japan, our North American optical transmission systems business, and our outsourcing services business in the UK, as well as the expansion of our consulting services business in North America.

Operating income for the segment was ¥164.2 billion (US$1,392 million), an increase of ¥22.1 billion over the previous year. Despite intensified competition in the server and related markets both inside and outside Japan, and the effect of accelerating development expenses for next-generation models of mobile phone base stations, optical transmission systems and server-related products, the segment posted a marked increase in operating income due to a large reduction in losses from loss-generating projects and continued strong performance by our outsourcing services business in the UK.

In November 2005, we signed a global technology alliance agreement with Electronic Data Systems Corporation that includes the supply of our PRIMEQUEST mission-critical IA servers. This agreement, along with joint development alliances with other companies, is designed to strengthen our sales capabilities and methods. In addition, to further expand business related to our TRIOLE IT infrastructure optimization model on a global basis, we opened new system verification centers in Singapore, Korea and Shanghai, China, where we provide customers with comprehensive verification and evaluation support for platform products in open-standard system environments. The new centers complement existing facilities in Japan, the UK, Germany, and California in the US.

Also, in March 2006 we signed an agreement with BT Group plc under which we have been designated as a preferred supplier to BT's 21st Century Network program. Going forward, we will provide BT with infrastructure products for next-generation networks utilizing the most advanced technology.

In our systems integration business in Japan, we were able to reduce the occurrence of loss-generating projects to an acceptable level as a result of measures including the establishment of an organizational unit dedicated to bolstering project auditing and assurance, the integration of sales and system engineering groups into teams organized along customer lines, and the institution of a real-time project progress management system. Moreover, we are endeavoring to further improve productivity by configuring products in accordance with the TRIOLE concept and utilizing development tools such as our System Development Architecture and Support (SDAS) framework.

In addition, we are working to accelerate the expansion of our business outside Japan, for example, through development of such new businesses as palm vein authentication security systems and automated self-checkout machines for retailers, and through the acquisition of Rapidigm, Inc., an IT consulting and integration firm with about 2,000 consultants in North America and India.

Ubiquitous Product Solutions

Net sales in the Ubiquitous Product Solutions segment were ¥1,059.9 billion (US$8,982 million) an increase of 2.8% over fiscal 2004. Although sales of PCs increased overseas, they declined overall due to intensified competition in Japan. Continued strong growth in HDD sales, however, enabled the segment as a whole to achieve an increase in sales.

Operating income for Ubiquitous Product Solutions was ¥34.4 billion (US$292 million), an increase of ¥3.1 billion compared to the previous fiscal year. Although the decline in the value of the yen against other currencies led to an increase in component costs, this impact was offset by cost efficiencies and quality improvements generated by manufacturing innovation initiatives, as well as higher HDD sales, resulting in an overall increase in operating income.

To strengthen our HDD business, in addition to expanding the range of models and production capacity for our 2.5" HDDs, we will also enter the 1.8" HDD market for mobile devices, where demand is expected to grow. Looking ahead, we will continue our commitment to product quality, focus our resources on promising growth markets, and seek to further strengthen growth opportunities worldwide by entering into strategic alliances with other companies.

Device Solutions

Net sales of Device Solutions were ¥707.5 billion (US$5,996 million), a decrease of 11.0% compared to fiscal 2004. Excluding the impact of the transfer of our flat panel display businesses, sales on a continuing operations basis increased by 0.5%. In the LSI Devices sub-segment, memory sales decreased as a result of a decline in market prices, but the market for logic chips recovered in the latter half of the fiscal year, especially for devices used in mobile phone and digital consumer electronics applications. The start of volume production at our new 300mm wafer semiconductor fabrication facility also contributed to sales. The combination of these factors contributed to a slight overall increase in logic device sales, mostly from overseas sales, compared to the prior fiscal year.

Operating income for Device Solutions was ¥33.3 billion (US$282 million), an increase of ¥0.7 billion compared to the previous fiscal year. Although operating income in the LSI Devices sub-segment declined as a result of the weakness of the market during the first half of the fiscal year, as well as the impact of expenses relating to start-up of the 300mm wafer production facility at our Mie Plant that began operation in April 2005, the Electronic Components, Others sub-segment continued to post strong results, and losses associated with the flat panel display businesses were eliminated. As a result of these factors, overall operating income improved slightly over fiscal 2004.

The new 300mm wafer semiconductor fabrication facility at our Mie Plant (Fab No. 1) commenced volume shipments as scheduled from September 2005. Moreover, in order to meet the growing demand for leading-edge technology products, we decided in January 2006 to build an additional 300mm wafer facility (Fab No. 2) at the Mie Plant. Going forward, we will concentrate our resources in logic LSI devices and work to further strengthen this business while striking a balance between advanced technology products to drive future growth and standard products that support our existing business. In December 2005, Spansion, Inc., our joint venture with Advanced Micro Devices, Inc. in the flash memory business, issued new shares in tandem with its initial public offering. As a result, our ownership share changed from 40.0% to 25.2%.

Net Sales and Operating Income by Business Segment
(including intersegment)

(¥ Billions)

Years ended March 31	2005	2006	Increase (Decrease) Rate (%)
Net sales			
Technology Solutions	¥2,934	**¥2,983**	1.7
Ubiquitous Product Solutions	1,031	**1,059**	2.8
Device Solutions	794	**707**	(11.0)
Other Operations	377	**447**	18.6
Intersegment elimination	(375)	**(407)**	
Consolidated net sales	¥4,762	**¥4,791**	0.6

Years ended March 31	2005	2006	Increase (Decrease)
Operating income (loss)			
Technology Solutions	¥142	**¥164**	¥22
Ubiquitous Product Solutions	31	**34**	3
Device Solutions	32	**33**	0
Other Operations	9	**7**	(1)
Unallocated operating costs and expenses/ intersegment elimination	(54)	**(58)**	(3)
Consolidated operating income	¥160	**¥181**	¥21

Geographic Segment Information

Net sales (including intersegment sales) and operating income were generally level with the previous fiscal year in Japan. However, sales and income increased in Europe, the Americas and Others (Asia, Australia and other regions).

Japan

Net sales were ¥3,944.4 billion (US$33,427 million), down 2.0% over fiscal 2004, but roughly level if the impact of the transfer of flat panel display operations is excluded.

Operating income was ¥185.8 billion (US$1,575 million), a decline of ¥1.9 billion compared to a year earlier, but level after excluding the impact of change in accounting policies. On the one hand, this largely unchanged result reflected the absence of loss-making flat panel display businesses following their transfer and a significant drop in losses from loss-generating projects in the domestic systems integration business. However, sluggish sales of server-related products in Japan, costs related to accelerated development of next-generation mobile phone base stations, optical transmission systems and server-related products, and expenses associated with start up the new 300mm wafer semiconductor fabrication facility at our Mie Plant (Fab No. 1), all weighed on earnings.

Europe

Net sales were ¥632.5 billion (US$5,361 million), up 6.0% year on year. Despite the impact of the transfer of flat panel display businesses, sales grew primarily due to a strong performance by our outsourcing business in the UK.

Operating income was ¥22.9 billion (US$194 million), an increase of ¥11.2 billion compared to fiscal 2004. This reflected the benefits of higher sales from Fujitsu Services, as well as the impact of change in accounting policies.

The Americas

Net sales were ¥363.4 billion (US$3,080 million), up 21.6% year on year. Operating income increased by ¥9.2 billion to ¥13.5 billion (US$115 million). This growth in sales and income was mainly attributable to strong sales of optical transmission systems, as well as expansion in the UNIX server and consulting businesses in North America.

Others

Net sales were ¥718.8 billion (US$6,092 million), an increase of 19.2% compared to a year earlier. Operating income rose ¥2.7 billion to ¥14.9 billion (US$126 million). Stronger sales of HDDs were the primary reason for the overall increase in sales and income.

Net Sales and Operating Income by Geographic Segment

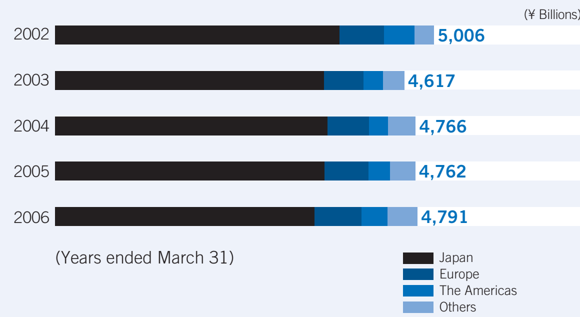
(including intersegment)

(¥ Billions)

Years ended March 31	2005	2006	Increase (Decrease) Rate (%)
Net sales			
Japan	¥4,024	¥3,944	(2.0)
Europe	596	632	6.0
The Americas	298	363	21.6
Others	602	718	19.2
Intersegment elimination	(760)	(867)	
Consolidated net sales	¥4,762	¥4,791	0.6

Years ended March 31	2005	2006	Increase (Decrease)
Operating income (loss)			
Japan	¥187	¥185	¥ (1)
Europe	11	22	11
The Americas	4	13	9
Others	12	14	2
Unallocated operating costs and expenses/ intersegment elimination	(55)	(55)	0
Consolidated operating income	¥160	¥181	¥21

For reference: Net Sales by Customers' Geographic Location



3. Capital Resources and Liquidity

Improvement in Financial Condition

Since fiscal 2003, in response to a significant deterioration in the Group's financial condition as a result of the collapse of the IT bubble, we have made progress in improving the soundness of our financial position. Specifically, in the year under review, operating cash flow improved due to a recovery in earnings from business operations and greater efficiency in utilizing working capital, and we used this to reduce interest-bearing loans. As of March 31, 2006, the balance of interest-bearing loans was ¥928.6 billion (US$7,870 million), below our target of ¥1,000 billion. Likewise, the D/E ratio was reduced to 1.01, close to our medium-term goal of 1.0. In addition, during fiscal 2005, the Fujitsu Welfare Pension Fund (the "Plan"), in which the Company and its consolidated subsidiaries in Japan participate, received approval from the government for revisions to the pension system and for the return of the past substitutional portion of the Plan. As a result of significant improvement in the financial markets during the second half of the fiscal year, the unrecognized obligation for retirement benefits at March 31, 2006 was dissolved.

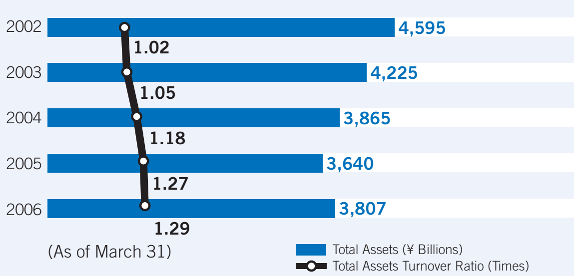
Assets, Liabilities and Shareholders' Equity

Total assets at the end of fiscal 2005 were ¥3,807.1 billion (US$32,264 million), an increase of ¥166.9 billion from the end of the previous fiscal year. Total current assets were ¥1,932.7 billion (US$16,379 million), a decrease of ¥48.7 billion from the end of the last fiscal year as a result of greater efficiency in utilizing working capital. Total fixed assets increased to ¥1,874.3 billion (US$15,885 million), up ¥215.7 billion compared to the end of the last fiscal year. This was primarily due to an increase in property, plant and equipment less accumulated depreciation from capital expenditures and an increase in the market value of marketable securities.

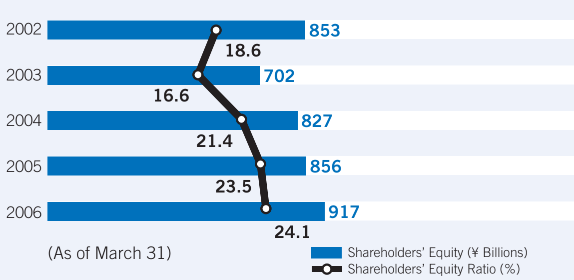
Total liabilities were ¥2,717.0 billion (US$23,026 million), an increase of ¥98.0 billion compared to the end of the previous fiscal year. There was a large one-time increase in accrued severance benefit associated with the change in pension accounting for our UK subsidiaries, whereby unrecognized pension obligations were recorded as liabilities. The balance of interest-bearing loans totaled ¥928.6 billion (US$7,870 million) at fiscal year-end, achieving the target of ¥1,000 billion or less as a result of loan repayments.

Total shareholders' equity was ¥917.0 billion (US$7,772 million), an increase of ¥60.0 billion over the end of fiscal 2004. The increase was primarily attributable to increased profits and unrealized gains on marketable securities as a result of the rise in the stock market. As a result of the foregoing, the D/E ratio nearly reached our medium-range target level of 1.0 and the shareholders' equity ratio rose to 24.1%, reflecting the continuing improvement in the Company's overall financial condition.

■ Total Assets/Total Assets Turnover Ratio



■ Shareholders' Equity/Shareholders' Equity Ratio



Summary of Cash Flows

Net cash provided by operating activities during fiscal 2005 was ¥405.5 billion (US$3,437 million), exceeding ¥400.0 billion for the first time in five years. This represented an increase of ¥128.3 billion compared with the previous fiscal year, resulting from an increase in internal reserve due to the recovery in principal business operations, and greater efficiency in the use of assets through an improvement in working capital.

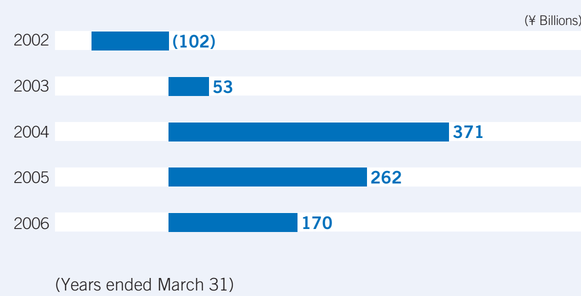
Net cash used in investing activities was ¥234.6 billion (US$1,989 million), an increase in outflows of ¥219.5 billion compared with the previous fiscal year. Excluding the impact of the sale of marketable securities in fiscal 2004, outflows increased by ¥51.2 billion. The increase was primarily attributable to higher capital expenditures, including for the 300mm wafer semiconductor production facility (Fab No. 1) at the Mie Plant.

Free cash flow, the sum of operating and investment cash flows, was positive ¥170.8 billion (US$1,448 million). Excluding the impact of the sale of marketable securities in fiscal 2004, this represented an increase in free cash flow of ¥77.1 billion over fiscal 2004.

Net cash used in financing activities was ¥207.8 billion (US$1,761 million), as free cash flow was used to repay borrowings.

As a result of the above factors, cash and cash equivalents at the end of the fiscal year totaled ¥420.8 billion (US$3,567 million).

■ Free Cash Flow



4. Capital Expenditure

In fiscal 2005, capital expenditure, which was targeted at the most promising growth sectors such as outsourcing services and LSI-related operations, and was used to prepare for future business development, totaled ¥249.9 billion (US$2,119 million). By business segment, capital expenditure was ¥93.1 billion (US$790 million) in Technology Solutions, ¥19.4 billion (US$165 million) in Ubiquitous Product Solutions, ¥115.5 billion (US$979 million) in Device Solutions, and ¥21.8 billion (US$185 million) for general corporate and other areas.

Capital Expenditure (¥ Billions)

Years ended March 31	2005	**2006**	Increase (Decrease) Rate (%)
Technology Solutions	¥ 65	**¥ 93**	41.4
Ubiquitous Product Solutions	17	**19**	12.7
Device Solutions	76	**115**	51.7
Corporate and others*	22	**21**	(1.3)
Total	¥181	**¥249**	37.8
Japan	142	**190**	34.0
Overseas	39	**59**	51.9

* Non-allocable capital expenditure for shared R&D and parent company management divisions

5. Consolidated Subsidiaries

At the end of fiscal 2005, the Company had 392 consolidated subsidiaries, 121 in Japan and 271 overseas, representing a decrease of 11 from last year's total of 403. Although there was significant M&A activity by our services subsidiary in North America, restructuring of our domestic development firms and liquidation of overseas subsidiaries resulted in the overall decrease. The number of affiliated companies accounted for by the equity method as of the fiscal year-end totaled 28, six fewer than a year earlier.

6. Critical Accounting Policies and Estimates

Accounting Principles and Practices

The accompanying consolidated financial statements of the Group have been prepared in accordance with accounting principles and practices generally accepted in Japan and the regulations under the Securities and Exchange Law of Japan. The accounting principles and practices adopted by consolidated subsidiaries outside Japan conform to those of their respective countries.

The preparation of the consolidated financial statements requires management to make estimates and assumptions that affect the amount of the assets, liabilities, contingent assets and contingent liabilities reported at the end of the fiscal year, as well as the amount of revenue and expenses recognized during that term. Actual results may differ from these estimates.

The Group is discussing the requirements for the adoption of International Financial Reporting Standards (IFRS). When these standards are adopted, it is possible that differences may arise from financial statements prepared under Japanese standards.

Revenue Recognition

Revenue from sales of IT systems and products, excluding 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. Revenue from software development contracts is recognized on a percentage of completion basis.

We stringently assess the potential revenue recoverable on projects for which estimated costs have exceeded estimated revenue, and recognize as losses the amounts assessed as non-recoverable. If the estimated costs relating to such contracts increase further in the future, additional losses may be recognized.

Property, Plant and Equipment

Property, plant and equipment are carried at cost. Depreciation is computed principally by the declining-balance method at rates based on the estimated useful lives of the respective assets, which vary according to their general classification, type of construction and function. In the future, some equipment and facilities may become obsolete as a result of technical innovation or other factors, and some equipment and facilities may no longer be required as the result of withdrawal from certain businesses, in which case their actual useful lives may be recognized as shorter than their originally estimated useful lives. Losses may occur as a result.

We adopted asset impairment accounting from fiscal 2005. Impairment losses may be recognized in cases in which there is a decline in the anticipated amount of future cash flows as a result of deterioration in the projected results of a business unit.

Intangible Assets

Computer software for sale is amortized based on projected unit sales volume during the period for which the projections are made. The projected unit sales volume is estimated based on a feasible sales plan, but one-time losses may occur if anticipated unit sales fall short of the original sales plan. Computer software for internal use is amortized by the straight-line method over its estimated useful life. Losses may occur if the actual useful life falls short of the initially estimated useful life.

Goodwill

Goodwill arising from the acquisition of a business, including those purchased by consolidated subsidiaries, is amortized by the straight-line method over the period corresponding to the premium of the acquired business. Losses may be recognized when the business is withdrawn or sold by the Group, or when the profitability of the acquired business decreases during the period the Group expected the return.

Marketable Securities

Held-to-maturity investments, which are the debt securities which the Group has the positive intent and ability to hold to maturity, are stated at amortized cost, adjusted for the amortization of premium or discount to maturity. Available-for-sale securities, which are "equity securities" or "debt securities not classified as held-to-maturity," are carried at fair market value as of the balance sheet date of the fiscal year if a market price is available. If no market price is available, they are carried at cost based on the moving average method. Fluctuations in the market value of available-for-sale securities for which market prices are available cause fluctuations in the carrying value of marketable securities, resulting in increases or decreases in shareholders' equity. Impairment losses are recognized on available-for-sale securities when the market value or the net worth falls significantly and is proved to be unrecoverable. If a significant decline in market value occurs and is proved to be unrecoverable in the future, additional impairment losses may need to be recognized.

Deferred Tax Assets

We record an appropriate balance of deferred tax assets against losses carried forward and temporary differences. Future increases or decreases in the balance of deferred tax assets may occur if projected taxable income decreases or increases as a result of trends in future business results. In addition, changes in the effective tax rate due to future revisions to taxation systems could result in increases or decreases of deferred tax assets.

Provision for Product Warranties

Some of the Company's products are covered by contracts that require us to repair or exchange them free of charge during a set period of time. Based on past experience, we record a provision for estimated repair and exchange expenses at the time of sale. The Group is taking steps to strengthen quality management during the product development, manufacturing and procurement stages. However, should product defects or other problems occur at a level in excess of that covered by the estimated expenses, additional expenses may be incurred.

Retirement Benefits

Retirement benefit costs and obligations are determined based on certain actuarial assumptions. These assumptions include the discount rate, rates of retirement, mortality rates, and the expected rate of return on the plan assets. When actual results differ from the assumptions or when the assumptions are changed, retirement benefit costs and obligations can be affected. In the event an actuarial loss arises, the actuarial loss is amortized using a straight-line method over employees' average remaining service period. Furthermore, revisions to accounting standards in countries where overseas subsidiaries are located and in Japan could potentially impact the Company's retirement benefit costs and obligations, as well as shareholders' equity.

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. Contracts with these companies require the buyback of the computers if lease contracts are terminated. An estimated amount for the loss arising from such buybacks is provided at the time of sale and is recorded as a provision. Any future changes in the usage trends of end-users may result in additions or reductions to the provision.