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Consolidated Financial Report for the Fiscal Year Ended March 31, 2012 [Japan GAAP]

May10, 2012

Nihon Unisys, Ltd.

Stock Listing:	Tokyo Stock Exchange 1st section
Stock Code:	8056
URL:	http://www.unisys.co.jp/
Representative:	Shigeru Kurokawa, Representative Director, President & CEO
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TEL:	+81-3-5546-7404
Scheduled Date for Ordinary General Meeting of Shareholders:	June 28, 2012
Scheduled Submission Date for Securities Report:	June 29, 2012
Scheduled Starting Date for Dividend Payment:	—
Earnings Supplementary Explanatory Documents:	yes
Earnings Results Briefing:	yes (for institutional investors and analysts)

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

1. Consolidated Financial Results in FY2012 (from April 1, 2011 to March 31, 2012)

(1) Consolidated Results of Operations

(Percentage below represents increase (decrease) from previous year)

	Net Sales		Operating Income		Ordinary Income		Net Income	
	Millions of Yen	%	Millions of Yen	%	Millions of Yen	%	Millions of Yen	%
FY2012	255,122	0.8	7,310	12.0	7,096	21.7	(12,498)	—
FY2011	252,989	(6.7)	6,527	(8.1)	5,833	(15.7)	2,574	(29.0)

(Note) Comprehensive income FY2012: -12,607 Million Yen (—%) FY2011: 2,132 Million Yen (-20.9 %)

	Earnings Per Share	Diluted Earnings Per Share	Return on Equity	Ordinary Income to Total Assets	Operating Income to Net Sales
	Yen	Yen	%	%	%
FY2012	(132.99)	—	(18.2)	3.6	2.9
FY2011	27.12	—	3.4	2.7	2.6

(Reference) Equity in earnings (losses) of affiliates FY2012: 49 Million Yen FY2011: 30 Million Yen

(2) Consolidated Financial Position

	Total Assets	Net Assets	Shareholders' Equity Ratio	Net Assets Per Share
	Millions of Yen	Millions of Yen	%	Yen
FY2012	190,083	63,223	32.6	658.90
FY2011	207,282	76,770	36.4	803.52

(Reference) Shareholders' Equity FY2012 : 61,923 Million Yen FY2011 : 75,514 Million Yen

(3) Consolidated Cash Flow Status

	Operating Activities	Investing Activities	Financial Activities	Cash and Cash Equivalents at End of Period
	Millions of Yen	Millions of Yen	Millions of Yen	Millions of Yen
FY2012	13,430	(10,641)	(5,947)	27,254
FY2011	21,708	(11,168)	(5,587)	30,413

2. Dividends

(Date of Record)	Dividends Per Share					Total Dividends (Annual)	Dividend Payout Ratio (Consolidated)	Ratio of Dividends to Net Assets (Consolidated)
	End of Q1	End of Q2	End of Q3	Year-end	Annual			
	Yen	Yen	Yen	Yen	Yen	Millions of Yen	%	%
FY2011	—	5.00	—	5.00	10.00	949	36.9	1.3
FY2012	—	5.00	—	0.00	5.00	469	—	0.7
FY2013 (Forecast)	—	5.00	—	5.00	10.00		19.6	

3. Consolidated Earnings Forecast for FY2013 (from April 1, 2012 to March 31, 2013)

(Percentage below represents increase (decrease) from 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
FY2013 1st Half	118,500	1.2	2,600	30.3	2,400	32.9	1,400	103.4	14.90
FY2013	265,000	3.9	9,000	23.1	8,300	17.0	4,800	—	51.07

・ Notes

(1) Change in the scope of consolidation (change of condition of significant consolidated subsidiaries): No
New: - company (Company Name: -) Excluded: - company (Company Name: -)

(2) 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
(Note) See “Changes in accounting policies” (P15) for details.

(3) Number of shares outstanding (common stock)

(shares)

1. Number of shares outstanding (including treasury stock)	FY2012	109,663,524	FY2011	109,663,524
2. Number of shares of treasury stock	FY2012	15,684,004	FY2011	15,683,618
3. Average number of shares outstanding (during the period)	FY2012	93,979,745	FY2011	94,922,082

(Reference) Summary of Non-Consolidated Performance Results

1. Non-Consolidated Financial Results in FY2012 (from April 1, 2011 to March 31, 2012)
(1) Non-Consolidated Results of Operations

(Percentage below represents increase (decrease) from previous year)

	Net Sales		Operating Income		Ordinary Income		Net Income	
	Millions of Yen	%	Millions of Yen	%	Millions of Yen	%	Millions of Yen	%
FY2012	160,374	(2.5)	1,134	(38.5)	4,152	10.8	(12,590)	—
FY2011	164,480	(8.1)	1,845	(46.2)	3,746	(48.3)	1,073	(83.2)

	Earnings Per Share	Diluted Earnings Per Share
	Yen	Yen
FY2012	(133.95)	—
FY2011	11.30	—

(2) Non-Consolidated Financial Position

	Total Assets	Net Assets	Shareholders’ Equity Ratio	Net Assets Per Share
	Millions of Yen	Millions of Yen	%	Yen
FY2012	161,460	52,664	32.1	551.28
FY2011	177,157	66,344	37.0	696.99

（Reference）Shareholders’ Equity FY2012 : 51,816 Million Yen FY2011 : 65,511Million Yen

・ Indication of implementation status of audit procedures
This earnings report is not subject to audit procedures of consolidated financial documents based upon the Financial Instruments and Exchange Act. Thus, at the time of disclosure of the financial results, the audit procedures of consolidated financial documents 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. See “Analysis of business operations” (P1) for the prerequisites for performance forecasts and the cautions concerning utilizing the performance forecasts.

1. Results of Business Operations and Financial Conditions

(1) Analysis of business operations

① Overview of performance for the fiscal year under review

During the fiscal year under review, amid the continuing severe circumstances brought about by the Great East Japan Earthquake, the Japanese economy showed signs of a gradual recovery. Despite capital investments by companies ceasing to fall, and investments in social infrastructure being active, software investments in the information services market were generally flat.

In this environment, based on the management concept of "sharing values with our customers" (U&U®:Users&Unisys), the Nihon Unisys Group has continued to strive in this environment under the banner of our policies, halting the tendency of decreased income for the sake of recovering our revenue level, implementing a structural reform for the sake of enhancing our profitability, and promoting the growth initiatives in order to achieve a stable and continuous growth.

With regard to the policies of halting the tendency of decreased income for the sake of recovering our revenue level, and implementing a structural reform for the sake of enhancing our profitability, we have prioritized the increase in hardware sales and outsourcing services businesses in order to strengthen the stable income. Also, we have endeavored to strengthen our company quality in order to enhance our competitiveness.

As a result, due to a steady increase in new orders, hardware sales contributed to a future increase in the sales of support services businesses. Regarding our outsourcing business, our "BankVision®", a next-generation open core-banking system for regional banks, has served seven banks in total after it entered into a production phase for another bank. In fact, there are nine banks in this scheme if including one having agreed to join and also including one for which the system has already been in the development phase.

For the enhancement of our company quality, we have decreased the indirect costs such as those for internal information system and office expenses, as well as increasing the productivity of development. We will continue our efforts to reduce costs and reform our personnel and personnel training systems in order to strengthen our constitution of company.

Regarding our policy of promoting the growth initiatives in order to achieve a stable and continuous growth, we have promoted the social infrastructure businesses, and then joint businesses with our customers, in order to create new sources of income.

Our efforts for social infrastructure businesses included the launch of services of developing a regional medical information network system. Also, our "smart oasis®", a service based on charging infrastructural system for electric vehicles, contributed to expand the charging infrastructure's area which now includes an area between Tokyo and Osaka as well as a broad Kansai region. Furthermore, with regard to our cloud-computing services for local governments, the services of "SAVEaid®" (information system for disaster prevention), "Civicloud®" (mission-core system), and "LIBEaid®" (cloud-computing electronic library) have been utilized by nine municipalities including a government-decreed city, and more inquiries have been received.

For the joint businesses with our customers, we have already begun a joint project concentrating on the sales of major convenience stores with the use of a new type of gift card*. Currently, there are five types of cards which sum up to 16 individual items. Sales are continuing to increase steadily. Also, we have been promoting our new joint projects such as the flat-rate service for electronic book browsing. Through this service, out-of-print books and specialized books that are difficult to access have been computerized and have become readily available. Another project concerns marketing through social media and an electronic commerce website for fashion.

* This new type of 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.

In the midst of the situation as mentioned above, despite a decrease in income as a result of a divestiture of a subsidiary at the end of the previous fiscal year as well as a decrease in the sales of computer rental business, the sales of computers and outsourcing businesses continued to be strong for the fiscal year under review. As a result, net sales totaled ¥255,122 million, up by 0.8% compared with the previous fiscal year. Regarding profit, due to an expected increase in costs as a result of a postponed production phase for a large-scale system development project, the estimated loss was recorded in cost of sales as the provision of allowance for loss on contract development. However, as a result of our efforts decreasing costs such as selling, general and administrative expenses, operating income was ¥7,310 million, up by 12.0% compared with the previous fiscal year, and ordinary income was ¥7,096 million, up by 21.7% compared with the previous fiscal year. Net loss was ¥12,498 million, compared with a net income of ¥2,574 million for the previous fiscal year. This net loss was partly due to posting an extraordinary loss of ¥5,523 million in relation to the contract assets under the management of AIJ Investment Advisors Co., Ltd. pursuant to a discretionary investment contract. Most of the contract assets, the pension assets of our corporate pension fund of Nihon Unisys, Ltd., were lost on the basis of our assessment. Also, this net loss was due to posting income taxes of ¥13,044 million, up by ¥11,681 million from the previous fiscal year. This increase in burden was due to reversing the deferred tax assets which were not expected to be realized owing to the impacts of a change in the normal effective statutory tax rate to be applied in and after the fiscal year ending March 2013 and the provision of allowance for loss on contract development.

Looking at the breakdown of net sales, service sales decreased by ¥4,147 million or 2.2% year on year to ¥187,213 million. Software sales were ¥23,327 million, down by ¥3,484 million or 13.0%, and hardware sales were ¥44,581million, up by ¥9,765 million or 28.0%.

A breakdown of net sales is as follows: services sales 73.4% (75.6% in the previous term), software sales 9.1% (10.6% in the previous term), and hardware sales 17.5% (13.8% in the previous term).

② Outlook for the next fiscal year

Although the Japanese economy still continues to experience difficulties, capital investments by companies have begun to cease to fall. In this business environment, we plan to achieve the consolidated net sales of ¥265,000 million for the next fiscal year, an increase of 3.9%.

With regard to profit, we will strive to increase net sales and further improve the profitability of system services. Thus, we expect that operating income will increase by 23.1 % year on year to ¥9,000 million, ordinary income will increase by 17.0% to ¥8,300 million, and net income will be ¥4,800 million, up by ¥17,300 million compared with this fiscal year.

Outlook of consolidated performance for FY2013 (Millions of yen)

	FY2013	FY2012	Changes
Net Sales	265,000	255,122	3.9%
Operating Income	9,000	7,310	23.1%
Ordinary Income	8,300	7,096	17.0%
Net Income	4,800	(12,498)	—

(2) Analysis of financial condition

In the fiscal year under review, due to the reversal of deferred tax assets and a decrease in prepaid pension cost attributable to posting an estimated amount of pension asset loss, total assets were ¥190,083 million, down by ¥17,198 million compared with the end of the previous fiscal year.

Liabilities totaled ¥126,860 million, down by ¥3,651 million from the end of the previous fiscal year, mainly because of a decrease in accrued expenses and repayments of loans payable.

Net assets were ¥63,223 million, down by ¥13,546 million from the end of the previous fiscal year, mainly due to a decrease as a result of net loss.

With respect to cash and cash equivalents (hereinafter referred to as 'cash') for the fiscal year under review, cash provided by operating activities was allocated to investments on software for sales and outsourcing, and we accelerated repayments of loans payable. As a result, cash amounted to ¥27,254 million at the end of the fiscal year under review, down by ¥3,158 million from the beginning of this fiscal year.

(Cash flows from operating activities)

Net cash provided by operating activities in the fiscal year under review totaled ¥13,430 million (a decrease of ¥8,277 million from the previous year). This reflects proceeds of ¥589 million in income before income taxes and minority interests (down by ¥3,250 million from the previous term), non-cash expenses of ¥12,011million in depreciation and amortization (which have the effect of decreasing proceeds by ¥1,362 million compared with the previous term), a ¥4,443 million increase in notes and accounts payable-trade (which has the effect of increasing proceeds by ¥7,608 million), a ¥5,402 million decrease in prepaid pension cost (which has the effect of increasing proceeds by ¥4,599 million), a ¥3,576 million increase in allowance for loss on contract development (which has the effect of increasing proceeds by ¥4,271 million), against expenditures including a ¥5,166 million rise in notes and accounts receivable-trade (which has the effect of decreasing proceeds by ¥15,297 million), and a ¥6,629 million decline of accrued expenses (which has the effect of decreasing proceeds by ¥6,194 million).

(Cash flows from investing activities)

Net cash used in investing activities was ¥10,641 million (down by ¥526 million compared with the previous period). This mainly reflects the fact that we used ¥2,820 million (down by ¥500 million) to purchase property, plant and equipment such as computers for sales activities and ¥8,529 million (up by ¥808 million) to purchase intangible assets in relation to the investment of software for sales and outsourcing.

(Cash flows from financing activities)

Net cash used in financing activities during the fiscal year under review was ¥5,947 million (up by ¥360 million from the previous term). This reflects factors such as ¥14,250 million in proceeds from long-term loans payable (a decrease of ¥1,737million) and the ¥17,826 million repayment of long-term loans payable (up by ¥1,174 million).

(Reference) Changes in indicators related to cash flow

	FY2012	FY2011	FY2010	FY2009
Shareholders' equity ratio (%)	32.6	36.4	34.6	31.7
Market value equity ratio (%)	28.7	24.8	27.6	28.9
Ratio of cash flow to interest-bearing debts (years)	5.5	3.6	5.6	2.0
Interest coverage ratio (times)	16.2	22.1	13.7	37.1

(Notes)

Shareholders' equity ratio: Shareholders' equity/Total assets

Market value equity ratio: Market capitalization/Total assets

Ratio of cash flow to interest-bearing debt: Interest-bearing debt/Cash flow from operating activities

Interest coverage ratio: Cash flow from operating activities/ Interest payments

* All of the above indicators are calculated using financial figures on a consolidated basis.

(3) Basic policy on distribution of profits

Recognizing that increasing corporate value is the most important return to our shareholders, the Company seeks to achieve a stable and continuous distribution of profits. This approach is in line with a policy of paying dividends in accordance with our performance.

The specific amount of dividends will be determined taking into consideration the need to secure internal reserves for business development, and also comprehensively considering the business environment and other factors. We aim for a payout ratio of 20 % on a consolidated basis.

For the fiscal year under review, we will pay a ¥5 annual dividend per share (¥5.00 for the mid-term dividend and ¥0.00 for the term-end dividend), which is ¥5 less than the previous full fiscal year, by taking into consideration the business performance for this fiscal year.

For the next fiscal year, we expect to return to profit at a net income level, although we expect the business environment will remain severe. Thus, we plan to pay a ¥10 annual dividend per share (¥5.00 for the mid-term dividend and ¥5.00 for the term-end dividend), which is a ¥5 full year rise, pursuant to this basic policy on distribution of profits.

2. Management Policy

(1) Fundamental policies of management

The Group has always been at the forefront over the years in the field of computing in Japan, with the philosophy of putting clients first through the pursuit of higher quality and advanced technologies, respect towards individuals and emphasis on team work and being an attractive company for society, clients, shareholders and employees, on the basis of our management concept which is sharing customer's values, U&U® (Users & Unisys).

Today, the information and communications technology, ICT, is indispensable to businesses and social lives. It is expected to be more critical than ever from the viewpoints of advancement in technology, responses to social issues, and consideration of the environment. Our Group bears in mind the significance of ICT and aims for the three ideals of partnership below as our mid-term management goals, as our mission of working with our customers to realize a society that benefits human beings and the environment through the use of ICT.

- To become the No.1 partner capable of achieving the optimization of ICT
- To become a partner capable of providing added values to customers by leveraging ICT
- To become a partner capable of contributing to the provision of social infrastructures by utilizing ICT

(2) Financial target

Our Group positions an increase in net sales and operating income as our critical agenda. According to the plan for the fiscal year ending March 2015 which is based on the mid-term management plan prepared in December 2011, we plan to achieve net sales of ¥280,000 million on a consolidated basis, operating margin of 5 % on a consolidated basis, and net income of ¥8,000 million on a consolidated basis in the domain of our core businesses (system and network integration). Furthermore, we aim to recover the volume of net sales of ¥300,000 million on a consolidated basis soon.

(3) Mid-and-long term management strategies

Expansion of our core businesses, the establishment of Co-Creation/BPO (Business Process Outsourcing) business models, and entrance in the social infrastructure business are the basic policies of the mid-term management plan.

Through our experience of providing various ICT services that support business strategies of customers of a broad spectrum of industries, we have developed our technologies, expertise and relationships with customers. On this basis, we will expand our core businesses and stabilize the income base. Also, we will endeavor to create new sources of income such as joint businesses with customers, BPOs, and social infrastructure businesses.

(4) Issues to be dealt with by the Company

With regard to the fiscal year under review, a significant net loss was posted. This was partly due to the underperformance of a large-scale system development project, which resulted in a reversal of deferred tax assets. Also, this was due to a loss of the contract assets that had been placed under the management of AIJ Investment Advisors Co., Ltd. by the pension asset fund of Nihon Unisys, Ltd. As a result, regrettably, we were forced to suspend dividends at the end of this fiscal year, in order to aim to recover our equity capital and prioritize internal reserve.

Our Group sincerely recognizes this aggravation of business performance, and will endeavor to recover performance as indicated in the critical agenda of recovering and increasing sales, strengthening risk management, and improving company quality.

① Recovery and increase of sales

The Group had our profit structure weakened due to the fact that the sales of our services businesses have not risen fast enough to compensate for the decrease in the sales of mainframe business partly attributable to the decrease in size and price of the products. Thus, we think that it is necessary to recover and increase group sales significantly in the future.

In this situation, the Group has established the "Mid-term Management Plan (2012→2014)" based on our recognition that it is necessary to implement a drastic reform through which we will strengthen our profit structure and also expand our businesses from new opportunities. In this plan, expansion of core business, the establishment of Co-Creation/BPO (Business Process Outsourcing) business models, and entrance in the social infrastructure businesses are the basic policies. This plan lists the items below as critical points for recovering and increasing sales.

- Enhancement of service chain for a whole life-cycle of ICT of customers
- Enhancement of solution services
- Enhancement of services for ICT infrastructure
- Enhancement of operation/maintenance services

・Enhancement of support for customers advancing overseas
・Enhancement of capability of planning Co-Creation businesses
・Enhancement of technological skills for designing social infrastructure, and enhancement of alliances

We will integrate and utilize our technological skills and expertise, strengthen the coordination among our Group companies, and improve the competitive edges of our products as our cross-cutting endeavors for the entire Group, in order to achieve as described in this mid-term management plan. Also, in April 2012, the first year of the mid-term management plan, we implemented an organizational reform through which we aimed to enhance the competiveness of the products, sales and service capabilities of the entire Group, and also promote new businesses.

② Enhancement of risk management

We will enhance risk management in order to stabilize the management of our Group.

With regard to system development, we will revisit the process, methodology, and quality control arrangements of system development in order to deal with the recent tendency of system developments becoming complicated and even without feature freeze. As for risks in general that may influence the performance of our Group, we will further strengthen our risk management arrangement.

③ Enhancement of company quality

We need to enhance our company quality and provide high-quality services at reasonable prices in order to put our Group on a growth track. We will continue to decrease fixed costs such as personnel expenses and office expenses as another reform of cost structure, and also reform our personnel and personnel training systems in order to have each one of our employees remain highly motivated and achieve high performance.

3. Consolidated Financial Statements

(1) Consolidated Balance Sheets

Millions of Yen

	FY2011 (As of March 31, 2011)	FY2012 (As of March 31, 2012)
ASSETS		
Current assets		
Cash and deposits	30,413	27,254
Notes and accounts receivable-trade	59,254	64,421
Short-term investment securities	21	-
Merchandise and finished goods	4,277	5,334
Work in process	2,645	2,139
Raw materials and supplies	145	165
Deferred tax assets	6,313	5,137
Prepaid expenses	6,220	6,302
Others	3,905	4,546
Allowance for doubtful accounts	(252)	(431)
Total current assets	**112,943**	**114,869**
Non-current assets		
Property, plant and equipment		
Buildings and structures	12,386	11,920
Accumulated depreciation	(8,510)	(8,646)
Buildings and structures, net	3,876	3,274
Machinery, equipment and vehicles	59,246	56,860
Accumulated depreciation	(52,051)	(50,425)
Machinery, equipment and vehicles, net	7,195	6,434
Land	633	633
Others	12,919	12,892
Accumulated depreciation	(9,444)	(9,693)
Others, net	3,474	3,198
Total property, plant and equipment	**15,179**	**13,540**
Intangible assets		
Goodwill	2,353	2,209
Software	23,560	22,390
Others	120	106
Total intangible assets	**26,034**	**24,706**
Investments and other assets		
Investment securities	13,203	13,663
Deferred tax assets	21,356	9,621
Prepaid pension cost	7,008	1,606
Others	12,019	12,475
Allowance for doubtful accounts	(463)	(400)
Total investments and other assets	**53,124**	**36,966**
Total non-current assets	**94,338**	**75,213**
Total assets	**207,282**	**190,083**

Millions of Yen

	FY2011 (As of March 31, 2011)	FY2012 (As of March 31, 2012)
LIABILITIES		
Current liabilities		
Notes and accounts payable-trade	18,934	23,377
Current portion of bonds	–	10,000
Current portion of long-term loans payable	17,887	10,173
Commercial papers	13,000	12,000
Income taxes payable	1,858	1,223
Accrued expenses	10,224	3,594
Advances received	10,379	10,565
Allowance for loss on contract development	162	3,739
Other provision	717	738
Others	6,031	6,297
Total current liabilities	**79,195**	**81,710**
Non-current liabilities		
Bonds payable	20,000	10,000
Long-term loans payable	26,850	30,987
Deferred tax liabilities	706	175
Provision for retirement benefits	854	887
Other provision	62	439
Asset retirement obligations	1,274	1,300
Negative goodwill	23	7
Others	1,544	1,351
Total non-current liabilities	**51,316**	**45,150**
Total liabilities	**130,512**	**126,860**
NET ASSETS		
Shareholders’ equity		
Capital stock	5,483	5,483
Capital surplus	15,281	15,281
Retained earnings	75,808	62,369
Treasury stock	(19,360)	(19,360)
Total shareholders’ equity	**77,212**	**63,773**
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	(1,716)	(1,868)
Deferred gains (losses) on hedges	18	17
Total accumulated other comprehensive income	**(1,697)**	**(1,850)**
Subscription rights to shares	832	847
Minority interests	422	452
Total net assets	**76,770**	**63,223**
Total liabilities and net assets	**207,282**	**190,083**

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

(Consolidated Statements of Income)

Millions of Yen

	FY2011 (Fiscal year ended March 31, 2011)	FY2012 (Fiscal year ended March 31, 2012)
Net sales	**252,989**	**255,122**
Cost of sales	**187,108**	**191,561**
Gross profit	**65,881**	**63,561**
Selling, general and administrative expenses		
Selling expenses	7,767	10,368
General and administrative expenses	51,586	45,882
Total selling, general and administrative expenses	**59,353**	**56,251**
Operating income	**6,527**	**7,310**
Non-operating income		
Interest income	81	78
Dividends income	160	236
Equity in earnings of affiliates	30	49
Others	178	328
Total non-operating income	**450**	**693**
Non-operating expense		
Interest expenses	959	816
Others	185	90
Total non-operating expenses	**1,144**	**907**
Ordinary income	**5,833**	**7,096**
Extraordinary income		
Gain on sales of investment securities	6	19
Gain on sales of subsidiaries and affiliates' stocks	1,288	-
Gain on reversal of subscription rights to shares	37	-
Others	151	1
Total extraordinary income	**1,484**	**21**
Extraordinary loss		
Loss on sales and retirement of non-current assets	100	112
Impairment loss	515	385
Loss on valuation of investment securities	61	70
Amortization of goodwill	1841	-
Loss on adjustment for changes of accounting standard for asset retirement obligations	448	-
Estimated amount of pension asset loss	-	5,523
Others	510	435
Total extraordinary loss	**3,477**	**6,527**
Income before income taxes and minority interests	**3,840**	**589**
Income taxes-current	**2,086**	**1,273**
Income taxes-deferred	**(723)**	**11,771**
Total income taxes	**1,362**	**13,044**
Income (loss) before minority interests	**2,477**	**(12,454)**
Minority interests in income (loss)	**(96)**	**44**
Net income (loss)	**2,574**	**(12,498)**

(Consolidated Statements of Comprehensive Income)

Millions of Yen

	FY2011 (Fiscal year ended March 31, 2011)	FY2012 (Fiscal year ended March 31, 2012)
Income (loss) before minority interests	**2,477**	**(12,454)**
Other comprehensive income		
Valuation difference on available-for-sale securities	(350)	(152)
Deferred gains (losses) on hedges	5	(0)
Share of other comprehensive income of associates accounted for using equity method	(0)	0
Total other comprehensive income	**(345)**	**(152)**
Comprehensive income	**2,132**	**(12,607)**
(Breakdown)		
Comprehensive income attributable to owners of the parent	2,229	(12,651)
Comprehensive income attributable to minority interests	(96)	44

(3) Consolidated Statements of Changes in Net Assets

Millions of Yen

	FY2011 (Fiscal year ended March 31, 2011)	FY2012 (Fiscal year ended March 31, 2012)
Shareholders' equity		
Capital stock		
Balance at beginning of period	5,483	5,483
Changes of items during the period		
Total changes of items during the period	-	-
Balance at end of period	**5,483**	**5,483**
Capital surplus		
Balance at beginning of period	15,475	15,281
Changes of items during the period		
Increase (decrease) by share exchanges	(193)	-
Total changes of items during the period	**(193)**	-
Balance at end of period	**15,281**	**15,281**
Retained earnings		
Balance at beginning of period	75,148	75,808
Changes of items during the period		
Dividends from surplus	(719)	(939)
Net income (loss)	2,574	(12,498)
Increase (decrease) by share exchanges	(1,195)	-
Total changes of items during the period	**659**	**(13,438)**
Balance at end of period	**75,808**	**62,369**
Treasury stock		
Balance at beginning of period	(19,260)	(19,360)
Changes of items during the period		
Change in equity in affiliates accounted for by equity method-treasury stock	-	(0)
Purchase of treasury stock	(2,095)	(0)
Increase (decrease) by share exchanges	1,995	-
Total changes of items during the period	**(100)**	**(0)**
Balance at end of period	**(19,360)**	**(19,360)**
Total shareholders' equity		
Balance at beginning of period	76,846	77,212
Changes of items during the period		
Dividends from surplus	(719)	(939)
Net income (loss)	2,574	(12,498)
Change in equity in affiliates accounted for by equity method － treasury stock	-	(0)
Purchase of treasury stock	(2,095)	(0)
Increase (decrease) by share exchanges	606	-
Total changes of items during the period	**365**	**(13,438)**
Balance at end of period	**77,212**	**63,773**

Millions of Yen

	FY2011 (Fiscal year ended March 31, 2011)	FY2012 (Fiscal year ended March 31, 2012)
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities		
Balance at beginning of period	(1,365)	(1,716)
Changes of items during the period		
Net changes of items other than shareholders' equity	(350)	(152)
Total changes of items during the period	**(350)**	**(152)**
Balance at end of period	**(1,716)**	**(1,868)**
Deferred gains (losses) on hedges		
Balance at beginning of period	13	18
Changes of items during the period		
Net changes of items other than shareholders' equity	5	(0)
Total Changes of items during the period	**5**	**(0)**
Balance at end of period	**18**	**17**
Total accumulated other comprehensive income		
Balance at beginning of period	(1,352)	(1,697)
Changes of items during the period		
Net changes of items other than shareholders' equity	(345)	(152)
Total changes of items during the period	**(345)**	**(152)**
Balance at end of period	**(1,697)**	**(1,850)**
Subscription rights to shares		
Balance at beginning of period	790	832
Changes of items during the period		
Net changes of items other than shareholders' equity	42	15
Total changes of items during the period	**42**	**15**
Balance at end of period	**832**	**847**
Minority interests		
Balance at beginning of period	642	422
Changes of items during the period		
Net changes of items other than shareholders' equity	(219)	29
Total changes of items during the period	(219)	29
Balance at end of period	**422**	**452**

Millions of Yen

	FY2011 (Fiscal year ended March 31, 2011)	FY2012 (Fiscal year ended March 31, 2012)
Total net assets		
Balance at beginning of period	76,927	76,770
Changes of items during the period		
Dividends from surplus	(719)	(939)
Net income (loss)	2,574	(12,498)
Change in equity in affiliates accounted for by equity method－treasury stock	-	(0)
Purchase of treasury stock	(2,095)	(0)
Increase (decrease) by share exchanges	606	-
Net changes of items other than shareholders' equity	(522)	(108)
Total changes of items during the period	**(157)**	**(13,546)**
Balance at end of period	**76,770**	**63,223**

(4) Consolidated Statements of Cash Flows

Millions of Yen

	FY2011 (Fiscal year ended March 31, 2011)	FY2012 (Fiscal year ended March 31, 2012)
Operating activities:		
Income (loss) before income taxes and minority interests	3,840	589
Depreciation and amortization	13,374	12,011
Impairment loss	515	385
Amortization of goodwill	2,100	144
Amortization of negative goodwill	(43)	(15)
Loss (gain) on sales of investment securities	26	(34)
Loss (gain) on sales of stocks of subsidiaries and affiliates	(1,288)	-
Loss (gain) on valuation of investment securities	61	70
Loss on adjustment for changes of accounting standard for asset retirement obligations	448	-
Increase (decrease) in provisions for retirement benefits	(31)	32
Increase (decrease) in allowance for loss on business restructuring	(2,609)	-
Increase (decrease) in allowance for loss on contract development	(694)	3,576
Increase (decrease) in other provisions	127	514
Interest and dividends income	(242)	(314)
Interest expenses	959	816
Decrease (increase) in notes and accounts receivable-trade	10,130	(5,166)
Decrease (increase) in inventories	1,495	(570)
Increase (decrease) in notes and accounts payable-trade	(3,164)	4,443
Decrease (increase) in prepaid pension cost	803	5,402
Increase (decrease) in accrued expenses	(435)	(6,629)
Others	(1,563)	747
Subtotal	**23,809**	**16,004**
Interest and dividends income received	245	313
Interest expenses paid	(981)	(830)
Income taxes paid	(1,365)	(2,057)
Net cash provided by (used in) operating activities	**21,708**	**13,430**
Investing activities:		
Purchase of property, plant and equipment	(3,320)	(2,820)
Proceeds from sales of property, plant and equipment	94	22
Purchase of intangible assets	(7,720)	(8,529)
Purchase of investment securities	(473)	(136)
Proceeds from sales of investment securities	87	143
Proceeds from sales of investments in subsidiaries resulting in change in scope of consolidation	199	-
Collection of loans receivable	-	712
Others	(36)	(33)
Net cash provided by (used in) investing activities	**(11,168)**	**(10,641)**

Millions of Yen

	FY2011 (Fiscal year ended March 31, 2011)	FY2012 (Fiscal year ended March 31, 2012)
Financing activities:		
Net increase (decrease) in short-term loans payable	(5,700)	-
Proceeds from long-term loans payable	15,987	14,250
Repayment of long-term loans payable	(16,652)	(17,826)
Repayment of other borrowings	(401)	(418)
Increase (decrease) in commercial papers	4,000	(1,000)
Purchase of treasury stock	(2,095)	(0)
Cash dividends paid	(719)	(937)
Cash dividends paid to minority shareholders	(6)	(14)
Net cash provided by (used in) financing activities	**(5,587)**	**(5,947)**
Effect of exchange rate change on cash and cash equivalents	**-**	**-**
Net increase (decrease) in cash and cash equivalents	**4,952**	**(3,158)**
Cash and cash equivalents at beginning of period	**25,461**	**30,413**
Cash and cash equivalents at end of period	**30,413**	**27,254**

(5) Notes Regarding Assumptions as a Going Concern

None applicable

(6) Changes in accounting policies

(Changes in depreciation method)

The depreciation for computers for operating 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 building acquired on and 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 operating 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 ¥453 million.

(7) Changes in representation methods

(Consolidated balance sheets)

"Allowance for loss on contract development" (which is ¥3,739 million for this fiscal year under review) that used to be included in the "Others" of Current liabilities up to the previous fiscal year are described separately for the fiscal year under review, because they constitute more than 1/100 of the amount of total liabilities and net assets.

"Allowance for loss on contract development" at the end of the previous fiscal year was ¥162 million.

(Consolidated statements of cash flows)

1. "Increase (decrease) in allowance for loss on contract development" (which is ¥3,576 million for this fiscal year under review) that was included in the "Increase (decrease) in other provisions" of Operating activities of the previous fiscal year is posted separately because of an increased significance of the amount.

   "Increase (decrease) in allowance for loss on contract development" of the previous fiscal year was -¥694 million.

2. "Decrease (increase) in prepaid pension cost" (which is ¥5,402 million for this fiscal year under review) that was included in the "Others" of Operating activities of the previous fiscal year is posted separately because of an increased significance of the amount.

   "Decrease (increase) in prepaid pension cost" of the previous fiscal year was ¥803 million.

3. "Increase (decrease) in accrued expenses"(which is -¥6,629 million for this fiscal year under review) that was included in the "Others" of Operating activities of the previous fiscal year is posted separately because of an increased significance of the amount.

   "Increase (decrease) in accrued expenses" of the previous fiscal year was -¥435 million.

(8) Additional Information

(Accounting standards for accounting changes in accounting principles and error corrections)

From the beginning of this fiscal year under review, the “Accounting Standard for Accounting Changes and Error Corrections (ASBJ Statement No. 24 December 4, 2009)” and the “Guidance on Accounting Standard for Accounting Changes and Error Corrections (ASBJ Guidance No. 24 December 4, 2009)” were adopted to make changes in accounting principles and corrections of errors from previous years.

(Sales Support Costs)

We have recreated our business division that now consists of sales departments and system departments from this fiscal year, as part of organizational reform aiming for strengthening our collective capabilities. The departments that used to be engaged in system development joined the sales departments in order to create new organizations that individually perform proposals, sales and development.

In this connection, sales support costs incurred by the system departments that were posted as manufacturing costs up to the previous fiscal year are processed as part of selling, general and administrative expenses from this fiscal year.

As a result, selling, general and administrative expenses increased by ¥4,192 million. Cost of sales decreased by ¥3,758 million, work in process decreased by¥61 million, and software decreased by ¥372 million. Operating income, ordinary income and income before income taxes and minority interests each decreased by ¥434 million.

(Corrections of deferred tax assets and deferred tax liabilities due to the changes in corporation tax rate)

The “Act for Partial Amendment for the Income Tax Act, etc. for the Purpose of Creating a Taxation System Responding to Changes in Socio-Economic Structures” (Act No. 114 of 2011) and the “Act on Special Measures for Securing Financial Resources Necessary to Implement Measures for Reconstruction following the Great East Japan Earthquake” (Act No.117 of 2011) were promulgated on December 2, 2011. The Corporation tax rate will be lowered from the fiscal year beginning April 1, 2012 and a special recovery tax will be implemented.

Accordingly, the effective tax rate for the calculation of deferred tax assets and deferred tax liabilities will be lowered from 40.7% to 38.0% for temporary differences scheduled to be eliminated from the fiscal year beginning April 1, 2012 up to the fiscal year beginning April 1, 2014, and to 35.6% for fiscal years beginning after April 1, 2015. As a result of these changes in the tax rate, deferred tax assets at the end of this fiscal year (from which deferred tax liabilities were deducted) have decreased by ¥2,415 million and income taxes-deferred have increased by ¥2,293 million.

(9) Notes to consolidated financial statements

(Segment information and others)

(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. Methods to determine net sales, income or loss, assets and other amounts by reportable segment

The accounting methods by business segment reported herein are the same as described in the 'Changes in material matters that are the basis of presenting consolidated financial statements'

3. Information on net sales, income or loss, assets and other amounts by reportable segment

FY 2011 (from April 1, 2010 to March 31, 2011) (Millions of Yen)

	Reportable segments							Other (Note 1)	Total	Adjustment (Note 2)	Amount recorded in consolidated financial statements (Note 3)
	System Services	Support Services	Outsourcing	Netmarks Services	Software	Hardware	Total				
Net sales	73,521	53,974	28,423	20,293	26,812	34,816	237,841	15,148	252,989	—	252,989
Segment profits	18,899	18,207	2,593	4,105	9,210	8,952	61,968	3,912	65,881	(59,353)	6,527
Segment assets	1,720	1,664	21,932	2,505	5,988	4,232	38,043	135	38,179	169,103	207,282
Other items											
Depreciation and amortization	79	205	5,185	520	4,207	1,223	11,421	167	11,588	1,785	13,374
Increased amount of property, plant and equipment and intangible assets	72	279	6,953	288	2,005	691	10,291	154	10,446	2,348	12,794

(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 contents of adjustment are described below.

(1) The adjustment of ¥59,353 million to segment profits includes development expenses of ¥5,524million, amortization of goodwill of ¥259 million, and selling, general and administrative expenses of ¥53,569 million that have not been distributed to each reportable segment.

(2) The adjustment of ¥169,103 million to segment assets represents the corporate assets that have not been distributed to each reportable segment.

(3) The adjustment of ¥1,785 million to depreciation and amortization represents the depreciation and amortization of the corporate assets that have not been distributed to each reportable segment.

(4) The adjustment of ¥2,348 million to increased amount of property, plant and equipment and intangible assets represents the increase in the corporate assets that have not been distributed to each reportable segment.

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

FY 2012 (from April 1, 2011 to March 31, 2012) (Millions of Yen)

	Reportable segments							Other (Note 1)	Total	Adjustment (Note 2)	Amount recorded in consolidated financial statements (Note 3)
	System Services	Support Services	Outsourcing	Netmarks Services	Software	Hardware	Total				
Net sales	71,657	52,902	31,943	21,982	23,327	44,581	246,394	8,728	255,122	—	255,122
Segment profits	15,439	20,595	4,072	4,638	5,545	10,149	60,441	3,120	63,561	(56,251)	7,310
Segment assets	1,635	2,328	17,430	2,290	4,730	5,576	33,991	341	34,333	155,750	190,083
Other items											
Depreciation and amortization	138	257	4,139	513	3,630	937	9,617	101	9,718	2,293	12,011
Increased amount of property, plant and equipment and intangible assets	106	128	3,454	365	2,315	609	6,979	32	7,012	4,547	11,559

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

(Note 2) The contents of adjustment are described below.

(1) The adjustment of ¥56,251 million to segment profits includes development expenses of ¥4,912million, amortization of goodwill of ¥144 million, and selling, general and administrative expenses of ¥51,194 million that have not been distributed to each reportable segment.

(2) The adjustment of ¥155,750 million to segment assets represents the corporate assets that have not been distributed to each reportable segment.

(3) The adjustment of ¥2,293 million to depreciation and amortization represents the depreciation and amortization of the corporate assets that have not been distributed to each reportable segment.

(4) The adjustment of ¥4,547 million to increased amount of property, plant and equipment and intangible assets represents the increase in the corporate assets that have not been distributed to each reportable segment.

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

(Related information)

FY2011 (from April 1, 2010 to March 31, 2011)

1. Information by product and service

   Information by product and service is not described because the same information is stated as part of segment information.

2. Information by region

   (1) Net sales

   Net sales by region are not disclosed because the amount of net sales to customers in Japan accounts for more than 90% of the amount of net sales of consolidated statements of income.

   (2) Property, plant and equipment

   Property, plant and equipment by region are not disclosed because the amount of property, plant and equipment that are located in Japan accounts for more than 90% of the amount of property, plant and equipment of consolidated balance sheets.

3. Information by major customer

   No major customer is stated because no customer accounted for more than 10% of net sales as stated in the consolidated statements of income.

FY2012 (from April 1, 2011 to March 31, 2012)

1. Information by product and service

   Information by product and service is not described because the same information is stated as part of segment information.

2. Information by region

   (1) Net sales

   Net sales by region are not disclosed because the amount of net sales to customers in Japan accounts for more than 90% of the amount of net sales of consolidated statements of income.

   (2) Property, plant and equipment

   Property, plant and equipment by region are not disclosed because the amount of property, plant and equipment that are located in Japan accounts for more than 90% of the amount of property, plant and equipment of consolidated balance sheets.

3. Information by major customer

   No major customer is stated because no customer accounted for more than 10% of net sales as stated in the consolidated statements of income.

(Information on impairment loss of non-current assets by reportable segment)

FY 2011 (from April 1, 2010 to March 31, 2011) (Millions of Yen)

	System Services	Support Services	Outsourcing	Netmarks Services	Software	Hardware	Other	Eliminations and Corporate	Total
Impairment loss	—	—	472	—	—	—	—	42	515

FY 2012 (from April 1, 2011 to March 31, 2012) (Millions of Yen)

	System Services	Support Services	Outsourcing	Netmarks Services	Software	Hardware	Other	Eliminations and Corporate	Total
Impairment loss	—	—	385	—	—	—	—	—	385

(Information about the amount of amortization of goodwill and the amount of the unamortized balance of goodwill by reportable segment)

FY 2011 (from April 1, 2010 to March 31, 2011) (Millions of Yen)

	System Services	Support Services	Outsourcing	Netmarks Services	Software	Hardware	Other	Eliminations and Corporate	Total
Amount of amortization for this period	—	—	—	—	—	—	—	2,100	2,100
Balance at the end of this period	—	—	—	—	—	—	—	2,353	2,353

(Note) The amount of amortization for this period as stated in the eliminations and corporate category, ¥2,100 million consists of ¥259 million for "general and administrative expenses" of selling, general and administrative expenses and ¥1,841 million for "amortization of goodwill" of extraordinary loss.

The amount of amortization of negative goodwill and the amount of the unamortized balance of negative goodwill are stated as below. (Millions of Yen)

	System Services	Support Services	Outsourcing	Netmarks Services	Software	Hardware	Other	Eliminations and Corporate	Total
Amount of amortization for this period	—	—	—	—	—	—	—	43	43
Balance at the end of this period	—	—	—	—	—	—	—	23	23

FY 2012 (from April 1, 2011 to March 31, 2012) (Millions of Yen)

	System Services	Support Services	Outsourcing	Netmarks Services	Software	Hardware	Other	Eliminations and Corporate	Total
Amount of amortization for this period	—	—	—	—	—	—	—	144	144
Balance at the end of this period	—	—	—	—	—	—	—	2,209	2,209

The amount of amortization of negative goodwill and the amount of the unamortized balance of negative goodwill are stated as below. (Millions of Yen)

	System Services	Support Services	Outsourcing	Netmarks Services	Software	Hardware	Other	Eliminations and Corporate	Total
Amount of amortization for this period	—	—	—	—	—	—	—	15	15
Balance at the end of this period	—	—	—	—	—	—	—	7	7

(Information about gain on negative goodwill by reportable segment)

FY 2011 (from April 1, 2010 to March 31, 2011)

None

FY 2012 (from April 1, 2011 to March 31, 2012)

None