



UNISYS

FINANCIAL STATEMENTS 1999

Nihon Unisys, Ltd.

PROFILE

Nihon Unisys, Ltd. is one of the largest system integrators in Japan.

Established in 1958, we have contributed to the development of computerization through designing and building information systems in various industries. We provide state-of-the-art Information Technologies (IT) and first-class Information Services (IS), both of which are based on over 40 years of business experience with industry know-how and expertise in system integration.

However, in recent years, the business environments and conditions surrounding our customers have been drastically changing with the advent and progress of new business framework represented by electronic commerce, internet, etc. In order to meet new and various needs of customers, we are creating and providing most desired and appropriate solutions based on our second-to-none IT and IS. Nihon Unisys, as “Solution Creators,” helps customers to be more competitive and successful in their businesses.

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FINANCIAL HIGHLIGHTS

Nihon Unisys, Ltd.

Years Ended March 31, 1999, 1998 and 1997 (Non-consolidated Basis)

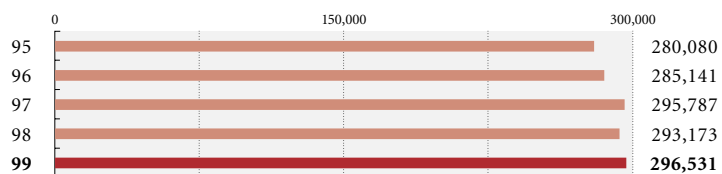
| | Millions of Yen | | | Thousands of U.S. Dollars (Note) |
|------------------------|-----------------|----------|----------|-------------------------------------|
| | 1999 | 1998 | 1997 | 1999 |
| Net Sales | ¥296,531 | ¥293,173 | ¥295,787 | \$2,459,818 |
| Operating Income | 13,283 | 8,852 | 6,767 | 110,187 |
| Net Income | 1,486 | 1,892 | 1,630 | 12,327 |
| Total Assets | 240,446 | 252,967 | 263,928 | 1,994,575 |

Per Share Amounts:

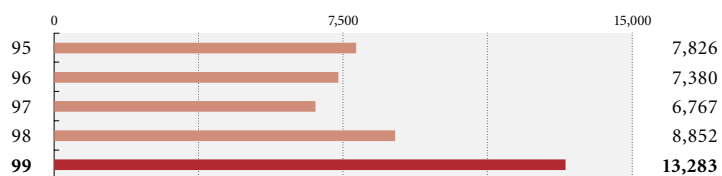
| | Yen | Yen | Yen | U.S. Dollars |
|---|---------------|--------|--------|---------------|
| Net Income | ¥13.55 | ¥17.25 | ¥14.86 | \$0.11 |
| Cash Dividends Applicable to the Year | 7.50 | 7.50 | 7.50 | 0.06 |

(Note) Yen amounts have been translated into dollars, for convenience only, at ¥120.55=U.S.\$1 prevailing on March 31, 1999.

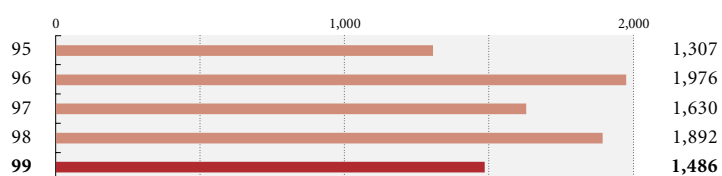
Net Sales (¥ millions)



Operating Income (¥ millions)



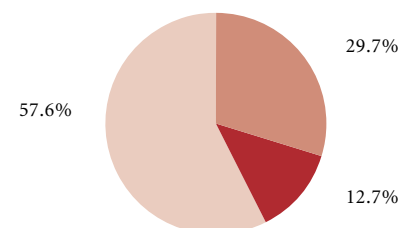
Net Income (¥ millions)



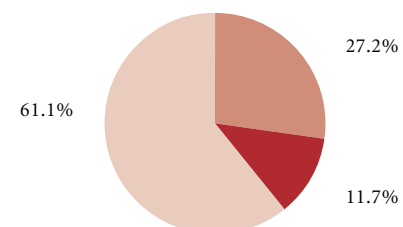
Composition of Net Sales

Sales of computers
Rental of computers
Software and services

98



99



TO OUR SHAREHOLDERS

OVERVIEW

It is my pleasure to report the overview of the Company's operations for fiscal year 1999, ended March 31, 1999. During fiscal year 1999, the Japanese economy underwent the quite tough conditions affected by various factors such as private sector's shrinking demands including tightened consumers' consumption, restrained facility investment, spreading uneasiness for employment and credit crunch in addition to anxiety for the financial systems.

IT industry also continued to face very severe situations as a result of the prolonged sluggishness of the economy although the software and service businesses showed some steady growth helped by the Y2K-related business.

Under such circumstances, the Company strove to reinforce the information service business, providing total solutions leveraging software and services, not to mention providing hardware products represented by enterprise server products. Also efforts were made to improve earnings and profitability.

In the hardware area, we started marketing enterprise server *HMP IX5000 series* and *NX5000 series*, both of which realize integration of mainframe OS environment and open system environment. By so doing, we continued to offer latest-technologies-imbedded corporate information systems.

Meanwhile, in the area of software and services, we endeavored to grow sales of solution software. We offered various solutions for financial institutions to help them cope with the financial big ban. *DigiD*, a new CAD system for housing design is another example. Also, we expanded offerings of various system services that fit for various needs of customers' computerization as well as providing various maintenance services so as to grow the Company's business.

Besides the above, we continued to market distributed object-oriented product, *System [Nju:]* in the area of EC/CALS and provided system construction support services as well as aggressively tackling with the so-called cross-industrial businesses represented by ERP, which is expected to grow rapidly in the near future.

With regard to the enterprise NT business, we announced new server series like *Aquanta ES 2000 series* to reinforce server product line-up. Also, utilizing our expertise in service and support areas, we helped customers to build their corer systems with Windows NT.

As for the Y2K problem, we formed dedicated teams to make sure of our readiness not only for customers' systems but also for our internal systems.

*Windows NT is a registered trademark of the U.S. Microsoft Corporation in the United States and other countries.

PERFORMANCE

Being affected by the prolonged sluggish economy, net sales ended up with 296,531 million yen (up 1.1% from the previous year). However, profitability showed a steady growth thanks to rising demands for mainframe computer replacements triggered by Y2K problems and improving service business. Under such circumstances, to make our financial conditions healthier and more stable from the long-term point of view, we started expensing R&D cost for software on an incurred basis and reserving the prior service costs for our Employees' Welfare Annuity Pension Fund.

As a result, operating income rose to 13,283 million yen, up 50.1% from a year ago. However, because of booking part of the afore-mentioned prior service costs as an extraordinary loss, net income went down to 1,486 million yen, down 21.5% from a year ago.

From this term we adopted tax effect accounting and booked amounts of adjustment to income taxes.

The net sales amount being broken down, software and services increased by 7.3% from the previous year, to 181,134 million yen, while hardware (sales/rental of computers) decreased by 7.2%, to 115,397 million yen.

OUTLOOK

With regard to the Japanese economy, it is expected that demands in private sectors are not likely to recover soon and uncertain situations will continue for the time being. As a result, difficult conditions will continue to surround the IT industry.

Even under such circumstances, we are determined to strive to achieve profitable growth of our businesses, not only with hardware but also with software and services, by polishing our expertise as well as reinforcing sales power, maximizing overall Nihon Unisys group power cementing relations with our group companies.

As for the Y2K problem, which we recognize as the overriding management item, we will continue our all-out efforts as we have been made to date.

We are firmly determined to make each of our company operations more efficient and, therefore, improve the overall performance of the Company. Your continued help and support including constructive suggestions would be always very valuable and highly appreciated.



Junichi Amano
President & CEO

NON-CONSOLIDATED BALANCE SHEETS

Nihon Unisys, Ltd.
March 31, 1999 and 1998

| ASSETS | Millions of Yen | | Thousands of U.S. Dollars (Note 1) |
|--|-----------------|-----------------|---------------------------------------|
| | 1999 | 1998 | 1999 |
| Current Assets: | | | |
| Cash | ¥6,533 | ¥2,012 | \$54,193 |
| Time deposits | 14,850 | 15,760 | 123,185 |
| Marketable securities (Note 4) | 8,491 | 10,781 | 70,435 |
| Accounts receivable-trade (Note 13) | 79,800 | 91,080 | 661,966 |
| Inventories (Note 5) | 13,016 | 18,736 | 107,972 |
| Short-term investments | 19,399 | 16,800 | 160,921 |
| Deferred income taxes (Note 7) | 2,834 | — | 23,509 |
| Other current assets (Note 13) | 7,253 | 7,959 | 60,166 |
| Allowance for doubtful accounts | (455) | (1,068) | (3,774) |
| Total current assets | <u>151,721</u> | <u>162,060</u> | <u>1,258,573</u> |
| Property, Plant and Equipment: | | | |
| Land | 2,240 | 2,233 | 18,582 |
| Buildings and structures | 14,135 | 14,080 | 117,254 |
| Rental computers | 140,092 | 157,446 | 1,162,107 |
| Machinery and equipment | 28,903 | 28,465 | 239,759 |
| Total | <u>185,370</u> | <u>202,224</u> | <u>1,537,702</u> |
| Accumulated depreciation | (137,147) | (148,758) | (1,137,677) |
| Net property, plant and equipment | <u>48,223</u> | <u>53,466</u> | <u>400,025</u> |
| Investments and Other Assets: | | | |
| Investment securities (Note 4) | 646 | 610 | 5,359 |
| Investments in subsidiaries and affiliates | 1,976 | 2,139 | 16,392 |
| Software development costs (Note 3) | 7,596 | 10,129 | 63,011 |
| Lease deposits | 15,732 | 20,054 | 130,502 |
| Deferred income taxes (Note 7) | 11,329 | — | 93,977 |
| Other assets | 3,223 | 4,509 | 26,736 |
| Total investments and other assets | <u>40,502</u> | <u>37,441</u> | <u>335,977</u> |
| Total | <u>¥240,446</u> | <u>¥252,967</u> | <u>\$1,994,575</u> |

See notes to non-consolidated financial statements.

| LIABILITIES AND SHAREHOLDERS' EQUITY | Millions of Yen | | Thousands of U.S. Dollars (Note 1) |
|---|-----------------|-----------------|---------------------------------------|
| | 1999 | 1998 | 1999 |
| Current Liabilities: | | | |
| Short-term borrowings (Note 6) | ¥15,840 | ¥38,760 | \$131,398 |
| Current portion of long-term debt (Note 6) | 1,027 | 7,260 | 8,519 |
| Accounts payable-trade (Note 13) | 50,006 | 58,169 | 414,816 |
| Income taxes payable (Note 7) | 10,041 | 2,509 | 83,293 |
| Accrued expenses | 11,931 | 12,299 | 98,971 |
| Other current liabilities (Note 8) | 12,003 | 12,709 | 99,569 |
| Total current liabilities | 100,848 | 131,706 | 836,566 |
| Long-term Liabilities: | | | |
| Long-term debt (Note 6) | 38,723 | 32,436 | 321,219 |
| Long-term accounts payable (Note 13) | 5,866 | 9,737 | 48,660 |
| Liability for retirement benefits (Notes 3 and 8) | 14,749 | 6,238 | 122,348 |
| Other long-term liabilities | 1,066 | 805 | 8,843 |
| Total long-term liabilities | 60,404 | 49,216 | 501,070 |
| Commitments and Contingent Liabilities (Note 10) | | | |
| Shareholders' Equity (Notes 11 and 14): | | | |
| Common stock, ¥50 par value- authorized, 300,000,000 shares; issued and outstanding, 109,663,524 shares | 5,483 | 5,483 | 45,483 |
| Additional paid-in capital | 15,282 | 15,282 | 126,769 |
| Legal reserve | 1,371 | 1,371 | 11,373 |
| Retained earnings | 57,058 | 49,909 | 473,314 |
| Total shareholders' equity | 79,194 | 72,045 | 656,939 |
| Total | ¥240,446 | ¥252,967 | \$1,994,575 |

NON-CONSOLIDATED STATEMENTS OF INCOME

Nihon Unisys, Ltd.

Years Ended March 31, 1999 and 1998

| | Millions of Yen | | Thousands of U.S. Dollars (Note 1) |
|---|-----------------|---------|---------------------------------------|
| | 1999 | 1998 | 1999 |
| Net Sales (Note 13) : | | | |
| Sales of computers | ¥80,660 | ¥87,005 | \$669,100 |
| Rental of computers | 34,737 | 37,350 | 288,155 |
| Software and services | 181,134 | 168,818 | 1,502,563 |
| Total net sales | 296,531 | 293,173 | 2,459,818 |
| Cost of Sales (Note 13) | 212,022 | 219,483 | 1,758,789 |
| Gross Profit | 84,509 | 73,690 | 701,029 |
| Selling, General and Administrative Expenses | 71,226 | 64,838 | 590,842 |
| Operating Income | 13,283 | 8,852 | 110,187 |
| Other Income (Expenses): | | | |
| Interest and dividend income | 672 | 795 | 5,574 |
| Interest expense (Note 13) | (2,064) | (2,712) | (17,121) |
| Income from building rental | 562 | 628 | 4,662 |
| Penalty from cancellation of computer rental contract | 2,124 | – | 17,619 |
| Loss on devaluation of securities | (1,136) | (1,213) | (9,423) |
| Exchange loss | (52) | (235) | (431) |
| Provision for prior service costs | | | |
| relating to previous years (Note 3) | (6,709) | – | (55,653) |
| Other-net | (761) | (63) | (6,313) |
| Other expenses-net | (7,364) | (2,800) | (61,086) |
| Income before Income Taxes | 5,919 | 6,052 | 49,101 |
| Income Taxes (Note 7) | | | |
| Current | 12,050 | 4,160 | 99,959 |
| Deferred | (7,617) | – | (63,185) |
| | 4,433 | 4,160 | 36,774 |
| Net Income | ¥1,486 | ¥1,892 | \$12,327 |
| <hr/> | | | |
| | Yen | | U.S. Dollars |
| Per Share Amounts (Note 2.n) : | | | |
| Net income | ¥13.55 | ¥17.25 | \$0.11 |
| Cash dividends applicable to the year | 7.50 | 7.50 | 0.06 |

See notes to non-consolidated financial statements.

NON-CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

Nihon Unisys, Ltd.
Years Ended March 31, 1999 and 1998

| | Thousands | Millions of Yen | | | |
|---|----------------------------------|-----------------|----------------------------|---------------|-------------------|
| | Number of Shares of Common Stock | Common Stock | Additional Paid-in Capital | Legal Reserve | Retained Earnings |
| Balance, April 1, 1997 | 109,664 | ¥5,483 | ¥15,282 | ¥1,371 | ¥48,899 |
| Net income | | | | | 1,892 |
| Cash dividends, ¥7.5 per share | | | | | (822) |
| Bonuses to directors and corporate auditors | | | | | (60) |
| Balance, March 31, 1998 | 109,664 | 5,483 | 15,282 | 1,371 | 49,909 |
| Adjustment of retained earnings for newly applied accounting for tax allocation | | | | | 6,545 |
| Net income | | | | | 1,486 |
| Cash dividends, ¥7.5 per share | | | | | (822) |
| Bonuses to directors and corporate auditors | | | | | (60) |
| Balance, March 31, 1999 | 109,664 | ¥5,483 | ¥15,282 | ¥1,371 | ¥57,058 |

| | Thousands of U.S. Dollars (Note 1) | | | |
|---|------------------------------------|----------------------------|-----------------|-------------------|
| | Common Stock | Additional Paid-in Capital | Legal Reserve | Retained Earnings |
| Balance, March 31, 1998 | \$45,483 | \$126,769 | \$11,373 | \$414,011 |
| Adjustment of retained earnings for newly applied accounting for tax allocation | | | | 54,293 |
| Net income | | | | 12,327 |
| Cash dividends, \$0.06 per share | | | | (6,819) |
| Bonuses to directors and corporate auditors | | | | (498) |
| Balance, March 31, 1999 | \$45,483 | \$126,769 | \$11,373 | \$473,314 |

See notes to non-consolidated financial statements.

NON-CONSOLIDATED STATEMENTS OF CASH FLOWS

Nihon Unisys, Ltd.
Years Ended March 31, 1999 and 1998

| | Millions of Yen | | Thousands of U.S. Dollars (Note 1) |
|--|-----------------|---------|---------------------------------------|
| | 1999 | 1998 | 1999 |
| Operating Activities: | | | |
| Net income | ¥1,486 | ¥1,892 | \$12,327 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | | |
| Depreciation and amortization | 22,963 | 23,373 | 190,485 |
| Loss on disposal of property, plant and equipment | 2,060 | 1,325 | 17,088 |
| Write-off of software development costs | 929 | 2,500 | 7,706 |
| Loss on sales of securities | 111 | 553 | 921 |
| Loss on devaluation of securities | 1,136 | 1,213 | 9,423 |
| Write-off of investment in subsidiary | 133 | – | 1,103 |
| Loss from forgiveness of short-term loans receivable from subsidiary | 183 | – | 1,518 |
| Deferred income taxes | (7,617) | – | (63,185) |
| Provision for prior service costs , net of payments | 8,381 | – | 69,523 |
| Other-net | 264 | (800) | 2,190 |
| Changes in assets and liabilities: | | | |
| Decrease in accounts receivable-trade | 11,048 | 6,942 | 91,647 |
| Decrease in inventories | 5,719 | 5,321 | 47,441 |
| Decrease (increase) in other current assets | 908 | (1,568) | 7,532 |
| Decrease in lease deposits | 4,322 | 92 | 35,852 |
| Decrease in other assets | 321 | 446 | 2,663 |
| Decrease in accounts payable-trade | (8,164) | (5,451) | (67,723) |
| Increase in income taxes payable | 7,532 | 1,850 | 62,480 |
| Decrease in accrued expenses | (368) | (422) | (3,053) |
| (Decrease) increase in other current liabilities | (706) | 1,770 | (5,856) |
| Decrease in long-term accounts payable | (3,871) | (3,026) | (32,111) |
| Increase (decrease) in other long-term liabilities | 261 | (28) | 2,165 |
| Total adjustments | 45,545 | 34,090 | 377,809 |
| Net cash provided by operating activities | ¥47,031 | ¥35,982 | \$390,136 |

| | Millions of Yen | | Thousands of U.S. Dollars (Note 1) |
|--|-----------------|----------------|---------------------------------------|
| | 1999 | 1998 | 1999 |
| Investing Activities: | | | |
| Proceeds from sales of marketable securities | ¥14,453 | ¥10,147 | \$119,892 |
| Payments for purchases of marketable securities | (13,417) | (9,421) | (111,298) |
| (Increase) decrease in short-term investments | (2,599) | 3,545 | (21,560) |
| Payments for purchases of property, plant and equipment | (14,624) | (17,709) | (121,311) |
| Proceeds from sales of investment securities | 2 | – | 17 |
| Payments for purchases of investment securities | (11) | (99) | (91) |
| Payments for purchase of investments in subsidiaries and affiliates | – | (18) | – |
| Proceeds from sales of investments in subsidiaries and affiliates .. | 9 | 70 | 75 |
| Payments for purchases of software | (3,546) | (9,346) | (29,415) |
| Net cash used in investing activities | (19,733) | (22,831) | (163,691) |
| Financing Activities: | | | |
| Net decrease in short-term borrowings | (22,920) | (8,800) | (190,129) |
| Proceeds from long-term debt | 18,000 | 21,600 | 149,316 |
| Repayments of long-term debt | (17,945) | (18,343) | (148,859) |
| Cash dividends | (822) | (822) | (6,819) |
| Net cash used in financing activities | (23,687) | (6,365) | (196,491) |
| Net Increase in Cash and Cash Equivalents | 3,611 | 6,786 | 29,954 |
| Cash and Cash Equivalents, Beginning of Year | 17,772 | 10,986 | 147,424 |
| Cash and Cash Equivalents, End of Year | ¥21,383 | ¥17,772 | \$177,378 |
| Additional Cash Flow Information: | | | |
| Interest paid | ¥2,258 | ¥2,692 | \$18,731 |
| Income taxes paid | 4,415 | 2,173 | 36,624 |

See notes to non-consolidated financial statements.

NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS

Nihon Unisys, Ltd.
Years Ended March 31, 1999 and 1998

1. BASIS OF PRESENTING NON-CONSOLIDATED FINANCIAL STATEMENTS

The accompanying non-consolidated financial statements have been prepared from the accounts maintained by Nihon Unisys, Ltd. (the “Company”) in accordance with the provisions set forth in the Japanese Commercial Code (the “Code”) and in conformity with accounting principles and practices generally accepted in Japan, which are different in certain respects as to application and disclosure requirements of International Accounting Standards. The non-consolidated statements of cash flows are not required as part of the basic financial statements in Japan but are presented herein as additional information. The non-consolidated financial statements are not intended to present the financial position, results of operations and cash flows in accordance with accounting principles and practices generally accepted in countries and jurisdictions other than Japan.

In preparing these financial statements, certain reclassifications and rearrangements have been made to the Company’s financial statements issued domestically in order to present them in a form which is more familiar to readers outside Japan.

The financial statements are stated in Japanese yen, the currency of the country in which the Company is incorporated and operates. The translation of Japanese yen amounts into U.S. dollar amounts are included solely for the convenience of readers outside Japan and have been made at the rate of ¥120.55 to \$1, the approximate rate of exchange at March 31, 1999. Such translations should not be construed as representations that the Japanese yen amounts could be converted into U.S. dollars at that or any other rate.

Certain reclassifications have been made to the 1998 financial statements to conform to the classifications used in 1999.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Non-consolidation – The financial statements do not include the accounts of subsidiaries. Investments in subsidiaries (ownership greater than 50%) and affiliates (20% -50% ownership) are stated at cost.

Consolidation of the Company’s subsidiaries would not significantly change the total assets, net sales, or net income reported in the accompanying non-consolidated financial statements. See Note 15 for consolidated financial data for the years ended March 31, 1999 and 1998.

(b) Cash and cash equivalents – For purposes of the statements of cash flows, the Company considers all time deposits to be cash equivalents.

(c) Inventories – Computers for sale are stated at cost using the specific identification method, and other merchandise and supplies are stated at cost using the moving-average method.

(d) Marketable and investment securities – Listed securities included in marketable and investment securities are stated at the lower of cost or market, cost being determined by the average method. Securities traded on the over-the-counter market and other securities are stated at cost determined by the average method.

(e) Allowance for doubtful accounts – Allowance for doubtful accounts is provided at the maximum amount allowable for tax purposes plus management’s estimate of the collectibility of individual doubtful accounts.

(f) Property, plant and equipment – Property, plant and equipment are stated at cost.

Depreciation of rental computers is computed by the declining-balance method over six years with no residual value.

Depreciation of machinery and equipment is computed by the declining-balance method with no residual value based on useful lives prescribed by the tax regulations. Depreciation of buildings and structures is computed by the declining-balance method with an estimated 10% residual value based on useful lives prescribed by the tax regulations, while the straight-line method is applied to buildings after April 1, 1998.

Useful lives range from 3 to 50 years (3 to 65 years in 1998) for buildings and structures and from 2 to 20 years for machinery and equipment.

(g) Software development costs – Software development costs are amortized over the estimated useful lives of the related software.

(h) Allowance for maintenance services – The estimated future costs of maintenance services for computers under warranty are provided based on prior experience and are included in other current liabilities.

(i) Retirement benefits and pension plan – The Company has a contributory pension plan covering substantially all of its employees. The policy is to fund and charge to income normal costs, as accrued on the basis of an accepted actuarial method. Prior service costs (“PSC”) are amortized over 13 years.

Effective April 1, 1998, the Company also made an additional provision for unfunded PSC based on 50% of the unfunded balance of PSC less accumulated liability balance for retirement benefits as of April 1, 1998 amounting to ¥13,418 million (\$111,307 thousand) plus the increase in the unfunded balance of PSC in 1999. The remaining 50% of unfunded PSC at March 31,

1999 will be recognized in fiscal 2000 during the period in which new Japanese pension accounting principles become effective.

Effective March 1, 1994, the Company introduced as part of its human resources program, the New Career Support Program (the “NCSP”), to assist mid-/ higher aged employees in retiring from the Company before their mandatory retirement age. The Company provides for the estimates of the future payments for allowance for annual compensation of salary in the NCSP, and includes this amount as a liability for retirement benefits.

The Company provides for an allowance for directors’ and corporate auditors’ retirement benefits calculated in accordance with the Company’s rules, and includes this amount as a liability for retirement benefits.

(j) Income taxes – Effective April 1, 1998, the Company adopted accounting for allocation of income taxes based on the asset and liability method. The cumulative effect of the application of interperiod tax allocation in prior years in the amount of ¥6,545 million (\$54,293 thousand) is included as an adjustment to retained earnings as of April 1, 1998.

Deferred income taxes are recorded to reflect the impact of temporary differences between assets and liabilities recognized for financial reporting purposes and such amounts recognized for tax purposes. These deferred taxes are measured by applying currently enacted tax laws to the temporary differences.

(k) Leases – All leases are accounted for as operating leases. Under Japanese accounting standards for leases, finance leases that deem to transfer ownership of the leased property to the lessee are to be capitalized, while other finance leases are permitted to be accounted for as operating lease transactions if certain “as if capitalized” information is disclosed in the notes to the lessee’s financial statements.

(l) Appropriations of retained earnings – Appropriations of retained earnings at each year end are reflected in the financial statements in the following year after shareholders' approval has been obtained.

(m) Foreign currency transactions – Transactions denominated in foreign currencies are translated into Japanese yen at approximate exchange rates prevailing when such transactions occur. Current receivables and payables are translated at exchange rates prevailing on the balance sheet date or, when forward exchange contracts are made, at such forward exchange rates. Assets and liabilities other than current receivables and payables are translated at approximate rates prevailing when acquired or incurred.

(n) Per share information – The computation of net income per share is based on the weighted average number of shares of common stock outstanding during each year.

Cash dividends per share presented in the accompanying non-consolidated statements of income are dividends applicable to the respective years including dividends to be paid after the end of the year.

3. ACCOUNTING CHANGES

(a) Accounting for software development costs – The Company formerly used a method in which part of the development costs paid to subcontractors for general-purpose software for sale was capitalized as software development costs and amortized over the estimated sales period. Effective April 1, 1998, however, a new method has been adopted prospectively to expense such costs on an incurred basis (as selling, general and administrative expenses). This change was made because the relation between the future benefits of individual software development and software development costs has become more uncertain in recent years. The effect of this change was to decrease operating income and income before income taxes for the year ended March 31, 1999, by ¥3,124 million (\$25,915 thousand) respectively.

(b) Accounting for PSC under the contributory pension plan – Prior to April 1, 1998, PSC under the contributory pension plan for employees was charged to income when funded. Effective April 1, 1998, however, the Company changed its method of accounting for unfunded PSC (See Note 2(i)). This change was made to cover unfunded PSC, which is increasing due to a substantial decline in investment rate of return in the pension fund. The effect of this change was to decrease operating income and income before income taxes for the year ended March 31, 1999, by ¥2,135 million (\$17,710 thousand) and ¥8,847 million (\$73,389 thousand) respectively.

4. MARKETABLE AND INVESTMENT SECURITIES

Carrying amounts and aggregate market values of current and non-current marketable securities at March 31, 1999 and 1998, were as follows:

| | Millions of Yen | | Thousands of U.S. Dollars |
|------------------------------|-----------------|---------|------------------------------|
| | 1999 | 1998 | 1999 |
| Current: | | | |
| Carrying amounts | ¥8,491 | ¥10,781 | \$70,435 |
| Aggregate market value | 12,400 | 14,988 | 102,861 |
| Unrealized gain | ¥3,909 | ¥4,207 | \$32,426 |
| Non-current: | | | |
| Carrying amounts | ¥646 | ¥610 | \$5,359 |
| Aggregate market value | 646 | 610 | 5,359 |
| Unrealized gain | ¥ - | ¥ - | \$ - |

5. INVENTORIES

Inventories at March 31, 1999 and 1998, consisted of the following:

| | Millions of Yen | | Thousands of U.S. Dollars |
|-----------------------|-----------------|---------|------------------------------|
| | 1999 | 1998 | 1999 |
| Work in process | ¥3,139 | ¥2,309 | \$26,039 |
| Merchandise | 9,796 | 16,312 | 81,261 |
| Supplies | 81 | 115 | 672 |
| Total | ¥13,016 | ¥18,736 | \$107,972 |

6. SHORT-TERM BORROWINGS AND LONG-TERM DEBT

Short-term borrowings at March 31, 1999 and 1998, consisted of the following:

| | Millions of Yen | | Thousands of U.S. Dollars |
|-----------------------------|-----------------|---------|------------------------------|
| | 1999 | 1998 | 1999 |
| Short-term bank loans | ¥15,840 | ¥25,760 | \$131,398 |
| Commercial paper | — | 13,000 | — |
| Total | ¥15,840 | ¥38,760 | \$131,398 |

Short-term bank loans bore interest at an approximate annual average rate of 1.09% and 1.25% at March 31, 1999 and 1998, respectively.

Long-term debt at March 31, 1999 and 1998, consisted of the following:

| | Millions of Yen | | Thousands of U.S. Dollars |
|---|-----------------|---------|------------------------------|
| | 1999 | 1998 | 1999 |
| 5.55% unsecured bonds due 2000 | ¥ — | ¥10,000 | \$ — |
| 2.05% unsecured bonds due 2002 | 10,000 | 10,000 | 82,953 |
| Unsecured loans from banks and insurance companies, 1.30% to 2.59%, due serially to 2006 | 29,750 | 19,696 | 246,785 |
| Total | 39,750 | 39,696 | 329,738 |
| Less current portion | (1,027) | (7,260) | (8,519) |
| Net | ¥38,723 | ¥32,436 | \$321,219 |

The annual maturities of long-term debt at March 31, 1999 were as follows:

| Year Ending March 31 | Millions of Yen | Thousands of U.S. Dollars |
|---------------------------|-----------------|------------------------------|
| 2000 | ¥1,027 | \$8,519 |
| 2001 | 6,547 | 54,309 |
| 2002 | 7,518 | 62,364 |
| 2003 | 17,384 | 144,206 |
| 2004 | 1,694 | 14,052 |
| 2005 and thereafter | 5,580 | 46,288 |
| Total | ¥39,750 | \$329,738 |

As is customary in Japan, security must be given under certain circumstances, if requested by a lending bank, and such bank has the right to offset cash deposited with it against any debts or obligations that become due and, in the case of default or certain other specified events, against all debts payable to the bank.

The Company has never received such a request.

7. INCOME TAXES

The Company is subject to Japanese national and local income taxes which, in the aggregate, resulted in a normal effective statutory tax rates of approximately 48% and 51% for the years ended March 31, 1999 and 1998, respectively.

On March 31, 1999, a tax reform law was enacted in Japan which changed the normal effective statutory tax rate from approximately 48% to 42%, effective for years beginning April 1, 1999.

The tax effects of significant temporary differences and loss carryforwards which result in deferred tax assets and liabilities at March 31, 1999 are as follows:

| | Millions of Yen | Thousands of U.S. Dollars |
|--|-----------------|------------------------------|
| | 1999 | 1999 |
| Current assets | | |
| Deferred tax assets | | |
| Accrued bonuses | ¥823 | \$6,827 |
| Inventory valuation | 704 | 5,840 |
| Allowance for maintenance service | 123 | 1,020 |
| Accrued business tax | 920 | 7,632 |
| Others | 264 | 2,190 |
| Total deferred tax assets | <u>¥2,834</u> | <u>\$23,509</u> |
| Investment and other assets | | |
| Deferred tax assets | | |
| Allowance for doubtful receivables | 258 | 2,140 |
| Depreciation expenses | 2,705 | 22,439 |
| Amortization expenses of deferred assets | 4,485 | 37,204 |
| Liability for retirement benefits | 6,209 | 51,506 |
| Others | 37 | 307 |
| Total deferred tax assets | <u>¥13,694</u> | <u>\$113,596</u> |
| Deferred tax liabilities | | |
| Reserve for program | (2,267) | (18,806) |
| Reserve for reduction of assets cost | (98) | (813) |
| Total deferred of tax liabilities | <u>(2,365)</u> | <u>(19,619)</u> |
| Net deferred taxes | <u>¥11,329</u> | <u>\$93,977</u> |

A reconciliation between the normal effective statutory tax rate for the year ended March 31, 1999 and the actual effective tax rates reflected in the accompanying statement of non-consolidated income is as follows:

| | |
|--|------------|
| Normal effective statutory tax rate | 48% |
| Entertainment expenses and other nondeductible items | 8% |
| Amount of per-capita local tax | 2% |
| Difference between legal effective tax rate for the current term ^(48%) and tax rate of deferred tax assets at the end of period ^(42%) | 17% |
| Actual effective tax rate | <u>75%</u> |

The normal effective tax rate reflected in the accompanying statement of non-consolidated income for the year ended March 31, 1998 differs from the actual effective tax rate, primarily due to the effect of permanently non-deductible expenses and temporary differences in the recognition of asset and liability items for tax and for financial reporting purposes.

8. LIABILITY FOR RETIREMENT BENEFITS AND PENSION PLAN

The Company's funded employees' pension plans cover 100% of the benefits due to employees other than those under the NCSP, and are fully funded, except for unamortized PSC. Retirement benefits are determined on the basis of their length of service, rate of pay at the time of termination and certain other factors.

If the termination is involuntary, the employee is entitled to greater payment than in the case of voluntary termination in certain circumstances.

The assets of the pension funds totaled ¥90,789 million (\$753,123 thousand) at March 31, 1998 (the most recent date of available information).

The liability for retirement benefits at March 31, 1999 and 1998 were as follows:

| | Millions of Yen | | Thousands of U.S. Dollars |
|---|-----------------|--------|------------------------------|
| | 1999 | 1998 | 1999 |
| Employees | ¥13,607 | ¥5,226 | \$112,875 |
| Directors and corporate auditors | 501 | 424 | 4,156 |
| Total | 14,108 | 5,650 | 117,031 |
| Retirees participating in the NCSP | 948 | 834 | 7,864 |
| Current portion (other current liabilities) | (307) | (246) | (2,547) |
| Net | 641 | 588 | 5,317 |
| Total | ¥14,749 | ¥6,238 | \$122,348 |

Amounts payable to directors and corporate auditors are subject to the approval of the shareholders.

Total charges relating to retirement benefits for the years ended March 31, 1999 and 1998, were as follows:

| | Millions of Yen | | Thousands of U.S. Dollars |
|--|-----------------|---------|------------------------------|
| | 1999 | 1998 | 1999 |
| Contributions to funded plans | ¥4,612 | ¥5,533 | \$38,258 |
| Provision for PSC relating to previous years | 6,709 | — | 55,653 |
| Provision for PSC relating to this year | 3,716 | — | 30,825 |
| Reversal of allowance for employees' retirement benefits | — | (1,089) | — |
| Provision for directors and corporate auditors | 109 | 123 | 904 |
| One-time payments to employees participating in the NCSP | 1,597 | 1,641 | 13,248 |
| Provision for the NCSP allowance | 350 | 321 | 2,904 |
| Total | ¥17,093 | ¥6,529 | \$141,792 |

9. LEASES

The Company leases certain machinery, computer equipment, office space and other assets.

Total rental expenses for the years ended March 31, 1999 and 1998 were ¥8,273 million (\$68,627 thousand) and ¥8,727 million, respectively, including ¥65 million (\$539 thousand) and ¥69 million of lease payments under finance leases agreements that do not transfer ownership of the leased property to the lessee.

Pro forma information of leased property such as acquisition cost, accumulated depreciation, obligations under finance leases, depreciation expense of finance leases that do not transfer ownership of the leased property to the lessee on an "as if capitalized" basis for the years ended March 31, 1999 and 1998, was as follows:

| | Millions of Yen | | Thousands of U.S. Dollars |
|-----------------------------------|-----------------|------|------------------------------|
| | 1999 | 1998 | 1999 |
| Machinery and equipment | | | |
| Acquisition cost | ¥201 | ¥241 | \$1,667 |
| Accumulated depreciation | 99 | 105 | 821 |
| Net leased property | ¥102 | ¥136 | \$846 |
| Obligations under finance leases: | | | |
| Due within one year | ¥46 | ¥60 | \$381 |
| Due after one year | 56 | 76 | 465 |
| Total | ¥102 | ¥136 | \$846 |

The amount of obligations under finance leases includes the imputed interest expense portion.

Depreciation expense, which is not reflected in the accompanying statements of income, computed by the straight-line method was ¥65 million (\$539 thousand) and ¥69 million for the years ended March 31, 1999 and 1998, respectively.

10. COMMITMENTS AND CONTINGENT LIABILITIES

Contingent liabilities at March 31, 1999 were as follows:

| | Millions of Yen | Thousands of U.S. Dollars |
|---|-----------------|------------------------------|
| Guarantees of bank loans to employees for housing | ¥9,019 | \$74,815 |
| Guarantees of lease agreement of a subsidiary | ¥133 | \$1,103 |
| 5.55% unsecured bonds due January 28, 2000 | ¥10,000 | \$82,953 |
| (bonds under debt assumption agreement at March 26, 1999) | | |

11. SHAREHOLDERS' EQUITY

The Code requires at least 50% of the issue price of new shares, with a minimum of the par value thereof, to be designated as stated capital as determined by resolution of the Board of Directors. Proceeds in excess of amounts designated as stated capital are credited to additional paid-in capital.

The Code also requires companies to appropriate from retained earnings to legal reserve an amount equal to at least 10% of all cash payments which are made as an appropriation of retained earnings until such reserve equals 25% of stated capital. This reserve is not available for dividends but may be used to reduce a deficit by resolution of the shareholders.

The Company may transfer portions of additional paid-in capital and legal reserve to stated capital by resolution of the Board of Directors. The Company may also transfer portions of unappropriated retained earnings, available for dividends, to stated capital by resolution of the shareholders.

Under the Code, the Company may issue new common shares to existing shareholders without consideration as a stock split pursuant to a resolution of the Board of Directors. The Company may make such a stock split to the extent that the aggregate par value of the shares outstanding after the stock split does not

exceed the stated capital. However, the amount calculated by dividing the total amount of shareholders' equity by the number of outstanding shares after the stock split shall not be less than ¥50.

Dividends are approved by the shareholders at a meeting held subsequent to the fiscal year to which the dividends are applicable. Semiannual interim dividends may be paid upon resolution of the Board of Directors subject to certain limitations imposed by the Code. Year-end dividends are reflected in the non-consolidated statements of shareholders' equity when authorized.

The Special Taxation Measures Law of Japan permits a company to take as tax deductions certain reserves if provided through the appropriation of retained earnings. Under Japanese tax laws such reserves included in retained earnings must be reversed to taxable income in future years. Such reserves (net of taxes) amounted to ¥3,187 million (\$26,437 thousand) at March 31, 1999.

12. DERIVATIVES

The Company enters into derivatives agreements within the range of ordinary transactions as a means of managing the exposure to fluctuation in foreign exchange rates and interest rates in business activities.

The Company enters into interest rate swap agreements as a means of reducing financial costs and hedging the exposure to long-term fluctuation in interest rates. The Company also enters into foreign exchange forward contracts, currency options and currency swaps as a means of hedging foreign exchange risk associated with accounts payable in foreign currencies. The Company does not hold or issue these derivatives for trading purposes.

Interest rate swaps, foreign exchange forward contracts, currency options and currency swaps that the Company enters into are subject to market risk. Because the counterparties to these derivatives are limited to major credible banks, securities companies and general trading companies, the Company does not anticipate any losses arising from credit risk.

The Finance Department controls the execution and control of derivatives in accordance with internal policies. The execution of derivative transactions are approved by the director of the department and are reported to the Accounting Department.

The Finance Department reviews contract amounts and fair values of derivatives on a daily basis, and monitors amounts to avoid exceeding the internally pre-determined limits.

The Company had the following derivatives contracts outstanding at March 31, 1999 and 1998:

| | Millions of Yen | | | | Thousands of U.S. Dollars | |
|--|-----------------|---------------|-----------------|------------|---------------------------|-----------------|
| | 1999 | | 1998 | | 1999 | |
| | Contract Amount | Fair Value | Contract Amount | Fair Value | Contract Amount | Fair Value |
| Forward exchange contracts: | | | | | | |
| Buying U.S.\$ | ¥4,246 | ¥4,530 | ¥3,151 | ¥3,361 | \$35,222 | \$37,578 |
| Currency options | — | — | 247 | 16 | — | — |
| Interest rate swaps: | | | | | | |
| Fixed rate payment, floating rate receipt | 10,000 | (275) | 5,000 | (108) | 82,953 | (2,281) |
| Floating rate receipt, floating rate payment | — | — | 5,000 | (68) | — | — |

The fair values of forward exchange contracts and currency options are estimated by market prices for contracts with similar terms or obtaining quotes from brokers.

The fair values of interest rate swaps are the estimated amount that the Company would receive or pay to terminate the swaps at the balance sheet date.

Forward exchange contracted amounts which are assigned to associated assets or liabilities and are reflected on the balance sheet at year end are not subject to the disclosure of market value information. The contract amounts of the interest rate swaps do not represent the amounts exchanged by the parties and do not measure the Company's exposure to credit or market risk.

13. RELATED PARTY TRANSACTIONS

Transactions with Unisys Corporation and Mitsui & Co., Ltd. which are major shareholders and the Company's subsidiaries and affiliates for the years ended March 31, 1999 and 1998, were summarized as follows:

| | Millions of Yen | | Thousands of U.S. Dollars |
|-----------------------------------|-----------------|----------|------------------------------|
| | 1999 | 1998 | 1999 |
| Sales: | | | |
| Unisys Corporation | ¥37 | ¥12 | \$307 |
| Mitsui & Co., Ltd. | 2,132 | 1,847 | 17,685 |
| Subsidiaries and affiliates | 4,232 | 3,895 | 35,106 |
| Total | ¥6,401 | ¥5,754 | \$53,098 |
| Purchases: | | | |
| Unisys Corporation | ¥22,334 | ¥24,609 | \$185,267 |
| Mitsui & Co., Ltd. | 30,032 | 42,317 | 249,125 |
| Subsidiaries and affiliates | 42,019 | 38,840 | 348,561 |
| Total | ¥94,385 | ¥105,766 | \$782,953 |
| Interest expenses: | | | |
| Mitsui & Co., Ltd. | ¥466 | ¥731 | \$3,865 |
| Subsidiaries and affiliates | 50 | 34 | 415 |
| Total | ¥516 | ¥765 | \$4,280 |

Transaction balances due to or from Unisys Corporation, Mitsui & Co., Ltd. and the Company's subsidiaries and affiliates at March 31, 1999 and 1998, were as follows:

| | Millions of Yen | | Thousands of U.S. Dollars |
|--|-----------------|---------|------------------------------|
| | 1999 | 1998 | 1999 |
| Accounts receivable-trade: | | | |
| Unisys Corporation | ¥7 | ¥4 | \$58 |
| Mitsui & Co., Ltd. | 507 | 1,457 | 4,206 |
| Subsidiaries and affiliates | 703 | 800 | 5,831 |
| Total | ¥1,217 | ¥2,261 | \$10,095 |
| Other current assets - subsidiaries and affiliates | ¥1,190 | ¥1,917 | \$9,871 |
| Accounts payable-trade: | | | |
| Unisys Corporation | ¥1,624 | ¥2,466 | \$13,471 |
| Mitsui & Co., Ltd. | 15,257 | 22,852 | 126,562 |
| Subsidiaries and affiliates | 8,943 | 8,407 | 74,185 |
| Total | ¥25,824 | ¥33,725 | \$214,218 |
| Long-term accounts payable- Mitsui & Co., Ltd. | ¥5,866 | ¥9,737 | \$48,660 |

14. SUBSEQUENT EVENTS

(a) *Appropriations of retained earnings* – At the general shareholders’ meeting held on June 25, 1999, the Company’s shareholders approved the following appropriations of retained earnings:

| | Millions of Yen | Thousands of U.S. Dollars |
|---|-----------------|---------------------------|
| Cash dividends, ¥3.75 (\$0.03) per share | ¥411 | \$3,409 |
| Bonuses to directors and corporate auditors | 60 | 498 |

(b) *Special package for NCSP* – At the Board of Directors meetings held on May 20, 1999, the directors approved a special package for the NCSP. This special program is expected to cover approximately 200 employees with an estimated cost of ¥5,600 million (\$46,454 thousand).

(c) *Hardware maintenance service business transfer* – On May 21, 1999, the Company entered into a business transfer agreement with Uniadex, Ltd. (“UAL”), a wholly owned subsidiary of the Company, to transfer the hardware maintenance service business to UAL on October 1, 1999.

Parts, tools, measuring equipment will be transferred at the book value of these assets at March 31, 1999 which was ¥5,007

million (\$41,535 thousand). However, a part of the maintenance parts, tools and measuring equipment are to be transferred on April 1, 2000.

(d) *Sales of a building and land* – On June 22, 1999, the Company entered into a contract with Mitsui Fudosan Co., Ltd. to sell a building and land which had been used as a dormitory.

- (1) Purpose for selling: To use property more effectively.
- (2) Address: 3-chome, Nakaochiai, Shinjuku-ku, Tokyo
- (3) Selling price: ¥1,630 million (\$13,521 thousand)

15. CONSOLIDATED FINANCIAL DATA

Selected consolidated financial data for the years ended March 31, 1999 and 1998, were set forth below:

| | Millions of Yen | | Thousands of U.S. Dollars |
|-------------------------------------|-----------------|----------|---------------------------|
| | 1999 | 1998 | 1999 |
| Net sales | ¥310,699 | ¥306,670 | \$2,577,345 |
| Operating income | 15,012 | 9,035 | 124,529 |
| Net income | 2,876 | 2,317 | 23,857 |
| Total assets | 254,491 | 265,719 | 2,111,083 |
| Property, plant and equipment | 51,671 | 57,086 | 428,627 |
| Total shareholders’ equity | 85,790 | 75,915 | 711,655 |
| | Yen | | U.S. Dollars |
| Net income per share | ¥26.23 | ¥21.13 | \$0.22 |

**Deloitte Touche
Tohmatsu**



Tohmatsu & Co.

MS Shibaura Building
13-23, Shibaura 4-chome
Minato-ku, Tokyo 108-8530

Telephone : (03)3457-7321
Facsimile : (03)3769-8508

INDEPENDENT AUDITORS' REPORT

To the Board of Directors and Shareholders of
Nihon Unisys, Ltd.:

We have examined the non-consolidated balance sheets of Nihon Unisys, Ltd. as of March 31, 1999 and 1998, and the related non-consolidated statements of income, shareholders' equity, and cash flows for the years then ended, all expressed in Japanese yen. Our examinations were made in accordance with auditing standards, procedures and practices generally accepted and applied in Japan and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the non-consolidated financial statements referred to above present fairly the financial position of Nihon Unisys, Ltd. as of March 31, 1999 and 1998, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in Japan consistently applied during the period except for the change, with which we concur, in the accounting for software development costs and in the accounting for prior service costs under the contributory pension plan, as discussed in Note 3.

Our examinations also comprehended the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made in conformity with the basis stated in Note 1 to the non-consolidated financial statements. Such U.S. dollar amounts are presented solely for the convenience of readers outside Japan.

Deloitte Touche Tohmatsu
June 25, 1999

| | |
|----------------------------|---|
| Name | Nihon Unisys, Ltd. |
| Head Office | 1-1, Toyosu 1-chome, Koto-ku, Tokyo 135-8560, Japan (Registered Head Office 17-51, Akasaka 2-chome, Minato-ku, Tokyo 107-0052, Japan) |
| Established | March 29, 1958 |
| Capital | ¥5,483 million |
| Business Activities | <ol style="list-style-type: none"> 1. Sales and rentals of computer systems 2. Sales and production of software 3. Various system-related services 4. Telecommunication business, information processing services and data base services 5. Contracts, planning, executions and controls of constructions for building and installation of systems above, etc. |

Common Stock

| | |
|-------------|----------------------|
| Authorized: | 300,000,000 shares |
| Issued: | 109,663,524 shares |
| Listing: | Tokyo Stock Exchange |

Shareholders

Number of Shareholders: 3,589

Principal Shareholders:

| Name | (thousands) | Number of shares held (%) |
|--|-------------|---------------------------|
| Mitsui & Co., Ltd. | 32,443 | 29.58 |
| Unisys Corporation | 32,443 | 29.58 |
| Nihon Unisys Employees' Shareholding Society | 1,923 | 1.75 |
| Mitsubishi Electric Corporation | 1,852 | 1.69 |
| The Sakura Bank, Limited | 1,415 | 1.29 |
| The Mitsui Trust and Banking Company, Limited | 1,293 | 1.18 |
| The Mitsubishi Trust and Banking Corporation (Trust Account) | 1,226 | 1.12 |
| The Sumitomo Trust and Banking Company, Limited (Trust Account) | 1,067 | 0.97 |
| Boston Safe Deposit BSDT Treaty Clients Omnibus | 1,061 | 0.97 |
| Pension Trust (Trustee: The Mitsui Trust and Banking Company, Limited, No.2 Account) | 1,049 | 0.96 |

(Note) The number of shares held by Mitsui & Co., Ltd. and Unisys Corporation shown above are from the shareholders' list.

However, the actual number of shares they own as of March 31, 1999 are as follows.

| | |
|--------------------|---------------------------------|
| Mitsui & Co., Ltd. | 32,438 thousand shares (29.58%) |
| Unisys Corporation | 32,438 thousand shares (29.58%) |

Employees 6,528

Major Subsidiaries and Affiliated Companies

| Company Name | Capital (¥ millions) | Equity held by NihonUnisys (%) | Company Name | Capital (¥ millions) | Equity held by NihonUnisys (%) |
|--|-------------------------|-----------------------------------|---|-------------------------|-----------------------------------|
| Nihon Unisys Supply, Ltd.* | 315 | 85 | Nihon Unisys Business, Ltd. | 20 | 100 |
| UNIADEX, Ltd.* | 200 | 100 | Hokkaido Soft Engineering Co., Ltd. | 30 | 45 |
| Nihon Unisys Software Kaisha, Ltd. | 300 | 100 | Tohoku Soft Engineering Co., Ltd. | 50 | 49 |
| Hiroshima Soft Engineering Co., Ltd. | 50 | 64.5 | Chubu Soft Engineering Co., Ltd. | 50 | 49 |
| Soft Excel Co., Ltd. | 100 | 72.5 | Kansai Soft Engineering Co., Ltd. | 50 | 47 |
| Nihon Unisys Information Systems, Ltd. | 150 | 100 | Kyushu Soft Engineering Co., Ltd. | 50 | 45 |
| O.S. Engineering Co., Ltd. | 50 | 100 | International Systems Development Co., Ltd. | 40 | 42.5 |

*Consolidated Subsidiary

Board of Directors

(as of June 25, 1999)

| Name | Title |
|---------------------|-----------------------------|
| Junichi Amano* | President & CEO |
| James L. Murtaugh* | Executive Vice President |
| Kenji Nagaoka* | Executive Managing Director |
| Yosuke Torii* | Executive Managing Director |
| Shoichi Kajikawa* | Executive Managing Director |
| Donald P. Edlin* | Executive Managing Director |
| Takashi Suzuki | Managing Director |
| Muneaki Tachibana | Managing Director |
| Tatsuo Toyama | Managing Director |
| Makoto Motoike | Managing Director |
| Koichi Kikumoto | Managing Director |
| Hajime Takeuchi | Managing Director |
| Hidenori Suzuki | Director |
| Yasunori Fujita | Director |
| Tainen Hidaka | Director |
| Takeshi Washio | Director |
| Takahiro Hamada | Director |
| Masanori Matsumori | Director |
| Tsutomu Fukunaga | Director |
| Nicholas J. Reiter | Director |
| Kazuo Sato | Director |
| Seiichi Shimada | Director |
| Shoei Utsuda | Director |
| George R. Gazerwitz | Director |
| Gerald A. Gagliardi | Director |
| James L. Page | Director |
| Leo C. Daiuto | Director |
| Takashi Fujita | Statutory Auditor |
| Yasufumi Yamazaki | Statutory Auditor |
| Kiyoshi Doi | Auditor |

*Representative Director

Products & Services

Enterprise Servers

ITASCA Series
HMP IX Series
HMP NX Series, etc.

Open Products

UNIX Servers, Workstations
PC AQUANTA Series
Solution Server RX-7000 Series, etc.

Peripherals

Cash Disk Units
Magnetic Disk Units
Japanese-language Printers
Document Systems
Terminals for Various Industries, etc.

Communications Systems

Communications Control Units
Digital PBX
Ethernet LAN
Switching HUB, Router, etc.

Software

Basic Software
Database Software
Network Software
Solution for Various Industries

ERP Solution

EC-related Software
Various Open Software, etc.

Services

Consultation Services
System Engineering Services
Maintenance Services
Education / Training Services
Network Integration Services
Desktop Services
Outsourcing Business
Facilities-related Services, etc.





Nihon Unisys, Ltd.

1-1, Toyosu 1-chome, Koto-ku, Tokyo 135-8560, Japan

<http://www.unisys.co.jp/>

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