



Financial Statements 2000

Nihon Unisys, Ltd.

Profile

Nihon Unisys, Ltd. is aiming to be true Solution Creators who are quick responsive to customers, providing optimum solutions that help them resolve issues they face.

Through various business activities leveraging IT (Information Technologies), we have been making dedicated efforts so as to be a desired and attractive company for customers, shareholders and society.

Since 1958, when Nihon Unisys was founded, we have contributed to sharpening the power of Japanese companies' competitiveness by designing and constructing their information systems. We have know-how and skills that have been accumulated through ample experience with system development in various industries for more than four decades, because of which we are capable of providing optimum solution services embedded with latest technologies to customers.

The changes of business environments have been accelerated as a result of explosive proliferation of Internet and rapid progress of E-business. Our mission is to create new business opportunities for customers, grasping these changes as new opportunities. Nihon Unisys Group is a true and reliable partner that can continue providing optimum solutions with which users can better respond to changes in business.



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FINANCIAL HIGHLIGHTS

Nihon Unisys, Ltd. and subsidiaries
Years Ended March 31, 2000, 1999 and 1998 (Consolidated Basis)

	Millions of Yen			Thousands of U.S. Dollars (Note)
	2000	1999	1998	2000
Net Sales	¥311,319	¥310,699	¥306,670	\$2,932,822
Operating Income	18,642	15,012	9,035	175,619
Net Income	3,605	2,876	2,317	33,961
Total Assets	246,218	254,491	265,718	2,319,529

Per Share Amounts:

	Yen	Yen	Yen	U.S. Dollars
Net Income	¥32.88	¥26.23	¥21.13	\$0.31
Cash Dividends Applicable to the Year	7.50	7.50	7.50	0.07

(Note) Yen amounts have been translated into U.S. dollars, for convenience only, at ¥106.15=U.S.\$1 prevailing on March 31, 2000.

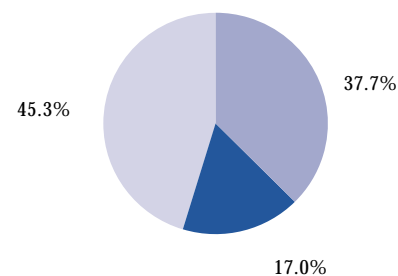
Net Sales (¥ millions)



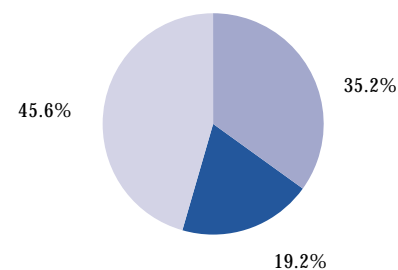
Composition of Net Sales

Hardware
Software
Services

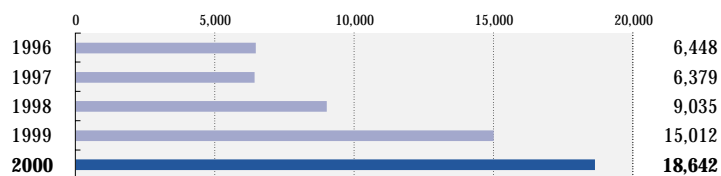
1999



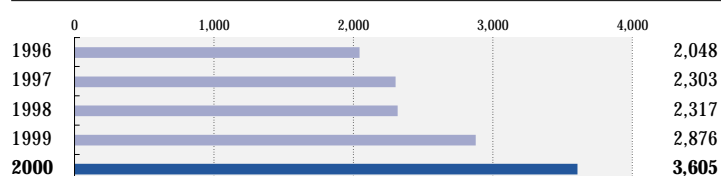
2000



Operating Income (¥ millions)



Net Income (¥ millions)



Overview

It is my pleasure to report the overview of the Company's operations for fiscal year 2000, ended March 31, 2000. During fiscal year 2000, despite of economy stimulus packages of the government, the recovery of demands in private sectors was weak and the Japanese economy was yet to reach the voluntary recovery level. The environment surrounding the IT industry has changed drastically with the advance of information infrastructure through rapid proliferation of Internet. In addition, being affected with prolonging sluggishness of economy and the Y2K problem, the conditions in the market were quite hard.

Under such circumstances, we have striven to provide total solutions to customers reinforcing our marketing power so as to user needs.

In software and service business areas, to help customers resolve issues they face, we introduced solution sets based on latest technologies as Solution Creators. By introducing variety of software and service products we have made every effort to grow information service business and improve earnings.

In hardware area, we have marketed various hardware products including HMP IX and NX series based on new system architecture that integrates the proprietary and the open environments. ES7000 that we introduced has mainframe-class transaction capability, reliability and scalability. It is an open enterprise server that best fits the rapidly growing E-business.

We have leveraged collaboration with other companies, too. For example, in the area of next generation data center system, under the alliance with Microsoft Co., Ltd., we started advocating New Platform Windows Data Center, combining ES series and Windows 2000. Also, we have allied with Hitachi, Ltd. in solution business in the financial area.

To grow and expand Nihon Unisys Group business overall in the consolidated management era, we transferred hardware maintenance service business to UNIADDEX, Ltd. one of Nihon Unisys' subsidiaries on October 1, 1999.

With regard to the Y2K issue, which we positioned as our overriding issue and aggressively tackled with it so as to ensure stability of systems of our users and smooth supply of products and services. There was no impact on our business in this regard.

* Windows and Windows 2000 are registered trademarks of the U.S. Microsoft Corporation in the United States and other countries.

Performance

Although the number of consolidated subsidiaries increased as a result of change of consolidation scope, due to sluggish investment in IT affected by stagnant economic environment, the Y2K issue and the financial restructuring, our consolidated net sales remained at the level of 311,319 million yen (up 0.2% from a year ago).

As a result of improvement in profitability of system service business, operating income increased to 18,642 million yen (up 24.2%). As for net income, 3,605 million yen (up 25.3%) was generated being helped with the gains by selling land and others despite of the entry of allowance for PSC (Prior Service Costs) and the special package cost of NCSP (New Career Support Program).

The breakdown of net sales is as follows. Sales of hardware decreased to 109,573 million yen (down 6.3%) while sales of software increased to 59,718 million yen (up 13.1%). Sales of services and others increased to 142,028 million yen (up 0.8%).

In other words, sales of hardware accounted for 35.2% (37.7% a year ago) while those of software and services were 19.2% (17.0%) and 45.6% (45.3%) respectively.

Outlook

Although a little silver lining is seen in the Japanese economy, a full-scale recovery of economy is not likely to come soon. In addition, there are some unpredictable factors like overseas market trends and movements of stock markets. In the IT industry, along with rapid changes of the market environment, sales competition will get tougher and tougher.

With this perspective, we will continue our efforts to enhance our skill base and reinforce sales power making aggressive challenges to E-business, outsourcing business and other areas while leveraging and maximizing synergy as Nihon Unisys Group so as to provide total solutions to customers and improve our earning power.

We are firmly determined to make every endeavor to improve our company operation more efficiently to raise 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

CONSOLIDATED BALANCE SHEETS

Nihon Unisys, Ltd. and subsidiaries
March 31, 2000 and 1999

ASSETS	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2000	1999	2000
Current Assets:			
Cash and cash equivalents	¥36,233	¥42,613	\$341,338
Marketable securities (Note 4)	8,578	8,553	80,810
Accounts receivable-trade (Note 14)	94,265	83,348	888,036
Inventories (Note 5)	12,110	14,079	114,084
Deferred tax assets (Note 7)	3,682	3,034	34,687
Other current assets	6,568	7,364	61,874
Allowance for doubtful accounts	(368)	(476)	(3,467)
Total current assets	161,068	158,515	1,517,362
Property, Plant and Equipment:			
Land	1,785	2,084	16,816
Buildings and structures	18,173	18,081	171,201
Machinery and equipment	161,703	173,088	1,523,344
Total	181,661	193,253	1,711,361
Accumulated depreciation	(134,204)	(141,582)	(1,264,286)
Net property, plant and equipment	47,457	51,671	447,075
Investments and Other Assets:			
Investment securities (Note 4)	1,271	801	11,974
Investments in unconsolidated subsidiaries and associated companies (Note 4)	229	5,130	2,157
Software (Note 3)	6,052	7,611	57,014
Lease deposits	15,806	15,759	148,903
Deferred tax assets (Note 7)	11,785	11,694	111,022
Other assets	2,550	3,310	24,022
Total investments and other assets	37,693	44,305	355,092
Total	¥246,218	¥254,491	\$2,319,529

See notes to consolidated financial statements.

LIABILITIES AND SHAREHOLDERS' EQUITY	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2000	1999	2000
Current Liabilities:			
Short-term borrowings (Note 6)	¥12,401	¥17,758	\$116,825
Current portion of long-term debt (Note 6)	6,614	1,027	62,308
Accounts payable-trade (Note 14)	45,658	43,846	430,127
Income taxes payable (Note 7)	2,622	10,417	24,701
Accrued expenses	14,528	13,082	136,863
Other current liabilities (Note 8)	22,757	21,345	214,386
Total current liabilities	104,580	107,475	985,210
Long-term Liabilities:			
Long-term debt (Note 6)	33,210	38,723	312,859
Liability for retirement benefits (Notes 3 and 8)	13,519	15,162	127,358
Other long-term liabilities (Note 14)	5,227	6,932	49,241
Total long-term liabilities	51,956	60,817	489,458
Minority Interests	1,180	409	11,116
Commitments and Contingent Liabilities (Notes 10 and 11)			
Shareholders' Equity (Notes 12 and 15):			
Common stock, ¥50 par value - authorized, 300,000,000 shares; issued and outstanding, 109,663,524 shares	5,483	5,483	51,653
Additional paid-in capital	15,282	15,282	143,966
Retained earnings	67,738	65,026	638,135
Total	88,503	85,791	833,754
Treasury stock-at cost	(1)	(1)	(9)
Total shareholders' equity	88,502	85,790	833,745
Total	¥246,218	¥254,491	\$2,319,529

CONSOLIDATED STATEMENTS OF INCOME

Nihon Unisys, Ltd. and subsidiaries
Years Ended March 31, 2000 and 1999

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2000	1999	2000
Net Sales (Note 14)	¥311,319	¥310,699	\$2,932,822
Cost of Sales (Note 14)	212,142	219,785	1,998,512
Gross Profit	99,177	90,914	934,310
Selling, General and Administrative Expenses	80,535	75,902	758,691
Operating Income	18,642	15,012	175,619
Other Income (Expenses):			
Interest and dividend income	421	633	3,966
Interest expense (Note 14)	(1,334)	(2,094)	(12,567)
Income from building rental	601	562	5,662
Gain on sales of property, plant and equipment	1,309	-	12,332
Penalty from cancellation of computer rental contract	-	2,124	-
Gain on sales of securities	395	7	3,721
Loss on devaluation of marketable securities	-	(1,142)	-
Exchange gain	404	-	3,806
Provision for prior service costs (Note 3)	(6,956)	(6,820)	(65,530)
Special retirement expense	(5,672)	-	(53,434)
Other-net	(315)	(298)	(2,967)
Other expenses-net	(11,147)	(7,028)	(105,011)
Income before Income Taxes and Minority Interests	7,495	7,984	70,608
Income Taxes (Note 7):			
Current	3,808	12,427	35,874
Deferred	(53)	(7,320)	(499)
Total	3,755	5,107	35,375
Minority Interests in Net Income	135	1	1,272
Net Income	¥3,605	¥2,876	\$33,961

	Yen	U.S. Dollars	
Per Share Amounts (Note 2.m):			
Net income	¥32.88	¥26.23	\$0.31
Cash dividends applicable to the year	7.50	7.50	0.07

See notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

Nihon Unisys, Ltd. and subsidiaries
Years Ended March 31, 2000 and 1999

	Thousands	Millions of Yen			
	Number of Shares of Common Stock	Common Stock	Additional Paid-in Capital	Retained Earnings	Treasury Stock
Balance, April 1, 1998	109,664	¥5,483	¥15,282	¥55,150	¥ (0)
Adjustment of retained earnings for newly applied accounting for tax allocation				7,884	
Net income				2,876	
Cash dividends, ¥7.5 per share				(822)	
Bonuses to directors and corporate auditors				(62)	
Purchase of treasury stock					(1)
Balance, March 31, 1999	109,664	5,483	15,282	65,026	(1)
Net income				3,605	
Cash dividends, ¥7.5 per share				(822)	
Bonuses to directors and corporate auditors				(71)	
Balance, March 31, 2000	109,664	¥5,483	¥15,282	¥67,738	¥ (1)

	Thousands of U.S. Dollars (Note 1)			
	Common Stock	Additional Paid-in Capital	Retained Earnings	Treasury Stock
Balance, March 31, 1999	\$ 51,653	\$ 143,966	\$ 612,586	\$ (9)
Net income			33,961	
Cash dividends, \$0.07 per share			(7,743)	
Bonuses to directors and corporate auditors			(669)	
Balance, March 31, 2000	\$ 51,653	\$ 143,966	\$ 638,135	\$ (9)

See notes to consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

Nihon Unisys, Ltd. and subsidiaries
Year Ended March 31, 2000

	Millions of Yen	Thousands of U.S. Dollars (Note 1)
	2000	2000
Operating Activities:		
Income before income taxes and minority interests	¥7,495	\$70,608
Adjustments for:		
Income taxes paid	(12,468)	(117,456)
Depreciation and amortization	22,129	208,469
Gain on sales of property, plant and equipment	(1,309)	(12,332)
Gain on sales of securities	(395)	(3,721)
Changes in assets and liabilities, net of effects from consolidating previously unconsolidated subsidiaries:		
Increase in accounts receivable-trade	(10,117)	(95,309)
Decrease in inventories	2,049	19,303
Increase in interest and dividend receivable	(24)	(226)
Increase in accounts payable-trade	6,151	57,946
Decrease in interest payable	(12)	(113)
Decrease in liability for retirement benefits	(808)	(7,612)
Other-net	3,777	35,582
Total adjustments	8,973	84,531
Net cash provided by operating activities	16,468	155,139
Investing Activities:		
Proceeds from sales of marketable securities	1,318	12,416
Payments for purchases of marketable securities	(530)	(4,993)
Proceeds from sales of property, plant and equipment	1,862	17,541
Payments for purchases of property, plant and equipment	(16,209)	(152,699)
Payments for purchases of software	(5,828)	(54,903)
Payments for purchases of investment securities	(909)	(8,563)
Net decrease in short-term investments	1,000	9,421
Net decrease in other assets	317	2,986
Net cash used in investing activities	(18,979)	(178,794)

	Millions of Yen	Thousands of U.S. Dollars (Note 1)
	2000	2000
Financing Activities:		
Net decrease in short-term borrowings	¥(5,426)	\$(51,117)
Proceeds from long-term debt	950	8,950
Repayments of long-term debt	(1,098)	(10,344)
Proceeds from sales of treasury stock	165	1,554
Payments for purchase of treasury stock	(165)	(1,554)
Cash dividends	(822)	(7,743)
Cash dividends to minority interests	(7)	(66)
Net cash used in financing activities	(6,403)	(60,320)
Net Decrease in Cash and Cash Equivalents	(8,914)	(83,975)
Cash and Cash Equivalents of Newly Consolidated		
Subsidiaries, Beginning of Year	2,534	23,872
Cash and Cash Equivalents, Beginning of Year	42,613	401,441
Cash and Cash Equivalents, End of Year	¥36,233	\$341,338
Noncash Investing and Financing Activities:		
Assets increased by consolidation of previously unconsolidated subsidiaries	¥2,098	\$19,764
Liabilities increased by consolidation of previously unconsolidated subsidiaries	771	7,263

See notes to consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Nihon Unisys, Ltd. and subsidiaries
Years Ended March 31, 2000 and 1999

1. Basis of presenting consolidated financial statements

The accompanying consolidated financial statements have been prepared in accordance with the provisions set forth in the Japanese Securities and Exchange Law and its related accounting regulations, 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 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.

Effective April 1, 1999, a consolidated statement of cash flows is required to be prepared under Japanese accounting standards. The statement of cash flows for the year ended March 31, 2000 is presented herein. Such statement for the year ended March 31, 1999 is not presented, as Japanese accounting standards do not require retroactive preparation or presentation for prior years' financial statements.

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

The consolidated financial statements are stated in Japanese yen, the currency of the country in which Nihon Unisys, Ltd. (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 ¥106.15 to \$1, the approximate rate of exchange at March 31, 2000. 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 1999 consolidated financial statements to conform to the classifications used in 2000.

2. Summary of significant accounting policies

(a) Consolidation – The consolidated financial statements as of March 31, 2000 include the accounts of the Company and its 14 significant (2 for the year ended March 31, 1999) subsidiaries (together, the "Group").

Effective April 1, 1999, the Group changed its consolidation scope of subsidiaries from the application of the ownership concept to the control concept in accordance with the new accounting standard for consolidation. Under the control concept, those companies in which the Parent, directly or indirectly, is able to exercise control over operations are fully consolidated.

6 subsidiaries previously accounted for by the equity method have been consolidated in the consolidated financial statements.

Consolidation of the remaining subsidiaries would not have a material effect on the accompanying consolidated financial statements.

Investments in the remaining 2 unconsolidated subsidiaries and 7 associated companies (1 subsidiary and 9 associated companies in 1999) are stated at cost. If the equity method of accounting had been applied to the investments in these companies, the effect on the accompanying consolidated financial statements would not be material.

The excess of the cost of the Company's investments in consolidated subsidiaries and associated companies accounted for by the equity method over its equity in the net assets at the

respective dates of acquisition until March 31, 1999, is being amortized over a period of 5 years.

Effective April 1, 1999, the excess of the cost of an acquisition over the fair value of the net assets of the acquired subsidiary at the date of acquisition is being amortized using the straight-line method over a period of 5 years.

All significant intercompany balances and transactions have been eliminated in consolidation. All material unrealized profit included in assets resulting from transactions within the Group is eliminated.

(b) Cash equivalents – Cash equivalents are short-term investments which mature or become due within three months of the date of acquisition, that are readily convertible into cash and that are exposed to insignificant risk of changes in value.

(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 moving-average method. Securities traded on the over-the-counter market and other securities are stated at cost determined by the moving-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 for buildings and structures and from 2 to 20 years for machinery and equipment.

(g) Software – Effective April 1, 1999, in accordance with new accounting standard for research and development costs, software development costs, incurred through the completion of a Beta version of specific software for sale to the market, are charged to income as incurred. Costs incurred subsequent to the completion of the Beta version are capitalized as software.

Software is 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. The estimated salable years is principally three years.

The effect of applying this new accounting standard on the consolidated financial statements of the Company is immaterial.

(h) Income taxes – Effective April 1, 1998, the Group 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 ¥7,884 million is included as an adjustment to retained earnings as of April 1, 1998.

Deferred tax assets 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.

(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 at an annual rate of 50%.

Certain consolidated subsidiaries have non-contributory pension plans.

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 plus the increase in the unfunded balance of PSC in 1999. The remaining 50% of unfunded PSC at March 31, 1999 was 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 certain 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 Group provides for an allowance for directors’ and corporate auditors’ retirement benefits calculated in accordance with the Group’s rules, and includes this amount as a liability for retirement benefits.

(j) 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.

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

(l) 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.

(m) 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 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 Group 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 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 Group changed its method of accounting for unfunded PSC (See Note 2(i)). This change was made to provide for 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 ¥2,129 million and ¥8,990 million respectively.

4. Marketable and investment securities

Carrying amounts and aggregate market values of current and non-current marketable securities at March 31, 2000 and 1999, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2000	1999	2000
Current:			
Carrying amounts	¥8,578	¥8,553	\$80,810
Aggregate market value	18,998	12,479	178,973
Unrealized gain	¥10,420	¥3,926	\$98,163
Non-current:			
Carrying amounts	¥1,500	¥5,931	\$14,131
Aggregate market value	1,500	5,976	14,131
Unrealized gain	¥0	¥45	\$0

5. Inventories

Inventories at March 31, 2000 and 1999, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2000	1999	2000
Work in process	¥1,015	¥3,171	\$9,562
Merchandise and finished products	10,982	10,760	103,457
Supplies	113	148	1,065
Total	¥12,110	¥14,079	\$114,084

6. Short-term borrowings and long-term debt

Short-term borrowings at March 31, 2000 and 1999, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2000	1999	2000
Short-term bank loans	¥12,401	¥17,758	\$116,825
Total	¥12,401	¥17,758	\$116,825

Short-term bank loans bore interest at an approximate annual average rate of 0.89% and 1.12% at March 31, 2000 and 1999, respectively.

Long-term debt at March 31, 2000 and 1999, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2000	1999	2000
2.05% unsecured bonds due 2002	¥10,000	¥10,000	\$94,206
Unsecured loans from banks and insurance companies, 1.11% to 2.59%, due serially to 2006	29,824	29,750	280,961
Total	39,824	39,750	375,167
Less current portion	(6,614)	(1,027)	(62,308)
Net long-term debt	¥33,210	¥38,723	\$312,859

The annual maturities of long-term debt at March 31, 2000 were as follows:

Year Ending March 31	Millions of Yen	Thousands of U.S. Dollars
2001	¥6,614	\$62,308
2002	7,827	73,735
2003	18,109	170,598
2004	1,694	15,959
2005	144	1,357
2006 and thereafter	5,436	51,210
Total	¥39,824	\$375,167

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 Group are subject to Japanese national and local income taxes which, in the aggregate, resulted in a normal effective statutory tax rates of approximately 42% and 48% for the years ended March 31, 2000 and 1999, respectively.

The tax effects of significant temporary differences and loss carryforwards which result in deferred tax assets and liabilities at March 31, 2000 and 1999, are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2000	1999	2000
Deferred tax assets			
Current assets			
Accrued bonuses	¥1,943	¥926	\$18,304
Inventory valuation	464	712	4,371
Allowance for maintenance service	581	123	5,474
Accrued business tax	375	1,063	3,533
Others	319	210	3,005
Total	¥3,682	¥3,034	\$34,687
Investment and other assets			
Depreciation expenses	2,327	2,718	21,922
Amortization expenses of deferred assets	6,387	4,497	60,170
Liability for retirement benefits	5,659	6,370	53,311
Others	775	595	7,301
Total	¥15,148	14,180	\$142,704
Less valuation allowance	(85)	-	(801)
Total deferred tax assets	¥15,063	14,180	\$141,903
Deferred tax liabilities			
Reserve for special taxation measures law in Japan	(2,839)	(2,267)	(26,745)
Others	(439)	(219)	(4,136)
Total	(3,278)	(2,486)	(30,881)
Net deferred tax assets	¥11,785	11,694	\$111,022

A reconciliation between the normal effective statutory tax rate and the actual effective tax rates reflected in the accompanying consolidated statements of income for the years ended March 31, 2000 and 1999, is as follows:

	2000	1999
Normal effective statutory tax rate	42%	48%
Entertainment expenses and other nondeductible items	6%	7%
Equity in net income of subsidiaries and associated companies	-	(4)%
Amount of per-capita local tax	2%	1%
Effect of tax rate reduction	-	12%
Actual effective tax rate	50%	64%

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. 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.

Certain consolidated subsidiaries' non-contributory pension plans also cover almost all employees.

The assets of the pension funds of the Group totaled ¥96,016 million at March 31, 1999 (the most recent date of available information).

The liability for retirement benefits at March 31, 2000 and 1999 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2000	1999	2000
Employees	¥12,611	¥13,991	\$118,804
Directors and corporate auditors	419	530	3,947
Total	13,030	14,521	122,751
Retirees participating in the NCSP	770	948	7,254
Current portion (other current liabilities)	(281)	(307)	(2,647)
Net	489	641	4,607
Total	¥13,519	¥15,162	\$127,358

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, 2000 and 1999, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2000	1999	2000
Contributions to funded plans	¥4,131	¥4,612	\$38,917
Provision for PSC relating to prior years	6,956	6,820	65,530
Provision for PSC relating to the current year	2,212	3,716	20,838
Provision for directors and corporate auditors	131	119	1,234
One-time payments to employees participating in the NCSP	347	1,597	3,269
Provision for the NCSP allowance	113	350	1,065
Total	¥13,890	¥17,214	\$130,853

9. Research and development costs

Research and development costs charged to income were ¥11,111 million (\$104,673 thousand) and ¥7,110 million for the years ended March 31, 2000 and 1999, respectively.

10. Leases

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

Total rental expenses for the years ended March 31, 2000 and 1999 were ¥9,103 million (\$85,756 thousand) and ¥8,842 million, respectively, including ¥81 million (\$763 thousand) and ¥146 million of lease payments under finance leases agreements that do not transfer ownership of the leased property to the lessee.

Income from equipment leases for the years ended March 31, 2000 were ¥218 million (\$2,054 thousand).

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, 2000 and 1999, was as follows:

[For Lessee]

	Millions of Yen		Thousands of U.S. Dollars
Machinery and equipment	2000	1999	2000
Acquisition cost	¥394	¥665	\$3,712
Accumulated depreciation	98	467	923
Net leased property	¥296	¥198	\$2,789
Obligations under finance leases:			
	Millions of Yen		Thousands of U.S. Dollars
	2000	1999	2000
Due within one year	¥158	¥80	\$1,489
Due after one year	138	118	1,300
Total	¥296	¥198	\$2,789

[For Lessor]

	Millions of Yen		Thousands of U.S. Dollars
Machinery and equipment	2000		2000
Acquisition cost	¥1,065		\$10,033
Accumulated depreciation	423		3,985
Net leased property	¥642		\$6,048
Obligations under finance leases:			
	Millions of Yen		Thousands of U.S. Dollars
	2000		2000
Due within one year	¥229		\$2,157
Due after one year	513		4,833
Total	¥742		\$6,990

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

The interest income portion for property leased to customers is included in the above unearned lease income.

Depreciation expense, which is not reflected in the accompanying statements of income, computed by the straight-line method was ¥81 million (\$763 thousand) and ¥146 million for the years ended March 31, 2000 and 1999, respectively.

Depreciation expense for property leased to customers which is reflected in the accompanying consolidated statements of income, computed by the straight-line method was ¥186 million (\$1,752 thousand) for the year ended March 31, 2000.

11. Commitments and contingent liabilities

Contingent liabilities at March 31, 2000 were as follows:

	Millions of Yen	Thousands of U.S. Dollars
Guarantees of bank loans to employees for housing.....	¥8,191	\$77,164
Guarantees of lease agreements of a subsidiary.....	¥51	\$480

12. Shareholders' equity

The Japanese Commercial Code (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 a 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. The Company's reserve amount, which is included in retained earnings, totals ¥1,371 million (\$12,916 thousand) and ¥1,371 million as of March 31, 2000 and 1999, respectively, and is not available for dividends but may be used to reduce a deficit by resolution of shareholders.

Under the Code, the amount available for dividends is based on retained earnings as recorded on the Company's books. At March 31, 2000, retained earnings recorded on the Company's books were ¥58,196 million (\$548,243 thousand) which is available for future dividends subject to the approval of the shareholders and legal reserve requirements.

The Company may transfer portions of additional paid-in capital and a 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 consolidated statements of shareholders' equity when authorized.

13. 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. Subsidiaries do not enter into derivatives agreement.

The Company enters into interest rate swap agreements as a means of hedging the exposure to long-term fluctuation in interest rates. The Company also enters into foreign exchange forward contracts 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 that the Company enters into are subject to market risk. Because the

The Company had the following derivatives contracts outstanding at March 31, 2000 and 1999:

	Millions of Yen				Thousands of U.S. Dollars	
	2000		1999		2000	
	Contract Amount	Fair Value	Contract Amount	Fair Value	Contract Amount	Fair Value
Forward exchange contracts:						
Buying U.S.\$	¥1,333	¥1,354	¥4,246	¥4,530	\$12,558	\$12,756
Interest rate swaps:						
Fixed rate payment, floating rate receipt	6,000	(78)	10,000	(275)	56,524	(735)

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.

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 Company's 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 Company's Accounting Department.

The Company's 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.

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.

14. Related party transactions

Transactions with Unisys Corporation and Mitsui & Co., Ltd. which are major shareholders of the Company for the years ended March 31, 2000 and 1999, were summarized as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2000	1999	2000
Sales:			
Unisys Corporation	¥208	¥37	\$1,959
Mitsui & Co., Ltd.	2,246	2,132	21,159
Total	¥2,454	¥2,169	\$23,118
Purchases:			
Unisys Corporation	¥22,458	¥22,334	\$211,569
Mitsui & Co., Ltd.	32,228	30,032	303,608
Total	¥54,686	¥52,366	\$515,177
Interest expenses:			
Mitsui & Co., Ltd.	¥277	¥466	\$2,610
Total	¥277	¥466	\$2,610

Transaction balances due to or from Unisys Corporation and Mitsui & Co., Ltd. at March 31, 2000 and 1999, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2000	1999	2000
Accounts receivable-trade:			
Unisys Corporation	¥184	¥7	\$1,733
Mitsui & Co., Ltd.	513	507	4,833
Total	¥697	¥514	\$6,566
Accounts payable-trade:			
Unisys Corporation	¥2,967	¥1,624	\$27,951
Mitsui & Co., Ltd.	15,763	15,257	148,497
Total	¥18,730	¥16,881	\$176,448
Long-term accounts payable- Mitsui & Co., Ltd.	¥4,442	¥5,866	\$41,846

15. Subsequent event

Appropriations of retained earnings – At the general shareholders' meeting held on June 27, 2000, the Company's shareholders approved the following appropriations of retained earnings:

	Millions of Yen		Thousands of U.S. Dollars
Cash dividends, ¥3.75 (\$0.04) per share		¥411	\$3,872
Bonuses to directors		60	565

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**Deloitte
Touche
Tohmatsu**

INDEPENDENT AUDITORS' REPORT

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

We have examined the consolidated balance sheets of Nihon Unisys, Ltd. and consolidated subsidiaries as of March 31, 2000 and 1999, and the related consolidated statements of income and shareholders' equity for the years then ended and of cash flows for the year ended March 31, 2000, 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 consolidated financial statements referred to above present fairly the financial position of Nihon Unisys, Ltd. and consolidated subsidiaries as of March 31, 2000 and 1999, and the results of their operations for the years then ended and their cash flows for the year ended March 31, 2000, in conformity with accounting principles and practices generally accepted in Japan consistently applied during the period subsequent to the change, with which we concur, made as of April 1, 1998, 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.

As described in Note 2, effective April 1, 2000, the consolidated financial statements have been prepared in accordance with new accounting standards for consolidated financial statements.

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. Such U.S. dollar amounts are presented solely for the convenience of readers outside Japan.

Deloitte Touche Tohmatsu
June 27, 2000

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: 3,258

Principal Shareholders:

Name	Number of shares held	
	(thousands)	(%)
Mitsui & Co., Ltd.	31,102	28.36
Unisys Corporation	31,102	28.36
State Street Bank and Trust Company	2,093	1.91
The Mitsubishi Trust and Banking Corporation (Trust Account)	2,080	1.90
The Sumitomo Trust and Banking Company, Limited (Trust Account)	1,921	1.75
Mitsubishi Electric Corporation	1,852	1.69
The Sakura Bank, Limited	1,415	1.29
The Mitsui Trust and Banking Company, Limited	1,125	1.03
Government of Singapore Investment Corporation PTE Limited Account "C"	1,091	0.99
Boston Safe Deposit BSDT Treaty Clients Omnibus	1,047	0.96

Employees 5,420

Consolidated Subsidiaries

Company Name	Capital (¥ millions)	Equity held by Nihon Unisys (%)	Company Name	Capital (¥ millions)	Equity held by Nihon Unisys (%)
Nihon Unisys Supply, Ltd.	315	85	Hokkaido Soft Engineering Co., Ltd.	30	45
UNIADDEX, Ltd.	200	100	Tohoku Soft Engineering Co., Ltd.	50	49
Nihon Unisys Software Kaisha, Ltd.	300	100	Chubu Soft Engineering Co., Ltd.	50	49
Nihon Unisys Information Systems, Ltd.	150	100	Kansai Soft Engineering Co., Ltd.	50	47
Soft Excel Co., Ltd.	100	100	Hiroshima Soft Engineering Co., Ltd.	50	75
O.S. Engineering Co., Ltd.	50	100	Kyushu Soft Engineering Co., Ltd.	50	45
Nihon Unisys Business, Ltd.	20	100	International Systems Development Co., Ltd.	40	42.5

Board of Directors

(as of June 27, 2000)

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
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
Hajime Takeuchi	Director
Seiichi Shimada	Director
Shoei Utsuda	Director
Yoshiyuki Izawa	Director
George R. Gazerwitz	Director
Janet B. Wallace	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

HMP IX Series
HMP NX / LX Series, etc.

Open Products

UNIX Servers, Workstations
Unisys e-@ction Enterprise Server
ES Series
Solution Server RX-7000 Series, etc.

Peripherals

Cash Disk Units
Japanese-language Printers
Network Products
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 / Support Services
Education / Training Services
Network Integration Services
Integrated Secure Services
Desktop Services
Outsourcing Services
Application Service Provider /
Commerce Service Provider
"asaban.com"
Facilities-related Services, etc.



Unisys e-@ction
Enterprise Server ES7000

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