

# Financial Report for the Fiscal Year Ended March 31, 2004 (Consolidated)

## Nihon Unisys, Ltd.

--Listing: Tokyo Stock Exchange First Section Code number: 8056 (URL <http://www.unisys.co.jp>)

--Head Office: 1-1, Toyosu 1-chome, Koto-ku, Tokyo 135-8560

--Date of the Meeting of the Board of Directors to Settle Consolidated Accounts: May 7, 2004

--Adoption of the U.S. GAAP: None

### 1. Business Results for the Fiscal Year Ended March 31, 2004 (From April 1, 2003 to March 31, 2004)

#### (1) Results of Operations

	Net Sales	% change	Operating Income	% change	Recurring Profit	% change
	millions of yen	%	millions of yen	%	millions of yen	%
2004	309,417	0.2	3,165	(64.2)	4,393	(51.3)
2003	308,838	0.3	8,835	88.5	9,014	58.4

	Net Income	% change	Earnings per Share	Diluted Earnings per Share	Return on Equity	Ratio of Recurring Profit/ Total Assets	Ratio of Recurring Profit/ Net Sales
	millions of yen	%	yen	yen	%	%	%
2004	3,922	(53.0)	35.57	-	4.2	2.0	1.4
2003	8,346	-	75.46	-	9.4	3.7	2.9

- Notes) 1. Equity in net income (loss) of subsidiaries and affiliates  
 2004: - million yen  
 2003: - million yen
2. Average number of shares outstanding (consolidated)  
 2004: 108,372,240 shares  
 2003: 109,661,829 shares
3. Change in accounting policies: Not applicable
4. Percentages above mean increase/decrease over preceding fiscal year.

#### (2) Financial Standing

	Total Assets	Shareholders' Equity	Shareholders' Equity Ratio	Shareholders' Equity per Share
	millions of yen	millions of yen	%	yen
2004	226,690	94,471	41.7	880.97
2003	223,292	92,063	41.2	838.88

- Note) Number of shares outstanding at the end of fiscal year (consolidated)  
 2004: 107,159,417 shares  
 2003: 109,659,996 shares

#### (3) Cash Flows

	Cash Flows from Operating Activities	Cash Flows from Investing Activities	Cash Flows from Financing Activities	Cash and Cash Equivalents, End of Year
	millions of yen	millions of yen	millions of yen	millions of yen
2004	16,436	1,292	(18,734)	26,909
2003	20,291	(24,887)	(7,491)	27,831

#### (4) Matters concerning the scope of consolidation and application of the equity method

Number of consolidated subsidiaries: 17

Number of non-consolidated subsidiaries accounted for under the equity method: 0

Number of affiliates accounted for under the equity method: 0

#### (5) Changes in the scope of consolidation and application of the equity method

Consolidation: Increase 1      Decrease 0      Equity method: Increase 0      Decrease 0

### 2. Earnings Forecast for the Fiscal Year Ending March 31, 2005 (from April 1, 2004 to March 31, 2005)

	Net Sales	Recurring Profit	Net Income
	millions of yen	millions of yen	millions of yen
Interim	136,000	400	100
Full-Year	316,000	8,500	4,500

Reference) Expected earnings per share (full-year basis): 41.37 yen

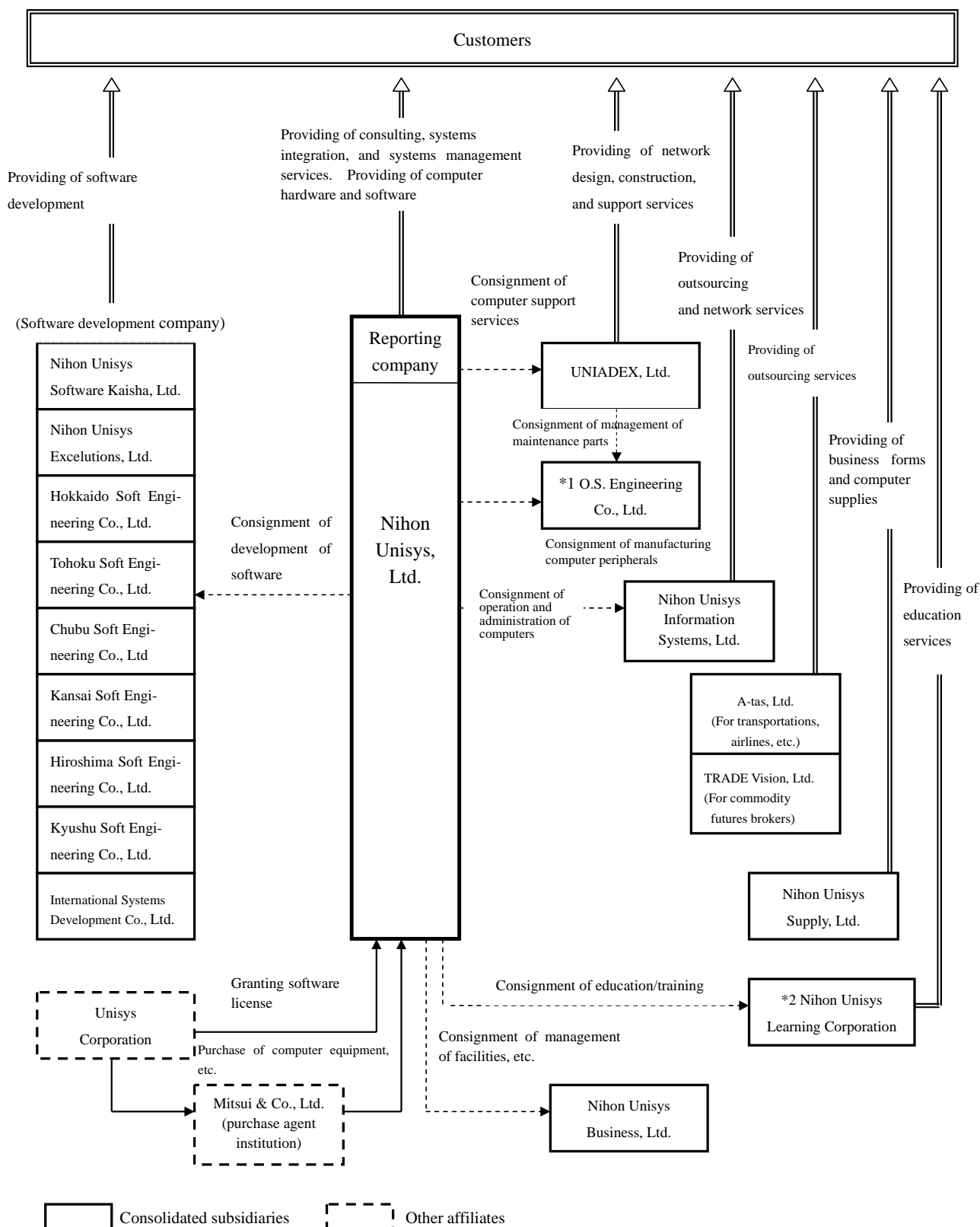
Notes) 1. All amounts less than one million yen have been disregarded.

2. All the numbers regarding forecast are best estimate using information available as of today and decision based on them. You are advised that the final results might be different from the ones in this package due to changes of economy, market, or unknown factors today, etc. For the prerequisite for the forecast, please see page 6.

**\*This financial report is solely a translation of Japanese "Kessan Tanshin," including attachments, for the convenience of readers who prefer English translation.**

# 1. State of the Corporate Group

The following is a chart in which the state of the corporate group is shown by business activity:



\*1. O.S. Engineering Co. Ltd. was merged into UNIADDEX, Ltd., a surviving company, on April 1, 2004.

\*2. Nihon Unisys Learning Corporation was newly consolidated from the fiscal year ended March 31, 2004 because of its increased significance.

## **2. Management Policy**

### (1) Management policy, strategy and target

Under the new management policy, “Re-Enterprising,” Nihon Unisys Group has been striving to be “a leading IT service company” as a customer-value-creating company that helps customers execute business strategies efficiently, effectively and quickly.

The fiscal year ended March 2004 was the final year of “Re-Enterprising” that was launched in November 2001. We focused and polished the following three capabilities under the “Re-Enterprising2003.”

- (a) Capability to make proposals to help customers resolve management issues
- (b) Capability of system development
- (c) Capability of system operation & support

As for the first one (a), we formed a division called “Business Development Center,” which undertakes the business areas of management/IT consulting, planning, marketing and global business development. We have collected both internal and external resources so as to improve our skills of making proposals on how to make best use of IT in business operation while resolving issues that customers have. Also, we realigned business units by customers’ segment to enhance our communication capability with customers as well as our domain knowledge. Each team of business unit and Business Development Center are working together to maximize values creation for customers.

We installed an “Advisory Committee (ACTion)” inviting highest level intellectuals at home and abroad and started advocating winning scenarios for future “Value Creators.”

Regarding the second one (b), we transferred and consolidated system service functions at Nihon Unisys Software Kaisha and other system service companies of Nihon Unisys Group in order to improve system development capability and productivity.

In order to enhance support functions of hardware and software in the third capability (c), we transferred and consolidated relevant functions at UNIADDEX so as to reinforce ROI (Return on Investment)-improving supportability in operation and maintenance phases.

By realigning our group formation and maximizing team synergy among them, we have been pursuing and materializing the way of providing consistent high-quality-customer-value-creating services from upstream consulting, operation support to outsourcing services.

In the fiscal year ending March 2005, we intend to push forward “Re-Enterprising” much further. Under the name of “Re-Enterprising2004,” we will grow services business through customer-value-creating business processes while aiming to be a group of companies that help customers execute their business strategies most effectively, efficiently and quickly. As a result, we aim to generate ¥8,700 million of operating income in the fiscal year ending March 2005.

(2) Profit sharing policy

Our basic policy regarding profit sharing is to return profit without intermittence by reducing cost and reinforcing financial structure while developing/marketing competitive products and services while making strategic investments, grasping needs of the market.

(3) Concept and actions regarding corporate governance

With regard to corporate governance, as part of refurbishment of management structure, we have been promoting separation of management and business execution introducing corporate officer system in July 2001. Also, we increased an outside corporate auditor in the fiscal year ended March 2003. We are facilitating compliance formation as Nihon Unisys Group so as to enhance corporate governance.

In addition, early in the fiscal year ended March 2004, to reinforce overall power of Nihon Unisys Group, we installed Group Strategy Meeting and Group Top Management Meeting under Nihon Unisys' Executive Council.

Besides, we acquired 100% equity of 6 local software houses in July 2003 so as to improve group's total power.

Three outside managing directors of the Company are corporate officers of our two major shareholders, Mitsui & Co., Ltd. and Unisys Corporation. Two of the three outside corporate auditors are from the two major shareholders.

(4) Relations with related parties

Nihon Unisys, Ltd., a joint venture established by Mitsui & Co., Ltd. and Unisys Corporation, is marketing and selling Unisys products in the Japanese market. We have been collaborating with Unisys Corporation through various projects and programs both in software and hardware development and also in marketing areas. Such products are imported via Mitsui & Co., Ltd. The three companies are in very close relations.

(5) Challenges the Company faces

In the fiscal year ended March 2004, as the final year of "Re-Enterprising," we made every effort we could to create "New Nihon Unisys," however, we were unable to regain our earning power due to accelerated price erosion and tough competition in the business areas of IT services, software and hardware.

Therefore, we have decided to formulate "Re-Enterprising2004" for the fiscal year ending March 2005, striving to reinforce our capabilities in every process of business flow from business & IT consulting and prior phases of system development down to system operation and support services so as to provide seamless total services to customers as Nihon Unisys Group. Also, we intend to continue our efforts in cost structure innovation while making proactive investments in growth areas, training employees, and polishing expertise and improving productivity of each group company in order to better serve our customers.

### **3. Results of Operations and Financial Conditions**

#### 1. Results of Operations

##### (1) Overview of the fiscal year ended March 31, 2004

The Japanese economy during the term showed a gradual but steady recovery being driven by growth of demands represented by active capital investments and exporting business. Earning power of many of the companies is improving. On the other hand, there are some serious issues that remain to be resolved like deflation, domestic demand-dependent recovery, etc. The power of economic upturn is not strong enough yet.

In the IT industry, growth of IT spending by companies had been negative for three consecutive years. Price of products and goods have been eroding and more use of off-shore resources like China or India is reducing prices of system services.

However, in the coming years, recovery to the growth track is expected to be seen thanks to proliferation of ubiquitous network/digital electric appliances and expansion of service offerings like outsourcing services.

Under such circumstances, we have gained some good results. For example, the number of upstream proposals and consulting activities increased. SI (Systems Integration) business with .NET expanded. We captured new customers with high-performance Windows<sup>®</sup> Server “ES7000.” Development of new mission critical open transaction system for financial customers started. New customers in financial, manufacturing and distribution industries were successfully explored and many new names were added in the business areas of broadband and outsourcing service. We are also certified CMMI Level 5, the highest level of certificate for system development capability in addition to Information Security Management System (ISMS) and ISO14001. Our efforts to create “New Nihon Unisys” were activated.

In particular, in the areas of software and services, we made extra efforts to reinforce our services capabilities introducing new products and services relating to broadband and ubiquitous computing systems like “Information Wharf<sup>®</sup>,” software that handles data of ubiquitous devices, “IPLocks-DSAS,” remote database monitoring/control system, “IPNavicaster<sup>™</sup>,” IP broadcasting system, and “Auto-application system of Windows security patch” and so on.

Due to modest and slow recovery of IT spending by companies and time-consuming decision-making on investments, etc., the net sales for the fiscal year ended March 31, 2004 was ¥309,417 million on a consolidated basis (up 0.2% from the year-ago period).

With regard to profit, due to decreased unit price in services business and occurrence of non-profitable system services projects, profitability worsened. Additionally, there were some factors that pushed up costs such as net periodic benefit costs, change of social insurance taxation system from monthly salary basis to annual income basis, and proactive investments in R&D, etc. As a result, operating income was ¥3,165 million (down 64.2%). Recurring profit was ¥4,393 million (down 51.3%), driven by gains from sales of

marketable securities as a result of re-examination of stock holdings. We recorded an extraordinary gain from sales of ex-Akasaka headquarters property. Meanwhile, we recognized an extraordinary loss for the amendment of the pension plan. As a result, net income was ¥3,922 million (down 53.0%).

Net sales being broken down by category of business, outsourcing business was on the increase sustaining the growth trend. However, sales of system services and support services were sluggish resulting in decrease of sales in services business by ¥732 million to ¥175,336 million (down 0.4%). Sales of software were ¥49,200 million (up 0.8%), almost the same level as the year-ago period. Although rental of computers continued decreasing, sales of hardware increased by ¥933 million, to ¥84,880 million (up 1.1%), driven by increased sales of computers.

In other words, services business accounted for 56.7% (57.0% a year ago) of the net sales while software and hardware marked 15.9% (15.8%) and 27.4% (27.2%) respectively.

## (2) Outlook for the fiscal year ending March 31, 2005

The Japanese economy during the term showed a gradual but steady recovery, however, the power of economic upturn is not strong enough yet and there are still some uncertainties. Under such circumstances, with our new management policy “Re-Enterprising2004,” we aim to polish expertise and improve productivity of each organization while continuing efforts to reduce SG&A expenses so as to reinforce management base of Nihon Unisys Group and to accomplish “Re-Enterprising” eventually to transform into “a leading IT service company.”

Our plan for consolidated net sales for the fiscal year ending March 2005 is ¥316,000 million (up 2.1%) expecting steady growth of services business thanks to increase of outsourcing business, upstream/consulting activities and so on despite of difficulty of big increase of software and hardware due to tough price competition.

Recurring profit will be doubled to ¥8,500 million as a result of effects from the amendment of the pension plan executed in the fiscal year ended March 2004 and improving project management and productivity. As for net income, ¥4,500 million (up 14.7%) is planned, as there are no extraordinary gains projected.

## 2. Financial Conditions

The Company generated ¥17,729 million of free cash flow (up ¥22,326 million from the year-ago period) due mainly to proceeds from sales of ex-Akasaka headquarters property. The cash were primarily used for repayment of interest-bearing debts. As a result, cash and cash equivalents at the end of the year were ¥26,909 million after adding the cash equivalent of a newly consolidated subsidiary.

The Company generated ¥16,436 million (down ¥3,854 million) of cash from operating activities. The income before income taxes and minority interests was ¥8,899 million (down ¥6,741 million). Gain of ¥11,944 million from sales of fixed assets was subtracted. Depreciation and amortization expense decreased to ¥20,108 million (down ¥1,123 million).

The net cash provided by investing activities was ¥1,292 million (¥24,887 million of net use a year ago) thanks to proceeds of ¥14,719 million (up ¥14,522 million) from sales of property and equipment such as ex-Akasaka headquarters. On the contrary, the Company used ¥10,591 million (down ¥2,461 million) of cash for purchases of intangible fixed assets such as software for sale or outsourcing business and ¥8,954 million (up ¥8,278 million) for purchases of property and equipment such as computers for sale.

The net cash used in financing activities was ¥18,734 million (up ¥11,243 million) as a result of efforts to reduce interest-bearing debts such as short-term borrowings (¥5,411 million), long-term loans payable (¥3,544 million), and commercial paper (¥6,000 million). The Company also used ¥1,977 million of cash for purchases of treasury stocks.

	Fiscal year ended March 31, 2004	Fiscal year ended March 31, 2003	Fiscal year ended March 31, 2002
Shareholders' equity ratio (%)	41.7	41.2	33.0
Shareholders' equity ratio at market value (%)	41.6	25.3	34.9
Debt repayment period (years)	2.3	2.8	2.9
Interest coverage ratio	27.0	22.1	20.7

Notes) Shareholders' equity ratio: shareholders' equity/total assets

Shareholders' equity ratio at market value: market value of common shares/total assets

Debt repayment period (years): interest-bearing debts/cash flows from operating activities

Interest coverage ratio: cash flows from operating activities/interest paid

\*The above ratios are calculated on a consolidated basis.

## 4. Consolidated Financial Statements

### CONSOLIDATED STATEMENTS OF INCOME

	Year ended March 31, 2004	Year ended March 31, 2003	Increase (Decrease)	
			Amount	% change
	millions of yen	millions of yen	millions of yen	%
Net sales	309,417	308,838	579	0.2
Cost of sales	234,936	230,165	4,771	2.1
Gross profit	74,481	78,673	(4,191)	(5.3)
Selling, general and administrative expenses	71,315	69,837	1,478	2.1
Operating income	3,165	8,835	(5,670)	(64.2)
Non-operating income				
Interest and dividend income	152	156	(3)	
Gain on sales of listed securities	1,213	10	1,203	
Income from building rental	435	544	(108)	
Other	340	523	(182)	
Non-operating expenses				
Interest expense	574	883	(308)	
Legal settlement	153	-	153	
Other	186	172	14	
Recurring profit	4,393	9,014	(4,620)	(51.3)
Extraordinary gains				
Gain on sales of fixed assets	11,944	1	11,943	
Gain on sales of investment securities	47	9	38	
Gain on exemption from future pension obligation of the governmental program	-	7,798	(7,798)	
Extraordinary losses				
Loss on pension plan amendments	5,479	-	5,479	
Restructuring charges	1,753	-	1,753	
Loss on devaluation of investment securities	72	1,065	(992)	
Other	180	118	62	
Income before income taxes and minority interests	8,899	15,640	(6,741)	(43.1)
Income taxes - current	3,316	1,096	2,220	
Income taxes - deferred	1,495	5,982	(4,486)	
Minority interests	165	215	(49)	
Net income	3,922	8,346	(4,424)	(53.0)

**CONSOLIDATED BALANCE SHEETS**

	March 31, 2004	March 31, 2003	Increase (Decrease)
	millions of yen	millions of yen	millions of yen
<b>(ASSETS)</b>			
Current assets			
Cash and time deposits	26,951	27,878	(926)
Notes receivable and accounts receivable - trade	83,679	79,208	4,471
Inventories	10,973	15,617	(4,644)
Deferred tax assets	9,494	8,379	1,114
Other	6,960	8,369	(1,408)
Allowance for doubtful accounts	(82)	(96)	13
Total current assets	137,977	139,356	(1,379)
Fixed assets			
Property and equipment			
Buildings and structures	5,006	6,662	(1,656)
Machinery, equipment and vehicles	21,420	26,538	(5,117)
Land	902	1,672	(769)
Other	2,137	2,903	(766)
Total property and equipment	29,467	37,776	(8,309)
Intangible fixed assets			
Software	16,358	12,433	3,924
Other	503	353	150
Total intangible fixed assets	16,862	12,786	4,075
Investments and other assets			
Investment securities	8,511	7,419	1,091
Deferred tax assets	9,007	12,102	(3,094)
Prepaid pension cost	13,550	-	13,550
Deposits for landlord	9,770	12,449	(2,678)
Other	1,991	2,096	(104)
Allowance for doubtful accounts	(446)	(694)	247
Total investments and other assets	42,384	33,372	9,011
Total fixed assets	88,713	83,936	4,777
Total assets	226,690	223,292	3,398

	March 31, 2004	March 31, 2003	Increase (Decrease)
	millions of yen	millions of yen	millions of yen
<b>( LIABILITIES )</b>			
Current liabilities			
Notes payable and accounts payable - trade	42,918	40,460	2,458
Short-term borrowings	1,140	6,551	(5,411)
Current portion of long-term loans payable	5,629	6,094	(465)
Commercial paper	-	6,000	(6,000)
Income taxes payable	2,873	654	2,219
Accrued expenses	13,565	12,527	1,037
Allowances	1,261	1,144	117
Other	22,531	17,830	4,701
Total current liabilities	89,920	91,261	(1,341)
Long-term liabilities			
Bonds	8,000	8,000	-
Long-term loans payable	17,921	21,000	(3,079)
Allowance for retirement and severance benefits	2,075	3,402	(1,326)
Deferred tax liabilities	368	-	368
Other allowances	457	667	(210)
Other	12,912	5,213	7,699
Total long-term liabilities	41,735	38,283	3,451
Total liabilities	131,655	129,544	2,110
Minority interests	564	1,683	(1,119)
<b>( SHAREHOLDERS' EQUITY )</b>			
Common stock	5,483	5,483	-
Capital surplus	15,281	15,281	-
Retained earnings	73,542	70,486	3,056
Net unrealized gain on securities	2,143	814	1,328
Treasury stock - at cost	(1,979)	(2)	(1,977)
Total shareholders' equity	94,471	92,063	2,407
Total liabilities, minority interests, and shareholders' equity	226,690	223,292	3,398

**CONSOLIDATED STATEMENTS OF RETAINED EARNINGS**

	Year ended March 31, 2004	Year ended March 31, 2003
	millions of yen	millions of yen
(Capital surplus)		
Capital surplus at beginning of year	15,281	15,281
Capital surplus at end of year	15,281	15,281
(Retained earnings)		
Retained earnings at beginning of year	70,486	63,006
Increase in retained earnings	3,945	8,346
Net income	3,922	8,346
Increase due to a newly consolidated subsidiary	23	-
Decrease in retained earnings	888	866
Cash dividends	816	822
Bonuses to directors and corporate auditors	72	24
Decrease due to a newly consolidated subsidiary	-	19
Retained earnings at end of year	73,542	70,486

**CONSOLIDATED STATEMENTS OF CASH FLOWS**

	Year ended March 31, 2004	Year ended March 31, 2003	Increase (Decrease)
	millions of yen	millions of yen	millions of yen
<b>Cash flows from operating activities</b>			
Income before income taxes and minority interests	8,899	15,640	(6,741)
Depreciation and amortization	20,108	21,232	(1,123)
Gain on sales of fixed assets	(11,944)	(1)	(11,943)
Gain on sales of investment securities	(1,261)	(20)	(1,241)
Decrease in allowances	(1,681)	(11,380)	9,698
Decrease (increase) in accounts receivable - trade	(4,145)	6,176	(10,321)
Decrease in inventories	4,654	6,391	(1,737)
Increase (decrease) in accounts payable - trade	2,470	(656)	3,127
Other - net	932	4,118	(3,186)
Subtotal	18,032	41,501	(23,468)
Interest and dividend received	152	121	31
Interest paid	(609)	(919)	310
Special retirement expense paid	-	(16,530)	16,530
Income taxes paid	(1,139)	(3,880)	2,741
<b>Net cash provided by operating activities</b>	<b>16,436</b>	<b>20,291</b>	<b>(3,854)</b>
<b>Cash flows from investing activities</b>			
Purchases of property and equipment	(8,954)	(17,232)	8,278
Proceeds from sales of property and equipment	14,719	196	14,522
Purchases of intangible fixed assets	(10,591)	(8,129)	(2,461)
Proceeds from sales of intangible fixed assets	4,509	-	4,509
Purchases of investment securities	(492)	(240)	(252)
Proceeds from sales of investment securities	2,331	448	1,883
Other - net	(229)	70	(299)
<b>Net cash provided by (used in) investing activities</b>	<b>1,292</b>	<b>(24,887)</b>	<b>26,180</b>
<b>Cash flows from financing activities</b>			
Net decrease in short-term borrowings	(5,411)	(3,618)	(1,793)
Proceeds from long-term loans payable	2,550	1,420	1,130
Repayments of long-term loans payable	(6,094)	(8,209)	2,115
Proceeds from issuance of bonds	-	8,000	(8,000)
Redemption of bonds	-	(10,000)	10,000
Net increase (decrease) in commercial paper	(6,000)	6,000	(12,000)
Purchases of treasury stock	(1,977)	(2)	(1,974)
Cash dividends paid	(816)	(822)	6
Other - net	(985)	(258)	(727)
<b>Net cash used in financing activities</b>	<b>(18,734)</b>	<b>(7,491)</b>	<b>(11,243)</b>
Net decrease in cash and cash equivalents	(1,004)	(12,087)	11,082
Cash and cash equivalents, beginning of year	27,831	39,853	(12,022)
Cash and cash equivalents of a newly consolidated subsidiary	83	64	18
<b>Cash and cash equivalents, end of year</b>	<b>26,909</b>	<b>27,831</b>	<b>(921)</b>

## **Summary of Significant Accounting Policies**

### 1. Scope of consolidation

(1)The accompanying consolidated financial statements for the year ended March 31, 2004 include the accounts of Nihon Unisys, Ltd. (the "Company") and its 17 consolidated subsidiaries (together, the "Group"). Some of the most significant subsidiaries are as follows.

Nihon Unisys Supply, Ltd.  
 UNIADDEX, Ltd.  
 Nihon Unisys Software Kaisha, Ltd.

Nihon Unisys Learning Corporation has been newly consolidated from the year ended March 31, 2004 due to its increased significance.

(2)Number of non-consolidated subsidiaries: 2

Two subsidiaries are not consolidated, as the effect of their assets, sales, net income (loss) and retained earnings on the accompanying consolidated financial statements would not be material.

### 2. Equity method

Investments in two unconsolidated subsidiaries including NUL Systems Service Corporation and five affiliates including Unistaff Co., Ltd. are not accounted for by the equity method, but stated at cost, as the effect of the accounts of those companies, either as aggregate or as individual companies, on net income (loss) and retained earnings of the consolidated financial statements would not be material.

### 3. Accounting policies

(1)Valuation standard and method of significant assets

#### a.Securities

Other securities whose fair value is readily determinable:

Stated at fair value as of the balance sheet date, with unrealized gains and losses, net of applicable taxes, reported as a separate component of shareholders' equity. The cost of securities sold is determined by the moving-average method.

Other securities whose fair value is not readily determinable:

Stated at cost determined by the moving-average method

#### b.Derivatives

Stated at fair value

#### c.Inventories

Computers for sale:

Stated at cost determined primarily by the moving-average method

Parts for maintenance services and other:

Stated at cost determined by the moving-average method

(2)Depreciation/amortization of fixed assets

#### a.Buildings and structures:

Depreciation of buildings and structures is computed by the declining-balance method. However, depreciation of some plants of Nihon Unisys Supply, Ltd., a consolidated subsidiary, and buildings (excluding attached facilities) acquired after April 1, 1998 is computed by the straight-line method. Useful lives range from 6 to 50 years.

#### b.Computers for rental and outsourcing (reported in "machinery, equipment and vehicles"):

Depreciation of computers for rental and outsourcing is computed over 5 years with no residual value, corresponding to the terms and conditions of rental and outsourcing.

c. Software

Software for sale to the market:

Amortized at the greater of either the amount to be amortized in proportion of the actual sales of the software during the current year to the estimated total sales over the estimated salable years of the software or the amount to be amortized by the straight-line method over the estimated salable years, principally 3 years.

Software for internal use:

Amortized by the straight-line method over the estimated useful lives, generally 5 years.

(3) Allowances

Allowance for doubtful accounts:

The allowance for doubtful accounts is stated at amounts considered to be appropriate based on the Group's past credit loss experience and on evaluation of potential losses in the receivables outstanding.

Allowance for retirement and severance benefits:

To prepare for the retirement and severance benefits for employees, the allowance for retirement and severance benefits is accounted for based on projected benefit obligations and plan assets at the balance sheet date.

The transitional obligation is being amortized over 10 years.

Actuarial gains and losses are recognized in expenses using the straight-line method over the average of the estimated remaining service period (10 years) starting from the following year.

Prior service cost is amortized in expenses using the straight-line method over the average of the estimated remaining service period (10 years).

(4) Foreign currency translation

All monetary receivables and payables denominated in foreign currencies are translated into Japanese yen at the exchange rates at the balance sheet date. The foreign exchange gains and losses from translation are recognized in the consolidated statements of income.

(5) Leases

Finance leases other than those deemed to transfer ownership of the leased property to the lessee are accounted for in the same manner as operating leases.

(6) Hedge accounting

Method of hedge accounting:

For derivatives used for hedging purposes, if derivatives qualify for hedge accounting, gains or losses on derivatives are deferred until maturity of the hedged transactions. Trade payables denominated in foreign currencies are translated at the contracted rates if the forward contracts qualify for hedge accounting. Interest rate swaps which qualify for hedge accounting and meet specific matching criteria are not remeasured at market value but the differential paid or received under the swap agreements are recognized and included in interest expense or income.

Hedging instruments and hedged items:

The foreign currency forward contracts are utilized to hedge foreign currency exposures in procurement of merchandises from overseas suppliers. Interest rate swaps are utilized to hedge interest rate exposures of short-term debt.

Company's policy to use hedge:

The Company uses foreign currency forward contracts and interest rate swaps as a means of hedging exposure to foreign currency and interest rate risks. The Company does not enter into derivatives for trading or speculative purposes.

Hedge effectiveness assessment:

Hedge effectiveness is evaluated, in principle, comparing the cumulative changes (to date from inception of the hedge) in the hedging instrument's fair values or cash flows to the cumulative changes in the hedged item's fair value or hedged transaction's cash flows. The Company omits the assessment of hedge effectiveness for interest rate swaps which qualify for hedge accounting and meet specific matching criteria.

(7)Consumption taxes

Consumption tax is separately accounted for by excluding it from each transaction amount.

4. Valuation of assets and liabilities of consolidated subsidiaries

Assets and liabilities of consolidated subsidiaries are accounted for by fair value method.

5. Amortization of consolidation goodwill

The excess of the cost of an acquisition over the fair value of the net assets of the acquired subsidiary at the date of acquisition (consolidation goodwill) is being amortized over the estimated period if estimation is available, otherwise, over 5 years using the straight-line method.

6. Appropriation of retained earnings

Appropriations of retained earnings are reflected in the consolidated financial statements the year following shareholder's approval.

7. Cash and cash equivalents in the consolidated statements of cash flows

Cash and cash equivalents in the consolidated statements of cash flows include cash, time deposits and short-term investments which mature or become due within 3 months of the date of acquisition, that are readily convertible into cash and that are exposed to insignificant risk of changes in value.

## **Notes to Consolidated Balance Sheets**

	<u>March 31, 2004</u> Millions of yen	<u>March 31, 2003</u> Millions of yen
1. Accumulated depreciation of property and equipment	109,872	120,331
2. Contingent liabilities	4,926	5,711

## **Notes to Consolidated Statements of Income**

Restructuring charges reported as an extraordinary loss in the accompanying consolidated statements of income consist of ¥949 million loss on disposal of inventories and other assets due to withdrawal from the secondhand market carried out in the restructuring as a part of "Re-Enterprising," the Company's management policy, and ¥804 million nonrecurring depreciation of software due to a review of business strategies in engineering workstations.

## **Notes to Consolidated Statements of Cash Flows**

Reconciliation of cash and time deposits on the consolidated balance sheets to cash and cash equivalents is as follows:

	<u>March 31, 2004</u> Millions of yen	<u>March 31, 2003</u> Millions of yen
Cash and time deposits	26,951	27,878
Time deposits with maturities over 3 months	(42)	(47)
Cash and cash equivalents	<u>26,909</u>	<u>27,831</u>

## **Segment Information**

### (1)Business segment information

Since the Group's operations involve a single business segment under which the Group provides computers, software, associated products and related services, there is no statement of business segment information.

### (2)Geographic segment information

Since there are no consolidated subsidiaries or branches overseas, there is no statement of geographic segment information.

### (3)Overseas sales

Since the overseas sales is insignificant in proportion to the consolidated net sales, the statement of overseas sales is omitted.

## **Leases**

The statement of leases is omitted as the Company makes filings on EDINET (Electronic Disclosure for Investors' NETwork).

## Related Party Transactions

Year ended March 31, 2004

### (1) Parent company and major corporate shareholders

Category		Other affiliates	
Company name		Mitsui & Co., Ltd.	Unisys Corporation
Address		Chiyoda-ku, Tokyo	Pennsylvania, U.S.A.
Amount of capital stock		192,487 million yen	3 million US dollars
Business		Trading	Information technology services and solutions provider
Voting interest in the Company		Direct: 28.50%; Indirect: 0.01%	Direct: 28.50%
Relation-ship	Concurrent directors	Concurrent: 2; Move: 4	Concurrent: 2; Transfer: 3
	Business relationship	Agent to purchase Unisys computer equipment	Manufacturer and vendor of computer hardware and software.
Transaction		Business transaction	Business transaction
		(1)Purchases of computer equipment	(2)Payments for fees for technology information and technology support provided, trademark royalties, and software license fees
Transaction amount		10,903 million yen	16,429 million yen
Account		Accounts payable-trade and long-term liabilities-other	Current assets -other (Advances) Accounts payable-trade and others
Balance at March 31, 2004		4,439 million yen	186 million yen 1,420 million yen

Notes) 1. The above transaction amount does not include consumption taxes, while the balance at March 31, 2004 includes consumption taxes.

2. Transaction conditions and policy on determining transaction conditions

(1) When purchasing computer equipment, terms and conditions are determined on a negotiation basis with the Company's desired price offered to manufacturers including Unisys Corporation.

As the Company purchases computer equipment through Mitsui & Co., Ltd., a purchase agent, the transaction amount includes the purchase price paid to manufacturers including Unisys Corporation and incidental costs charged for the purchases through the agent.

(2) Individual conditions are determined for each payment for fees for technology information and technology support provided, trademark royalties, and software license fees.

### (2) Directors, corporate auditors, and major individual shareholders

Category		Corporate auditor
Name		Katsuhisa Kiyozuka
Address		-
Amount of capital stock		-
Business or occupation		The Company's corporate auditor; Representative of Tokyo Kasumigaseki Law Firm
Voting interest in the Company		N/A
Relation-ship	Concurrent directors	-
	Business relationship	-
Transaction		Payment of consulting fee as a corporate lawyer
Transaction amount		1 million yen
Account		N/A
Balance at March 31, 2004		N/A

Notes) 1. The above transaction amount does not include consumption taxes.

2. Transaction conditions and policy on determining transaction conditions

The transaction stated above was made by Katsuhisa Kiyozuka as the representative of Tokyo Kasumigaseki Law Firm. The consulting fee was based on common terms and conditions.

## Deferred Income Taxes

1. The tax effects of significant temporary differences and loss carryforwards which resulted in deferred tax assets and liabilities at March 31, 2004 and 2003 are as follows:

	<u>March 31, 2004</u>	<u>March 31, 2003</u>
	Millions of yen	Millions of yen
(1) Current assets		
Deferred tax assets		
Accrued bonuses	3,760	3,504
Accounts payable	2,300	-
- amount transferred to the defined contribution plan		
Inventory valuation	1,313	1,286
Accrued expenses	888	-
Allowance for non-billable services	458	398
Accrued business tax	364	165
Tax loss carryforwards	200	2,572
Other	206	452
Total deferred tax assets	<u>9,494</u>	<u>8,379</u>
(2) Fixed assets/liabilities		
Deferred tax assets		
Depreciation expenses	8,438	8,365
Tax loss carryforwards	4,434	3,884
Accounts payable	3,863	-
- amount transferred to the defined contribution plan		
Allowance for retirement and severance benefits	818	1,569
Amortization expenses of deferred assets	437	1,652
Other	1,244	1,187
Subtotal	<u>19,236</u>	<u>16,659</u>
Valuation allowance	<u>(148)</u>	<u>(124)</u>
Total deferred tax assets	19,087	16,535
Deferred tax liabilities		
Prepaid pension cost	(5,515)	-
Reserve for program	(3,145)	(3,469)
Net unrealized gain on securities	(1,471)	(593)
Other	(317)	(370)
Total deferred tax liabilities	<u>(10,449)</u>	<u>(4,433)</u>
Net deferred tax assets (liabilities)	<u>8,638</u>	<u>12,102</u>

(Note) Net deferred tax assets (liabilities) of fixed assets at March 31, 2004 and 2003 consist of the following lines of the consolidated balance sheets.

	<u>March 31, 2004</u>	<u>March 31, 2003</u>
	Millions of yen	Millions of yen
Fixed assets – deferred tax assets	9,007	12,102
Long-term liabilities – deferred tax liabilities	(368)	-

2. Reconciliation between normal effective statutory tax rates and actual effective tax rates reflected in the accompanying consolidated statements of income for the years ended March 31, 2004 and 2003 is as follows:

	<u>Year ended</u> <u>March 31, 2004</u>	<u>Year ended</u> <u>March 31, 2003</u>
	%	%
Normal effective statutory tax rate	42.1	42.1
Expenses not deductible for income tax purposes, including entertainment expenses	4.0	2.3
Amount of per-capita local tax	1.0	0.5
Effective statutory tax rate change	5.9	0.6
Other-net	1.1	(0.2)
Actual effective tax rate	<u>54.1</u>	<u>45.3</u>

## Securities

### (1) Other securities whose fair value is readily determinable

	<u>March 31, 2004</u>			<u>March 31, 2003</u>		
	<u>Acquisition cost</u>	<u>Carrying amount</u>	<u>Difference</u>	<u>Acquisition cost</u>	<u>Carrying amount</u>	<u>Difference</u>
	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Those whose carrying amount exceed the acquisition cost						
Equity securities	2,678	6,332	3,654	2,132	3,893	1,760
Debt securities	-	-	-	20	20	0
Subtotal	2,678	6,332	3,654	2,152	3,914	1,761
Those whose carrying amount do not exceed the acquisition cost						
Equity securities	632	576	(55)	2,194	1,817	(376)
Subtotal	632	576	(55)	2,194	1,817	(376)
Total	3,310	6,909	3,598	4,346	5,731	1,384

### (2) Other securities sold during the years ended March 31, 2004 and 2003

	<u>Year ended March 31, 2004</u>	<u>Year ended March 31, 2003</u>
	Millions of yen	Millions of yen
Proceeds from sales of other securities	2,383	276
Gross realized gains	1,287	37
Gross realized losses	25	19

### (3) Securities whose fair value is not readily determinable

	<u>March 31, 2004</u>	<u>March 31, 2003</u>
	Millions of yen	Millions of yen
Other securities		
Unlisted equity securities (excluding OTC securities)	1,299	1,324

### (4) Maturity amount of other securities with maturity and debt securities held to maturity

	<u>March 31, 2004</u>		<u>March 31, 2003</u>	
	<u>Due in 1 year or less</u>	<u>Due after 1 year through 5 years</u>	<u>Due in 1 year or less</u>	<u>Due after 1 year through 5 years</u>
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Debt securities	-	-	20	-

## Derivatives

The statement of derivatives is omitted as the Company makes filings on EDINET (Electronic Disclosure for Investors' NETwork).

## Retirement and Severance Benefits

### (1) Overview of the benefit pension plan

The Company funded, in the year ended March 31, 1969, defined benefit pension plan (Nihon Unisys Welfare Pension Fund (employees' pension plan - *Rengo* (joint) type, in which a company and its affiliated companies participate)), to which severance indemnities plan had been gradually transferred to be totally covered by the pension plan.

UNIADEX, Ltd., a consolidated subsidiary, having accepted employees transferred from the Company and succeeded the pension plan in the year ended March 31, 2002, participates in Nihon Unisys Welfare Pension Fund.

According to the enactment of the Defined Contribution Pension Plan Law, the Company and UNIADEX, Ltd., effective April 1, 2004, altered the pension plan to a point system, and implemented a defined contribution pension plan (Japanese 401(k)) and an optional plan of advances of severance indemnities by which a portion (approximately 30%) of the former defined benefit pension plan was terminated, and a cash balance plan to which the rest of the former defined benefit pension plan was altered.

The Group, applying, for the plan amendments, accounting treatments specified in the guidance issued by the Accounting Standards Board of Japan, recorded "loss on pension plan amendments" as an extraordinary loss for the year ended March 31, 2004.

Other consolidated subsidiaries of the Company have defined-benefit tax-qualified pension plans and severance indemnities plans.

Certain consolidated subsidiaries participate in employees' pension plans - *Sogo* (general) type, in which companies in the same industry participate, and, which is in accordance with the exception case of Practical Guidelines for Accounting for Pension Plans, Article 33. Out of the total amount of the plans' assets, the amount based on the proportion of members at those subsidiaries was 1,605 million yen as of March 31, 2004.

### (2) Allowance for retirement and severance benefits at March 31, 2004 and 2003 consisted of the following:

	<u>March 31, 2004</u> Millions of yen	<u>March 31, 2003</u> Millions of yen
Projected benefit obligations	(101,353)	(119,556)
Fair value of plan assets	80,252	48,947
Projected benefit obligation in excess of plan assets	<u>(21,100)</u>	<u>(70,608)</u>
Unrecognized transitional obligation	12,538	16,813
Unrecognized prior service cost	(12,000)	21
Unrecognized actuarial loss	<u>32,039</u>	<u>50,371</u>
Net of amounts reported in the consolidated balance sheets	11,475	(3,402)
Prepaid pension cost	<u>13,550</u>	-
Allowance for retirement and severance benefits	<u>(2,075)</u>	<u>(3,402)</u>

Note) Certain subsidiaries adopt the simplified method to calculate their benefit obligations.

- (3) The components of net periodic benefit costs for the years ended March 31, 2004 and 2003 were as follows:

	<u>Year ended</u> <u>March 31, 2004</u> Millions of yen	<u>Year ended</u> <u>March 31, 2003</u> Millions of yen
Service cost	4,157	4,451
Interest cost	2,965	3,261
Expected return on plan assets	(1,894)	(2,576)
Amortization of transitional obligation	2,425	2,708
Amortization of prior service cost	7	(63)
Recognized actuarial loss	5,490	3,032
Net periodic benefit costs	<u>13,151</u>	<u>10,814</u>
Loss on pension plan amendments	5,479	-
Gain on exemption from the substitutional portion of welfare pension funds	-	(7,798)
Total	<u>18,631</u>	<u>3,015</u>

Note) Benefit costs of consolidated subsidiaries adopting the simplified method is included in the service cost.

- (4) Assumptions used for the years ended March 31, 2004 and 2003 were set forth as follows:

	<u>Year ended</u> <u>March 31, 2004</u>	<u>Year ended</u> <u>March 31, 2003</u>
Attribution of benefit to periods	Straight-line method	Straight-line method
Discount rate	2.0 %	2.5 %
Expected rate of return on plan assets	4.0 %	4.0 %
Amortization period of prior service cost	10 years (Straight-line method)	10 years (Straight-line method)
Recognition period of actuarial gain/loss	10 years (Straight-line method based on beginning-of-the-year balances)	10 years (Straight-line method based on beginning-of-the-year balances)
Amortization period of transitional obligation	10 years	10 years

## 5. Production, Orders Received and Sales

### (1) Production

	Year ended March 31, 2004	Percent change from year ended March 31, 2003
	Millions of yen	%
System services	81,803	(2.8)
Software	18,675	+27.8
Total	100,478	+1.7

### (2) Orders received

	Orders received		Backlog	
	Year ended March 31, 2004	Percent change from year ended March 31, 2003	March 31, 2004	Percent change from March 31, 2003
	Millions of yen	%	Millions of yen	%
Services	163,436	(4.7)	75,651	(8.0)
Software	35,590	(17.6)	19,761	(24.6)
Hardware	76,254	(11.5)	16,079	(48.9)
Total	275,281	(8.5)	111,492	(20.3)

Notes) - Backlog is the amount expected to be filled within a year.

- Prior to April 1, 2003, orders received and backlog were calculated based on informal declarations of intension by customers. Effective April 1, 2003, orders received and backlog are calculated based on contracts. If those amounts for the year ended March 31, 2004 had been calculated in the same manner as those for the year ended March 31, 2003, percent changes from the year ended March 31, 2003 would be, as for orders received, 12.6% increase in services, 12.3% decrease in software, 4.4% decrease in hardware, and 4.0% increase in total orders received; as for backlog, 2.3% decrease in services, 19.2% decrease in software, 34.8% decrease in hardware, and 12.8% decrease in total backlog.

### (3) Sales

	Year ended March 31, 2004	Percent change from year ended March 31, 2003
	Millions of yen	%
Services	175,336	(0.4)
Software	49,200	+0.8
Hardware	84,880	+1.1
Total	309,417	+0.2

# Financial Report for the Fiscal Year Ended March 31, 2004 (Non-Consolidated)

## Nihon Unisys, Ltd.

--Listing: Tokyo Stock Exchange First Section Code number: 8056

(URL <http://www.unisys.co.jp>)

--Head Office: 1-1, Toyosu 1-chome, Koto-ku, Tokyo 135-8560

--Date of the Meeting of the Board of Directors to Settle Accounts: May 7, 2004

--Date of the Annual Meeting of Shareholders: June 25, 2004

--Interim dividends plan: Exist

--Trading unit share plan: Exist (Trading unit: 100 shares)

### 1. Business Results for the Fiscal Year Ended March 31, 2004 (From April 1, 2003 to March 31, 2004)

#### (1) Results of Operations

	Net Sales	% change	Operating Income	% change	Recurring Profit	% change
	millions of yen	%	millions of yen	%	millions of yen	%
2004	251,412	(3.2)	(1,827)	-	1,846	(67.5)
2003	259,598	(5.0)	4,723	83.9	5,689	(7.0)

	Net Income	% change	Earnings per Share	Diluted Earnings per Share	Return on Equity	Ratio of Recurring Profit / Total Assets	Ratio of Recurring Profit / Net Sales
	millions of yen	%	yen	yen	%	%	%
2004	4,879	(22.3)	44.75	-	5.7	0.9	0.7
2003	6,282	-	56.83	-	7.8	2.6	2.2

Notes) 1. Average number of shares outstanding  
 2004: 108,372,240 shares  
 2003: 109,661,829 shares

2. Change in accounting policies: Not applicable

3. Percentages above mean increase/decrease over preceding fiscal year.

#### (2) Dividends

	Annual Dividends per Share			Total Dividends Paid	Dividends Payout Ratio	Ratio of Dividends/ Shareholders' Equity
	Interim	End of Period				
	yen	yen	yen	millions of yen	%	%
2004	7.50	3.75	3.75	806	16.8	0.9
2003	7.50	3.75	3.75	822	13.1	1.0

#### (3) Financial Standing

	Total Assets	Shareholders' Equity	Shareholders' Equity Ratio	Shareholders' Equity per Share
	millions of yen	millions of yen	%	yen
2004	196,027	86,827	44.3	809.99
2003	197,843	83,529	42.2	761.25

Notes) 1. Number of shares outstanding at the end of fiscal year  
 2004: 107,159,417 shares  
 2003: 109,659,996 shares

2. Number of treasury stocks at the end of fiscal year  
 2004: 2,504,107 shares  
 2003: 3,528 shares

### 2. Earnings Forecast for the Fiscal Year Ending March 31, 2005 (from April 1, 2004 to March 31, 2005)

	Net Sales	Recurring Profit	Net Income	Annual Dividends per Share		
				Interim	End of Period	
	millions of yen	millions of yen	millions of yen	yen	yen	yen
Interim	109,500	1,000	700	3.75	-	-
Full-Year	254,000	5,000	2,700	-	3.75	7.50

Reference) Expected earnings per share (full-year basis): 24.92 yen

Notes) 1. All amounts less than one million yen have been disregarded.

2. All the numbers regarding forecast are best estimate using information available as of today and decision based on them. You are advised that the final results might be different from the ones in this package due to changes of economy, market, or unknown factors today, etc. For the prerequisite for the forecast, please see page 6.

**\*This financial report is solely a translation of Japanese "Kessan Tanshin," including attachments, for the convenience of readers who prefer English translation.**

## 11. Non-consolidated Financial Statements

### NON-CONSOLIDATED STATEMENTS OF INCOME

	Year ended March 31, 2004	Year ended March 31, 2003	Increase (Decrease)	
			Amount	% change
	millions of yen	millions of yen	millions of yen	%
Net sales	251,412	259,598	(8,186)	(3.2)
Cost of sales	194,747	197,985	(3,238)	(1.6)
Gross Profit	56,664	61,612	(4,947)	(8.0)
Selling, general and administrative expenses	58,492	56,889	1,603	2.8
Operating income (loss)	(1,827)	4,723	(6,550)	-
Non-operating income				
Interest and dividend income	2,308	553	1,755	
Gain on sales of listed securities	1,201	10	1,190	
Income from building rental	416	525	(108)	
Other	602	810	(207)	
Non-operating expenses				
Interest expense	526	823	(297)	
Legal settlement	153	-	153	
Other	175	109	66	
Recurring profit	1,846	5,689	(3,843)	(67.5)
Extraordinary gains				
Gain on sales of fixed assets	12,097	70	12,026	
Gain on sales of investment securities	47	6	41	
Gain on exemption from future pension obligation of the governmental program	-	6,674	(6,674)	
Reversal of allowance for doubtful accounts	-	12	(12)	
Extraordinary losses				
Loss on pension plan amendments	3,866	-	3,866	
Restructuring charges	1,753	-	1,753	
Loss on devaluation of investment securities	62	1,048	(986)	
Loss on sales and disposal of fixed assets	55	29	26	
Other	89	70	18	
Income before income taxes	8,164	11,303	(3,139)	(27.8)
Income taxes - current	213	181	31	
Income taxes - deferred	3,071	4,839	(1,768)	
Net income	4,879	6,282	(1,402)	(22.3)
Retained earnings carried forward	41,924	36,667	5,257	
Interim cash dividends	404	411	(6)	
Unappropriated retained earnings	46,399	42,538	3,860	9.1

**NON-CONSOLIDATED BALANCE SHEETS**

	March 31, 2004	March 31, 2003	Increase (Decrease)
	millions of yen	millions of yen	millions of yen
<b>(ASSETS)</b>			
<b>Current assets</b>			
Cash and time deposits	23,523	23,715	(192)
Notes receivable	242	282	(40)
Accounts receivable - trade	68,826	67,004	1,822
Merchandise	3,649	6,503	(2,853)
Work in process	1,803	2,612	(809)
Supplies	5	6	(0)
Advances	430	578	(148)
Prepaid expenses	1,303	2,607	(1,304)
Deferred tax assets	4,819	5,718	(899)
Short-term loans receivable	7,938	7,316	621
Accounts receivable - other	3,524	3,233	291
Other	558	208	349
Allowance for doubtful accounts	(64)	(75)	10
<b>Total current assets</b>	<b>116,561</b>	<b>119,713</b>	<b>(3,151)</b>
<b>Fixed assets</b>			
<b>Property and equipment</b>			
Buildings and structures	3,449	5,071	(1,621)
Computers for rental and outsourcing	20,963	25,937	(4,973)
Tools and fixtures	1,389	2,318	(929)
Land	644	1,414	(769)
<b>Total property and equipment</b>	<b>26,447</b>	<b>34,741</b>	<b>(8,294)</b>
<b>Intangible fixed assets</b>			
Software	15,136	11,032	4,103
Other	250	256	(5)
<b>Total intangible fixed assets</b>	<b>15,386</b>	<b>11,288</b>	<b>4,098</b>
<b>Investments and other assets</b>			
Investment securities	8,014	6,951	1,062
Investments in subsidiaries and affiliates	2,624	2,163	461
Investments in capital	200	209	(9)
Long-term loans receivable	0	16	(15)
Claim in bankruptcy and reorganization	494	715	(220)
Prepaid pension cost	9,535	-	9,535
Deferred tax assets	7,288	10,293	(3,005)
Deposits for landlord	8,843	11,537	(2,693)
Other	1,065	876	188
Allowance for doubtful accounts	(435)	(665)	229
<b>Total investments and other assets</b>	<b>37,631</b>	<b>32,099</b>	<b>5,531</b>
<b>Total fixed assets</b>	<b>79,465</b>	<b>78,130</b>	<b>1,335</b>
<b>Total assets</b>	<b>196,027</b>	<b>197,843</b>	<b>(1,816)</b>

	March 31, 2004	March 31, 2003	Increase (Decrease)
	millions of yen	millions of yen	millions of yen
<b>( LIABILITIES )</b>			
<b>Current liabilities</b>			
Notes payable	881	754	126
Accounts payable - trade	42,434	36,175	6,259
Short-term borrowings	-	5,260	(5,260)
Current portion of long-term loans payable	5,629	6,094	(465)
Commercial paper	-	6,000	(6,000)
Other accounts payable	6,402	1,763	4,639
Current portion of long-term accounts payable to affiliates	1,183	1,787	(604)
Accrued expenses	6,808	7,866	(1,058)
Income taxes payable	52	27	24
Consumption taxes payable	1,654	2,276	(622)
Advances received	6,761	6,800	(38)
Deposits received	691	2,464	(1,772)
Deferred income	9	149	(139)
Allowance for non-billable services	768	943	(175)
Current portion of allowance for the New Career Support Program	134	199	(64)
Other	367	894	(526)
<b>Total current liabilities</b>	<b>73,778</b>	<b>79,455</b>	<b>(5,676)</b>
<b>Long-term liabilities</b>			
Bonds	8,000	8,000	-
Long-term accounts payable to affiliates	448	1,631	(1,183)
Long-term loans payable	17,921	21,000	(3,079)
Long-term accounts payable	7,111	-	7,111
Long-term deposits received	1,514	1,731	(217)
Allowance for retirement and severance benefits	-	1,865	(1,865)
Allowance for directors' and corporate auditors'	186	277	(91)
Allowance for the New Career Support Program	151	286	(134)
Other	89	67	22
<b>Total long-term liabilities</b>	<b>35,421</b>	<b>34,859</b>	<b>561</b>
<b>Total liabilities</b>	<b>109,199</b>	<b>114,314</b>	<b>(5,115)</b>
<b>( SHAREHOLDERS' EQUITY )</b>			
<b>Common stock</b>	<b>5,483</b>	<b>5,483</b>	<b>-</b>
<b>Capital surplus</b>			
Additional paid-in capital	15,281	15,281	-
<b>Retained earnings</b>			
Legal reserve	1,370	1,370	-
<b>Voluntary reserve</b>			
Reserve for obsolete equipment	8,350	8,350	-
General reserve	4,400	4,400	-
Reserve for program	5,029	4,822	206
Reserve for reduction of assets' cost	138	135	3
Reserve for special depreciation	275	331	(56)
Unappropriated retained earnings	46,399	42,538	3,860
<b>Total retained earnings</b>	<b>65,963</b>	<b>61,949</b>	<b>4,013</b>
Net unrealized gain on securities	2,078	816	1,262
Treasury stock - at cost	(1,979)	(2)	(1,977)
<b>Total shareholders' equity</b>	<b>86,827</b>	<b>83,529</b>	<b>3,298</b>
<b>Total liabilities and shareholders' equity</b>	<b>196,027</b>	<b>197,843</b>	<b>(1,816)</b>



**Notes to Non-consolidated Balance Sheets**

	<u>March 31, 2004</u> Millions of yen	<u>March 31, 2003</u> Millions of yen
(1) Accumulated depreciation of property and equipment	102,591	113,382
(2) Contingent liabilities	4,472	4,964
(3) Effect to net asset regulated under Article 124-3 of the Enforcement Regulations of the Commercial Code	2,078	-
Effect to net asset regulated under article 290-1 item 6 of the Commercial Code	-	816

**Notes to Non-consolidated Statements of Income**

Restructuring charges reported as an extraordinary loss in the accompanying non-consolidated statements of income consist of ¥949 million loss on disposal of inventories and other assets due to withdrawal from the secondhand market carried out in the restructuring as a part of “Re-Enterprising,” the Company’s management policy, and ¥804 million nonrecurring depreciation of software due to a review of business strategies in engineering workstations.