Nihon Unisys, Ltd.

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VEGETABLE OIL INK
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Annual Report 2010

For the year ended March 31, 2010

Nihon Unisys, Ltd.

Contents

Corporate Profile

U&U

Users & Unisys

The Nihon Unisys Group has been a leading solutions provider and active supporter of information and communication technologies (ICT) in Japan since its founding in 1958 at the dawn of the computer era. Since then, the Group has consistently delivered customer-driven value-added ICT solutions in quick response to the often-changing needs of businesses and the market.

Today, we provide integrated ICT solutions for a broad mix of clients, including major corporations in the finance, manufacturing, distribution and energy sectors, as well as government agencies. These services and solutions help clients analyze and resolve even the toughest management challenges.

Under our customer-first corporate philosophy of "U&U" (Users & Unisys), we will continue to facilitate business innovation by strengthening collaboration with clients and developing customer-driven ICT solutions for the specific needs of individual clients.

History of Nihon Unisys

2008
Entering into Cloud Computing Services

OCTOBER 2008
Nihon Unisys launches cloud-computing services using next-generation iDC platforms.

2006-2007
Strengthening the Group Structure

JUNE 2006
Nihon Unisys establishes USOL Vietnam Corporation as an offshore development center.

JANUARY 2007
Nihon Unisys Solutions, Ltd. (now USOL HOLDINGS Co., Ltd.), a system development subsidiary, transfers its system services business to Nihon Unisys to establish further cooperation between the sales force and engineers.

JUNE 2007
Nihon Unisys converts NETMARKS INC. into a consolidated subsidiary to enhance its network integration service capabilities.

2006
Relationship with Unisys Corporation

MARCH 2006
Unisys Corporation, one of the major shareholders of Nihon Unisys, divests its entire shareholdings (30,524,900 shares, 27.8%) in Nihon Unisys. Following the divestiture, Nihon Unisys, the exclusive distributor of Unisys Corporation-made computers and other products in Japan, maintains a close relationship with the company, and further expands its core service businesses.

1988
Birth of Nihon Unisys

APRIL 1988
Sperry Corporation merges with Burroughs Corporation to form Unisys Corporation. In Japan, Nippon Univac Kaisha, Ltd. merges by absorption with Burroughs K.K. (the Japan branch of Burroughs Corporation) and changes its name to Nihon Unisys, Ltd.

1958
Founding

MARCH 1958
Nippon Remington Univac Kaisha, Ltd. is founded under an agreement between Daiichi Bussan (now Mitsui & Co., Ltd.) and Sperry Corporation.

Financial Highlights

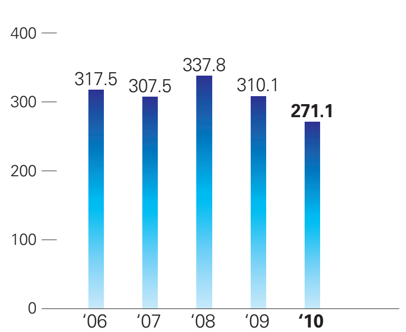
Nihon Unisys, Ltd.
Years Ended March 31, 2010, 2009, and 2008 (Consolidated Basis)

	Millions of Yen			Thousands of U.S. Dollars
	2010	2009	2008	**2010**
Net sales	**¥ 271,085**	¥ 310,127	¥ 337,759	**$ 2,913,639**
Operating income	**7,106**	15,883	19,649	**76,376**
Net income (loss)	**3,627**	(8,819)	2,546	**38,983**
Total assets	**218,067**	233,546	258,458	**2,343,798**

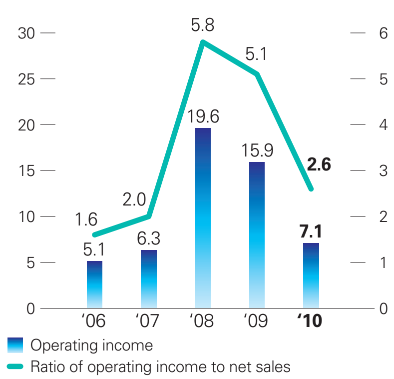
	Yen			U.S. Dollars
Per share amounts:	**2010**	2009	2008	**2010**
Basic net income (loss)	**¥ 37.82**	¥ (91.96)	¥ 26.54	**0.41**
Diluted net income	**—**	—	26.47	**—**
Cash dividends applicable to the year	**10.00**	15.00	12.00	**0.11**

Note: Yen amounts have been translated into U.S. dollars, for convenience only, at ¥93.04 = U.S. $1, the rate prevailing on March 31, 2010.

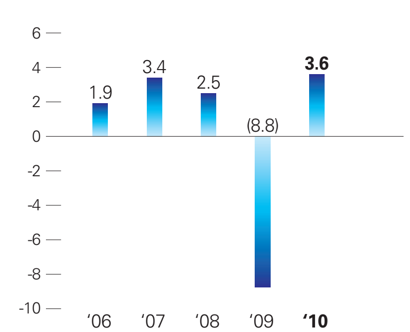
Net Sales
(Billions of yen)



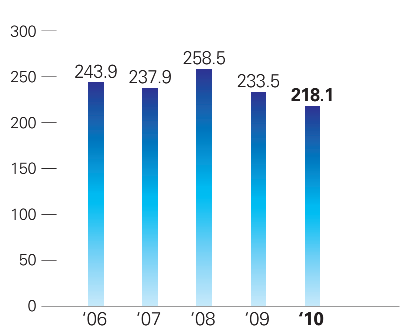
Operating Income /
Ratio of Operating Income to Net Sales
(Billions of yen / %)



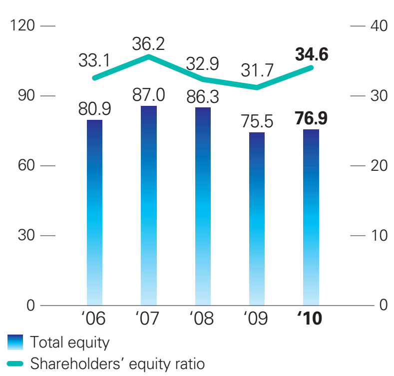
Net Income (Loss)
(Billions of yen)



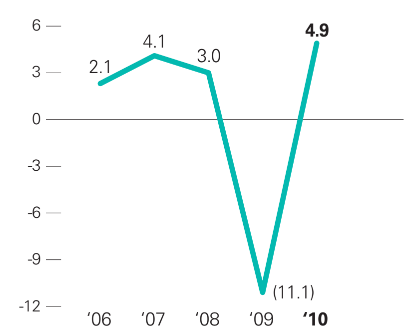
Total Assets
(Billions of yen)



Total Equity / Shareholders' Equity Ratio
(Billions of yen / %)



Return on Equity



A Message from the President and CEO

We evolve into a service integrator that delivers high-value-added services.

The environment surrounding the ICT market in the year ended March 31, 2010 resulted in a decline in corporate ICT investments due to the persistent global economic slump, despite signs of improvement in corporate willingness to invest in ICT. Under these harsh circumstances, we pursued the following two goals as our priorities.

Expansion of Our Business Domains

With planning divisions, newly established within each business division, taking the lead, we actively created new service offerings in the area of shared services, such as those used in the recharging infrastructure for plug-in electric vehicles and local government cloud computing.

Reinforcing Our Business Structure

In order to reinforce our sales capability, we redeployed personnel from the staff division to the sales division and boosted the efficiency of staff performance. In addition to efforts by individual employees to enhance productivity and reduce costs, we are also reviewing business operations and promoting shared operations to further improve operational efficiencies.

In the year ending March 31, 2011, we are pursuing three priority strategies for achieving further growth.

Evolution toward Becoming a Service Integrator

We have been striving to provide high-value services as a service integrator in addition to being a system integration service, which has been our core competence.

To achieve this goal, we are developing optimal combinations using our intimate knowledge of industries and operations accumulated during years of experience in system construction in diverse industries and our pioneering cloud computing technology.

Expanded, Stable Profit Base

We seek to expand our stable profit base by offering new service options that customers can use on a monthly fee-basis, in addition to our support services and outsourcing.

Reinforced Competitiveness

As customers become more selective and competition among vendors intensifies, we are faced with the need to strengthen our proposal capabilities. To that end, we unified our sales and system engineering organizations starting in the year ending March 31, 2011. We also established a new organization, Customer Relations Executives (CRE), to provide services that better serve customers, and introduced regular customer visits by our engineers.

We look forward to the continuing support and understanding of our shareholders and investors.

August 2010

Katsuto Momii
President and CEO

The Nihon Unisys Group is a leading solution provider of technology consulting services, including system and network integration as well as ICT Services. By combining long-standing expertise in system and network integration with leading technical competencies in ICT Services, the Group has evolved into a service integrator capable of delivering client-driven, high-value-added services.

Evolving into a Service Integrator

Key Characteristics of the Nihon Unisys Group

1 Full service provider

We provide one-stop access to a full line of integrated ICT solutions, from management and ICT strategy consulting to the provision of ICT solutions needed to implement these strategies. Our service line-up also includes network design, development, management and support.

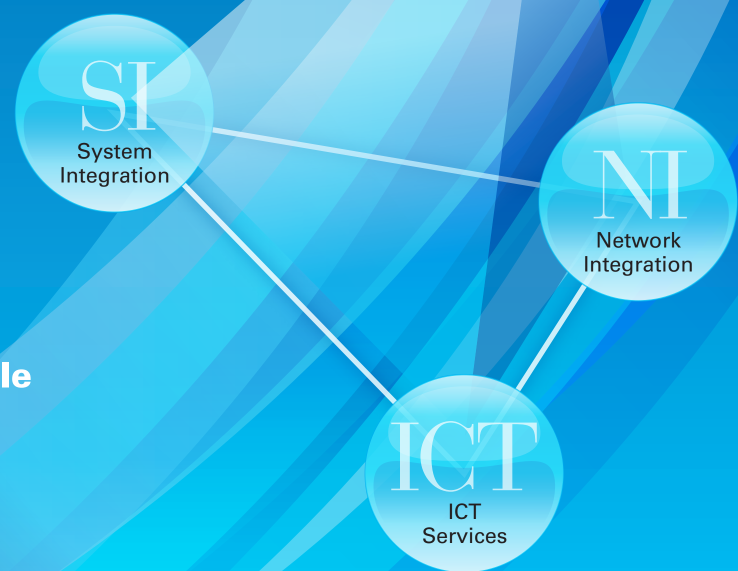
2 No vendor lock-in

We are able to integrate hardware and software from any vendor into ICT solutions to address the specific management challenges of individual clients.

3 Broad experience in multiple business sectors

We have built an extensive track record as a leading provider of ICT solutions to major companies in the finance, manufacturing, commerce, distribution and energy sectors, as well as government agencies. By bringing together knowledge and experience garnered from a broad mix of sectors, we are able to provide clients with the most effective ICT solutions to achieve their strategic goals.

We are also one of the few system integrators in Japan with the skills and experience required for developing extremely sophisticated mission-critical ICT systems for banks, airlines and other related sectors.



SI

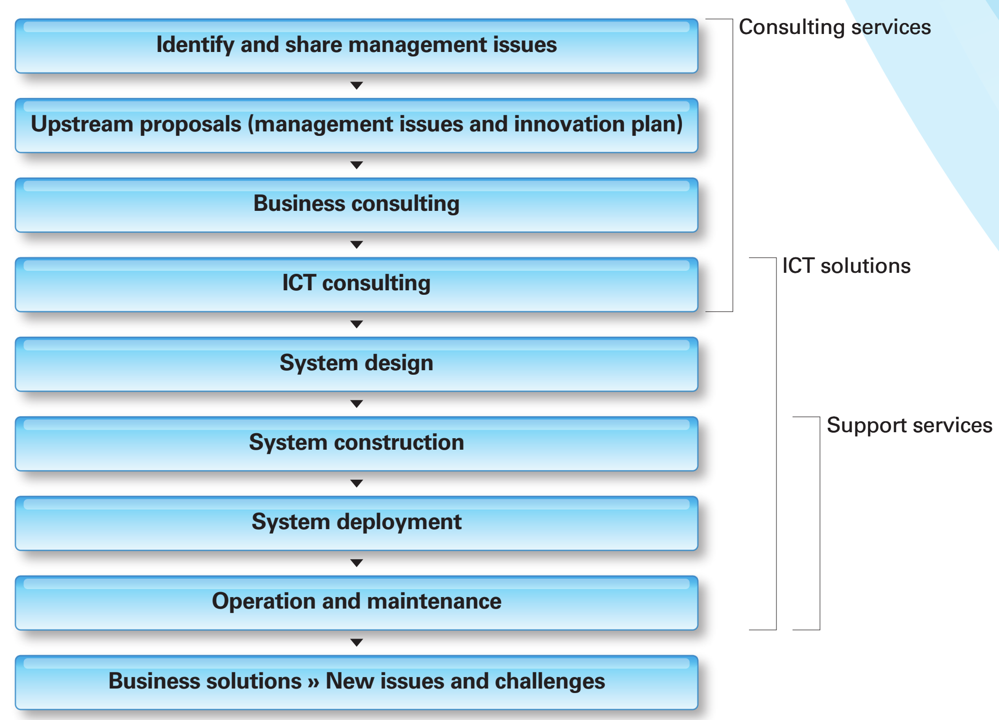
System Integration

Japan's Leading System Integrator

Our core business is the provision of high-quality system integration service aimed at resolving client ICT management challenges.

System integration involves combining various ICT-related resources, including hardware and software, to develop secure infrastructure for the provision of integrated ICT solutions. We provide clients with full access to a range of ICT solutions, strategy development consultation and planning, the development of high-quality ICT systems based on the latest methodologies, and expertise in project management, operational support, and product maintenance.

Overview of System Integration



Overview of Network Integration

Total security solutions	Unified communication	Operational and maintenance services
Integrated ID management	Image data	Multi-vendor support services
Authentication and quarantine networks	IP telephony	Life-Cycle Management
Multi-device authentication	Applications	Worldwide service bases
ViSS (image monitoring solutions using large-scale networks)	E-mails	
	Wireless	

Network Integration

At the Forefront of Network Integration

The Nihon Unisys Group is also one of Japan's most prominent network integrators. The development of an optimized business network system begins with our review of the unique challenges and requirements of each client, followed by the construction of ICT platforms, including network design and installation. We also provide clients with operational and maintenance support, manufacture peripheral equipment and resell network lines.

Our ability to use the latest network technologies and operational expertise to provide corporate clients with seamless access to a full range of network-related ICT solutions represents a key advantage over our competitors.

ICT Services

Supporting Business Innovation

We offer a comprehensive line of ICT Services, including cloud computing solutions and outsourcing services such as hosting and housing.

The following three cloud-computing services are provided over the Internet Data Center (iDC) Modeled iDC Farm (MiF) operational platform developed by the Nihon Unisys Group. MiF is a next-generation iDC platform created using the latest integration, virtualization, and automation technologies. Using this platform, we support the business innovation of our clients by providing low-cost on-demand services and the prompt development of optimal ICT environments.

Infrastructure as a Service (IaaS)

We provide integrated services involving iDC facilities and equipment, infrastructure services including firewalls, networks, hardware, operating systems, operations, monitoring, and security.

We fully automate all server controls to deliver a hosting environment free of human error and inconsistencies associated with manual operations.

Platform as a Service (PaaS)

PaaS is offered to companies considering entry into the SaaS business. We provide the secure network infrastructure and application execution environment necessary for the development and operation of SaaS over the Internet to these clients.

This significantly reduces the cost and workload associated with developing and operating the required infrastructure, enabling a faster and lower cost entry into the SaaS business.

Software as a Service (SaaS)

By accessing our various SaaS applications over the Internet, customers are able to use only the software functions they need, when they need them, and for as long as they need them.

In addition to proprietary SaaS applications, we also offer a wide range of SaaS applications developed by other companies.

Overview of ICT Services

Cloud Computing Services	Outsourcing
Using shared MiF platform constructed in iDC	Using platforms constructed by individual clients (groups)
SaaS (AP functions)	Operation Outsourcing Services
PaaS (business platform)	Facility Provision Services (facility and management)
IaaS (ICT infrastructure)	BPO (Business Process Outsourcing)

Nihon Unisys's Solutions and Services

As of June 30, 2010

The Nihon Unisys Group provides varied solutions for a diverse array of sectors, including finance, manufacturing, commerce, distribution, energy, services and government.

In addition to horizontal solutions such as internal controls, CRM, ERP and BI, we also provide middleware based on infrastructure technology.

Furthermore, we are currently expanding our service menu by incorporating the latest cloud computing technology by leveraging our extensive track record in the development of mission critical corporate information systems. (Listed below are examples of our major solutions.)

Solutions by Industry

Finance

No. of Users	
20	• **SBI21** (Core-banking system for shinkin banks)
8	• **BankVision** (Open core-banking system for banks)
50	• **Siatol–NE** (Securities management system for financial institutions)
19	• **BankForce–NE / Open E'ARK** (International banking system)
10	• **TrustPORT** (Trust business system for trust banks and trust companies)
Over 70	• **MIDMOST** (Middleware for mission critical open system)

Commerce and Distribution

No. of Users	
12	• **eSPANET** (Integrated solution for the apparel industry)
52	• **Direct Marketing (DM)** (Integrated solution for the direct marketing industry)
14	• **OpenPrism** (Integrated sales and marketing solution for the pharmaceuticals industry)
28	• **OpenApproval** (Approval information management system for the pharmaceuticals industry)
13	• **OpenStore** (Shop/POS system for the retail industry)
15	• **OpenCentral** (Head office solution for the retail industry)
18	• **OpenPSS** (Staff allocation optimization system for the retail and restaurant industry)
75	• **LeaseCreation** (Comprehensive leasing business system for the leasing industry)
7	• **CVPro** (Customer voice analysis system for the manufacturing and distribution industries)
5	• **MCFrame** (Production/sales/cost integration framework for the manufacturing industry)

Manufacturing

No. of Users	
107	• **Dynavista** (3D CAD system for the manufacturing industry)
12	• **LightMAGIC** (CG system for the auto industry)
2	• **SharedPro** (Development project support system for the manufacturing industry)
111	• **DigiD** (3D housing design system for the housing industry)

Services and Others

No. of Users	
4	• **UniCity Comprehensive Document Management System** (Comprehensive document management system for local government offices)
15	• **UniCare** (Comprehensive medical information system for the medical industry)

Horizontal Solutions

Business Solutions

No. of Users	
	Internal controls (J-SOX – ERM)
29	• **PDCA solution for internal control**
	CRM / customer response reinforcement
2	• **UNIVERSALCRM**
114	• **Mart Solution** (Support tool for DWH construction)
	ERP / management resource control
30	• **FaSet FA** (Japanized fixed asset module for Oracle EBS)
20	• **Hybrish** (ERP for medium-sized companies)
	Intellectual property management
1	• **NU-Repo** (Company and technology analysis service)
2	• **StraVision** (Support solution for patent analysis)
	BI / DWH
17	• **Netezza* DWH appliance** (System construction services for Netezza DWH appliance, BI / intellectual information utilization solution)
98	• **MiningPro21** (Data mining solution)

Infrastructure Solutions

No. of Users	
	Ubiquitous IC tag / RFID
2	• **VisibleLogisticsSolutions** (Logistics IC tag / RFID solution)
6	• **DigitalPen Solution**

* Netezza is a registered trademark or a trademark of Netezza Corporation in the U.S. and other countries.

Cloud Computing Services

SaaS

Start of Service	
Mar. 2010	• **TRADEBASE for FX** (Foreign exchange margin transaction system for securities companies)
Oct. 2009	• **SAVEaid** (Crisis information management system for local government offices and companies)
Jul. 2009	• **Non-accident Program DR** (Safe driving, accident reduction and mileage improvement services for the transport industry)
Apr. 2008	• **RENANDI SaaS** (Learning platform provision service for educational institutions)
Apr. 2009	• **NeXtCommons** (Infrastructure service for information sharing)
Mar. 2009	• **Microsoft Dynamics* CRM SaaS Edition** (Integrated CRM application)
Sept. 2008	• **SASTIK** (Safe and secure authentication system)
Sept. 2003	• **AirTriQ** (Web-based online storage)
Apr. 2008	• **OfficePlanet Mail 2.0** (Web mailing and groupware)
Sept. 2008	• **SPARK MAIL** (Mail outsourcing service)
Apr. 2009	• **Financial Report Express** (Automatic financial disclosure solution)
Sept. 2007	• **DPAgent** (Digital pen ASP service)
Apr. 2009	• **iPowerStation** (Human resource management service for intellectual property skills)
Oct. 2009	• **manabito park** (SaaS marketplace for education)
Sept. 2009	• **LearningCast** (Learning platform provision service for companies)
Nov. 2009	• **GOCE** (Global mail hosting service)

IaaS and PaaS

Start of Service	
Oct. 2008	• **ICT hosting service** (On-demand hosting service)
May 2009	• **SaaS platform service**

* Microsoft and Dynamics are registered trademarks or trademarks of Microsoft Corporation in the U.S. and other countries.

Basic Approach to Corporate Governance

The Group strives to reinforce its corporate governance for the purpose of quickly making decisions in response to a changing business environment, clarifying management accountability, and increasing business transparency.

Our policy on corporate governance is expressed as follows under the Nihon Unisys Group Corporate Conduct Charter, which serves as the Group's code of conduct.

Reinforcing and Enhancing Corporate Governance

Seeking to continuously raise corporate value, the Group strives to reinforce and enhance its corporate governance by establishing a structure of internal controls.

a. The Group will work in concert to maintain and reinforce corporate governance based on high ethical standards and transparency.

b. We will ensure business transparency by disclosing corporate information in an appropriate and timely manner.

c. We will effectively respond to the various risks that could seriously affect Group management. We will quickly and precisely respond when any risk materializes or has a strong potential for materializing.

Corporate Governance Structure

1. Reasons for Adopting the Current Corporate Governance Structure

The Company has adopted a Corporate Auditor System based on its judgment that a system of Corporate Auditors that includes outside Corporate Auditors is an effective means for ensuring management oversight.

In light of the rapidly evolving nature of our industry, the Board of Directors has a core of seven in-house Managing Directors with expert understanding of the circumstances surrounding the industry and the Company. In addition, we have appointed two outside Managing Directors who are expected to ensure effective management oversight by offering their ample experience in corporate management, objective and expert advice, and an independent perspective. We believe this structure brings a broader perspective and objectivity to our decision-making and safeguards the effective oversight of our business operation.

2. Outline of the Current System

The operations, functions and activities of each entity are as follows.

Board of Directors

The Board of Directors consists of nine Managing Directors, including two outside Managing Directors, and meets, in principle, once a month. The Board decides and reports on key corporate issues. The term of office of Managing Directors is one year. This is to secure a flexible management structure that can quickly respond to the changing business environment and to clarify the accountability of the Managing Directors.

Business Execution Structure

a. Corporate Officer System

The Company has adopted a Corporate Officer System as part of its policy for establishing a solid management control organization, and actively strives to separate the functions of management oversight and business execution.

b. Executive Council

The Executive Council, composed of Representative Directors, undertakes quick and efficient decision-making as an entity that deliberates material matters related to the execution of business.

c. Committees

To bring a practical perspective to the deliberation of specific management issues related to the execution of responsibilities by Managing Directors, we have established various committees, including the R&D/Investment Committee, the Project Review Committee, the Risk Management Committee, the Compliance Committee, the Security Committee, the Environmental Activity Committee, and the CSR Committee.

d. Collective Decision-Making System

To deal with issues that require decisions beyond the authority of first-tier unit managers, we developed and operate a system of approval in which responsible corporate officers or Representative Directors collectively make decisions based on due consideration of expert opinions presented by related corporate staff managers.

Audit Structure

a. Audit by Corporate Auditors

There are four Corporate Auditors, including three full-time Corporate Auditors, two of whom are outside Corporate Auditors. Based on the Audit Standard, audit policy and audit plan formulated by the Board of Corporate Auditors, Corporate Auditors attend meetings of the Board of Directors and other important meetings, and also review the status of operations and assets, thereby monitoring the execution of responsibilities by Managing Directors.

Corporate Auditors also audit the status of management of Group companies and concurrently seek to enhance the quality of Group audits by maintaining a visiting auditor at major affiliated companies and regular contact with Corporate Auditors at Group companies.

To ensure the effectiveness of audits by Corporate Auditors and the smooth execution of auditing functions, we have established a Corporate Auditors Office that assists in the execution of responsibilities by Corporate Auditors. To secure independence from the Board of Directors, staff appointments to the Corporate Auditors Office are decided by the responsible Managing Director with the agreement of the Board of Corporate Auditors.

Full-time Corporate Auditor Eiji Ike possesses a profound insight into financial and accounting matters based on the breadth of his experience, including his past service as Chief Financial Officer of Mitsui & Co. Europe Plc.

Full-time Corporate Auditor Atsushi Takaoka likewise possesses considerable insight into financial and accounting matters based on his extensive experience at financial institutions.

b. Accounting Audit

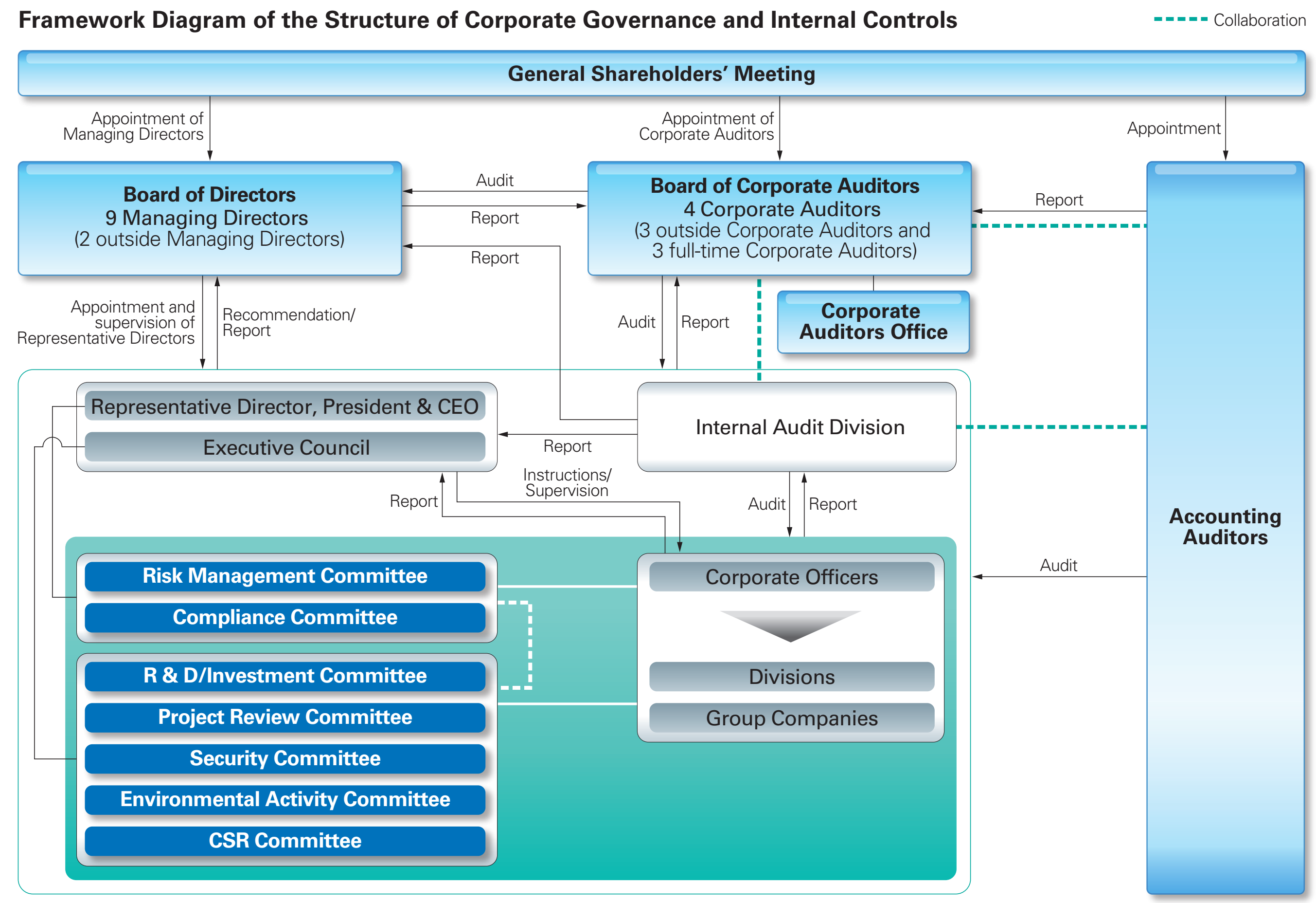
The Company undergoes statutory audits by the independent public accounting firm Deloitte Touche Tohmatsu LLC. Certified Public Accountants responsible for executing the accounting audit were Yotaro Kojima, Yoshiyuki Higuchi and Kazunari Todoroki, who are employed at Deloitte Touche Tohmatsu. The three have been regularly involved in the Company's audit for up to seven years. Representing the Company, five Certified Public Accountants and nine others assist in the accounting audit. The Company maintains no conflicts of interest with Deloitte Touche Tohmatsu in terms of personnel, financial, business relationships or any other matters. Our key subsidiaries also undergo separate audits by Deloitte Touche Tohmatsu.

c. Internal Audit

The Internal Audit division, a 29-member organization within Nihon Unisys, Ltd., conducts internal audits of all divisions across the Group. The Internal Audit division audits the appropriateness and efficiency of internal controls, reports to top management on the results of audits, and suggests improvements and corrective actions as required. It also confirms the results of these actions.

Information regarding audits, including audit results, is disclosed to unit managers to accelerate the pace of improvements and corrective actions and to share them with other divisions. In addition, information is provided to Deloitte Touche Tohmatsu.

Framework Diagram of the Structure of Corporate Governance and Internal Controls



Policy on CSR Activities

The Nihon Unisys Group will implement concerted action to fulfill its CSR (Corporate Social Responsibility), upholding its management philosophy and its slogan: "What ICT can do for society and people." We will seek to contribute to the sustainable development of society through our business activities as responsible corporate citizens.

CSR Promotion System

To achieve higher ethical conduct and greater transparency, we work to maintain and strengthen our corporate governance and comply with regulatory systems through mid- to long-term strategies and systems that integrate CSR efforts Groupwide.

We have established an Executive Council composed of Representative Directors to deliberate and decide on material matters related to the execution of business and thereby ensure fast, efficient decision making. We have also set up several committees that formulate and promote policies and initiatives in their respective areas of responsibility.

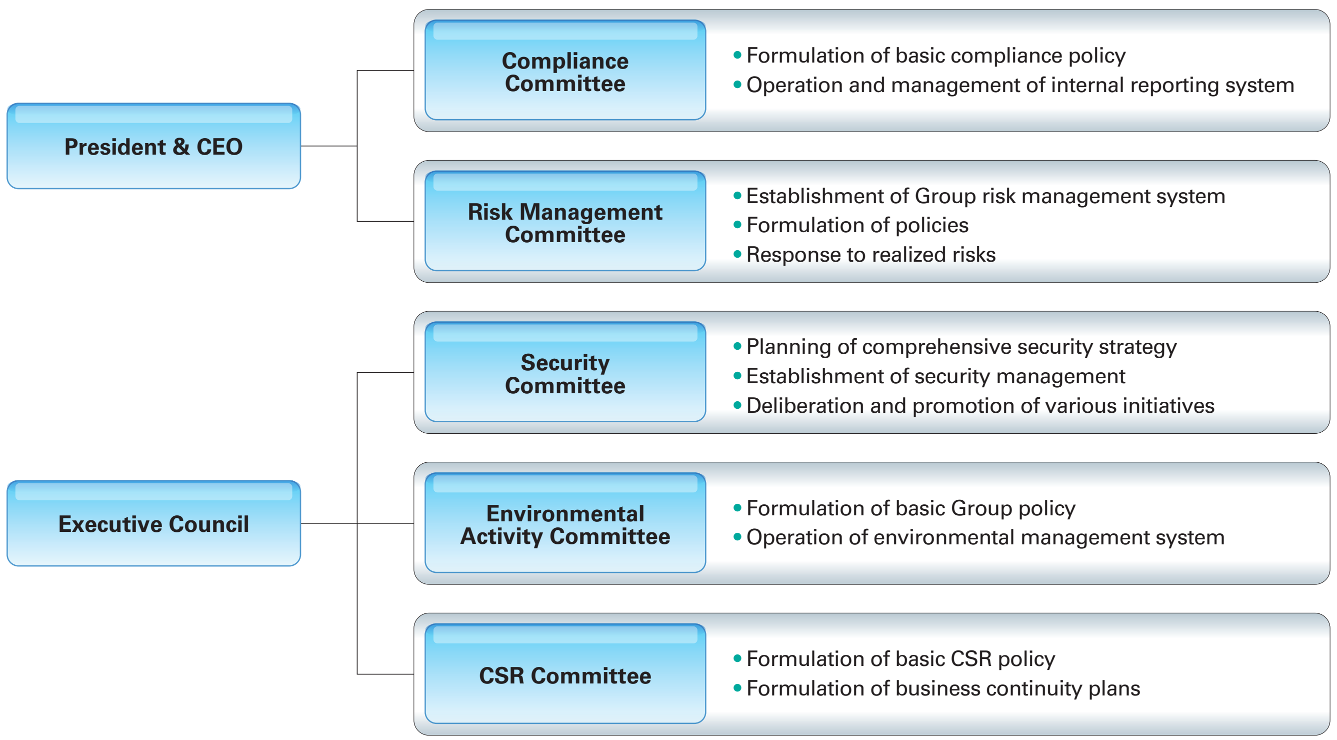
Information Security

Since establishing the Information Security Committee in 1990, the Group has continued to safeguard information security. Furthermore, in a Group-wide effort to reinforce our information security measures from the mid- to long-term perspective, we formulated the first and second Information Security Comprehensive Strategy in 2004 and 2006, respectively, followed by the Information Security Comprehensive Strategy 2008.

We have achieved steady progress in heightening security, and as a result, by the end of the fiscal year ended March 2010, 24 companies including two new members have obtained ISO 27001 (ISMS) certification and 15 have obtained the Privacy Mark certification.

We will maintain our efforts to further reinforce information security in 2010 and beyond by formulating the Information Security Comprehensive Strategy 2010 as well as strengthening our accident response, promoting information security management and utilizing our ICT technology to prevent erroneous e-mail transmission.

CSR Promotion System



Compliance

The very heart of our corporate social responsibility is compliance with laws and regulations, social norms and ethics, and corporate regulations in the course of our business operations.

The Group has established a Basic Compliance Policy to govern the actions of officers and employees. The Group Basic Compliance Rules based on this policy establish the organizational structure and systematic communication channels for consulting and reporting in a Group-wide effort to ensure compliance.

Risk Management

To consistently maximize long-term corporate value, we must be able to respond quickly and effectively to the risks we face.

The Group established the Risk Management Committee with the major responsibility of taking action against diverse risks. The objectives of risk management have been categorized into risks related to information, goods, products and services, disasters and accidents (crime and damage), and the environment, and steps have been taken to prevent the occurrence of specific types of risk.

Business Continuity Plan

The Group is firmly aware of its social responsibility to protect its employees and their families and to maintain the continuity of business activities to ensure that customer information systems remain operative at times of large-scale disaster or epidemics involving new strains of influenza or other infectious diseases. We have been promoting measures and efforts based on this responsibility throughout the Group since 2006.

In 2009, the Group dealt with the new strain of influenza (H1N1) by designating the epidemic as a low-level damage rating. We publicly disclosed the specific measures being taken by the Company via our website on a timely basis, educated our employees through in-house e-learning programs and sought to disseminate information internally and externally.

In 2010 and beyond, we will continue to update our measures for addressing the extremely dangerous H5N1 strain of influenza and any large-scale disaster to ensure business continuity.

Tabletop exercise at Disaster Response Headquarters

Contribution to Regional Communities

The Group has been engaged in voluntary activities for maintaining communication with regional communities and contributing to the sound and affluent development of regions and society in general by effectively applying its strengths as an ICT company.

In the fiscal year ended March 2010, we dispatched employee volunteers to lecture at "e-Net Safety Seminars" intended to educate children on using mobile phones and the Internet safely and securely. We also conducted the following activities under the leadership of Uni-Heart, a social contribution club composed of employee volunteers from Group companies.

Exhibition organized by Uni-Heart

- Donations for guide dogs, sale of charity campaign items
- Sale of goods produced by welfare workshops in Tokyo's Koto Ward on Valentine's Day and White Day
- "Waste-Not Lifestyle Campaign," in which proceeds from the in-house collection and sale of secondhand books, CDs and videos are donated to international cooperation efforts

In addition, we have continued to promote the arts and sports through such efforts as our sponsorship of violinist Narimichi Kawabata and the initiatives of the Nihon Unisys Badminton Team.

Environmental Activities

The slogan, "What ICT can do for the Earth," is upheld by the Nihon Unisys Group in all of its environmental activities with the goal of contributing to the development of a sustainable society through the reduction of CO_2 emissions and a more efficient use of resources. We also endeavor to fulfill our social responsibilities in the areas of regulatory and disclosure risks by directly responding to the increasingly stringent requirements that have emerged in recent years. In our business activities, we create business models for improving operational efficiencies and reducing the environmental impact of our customers through the ICT solutions we provide.

Directors, Corporate Auditors and Corporate Officers

As of June 29, 2010

Katsuto Momii
Representative Director,
President & CEO

Keiji Shiratori
Representative Director,
Superior Vice President

Tsutomu Fukunaga
Representative Director,
Executive Vice President

Koji Suzuki
Representative Director,
Executive Corporate Officer

Shunichi Miyazaki
Representative Director,
Executive Corporate Officer

Masanori Matsumori
Representative Director,
Senior Corporate Officer

Ryuji Tatsuno
Representative Director,
Senior Corporate Officer

Managing Directors,
Part-Time

Takao Omae
Shuji Nakura

Corporate Auditors, Full-time

Hiroshi Nomura
Eiji Ike
Atsushi Takaoka

Corporate Auditor, Part-time

Katsuhisa Kiyozuka

Executive Corporate
Officer

Yasushi Kado

Superior Senior
Corporate Officer

Akiyoshi Hiraoka

Senior Corporate Officers

Yoichi Harada
Kei Sawada
Shigeru Inoue
Kozo Kiyokawa
Osamu Takahashi
Yasuaki Ohta
Makoto Akiyama
Choei Okabe
Shigeru Kurokawa
Yutaka Ogawa
Tadashi Shinohara

Corporate Officers

Minoru Tasaki
Mitsuo Matsuura
Yoshinori Ijichi
Masashi Yamada
Susumu Mukai

Analysis of Results of Operations, Financial Condition and Cash Flows

Analysis of Results of Operations

Net Sales

In the fiscal year ended March 31, 2010, sales of services, software and hardware decreased considerably, with the exception of outsourcing, as companies adopted a cautious stance toward ICT investment and continued to postpone investments or reduce their budgets. As a result, total net sales at ¥271,085 million, were ¥39,042 million, or 12.6%, below the previous year's level.

Net Sales by Business Category

(1) Services

While sales of outsourcing services grew, sales of network integration and system services fell sharply. As a result, net sales in this category decreased by ¥30,406 million, or 12.9%, year on year to ¥204,506 million.

(2) Software

Sales of software declined as the number of projects fell, due in part to corporate restraints on ICT investments that have continued for the past two years. As a result, net sales fell ¥4,058 million, or 12.6%, year on year to ¥28,149 million.

(3) Hardware

As in the software category, hardware sales were affected by a decrease in the number of projects caused by restrained ICT investment and other factors, in addition to a decline in rental revenues. As a result, net sales fell ¥4,579 million, or 10.6%, to ¥38,429 million.

Services accounted for 75.4% of total net sales, compared with 75.7% in the previous year. The contribution from software sales remained unchanged from the previous year at 10.4%. Hardware sales contributed 14.2%, up from 13.9%.

Note: The figures cited above do not include consumption tax.

Operating Income

Gross profit declined by ¥11,185 million, or 14.0%, year on year to ¥68,924 million. While there was an increase in outsourcing caused by reduced depreciation, net sales declined significantly for services excluding outsourcing, software and hardware.

Selling, general and administrative expenses decreased by ¥2,407 million, or 3.7%, year on year to ¥61,818 million as the impact of cost cutting measures became evident. Cost reductions included ¥573 million in personnel costs, ¥441 million in office expenses, ¥316 million in outsourcing of staff operations and ¥222 million in R&D expenditures.

As a result, operating income fell ¥8,778 million, or 55.3%, year on year to ¥7,106 million.

Net Income

We recorded year-on-year increases in gains on sales of investment securities and foreign exchange gains as other income, although there were decreases in impairment loss, provisions for restructuring charges and loss on valuation of investment securities. The result was a net income of ¥3,627 million, a year-on-year increase of ¥12,446 million from the previous year's net loss of ¥8,819 million.

Analysis of Financial Condition

Balance Sheet

At the end of the fiscal year, the total assets of the Nihon Unisys Group amounted to ¥218,067 million, a year-on-year reduction of ¥15,479 million. Despite a ¥3,964 million increase in accounts receivable-trade, total current assets were ¥12,895 million lower, mainly due to decreases of ¥10,585 million in cash and cash equivalents and ¥2,413 million in work in process. Total non-current assets were ¥2,584 million lower than at the end of the previous year. While software increased by ¥2,841 million due primarily to an increase in software for outsourcing purposes, prepaid pension costs decreased by ¥4,277 million.

Liabilities were reduced by ¥16,941 million year on year to ¥141,140 million, due to an aggressive debt repayment effort and lower restructuring charges.

Total equity increased by ¥1,462 million year on year to ¥76,927 million. The shareholders' equity ratio was 2.9 percentage points higher at 34.6%.

Analysis of Cash Flows

Cash and cash equivalents (hereinafter referred to as "cash") for the fiscal year under review decreased by ¥10,585 million year on year to a balance of ¥25,461 million. This reflects the fact that cash provided by operating activities was used to acquire fixed assets, such as software development for outsourcing purposes, and retire debt.

Cash Flows from Operating Activities

Net cash provided by operating activities decreased by ¥31,800 million year on year to ¥14,500 million. Compared with a loss before income taxes and minority interests of ¥13,023 million in the previous year, there was an income before income taxes and minority interests of ¥5,406 million in the fiscal year under review. There was a non-cash expenditure of ¥13,209 million in depreciation and amortization, down ¥1,513 million in cash inflow year on year, and a ¥2,826 million decrease in inventories, down ¥3,009 million in cash inflow year on year.

The increase in accounts receivable-trade was ¥3,968 million, down ¥26,385 million in cash inflow year on year, the decrease in accounts payable-trade was ¥1,519 million, down ¥8,249 million in cash outflow year on year, and the decrease in allowance for restructuring charges was ¥3,552 million, down ¥9,713 million in cash inflow year on year. These and other factors were reflected in lower net cash provided by operating activities.

Cash Flows from Investing Activities

Net cash used in investing activities declined by ¥5,547 million year on year to ¥14,701 million. Payments for purchases of property, plant and equipment, such as computers for business use, was ¥2,449 million lower year on year at ¥4,343 million. Payments for purchases of software, primarily as investments in the development of software for outsourcing purposes, was down ¥487 million at ¥10,904 million.

Cash Flows from Financing Activities

Net cash used in financing activities decreased by ¥1,229 million year on year to ¥10,371 million. Proceeds from long-term debt including bonds increased by ¥13,975 million to ¥15,800 million. There was a ¥7,029 million net decrease in short-term bank loans, ¥5,258 million higher than the previous year's net reduction, while repayments of long-term debt increased by ¥6,602 million to ¥15,352 million.

Working Capital Requirements

The Nihon Unisys Group needs operating capital to pay for outsourced systems and support services, and to purchase computers and software for sales, leasing and outsourcing purposes. Operating capital is also required to meet operating expenses such as manufacturing costs and selling, general and administrative expenses.

Operating expenses consist primarily of personnel costs, sales support costs and R&D expenditure. The main components of sales support costs and R&D expenditure are personnel costs for systems engineers. The Group's policy is to meet our operating capital requirements for these purposes mainly from net cash provided by operating activities.

To ensure reliable, flexible access to funds and improve our financial efficiency, the Group has established commitment lines with five banks. The unused balance of these commitment lines as of March 31, 2010 stood at ¥15,000 million.

Dividend Policy

The Company will seek to continue appropriating stable profit by understanding that the increase of corporate value is the primary return to shareholders. The Company will target a 20% consolidated dividend payout pursuant to the policy of paying dividends in accordance with performance. The dividend amount will be decided by making due consideration for securing internal reserves for business development and also comprehensively considering the business environment, etc.

The Company follows our basic policy of paying dividends from surplus funds twice a year through interim and full-year dividends. The responsibility of deciding on the full-year dividend rests with the general shareholders' meeting, while the Board of Directors is responsible for determining the interim dividend.

For the year ended March 31, 2010, the Company paid annual dividends of ¥10.00 (interim dividend of ¥7.50 and year-end dividend of ¥2.50), down ¥5.00 per share from the previous year, based on its business results for the term.

Risks in Business Operations

Major risks related to the Group's businesses are as follows. References to the future are based on the understanding of the Group as of the end of the fiscal year under review.

1. Impact from Economic Trends and the Market Environment

In the information service market, in which the Group operates, companies remain reluctant to invest in information systems and the business climate continues to be difficult. In this environment, any serious situation, such as unexpectedly intense price competition or delayed response to technical innovation, may affect the business results and financial conditions of the Company.

2. Project Management Risks

The Group is engaged concurrently in many system development projects. With intensified competition, however, customers are demanding more sophisticated systems and projects are becoming increasingly complex. If a problem arises in a development project, there is a risk that the problem would require greater-than-expected costs and time to solve, which could lead to a cost overrun. To avoid such a risk, the Group has continued to implement effective measures for preventing cost overruns and detecting problems at an early stage by enhancing the project management system, increasing productivity by systematizing and standardizing the system development method and implementing the Andon system, which detects problems in a project at an early stage.

3. Risks Associated with Investment Decisions

The Group is making large investments with the aim of providing new products and services to strengthen its competitiveness and expand its businesses. When such investments are made, each expert committee and the governing management council carefully determine the appropriateness of business plans and other factors. However, there is no guarantee that an adequate return on investment will always be assured, which may affect the business results of the Company.

4. Information Control Risks

The Group has many opportunities to access confidential personal and/or corporate information, including information on the Group itself, through business activities related to the development and provision of information systems. We therefore place information control as a top priority in order to hold information in strict confidence, and we take all possible measures for appropriate management of information as a member of the IT industry. To cope with the small possibility of an information leak in an emergency case that is beyond conventional imagination, the Group has insurance contracts to address the situation up to a certain extent. However, in the case that damage repair expenses are higher than the overall amount of contract coverage, or in the case that the leak has resulted in severe damage to the Group's reputation, there is the possibility that the business results and financial conditions of the Company would be severely affected.

5. Risks Associated with Retention of Skilled Engineers

The shortage of skilled engineers in the information service industry is a significant issue. If we are unable to recruit high-caliber engineers to meet our needs, this could have a material impact on the Group's ability to secure technological advantages. To address this issue, we are proactively revising the personnel system to improve the working environment of employees, enabling them to acquire high-level qualifications. Moreover, we have been building an organization, in which skilled engineers of the Group are able to concentrate on projects, by dismantling the previous organizational framework and introducing a system that allocates engineers on a project-by-project basis. Furthermore, we are working proactively to enhance training programs for developing human resources.

6. Intellectual Property Risks

The Group applies intellectual property rights to a large number of computer programs for its business operations. Thus, any failure in acquisition or maintenance of licenses as scheduled could affect the Group's business activities. In addition, there is a possibility that the Group may be one of the parties concerned with intellectual property rights litigation on computer programs and, as a result, any incurred expenses could affect the Group's business results.

7. Risks Associated with Key Supplier Relations

We are the sole authorized distributor of Unisys Corporation-made computers and other products. We handle the import, sales, and maintenance services of those computers and other products here in Japan, while Unisys Corporation grants us the use of its trademark, technical information, and assistance. The trading relationship with Unisys Corporation has been secure, but if the relationship became unbalanced and could not be sustained, it would have a material impact on the Group's business results.

8. Exchange Rate Fluctuation Risks

The Company imports and sells Unisys Corporation-made computers and other foreign-made products. Thus, the Group's procurements of foreign-currency denominations could be exposed to fluctuations in foreign exchange rates. To avoid such risks, the Company takes risk-hedging measures through exchange contracts. The Group's purchase of foreign-currency denominations totaled ¥ 9,565 million for the term ended March 2010.

9. Lawsuit Risks

The Group makes continuous efforts to fully comply with laws and ordinances in order to perform business activities in a proper and transparent manner. If any lawsuit or legal action were to be taken against the Company or Group companies, whether or not there was a compliance violation, the business results of the Group would likely be impacted.

10. Natural Disaster Risks

In the event that a natural disaster, such as an earthquake or infectious disease outbreak, has caused damage to or otherwise resulted in loss at one or more of the Group's major business bases, or if many of our employees were injured, then a large number of repairs leading to high replacement expenses could be needed, which would have a large-scale impact on sales and other business activities and ultimately affect the Group's business results. Therefore, in preparation for the case in which such an event occurs, the Group is striving to establish a structure on which its operations could be maintained.

Consolidated Balance Sheets

Nihon Unisys, Ltd.
March 31, 2010 and 2009

ASSETS	Millions of Yen 2010	Millions of Yen 2009	Thousands of U.S. Dollars (Note 1) 2010
Current Assets:			
Cash and cash equivalents (Notes 3 and 16)	**¥25,461**	¥36,046	**$273,656**
Investment securities-due within one year (Notes 4 and 16)	**30**		**322**
Accounts receivable-trade (Notes 16 and 19)	**70,250**	66,286	**755,052**
Inventories (Note 5)	**8,908**	11,734	**95,744**
Deferred tax assets (Note 8)	**8,208**	10,390	**88,220**
Other current assets	**8,221**	9,714	**88,360**
Allowance for doubtful accounts	**(285)**	(482)	**(3,063)**
Total current assets	**120,793**	133,688	**1,298,291**
Property, Plant and Equipment:			
Land	**848**	848	**9,114**
Buildings and structures (Note 6)	**14,735**	14,961	**158,373**
Machinery and equipment (Note 6)	**75,041**	79,156	**806,546**
Other assets	**1,364**	1,117	**14,660**
Total	**91,988**	96,082	**988,693**
Accumulated depreciation	**(74,615)**	(76,230)	**(801,967)**
Net property, plant and equipment	**17,373**	19,852	**186,726**
Investments and Other Assets:			
Investment securities (Notes 4 and 16)	**12,352**	14,274	**132,760**
Investments in unconsolidated subsidiaries and affiliated companies	**1,403**	1,287	**15,080**
Goodwill	**3,518**	3,734	**37,812**
Software (Note 6)	**24,313**	21,472	**261,318**
Lease deposits	**9,252**	8,938	**99,441**
Prepaid pension costs (Note 9)	**7,812**	12,089	**83,964**
Deferred tax assets (Note 8)	**18,712**	16,307	**201,118**
Other assets	**2,539**	1,905	**27,288**
Total investments and other assets	**79,901**	80,006	**858,781**
Total	**¥218,067**	¥233,546	**$2,343,798**

See notes to consolidated financial statements.

LIABILITIES AND EQUITY	Millions of Yen 2010	Millions of Yen 2009	Thousands of U.S. Dollars (Note 1) 2010
Current Liabilities:			
Short-term bank loans (Notes 7 and 16)	**¥5,700**	¥12,779	**$61,264**
Current portion of long-term debt (Notes 7 and 16)	**16,652**	15,034	**178,977**
Commercial paper (Notes 7 and 16)	**9,000**	11,000	**96,733**
Accounts payable-trade (Note 16)	**23,404**	24,928	**251,548**
Accounts payable-other	**2,196**	2,200	**23,603**
Income taxes payable (Note 8)	**1,396**	2,350	**15,004**
Accrued expenses	**10,665**	12,636	**114,628**
Advances received	**10,083**	9,768	**108,373**
Allowance for restructuring charges	**2,609**	6,161	**28,042**
Other current liabilities	**6,086**	6,420	**65,411**
Total current liabilities	**87,791**	103,276	**943,583**
Long-term Liabilities:			
Long-term debt (Notes 7 and 16)	**49,450**	50,620	**531,492**
Long-term accounts payable-other	**314**	386	**3,375**
Allowance for retirement benefits (Note 9)	**1,434**	1,534	**15,413**
Negative goodwill	**39**	55	**419**
Deferred tax liabilities (Note 8)	**660**	1,036	**7,094**
Other long-term liabilities (Note 12)	**1,452**	1,174	**15,606**
Total long-term liabilities	**53,349**	54,805	**573,399**
Commitments and Contingent Liabilities (Notes 12 and 13)			
Equity (Notes 14, 15 and 20):			
Common stock, authorized, 300,000,000 shares; issued, 109,663,524 shares in 2010 and 2009	**5,483**	5,483	**58,932**
Capital surplus	**15,476**	15,476	**166,337**
Stock acquisition rights	**790**	601	**8,491**
Retained earnings	**75,149**	72,933	**807,706**
Net unrealized loss on available-for-sale securities	**(1,366)**	(627)	**(14,682)**
Deferred gain on derivatives under hedge accounting	**13**	21	**140**
Foreign currency translation adjustments		13	
Treasury stock-at cost 13,751,309 shares in 2010 and 13,750,874 shares in 2009	**(19,260)**	(19,260)	**(207,008)**
Total	**76,285**	74,640	**819,916**
Minority interests	**642**	825	**6,900**
Total equity	**76,927**	75,465	**826,816**
Total	**¥218,067**	¥233,546	**$2,343,798**

See notes to consolidated financial statements.

Consolidated Statements of Operations

Nihon Unisys, Ltd.
Years ended March 31, 2010 and 2009

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2010	2009	**2010**
Net sales (Note 19)	**¥271,085**	¥310,127	**$2,913,639**
Cost of sales (Note 19)	**202,161**	230,018	**2,172,839**
Gross profit	**68,924**	80,109	**740,800**
Selling, general and administrative expenses (Note 10)	**61,818**	64,226	**664,424**
Operating income	**7,106**	15,883	**76,376**
Other income (expenses):			
Interest and dividend income	**546**	505	**5,868**
Interest expense	**(1,042)**	(1,256)	**(11,199)**
Gain on sales of property, plant and equipment	**1**	1	**11**
Gain on sales of investment securities (Note 4)	**233**	142	**2,504**
Loss on valuation of investment securities	**(32)**	(1,890)	**(344)**
Foreign exchange gain (loss)	**211**	(56)	**2,268**
Refund on stock acquisition (Note 11)		1,500	
Impairment loss (Note 6)	**(778)**	(21,586)	**(8,362)**
Provision for restructuring charges		(6,161)	
Equity in earnings of affiliated companies	**114**	101	**1,225**
Gain on sales of subsidiaries' and affiliates' stocks	**12**		**129**
Settlement package	**(340)**		**(3,654)**
Other-net	**(625)**	(206)	**(6,718)**
Other expenses-net	**(1,700)**	(28,906)	**(18,272)**
Income (loss) before income taxes and minority interests	**5,406**	**(13,023)**	**58,104**
Income taxes (Note 8):			
Current	**1,879**	2,949	**20,196**
Deferred	**81**	(7,103)	**870**
Total income taxes	**1,960**	(4,154)	**21,066**
Minority interests in net loss	**(181)**	(50)	**(1,945)**
Net income (loss)	**¥3,627**	¥(8,819)	**$38,983**

	Yen		U.S. Dollars
Per Share Amounts (Notes 2.v and 18):			
Basic net income (loss)	**¥37.82**	¥(91.96)	**$0.41**
Diluted net income			
Cash dividends applicable to the year	**10.00**	15.00	**0.11**

See notes to consolidated financial statements.

Consolidated Statements of Changes in Equity

Nihon Unisys, Ltd.
Years ended March 31, 2010 and 2009

	Thousands	Millions of Japanese Yen										
	Outstanding Number of Shares of Common Stock	Common Stock	Capital Surplus	Stock Acquisition Rights	Retained Earnings	Net Unrealized Gain (Loss) on Available-for-Sale Securities	Deferred Gain (Loss) on Derivatives Under Hedge Accounting	Foreign Currency Translation Adjust-ments	Treasury Stock-at Cost	Total	Minority Interests	Total Equity
Balance, March 31, 2008	95,871	¥5,483	¥15,495	¥285	¥83,047	¥241	¥(39)	¥22	¥(19,319)	¥85,215	¥1,126	¥86,341
Net loss					(8,819)					(8,819)		(8,819)
Cash dividends					(1,295)					(1,295)		(1,295)
Purchase of treasury stock	(1)								(1)	(1)		(1)
Exercise of stock option	43		(19)						60	41		41
Net changes of items				316		(868)	60	(9)		(501)	(301)	(802)
Net change during the year	43		(19)	316	(10,114)	(868)	60	(9)	59	(10,575)	(301)	(10,876)
Balance, March 31, 2009	95,913	¥5,483	¥15,476	¥601	¥72,933	¥(627)	¥21	¥13	¥(19,260)	¥74,640	¥825	¥75,465
Net income					3,627					3,627		3,627
Cash dividends					(1,439)					(1,439)		(1,439)
Purchase of treasury stock	(1)								(0)	(0)		(0)
Function currency change of a foreign consolidated subsidiary					28					28		28
Net changes of items				189		(739)	(8)	(13)		(571)	(183)	(754)
Net change during the year				189	2,216	(739)	(8)	(13)		1,645	(183)	1,462
Balance, March 31, 2010	**95,912**	**¥5,483**	**¥15,476**	**¥790**	**¥75,149**	**¥(1,366)**	**¥13**		**¥(19,260)**	**¥76,285**	**¥642**	**¥76,927**

	Thousands of U.S. Dollars (Note 1)										
	Common Stock	Capital Surplus	Stock Acquisition Rights	Retained Earnings	Net Unrealized Gain (Loss) on Available-for-Sale Securities	Deferred Gain (Loss) on Derivatives Under Hedge Accounting	Foreign Currency Translation Adjust--ments	Treasury Stock-at Cost	Total	Minority Interests	Total Equity
Balance, March 31, 2009	$58,932	$166,337	$6,460	$783,889	$(6,739)	$226	$140	$(207,008)	$802,237	$8,867	$811,104
Net income				38,983					38,983		38,983
Cash dividends				(15,466)					(15,466)		(15,466)
Purchase of treasury stock								(0)	(0)		(0)
Function currency change of a foreign consolidated subsidiary				300					300		300
Net changes of items			2,031		(7,943)	(86)	(140)		(6,138)	(1,967)	(8,105)
Net change during the year			2,031	23,817	(7,943)	(86)	(140)		17,679	(1,967)	15,712
Balance, March 31, 2010	**$58,932**	**$166,337**	**$8,491**	**$807,706**	**$(14,682)**	**$140**		**$(207,008)**	**$819,916**	**$6,900**	**$826,816**

See notes to consolidated financial statements.

Consolidated Statements of Cash Flows

Nihon Unisys, Ltd.
Years ended March 31, 2010 and 2009

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2010	2009	2010
Operating Activities:			
Income (loss) before income taxes and minority interests	**¥5,406**	¥(13,023)	**$58,104**
Adjustments for:			
Income taxes paid	**(3,017)**	(3,699)	**(32,427)**
Impairment loss	**778**	21,586	**8,362**
Depreciation and amortization	**13,209**	14,722	**141,971**
Amortization of goodwill	**216**	108	**2,322**
Amortization of negative goodwill	**(16)**	(16)	**(172)**
Gain on sales of property, plant and equipment	**(1)**	(1)	**(11)**
Gain on sales of investment securities	**(233)**	(142)	**(2,504)**
Loss on valuation of investment securities	**32**	1,890	**344**
(Increase) decrease in accounts receivable-trade	**(3,968)**	22,417	**(42,648)**
Decrease in inventories	**2,826**	5,835	**30,374**
Decrease (increase) in interest and dividend receivable	**5**	(6)	**54**
Decrease in accounts payable-trade	**(1,519)**	(9,768)	**(16,326)**
(Decrease) increase in interest payable	**(15)**	6	**(161)**
Increase (decrease) in allowance for retirement benefits	**148**	(1,554)	**1,591**
(Decrease) increase in allowance for restructuring charges	**(3,552)**	6,161	**(38,177)**
Other-net	**4,201**	1,784	**45,151**
Total adjustments	**9,094**	59,323	**97,743**
Net cash provided by operating activities	**14,500**	46,300	**155,847**
Investing Activities:			
Proceeds from sales of property, plant and equipment	**30**	295	**322**
Payments for purchases of property, plant and equipment	**(4,343)**	(6,792)	**(46,679)**
Payments for purchases of software	**(10,904)**	(11,391)	**(117,197)**
Proceeds from sales of investment securities	**1,193**	297	**12,822**
Payments for purchases of investment securities	**(763)**	(432)	**(8,201)**
Payments for the purchase of newly consolidated subsidiaries, net of cash acquired		(2,157)	
Proceeds from sales of investments in subsidiaries resulting in change in scope of consolidation	**9**		**97**
Other-net	**77**	(68)	**829**
Net cash used in investing activities	**(14,701)**	(20,248)	**(158,007)**
Financing Activities:			
Net decrease in short-term bank loans	**(7,029)**	(1,771)	**(75,548)**
Proceeds from long-term debt	**15,800**	1,825	**169,819**
Repayments of long-term debt	**(15,352)**	(8,750)	**(165,004)**
Repayments of other debt	**(298)**	(113)	**(3,203)**
Net decrease in commercial paper	**(2,000)**	(1,500)	**(21,496)**
Payments for purchases of treasury stock		(2)	
Proceeds from exercise of stock option		41	
Cash dividends	**(1,436)**	(1,293)	**(15,434)**
Cash dividends to minority interests	**(5)**	(37)	**(54)**
Other	**(51)**		**(548)**
Net cash used in financing activities	**(10,371)**	(11,600)	**(111,468)**
Effect of exchange rate changes on Cash and Cash Equivalents	**(13)**	(9)	**(141)**
Net (decrease) increase in Cash and Cash Equivalents	**(10,585)**	14,443	**(113,769)**
Cash and Cash Equivalents, Beginning of Year	**36,046**	21,603	**387,425**
Cash and Cash Equivalents, End of Year	**¥25,461**	¥36,046	**$273,656**

See notes to consolidated financial statements.

Notes to Consolidated Financial Statements

Nihon Unisys, Ltd.
Years ended March 31, 2010 and 2009

1. Basis of presenting consolidated financial statements

The accompanying consolidated financial statements have been prepared in accordance with the provisions set forth in the Japanese Financial Instruments and Exchange Act and its related accounting regulations and in conformity with accounting principles generally accepted in Japan, which are different in certain respects as to application and disclosure requirements of International Financial Reporting Standards.

In preparing these consolidated financial statements, certain reclassifications and rearrangements have been made to the consolidated financial statements issued domestically in order to present them in a form which is more familiar to readers outside Japan. In addition, certain reclassifications have been made in the 2009 financial statements to conform to the classifications used in 2010.

The consolidated financial statements are stated in Japanese yen, the currency of the country in which Nihon Unisys, Ltd. (the "Company") is incorporated and operates. The translations of Japanese yen amounts into U.S. dollar amounts are included solely for the convenience of readers outside Japan and have been made at the rate of ¥93.04 to $1, the approximate rate of exchange at March 31, 2010. Such translations should not be construed as representations that the Japanese yen amounts could be converted into U.S. dollars at that or any other rate.

2. Summary of significant accounting policies

(a) ***Consolidation*** – The consolidated financial statements as of March 31, 2010 include the accounts of the Company and its 22 significant (23 for the year ended March 31, 2009) subsidiaries and 1 affiliated (1 for the year ended March 31, 2009) company accounted for under equity method (together, the "Group").

The Company sold all the shares of UX Business Co., Ltd. and excluded its accounts from the consolidated financial statements as of March 31, 2010.

Under the control or influence concept, those companies in which the Company, directly or indirectly, is able to exercise control over operations are fully consolidated, and those companies over which the Group has the ability to exercise significant influence are accounted for by the equity method.

Investments in the remaining 8 unconsolidated subsidiaries and 10 affiliated companies (6 subsidiaries and 11 affiliated companies for the year ended March 31, 2009) are stated at cost. If the equity method of accounting had been applied to the investments in these companies, the effect on the accompanying consolidated financial statements would not be material.

The excess cost of an acquisition over the fair value of subsidiaries' net assets acquired is amortized on a straight-line basis over 5 or 20 years.

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

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

(c) ***Inventories*** - Inventories are stated at the lower of cost determined by the moving-average method or net selling value.

(d) ***Investment securities*** – Investment securities are classified and accounted for, depending on management's intent. All securities are classified as available-for-sale securities.

Marketable available-for-sale securities are reported at fair value, with unrealized gains and losses, net of applicable taxes reported in a separate component of equity.

The cost of securities sold is determined based on the moving-average method.

Non-marketable available-for-sale securities are stated at cost as determined by the moving-average method. For other than temporary declines in fair value, non-marketable available-for-sale securities are reduced to net realizable value by a charge to income.

(e) ***Allowance for doubtful accounts*** – The allowance for doubtful accounts is stated at amounts considered to be appropriate based on the Group's past credit loss experience and on evaluation of potential losses in the receivables outstanding.

(f) ***Property, plant and equipment*** **–** Property, plant and equipment are stated at cost. Depreciation of rental computers included in machinery and equipment is computed by the declining-balance method over 5 years with no residual value.

Depreciation of buildings and structures acquired before March 31, 1998 is computed by the declining-balance method while the straight-line method is applied to buildings acquired after April 1, 1998. Depreciation of other machinery and equipment is computed by the declining-balance method.

Useful lives range from 6 to 50 years for buildings and structures and from 2 to 20 years for machinery and equipment. The useful lives for lease assets are the terms of the respective leases. Machinery and equipment held for lease is depreciated by the straight-line method over the respective lease periods.

(g) ***Software*** – Software development costs, incurred through the completion of a Beta version of specific software for sale to the market are charged to income as incurred. Costs incurred subsequent to the completion of the Beta version are capitalized as software.

Software for sale to the market is amortized at the greater of either the amount to be amortized in proportion of the actual sales of the software during the current year to the estimated total sales over the estimated salable years of the software or the amount to be amortized by the straight-line method over the estimated salable years, principally over 3 years.

Software for internal use is amortized by the straight-line method over the estimated useful lives, principally over 5 years. Software held for lease is depreciated by the straight-line method over the respective lease periods.

(h) ***Long-lived assets*** – The Group reviews its long-lived assets for impairment whenever events or changes in circumstance indicate the carrying amount of an asset or asset group may not be recoverable. An impairment loss would be recognized if the carrying amount of an asset or asset group exceeds the sum of the undiscounted future cash flows expected to result from the continued use and eventual disposition of the asset or asset group. The impairment loss would be measured as the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the higher of the discounted cash flows from the continued use and eventual disposition of the asset or the net selling price at disposition.

(i) ***Bond Issue Costs*** – Bond issue costs are charged to income as incurred.

(j) ***Retirement benefits*** – The Company and certain subsidiaries have a contributory pension plan covering substantially all of their employees. Other consolidated subsidiaries have non-contributory pension plans.

Effective April 1, 2000, the Group adopted a new accounting standard for employees' retirement benefits and accounted for the liability for retirement benefits based on projected benefit obligations and plan assets at the balance sheet date. The transitional obligation determined as of April 1, 2000, is being amortized over 10 years.

Actuarial gains and losses are recognized using the straight-line method over the average of the estimated remaining service period (8 or 10 years for the fiscal year ended March 31, 2010, and 10 years for the fiscal year ended March 31, 2009) starting in the following year. Prior service cost is amortized in expenses using the straight-line method over the average of the estimated remaining service period (10 years for the fiscal year ended March 31, 2010, and 3 or 10 years for the fiscal year ended March 31, 2009).

The Company and a certain subsidiary participate in the New Career Support Program (the "NCSP") to assist certain employees in retiring before their mandatory retirement age. The Company and the certain subsidiary provide for the estimated future payments to be paid under the NCSP, and include this amount as a liability for retirement benefits.

Retirement benefits to Directors and Corporate Auditors are provided at the amount that would be required if all Directors and Corporate Auditors retired at the balance sheet date. This amount is included as a liability for retirement benefits.

(k) ***Allowance for restructuring charges*** – Concerning specific contracts for the outsourcing business for regional banks that are under restructuring, the Company posted the expected loss amounts that are to be incurred from the operation and maintenance/support of the business.

(l) ***Stock options*** – The ASBJ Statement No.8, "Accounting Standard for Stock Options" and related guidance are applicable to stock options granted on and after May 1, 2006.

This standard requires companies to recognize compensation expense for employee stock options based on the fair value at the date of grant and over the vesting period as consideration for receiving goods or services. The standard also requires companies to account for stock options granted to non-employees based on the fair value of either the stock option or the goods or services received. In the Consolidated Balance Sheets, stock options are presented as stock acquisition rights as a separate component of equity until exercised.

The Company has applied the accounting standard for stock options to those granted on and after May 1, 2006.

(m) ***Construction contracts*** – For software development contracts that cost ¥50 million or more for the fiscal year ended March 31, 2010, the percentage of completion method is adopted only if the percentage of completion is reasonably assured. For other contracts, the completed-contract method is applied.

The percentage of completion is evaluated by Earned Value Management ("EVM"). EVM divides deliverables defined on the contract, such as software and related documents, by work phase. EVM defines percentages of completion as the ratio of earned value of work phase completed during the fiscal year divided by the entire work phase.

Prior to April 1, 2009, software development contracts that cost ¥100 million or more were accounted for by the percentage of completion method. Effective April 1, 2009, as the Company and certain subsidiaries reviewed project control systems to enable accurate progress management for less large-scale projects, software development contracts that cost ¥50 million or more are accounted for by the percentage of completion method. The effect of this change was to increase net sales by ¥642 million ($6,900 thousand) and operating income and income before income taxes and minority interests by ¥197 million ($2,117 thousand), respectively, for the year ended March 31, 2010.

(n) ***Research and development costs*** – Research and development costs are charged to income as incurred.

(o) ***Leases*** – In March 2007, the ASBJ issued ASBJ Statement No.13, "Accounting Standard for Lease Transactions", which revised the previous accounting standard for lease transactions issued in June 1993. The revised accounting standard for lease transactions is effective for fiscal years beginning on or after April 1, 2008 with early adoption permitted for fiscal years beginning on or after April 1, 2007.

Under the previous accounting standard, finance leases that deem to transfer ownership of the leased property to the lessee were to be capitalized. However, other finance leases were permitted to be accounted for as operating lease transactions if certain "as if capitalized" information is disclosed in the note to the lessee's financial statements. The revised accounting standard requires that all finance lease transactions should be capitalized to recognize lease assets and lease obligations in the balance sheet. In addition, the revised accounting standard permits leases which existed at the transition date and do not transfer ownership of the leased property to the lessee to be accounted for as operating lease transactions.

The Company applied the revised accounting standard effective April 1, 2008. In addition, the Company accounted for leases which existed at the transition date and do not transfer ownership of the leased property to the lessee as operating lease transactions.

The adoption of this standard had no effect on the Company's Consolidated Statements of Operations.

All other leases are accounted for as operating leases.

(p) ***Bonuses to directors and corporate auditors*** – Bonuses to directors and corporate auditors are accrued at the year end to which such bonuses are attributable.

(q) ***Income taxes*** – The provision for income taxes is computed based on the pretax income included in the Consolidated Statements of Operations. The asset and liability approach is used to recognize deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts and the tax bases of assets and liabilities. Deferred taxes are measured by applying currently enacted tax laws to the temporary differences.

(r) ***Appropriations of retained earnings –*** Appropriations of retained earnings are reflected in the financial statements for the following year upon shareholders' approval.

(s) ***Foreign currency transactions*** – All short-term and long-term monetary receivables and payables denominated in foreign currencies are translated into Japanese yen at the exchange rates at the balance sheet date. The foreign exchange gains and losses from translation are recognized in the income statement to the extent that they are not hedged by forward exchange contracts.

(t) ***Foreign currency financial statements*** – The balance sheet accounts and revenue and expense accounts of the consolidated foreign subsidiary are translated into Japanese yen at the current exchange rate as of the balance sheet date except for equity, which is translated at the historical rate.

Differences arising from such translation are shown as "Foreign currency translation adjustments" in a separate component of equity.

(u) ***Derivatives and hedge accounting*** – The Company and certain subsidiaries use a variety of derivative financial instruments, including foreign currency forward contracts and interest rate swaps as a means of hedging exposure to foreign currency and interest rate risks. The Company and certain subsidiaries do not enter into derivatives for trading or speculative purposes.

Derivative financial instruments and foreign currency transactions are classified and accounted for as follows: a) all derivatives are recognized as either assets or liabilities and measured at fair value, and gains or losses on trade except for derivatives which qualify for hedge accounting are recognized in the Consolidated Statements of Operations and b) for derivatives used for hedging purposes, if derivatives qualify for hedge accounting because of high correlation and effectiveness between the hedging instruments and the hedged items, gains or losses on derivatives are deferred until maturity of the hedged transactions.

The foreign currency forward contracts are utilized to hedge foreign currency exposures in procurement of merchandise from overseas suppliers. Trade payables denominated in foreign currencies are translated at the contracted rates if the forward contracts qualify for hedge accounting.

Interest rate swaps are utilized to hedge interest rate exposures on certain liabilities. The interest rate swaps which qualify for hedge accounting are measured at market value at the balance sheet date and the unrealized gains or losses are deferred until maturity as other liabilities or assets. However, in cases where interest rate swaps qualify for hedge accounting and meet specific matching criteria, the net amount to be paid or received under the interest rate swap contracts are added to or deducted from the interest on the assets or liabilities for which the swap contract was executed.

(v) ***Per share information*** – Basic net income per share is computed by dividing net income available to common shareholders by the weighted-average number of common shares outstanding for the period. Diluted net income per share reflects the potential dilution that could occur if securities were exercised into common stock. Diluted net income per share of common stock assumes full exercise of outstanding warrants.

Cash dividends per share presented in the accompanying Consolidated Statements of Operations are dividends applicable to the respective years including dividends to be paid after the end of the year.

(w) New Accounting Pronouncements

1) ***Business Combinations*—**On December 26, 2008, the ASBJ issued a revised accounting standard for business combinations, ASBJ Statement No.21, "Accounting Standard for Business Combinations." Major accounting changes under the revised accounting standard are as follows;

(1) The current accounting standard for business combinations allows companies to apply the pooling of interests method of accounting when certain specific criteria are met such that the business combination is essentially regarded as a uniting-of-interests. The revised standard requires all business combinations to be accounted for by the purchase method.

(2) The current accounting standard requires research and development costs to be charged to income as incurred. Under the revised standard, in-process research and development (IPR&D) acquired in a business combination is capitalized as an intangible asset.

(3) The current accounting standard requires a bargain purchase gain (negative goodwill) to be systematically amortized within 20 years. Under the revised standard, the acquirer recognizes a bargain purchase gain in profit or loss on the acquisition date after reassessing whether it has correctly identified all of the assets acquired and all of the liabilities assumed with a review of such procedures used. This standard is applicable to business combinations undertaken on or after April 1, 2010 with early adoption permitted for fiscal years beginning on or after April 1, 2009.

2) ***Asset Retirement Obligations*—**On March 31, 2008, the ASBJ published a new accounting standard for asset retirement obligations, ASBJ Statement No.18 "Accounting Standard for Asset Retirement Obligations" and ASBJ Guidance No.21 "Guidance on Accounting Standard for Asset Retirement Obligations". Under this accounting standard, an asset retirement obligation is defined as a legal obligation imposed either by law or contract that results from the acquisition, construction, development and the normal operation of a tangible fixed asset and is associated with the retirement of such tangible fixed asset.

The asset retirement obligation is recognized as the sum of the discounted cash flows required for the future asset retirement and is recorded in the period in which the obligation is incurred if a reasonable estimate can be made. If a reasonable estimate of the asset retirement obligation cannot be made in the period the asset retirement obligation is incurred, the liability should be recognized when a reasonable estimate of asset retirement obligation can be made. Upon initial recognition of a liability for an asset retirement obligation, an asset retirement cost is capitalized by increasing the carrying amount of the related fixed asset by the amount of the liability. The asset retirement cost is subsequently allocated to expense through depreciation over the remaining useful life of the asset. Over time, the liability is accreted to its present value each period. Any subsequent revisions to the timing or the amount of the original estimate of undiscounted cash flows are reflected as an increase or a decrease in the carrying amount of the liability and the capitalized amount of the related asset retirement cost. This standard is effective for fiscal years beginning on or after April 1, 2010 with early adoption permitted for fiscal years beginning on or before March 31, 2010.

3) ***Accounting Changes and Error Corrections***—In December 2009, ASBJ issued ASBJ Statement No. 24 "Accounting Standard for Accounting Changes and Error Corrections" and ASBJ Guidance No. 24 "Guidance on Accounting Standard for Accounting Changes and Error Corrections". Accounting treatments under this standard and guidance are as follows;

(1) Changes in Accounting Policies
When a new accounting policy is applied with revision of accounting standards, a new policy is applied retrospectively unless the revised accounting standards include specific transitional provisions. When the revised accounting standards include specific transitional provisions, an entity shall comply with the specific transitional provisions.

(2) Changes in Presentations
When the presentation of financial statements is changed, prior period financial statements are reclassified in accordance with the new presentation.

(3) Changes in Accounting Estimates
A change in an accounting estimate is accounted for in the period of the change if the change affects that period only, and is accounted for prospectively if the change affects both the period of the change and future periods.

(4) Corrections of Prior Period Errors
When an error in prior period financial statements is discovered, those statements are restated.
This accounting standard and the guidance are applicable to accounting changes and corrections of prior period errors which are made from the beginning of the fiscal year that begins on or after April 1, 2011.

4) ***Segment Information Disclosures***—In March 2008, the ASBJ revised ASBJ Statement No. 17 "Accounting Standard for Segment Information Disclosures" and issued ASBJ Guidance No.20 "Guidance on Accounting Standard for Segment Information Disclosures". Under the standard and guidance, an entity is required to report financial and descriptive information about its reportable segments. Reportable segments are operating segments or aggregations of operating segments that meet specified criteria. Operating segments are components of an entity about which separate financial information is available and such information is evaluated regularly by the chief operating decision maker in deciding how to allocate resources and in assessing performance. Generally, segment information is required to be reported on the same basis as is used internally for evaluating operating segment performance and deciding how to allocate resources to operating segments. This accounting standard and the guidance are applicable to segment information disclosures for the fiscal years beginning on or after April 1, 2010.

3. Cash and cash equivalents

Cash and cash equivalents at March 31, 2010 and 2009, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2010	2009	**2010**
Cash and time deposits	**¥25,461**	¥36,146	**$273,656**
Less-time deposits with maturities over 3 months		(100)	
Total	**¥25,461**	¥36,046	**$273,656**

4. Investment securities

Investment securities as of March 31, 2010 and 2009, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2010	2009	**2010**
Current:			
Debt securities	**¥30**		**$322**
Total	**¥30**		**$322**
Non-current:			
Equity securities	**¥12,027**	¥13,732	**$129,267**
Debt securities	**100**	100	**1,075**
Trust fund investments and other	**225**	442	**2,418**
Total	**¥12,352**	¥14,274	**$132,760**

The costs and aggregate fair values of investment securities at March 31, 2010 and 2009 were as follows:

	Millions of Yen			
March 31, 2010	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as:				
Available-for-sale:				
Equity securities	**¥12,953**	**¥1,284**	**¥(3,538)**	**¥10,699**
Debt securities	**30**			**30**
Other	**34**		**(6)**	**28**
Total	**¥13,017**	**¥1,284**	**¥(3,544)**	**¥10,757**
March 31, 2009				
Securities classified as:				
Available-for-sale:				
Equity securities	¥12,929	¥1,111	¥(1,659)	¥12,381
Other	353		(91)	262
Total	¥13,282	¥1,111	¥(1,750)	¥12,643

	Thousands of U.S. Dollars			
March 31, 2010	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as:				
Available-for-sale:				
Equity securities	**$139,220**	**$13,801**	**$(38,027)**	**$114,994**
Debt securities	**322**			**322**
Other	**366**		**(65)**	**301**
Total	**$139,908**	**$13,801**	**$(38,092)**	**$115,617**

Available-for-sale securities whose fair value is not readily determinable as of March 31, 2009 were as follows:

March 31, 2009	Carrying Amount Millions of Yen
Available-for-sale:	
Equity securities	¥1,351
Debt securities	100
Trust fund investments and other	180
Total	¥1,631

Proceeds from sales of available-for-sale securities for the years ended March 31, 2009 were ¥232 million. Gross realized gains on these sales, computed on the moving-average cost basis, were ¥131 million for the year ended March 31, 2009.

The information of available-for-sale securities which were sold during the year ended March 31, 2010 was as follows:

	Millions of Yen		
March 31, 2010	Proceeds	Realized gains	Realized loss
Available-for-sale:			
Equity securities	**¥782**	**¥235**	
Debt securities	**100**		
Other	**311**		**¥(2)**
Total	**¥1,193**	**¥235**	**¥(2)**

	Thousands of U.S. Dollars		
March 31, 2010	Proceeds	Realized gains	Realized loss
Available-for-sale:			
Equity securities	**$8,405**	**$2,655**	
Debt securities	**1,075**		
Other	**3,342**		**$(21)**
Total	**$12,822**	**$2,655**	**$(21)**

5. Inventories

Inventories at March 31, 2010 and 2009, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2010	2009	**2010**
Work in process	**¥2,296**	¥4,709	**$24,678**
Merchandise and finished products	**6,425**	6,798	**69,056**
Supplies	**187**	227	**2,010**
Total	**¥8,908**	¥11,734	**$95,744**

6. Long-lived assets

The Group reviewed its long-lived assets for impairment as of March 31, 2010. As a result, the Group recognized an impairment loss of ¥778 million ($8,362 thousand) for the asset groups used to provide printing business and application services due to a continuous operating loss of those units and the carrying amounts of the relevant assets were written down to the recoverable amount.

The recoverable amounts of those asset groups were measured at their value in use and the discount rate used for computation of present value of future cash flows was 1.6%.

Impairment loss for the year ended March 31, 2010 consisted of the following:

	Millions of Yen	Thousands of U.S. Dollars
	2010	**2010**
Printing business:		
Buildings and structures	**¥442**	**$4,751**
Machinery and equipment	**76**	**817**
Other assets	**36**	**386**
Total	**¥554**	**$5,954**

	Millions of Yen	Thousands of U.S. Dollars
	2010	**2010**
Application services:		
Software	**¥224**	**$2,408**
Total	**¥224**	**$2,408**

The Group reviewed its long-lived assets for impairment as of March 31, 2009. As a result, the Group recognized an impairment loss of ¥21,586 million for machinery and equipment, software, and other assets used to provide outsourcing services to regional banks due to a continuous operating loss of that unit and the carrying amount of the relevant machinery was written down to the recoverable amount.

The recoverable amount of that machinery group was measured at its value in use and the discount rate used for computation of present value of future cash flows was 2.25%.

Impairment loss for the year ended March 31, 2009 consisted of the following:

	Millions of Yen
	2009
Outsourcing services to regional banks:	
Machinery and equipment	¥1,619
Software	17,854
Other assets	2,113
Total	¥21,586

7. Short-term bank loans and long-term debt

Short-term bank loans of ¥5,700 million ($61,264 thousand) and ¥12,779 million bore interest at an approximate annual average rate of 0.86% and 1.15% at March 31, 2010 and 2009, respectively.

Commercial paper of ¥9,000 million ($96,733 thousand) and ¥11, 000 million bore interest at a rate of 0.15% and 0.63% at March 31, 2010 and 2009, respectively.

Long-term debt at March 31, 2010 and 2009, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2010	2009	**2010**
1.38% unsecured bonds due 2013	**¥10,000**	¥10,000	**$107,481**
1.39% unsecured bonds due 2015	**10,000**		**107,481**
Unsecured loans from banks and insurance companies, 0.84% to 3.06%, due serially to 2015	**46,102**	55,654	**495,507**
Total	**66,102**	65,654	**710,469**
Less current portion	**(16,652)**	(15,034)	**(178,977)**
Net long-term debt	**¥49,450**	¥50,620	**$531,492**

The annual maturities of long-term debt as of March 31, 2010 for the next five years were as follows:

Year Ending March 31	Millions of Yen	Thousands of U.S. Dollars
2011	**¥16,652**	**$178,977**
2012	**18,014**	**193,616**
2013	**19,886**	**213,736**
2014	**900**	**9,673**
2015	**10,650**	**114,467**
Total	**¥66,102**	**$710,469**

As is customary in Japan, collateral must be provided under certain circumstances, if requested by a lending bank, and such bank has the right to offset cash deposited with it against any debts or obligations that become due and, in the case of default or certain other specified events, against all debts payable to the bank. The Company has never received such a request.

8. Income taxes

The Group is subject to Japanese national and local income taxes which, in the aggregate, resulted in a normal effective statutory tax rate of approximately 40.7% for the years ended March 31, 2010 and 2009.

The tax effects of significant temporary differences and tax loss carryforwards which resulted in deferred tax assets and liabilities at March 31, 2010 and 2009 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2010	2009	**2010**
Current assets:			
Deferred tax assets:			
Accrued bonuses	**¥3,608**	¥4,237	**$38,779**
Inventory valuation	**1,468**	1,576	**15,778**
Accrued expenses		236	
Allowance for restructuring charges	**1,062**	2,508	**11,414**
Impairment loss	**572**	860	**6,148**
Allowance for loss on construction contracts	**350**		**3,762**
Tax loss carry forwards		2,455	
Accrued business tax	**265**	365	**2,848**
Allowance for maintenance service fee		129	
Others	**1,197**	756	**12,866**
Total	**8,522**	13,122	**91,595**
Less valuation allowance	**(309)**	(2,723)	**(3,321)**
Total	**8,213**	10,399	**88,274**
Deferred tax liabilities:			
Deferred gain on derivatives under hedge accounting	**10**	16	**107**
Other	**4**	4	**44**
Total	**14**	20	**151**
Net, current deferred tax assets	**¥8,199**	¥10,379	**$88,123**

Net current deferred tax assets included in the Consolidated Balance Sheets at March 31, 2010 are as follows:

	Millions of Yen	Thousands of U.S. Dollars
Deferred tax assets-current	**¥ 8,208**	**$ 88,220**
Deferred tax liabilities-current	**(9)**	**(97)**
Net deferred tax assets-current	**¥ 8,199**	**$ 88,123**

Current deferred tax liabilities are included in other current liabilities on the Consolidated Balance Sheets.

	Millions of Yen		Thousands of U.S. Dollars
	2010	2009	**2010**
Non-current assets:			
Deferred tax assets:			
Depreciation expenses	**¥9,751**	¥11,849	**$104,804**
Tax loss carryforwards	**8,762**	414	**94,175**
Allowance for retirement benefits	**552**	551	**5,933**
Net unrealized gain on available-for-sale securities	**922**	259	**9,910**
Impairment loss	**6,862**	7,935	**73,753**
Others	**694**	971	**7,459**
Total	**27,543**	21,979	**296,034**
Less valuation allowance	**(6,171)**	(1,383)	**(66,326)**
Total	**¥21,372**	¥20,596	**$229,708**
Deferred tax liabilities:			
Prepaid pension costs	**¥(3,095)**	¥(4,896)	**$(33,265)**
Reserve for software program	**(85)**	(289)	**(914)**
Others	**(139)**	(140)	**(1,494)**
Total	**¥(3,319)**	¥(5,325)	**$(35,673)**
Net, non-current deferred tax assets	**¥18,053**	¥15,271	**$194,035**

Net non-current deferred tax assets at March 31, 2010 included in the Consolidated Balance Sheets are as follows:

	Millions of Yen	Thousands of U.S. Dollars
Deferred tax assets-non-current	**¥18,712**	**$201,118**
Deferred tax liabilities-non-current	**(660)**	**(7,094)**
Net deferred tax assets-non-current	**¥18,052**	**$194,024**

A reconciliation between the normal effective statutory tax rate and the actual effective tax rates reflected in the accompanying Consolidated Statements of Operations for the years ended March 31, 2010 and 2009, are as follows:

	2010	2009
Normal effective statutory tax rate	**40.7%**	40.7%
Increase in valuation allowance	**44.2**	(4.4)
Expenses not deductible for income tax purposes	**7.5**	(3.4)
Non-taxable items	**(1.8)**	
Reverse of temporary difference for investment in a subsidiary	**(56.1)**	
Amount of per-capita local tax	**1.0**	(0.4)
Other-net	**0.7**	(0.6)
Actual effective tax rate	**36.2%**	31.9%

At March 31, 2010 the Company and certain consolidated subsidiaries have tax loss carryforwards aggregating approximately ¥21,711 million ($233,351 thousand) which are available to be offset against taxable income in future years. These tax loss carryforwards, if not utilized, will expire as follows:

Tax loss carryforwards schedule

Year Ending March 31	Millions of Yen	Thousands of U.S. Dollars
2012	**¥88**	**$946**
2013	**213**	**2,289**
2014	**5,792**	**62,253**
2015	**1,264**	**13,586**
2016	**2,102**	**22,592**
2017	**12,252**	**131,685**
Total	**¥21,711**	**$233,351**

9. Retirement benefits

The Group has severance payment plans for employees. Under most circumstances, employees terminating their employment are entitled to retirement benefits determined based on the rate of pay at the time of termination, years of service and certain other factors. Such retirement benefits are made in the form of lump-sum severance payments from the Company or from certain consolidated subsidiaries and annuity payments from a trustee. Employees are entitled to larger payments if the termination is involuntary, by retirement at the mandatory retirement age, by death, or by voluntary retirement at certain specific ages prior to the mandatory retirement age.

The liability for retirement benefits at March 31, 2010 and 2009 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2010	2009	**2010**
Projected benefit obligation	**¥105,142**	¥104,746	**$1,130,073**
Fair value of plan assets	**(92,471)**	(82,248)	**(993,884)**
Unrecognized transitional obligation		(2,084)	
Unrecognized prior service cost	**4,806**	6,020	**51,655**
Unrecognized actuarial gain	**(23,942)**	(37,214)	**(257,330)**
Prepaid pension costs	**7,812**	12,089	**83,964**
Net liability	**¥1,347**	¥1,309	**$14,478**

The components of net periodic benefit costs for the years ended March 31, 2010 and 2009 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2010	2009	**2010**
Service cost	**¥2,612**	¥2,740	**$28,074**
Interest cost	**2,086**	2,097	**22,420**
Expected return on plan assets	**(3,282)**	(4,164)	**(35,275)**
Amortization of transitional obligation	**2,084**	2,084	**22,399**
Amortization of prior service cost	**(1,214)**	(1,226)	**(13,048)**
Recognized actuarial loss	**6,055**	3,542	**65,080**
Payment to a defined benefit pension plan and other	**1,240**	1,228	**13,327**
Net periodic benefit costs	**¥9,581**	¥6,301	**$102,977**

Assumptions used for the years ended March 31, 2010 and 2009 are set forth as follows:

	2010	2009
Discount rate	**2.0%**	2.0%
Expected rate of return on plan assets	**mainly 4.0%**	mainly 4.0%
Amortization period of prior service cost	**10 years**	3 or 10 years
Recognition period of actuarial gain/loss	**8 or 10 years**	10 years
Amortization period of transitional obligation	**10 years**	10 years

The liability for retirement benefits at March 31, 2010 and 2009 included the following liabilities:

	Millions of Yen		Thousands of U.S. Dollars
	2010	2009	**2010**
Allowance for the New Career Support Program (the "NCSP")	**¥239**	¥422	**$2,569**
Current portion	**(152)**	(197)	**(1,634)**
Net non-current portion	**¥87**	¥225	**$935**

Total charges relating to allowance for the NCSP for the years ended March 31, 2010 and 2009 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2010	2009	**2010**
Allowance for the NCSP		150	

10. Research and development costs

Research and development costs charged to income were ¥4,272 million ($45,916 thousand) and ¥4,494 million for the years ended March 31, 2010 and 2009, respectively.

11. Refund on stock acquisition

The Company started a Take-Over Bid ("TOB") to acquire shares of NETMARKS INC. ("NM"), a subsidiary of Sumitomo Electric Industries, Ltd. After the commencement of the TOB, NM restated their prior financial statements retroactively. Because the restatement resulted in a decrease of NM's net assets, the Company recognized a loss on valuation of investment securities. Sumitomo Electric Industries, Ltd. made a partial refund of the stock acquisition price for the year ended March 31, 2009.

12. Leases

The minimum rental commitments under noncancellable operating leases at March 31, 2010 were as follows:

	Millions of Yen	Thousands of U.S. Dollars
	2010	**2010**
Due within one year	**¥542**	**$5,825**
Due after one year	**1,121**	**12,049**
Total	**¥1,663**	**$17,874**

Due to the immaterial amounts of lease transactions on the consolidated financial statements, "as if capitalized" information for the fiscal year ended March 31, 2010 and 2009, and operating lease information for the fiscal year ended March 31, 2009, are omitted.

13. Contingent liabilities

Contingent liabilities at March 31, 2010 were as follows:

	Millions of Yen	Thousands of U.S. Dollars
Guarantees of bank loans to employees for housing	**¥1,670**	**$17,949**

14. Equity

The significant provisions in the Companies Act of Japan (the "Companies Act") that affect financial and accounting matters are summarized below:

(a) Dividends

Under the Companies Act, companies can pay dividends at any time during the fiscal year in addition to the year-end dividend upon resolution at the shareholders meeting. For companies that meet certain criteria such as; (1) having the Board of Directors, (2) having independent auditors, (3) having the Board of Corporate Auditors, and (4) the term of service of the Directors is prescribed as one year rather than two years of normal term by its articles of incorporation, the Board of Directors may declare dividends (except for dividends in kind) at any time during the fiscal year if the Company has prescribed so in its articles of incorporation. The Company meets all the above criteria.

Semiannual interim dividends may also be paid once a year upon resolution by the Board of Directors if the articles of incorporation of the Company so stipulate. The Companies Act provides certain limitations on the amounts available for dividends or the purchase of treasury stock. The limitation is defined as the amount available for distribution to the shareholders, but the amount of net assets after dividends must be maintained at no less than ¥3 million.

(b) Increases / decreases and transfer of common stock, reserve and surplus

The Companies Act requires that an amount equal to 10% of dividends must be appropriated as a legal reserve (a component of retained earnings) or as additional paid-in capital (a component of capital surplus) depending on the equity account charged upon the payment of such dividends until the total of aggregate amount of legal reserve and additional paid-in capital equals 25% of the common stock.

Under the Companies Act, the total amount of additional paid-in capital and legal reserve may be reversed without limitation. The Companies Act also provides that common stock, legal reserve, additional paid-in capital, other capital surplus and retained earnings can be transferred among the accounts under certain conditions upon resolution of the shareholders.

(c) Treasury stock and treasury stock acquisition rights

The Companies Act also provides for companies to purchase treasury stock and dispose of such treasury stock by resolution of the Board of Directors. The amount of treasury stock purchased cannot exceed the amount available for distribution to the shareholders which is determined by specific formula. Under the Companies Act, stock acquisition rights, which were previously presented as a liability, are now presented as a separate component of equity. The Companies Act also provides that companies can purchase both treasury stock acquisition rights and treasury stock. Such treasury stock acquisition rights are presented as a separate component of equity or deducted directly from stock acquisition rights.

15. Stock options

The granted stock options as of March 31, 2010 of the Company are as follows:

Stock Option	Persons Granted	Number of Options Granted	Date of Grant	Exercise Price	Exercise Period
2003 Stock Option	10 directors 533 employees 15 subsidiaries' directors 14 subsidiaries' employees	713,100 shares	September 3, 2003	¥962 $10.34	From July 1, 2005 to June 30, 2010
2004 Stock Option	10 directors 513 employees 27 subsidiaries' directors 324 subsidiaries' employees	692,700 shares	September 7, 2004	¥952 $10.23	From July 1, 2006 to June 30, 2011
2005 Stock Option	10 directors 403 employees 12 subsidiaries' directors 276 subsidiaries' employees	749,000 shares	December 16, 2005	¥1,763 $18.95	From July 1, 2007 to June 30, 2012
2006 Stock Option	10 directors 250 employees 20 subsidiaries' directors 514 subsidiaries' employees	522,900 shares	November 7, 2006	¥2,434 $26.16	From July 1, 2008 to June 30, 2013
2007 Stock Option	8 directors 352 employees 30 subsidiaries' directors 250 subsidiaries' employees	746,300 Shares	November 15, 2007	¥1,712 $18.40	From November 1, 2009 to October 31, 2014
2008 Stock Option	8 directors 395 employees 23 subsidiaries' directors 265 subsidiaries' employees	963,600 Shares	August 15, 2008	¥1,791 $19.25	From July 1, 2010 to June 30, 2015
2009 Stock Option	7 directors 424 employees 21 subsidiaries' directors 256 subsidiaries' employees	991,900 Shares	August 7, 2009	¥864 $9.29	From July 1, 2011 to June 30, 2016

The stock option activity of the Company is as follows:

	2003 Stock Option (Shares)	2004 Stock Option (Shares)	2005 Stock Option (Shares)	2006 Stock Option (Shares)	2007 Stock Option (Shares)	2008 Stock Option (Shares)	2009 Stock Option (Shares)
For the year ended March 31, 2009							
Non-vested							
March 31, 2008 – Outstanding				513,000	741,600		
Granted						963,600	
Canceled				700	5,800	7,100	
Vested				512,300			
March 31, 2009 – Outstanding					735,800	956,500	
Vested							
March 31, 2008 - Outstanding	325,900	404,000	723,800				
Vested				512,300			
Exercised	22,100	20,700					
Canceled	500	1,200	5,500	3,300			
March 31, 2009 – Outstanding	303,300	382,100	718,300	509,000			
For the year ended March 31, 2010							
Non-vested							
March 31, 2009 – Outstanding					735,800	956,500	
Granted							991,900
Canceled					4,200	482,400	3,800
Vested					731,600		
March 31, 2010 – Outstanding						474,100	988,100
Vested							
March 31, 2009 - Outstanding	303,300	382,100	718,300	509,000			
Vested					731,600		
Exercised							
Canceled	4,000	7,500	5,200	2,700	1,000		
March 31, 2010 – Outstanding	299,300	374,600	713,100	506,300	730,600		
Exercise price	¥962	¥952	¥1,763	¥2,434	¥1,712	¥1,791	¥864
	$10.34	$10.23	$18.95	$26.16	$18.40	$19.25	$9.29
Average stock price at exercise							
Fair value price at grant date				520	396	397	215
				$5.59	$4.26	$4.27	$2.31

The assumptions used to measure fair value of 2009 Stock Option:

Estimate method ---------------------------------- Black-Scholes option pricing model
Volatility of stock price ------------------------- 43.7 %
Estimated remaining outstanding period ---- 4.40 years
Estimated dividend ------------------------------- ¥15 per share
Interest rate with risk free ----------------------- 0.631 %

The granted stock options as of March 31, 2010 of NM are as follows:

Stock Option	Persons Granted	Number of Options Granted	Date of Grant	Exercise Price	Exercise Period
2002 Stock Option	4 directors 52 employees	2,784 shares	July 31, 2002	¥50,625 $544.12	From July 1, 2004 to March 31, 2010
2003 Stock Option	27 employees	1,088 shares	September 30, 2003	¥111,250 $1,195.72	From July 1, 2005 to March 31, 2010
2004 Stock Option	2 employees	136 shares	July 30, 2004	¥335,261 $3,603.41	From July 1, 2006 to March 31, 2011
2005 Stock Option	1 directors 1 employees	588 shares	July 29, 2005	¥328,030 $3,525.69	From July 1, 2007 to March 31, 2012

The stock option activity of NM is as follows:

	2002 Stock Option (Shares)	2003 Stock Option (Shares)	2004 Stock Option (Shares)	2005 Stock Option (Shares)
For the year ended March 31, 2009				
Non-vested				
March 31, 2008 − Outstanding				
Granted				
Canceled				
Vested				
March 31, 2009 − Outstanding				
Vested				
March 31, 2008 − Outstanding	624	352	48	500
Vested				
Exercised				
Canceled	64	32		
March 31, 2009 − Outstanding	560	320	48	500
For the year ended March 31, 2010				
Non-vested				
March 31, 2009 − Outstanding				
Granted				
Canceled				
Vested				
March 31, 2010 − Outstanding				
Vested				
March 31, 2009 − Outstanding	560	320	48	500
Vested				
Exercised				
Canceled				
March 31, 2010 − Outstanding	560	320	48	500
Exercise price	¥50,625	¥111,250	¥335,261	¥328,030
	$544.12	$1,195.72	$3,603.41	$3,525.69

The granted stock options as of March 31, 2010 of S&I are as follows:

Stock Option	Persons Granted	Number of Options Granted	Date of Grant	Exercise Price	Exercise Period
2004 Stock Option	4 directors 2 auditors 8 employees	135 shares	November 1, 2004	¥138,800 $1,491.83	From November 1, 2006 to March 31, 2014
2005 Stock Option	6 directors 53 employees	237 shares	July 1, 2005	¥180,000 $1,934.65	From July 1, 2007 to March 31, 2015
2006 Stock Option	5 directors 2 auditors 71 employees	229 shares	July 1, 2006	¥193,000 $2,074.38	From July 1, 2008 to March 31, 2016
2007 Stock Option	5 directors 44 employees	162 shares	July 1, 2007	¥151,000 $1,622.96	From July 1, 2009 to March 31, 2017

The stock option activity of S&I is as follows:

	2004 Stock Option (Shares)	2005 Stock Option (Shares)	2006 Stock Option (Shares)	2007 Stock Option (Shares)
For the year ended March 31, 2009				
Non-vested				
March 31, 2008 − Outstanding	100	144	146	148
Granted				
Canceled	15	13	11	21
Vested				
March 31, 2009 − Outstanding	85	131	135	127
Vested				
March 31, 2008 − Outstanding				
Vested				
Exercised				
Canceled				
March 31, 2009 − Outstanding				
For the year ended March 31, 2010				
Non-vested				
March 31, 2009 − Outstanding	85	131	135	127
Granted				
Canceled	70	51	34	34
Vested				
March 31, 2010 − Outstanding	15	80	101	93
Vested				
March 31, 2009 − Outstanding				
Vested				
Exercised				
Canceled				
March 31, 2010 − Outstanding				
Exercise price	¥138,800 $1,491.83	¥180,000 $1,934.65	¥193,000 $2,074.38	¥151,000 $1,622.96

16. Financial Instruments and Related Disclosures

On March 10, 2008, the ASBJ revised ASBJ Statement No. 10 "Accounting Standard for Financial Instruments" and issued ASBJ Guidance No.19 "Guidance on Accounting Standard for Financial Instruments and Related Disclosures". This accounting standard and the guidance are applicable to financial instruments and related disclosures at the end of the fiscal years ending on or after March 31, 2010 with early adoption permitted from the beginning of the fiscal years ending before March 31, 2010. The Group applied the revised accounting standard and the new guidance effective March 31, 2010.

(1) Policy for financial instruments

The Company uses financial instruments, mainly bank loans and bonds. Cash surpluses, if any, are invested in low risk financial assets. All derivative transactions are entered into, not for speculative purposes, but to manage exposure to financial risks incorporated within its business.

(2) Nature and extent of risks arising from financial instruments

Receivables such as trade notes and trade accounts are exposed to customer credit risk. Investment securities, mainly equity instruments of customers and suppliers of the Group, are exposed to the risk of market price fluctuations. Payment terms of payables, such as trade notes and trade accounts, are less than one year. Payables in foreign currencies are exposed to the market risk of fluctuation in foreign currency exchange rates. Bank loans, commercial paper, and bonds are mainly used to fund its ongoing operations. A part of such bank loans is exposed to market risks from changes in variable interest rates. Derivatives mainly include forward foreign currency contracts and interest-rate swaps, which are used to manage exposure to market risks from changes in foreign currency exchange rates of payables, and from changes in interest rates of bank loans. Please see Note 17 for more detail about derivatives.

(3) Risk management for financial instruments

Credit Risk Management

Credit risk is the risk of economic loss arising from a customer's failure to repay according to the contractual terms. Receivables such as trade notes and trade accounts are exposed to customer credit risk. The Company manages its credit risk from receivables on the basis of internal guidelines to identify and minimize the default risk of customers in early stage. The internal guidelines include conducting a credit investigation of a new customer to limit its credit amount, periodically reviewing the status of customers after receivables occur, and monitoring of payment term and balances of each customer by the business administration department and the credit department. The Company's subsidiaries also manage their credit risk on the basis of almost the same internal guidelines as the Company's.

Market risk management (foreign exchange risk and interest rate risk)

With respect to the risk of market price fluctuations of investment securities, the Company monitors market values and/or financial position of issuers, which are the Group's customers and suppliers, on a regular basis, to determine whether to continue to hold such securities taking into consideration the relation with those customers and suppliers of the Group.

Currency exchange risk of foreign currency trade payables is hedged principally by forward foreign currency contracts. Interest-rate swaps are used to manage exposure to market risks from changes in interest rates of a part of bank loans.

Execution and custody of derivative transactions by the corporate treasury department have been approved by the directors concerned based on the internal guidelines. The transaction data has been reported to the directors concerned and corporate auditors on a monthly basis.

Liquidity risk management

Liquidity risk comprises the risk that the Company and its subsidiaries cannot meet their contractual obligations in full on maturity dates. The Group manages its liquidity risk by holding adequate volumes of liquid assets, along with adequate financial plans prepared and updated by the Company's corporate treasury department, based on reports from the Company's subsidiaries and its internal departments.

(4) Fair values of financial instruments

Fair values of financial instruments are based on quoted price in active markets. If quoted price is not available, other rational valuation techniques are used instead. Such valuation reflects variable factors and may result in a different amount depending on assumptions.

The contract amounts of derivatives shown in Note 17 do not measure the Company's exposure to market risk.

(a) Fair values of financial instruments
Fair values of financial instruments as of March 31, 2010 were as follows:

	Millions of yen		
March 31, 2010	Carrying amount	Fair value	Unrealized gain (loss)
Cash and cash equivalents	**¥25,461**	**¥25,461**	
Accounts receivable-trade	**70,250**	**70,250**	
Investment securities	**10,757**	**10,757**	
Total	**¥106,468**	**¥106,468**	
Short-term bank loans	**¥5,700**	**¥5,700**	
Current portion of long-term debt	**16,652**	**16,715**	**¥63**
Commercial paper	**9,000**	**9,000**	
Accounts payable-trade	**23,404**	**23,404**	
Long-term debt	**49,450**	**49,891**	**441**
Total	**¥104,206**	**¥104,710**	**¥504**
Derivatives *	**¥25**	**¥25**	

	Thousands of U.S.Dollars		
March 31, 2010	Carrying amount	Fair value	Unrealized gain (loss)
Cash and cash equivalents	**$273,656**	**$273,656**	
Accounts receivable-trade	**755,052**	**755,052**	
Investment securities	**115,617**	**115,617**	
Total	**$1,144,325**	**$1,144,325**	
Short-term bank loans	**$61,264**	**$61,264**	
Current portion of long-term debt	**178,977**	**179,654**	**$677**
Commercial paper	**96,733**	**96,733**	
Accounts payable-trade	**251,548**	**251,548**	
Long-term debt	**531,492**	**536,231**	**4,739**
Total	**$1,120,014**	**$1,125,430**	**$5,416**
Derivatives *	**$269**	**$269**	

* Assets and liabilities made by derivative transactions are netted, where net liabilities are to be presented in parenthesis.

<u>*Cash and cash equivalents*</u>
The carrying values of cash and cash equivalents approximate fair value because of their short maturities.

<u>*Accounts receivable-trade*</u>
The carrying values of accounts receivable-trade approximate fair value because of their short maturities.

<u>*Investment securities*</u>
The fair values of investment securities are measured at the quoted market price of the stock exchange for the equity instruments, and at the quoted price obtained from the financial institution for certain debt instruments. The fair values of mutual funds are measured at the market price.
The information of the fair value for the investment securities by classification is included in Note 4.

<u>*Accounts payable-trade, short-term bank loans, and commercial paper*</u>
The carrying values of accounts payable-trade, short-term bank loans, and commercial paper approximate fair value because of their short maturities.

<u>*Long-term debt*</u>
The fair values of long-term debt are determined by discounting the cash flows related to the debt at the assumed borrowing rate applied if the debt of the same interest and principal were newly financed. Interest rate swaps which qualify for hedge accounting and meet specific matching criteria are not remeasured at market value but the differential paid or received under the swap agreements are recognized and included in interest expense or income. The fair value of items (i.e. floating rate loans from banks and insurance companies) hedged by such interest rate swaps are determined by discounting the total cash flows of those hedged items and hedging instruments at the rationally estimated rate applied if the debt of the same interest and principal were financed.

<u>*Derivatives*</u>
The information of the fair value for derivatives is included in Note 17.

(b) Financial instruments whose fair value cannot be reliably determined

	Carrying amount	
March 31, 2010	Millions of Yen	Thousands of U.S. Dollars
Investments in unconsolidated subsidiaries and affiliated companies	**¥1,403**	**$15,080**
Investments in equity instruments that do not have a quoted market price in an active market	**¥1,328**	**$14,273**
Other	**¥297**	**$3,192**

(5) Maturity analysis for financial assets and securities with contractual maturities

March 31, 2010	Millions of Yen			
	Due in one year or less	Due after one year through five years	Due after five years through ten years	Due after ten years
Cash and cash equivalents	**¥25,461**			
Accounts receivable-trade	**70,250**			
Investment securities				
Available-for-sale securities				
(1)Debt securities	**30**		**¥100**	
(2)Other		**¥73**	**95**	
Total	**¥95,741**	**¥73**	**¥195**	

March 31, 2010	Thousands of U.S. Dollars			
	Due in one year or less	Due after one year through five years	Due after five years through ten years	Due after ten years
Cash and cash equivalents	**$273,656**			
Accounts receivable-trade	**755,052**			
Investment securities				
Available-for-sale securities				
(1)Debt securities	**322**		**$1,075**	
(2)Other		**$785**	**1,021**	
Total	**$1,029,030**	**$785**	**$2,096**	

Please see Note 7 for annual maturities of long-term debt.

(6) Accounts receivables-trade for construction contracts

Costs and estimated earnings recognized with respect to construction contracts which are accounted for by the percentage-of-completion method at March 31, 2010 and 2009 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2010	2009	**2010**
Costs and estimated earnings	**¥3,940**	¥1,407	**$42,347**
Amount billed	**(630)**		**(6,771)**
	¥3,310	¥1,407	**$35,576**

17. Derivatives

The Company and certain subsidiaries enter into foreign currency forward contracts to hedge foreign exchange risk associated with certain liabilities denominated in foreign currencies. The Company also enters into interest rate swap contracts to manage its interest rate exposures on certain liabilities.

All derivative transactions are entered into to hedge interest and foreign currency exposures incorporated within the Company's and certain subsidiaries' business. Accordingly, market risk in these derivatives is basically offset by opposite movements in the value of hedged liabilities.

Because the counterparties to these derivatives are limited to major international financial institutions and credible general trading companies, the Company and certain subsidiaries do not anticipate any losses arising from credit risk.

Derivative transactions entered into by the Company and certain subsidiaries have been made in accordance with internal policies which regulate the authorization and credit limit amounts.

As noted in Note 16, the Group applied ASBJ Statement No. 10 "Accounting Standard for Financial Instruments" and ASBJ Guidance No.19 "Guidance on Accounting Standard for Financial Instruments and Related Disclosures". The accounting standard and the guidance are applicable to financial instruments and related disclosures at the end of the fiscal years ending on or after March 31, 2010; therefore, the required information is disclosed only for 2010.

There are no derivative transactions to which hedge accounting is not applied at March 31, 2010.

Derivative transactions to which hedge accounting is applied at March 31, 2010 were as follows:

March 31, 2010	Millions of Yen			
	Hedged item	Contract Amount	Contract Amount due after One Year	Fair Value
Foreign currency forward contracts:				
Buying U.S.$:				
- Deferral hedge	Payables	**¥763**		**¥25**
- Forward contracts applied for designated transactions	Payables	**¥799**		
Interest rate swaps: (fixed rate payment, floating rate receipt)	Long-term debt	**¥16,325**	**¥9,525**	

March 31, 2010	Thousands of U.S. Dollars			
	Hedged item	Contract Amount	Contract Amount due after One Year	Fair Value
Foreign currency forward contracts:				
Buying U.S.$:				
- Deferral hedge	Payables	**$8,201**		**$269**
- Forward contracts applied for designated transactions	Payables	**$8,588**		
Interest rate swaps: (fixed rate payment, floating rate receipt)	Long-term debt	**$175,462**	**$102,375**	

The fair value of derivative transactions is measured at the quoted price obtained from the financial institutions.

Payables denominated in foreign currencies covered by a forward exchange contract are translated at the contracted rates if the forward contracts qualify for hedge accounting.

The above interest rate swaps which qualify for hedge accounting and meet specific matching criteria are not remeasured at market value but the differential paid or received under the swap agreements are recognized and included in interest expense or income. In addition, the fair value of such interest rate swaps is included in that of hedged items (i.e. long-term debt).

18. Net income per share

Reconciliation of the differences between basic and diluted net income per share ("EPS") for the years ended March 31, 2010 and 2009 is as follows:

	Millions of Yen	Thousands of shares	Yen	U.S. Dollars
	Net income	Weighted average shares	EPS	
For the year ended March 31, 2010:				
Basic EPS				
Net income available to common shareholders	**¥3,627**	**95,912**	**¥37.82**	**$0.41**

Diluted net income per share is not disclosed because it is anti-dilutive for the year ended March 31, 2010.

	Millions of Yen	Thousands of shares	Yen
	Net income	Weighted average shares	EPS
For the year ended March 31, 2009:			
Basic EPS			
Net income available to common shareholders	¥(8,819)	95,899	¥(91.96)

Diluted net income per share is not disclosed because of the Company's net loss position for the year ended March 31, 2009.

19. Related party transactions

Deposits or loans with Mitsui & Co. Financial Services Ltd., sister company of the Company, for the years ended March 31, 2010 and 2009, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2010	2009	**2010**
Deposits:			
Mitsui & Co. Financial Services Ltd.	**¥19,984**		**$214,789**
Loans:			
Mitsui & Co. Financial Services Ltd.		¥16,950	
Total	**¥19,984**	¥16,950	**$214,789**

The deposit or loan amounts above are the interim average balance of short-term deposits or loans. There were no transaction balances due to or from Mitsui & Co. Financial Services Ltd. at March 31, 2010 and 2009.

Significant transactions with Mitsui & Co., Ltd., major shareholders of the Company, for the years ended March 31, 2009 were as follows:

	Millions of Yen
	2009
Sales:	
Mitsui & Co., Ltd.	¥682
Total	¥682
Purchases:	
Mitsui & Co., Ltd.	¥3,407
Total	¥3,407

Transaction balances due to or from Mitsui & Co., Ltd. at March 31, 2009 were as follows:

	Millions of Yen
	2009
Accounts receivable-trade:	
Mitsui & Co., Ltd.	¥343
Total	¥343

20. Subsequent events

(1) At the general shareholders' meeting held on June 29, 2010, the Company's shareholders approved the appropriations of retained earnings:

Appropriations of retained earnings

	Millions of Yen	Thousands of U.S. Dollars
Cash dividends, ¥2.50 ($0.03) per share	**¥240**	**$2,580**

(2) Share exchange by which the Company converts NETMARKS into a wholly-owned subsidiary

The boards of directors of the Company and NETMARKS INC. ("NM"), at their respective board meetings held on May 21, 2010, passed resolutions to conduct a share exchange (the "Share Exchange") that will make NM a wholly-owned subsidiary of the Company. The two companies subsequently concluded a share exchange agreement.

The Company plans to conduct the Share Exchange without obtaining approval at a general meeting of its shareholders in accordance with the simplified share exchange procedures set forth in Article 796, Paragraph 3, of the Companies Act. NM authorized the Share Exchange after obtaining the approval of the annual shareholders meeting held on June 25, 2010. In connection with this, prior to the effective date of the Share Exchange (scheduled for August 1, 2010), the common stock of NM is scheduled to be delisted from the Tokyo Stock Exchange (the final trading is scheduled for July 27, 2010). Details are as follows:

(a) Overview of the deal

i) Companies concerned in the business combination and their business:

Acquiring company (Wholly owning parent company in the Share Exchange):

Nihon Unisys, Ltd.

(Provider of consulting services, IT solutions, outsourcing services, support services, system-related services, and computer systems, etc.)

Acquired company (Wholly owned subsidiary in the Share Exchange):

NETMARKS Inc.

(Provider of design, development, support, and operation services of network systems, etc.)

ii) Date of the business combination:

August 1, 2010 (tentative)

iii) Legal structure of the business combination:
Share exchange
iv) Name of company after the business combination:
No change
v) Other information of the deal:
The Company has positioned and treated NM as a core company in the ICT business of the Group and has sought to build a solid base for NM and expand its business since acquiring NM to make it a consolidated subsidiary. Meanwhile, since becoming a member of the Group, NM has brought about the following synergies in diverse areas; reducing costs through sharing their administrative services bases; enhancement of sales activity and technical support areas. The Company and NM decided that the Company converts NM into a wholly owned subsidiary to accelerate management decisions as one and to bolster its competitiveness through closer ties between the Company and NM in the ICT business, the market for which is expected to grow significantly in the future. The Company and NM believe that the decision will contribute to the interests of the stakeholders of both companies, including existing shareholders, customers, employees, and business partners.

(b) Accounting policies applied to the deal
The Share Exchange will be accounted for as combinations of entities under common control, based on ASBJ Statement No.21, "Accounting Standard for Business Combinations" and ASBJ Guidance No.10, "Guidance for Accounting Standard for Business Combinations and Business Divestitures."

(c) Information of additional acquisition of subsidiary shares
Share exchange ratio by stock category, basis for the calculation of the ratio, and the planned number of shares to be allotted are as follows:

Stock category, share exchange ratio, and the planned number of shares to be allotted:

	Nihon Unisys (Wholly owning parent company in the Share Exchange)	NETMARKS (Wholly owned subsidiary in the Share Exchange)
Allotment of shares under the Share Exchange ---	1	25

Number of Nihon Unisys's shares to be allotted in the Share Exchange ------------------------------ Common stock: 1,436,575 shares (tentative)

Basis for the calculation of the share exchange ratio:
To ensure the fairness and appropriateness of the share exchange ratio, the Company and NM determined that each company would independently request calculations by an independent third-party appraiser. The Company appointed Mitsubishi UFJ Morgan Stanley Securities Co., Ltd., and NM appointed Ernst & Young Transaction Advisory Service Co., Ltd.

The Company and NM carefully reviewed the results of the calculation of the share exchange ratio submitted by the aforementioned third-party appraisers, and comprehensively considered circumstances such as recent movements in the stock prices of both companies, their financial position and future forecasts, their assets, and the fact that NM would be a wholly-owned subsidiary of the Company through the Share Exchange. After the careful considerations, negotiations and consultations between the two companies, both companies determined that the share exchange ratio mentioned above would benefit shareholders of both the Company and NM. Thus, the Company and NM resolved at their respective board of directors meeting held on May 21, 2010 to adopt the share exchange ratio of the Share Exchange. The two companies subsequently concluded a share exchange agreement on that day.

The share exchange ratio may be changed pursuant to discussion between the Company and NM if any of the conditions on which it is premised change materially.

Deloitte.

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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying consolidated balance sheets of Nihon Unisys, Ltd. and consolidated subsidiaries as of March 31, 2010 and 2009, and the related consolidated statements of operations, changes in equity, and cash flows for the years then ended, all expressed in Japanese yen. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Nihon Unisys, Ltd. and consolidated subsidiaries as of March 31, 2010 and 2009, and the consolidated results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in Japan.

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

Deloitte Touche Tohmatsu LLC
June 29, 2010

Member of
Deloitte Touche Tohmatsu

Corporate Profile and Stock Information
As of March 31, 2010

Corporate Profile

Name	Nihon Unisys, Ltd.
Established	March 29, 1958
Capital	¥5,483 million
Business Activities	Consulting ICT solutions Outsourcing Support and system-related services Sales of computer systems (hardware and software)
Number of Employees	9,670 (consolidated basis)
Independent Auditor	Deloitte Touche Tohmatsu LLC
Business Offices	Headquarters : 1-1 Toyosu 1-chome, Koto-ku, Tokyo 135-8560, Japan Regional Headquarters : Kansai (Osaka), Chubu (Nagoya), Kyushu (Fukuoka) Regional Offices : Hokkaido (Sapporo), Tohoku (Sendai), Niigata (Niigata), Hokuriku (Kanazawa), Shizuoka (Shizuoka), Chugoku (Hiroshima)

Stock Information

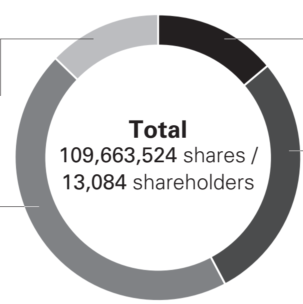
Number of Shares Issued 109,663,524 shares

Number of Shareholders 13,084

Classification of Shareholders

Foreign Corporations and Individuals:
12.60%
13,823,067 shares / 160 shareholders

Other Domestic Corporations:
44.98%
49,329,169 shares / 154 shareholders



Individuals:
13.89%
15,229,119 shares / 12,653 shareholders

Financial Institutions and Securities Companies:
28.53%
31,282,169 shares / 117 shareholders

Principal Shareholders

Name	Number of shares held (thousands)	Holding ratio (%)
Mitsui & Co., Ltd.	30,524	27.83
The Master Trust Bank of Japan, Ltd. (Trust Account)	5,142	4.68
Japan Trustee Services Bank, Ltd. (Trust Account)	4,985	4.54
The Norinchukin Bank	4,653	4.24
Japan Trustee Services Bank, Ltd. (Trust Account 9)	2,694	2.45
Nihon Unisys Employees' Shareholding Society	2,571	2.34
All Nippon Airways Co., Ltd.	1,794	1.63
The Master Trust Bank of Japan, Ltd. (Retirement Benefit Trust Account/Mitsubishi Electric Corporation Account)	1,271	1.15
Trust & Custody Services Bank, Ltd. (Investment Trust Account)	1,249	1.13
Trust & Custody Services Bank, Ltd. (Trust Account B)	1,121	1.02

Note: In addition to the above, Nihon Unisys, Ltd. retains 13,750,073 treasury stocks (holding ratio: 12.53%).

Group Companies
As of March 31, 2010

Marketing & Business Development & Consulting

Consulting, sales and marketing
Nihon Unisys, Ltd. (4,455 employees)

Consulting services
Cambridge Technology Partners, Ltd. (59 employees)

Investment advisory and business analysis services through the utilization of intellectual property information
NU Intellectual Property Financial Services Co., Ltd.
(non-consolidated company)

Strategy planning and consulting services
Intechstra Co., Ltd. (non-consolidated company)

ICT solution services for financial institutions
AFAS Inc. (70 employees)

Network & Support Services

Network and support services
UNIADEX, Ltd. (2,565 employees)
S&I Co., Ltd. (153 employees)

Network services
NETMARKS INC. (558 employees)

System Services

ICT solution services
USOL HOLDINGS Co., Ltd.
USOL Hokkaido Co., Ltd. (96 employees)
USOL Tohoku Co., Ltd. (29 employees)
USOL Tokyo Co., Ltd. (289 employees)
USOL Chubu Co., Ltd. (96 employees)
USOL Kansai Co., Ltd (53 employees)
USOL Chugoku Co., Ltd. (56 employees)
USOL Kyushu Co., Ltd. (76 employees)
USOL Vietnam Corporation (177 employees)

CAD/CAM system-related services
Nihon Unisys Excelutions, Ltd. (239 employees)

ICT solution services based in Okinawa
International Systems Development Co., Ltd. (155 employees)

ICT solution services for the distribution and manufacturing sectors
G&U System Service, Ltd. (72 employees)

ICT solution services for the distribution and retail sectors
UNIAID Co., Ltd. (non-consolidated company)

Outsourcing & Supply

Computer supply services
Nihon Unisys Supply, Ltd. (169 employees)

ICT outsourcing services
A-tas, Ltd. (86 employees)

Outsourcing services for the futures trading industry
TRADE Vision, Ltd. (5 employees)

Human Resource Development Services

Personnel training services
Nihon Unisys Learning Co.* (35 employees)

Group Shared Services

Group shared operations and various services
Nihon Unisys Business, Ltd. (177 employees)

Group accounting operations services
Nihon Unisys Accounting Co., Ltd.
(non-consolidated company)

U.S. base
NUL SYSTEM SERVICES CORPORATION (non-consolidated company)

* Nihon Unisys, Ltd. acquired Nihon Unisys Learning Co. effective May 1, 2010.