

Consolidated Financial Report for the Nine-Month Period Ended December 31, 2005

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: Applicable

Consolidation: Increase 1 Decrease 0 Equity method: Increase 0 Decrease 0

(4) Financial results for the nine months ended December 31, 2005 and December 31, 2004 have not been audited.

(5) 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 the Nine Months Ended December 31, 2005 (From April 1, 2005 to December 31, 2005)

(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 12/31/05	190,821	(1.4)	(4,037)	-	(4,204)	-	(2,798)	-
Nine Months Ended 12/31/04	193,550	1.5	467	-	620	-	(858)	-
Fiscal Year Ended 3/31/05	308,868		10,413		10,533		4,716	

	Earnings per Share	Diluted Earnings per Share
	yen	yen
Nine Months Ended 12/31/05	(26.50)	-
Nine Months Ended 12/31/04	(8.04)	-
Fiscal Year Ended 3/31/05	43.34	43.33

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, 2005	227,752	93,486	41.0	888.85
December 31, 2004	193,282	91,255	47.2	861.84
March 31, 2005	222,155	96,892	43.6	916.10

[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 12/31/05	(4,748)	(14,696)	17,416	23,955
Nine Months Ended 12/31/04	5,035	(10,309)	2,284	23,920
Fiscal Year Ended 3/31/04	12,112	(16,671)	3,633	25,983

4. Earnings Forecast for Fiscal Year Ending March 31, 2006 (from April 1, 2005 to March 31, 2006)

	Net Sales	Operating Income	Recurring Profit	Net Income
	millions of yen	millions of yen	millions of yen	millions of yen
Full-Year	315,000	4,000	3,700	1,700

Reference) Expected earnings per share (full-year basis): 15.22 yen

Notes) The Group's earnings forecast has not been revised from the previous announcement which was made on October 31, 2005.

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, 2005)

(1) Overview

The Japanese economy recovered moderately in the nine-month period under review thanks to improved corporate earnings and increased capital investment. With the strong corporate performance spilling over the household sector, the economy is expected to go on recovering supported by the domestic private-sector demand. Investments in information services are gradually increasing, particularly supported by growing demand for system construction. However, the trends of falling prices of products continue.

Under such circumstances, the Nihon Unisys Group proposed its future vision: “Developing into a High-growth Corporate Group through Value Sharing between U&U (Users & Unisys) – Challenge to ¥500 billion-Sales.” The Group also stated its Enhancement of R&D, M&A, Global Operations and Alliance with Mitsui & Co., Ltd. as its core business concepts toward a new growth.

During the third quarter under review, the Group proactively produced with favorable results proposals to secure new orders and expand the outsourcing business. For example, some financial institutions adopted our next-generation open finance/accounting system “BankVision®.” We also launched “ES7000/600 Series,” which features the highest level of reliability and availability needed for full-banking mission-critical systems as well as compatibility with the 64-bit environment.

As part of our efforts during and after the fourth quarter, we further reinforced the corporate structure on January 1 so as to be able to provide clients with one-stop services by combining the three functions of marketing, development, and maintenance. Under this structure, we will foster cooperation within the Group and ensure the further reinforcement of our management bases toward future growth.

(2) Results of Operations

As described earlier, the Group’s quarterly performance shows a tendency toward concentration of sales and profits in the second and fourth quarters.

In the nine-month period under review, system service sales increased whereas mainframe-related sales decreased in the software and hardware sectors. As a result, consolidated net sales were ¥190,821 million, down 1.4% from the same period of the previous year.

As for profits, the Group was affected by a temporary burden of about ¥4.1 billion resulting from the revision of expenses paid to Unisys Corporation, including fees for the provision of both technical information and support, and license fee. Notwithstanding this, the Group further improved its service productivity as well as reduced miscellaneous costs, but despite these efforts, the Group posted a consolidated operating loss of ¥4,037 million in the nine-month period under review, compared with an income of ¥467 million in the previous year. Recurring loss was ¥4,204 million, against a profit of ¥620 million in the preceding year. Net loss was ¥2,798 million, bigger than the previous year's loss of ¥858 million.

<Reference : "Revision of Technical Information/Support Fee and License Fee Agreement with Unisys Corporation">

As notified previously, we made "Revision of Technical Information/Support Fee and License Fee Agreement with Unisys Corporation." Since its foundation, Nihon Unisys, Ltd. has been acting as the sole agent for marketing Unisys Corporation-made computers in Japan, and both companies have signed a technical information/support and license fee agreement. As it is time for renewal of consideration for license, etc. this fiscal year, we had reviewed terms of this agreement, taking into account recent changes in the Japanese market. Both parties agreed on the basic matters and the agreement was revised.

Revision is about onetime payment over two years for license without termination period, and also about quarterly fixed amount payment for high-level technical information/support necessary for our clients' support services.

<Details of Agreement Changes>

1) License fee

Consideration:	Onetime payment of US\$225 million
Contract period:	Effective April 1, 2005 (without expiry)
Payment date:	October 2005: US\$112.5 million October 2006: US\$112.5 million

2) Provision of high-level technical information/support necessary for support services

Consideration:	Annual fee of US\$20 million (renegotiation after 5 years)
Contract period:	5 years starting April 1, 2005 (renewal after 5 years)
Payment date:	Quarterly basis

(3) Financial Position

The Group booked ¥15,846 million in prepaid expenses and long-term prepaid expenses, disbursed in relation to the revision of expenses paid to Unisys Corporation, including fees for the provision of both technical information and support, and license fee, which will be treated as cost of sales during and after the fourth quarter. Inventories increased, and intangible fixed assets also rose

due to the development of software for outsourcing services. As a result, total assets were ¥227,752 million as of the end of the third quarter under review, an increase of ¥34,470 million from a year ago.

With regard to cash flows, cash and cash equivalents at the end of the third quarter stood at ¥23,955 million, down ¥2,028 million from the previous year.

Net cash used in operating activities was ¥4,748 million, compared with a net inflow of ¥5,035 million in the preceding year, mainly due to the disbursement of ¥14,128 million in relation to the revision of expenses paid to Unisys Corporation, including fees for the provision of both technical information and support, and license fee.

Net cash used in investing activities was ¥14,696 million, up ¥4,386 million from a year earlier, chiefly because of the purchase of tangible and intangible fixed assets.

Net cash provided by financing activities was ¥17,416 million, up ¥15,132 million from the preceding year, generated primarily from the issuance of commercial paper.

5. Consolidated Financial Statements

CONSOLIDATED STATEMENTS OF INCOME

	Nine months ended December 31, 2005	Nine months ended December 31, 2004	Increase (Decrease)	Percent Change	Year ended March 31, 2005
	millions of yen	millions of yen	millions of yen	%	millions of yen
Net sales	190,821	193,550	(2,728)	(1.4)	308,868
Cost of sales	149,028	144,463	4,564	3.2	232,941
Gross profit	41,793	49,086	(7,292)	(14.9)	75,927
Selling, general and administrative expenses	45,831	48,619	(2,788)	(5.7)	65,514
Operating income (loss)	(4,037)	467	(4,504)	-	10,413
Non-operating income					
Interest and dividend income	162	169	(7)	(4.4)	208
Other	229	398	(168)	(42.3)	541
Non-operating expenses					
Interest expense	343	347	(3)	(0.9)	463
Other	215	67	148	220.4	166
Recurring profit (loss)	(4,204)	620	(4,825)	-	10,533
Extraordinary gains	265	303	(37)	(12.3)	305
Extraordinary losses	311	2,006	(1,695)	(84.5)	2,031
Income (loss) before income taxes and minority interests	(4,250)	(1,082)	(3,167)	-	8,808
Income taxes	(1,511)	(235)	(1,275)	-	4,049
Minority interests	59	11	48	424.5	41
Net income (loss)	(2,798)	(858)	(1,940)	-	4,716

(Notes)

-Extraordinary losses in the year-ago period and previous year consist mainly of special retirement expense.

CONSOLIDATED BALANCE SHEETS

	December 31, 2005	December 31, 2004	Increase (Decrease)	Percent Change	March 31, 2005
	millions of yen	millions of yen	millions of yen	%	millions of yen
(ASSETS)					
Current assets					
Cash and time deposits	23,295	17,958	5,336	29.7	25,993
Notes receivable and accounts receivable-trade	48,441	41,440	7,000	16.9	85,149
Inventories	36,262	25,099	11,162	44.5	15,215
Prepaid expenses	16,775	4,856	11,918	245.4	4,111
Other	13,035	23,187	(10,151)	(43.8)	10,047
Total current assets	137,810	112,543	25,267	22.5	140,518
Fixed assets					
Property and equipment	21,820	23,913	(2,092)	(8.8)	22,476
Intangible fixed assets	23,866	17,908	5,958	33.3	19,564
Investments and other assets					
Investment securities	10,544	8,071	2,473	30.6	8,858
Deferred tax assets	8,938	7,666	1,271	16.6	8,027
Prepaid pension costs	10,820	12,354	(1,533)	(12.4)	11,859
Other	13,951	10,825	3,126	28.9	10,851
Total fixed assets	89,942	80,738	9,203	11.4	81,636
Total assets	227,752	193,282	34,470	17.8	222,155
(LIABILITIES)					
Current liabilities					
Notes payable and accounts payable-trade	36,169	23,193	12,976	55.9	39,555
Short-term borrowings and current portion of long-term loans payable	6,869	7,051	(182)	(2.6)	9,440
Commercial paper	24,000	8,000	16,000	200.0	6,000
Other	30,757	29,187	1,570	5.4	34,428
Total current liabilities	97,795	67,432	30,363	45.0	89,424
Long-term liabilities					
Bonds	8,000	8,000	-	-	8,000
Long-term loans payable	19,037	14,056	4,981	35.4	15,375
Other	8,797	11,965	(3,168)	(26.5)	11,911
Total long-term liabilities	35,835	34,022	1,812	5.3	35,286
Total liabilities	133,631	101,454	32,176	31.7	124,711
Minority interests	634	572	62	10.9	551
(SHAREHOLDERS' EQUITY)					
Common stock	5,483	5,483	-	-	5,483
Capital surplus	15,286	15,281	5	0.0	15,281
Retained earnings	73,700	71,761	1,938	2.7	77,390
Net unrealized gain on securities	3,208	1,869	1,338	71.6	2,150
Deposit of the execution of stock option rights	8	-	8	-	-
Treasury stock	(4,200)	(3,141)	(1,059)	33.7	(3,413)
Total shareholders' equity	93,486	91,255	2,231	2.4	96,892
Total liabilities, minority interests and shareholders' equity	227,752	193,282	34,470	17.8	222,155

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Nine months ended December 31, 2005	Nine months ended December 31, 2004	Year ended March 31, 2005
	millions of yen	millions of yen	millions of yen
Cash flows from operating activities			
Income (loss) before income taxes and minority interests	(4,250)	(1,082)	8,808
Depreciation and amortization	10,839	13,325	18,363
Decrease in allowances	(197)	(221)	(263)
Gain on sales of fixed assets	(221)	(16)	(16)
Decrease (increase) in accounts receivable-trade	36,708	42,237	(1,471)
Increase in inventories	(21,046)	(14,126)	(4,242)
Decrease in accounts payable-trade	(3,411)	(19,723)	(3,360)
Other-net	(20,357)	(11,839)	(2,057)
Subtotal	(1,936)	8,552	15,758
Interest and dividend received	163	171	206
Interest paid	(295)	(302)	(463)
Income taxes paid	(2,679)	(3,385)	(3,389)
Net cash (used in) provided by operating activities	(4,748)	5,035	12,112
Cash flows from investing activities			
Purchases of property and equipment	(5,920)	(3,944)	(5,409)
Proceeds from sales of property and equipment	355	106	21
Purchases of intangible fixed assets	(9,176)	(6,830)	(11,481)
Other-net	45	359	198
Net cash used in investing activities	(14,696)	(10,309)	(16,671)
Cash flows from financing activities			
Net increase (decrease) in short-term borrowings	56	(80)	(146)
Proceeds from long-term loans payable	5,000	100	5,900
Repayments of long-term loans payable	(3,964)	(3,602)	(5,629)
Net increase in commercial paper	18,000	8,000	6,000
Purchases of treasury stock	(826)	(1,161)	(1,433)
Proceeds from exercise of stock options	52	-	-
Cash dividends paid	(770)	(766)	(802)
Other-net	(130)	(205)	(255)
Net cash provided by financing activities	17,416	2,284	3,633
Net decrease in cash and cash equivalents	(2,028)	(2,988)	(925)
Cash and cash equivalents, beginning of period	25,983	26,909	26,909
Cash and cash equivalents, end of period	23,955	23,920	25,983

6. Status of Orders and Sales

(1) Orders

	Orders		Backlog	
	Nine months ended December 31, 2005	Percent change from nine months ended December 31, 2004	Nine months ended December 31, 2005	Percent change from nine months ended December 31, 2004
	millions of yen	%	millions of yen	%
Services	117,404	(0.4)	97,928	+9.1
Software	24,418	(1.3)	16,577	(9.8)
Hardware	50,870	+26.6	19,807	+7.9
Total	192,693	+5.4	134,314	+6.2

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	
	Amount	Percent change from nine months ended December 31, 2004
	millions of yen	%
Services	120,119	+5.7
Software	27,797	(13.4)
Hardware	42,905	(10.2)
Total	190,821	(1.4)

Note) The above amounts do not include consumption tax.