



January 31, 2008

## Consolidated Financial Report for the Nine-Month Period Ended December 31, 2007

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

(Amounts are rounded to the nearest million yen.)

### 1. Consolidated Financial Results for the Nine-Month Period Ended December 31, 2007 (From April 1, 2007 to December 31, 2007)

(1) Consolidated Results of Operations (Percentages below represent increases (decreases) from the year-ago period.)

	Net Sales		Operating Income		Recurring Profit		Net Income	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Nine Months Ended December 31, 2007	216,405	11.3	1,823	-	1,746	-	(5,396)	-
Nine Months Ended December 31, 2006	194,497	1.9	(3,040)	-	(2,826)	-	(2,068)	-
Fiscal Year Ended March 31, 2007	307,455		6,278		6,646		3,433	

	Earnings Per Share		Diluted Earnings Per Share	
	Yen		Yen	
Nine Months Ended December 31, 2007	(56.23)		-	
Nine Months Ended December 31, 2006	(21.70)		-	
Fiscal Year Ended March 31, 2007	35.97		35.75	

### (2) Consolidated Financial Condition

	Total Assets	Net Assets	Shareholders' Equity Ratio	Shareholders' Equity per Share
	Million yen	Million yen	%	Yen
December 31, 2007	243,934	78,416	31.8	807.88
December 31, 2006	222,290	80,723	36.0	832.98
March 31, 2007	237,861	87,018	36.2	897.36

### (3) Consolidated Cash Flows

	Cash Flows from Operating Activities	Cash Flows from Investing Activities	Cash Flows from Financing Activities	Cash and Cash Equivalents, End of Period
	Million yen	Million yen	Million yen	Million yen
Nine Months Ended December 31, 2007	6,118	(21,975)	16,759	24,184
Nine Months Ended December 31, 2006	(6,034)	(26,077)	21,994	20,710
Fiscal Year Ended March 31, 2007	8,813	(32,270)	15,856	23,225

**2. [Reference] Consolidated Financial Forecast for the Fiscal Year Ending March 31, 2008**

**(From April 1, 2007 to March 31, 2008)**

(Percentages below represent increases (decreases) from the year-ago

period.)

	Net Sales		Operating Income		Recurring Profit		Net Income		Earnings Per Share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Full-year	356,800	16.0	19,400	209.0	18,700	181.4	3,300	(3.9)	34.42

**3. Others**

- (1) Change in scope of consolidation (change in condition of significant consolidated subsidiaries): Yes  
 [New: 1 (Company name: Netmarks Inc.)]  
 [Eliminated: 1 (Nihon Unisys Solutions, Ltd.)]
- (2) Adoption of simplified accounting and reporting policies: Yes
- (3) Change in accounting and reporting policies for consolidated financial statements: Yes

**Explanation Concerning Appropriate Use of Financial Forecast and Other Notes**

All numbers used in forecasts rely on judgments and assumptions based on information currently available and are subject to change due to risks, uncertainties, economics, and other factors that could cause actual results to be materially different from expectations.

[Qualitative Information, Financial Statements, Etc.]

#### 1. Qualitative information on consolidated operating results

The Japanese economy continued to recover moderately in the third quarter under review, although weakness was seen in certain areas. However, the deterioration of the financial and capital markets triggered by the subprime mortgage crisis and surging crude oil prices are beginning to affect earnings at a number of companies.

In the information services market, demand continued to increase. In contrast, companies remained cautious about making investment decisions, attaching importance to cost cutting and return on investment (ROI).

In these circumstances, the Nihon Unisys Group aims to become a highly profitable company and is concentrating on improving profitability through the bolstering its service structure and strengthening the information and communication technology (ICT) business structure to accelerate growth.

As part of our efforts to bolster the service structure in the third quarter, we applied the methodology of the Andon system, which has been used in the automotive assembly process, to our system development process for quality improvement and quality management, while continuing to enhance our project support and review systems. With the adoption of the Andon system, we will expose problems at an early stage and share information among interested parties, thereby establishing a transparent and communicative corporate culture that does not delay in addressing problems.

To strengthen our ICT business structure, we are developing comprehensive ICT solution services by combining the network-related technologies of NETMARKS, INC. and UNIADDEX, Ltd. and the system integration technologies of Nihon Unisys. As part of this development, we began to provide RENANDI<sup>®</sup>, an educational solution, via the Internet as SaaS (Software as a Service). We will accelerate growth in ICT by enhancing solution services.

We are expanding and enhancing solutions in the system integration business as well, our core business, to bolster it. We began to provide in the third quarter VisibleLogisticsSolutions<sup>™</sup>, a system that makes distribution visible using IC tags, and started to sell Hybrish<sup>™</sup>, an ERP solution for hybrid businesses. In this business, we will continue to promote solution strategies, leveraging our strengths, namely our ability to build mission-critical systems and business know-how.

Looking at consolidated operating results for the nine-month period under review, sales of services increased significantly as a result of growth in system services and the inclusion of NETMARKS, INC. in the scope of consolidation. In contrast, since we decided to focus on offering profitable products, sales of software and hardware fell. As a result, consolidated net sales stood at ¥216,405 million, up 11.3% year on year.

Turning to income, gross profit rose despite an increase in depreciation expenses with the beginning of large-scale outsourcing projects because of the elimination of license fees to Unisys Corporation. As a result of increases in R&D expenses and investments in internal information, and the inclusion of NETMARKS, INC. in the scope of consolidation, operating income was ¥1,823 million (compared with an operating loss of ¥3,040 million for the year-ago period), and recurring profit was ¥1,746 million (a recurring loss of ¥2,826 million for the year-ago period). In association with the sharp decline in the share price of NETMARKS, INC., we recorded goodwill amortization of ¥5,889 million relating to NETMARKS, INC. as an extraordinary loss. Consequently, we posted a net loss of ¥5,396 million (a net loss of ¥2,068 million for the year-ago period).

(Characteristics of the Group's Quarterly Results)

- (1) As the Group recognizes revenues from systems development contracts at the completion of acceptance inspections by the customers, and as most inspections are concentrated in the second and fourth quarters, a substantial portion of sales and profits are recognized in those quarters.
- (2) Since most shipments of hardware and software are concentrated in the second and fourth quarters, most sales and profits are recognized in those quarters.

These characteristics of variation in quarterly results are not a special phenomenon unique to the quarter under review but rather are industry-wide trends.

## 2. Qualitative Information on Changes in the Financial Position (Consolidated)

Total assets at the end of the third quarter under review were ¥243,934 million, an increase of ¥21,644 million from the year-ago level. A fall in prepaid expenses resulting from the elimination of license fees to Unisys Corporation was more than offset by an increase in fixed assets resulting from the acquisition of business computers and the development of software for outsourcing, and the inclusion of NETMARKS, INC. in the scope of consolidation.

With regard to cash flows, cash and cash equivalents at the end of the third quarter rose ¥959 million from the end of the previous fiscal year, to ¥24,184 million.

Net cash provided by operating activities was ¥6,118 million (net cash used in ¥6,034 million for the year-ago period) as a result of a decrease in accounts receivable-trade and others.

Net cash used in investing activities was ¥21,975 million, down ¥4,102 million from the year-ago level, primarily because of the acquisition of fixed assets in relation to computers and the development of software for outsourcing and the acquisition of shares in NETMARKS, INC.

Net cash provided by financing activities was ¥16,759 million, falling ¥5,234 million from the year-ago level, mainly because of proceeds from long-term loans payable.

## 3. Qualitative Information on Earnings Forecast

We are revising the sales forecast for the term ending March 31, 2008 based on the consolidated results for the nine-month period under review.

Since we focused on sales activities for services, sales of services have been strong in the current term. In contrast, sales of hardware and software have been affected by our decision to focus on offering profitable products and falls in the prices of open products. We are consequently revising the sales forecast ¥10 billion downward, from the ¥366.8 billion announced earlier to ¥356.8 billion.

Operating income, recurring profit, and net income have been mostly in line with announced forecasts, and we are therefore not revising them.

## 4. Others

### (1) Change in Scope of Consolidation (change in condition of significant consolidated subsidiaries)

Based on a resolution at a Board of Directors meeting held on February 28, 2007, the Company made a takeover bid for shares and stock acquisition rights of NETMARKS, INC. during the period from March 5 to May 31, 2007. As a result, the Company has acquired more than half of the shares issued and has made NETMARKS, INC. its specific subsidiary.

In a reorganization of the Group companies to bolster the system service structure, the Company bought out Nihon Unisys Solutions on September 1, 2007. As a consequence, Nihon Unisys Solutions has ceased to be a specific subsidiary of the Company.

### (2) Adoption of Simplified Accounting and Reporting Policies

Investment securities were not written down in the third quarter under review.

### (3) Change in Accounting and Reporting Policies for Consolidated Financial Statements

In association with the revision of the Corporation Tax Law, property and equipment excluding computers used in business are depreciated under the revised Corporation Tax Law, starting the current term.

The impact of the change on earnings is small.

## 5. Consolidated Financial Statements (Summary)

CONSOLIDATED STATEMENTS OF INCOME (SUMMARY)

	Nine months ended December 31, 2007	Nine months ended December 31, 2006	Increase (decrease)		Year ended March 31, 2007
			Amount	% change	
	Millions of yen	Millions of yen	Millions of yen	%	Millions of yen
I Net sales	216,405	194,497	21,907	11.3	307,455
II Cost of sales	164,276	156,435	7,840	5.0	244,258
Gross profit	52,128	38,061	14,066	37.0	63,196
III Selling, general and administrative expenses	50,305	41,102	9,202	22.4	56,917
Operating income (loss)	1,823	(3,040)	4,864	-	6,278
IV Non-operating income					
1 Interest and dividend income	367	210	156	74.1	244
2 Other	490	528	(37)	(7.1)	881
V Non-operating expenses					
1 Interest expense	851	493	358	72.7	709
2 Other	83	32	50	155.7	49
Recurring profit (loss)	1,746	(2,826)	4,573	-	6,646
VI Extraordinary gains	411	25	385	-	95
VII Extraordinary losses	6,452	309	6,142	-	430
Income before income taxes and minority interests	(4,294)	(3,110)	(1,183)	-	6,311
Income taxes	1,222	(1,156)	2,378	-	2,711
Minority interests	(119)	113	(233)	-	166
Net income (loss)	(5,396)	(2,068)	(3,328)	-	3,433

**CONSOLIDATED STATEMENTS OF BALANCE SHEETS (SUMMARY)**

	December 31, 2007	December 31, 2006	Increase (decrease)		March 31, 2006
			Amount	% change	
	Millions of yen	Millions of yen	Millions of yen	%	Millions of yen
<b>(ASSETS)</b>					
<b>I Current assets</b>					
1 Cash and time deposits	24,194	20,720	3,474	16.8	23,235
2 Notes receivable and accounts receivable-trade	52,596	41,681	10,915	26.2	76,509
3 Inventories	31,058	37,725	(6,666)	(17.7)	17,078
4 Deferred tax assets	13,536	11,589	1,947	16.8	11,127
5 Prepaid expenses	5,896	8,023	(2,127)	(26.5)	4,477
6 Other accounts receivable	2,110	1,765	345	19.6	1,633
7 Other	957	303	654	215.6	372
Allowance for the doubtful debts	(398)	(41)	(356)	853.2	(381)
<b>Total current assets</b>	<b>129,953</b>	<b>121,767</b>	<b>8,186</b>	<b>6.7</b>	<b>134,053</b>
<b>II Fixed assets</b>					
1 Property and equipment	21,797	18,944	2,852	15.1	20,121
2 Intangible fixed assets	37,922	31,717	6,204	19.6	29,473
3 Investment and other assets					
(1) Investment securities	19,228	18,458	770	4.2	21,553
(2) Prepaid pension costs	13,587	11,656	1,931	16.6	12,036
(3) Other	22,976	20,391	2,584	12.7	21,088
Allowance for doubtful debts	(1,531)	(644)	(886)	137.4	(465)
<b>Total fixed assets</b>	<b>113,980</b>	<b>100,522</b>	<b>13,457</b>	<b>13.4</b>	<b>103,808</b>
<b>Total assets</b>	<b>243,934</b>	<b>222,290</b>	<b>21,644</b>	<b>9.7</b>	<b>237,861</b>
<b>(LIABILITIES)</b>					
<b>I Current liabilities</b>					
1 Notes payable and accounts payable-trade	21,979	23,325	(1,346)	(5.8)	32,789
2 Short-term borrowings	15,050	22,930	(7,880)	(34.4)	19,050
3 Current portion of long-term loans payable	16,575	1,637	14,937	912.2	10,825
4 Current portion of bonds	8,000	-	8,000	-	8,000
5 Commercial paper	15,000	16,000	(1,000)	(6.3)	13,000
6 Accrued expenses	8,919	10,297	(1,378)	(13.4)	13,007
7 Allowances	844	889	(44)	(5.0)	1,205
8 Other	22,142	19,669	2,473	12.6	22,548
<b>Total current liabilities</b>	<b>108,511</b>	<b>94,749</b>	<b>13,761</b>	<b>14.5</b>	<b>120,425</b>
<b>II Long-term liabilities</b>					
1 Bonds	-	8,000	(8,000)	-	-
2 Long-term loans payable	52,575	34,800	17,775	51.1	26,400
3 Allowances	1,893	1,674	218	13.1	1,454
4 Other	2,538	2,343	195	8.3	2,564
<b>Total long-term liabilities</b>	<b>57,006</b>	<b>46,817</b>	<b>10,189</b>	<b>21.8</b>	<b>30,418</b>
<b>Total liabilities</b>	<b>165,518</b>	<b>141,567</b>	<b>23,950</b>	<b>16.9</b>	<b>150,843</b>
<b>(NET ASSETS)</b>					
<b>I Shareholders' equity</b>					
1 Common stock	5,483	5,483	-	-	5,483
2 Capital surplus	15,494	15,535	(40)	(0.3)	15,514
3 Retained earnings	75,104	75,955	(851)	(1.1)	81,456
4 Treasury stock	(19,319)	(19,242)	(76)	0.4	(19,178)
5 Deposit of the treasury stock	0	13	(12)	(94.4)	0
<b>Total shareholders' equity</b>	<b>76,763</b>	<b>77,745</b>	<b>(981)</b>	<b>(1.3)</b>	<b>83,277</b>
<b>II Valuation and translation adjustments</b>					
1 Net unrealized gain on securities	685	2,168	(1,483)	(68.4)	2,839
2 Deferred gain and losses on hedges	-	3	(3)	(100.0)	6
3 Foreign currency translation adjustments	3	0	3	408.8	(0)
<b>Total valuation and translation adjustments</b>	<b>689</b>	<b>2,172</b>	<b>(1,483)</b>	<b>(68.3)</b>	<b>2,844</b>
<b>III Common stock acquisition rights</b>	<b>209</b>	<b>26</b>	<b>182</b>	<b>690.8</b>	<b>66</b>
<b>IV Minority interests</b>	<b>754</b>	<b>778</b>	<b>(24)</b>	<b>(3.1)</b>	<b>830</b>
<b>Total net assets</b>	<b>78,416</b>	<b>80,723</b>	<b>(2,306)</b>	<b>(2.9)</b>	<b>87,018</b>
<b>Total liabilities and net assets</b>	<b>243,934</b>	<b>222,290</b>	<b>21,644</b>	<b>9.7</b>	<b>237,861</b>

CONSOLIDATED STATEMENTS OF CASH FLOWS (SUMMARY)

Item	Nine months ended December 31, 2007	Nine months ended December 31, 2006	Year ended March 31, 2007
	Millions of yen	Millions of yen	Millions of yen
I Cash flows from operating activities:			
Income before income taxes and minority interests	(4,294)	(3,110)	6,311
Depreciation and amortization	11,149	10,141	13,808
Amortization of goodwill and amortization of negative goodwill	6,279	(2)	(7)
Decrease in allowances	(407)	(731)	(476)
Decrease in accounts receivable-trade	38,456	39,217	4,389
Increase in inventories	(8,971)	(18,403)	2,243
Decrease (increase) in accounts payable-trade	(17,820)	(30,529)	(21,051)
Other-net	(12,795)	1,449	7,914
Subtotal	11,597	(1,970)	13,132
Interests and dividend received	396	206	243
Interest paid	(673)	(394)	(666)
Income taxes paid	(5,201)	(3,876)	(3,895)
Net cash provided by (used in) operating activities	6,118	(6,034)	8,813
II Cash flows from investing activities:			
Payments for purchases of property and equipment	(6,873)	(3,637)	(6,897)
Payments for purchase of intangible fixed assets	(9,557)	(13,496)	(14,673)
Payments for purchase of investment securities	(1,023)	(8,908)	(10,998)
Payments for purchase of subsidiaries shares, resulting in change of consolidation scope	(6,676)	(150)	(150)
Other-net	2,155	115	448
Net cash used in investing activities	(21,975)	(26,077)	(32,270)
III Cash flows from financing activities:			
Net increase (decrease) in short-term borrowings	(9,950)	16,970	13,090
Proceeds from long-term loans payable	27,000	8,600	10,100
Payments of long-term loans payable	(925)	(1,337)	(2,050)
Net increase (decrease) in commercial paper	2,000	(4,000)	(7,000)
Sale of treasury stock	-	2,170	2,170
Cash dividends paid	(900)	(691)	(713)
Other-net	(464)	281	259
Net cash provided by financial activities	16,759	21,994	15,856
IV Effect of exchange rate changes on cash and cash equivalents	4	0	(0)
V Net increase (decrease) in cash and cash equivalents	907	(10,116)	(7,601)
VI Cash and cash equivalents, beginning of period	23,225	30,827	30,827
VII Increase in cash and cash equivalents due to new consolidation	51	-	-
VIII Cash and cash equivalents, end of period	24,184	20,710	23,225

## 6. Orders and Sales

## (1) Orders

Sales classification	Orders		Backlog	
	Nine months ended December 31, 2007	Percentage change from the nine months ended December 31, 2006	Nine months ended December 31, 2007	Percentage change from the nine months ended December 31, 2006
	Million yen	%	Million yen	%
Services	146,237	10.5	119,847	15.1
Software	17,938	(33.4)	12,789	(27.3)
Hardware	28,984	(17.1)	13,033	(38.7)
Total	193,160	(0.6)	145,670	1.9

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

## (2) Sales

Sales classification	Nine months ended December 31, 2007	Percentage change from the nine months ended December 31, 2006
	Million yen	%
Services	158,703	27.9
Software	23,633	(18.4)
Hardware	34,068	(17.8)
Total	216,405	11.3

(Notes) The above amount doesn't include consumption tax.