

Financial Report for the Third Quarter Ended December 31, 2002 (Consolidated)

Nihon Unisys, Ltd.

--Listing: Tokyo Stock Exchange First Section, Code 8056

(URL <http://www.unisys.co.jp>)

1. Matters Concerning Quarterly Financial Results

- (1) Numbers for the nine months ended December 31, 2001 are prepared solely for the convenience of comparison with the results for the nine months ended December 31, 2002, as Nihon Unisys Group (the Group) did not announce quarterly results prior to the third quarter ended December 31, 2002.
- (2) Numbers for the nine months ended December 31, 2002 and December 31, 2001 have not been audited.
- (3) Number of consolidated subsidiaries for this period: 16 (Previous year: 15)

2. Characteristics of the Group's Quarterly Results

- (1) As the Group recognizes revenues from contracted systems development upon completion of the inspection of the systems by the customer, and as most of the inspections are done in the second and fourth quarter, substantial portion of sales and profits are recognized in those periods.
- (2) With regard to sales of hardware, most of the sales and profits are recognized in the second and fourth quarter, as most shipments are done in those periods.

These characteristics stated above are typical industrial trends surrounding the Group, not a special phenomenon that occurs only in this period.

3. Business Results for Nine Months Ended December 31, 2002. (From April 1, 2002 to December 31, 2002)

(1) Results of Operations

	Net Sales	Operating Income	Recurring Profit	Net Income
	millions of yen	millions of yen	millions of yen	millions of yen
Nine Months Ended 12/31/02 (Reference)	193,017	399	545	4,468
Nine Months Ended 12/31/01	183,620	(6,666)	(6,168)	(4,033)
Fiscal Year Ended 3/31/02	307,898	4,686	5,692	(7,831)

	Net Income per Share	Diluted Net Income per Share
	yen	yen
Nine Months Ended 12/31/02 (Reference)	40.74	-
Nine Months Ended 12/31/01	(36.78)	-
Fiscal Year Ended 3/31/02	(71.41)	-

(2) Financial Standings

	Total Assets	Shareholders' Equity	Shareholders' Equity Ratio	Shareholders' Equity per Share
	millions of yen	millions of yen	%	yen
Nine Months Ended 12/31/02	196,127	87,826	44.8	800.89
Fiscal Year Ended 3/31/02	257,608	85,062	33.0	775.68

(3) Cash Flows

	Cash Flows from Operating Activities	Cash Flows from Investing Activities	Cash Flows from Financing Activities	Cash and Cash Equivalents, End of Period
	millions of yen	millions of yen	millions of yen	millions of yen
Nine Months Ended 12/31/02 (Reference)	12,638	(18,685)	(10,071)	23,799
Nine Months Ended 12/31/01	8,191	(13,401)	(515)	29,198
Fiscal Year Ended 3/31/02	21,591	(19,747)	3,085	39,853

4. Earnings Forecast for FY2003 (from April 1, 2002 to March 31, 2003)

	Net Sales	Recurring Profit	Net Income	Net Income per Share
	millions of yen	millions of yen	millions of yen	yen
Full-Year	310,000	8,500	8,200	74.77

*This financial report is solely a translation of Japanese version, including attachments, for the convenience of readers who prefer English.

(Overview of the Third Quarter Consolidated Performance)

(1) Overview

There was no sign of prolonging economic recovery, and IT spending of companies was still sluggish and postponed.

Although the market environment was tough, Nihon Unisys Group (the Group) has been making best efforts to make value propositions to help customers sharpen their competitiveness, generating good results in system development services in each segment. Furthermore, as a result of growing demand for IT outsourcing, our customer base is gradually expanding from financial to various industries like manufacturing, distribution and service companies. In addition, support service business and network integration business of UNIADDEX, Ltd. are growing steadily.

The Group released the management policy for next fiscal year in January titled "Re-Enterprising2003" in order to grow further and is trying to make service business as our core business. Under this policy, we aim to be "a leading IT service company" maximizing synergy of the Group by centralizing functions, improving efficiency and sharpening expertise and competitiveness of the Group overall.

In the third quarter, we developed network security appliance product, "TrustGate™," jointly with Seiko Instruments Inc. to reinforce our security business.

In addition, to strengthen our consulting business, we released IT consulting service, "LUCINA®" as well as broadband solutions for contents distribution business while exploring new business area like business aggregation.

In the meantime, as for hardware, we reinforced lineup of ES7000 Series. We tried to develop application business area like "SAP on ES7000."

(2) Results of Operations

The net sales was ¥193.017Billion (up 5.1% from the year-ago period) thanks to growth of system service and outsourcing business.

The operating income increased by ¥7.065B from the year-ago to ¥399Million as a result of returning the government's portion of the pension fund and other cost reduction measures. The recurring profit also increased by ¥6.714B to ¥545M. The net income was ¥4.468B (up ¥8.501B).

(3) Financial Condition

The balance of cash and cash equivalents at the end of the third quarter, FY2003 was ¥23.799B (down ¥16.053B from the end of FY2002, ended March 31, 2002).

The Group generated ¥12.638B of cash from operations, an increase of ¥4.446B from the year-ago period, with a contribution of ¥8.257B of income before income taxes and minority interests. The net cash used in investing activities was ¥18.685B (up ¥5.284B from the year-ago period) due mainly to acquisitions of property and equipment (¥13.699B) such as computers. The net cash used in financing activities was ¥10.071B (up ¥9.555B) due to the redemption of ¥10B straight bond.

(4) Forecast for FY2003

Our latest projection of this fiscal year is ¥310B in net sales, down ¥4B from the previous forecast, due to restrained and postponed IT spending. Decrease of net sales affects operating income and recurring profit, which will be ¥8.5B (down ¥1.5B) each. Net income will be ¥8.2B, down ¥1.4B. (Up ¥2.4B compared with the forecast of ¥5.8B that was announced in May 2002.)

The above forecast relies on judgments and assumptions based on information currently available and is subject to changes due to risks, uncertainties, economies, and other factors that could cause actual results to be materially different from expectations.

5. Consolidated Financial Statements

CONSOLIDATED STATEMENTS OF INCOME

	Nine months ended December 31, 2002	Nine months ended December 31, 2001 *	Increase (Decrease)	Percentage Change
	millions of yen	millions of yen	millions of yen	%
Net sales	193,017	183,620	9,397	5.1
Cost of sales	141,804	133,198	8,605	6.5
Gross profit	51,213	50,421	791	1.6
Selling, general and administrative expenses	50,813	57,087	(6,273)	(11.0)
Operating income (loss)	399	(6,666)	7,065	-
Non-operating income				
Interest and dividend income	115	269	(153)	
Other	800	1,045	(244)	
Non-operating expenses				
Interest expense	698	789	(90)	
Other	70	27	43	
Recurring profit (loss)	545	(6,168)	6,714	-
Extraordinary gains				
Gain on exemption from the substitutional portion of welfare pension funds	7,798	-	7,798	
Other	69	145	(76)	
Extraordinary losses	156	309	(153)	
Income (loss) before income taxes and minority interests	8,257	(6,332)	14,589	-
Income taxes	3,712	(2,376)	6,088	
Minority interests	76	77	(0)	
Net income (loss)	4,468	(4,033)	8,501	-

* Numbers for the nine months ended December 31, 2001 were prepared solely for the convenience of comparison with the results for the nine months ended December 31, 2002.

CONSOLIDATED BALANCE SHEETS

	December 31, 2002	March 31, 2002	Increase (Decrease)
	millions of yen	millions of yen	millions of yen
(ASSETS)			
Current assets			
Cash and time deposits	17,815	34,901	(17,085)
Notes receivable and accounts receivable-trade	32,656	85,384	(52,727)
Inventories	30,726	22,009	8,717
Other	30,321	24,678	5,643
Total current assets	111,521	166,972	(55,451)
Fixed assets			
Property and equipment	39,655	37,822	1,832
Intangible fixed assets	14,427	13,948	479
Investments and other assets			
Investment securities	7,852	9,623	(1,770)
Deferred tax assets	8,856	13,489	(4,633)
Other	13,814	15,752	(1,937)
Total investments and other assets	30,523	38,864	(8,341)
Total fixed assets	84,606	90,635	(6,029)
Total assets	196,127	257,608	(61,480)
(LIABILITIES)			
Current liabilities			
Notes payable and accounts payable-trade	23,290	41,093	(17,802)
Short-term borrowings and current portion of long-term debt	16,239	18,378	(2,139)
Current portion of bonds	-	10,000	(10,000)
Other	32,702	54,834	(22,131)
Total current liabilities	72,232	124,305	(52,073)
Long-term liabilities			
Long-term debt	23,532	25,674	(2,142)
Allowance for retirement and severance benefits	4,542	14,236	(9,694)
Other	6,449	6,905	(456)
Total long-term liabilities	34,523	46,816	(12,292)
Total liabilities	106,755	171,122	(64,366)
Minority interests	1,545	1,423	122
(SHAREHOLDERS' EQUITY)			
Common stock	5,483	5,483	-
Capital surplus (Additional paid-in capital)	15,281	15,281	-
Retained earnings	66,606	63,006	3,600
Net unrealized gains on securities	457	1,292	(834)
Treasury stock	(2)	(0)	(2)
Total shareholders' equity	87,826	85,062	2,763
Total liabilities, minority interests and shareholders' equity	196,127	257,608	(61,480)

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Nine months ended December 31, 2002	Nine months ended December 31, 2001 *	Increase (Decrease)
	millions of yen	millions of yen	millions of yen
Cash flows from operating activities			
Income (loss) before income taxes and minority interests	8,257	(6,332)	14,589
Depreciation and amortization	15,661	14,631	1,029
Increase (decrease) in allowances	(10,070)	2,531	(12,602)
Decrease in accounts receivable-trade	52,727	66,950	(14,222)
Increase in inventories	(8,717)	(21,827)	13,109
Decrease in accounts payable-trade	(17,805)	(33,139)	15,334
Other-net	(6,624)	(7,880)	1,256
Subtotal	33,428	14,934	18,494
Interest and dividend received	79	285	(205)
Interest paid	(658)	(676)	17
Special retirement expense paid	(16,530)	-	(16,530)
Income taxes paid	(3,681)	(6,352)	2,671
Net cash provided by operating activities	12,638	8,191	4,446
Cash flows from investing activities			
Purchases of property and equipment	(13,699)	(7,763)	(5,936)
Purchases of intangible fixed assets	(5,369)	(6,991)	1,621
Other-net	383	1,352	(969)
Net cash used in investing activities	(18,685)	(13,401)	(5,284)
Cash flows from financing activities			
Net decrease in short-term borrowings	(3,689)	(537)	(3,152)
Proceeds from long-term debt	200	5,600	(5,400)
Repayments of long-term debt	(792)	(6,083)	5,291
Redemption of bonds	(10,000)	-	(10,000)
Proceeds from issuance of commercial paper	5,000	-	5,000
Cash dividends paid	(822)	(822)	0
Other-net	32	1,327	(1,294)
Net cash (used in) financing activities	(10,071)	(515)	(9,555)
Net (decrease) in cash and cash equivalents	(16,118)	(5,725)	(10,393)
Cash and cash equivalents, beginning of period	39,853	34,874	4,979
Cash and cash equivalents of a newly consolidated subsidiary	64	50	14
Cash and cash equivalents, end of period	23,799	29,198	(5,399)

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6. Status of Orders and Sales

(1) Orders

	Orders	Backlog
	Nine months ended December 31, 2002	Nine months ended December 31, 2002
	millions of yen	millions of yen
Services	119,128	97,880
Software	27,433	28,939
Hardware	60,275	35,568
Total	206,837	162,389

Notes) Backlog: The amount expected to be realized as sales within a year.

Since the Group did not collect data of orders and backlog prior to the third quarter ended December 31, 2002, percent change from the year-ago period is not given.

(2) Sales

	Amount	Composition	Percent change from nine months ended December 31, 2001
	millions of yen		
Services	111,746	57.9%	+12.0%
Software	30,826	16.0%	(10.2)%
Hardware	50,443	26.1%	+1.9%
Total	193,017	100.0%	+5.1%