# Consolidated Financial Report for the Third Quarter of Fiscal Year Ending March 31, 2011 [Japan GAAP]

January 31, 2011

**Nihon Unisys, Ltd.**

| | |
|---|---|
| Stock Listing: | Tokyo Stock Exchange 1st section |
| Stock Code: | 8056 |
| URL: | http://www.unisys.co.jp/ |
| Representative: | Katsuto Momii, President & CEO |
| Contact: | Katsuhiro Ohtomo, General Manager, Corporate Communications |
| TEL: | +81-3-5546-4111 |
| Scheduled Submission Date for Quarterly Consolidated Financial Statements: | February 14, 2011 |
| Scheduled Starting Date for Dividend Payments: | - |
| Quarterly Earnings Supplementary Explanatory Documents: | No |
| Earnings Results Briefing: | No |


(Amounts are rounded down to the nearest million yen.)

## 1. Consolidated Financial Results in FY2011 Q3 (from April 1, 2010 to December 31, 2010)

### (1) Consolidated Results of Operations

(Percentage below represents increase (decrease) from the same period of previous year)

| | Net Sales | | Operating Income | | Ordinary Income | | Net Loss | |
|---|---|---|---|---|---|---|---|---|
| | Millions of Yen | % | Millions of Yen | % | Millions of Yen | % | Millions of Yen | % |
| FY2011 Q3 | 172,849 | (4.4) | (1,552) | — | (1,960) | — | (2,514) | — |
| FY2010 Q3 | 180,888 | (15.1) | (3,168) | — | (3,331) | — | (3,307) | — |

| | Earnings Per Share | Diluted Earnings Per Share |
|---|---|---|
| | Yen | Yen |
| FY2011 Q3 | (26.41) | — |
| FY2010 Q3 | (34.48) | — |

### (2) Consolidated Financial Position

| | Total Assets | Net Assets | Shareholders' Equity Ratio | Net Assets Per Share |
|---|---|---|---|---|
| | Millions of Yen | Millions of Yen | % | Yen |
| FY2011 Q3 | 198,992 | 72,761 | 36.0 | 761.33 |
| FY2010 | 218,066 | 76,927 | 34.6 | 787.12 |

(Reference) Shareholders' Equity FY2011 Q3: 71,550 Million Yen FY2010 : 75,494 Million Yen

## 2. Dividends

| (Date of Record) | Dividends per Share | | | | |
|---|---|---|---|---|---|
| | End of Q1 | End of Q2 | End of Q3 | Year-end | Annual |
| | Yen | Yen | Yen | Yen | Yen |
| FY2010 | — | 7.50 | — | 2.50 | 10.00 |
| FY2011 | — | 5.00 | — | | |
| FY2011 (Forecast) | | | | 5.00 | 10.00 |

(Note) Revision of dividend forecast for this quarter: No

## 3. Consolidated Earnings Forecast for FY2011 (from April 1, 2010 to March 31, 2011)

(Percentage below represents increase (decrease) from the same period of previous year)

| | Net Sales | | Operating Income | | Ordinary Income | | Net Income | | Earnings Per Share |
|---|---|---|---|---|---|---|---|---|---|
| | Millions of Yen | % | Millions of Yen | % | Millions of Yen | % | Millions of Yen | % | Yen |
| FY2011 | 276,000 | 1.8 | 9,000 | 26.7 | 8,200 | 18.5 | 3,600 | (0.7) | 38.31 |

(Note) Revision of earnings forecast for this quarter: Yes

## 4. Others (See “Other Information” on page 6)

(1) Change of condition of significant consolidated subsidiaries: No
New: - company (Company Name: -) Excluded: - company (Company Name: -)
(Note) This item indicates whether there were changes in significant subsidiaries affecting the scope of consolidation during the period under review.

(2) Adoption of simplified accounting methods and special accounting methods: Yes
(Note) This item indicates whether there was adoption of simplified accounting methods and special accounting methods for the preparation of quarterly consolidated financial statements.

(3) Changes in accounting principles, procedures, presentation methods, and other factors
1. Changes associated with revision in accounting standards: Yes
2. Other changes: No
(Note) This item indicates whether there were changes in accounting principles, procedures, presentation methods, and other factors with respect to the preparation of quarterly consolidated financial statements, described in "Changes of Material Matters that are the Basis of Presenting Quarterly Consolidated Financial Statements".

(4) Number of shares outstanding (common stock)

| | | | | |
|---|---|---|---|---|
| 1. Number of shares outstanding (including treasury stock) | FY2011 Q3 | 109,663,524 shares | FY2010 | 109,663,524 shares |
| 2. Number of shares of treasury stock | FY2011 Q3 | 15,683,343 shares | FY2010 | 13,751,309 shares |
| 3. Average number of shares outstanding (during the period) | FY2011 Q3 | 95,204,715 shares | FY2010 Q3 | 95,912,459 shares |

#Indication of quarterly review procedure implementation status
This quarterly earnings report is not subject to quarterly review procedures based upon the Financial Instruments and Exchange Act. Thus, at the time of disclosure of the financial results, the quarterly financial statement review procedures based upon the Financial Instruments and Exchange Act have not been completed.

# Comment regarding appropriate usage of Earnings Forecast, and other special notes
Forward-looking statements in this earnings release, such as forecasts of results of operations, are based on the information currently available and the certain assumptions that we regard as reasonable. Therefore, actual results may differ from forecasts due to a range of factors. For further information regarding the suppositions on which earnings forecasts are based and other relevant information, please refer to page 5, “Qualitative Information on Consolidated Financial Forecast”.

## 1. Qualitative Information on the Consolidated Operating Results for the Third Quarter of Fiscal Year Ending March 31, 2011

(1) Qualitative Information on the Consolidated Operating Results

Although the economy of Japan showed signs of recovery in the period under review, as a result of various policies, several risk factors remain, such as the concern of downturns in overseas economies, fluctuations in exchange rates, and deflationary impacts. In the information services market, despite a recovering corporate appetite for investment in information systems, companies have continued their discreet postures; postponing investments, reducing their IT budgets, as well as seeking out highly effective returns on investment (ROI). Thus, business conditions have continued to be challenging for us.

In this environment, the Nihon Unisys group has aimed to become a services company under our management concept of “sharing value with customers “（U&U®：Users&Unisys）. Thus, we have been seeking to achieve our vision of the future through our key initiatives of strengthening our Information and Communication Technology (ICT) business, enhancing those businesses with stable profitability, and reinforcing our corporate structure.

With regards to strengthening our ICT business and enhancing businesses with stable profitability, we reinforced the sales promotion arrangements of our ICT Services division in order to expand the ICT businesses that were most likely to show a continuous and sustainable increase in earnings. Accordingly, we increased the number of project proposals. Also, we developed the following new services in order to strengthen further our services and products.

- We have enhanced our “SaaS Platform Service (PaaS)” with a “data coordination service”. This data coordination service enables users to have their internal system units coordinate with servers and applications in the cloud computing environment based on our own iDC (internet Data Center) platform. Due to this enhancement, users will have reduced initial cost and lead time.
- We released “Civicloud®” a cloud computing service which performs the core municipal functions that deal with citizen information such as “resident information”, “tax information”, “insurance information”, “welfare information”, and “general consultation” among others. The system will help local governments reduce the system “total cost of ownership” (TCO) for their core functions.

Also, utilizing our “information disclosure service”, one of the existing features of UniCity® which is a SaaS-type service that comprehensively manages municipal documents, we created a system to help local governments allow public access to their list of official documents which record their decision making process. The list shows the title, departments responsible, and dates of draft preparation, submission and acceptance of the final version of these documents. Citizens have been able to retrieve and review the online list. Also, an electronic library demonstration experiment has begun on the basis of ‘LIBEaid®’, our cloud-type e-library service.

Furthermore, we have decided to develop “Nihon Unisys Obama Data Center” as one of our measures for enhancing our ICT businesses. The facility will be positioned as a stronghold for next generation cloud computing for the ICT hosting service business, and allow us to provide proactively our cloud-type services’ ability in response to the needs of customers.

In our efforts to strengthen our corporate structure, we have seen an increase in opportunities for proposals and accelerated proposal procedures due to the integration of our sales and system engineer divisions last April.
We continued to develop a low-cost business structure on the basis of business reforms in the period under review.

As regards the consolidated operating results for the third quarter of the fiscal year under review, the Group posted net sales of ￥172,849 million, down by 4.4% compared with the same period of the previous fiscal year, primarily due to a decrease in our services business.

Despite a decrease in gross profit due to a decrease in net sales, however, because selling, general and administrative expenses decreased as a result of cost reduction efforts, operating loss was ￥1,552 million (compared with a loss of ￥3,168 million of the same quarter last year), and ordinary loss was ￥1,960 million (compared with a loss of ￥3,331 million of the same quarter last year). The Group posted a net loss of ￥2,514 million (compared with the net loss of ￥3,307 million of the same quarter of the previous fiscal year).

(2) Qualitative Information on Consolidated Financial Position

Total assets were ￥198,992 million on a consolidated basis at the end of the period under review, down by ￥19,074 million from the end of the previous fiscal year, mainly due to a decline in accounts receivable-trade.

Liabilities were ￥126,231 million at the end of the quarter under review, down by ￥14,908 million, compared with the end of the previous fiscal year, primarily due to a decrease in accounts payable-trade and repayments of loans payable.

Net assets were ￥72,761million at the end of the period. The shareholders' equity ratio was 36.0%, an improvement of 1.4 percentage points from the end of the previous year.

(Cash flows)

With respect to cash and cash equivalents (hereinafter referred to as "cash"), cash generated by operating activities was allocated to investments in both the development of software for outsourcing and also repayment of loans payable.

As a result, consolidated cash was ￥27,128 million as of the end of the third quarter under review, up by ￥1,667 million from the end of the previous year.

(Cash flows from operating activities)

Net cash provided by operating activities was ￥16,252 million (an increase of ￥9,073 million in proceeds compared with the same quarter of the previous fiscal year), mainly reflecting proceeds of ￥26,033 million as a result of the collection of notes and accounts receivable-trade (an increase of ￥6,731million in proceeds compared with the same quarter of the previous fiscal year), and an expenditure of ￥8,184 million as a result of payment of notes and accounts payable-trade (an increase of ￥144 million in expenditure compared with the same quarter of the previous fiscal year).

(Cash flows from investing activities)

Net cash utilized in investing activities was ￥7,620 million (a decrease of ￥3,213 million in expenditure compared with the same quarter of the previous fiscal year). This mainly reflected the fact that the Group utilized ￥2,056 million (a decrease of ￥1,007 million in expenditure compared with the same quarter of the previous fiscal year) to purchase property, plant and equipment, such as computers for sales activities, and ￥5,353 million (a decrease of ￥2,073 million in expenditure compared with the same quarter of the previous fiscal year) to purchase intangible assets, mainly in relation to the development of software for outsourcing.

(Cash flows from financing activities)

Net cash utilized in financing activities was ￥6,964 million (a decrease of ￥1,817 million in expenditure compared with the same quarter of the previous fiscal year). This reflected factors such as ￥5,837 million proceeds from long-term loans payable (an increase of ￥1,337 million in proceeds compared with the same quarter of the previous fiscal year), a ￥7,699 million repayment of long-term loans payable (an increase of ￥1,111 million in expenditure compared with the same quarter of the previous fiscal year), a ￥2,095 million expenditure as a result of the acquisition of treasury stock (an increase of ￥2,095 million in expenditure compared with the same quarter of the previous fiscal year), and a ￥2,000 million expenditure as a result of redemption of commercial paper (an increase of ￥4,000 million in expenditure compared with the same quarter of the previous fiscal year).

(3) Qualitative Information on Consolidated Financial Forecast

Despite a moderate recovery in the Japanese economy, due to an uncertain future against the backdrop of the trend for high yen and sluggish personal consumption, it is expected that companies will continue their discreet postures in their IT investment. Given this, we have revised the consolidated financial forecasts (from April 1, 2010 to March 31, 2011), which were announced on May 10, 2010 as shown below.

(Full year)

| | Net sales<br>Million yen | Operating income<br>Million yen | Ordinary income<br>Million yen | Net income<br>Million yen | Net income per share<br>Yen |
|---|---|---|---|---|---|
| Previously announced forecast (A)<br>(announced on May 10, 2010) | 280,000 | 9,000 | 8,200 | 3,600 | 38.31 |
| Forecast as revised this time (B) | 276,000 | 9,000 | 8,200 | 3,600 | 38.31 |
| Change (B − A) | (4,000) | — | — | — | — |
| Percentage change (%) | (1.4) | — | — | — | — |
| (Reference)<br>Results for previous fiscal year (FY2010) | 271,084 | 7,105 | 6,918 | 3,626 | 37.82 |

## 2. Other Information

(1) Change of condition of significant consolidated subsidiaries

Not applicable

(2) Outline of simplified accounting methods and special accounting methods

The Group calculated inventories for the end of the third quarter under review not by conducting physical inventory counts but, instead, by using a reasonable method based on the physical inventory for the first six-month period.

(3) Changes in accounting principles, procedures, presentation methods, and other factors

(Changes in accounting policies)

The Accounting Standard for Asset Retirement Obligations (Accounting Standard Board of Japan (ASBJ) Statement No. 18 on March 31, 2008) and the Guidance on Accounting Standard for Asset Retirement Obligations (ASBJ Guidance No.21 on March 31, 2008) were applied from the first quarter of the fiscal year under review.

As a result of these applications, operating loss and ordinary loss increased by ￥132 million and loss before income taxes and minority interests increased by ￥581 million. The change in asset retirement obligations due to the application of these accounting standards was ￥1,485 million.

## Quarterly Consolidated Financial Statements

### (1) CONSOLIDATED BALANCE SHEETS

Million Yen

| | FY2011 Q3 (As of December 31, 2010) | FY2010 (As of March 31, 2010) |
|---|---|---|
| **ASSETS** | | |
| **Current assets** | | |
| Cash and deposits | 27,128 | 25,461 |
| Notes and accounts receivable - trade | 44,216 | 70,249 |
| Securities | 24 | 30 |
| Merchandise and finished goods | 6,812 | 6,424 |
| Work in process | 6,100 | 2,295 |
| Raw materials and supplies | 209 | 187 |
| Deferred tax assets | 5,247 | 8,207 |
| Other | 9,383 | 8,221 |
| Allowance for doubtful accounts | (236) | (285) |
| **Total current assets** | 98,885 | 120,792 |
| **Non-current assets** | | |
| **Property, plant and equipment** | | |
| Buildings and structures, net | 4,606 | 3,980 |
| Machinery, equipment and vehicles, net | 7,122 | 8,621 |
| Other, net | 4,588 | 4,772 |
| **Total property, plant and equipment** | 16,317 | 17,373 |
| **Intangible assets** | | |
| Goodwill | 4,305 | 3,517 |
| Software | 23,744 | 24,312 |
| Other | 90 | 64 |
| **Total intangible assets** | 28,140 | 27,894 |
| **Investment and other assets** | | |
| Investment securities | 14,061 | 13,719 |
| Deferred tax assets | 22,477 | 18,712 |
| Prepaid pension costs | 7,224 | 7,812 |
| Other | 12,388 | 12,213 |
| Allowance for doubtful accounts | (504) | (452) |
| **Total investment and other assets** | 55,648 | 52,005 |
| **Total non-current assets** | 100,106 | 97,273 |
| **Total assets** | 198,992 | 218,066 |

Million Yen

| | FY2011 Q3<br>(As of December 31, 2010) | FY2010<br>(As of March 31, 2010) |
|---|---|---|
| **LIABILITIES** | | |
| **Current liabilities** | | |
| Notes and accounts payable - trade | 15,205 | 23,403 |
| Short-term loans payable | 5,700 | 5,700 |
| Current portion of long-term loans payable | 18,861 | 16,652 |
| Commercial papers | 7,000 | 9,000 |
| Income taxes payable | 292 | 1,395 |
| Allowance for loss on business restructuring | 109 | 2,609 |
| Other provisions | 852 | 1,404 |
| Other | 27,359 | 27,626 |
| **Total current liabilities** | 75,379 | 87,790 |
| **Non-current liabilities** | | |
| Bonds payable | 20,000 | 20,000 |
| Long-term loans payable | 25,379 | 29,449 |
| Deferred tax liabilities | 740 | 659 |
| Reserve for retirement benefits | 1,315 | 1,347 |
| Other provisions | 153 | 86 |
| Asset retirement obligations | 1,508 | — |
| Negative goodwill | 27 | 38 |
| Other | 1,727 | 1,765 |
| **Total non-current liabilities** | 50,852 | 53,348 |
| **Total liabilities** | 126,231 | 141,139 |
| **NET ASSETS** | | |
| **Shareholders' equity** | | |
| Capital stock | 5,483 | 5,483 |
| Capital surplus | 15,281 | 15,475 |
| Retained earnings | 71,035 | 75,148 |
| Treasury stock | (19,360) | (19,260) |
| **Total shareholders' equity** | 72,440 | 76,846 |
| **Valuation and translation adjustments** | | |
| Valuation difference on available-for-sale securities | (816) | (1,365) |
| Deferred gains on hedges | (73) | 13 |
| **Total valuation and translation adjustments** | (889) | (1,352) |
| Subscription rights to shares | 819 | 790 |
| Minority interests | 391 | 642 |
| **Total net assets** | 72,761 | 76,927 |
| **Total liabilities and net assets** | 198,992 | 218,066 |

## (2) CONSOLIDATED STATEMENTS OF INCOME

Million Yen

| | Nine months ended December 31, 2009 | Nine months ended December 31, 2010 |
|---|---|---|
| Net sales | 180,888 | 172,849 |
| Cost of sales | 136,595 | 129,197 |
| **Gross profit** | 44,292 | 43,652 |
| **Selling, general and administrative expenses** | 47,461 | 45,205 |
| **Operating income** | (3,168) | (1,552) |
| **Non-operating income** | | |
| Interest income | 94 | 62 |
| Dividend income | 280 | 149 |
| Other | 338 | 194 |
| **Total non-operating income** | 713 | 405 |
| **Non-operating expense** | | |
| Interest expenses | 791 | 731 |
| Other | 84 | 82 |
| **Total non-operating expenses** | 876 | 813 |
| **Ordinary income** | (3,331) | (1,960) |
| **Extraordinary income** | | |
| Gain on sales of investment securities | 6 | 6 |
| Reversal of allowance for doubtful accounts | 230 | 12 |
| Gain on reversal of subscription rights to shares | 65 | 37 |
| Adjustment to consumption taxes for prior period | — | 27 |
| Other | 35 | 38 |
| **Total extraordinary income** | 337 | 122 |
| **Extraordinary losses** | | |
| Loss on sales and retirement of non - current assets | 52 | 7 |
| Loss on valuation of investment securities | 659 | 668 |
| Loss on adjustment for applying accounting standard for asset retirement obligations | — | 448 |
| Other | 474 | 93 |
| **Total extraordinary losses** | 1,187 | 1,218 |
| **Income (loss) before income taxes and minority interests** | (4,180) | (3,056) |
| Income taxes-current | 226 | 620 |
| Income taxes-deferred | (753) | (1,036) |
| **Total income taxes** | (526) | (415) |
| **Income (loss) before minority interests** | — | (2,641) |
| **Minority interests in loss** | (346) | (126) |
| **Net loss** | (3,307) | (2,514) |

## (3) CONSOLIDATED STATEMENTS OF CASH FLOWS

Million Yen

| | Nine months ended December 31, 2009 | Nine months ended December 31, 2010 |
|---|---|---|
| **Operating activities:** | | |
| Gain (loss) before income taxes and minority interests | (4,180) | (3,056) |
| Depreciation and amortization | 9,884 | 10,153 |
| Amortization of goodwill | 161 | 189 |
| Amortization of negative goodwill | (11) | (39) |
| Loss on adjustment for applying accounting standard for asset retirement obligations | — | 448 |
| Increase (decrease) in provision for retirement benefits | 16 | (31) |
| Increase (decrease) in allowance for loss on business restructuring | (2,899) | (2,500) |
| Increase (decrease) in other provisions | (519) | (482) |
| Interest and dividends income | (374) | (211) |
| Interest expenses | 791 | 731 |
| Decrease (increase) in notes and accounts receivable - trade | 19,301 | 26,033 |
| Decrease (increase) in inventories | (4,363) | (4,214) |
| Increase (decrease) in notes and accounts payable - trade | (8,040) | (8,184) |
| Other | 713 | (849) |
| **Subtotal** | 10,481 | 17,985 |
| Interest and dividends income received | 380 | 215 |
| Interest expenses paid | (638) | (576) |
| Income taxes paid | (3,044) | (1,371) |
| **Net cash provided by operating activities** | 7,179 | 16,252 |
| **Investing activities:** | | |
| Proceeds from sales of securities | — | 30 |
| Purchase of property, plant and equipment | (3,064) | (2,056) |
| Proceeds from sales of property, plant and equipment | 28 | 13 |
| Purchase of intangible assets | (7,426) | (5,353) |
| Purchase of investment securities | (638) | (354) |
| Proceeds from sales of investment securities | 174 | 87 |
| Other | 93 | 13 |
| **Net cash used in investing activities** | (10,833) | (7,620) |
| **Financing activities:** | | |
| Net increase (decrease) in short-term loans payable | (7,075) | — |
| Proceeds from long-term loans payable | 4,500 | 5,837 |
| Repayment of long-term loans payable | (6,587) | (7,699) |
| Increase (decrease) in commercial papers | 2,000 | (2,000) |
| Purchase of treasury stock | (0) | (2,095) |
| Cash dividends paid | (1,394) | (713) |
| Cash dividends paid to minority shareholders | (5) | (6) |
| Other | (219) | (287) |
| **Net cash used in financing activities** | (8,782) | (6,964) |
| **Effect of exchange rate change on cash and cash equivalents** | 63 | — |
| **Net increase (decrease) in cash and cash equivalents** | (12,372) | 1,667 |
| **Cash and cash equivalents at beginning of period** | 36,046 | 25,461 |
| **Cash and cash equivalents at end of period** | 23,673 | 27,128 |

(4) Notes to the going concern assumption

There is no applicable item.

(5) Segment information

1. Overview of Reportable Segments

The reportable segments of the Company are those units among the constituent units of the Company for which separate financial statements can be obtained and which are regularly examined by the Board of Directors for decisions on the allocation of management resources and for assessing business performance.

By fully harnessing the collective capabilities of the Group, the Company provides comprehensive IT solution services, from identifying customers' management issues to providing solutions to them. Our businesses involve proposing comprehensive strategies for products and services that together constitute IT solution services.

The Company's operations therefore consist of segments on the basis of products and services that constitute our IT solution services. We have six reportable segments; System Services, Support Services, Outsourcing, Netmarks Services, Software, and Hardware.

Details of the reportable segments are as follows:

- System Services — Entrusted software development business, System Engineer services, and consulting
- Support Services — Software and hardware maintenance, installation support, and related services
- Outsourcing — Entrusted management of information systems, and related services
- Netmarks Services — Overall construction of network systems
- Software — Provision of software based on software license agreements
- Hardware — Provision of hardware based on equipment sales agreements or rental agreements

2. Information on net sales and profits or losses by reportable segment

Nine-month period of consolidated fiscal year under review (April 1, 2010 – December 31, 2010) (Million Yen)

| | Reportable segments | | | | | | | Other (Note 1) | Total | Adjustment (Note 2) | Amount recorded in quarterly consolidated statements of income (Note 3) |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | System Services | Support Services | Outsourcing | Netmarks Services | Software | Hardware | Total | | | | |
| Net sales | 50,136 | 39,911 | 20,681 | 13,604 | 15,456 | 22,746 | 162,537 | 10,312 | 172,849 | — | 172,849 |
| Segment profits | 12,664 | 13,335 | 2,129 | 2,650 | 3,948 | 6,365 | 41,092 | 2,559 | 43,652 | (45,205) | (1,552) |

(Note 1) The Other category is a business segment that is not included in the reportable segments. It includes the printing business.

(Note 2) The adjustment of ￥45,205 million to segment profits includes development expenses of ￥4,143 million, amortization of goodwill of ￥189 million, and selling, general and administrative expenses of ￥40,872 million that have not been distributed to each reportable segment.

(Note 3) Segment profits have been adjusted with the operating loss recorded in the quarterly consolidated statements of income.

(Additional information)

The Revised Accounting Standard for Disclosures about Segments of an Enterprise and Related Information (ASBJ Statement No. 17 on March 27, 2009) and the Guidance on Accounting Standard for Disclosures about Segments of an Enterprise and Related Information (ASBJ Guidance No. 20 on March 21, 2008) were applied from the first quarter of the fiscal year under review.

(6) Notes to significant changes in the amounts of shareholders' equity

There is no applicable item.