



Consolidated Financial Report for the Three-Month Period Ended June 30, 2005 July 29, 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 scope of consolidation and equity method: Not applicable
- (4) Financial results for the three months ended June 30, 2005 and June 30, 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 Three Months Ended June 30, 2005. (From April 1, 2005 to June 30, 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	%
Three Months Ended 6/30/05	47,809	(4.4)	(3,850)	-	(3,765)	-	(2,265)	-
Three Months Ended 6/30/04	50,002	(1.6)	(4,601)	-	(4,523)	-	(2,830)	-
Fiscal Year Ended 3/31/05	308,868		10,413		10,533		4,716	

	Earnings per Share	Diluted Earnings per Share
	yen	yen
Three Months Ended 6/30/05	(21.45)	-
Three Months Ended 6/30/04	(26.42)	-
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
Three Months Ended 6/30/05	192,900	93,890	48.7	888.63
Three Months Ended 6/30/04	188,599	91,425	48.5	853.17
Fiscal Year Ended 3/31/05	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
Three Months Ended 6/30/05	2,292	(2,634)	(2,476)	23,165
Three Months Ended 6/30/04	5,022	(3,425)	(471)	28,033
Fiscal Year Ended 3/31/05	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 Profit	Recurring Profit	Net Income
	millions of yen	millions of yen	millions of yen	millions of yen
Interim	134,000	600	500	100
Full-Year	315,000	10,500	10,100	5,200

Reference) Expected earnings per share (full-year basis): 48.27 yen

Note) The Group's earnings forecast has not been revised from the previous announcement which was made on May 9, 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.**

[Overview of the First Quarter Consolidated Performance]

(1) Overview

Although the economy of Japan for this first quarter has maintained a slow recovery base supported by a continued solid capital investment, there is also a cautious view about the future of economy due to a high price of crude oil and a slowdown of export, etc. The demand in the information service industry is also on a track of recovery. However, companies will continue to be cautious about investment judgment due to their emphasis on cost reduction and return on investment (ROI). And the tendency of price decline of IT products and services will continue in the foreseeable future.

In this environment, Nihon Unisys Group has worked on a 2-year mid-term plan 'Marching Plan' by aiming at becoming a 'leading IT service company' that will continuously grow.

In this first quarter, we performed positive activities toward acquisitions of new projects and an expansion of outsourcing business. We newly received letters of intent from three regional banks about their adoption of next-generation Open finance/accounting system 'BANKVISION[®]' for financial institutions. Also, we tried to strengthen our business in the growth area such as security business and network business centering on wireless network. Furthermore, from the viewpoint of building a mid- and long-term business basis, we continued to positively invest in outsourcing business. Also, we are making efforts to improve service productivity, and to strengthen our 'human assets' base by building a development program based on a human resources portfolio management.

In the second quarter and later, we will try to expand orders of big business projects by continuously invigorating efforts to propose upstream consultations addressing the business challenges of our customers. Also, we will focus on contracted development and sales of mission critical systems by combining IA servers mainly ES 7000 and Windows[®], and development of new solutions to build a strong corporate business base for growth.

Windows is a registered mark or logo of Microsoft Corporation in the United States or other nations.

(2) Results of Operations

As mentioned before, the quarterly performance of our group has a tendency that revenue and profit recordings concentrate in the second quarter and the fourth quarter.

Regarding the first quarter consolidated performance, the hardware and the software revenues have undergone a transition almost as planned although they have decreased from the same quarter of the previous year due to decreases of mainframe related revenues. However, partly because a delivery period of part of big projects of system services slipped to the second quarter, the first quarter revenue came to be ¥47,809 million, -4.4% from a year ago.

Profitability improved from the same quarter of the previous year due to cost reduction efforts. Operating loss was ¥3,850 million, improving by ¥751 million from the same quarter of the previous year. Recurring loss was ¥3,765 million, improving by ¥758 million from the same period last year. The first quarter net loss was ¥2,265 million, improving by ¥564 million from a year ago.

(3) Financial Position

Inventories increased by ¥10,408 million due to a prior installation of outsourcing machines etc. However, tangible fixed assets decreased by ¥7,102 million due to depreciation etc. Therefore, the first quarter total assets came to be ¥192,900 million, up by ¥4,301 million from the same period of the previous year.

Regarding the first quarter cash flow, cash and cash equivalents were ¥23,165 million, decreasing by ¥2,818 million compared to the end of previous term.

Cash flows from operating activities were ¥2,292 million, down by ¥2,730 million from a year ago, due to a decrease of account receivables etc.

Cash flows from investing activities were ¥2,634 million, down by ¥791 million from the same period last year, because of acquisition of tangible fixed assets and intangible fixed assets.

Cash flows from financing activities were ¥2,476 million, up by ¥2,004 million from the same quarter of the previous year, due to repayment of long-term loans payable, and redemption of commercial paper, etc.

5. Consolidated Financial Statements

CONSOLIDATED STATEMENTS OF INCOME

	Three months ended June 30, 2005	Three months ended June 30, 2004	Increase (Decrease)	Percent Change	Year ended March 31, 2005
	millions of yen	millions of yen	millions of yen	%	millions of yen
Net sales	47,809	50,002	(2,193)	(4.4)	308,868
Cost of sales	36,512	37,542	(1,029)	(2.7)	232,941
Gross profit	11,296	12,460	(1,163)	(9.3)	75,927
Selling, general and administrative expenses	15,147	17,062	(1,914)	(11.2)	65,514
Operating income (loss)	(3,850)	(4,601)	751	-	10,413
Non-operating income					
Interest and dividend income	118	116	2	2.1	208
Other	121	125	(4)	(3.2)	541
Non-operating expenses					
Interest expense	116	118	(1)	(1.4)	463
Other	37	45	(7)	(16.5)	166
Recurring profit (loss)	(3,765)	(4,523)	758	-	10,533
Extraordinary gains	17	0	16	-	305
Extraordinary losses	8	100	(91)	(91.5)	2,031
Income (loss) before income taxes and minority interests	(3,756)	(4,623)	866	-	8,808
Income taxes	(1,472)	(1,784)	312	-	4,049
Minority interests	(18)	(7)	(10)	-	41
Net income (loss)	(2,265)	(2,830)	564	-	4,716

CONSOLIDATED BALANCE SHEETS

	June 30, 2005	June 30, 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	22,005	17,072	4,933	28.9	25,993
Notes receivable and accounts receivable-trade	46,688	37,138	9,550	25.7	85,149
Inventories	26,958	16,549	10,408	62.9	15,215
Other	17,593	29,849	(12,256)	(41.1)	14,159
Total current assets	113,245	100,609	12,635	12.6	140,518
Fixed assets					
Property and equipment	21,280	28,382	(7,102)	(25.0)	22,476
Intangible fixed assets	19,541	16,814	2,727	16.2	19,564
Investments and other assets					
Investment securities	8,432	8,946	(513)	(5.7)	8,858
Deferred tax assets	8,159	8,801	(641)	(7.3)	8,027
Prepaid pension costs	11,514	13,764	(2,249)	(16.3)	11,859
Other	10,726	11,281	(554)	(4.9)	10,851
Total fixed assets	79,655	87,989	(8,334)	(9.5)	81,636
Total assets	192,900	188,599	4,301	2.3	222,155
(LIABILITIES)					
Current liabilities					
Notes payable and accounts payable-trade	21,998	19,059	2,939	15.4	39,555
Short-term borrowings and current portion of long-term loans payable	8,416	7,739	677	8.7	9,440
Other	33,064	31,573	1,490	4.7	40,428
Total current liabilities	63,479	58,372	5,107	8.7	89,424
Long-term liabilities					
Bonds	8,000	8,000	-	-	8,000
Long-term loans payable	15,350	16,896	(1,546)	(9.2)	15,375
Other	11,650	13,352	(1,701)	(12.7)	11,911
Total long-term liabilities	35,000	38,248	(3,247)	(8.5)	35,286
Total liabilities	98,479	96,620	1,859	1.9	124,711
Minority interests	530	553	(23)	(4.2)	551
(SHAREHOLDERS' EQUITY)					
Common stock	5,483	5,483	-	-	5,483
Capital surplus	15,281	15,281	-	-	15,281
Retained earnings	74,629	70,236	4,393	6.3	77,390
Net unrealized gain on securities	1,909	2,403	(493)	(20.6)	2,150
Treasury stock	(3,413)	(1,979)	(1,433)	72.4	(3,413)
Total shareholders' equity	93,890	91,425	2,465	2.7	96,892
Total liabilities, minority interests and shareholders' equity	192,900	188,599	4,301	2.3	222,155

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Three months ended June 30, 2005	Three months ended June 30, 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	(3,756)	(4,623)	8,808
Depreciation and amortization	3,682	4,429	18,363
(Decrease) increase in allowances	(175)	9	(263)
Decrease (increase) in accounts receivable-trade	38,461	46,539	(1,471)
Increase in inventories	(11,742)	(5,576)	(4,242)
Decrease in accounts payable-trade	(17,567)	(23,866)	(3,360)
Other-net	(4,859)	(9,035)	(2,074)
Subtotal	4,041	7,876	15,758
Interest and dividend received	120	115	206
Interest paid	(64)	(66)	(463)
Income taxes paid	(1,804)	(2,903)	(3,389)
Net cash provided by operating activities	2,292	5,022	12,112
Cash flows from investing activities			
Purchases of property and equipment	(1,078)	(1,808)	(5,409)
Purchases of intangible fixed assets	(1,616)	(1,654)	(11,481)
Other-net	60	37	220
Net cash used in investing activities	(2,634)	(3,425)	(16,671)
Cash flows from financing activities			
Net decrease in short-term borrowings	(24)	(55)	(146)
Repayments of long-term loans payable	(1,025)	-	(5,629)
Net (decrease) increase in commercial paper	(1,000)	-	6,000
Cash dividends paid	(375)	(365)	(802)
Other-net	(51)	(51)	4,210
Net cash (used in) provided by financing activities	(2,476)	(471)	3,633
Net (decrease) increase in cash and cash equivalents	(2,818)	1,124	(925)
Cash and cash equivalents, beginning of period	25,983	26,909	26,909
Cash and cash equivalents, end of period	23,165	28,033	25,983

6. Production, Orders Received and Sales

(1) Orders received

	Orders		Backlog	
	Three months ended June 30, 2005	Percent change from three months ended June 30, 2004	Three months ended June 30, 2005	Percent change from three months ended June 30, 2004
	Millions of yen	%	Millions of yen	%
Services	29,355	(6.0)	87,958	+6.6
Software	3,454	+11.0	15,955	(16.4)
Hardware	7,570	(15.0)	17,209	(10.1)
Total	40,380	(6.7)	121,123	+0.3

Notes) 1. Backlog is the amount expected to be filled within a year.

2. The above amounts do not include consumption tax.

(2) Sales

	Three months ended June 30, 2005	Percent change from three months ended June 30, 2004
	Millions of yen	%
Services	31,740	(2.8)
Software	6,168	(8.0)
Hardware	9,901	(6.9)
Total	47,809	(4.4)

Note) The above amounts do not include consumption tax.