(i) Property, plant and equipment and depreciation

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

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

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

(j) 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.

(k) Pension and severance plans

The Company and most consolidated subsidiaries in Japan:

Pension costs of major defined benefit plans are based on annual contributions calculated by a projected benefit valuation method. Accrued severance benefits are stated at the present value of the vested benefit obligation which would be required to be paid if all employees voluntarily terminated their services at the balance sheet dates.

Most consolidated subsidiaries outside Japan:

Pension costs of major defined benefit plans are calculated by a projected unit credit method.

(l) Provision for loss on repurchase of computers

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

(m) Income taxes

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

(n) Earnings per share

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

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

(o) Derivative financial instruments

Gains and losses on derivative financial instruments used to reduce exposure on receivables and liabilities denominated in foreign currencies are recognized over the lives of the contracts. Gains and losses arising from the related receivables and liabilities are offset.

The differentials to be paid or received relating to swap contracts are recognized over the lives of the contracts.

(p) Change in significant accounting policy

Prior to the year ended March 31, 1999, the Company and its consolidated subsidiaries in Japan treated finance leases in the same way as operating leases, which is generally accepted in Japan. As Fujitsu Leasing Co., Ltd. became a consolidated subsidiary effective the year ended March 31, 2000, the Group has adopted a method under which the Group, as a lessee, records the leased assets and the corresponding lease obligations, and, as a lessor, records the lease receivables under finance leases.

The effect on consolidated net income and total assets caused by this change was immaterial.