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Consolidated Financial Report for the Second Quarter of Fiscal Year Ending March 31, 2012

[Japan GAAP]

November 1, 2011

Nihon Unisys, Ltd.

| | |
|---|---|
| Stock Listing: | Tokyo Stock Exchange 1st section |
| Stock Code: | 8056 |
| URL: | http://www.unisys.co.jp/ |
| Representative: | Shigeru Kurokawa, President & CEO |
| Contact: | Katsuhiro Ohtomo, General Manager, Corporate Communications |
| TEL: | +81-3-5546-7404 |
| Scheduled Submission Date for Quarterly Report: | November 14, 2011 |
| Scheduled Starting Date for Dividend Payment: | December 6, 2011 |
| Quarterly Earnings Supplementary Explanatory Documents: | Yes |
| Quarterly Earnings Results Briefing Session: | Yes (for the media and analysts) |

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

1. Consolidated Financial Results in FY2012 Q2 (from April 1, 2011 to September 30, 2011)

(1) Consolidated Results of Operations

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

| | Net Sales | | Operating Income | | Ordinary Income | | Net Income | |
|------------------|-----------------|-------|------------------|-------|-----------------|-------|-----------------|---|
| | Millions of Yen | % | Millions of Yen | % | Millions of Yen | % | Millions of Yen | % |
| FY2012 Q2 | 117,049 | 0.4 | 1,995 | 43.9 | 1,806 | 55.4 | 688 | — |
| FY2011 Q2 | 116,531 | (7.4) | 1,386 | (1.1) | 1,162 | (8.2) | (365) | — |

(Note) Comprehensive income FY2012 Q2: 638 Million Yen (—%) FY2011 Q2: (167) Million Yen (—%)

| | Earnings Per Share | Diluted Earnings Per Share |
|------------------|--------------------|----------------------------|
| | Yen | Yen |
| FY2012 Q2 | 7.33 | — |
| FY2011 Q2 | (3.82) | — |

(2) Consolidated Financial Position

| | Total Assets | Net Assets | Shareholders' Equity Ratio |
|------------------|-----------------|-----------------|----------------------------|
| | Millions of Yen | Millions of Yen | % |
| FY2012 Q2 | 197,794 | 76,938 | 38.3 |
| FY2011 | 207,282 | 76,770 | 36.4 |

(Reference) Shareholders' Equity FY2012 Q2: 75,659 Million Yen FY2011: 75,514 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 |
| FY2011 | — | 5.00 | — | 5.00 | 10.00 |
| FY2012 | — | 5.00 | | | |
| FY2012 (Forecast) | | | — | 5.00 | 10.00 |

(Note) Revision of the latest forecast of dividends: No.

3. Consolidated Earnings Forecast for FY2012 (from April 1, 2011 to March 31, 2012)

(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 |
| FY2012 | 255,000 | 0.8 | 7,000 | 7.2 | 6,300 | 8.0 | 3,200 | 24.3 | 34.05 |

(Note) Revision of the latest forecast of consolidated earnings: No.

4. Others

- (1) Change in the scope of consolidation (change of condition of significant consolidated subsidiaries) during this quarterly period: No
 New: - company (Company Name: -) Excluded: - company (Company Name: -)
- (2) Adoption of accounting methods which are special for the preparation of quarterly consolidated financial statements: No
- (3) Changes in accounting policies, changes in accounting estimates and restatement of corrections
- | | |
|---|-----|
| 1. Changes in accounting policies in association with revision in accounting standards: | No |
| 2. Other changes in accounting policies: | Yes |
| 3. Changes in accounting estimates: | No |
| 4. Restatement of corrections: | No |

(4) Number of shares outstanding (common stock)

| | Shares | | | |
|---|------------------|-------------|------------------|-------------|
| 1. Number of shares outstanding (including treasury stock) | FY2012 Q2 | 109,663,524 | FY2011 | 109,663,524 |
| 2. Number of shares of treasury stock | FY2012 Q2 | 15,683,751 | FY2011 | 15,683,618 |
| 3. Average number of shares outstanding (during the period) | FY2012 Q2 | 93,979,841 | FY2011 Q2 | 95,729,403 |

#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

The forward-looking statements such as earnings forecasts contained in this document are based on the information currently available to us and certain assumptions which are regarded as legitimate. Actual results may differ from these forecasts due to various factors.

1. Qualitative Information on the Consolidated Operating Results for the Second Quarter of Fiscal Year Ending March 31, 2012

(1) Qualitative Information on the Consolidated Operating Results

During the second quarter of the fiscal year under review, amid the severe circumstances brought about by the Great East Japan Earthquake, the Japanese economy showed a trend towards recovery against the backdrop of rebuilding supply chains. Capital investments by companies are bottoming out, and while increased demand from restoration efforts can be expected, software investments in the information services market have generally been flat.

In the context of this environment, the Nihon Unisys group envisions a future where it is transformed into a service business company based on the management concept of “sharing values with our customers” (U&U[®]: Users & Unisys). Thus, we have implemented our key initiatives of promoting and strengthening our Information and Communication Technology (ICT) business, enhancing those businesses with stable profitability, and reinforcing our corporate structure.

Specifically, in “U-Cloud[®]”, the Cloud-type computing ICT service of our Group, we not only strengthened our lineup of services, but also promoted sales of services to create private Clouds, a program that was launched in the first quarter of this fiscal year. Furthermore, we continue to stabilize our profitability by strengthening the outsourcing business, share administrative work among the Group companies, and improve development productivity. In addition, we have launched new joint businesses such as the one that promotes the sales of a new type of gift card* at major convenience stores.

* This gift card only becomes valid after a monetary amount is credited to the card by the cashier at the time of purchase. Unlike conventional pre-paid cards, these cards hold no value until money is loaded to them. Therefore, there is no need to stock them or take inventory, and business transactions can be conducted efficiently without taking up much space.

With regard to the consolidated operating results for the second quarter of the fiscal year under review, the Group posted net sales of ¥117,049 million, up by ¥517 million or 0.4% compared with the same period of the previous fiscal year.

Concerning profit, partly due to our cost reduction efforts which decreased selling, general and administrative expenses, and partly due to increased net sales in outsourcing and Netmarks Services, operating income was ¥1,995 million (up by 43.9% compared with the same period of the previous fiscal year). Ordinary income was ¥1,806 million (up by 55.4% compared with the same period of the previous fiscal year). The Group posted a net income of ¥688 million (compared with the net loss of ¥365 million for the same period of the previous fiscal year).

(2) Qualitative Information on Consolidated Financial Position

Total assets were ¥197,794 million on a consolidated basis at the end of the second quarter of the fiscal year under review, down by ¥9,488 million from the end of the previous fiscal year, mainly due to a decline in accounts receivable-trade.

Total liabilities were ¥120,855 million at the end of the quarter under review, down by ¥9,656 million, compared with the end of the previous fiscal year, primarily due to a decrease in accounts payable-trade and repayments of loans payable.

Total net assets were ¥76,938 million at the end of the period. The shareholders' equity ratio was 38.3%, an improvement of 1.9 percentage points from the end of the previous fiscal year.

(Status of Cash Flows)

Cash and cash equivalents (hereinafter referred to as 'cash') amounted to ¥21,137 million at the end of the second quarter of the fiscal year under review, which is a ¥9,275 million drop since the end of the previous fiscal year.

Below is a cash flow statement including cash flow status and factors for the period under review.

(Cash flow from operating activities)

Net cash provided by operating activities in the fiscal year under review totaled ¥1,173 million (a decrease of ¥11,164 million from the same period of the previous fiscal year). This figure includes ¥1,224 million in gain before income taxes and minority interests (up by ¥1,291 million), as well as non-cash expenses including ¥6,800 million in depreciation and amortization (up by ¥78 million), a ¥3,097 million decrease in notes and accounts receivable-trade (a decrease of ¥17,129 million), a ¥956 million decrease in notes and accounts payable-trade (down by ¥6,643 million), ¥1,992 million increase in inventories (up by ¥414 million), and ¥993 million increase in other provisions (down by ¥1,696 million).

(Cash flow from investing activities)

Net cash used in investing activities was ¥5,081 million (down by ¥297 million compared with the same period of the previous fiscal year). This result mainly reflects the fact that we used ¥1,348 million (up by ¥3 million) to purchase property, plant and equipment such as computers for sales activities, and ¥3,749 million (down by ¥31 million) to purchase intangible assets mainly for the development of software for ICT services.

(Cash flow from financing activities)

Net cash used in financing activities during the fiscal year under review was ¥5,367 million (down by ¥2,395 million compared with the same period of the previous fiscal year). Factors contributing to this figure include ¥5,000 million in proceeds from long-term loans payable (an increase of ¥4,912 million), a ¥1,000 million net decrease in commercial paper (unchanged on a year-over-year basis), and the ¥8,665 million repayment of long-term loans payable (up by ¥3,116 million).

(3) Qualitative Information on Consolidated Financial Forecast

Our full-year consolidated performance forecast for the fiscal year under review that had been announced on July 29, 2011 was not revised.

2. Notes Regarding Summary Information (Others)

(1) Changes in accounting policies, changes in accounting estimates and restatement of corrections

(Changes in depreciation method)

The depreciation for computers for sales activities (computers for rental and outsourcing businesses) was previously calculated according to a non-linear method whereby the residual value falls to zero after 5 years of business-use. However, from this fiscal year under review, the straight-line method based on the useful business life of the computer has been adopted. The duration of depreciation to zero residual value is estimated to be 5 years, in principle.

Also, property, plant and equipment - excluding buildings that were acquired on and after April 1, 1998 and any lease assets - were depreciated according to the declining-balance method. (Note that facilities accompanying any buildings acquired on and after April 1, 1998, were depreciated according to the declining-balance method.) From this fiscal year, this method has been replaced by the straight-line method.

The changes above are based on the judgment that the straight-line method is more appropriate for the following reasons. Firstly, as a result of the fact that the enhancement efforts of our sales structure on our key initiative of “promoting and strengthening our ICT business” have almost been completed, it is expected that the proportion of computers used for outsourcing business will increase among the computers used for sales purposes. Secondly, their stable utilization for the duration of use is almost ensured. And thirdly, revenue is equally distributed over the course of the outsourcing contract period. Also, new key investments in other assets will focus on our ICT business which ensures continued stable earnings. Existing assets are expected to be utilized for the purpose of enhancing the business.

As a result of the changes above, operating income, ordinary income and income before income taxes and minority interests each increased by ¥ 56 million.

3. Consolidated Financial Statements

(1) Consolidated Balance Sheets

Millions of Yen

| | FY2011 (As of March 31, 2011) | FY2012 Q2 (As of September 30, 2011) |
|--|----------------------------------|---|
| ASSETS | | |
| Current assets | | |
| Cash and deposits | 30,413 | 21,137 |
| Notes and accounts receivable-trade | 59,254 | 56,156 |
| Securities | 21 | - |
| Merchandise and finished goods | 4,277 | 4,814 |
| Work in process | 2,645 | 4,069 |
| Raw materials and supplies | 145 | 176 |
| Deferred tax assets | 6,313 | 4,957 |
| Others | 10,125 | 12,918 |
| Allowance for doubtful accounts | (252) | (262) |
| Total current assets | 112,943 | 103,968 |
| Non-current assets | | |
| Property, plant and equipment | | |
| Buildings and structures, net | 3,876 | 3,432 |
| Machinery, equipment and vehicles, net | 7,195 | 5,954 |
| Others, net | 4,108 | 4,688 |
| Total property, plant and equipment | 15,179 | 14,075 |
| Intangible assets | | |
| Goodwill | 2,353 | 2,279 |
| Software | 23,560 | 22,832 |
| Others | 120 | 121 |
| Total intangible assets | 26,034 | 25,232 |
| Investments and other assets | | |
| Investment securities | 13,203 | 12,885 |
| Deferred tax assets | 21,356 | 22,552 |
| Prepaid pension cost | 7,008 | 7,105 |
| Others | 12,019 | 12,389 |
| Allowance for doubtful accounts | (463) | (415) |
| Total investments and other assets | 53,124 | 54,517 |
| Total non-current assets | 94,338 | 93,825 |
| Total assets | 207,282 | 197,794 |

| | FY2011 (As of March 31, 2011) | FY2012 Q2 (As of September 30, 2011) |
|---|----------------------------------|---|
| LIABILITIES | | |
| Current liabilities | | |
| Notes and accounts payable-trade | 18,934 | 17,978 |
| Current portion of long-term loans payable | 17,887 | 17,328 |
| Commercial papers | 13,000 | 12,000 |
| Income taxes payable | 1,858 | 370 |
| Provision | 880 | 1,880 |
| Others | 26,635 | 23,027 |
| Total current liabilities | 79,195 | 72,584 |
| Non-current liabilities | | |
| Bonds payable | 20,000 | 20,000 |
| Long-term loans payable | 26,850 | 23,743 |
| Deferred tax liabilities | 706 | 788 |
| Reserve for retirement benefits | 854 | 868 |
| Other provisions | 62 | 93 |
| Asset retirement obligations | 1,274 | 1,287 |
| Negative goodwill | 23 | 15 |
| Others | 1,544 | 1,472 |
| Total non-current liabilities | 51,316 | 48,270 |
| Total liabilities | 130,512 | 120,855 |
| NET ASSETS | | |
| Shareholders' equity | | |
| Capital stock | 5,483 | 5,483 |
| Capital surplus | 15,281 | 15,281 |
| Retained earnings | 75,808 | 76,026 |
| Treasury stock | (19,360) | (19,360) |
| Total shareholders' equity | 77,212 | 77,431 |
| Accumulated other comprehensive income | | |
| Valuation difference on available-for-sale securities | (1,716) | (1,745) |
| Deferred gains (losses) on hedges | 18 | (27) |
| Total accumulated other comprehensive income | (1,697) | (1,772) |
| Subscription rights to shares | 832 | 847 |
| Minority interests | 422 | 431 |
| Total net assets | 76,770 | 76,938 |
| Total liabilities and net assets | 207,282 | 197,794 |

(2) Consolidated Statements of Income and Statements of Comprehensive Income
(Consolidated Statements of Income)

Millions of Yen

| | FY2011 Q2 (Six months ended September 30, 2010) | FY2012 Q2 (Six months ended September 30, 2011) |
|--|---|---|
| Net sales | 116,531 | 117,049 |
| Cost of sales | 85,496 | 86,365 |
| Gross profit | 31,035 | 30,683 |
| Selling, general and administrative expenses | 29,648 | 28,687 |
| Operating Income | 1,386 | 1,995 |
| Non-operating income | | |
| Interest income | 46 | 41 |
| Dividends income | 108 | 175 |
| Others | 161 | 104 |
| Total non-operating income | 316 | 321 |
| Non-operating expense | | |
| Interest expenses | 499 | 422 |
| Others | 40 | 88 |
| Total non-operating expense | 540 | 510 |
| Ordinary Income | 1,162 | 1,806 |
| Extraordinary income | | |
| Gain on sales of investment securities | 6 | 18 |
| Gain on reversal of subscription rights to shares | 37 | - |
| Adjustment to consumption taxes of prior period | 27 | - |
| Others | 7 | 1 |
| Total extraordinary income | 78 | 20 |
| Extraordinary loss | | |
| Loss on sales and retirement of noncurrent assets | 5 | 43 |
| Impairment loss | - | 247 |
| Loss on valuation of investment securities | 809 | 212 |
| Loss on adjustment for applying accounting standard for asset retirement obligations | 448 | - |
| Provision of allowance for doubtful accounts | 2 | 1 |
| Others | 41 | 96 |
| Total extraordinary loss | 1,307 | 601 |
| Income (loss) before income taxes and minority interests | (67) | 1,224 |
| Income taxes-current | 505 | 228 |
| Income taxes-deferred | (77) | 283 |
| Total income taxes | 428 | 512 |
| Income (loss) before minority interests | (495) | 712 |
| Minority interests in income (loss) | (129) | 24 |
| Net income (loss) | (365) | 688 |

(Consolidated Statements of Comprehensive Income)

Millions of Yen

| | FY2011 Q2 (Six months ended September 30, 2010) | FY2012 Q2 (Six months ended September 30, 2011) |
|--|---|---|
| Income (loss) before minority interests | (495) | 712 |
| Other comprehensive income | | |
| Valuation difference on available-for-sale securities | 414 | (28) |
| Deferred gains (losses) on hedges | (86) | (45) |
| Share of other comprehensive income of associates accounted for using equity method | (0) | (0) |
| Total other comprehensive income | 328 | (74) |
| Comprehensive income | (167) | 638 |
| (Breakdown) | | |
| Comprehensive income attributable to owners of the parent | (37) | 614 |
| Comprehensive income attributable to minority interests | (129) | 24 |

(3) Consolidated Statements of Cash Flows

Millions of Yen

| | FY2011 Q2 (Six months ended September 30, 2010) | FY2012 Q2 (Six months ended September 30, 2011) |
|--|---|---|
| Operating activities: | | |
| Gain (loss) before income taxes and minority interests | (67) | 1,224 |
| Depreciation and amortization | 6,721 | 6,800 |
| Impairment loss | - | 247 |
| Amortization of goodwill | 121 | 74 |
| Amortization of negative goodwill | (35) | (7) |
| Loss on adjustment for changes of accounting standard for asset retirement obligations | 448 | - |
| Increase (decrease) in provision for retirement benefits | (28) | 13 |
| Increase (decrease) in allowance for loss on business restructuring | (1,588) | - |
| Increase (decrease) in other provisions | (702) | 993 |
| Interest and dividends income | (155) | (217) |
| Interest expenses | 499 | 422 |
| Decrease (increase) in notes and accounts receivable - trade | 20,227 | 3,097 |
| Decrease (increase) in inventories | (1,578) | (1,992) |
| Increase (decrease) in notes and accounts payable - trade | (7,599) | (956) |
| Others | (2,553) | (6,439) |
| Subtotal | 13,710 | 3,261 |
| Interest and dividends income received | 157 | 218 |
| Interest expenses paid | (514) | (438) |
| Income taxes paid | (1,016) | (1,868) |
| Net cash provided by operating activities | 12,338 | 1,173 |
| Investing activities: | | |
| Proceeds from sales of securities | 30 | 20 |
| Purchase of property, plant and equipment | (1,345) | (1,348) |
| Proceeds from sales of property, plant and equipment | 12 | 17 |
| Purchase of intangible assets | (3,780) | (3,749) |
| Purchase of investment securities | (353) | (2) |
| Proceeds from sales of investment securities | 45 | 43 |
| Others | 12 | (63) |
| Net cash used in investing activities | (5,379) | (5,081) |
| Financing activities: | | |
| Proceeds from long-term loans payable | 87 | 5,000 |
| Repayment of long-term loans payable | (5,549) | (8,665) |
| Increase (decrease) in commercial papers | (1,000) | (1,000) |
| Purchase of treasury stock | (875) | (0) |
| Cash dividends paid | (239) | (468) |
| Cash dividends paid to minority shareholders | (6) | (14) |
| Others | (179) | (218) |
| Net cash used in financing activities | (7,763) | (5,367) |
| Effect of exchange rate change on cash and cash equivalents | - | - |
| Net increase (decrease) in cash and cash equivalents | (804) | (9,275) |
| Cash and cash equivalents at beginning of period | 25,461 | 30,413 |
| Cash and cash equivalents at end of period | 24,656 | 21,137 |

(4) Notes concerning Going Concern Assumption

Not applicable

(5) Notes in the Event of Material Changes in amount of Shareholders' Equity

Not applicable