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

July 29, 2010

Nihon Unisys, Ltd.

Stock Listing:

Stock Code:

URL:

Representative:

Contact:

TEL:

Scheduled Submission Date for Quarterly Consolidated Financial Statements:

Scheduled Starting Date for Dividend Payments:

Quarterly Earnings Supplementary Explanatory Documents:

Quarterly IR Meeting:

Tokyo Stock Exchange 1st section

8056

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Katsuto Momii, President & CEO

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August 9, 2010

-

No

No

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

1. Consolidated Financial Results in FY2011 Q1 (from April 1, 2010 to June 30, 2010)

(1) Consolidated Results of Operations

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

	Net Sales		Operating Income		Ordinary Income		Net Loss	
	Millions of Yen	%	Millions of Yen	%	Millions of Yen	%	Millions of Yen	%
FY2011 Q1	51,855	(5.1)	(2,610)	—	(2,668)	—	(2,497)	—
FY2010 Q1	54,619	(3.2)	(3,718)	—	(3,765)	—	(2,669)	—

	Earnings Per Share		Diluted Earnings Per Share	
	Yen	Yen	Yen	Yen
FY2011 Q1	(26.04)	—	—	—
FY2010 Q1	(27.83)	—	—	—

(2) Consolidated Financial Position

	Total Assets		Net Assets		Shareholders' Equity Ratio		Net Assets Per Share	
	Millions of Yen	Millions of Yen	Millions of Yen	Millions of Yen	%	Yen	Yen	
FY2011 Q1	199,434	74,021	74,021	74,021	36.5	759.10	759.10	
FY2010	218,066	76,927	76,927	76,927	34.6	787.12	787.12	

(Reference) Shareholders' Equity

FY2011 Q1: 72,806 Million Yen

FY2010 Q1: 75,494 Million Yen

2. Dividends

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

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

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

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

	Net Sales		Operating Income		Ordinary Income		Net Income		Earnings Per Share	
	Millions of Yen	%	Millions of Yen	%	Millions of Yen	%	Millions of Yen	%	Yen	Yen
FY2011 First Half	125,000	(0.7)	1,500	7.0	1,200	(5.3)	(500)	—	(5.21)	(5.21)
FY2011	280,000	3.3	9,000	26.7	8,200	18.5	3,600	(0.7)	37.53	37.53

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

4. Others

- (1) Change of condition of significant consolidated subsidiaries: No
 New: - company (Company Name: -) Excluded: - company (Company Name: -)
 (Note) This item indicates whether there were changes in significant subsidiaries affecting the scope of consolidation during the period under review.
- (2) Adoption of simplified accounting methods and special accounting methods: Yes
 (Note) This item indicates whether there was adoption of simplified accounting methods and special accounting methods for the preparation of quarterly consolidated financial statements.
- (3) Changes in accounting principles, procedures, presentation methods, and other factors
 1. Changes associated with revision in accounting standards: Yes
 2. Other changes: No
 (Note) This item indicates whether there were changes in accounting principles, procedures, presentation methods, and other factors with respect to the preparation of quarterly consolidated financial statements, described in "Changes of Material Matters that are the Basis of Presenting Quarterly Consolidated Financial Statements".
- (4) Number of shares outstanding (common stock)

1. Number of shares outstanding (including treasury stock)	FY2011 Q1	109,663,524 shares	FY2010	109,663,524 shares
2. Number of shares of treasury stock	FY2011 Q1	13,751,349 shares	FY2010	13,751,309 shares
3. Average number of shares outstanding (during the period)	FY2011 Q1	95,912,192 shares	FY2010 Q1	95,912,600 shares

#Indication of quarterly review procedure implementation status

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

Comment regarding appropriate usage of Earnings Forecast, and other special notes

The Consolidated Earnings Forecast that was announced on May 10, 2010 is not revised. The above forecast relies on judgments and assumptions based on information available as of the date of announcement of this material, and is subject to changes in risks, uncertainties, and economy, and other factors that could cause actual results to be materially different from expectations.

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

(1) Qualitative Information on the Consolidated Operating Results

During the first quarter of the fiscal year under review, the Japanese economy continued to be strengthened and establish the foundations for a self-sustaining recovery. Nonetheless, risk factors remain, including concerns over deflation and a downturn in overseas economies, and the outlook remains uncertain.

In the information services market, although corporate appetite for investment in information systems showed signs of recovery, companies remained cautious, postponing investments, reducing budgets for investment, and seeking only highly effective returns on investment (ROI). As a consequence, business conditions continued to be challenging.

In this environment, Nihon Unisys Group (the “Group”) has been seeking, as our key initiatives, to strengthen our Information and Communication Technology (ICT) business, enhance businesses of stable profitability, and strengthen our corporate structure. In doing so, we aim to achieve our vision of evolving into a services company, under a management concept of sharing value with customers (U&U[®]: Users & Unisys).

In our effort to bolster our ICT operations and reinforce businesses of stable profitability, the Group strengthened our sales promotion structure by increasing the number of sales staff and system engineers in the ICT Services division, and enhanced our services and products. We sought to expand the ICT business so that it would increasingly generate sustainable and steady earnings for the Group.

New initiatives related to improving services and products were as follows:

- For customers within the scope of the scheme of ICT hosting services, Nihon Unisys has released solutions to strengthen system security and enable system operations monitoring as well as services to facilitate diverse usage of storage, in order to strengthen our ICT hosting services.
- To enhance the productivity and quality of the development of systems for ICT services and SaaS-type applications, and provide high quality services early, the Company began providing MIDMOST[®] for .NET Maris[®], an integrated framework product for the .NET system development. It was developed by harnessing the .NET development expertise obtained by the Company through the development of systems in the past.

BankVision[®], a next-generation, open, core-banking system of the existing outsourcing business, was adopted by two banks and commenced smooth operations in the period under review. The Company will continue to promote this outsourcing business, and focus on sales activities to capture new orders.

With respect to smart oasis[®], battery charging infrastructure system services for electric vehicles (EVs) and plug-in hybrid vehicles (PHVs), the Company launched the first billing and settlement services in Japan for users of fast-charging systems for electric vehicles on high-speed ways.

In our effort to strengthen our corporate structure, the Group integrated our sales and system engineer divisions in order to enhance our proposal capabilities. Furthermore, we have continued to adjust our back-office workforce, and transfer staff with a background in sales to our sales divisions in order to reinforce the sales capabilities. We have also continued to reform our operations in order to establish a low-cost corporate structure.

Looking at the consolidated operating results for the first quarter of the fiscal year under review, net sales were ¥51,855 million, down by 5.1% year on year, primarily reflecting a fall in sales of system services and support services.

In terms of profit, given an improvement in the profitability of system services and support services, and lower selling, general and administrative expenses, the Group posted an operating loss of ¥2,610 million (a reduction of

¥1,107 million in losses compared with losses for the same period last year), and an ordinary loss of ¥2,668 million (a reduction of ¥1,097 million in losses compared with losses for the same period last year). The net loss amounted to ¥2,497 million (a reduction of ¥171 million in losses compared with losses for the same period last year), primarily attributable to the posting of an extraordinary loss of ¥656 million in loss on valuation of investment securities.

(2) Qualitative Information on Consolidated Financial Position

Total assets were ¥199,434 million on a consolidated basis at the end of the period under review, down by ¥18,631 million from the end of the previous fiscal year, primarily reflecting a decline in accounts receivable-trade.

Liabilities totaled ¥125,413 million at the end of the quarter under review, a fall of ¥15,726 million from the end of the previous fiscal year, mainly due to a decline in accounts payable-trade, the redemption of commercial paper, and repayments of loans payable.

At the end of the period, net assets were ¥74,021 million. The shareholders' equity ratio was 36.5%, an improvement of 1.9 percentage points from the end of the preceding year.

(Cash flows)

With respect to cash and cash equivalents (hereinafter, "cash") for the first quarter under review, cash generated mainly by operating activities was allocated to investments in the development of software for outsourcing and repayment of loans payable.

As a result, consolidated cash was ¥28,631 million as of the end of the first quarter under review, down by ¥3,169 million from the end of the previous fiscal year.

(Cash flows from operating activities)

Net cash provided by operating activities was ¥14,931 million (an increase of ¥4,505 million from the previous year), mainly reflecting expenditures, including a ¥9,397 million decline of notes and accounts payable-trade (a rise of ¥689 million in expenditures year on year), and proceeds, including a ¥28,305 million fall of notes and accounts receivable-trade (a rise of ¥4,281 million in proceeds year on year).

(Cash flows from investing activities)

Net cash used in investing activities was ¥3,221 million (an increase of ¥1,229 million from the previous year). This mainly reflected the fact that we used ¥881 million (an increase of ¥452 million) to purchase property, plant and equipment, such as computers for sales activities, and ¥2,133 million (an increase of ¥514 million) to purchase intangible assets, mainly in relation to the development of software for outsourcing.

(Cash flows from financing activities)

Net cash used in financing activities was ¥8,540 million (down by ¥3,459 million from the previous term). This reflected factors such as the ¥1,230 million repayment of long-term loans payable (up by ¥43 million), and a ¥7 billion redemption of commercial paper (down by ¥1 billion).

(3) Qualitative Information on Consolidated Financial Forecast

There has been no change in the consolidated financial forecast announced on May 10, 2010.

2. Other Information

(1) Change of condition of significant consolidated subsidiaries

Not applicable

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

Valuation methods for inventories

The Group calculated inventories for the end of the first quarter of the fiscal year under review not by conducting physical inventory counts but by using a reasonable method based on the physical inventory for the previous fiscal year.

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

(Changes in accounting policies)

- Application of the accounting standards for asset retirement obligations

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

As a result of the applications, operating loss and ordinary loss increased ¥44 million, and loss before income taxes and minority interests rose ¥492 million. The change in asset retirement obligations due to the application of these accounting standards was ¥1,485 million.

3. Quarterly Consolidated Financial Statements**(1) CONSOLIDATED BALANCE SHEETS**

Million Yen

	FY2011 Q1 (As of June 30, 2010)	FY2010 (As of March 31, 2010)
ASSETS		
Current assets		
Cash and deposits	28,631	25,461
Notes and accounts receivable — trade	41,943	70,249
Securities	30	30
Merchandise and finished goods	6,227	6,424
Work in process	4,713	2,295
Raw materials and supplies	207	187
Deferred tax assets	6,105	8,207
Other	10,856	8,221
Allowance for doubtful accounts	(249)	(285)
Total current assets	98,466	120,792
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	4,884	3,980
Machinery, equipment and vehicles, net	8,304	8,621
Other, net	4,775	4,772
Total property, plant and equipment	17,964	17,373
Intangible assets		
Goodwill	3,463	3,517
Software	24,601	24,312
Other	61	64
Total intangible assets	28,126	27,894
Investment and other assets		
Investment securities	13,405	13,719
Deferred tax assets	22,000	18,712
Prepaid pension costs	7,625	7,812
Other	12,351	12,213
Allowance for doubtful accounts	(505)	(452)
Total investment and other assets	54,877	52,005
Total non-current assets	100,968	97,273
Total assets	199,434	218,066

Million Yen

	FY2011 Q1 (As of June 30, 2010)	FY2010 (As of March 31, 2010)
LIABILITIES		
Current liabilities		
Notes and accounts payable — trade	14,010	23,403
Short-term loans payable	5,700	5,700
Current portion of long-term loans payable	17,514	16,652
Commercial papers	2,000	9,000
Income taxes payable	91	1,395
Allowance for loss on business restructuring	2,009	2,609
Other provisions	1,179	1,404
Other	30,087	27,626
Total current liabilities	72,592	87,790
Non-current liabilities		
Bonds payable	20,000	20,000
Long-term loans payable	27,357	29,449
Deferred tax liabilities	719	659
Reserve for retirement benefits	1,320	1,347
Other provisions	130	86
Asset retirement obligations	1,493	—
Negative goodwill	35	38
Other	1,764	1,765
Total non-current liabilities	52,820	53,348
Total liabilities	125,413	141,139
NET ASSETS		
Shareholders' equity		
Capital stock	5,483	5,483
Capital surplus	15,475	15,475
Retained earnings	72,411	75,148
Treasury stock	(19,260)	(19,260)
Total shareholders' equity	74,109	76,846
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	(1,266)	(1,365)
Deferred gains on hedges	(35)	13
Total valuation and translation adjustments	(1,302)	(1,352)
Subscription rights to shares	792	790
Minority interests	421	642
Total net assets	74,021	76,927
Total liabilities and net assets	199,434	218,066

(2) CONSOLIDATED STATEMENTS OF INCOME

Million Yen

	Three months ended June 30, 2009	Three months ended June 30, 2010
Net sales	54,619	51,855
Cost of sales	42,129	39,242
Gross profit	12,489	12,613
Selling, general and administrative expenses	16,207	15,223
Operating loss	(3,718)	(2,610)
Non-operating income		
Interest income	38	24
Dividend income	133	101
Other	87	91
Total non-operating income	259	217
Non-operating expense		
Interest expenses	275	257
Other	31	18
Total non-operating expenses	306	275
Ordinary loss	(3,765)	(2,668)
Extraordinary income		
Gain on sales of non-current assets	–	3
Gain on reversal of subscription rights to shares	65	37
Adjustment to consumption taxes for prior period	–	27
Other	16	6
Total extraordinary income	81	74
Extraordinary losses		
Loss on devaluation of investment securities	1	656
Loss on adjustment for changes of accounting standard for asset retirement obligations	–	448
Other	224	21
Total extraordinary losses	226	1,127
Loss before income taxes and minority interests	(3,910)	(3,720)
Income taxes-current	31	59
Income taxes-deferred	(1,068)	(1,134)
Total income taxes	(1,037)	(1,074)
Loss before minority interests	–	(2,646)
Minority interests in loss	(203)	(148)
Net loss	(2,669)	(2,497)

(3) CONSOLIDATED STATEMENTS OF CASH FLOWS

Million Yen

	Three months ended June 30, 2009	Three months ended June 30, 2010
Operating activities:		
Loss before income taxes and minority interests	(3,910)	(3,720)
Depreciation and amortization	3,329	3,310
Amortization of goodwill	54	54
Amortization of negative goodwill	(3)	(31)
Loss (gain) on valuation of investment securities	–	656
Loss on adjustment for changes of accounting standard for asset retirement obligations	–	448
Increase (decrease) in provision for retirement benefits	0	(26)
Increase (decrease) in allowance for loss on business restructuring	(1,006)	(600)
Increase (decrease) in other provisions	(101)	(163)
Interest and dividends income	(171)	(125)
Interest expenses	275	257
Decrease (increase) in notes and accounts receivable — trade	24,023	28,305
Decrease (increase) in inventories	(3,953)	(2,240)
Increase (decrease) in notes and accounts payable — trade	(8,708)	(9,397)
Other	3,549	(308)
Subtotal	13,376	16,416
Interest and dividends income received	177	123
Interest expenses paid	(116)	(96)
Income taxes paid	(3,012)	(1,512)
Net cash provided by operating activities	10,426	14,931
Investing activities:		
Purchase of property, plant and equipment	(428)	(881)
Proceeds from sales of property, plant and equipment	16	10
Purchase of intangible assets	(1,618)	(2,133)
Purchase of investment securities	(1)	(246)
Other	41	29
Net cash used in investing activities	(1,991)	(3,221)
Financing activities:		
Net increase (decrease) in short-term loans payable	(2,094)	–
Repayment of long-term loans payable	(1,186)	(1,230)
Increase (decrease) in commercial papers	(8,000)	(7,000)
Purchase of treasury stock	(0)	(0)
Cash dividends paid	(644)	(223)
Cash dividends paid to minority shareholders	(5)	(6)
Other	(68)	(80)
Net cash used in financing activities	(11,999)	(8,540)
Effect of exchange rate change on cash and cash equivalents	13	–
Net increase (decrease) in cash and cash equivalents	(3,551)	3,169
Cash and cash equivalents at beginning of period	36,046	25,461
Cash and cash equivalents at end of period	32,494	28,631

(4) Notes to the going concern assumption

There is no applicable item.

(5) Segment information

1. Overview of Reportable Segments

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

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

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

Details of the reportable segments are as follows:

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

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

First three-month period of consolidated fiscal year under review (April 1, 2010 – June 30, 2010) (Million Yen)

	Reportable segments							Other (Note 1)	Total	Adjustment (Note 2)	Amount recorded in consolidated statements of income (Note 3)
	System Services	Support Services	Outsourcing	Netmarks Services	Software	Hardware	Total				
Net sales	14,690	13,177	6,708	4,153	4,010	5,696	48,437	3,418	51,855	–	51,855
Segment profits	3,567	4,500	584	623	581	1,872	11,730	883	12,613	(15,223)	(2,610)

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

(Note 2) The adjustment of ¥15,223 million to segment profits included development expenses of ¥1,227 million, amortization of goodwill of ¥54 million, and selling, general and administrative expenses of ¥13,942.

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

(Additional information)

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

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

There is no applicable item.