

Financial Report for the First Quarter Ended June 30, 2003 (Consolidated)

Nihon Unisys, Ltd.

--Listing: Tokyo Stock Exchange First Section, Code 8056
(URL <http://www.unisys.co.jp>)

1. Matters Concerning Consolidated Quarterly Results

- (1) Difference in accounting treatment from fiscal year ended March 31, 2003: Applicable
- For quarterly results, Nihon Unisys Group (the Group) does not recognize impairment losses of marketable securities whose fair value is readily determinable.
- (2) Number of consolidated subsidiaries for this period: 17 (A year-ago period: 16)
- (3) Numbers for the three months ended June 30, 2003 and June 30, 2002 have not been audited.
- (4) Numbers less than one million yen have been disregarded.
- (5) Numbers for the three months ended June 30, 2002 have been prepared solely for the convenience of comparison with the results for the three months ended June 30, 2003, as the Group had not announced quarterly results prior to the third quarter ended December 31, 2002.

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 and software, 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 industrial trends surrounding the Group, not a special phenomenon that occurs only in this period.

3. Business Results for Three Months Ended June 30, 2003. (From April 1, 2003 to June 30, 2003)

(1) Results of Operations

	Net Sales		Operating Income		Recurring Profit		Net Income	
	millions of yen	%	millions of yen	%	millions of yen	%	millions of yen	%
Three Months Ended 6/30/03 (Reference)	50,812	7.2	(3,961)	-	(3,738)	-	(2,163)	-
Three Months Ended 6/30/02	47,388	-	(3,009)	-	(2,894)	-	(1,689)	-
Fiscal Year Ended 3/31/03	308,838		8,835		9,014		8,346	

	Earnings per Share	Diluted Earnings per Share
Three Months Ended 6/30/03 (Reference)	(19.73) ^{yen}	- ^{yen}
Three Months Ended 6/30/02	(15.41)	-
Fiscal Year Ended 3/31/03	75.46	-

Note) Percentages above represent increase/decrease over a year-ago period.

(2) Financial Standings

	Total Assets	Shareholders' Equity	Shareholders' Equity Ratio	Shareholders' Equity per Share
Three Months Ended 6/30/03 (Reference)	192,704 ^{millions of yen}	89,944 ^{millions of yen}	46.7 [%]	820.21 ^{yen}
Three Months Ended 6/30/02	208,397	82,912	39.8	756.07
Fiscal Year Ended 3/31/03	223,292	92,063	41.2	838.88

[Cash Flows]

	Cash Flows from Operating Activities	Cash Flows from Investing Activities	Cash Flows from Financing Activities	Cash and Cash Equivalents, End of Period
Three Months Ended 6/30/03 (Reference)	10,262 ^{millions of yen}	(2,904) ^{millions of yen}	(5,919) ^{millions of yen}	29,352 ^{millions of yen}
Three Months Ended 6/30/02	476	(6,528)	(366)	33,500
Fiscal Year Ended 3/31/03	20,291	(24,887)	(7,491)	27,831

4. Earnings Forecast for Fiscal Year Ending March 31, 2004 (from April 1, 2003 to March 31, 2004)

	Net Sales	Recurring Profit	Net Income	Earnings per Share
Interim	140,000 ^{millions of yen}	1,100 ^{millions of yen}	250 ^{millions of yen}	2.28 ^{yen}
Full-Year	324,000	9,600	4,900	44.03

Notes) As of today, the Group's earnings forecast has not been revised from the previous announcement.

All the numbers regarding forecast are best estimate using information available as of today and decision based on them. You are advised that the final results might be different from the ones in this package due to changes of economy, market, or unknown factors today, etc.

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

(Qualitative Information on the First Quarter Results Ended June 30, 2003)

(1) Overview

Despite of slight signs of recovery of economy in the first quarter thanks to vivid movement of the stock market or recovery of performance of companies, except some industries like semi-conductor industry, IT spending of Japanese companies was still sluggish under anxieties of prolonging deflation and bad debt problems of banks.

Under such circumstances, Nihon Unisys Group (the Group) has been executing company innovation called "Re-Enterprising 2003," our management policy in fiscal year 2004, which formulated in January, 2003, in order to provide seamless services to customers as the Group.

Positioning service business as a pillar of earnings for the Group and aiming to be a leading IT service company, we are making best efforts to maximize the group synergy and improve efficiency of group while polishing the skill of each group company as well as enhancing our customer-value-creating capabilities through newly established Business Development Center and Business Innovation Office.

Good progress was made in each area of systems development business in the first quarter. In the rapidly growing outsourcing business, we have tackled with business process outsourcing in addition to IT outsourcing. Besides, support service and network integration by UNIADDEX, Ltd., which acquired "BS7799" certificate in network monitoring and call center business areas, are growing on a steady basis.

As new business development in the first quarter, we have expanded alliance operation partnering with Hitachi, Ltd. (joint development of financial solutions for financial institute customers), Japan Airlines Company, Ltd. (wireless IC tag application experiment for air cargo business), Yahoo Japan Corporation (development of corporate portal) and so on. Also, the Group started marketing "BankForceTM" (next generation international banking system) and announced solution structures for financial and energy industries. Nihon Unisys Excelutions, Ltd., a consolidated subsidiary, announced "CollaboPac[®]" (integrated design/ development environment).

Meanwhile, as for hardware business, we have increased lineup of ES7000 series, large enterprise server series, which have first-class track records in Japan, expanding its applicable areas.

(2) Results of Operations

The first quarter consolidated net sales was ¥50,812Million (up 7.2% from the year-ago quarter) as a result of growing sales of hardware and service business of system services and outsourcing.

However, due to increased depreciation burden of rental hardware and advanced investment into R&D, operating income was inked in red in the amount of ¥3,961M (down ¥952M from the year-ago quarter). Recurring profit was negative, ¥3,738M (down ¥844M). Net income was negative, ¥2,163M (down ¥473M).

(3) Financial State

As a result of reduction of inventory and interest-bearing debt, the total assets decreased to ¥192,704M, down ¥15,692M from the year-ago quarter.

As for cash flows, cash and cash equivalents increased to ¥29,352M (up ¥1,521M from the year-ago quarter).

The cash flows from operating activities were ¥10,262M (up ¥9,786M) thanks to reduction of accounts receivable-trade, etc.

The cash used in investing activities were ¥2,904M (down ¥3,623M) due to decrease of expenditure by purchasing property and equipment, etc.

The cash used in financing activities were ¥5,919M (up ¥5,553M) due to repayment of commercial paper, etc.

5. Consolidated Financial Statements

CONSOLIDATED STATEMENTS OF INCOME

	Three months ended June 30, 2003	(Reference) Three months ended June 30, 2002	Year ended March 31, 2003
	millions of yen	millions of yen	millions of yen
Net sales	50,812	47,388	308,838
Cost of sales	37,282	33,479	230,165
Gross profit	13,530	13,908	78,673
Selling, general and administrative expenses	17,492	16,917	69,837
Operating income (loss)	(3,961)	(3,009)	8,835
Non-operating income			
Interest and dividend income	79	80	156
Other	315	324	1,078
Non-operating expenses			
Interest expense	158	261	883
Other	13	28	172
Recurring profit (loss)	(3,738)	(2,894)	9,014
Extraordinary gains			
Gain on exemption from the substitutional portion of welfare pension funds	-	-	7,798
Other	0	5	11
Extraordinary losses	5	34	1,183
Income (loss) before income taxes and minority interests	(3,744)	(2,923)	15,640
Income taxes	(1,545)	(1,241)	7,078
Minority interests	(35)	8	215
Net income (loss)	(2,163)	(1,689)	8,346

CONSOLIDATED BALANCE SHEETS

	June 30, 2003	(Reference) June 30, 2002	March 31, 2003
	millions of yen	millions of yen	millions of yen
(ASSETS)			
Current assets			
Cash and time deposits	17,390	15,518	27,878
Notes receivable and accounts receivable-trade	38,149	34,413	79,208
Inventories	25,065	29,778	15,617
Other	27,675	36,756	16,652
Total current assets	108,282	116,467	139,356
Fixed assets			
Property and equipment	37,631	39,334	37,776
Intangible fixed assets	13,055	13,848	12,786
Investments and other assets			
Investment securities	8,227	9,544	7,419
Deferred tax assets	11,735	13,360	12,102
Other	13,771	15,842	13,851
Total investments and other assets	33,734	38,746	33,372
Total fixed assets	84,422	91,929	83,936
Total assets	192,704	208,397	223,292
(LIABILITIES)			
Current liabilities			
Notes payable and accounts payable-trade	22,754	18,246	40,460
Short-term borrowings and current portion of long-term loans payable	11,174	18,145	12,645
Current portion of bonds	-	10,000	-
Commercial paper	-	-	6,000
Other	29,801	30,664	32,156
Total current liabilities	63,730	77,056	91,261
Long-term liabilities			
Bonds	8,000	-	8,000
Long-term loans payable	22,600	25,649	21,000
Allowance for retirement and severance benefits	2,330	14,734	3,402
Other	5,245	6,563	5,881
Total long-term liabilities	38,175	46,946	38,283
Total liabilities	101,906	124,003	129,544
Minority interests	853	1,480	1,683
(SHAREHOLDERS' EQUITY)			
Common stock	5,483	5,483	5,483
Capital surplus (Additional paid-in capital)	15,281	15,281	15,281
Retained earnings	67,863	60,814	70,486
Net unrealized gains on securities	1,318	1,333	814
Treasury stock	(2)	(0)	(2)
Total shareholders' equity	89,944	82,912	92,063
Total liabilities, minority interests and shareholders' equity	192,704	208,397	223,292

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Three months ended June 30, 2003	(Reference) Three months ended June 30, 2002	Year ended March 31, 2003
	millions of yen	millions of yen	millions of yen
Cash flows from operating activities			
Income (loss) before income taxes and minority interests	(3,744)	(2,923)	15,640
Depreciation and amortization	5,068	4,907	21,232
Increase (decrease) in allowances	(1,208)	491	(11,380)
Decrease in accounts receivable-trade	41,384	50,970	6,176
Decrease (increase) in inventories	(9,438)	(7,769)	6,391
Decrease in accounts payable-trade	(17,705)	(22,854)	(656)
Other-net	(3,439)	(2,317)	4,096
Subtotal	10,916	20,505	41,501
Interest and dividend received	79	45	121
Interest paid	(120)	(150)	(919)
Special retirement expense paid	-	(16,530)	(16,530)
Income taxes paid	(613)	(3,393)	(3,880)
Net cash provided by operating activities	10,262	476	20,291
Cash flows from investing activities			
Purchases of property and equipment	(3,264)	(5,341)	(17,232)
Purchases of intangible fixed assets	(1,940)	(1,401)	(8,129)
Other-net	2,300	215	474
Net cash used in investing activities	(2,904)	(6,528)	(24,887)
Cash flows from financing activities			
Net decrease in short-term borrowings	(1,446)	(224)	(3,618)
Proceeds from long-term loans payable	1,600	-	1,420
Repayments of long-term loans payable	(25)	(33)	(8,209)
Redemption of bonds	-	-	(10,000)
Proceeds from issuance of bonds	-	-	8,000
Net increase (decrease) in commercial paper	(6,000)	-	6,000
Cash dividends paid	-	-	(822)
Other-net	(48)	(108)	(261)
Net cash used in financing activities	(5,919)	(366)	(7,491)
Net increase (decrease) in cash and cash equivalents	1,438	(6,418)	(12,087)
Cash and cash equivalents, beginning of period	27,831	39,853	39,853
Cash and cash equivalents of a newly consolidated subsidiary	83	64	64
Cash and cash equivalents, end of period	29,352	33,500	27,831

6. Status of Orders and Sales

(1) Orders

	Orders	Backlog
	Three months ended June 30, 2003	Three months ended June 30, 2003
	millions of yen	millions of yen
Services	30,863	77,815
Software	4,201	21,791
Hardware	13,168	20,923
Total	48,233	120,529

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	Percent change from three months ended June 30, 2002
	millions of yen	
Services	30,262	+8.3%
Software	8,137	(1.6)%
Hardware	12,412	+11.2%
Total	50,812	+7.2%