

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

November 1, 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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November 11, 2010

December 7, 2010

Yes

Yes (for institutional investors and analysts)

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

1. Consolidated Financial Results in FY2011 Q2 (from April 1, 2010 to September 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 Q2	116,531	(7.4)	1,386	(1.1)	1,162	(8.2)	(365)	—
FY2010 Q2	125,869	(14.3)	1,401	(66.0)	1,266	(67.0)	(237)	—

	Earnings Per Share	Diluted Earnings Per Share
	Yen	Yen
FY2011 Q2	(3.82)	—
FY2010 Q2	(2.48)	—

(2) Consolidated Financial Position

	Total Assets	Net Assets	Shareholders' Equity Ratio	Net Assets Per Share
	Millions of Yen	Millions of Yen	%	Yen
FY2011 Q2	200,684	76,459	37.5	784.30
FY2010	218,066	76,927	34.6	787.12

(Reference) Shareholders' Equity

FY2011 Q2: 75,264 Million Yen

FY2010 : 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	—	5.00			
FY2011 (Forecast)			—	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
FY2011	280,000	3.3	9,000	26.7	8,200	18.5	3,600	(0.7)	37.51

(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: No
(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 Q2	109,663,524 shares	FY2010	109,663,524 shares
2. Number of shares of treasury stock	FY2011 Q2	13,699,099 shares	FY2010	13,751,309 shares
3. Average number of shares outstanding (during the period)	FY2011 Q2	95,729,403 shares	FY2010 Q2	95,912,517 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 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 various factors that could cause actual results to be different from expectations.

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

(1) Qualitative Information on the Consolidated Operating Results

Although the economy of Japan showed signs of a self-sustaining recovery in the period under review, against the backdrop of various policies, there are several risk factors such as concerns of downturns in overseas economies, fluctuations in exchange rates, and deflationary impacts. In the information services market, despite a recovering corporate appetite for investment in information systems, companies have continued their discreet postures; postponing investments, reducing their IT budgets, as well as seeking out highly effective returns on investment (ROI). Thus, business conditions have continued to be challenging for us.

In this environment, the Nihon Unisys group has aimed to become a services company under our management concept of “sharing value with customers” (U&U® : Users & Unisys). Thus, we have been seeking to achieve our vision of the future through our key initiatives of strengthening our Information and Communication Technology (ICT) business, enhancing those businesses with stable profitability, and reinforcing our corporate structure.

With regards to strengthening our ICT business and enhancing businesses with stable profitability, we reinforced the sales promotion arrangements of our ICT Services division in order to expand the ICT businesses that were most likely to show a continuous and sustainable increase in earnings. Accordingly, we increased the number of project proposals. Also, we strengthened further our services and products, and developed the following new services.

- A draft management system service was released on the basis of our expertise in this domain where our strength has been amply demonstrated. The service is provided in the form of the first ever SaaS type of draft management system in Japan. It was launched for financial institutions across the nation such as regional banks, shinkin banks, credit unions as well as agricultural cooperatives.
- An ‘alcohol checking service’ designed to support the efforts to eliminate the drunken driving of commercial vehicles was released. It is an option to the cloud type service ‘accident-free program DR®’ that utilizes a driving recorder. This consists of three optional services, the provision of alcohol checking device, a cloud-type roll-call for alcoholic checking, and a cloud-type spoofing prevention service.

BankVision®, a next-generation, open-source, core-banking system of our existing outsourcing business, has been operating smoothly for regional banks. We have continued to focus on sales activities in order to gain new orders.

Also, we established a new office work concentration center at our operating Outsourcing Center for Hokkaido Shinkin Banks in order to perform basic administrative tasks for shinkin banks in a more efficient manner. We were entrusted to begin the business of performing data entry for bank account transfer. In the wake of the release of this service, we will further intensify our comprehensive outsourcing service that supports the optimization of IT investment and business reform for shinkin banks.

In our efforts to strengthen our corporate structure, we integrated our sales and system engineer divisions this April in order to increase opportunities for proposals and accelerate proposal procedures. We continued to develop a low-cost business structure on the basis of business reforms in the period under review.

As regards the consolidated operating results for the second quarter of the fiscal year under review, the Group posted net sales of ¥116,531 million, down by 7.4% compared with the same period of the previous year, primarily due to a decrease in our services business.

Despite a decrease in operating income due to a decrease in net sales, in terms of profit, selling, general and administrative expenses decreased as a result of cost reduction efforts. Operating income was ¥1,386 million (a reduction of 1.1% compared with the same quarter last year), and ordinary income was ¥1,162 million (a reduction of 8.2% compared with the same quarter last year). The Group posted a net loss of ¥365 million, compared with the net loss of ¥237 million of the same quarter of the

previous year.

(2) Qualitative Information on Consolidated Financial Position

Total assets were ¥200,684 million on a consolidated basis at the end of the period under review, down by ¥17,382 million from the end of the previous fiscal year, mainly due to a decline in accounts receivable-trade.

Liabilities were ¥124,225 million at the end of the quarter under review, down by ¥16,914 million, compared with the end of the previous fiscal year, primarily due to a decrease in accounts payable-trade and repayments of loans payable.

Net assets were ¥76,459 million at the end of the period. The shareholders' equity ratio was 37.5 %, an improvement of 2.9 percentage points from the end of the previous year.

(Cash flows)

With respect to cash and cash equivalents (hereinafter referred to as 'cash'), 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 ¥24,656 million as of the end of the second quarter under review, down by ¥804 million from the end of the previous year.

(Cash flows from operating activities)

Net cash provided by operating activities was ¥12,338 million (an increase of ¥3,091 million in proceeds from the previous year), mainly reflecting an expenditure of ¥7,599 million as a result of payment of notes and accounts payable-trade (an increase of ¥512 million in expenditure from the previous year), and proceeds of ¥20,227 million as a result of collection of notes and accounts receivable-trade (an increase of ¥5,071 million in proceeds from the previous year).

(Cash flows from investing activities)

Net cash utilized in investing activities was ¥5,379 million (a decrease of ¥810 million in expenditure year on year). This mainly reflected the fact that the Group utilized ¥1,345 million (a decrease of ¥62 million in expenditure year on year) to purchase property, plant and equipment, such as computers for sales activities, and ¥3,780 million (a decrease of ¥599 million in expenditure year on year) to purchase intangible assets, mainly in relation to the development of software for outsourcing.

(Cash flows from financing activities)

Net cash utilized in financing activities was ¥7,763 million (a decrease of ¥1,420 million in expenditure from the previous year). This reflected factors such as a ¥5,549 million repayment of long-term loans payable (an increase of ¥920 million in expenditure from the previous year), and a ¥1,000 million redemption of commercial paper (a decrease of ¥3,000 million in expenditure from the previous year).

(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

Not applicable

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

(Changes in accounting policies)

The Accounting Standard for Asset Retirement Obligations (Accounting Standard Board of Japan (ASBJ) Statement No. 18 on March 31, 2008) and the Guidance on Accounting Standard 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 income and ordinary income decreased by ¥88 million and loss before income taxes and minority interests increased by ¥537 million. The change in asset retirement obligations due to the application of these accounting standards was ¥1,485 million.

(4) Notes to the going concern assumption

There is no applicable item.

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

Million Yen

	FY2011 Q2 (As of September 30, 2010)	FY2010 (As of March 31, 2010)
ASSETS		
Current assets		
Cash and deposits	24,656	25,461
Notes and accounts receivable — trade	50,022	70,249
Securities	24	30
Merchandise and finished goods	5,726	6,424
Work in process	4,571	2,295
Raw materials and supplies	188	187
Deferred tax assets	5,666	8,207
Other	10,254	8,221
Allowance for doubtful accounts	(241)	(285)
Total current assets	100,869	120,792
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	4,747	3,980
Machinery, equipment and vehicles, net	7,568	8,621
Other, net	4,683	4,772
Total property, plant and equipment	16,999	17,373
Intangible assets		
Goodwill	4,372	3,517
Software	24,182	24,312
Other	66	64
Total intangible assets	28,621	27,894
Investment and other assets		
Investment securities	13,756	13,719
Deferred tax assets	21,173	18,712
Prepaid pension costs	7,437	7,812
Other	12,332	12,213
Allowance for doubtful accounts	(505)	(452)
Total investment and other assets	54,194	52,005
Total non-current assets	99,815	97,273
Total assets	200,684	218,066

Million Yen

	FY2011 Q2 (As of September 30, 2010)	FY2010 (As of March 31, 2010)
LIABILITIES		
Current liabilities		
Notes and accounts payable — trade	15,808	23,403
Short-term loans payable	5,700	5,700
Current portion of long-term loans payable	20,018	16,652
Commercial papers	8,000	9,000
Income taxes payable	623	1,395
Allowance for loss on business restructuring	1,021	2,609
Other provisions	643	1,404
Other	26,348	27,626
Total current liabilities	78,163	87,790
Non-current liabilities		
Bonds payable	20,000	20,000
Long-term loans payable	20,621	29,449
Deferred tax liabilities	732	659
Reserve for retirement benefits	1,319	1,347
Other provisions	136	86
Asset retirement obligations	1,500	—
Negative goodwill	31	38
Other	1,720	1,765
Total non-current liabilities	46,061	53,348
Total liabilities	124,225	141,139
NET ASSETS		
Shareholders' equity		
Capital stock	5,483	5,483
Capital surplus	15,281	15,475
Retained earnings	73,664	75,148
Treasury stock	(18,140)	(19,260)
Total shareholders' equity	76,288	76,846
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	(951)	(1,365)
Deferred gains on hedges	(72)	13
Total valuation and translation adjustments	(1,023)	(1,352)
Subscription rights to shares	806	790
Minority interests	388	642
Total net assets	76,459	76,927
Total liabilities and net assets	200,684	218,066

(2) CONSOLIDATED STATEMENTS OF INCOME

Million Yen

	Six months ended September 30, 2009	Six months ended September 30, 2010
Net sales	125,869	116,531
Cost of sales	92,807	85,496
Gross profit	33,062	31,035
Selling, general and administrative expenses	31,660	29,648
Operating income	1,401	1,386
Non-operating income		
Interest income	76	46
Dividend income	188	108
Other	209	161
Total non-operating income	474	316
Non-operating expense		
Interest expenses	540	499
Other	68	40
Total non-operating expenses	609	540
Ordinary income	1,266	1,162
Extraordinary income		
Gain on sales of non-current assets	294	—
Gain on reversal of subscription rights to shares	65	37
Adjustment to consumption taxes for prior period	—	27
Other	22	13
Total extraordinary income	381	78
Extraordinary losses		
Loss on sales and disposal of fixed assets	43	5
Loss on devaluation of investment securities	652	809
Loss on adjustment for changes of accounting standard for asset retirement obligations	—	448
Allowance for doubtful account	7	2
Other	439	41
Total extraordinary losses	1,142	1,307
Income (loss) before income taxes and minority interests	506	(67)
Income taxes-current	631	505
Income taxes-deferred	336	(77)
Total income taxes	967	428
Income (loss) before minority interests	—	(495)
Minority interests in loss	(223)	(129)
Net loss	(237)	(365)

(3) CONSOLIDATED STATEMENTS OF CASH FLOWS

Million Yen

	Six months ended September 30, 2009	Six months ended September 30, 2010
Operating activities:		
Gain (loss) before income taxes and minority interests	506	(67)
Depreciation and amortization	6,739	6,721
Amortization of goodwill	107	121
Amortization of negative goodwill	(7)	(35)
Loss on adjustment for changes of accounting standard for asset retirement obligations	—	448
Increase (decrease) in provision for retirement benefits	6	(28)
Increase (decrease) in allowance for loss on business restructuring	(1,948)	(1,588)
Increase (decrease) in other provisions	(486)	(702)
Interest and dividends income	(265)	(155)
Interest expenses	540	499
Decrease (increase) in notes and accounts receivable — trade	15,155	20,227
Decrease (increase) in inventories	(3,159)	(1,578)
Increase (decrease) in notes and accounts payable — trade	(7,087)	(7,599)
Other	1,755	(2,553)
Subtotal	11,859	13,710
Interest and dividends income received	270	157
Interest expenses paid	(553)	(514)
Income taxes paid	(2,330)	(1,016)
Net cash provided by operating activities	9,246	12,338
Investing activities:		
Purchase of securities	(30)	—
Proceeds from sales of securities	—	30
Purchase of property, plant and equipment	(1,407)	(1,345)
Proceeds from sales of property, plant and equipment	26	12
Purchase of intangible assets	(4,380)	(3,780)
Purchase of investment securities	(505)	(353)
Proceeds from sales of investment securities	8	45
Other	98	12
Net cash used in investing activities	(6,190)	(5,379)
Financing activities:		
Net increase (decrease) in short-term loans payable	(2,185)	—
Proceeds from Long-Term Loans Payable	2,500	87
Repayment of long-term loans payable	(4,628)	(5,549)
Increase (decrease) in commercial papers	(4,000)	(1,000)
Purchase of treasury stock	(0)	(875)
Cash dividends paid	(718)	(239)
Cash dividends paid to minority shareholders	(5)	(6)
Other	(145)	(179)
Net cash used in financing activities	(9,184)	(7,763)
Effect of exchange rate change on cash and cash equivalents	40	—
Net increase (decrease) in cash and cash equivalents	(6,087)	(804)
Cash and cash equivalents at beginning of period	36,046	25,461
Cash and cash equivalents at end of period	29,958	24,656

(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

Six-month period of consolidated fiscal year under review (April 1, 2010 – September 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	34,251	26,835	13,696	9,379	10,333	15,074	109,569	6,962	116,531	—	116,531
Segment profits	9,742	9,131	1,406	1,831	2,659	4,438	29,208	1,826	31,035	(29,648)	1,386

(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 ¥29,648 million to segment profits included development expenses of ¥2,625 million, amortization of goodwill of ¥121 million, and selling, general and administrative expenses of ¥26,901 million that has not been distributed to each reportable segment.

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

(Additional information)

The Revised 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 of the fiscal year under review.

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

There is no applicable item.