

Note) This translation is prepared and provided for readers' convenience only. In the event of any discrepancy between this translated document and the original Japanese document, the original document shall prevail.



Consolidated Financial Report for the Third Quarter of Fiscal Year Ending March 31, 2010

January 29, 2010

Nihon Unisys, Ltd.

Stock Listing: Tokyo Stock Exchange 1st section
 Stock Code: 8056
 URL: <http://www.unisys.co.jp/>
 Representative: Katsuto Momii, President & CEO
 Contact: Katsuhiro Ohtomo, General Manager, Corporate Communications
 TEL: 81-3-5546-4111
 Scheduled Submission Date for Quarterly Report: February 10, 2010
 Scheduled Starting Date for Dividend Payments: -

(Amounts are rounded down to the nearest million yen.)

1. Consolidated Financial Results in FY2010 Q3 (from April 1, 2009 to December 31, 2009)

(1) Consolidated Results of Operations

(Percentage below represents increase (decrease) from the same period of previous year.)

	Net Sales		Operating Income		Ordinary Income		Net Income	
	Millions of Yen	%	Millions of Yen	%	Millions of Yen	%	Millions of Yen	%
FY2010 Q3	180,888	(15.1)	(3,168)	—	(3,331)	—	(3,307)	—
FY2009 Q3	212,946	—	4,205	—	3,729	—	1,085	—

	Earnings Per Share		Diluted Earnings Per Share	
	Yen		Yen	
FY2010 Q3	(34.48)		—	
FY2009 Q3	11.31		11.29	

(2) Consolidated Financial Position

	Total Assets	Net Assets	Shareholders' Equity Ratio	Net Assets Per Share
	Millions of Yen	Millions of Yen	%	Yen
FY2010 Q3 (As of December 31, 2009)	204,058	69,931	33.7	716.48
FY2009 (As of March 31, 2009)	233,546	75,464	31.7	771.94

(Reference) Shareholders' Equity FY2010 Q3: 68,719 Million Yen FY2009: 74,038 Million Yen

2. Dividends

	Dividends per Share				
	End of Q1	End of Q2	End of Q3	Year-end	Annual
	Yen	Yen	Yen	Yen	Yen
FY2009	—	7.50	—	7.50	15.00
FY2010	—	7.50	—		
FY2010 (Forecast)				2.50	10.00

(Note) Revision of dividend forecast for this quarter: Yes

3. Consolidated Earnings Forecast for FY2010 (from April 1, 2009 to March 31, 2010)

(Percentage below represents increase (decrease) from the previous year.)

	Net Sales		Operating Income		Ordinary Income		Net Income		Earnings Per Share
	Millions of Yen	%	Millions of Yen	%	Millions of Yen	%	Millions of Yen	%	Yen
FY2010	270,000	(12.9)	7,000	(55.9)	6,200	(59.0)	2,100	—	21.89

(Note) Revision of consolidated earnings forecast for this quarter: Yes

4. Others

- (1) Change in the scope of consolidation (change of condition of significant consolidated subsidiaries): None
- (2) Adoption of simplified accounting methods and adoption of accounting methods inherent in the preparation of quarterly consolidated financial statements: Yes
- (3) Changes in accounting principles, procedures, presentation methods, and other factors with respect to the preparation of quarterly consolidated financial statements (Set out within "Changes of Material Matters that are the Basis of Presenting Quarterly Consolidated Financial Statements")
1. Changes associated with revision in accounting standards: None
 2. Other changes: Yes
- (4) Number of shares outstanding (common stock)
- | | | | | |
|------------------------------------------------------------------------|-----------|-------------|-----------|-------------|
| 1. Number of shares outstanding (including treasury stock) | FY2010 Q3 | 109,663,524 | FY2009 | 109,663,524 |
| 2. Number of shares of treasury stock | FY2010 Q3 | 13,751,202 | FY2009 | 13,750,874 |
| 3. Average number of shares outstanding during the period (cumulative) | FY2010 Q3 | 95,912,459 | FY2009 Q3 | 95,894,583 |

Comment regarding appropriate usage of Earnings Forecast, and other special notes

The above forecast relies on judgments and assumptions based on information available as of the date of announcement of this material, and is subject to changes in risks, uncertainties, and economy, and other factors that could cause actual results to be materially different from expectations.

Qualitative Information/Financial Statements

1. Qualitative Information on the Consolidated Operating Results

During the nine-month period under review, despite signs of a partial economic recovery, the outlook for the Japanese economy remained harsh, due to risk factors such as the effects of the global financial crisis and concerns about a global slowdown.

In the information service market, there was no improvement in companies' willingness to invest in information systems, and they maintained a cautious attitude as shown in postponed spending, budget cuts, and the limiting of outlays to those yielding a high return on investment (ROI). Therefore, the business climate remained severe.

In this business environment, Nihon Unisys Group (the "Group") is seeking to strengthen our systems integration business, one of our core businesses. We also plan to expand our business in the information and communication technology (ICT) market, and reinforce our corporate structure, aiming to achieve our vision of becoming a high-growth corporate group under a management concept of sharing value with customers (U&U[®]: Users&Unisys).

To expand our business, we in the Group have been proactively creating higher value-added businesses led by the newly established planning department in each business division. We have received many inquiries about these new businesses. Specifically, we have provided smart oasis[®], which has the two basic functions of managing battery charging stations capable of user ID recognition, and providing information on the location and availability of such stations. This is a charging infrastructure system services for electric vehicles (EVs) and plug-in hybrid vehicles (PHVs). In this field, we have also begun to join hands with companies from different sectors to conduct various feasibility tests.

In addition to our core system integration business, the Group continued to focus on expanding our utilization-type service businesses, such as outsourcing and SaaS (Software as a Service) through the ICT Services division in collaboration with other divisions.

As part of these efforts, we in the Group enhanced the base for cloud-type internet data centers (iDCs) and expanded the services of such iDCs. We also provided TRADEBASE[™] for FX, a SaaS trading system for the foreign-exchange margin transaction service Click365. We also launched UniCity[®] Comprehensive Document Management System - SaaS Edition, which improves the efficiency with which local governments manage documents, and SAVEaid[™], a SaaS-type crisis management and information sharing system that enables local governments and companies to effectively carry out initial restoration activities in the event of a disaster. Furthermore, we began offering SASTIK[®] Service Type-B, which added file download and client PC quarantine functions to the SASTIK Service that enables users to securely access their intracompany website services wherever they are by inserting a dedicated USB authentication key into personal computers connected to the Internet. Despite an extraordinary loss posted by us for the previous fiscal year, the sales performance of BankVision[®], a next-generation open core-banking system, recovered due to improved acceptability amongst banks. We expect that the current robust sales will continue and increase further in the future.

To strengthen our corporate structure, we in the Group are reinforcing our marketing abilities by improving the efficiency of staff operations and shifting personnel from the staff department to the sales department. In addition, we are improving each employee's productivity by reviewing all the business activities.

Looking at the consolidated operating results for the nine-month period under review, net sales were ¥180,888 million, down 15.1% from the corresponding period of the previous fiscal year, primarily due to a decrease in sales of system services, network integration, and hardware.

In terms of profits, the profit margin of outsourcing improved, and selling, general and administrative expenses fell. However,

gross profit decreased due to lower sales, which substantially affected the Group's earnings. As a result, operating loss was ¥3,168 million (compared with an operating income of ¥4,205 million in the corresponding period of the previous fiscal year) and ordinary loss was ¥3,331 million (compared with an ordinary income of ¥3,729 million a year ago). Net loss was ¥3,307 million (compared with a net income of ¥1,085 million in the prior year).

(Notes)

1. Click365 is a registered trademark of Tokyo Financial Exchange Inc. It is the nickname of a market for foreign-exchange margin transactions (FX) that is listed on the said exchange.
2. SASTIK is a trademark of Saslite Corporation.

2. Qualitative Information on Consolidated Financial Position

At the end of the nine-month period under review, total assets were ¥204,058 million, down ¥29,487 million from the end of the previous fiscal year, because of a decrease in accounts receivable-trade and cash and deposits despite an increase in merchandise and finished goods and work in process.

Liabilities totaled ¥134,126 million at the end of the nine-month period under review, a fall of ¥23,954 million from the end of the previous fiscal year, mainly because of a decline in accounts payable-trade and repayments of loans payable.

Net assets were ¥69,931 million. The shareholders' equity ratio was 33.7%, up 2.0 percentage points from the end of the previous fiscal year.

(Cash Flows)

With respect to cash and cash equivalents (hereinafter referred to as "cash"), cash generated by operating activities, among others, was allocated to the development of software for outsourcing and the repayment of loans payable.

As a result, cash and cash equivalents was ¥23,673 million as of the end of the nine-month period under review, down ¥12,372 million from the end of the previous fiscal year.

(Cash flows from operating activities)

Net cash provided by operating activities was ¥7,179 million (down ¥20,702 million year on year). This mainly reflects a loss before income taxes and minority interests of ¥4,180 million (compared with an income of ¥3,396 million a year earlier) due to a sharp decline in sales, and a fall in notes and accounts payable-trade of ¥8,040 million (down ¥5,470 million), despite a cash inflow from a decrease in notes and accounts receivable-trade of ¥19,301 million (down ¥18,251 million).

(Cash flows from investing activities)

Net cash used in investing activities was ¥10,833 million (down ¥1,609 million). This mainly reflects the fact that we used ¥3,064 million (down ¥2,035 million) to purchase property, plant and equipment such as computers for sales activities and ¥7,426 million (up ¥215 million) to purchase intangible fixed assets in relation to the development of software for outsourcing.

(Cash flows from financing activities)

Net cash used in financing activities was ¥8,782 million (up ¥4,062 million), chiefly owing to our repayment of short-term loans payable amounting to ¥7,075 million (compared with proceeds of ¥9,778 million a year earlier), our repayment of long-term loans payable amounting to ¥6,587 million (down ¥87 million), proceeds from long-term loans payable of ¥4,500 million (up ¥4,500 million) and increase in commercial paper of ¥2,000 million (compared with a decrease of ¥6,500 million a year earlier).

3. Qualitative Information on Consolidated Financial Forecast

We have revised our consolidated earnings forecast for the fiscal year ending March 2010, which we announced on November 2, 2009.

For details, please refer to the "Revision of Financial Results and Dividends Forecast for the Fiscal Year Ending March 2010" that we disclosed separately today.

With regard to the year-end dividends for the current fiscal year through March 2010, we are sorry to say that we now plan to pay ¥2.50 per share, down ¥5.00 from the originally projected ¥7.50, taking into account our projected earnings for the current fiscal year.

4. Others

(1) Changes in the scope of consolidation (change of condition of significant consolidated subsidiaries)

There is no applicable item.

(2) Adoption of simplified accounting methods and adoption of accounting methods inherent in the preparation of quarterly consolidated financial statements:

Valuation methods for inventories

When calculating inventories as of the end of the consolidated third quarter under review, we did not make a physical inventory count, but performed calculations in a reasonable manner based on physical inventory taken in the consolidated first six months of the period.

(3) Changes in accounting principles, procedures, presentation methods, and other factors with respect to the preparation of quarterly consolidated financial statements:

(Additional information)

• Change in the scope of the application of the percentage of completion method

We previously adopted the percentage of completion method for software development contracts which cost ¥100 million or more and were deemed to be certain of achievement at the end of the fiscal year, and adopted the inspection basis for other contracts. Meanwhile, we reviewed the project management systems of the Company and certain consolidated subsidiaries so that the progress of smaller software development contracts or construction contracts that started in the first quarter of the current fiscal year can be managed accurately. As such, we are applying the percentage of completion method to contracts of the Company and certain consolidated subsidiaries that cost ¥50 million or more and that are deemed to be certain of achievement during the nine-month period under review.

With this change, consolidated net sales for the nine-month period increased ¥826 million, and operating loss, ordinary loss, and loss before income taxes and minority interests each decreased ¥290 million.

• Change of the asset grouping method in impairment accounting

In principle, the Group previously implemented the grouping of business assets in order to understand signs of impairment in noncurrent assets for business use and recognizing and assessing impairment losses based on the revenue segment by contract types.

However, as a result of reviewing the units for managing the profitability of the Group's noncurrent assets during and after the second quarter of the current fiscal year, with a view to expanding the outsourcing business we decided to change the method of grouping assets held for providing services from the conventional method based on the revenue segment by contract types to one based on a contract group that uses the same noncurrent assets. We also decided to change the method of grouping noncurrent assets used in the lease equipment business from the previous one based on revenue segment by contract types to one that groups by customer.

The change in the asset grouping method has had no effect on consolidated financial statements.

5. Quarterly Consolidated Financial Statements

(1) CONSOLIDATED BALANCE SHEETS

Millions of Yen

	FY2010 Q3 (As of December 31, 2009)	FY2009 (As of March 31, 2009)
ASSETS		
Current assets		
Cash and deposits	23,673	36,146
Notes and accounts receivable-trade	46,980	66,285
Merchandise and finished goods	9,214	6,797
Work in process	6,613	4,709
Raw materials and supplies	269	227
Deferred tax assets	11,868	10,389
Other	10,179	9,614
Allowance for doubtful accounts	(271)	(481)
Total current assets	108,526	133,687
Noncurrent assets		
Property, plant and equipment		
Buildings and structures, net	4,407	4,565
Machinery, equipment and vehicles, net	8,923	10,354
Other, net	4,862	4,932
Total property, plant and equipment	18,193	19,852
Intangible assets		
Goodwill	3,571	3,733
Software	23,546	21,472
Other	66	69
Total intangible assets	27,185	25,275
Investments and other assets		
Investment securities	13,963	15,505
Deferred tax assets	15,888	16,307
Prepaid pension cost	8,629	12,089
Other	12,252	11,463
Allowance for doubtful accounts	(580)	(636)
Total investments and other assets	50,153	54,729
Total noncurrent assets	95,532	99,858
Total assets	204,058	233,546

Millions of Yen

	FY2010 Q3 (As of December 31, 2009)	FY2009 (As of March 31, 2009)
LIABILITIES		
Current liabilities		
Notes and accounts payable-trade	16,885	24,927
Short-term loans payable	5,703	12,779
Current portion of long-term loans payable	16,530	15,033
Commercial papers	13,000	11,000
Income taxes payable	68	2,350
Allowance for restructuring charges	3,262	6,161
Other allowances	506	776
Other	26,875	30,247
Total current liabilities	82,831	103,275
Noncurrent liabilities		
Bonds payable	10,000	10,000
Long-term loans payable	37,035	40,620
Deferred tax liabilities	745	1,035
Allowance for retirement benefits	1,325	1,308
Other allowances	241	225
Negative goodwill	42	54
Other	1,903	1,561
Total noncurrent liabilities	51,295	54,805
Total liabilities	134,126	158,081
NET ASSETS		
Shareholders' equity		
Capital stock	5,483	5,483
Capital surplus	15,475	15,475
Retained earnings	68,186	72,932
Treasury stock	(19,260)	(19,260)
Total shareholders' equity	69,884	74,631
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	(1,243)	(626)
Deferred gains (losses) on hedges	0	20
Foreign currency translation adjustment	77	13
Total valuation and translation adjustments	(1,165)	(592)
Subscription rights to shares	738	600
Minority interests	473	825
Total net assets	69,931	75,464
Total liabilities and net assets	204,058	233,546

(2) CONSOLIDATED STATEMENTS OF INCOME

Millions of Yen

	FY2009 Q3	FY2010 Q3
Net sales	212,946	180,888
Cost of sales	160,433	136,595
Gross profit	52,513	44,292
Selling, general and administrative expenses	48,307	47,461
Operating income (loss)	4,205	(3,168)
Non-operating income		
Interest income	148	94
Dividends income	289	280
Other	240	338
Total non-operating income	679	713
Non-operating expenses		
Interest expenses	942	791
Other	213	84
Total non-operating expenses	1,155	876
Ordinary income (loss)	3,729	(3,331)
Extraordinary income		
Gain on sales of investment securities	10	6
Reversal of allowance for doubtful accounts	–	230
Gain on reversal of subscription rights to shares	–	65
Settlement received	423	–
Other	0	35
Total extraordinary income	433	337
Extraordinary loss		
Loss on sales and retirement of noncurrent assets	59	52
Loss on valuation of investment securities	380	659
Provision of allowance for office transfer expenses	238	–
Other	87	474
Total extraordinary loss	766	1,187
Income (loss) before income taxes and minority interests	3,396	(4,180)
Income taxes-current	819	226
Income taxes-deferred	1,706	(753)
Total income taxes	2,526	(526)
Minority interests in loss	(214)	(346)
Net income (loss)	1,085	(3,307)

(3) CONSOLIDATED STATEMENTS OF CASH FLOWS

Millions of Yen

	FY2009 Q3	FY2010 Q3
Operating activities:		
Income (loss) before income taxes and minority interests	3,396	(4,180)
Depreciation and amortization	10,683	9,884
Amortization of goodwill	80	161
Amortization of negative goodwill	(12)	(11)
Increase (decrease) in allowance for retirement benefits	(10)	16
Increase (decrease) in allowance for restructuring charges	–	(2,899)
Increase (decrease) in other allowances	(1,296)	(519)
Interest and dividends income	(438)	(374)
Interest expenses	942	791
Decrease (increase) in notes and accounts receivable-trade	37,553	19,301
Decrease (increase) in inventories	(7,950)	(4,363)
Increase (decrease) in notes and accounts payable-trade	(13,510)	(8,040)
Other, net	2,409	713
Subtotal	31,846	10,481
Interest and dividends income received	438	380
Interest expenses paid	(756)	(638)
Income taxes paid	(3,647)	(3,044)
Net cash provided by operating activities	27,881	7,179
Investing activities:		
Purchase of property, plant and equipment	(5,100)	(3,064)
Proceeds from sales of property, plant and equipment	175	28
Purchase of intangible assets	(7,211)	(7,426)
Purchase of investment securities	(430)	(638)
Proceeds from sales of investment securities	65	174
Other, net	58	93
Net cash used in investing activities	(12,443)	(10,833)
Financing activities:		
Net increase (decrease) in short-term loans payable	9,778	(7,075)
Proceeds from long-term loans payable	–	4,500
Repayment of long-term loans payable	(6,675)	(6,587)
Increase (decrease) in commercial papers	(6,500)	2,000
Purchase of treasury stock	(1)	(0)
Proceeds from exercise of stock option	40	–
Payment of dividends	(1,262)	(1,394)
Payment of dividends for minority interests	(36)	(5)
Other, net	(63)	(219)
Net cash used in financing activities	(4,719)	(8,782)
Effect of exchange rate change on cash and cash equivalents	17	63
Net increase (decrease) in cash and cash equivalents	10,736	(12,372)
Cash and cash equivalents, beginning of period	21,603	36,046
Cash and cash equivalents, end of period	32,340	23,673