

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)