

Financial Report for the Third Quarter Ended December 31, 2003 (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) Accounting method that is different from that of the second and fourth quarter:

Impairment accounting for marketable securities is not applied in the first and third quarter.

(2) Number of consolidated subsidiaries for this period: 17 (Previous year: 16)

(3) Numbers for the nine months ended December 31, 2003 and December 31, 2002 have not been audited.

(4) All amounts less than one million yen have been disregarded.

2. Characteristics of Nihon Unisys Group (the "Group")'s Quarterly Results

(1) As the Group recognizes revenues from contracted systems development upon completion of the inspection of the systems by customers, 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 typical industrial trends surrounding the Group, not a special circumstance that occurs only in this period.

3. Business Results for the Nine Months Ended December 31, 2003. (From April 1, 2003 to December 31, 2003)

(1) Results of Operations

	Net Sales	Change	Operating Income (Loss)	Change	Recurring Profit (Loss)	Change
	millions of yen	%	millions of yen	%	millions of yen	%
Nine Months Ended 12/31/03	190,644	(1.2)	(5,025)	-	(3,913)	-
Nine Months Ended 12/31/02	193,017	-	399	-	545	-
Fiscal Year Ended 3/31/03	308,838		8,835		9,014	

	Net Income	Change	Earnings per Share	Diluted Earnings per Share
	millions of yen	%	yen	yen
Nine Months Ended 12/31/03	2,720	(39.1)	25.02	-
Nine Months Ended 12/31/02	4,468	-	40.74	-
Fiscal Year Ended 3/31/03	8,346		75.46	-

Note) Percentages above represent increase (decrease) over the year-ago period.

(2) Financial Standings

	Total Assets	Shareholders' Equity	Shareholders' Equity Ratio	Shareholders' Equity per Share
	millions of yen	millions of yen	%	yen
Nine Months Ended 12/31/03	188,950	93,033	49.2	866.65
Nine Months Ended 12/31/02	196,127	87,826	44.8	800.89
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
	millions of yen	millions of yen	millions of yen	millions of yen
Nine Months Ended 12/31/03	11,706	4,145	(15,530)	28,235
Nine Months Ended 12/31/02	12,638	(18,685)	(10,071)	23,799
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	Net Income per Share
	millions of yen	millions of yen	millions of yen	yen
Full-Year	312,000	3,900	3,600	33.54

***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

Some bright signs are seen in the trend of economy, which is on the way of gradual recovery being propped up by capital investments and exporting business. But the divide between the manufacturing industry and the non-manufacturing one is yet to be dissolved. So is the divides between cities and local areas, and large and mid/small-sized companies. IT spending by companies is offset by price erosion. As a result, the overall situation still lacks of the movement of upsurge.

Under such circumstances, Nihon Unisys Group has been striving to transform the business model into that of services business, enhancing capability of customer value creation.

In the third quarter, the seeds of new business model have been sprouting up. For example,

- i) increase of business/IT consulting deals,
- ii) commencement of the next generation financial system development combining IA server and Windows,
- iii) acquisition of new business in the security area through outsourcing services and expansion of outsourcing services to existing customers,
- iv) and enhancement of alliance with other companies in the areas of network and support services.

In this fiscal year, advanced investments have been made in the areas of resources training and product developments so as to polish our capability of making proposals to customers to help their business issues. Specific results are being generated like increase of new accounts. Also, we are placing strong emphasis on customer value creation through such activities as “Advisory Committee for Customer Value Creation,” which comprises high-profile members representing the business world and academy.

*Windows is the registered trademark of Microsoft Corporation in the U.S. and other countries.

(2) Results of operations

Due to modest and slow recovery of IT spending by companies and time-consuming decision-making on investments, etc., the net sales for the nine months is ¥190,644 million on a consolidated basis (down 1.2% from the corresponding term of last year).

Outsourcing business in the third quarter was on the increase sustaining the growth trend in the first half. However, sales of system services were sluggish resulting in a slight increase of sales in the services business overall, which is 0.7%. Sales of hardware showed a modicum increase, but the declining trend of rental business is continuing resulting in decrease of hardware sales in total by 4.7%, which affected and decreased sales of software by 2.6% accordingly.

With regard to profit, due to occurrence of non-profitable system services projects, profitability worsened. Meanwhile, there were some factors that increased costs relating to net periodic benefit costs and change of social insurance taxation system from monthly salary basis to annual income basis, and positive investments in R&D, etc. As a result, the cumulative operating income was inked in red with ¥5,025 million (profit of ¥399 million a year ago). Recurring profit was negative too, marking loss of ¥3,913 million (profit of ¥545 million a year ago). In the third quarter, we booked an extraordinary gain on sales of ex-headquarters property in Akasaka while recording an extraordinary loss as business restructuring cost, resulting in net income of ¥2,720 million (down 39.1% from a year ago).

(3) Financial conditions

Total assets decreased by ¥7,177 million to ¥188,950 million, driven by reductions of inventory and interest-bearing debts.

As for cash flows, the balance of cash and cash equivalents was ¥28,235 million (up ¥404 million from March 31, 2003). The Group generated ¥11,706 million of cash (down ¥931 million from the year-ago period) from operations thanks to decrease of accounts receivable, etc. Cash flows from investing activities were ¥4,145 million (up ¥22,830 million from the year-ago period), reflecting proceeds of ¥14,200 million from sales of ex-Akasaka headquarters property. The net cash used in financing activities was ¥15,530 million (up ¥5,459 million from the year-ago period), driven by repayment of interest-bearing debts.

(4) Financial forecast for the year ending March 31, 2004

With regard to the performance of this fiscal year, all being considered including the performance trend of the first three quarters and impacts of competitions which are getting tougher and tougher, we do not assume that the previously released financial forecast on October 31, 2003 will be achieved.

Although there are some signs of recovery in services business, it will take some time to contribute to increase of sales. At this point, we project ¥312,000 million of full-year net sales on a consolidated basis (up 1.0% from a year ago), which is lower than the previous forecast by ¥12,000 million.

Due to non-achievement of net sales target and cost increase due to afore-mentioned non-profitable system service projects, etc., operating income and recurring profit will be ¥3,000 million (down 66.0% from a year ago) and ¥3,900 million (down 56.7%) respectively. The Group expects net income to be ¥3,600 million (down 56.9%), since extraordinary loss of ¥5,900 million for the revision of the pension system will be recognized.

As for non-profitable system services, all projected losses will be expensed this fiscal year so as to eliminate impacts to occur next term. Also, in order to avoid recurrence of cost overrun problems, we intend to improve project management capability reinforcing supporting formation while holding proposal/project review committee at earlier stage. In addition, so as to improve cost structure further, we intend to continue to reduce fixed costs like office expenses, personnel cost including net periodic benefit costs and so on.

Our sales activities (including informal orders) are apparently on the increase especially in the financial and distribution industries, which will contribute to growth of earnings. Besides, we are reinforcing our capability in upstream business areas so as to energize sales approaches in that area and grow services business.

Note) The above forecast relies on judgments and assumptions based on information available as of today, and is subject to changes in risks, uncertainties, economy, 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, 2003	Nine months ended December 31, 2002	Increase (Decrease)	Percent Change	Year ended March 31, 2003
	millions of yen	millions of yen	millions of yen	%	millions of yen
Net sales	190,644	193,017	(2,372)	(1.2)	308,838
Cost of sales	142,383	141,804	578	0.4	230,165
Gross profit	48,261	51,213	(2,951)	(5.8)	78,673
Selling, general and administrative expenses	53,287	50,813	2,473	4.9	69,837
Operating income (loss)	(5,025)	399	(5,425)	-	8,835
Non-operating income					
Interest and dividend income	110	115	(4)	(3.5)	156
Other	1,501	800	700	87.5	1,078
Non-operating expenses					
Interest expense	439	698	(258)	(37.0)	883
Other	59	70	(11)	(15.6)	172
Recurring profit (loss)	(3,913)	545	(4,459)	-	9,014
Extraordinary gains					
Gain on sales of fixed assets	11,967	-	11,967	-	-
Gain on exemption from future pension obligation of the governmental program	-	7,798	(7,798)	-	7,798
Other	47	69	(21)	(30.8)	11
Extraordinary losses	1,939	156	1,783	1,141.4	1,183
Income (loss) before income taxes and minority interests	6,161	8,257	(2,095)	(25.4)	15,640
Income taxes	3,360	3,712	(351)	(9.5)	7,078
Minority interests	80	76	3	4.3	215
Net income (loss)	2,720	4,468	(1,747)	(39.1)	8,346

CONSOLIDATED BALANCE SHEETS

	December 31, 2003	December 31, 2002	Increase (Decrease)	Percent Change	March 31, 2003
	millions of yen	millions of yen	millions of yen	%	millions of yen
(ASSETS)					
Current assets					
Cash and time deposits	18,264	17,815	448	2.5	27,878
Notes receivable and accounts receivable-trade	34,213	32,656	1,557	4.8	79,208
Inventories	27,861	30,726	(2,865)	(9.3)	15,617
Other	29,404	30,321	(917)	(3.0)	16,652
Total current assets	109,743	111,521	(1,777)	(1.6)	139,356
Fixed assets					
Property and equipment	31,139	39,655	(8,515)	(21.5)	37,776
Intangible fixed assets	14,064	14,427	(362)	(2.5)	12,786
Investments and other assets					
Investment securities	8,160	7,852	307	3.9	7,419
Deferred tax assets	12,159	8,856	3,303	37.3	12,102
Other	13,681	13,814	(133)	(1.0)	13,851
Total investments and other assets	34,001	30,523	3,478	11.4	33,372
Total fixed assets	79,206	84,606	(5,399)	(6.4)	83,936
Total assets	188,950	196,127	(7,177)	(3.7)	223,292
(LIABILITIES)					
Current liabilities					
Notes payable and accounts payable-trade	22,409	23,290	(881)	(3.8)	40,460
Short-term borrowings and current portion of long-term loans payable	8,669	16,239	(7,570)	(46.6)	12,645
Commercial paper	-	5,000	(5,000)	(100.0)	6,000
Other	31,447	27,702	3,744	13.5	32,156
Total current liabilities	62,525	72,232	(9,706)	(13.4)	91,261
Long-term liabilities					
Bonds	8,000	-	8,000	-	8,000
Long-term loans payable	18,998	23,532	(4,534)	(19.3)	21,000
Allowance for retirement and severance benefits	2,086	4,542	(2,455)	(54.1)	3,402
Other	3,649	6,449	(2,799)	(43.4)	5,881
Total long-term liabilities	32,733	34,523	(1,789)	(5.2)	38,283
Total liabilities	95,259	106,755	(11,496)	(10.8)	129,544
Minority interests	657	1,545	(888)	(57.5)	1,683
(SHAREHOLDERS' EQUITY)					
Common stock	5,483	5,483	-	-	5,483
Capital surplus	15,281	15,281	-	-	15,281
Retained earnings	72,341	66,606	5,735	8.6	70,486
Net unrealized gain on securities	1,729	457	1,272	278.3	814
Treasury stock	(1,803)	(2)	(1,800)	-	(2)
Total shareholders' equity	93,033	87,826	5,206	5.9	92,063
Total liabilities, minority interests and shareholders' equity	188,950	196,127	(7,177)	(3.7)	223,292

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Nine months ended December 31, 2003	Nine months ended December 31, 2002	Year ended March 31, 2003
	millions of yen	millions of yen	millions of yen
Cash flows from operating activities			
Income before income taxes and minority interests	6,161	8,257	15,640
Depreciation and amortization	15,094	15,661	21,232
Decrease in allowances	(1,440)	(10,070)	(11,380)
Gain on sales of property and equipment	(11,967)	-	-
Decrease in accounts receivable-trade	45,321	52,727	6,176
Decrease (increase) in inventories	(12,234)	(8,717)	6,391
Decrease in accounts payable-trade	(18,034)	(17,805)	(656)
Other-net	(9,869)	(6,624)	4,096
Subtotal	13,032	33,428	41,501
Interest and dividend received	110	79	121
Interest paid	(406)	(658)	(919)
Special retirement expense paid	-	(16,530)	(16,530)
Income taxes paid	(1,029)	(3,681)	(3,880)
Net cash provided by operating activities	11,706	12,638	20,291
Cash flows from investing activities			
Purchases of property and equipment	(7,091)	(13,699)	(17,232)
Proceeds from sales of property and equipment	14,711	160	196
Purchases of intangible fixed assets	(9,076)	(5,369)	(8,129)
Other-net	5,600	222	277
Net cash used in investing activities	4,145	(18,685)	(24,887)
Cash flows from financing activities			
Net decrease in short-term borrowings	(5,236)	(3,689)	(3,618)
Proceeds from long-term loans payable	1,600	200	1,420
Repayments of long-term loans payable	(2,342)	(792)	(8,209)
Redemption of bonds	-	(10,000)	(10,000)
Proceeds from issuance of bonds	-	-	8,000
Net increase (decrease) in commercial paper	(6,000)	5,000	6,000
Purchases of treasury stock	(1,800)	-	-
Cash dividends paid	(816)	(822)	(822)
Other-net	(935)	32	(261)
Net cash used in financing activities	(15,530)	(10,071)	(7,491)
Net increase (decrease) in cash and cash equivalents	321	(16,118)	(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	28,235	23,799	27,831

6. Status of Orders and Sales

(1) Orders

	Orders received	Percent change from nine months ended December 31, 2002	Backlog	Percent change from nine months ended December 31, 2002
Services	110,154	(0.5)	86,751	1.0
Software	21,263	(17.1)	22,404	(15.4)
Hardware	47,102	(17.8)	21,650	(30.5)
Total	178,520	(7.8)	130,806	(8.9)

Notes: Backlog is the amount expected to be filled within a year.

Prior to April 1, 2003, orders received and backlog were calculated based on informal declarations of intention by customers. Starting this period, orders received and backlog are calculated based on contracts. Therefore, in calculating percent changes, amounts for the nine months ended December 31, 2002 have been adjusted using the current method.

(Reference) Forecast for orders received calculated based on informal declarations of intention by customers.

	Orders received (Forecast for the year ending March 31, 2004)	Year ended March 31, 2003	Increase (Decrease)	Percent change
	millions of yen	millions of yen	millions of yen	%
Services	184,071	171,524	12,547	7.3
Software	40,155	43,198	(3,043)	(7.0)
Hardware	90,872	86,184	4,688	5.4
Total	315,098	300,906	14,192	4.7

(2) Sales

	Amount	Percent change from nine months ended December 31, 2002
Services	112,551	0.7
Software	30,028	(2.6)
Hardware	48,065	(4.7)
Total	190,644	(1.2)