



November 1, 2004

## Consolidated Financial Report for the Six-Month Period Ended September 30, 2004

### Nihon Unisys, Ltd.

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

--Representative: Seiichi Shimada, President & CEO

--Date of the Meeting of the Board of Directors to Settle Interim Accounts: November 1, 2004

--Adoption of the U.S. GAAP: None

#### 1. Business Results for the Six-Month Period Ended September 30, 2004 (from April 1, 2004 to September 30, 2004)

##### (1) Results of operations

	Net Sales	Change	Operating Income	Change	Recurring Profit	Change
	millions of yen	%	millions of yen	%	millions of yen	%
Current Interim Period	138,907	1.6	3,667	221.2	3,778	79.0
Previous Interim Period	136,720	(0.2)	1,141	(61.6)	2,111	(33.2)
Previous Fiscal Year	309,417		3,165		4,393	

	Net Income	Change	Earnings per Share	Diluted Earnings per Share
	millions of yen	%	yen	yen
Current Interim Period	1,090	51.8	10.19	-
Previous Interim Period	718	(88.2)	6.58	-
Previous Fiscal Year	3,922		35.57	-

Notes) 1. Equity in net income of subsidiaries and affiliates

Current interim period: - millions of yen

Previous interim period: - millions of yen

Previous fiscal year: - millions of yen

2. Average number of shares outstanding (consolidated)

Current interim period: 107,036,803 shares

Previous interim period: 109,229,522 shares

Previous fiscal year: 108,372,240 shares

3. Change in accounting policies: None

4. 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
Current Interim Period	203,932	94,350	46.3	885.10
Previous Interim Period	201,109	91,836	45.7	850.41
Previous Fiscal Year	226,690	94,471	41.7	880.97

Note) Number of shares outstanding (consolidated)

September 30, 2004: 106,598,761 shares

September 30, 2003: 107,991,796 shares

March 31, 2004: 107,159,417 shares

##### (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
Current Interim Period	8,568	(7,228)	(2,712)	25,536
Previous Interim Period	14,047	(5,837)	(10,147)	25,976
Previous Fiscal Year	16,436	1,292	(18,734)	26,909

##### (4) Matters concerning the scope of consolidation and application of the equity method

Number of consolidated subsidiaries: 16

Number of non-consolidated subsidiaries accounted for under the equity method: 0

Number of affiliates accounted for under the equity method: 0

##### (5) Changes in the scope of consolidation and application of the equity method

Consolidation: Increase 0 Decrease 0 Equity method: Increase 0 Decrease 0

On April 1, 2004, O.S. Engineering, Ltd. was merged into UNIADDEX, Ltd., a surviving company.

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

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

Reference) Expected net income per share (full-year basis): 41.59 yen

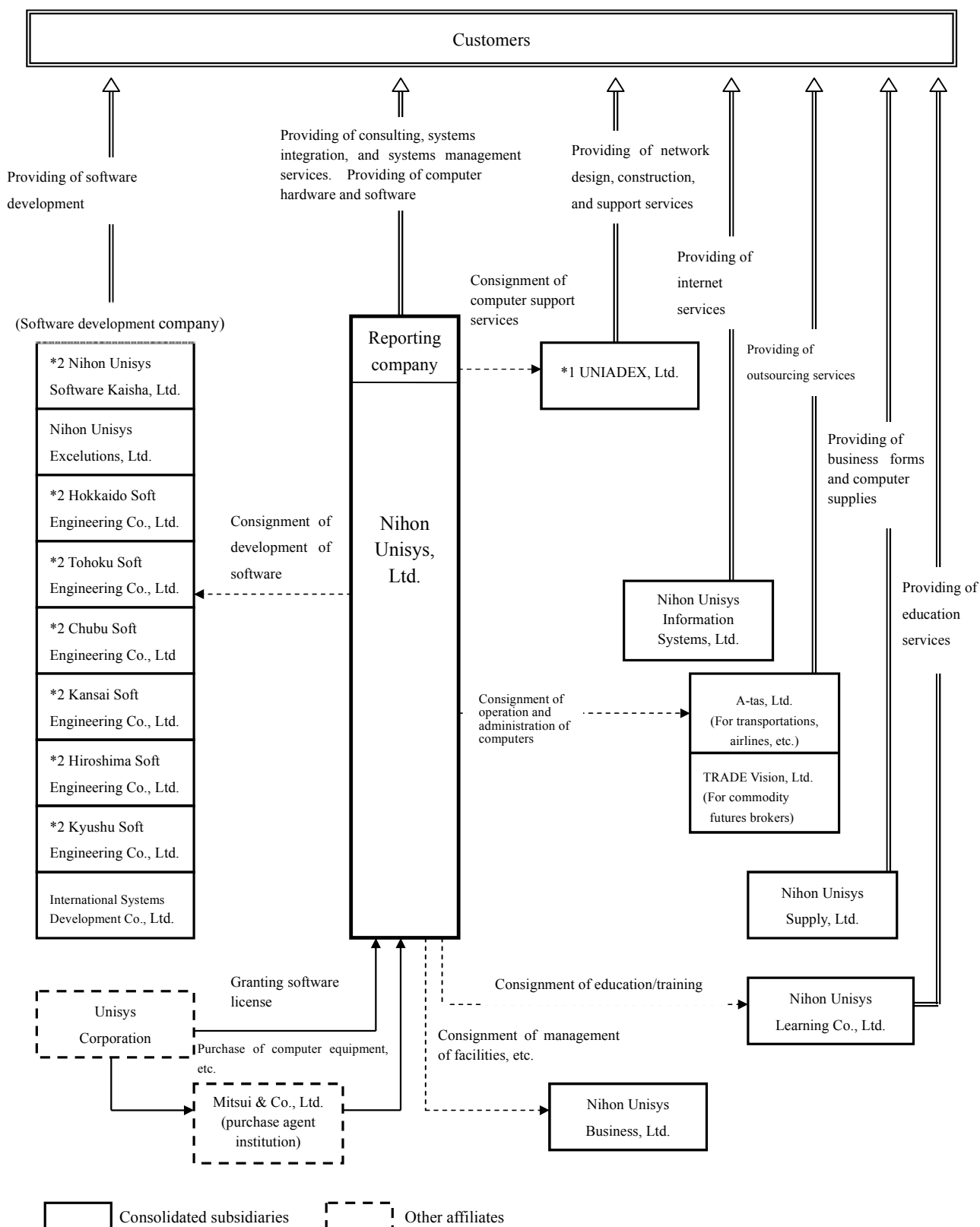
Notes) 1. All amounts less than one million yen are rounded down.

2. The above forecast relies on judgments and assumptions based on information available at present, and is subject to changes in risks, uncertainties, economy, and other factors that could cause actual results to be materially different from expectations. For the prerequisite for the forecast, please see page 6.

**\*This financial report is solely a translation of Japanese "Chukan Kessan Tanshin," including attachments, for the convenience of readers who prefer English translation.**

# 1. State of the Corporate Group

The following is a chart in which the state of the corporate group is shown by business activity:



\*1. O.S. Engineering, Ltd. was merged into UNIADDEX, Ltd., a surviving company, on April 1, 2004.

\*2. On October 1, 2004, Nihon Unisys Software Kaisha, Ltd. acquired Hokkaido Soft Engineering, Tohoku Soft Engineering, Chubu Soft Engineering, Kansai Soft Engineering, Hiroshima Soft Engineering, and Kyushu Soft Engineering and changed its name to Nihon Unisys Solutions, Ltd.

## **2. Management Policy**

### (1) Management policy and target

Nihon Unisys Group (the Group), through closely linked collaboration among group companies, has been polishing expertise of each company, while improving productivity and quality so as to be able to provide seamless and high-quality one-stop services that maximizes customer value.

In the fiscal year ending March 31, 2005, in order to maximize our group power we realigned organizations, integrated functions and are executing cost structure reform so that we can polish each organizational expertise, improve cross-organizational collaboration and reinforce group management base. We are addressing the challenge of “improvement of expertise and productivity” as a key measure of “Re-Enterprising2004,” eventually to complete the “Re-Enterprising” launched in November 2001.

In July 2004, we formed “Advanced Technology & Engineering (AT&E)” in BDC (Business Development Center) where business/IT consulting, marketing and global business deployments are dealt with. The AT&E is tackling with use of leading technologies like ubiquitous, information security, open source, etc. in real business field.

Also, as a tactic to enhance expertise and productivity of each company, effective October 1, 2004, we merged Nihon Unisys Software Kaisha, Ltd. and 6 local software development companies and created Nihon Unisys Solutions, Ltd. By so doing, we have centralized system service functions at Nihon Unisys Solutions. Putting project management and HR training including assignments under one-management structure, we are aiming to improve skills of our engineers and quality of service offerings.

In the meantime, to UNIADDEX, Ltd. which has been continuing high growth, we transferred facilities related business following to the last year’s transfer of software support function, and also we had O. S. Engineering, Ltd., a company that was a developer, manufacturer and seller of software products be merged with UNIADDEX. Through those realignment, we have re-positioned UNIADDEX as a total service & support provider that undertakes network business, hardware related business and integration & support services.

To complete “Re-Enterprising,” we are sharpening group competitiveness through tighter collaboration of each specialized expertise and are making bold challenges to acquire new customers and businesses.

The targets we set this fiscal year (ending March 2005) are, on a consolidated basis, ¥316,000 million in net sales and ¥10,200 million in operating income.

### (2) Profit sharing policy

Our basic policy regarding profit sharing is to return profit without intermittence by reducing cost and reinforcing financial structure while developing/marketing competitive products and services while making strategic investments, grasping needs of the market.

### (3) Concept and actions regarding corporate governance

With regard to corporate governance, as part of refurbishment of management structure, we have been promoting separation of management and business execution introducing corporate officer system in July 2001. Also, we increased an outside corporate auditor in the fiscal year ended March 2003 in order to

facilitate compliance formation as the Group so as to enhance corporate governance.

In addition, in the fiscal year ended March 2004, to reinforce overall power of the Group, we installed Group Strategy Meeting and Group Top Management Meeting under Nihon Unisys' Executive Council.

The term of office of managing director was shortened from two years to one year this year in order to establish nimble and flexible management structure that is quick responsive to changes of management environments and to clarify accountability of managing directors.

From the viewpoint of corporate social responsibility (CSR), we are integrating each activity that we have done to date like "Environmental Activities," "Compliance," "Risk Management," "Security," and "Social Contribution" around "CSR Committee" that was installed this year and we are facilitating CSR activities overall in more organized ways as the Group.

#### (4) Relations with related parties

Nihon Unisys, Ltd., a joint venture established by Mitsui & Co., Ltd. and Unisys Corporation, is marketing and selling Unisys products in the Japanese market. Unisys products are imported via Mitsui & Co., Ltd. The three companies are in very close relations. Mitsui & Co., Ltd. is not only a customer of Nihon Unisys but also is a partner in sales activities in various fields.

#### (5) Challenges the Group faces

We regard this year as a very special and important year to get the Group back on the growth track again by accomplishing our corporate vision, "Re-Enterprising."

Customers' intents of IT spending has been showing a sign of recovery thanks to gradual recovery of economy, however, due to very severe views especially by large customers against pricing, the wave of price erosion has been surging on the IT market.

We, Nihon Unisys Group, will make best efforts to acquire new technologies and to create value-added services aiming to provide consistent and seamless high-quality services from consulting, system development, operation support and outsourcing in order to help customers enhance their business values maximizing IT expertise.

We also invest in growth areas to reinforce our management base while continuing cost structure reform of the Group, facilitating well-organized collaboration among group companies in order to maximize synergy of the Group and making challenges in new business areas responding to needs of customers or changes of environments.

### **3. Results of Operations and Financial Condition**

#### 1. Results of Operations

##### (1) Overview of the six-month period ended September 30, 2004

The Japanese economy during the first half of this fiscal year was on the way of recovery from prolonging sluggishness, however, the IT industry is in the midst of tough competition.

Under such circumstances, we, Nihon Unisys Group (the Group), hoisted “Re-Enterprising2004” and have been executing the activities described below, aiming to be a best IT service company.

Since the previous fiscal year, we have been transforming our way of business, establishing “chains of service businesses” through group collaboration and “upstream approach” to help resolve management issues of customers. As a result of business consulting activities by BIO (Business Innovation Office) and IT strategy consulting and business process consulting activities by TIO (Technology Innovation Office), we are successful in getting involved in customers from the phase before customers’ issuance of requirements resulting in increase of opportunities to get new customers and to enter new areas within existing customers. This year, we are making further efforts to grow business in new business areas.

Also we installed Advanced Technology & Engineering in BDC that is working on verification/experiments regarding application technology like RFID (Radio Frequency Identification)/wireless IC tag, etc. We are reinforcing our efforts to polish our expertise towards the upcoming ubiquitous age.

In the large Windows<sup>®</sup> and Microsoft<sup>®</sup>.NET area, we have established our strong competitive position by getting orders for Windows-based main system from a bank that specializes in on-line banking, etc. Prior to that, we formed a dedicated team for “Microsoft.NET” that supports mission critical business with Windows server (ES7000), providing IT strategy consultation, system development support, product evaluation, etc.

In the outsourcing business area, we enlarged our business models adding domain or unique solutions so as to enjoy continued growth. We are getting new customers as a result of our ample outsourcing know-how and track records in system development and support capabilities with main systems for regional financial institutions.

In parallel with those above-mentioned business developments, we have enlarged certified area of ISO14001 (54 locations of 7 companies) and are aiming to certify all areas of all group companies eventually. Also, we acquired “CMMI Level 5” (Highest grade) to prove maturity level in software development capability and ISMS (Information Security Management System), etc. In the number of holders of PMCC/PMS (certification for project manager), we are ranked 1<sup>st</sup> in the industry. We are continuing our best efforts to polish our skills to gain trust of customers as their best business partner.

As a result of these activities mentioned above, our net sales for the term increased by 1.6% from the year-ago period to ¥138,907 million. With regard to profit, operating income increased considerably to ¥3,667 million (up 221.2%) thanks to cost restructuring by facilitating Re-Enterprising and revision of the retirement benefit scheme. Recurring profit also increased to ¥3,778 million (up 79.0%). Net income was ¥1,090 million (up 51.8%) although there was an extraordinary loss of ¥1,291 million for support expense for transitional period in connection with the revision of the New Career Support Program.

Services revenue grew thanks to steady growth of outsourcing business, however, system services did not due to price erosion and increase of small businesses, resulting in ¥78,540 million (down 0.9% or ¥731 million). Sales of software increased to ¥23,531 million (up 6.2% or ¥1,365 million) thanks to increase of big deals and open solutions. Sales of hardware grew to ¥36,835 million (up 4.4% or ¥1,552 million) thanks to increase of outright sales like servers and storages for network businesses despite of decreasing rental business.

In a breakdown of net sales, services business accounted for 56.6% (58.0% the year-ago period) while software and hardware marked 16.9% (16.2%) and 26.5% (25.8%) respectively.

Considering our full-year forecast and stable return to shareholders, we have determined to pay ¥3.75 per share as interim dividend, the same amount paid a year ago.

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

## (2) Outlook for the fiscal year ending March 31, 2005

The second half IT market environments are still uncertain, however, we expect ¥316,000 million of net sales for the fiscal year ending March 31, 2005, that is unchanged from the previously announced forecast.

We continue efforts to reduce costs such as pension reform executed in the previous fiscal year and to improve project management and productivity. As a result, we expect both operating income and recurring profit to be ¥10,200 million. Meanwhile, net income is expected to be ¥4,500 million, which is unchanged from the pervious announcement, reflecting extraordinary losses in the first half such as special retirement expense.

## 2. Financial Condition

Cash and cash equivalents at the end of September 30, 2004 was ¥25,536 million, decreased by ¥1,372 million from a year ago. Cash demands such as purchase of computers for rental and outsourcing are covered by cash flows from operations, and surplus was used primarily for reduction of interest-bearing debts.

The Group generated ¥8,568 million (down ¥5,478 million from the year-ago period) of cash from operating activities. Income before income taxes and minority interests was ¥2,144 million (up ¥23 million), and ¥9,128 million of depreciation and amortization expenses (down ¥492 million) were added. Decrease in

accounts receivable and accounts payable was ¥21,650 million (down ¥2,116 million) and ¥9,393 million (up ¥1,809 million) respectively.

The net cash used in investing activities was ¥7,228 million (down ¥1,390 million) as a result of ¥2,638 million of purchases of equipment such as computers for sale (down ¥2,692 million) and ¥5,092 million of purchases of intangible fixed assets like software for sale and outsourcing (up ¥982 million).

The net cash used in financing activities was ¥2,712 million (down ¥7,435 million). Cash were used primarily for ¥1,677 million of long-term debt repayment (down ¥260 million) and ¥476 million of treasury stock purchases (down ¥775 million).

	Six months ended September 30, 2004	Six months ended September 30, 2003	Six months ended September 30, 2002
Shareholders' equity ratio (%)	46.3	45.7	42.7
Shareholders' equity ratio at market value (%)	43.3	46.1	46.5
Debt repayment period (years)	2.0	1.6	2.0
Interest coverage ratio	36.3	44.3	25.0

Notes) Shareholders' equity ratio: shareholders' equity/total assets

Shareholders' equity ratio at market value: market value of common shares/total assets

Debt repayment period (years): interest-bearing debts/cash flows from operating activities

Interest coverage ratio: cash flows from operating activities/interest paid

\*The above ratios are calculated on a consolidated basis.

## 4. Consolidated Financial Statements

**CONSOLIDATED STATEMENTS OF INCOME**

	Six months ended September 30, 2004	Six months ended September 30, 2003	Year ended March 31, 2004
	Millions of yen	Millions of yen	Millions of yen
Net sales	138,907	136,720	309,417
Cost of sales	102,781	100,037	234,936
Gross profit	36,125	36,683	74,481
Selling, general and administrative expenses	32,458	35,541	71,315
Operating income	3,667	1,141	3,165
Non-operating income			
Interest and dividend income	137	91	152
Gain on sales of listed securities	119	707	1,213
Other	192	524	776
Non-operating expenses			
Interest expense	235	304	574
Other	102	49	340
Recurring profit	3,778	2,111	4,393
Extraordinary gains			
Gain on sales of investment securities	268	47	47
Other (Note 1)	15	0	11,944
Extraordinary losses			
Special retirement expense	1,291	-	-
Loss on devaluation of investment securities	68	10	72
Other (Note 2)	557	27	7,413
Income before income taxes and minority interests	2,144	2,121	8,899
Income taxes-current	809	1,249	3,316
Income taxes-refunded	(203)	-	-
Income taxes-deferred	435	79	1,495
Minority interests in net income	13	73	165
Net income	1,090	718	3,922

**CONSOLIDATED BALANCE SHEETS**

	September 30, 2004	September 30, 2003	March 31, 2004
	Millions of yen	Millions of yen	Millions of yen
<b>(ASSETS)</b>			
<b>Current assets</b>			
Cash and time deposits	25,575	26,021	26,951
Notes receivable and accounts receivable-trade	62,027	55,767	83,679
Inventories	17,008	20,265	10,973
Deferred tax assets	10,807	7,568	9,494
Other	6,115	8,760	6,960
Allowance for doubtful accounts	(74)	(100)	(82)
<b>Total current assets</b>	<b>121,460</b>	<b>118,283</b>	<b>137,977</b>
<b>Fixed assets</b>			
<b>Property and equipment</b>			
Machinery, equipment and vehicles	17,511	24,436	21,420
Other	7,673	10,572	8,046
<b>Total property and equipment</b>	<b>25,184</b>	<b>35,008</b>	<b>29,467</b>
<b>Intangible fixed assets</b>			
Software	17,602	13,136	16,358
Other	179	509	503
<b>Total intangible fixed assets</b>	<b>17,782</b>	<b>13,646</b>	<b>16,862</b>
<b>Investments and other assets</b>			
Investment securities	8,035	8,103	8,511
Deferred tax assets	7,700	12,300	9,007
Prepaid pension costs	12,763	-	13,550
Lease deposits	9,623	12,346	9,770
Other	1,916	2,095	1,991
Allowance for doubtful accounts	(533)	(675)	(446)
<b>Total investments and other assets</b>	<b>39,505</b>	<b>34,170</b>	<b>42,384</b>
<b>Total fixed assets</b>	<b>82,472</b>	<b>82,825</b>	<b>88,713</b>
<b>Total assets</b>	<b>203,932</b>	<b>201,109</b>	<b>226,690</b>

	September 30, 2004	September 30, 2003	March 31, 2004
	Millions of yen	Millions of yen	Millions of yen
<b>( LIABILITIES )</b>			
<b>Current liabilities</b>			
Notes payable and accounts payable-trade	33,533	29,239	42,918
Short-term borrowings	983	4,770	1,140
Current portion of long-term debt	7,891	6,354	5,629
Income taxes payable	937	1,318	2,873
Accrued expenses	12,178	13,309	13,565
Allowances	1,147	1,107	1,261
Other	18,073	16,518	22,530
<b>Total current liabilities</b>	<b>74,744</b>	<b>72,617</b>	<b>89,920</b>
<b>Long-term liabilities</b>			
Bonds	8,000	8,000	8,000
Long-term debt	14,081	20,923	17,921
Deferred tax liabilities	628	-	368
Allowance for retirement and severance benefits	2,016	2,077	2,075
Other allowances	414	554	457
Other	9,121	4,448	12,912
<b>Total long-term liabilities</b>	<b>34,262</b>	<b>36,004</b>	<b>41,735</b>
<b>Total liabilities</b>	<b>109,007</b>	<b>108,621</b>	<b>131,655</b>
<b>Minority interests</b>	<b>574</b>	<b>650</b>	<b>564</b>
<b>( SHAREHOLDERS' EQUITY )</b>			
Common stock	5,483	5,483	5,483
Capital surplus	15,281	15,281	15,281
Retained earnings	74,164	70,744	73,542
Net unrealized gain on securities	1,877	1,581	2,143
Treasury stock-at cost	(2,455)	(1,254)	(1,979)
<b>Total shareholders' equity</b>	<b>94,350</b>	<b>91,836</b>	<b>94,471</b>
<b>Total liabilities, minority interests and shareholders' equity</b>	<b>203,932</b>	<b>201,109</b>	<b>226,690</b>

**CONSOLIDATED STATEMENTS OF RETAINED EARNINGS**

	Six months ended September 30, 2004	Six months ended September 30, 2003	Year ended March 31, 2004
	Millions of yen	Millions of yen	Millions of yen
(Capital surplus)			
Capital surplus at beginning of period	15,281	15,281	15,281
Capital surplus at end of period	15,281	15,281	15,281
(Retained earnings)			
Retained earnings at beginning of period	73,542	70,486	70,486
Increase in retained earnings	1,090	741	3,945
Net income	1,090	718	3,922
Increase due to newly consolidated subsidiaries	-	23	23
Decrease in retained earnings	468	483	888
Cash dividends	401	411	816
Bonuses to directors	66	72	72
Retained earnings at end of period	74,164	70,744	73,542

**CONSOLIDATED STATEMENTS OF CASH FLOWS**

	Six months ended September 30, 2004	Six months ended September 30, 2003	Year ended March 31, 2004
	Millions of yen	Millions of yen	Millions of yen
Cash flows from operating activities			
Income before income taxes and minority interests	2,144	2,121	8,899
Depreciation and amortization	9,128	9,621	20,108
Gain on sales of fixed assets	(15)	(0)	(11,944)
Gain on sales of investment securities	(387)	(755)	(1,261)
Decrease in allowances	(136)	(1,490)	(1,681)
Decrease (increase) in accounts receivable-trade	21,650	23,766	(4,145)
Decrease (increase) in inventories	(6,035)	(4,637)	4,654
Increase (decrease) in accounts payable-trade	(9,393)	(11,202)	2,470
Other-net	(5,585)	(2,523)	932
Subtotal	11,370	14,900	18,032
Interest and dividend received	137	91	152
Interest paid	(236)	(317)	(609)
Income taxes paid	(2,703)	(627)	(1,139)
Net cash provided by operating activities	8,568	14,047	16,436
Cash flows from investing activities			
Payments for purchases of property and equipment	(2,638)	(5,330)	(8,954)
Proceeds from sales of property and equipment	42	500	14,719
Payments for purchases of intangible fixed assets	(5,092)	(4,109)	(10,591)
Proceeds from sales of intangible fixed assets	-	2,009	4,509
Payments for purchases of investment securities	(66)	(319)	(492)
Proceeds from sales of investment securities	423	1,402	2,331
Other-net	104	9	(229)
Net cash provided by (used in) investing activities	(7,228)	(5,837)	1,292
Cash flows from financing activities			
Net decrease in short-term borrowings	(157)	(1,781)	(5,411)
Proceeds from long-term debt	100	1,600	2,550
Repayments of long-term debt	(1,677)	(1,417)	(6,094)
Net decrease in commercial paper	-	(6,000)	(6,000)
Purchases of treasury stock	(476)	(1,251)	(1,977)
Cash dividends paid	(401)	(411)	(816)
Other-net	(101)	(886)	(985)
Net cash used in financing activities	(2,712)	(10,147)	(18,734)
Net decrease in cash and cash equivalents	(1,372)	(1,937)	(1,004)
Cash and cash equivalents, beginning of period	26,909	27,831	27,831
Cash and cash equivalents of newly consolidated subsidiaries	-	83	83
Cash and cash equivalents, end of period	25,536	25,976	26,909

## **Summary of Significant Accounting Policies**

### 1. Scope of consolidation

(1)The accompanying consolidated financial statements for the year ended September 30, 2004 include the accounts of Nihon Unisys, Ltd. (the "Company") and its 16 consolidated subsidiaries (together, the "Group"). Some of the most significant subsidiaries are as follows.

UNIADEX, Ltd.

Nihon Unisys Software Kaisha, Ltd.

Nihon Unisys Excelutions, Ltd.

On April 1, 2004, O.S. Engineering, Ltd. was merged into UNIADEX, Ltd., a surviving company.

(2)Number of non-consolidated subsidiaries: 2

Two subsidiaries including NUL Systems Service Corporation are not consolidated, as the effect of their assets, sales, net income (loss) and retained earnings on the accompanying consolidated financial statements would not be material.

### 2. Equity method

Investments in two unconsolidated subsidiaries and three affiliates including Unistaff Co., Ltd. are not accounted for by the equity method, but stated at cost, as the effect of the accounts of those companies, either as aggregate or as individual companies, on net income (loss) and retained earnings of the consolidated financial statements would not be material.

### 3. Accounting policies

(1)Valuation standard and method of significant assets

#### a.Securities

Available-for-sale securities whose fair value is readily determinable:

Stated at fair value as of the balance sheet date, with unrealized gains and losses, net of applicable taxes, reported as a separate component of shareholders' equity. The cost of securities sold is determined by the moving-average method.

Available-for-sale securities whose fair value is not readily determinable:

Stated at cost determined by the moving-average method

#### b.Derivatives

Stated at fair value

#### c.Inventories

Computers for sale:

Stated at cost determined primarily by the moving-average method

Parts for maintenance services and other:

Stated at cost determined by the moving-average method

(2)Depreciation/amortization of fixed assets

#### a.Buildings and structures:

Depreciation of buildings and structures is computed by the declining-balance method. However, depreciation of some plants of Nihon Unisys Supply, Ltd., a consolidated subsidiary, and buildings (excluding attached facilities) acquired after April 1, 1998 is computed by the straight-line method. Useful lives range from 6 to 50 years.

#### b.Computers for rental and outsourcing (reported in "machinery, equipment and vehicles"):

Depreciation of computers for rental and outsourcing is computed over 5 years with no residual value, corresponding to the terms and conditions of rental and outsourcing.

c. Software

Software for sale to the market:

Amortized at the greater of either the amount to be amortized in proportion of the actual sales of the software during the current year to the estimated total sales over the estimated salable years of the software or the amount to be amortized by the straight-line method over the estimated salable years, principally 3 years.

Software for internal use:

Amortized by the straight-line method over the estimated useful lives, generally 5 years.

(3) Allowances

Allowance for doubtful accounts:

The allowance for doubtful accounts is stated at amounts considered to be appropriate based on the Group's past credit loss experience and on evaluation of potential losses in the receivables outstanding.

Allowance for retirement and severance benefits:

To prepare for the retirement and severance benefits for employees, the allowance for retirement and severance benefits is accounted for based on projected benefit obligations and plan assets at the balance sheet date.

The transitional obligation is being amortized over 10 years.

Actuarial gains and losses are recognized in expenses using the straight-line method over the average of the estimated remaining service period (10 years) starting from the following year.

Prior service cost is amortized in expenses using the straight-line method over the average of the estimated remaining service period (10 years).

(4) Foreign currency translation

All monetary receivables and payables denominated in foreign currencies are translated into Japanese yen at the exchange rates at the balance sheet date. The foreign exchange gains and losses from translation are recognized in the consolidated statements of income.

(5) Leases

Finance leases other than those deemed to transfer ownership of the leased property to the lessee are accounted for in the same manner as operating leases.

(6) Hedge accounting

Method of hedge accounting:

For derivatives used for hedging purposes, if derivatives qualify for hedge accounting, gains or losses on derivatives are deferred until maturity of the hedged transactions. Trade payables denominated in foreign currencies are translated at the contracted rates if the forward contracts qualify for hedge accounting. Interest rate swaps which qualify for hedge accounting and meet specific matching criteria are not remeasured at market value but the differential paid or received under the swap agreements are recognized and included in interest expense or income.

Hedging instruments and hedged items:

The foreign currency forward contracts are utilized to hedge foreign currency exposures in procurement of merchandises from overseas suppliers. Interest rate swaps are utilized to hedge interest rate exposures of short-term debt.

Company's policy to use hedge:

The Company uses foreign currency forward contracts and interest rate swaps as a means of hedging exposure to foreign currency and interest rate risks. The Company does not enter into derivatives for trading or speculative purposes.

Hedge effectiveness assessment:

Hedge effectiveness is evaluated, in principle, comparing the cumulative changes (to date from inception of the hedge) in the hedging instrument's fair values or cash flows to the cumulative changes in the hedged item's fair value or hedged transaction's cash flows. The Company omits the assessment of hedge effectiveness for interest rate swaps which qualify for hedge accounting and meet specific matching criteria.

(7)Consumption taxes

Consumption tax is separately accounted for by excluding it from each transaction amount.

4. Cash and cash equivalents in the consolidated statements of cash flows

Cash and cash equivalents in the consolidated statements of cash flows include cash, time deposits and short-term investments which mature or become due within 3 months of the date of acquisition, that are readily convertible into cash and that are exposed to insignificant risk of changes in value.

**Notes to Consolidated Statements of Income**

1. Other extraordinary gains in the previous fiscal year represent gain on sales of fixed assets.
2. Other extraordinary losses in the previous fiscal year consist mainly of loss on pension plan amendments of ¥5,479 million and restructuring charges of ¥1,753 million.

**Notes to Consolidated Balance Sheets**

	<u>September 30, 2004</u> Millions of yen	<u>September 30, 2003</u> Millions of yen	<u>March 31, 2004</u> Millions of yen
1. Accumulated depreciation of property and equipment	98,658	119,036	109,872
2. Liabilities for guarantee	4,538	5,334	4,926

**Notes to Consolidated Statements of Cash Flows**

Reconciliation of cash and time deposits on the consolidated balance sheets to cash and cash equivalents is as follows:

	<u>Six months ended</u> <u>September 30, 2004</u> Millions of yen	<u>Six months ended</u> <u>September 30, 2003</u> Millions of yen	<u>Year ended</u> <u>March 31, 2004</u> Millions of yen
Cash and time deposits	25,575	26,021	26,951
Time deposits with maturities over 3 months	(38)	(45)	(42)
Cash and cash equivalents	25,536	25,976	26,909

**Segment Information**

## (1) Business segment information

Since the Group's operations involve a single business segment under which the Group provides computers, software, associated products and related services, there is no statement of business segment information.

## (2) Geographic segment information

Since there are no consolidated subsidiaries or branches overseas, there is no statement of geographic segment information.

## (3) Overseas sales

Since the overseas sales is insignificant in proportion to the consolidated net sales, the statement of overseas sales is omitted.

**Leases**

The statement of leases is omitted as the Company makes filings on EDINET (Electronic Disclosure for Investors' NETwork).

**Securities****September 30, 2004**

## 1. Available-for-sale securities whose fair value is readily determinable

	<u>Acquisition cost</u> Millions of yen	<u>Carrying amount</u> Millions of yen	<u>Difference</u> Millions of yen
(1) Equity securities	3,298	6,459	3,160
(2) Debt securities	29	29	(0)
Total	3,328	6,489	3,160

## 2. Securities whose fair value is not readily determinable

Available-for-sale securities	Millions of yen
Unlisted equity securities (excluding OTC securities)	1,449

**September 30, 2003**

## 1. Available-for-sale securities whose fair value is readily determinable

	<u>Acquisition cost</u> Millions of yen	<u>Carrying amount</u> Millions of yen	<u>Difference</u> Millions of yen
(1) Equity securities	3,645	6,430	2,784
(2) Others	20	20	0
Total	3,665	6,450	2,785

## 2. Securities whose fair value is not readily determinable

Available-for-sale securities	Millions of yen
Unlisted equity securities (excluding OTC securities)	1,350

**March 31, 2004**

## 1. Available-for-sale securities whose fair value is readily determinable

	<u>Acquisition cost</u> Millions of yen	<u>Carrying amount</u> Millions of yen	<u>Difference</u> Millions of yen
Equity securities	3,310	6,909	3,598

## 2. Securities whose fair value is not readily determinable

Available-for-sale securities	Millions of yen
Unlisted equity securities (excluding OTC securities)	1,299

**Derivatives**

The statement of derivatives is omitted as the Company applies hedge accounting for all derivatives transactions.

## **5. Production, Orders and Sales**

### (1) Production

	Six months ended September 30, 2004	Percent change from six months ended September 30, 2003
	Millions of yen	%
System services	38,022	(10.5)
Software	7,643	+0.5
Total	45,666	(8.8)

### (2) Orders

	Orders		Backlog	
	Six months ended September 30, 2004	Percent change from six months ended September 30, 2003	Six months ended September 30, 2004	Percent change from six months ended September 30, 2003
	Millions of yen	%	Millions of yen	%
Services	92,836	+6.5	87,018	+7.2
Software	16,100	(1.7)	18,144	(17.3)
Hardware	30,846	(14.7)	17,652	(15.9)
Total	139,783	+0.0	122,815	(1.0)

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

- Orders and backlog are calculated based on contracts.

### (3) Sales

	Six months ended September 30, 2004	Percent change from six months ended September 30, 2003
	Millions of yen	%
Services	78,540	(0.9)
Software	23,531	+6.2
Hardware	36,835	+4.4
Total	138,907	+1.6



November 1, 2004

## Non-Consolidated Financial Report for the Six-Month Period Ended September 30, 2004 Nihon Unisys, Ltd.

- Listing: Tokyo Stock Exchange First Section, Code 8056 (URL <http://www.unisys.co.jp>)
- Representative: Seiichi Shimada, President & CEO
- Date of the Meeting of the Board of Directors to Settle Interim Accounts: November 1, 2004
- Interim dividends plan: Exist
- The interim dividend will be paid starting from December 9, 2004.
- Trading unit share plan: Exist (100 shares per trading unit share)

### 1. Business Results for the Six-Month Period Ended September 30, 2004 (from April 1, 2004 to September 30, 2004)

#### (1) Results of operations

	Net Sales	Change	Operating Income	Change	Recurring Profit	Change
	millions of yen	%	millions of yen	%	millions of yen	%
Current Interim Period	106,586	(4.0)	2,632	701.1	3,693	9.4
Previous Interim Period	110,999	(4.2)	328	(77.2)	3,375	63.3
Previous Fiscal Year	251,412		(1,827)		1,846	

	Net Income	Change	Earnings per Share	Diluted Earnings per Share
	millions of yen	%	yen	yen
Current Interim Period	1,651	(33.9)	15.43	-
Previous Interim Period	2,498	(50.4)	22.88	-
Previous Fiscal Year	4,879		44.75	-

Notes) 1. Average number of shares outstanding  
 Current interim period: 107,036,803 shares  
 Previous interim period: 109,229,522 shares  
 Previous fiscal year: 108,372,240 shares

- 2. Change in accounting policies: None
- 3. Percentages above represent increase (decrease) over a year-ago period.

#### (2) Dividends

	Interim Dividend per Share	Annual Dividend per Share
	yen	yen
Current Interim Period	3.75	-
Previous Interim Period	3.75	-
Previous Fiscal Year	-	7.50

#### (3) Financial standings

	Total Assets	Shareholders' Equity	Shareholders' Equity Ratio	Shareholders' Equity per Share
	millions of yen	millions of yen	%	yen
Current Interim Period	174,438	87,287	50.0	818.85
Previous Interim Period	176,650	85,060	48.2	787.65
Previous Fiscal Year	196,027	86,827	44.3	809.99

Notes) 1. Number of shares outstanding  
 September 30, 2004: 106,598,761 shares  
 September 30, 2003: 107,991,796 shares  
 March 31, 2004: 107,159,417 shares

2. Number of treasury stocks  
 September 30, 2004: 3,064,763 shares  
 September 30, 2003: 1,671,728 shares  
 March 31, 2004: 2,504,107 shares

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

	Net Sales	Recurring Profit	Net Income	Annual Dividend per Share	
	millions of yen	millions of yen	millions of yen	Year-End	
				yen	yen
Full-year	254,000	5,600	2,700	3.75	7.50

Reference) Expected earnings per share (full-year basis): 25.00 yen

- Notes)
- 1. All amounts less than one million yen are rounded down.
  - 2. The above forecast relies on judgments and assumptions based on information available at present, and is subject to changes in risks, uncertainties, economy, and other factors that could cause actual results to be materially different from expectations. For the prerequisite for the forecast, please see page 6.

**\*This financial report is solely a translation of Japanese "Chukan Kessan Tanshin," including attachments, for the convenience of readers who prefer English translation.**

## 6. Non-consolidated Financial Statements

### NON-CONSOLIDATED STATEMENTS OF INCOME

	Six months ended September 30, 2004	Six months ended September 30, 2003	Year ended March 31, 2003
	Millions of yen	Millions of yen	Millions of yen
Net sales	106,586	110,999	251,412
Cost of sales	79,979	82,001	194,747
Gross Profit	26,607	28,998	56,664
Selling, general and administrative expenses	23,974	28,669	58,492
Operating income	2,632	328	(1,827)
Non-operating income			
Interest and dividend income	808	2,075	2,308
Gain on sales of listed securities	119	700	1,201
Other	426	600	1,019
Non-operating expenses			
Interest expense	214	280	526
Other	78	50	328
Recurring profit	3,693	3,375	1,846
Extraordinary gains			
Gain on sales of investment securities	268	47	47
Other (Note 1)	64	140	12,097
Extraordinary losses			
Special retirement expense	1,052	-	-
Loss on devaluation of investment securities	68	-	62
Other (Note 2)	328	14	5,764
Income before income taxes	2,577	3,549	8,164
Income taxes-current	12	60	213
Income taxes-refunded	(203)	-	-
Income taxes-deferred	1,117	990	3,071
Net income	1,651	2,498	4,879
Retained earnings carried forward	46,474	41,924	41,924
Interim cash dividends	-	-	404
Unappropriated retained earnings	48,126	44,423	46,399

(Notes)

1. Other extraordinary gains in the previous fiscal year represent gain on sales of fixed assets.
2. Other extraordinary losses in the previous fiscal year consist mainly of loss on pension plan amendments of 3,866 million yen and restructuring charges of 1,753 million yen .

**NON-CONSOLIDATED BALANCE SHEETS**

	September 30, 2004	September 30, 2003	March 31, 2004
	Millions of yen	Millions of yen	Millions of yen
<b>(ASSETS)</b>			
<b>Current assets</b>			
Cash and time deposits	22,835	22,124	23,523
Notes receivable and accounts receivable-trade	46,614	44,930	69,068
Inventories	7,890	11,109	5,458
Deferred tax assets	5,304	4,110	4,819
Short-term loans receivable	15,640	10,435	7,938
Other	3,641	7,192	5,817
Allowance for doubtful accounts	(60)	(64)	(64)
Total current assets	101,864	99,840	116,561
<b>Fixed assets</b>			
Property and equipment			
Computers for rental and outsourcing	17,061	23,904	20,963
Other	5,026	7,868	5,483
Total property and equipment	22,088	31,773	26,447
Intangible fixed assets			
Software	16,474	11,734	15,136
Other	32	253	250
Total intangible fixed assets	16,506	11,988	15,386
Investments and other assets			
Investment securities	10,109	10,133	10,639
Prepaid pension costs	8,228	-	9,535
Deferred tax assets	5,880	10,369	7,288
Lease deposits	8,610	11,419	8,843
Other	1,662	1,780	1,760
Allowance for doubtful accounts	(513)	(655)	(435)
Total investments and other assets	33,978	33,048	37,631
Total fixed assets	72,573	76,809	79,465
Total assets	174,438	176,650	196,027

	September 30, 2004	September 30, 2003	March 31, 2004
	Millions of yen	Millions of yen	Millions of yen
<b>( LIABILITIES )</b>			
<b>Current liabilities</b>			
Notes payable and accounts payable-trade	32,887	29,089	43,315
Short-term borrowings	-	3,400	-
Current portion of long-term debt	7,891	6,354	5,629
Income taxes payable	80	28	52
Accrued expenses	3,878	6,968	6,808
Allowances	745	1,025	902
Other	13,409	12,560	17,070
Total current liabilities	58,892	59,425	73,778
<b>Long-term liabilities</b>			
Bonds	8,000	8,000	8,000
Long-term debt	14,081	20,923	17,921
Other allowances	343	443	337
Other	5,832	2,797	9,162
Total long-term liabilities	28,257	32,164	35,421
Total liabilities	87,150	91,590	109,199
<b>( SHAREHOLDERS' EQUITY )</b>			
Common stock	5,483	5,483	5,483
<b>Capital surplus</b>			
Additional paid-in capital	15,281	15,281	15,281
<b>Retained earnings</b>			
Legal reserve	1,370	1,370	1,370
Voluntary reserve	17,686	18,193	18,193
Unappropriated retained earnings	48,126	44,423	46,399
Total retained earnings	67,183	63,987	65,963
Net unrealized gain on securities	1,795	1,561	2,078
Treasury stock-at cost	(2,455)	(1,254)	(1,979)
Total shareholders' equity	87,287	85,060	86,827
Total liabilities and shareholders' equity	174,438	176,650	196,027

(Notes)

	Millions of yen	Millions of yen	Millions of yen
1. Accumulated depreciation of property and equipment	91,338	111,856	102,591
2. Liabilities for guarantee	3,704	4,586	4,472