



January 28, 2005

Consolidated Financial Report for the Nine-Month Period Ended December 31, 2004

Nihon Unisys, Ltd.

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

1. Matters Concerning Consolidated Quarterly Results

- (1) Adoption of simplified accounting method: Applicable
 - For quarterly results, Nihon Unisys Group (the Group) does not recognize impairment losses of marketable securities whose fair value is readily determinable.
- (2) Change in accounting treatment from latest fiscal year: Not applicable
- (3) Change in the scope of consolidation and equity method: Not applicable
- (4) Financial results for the nine months ended December 31, 2004 and December 31, 2003 have not been audited.
- (5) Numbers less than one million yen have been disregarded.

2. Financial Results for the Nine Months Ended December 31, 2004. (From April 1, 2004 to December 31, 2004)

(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 12/31/04	193,550	1.5	467	-	620	-	(858)	-
Nine Months Ended 12/31/03	190,644	(1.2)	(5,025)	-	(3,913)	-	2,720	(39.1)
Fiscal Year Ended 3/31/04	309,417		3,165		4,393		3,922	

	Earnings per Share	Diluted Earnings per Share
	yen	yen
Nine Months Ended 12/31/04	(8.04)	-
Nine Months Ended 12/31/03	25.02	-
Fiscal Year Ended 3/31/04	35.57	-

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

(2) Financial condition

	Total Assets	Shareholders' Equity	Shareholders' Equity Ratio	Shareholders' Equity per Share
	millions of yen	millions of yen	%	yen
December 31, 2004	193,282	91,255	47.2	861.84
December 31, 2003	188,950	93,033	49.2	866.65
March 31, 2004	226,690	94,471	41.7	880.97

(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 12/31/04	5,035	(10,309)	2,284	23,920
Nine Months Ended 12/31/03	11,706	4,145	(15,530)	28,235
Fiscal Year Ended 3/31/04	16,436	1,292	(18,734)	26,909

3. Earnings Forecast for Fiscal Year Ending March 31, 2005 (from April 1, 2004 to March 31, 2005)

	Net Sales	Recurring Profit	Net Income	Earnings per Share
	millions of yen	millions of yen	millions of yen	yen
Full-Year	316,000	10,200	4,500	41.87

Notes) The Group's earnings forecast has not been revised from the previous announcement which was made on November 1, 2004.

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 translation.**

(Qualitative Information on the Nine-Month Period Ended December 31, 2004)

(1) Overview

Capital investment in the third quarter ended December 2004 was stable getting Japanese economy back on the way of gradual recovery. However, signs of uncertainty sprouted up like impact of inventory adjustment or oil price. As for IT spending by enterprises, the gradual upward trend continued being supported by recovering economy and enterprises that underscore synchronization of management strategy and IT strategy.

Under such circumstances, Nihon Unisys Group (the Group) made efforts aiming to be a leading IT service company that has high technical skill and competitiveness under the policy of “Re-Enterprising2004” through upstream approach to help customers resolve management issues and “service chains” leveraging group synergy.

Also, in December 2004, we were certified “BS15000,” certificate of IT service management for the first time in Japan. We reinforced our service quality while striving to ensure profitability through strong project management.

As for sales activities, we activated upstream proposal making efforts, at the same time, we addressed core systems by combining IA server and Windows®, outsourcing business, security business, etc., as a result, we increased orders and captured new customers.

In October 2004, we centralized system service functions of the Group by merging Nihon Unisys Software, Ltd. and 6 local software houses and created Nihon Unisys Solutions, Ltd., aiming to create a system service company that has high expertise, productivity and competitiveness. We transferred software support function to UNIADDEX, Ltd. last fiscal year and this year we transferred facilities-related business as well as merging O.S. Engineering, Ltd. which conducted development/ manufacturing/sales of hardware products, trying to transform UNIADDEX into a total service provider of network business, hardware business and integration & support services.

* Windows is the registered trademark of Microsoft Corporation in the U.S. and/or other countries.
Microsoft Windows Operating System is the official name of Windows.

(2) Results of Operations

Net sales for the nine months ended December 31, 2004 increased 1.5% from the year-ago period to ¥193,550 million thanks to outsourcing-driven service businesses and software sales. Sales of hardware were flat compared with the year-ago period.

Operating income and recurring profit significantly improved from the year-ago period to ¥467 million (loss of ¥5,025 million in the year-ago period) and ¥620 million (loss of ¥3,913 million in the year-ago period), respectively thanks to improvement of gross profit triggered by revenue growth and cost reduction such as pension reform executed last year.

On the contrary, we booked net loss of ¥858 million due mainly to extraordinary losses of ¥2,006 million, including special retirement expense recognized in the first half. This compares with net income of ¥2,720 million in the year-ago period, reflecting extraordinary

gains of ¥12,015 million such as gain on sales of property and equipment.

(Characteristics of the Group's quarterly results)

- (i) As the Group recognizes revenues of 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.
- (ii) 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) Financial Condition

The Group booked intangible fixed assets like software for outsourcing services and prepaid pension costs, while it reduced inventories and property and equipment. As a result, total assets as of December 31, 2004 were ¥193,282 million, an increase of ¥4,332 million from a year ago.

With regard to cash flows, cash and cash equivalents at the end of period were ¥23,920 million (down ¥2,988 million from a year ago).

The Group generated ¥5,035 million (down ¥6,670 million from the year-ago period) of cash from operating activities, driven primarily by decrease of receivables.

The net cash used in investing activities was ¥10,309 million due mainly to purchases of property and equipment and intangible fixed assets. This compares with investing cash inflow of ¥4,145 million in the year-ago period, reflecting proceeds of ¥14,711 million from sales of property and equipment.

The net cash provided by financing activities was ¥2,284 million, compared with net outflow of ¥15,530 million in the year-ago period.

4. Consolidated Financial Statements

CONSOLIDATED STATEMENTS OF INCOME

	Nine months ended December 31, 2004	Nine months ended December 31, 2003	Increase (Decrease)	Percent change	Year ended March 31, 2004
	millions of yen	millions of yen	millions of yen	%	millions of yen
Net sales	193,550	190,644	2,905	1.5	309,417
Cost of sales	144,463	142,383	2,080	1.5	234,936
Gross profit	49,086	48,261	824	1.7	74,481
Selling, general and administrative expenses	48,619	53,287	(4,668)	(8.8)	71,315
Operating income (loss)	467	(5,025)	5,493	-	3,165
Non-operating income					
Interest and dividend income	169	110	59	53.4	152
Other	398	1,501	(1,102)	(73.5)	1,990
Non-operating expenses					
Interest expense	347	439	(92)	(21.1)	574
Other	67	59	7	12.5	340
Recurring profit (loss)	620	(3,913)	4,534	-	4,393
Extraordinary gains (Notes)	303	12,015	(11,711)	(97.5)	11,992
Extraordinary losses (Notes)	2,006	1,939	67	3.5	7,486
Income (loss) before income taxes and minority interests	(1,082)	6,161	(7,244)	-	8,899
Income taxes	(235)	3,360	(3,596)	-	4,812
Minority interests	11	80	(68)	(85.8)	165
Net income (loss)	(858)	2,720	(3,579)	-	3,922

(Notes)

- Extraordinary losses in the current period consist mainly of special retirement expense.
- Extraordinary gains in the year-ago period and previous year consist mainly of gain on sales of fixed assets.
- Extraordinary losses in the year-ago period consist mainly of restructuring charges.
- Extraordinary losses in the previous year consist mainly of loss on pension plan amendments and restructuring charges.

CONSOLIDATED BALANCE SHEETS

	December 31, 2004	December 31, 2003	Increase (Decrease)	Percent change	March 31, 2004
	millions of yen	millions of yen	millions of yen	%	millions of yen
(ASSETS)					
Current assets					
Cash and time deposits	17,958	18,264	(305)	(1.7)	26,951
Notes receivable and accounts receivable-trade	41,440	34,213	7,227	21.1	83,679
Inventories	25,099	27,861	(2,761)	(9.9)	10,973
Other	28,043	29,404	(1,360)	(4.6)	16,372
Total current assets	112,543	109,743	2,799	2.6	137,977
Fixed assets					
Property and equipment	23,913	31,139	(7,226)	(23.2)	29,467
Intangible fixed assets	17,908	14,064	3,843	27.3	16,862
Investments and other assets					
Investment securities	8,071	8,160	(89)	(1.1)	8,511
Deferred tax assets	7,666	12,159	(4,493)	(37.0)	9,007
Prepaid pension costs	12,354	-	12,354	-	13,550
Other	10,825	13,681	(2,856)	(20.9)	11,315
Total fixed assets	80,738	79,206	1,532	1.9	88,713
Total assets	193,282	188,950	4,332	2.3	226,690
(LIABILITIES)					
Current liabilities					
Notes payable and accounts payable-trade	23,193	22,409	784	3.5	42,918
Short-term borrowings and current portion of long-term loans payable	7,051	8,669	(1,617)	(18.7)	6,769
Other	37,187	31,447	5,739	18.2	40,232
Total current liabilities	67,432	62,525	4,906	7.8	89,920
Long-term liabilities					
Bonds	8,000	8,000	-	-	8,000
Long-term loans payable	14,056	18,998	(4,941)	(26.0)	17,921
Other	11,965	5,735	6,230	108.6	15,814
Total long-term liabilities	34,022	32,733	1,288	3.9	41,735
Total liabilities	101,454	95,259	6,194	6.5	131,655
Minority interests	572	657	(84)	(12.9)	564
(SHAREHOLDERS' EQUITY)					
Common stock	5,483	5,483	-	-	5,483
Capital surplus	15,281	15,281	-	-	15,281
Retained earnings	71,761	72,341	(580)	(0.8)	73,542
Unrealized gain on available-for-sale securities	1,869	1,729	139	8.1	2,143
Treasury stock	(3,141)	(1,803)	(1,337)	-	(1,979)
Total shareholders' equity	91,255	93,033	(1,778)	(1.9)	94,471
Total liabilities, minority interests and shareholders' equity	193,282	188,950	4,332	2.3	226,690

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Nine months ended December 31, 2004	Nine months ended December 31, 2003	Year ended March 31, 2004
	millions of yen	millions of yen	millions of yen
Cash flows from operating activities			
Income (loss) before income taxes and minority interests	(1,082)	6,161	8,899
Depreciation and amortization	13,325	15,094	20,108
Decrease in allowances	(221)	(1,440)	(1,681)
Gain on sales of fixed assets	(16)	(11,967)	(11,944)
Decrease (increase) in accounts receivable-trade	42,237	45,321	(4,145)
Decrease (increase) in inventories	(14,126)	(12,234)	4,654
Increase (decrease) in accounts payable-trade	(19,723)	(18,034)	2,470
Other-net	(11,839)	(9,869)	(329)
Subtotal	8,552	13,032	18,032
Interest and dividend received	171	110	152
Interest paid	(302)	(406)	(609)
Income taxes paid	(3,385)	(1,029)	(1,139)
Net cash provided by operating activities	5,035	11,706	16,436
Cash flows from investing activities			
Payments for purchases of property and equipment	(3,944)	(7,091)	(8,954)
Proceeds from sales of property and equipment	106	14,711	14,719
Payments of purchases of intangible fixed assets	(6,830)	(9,076)	(10,591)
Other-net	359	5,600	6,119
Net cash provided by (used in) investing activities	(10,309)	4,145	1,292
Cash flows from financing activities			
Net decrease in short-term borrowings	(80)	(5,236)	(5,411)
Proceeds from long-term loans payable	100	1,600	2,550
Repayments of long-term loans payable	(3,602)	(2,342)	(6,094)
Net increase (decrease) in commercial paper	8,000	(6,000)	(6,000)
Purchases of treasury stock	(1,161)	(1,800)	(1,977)
Cash dividends paid	(766)	(816)	(816)
Other-net	(205)	(935)	(985)
Net cash provided by (used in) financing activities	2,284	(15,530)	(18,734)
Net increase (decrease) in cash and cash equivalents	(2,988)	321	(1,004)
Cash and cash equivalents, beginning of period	26,909	27,831	27,831
Cash and cash equivalents of a newly consolidated subsidiary	-	83	83
Cash and cash equivalents, end of period	23,920	28,235	26,909

5. Status of Orders and Sales

(1) Orders

	Orders		Backlog	
	Nine months ended December 31, 2004	Percent change from nine months ended December 31, 2003	Nine months ended December 31, 2004	Percent change from nine months ended December 31, 2003
	millions of yen		millions of yen	
Services	117,881	+7.0%	89,769	+3.5%
Software	24,737	+16.3%	18,374	(18.0)%
Hardware	40,179	(14.7)%	18,354	(15.2)%
Total	182,798	+2.4%	126,498	(3.3)%

Notes) 1. Backlog: The amount expected to be realized as sales within a year.

2. The above amounts do not include consumption tax.

(2) Sales

	Amount	Percent change from nine months ended December 31, 2003
	millions of yen	
Services	113,673	+1.0%
Software	32,086	+6.9%
Hardware	47,790	(0.6)%
Total	193,550	+1.5%

Note) The above amounts do not include consumption tax.