

Note) This financial report is solely a translation of Japanese version, including attachments, for the convenience of readers who prefer English translation.



May 8, 2007

## Financial Report for the Fiscal Year Ended March 31, 2007

### Nihon Unisys, Ltd.

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

Representative: Katsuto Momii, President & CEO

Scheduled date of the general shareholders' meeting: June 28, 2007

Scheduled date of payment of dividends: June 29, 2007

Scheduled date of filing of securities report: June 29, 2007

#### 1. Consolidated Business Results for the Fiscal Year Ended March 31, 2007 (From April 1, 2006 to March 31, 2007)

##### (1) Consolidated Results of Operations

Years Ended	Net Sales	% change	Operating Income	% change	Recurring Profit	% change
	Millions of yen	%	millions of yen	%	millions of yen	%
March 31, 2007	307,455	(3.2)	6,278	23.9	6,646	36.5
March 31, 2006	317,486	2.8	5,065	(51.4)	4,870	(53.8)

Years Ended	Net Income	% change	Earnings per Share	Diluted Earnings per Share	Return on Equity	Ratio of Recurring Profit to Total Assets	Ratio of Operating Income to Net Sales
	millions of yen	%	yen	yen	%	%	%
March 31, 2007	3,433	81.7	35.97	35.75	4.1	2.8	2.0
March 31, 2006	1,889	(59.9)	17.77	17.71	2.1	2.1	1.6

Reference) Investment profit on equity method

FY2007: 47 million yen

FY2006: - million yen

##### (2) Consolidated Financial Standing

	Total Assets	Net Assets	Shareholders' Equity Ratio	Net Assets per Share
	millions of yen	millions of yen	%	yen
March 31, 2007	237,861	87,018	36.2	897.36
March 31, 2006	243,931	80,850	33.1	857.54

Reference) Shareholders' Equity

March 31, 2007: 86,121 million yen

March 31, 2006: - million yen

##### (3) Consolidated Cash Flows

Years Ended	Cash Flows from Operating Activities	Cash Flows from Investing Activities	Cash Flows from Financing Activities	Cash and Cash Equivalents, End of Year
	millions of yen	millions of yen	millions of yen	millions of yen
March 31, 2007	8,813	(32,270)	15,856	23,225
March 31, 2006	18,977	(19,303)	5,169	30,827

#### 2. Dividends

Year Ended	Dividends per Share			Total Dividends	Dividend Payout Ratio (Consolidated)	Ratio of Dividends to Total Assets (Consolidated)
	Interim	Year-end	Total			
	yen	yen	yen	millions of yen	%	%
March 31, 2006	3.75	3.75	7.50	749	42.2	0.8
March 31, 2007	3.75	3.75	7.50	719	20.9	0.9
March 31, 2008 (Forecast)	6.00	6.00	12.00		11.5	

#### 3. Consolidated Earnings Forecast for the Fiscal Year Ending March 31, 2008 (from April 1, 2007 to March 31, 2008)

	Net Sales	% change	Operating Income	% change	Recurring Profit	% change	Net Income	% change	Earnings per Share
	millions of yen	%	millions of yen	%	millions of yen	%	millions of yen	%	yen
Interim	136,000	(0.4)	4,000	403.1	3,800	240.5	2,000	248.4	20.84
Full-Year	318,000	3.4	19,000	202.6	18,500	178.4	10,000	191.3	104.20

The above forecast is not considering the effect of the result of TOB for Netmarks Inc. which is being implemented. The effect amount will be disclosed after the TOB.

4. Others

- (1) Change of reporting entities (change of condition of significant consolidated subsidiaries): None  
 (2) Change of significant accounting and reporting policies for consolidated financial statements  
 1) Change caused by revision of accounting standard: Applicable  
 2) Other changes: None  
 (3) Number of shares outstanding (common stock)  
 1) Number of shares outstanding (including treasury stock) March 31, 2007: 109,663,524  
 March 31, 2006: 109,663,524  
 2) Number of treasury stock March 31, 2007: 13,691,439  
 March 31, 2006: 15,418,890

**(Reference) Summary of Non-consolidated Financial Results**

1. Non-consolidated Business Results for the Fiscal Year Ended March 31, 2007 (From April 1, 2006 to March 31, 2007)

(1) Non-consolidated Results of Operations

Years Ended	Net Sales	% change	Operating Income	% change	Recurring Profit	% change
	Millions of yen	%	millions of yen	%	millions of yen	%
March 31, 2007	241,133	(3.6)	308	-	5,040	-
March 31, 2006	250,230	3.5	(2,734)	-	(1,195)	-

Years Ended	Net Income	% change	Earnings per Share	Diluted Earnings per Share
	millions of yen	%	yen	yen
March 31, 2007	3,603	-	37.75	37.52
March 31, 2006	(674)	-	(6.61)	-

(2) Non-consolidated Financial Standing

	Total Assets	Net Assets	Shareholders' Equity Ratio	Net Assets per Share
	millions of yen	millions of yen	%	yen
March 31, 2007	220,174	74,843	34.0	779.16
March 31, 2006	219,807	69,655	31.7	738.87

Reference) Shareholders' Equity March 31, 2007: 74,777 million yen March 31, 2006: - million yen

2. Non-consolidated Earnings Forecast for the Fiscal Year Ending March 31, 2008 (from April 1, 2007 to March 31, 2008)

	Net Sales	% change	Operating Income	% change	Recurring Profit	% change	Net Income	% change	Earnings per Share
	millions of yen	%	millions of yen	%	millions of yen	%	millions of yen	%	yen
Interim	104,000	0.9	1,600	-	4,700	67.5	3,800	29.7	39.59
Full-Year	244,000	1.2	11,600	-	14,700	191.7	9,400	160.9	97.95

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.

For the prerequisite for the forecast, please see page 5.

## **1. Results of Business Operations and Financial Conditions**

### **1. Results of business operations**

(1) Overview of performance for the fiscal year under review

Against the backdrop of continued slow expansion of the Japanese economy for this term, there are slightly discreet forecasts such as a sluggish growth of capital investment and a slowdown of personal consumption. Although demands tend to grow in the information service market, cost reduction efforts by companies, their careful deliberation by prioritizing return on investment (ROI) before approving investment, and a tendency of price decrease of IT products are expected to continue for the foreseeable future, indicating a continued demanding environment for business.

Against this backdrop, Nihon Unisys Group has set itself the “Challenge of achieving 500 billion yen in net sales”, pursuant to the business concept to share value with customers, “U & U: Users & Unisys”. The Group implements the basic strategies of four fields, market strategy, service business strategy, group strategy, and human resources strategy.

In addition, we positively promote the below measures as the pillars of target for growth.

[1] Strengthen technical capabilities as a driving force for further growth: “R&D enhancement”

[2] Early establish new business by leveraging the affluent expertise of business establishment: “Enhanced collaboration with Mitsui & Co.”

[3] Acquire quickly customer base and technical capabilities: “M&A promotion”

[4] Expand business opportunities by eyeing overseas deployment: “Global deployment”

Thus, Nihon Unisys Group continues to reform business management in order to share values with customers and grow with them.

As regards business strategy, the Group has continued to operate a business by leveraging consultative approaches toward business issue solution for customer and to strengthen sales capabilities by collaboration between sales organization and Business Development Center, BDC that promotes business horizontally across the Group.

In addition, the Group works on the enhancement of quality of services provided to customers by establishing Quality Management & Assurance, organization that guarantees quality comprehensively for all products and services by eyeing consultation, outsourcing, and system operation and management businesses as well as hardware and software products, rather than for individual product.

As regards business operation, the Group has delivered as a one-stop system service provider services of resolving business issues for customer by leveraging “upstream approach”, “developing”, “operating” systems and “providing support and maintenance” by utilizing the collaborations of group companies. We have established a “trinity” formation of the functions of “sales”,

“development” and “support and maintenance” of our group companies, and have continued to strengthen the formation that seamlessly provides services to customers. Furthermore, for further intensifying the arrangements for system service delivery and the trinity formation, we have begun to reorganize ourselves by integrating the system service business of USOL Holdings Co., Ltd. into Nihon Unisys except its regional development companies, and thus strengthen collaboration between system and sales organizations for any more efficient service delivery.

Also, due to our efforts made for open system business in the past, the Group has received orders including the one about airline reservation system architecture and also has been able to increase bank customers that adopt “BankVision®”, the state-of-the-art open core banking system that utilizes totally new technologies for the Windows® environment. Thus, Nihon Unisys Group has steadily obtained the appreciation of customers for the open systems.

In addition, the Group has begun to implement 3D-Visible Enterprise, 3D-VE, approach that leverages methodologies and models for information system formulation developed by Unisys Corporation of the United States. By leveraging a visualization capability for the processes from business strategy to information system as enabled by combining “3D-VE” with our existing services and technologies, Nihon Unisys Group has become better positioned to serve customers by helping them architect information systems that suit their business strategies and enable them to agilely and precisely respond to their business changes.

In the field of network, UNIADDEX, Ltd. has begun the “ICT solution service for enterprise” that provides a one-stop service for architecting communications network and LAN in office etc. by partnering with KDDI CORPORATION in order to exactly satisfy the needs for Information and Communication Technology, ICT from customers.

Moreover, due to an expectation that the two markets of system integration and network integration will be merged to make a bigger market, Nihon Unisys has decided to further strengthen the capability of providing highly value-added integration solutions of system and network by establishing an overall partnership including capital affiliation with NETMARKS, INC. (listed on the first section of the Tokyo Stock Exchange) that enjoys a high reputation for the capability of sales force addressing many customers of various industries and the capability of making proposals of network solution to them. Thus, we have begun a takeover bid of the stocks of NETMARKS, INC.

Also, we positively work on the field of cutting-edge technology by our winning application to an electronic tag proving test project run by the Ministry of Economy, Trade and Industry and thus promoting an academic-industrial collaboration for research and proving test.

The consolidated results of operation for the term are as follows: Net sales decreased to 307,455 million yen, down 3.2% from the previous term due to a decrease of system service sale and

hardware sale. Despite a decrease of profit due to the net sales decrease, operating income increased to 6,278 million yen, up 23.9% compared to the previous term, helped by an increase of outsourcing revenue and a decrease of SG&A cost. Recurring profit was 6,646 million yen, up 36.5% from the previous term, due to the posting of gain on sales of investment securities and foreign exchange income, and net income was 3,433 million yen, up 81.7% from the previous term.

Net sales breakdown is as follows: services sale was 193,178 million yen, down 2,291 million yen, 1.2% from the previous term, due to a system sales status impacted by postponement of delivery and acceptance of some large-scale developed systems to the next term, etc. Software sale was 47,973 million yen, down 1,466 million yen, 3.0% from the previous period, due to a decrease of open solution sale despite the posting of large-scale mainframe projects. Hardware sale was 66,303 million yen, down 6,273 million yen, 8.6% from the previous period, due to a sluggish sale of open server etc. and narrowing down projects by prioritizing profitability consideration in addition to a tendency of decreasing rental revenue.

Composition of net sales is as follows: services sale 62.8% (61.5% in the previous term), software sale 15.6% (15.6% in the previous term), and hardware sale 21.6% (22.9% in the previous term)

\*Windows is a registered trademark or trademark of Microsoft Corporation of the United States in the United States and other countries.

## (2) Outlook for the next fiscal year

Although the tendency of price decrease continues to be stronger due to fiercer competition, the Group plans to achieve consolidated net sales of 318 billion yen, up 3.4% for the next term due to our forecasts of steady service sale and strong sales of open hardware and software including business items of product or project that are carried over from the previous period, despite a continued decline of mainframe sale.

Also, in addition to a profit increase due to the net sales increase, the group is released from bearing a cost for the payment to Unisys Corporation for the license fees due to a revision of the fee agreement. Thus, it is planned that operating income is 19 billion yen, up 202.6%, recurring profit is 18.5 billion yen, up 178.4%, and net income is 10 billion yen, up 191.3%.

### Outlook of consolidated performance for the period ending March 2008 (Millions of yen)

	Period ending March 2008	Period ended March 2007	Variance
Net Sales	318,000	307,455	3.4%
Operating Income	19,000	6,278	202.6%
Recurring Profit	18,500	6,646	178.4%
Net Income	10,000	3,433	191.3%

## 2. Financial Condition

(Analysis about situations of asset, liability, net assets and cash flows)

Cash and cash equivalents as of March 31, 2007 were 23,225 million yen, down 7,601 million yen from the beginning of the period. Financial activities primarily consisting of new borrowings were made in order to satisfy the capital needs of the license fees payment to Unisys Corporation and purchases of computers for outsourcing business, etc.

(Cash flows from operating activities)

Net cash generated by operating activities in this fiscal year were: 6,311 million yen in income before income taxes and minority interests (up 1,992 million yen from the previous year), 13,808 million yen in depreciation and amortization (down 1,927 million yen) that is non-cash expense, 4,389 million yen in reduction of accounts receivable as a result of their collection (down 87million yen), and 2,243 million yen in inventories (up 6,349 million yen), and 21,051 million yen in accounts payable including license fees payment (down 35,299 million yen). Net cash provided by operating activities was 8,813 million yen (down 10,163 million yen).

(Cash flows from investing activities)

Net cash used in investing activities in the year under review included: 6,897 million yen paid to acquire tangible fixed assets principally for computers for business activities (down 837 million yen from the previous year), 14,673 million yen paid to acquire intangible assets principally for software used in outsourcing operations (up 3,292 million yen), 10,998 million yen paid to acquire investment securities (up 10,210 million yen). As a result, net cash used in investing activities during the term was 32,270 million yen (up 12,967 million yen).

(Cash flows from financing activities)

Net cash provided by financing activities during the term was 15,856 million yen (up 10,687 million yen from the previous term). It is the result of the following: 13,090 million yen net proceeds of short-term borrowings net increase (up 8,124 million yen), 10.1 billion yen net proceeds from long-term loans payable (down 3 billion 700 million yen), and the cash expenditure of 7 billion yen (14 billion yen for the previous term) by commercial paper redemption.

Transition of indicators related to cash flow

	Period ended March 2007	Period ended March 2006	Period ended March 2005	Period ended March 2004
Shareholders' equity ratio (%)	36.2	33.1	43.6	41.7
Shareholders' equity ratio at market value basis (%)	68.3	70.3	52.9	41.6
Ratio of capital flow against interest-bearing debts (%)	8.9	3.4	3.4	2.3
Interest coverage ratio	13.2	40.2	26.1	27.0

(Note)

Shareholders' equity ratio: Shareholders' equity/Total assets

Shareholders' equity ratio at market value basis: Market Valuation/Total assets

Ratio of capital flow against interest-bearing debts: Interest-bearing debts/Cash flows from operating activities

Interest coverage ratio: Cash flows from operating activities/Interest payments

\* All of the above indices are calculated based on consolidated financial results.

### **3. Basic policy on distribution of profits**

The Company will seek to stably continue to appropriate profit by understanding that the increase of corporate value is the primary return to shareholders. For this period, we will pay 7.5 yen annual dividend per share after making a due consideration for aggressively promoting investments in developing highly competitive products etc. and also stably appropriating profit.

The company will target a 20% consolidated dividend payout pursuant to the policy of paying dividend in accordance with performance. Concrete dividend amount will be decided by making a due consideration for securing internal reserves for business development and also comprehensively considering business environment etc. We will target to increase dividend in stages in accordance with a future increase of consolidated profit.

We plan to pay 12 yen annual dividend per share, up 4.5 yen (6 yen for mid-term dividend and 6 yen for term-end dividend)

### **4. Risks in Business Operations**

Major risks involved with the Group's businesses are as follows. Descriptions about future reflect the discretions by Nihon Unisys Group as of the end of this period.

#### **(1) Influences by an economy trend and market environment**

Although demands show an upward trend in our information service industry against the backdrop of a strong recovery of corporate performance, due to factors such as user companies' stronger posture for reducing cost and prioritizing return on investment, ROI, prices of IT products and services have continued to decline. In this market circumstance, any occurrence of serious situations such as delayed responses in technological innovations, intensified price competitions beyond ordinary imagination may affect the financial conditions and business results of the Company.

#### **(2) Project management risks**

The Group concurrently promotes many projects of system developments. In a business environment of intensified competitions, however, there are explosively increasing hard-to-handle projects with features of being installation-term-shortened, scale-enlarged, or complicated. Once there occur a problem in the development process of any project, a large sum of money will be sure to be consumed for repair operations, which may result in a failed deficit project with possible revenues outnumbered by development cost. To avoid such risks, we have implemented effective measures to prevent and earlier spot deficit-ridden cases by intensifying the project management system.

(3) Risks exposed to fluctuations in foreign exchange rates

The Company is a wholesale agent here in Japan in sales of Unisys-made computers and other products, and handles the businesses of import and sales of those computers in the national territory of Japan. Thus, the Group's purchase in foreign-currency denomination totaled to ¥5,721 million for the six-month term ended September 2006, which purchase may be exposed to fluctuations in foreign exchange rates. To avoid such risks, the Company places risk-hedging measures through exchange contracts.

(4) Information control risks

The Group has many opportunities to access to confidential personal and/or corporate information, including its own one, by way of our business activities of developing and/or providing information systems. Therefore, we regard it at the top priority issue to keep information in strict confidence, because we inhabit in the information industry. To cope with even a micro-scale possibility of information leakage out of an emergency case beyond ordinary imagination, we have indeed placed, on such possible cases, insurance contracts with insurance money piled up to some extent. However, in the case that damage-repairing expenses outnumber the contract-coverage amount, or in the case that the leakage has made the Group's social reputation fall to the ground, there will be a serious possibility of affecting the business results.

(5) Intellectual property risks

The Group use intellectual property right concerning a great number of computer programs on the routine work of promoting business operations. Thus, any failure in acquisition or maintenance of property right licenses, on the contrary to prefixed schedules, may affect the Group's business activities.

In addition, there will be a possibility that the Group may be one of parties concerned with intellectual right litigation on computer programs, and as a result, any occurrence of incurred expenses may affect the Group's business records.

(6) Lawsuit risks

The group makes continued efforts to fully comply with laws and ordinances in order to perform proper and transparent business activities. However, if any lawsuit or legal action is taken against this company, whether or not there is a compliance violation, the results of the group are likely to be impacted.

(7) Natural disaster risks

In the case that those natural disasters such as earthquakes have done destructive damages and losses to major business bases of the Group, a huge amount of repair or replacement expenses may be needed, concurrently give huge-scale impacts on sales and other business activities, and ultimately affect the Group's business records.

(8) Relations with important affiliated companies

We are a representative agent in sale of Unisys Corporation-made computers and other products. We handle the import, sale and maintenance services of those computers and other products here within the national territory of Japan, while Unisys Corporation grants us the use of its trademark, technical information and assistance. The trading relationship with Unisys Corporation has been steady but if the relationship becomes difficult and cannot be sustained, it would have a material impact on the Group's business results.

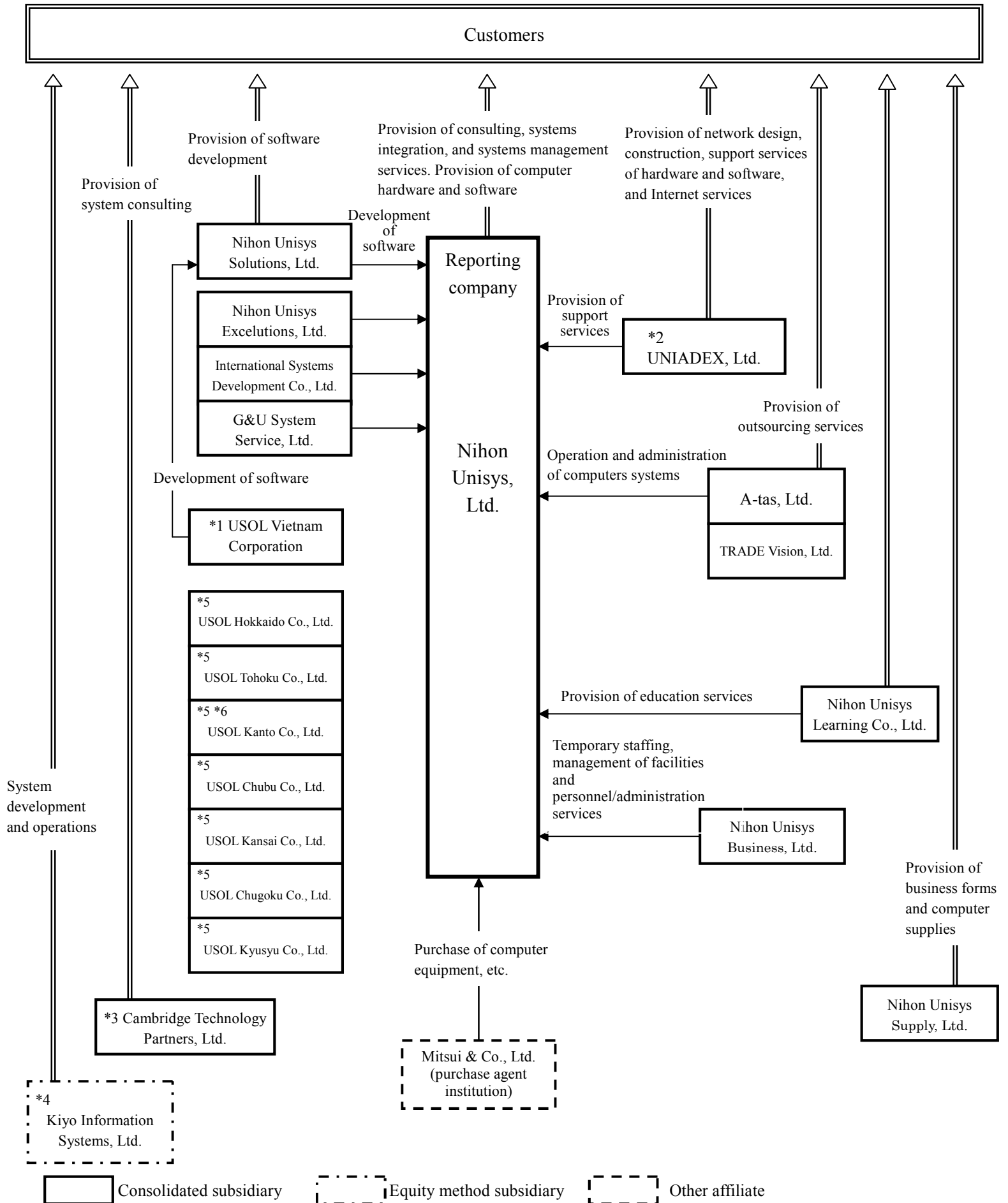
(9) Retention of skillful engineers

Shortage of skillful engineers in the information service industry is a significant issue. If we cannot keep them as we need, our business results will be impacted. To address the issue, we positively have worked on revising a personnel system for the purpose of bettering the work environment for the employees.

Also, we will introduce a system service formation that lifts a traditional framework of organization and assigns engineers by project, for the purpose of helping them focus on and work on projects more efficiently. Furthermore, we will positively strengthen training for developing engineers.

# 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 USOL Vietnam Corporation was established on June 1, 2006 and was consolidated from the period under review.

\*2 Effective as of July 1, 2006, Nihon Unisys Information Systems, Ltd. was consolidated with UNIADDEX, Ltd.

\*3 Nihon Unisys acquired 100% shares of Cambridge Technology Partners, Ltd. and consolidated as a subsidiary from the period under review.

\*4 Effective as of October 2, 2006, Nihon Unisys additionally acquired shares of Kiyo Information Systems, Ltd. and made it a equity method subsidiary from the period under review.

\*5 Effective as of March 1, 2007, Nihon Unisys established 7 local system development companies and started operations from April 1.

\*6 Effective as of April 1, 2007, USOL Kanto Co., Ltd. changed its company name to USOL Tokyo Co., Ltd.

### **3. Business Management Policy**

(1) Fundamental policies, strategies and financial target

<Management philosophy, vision, strategies>

Nihon Unisys Group has been blazing a trail over the years in the field of computing in Japan upholding as its management philosophy of “Clients first through the pursuit of higher quality and advanced technologies”, “respect for individuals and emphasis on team work”, and “attractive company for society, clients, shareholders, and employees.” Their implementation is instrumental to the growth of the company.

Today, information systems are indispensable for business management and are utilized in a variety of ways in different sectors of society. We, as Nihon Unisys Group, aim to meet the computing needs of the times and grow together with our clients going into the future by sharing values with them.

The future vision of our Group and our company goals are as follows:

[Future vision]

“Outgrow to high-growth group of enterprise” through sharing of values based on “U & U (Users & Unisys) thinking”

[Company goals]

- A leading enterprise comprised of leading businesspersons  
We aim to be a first-class enterprise with good performance and points of appeal, comprised of first-rate businesspersons with high principles and excellent personalities.
- An enterprise that behaves in a free and open-minded manner, as do our employees  
We place value on communication to support both Group companies and our employees to reach their full potential.
- “Trinity”scheme  
Our sales, development, and support services departments unite to form trinity in providing one-stop services for clients.

[Strategies]

We aim to execute the following basic strategies: “Market strategy” to reinforce our activities across our Group in the focused markets; “Service business strategy” to improve our market competitiveness by shifting from a labor-intensive business model to a knowledge driven one; “Group strategy” to enhance Group’s collective power; and “Human resources strategy” to nurture and retain excellent human resources.

We believe that achieving company goals, delivering the future vision, and sure execution of company strategies would earn evaluation from our stakeholders as an attractive company positioned for continued growth.

<Financial target>

Our financial target for the consolidated revenue is ¥318 billion and for consolidated operating income is ¥19 billion for the year ending March 2008.

(2) Challenges to be addressed by our business group

In the market of information service, although IT investment slowly increases, due to a demand for shorter delivery period in addition to expansion of information system size and advancement of required functions, it has become difficult to finish entrusted development projects before due date. Also, a shortage of engineers capable of coping with the conditions has become apparent.

Nihon Unisys Group keenly works on addressing the shortage of skillful engineers by realizing a better work environment with a revised personnel system. Also, we will introduce a system service formation that releases engineers from a traditional framework of organization and assigns them by project, for the purpose of helping them focus on and work on projects more efficiently. Furthermore, we will positively strengthen training for developing engineers.

Also, the Group has set itself the big challenge of “enhancing profitability and quality” of system service. We judge the viability of projects by taking risks into consideration before approving them and making a proposal, confirm their on-going status and take measures if any problems occur, in order to “enhance profitability”. Furthermore, we will develop arrangements to early identify risk and enhance quality of proposal contents in the phase of examining a project before making a proposal to customer. For “enhancing quality”, we will further promote arrangements to guarantee the quality of all services that we provide to customers, in order to enjoy stronger confidence from them and market. Verification processes will be intensified from the quality-oriented point of view as part of the efforts.

In this environment, Nihon Unisys Group will concretely implement four measures in order to become capable of high growth, “R&D reinforcement”, “Enhanced collaboration with Mitsui & Co.”, “M&A promotion”, and “Global deployment”, pursuant to our continued promotion of the basic policies for strengthening our corporate base, “Promotion of trinity”, “Sales force reinforcement”, “Technical capability enhancement”, and “Management infrastructure enhancement”.

**4. Consolidated Financial Statements****CONSOLIDATED STATEMENTS OF INCOME**

	Fiscal year ended March 31, 2007	Fiscal year ended March 31, 2006	Increase/decrease	
			Amount	%
	Millions of yen	Millions of yen	Millions of yen	%
Net sales	307,455	317,486	(10,031)	(3.2)
Cost of sales	244,258	248,552	(4,293)	(1.7)
Gross profit	63,196	68,934	(5,738)	(8.3)
Selling, general and administrative expenses	56,917	63,868	(6,950)	(10.9)
Operating income	6,278	5,065	1,212	23.9
Non-operating income				
Interest and dividend income	244	170	73	
Gain on sales of listed securities	327	169	158	
Foreign exchange income	308	-	308	
Other	244	263	(18)	
Non-operating expenses				
Interest expense	709	457	251	
Foreign exchange loss	-	288	(288)	
Other	49	53	(4)	
Recurring profit	6,646	4,870	1,775	36.5
Extraordinary gains				
Gain on sale of fixed assets	3	225	(222)	
Compensation for office relocation	88	-	88	
Other	4	18	(14)	
Extraordinary losses				
Loss on sales and disposals of fixed assets	75	63	12	
Loss on devaluation of investment securities	341	132	209	
Impairment loss	-	380	(380)	
Special retirement expense	-	117	(117)	
Other	13	102	(88)	
Income before income taxes and minority interests	6,311	4,318	1,992	46.1
Income taxes-current	5,501	3,662	1,838	
Income taxes-deferred	(2,790)	(1,326)	(1,463)	
Minority interests in net income	166	93	73	
Net income	3,433	1,889	1,544	81.7

**CONSOLIDATED BALANCE SHEETS**

	March 31, 2007	March 31, 2006	Increase/ decrease
	Millions of yen	Millions of yen	Millions of yen
<b>(ASSETS)</b>			
Current assets			
Cash and time deposits	23,235	30,837	(7,601)
Notes receivable and accounts receivable-trade	76,509	80,709	(4,199)
Inventories	17,078	19,321	(2,243)
Deferred tax assets	11,127	10,372	754
Prepaid expenses	4,477	17,109	(12,632)
Other	2,005	1,477	528
Allowance for the doubtful debts	(381)	(63)	(317)
Total current assets	134,053	159,763	(25,710)
Fixed assets			
Property and equipment			
Buildings and structures	4,285	4,516	(230)
Machinery, equipment and vehicles	13,399	14,484	(1,084)
Other	2,436	2,329	106
Total property and equipment	20,121	21,329	(1,208)
Intangible fixed assets			
Software	29,449	23,020	6,429
Other	23	28	(5)
Total intangible fixed assets	29,473	23,049	6,423
Investments and other assets			
Investment securities	21,553	11,295	10,258
Deferred tax assets	9,789	7,262	2,526
Prepaid pension costs	12,036	10,455	1,580
Other	11,299	11,428	(129)
Allowance for doubtful debts	(465)	(653)	188
Total investments and other assets	54,213	39,787	14,425
Total fixed assets	103,808	84,167	19,641
Total assets	237,861	243,931	(6,069)

	March 31, 2007	March 31, 2006	Increase/ decrease
	Millions of yen	Millions of yen	Millions of yen
(LIABILITIES)			
Current liabilities			
Notes payable and accounts payable-trade	32,789	53,819	(21,030)
Short-term borrowings	19,050	5,960	13,090
Current portion of long-term loans payable	10,825	2,050	8,775
Current portion of bonds	8,000	—	8,000
Commercial paper	13,000	20,000	(7,000)
Income taxes payable	4,515	3,050	1,464
Accrued expenses	13,007	14,809	(1,801)
Allowances	1,205	1,303	(98)
Other	18,032	18,654	(622)
Total current liabilities	120,425	119,648	776
Long-term liabilities			
Bonds	—	8,000	(8,000)
Long-term loans payable	26,400	27,125	(725)
Deferred tax liabilities	579	524	54
Allowance for retirement and severance benefits	1,205	1,501	(296)
Other allowances	249	457	(208)
Negative goodwill	78	—	78
Other	1,905	5,153	(3,247)
Total long-term liabilities	30,418	42,762	(12,343)
Total liabilities	150,843	162,410	(11,567)
Minority interests	—	670	(670)
(SHAREHOLDERS' EQUITY)			
Common stock	—	5,483	—
Capital surplus	—	15,288	—
Retained earnings	—	78,388	—
Net unrealized gain on securities	—	3,285	—
Deposit of the execution of stock option rights	—	2	—
Treasury stock	—	(21,597)	—
Total shareholders' equity	—	80,850	—
Total liabilities, minority interests and shareholders' equity	—	243,931	—

	March 31, 2007	March 31, 2006	Increase/ decrease
	Millions of yen	Millions of yen	Millions of yen
(NET ASSETS)			
Shareholders' equity			
Common stock	5,483	—	—
Capital surplus	15,514	—	—
Retained earnings	81,456	—	—
Treasury stock	(19,178)	—	—
Deposit of the treasury stock	0	—	—
Total shareholders' equity	83,277	—	—
Valuation and translation adjustments			
Net unrealized gain on securities	2,839	—	—
Deferred gain and losses on hedges	6	—	—
Foreign currency translation adjustments	(0)	—	—
Total valuation and translation adjustments	2,844	—	—
Common stock acquisition rights	66	—	—
Minority interests	830	—	—
Total net assets	87,018	—	—
Total liabilities and net assets	237,861	—	—

**CONSOLIDATED STATEMENTS OF RATINED EARNINGS**

	Fiscal year ended March 31, 2007
	Millions of yen
(Capital surplus)	
Capital surplus at beginning of period	15,281
Increase in capital surplus	6
Gain on sales of treasury stock	6
Capital surplus at end of period	15,288
(Retained earnings)	
Retained earnings at beginning of period	77,390
Increase in retained earnings	1,889
Net income	1,889
Decrease in retained earnings	891
Cash dividends	792
Bonuses to directors	99
Retained earnings at end of period	78,388

**CONOSLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY**

Fiscal year ended March 31, 2007

	Shareholders' equity					
	Common stock	Capital surplus	Retained earnings	Treasury stock	Deposit of the execution of stock option rights	Total shareholders' equity
	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Balance at March 31, 2006	5,483	15,288	78,388	(21,597)	2	77,565
Changes during fiscal year ended March 31, 2007						
Cash dividends for surplus* (Previous term)			(353)			(353)
Cash dividends for surplus (Term under review)			(359)			(359)
Bonuses to directors*			(28)			(28)
Net income			3,433			3,433
Increase of affiliated companies in equity method			376			376
Purchase of treasury stock				(2)		(2)
Disposal of treasury stock		448		1,722		2,170
Execution of stock option rights		(221)		698	(2)	474
Deposit of the execution of stock option rights					0	0
Net changes during fiscal year ended March 31, 2007 in items other than those in shareholders' equity						—
Total changes during fiscal year ended March 31, 2007	—	226	3,068	2,419	(2)	5,712
Balance at March 31, 2007	5,483	15,514	81,456	(19,178)	0	83,277

\* Appropriation of profit as resolved in the general shareholders' meeting held in June 2006.

## Fiscal year ended March 31, 2007

	Valuation and translation adjustments				Common stock acquisition rights	Minority interests	Total net assets
	Net unrealized gain on securities	Deferred gains and losses on hedges	Translation adjustments	Total valuation and translation adjustments			
	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Balance at March 31, 2006	3,285	—	—	3,285	—	670	81,520
Changes during fiscal year ended March 31, 2007							
Cash dividends for surplus* (Previous term)							(353)
Cash dividends for surplus (Term under review)							(359)
Bonuses to directors*							(28)
Net income							3,433
Increase of affiliated companies in equity method							376
Purchase of treasury stock							(2)
Disposal of treasury stock							2,170
Execution of stock option rights							474
Deposit of the execution of stock option rights							0
Net changes during fiscal year ended March 31, 2007 in items other than those in shareholders' equity	(445)	6	(0)	(440)	66	159	(214)
Total changes during fiscal year ended March 31, 2007	(445)	6	(0)	(440)	66	159	5,497
Balance at March 31, 2007	2,839	6	(0)	2,844	66	830	87,018

\* Appropriation of profit as resolved in the general shareholders' meeting held in June 2006.

**CONSOLIDATED STATEMENTS OF CASH FLOWS**

	Fiscal year ended March 31, 2007	Fiscal year ended March 31, 2006	Increase/ decrease
	Millions of yen	Millions of yen	
Cash flows from operating activities:			
Income before income taxes and minority interests	6,311	4,318	1,992
Depreciation and amortization	13,808	15,735	(1,927)
Gain on sales of fixed assets	(3)	(225)	222
Gain on sales of investment securities	(327)	(169)	(158)
Loss on revaluation of investment securities	341	132	209
Decrease (increase) in allowances	(476)	(80)	(396)
Decrease (increase) in accounts receivable-trade	4,389	4,477	(87)
Decrease (increase) in inventories	2,243	(4,105)	6,349
Decrease (increase) in accounts payable-trade	(21,051)	14,247	(35,299)
Other-net	7,897	(12,203)	20,100
Subtotal	13,132	22,127	(8,995)
Interests and dividend received	243	172	71
Interest paid	(666)	(472)	(194)
Income taxes paid	(3,895)	(2,850)	(1,045)
Net cash used in operating activities	8,813	18,977	(10,163)
Cash flows from investing activities:			
Payments for purchases of property and equipment	(6,897)	(7,735)	837
Proceeds from sales of property and equipment	25	338	(313)
Payments for purchase of intangible fixed assets	(14,673)	(11,381)	(3,292)
Payments for purchases of investment securities	(10,998)	(787)	(10,210)
Proceeds from sales of investment securities	435	299	136
Payments for acquisition of newly consolidated subsidiaries securities	(150)	—	(150)
Other-net	(12)	(37)	25
Net cash used in investing activities	(32,270)	(19,303)	(12,967)
Cash flows from financing activities:			
Net increase in short-term borrowings	13,090	4,966	8,124
Proceeds from long-term loans payable	10,100	13,800	(3,700)
Repayments of long-term loans payable	(2,050)	(8,446)	6,396
Net decrease (increase) in commercial paper	(7,000)	14,000	(21,000)
Sale of treasury stock	2,170	—	2,170
Purchase of treasury stock	(2)	(18,263)	18,261
Proceeds from exercise of stock options	474	88	386
Cash dividends paid	(713)	(793)	80
Other-net	(213)	(181)	(31)
Net cash provided by financing activities	15,856	5,169	10,687
Effect of exchange rate changes on cash and cash equivalents	(0)	—	(0)
Net decrease (increase) in cash and cash equivalents	(7,601)	4,843	(12,444)
Cash and cash equivalents, beginning of period	30,827	25,983	4,843
Cash and cash equivalents, end of period	23,225	30,827	(7,601)

## Production, Orders and Sales

Production, orders and sales for the fiscal year under review are as follows.

### (1) Production

	Fiscal year ended March 31, 2007	% change from the previous fiscal year
	Millions of yen	%
System services	93,149	-5.1
Software	19,649	+14.1
Total	112,798	-2.2

### (2) Orders received

	Orders		Backlog	
	Fiscal year ended March 31, 2007	% change from the previous fiscal year	Fiscal year ended March 31, 2007	% change from the previous fiscal year
	Millions of yen	%	Millions of yen	%
Services	194,702	+6.9	97,661	+14.1
Software	39,502	-10.3	12,843	-17.0
Hardware	49,768	-37.0	13,647	-34.1
Total	283,973	-6.9	124,152	+1.9

Notes) Backlog is the amount expected to be filled within a year.  
Orders and backlog are calculated on contracts.

### (3) Sales

	Fiscal year ended March 31, 2007	% change from the previous fiscal year
	Millions of yen	%
Services	193,178	-1.2
Software	47,973	-3.0
Hardware	66,303	-8.6
Total	307,455	-3.2