

## Consolidated Financial Report for the Fiscal Year Ended March 31, 2005

### Nihon Unisys, Ltd.

--Listing: Tokyo Stock Exchange First Section Code number: 8056 (URL <http://www.unisys.co.jp>)  
 --Date of the Meeting of the Board of Directors to Settle Consolidated Accounts: May 9, 2005  
 --Parent Company: Mitsui & Co., Ltd. (Code number: 8031) and other 1 company Voting Rights: 28.9%  
 --Adoption of the U.S. GAAP: None

#### 1. Business Results for the Fiscal Year Ended March 31, 2005 (From April 1, 2004 to March 31, 2005)

##### (1) Results of Operations

Years Ended	Net Sales	% change	Operating Income	% change	Recurring Profit	% change
	Millions of yen	%	millions of yen	%	millions of yen	%
March 31, 2005	308,868	(0.2)	10,413	229.0	10,533	139.7
March 31, 2004	309,417	0.2	3,165	(64.2)	4,393	(51.3)

Years Ended	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	%	%	%
March 31, 2005	4,716	20.3	43.34	43.33	4.9	4.7	3.4
March 31, 2004	3,922	(53.0)	35.57	-	4.2	2.0	1.4

Notes) 1. Equity in earnings (loss) of subsidiaries and affiliates  
 2005: - million yen  
 2004: - million yen

2. Average number of shares outstanding (consolidated)  
 2005: 106,523,292 shares  
 2004: 108,372,240 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
March 31, 2005	222,155	96,892	43.6	916.10
March 31, 2004	226,690	94,471	41.7	880.97

Note) Number of shares outstanding at the end of fiscal year (consolidated)  
 2005: 105,658,036 shares  
 2004: 107,159,417 shares

##### (3) Cash Flows

Years Ended	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
March 31, 2005	12,112	(16,671)	3,633	25,983
March 31, 2004	16,436	1,292	(18,734)	26,909

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

Number of consolidated subsidiaries: 10  
 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 0 Decrease 0 Equity method: Increase 0 Decrease 0

#### 2. Earnings Forecast for the Fiscal Year Ending March 31, 2006 (from April 1, 2005 to March 31, 2006)

	Net Sales	Operating Income	Recurring Profit	Net Income
	millions of yen	millions of yen	millions of yen	millions of yen
Interim	134,000	600	500	100
Full-Year	315,000	10,500	10,100	5,200

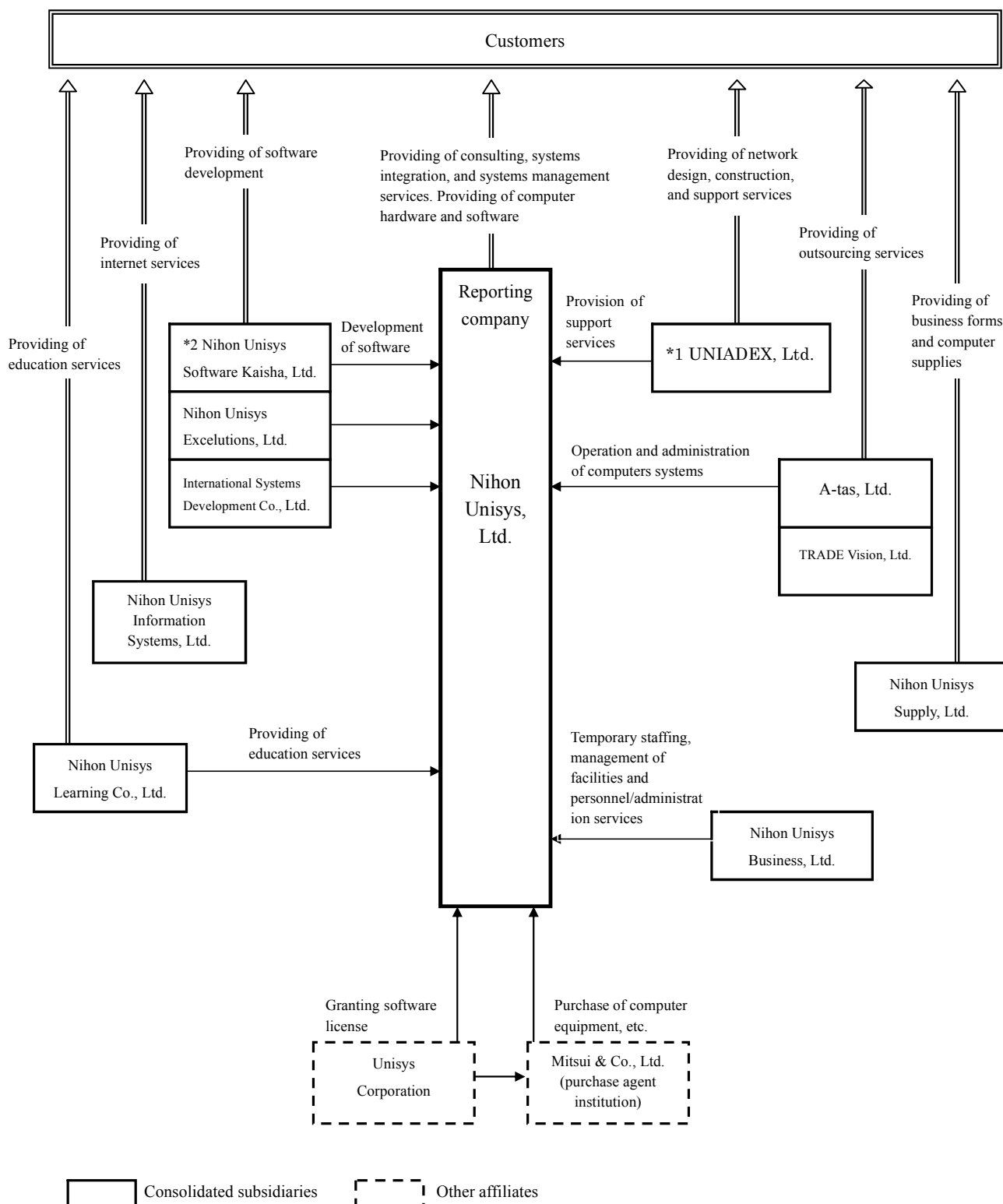
Reference) Expected earnings per share (full-year basis): 48.27 yen

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 14.

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

\*2. On October 1, 2004, Nihon Unisys Solutions, Ltd. acquired Hokkaido Soft Engineering, Tohoku Soft Engineering, Chubu Soft Engineering, Kansai Soft Engineering, Hiroshima Soft Engineering, and Kyushu Soft Engineering and changed its name from Nihon Unisys Software Kaisha, Ltd.

## **2. Business Management Policy**

### (1) Basic Policy in Business Management, and Management Indexes as Business Strategies and Targets

Nihon Unisys Group (the Group) has tackled a management reform plan “Re-Enterprising” since November 2001, with a management goal set to progress toward a leading company of IT services, which can most effectively and speedily realize customers’ business strategies, and maximize customers’ value.

Under this plan, the Group has been striving for the business structure reform of focusing its business resources more energetically on its IT service division than ever, in order to maximize customers’ value by solving customers’ business problems from the IT side, and to grow itself as a business partner together with the expansion of customers’ businesses.

We have been making all the efforts to comprehensively and systematically upgrade the abilities of personnel—as basic resources to support the foundation of any category in service industry, so as to enhance the business-consulting capability of proposing business-task-solution plan in addition to a further improvement of well-reputed project-managing power, as well as IT service-providing power. As a result, there were surfacing many distinguishable effects: the number of service staff members qualified as “Project Manager” jumped up to a great extent, the number of upper-stream proposal cases for the sake of customers’ business task solutions doubled over the previous year, and orders of huge-scale computer system-architecting projects were secured.

Furthermore, through a human resource model-training seminar “Top Gun Program” on a selection system of nominating core-consisting elite candidates, the Group has strengthening a personnel staff-training system to foster human talents who are highly expected to be locomotives pulling the organization.

As part of comprehensive group-strengthening tacit to enhance expertise and of productivity of each company of the Group, we have promoted a task of realigning the Group organization. In October 2004, we established Nihon Unisys Solutions, Ltd. for the initial purposes of (1) smooth allocation of personnel staff into large-scale system development, and (2) one-stop management and development standardization for project management and human resources training by way of centralizing the Group’s system service faculties, thereby upgrading service quality, technological level, and productivity stage. In the meantime, with respect to UNIADDEX, Ltd., we have promoted consolidation of business facilities on the basic strategy of defining Uniadex as a comprehensive corporation of network business, hardware business, integration and support service businesses, system equipment business.

On the intimate combination of the Group’s member corporations and divisions thereof, which are specialized in respective expertise areas, we have intensified, as a whole of the Group, the customer-supporting stance and competitiveness, and have targeted the completion of “Re-Enterprising” reform through brave challenges into tasks of developing new customer markets as

well as new business areas.

As a result of these business efforts, we have stepped up a milestone of establishing a basic foundation for expectant medium-term and long-term business growth, which was symbolized in a series of order-winning success expansions of large-scale backbone and accounting systems and business outsourcing cases.

In the fiscal year of 2006—an initial half of the two-year medium-term business plan (Marching Plan)—we aim to inherit the existing policy of “Re-Enterprising” and to thoroughly promote the business-restructuring reform to be oriented for sustainable business growth.

To achieve this business target, we are ready to accelerate the present policies of optimizing business resources among the Group’s members and business divisions thereof, and of focusing those resources onto major business areas, and to dynamically implement other various policies for the purpose of building up the basic foundation of switching our conventional business activities model to a knowledge-intensive business model, strengthening the Group-wide capability of promoting business operations, and further training of human talented resources.

We have set a concrete target of 10.5 billion yen in consolidated operating income for the term ending March 2006 on a solid intention to strive for a continued steady business growth also for the following terms.

## (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) Our Concept for Corporate Governance and Present-Day Situations of Realizing the Concept

### <Basic Concept for Corporate Governance>

The Nihon Unisys Group has been solidifying the concept for Corporate Governance as a tacit to aim a rapid decision-making system responsive to changes in business environment, improvements in clarification of business responsibilities and operation process transparencies.

In order to contribute to a sustainable growth of the society, to which we belong, as a good corporate citizen, we have already set up an action norm “Nihon Unisys Group Code of Conduct”, which stipulates with regard to corporate governance as follows:

### [Enhancement and fulfillment of Corporate Governance System]

The Nihon Unisys Group hereby endeavors to intensify an internal administration system and to strengthen and fulfill the corporate governance system for the purpose of enhancing its corporate value on the consecutive basis.

- 1) The Nihon Unisys Group endeavors, as its total group-compounding organization, to sustain and strengthen the corporate governance system with its business ethics and transparency stationed at

high stage.

- 2) The Nihon Unisys Group endeavors to properly disclose corporate information at well-timed opportunities, and to intend to improve corporate business transparency.
- 3) The Nihon Unisys Group endeavors to properly cope with various risks as they may seriously affect the business management and administration of the Nihon Unisys Group. We endeavor to take immediate and proper measures to cope with those risks, in the cases that those risks have already taken place, or that the risks may imminently break out.

<Present-Day Situations of Realizing the Corporate Governance Concept>

1) Present-day situations of implementing the corporate governance system related with the business management concerning decision makings, corporate business executions, and business administration, and other sections

i) Detailed Contents of the Corporate-Governing Bodies

We have adopted an audit system by auditors, and concurrently introduced an executive officer system in order to separate the corporate management body from business execution.

<Board of Directors>

Our Board of Directors is comprised of seventeen (17) Directors, including four (4) corporate-outside Directors, and opened, as a principle, on a monthly basis. On the Board of Directors, essential reports and decisions are made in relation with corporate important matters.

Since the fiscal year of 2005, we have shortened the length of an executive term of individual Directors from a conventional two (2) years to a new one (1) year for the purposes of establishing a flexible management system to cope smoothly with rapid changes in business environment surrounding the Group, and of clarifying Directors' business responsibility.

<Audit System>

We have four (4) Auditors, including two (2) full-time Auditors (inclusive of one (1) corporate-outside Auditor) on a full-time duty shift. With regard to corporate-outside Auditors, we have expanded the fixed number thereof since the fiscal year of 2003, and have embraced three (3) corporate-outside Auditors in full at the present stage. Additionally, respective Auditors attend the conferences by the Board of Directors and other important meetings on the audit policy and plan decided by the Board of Auditors, and monitor and survey the way of business executions by Directors through its investigations into the current situations concerning corporate operations and business assets.

Deloitte Touche Tohmatsu, an audit corporation, takes charge of accounting audit work of the Group. It is Yusa Tomiharu and Mikoshiha Akira, both of whom are public certified accountants that executed the accounting audit work of us. Both of them are staff members of the audit corporation Deloitte Touche Tohmatsu, and the length of consecutive audit work thereof stays less than seven (7) years. Other auxiliary assistants relating to our accounting audit work include four (4) public certified accountants, four (4) public certified quasi-accountants, and one (1) other assistant. We have no personnel, capital, business-transaction relations or other business interests with the audit

corporation Deloitte Touche Tohmatsu. Additionally, with regard to our important subsidiaries, we have the audit corporation Deloitte Touche Tohmatsu audit each subsidiary.

The internal audit system of the Group is divided into two sections: internal an audit room built within the Nihon Unisys undertakes the Group-traversing internal audit as part of the internal bodies of us, and two (2) other audit rooms placed in two (2) major subsidiaries. Our internal audit room inspects the adequateness and effectiveness of the internal audit system, and in such cases as may be considered to be necessary, the audit results thereof are reported to the top management of business administration together with opinions concerning any improvement and/or correction into problematic points, and at well-timed opportunities our President place direct instructions of improvement in the form of “President Messages”. Results of those improvement and correction instructions are checked by the Group audit room. In the meanwhile, audit information is disclosed not only to individual division managers but also to the audit corporation Deloitte Touche Tohmatsu of us for the purposes of accelerating such improvement works and making it known across borders of different sections and divisions. As for organizational tie-ups between the internal audit section and the Board of Auditors, both parties concerned have strived to maintain mutual tie-ups, for instance, (1) there are opinion exchanges relating to the audit projects fixed by the Board of Auditors, (2) Auditors co-attend sessions of opinion exchanges relating to business-operating-division audit work, and (3) the Group audit room make periodical reports on the Group-traversing audit work in the campaign form of specified themes.

#### <Business Execution System>

We have aggressively promoted a task of separating the corporate management body from the business execution facilities on the executive officer-led system launched, as part of the realignment work of business management organizations, since July 2001.

Besides, we have opened the Business Management Committee comprised of Representative Directors, as a body of arguing and determining major articles concerned with the corporate business execution of us, and have the Committee make speedy corporate decisions there. Additionally, we have established the Board of Executive Officers composed of all the Executive Officers, and have the Board discuss important matters committed through all the corporations and organizations of the Group and make proposals to the Committee.

Furthermore, we have established the Group Strategy Conference as a body of discussing the Group-compounding business strategies and deciding major matters across individual members of the Group at an aim to consolidate the Group’s comprehensive strength.

#### ii) Present-Day Situations of Alignment of Internal Administration System

The Nihon Unisys Group has already established the two mainstay criteria: (1) “Nihon Unisys Group Code of Conduct” to explicate the way of actions and behaviors to be taken by its officers as well as employees, and (2) “Compliance Guidelines” to stipulate fundamental policies on corporate compliance attitudes. Based on this system, every member of the Group intends to fulfill the compliance implementation program by having appointed a compliance system administrator as Chief Compliance Officer (COO), and strives to make total-scale application by the whole Group of the compliance implementation program by way of establishing the Group Compliance Committee to be

made up by respective member's Chief Compliance Officers.

As to the work of preparing financial statements and other documents, we have clarified those respective scopes of categorized tasks thereof and those sections corresponding to the tasks, and each task-undertaking section has built up an adequate system of preparing those documents. With respect to our essentially important corporate information inclusive of those financial statements, we have endeavored to construct and manage the administrative system, subject to in-house rules concerning the administration and disclosure of internal information, of internal information with a wide coverage inclusive of our subsidiaries, and have strived for well-timed disclosures of material facts as well as settlement information, both of which may affect serious influences over investment decisions by investors. On the base of our own judgment, additionally, we make it a rule to disclose other useful information, which may be considered to be effective in further understanding of the Company, through the website of our home pages in the fair and forward-looking manner.

We have opened the Risk Management Committee for the purpose of properly coping with various risks, which may affect serious influences to the business executions of the Group. In the ordinary time, we have the Committee take many steps effective to prevent any realization of potential risks. In the extraordinary cases that those risks have come true, we have fully prepared up a system to curb the damages and losses to the lowest level and to cope with the risks immediately and properly. This is the risk management system by the Group.

We have also started the Information Security Committee, and tackled information security issues of the Group. According to the guidelines directed by the Ministry of Economy, Trade and Industry, we have set up medium-term or long-term measures to improve the information security system in a more comprehensive and wider ranged view, and every members of the Group has realized a implemented integrate and effective system on the Group-wide tie-ups. Since the fiscal year of 2004, we have advanced the conventional Information Security Committee into a Security Integration Committee, and have endeavored to put into effect various measures based on the security integration strategy of the Group.

In addition to those moves mentioned above, we have enacted, as measures to protect any private information, the "Basic Policy of Private Information Protection" as well as other guidelines related therewith to be abided by in handling any private information. We have implemented those measures of adequate handling and security control over any private information by appointing the post of Chief private Information Protection Officer (CPO), and stepped up endeavors to make the importance of protecting private information known thoroughly to any Officer or employee through available sessions of seminars and trainings.

## iii) Amounts of Fees for Officers

## Amounts of Fees for Officers of the Nihon Unisys (for the term ended March 2005)

Items	Directors		Auditors		Total	
	Number of Payees	Amount of Payment	Number of Payees	Amount of Payment	Number of Payees	Amount of Payment
Fees subject to the Incorporated Articles or the Resolutions by Shareholders' General Meeting	12	246	5	42	17	289
Directors' Bonuses through disposals of Profit	11	30	-	-	11	30
Retirement-memorial Bonuses on the Resolutions by Shareholders' General Meeting	4	0	2	30	6	31
Total		227		73		350

(Note) Limits to the amount of fees on the basis of resolutions by the shareholders' general meeting  
 Fees for Directors: ¥35 million per month  
 Fees for Auditors: ¥4.5 million per month

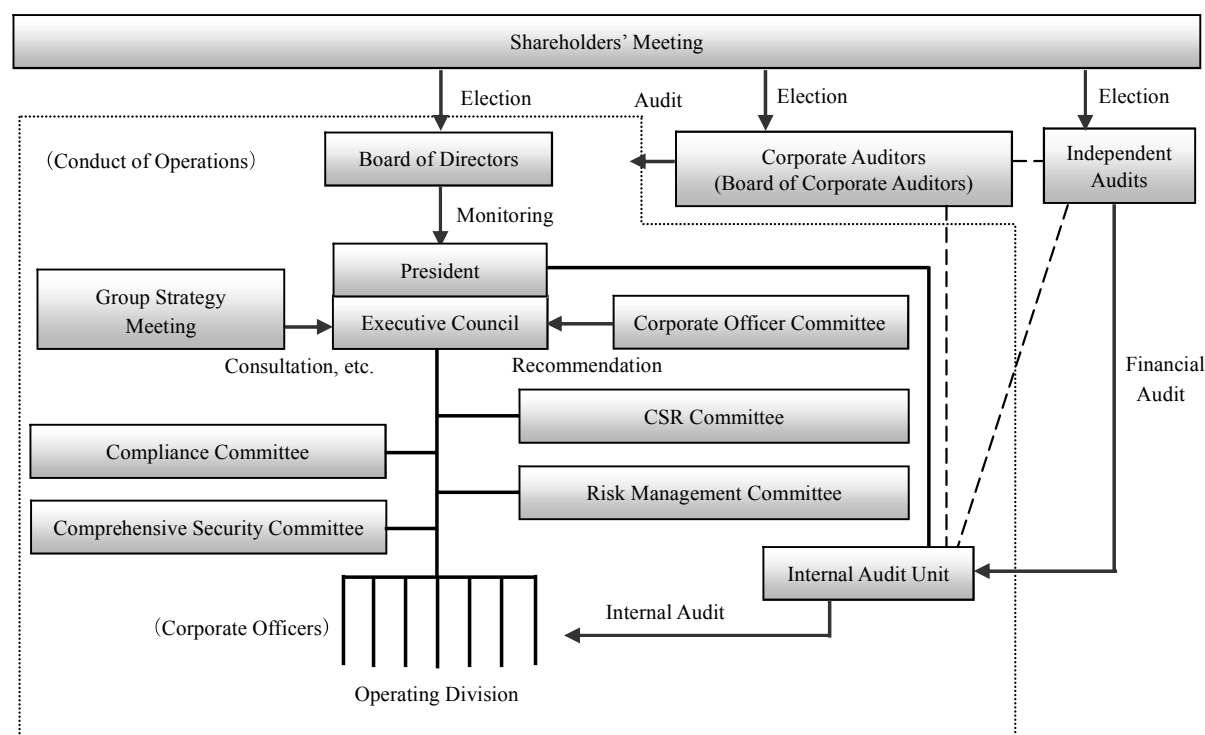
## iv) Amounts of Fees for Auditors

Amounts of fees payable by the Company to the audit corporation Deloitte Touche Tohmatsu  
(for the term ended March 2005)

Amounts of fees concerning the work of audit certificates according to audit contracts	¥33million
Amounts of fees arising from other services than the ones mentioned above	¥3 million

(Note) Those fees arising from other services than the audit fees are involved with the work of accounting consultation services.

## Nihon Unisys Corporate Governance System



2) Summary of personnel, capital, business-transaction relations or other business interests between Nihon Unisys and its corporate-outside Directors/Auditors

The four (4) corporate-outside Directors of us are executive officers from Mitsui & Co. and Unisys Corporation, both of which are major shareholders of us. The two (2) of the three (3) corporate-outside Auditors are from the both corporations mentioned above. We have relations of business transactions with the both corporations, while we have no such relations directly with any individual of those corporate-outside Directors or Auditors in person. With regard to articles of business transactions with the both corporations, please review the Note at page 27 concerning business transactions with the parties concerned therewith.

3) The recent one-year (reversed retrospectively back from the settlement date ended at the latest fiscal year) situation of tackling those tasks to strengthen the corporate governance system

At the Shareholders' Ordinary General Meeting held on June 25, 2004, we proposed a draft to shorten the length of an executive term of individual Directors from a conventional two (2) years to a new one (1) year for the purposes of establishing a flexible management system to cope smoothly with rapid changes in business environment surrounding the Company, and of clarifying Directors' business responsibility. The draft was resolved at the Meeting.

Additionally with the last-August-started CSR Committee placed at the center, we have consolidated our various activities ranged from environment, compliance, risk management, security, to social contribution in view of Corporate Social Responsibility (CSR), and systematically promoted those consolidated activities on a well-communicated tie-ups across members of the Group, though those activities were conventionally tackled respectively on a case-by-case basis. Particularly with environment-protecting activities, all of the Group's 11 companies, 112 business bases, and 206 business divisions obtained the authorization of ISO 14001 in March 2006. At an aim to furthermore strengthen such CSR activities in the fiscal year of 2005, we newly established the "CSR Division", concurrently opened the "CSR Development Room" as a CSR- specialized organization, and launched the "CSR Committee" constituted of concerned Officers as a CSR-related policy-auditing body for the sake of the total benefit of the whole Group.

## (4) Matters concerned with parent companies

## 1) Trade styles and/or other related matters of parent companies

Parent Companies	Properties	Ownership share (%) by parent companies of voting shares	Trade styles or names of the Stock Exchange(s) in which those parent companies' stocks are listed
Mitsui & Co.	In the case that a listed company happens to be a company related with another company, the subject company corresponds to the said another company.	28.9	First Sections of Tokyo, Osaka, and Nagoya, Stock Exchanges, and Sapporo, Fukuoka, Luxemburg, and Frankfurt Stock Exchanges, and US NASDAQ (ADR).
Unisys Corporation	In the case that a listed company happens to be a company related with another company, the subject company corresponds to the said another company.	28.9	Those Stock Exchanges stationed in New York, Switzerland, Amsterdam, Brussels, and London

(Note) Stock certificates issued from Mitsui & Co., which used to be listed on the Frankfurt Stock exchange, was de-listed from there as of May 2, 2005.

## 2) Out of parent companies and/or other companies concerned, the trade style or name of a company which is thought to affect the biggest influences to listed companies, and the cause thereof.

The trade style or name of a company which is thought to affect the biggest influences to listed companies	Mitsui & Co. Unisys Corporation
The reason why a company is thought to give the same-level influences to listed companies.	Because it owns voting stocks at the same share.

## 3) Positioning of listed companies in the corporate group containing the parent company and others; the relationship between other listed companies and the parent company and others

We are an affiliate related with Mitsui & Co. and Unisys Corporation, both of which owns our voting stocks respectively at the share of 28.9%.

We are a representative agent in sale of Unisys Corporation-made computers and other products. We handle the import, sale and maintenance services of those computers and other products here within the national territory of Japan, while Unisys Corporation grants us the use of its trademark, technical information and assistance. Our purchase of those products from Unisys Corporation is transacted by way of Mitsui & Co., as an agent for the purchase trade, which is settled in the intimate co-operation practices among the three (3) parties concerned.

## 4) Matters concerning business transactions with the parent company and others

Please review the note at Page 27 concerning "Related Party Transactions."

## 5) Tasks to be dealt with by the Company

On the strength of a steady tone of moderate economy recovery, there has been budding out good omen of upbeat IT investment by private corporations. In an overall investment atmosphere, however, majority of corporations still hold a cautious stance to make new equipment investment. Along with intensified market competition, a downward trend of prices shows a further downbeat into cheaper zones.

In this tough situation, Nihon Unisys Group is firmly determined to take full advantage of its IT expertise, and to step up additional efforts to acquire new technologies and create new-style businesses with solid aims set at (1) grasping market-/customer- oriented needs on an organizational and continuous basis to realize business solutions for enhancement of customers' business value, and (2) providing coherent high-quality services to be ranged from IT consulting, system architecture, and maintenance support to business-outsourcing projects.

For a further strengthened business management system, we intend to enhance the total business promotion capability as the whole Group by maintaining the campaign of cost-reducing structural reform and productivity improvement as the whole Group and by implementing the intensification of advantageous functions and organic business tie-ups among individual members of the Group, while launching aggressive campaigns of heightened encouragement for human resources-fostering drives as well as investments into growth-prospective areas.

Nihon Unisys Group is firmly determined to concentrate its total business resources into the business target of happy co-existence of continued growth together with its customers also from now on, by realizing "The leading Company of IT Services" as a creator of customer value.

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

#### 1. Results of Business Operations

##### (1) Overview of the fiscal year ended March 31, 2005

The Japanese economy during This Term maintained a trend of moderate business recovery on the firm moves of steady equipment investment. As for the future prospects, however, there loomed a feeling of somewhat uncertain business development, depressed by soaring upbeat of oil and steel prices. In the IT industry, there still existed the tough business environment under the heavier downbeat pressures through intensified competition and price cut-enforcing moves, despite of a basic tune of gradual recovery in information investment moves by private sectors.

Under these circumstances, Nihon Unisys Group (the Group) hoisted an emphasized slogan “Enhancement of Productivity and Expertise” as part of “Re-Enterprising2004”, which was positioned to a finally advanced stage of the business management reform “Re-Enterprising” aiming to be a best IT service company, and tackled a task of uplifting its comprehensive business strength as the whole Group by way of organization re-alignment, function consolidation, cost-reducing structural reform with solid targets aimed at enhancement by respective organizations of expertise level, improved business tie-ups across individual organizations, and further solidification of the Group’s business grounds.

To strengthen the marketing system, we initially implemented an organizational reform of realigning and intensifying the two divisions of business development and business enterprise. Then, secondly we opened “advanced technology planning section”, which was aimed at applying high-technologies such as ubiquitous computers, information security services, open-source software development projects into practical areas of present business activities, in “the business development center,” an organization specialized in marketing and consulting activities. And thirdly, we endeavored to strengthen our marketing capability by launching a newly established enterprise division in the IT service industry market.

On a well-tuned combination of intimate business tie-ups across expertise companies and organizations of the Group, including Nihon Unisys Solutions, Uniadex, etc, we firmly strengthened our competitiveness in the industry.

As for those unprofitable development projects that had given a serious impact on the business results for the previous term, however, we further intensified the project management system on a method of thorough completion of earlier review over development projects, and strived for preventive measures to curb any occurrence of unprofitable projects.

In parallel with these moves, there were two acquisitions of internationally well-known authorization. The customer-support service section of Uniadex, a company of the Group, successfully obtained the CMMI authorization, which objectively evidences the technical maturity level of software development processes, and additionally acquired the IT service management authorization BS15000, a historically-first case here in Japan, which demonstrates the high-quality of outsourcing services. Those are the very results of that we continued stepping up corporate

endeavors to win an even thicker trust, as a business partner, from many customers.

In the business operation area, we strived to switch our business-promoting form to a business model of creating customer value, which may be neutral to any influence by price-destroying fevers, by further intensifying two campaigns we had started since the fiscal year of 2004. One was the business-consulting service “Upstream approach” aimed to help resolve management issues of customers, while the other was “Chains of service businesses” through the Group’s collaboration. In line with these moves, we made the efforts to upgrade the level of proposal capability. As a result, we are getting new customers and additional orders on the increase from new business areas within existing customers.

In the large Windows<sup>®</sup> and Microsoft .NET area, we have further uplifted our superior position in industrial competitiveness, by getting orders of constructing Windows-based financial main systems from IY Bank, Tokyo International Financial Futures Exchange, etc., and by expanding a lineup of various middleware products including MIDMOST<sup>®</sup> for .NET, by widening the channel of marketing large Windows Server ES7000, and by intensifying the IT consultation services and IT-system-construction- supporting system on the strength of dedicated teams.

In the ubiquitous computer area, we have prepared for a coming stage of business chances expansions oriented for a transitional time from demonstrating experiments to practical use, by proposing IC tag application to daily business operations in the industries of manufacturing, retails, service provision and by activating customer-support systems. Also in the network area, the Group aims a further growth on the achievement that Uniadex, a large-scale network system builder, launched a sale of wireless IP solution system of integrating its wireless LAN-applying technologies with mobile phone terminals.

In the outsourcing business area on the continued growth, we are getting new customers on the steady valuation for our technological reliability endorsed with the track records to support customers by providing accounting system, system development capabilities, ample outsourcing know-how, a lot of security-related authorizations. Besides, we are pouring our business resources for outsourcing proposals to step even into business processes of customers.

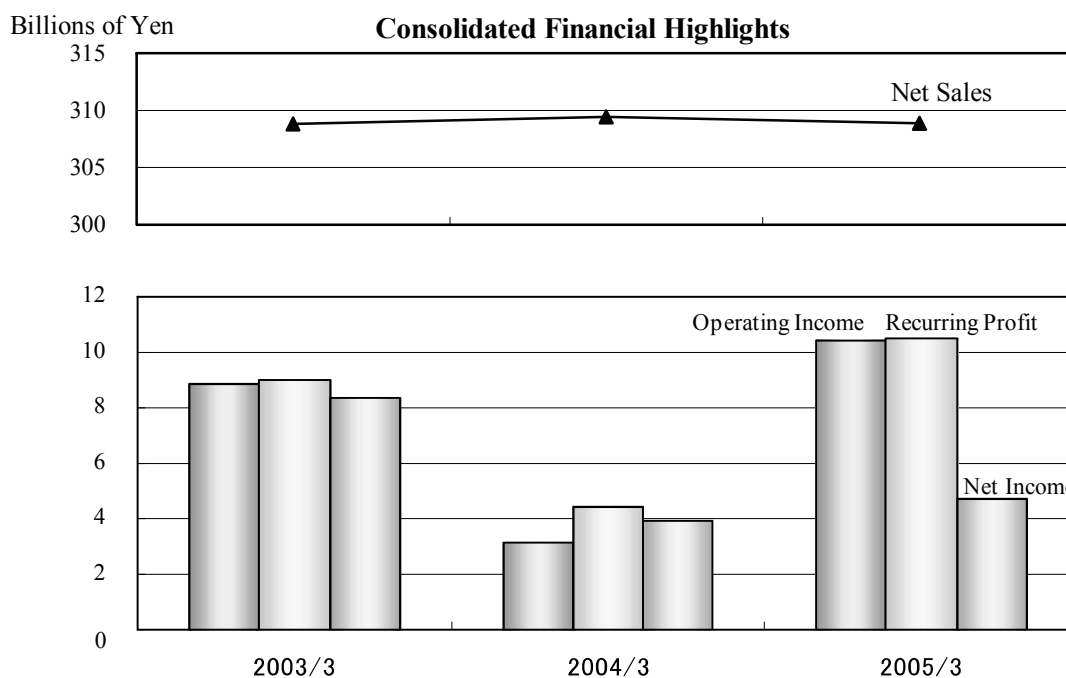
As to the consolidated-basis sales result for This Term, total sales leveled off to ¥308,868 million (a dip by 0.2% from the previous term) almost at the same level as in the previous term, depressed by the sales slump in hardware and system services as well as the continued tough competitions in price reduction and product sales amid a weakened mood of slow recovery in information technology investments by corporations. In the phase of business profits for This Term, however, operating income jumped up to ¥10,413 million (up by 229.0% from the previous term) and recurring profit soared up to ¥10,533 million (up 139.7% from the previous term) attributed by a series of conventional business policies including (1) cost-reducing structural reform backed up by the fulfillment of “Re-Enterprising”, (2) revisions into the retirement pension system, (3) improved profitability, and (4) further retrenchment of general expenses. Slightly dragged down by an allocation of ¥1,291 million into the section of extraordinary loss, which is a support allowance to be allotted during the transitional period for revising special retirement-encouraging system in This Term,

net income for This Term recorded ¥4,716 million (up by 20.3% from the previous term).

In a breakdown of net sales, the service segment marked ¥177,450 million (up by 1.2% from the previous term), a surge of ¥2,113 million from the before term, thanks to the continued smooth expansion of outsourcing businesses, which was offset partially by a decline of system service from the previous term. Software sales climbed up to ¥52,405 million (up 6.5% from the before), a rise of ¥3,205 million from the before, on the strength of large-lot sales and open-source solution increase. On the other hand, the hardware segment sales sank by ¥5,867 million to ¥79,013 million (down by 6.9% from the before), pulled down by decreasing lease fees plus leveling-off server sales.

In terms of a total breakdown into the sales, the service segment accounted for 57.4 % (56.7% in the previous term), the software segment for 17.0% (15.9% in the previous term), and the hardware for 25.6% (27.4 % in the previous term).

Microsoft and Windows are registered trademarks or trademarks of Microsoft Corporation in the United States and other countries.



## (2) Prospects for the coming term

Along with a moderate business recovery, IT investment intentions by corporations have been on the gradual rebound led by moves of systematization investments, which may be directly linked to solution of business tasks of intensifying competitiveness of their own. On the other hand, however, there seems to continue a defensive stance to curb overall IT-related cost increase, or to highly estimate investment efficiency. Thus, triggered off by intensifies market competitiveness, a conventional downward spiral in product and service prices is expected to worsen to a further lower level.

In this business environment, Nihon Unisys Group intends to activate its upstream proposals and consultation services for the purpose of realizing solution proposals to enhance customers' business value, and also to expand service businesses on aggressive throws of business resources into growth-prospective areas. Additionally, Nihon Unisys has every company of the Group uplift its profitability by strengthening its expertise and further improving its product quality and business productivity.

As for the consolidated-basis business results for the following term, net sales is estimated to slightly rise by 2.0% to ¥315 billion on the sales increase of the service segment, while being offset by a sales slump in software and hardware segments depressed by mainframe sales decline as well as the general price downward trend. Particularly to sales of the system services segment, however, the number of project increase on smooth progresses in upstream proposal activities as well as large-scale project-developing activities is expected to follow a steady rise with continued prospects for possible expansions of outsourcing businesses and Uniadex sales.

In the side of a profit, a combination of expanded sales, tackles into enhanced service productivity and further cost reduction will be likely to mark ¥10.5 billion (0.8% up from This Term) in operating income despite of negative influences by downward prices onto profitability. Recurring profit is to worsen to ¥10.1 billion (down 4.1%) on a possible expansion of non-operating expenses. Net income for the next term will be slated to climb up to ¥5.2 billion (up by 10.2% from This Term) with no extraordinary losses expected.

	Fiscal Year Ending March 31, 2006	Fiscal Year Ended March 31, 2005	Increase/Decrease	
Net Sales	315,000	308,868	+6,131	(+2.0%)
Operating Income	10,500	10,413	+86	(+0.8%)
Recurring Profit	10,100	10,533	-433	(-4.1%)
Net Income	5,200	4,716	+483	(+10.2%)

## 2. Financial Condition

Since cash expenditures principally for purchases of computers for outsourcing business and software development exceeded cash provided by operating activities, financing was made primarily by issuing commercial paper. As a result, cash and cash equivalents at March 31, 2005 decreased by ¥925 million from a year ago, to ¥25,983 million.

(Cash flows from operating activities)

The Company generated ¥12,112 million (down ¥4,323 million from the year-ago period) of cash from operating activities. The income before income taxes and minority interests was ¥8,808 million (down ¥91 million). Depreciation and amortization expense, a non-cash expense, was ¥18,363 million (down ¥1,745 million).

## (Cash flows from investing activities)

The net cash used in investing activities was ¥16,671 million (down ¥17,963 million), due mainly to purchases of equipment such as computers for outsourcing (¥5,409 million, down ¥3,544 million) and purchases of intangible fixed assets such as software development for outsourcing business (¥11,481 million, up ¥890 million).

## (Cash flows from financing activities)

The net cash provided by financing activities was ¥3,633 million (up ¥22,367 million), principally by proceed from issuance of commercial paper of ¥6,000 million (up ¥12,000 million). On the contrary, the Company used cash for purchases of treasury stock (¥1,433 million, down ¥543 million) and payments of cash dividends (¥802 million, down ¥13 million).

	Fiscal Year ended Mach 31, 2005	Fiscal Year ended Mach 31, 2004	Fiscal Year ended Mach 31, 2003	Fiscal Year ended Mach 31, 2002
Shareholders' equity ratio (%)	43.6	41.7	41.2	33.0
Shareholders' equity ratio at market value (%)	52.9	41.6	25.3	34.9
Debt repayment period (years)	3.4	2.3	2.8	2.9
Interest coverage ratio	26.1	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.

### 3. Risks in business operations

Major risks involved with the Group's businesses go as follows:

#### (1) Influences by an economy trend and market environment

In the information service industry the Group inhabits, service prices have been on the continued decline because corporate users have been solidifying their stances to reduce costs and focus on ROI (Return on Investments), though IT investments by corporations have been on the gradual recovery. In this market circumstance, any occurrence of serious situations such as delayed responses in technological innovations, intensified price competitions beyond ordinary imagination may affect the financial conditions and business results of the Company.

#### (2) Project management risks

The Group concurrently promotes many projects of system developments. In a business environment of intensified competitions, however, there are explosively increasing hard-to-handle projects with features of being installation-term-shortened, scale-enlarged, or complicated. Once there occurs a

problem in the development process of any project, a large sum of money will be sure to be consumed for repair operations, which may result in a failed deficit project with possible revenues outnumbered by development cost. To avoid such risks, we have implemented effective measures to prevent and earlier spot deficit-ridden cases by intensifying the project management system.

(3) Risks exposed to fluctuations in foreign exchange rates

The Company is a wholesale agent here in Japan in sales of Unisys-made computers and other products, and handles the businesses of import and sales of those computers in the national territory of Japan. Thus, the Group's purchase in foreign-currency denomination totaled to ¥15,721 million for the term ended March 2005, which purchase may be exposed to fluctuations in foreign exchange rates. To avoid such risks, the Company places risk-hedging measures through exchange contracts.

(4) Information control risks

The Group has many opportunities to access to confidential personal and/or corporate information, including its own one, by way of our business activities of developing and/or providing information systems. Therefore, we regard it at the top priority issue to keep information in strict confidence, because we inhabit in the information industry. To cope with even a micro-scale possibility of information leakage out of an emergency case beyond ordinary imagination, we have indeed placed, on such possible cases, insurance contracts with insurance money piled up to some extent. However, in the case that damage-repairing expenses outnumber the contract-coverage amount, or in the case that the leakage has made the Group's social reputation fall to the ground, there will be a serious possibility of affecting the business results.

(5) Intellectual property risks

The Group use intellectual property right concerning a great number of computer programs on the routine work of promoting business operations. Thus, any failure in acquisition or maintenance of property right licenses, on the contrary to prefixed schedules, may affect the Group's business activities.

In addition, there will be a possibility that the Group may be one of parties concerned with intellectual right litigation on computer programs, and as a result, any occurrence of incurred expenses may affect the Group's business records.

(6) Natural disaster risks

In the case that those natural disasters such as earthquakes have done destructive damages and losses to major business bases of the Group, a huge amount of repair or replacement expenses may be needed, concurrently give huge-scale impacts on sales and other business activities, and ultimately affect the Group's business records.

**4. Consolidated Financial Statements****CONSOLIDATED STATEMENTS OF INCOME**

	Year ended March 31, 2005	Year ended March 31, 2004	Increase (Decrease)	
			Amount	% change
	millions of yen	millions of yen	millions of yen	%
Net sales	308,868	309,417	(548)	(0.2)
Cost of sales	232,941	234,936	(1,995)	(0.8)
Gross profit	75,927	74,481	1,446	1.9
Selling, general and administrative expenses	65,514	71,315	(5,801)	(8.1)
Operating income	10,413	3,165	7,248	229.0
Non-operating income				
Interest and dividend income	208	152	55	-
Gain on sales of listed securities	207	1,213	(1,005)	-
Other	333	776	(442)	-
Non-operating expenses				
Interest expense	463	574	(111)	-
Foreign exchange loss	64	-	64	-
Other	101	340	(238)	-
Recurring profit	10,533	4,393	6,139	139.7
Extraordinary gains				
Gain on sales of fixed assets	16	11,944	(11,928)	-
Gain on sales of investment securities	271	47	224	-
Other	17	-	17	-
Extraordinary losses				
Special retirement expense	1,291	-	1,291	-
Write-down of telephone subscription right	304	-	304	-
Loss on pension plan amendments	87	5,479	(5,391)	-
Restructuring charges	-	1,753	(1,753)	-
Other	346	253	93	-
Income before income taxes and minority interests	8,808	8,899	(91)	(1.0)
Income taxes - current	2,691	3,316	(624)	-
Income taxes-refunded	(203)	-	(203)	-
Income taxes - deferred	1,561	1,495	66	-
Minority interests	41	165	(123)	-
Net income	4,716	3,922	794	20.3

**CONSOLIDATED BALANCE SHEETS**

	March 31, 2005	March 31, 2004	Increase (Decrease)
	millions of yen	millions of yen	millions of yen
<b>(ASSETS)</b>			
Current assets			
Cash and time deposits	25,993	26,951	(958)
Notes receivable and accounts receivable - trade	85,149	83,679	1,470
Inventories	15,215	10,973	4,242
Deferred tax assets	9,067	9,494	(426)
Other	5,186	6,960	(1,774)
Allowance for doubtful accounts	(95)	(82)	(12)
Total current assets	140,518	137,977	2,541
Fixed assets			
Property and equipment			
Buildings and structures	4,813	5,006	(193)
Machinery, equipment and vehicles	15,087	21,420	(6,333)
Other	2,575	3,040	(464)
Total property and equipment	22,476	29,467	(6,991)
Intangible fixed assets			
Software	19,419	16,358	3,061
Other	144	503	(359)
Total intangible fixed assets	19,564	16,862	2,702
Investments and other assets			
Investment securities	8,858	8,511	347
Deferred tax assets	8,027	9,007	(980)
Prepaid pension cost	11,859	13,550	(1,691)
Other	11,380	11,761	(381)
Allowance for doubtful accounts	(528)	(446)	(82)
Total investments and other assets	39,596	42,384	(2,787)
Total fixed assets	81,636	88,713	(7,076)
Total assets	222,155	226,690	(4,535)

	March 31, 2005	March 31, 2004	Increase (Decrease)
	millions of yen	millions of yen	millions of yen
<b>( LIABILITIES )</b>			
Current liabilities			
Notes payable and accounts payable - trade	39,555	42,918	(3,362)
Short-term borrowings	994	1,140	(146)
Current portion of long-term loans payable	8,446	5,629	2,817
Commercial paper	6,000	-	6,000
Income taxes payable	2,101	2,873	(772)
Accrued expenses	14,533	13,565	968
Allowances	1,067	1,261	(194)
Other	16,726	22,530	(5,804)
Total current liabilities	89,424	89,920	(495)
Long-term liabilities			
Bonds	8,000	8,000	-
Long-term loans payable	15,375	17,921	(2,546)
Allowances	2,368	2,532	(163)
Other	9,543	13,281	(3,738)
Total long-term liabilities	35,286	41,735	(6,448)
Total liabilities	124,711	131,655	(6,943)
Minority interests	551	564	(13)
<b>( SHAREHOLDERS' EQUITY )</b>			
Common stock	5,483	5,483	-
Capital surplus	15,281	15,281	-
Retained earnings	77,390	73,542	3,848
Net unrealized gain on securities	2,150	2,143	6
Treasury stock - at cost	(3,413)	(1,979)	(1,433)
Total shareholders' equity	96,892	94,471	2,421
Total liabilities, minority interests, and shareholders' equity	222,155	226,690	(4,535)

**CONSOLIDATED STATEMENTS OF RETAINED EARNINGS**

	Year ended March 31, 2005	Year ended March 31, 2004
	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	73,542	70,486
Increase in retained earnings	4,716	3,945
Net income	4,716	3,922
Increase due to a newly consolidated subsidiary	-	23
Decrease in retained earnings	868	888
Cash dividends	801	816
Bonuses to directors and corporate auditors	66	72
Retained earnings at end of year	77,390	73,542

**CONSOLIDATED STATEMENTS OF CASH FLOWS**

	Year ended March 31, 2005	Year ended March 31, 2004	Increase (Decrease)
	millions of yen	millions of yen	millions of yen
Cash flows from operating activities			
Income before income taxes and minority interests	8,808	8,899	(91)
Depreciation and amortization	18,363	20,108	(1,745)
Gain on sales of fixed assets	(16)	(11,944)	11,928
Gain on sales of investment securities	(479)	(1,261)	781
Decrease in allowances	(263)	(1,681)	1,417
Increase in accounts receivable - trade	(1,471)	(4,145)	2,673
Decrease (increase) in inventories	(4,242)	4,654	(8,897)
Increase (decrease) in accounts payable - trade	(3,360)	2,470	(5,831)
Other - net	(1,578)	932	(2,510)
Subtotal	15,758	18,032	(2,274)
Interest and dividend received	206	152	53
Interest paid	(463)	(609)	146
Income taxes paid	(3,389)	(1,139)	(2,250)
Net cash provided by operating activities	12,112	16,436	(4,323)
Cash flows from investing activities			
Purchases of property and equipment	(5,409)	(8,954)	3,544
Proceeds from sales of property and equipment	21	14,719	(14,697)
Purchases of intangible fixed assets	(11,481)	(10,591)	(890)
Proceeds from sales of intangible fixed assets	-	4,509	(4,509)
Purchases of investment securities	(451)	(492)	41
Proceeds from sales of investment securities	554	2,331	(1,777)
Other - net	95	(229)	324
Net cash provided by (used in) investing activities	(16,671)	1,292	(17,963)
Cash flows from financing activities			
Net decrease in short-term borrowings	(146)	(5,411)	5,265
Proceeds from long-term loans payable	5,900	2,550	3,350
Repayments of long-term loans payable	(5,629)	(6,094)	465
Net increase (decrease) in commercial paper	6,000	(6,000)	12,000
Purchases of treasury stock	(1,433)	(1,977)	543
Cash dividends paid	(802)	(816)	13
Other - net	(255)	(985)	730
Net cash provided by (used in) financing activities	3,633	(18,734)	22,367
Net decrease in cash and cash equivalents	(925)	(1,004)	79
Cash and cash equivalents, beginning of year	26,909	27,831	(921)
Cash and cash equivalents of a newly consolidated subsidiary	-	83	(83)
Cash and cash equivalents, end of year	25,983	26,909	(925)

## **Summary of Significant Accounting Policies**

### 1. Scope of consolidation

- (1) The accompanying consolidated financial statements for the year ended March 31, 2005 include the accounts of Nihon Unisys, Ltd. (the "Company") and its 10 consolidated subsidiaries (together, the "Group"). Some of the most significant subsidiaries are as follows.

UNIADEX, Ltd.  
Nihon Unisys Solutions, Ltd.  
Nihon Unisys Excelutions, Ltd.

On April 1, 2004, O.S. Engineering, Ltd. was merged into UNIADEX, Ltd., a surviving company. In October 2004, we centralized system service functions of the Group by merging Nihon Unisys Software, Ltd. and 6 local software houses (Hokkaido Soft Engineering Co., Ltd. Tohoku Soft Engineering Co., Ltd. Chubu Soft Engineering Co., Ltd. Kansai Soft Engineering Co., Ltd. Hiroshima Soft Engineering Co., Ltd. Kyusyu Soft Engineering Co., Ltd.) and created Nihon Unisys Solutions, Ltd., aiming to create a system service company that has high expertise, productivity and competitiveness.

- (2) Number of non-consolidated subsidiaries: 3

Three 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 three unconsolidated subsidiaries including NUL Systems Service Corporation and four 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

Available-for-sale 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.

Available-for-sale 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

a. 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.

b. 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

a. 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.

b. Hedging instruments and hedged items:

The foreign currency forward contracts and the currency options 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.

## c. 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.

## d. 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. Appropriation of retained earnings

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

## 6. 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, 2005</u> Millions of yen	<u>March 31, 2004</u> Millions of yen
1. Accumulated depreciation of property and equipment	80,563	109,872
2. Contingent liabilities	4,136	4,926

**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, 2005</u> Millions of yen	<u>March 31, 2004</u> Millions of yen
Cash and time deposits	25,993	26,951
Time deposits with maturities over 3 months	(10)	(42)
Cash and cash equivalents	<u>25,983</u>	<u>26,909</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, 2005

(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		192,492 million yen	3 million US dollars
Business		Trading	Information technology services and solutions provider
Voting interest in the Company		Direct: 28.90%; Indirect: 0.01%	Direct: 28.90%
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 for sales and business	(2)Payments for fees for technology information and technology support provided, trademark royalties, and software license fees
Transaction amount		9,569 million yen	15,370 million yen
Account		Accounts payable-trade and long-term liabilities-other	Current assets -other (Advances) Accounts payable-trade and others
Balance at March 31, 2005		3,103 million yen	45 million yen 1,134 million yen

Notes) 1. The above transaction amount does not include consumption taxes, while the balance at March 31, 2005 includes consumption taxes.

## 2. Transaction conditions and policy on determining transaction conditions

- a. When purchasing computer equipment for sales and business, 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.

- b. 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		2 million yen
Account		N/A
Balance at March 31, 2005		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, 2005 and 2004 are as follows:

	<u>March 31, 2005</u>	<u>March 31, 2004</u>
	Millions of yen	Millions of yen
(1) Current assets		
Deferred tax assets		
Accrued bonuses	4,482	3,760
Accounts payable	1,228	2,300
- amount transferred to the defined contribution plan		
Inventory valuation loss	1,365	1,313
Accrued expenses	871	888
Allowance for non-billable services	343	458
Accrued business tax	357	364
Other	417	406
Total deferred tax assets	<u>9,067</u>	<u>9,494</u>
(2) Fixed assets/liabilities		
Deferred tax assets		
Depreciation expenses	7,713	8,438
Tax loss carryforwards	4,591	4,434
Accounts payable	2,424	3,863
- amount transferred to the defined contribution plan		
Allowance for retirement and severance benefits	908	818
Amortization expenses of deferred assets	—	437
Other	1,228	1,244
Subtotal	<u>16,866</u>	<u>19,236</u>
Valuation allowance	<u>(186)</u>	<u>(148)</u>
Total deferred tax assets	16,680	19,087
Deferred tax liabilities		
Prepaid pension cost	(4,773)	(5,515)
Reserve for program	(2,664)	(3,145)
Net unrealized gain on securities	(1,478)	(1,471)
Other	(266)	(317)
Total deferred tax liabilities	<u>(9,182)</u>	<u>(10,449)</u>
Net deferred tax assets (liabilities)	<u>7,497</u>	<u>8,638</u>

(Note) Net deferred tax assets (liabilities) of fixed assets at March 31, 2005 and 2004 consist of the following lines of the consolidated balance sheets.

	<u>March 31, 2005</u>	<u>March 31, 2004</u>
	Millions of yen	Millions of yen
Fixed assets – deferred tax assets	8,027	9,007
Long-term liabilities – deferred tax liabilities	(529)	(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, 2005 and 2004 is as follows:

	<u>Year ended</u> <u>March 31, 2005</u>	<u>Year ended</u> <u>March 31, 2004</u>
	%	%
Normal effective statutory tax rate	40.7	42.1
Expenses not deductible for income tax purposes, including entertainment expenses	3.0	4.0
Amount of per-capita local tax	0.9	1.0
Effective statutory tax rate change	—	5.9
Other-net	1.4	1.1
Actual effective tax rate	<u>46.0</u>	<u>54.1</u>

## Securities

### (1) Available-for-sale securities whose fair value is readily determinable

	<u>March 31, 2005</u>			<u>March 31, 2004</u>		
	Acquisition cost Millions of yen	Carrying amount Millions of yen	Difference Millions of yen	Acquisition cost Millions of yen	Carrying amount Millions of yen	Difference Millions of yen
Those whose carrying amount exceed the acquisition cost						
Equity securities	2,764	6,425	3,661	2,678	6,332	3,654
Subtotal	2,764	6,425	3,661	2,678	6,332	3,654
Those whose carrying amount do not exceed the acquisition cost						
Equity securities	528	489	(39)	632	576	(55)
Bond	100	100	—	—	—	—
Subtotal	628	589	(39)	632	576	(55)
Total	3,392	7,015	3,622	3,310	6,909	3,598

### (2) Available-for-sale securities sold during the years ended March 31, 2005 and 2004

	<u>Year ended March 31, 2005</u>	<u>Year ended March 31, 2004</u>
	Millions of yen	Millions of yen
Proceeds from sales of available-for-sale securities	554	2,383
Gross realized gains	479	1,287
Gross realized losses	—	25

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

	<u>March 31, 2005</u>	<u>March 31, 2004</u>
	Millions of yen	Millions of yen
Available-for-sale securities		
Unlisted equity securities	1,471	1,299
Other	56	—
Total	1,528	1,299

### (4) Maturity amount of available-for-sale securities with maturity and held-to-maturity debt securities

	<u>March 31, 2005</u>			<u>March 31, 2004</u>		
	Due in 1 year or less Millions of yen	Due after 1 year through 5 years Millions of yen	Due after 5 year through 10 years Millions of yen	Due in 1 year or less Millions of yen	Due after 1 year through 5 years Millions of yen	Due after 5 year through 10 years Millions of yen
Debt securities	-	-	100	-	-	-
Other	26	30	-	-	-	-
Total	26	30	100	-	-	-

## 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 and consolidated subsidiaries, UNIADDEX, Ltd. and Nihon Unisys Solutions, Ltd., have a defined benefit plans, defined contribution plans, and optional plans of advances of severance indemnities.

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 are 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 1,674 million yen as of March 31, 2005.

The Company and UNIADDEX, Ltd., effective April 1, 2004, altered the pension plan to a point system, and implemented a defined contribution pension plan 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.

Nihon Unisys Solutions, Ltd., effective October 1, 2004, altered the pension plan to a point system, and implemented a defined contribution pension plan and an optional plan of advances of severance indemnities by which 50% 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 recognized "loss on pension plan amendments" as an extraordinary loss for the year ended March 31, 2005 in accordance with the guidance issued by the Accounting Standards Board of Japan.

### (2) Allowance for retirement and severance benefits at March 31, 2005 and 2004 consisted of the following:

	<u>March 31, 2005</u>	<u>March 31, 2004</u>
	Millions of yen	Millions of yen
Projected benefit obligations	(99,893)	(101,358)
Fair value of plan assets	84,481	80,252
Projected benefit obligation in excess of plan assets	(15,412)	(21,100)
Unrecognized transitional obligation	10,421	12,538
Unrecognized prior service cost	(10,920)	(12,000)
Unrecognized actuarial loss	25,884	32,039
Net of amounts reported in the consolidated balance sheets	9,972	11,475
Prepaid pension cost	11,859	13,550
Allowance for retirement and severance benefits	<u>(1,886)</u>	<u>(2,075)</u>

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

- (3) The components of net periodic benefit costs for the years ended March 31, 2005 and 2004 were as follows:

	<u>Year ended</u> <u>March 31, 2005</u> Millions of yen	<u>Year ended</u> <u>March 31, 2004</u> Millions of yen
Service cost (Note 1)	2,888	4,157
Interest cost	2,003	2,965
Expected return on plan assets	(2,341)	(1,894)
Amortization of transitional obligation	2,096	2,425
Amortization of prior service cost	(1,208)	7
Recognized actuarial loss	4,073	5,490
Other (Note 2)	1,025	—
Net periodic benefit costs	<u>8,538</u>	<u>13,151</u>
Loss on pension plan amendments	<u>87</u>	<u>5,479</u>
Total	<u><u>8,626</u></u>	<u><u>18,631</u></u>

Note) 1. Benefit expense of consolidated subsidiaries using the simplified method is included in the service cost.

2. Other includes contribution to the defined contribution plan, payment to employees as advances of severance indemnities, and contribution to *Sogo* (general) type employees' pension plans.

- (4) Assumptions used for the years ended March 31, 2005 and 2004 were set forth as follows:

	<u>Year ended</u> <u>March 31, 2005</u>	<u>Year ended</u> <u>March 31, 2004</u>
Attribution of benefit to periods	Straight-line method	Straight-line method
Discount rate	2.0 %	2.0 %
Expected rate of return on plan assets	3.0 %	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, 2005	Percent change from year ended March 31, 2004
	Millions of yen	%
System services	81,300	(0.6)
Software	16,841	(9.8)
Total	98,142	(2.3)

### (2) Orders received

	Orders		Backlog	
	Year ended March 31, 2005	Percent change from year ended March 31, 2004	March 31, 2005	Percent change from March 31, 2004
	Millions of yen	%	Millions of yen	%
Services	172,269	+5.4	83,720	+10.7
Software	39,547	+11.1	16,220	(17.9)
Hardware	66,771	(12.4)	16,573	+3.1
Total	278,589	+1.2	116,514	+4.5

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

Orders and backlog are calculated on contracts.

### (3) Sales

	Year ended March 31, 2005	Percent change from year ended March 31, 2004
	Millions of yen	%
Services	177,450	+1.2
Software	52,405	+6.5
Hardware	79,013	(6.9)
Total	308,868	(0.2)

## Non-Consolidated Financial Report for the Fiscal Year Ended March 31, 2005

### Nihon Unisys, Ltd.

--Listing: Tokyo Stock Exchange First Section Code number: 8056 (URL <http://www.unisys.co.jp>)  
 --Date of the Meeting of the Board of Directors to Settle Accounts: May 9, 2005  
 --Dividends will be paid starting from June 24, 2005  
 --Date of the Annual Meeting of Shareholders: June 23, 2005  
 --Interim dividends plan: Exist  
 --Trading unit share plan: Exist (Trading unit: 100 shares)

#### 1. Business Results for the Fiscal Year Ended March 31, 2005 (From April 1, 2004 to March 31, 2005)

##### (1) Results of Operations

Years Ended	Net Sales	% change	Operating Income	% change	Recurring Profit	% change
	Millions of yen	%	millions of yen	%	millions of yen	%
March 31, 2005	241,793	(3.8)	5,486	-	7,204	290.2
March 31, 2004	251,412	(3.2)	(1,827)	-	1,846	(67.5)

Years Ended	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	%	%	%
March 31, 2005	3,644	(25.3)	33.70	33.68	4.2	3.7	3.0
March 31, 2004	4,879	(22.3)	44.75	-	5.7	0.9	0.7

Notes) 1. Average number of shares outstanding  
 2005: 106,523,292 shares  
 2004: 108,372,240 shares

2. Change in accounting policies: Not applicable

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

##### (2) Dividends

Years Ended	Annual Dividends per Share			Total Dividends	Dividends Payout Ratio	Ratio of Dividends/ Shareholders' Equity
	Interim	End of Period				
	yen	yen	yen	millions of yen	%	%
March 31, 2005	7.50	3.75	3.75	795	22.3	0.9
March 31, 2004	7.50	3.75	3.75	806	16.8	0.9

##### (3) Financial Standing

	Total Assets	Shareholders' Equity	Shareholders' Equity Ratio	Shareholders' Equity per Share
	millions of yen	millions of yen	%	yen
March 31, 2005	195,739	88,185	45.1	834.11
March 31, 2004	196,027	86,827	44.3	809.99

Notes) 1. Number of shares outstanding at the end of fiscal year  
 2005: 105,658,036 shares  
 2004: 107,159,417 shares

2. Number of treasury stocks at the end of fiscal year  
 2005: 4,005,488 shares  
 2004: 2,504,107 shares

#### 2. Earnings Forecast for the Fiscal Year Ending March 31, 2006 (from April 1, 2005 to March 31, 2006)

	Net Sales	Operating Income	Recurring Profit	Net Income	Annual Dividends per Share		
					Interim	End of Period	
	millions of yen	millions of yen	millions of yen	millions of yen	yen	yen	yen
Interim	100,000	(2,300)	(1,000)	(300)	3.75	-	-
Full-Year	250,000	1,100	2,500	1,600	-	3.75	7.50

Reference) Expected earnings per share (full-year basis): 14.62 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 14.

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

**7. Non-consolidated Financial Statements****NON-CONSOLIDATED STATEMENTS OF INCOME**

	Year ended March 31, 2005	Year ended March 31, 2004	Increase (Decrease)	
			Amount	% change
	millions of yen	millions of yen	millions of yen	%
Net sales	241,793	251,412	(9,618)	(3.8)
Cost of sales	185,772	194,747	(8,974)	(4.6)
Gross Profit	56,020	56,664	(644)	(1.1)
Selling, general and administrative expenses	50,534	58,492	(7,958)	(13.6)
Operating income (loss)	5,486	(1,827)	7,313	-
Non-operating income				
Interest and dividend income	1,296	2,308	(1,012)	
Gain on sales of listed securities	207	1,201	(993)	
Income from building rental	-	416	(416)	
Other	757	602	154	
Non-operating expenses				
Interest expense	419	526	(107)	
Legal settlement	-	153	(153)	
Other	124	175	(51)	
Recurring profit	7,204	1,846	5,358	290.2
Extraordinary gains				
Gain on sales of fixed assets	65	12,097	(12,031)	
Gain on sales of investment securities	268	47	220	
Other	17	-	17	
Extraordinary losses				
Special retirement expense	1,052	-	1,052	
Special depreciation of telephone subscription rights	216	-	216	
Loss on pension plan amendments	-	3,866	(3,866)	
Restructuring charges	-	1,753	(1,753)	
Other	254	207	47	
Income before income taxes	6,033	8,164	(2,131)	(26.1)
Income taxes - current	31	213	(181)	
Income tax refund	(203)	-	(203)	
Income taxes - deferred	2,560	3,071	(510)	
Net income	3,644	4,879	(1,235)	(25.3)
Retained earnings carried forward	46,474	41,924	4,550	
Interim cash dividends	399	404	(5)	
Unappropriated retained earnings	49,719	46,399	3,320	7.2

**NON-CONSOLIDATED BALANCE SHEETS**

	March 31, 2005	March 31, 2004	Increase (Decrease)
	millions of yen	millions of yen	millions of yen
<b>(ASSETS)</b>			
<b>Current assets</b>			
Cash and time deposits	23,451	23,523	(71)
Notes receivable	139	242	(102)
Accounts receivable - trade	67,561	68,826	(1,265)
Merchandise	7,899	3,649	4,250
Work in process	1,337	1,803	(465)
Supplies	4	5	(1)
Advances	138	430	(292)
Prepaid expenses	1,612	1,303	309
Deferred tax assets	3,354	4,819	(1,464)
Short-term loans to subsidiaries and affiliates	16,253	7,934	8,318
Other	1,731	4,087	(2,356)
Allowance for doubtful accounts	(77)	(64)	(13)
<b>Total current assets</b>	<b>123,407</b>	<b>116,561</b>	<b>6,845</b>
<b>Fixed assets</b>			
<b>Property and equipment</b>			
Buildings and structures	3,269	3,449	(179)
Computers for rental and outsourcing	14,694	20,963	(6,269)
Tools and fixtures	989	1,389	(399)
Land	644	644	-
<b>Total property and equipment</b>	<b>19,599</b>	<b>26,447</b>	<b>(6,848)</b>
<b>Intangible fixed assets</b>			
Software	18,322	15,136	3,186
Other	29	250	(221)
<b>Total intangible fixed assets</b>	<b>18,352</b>	<b>15,386</b>	<b>2,965</b>
<b>Investments and other assets</b>			
Investment securities	8,271	8,014	257
Investments in subsidiaries and affiliates	2,637	2,624	12
Investments in capital	72	200	(128)
Claim in bankruptcy and reorganization	513	494	18
Prepaid pension cost	7,394	9,535	(2,140)
Deferred tax assets	6,207	7,288	(1,081)
Deposits for landlord	8,691	8,843	(151)
Other	1,085	1,065	19
Allowance for doubtful accounts	(492)	(435)	(56)
<b>Total investments and other assets</b>	<b>34,380</b>	<b>37,631</b>	<b>(3,251)</b>
<b>Total fixed assets</b>	<b>72,331</b>	<b>79,465</b>	<b>(7,133)</b>
<b>Total assets</b>	<b>195,739</b>	<b>196,027</b>	<b>(288)</b>

	March 31, 2005	March 31, 2004	Increase (Decrease)
	millions of yen	millions of yen	millions of yen
( LIABILITIES)			
Current liabilities			
Notes payable	59	881	(821)
Accounts payable - trade	46,318	42,434	3,884
Current portion of long-term loans payable	8,446	5,629	2,817
Commercial paper	6,000	-	6,000
Other accounts payable	3,083	7,585	(4,502)
Accrued expenses	4,774	6,808	(2,034)
Income taxes payable	190	52	138
Advances received	5,862	6,761	(898)
Deposits received	1,172	691	480
Allowance for non-billable services	551	768	(217)
Allowance for office transfer costs	98	-	98
Current portion of allowance for the New Career Support Program	106	134	(28)
Other	1,556	2,032	(475)
Total current liabilities	78,219	73,778	4,440
Long-term liabilities			
Bonds	8,000	8,000	-
Long-term loans payable	15,375	17,921	(2,546)
Long-term accounts payable	3,962	7,559	(3,596)
Long-term deposits received	1,514	1,514	-
Allowance for directors' and corporate auditors' retirement benefits	215	186	29
Allowance for the New Career Support Program	141	151	(10)
Other	126	89	37
Total long-term liabilities	29,334	35,421	(6,086)
Total liabilities	107,553	109,199	(1,645)
Common stock	5,483	5,483	-
Capital surplus			
Additional paid-in capital	15,281	15,281	-
Retained earnings			
Legal reserve	1,370	1,370	-
Voluntary reserve			
Reserve for obsolete equipment	8,350	8,350	-
General reserve	4,400	4,400	-
Reserve for program	4,583	5,029	(445)
Reserve for reduction of assets' cost	138	138	-
Reserve for special depreciation	213	275	(61)
Unappropriated retained earnings	49,719	46,399	3,320
Total retained earnings	68,776	65,963	2,812
Net unrealized gain on securities	2,056	2,078	(21)
Treasury stock - at cost	(3,413)	(1,979)	(1,433)
Total shareholders' equity	88,185	86,827	1,357
Total liabilities and shareholders' equity	195,739	196,027	(288)

## **Significant Accounting Policies**

### 1. Valuation standard and method of securities

Securities under consolidation or equity method

Stated at cost determined by the moving-average method

Available-for-sale 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.

Available-for-sale securities whose fair value is not readily determinable:

Stated at cost determined by the moving-average method

### 2. Valuation standard and method of derivatives

Stated at fair value

### 3. Valuation standard and method of inventories

Merchandise (Computers for sale)

Stated at cost determined by the moving-average method

### 4. Depreciation/amortization of fixed assets

Merchandise (Computers for sale)

Stated at cost determined by the moving-average method

Computers for rental and outsourcing

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.

Other tangible fixed assets

Computed by the declining-balance method. However, depreciation of some plants 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 for buildings and structures and 2 to 20 years for tools and supplies.

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.

### 5. 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 statements of income.

### 6. Allowances

Allowance for doubtful accounts:

The allowance for doubtful accounts is stated at amounts considered to be appropriate based on the Company'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).

**7. 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.

**8. 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 and the currency options 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.

**9. Others**

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

**Notes to Non-consolidated Balance Sheets**

	<u>March 31, 2005</u> Millions of yen	<u>March 31, 2004</u> Millions of yen
(1) Accumulated depreciation of property and equipment	72,981	102,591
(2) Contingent liabilities	3,277	4,472
(3) Effect to net asset regulated under Article 124-3 of the Enforcement Regulations of the Commercial Code	2,056	2,078

**Leases**

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

**Securities**

There are no securities under consolidation and equity method whose fair value is readily determinable at March 31, 2005 and 2004.

**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, 2005 and 2004 are as follows:

	<u>March 31, 2005</u>	<u>March 31, 2004</u>
	Millions of yen	Millions of yen
(1) Current assets		
Deferred tax assets		
Accrued bonuses	1,142	1,493
Accounts payable	802	1,717
- amount transferred to the defined contribution plan	403	626
Accrued expenses	249	320
Inventory valuation loss	218	246
Allowance for non-billable services	-	179
Tax loss carryforwards	537	235
Other	3,354	4,819
Total deferred tax assets	<u>3,354</u>	<u>4,819</u>
(2) Fixed assets		
Deferred tax assets		
Depreciation expenses	6,977	7,819
Tax loss carryforwards	4,381	4,321
Accounts payable	1,604	2,894
- amount transferred to the defined contribution plan	713	1,081
Other	13,676	16,116
Subtotal	<u>13,676</u>	<u>16,116</u>
Valuation allowance	(186)	(134)
Total deferred tax assets	<u>13,489</u>	<u>15,982</u>
Deferred tax liabilities		
Prepaid pension cost	(3,009)	(3,880)
Reserve for program	(2,664)	(3,145)
Net unrealized gain on securities	(1,411)	(1,426)
Other	(197)	(240)
Total deferred tax liabilities	<u>(7,282)</u>	<u>(8,693)</u>
Net deferred tax assets (liabilities)	<u>6,207</u>	<u>7,288</u>

2. Reconciliation between normal effective statutory tax rates and actual effective tax rates reflected in the accompanying non-consolidated statements of income for the years ended March 31, 2005 and 2004 is as follows:

	<u>Year ended</u> <u>March 31, 2005</u>	<u>Year ended</u> <u>March 31, 2004</u>
	%	%
Normal effective statutory tax rate	40.7	42.1
Expenses not deductible for income tax purposes, including entertainment expenses	3.2	3.6
Income not includible for income tax purposes, including dividend income	(6.4)	(10.9)
Amount of per-capita local tax	0.7	0.6
Effective statutory tax rate change	-	4.8
Other	1.4	-
Actual effective tax rate	<u>39.6</u>	<u>40.2</u>

**PROPOSED APPROPRIATION OF RETAINED EARNINGS**  
**(NON-CONSOLIDATED)**

	Year ended March 31, 2005	Year ended March 31, 2004	Increase (Decrease)
	millions of yen	millions of yen	millions of yen
Unappropriated retained earnings at end of year	49,719	46,399	3,320
Reversal of reserve for program	701	445	256
Reversal of reserve for special depreciation	63	61	1
Total	50,484	46,906	3,577
Appropriations:			
Cash dividends	396	401	(5)
(Dividend per share)	(3.75 yen)	(3.75 yen)	(- yen)
Bonuses to directors	55	30	25
Total	451	431	19
Unappropriated retained earnings to be carried forward	50,033	46,474	3,558

Notes:

The company paid interim cash dividends as follows:

Date of payment:	December 9,	December 10,
	2004	2003
Amount paid:	399 million yen	404 million yen
Dividend per share:	3.75 yen	3.75 yen