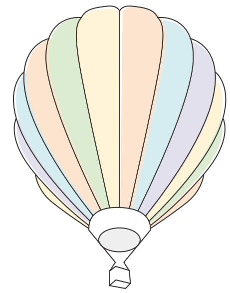
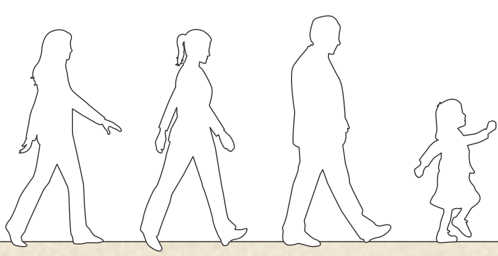
**Nihon Unisys, Ltd.**





# 2011

## ANNUAL REPORT

For the Year ended March 31, 2011

## Company Overview

# EVERY Era

The Nihon Unisys Group was founded in 1958 at the dawn of the computer era. Since then, it has been one of the leading solutions providers in Japan, continuing to provide information and communication technologies (ICT) solutions in quick response to the needs created by the changing times.

### Installation of Japan's first commercial computer

Installation of the UNIVAC120

In 1955, Japan's first commercial computer, the "UNIVAC120," was installed at the Tokyo Stock Exchange and Nomura Securities Co., Ltd.*1 The processing capabilities of this computer outclassed all other systems in use at that time. Therefore, it played a pivotal role in the development of the securities market in Japan during a period of rapid growth.

1955

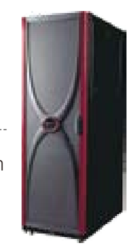
### Establishment

Headquarters

In March 1958, Nippon Remington Univac Kaisha, Ltd. (now Nihon Unisys, Ltd.) was established through an agreement between Daiichi Bussan (now Mitsui & Co., Ltd.) and Sperry Corporation (now Unisys Corporation).

1958

### Launch of the world's first Windows-based full-banking system*2



Enterprise Server ES7000

Open architecture systems integration business is one of the Group's main operational areas. In 2000, the Group launched the high-performance Windows server® ES7000. In 2006, it began offering BANKSTAR®, an open core system solution for banks without actual store locations. In 2007, the Group unveiled the new BankVision® accounting system for regional banks, which was the first full-banking system to be Windows based. In May 2011, this system was adopted by its seventh regional bank, and the eighth bank has already decided to adopt it. We are currently aggressively promoting sales of this system with the goal of making it the de facto standard for regional banks in Japan.

2000

*1. The UNIVAC120 was installed by Yoshizawa Kaikeiki Co., Ltd., a company whose operations were later transferred to Nippon Remington Univac Kaisha, Ltd. (the predecessor of Nihon Unisys, Ltd.).

*2. Full-banking system is a term referring to all products that are designed based on Nihon Unisys's UNIFINE concept. These products consist of a wide variety of systems including accounting systems compatible with both domestic and foreign currencies interbank connection system, channel hub systems, funds and securities systems, and financial support systems.

### Contents

U&U
Users & Unisys

The Nihon Unisys Group has created its corporate concept of "U&U" (Users & Unisys) as a symbol of its commitment to providing high-quality services based on its philosophy of placing customers first. This concept serves as an unwavering guide for our business activities.

## Evolution as a service integrator that creates new value together with its customers

Data Center

Leveraging the strength of its customer base, the Nihon Unisys Group is aiming to evolve into a service integrator that creates new value together with its customers. In this pursuit, we are fusing the operational expertise we have cultivated through our system integration efforts and cloud-computing-based technical capabilities with our business process outsourcing (BPO) services to create new service offerings. As one facet of these efforts, in 2010, the Group began engaging in a number of joint initiatives based on revenue sharing schemes. These include supporting a customer loyalty point system offered by a major electronics store chain, where a mobile phone can be used in place of a point card, as well as the operation of online stores. Going forward, we will work together with our customers to create and subsequently develop new businesses centered on our system integration business.

## Relationship with Unisys Corporation

In March 2006, Unisys Corporation, one of the major shareholders of Nihon Unisys, divested its entire holding in Nihon Unisys.

2006

2011

## Company Overview

# EVERY Field

The Nihon Unisys Group serves a variety of customers in a wide range of fields including the financial, manufacturing, commerce distribution, energy, and public service fields. The Group offers these customers all-inclusive solutions to resolve their management issues, solutions that trace such issues from their initial analysis to their resolution.

### Financial

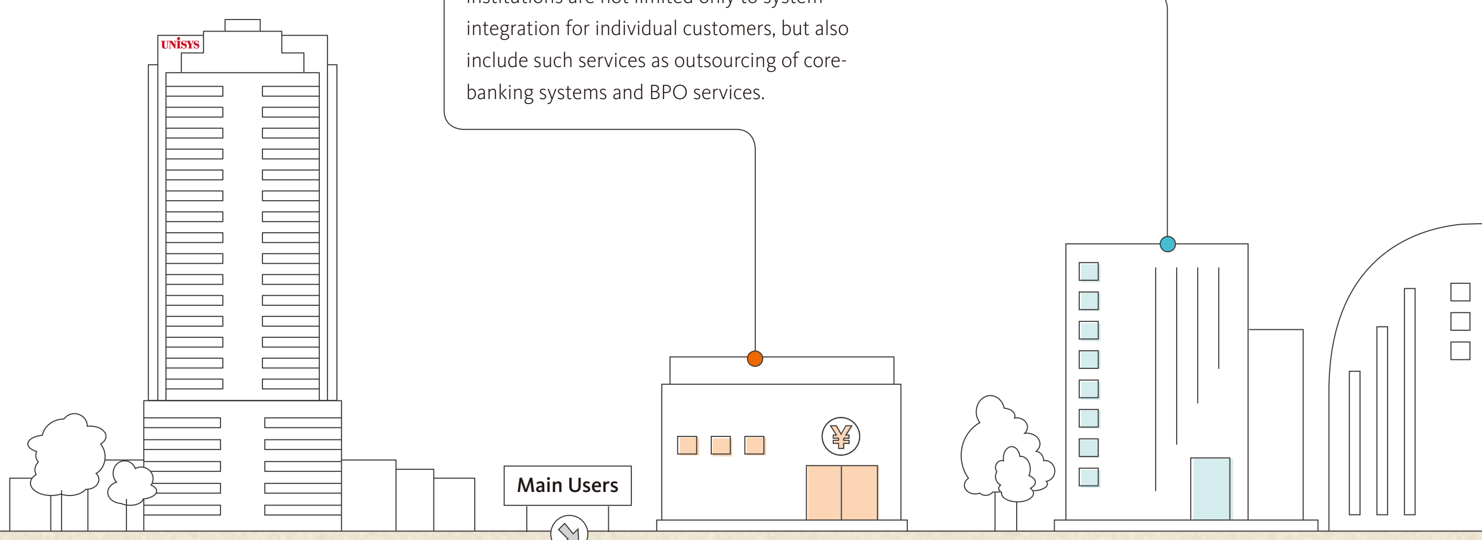
**Establishing a strong position in the financial market**

As a service integrator, we offer a variety of services to financial institutions in response to the specific needs of their various business operations, such as megabank, regional bank, credit union, securities, and insurance operations. The services we provide to these institutions are not limited only to system integration for individual customers, but also include such services as outsourcing of core-banking systems and BPO services.

### Public and Government

**Strengthening cloud-computing service offerings**

Over the years, we have continued to provide key systems for the offices of the central government and municipal governments.
To support local governments reduce their IT costs, enhance services for local residents, and support the specialization of employees, we are reworking government service solutions, where we have a wealth of experience, to enable multitenancy and providing them as SaaS services.

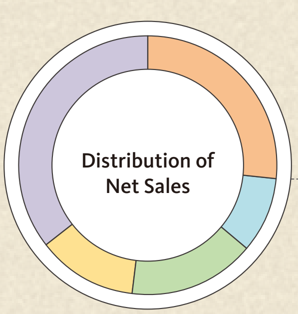



Financial:

- The Norinchukin Bank
- Mitsubishi UFJ Financial Group, Inc.
- Sumitomo Mitsui Financial Group, Inc.

Public and Government:

- Ministry of Health, Labour and Welfare
- City of Sapporo
- National Agency for the Advancement of Sports and Health



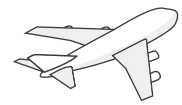

(Year ended March 31, 2011)

| Financial | Public and Government |
|---|---|
| 26.8% | 9.5% |

## Manufacturing

### Consolidating accumulated operational expertise and technological capabilities into package solutions

In the engineering field, we have provided computer-aided design (CAD) and computer-aided manufacturing (CAM) systems for over 30 years. Over this time, we have delivered such systems to approximately 1,400 manufacturing companies including those related to the manufacturing of automobiles, molds, and housing. Recently, we have been bolstering our lineup of purchasing and procurement solutions and are actively supporting our customers throughout all stages of their strategic purchasing and procurement efforts.



## Commerce and Distribution

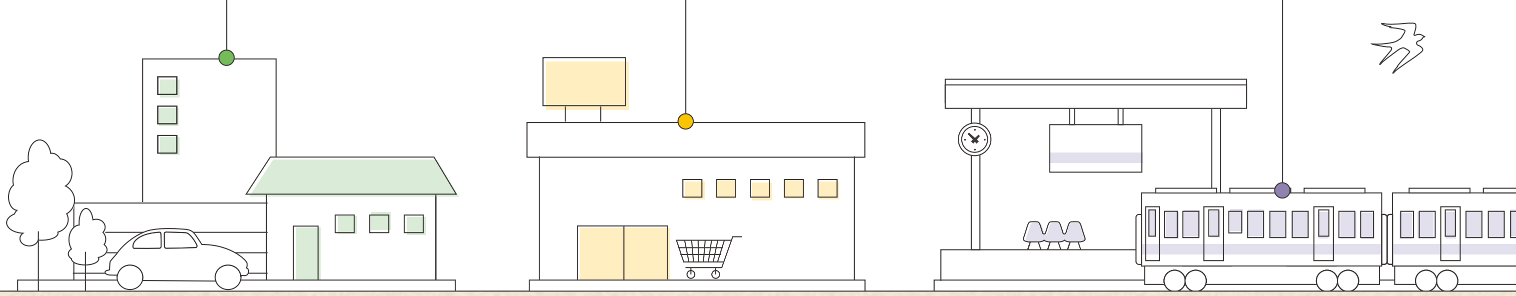
### Responding to new trends

We have a long history of serving the mail-order sales industry, with approximately 40% of the 60 major mail-order companies in Japan being customers of the Nihon Unisys Group. Additionally, we have established a strong reputation in the retail industry for our service solutions provided to specialty stores, etc. However, rather than just limiting ourselves to serving retail and mail-order companies, we are applying the knowledge we have accumulated to e-commerce conducted on the mediums of the Internet and mobile phones. Through these efforts, we are expanding operations to offer services to businesses in the fields of apparel, manufacturing, and service provision, as well as to composite businesses consisting of combinations of these businesses. Further, utilizing combinations of our various value-added service offerings, we have helped our customers improve their profitability, and thereby taken advantage of new business opportunities.

## Utilities, Services and Others

### Developing high-value-added businesses in growth fields

We have provided key systems to power companies and the air transport industry for a number of years. Also, we currently operate high-value-added businesses in such areas as the medical and logistics fields, where businesses are expected to show strong growth in the future, and the electronic commerce (EC) field for the travel industry, among others.



- TOYOTA MOTOR CORPORATION
- Sekisui House, Ltd.
- NIKON CORPORATION

- Yamada Denki Co., Ltd.
- Nissen Co., Ltd.
- FamilyMart Co., Ltd.

- All Nippon Airways Co., Ltd.
- Tokyo / Chubu / Hokkaido electric power companies
- KDDI CORPORATION
- West Japan Railway Company

**Manufacturing**

15.7%

**Commerce and Distribution**

12.6%

**Utility, Services and Others**

35.4%

Company Overview

# EVERY Aspect

By working in close communication with customers, the Group is able to provide powerful support for ICT-based business innovation through the creation of solutions that are optimized to meet the customer's specific needs.

## Technological Capabilities

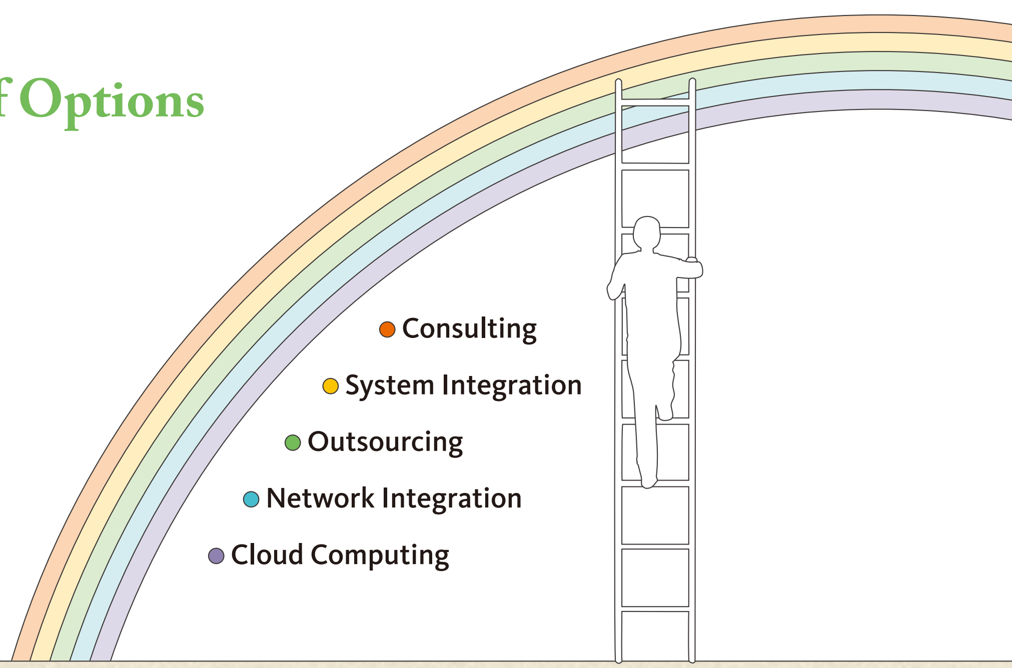
- Upstream and downstream capabilities
- Mission critical systems

## Wide-ranging Operational Experience

- Services for various industries
- Proposals to resolve customers' management issues

## Diverse Range of Options

- No vendor lock-in
- Multi-vendor support




**Key Characteristics of the Nihon Unisys Group**

### Technological Capabilities

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

Further, we are one of the few system integrators in Japan capable of developing ICT systems that feature the sophisticated mission critical elements that our customers demand. Leveraging this strength, we are active in our quest to create main systems for banks, airlines and customers in a variety of sectors.

### Wide-ranging Operational Experience

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 the knowledge and experience garnered from a broad mix of sectors, we are able to provide customers with the most-effective ICT solutions to achieve their strategic goals.

However, our efforts are not limited to the provision of ICT solutions. We also take a customer-based perspective and work together with customers to help them resolve their management issues.

### Diverse Range of Options

The Nihon Unisys Group is not dependent upon a single vendor. Therefore, we are able to provide customers with a perfect mix of hardware and software, combining the offerings of several different vendors to create the optimal ICT environment to resolve their management issues. In addition, we offer comprehensive support for the multi-vendor ICT environments used by customers, taking full responsibility for the operation and maintenance of these environments. To this end, we employ a number of technicians that are well versed in the products of the various vendors with which the Group handles. These technicians play a central role in providing high-quality support services.

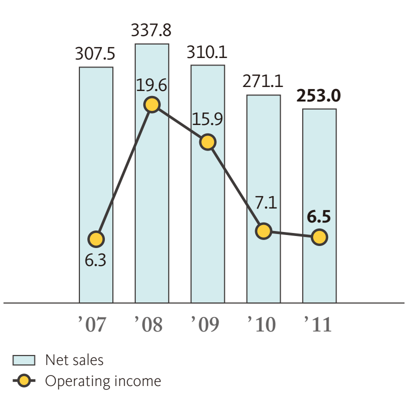
# Financial Highlights

Nihon Unisys, Ltd. and Consolidated Subsidiaries
Years Ended March 31

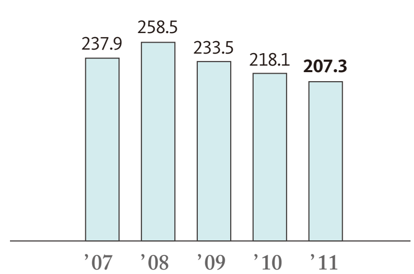
| | Millions of Yen | | | | | Thousands of U.S. Dollars |
|---|---|---|---|---|---|---|
| | 2011 | 2010 | 2009 | 2008 | 2007 | 2011 |
| Net sales | **¥ 252,990** | ¥ 271,085 | ¥ 310,127 | ¥337,759 | ¥307,455 | **$ 3,042,574** |
| Operating income | **6,527** | 7,106 | 15,883 | 19,649 | 6,278 | **78,497** |
| Net income (loss) | **2,575** | 3,627 | (8,819) | 2,546 | 3,434 | **30,968** |
| Total assets | **207,282** | 218,067 | 233,546 | 258,458 | 237,862 | **2,492,868** |
| Total equity | **76,770** | 76,927 | 75,465 | 86,341 | 87,018 | **923,271** |
| Interest-bearing debt | **78,921** | 81,848 | 90,526 | 99,400 | 78,728 | **949,140** |
| **Per share amounts (Yen / Dollars):** | | | | | | |
| Basic net income (loss) | **¥ 27.12** | ¥ 37.82 | ¥ (91.96) | ¥26.54 | ¥35.97 | **$ 0.33** |
| Cash dividends applicable to the year | **10.00** | 10.00 | 15.00 | 12.00 | 7.50 | **0.12** |

Note: Yen amounts have been translated into U.S. dollars, for convenience only, at ¥83.15 = U.S. $1, the rate prevailing on March 31, 2011.

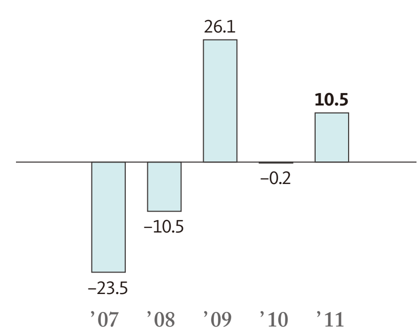
**Net sales / Operating income**
(Billions of yen)



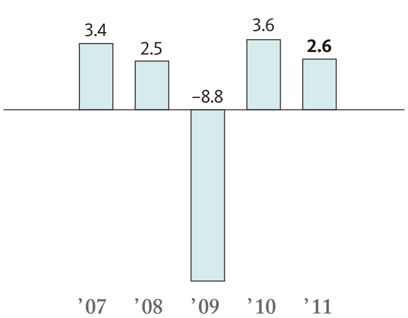

**Total assets**
(Billions of yen)



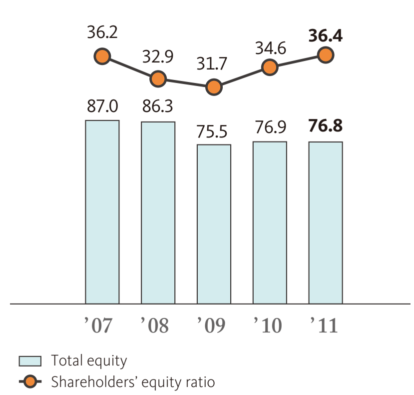

**Free cash flows**
(Billions of yen)



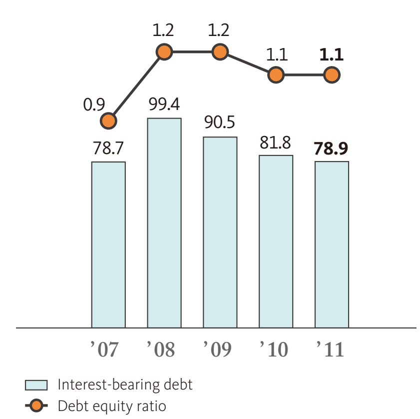

**Net income (loss)**
(Billions of yen)




**Total equity / Shareholders' equity ratio**
(Billions of yen / %)




**Interest-bearing debt / Debt equity ratio**
(Billions of yen / times)



# A Message from the President and CEO

## We aim to enable customers to realize innovation within their business through a new form of partnership.

First, I would like to express my sympathy for all of those affected by the Great East Japan Earthquake, which occurred on March 11, 2011. I pray for the fast recovery of the regions that have sustained damage as a result of this disaster.

The information service market in Japan continues to be characterized by reluctance on the part of companies to engage in IT investment. In addition, the impact of the Great East Japan Earthquake coupled with the effects of the rapid appreciation of the Japanese yen have added a new element of uncertainty to the already harsh operating environment.

In order for the Nihon Unisys Group to grow in this harsh operating environment, it is essential that the Group provide services that exceed the expectations of its customers. In providing such services, we also must remain responsive to the changing needs of customers. Previously, customers had primarily looked to ICT solution companies as a means of improving business efficiency and cutting costs. Recently, however, the scope of customer needs has become much broader as they look for solutions that help them create new business opportunities and take advantage of these business opportunities to improve their performance. Accordingly, Nihon Unisys must evolve into a company that can provide such solutions and that is also capable of quickly providing services in response to these and other changes in the operating environment.

The Nihon Unisys Group operates in accordance with the philosophy embodied in its corporate concept of “U&U” (Users & Unisys), under which it aims to create new value together with its customers. As customer expectations of ICT solution companies evolve and expand, we will further deepen our commitment to this philosophy. While acting in accordance with this philosophy, we will work onsite with customers to help resolve the management issues they face by leveraging the Group’s superior technological capabilities. At the same time, we will utilize SaaS and other cloud-computing services to shorten the period of time it takes to deliver our solution-based services into the hands of customers. Through these efforts, we are committed to ensuring that our customers are able to continue to grow their businesses on into the future. At the same time, we will relentlessly pursue growth in our own operations.

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

August 2011

**Shigeru Kurokawa**
President and CEO

# Corporate Governance

## Basic Approach to Corporate Governance

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

Our policy on corporate governance is expressed as follows as per the Nihon Unisys Group Corporate Conduct Charter. This document serves as the Group's code of conduct and outlines the measures it will implement to contribute to the development of a sustainable society as a good corporate citizen.

### Reinforcing and Enhancing Corporate Governance

Seeking to continuously raise corporate value, the Group strives to reinforce and enhance its corporate governance through the establishment of internal controls.

- The Group will work to practice good corporate governance based on high ethical standards and transparency.
- We will ensure business transparency by disclosing corporate information in an appropriate and timely manner.
- We will effectively respond to the various risks that could seriously affect Group management. We will promptly and precisely respond to any risks that either have affected or have the possibility of affecting the Group.

## Corporate Governance Structure

### Reasons for Adopting the Current Corporate Governance Structure

The Company has adopted the corporate auditor system based on the belief that a system of corporate auditor oversight that includes outside corporate auditors is an effective means for ensuring management oversight.

In light of the rapidly evolving nature of our industry, the core of the Board of Directors consists of six in-house managing directors with an expert understanding of the industry and the Company. In addition, we have appointed two outside managing directors who ensure effective management oversight by offering objective, expert advice based on their vast experience in corporate management from an independent perspective. We believe this structure brings a broader perspective and an added element of objectivity to our decision making and helps guarantee the effective oversight of our business operations.

### Outline of the Current System

The operations, functions, and activities conducted by each body are as follows.

#### Board of Directors

The Board of Directors consists of eight 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 term was decided with the goal of securing a flexible management structure that can promptly respond to the changing business environment and clarifying the responsibilities of the managing directors.

#### Business Execution Structure

##### Corporate Officer System

The Company has adopted the corporate officer system as part of its policy for establishing a solid management control system, and works to separate the functions of management oversight and business execution.

##### Executive Council

The Executive Council, composed of representative directors, is a body created to deliberate and make prompt, efficient decisions regarding important business execution related matters.

##### Committees

To bring a practical perspective to the deliberation of specific management issues related to the business execution of the 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.

##### Collective Decision-making System

To deal with issues that require decisions beyond the authority of first-tier unit managers, we have developed a system of approval in which either corporate officers responsible for the division in question or the representative directors collectively make decisions while considering expert opinion presented by corporate staff managers from related divisions.

## Audit Structure

### Audits by Corporate Auditors

There are four corporate auditors, including three full-time corporate auditors. Of the four corporate auditors, three are outside corporate auditors, two of whom are full-time 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 both operations and assets, thereby monitoring the business execution of the managing directors. The corporate auditors also audit the status of the management of Group companies and seek to enhance the quality of Group audits by maintaining regular contact with the corporate auditors at Group companies. To ensure the effectiveness of the audits conducted by the corporate auditors and the smooth execution of the auditing function, we have established the Corporate Auditors Office to assist the corporate auditors in the execution of their duties. Further, to secure independence from the Board of Directors, staff appointments to the Corporate Auditors Office are decided by the managing director responsible for such decisions 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. Likewise, full-time corporate auditor Atsushi Takaoka possesses considerable insight into financial and accounting matters based on his extensive experience working at financial institutions.

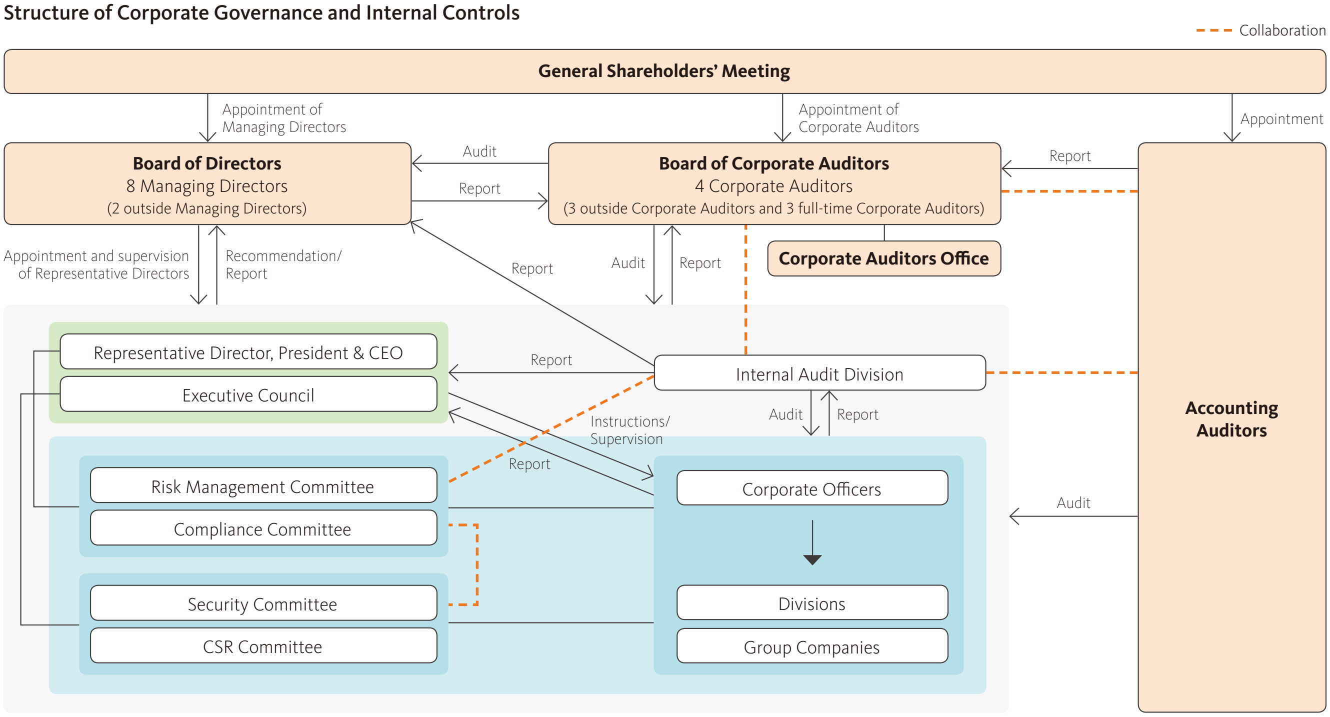
### Accounting Audit

The Company is audited by the independent public accounting firm Deloitte Touche Tohmatsu LLC. Certified public accountants responsible for conducting the accounting audit were Yotaro Kojima, Yoshiyuki Higuchi, and Kazunari Todoroki, who are all employed at Deloitte Touche Tohmatsu. These three independent auditors have been regularly involved in the Company's accounting audit for no longer than seven years. Representing the Company, seven certified public accountants and eight other support staff assist in the accounting audit. There are no conflicts of interest between the Company and Deloitte Touche Tohmatsu in terms of personnel, finances, business relationships, or any other matters. In addition, our key subsidiaries also undergo separate audits by Deloitte Touche Tohmatsu.

### Internal Audit

The Internal Audit Division, which is a 41-member body within Nihon Unisys, Ltd., conducts internal audits of all divisions across the Group to assess the appropriateness and efficiency of internal controls. The results of these audits are reported to top management, and the division 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 implementation of corrective actions as well as to share these with other divisions. In addition, information regarding these audits is provided to Deloitte Touche Tohmatsu.

**Structure of Corporate Governance and Internal Controls**



# Directors, Corporate Auditors, and Corporate Officers

As of June 29, 2011

**Shigeru Kurokawa**
Representative Director,
President & CEO

**Keiji Shiratori**
Representative Director,
Superior Vice President

**Shunichi Miyazaki**
Representative Director,
Executive Corporate Officer

**Yasushi Kado**
Representative Director,
Executive Corporate Officer

**Akiyoshi Hiraoka**
Representative Director,
Executive Corporate Officer

**Ryuji Tatsuno**
Representative Director,
Superior Senior Corporate Officer

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Managing Directors, Part-Time

**Kenji Akikawa**
**Shinichiro Konishi**

Corporate Auditors, Full-time

**Hiroshi Nomura**
**Eiji Ike**
**Atsushi Takaoka**

Corporate Auditor, Part-Time

**Katsuhisa Kiyozuka**

Senior Corporate Officers

**Kei Sawada**
**Shigeru Inoue**
**Osamu Takahashi**
**Yasuaki Ohta**
**Makoto Akiyama**
**Choei Okabe**
**Yutaka Ogawa**
**Yasushi Iribe**
**Yoshinori Ijichi**
**Susumu Mukai**
**Kazuhiro Iwata**

Corporate Officers

**Minoru Tasaki**
**Mitsuo Matsuura**
**Masashi Yamada**
**Ryoichi Yamashita**
**Tetsuro Yoshioka**
**Masayuki Okada**

# Environmental and Social Contribution Activities

## Environmental Activities

The slogan, "What ICT can do for the Earth," is upheld by the Nihon Unisys Group in all of its environmental activities. In accordance with this slogan, the Group works to contribute to the development of a sustainable, prosperous society in its role as an ICT company through the reduction of environmental impact and more-efficient use of the planet's scarce resources. In our business activities, we endeavor to reduce the usage of electricity, paper, and other limited resources while actively practicing the "three Rs" (reduce, reuse, and recycle). At the same, we aim to purchase system components and equipment that have minimal environmental impact. Further, we strive to create business models for improving operational efficiency and reducing the environmental impact of our customers' business activities through the ICT solutions we provide.

### Topics

#### Reducing the Environmental Impact of the Green Data Center

At the Nihon Unisys Group's Green Data Center, we are developing a next-generation data center model through investigating the efficient operation of servers and networks that utilize state-of-the-art ICT equipment and use natural energy.

Customers will be able to significantly reduce their electricity consumption by consolidating their servers within the Group's data center. In addition, this data center will provide services that make metrics on electricity consumption and $CO_2$ emissions easily obtainable, thereby helping customers achieve optimal energy management. The Group believes that developing such systems that leverage cloud-computing services to reduce electricity consumption is of great importance to customers as well as society at large.

Green Data Center

## Social Contribution Activities

By effectively applying its strengths as an ICT company, the Group aims to contribute to the sound, prosperous development of society through the provision of services and solutions. As a good corporate citizen, we are working in cooperation with local communities and society in general to further the betterment of society as a whole.

### Topics

#### Supporting Earthquake Affected Regions through Initiatives Unique to an ICT Company

Following the Great East Japan Earthquake, which occurred on March 11, 2011, the Nihon Unisys Group began offering support to local governments, companies, and other organizations in the affected regions to assist the recovery effort. Specific initiatives undertaken are described below. (Certain initiatives have ended.)

- Offered special maintenance services for Nihon Unisys Group equipment damaged by the earthquake
- Provided Local Government Cloud Service free of charge to local governments in the affected regions
- Provided SASTIK® Service, an SaaS service platform, free of charge
- Supported the "Higashi Nihon Dai-Shinsai Kodomo no Manabi Shien Portal Site," a children's support portal created by the Ministry of Education, Culture, Sports, Science and Technology
- Provided eSupplierStation®, an SaaS service for purchasing departments, free of charge
- Developed the "Denshi Syoseki wo Katsuyoushita Higashi Nihon Dai-Shinsai Fukkou Shien Site," an earthquake recovery support site, in cooperation with the Japan Library Association
- Provided PowerWorkPlace®, an SaaS service that facilitates communication with telecommuters and other employees in remote locations, free of charge

Subsequent to the March 11 earthquake, cloud-computing services have been gaining increasing attention as disaster countermeasures due to how quickly they can be installed and their relative security. Going forward, the Group will continue to provide ICT services based on its extensive operational experience of its unique cloud-computing services, which it was an industry leader in developing. Through these and other efforts, the Group will continue to support the development of a safe, secure, and prosperous society.

# Analysis of Results of Operations, Financial Condition, and Cash Flows

## Analysis of Results of Operations

In the fiscal year under review, ended March 31, 2011, the Japanese economy saw the recovery of exports, production, and corporate income. However, severe operating conditions persisted due to the Japanese economy's dependence on other economies, coupled with the effects of the Great East Japan Earthquake, which occurred on March 11, 2011. In the information service market, investment in information systems by corporations was more or less consistent with the previous fiscal year's levels. However, the sense of uncertainty in the market grew and the harsh operating environment continued.

### Net Sales

In this environment, consolidated net sales decreased ¥18,095 million year on year, or 6.7%, to ¥252,990 million, due to lower sales in all segments.

Financial results for each segment are as follows.

**System Services**

The System Services segment consists of contracted software development, system-related services, and consulting. Net sales in this segment decreased 9.0%, to ¥73,521 million.

**Support Services**

The Support Services segment consists of support services for software, support services for hardware, and installation services. Net sales in this segment decreased 5.1%, to ¥53,974 million.

**Outsourcing**

The Outsourcing segment consists of contracted administration of information system and others. Net sales in this segment decreased 2.8%, to ¥28,424 million.

**Netmarks Services**

The Netmarks Services segment consists of network system integration. Net sales in this segment decreased 8.0%, to ¥20,293 million.

**Software**

The Software segment consists of providing software under a software license agreement. Net sales in this segment decreased 4.7%, to ¥26,813 million.

**Hardware**

The Hardware segment consists of providing hardware under a sales contract or a lease contract. Net sales in this segment decreased 9.4%, to ¥34,816 million.

**Other**

The Other segment comprises businesses not included in other reportable segments, such as the printing business. Net sales in this segment decreased 2.4%, to ¥15,149 million.

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

### Operating Income

Gross profit decreased ¥3,043 million year on year, or 4.4%, to ¥65,881 million, due to lower net sales subsequently resulting in lower income.

Selling, general and administrative expenses decreased ¥2,464 million, or 4.0%, to ¥59,354 million. This was due to the effects of cost reduction measures resulting in decreases in employee salaries of ¥1,512 million, retirement benefits of ¥762 million, OA expenses of ¥631 million, and office expenses of ¥380 million. These decreases helped offset a ¥1,252 million increase in R&D expenditure.

As a result of the above, operating income decreased ¥579 million, or 8.1%, to ¥6,527 million.

### Net Income

Net income decreased ¥1,052 million, or 29.0%, to ¥2,575 million. While there was an increase in gain on sales of investments in subsidiaries and associated companies, however, this could not compensate for the effects of a one-time amortization of goodwill and the adoption of the Accounting Standard for Asset Retirement Obligations.

## Analysis of Financial Condition

### Balance Sheet

At the end of the fiscal year under review, the total assets of the Nihon Unisys Group amounted to ¥207,282 million, representing a year-on-year decrease of ¥10,785 million.

Total current assets at the end of the fiscal year decreased ¥7,850 million due to a ¥10,995 million decrease in accounts receivable–trade and a ¥1,840 million decrease in inventories, which offset a ¥4,953 million increase in cash and cash equivalents. Total non-current assets decreased ¥2,935 million as a result of year-on-year decreases of ¥2,193 million in net property, plant and equipment, including machinery and equipment and ¥1,164 in goodwill.

Total liabilities decreased ¥10,628 million, to ¥130,512 million, primarily as the result of lower accounts payable–trade and the Company's efforts to repay its debt.

Total equity decreased ¥157 million, to ¥76,770 million. Net income increased retained earnings, although the payment of cash dividends and the recording of a loss on retirement of treasury stock that occurred as a result of the share exchange conducted when acquiring NETMARKS INC. as a wholly owned subsidiary resulted in a decrease in assets. The shareholders' equity ratio was 1.8 percentage points higher at 36.4%.

### Analysis of Cash Flows

Cash and cash equivalents (hereinafter referred to as "cash") for the fiscal year under review increased ¥4,953 million, to ¥30,414 million. This reflects the fact that cash provided by operating activities was used to invest in non-current assets, through means such as the development of ICT services software, and to retire debt.

**○ Cash Flows from Operating Activities**

Net cash provided by operating activities in the fiscal year under review totaled ¥21,708 million, an increase of ¥7,208 million year on year. Major inflows included ¥3,840 million in income before income taxes and minority interests, down ¥1,566 million, and non-cash items such as ¥13,374 million in depreciation and amortization, up ¥165 million, and decrease in accounts receivable–trade of ¥10,130 million, compared with increase in accounts receivable–trade of ¥3,968 million in the previous fiscal year. Major outflows included decrease in accounts payable–trade of ¥3,165 million, up ¥1,646 million, and decrease in allowance for restructuring charges of ¥2,609 million, down ¥943 million.

**○ Cash Flows from Investing Activities**

Net cash used in investing activities was ¥11,168 million, down ¥3,533 million year on year. This mainly reflects the fact that the Company used ¥3,320 million in payments for purchases of property, plant and equipment such as computers for sales activities, ¥1,023 million less than was used in the previous fiscal year, and ¥7,720 million in payments for purchases of software in relation to the development of software for ICT services, ¥3,184 less than was used in the previous fiscal year.

**○ Cash Flows from Financing Activities**

Net cash used in financing activities during the fiscal year under review was ¥5,587 million, a decrease of ¥4,784 million year on year. Major inflows included ¥15,988 million in proceeds from long-term debt, an increase of ¥188 million, and net increase in commercial paper of ¥4,000 million, compared with net decrease in commercial paper of ¥2,000 million in the previous fiscal year. Major outflows include net decrease in short-term bank loans of ¥5,700 million, down ¥1,329 million, and ¥16,652 million in repayments of long-term debt, up ¥1,300 million.

### Working Capital Requirements

The Nihon Unisys Group requires sufficient operating capital to pay for outsourced systems and support services as well as 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, 2011, stood at ¥15,000 million.

## Dividend Policy

The Company will seek to continue issuing stable shareholder returns based on the understanding that the increase of corporate value is the most important means of repaying 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 such factors as securing internal reserves for business development and also comprehensively considering the business environment.

The Company follows our basic policy of paying dividends from retained earnings twice a year through interim and year-end dividends. Year-end dividends are decided at the general shareholders' meeting, while the Board of Directors is responsible for determining the interim dividend.

For the year ended March 31, 2011, targeting stable dividend payments, the Company paid annual dividends of ¥10.00 per share, consisting of an interim dividend of ¥5.00 per share and a year-end dividend of ¥5.00 per share, equivalent to the previous fiscal year.

# Risks in Business Operations

Major risks related to the Group's businesses and finances that have the possibility of influencing the decisions of investors are as follows. Forward-looking statements 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 technological advancement, may affect the business results and financial conditions of the Group.

### 2. Project Management Risks

The Group is engaged in many different system development projects. With intensified competition, however, customers are continually demanding more-sophisticated systems and as a result 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 both costs and time to resolve, 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 makes large investments with the aim of providing new products and services to strengthen its competitiveness and expand its businesses. When such investments are made, the R&D/Investment Committee and the Executive 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 achieved. If the Group is unable to achieve an adequate return, then its business results may be affected.

### 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 Group 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 the 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 Rights Risks

The Group applies intellectual property rights to a large number of computer programs for its business operations. Thus, any failure in the 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 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 Group imports and sells Unisys Corporation-made computers and other foreign-made products. Thus, the Group's procurements in foreign-currency denominations could be exposed to fluctuations in foreign exchange rates. To avoid such risks, the Group takes risk-hedging measures through forward exchange contracts. The Group's purchase of foreign-currency denominations totaled ¥7,385 million for the fiscal year under review.

### 9. Lawsuit Risks

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

### 10. Natural Disaster Risks

The occurrence of a natural disaster, such as an earthquake or infectious disease outbreak, could cause damage to or otherwise result in loss of social infrastructure or one or more of the Group's major business bases. Such a disaster could also injure many of our suppliers or employees, or result in a situation in which the Group must restrict its business activities to ensure the safety or maintain the wellbeing of such suppliers or employees. Were such a disaster to occur, then the Group may have to incur significant expenses to respond to the damages, which could greatly impact sales or 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. and Consolidated Subsidiaries
March 31, 2011 and 2010

| ASSETS | Millions of Yen 2011 | Millions of Yen 2010 | Thousands of U.S. Dollars (Note 1) 2011 |
|---|---|---|---|
| **Current Assets:** | | | |
| Cash and cash equivalents (Notes 4 and 16) | **¥30,414** | ¥25,461 | **$365,773** |
| Investment securities-due within one year (Notes 5 and 16) | **21** | 30 | **253** |
| Accounts receivable-trade (Notes 6 and 16) | **59,255** | 70,250 | **712,628** |
| Inventories (Note 7) | **7,068** | 8,908 | **85,003** |
| Deferred tax assets (Note 10) | **6,313** | 8,208 | **75,923** |
| Other | **10,125** | 8,221 | **121,767** |
| Allowance for doubtful accounts | **(253)** | (285) | **(3,043)** |
| Total current assets | **112,943** | 120,793 | **1,358,304** |
| **Property, Plant and Equipment:** | | | |
| Land | **634** | 848 | **7,625** |
| Buildings and structures (Note 8) | **12,386** | 14,735 | **148,960** |
| Machinery and equipment (Note 8) | **70,519** | 75,041 | **848,094** |
| Other | **1,646** | 1,364 | **19,795** |
| Total | **85,185** | 91,988 | **1,024,474** |
| Accumulated depreciation | **(70,005)** | (74,615) | **(841,912)** |
| Net property, plant and equipment | **15,180** | 17,373 | **182,562** |
| **Investments and Other Assets:** | | | |
| Investment securities (Notes 5 and 16) | **11,852** | 12,352 | **142,538** |
| Investments in associated companies | **1,385** | 1,403 | **16,657** |
| Goodwill (Note 8) | **2,354** | 3,518 | **28,310** |
| Software (Note 8) | **23,561** | 24,313 | **283,355** |
| Lease deposits | **8,705** | 9,252 | **104,690** |
| Prepaid pension costs (Note 11) | **7,009** | 7,812 | **84,293** |
| Deferred tax assets (Note 10) | **21,357** | 18,712 | **256,849** |
| Other | **2,936** | 2,539 | **35,310** |
| Total investments and other assets | **79,159** | 79,901 | **952,002** |
| Total | **¥207,282** | ¥218,067 | **$2,492,868** |

See notes to consolidated financial statements.

| LIABILITIES AND EQUITY | Millions of Yen 2011 | 2010 | Thousands of U.S. Dollars (Note 1) 2011 |
|---|---|---|---|
| **Current Liabilities:** | | | |
| Short-term bank loans (Notes 9 and 16) | | ¥5,700 | |
| Current portion of long-term debt (Notes 9 and 16) | **¥17,887** | 16,652 | **$215,117** |
| Commercial paper (Notes 9 and 16) | **13,000** | 9,000 | **156,344** |
| Accounts payable-trade (Note 16) | **18,934** | 23,404 | **227,709** |
| Accounts payable-other | **1,893** | 2,196 | **22,766** |
| Income taxes payable (Note 10) | **1,858** | 1,396 | **22,345** |
| Accrued expenses | **10,229** | 10,665 | **123,019** |
| Advances received | **10,379** | 10,083 | **124,823** |
| Allowance for restructuring charges | | 2,609 | |
| Other (Note 15) | **5,015** | 6,086 | **60,312** |
| Total current liabilities | **79,195** | 87,791 | **952,435** |
| **Long-term Liabilities:** | | | |
| Long-term debt (Notes 9 and 16) | **46,850** | 49,450 | **563,440** |
| Long-term accounts payable-other | **118** | 314 | **1,419** |
| Allowance for retirement benefits (Note 11) | **917** | 1,434 | **11,028** |
| Negative goodwill | **23** | 39 | **277** |
| Deferred tax liabilities (Note 10) | **707** | 660 | **8,503** |
| Asset retirement obligations | **1,275** | | **15,334** |
| Other (Note 15) | **1,427** | 1,452 | **17,161** |
| Total long-term liabilities | **51,317** | 53,349 | **617,162** |
| **Commitments and Contingent Liabilities (Notes 15 and 18)** | | | |
| **Equity (Notes 12, 13 and 22):** | | | |
| Common stock, authorized, 300,000,000 shares; issued, 109,663,524 shares in 2011 and 2010 | **5,483** | 5,483 | **65,941** |
| Capital surplus | **15,282** | 15,476 | **183,788** |
| Stock acquisition rights | **834** | 790 | **10,030** |
| Retained earnings | **75,808** | 75,149 | **911,702** |
| Treasury stock-at cost 15,683,618 shares in 2011 and 13,751,309 shares in 2010 | **(19,361)** | (19,260) | **(232,844)** |
| Accumulated other comprehensive income (loss): | | | |
| Net unrealized loss on available-for-sale securities | **(1,717)** | (1,366) | **(20,649)** |
| Deferred gain on derivatives under hedge accounting | **18** | 13 | **216** |
| Total | **76,347** | 76,285 | **918,184** |
| Minority interests | **423** | 642 | **5,087** |
| Total equity | **76,770** | 76,927 | **923,271** |
| Total | **¥207,282** | ¥218,067 | **$2,492,868** |

See notes to consolidated financial statements.

# Consolidated Statements of Income

Nihon Unisys, Ltd. and Consolidated Subsidiaries
Years Ended March 31, 2011 and 2010

| | Millions of Yen | | Thousands of U.S. Dollars (Note 1) |
|---|---|---|---|
| | **2011** | 2010 | **2011** |
| Net sales | **¥252,990** | ¥271,085 | **$3,042,574** |
| Cost of sales | **187,109** | 202,161 | **2,250,259** |
| Gross profit | **65,881** | 68,924 | **792,315** |
| Selling, general and administrative expenses (Note 14) | **59,354** | 61,818 | **713,818** |
| Operating income | **6,527** | 7,106 | **78,497** |
| Other income (expenses): | | | |
| Interest and dividend income | **242** | 546 | **2,910** |
| Interest expense | **(960)** | (1,042) | **(11,545)** |
| Gain on sales of property, plant and equipment | **79** | 1 | **950** |
| Gain (loss) on sales of investment securities (Note 5) | **(26)** | 233 | **(313)** |
| Loss on valuation of investment securities | **(61)** | (32) | **(734)** |
| Foreign exchange gain (loss) | **(13)** | 211 | **(156)** |
| Impairment loss (Note 8) | **(515)** | (778) | **(6,194)** |
| Equity in earnings of associated companies | **30** | 114 | **361** |
| Gain on sales of investments in subsidiaries and associated companies | **1,289** | 12 | **15,502** |
| Settlement package | | (340) | |
| Additional amortization of goodwill | **(1,842)** | | **(22,153)** |
| Provision for office transfer expenses | **(334)** | (7) | **(4,017)** |
| Loss on adjustment for change of accounting standard for asset retirement obligations | **(449)** | | **(5,400)** |
| Other-net | **(127)** | (618) | **(1,526)** |
| Other expenses-net | **(2,687)** | (1,700) | **(32,315)** |
| Income before income taxes and minority interests | **3,840** | 5,406 | **46,182** |
| Income taxes (Note 10): | | | |
| Current | **2,086** | 1,879 | **25,087** |
| Deferred | **(724)** | 81 | **(8,707)** |
| Total income taxes | **1,362** | 1,960 | **16,380** |
| Net income before minority interests | **2,478** | 3,446 | **29,802** |
| Minority interests in net loss | **(97)** | (181) | **(1,166)** |
| Net income | **¥2,575** | ¥3,627 | **$30,968** |

| | Yen | | U.S. Dollars |
|---|---|---|---|
| **Per Share Amounts (Notes 2.u and 20):** | | | |
| Basic net income | **¥27.12** | ¥37.82 | **$0.33** |
| Diluted net income | | | |
| Cash dividends applicable to the year | **10.00** | 10.00 | **0.12** |

See notes to consolidated financial statements.

# Consolidated Statement of Comprehensive Income

Nihon Unisys, Ltd. and Consolidated Subsidiaries
Year Ended March 31, 2011

| | Millions of Yen | Thousands of U.S. Dollars (Note 1) |
|---|---|---|
| | **2011** | **2011** |
| Net income before minority interests | **¥2,478** | **$29,802** |
| Other comprehensive income (loss) (Note 19): | | |
| Unrealized loss on available-for-sale securities | **(351)** | **(4,222)** |
| Deferred gain on derivatives under hedge accounting | 5 | 60 |
| Total other comprehensive loss | **(346)** | **(4,162)** |
| Comprehensive income | **2,132** | **25,640** |
| Total comprehensive income attributable to (Note 19): | | |
| Owners of the parent | **¥2,229** | **$26,807** |
| Minority interests | **(97)** | **(1,167)** |

See notes to consolidated financial statements.

# Consolidated Statements of Changes in Equity

Nihon Unisys, Ltd. and Consolidated Subsidiaries
Years Ended March 31, 2011 and 2010

| | Thousands | Millions of Japanese Yen | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | Accumulated other comprehensive income (loss) | | | | | |
| | Outstanding number of shares of common stock | Common stock | Capital surplus | Stock acquisition rights | Retained earnings | Treasury stock -at cost | Net unrealized loss on available-for-sale securities | Deferred gain (loss) on derivatives under hedge accounting | Foreign currency translation adjustments | Total | Minority interests | Total equity |
| Balance, March 31, 2009 | 95,913 | ¥5,483 | ¥15,476 | ¥601 | ¥72,933 | ¥(19,260) | ¥(627) | ¥21 | ¥13 | ¥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) |
| Change in functional currency at a foreign consolidated subsidiary | | | | | 28 | | | | | 28 | | 28 |
| Net changes of items | | | | 189 | | | (739) | (8) | (13) | (571) | (183) | (754) |
| Net change during the year | (1) | | | 189 | 2,216 | | (739) | (8) | (13) | 1,645 | (183) | 1,462 |
| Balance, March 31, 2010 | 95,912 | ¥5,483 | ¥15,476 | ¥790 | ¥75,149 | ¥(19,260) | ¥(1,366) | ¥13 | | ¥76,285 | ¥642 | ¥76,927 |
| Net income | | | | | 2,575 | | | | | 2,575 | | 2,575 |
| Cash dividends | | | | | (721) | | | | | (721) | | (721) |
| Purchase of treasury stock | (3,356) | | | | | (2,096) | | | | (2,096) | | (2,096) |
| Retirement of treasury stock | 1,424 | | (194) | | (1,195) | 1,995 | | | | 606 | | 606 |
| Net changes of items | | | | 44 | | | (351) | 5 | | (302) | (219) | (521) |
| Net change during the year | (1,932) | | (194) | 44 | 659 | (101) | (351) | 5 | | 62 | (219) | (157) |
| Balance, March 31, 2011 | 93,980 | ¥5,483 | ¥15,282 | ¥834 | ¥75,808 | ¥(19,361) | ¥(1,717) | ¥18 | | ¥76,347 | ¥423 | ¥76,770 |

| | Thousands of U.S. Dollars (Note 1) | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | Accumulated other comprehensive income (loss) | | | | | |
| | Common stock | Capital surplus | Stock acquisition rights | Retained earnings | Treasury stock -at cost | Net unrealized loss on available-for-sale securities | Deferred gain on derivatives under hedge accounting | Foreign currency translation adjustments | Total | Minority interests | Total equity |
| Balance, March 31, 2010 | $65,941 | $186,121 | $9,501 | $903,776 | $(231,630) | $(16,428) | $156 | | $917,437 | $7,721 | $925,158 |
| Net income | | | | 30,968 | | | | | 30,968 | | 30,968 |
| Cash dividends | | | | (8,670) | | | | | (8,670) | | (8,670) |
| Purchase of treasury stock | | | | | (25,207) | | | | (25,207) | | (25,207) |
| Retirement of treasury stock | | (2,333) | | (14,372) | 23,993 | | | | 7,288 | | 7,288 |
| Net changes of items | | | 529 | | | (4,221) | 60 | | (3,632) | (2,634) | (6,266) |
| Net change during the year | | (2,333) | 529 | 7,926 | (1,214) | (4,221) | 60 | | 747 | (2,634) | (1,887) |
| Balance, March 31, 2011 | $65,941 | $183,788 | $10,030 | $911,702 | $(232,844) | $(20,649) | $216 | | $918,184 | $5,087 | $923,271 |

See notes to consolidated financial statements.

# Consolidated Statements of Cash Flows

Nihon Unisys, Ltd. and Consolidated Subsidiaries
Years Ended March 31, 2011 and 2010

| | Millions of Yen | | Thousands of U.S. Dollars (Note 1) |
|---|---|---|---|
| | **2011** | 2010 | **2011** |
| **Operating Activities:** | | | |
| Income before income taxes and minority interests | **¥3,840** | ¥5,406 | **$46,182** |
| Adjustments for: | | | |
| Income taxes paid | **(1,365)** | (3,017) | **(16,416)** |
| Impairment loss | **515** | 778 | **6,194** |
| Depreciation and amortization | **13,374** | 13,209 | **160,842** |
| Amortization of goodwill | **2,101** | 216 | **25,268** |
| Amortization of negative goodwill | **(44)** | (16) | **(529)** |
| Gain on sales of property, plant and equipment | **(79)** | (1) | **(950)** |
| Loss (gain) on sales of investment securities | **26** | (233) | **313** |
| Gain on sales of investments in subsidiaries and associated companies | **(1,289)** | (12) | **(15,502)** |
| Loss on valuation of investment securities | **61** | 32 | **734** |
| Loss on adjustment for change of accounting standard for asset retirement obligations | **449** | | **5,400** |
| Decrease (increase) in accounts receivable-trade | **10,130** | (3,968) | **121,828** |
| Decrease in inventories | **1,496** | 2,826 | **17,992** |
| Decrease in interest and dividends receivable | **3** | 5 | **36** |
| Decrease in accounts payable-trade | **(3,165)** | (1,519) | **(38,064)** |
| Decrease in interest payable | **(22)** | (15) | **(265)** |
| (Decrease) increase in allowance for retirement benefits | **(657)** | 148 | **(7,901)** |
| Decrease in allowance for restructuring charges | **(2,609)** | (3,552) | **(31,377)** |
| Other-net | **(1,057)** | 4,213 | **(12,714)** |
| Total adjustments | **17,868** | 9,094 | **214,889** |
| Net cash provided by operating activities | **21,708** | 14,500 | **261,070** |
| **Investing Activities:** | | | |
| Proceeds from sales of property, plant and equipment | **95** | 30 | **1,143** |
| Payments for purchases of property, plant and equipment | **(3,320)** | (4,343) | **(39,928)** |
| Payments for purchases of software | **(7,720)** | (10,904) | **(92,844)** |
| Proceeds from sales of investment securities | **87** | 1,193 | **1,046** |
| Payments for purchases of investment securities | **(473)** | (763) | **(5,689)** |
| Proceeds from sales of investments in subsidiaries resulting in change in scope of consolidation | **200** | 9 | **2,405** |
| Other-net | **(37)** | 77 | **(444)** |
| Net cash used in investing activities | **(11,168)** | (14,701) | **(134,312)** |
| **Financing Activities:** | | | |
| Net decrease in short-term bank loans | **(5,700)** | (7,029) | **(68,551)** |
| Proceeds from long-term debt | **15,988** | 15,800 | **192,279** |
| Repayments of long-term debt | **(16,652)** | (15,352) | **(200,265)** |
| Repayments of other debt | **(401)** | (298) | **(4,823)** |
| Net increase (decrease) in commercial paper | **4,000** | (2,000) | **48,106** |
| Payments for purchases of treasury stock | **(2,096)** | | **(25,207)** |
| Cash dividends | **(719)** | (1,436) | **(8,647)** |
| Cash dividends to minority interests | **(7)** | (5) | **(84)** |
| Other | | (51) | |
| Net cash used in financing activities | **(5,587)** | (10,371) | **(67,192)** |
| **Effect of exchange rate changes on Cash and Cash Equivalents** | | (13) | |
| **Net increase (decrease) in Cash and Cash Equivalents** | **4,953** | (10,585) | **59,567** |
| **Cash and Cash Equivalents, Beginning of Year** | **25,461** | 36,046 | **306,206** |
| **Cash and Cash Equivalents, End of Year** | **¥30,414** | ¥25,461 | **$365,773** |

See notes to consolidated financial statements.

**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 (Japanese GAAP), which are different in certain respects as to application and disclosure requirements from International Financial Reporting Standards.

Under Japanese GAAP, a consolidated statement of comprehensive income is required in addition to a consolidated statement of income from the fiscal year ended March 31, 2011 and has been presented herein. Accordingly, accumulated other comprehensive income (loss) is presented in the consolidated balance sheet and the consolidated statement of changes in equity. In addition, “net income before minority interests” is disclosed in the consolidated statement of income from the year ended March 31, 2011.

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 2010 financial statements to conform to the classifications used in 2011.

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 ¥83.15 to $1, the approximate rate of exchange at March 31, 2011. 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, 2011 include the accounts of the Company and its 20 (22 for the year ended March 31, 2010) significant subsidiaries and 1 (the same for the year ended March 31, 2010) associated company accounted for under equity method (collectively, the “Group”). Effective May 1, 2010, the Company merged with Nihon Unisys Learning, Ltd., the Company’s former subsidiary. Effective March 31, 2011, the Company sold all the shares of Nihon Unisys Supply, Ltd., whose present name is NUS, Ltd., and excluded its accounts from the consolidated balance sheet as of March 31, 2011.

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 (the same for the year ended March 31, 2010) associated companies are stated at cost. If the consolidation or 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)*** ***Business Combinations*** – In October 2003, the Business Accounting Council (the “BAC”) issued a Statement of Opinion, “Accounting for Business Combinations”, and in December 2005, the Accounting Standards Board of Japan (the “ASBJ”) issued ASBJ Statement No. 7, “Accounting Standard for Business Divestitures,” and ASBJ Guidance No. 10, “Guidance for Accounting Standard for Business Combinations and Business Divestitures”. The accounting standard for business combinations allows companies to apply the pooling-of-interests method of accounting only when certain specific criteria are met such that the business combination is essentially regarded as a uniting-of-interests. For business combinations that do not meet the uniting-of-interests criteria, the business combination is considered to be an acquisition and the purchase method of accounting is required. This standard also prescribes the accounting for combinations of entities under common control and for joint ventures.
In December 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 revised standard requires accounting for business combinations only by the purchase method. As a result, the pooling-of-interests method of accounting is no longer allowed. (2) The current accounting standard accounts for the research and development costs to be charged to income as incurred. Under the revised standard, in-process research and development (IPR&D) costs acquired in the business combination are capitalized as an intangible asset. (3) The previous accounting standard provided for a bargain purchase gain (negative goodwill) to be systematically amortized over a period not exceeding 20 years. Under the revised standard, the acquirer recognizes the bargain purchase gain in profit or loss immediately on the acquisition date after reassessing and confirming that all of the assets acquired and all of the liabilities assumed have been identified after a review of the procedures used in the purchase allocation. This standard was 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.

***(c)*** ***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.

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

***(e)*** ***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.

*(f)* ***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.

*(g)* ***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. The useful lives for lease assets are the periods of the respective leases. Machinery and equipment held for lease is depreciated by the straight-line method over the respective lease periods.

*(h)* ***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.

*(i)* ***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.

*(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, was 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 (mainly 10 years for the fiscal year ended March 31, 2011 and 2010) 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, 2011 and 2010).

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.

*(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)* ***Asset Retirement Obligations*** **–** In March 2008, the ASBJ published the 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 the 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 was effective for fiscal years beginning on or after April 1, 2010.
The Group applied this accounting standard effective April 1, 2010. The effect of this change was to decrease operating income by ¥177 million ($2,129 thousand) and income before income taxes and minority interests by ¥626 million ($7,529 thousand) for the year ended March 31, 2011.

***(m) Stock options*** – 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 Group has applied the accounting standard for stock options to those granted on and after May 1, 2006.

***(n) Construction contracts*** – For software development contracts that cost ¥50 million or more for the fiscal year ended March 31, 2011 and 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.

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

***(p) 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 was effective for fiscal years beginning on or after April 1, 2008.

Under the previous accounting standard, finance leases that were deemed 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 was disclosed in the notes 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 which do not transfer ownership of the leased property to the lessee to be accounted for as operating lease transactions.

The Group applied the revised accounting standard effective April 1, 2008. In addition, the Group accounted for leases which existed at the transition date and which 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 income.

All other leases are accounted for as operating leases.

***(q) Income taxes*** – The provision for income taxes is computed based on the pretax income included in the consolidated statements of income. 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) 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 income 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.

***(u) 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 income are dividends applicable to the respective years, including dividends to be paid after the end of the year.

***(v) New Accounting Pronouncements***

***Accounting Changes and Error Corrections*** – In December 2009, the 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, the 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 Presentation - 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 April 1, 2011.

## 3. Business combination

*Share exchange by which the Company converted NETMARKS into a wholly-owned subsidiary*

Effective August 1, 2010, the Company conducted share exchange (the "Share Exchange") by which NETMARKS INC. ("NM") became a wholly-owned subsidiary of the Company under the share exchange agreement dated May 21, 2010. In connection with this, prior to the effective date of the Share Exchange (scheduled for August 1, 2010), the common stock of NM was delisted from the Tokyo Stock Exchange (final trading was on July 27, 2010). Based on an approval of its board of directors held on July 29, 2010, NM retired all the treasury stock owned immediately before the Share Exchange.

(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

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, and enhancement of sales activity and technical support areas. The Company and NM decided that the Company would convert 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, a market 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 was 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

*Cost of shares additionally acquired:* ¥976 million ($11,738 thousand)

*Stock category, share exchange ratio, and the number of shares 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 allotted in the Share Exchange ---- | Common stock: 1,436,575 shares | |

*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 become 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.

*Goodwill recorded in connection with the share exchange:*

*Amount of goodwill:* ¥977 million ($11,750 thousand)

*Factor of goodwill:* Excess earning power to be caused by strengthening competitiveness in the ICT business

*Amortization method and amortization period:* Straight-line basis over 20 years

**4. Cash and cash equivalents**

Cash and cash equivalents at March 31, 2011 and 2010, consisted of the following:

| | Millions of Yen | | Thousands of U.S. Dollars |
|---|---|---|---|
| | **2011** | 2010 | **2011** |
| Cash and time deposits | **¥30,414** | ¥25,461 | **$365,773** |
| Total | **¥30,414** | ¥25,461 | **$365,773** |

**5. Investment securities**

Investment securities as of March 31, 2011 and 2010 consisted of the following:

| | Millions of Yen | | Thousands of U.S. Dollars |
|---|---|---|---|
| | **2011** | 2010 | **2011** |
| Current: | | | |
| Debt securities | | ¥30 | |
| Other | **¥21** | | **$253** |
| Total | **¥21** | ¥30 | **$253** |
| Noncurrent: | | | |
| Equity securities | **¥11,558** | ¥12,027 | **$139,002** |
| Debt securities | **100** | 100 | **1,203** |
| Trust fund investments and other | **194** | 225 | **2,333** |
| Total | **¥11,852** | ¥12,352 | **$142,538** |

The costs and aggregate fair values of investment securities at March 31, 2011 and 2010 were as follows:

| | Millions of Yen | | | |
|---|---|---|---|---|
| **March 31, 2011** | Cost | Unrealized Gains | Unrealized Losses | Fair Value |
| Available-for-sale securities: | | | | |
| Equity securities | **¥13,093** | **¥972** | **¥(3,829)** | **¥10,236** |
| Other | **33** | | **(7)** | **26** |
| Total | **¥13,126** | **¥972** | **¥(3,836)** | **¥10,262** |
| March 31, 2010 | | | | |
| Available-for-sale securities: | | | | |
| 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 |

| | Thousands of U.S. Dollars | | | |
|---|---|---|---|---|
| **March 31, 2011** | Cost | Unrealized Gains | Unrealized Losses | Fair Value |
| Available-for-sale securities: | | | | |
| Equity securities | **$157,462** | **$11,690** | **$(46,049)** | **$123,103** |
| Other | **397** | | **(84)** | **313** |
| Total | **$157,859** | **$11,690** | **$(46,133)** | **$123,416** |

Information regarding available-for-sale securities which were sold during the year ended March 31, 2011 and 2010 was as follows:

| | Millions of Yen | | |
|---|---|---|---|
| **March 31, 2011** | Proceeds | Realized gains | Realized loss |
| Available-for-sale securities: | | | |
| Equity securities | **¥87** | **¥6** | **¥(33)** |
| Total | **¥87** | **¥6** | **¥(33)** |
| March 31, 2010 | | | |
| Available-for-sale securities: | | | |
| Equity securities | ¥782 | ¥235 | |
| Debt securities | 100 | | |
| Other | 311 | | ¥(2) |
| Total | ¥1,193 | ¥235 | ¥(2) |

| March 31, 2011 | Thousands of U.S. Dollars | | |
|---|---|---|---|
| | Proceeds | Realized gains | Realized loss |
| Available-for-sale securities: | | | |
| Equity securities | **$1,046** | **$72** | **$(397)** |
| Total | **$1,046** | **$72** | **$(397)** |

**6. Accounts receivable-trade**

Costs and estimated earnings recognized with respect to construction contracts which are accounted for by the percentage-of-completion method at March 31, 2011 and 2010 were as follows:

| | Millions of yen | | Thousands of U.S. dollars |
|---|---|---|---|
| | **2011** | 2010 | **2011** |
| Costs and estimated earnings | **¥4,686** | ¥3,940 | **$56,356** |
| Amount billed | **(855)** | (630) | **(10,283)** |
| | **¥3,831** | ¥3,310 | **$46,073** |

**7. Inventories**

Inventories at March 31, 2011 and 2010 consisted of the following:

| | Millions of Yen | | Thousands of U.S. Dollars |
|---|---|---|---|
| | **2011** | 2010 | **2011** |
| Work in process | **¥2,646** | ¥2,296 | **$31,822** |
| Merchandise and finished products | **4,277** | 6,425 | **51,437** |
| Supplies | **145** | 187 | **1,744** |
| Total | **¥7,068** | ¥8,908 | **$85,003** |

**8. Long-lived assets**

The Group reviewed its long-lived assets for impairment as of March 31, 2011. As a result, the Group recognized an impairment loss of ¥515 million ($6,194 thousand) for the asset groups used to provide application services due to continuous operating losses 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, measured at their value in use, were zero.

Impairment loss for the year ended March 31, 2011 consisted of the following:

| | Millions of Yen | Thousands of U.S. Dollars |
|---|---|---|
| Application services: | **2011** | **2011** |
| Machinery and equipment | **¥19** | **$229** |
| Software | **454** | **5,460** |
| Goodwill | **42** | **505** |
| Total | **¥515** | **$6,194** |

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 continuous operating losses 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 |
|---|---|
| Printing business: | 2010 |
| Buildings and structures | ¥442 |
| Machinery and equipment | 76 |
| Other | 36 |
| Total | ¥554 |
| | |
| Application services: | |
| Software | ¥224 |
| Total | ¥224 |

**9. Short-term bank loans and long-term debt**

There were no short-term bank loans at March 31, 2011.
Short-term bank loans of ¥5,700 million bore interest at an approximate annual average rate of 0.86% at March 31, 2010.

Commercial paper of ¥13,000 million ($156,344 thousand) and ¥9,000 million bore interest at a rate of 0.15% at March 31, 2011 and 2010, respectively.

Long-term debt at March 31, 2011 and 2010 consisted of the following:

| | Millions of Yen | | Thousands of U.S. Dollars |
|---|---|---|---|
| | **2011** | 2010 | **2011** |
| 1.38% unsecured bonds due 2013 | **¥10,000** | ¥10,000 | **$120,265** |
| 1.39% unsecured bonds due 2015 | **10,000** | 10,000 | **120,265** |
| Unsecured loans from banks and insurance companies, 0.74% to 1.87%, due serially to 2016 | **44,737** | 46,102 | **538,027** |
| Total | **64,737** | 66,102 | **778,557** |
| Less current portion | **(17,887)** | (16,652) | **(215,117)** |
| Long-term debt, less current portion | **¥46,850** | ¥49,450 | **$563,440** |

The annual maturities of long-term debt as of March 31, 2011 for the next five years were as follows:

| Year Ending March 31, | Millions of Yen | Thousands of U.S. Dollars |
|---|---|---|
| 2012 | **¥17,887** | **$215,117** |
| 2013 | **20,113** | **241,888** |
| 2014 | **1,937** | **23,295** |
| 2015 | **11,050** | **132,893** |
| 2016 | **13,750** | **165,364** |
| Total | **¥64,737** | **$778,557** |

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.

**10. 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, 2011 and 2010.

The tax effects of significant temporary differences and tax loss carryforwards which resulted in deferred tax assets and liabilities at March 31, 2011 and 2010 were as follows:

| | Millions of Yen | | Thousands of U.S. Dollars |
|---|---|---|---|
| | **2011** | 2010 | **2011** |
| Current assets: | | | |
| Deferred tax assets: | | | |
| Accrued bonuses | **¥3,652** | ¥3,608 | **$43,920** |
| Inventory valuation | **1,666** | 1,468 | **20,036** |
| Unrealized profit of inventories | **246** | | **2,959** |
| Allowance for restructuring charges | | 1,062 | |
| Impairment loss | | 572 | |
| Allowance for loss on construction contracts | | 350 | |
| Accrued business taxes | **297** | 265 | **3,572** |
| Others | **917** | 1,197 | **11,028** |
| Total | **6,778** | 8,522 | **81,515** |
| Less valuation allowance | **(459)** | (309) | **(5,520)** |
| Total | **6,319** | 8,213 | **75,995** |
| Deferred tax liabilities: | | | |
| Deferred gain on derivatives under hedge accounting | **15** | 10 | **180** |
| Other | | 4 | |
| Total | **15** | 14 | **180** |
| Net current deferred tax assets | **¥6,304** | ¥8,199 | **$75,815** |

Net current deferred tax assets at March 31, 2011 included in the consolidated balance sheets are as follows:

| | Millions of Yen | Thousands of U.S. Dollars |
|---|---|---|
| Deferred tax assets-current | **¥ 6,313** | **$ 75,923** |
| Deferred tax liabilities-current | **(9)** | **(108)** |
| Net deferred tax assets-current | **¥6,304** | **$ 75,815** |

Current deferred tax liabilities are included in other current liabilities on the consolidated balance sheets.

| | Millions of Yen | | Thousands of U.S. Dollars |
|---|---|---|---|
| | **2011** | 2010 | **2011** |
| Non-current assets: | | | |
| Deferred tax assets: | | | |
| Depreciation expense | **¥8,381** | ¥9,751 | **$100,794** |
| Tax loss carryforwards | **12,223** | 8,762 | **146,999** |
| Allowance for retirement benefits | **353** | 552 | **4,245** |
| Net unrealized gain on available-for-sale securities | **1,183** | 922 | **14,227** |
| Impairment loss | **5,956** | 6,862 | **71,630** |
| Others | **793** | 694 | **9,537** |
| Total | **28,889** | 27,543 | **347,432** |
| Less valuation allowance | **(5,319)** | (6,171) | **(63,969)** |
| Total | **¥23,570** | ¥21,372 | **$283,463** |
| | | | |
| Deferred tax liabilities: | | | |
| Prepaid pension costs | **¥(2,816)** | ¥(3,095) | **$(33,866)** |
| Reserve for software program | | (85) | |
| Others | **(104)** | (139) | **(1,251)** |
| Total | **¥(2,920)** | ¥(3,319) | **$(35,117)** |
| | | | |
| Net non-current deferred tax assets | **¥20,650** | ¥18,053 | **$248,346** |

Net non-current deferred tax assets at March 31, 2011 included in the consolidated balance sheets are as follows:

| | Millions of Yen | Thousands of U.S. Dollars |
|---|---|---|
| Deferred tax assets-non-current | **¥21,357** | **$256,849** |
| Deferred tax liabilities-non-current | **(707)** | **(8,503)** |
| Net deferred tax assets-non-current | **¥20,650** | **$248,346** |

A reconciliation between the normal effective statutory tax rates and the actual effective tax rates reflected in the accompanying consolidated statements of income for the years ended March 31, 2011 and 2010 is as follows:

| | **2011** | 2010 |
|---|---|---|
| Normal effective statutory tax rate | **40.7 %** | 40.7 % |
| Increase in valuation allowance | **15.1** | 44.2 |
| Expenses not deductible for income tax purposes | **7.7** | 7.5 |
| Non-taxable items | **(0.7)** | (1.8) |
| Reverse of temporary difference for investment in a subsidiary | **(40.2)** | (56.1) |
| Amount of per-capita local tax | **1.4** | 1.0 |
| Gain on sales of investments in subsidiaries and associated companies | **(10.8)** | |
| Amortization of goodwill | **22.1** | |
| Other-net | **0.2** | 0.7 |
| Actual effective tax rate | **35.5 %** | 36.2 % |

At March 31, 2011 the Company and certain consolidated subsidiaries have tax loss carryforwards aggregating approximately ¥30,763 million ($369,970 thousand) which are available to be offset against taxable income in future years. These tax loss carryforwards, if not utilized, will expire as follows:

| Year Ending March 31, | Millions of Yen | Thousands of U.S. Dollars |
|---|---|---|
| 2013 | **¥211** | **$2,537** |
| 2014 | **5,373** | **64,618** |
| 2015 | **1,086** | **13,061** |
| 2016 | **1,466** | **17,631** |
| 2017 | **11,630** | **139,868** |
| 2018 | **10,997** | **132,255** |
| Total | **¥30,763** | **$369,970** |

**11. 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, 2011 and 2010 consisted of the following:

| | Millions of Yen | | Thousands of U.S. Dollars |
|---|---|---|---|
| | **2011** | 2010 | **2011** |
| Projected benefit obligation | **¥102,771** | ¥105,142 | **$1,235,972** |
| Fair value of plan assets | **(91,916)** | (92,471) | **(1,105,424)** |
| Unrecognized prior service cost | **3,604** | 4,806 | **43,343** |
| Unrecognized actuarial gain | **(20,613)** | (23,942) | **(247,901)** |
| Prepaid pension costs | **7,009** | 7,812 | **84,293** |
| Net liability | **¥855** | ¥1,347 | **$10,283** |

The components of net periodic benefit costs for the years ended March 31, 2011 and 2010 were as follows:

| | Millions of Yen | | Thousands of U.S. Dollars |
|---|---|---|---|
| | **2011** | 2010 | **2011** |
| Service cost | **¥2,499** | ¥2,612 | **$30,054** |
| Interest cost | **2,094** | 2,086 | **25,184** |
| Expected return on plan assets | **(2,770)** | (3,282) | **(33,313)** |
| Amortization of transitional obligation | | 2,084 | |
| Amortization of prior service cost | **(1,201)** | (1,214) | **(14,444)** |
| Recognized actuarial loss | **5,283** | 6,055 | **63,536** |
| Payment to a defined contribution plan and other | **1,261** | 1,240 | **15,165** |
| Net periodic benefit costs | **¥7,166** | ¥9,581 | **$86,182** |

Assumptions used for the years ended March 31, 2011 and 2010 are set forth as follows:

| | **2011** | 2010 |
|---|---|---|
| Discount rate | **2.0%** | 2.0% |
| Expected rate of return on plan assets | **mainly 3.0%** | mainly 4.0% |
| Amortization period of prior service cost | **10 years** | 10 years |
| Recognition period of actuarial gain/loss | **mainly 10 years** | 8 or 10 years |
| Amortization period of transitional obligation | | 10 years |

The liability for retirement benefits at March 31, 2011 and 2010 included the following liabilities:

| | Millions of Yen | | Thousands of U.S. Dollars |
|---|---|---|---|
| | **2011** | 2010 | **2011** |
| Allowance for the New Career Support Program (the "NCSP") | **¥172** | ¥239 | **$2,069** |
| Current portion | **(110)** | (152) | **(1,323)** |
| Net noncurrent portion | **¥62** | ¥87 | **$746** |

Total charges relating to allowance for the NCSP for the years ended March 31, 2011 and 2010 were as follows:

| | Millions of Yen | | Thousands of U.S. Dollars |
|---|---|---|---|
| | **2011** | 2010 | **2011** |
| Allowance for the NCSP | **106** | | **1,275** |

**12. Equity**

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

(1) 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 a board of directors, (2) having independent auditors, (3) having a 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.

(2) 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 aggregate amount of legal reserve and additional paid-in capital equals 25% of the amount of 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.

(3) 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.

**13. Stock options**

The granted stock options as of March 31, 2011 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;<br>15 subsidiaries' directors; 14 subsidiaries' employees | 713,100<br>shares | September 3,<br>2003 | ¥962<br>$11.57 | From July 1, 2005<br>to June 30, 2010 |
| 2004 Stock Option | 10 directors: 513 employees;<br>27 subsidiaries' directors; 324 subsidiaries' employees | 692,700<br>shares | September 7,<br>2004 | ¥952<br>$11.45 | From July 1, 2006<br>to June 30, 2011 |
| 2005 Stock Option | 10 directors; 403 employees;<br>12 subsidiaries' directors; 276 subsidiaries' employees | 749,000<br>shares | December 16,<br>2005 | ¥1,763<br>$21.20 | From July 1, 2007<br>to June 30, 2012 |
| 2006 Stock Option | 10 directors; 250 employees;<br>20 subsidiaries' directors; 514 subsidiaries' employees | 522,900<br>shares | November 7,<br>2006 | ¥2,434<br>$29.27 | From July 1, 2008<br>to June 30, 2013 |
| 2007 Stock Option | 8 directors; 352 employees;<br>30 subsidiaries' directors; 250 subsidiaries' employees | 746,300<br>shares | November 15,<br>2007 | ¥1,712<br>$20.59 | From November 1, 2009<br>to October 31, 2014 |
| 2008 Stock Option | 8 directors; 395 employees;<br>23 subsidiaries' directors; 265 subsidiaries' employees | 963,600<br>shares | August 15,<br>2008 | ¥1,791<br>$21.54 | From July 1, 2010<br>to June 30, 2015 |
| 2009 Stock Option | 7 directors; 424 employees;<br>21 subsidiaries' directors; 256 subsidiaries' employees | 991,900<br>shares | August 7,<br>2009 | ¥864<br>$10.39 | From July 1, 2011<br>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, 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 | | |
| ***For the year ended March 31, 2011*** | | | | | | | |
| Non-vested | | | | | | | |
| March 31, 2010 – Outstanding | | | | | | **474,100** | **988,100** |
| Granted | | | | | | | |
| Canceled | | | | | | | **506,900** |
| Vested | | | | | | **474,100** | |
| March 31, 2011 – Outstanding | | | | | | | **481,200** |
| Vested | | | | | | | |
| March 31, 2010 – Outstanding | **299,300** | **374,600** | **713,100** | **506,300** | **730,600** | | |
| Vested | | | | | | **474,100** | |
| Exercised | | | | | | | |
| Canceled | **299,300** | **700** | **800** | **700** | **1,500** | | |
| March 31, 2011 – Outstanding | | **373,900** | **712,300** | **505,600** | **729,100** | **474,100** | |
| Exercise price | ¥962<br>$11.57 | ¥952<br>$11.45 | ¥1,763<br>$21.20 | ¥2,434<br>$29.27 | ¥1,712<br>$20.59 | ¥1,791<br>$21.54 | ¥864<br>$10.39 |
| Fair value price at grant date | | | | ¥520<br>$6.25 | ¥396<br>$4.76 | ¥397<br>$4.77 | ¥215<br>$2.59 |

The granted stock options as of March 31, 2011 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 $608.84 | From July 1, 2004 to March 31, 2010 |
| 2003 Stock Option | 27 employees | 1,088 shares | September 30, 2003 | ¥111,250 $1,337.94 | From July 1, 2005 to March 31, 2010 |
| 2004 Stock Option | 2 employees | 136 shares | July 30, 2004 | ¥335,261 $4,032.00 | From July 1, 2006 to March 31, 2011 |
| 2005 Stock Option | 1 directors; 1 employees | 588 shares | July 29, 2005 | ¥328,030 $3,945.04 | 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, 2010* | | | | |
| Vested | | | | |
| March 31, 2009 − Outstanding | 560 | 320 | 48 | 500 |
| March 31, 2010 − Outstanding | 560 | 320 | 48 | 500 |
| ***For the year ended March 31, 2011*** | | | | |
| Vested | | | | |
| March 31, 2010 − Outstanding | **560** | **320** | **48** | **500** |
| Canceled | **560** | **320** | **48** | **500** |
| March 31, 2011 − Outstanding | | | | |
| Exercise price | ¥50,625 $608.84 | ¥111,250 $1,337.94 | ¥335,261 $4,032.00 | ¥328,030 $3,945.04 |

No non-vested stock options existed at March 31, 2011, 2010, and 2009, respectively.

The granted stock options as of March 31, 2011 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 $1,669.27 | From November 1, 2006 to March 31, 2014 |
| 2005 Stock Option | 6 directors; 53 employees | 237 shares | July 1, 2005 | ¥180,000 $2,164.76 | From July 1, 2007 to March 31, 2015 |
| 2006 Stock Option | 5 directors; 2 auditors; 71 employees | 229 shares | July 1, 2006 | ¥193,000 $2,321.11 | From July 1, 2008 to March 31, 2016 |
| 2007 Stock Option | 5 directors; 44 employees | 162 shares | July 1, 2007 | ¥151,000 $1,816.00 | 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, 2010* | | | | |
| Non-vested | | | | |
| March 31, 2009 − Outstanding | 85 | 131 | 135 | 127 |
| Canceled | 70 | 51 | 34 | 34 |
| March 31, 2010 − Outstanding | 15 | 80 | 101 | 93 |
| ***For the year ended March 31, 2011*** | | | | |
| Non-vested | | | | |
| March 31, 2010 − Outstanding | **15** | **80** | **101** | **93** |
| Canceled | **15** | **80** | **101** | **93** |
| March 31, 2011 − Outstanding | | | | |
| Exercise price | ¥138,800 $1,669.27 | ¥180,000 $2,164.76 | ¥193,000 $2,321.11 | ¥151,000 $1,816.00 |

No vested stock option existed at March 31, 2011, 2010, and 2009, respectively.

**14. Research and development costs**

Research and development costs charged to income were ¥5,524 million ($66,434 thousand) and ¥4,272 million for the years ended March 31, 2011 and 2010, respectively.

**15. Leases**

The minimum rental commitments under noncancellable operating leases at March 31, 2011 and 2010 were as follows:

| | Millions of Yen | | Thousands of U.S. Dollars |
|---|---|---|---|
| | **2011** | 2010 | **2011** |
| Due within one year | **¥540** | ¥542 | **$6,494** |
| Due after one year | **581** | 1,121 | **6,988** |
| Total | **¥1,121** | ¥1,663 | **$13,482** |

Due to the immaterial amounts of lease transactions in the consolidated financial statements, "as if capitalized" information for the fiscal year ended March 31, 2011 and 2010 is omitted.

**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. Certain bank loans are 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 the early stages. The internal guidelines include conducting a credit investigation of a new customer to limit its credit amount, periodically reviewing the status of customers, and monitoring of payment terms 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 the same basic 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 for certain bank loans.
Execution and custody of derivative transactions by the corporate treasury department have been approved by the directors concerned based on 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, 2011 and 2010 were as follows:

| | Millions of yen | | |
|---|---|---|---|
| **March 31, 2011** | Carrying amount | Fair value | Unrealized gain (loss) |
| Cash and cash equivalents | **¥30,414** | **¥30,414** | |
| Accounts receivable-trade | **59,255** | **59,255** | |
| Investment securities | **10,262** | **10,262** | |
| Total | **¥99,931** | **¥99,931** | |
| Current portion of long-term debt | **17,887** | **17,993** | **¥(106)** |
| Commercial paper | **13,000** | **13,000** | |
| Accounts payable-trade | **18,934** | **18,934** | |
| Long-term debt | **46,850** | **47,110** | **(260)** |
| Total | **¥96,671** | **¥97,037** | **¥(366)** |
| Derivatives * | **¥13** | **¥13** | |
| March 31, 2010 | | | |
| 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, 2011** | Carrying amount | Fair value | Unrealized gain (loss) |
| Cash and cash equivalents | **$365,773** | **$365,773** | |
| Accounts receivable-trade | **712,628** | **712,628** | |
| Investment securities | **123,416** | **123,416** | |
| Total | **$1,201,817** | **$1,201,817** | |
| Current portion of long-term debt | **215,117** | **216,392** | **$(1,275)** |
| Commercial paper | **156,344** | **156,344** | |
| Accounts payable-trade | **227,709** | **227,709** | |
| Long-term debt | **563,440** | **566,566** | **(3,126)** |
| Total | **$1,162,610** | **$1,167,011** | **$(4,401)** |
| Derivatives * | **$156** | **$156** | |

* Assets and liabilities from derivative transactions are netted, with net liabilities presented in parenthesis.

*Cash and cash equivalents*

The carrying values of cash and cash equivalents approximate fair value because of their short maturities.

*Accounts receivable-trade*

The carrying values of accounts receivable-trade approximate fair value because of their short maturities.

*Investment securities*

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 investment securities by classification is included in Note 5.

*Accounts payable-trade, short-term bank loans, and commercial paper*

The carrying values of accounts payable-trade, short-term bank loans, and commercial paper approximate fair value because of their short maturities.

*Long-term debt*

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 which 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.

*Derivatives*
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 | | |
|---|---|---|---|
| | Millions of Yen | | Thousands of U.S. Dollars |
| | **2011** | 2010 | **2011** |
| Investments in unconsolidated subsidiaries and associated companies | **¥1,385** | ¥1,403 | **$16,657** |
| Investments in equity instruments that do not have a quoted market price in an active market | **¥1,322** | ¥1,328 | **$15,899** |
| Other | **¥289** | ¥297 | **$3,476** |

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

| | Millions of Yen | | | |
|---|---|---|---|---|
| **March 31, 2011** | 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 | **¥30,414** | | | |
| Accounts receivable-trade | **59,255** | | | |
| Investment securities | | | | |
| Available-for-sale securities | | | | |
| (1)Debt securities | | | **¥100** | |
| (2)Other | **21** | **¥68** | **88** | |
| Total | **¥89,690** | **¥68** | **¥188** | |
| March 31, 2010 | | | | |
| 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 | |

| | Thousands of U.S. Dollars | | | |
|---|---|---|---|---|
| **March 31, 2011** | 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 | **$365,773** | | | |
| Accounts receivable-trade | **712,628** | | | |
| Investment securities | | | | |
| Available-for-sale securities | | | | |
| (1)Debt securities | **252** | | **$1,203** | |
| (2)Other | | **$818** | **1,058** | |
| Total | **$1,078,653** | **$818** | **$2,261** | |

Please see Note 8 for annual maturities of long-term debt.

**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.

Derivative transactions to which hedge accounting is not applied at March 31, 2011 were as follows:

| | Millions of Yen | | | |
|---|---|---|---|---|
| **March 31, 2011** | Contract amount | Contract amount due after one year | Fair value | Gain (loss) |
| Foreign currency forward contracts (off-market trading): | | | | |
| Buying U.S.$ | **¥157** | **¥99** | **¥(12)** | **¥(12)** |
| Foreign currency options (off-market trading): | | | | |
| Buying U.S.$ | **¥339** | | **¥(6)** | **¥(6)** |

| | Thousands of U.S. Dollars | | | |
|---|---|---|---|---|
| **March 31, 2011** | Contract amount | Contract amount due after one year | Fair value | Gain (loss) |
| Foreign currency forward contracts (off-market trading): | | | | |
| Buying U.S.$ | **$1,888** | **$1,191** | **$(144)** | **$(144)** |
| Foreign currency options (off-market trading): | | | | |
| Buying U.S.$ | **$4,077** | | **$(72)** | **$(72)** |

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

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

Derivative transactions to which hedge accounting is applied at March 31, 2011 and 2010 were as follows:

| | Millions of Yen | | | |
|---|---|---|---|---|
| **March 31, 2011** | Hedged item | Contract amount | Contract amount due after one year | Fair value |
| Foreign currency forward contracts: | | | | |
| Buying U.S.$ | | | | |
| - Deferral hedge | Payables | **¥1,949** | | **¥31** |
| - Forward contracts applied for designated transactions | Payables | **¥861** | | |
| Interest rate swaps (fixed rate payment, floating rate receipt) | Long-term debt | **¥15,025** | **¥7,650** | |
| March 31, 2010 | | | | |
| 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 | |

| | Thousands of U.S. Dollars | | | |
|---|---|---|---|---|
| **March 31, 2011** | Hedged item | Contract amount | Contract amount due after one year | Fair value |
| Foreign currency forward contracts: | | | | |
| Buying U.S.$: | | | | |
| - Deferral hedge | Payables | **$23,440** | | **$373** |
| - Forward contracts applied for designated transactions | Payables | **$10,355** | | |
| Interest rate swaps (fixed rate payment, floating rate receipt) | Long-term debt | **$180,698** | **$92,002** | |

* 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 which 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 the hedged items (i.e., long-term debt).

**18. Contingent liabilities**

At March 31, 2011, the Companies had the following contingent liabilities:

| | Millions of Yen | Thousands of U.S. Dollars |
|---|---|---|
| Guarantees of bank loans to employees for housing | **¥1,331** | **$16,007** |

**19. Comprehensive income**

Total comprehensive income for the year ended March 31, 2010 was the following:

| | Millions of Yen |
|---|---|
| Total comprehensive income attributable to: | |
| Owners of the parent | ¥2,868 |
| Minority interests | (174) |
| Total comprehensive income | ¥2,694 |

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

| | Millions of Yen |
|---|---|
| Other comprehensive loss: | |
| Unrealized loss on available-for-sale securities | ¥(731) |
| Deferred loss on derivatives under hedge accounting | (8) |
| Foreign currency translation adjustments | (13) |
| Total other comprehensive loss | ¥(752) |

**20. Net income per share**

Reconciliation of the differences between basic and diluted net income per share ("EPS") for the years ended March 31, 2011 and 2010 is as follows:

| | Net income | Weighted average shares | EPS | |
|---|---|---|---|---|
| **For the year ended March 31, 2011:** | Millions of Yen | Thousands of shares | Yen | U.S. Dollars |
| Basic EPS | | | | |
| Net income available to common shareholders --- | **¥2,575** | **94,922** | **¥27.12** | **$0.33** |

Diluted net income per share is not disclosed because it is anti-dilutive for the year ended March 31, 2011.

| | Net income | Weighted average shares | EPS |
|---|---|---|---|
| For the year ended March 31, 2010: | Millions of Yen | Thousands of shares | Yen |
| Basic EPS | | | |
| Net income available to common shareholders --- | ¥3,627 | 95,912 | ¥37.82 |

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

**21. Related party transactions**

Deposits with Mitsui & Co. Financial Services Ltd., sister company of the Company, for the years ended March 31, 2011 and 2010, were as follows:

| | Millions of Yen | | Thousands of U.S. Dollars |
|---|---|---|---|
| | **2011** | 2010 | **2011** |
| Deposits: Mitsui & Co. Financial Services Ltd.-------------------------- | **¥10,679** | ¥19,984 | **$128,431** |

The deposit amounts above are the interim average balance of short-term deposits. There were no transaction balances due to or from Mitsui & Co. Financial Services Ltd. at March 31, 2011 and 2010.

**22. Subsequent event**

At the general shareholders' meeting held on June 29, 2011, the Company's shareholders approved the appropriations of retained earnings:

| ***Appropriations of retained earnings*** | Millions of Yen | Thousands of U.S. Dollars |
|---|---|---|
| Cash dividends, ¥5.00 ($0.06) per share ----------------------------------------- | **¥470** | **$5,652** |

**23. Segment information**

***For the year ended March 31, 2011 and 2010***

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.
The segment information for the year ended March 31, 2010 under the revised accounting standard is also disclosed hereunder as required.

(1) Description of reportable segments

The Group's reportable segments are those for which separate financial information is available and regular evaluation by the Company's management is being performed in order to decide how resources are allocated among the Group. Therefore, the Group consists of six segments--system services, support services, outsourcing, Netmarks services, software, and hardware. "System services" segment consists of contracted software development, system-related services, and consulting. "Support services" segment consists of support services for software, support services for hardware, and installation services. "Outsourcing" segment consists of contracted administration of information system and others. "Netmarks services" segment consists of network system integration. "Software" segment consists of providing software under a software license agreement. "Hardware" segment consists of providing hardware under a sales contract or a lease contract.

(2) Methods of measurement for the amounts of sales, profit (loss), assets and other items for each reportable segment

The accounting policies of each reportable segment are consistent with those disclosed in Note 2, "Summary of Significant Accounting Policies".

(3) Information about sales, profit (loss), assets and other items is as follows:

| | Millions of Yen | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | 2011 | | | | | | | | | | |
| | Reportable segment | | | | | | | | | | |
| | System Services | Support Services | Out-sourcing | Netmarks Services | Software | Hardware | Total | Other 1) | Total | Reconcil-iations 2) | Consol-idated 3) |
| Sales | **¥73,521** | **¥53,974** | **¥28,424** | **¥20,293** | **¥26,813** | **¥34,816** | **¥237,841** | **¥15,149** | **¥252,990** | | **¥252,900** |
| Segment profit | **18,900** | **18,207** | **2,593** | **4,106** | **9,210** | **8,952** | **61,968** | **3,913** | **65,881** | **¥(59,354)** | **6,527** |
| Segment assets | **1,720** | **1,664** | **21,933** | **2,506** | **5,988** | **4,233** | **38,044** | **135** | **38,179** | **169,103** | **207,282** |
| Other: | | | | | | | | | | | |
| Depreciation | **79** | **206** | **5,186** | **520** | **4,208** | **1,223** | **11,422** | **167** | **11,589** | **1,785** | **13,374** |
| Increase in property, plant and equipment and intangible assets | **72** | **280** | **6,953** | **289** | **2,006** | **692** | **10,292** | **154** | **10,446** | **2,348** | **12,794** |
| Impairment losses of assets | | | **473** | | | | **473** | | **473** | **42** | **515** |
| Goodwill: | | | | | | | | | | | |
| Amortization | | | | | | | | | | **2,101** | **2,101** |
| Balance | | | | | | | | | | **2,354** | **2,354** |
| Negative goodwill: | | | | | | | | | | | |
| Amortization | | | | | | | | | | **44** | **44** |
| Balance | | | | | | | | | | **23** | **23** |

1) The “Other” category not included in a specific reportable segment consists of printing and other businesses.
2) Reconciliation of segment profit of ¥(59,354) million consists of selling, general, and administrative expenses of ¥(53,570) million not allocable to the reportable segments, research and development costs of ¥(5,525) million, and amortization of goodwill of $(259) million.
Reconciliation of segment assets of ¥169,103 million consists of corporate assets not allocable to the reportable segments.
Reconciliation of depreciation expense of ¥1,785 million consists of depreciation expense of corporate assets not allocable to the reportable segments.
Reconciliation of increase in property, plant and equipment and intangible assets of ¥2,348 million consists of increase in corporate assets not allocable to the reportable segments.
3) Segment profit is reconciled to operating income in the consolidated statement of income.

| | Millions of Yen | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | 2010 | | | | | | | | | | |
| | Reportable segment | | | | | | | | | | |
| | System Services | Support Services | Out-sourcing | Netmarks Services | Software | Hardware | Total | Other 1) | Total | Reconcil-iations 2) | Consol-idated 3) |
| Sales | ¥80,792 | ¥56,895 | ¥29,253 | ¥22,048 | ¥28,149 | ¥38,429 | ¥255,566 | ¥15,519 | ¥271,085 | | ¥271,085 |
| Segment profit | 20,287 | 17,462 | 2,527 | 5,001 | 9,003 | 10,772 | 65,052 | 3,872 | 68,924 | ¥(61,818) | 7,106 |
| Segment assets | 1,072 | 1,946 | 21,469 | 3,077 | 8,480 | 5,898 | 41,942 | 1,582 | 43,524 | 174,543 | 218,067 |
| Other: | | | | | | | | | | | |
| Depreciation | 96 | 164 | 4,609 | 455 | 4,544 | 1,475 | 11,343 | 203 | 11,546 | 1,663 | 13,209 |
| Increase in property, plant and equipment and intangible assets | 46 | 188 | 8,036 | 460 | 4,202 | 1,108 | 14,040 | 227 | 14,267 | 1,259 | 15,526 |

1) The “Other” category not included in a specific reportable segment consists of printing and other businesses.
2) Reconciliation of segment profit of ¥(61,818) million consists of selling, general, and administrative expenses of ¥(57,330) million not allocable to the reportable segments, research and development costs of ¥(4,272) million, and amortization of goodwill of $(216) million.
Reconciliation of segment assets of ¥174,543 million consists of corporate assets not allocable to the reportable segments.
Reconciliation of depreciation expense of ¥1,663 million consists of depreciation expense of corporate assets not allocable to the reportable segments.
Reconciliation of increase in property, plant and equipment and intangible assets of ¥1,259 million consists of increase in corporate assets not allocable to the reportable segments.
3) Segment profit is reconciled to operating income in the consolidated statement of income.

| | Thousands of U.S. Dollars | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | 2011 | | | | | | | | | | |
| | Reportable segment | | | | | | | | | | |
| | System Services | Support Services | Out-sourcing | Netmarks Services | Software | Hardware | Total | Other 1) | Total | Reconcil-iations 2) | Consol-idated 3) |
| Sales | **$884,197** | **$649,116** | **$341,840** | **$244,053** | **$322,466** | **$418,713** | **$2,860,385** | **$182,189** | **$3,042,574** | | **$3,042,574** |
| Segment profit | **227,300** | **218,966** | **31,184** | **49,381** | **110,764** | **107,661** | **745,256** | **47,059** | **792,315** | **¥(713,818)** | **78,497** |
| Segment assets | **20,686** | **20,012** | **263,776** | **30,138** | **72,015** | **50,908** | **457,535** | **1,623** | **459,158** | **2,033,710** | **2,492,868** |
| Other: | | | | | | | | | | | |
| Depreciation | **950** | **2,478** | **62,369** | **6,254** | **50,607** | **14,708** | **137,366** | **2,009** | **139,375** | **21,467** | **160,842** |
| Increase in property, plant and equipment and intangible assets | **866** | **3,367** | **83,620** | **3,476** | **24,125** | **8,322** | **123,776** | **1,852** | **125,628** | **28,239** | **153,867** |
| Impairment losses of assets | | | **5,689** | | | | **5,689** | | **5,689** | **505** | **6,194** |
| Goodwill: | | | | | | | | | | | |
| Amortization | | | | | | | | | | **25,268** | **25,268** |
| Balance | | | | | | | | | | **28,310** | **28,310** |
| Negative goodwill: | | | | | | | | | | | |
| Amortization | | | | | | | | | | **529** | **529** |
| Balance | | | | | | | | | | **277** | **277** |

1) The “Other” category not included in a specific reportable segment consists of printing and other businesses.
2) Reconciliation of segment profit of $(713,818) thousand consists of selling, general, and administrative expenses of $(644,257) thousand not allocable to the reportable segments, research and development costs of $(66,446) thousand, and amortization of goodwill of $(3,115) thousand.
Reconciliation of segment assets of $2,033,710 thousand consists of corporate assets not allocable to the reportable segments.
Reconciliation of depreciation expense of $21,467 thousand consists of depreciation expense of corporate assets not allocable to the reportable segments.
Reconciliation of increase in property, plant and equipment and intangible assets of $28,239 thousand consists of increase in corporate assets not allocable to the reportable segments.
3) Segment profit is reconciled to operating income in the consolidated statement of income.

***For the year ended March 31, 2010***

Information about industry segments, geographical segments and sales to foreign customers of the Group for the years ended March 31, 2010 is as follows:

(1) Industry segments
Industry segment information has not been presented because the Group operates in a single segment of the industry that provides computers, software and other related products, as well as various kinds of related services.

(2) Geographical segments
Geographical segment information has not been presented because the Japanese portion of our consolidated net sales constituted more than 90%.

(3) Sales to foreign customers
Information on sales to foreign customers has not been presented because the amount constituted an insignificant percentage of consolidated net sales.

# Independent Auditors' Report

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. (the "Company") and consolidated subsidiaries as of March 31, 2011 and 2010, and the related consolidated statements of income for the years then ended, the consolidated statement of comprehensive income for the year ended March 31, 2011, and the related consolidated statements of 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, 2011 and 2010, 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, 2011

Member of
**Deloitte Touche Tohmatsu Limited**

# Corporate Profile and Stock Information

As of March 31, 2011

## Corporate Profile

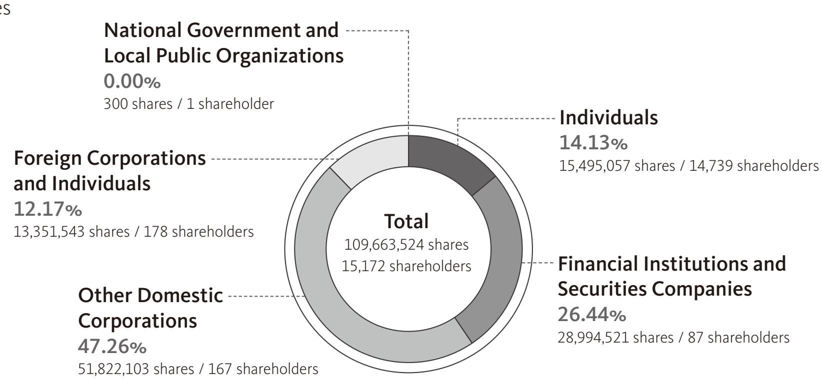
| | | |
|---|---|---|
| **Name** | Nihon Unisys, Ltd. | |
| **Established** | March 29, 1958 | |
| **Capital** | ¥5,483 million | |
| **Business Activities** | Consulting<br>ICT solutions<br>Outsourcing<br>Support and system-related services<br>Sales of computer systems (hardware and software) | |
| **Number of Employees** | 9,417 (consolidated basis) | |
| **Independent Auditor** | Deloitte Touche Tohmatsu LLC | |
| **Business Offices** | Headquarters : | 1-1-1 Toyosu, 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** 15,172

**Classification of Shareholders**




### Principal Shareholders

| Name | Number of shares held (thousands) | Holding ratio (%) |
|---|---|---|
| Mitsui & Co., Ltd. | 30,524 | 27.83 |
| Japan Trustee Services Bank, Ltd. (Trust Account) | 7,128 | 6.50 |
| The Norinchukin Bank | 4,653 | 4.24 |
| The Master Trust Bank of Japan, Ltd. (Trust Account) | 4,196 | 3.82 |
| Nihon Unisys Employees' Shareholding Society | 3,066 | 2.79 |
| Japan Trustee Services Bank, Ltd. (Trust Account 9) | 2,257 | 2.05 |
| 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 |
| The Nomura Trust and Banking Co., Ltd. (Trust Account) | 1,061 | 0.96 |
| Sumitomo Realty & Development Co., Ltd. | 877 | 0.79 |

Note: In addition to the above, Nihon Unisys, Ltd. retains 15,670,382 treasury stocks (holding ratio: 14.28%).

# Group Companies

As of March 31, 2011

## Marketing & Business Development & Consulting

**Consulting, sales and marketing**
Nihon Unisys, Ltd. (4,539 employees)

**CAD / CAM system-related services**
UEL Corporation (209 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. (68 employees)

## Network & Support Services

**Network and support services**
UNIADEX, Ltd. (2,518 employees)
S&I Co., Ltd. (153 employees)

**Network services**
NETMARKS INC. (540 employees)

## System Services

**ICT solution services**
USOL HOLDINGS Co., Ltd.
- USOL Hokkaido Co., Ltd. (95 employees)
- USOL Tohoku Co., Ltd. (26 employees)
- USOL Tokyo Co., Ltd. (266 employees)
- USOL Chubu Co., Ltd. (85 employees)
- USOL Kansai Co., Ltd. (48 employees)
- USOL Chugoku Co., Ltd. (52 employees)
- USOL Kyushu Co., Ltd. (60 employees)
- USOL VIETNAM Co., Ltd. (171 employees)

**ICT solution services based in Okinawa**
International Systems Development Co., Ltd. (157 employees)

**ICT solution services for the commercial and manufacturing sectors**
G&U System Service, Ltd. (69 employees)

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

## Outsourcing

**ICT outsourcing services**
A-tas, Ltd. (114 employees)

**Outsourcing services for the futures trading industry**
TRADE ViSION, Ltd. (4 employees)

## Human Resource Development Services

**Personnel training services**
Nihon Unisys Learning, Co.* (non-consolidated company )

## Group Shared Services

**Group shared operations and various services**
Nihon Unisys Business, Ltd. (184 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.

**Nihon Unisys, Ltd.**

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