



Financial Report for the First Quarter Ended June 30, 2004 (Consolidated)

July 30, 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) Difference in accounting treatment from fiscal year ended March 31, 2004: 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 scope of consolidation and equity method: Not applicable
 - On April 1, 2004, O.S. Engineering, Ltd. was merged into UNIADDEX, Ltd., a surviving company.
- (3) Financial results for the three months ended June 30, 2004 and June 30, 2003 have not been audited.
- (4) Numbers less than one million yen have been disregarded.

2. Characteristics of the Group's Quarterly Results

- (1) 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.
- (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. Financial Results for Three Months Ended June 30, 2004. (From April 1, 2004 to June 30, 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	%
Three Months Ended 6/30/04	50,002	(1.6)	(4,601)	-	(4,523)	-	(2,830)	-
Three Months Ended 6/30/03	50,812	7.2	(3,961)	-	(3,738)	-	(2,163)	-
Fiscal Year Ended 3/31/04	309,417		3,165		4,393		3,922	

	Earnings per Share	Diluted Earnings per Share
	yen	yen
Three Months Ended 6/30/04	(26.42)	-
Three Months Ended 6/30/03	(19.73)	-
Fiscal Year Ended 3/31/04	35.57	-

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
	millions of yen	millions of yen	%	yen
Three Months Ended 6/30/04	188,599	91,425	48.5	853.17
Three Months Ended 6/30/03	192,704	89,944	46.7	820.21
Fiscal Year Ended 3/31/04	226,690	94,471	41.7	880.97

[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
Three Months Ended 6/30/04	5,022	(3,425)	(471)	28,033
Three Months Ended 6/30/03	10,632	(2,904)	(6,289)	29,352
Fiscal Year Ended 3/31/04	16,436	1,292	(18,734)	26,909

4. 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
Interim	136,000	400	100	0.93
Full-Year	316,000	8,500	4,500	41.37

Notes) The Group's earnings forecast has not been revised from the previous announcement which was made on May 7, 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.**

(Qualitative Information on the First Quarter Results Ended June 30, 2004)

(1) Overview

The economic recovery has been sustained since late last year. The sign of voluntary recovery is seen thanks to active capital investments and consumers' consumption in addition to stronger export business at the early stage. Also, the IT market that had been shrinking for the third consecutive year has turned around and a certain level of recovery is expected to come being helped with the rising IT spending by companies. Meanwhile, there is no change in the tough market environments surrounding the information service industry. Due to the pressures of cost reduction, emphasis on ROI (Return on Investment), etc., the prices of IT products and services are on the decline.

Under such circumstances, Nihon Unisys Group has been promoting transformation under Re-Enterprising2004, providing seamless services as a group from upstream consultation to development, operation and maintenance support. We have been making every effort in order to transform into a new business model polishing our differentiation.

As a result, in the 1st quarter ended June 30, 2004;

- (a) We reinforced upstream proposal-making capability and activated IT consulting and SI business.
- (b) We got orders for outsourcing business in mission-critical financial system areas.
- (c) UNIADDEX, Ltd., one of our group companies, which is specialized in support service business and network business, sustained its growth trend.

The measures taken since last year have been bearing fruits. But in the 1st quarter, revenue bookings were sluggish and more price erosion occurred as expected. As a result, the above-mentioned good state was unable to be reflected on the 1st quarter performance.

In the 2nd quarter and beyond, we will strive to polish our skills so as to be able to propose customers' business issue-solving solutions best utilizing IT as well as making further efforts to grow our specialized areas like Windows®/.Net and information security.

From the mid/long-term viewpoints, we continue R&D efforts in solution development as well as facilitating our new training program called "CAMP" (Curriculum for Ambitious Managers and Professionals) so as to train and foster the young generation for future management. We are making all-out efforts in promoting transformation into a new service business model.

(2) Results of Operations

Services revenue such as system services and outsourcing grew, however, sales of hardware and software did not, as a result net sales was ¥50,002 million (down 1.6% from the year-ago period). As for profitability, despite of effects of cost reduction derived from cost structure reform, due to decrease of revenue and price erosion, gross margin declined. Operating loss was ¥4,601 million (down ¥639 million). Recurring loss was ¥4,523 million (down ¥785 million). Net loss was ¥2,830 million (down ¥667 million).

(3) Financial Conditions

The total asset as of June 30, 2004 was ¥188,599 million, down ¥4,105 million from a year ago, due to reduction of inventory and property and equipment.

Cash and cash equivalents was ¥28,033 million, up ¥1,124 million.

The net cash provided by operating activities was ¥5,022 million (down ¥5,610 million) driven mainly by collection of accounts receivable.

The net cash used in investment activities was ¥3,425 million (down ¥521 million) due to purchases of property and equipment and intangible fixed assets.

The net cash used in financial activities was ¥471 million (up ¥5,817 million).

5. Consolidated Financial Statements

CONSOLIDATED STATEMENTS OF INCOME

	Three months ended June 30, 2004	Three months ended June 30, 2003	Increase (Decrease)	Percent Change	Year ended March 31, 2004
	millions of yen	millions of yen	millions of yen	%	millions of yen
Net sales	50,002	50,812	(809)	(1.6)	309,417
Cost of sales	37,542	37,282	260	0.7	234,936
Gross profit	12,460	13,530	(1,069)	(7.9)	74,481
Selling, general and administrative expenses	17,062	17,492	(429)	(2.5)	71,315
Operating income (loss)	(4,601)	(3,961)	(639)	-	3,165
Non-operating income					
Interest and dividend income	116	79	36	46.4	152
Other	125	315	(190)	(60.4)	1,990
Non-operating expenses					
Interest expense	118	158	(40)	(25.5)	574
Other	45	13	31	242.9	340
Recurring profit (loss)	(4,523)	(3,738)	(785)	-	4,393
Extraordinary gains	0	0	0	0.0	11,992
Extraordinary losses	100	5	94	1,608.7	7,486
Income (loss) before income taxes and minority interests	(4,623)	(3,744)	(879)	-	8,899
Income taxes	(1,784)	(1,545)	(239)	-	4,812
Minority interests	(7)	(35)	27	-	165
Net income (loss)	(2,830)	(2,163)	(667)	-	3,922

CONSOLIDATED BALANCE SHEETS

	June 30, 2004	June 30, 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	17,072	17,390	(318)	(1.8)	26,951
Notes receivable and accounts receivable-trade	37,138	38,149	(1,011)	(2.7)	83,679
Inventories	16,549	25,065	(8,516)	(34.0)	10,973
Other	29,849	27,675	2,173	7.9	16,372
Total current assets	100,609	108,282	(7,672)	(7.1)	137,977
Fixed assets					
Property and equipment	28,382	37,631	(9,249)	(24.6)	29,467
Intangible fixed assets	16,814	13,055	3,758	28.8	16,862
Investments and other assets					
Investment securities	8,946	8,227	718	8.7	8,511
Deferred tax assets	8,801	11,735	(2,934)	(25.0)	9,007
Prepaid pension costs	13,764	-	13,764	-	13,550
Other	11,281	13,771	(2,490)	(18.1)	11,315
Total fixed assets	87,989	84,422	3,567	4.2	88,713
Total assets	188,599	192,704	(4,105)	(2.1)	226,690
(LIABILITIES)					
Current liabilities					
Notes payable and accounts payable-trade	19,059	22,754	(3,695)	(16.2)	42,918
Short-term borrowings and current portion of long-term loans payable	7,739	11,174	(3,435)	(30.7)	6,769
Other	31,573	29,801	1,772	5.9	40,232
Total current liabilities	58,372	63,730	(5,358)	(8.4)	89,920
Long-term liabilities					
Bonds	8,000	8,000	-	-	8,000
Long-term loans payable	16,896	22,600	(5,704)	(25.2)	17,921
Other	13,352	7,575	5,776	76.2	15,814
Total long-term liabilities	38,248	38,175	72	0.2	41,735
Total liabilities	96,620	101,906	(5,286)	(5.2)	131,655
Minority interests	553	853	(299)	(35.1)	564
(SHAREHOLDERS' EQUITY)					
Common stock	5,483	5,483	-	-	5,483
Capital surplus	15,281	15,281	-	-	15,281
Retained earnings	70,236	67,863	2,372	3.5	73,542
Net unrealized gain on securities	2,403	1,318	1,085	82.3	2,143
Treasury stock	(1,979)	(2)	(1,977)	-	(1,979)
Total shareholders' equity	91,425	89,944	1,480	1.6	94,471
Total liabilities, minority interests and shareholders' equity	188,599	192,704	(4,105)	(2.1)	226,690

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Three months ended June 30, 2004	Three months ended June 30, 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	(4,623)	(3,744)	8,899
Depreciation and amortization	4,429	5,068	20,108
Increase (decrease) in allowances	9	(1,208)	(1,681)
Decrease (increase) in accounts receivable-trade	46,539	41,384	(4,145)
(Increase) decrease in inventories	(5,576)	(9,438)	4,654
(Decrease) increase in accounts payable-trade	(23,866)	(17,705)	2,470
Other-net	(9,035)	(3,069)	(12,274)
Subtotal	7,876	11,287	18,032
Interest and dividend received	115	79	152
Interest paid	(66)	(120)	(609)
Income taxes paid	(2,903)	(613)	(1,139)
Net cash provided by operating activities	5,022	10,632	16,436
Cash flows from investing activities			
Purchases of property and equipment	(1,808)	(3,264)	(8,954)
Purchases of intangible fixed assets	(1,654)	(1,940)	(10,591)
Other-net	37	2,300	20,838
Net cash (used in) provided by investing activities	(3,425)	(2,904)	1,292
Cash flows from financing activities			
Net decrease in short-term borrowings	(55)	(1,446)	(5,411)
Proceeds from long-term loans payable	-	1,600	2,550
Repayments of long-term loans payable	-	(25)	(6,094)
Net decrease in commercial paper	-	(6,000)	(6,000)
Cash dividends paid	(365)	(370)	(816)
Other-net	(51)	(48)	(2,962)
Net cash used in financing activities	(471)	(6,289)	(18,734)
Net increase (decrease) in cash and cash equivalents	1,124	1,438	(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	28,033	29,352	26,909

6. Status of Orders and Sales

(1) Orders

	Orders		Backlog	
	Three months ended June 30, 2004	Percent change from three months ended June 30, 2003	Three months ended June 30, 2004	Percent change from three months ended June 30, 2003
	millions of yen		millions of yen	
Services	31,235	+1.2%	82,515	+6.0%
Software	3,113	(25.9)%	19,078	(12.4)%
Hardware	8,909	(32.3)%	19,135	(8.5)%
Total	43,258	(10.3)%	120,729	+0.2%

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
		three months ended June 30, 2003
	millions of yen	
Services	32,661	+7.9%
Software	6,704	(17.6)%
Hardware	10,636	(14.3)%
Total	50,002	(1.6)%

Note) The above amounts do not include consumption tax.