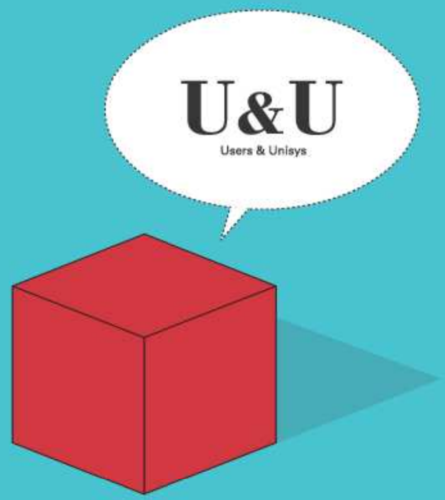
Nihon Unisys, Ltd.

ANNUAL REPORT 2012

For the Year Ended March 31, 2012

ABOUT NIHON UNISYS

Established in 1958, the Nihon Unisys Group has a history dating back to the dawn of the computer era. We have continually contributed to the development of IT in Japan by providing effective and timely solutions to the needs of IT users.



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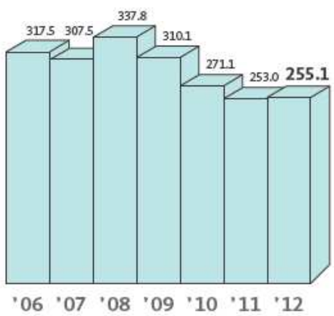
FINANCIAL HIGHLIGHTS

Nihon Unisys, Ltd. and Consolidated Subsidiaries
Years Ended March 31

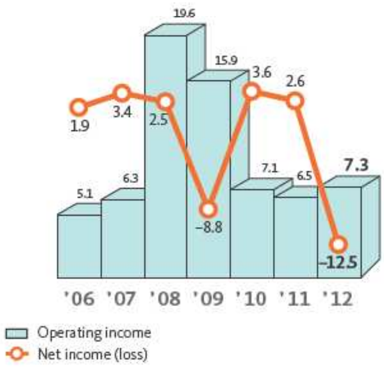
	Millions of Yen					Thousands of U.S. Dollars
	2012	2011	2010	2009	2008	**2012**
Net sales	**¥255,123**	¥252,990	¥271,085	¥310,127	¥337,759	**$3,104,064**
Operating income	**7,311**	6,527	7,106	15,883	19,649	**88,952**
Net income (loss)	**(12,499)**	2,575	3,627	(8,819)	2,546	**(152,074)**
Total assets	**190,084**	207,282	218,067	233,546	258,458	**2,312,739**
Total equity	**63,223**	76,770	76,927	75,465	86,341	**769,230**
Interest-bearing debt	**74,161**	78,921	81,848	90,526	99,400	**902,312**
Per share amounts (Yen / Dollars):						
Basic net income (loss)	**¥(132.99)**	¥27.12	¥37.82	¥(91.96)	¥26.54	**$(1.62)**
Cash dividends applicable to the year	**5.00**	10.00	10.00	15.00	12.00	**0.06**

Note: Yen amounts have been translated into U.S. dollars, for convenience only, at ¥82.19 = U.S. $1, the rate prevailing on March 31, 2012.

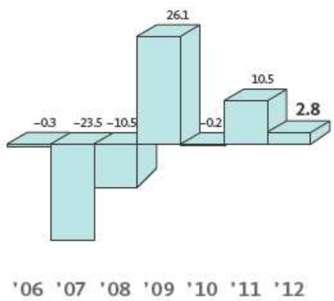
NET SALES
(Billions of yen)



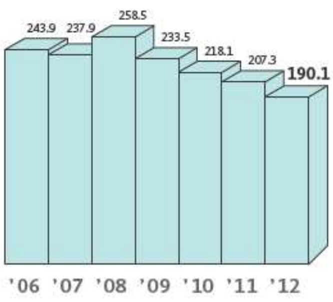
OPERATING INCOME / NET INCOME (LOSS)
(Billions of yen)



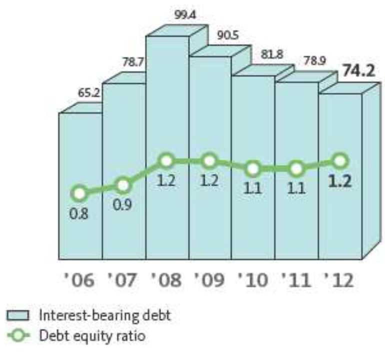
FREE CASH FLOWS
(Billions of yen)



TOTAL ASSETS
(Billions of yen)



INTEREST-BEARING DEBT / DEBT EQUITY RATIO
(Billions of yen / times)



TOTAL EQUITY / SHAREHOLDERS' EQUITY RATIO
(Billions of yen / %)

MESSAGE FROM THE PRESIDENT AND CEO

We will continue to push forward, aiming to achieve sustained growth.

In the fiscal year ended March 31, 2012, the operating environment remained challenging. Nonetheless, we worked to implement our three key policies—reversing the downward trend in sales to improve our profits, reforming our business structure to increase our profitability, and promoting growth measures to achieve stable, sustainable growth over the medium to long term.

As a result, in net sales and operating income we achieved the planned levels that we announced at the beginning of the fiscal year. In addition, we commenced initiatives targeting future growth, such as promoting social infrastructure businesses as well as co-creation business initiatives with customers.

In December 2011, Nihon Unisys announced the Mid-Term Management Plan (2012→2014), and we began to implement the plan in April 2012.

In recent years, the operating environments faced by our customers have changed substantially. As a result, our customers are entering into alliances and mergers across industry boundaries, developing their businesses overseas, and utilizing ICT to leverage new business opportunities. In addition, to rapidly realize operational reform, many customers face the urgent task of optimizing their entire ICT systems.

In response, we are drawing on our key strengths—our customer base and our technical capabilities—and reinforcing our marketing capabilities for society as a whole in ways that transcend industries and operational areas. In addition, by leveraging and linking our wide range of technologies, we will further strengthen our proposals to help our customers to expand their businesses.

In this way, I believe that we can contribute to the optimization of customer ICT systems, provide customers with the comprehensive insight and know how that we have cultivated in various industries, and contribute to social infrastructure systems.

The entire Group will strive together toward our mission of working with our customers to realize a society that benefits human beings and the environment through the use of ICT. In the fiscal year ending March 31, 2015, the final year of the Mid-Term Management Plan (2012→2014), we will aim for net sales of ¥280.0 billion and an operating margin of 5%. In addition, we will strive to rapidly restore net sales to the ¥300.0 billion level through growth in new business.

I would like to ask for the ongoing understanding and support of our shareholders and investors in the years ahead.

September 2012

S. Kurokawa

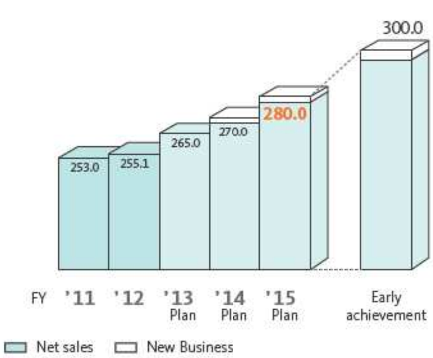
Shigeru Kurokawa
President and CEO

MID-TERM MANAGEMENT PLAN (2012→2014)

Three-Year Performance Plan

In the fiscal year ending March 31, 2015, the final year of the Mid-Term Management Plan (2012→2014), we will aim for net sales of ¥280.0 billion, an operating margin of 5%, and net income of ¥8.0 billion.

NET SALES
(Billions of yen)

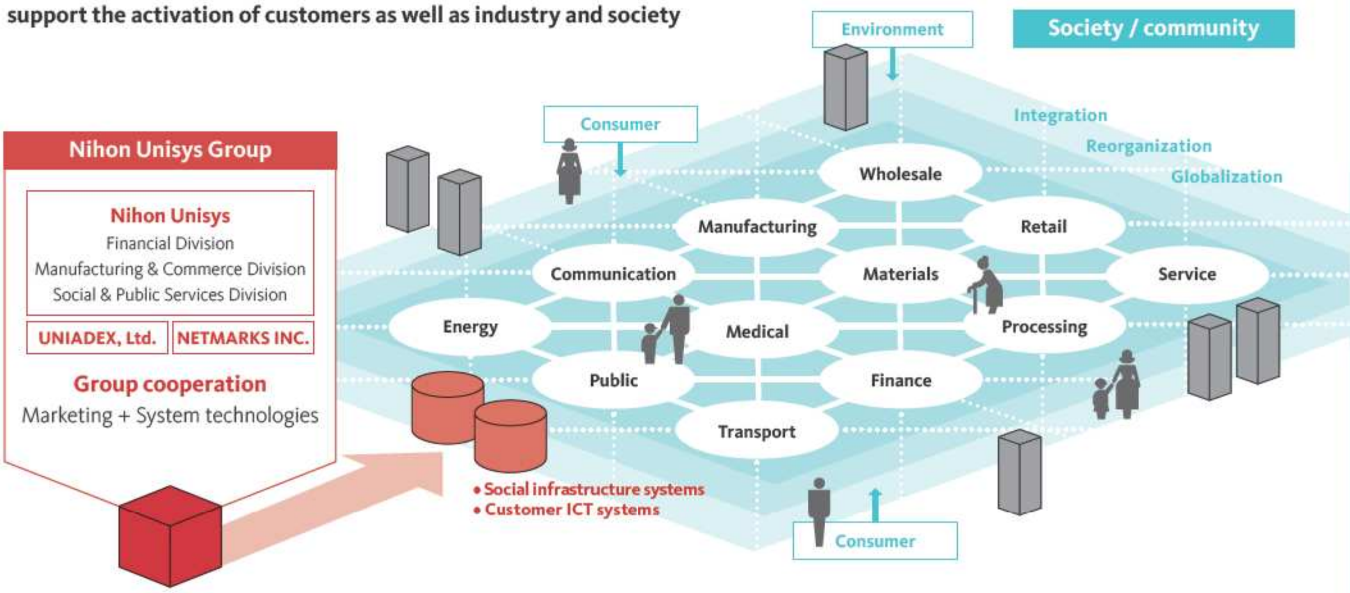


OPERATING INCOME / OPERATING MARGIN
(Billions of yen / %)

Mission of the Nihon Unisys Group

We will create a society which is "kind to people and the environment" together with our customers, through the use of ICT.

Combining the know how accumulated in a wide range of industries to support the activation of customers as well as industry and society



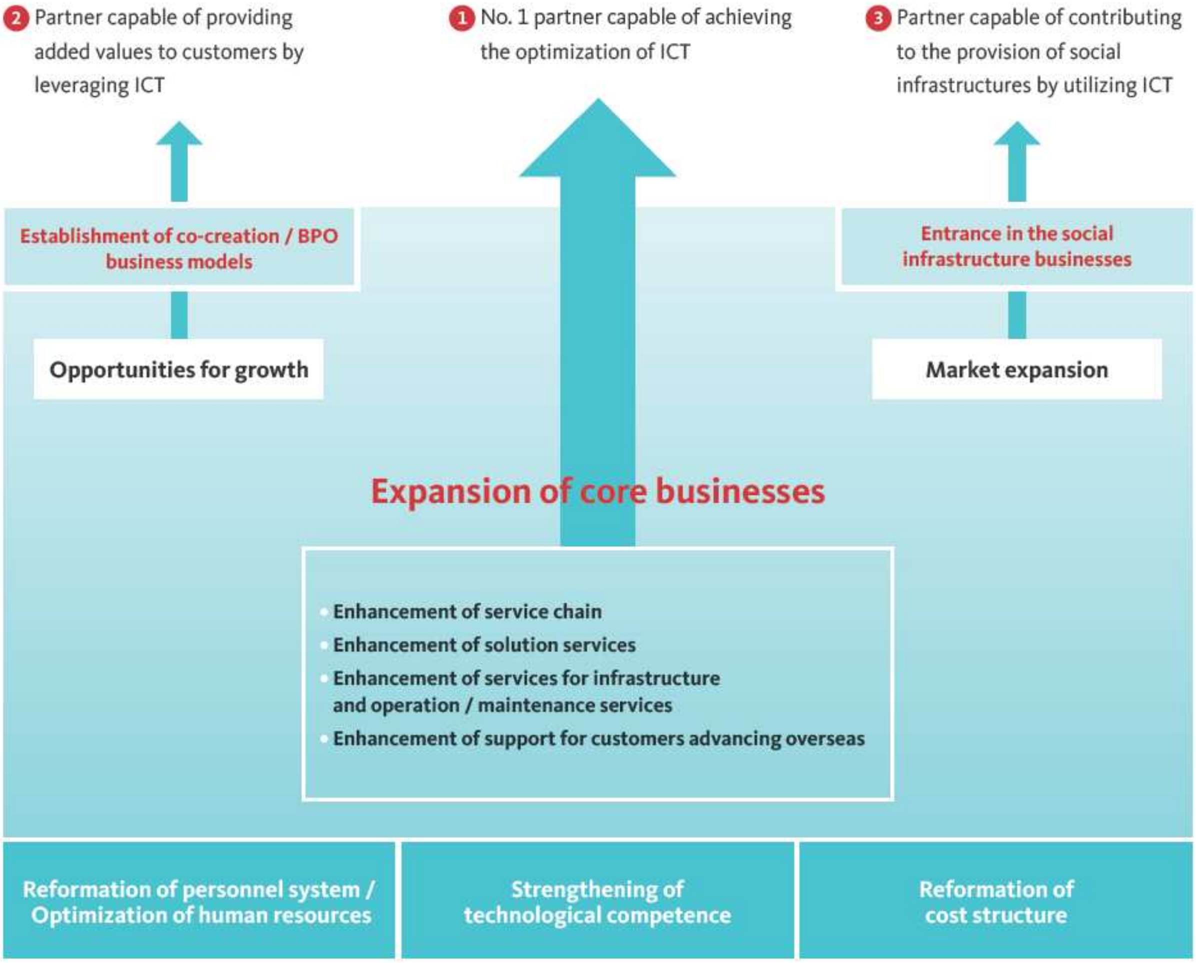
Mid-Term Vision

1. **We will become the No. 1 partner capable of achieving the optimization of ICT.**
2. **We will become a partner capable of providing added values to customers by leveraging ICT.**
3. **We will become a partner capable of contributing to the provision of social infrastructures by utilizing ICT.**

Mid-Term Management Plan (2012→2014): Fundamental Policies

Under this Mid-Term Management Plan (2012→2014), we will stabilize and strengthen our revenue base. To that end, we will work to expand our core businesses, centered on existing business fields where we have established operations, such as systems integration, network integration, and outsourcing. At the same time, we will strive to make progress in fields that will drive our growth in the future by establishing co-creation / BPO business models and advancing our social infrastructure business.

We will also take steps to strengthen our management foundation, such as bolstering our technical capabilities and improving our cost structure.



Working together with customers to use ICT to realize a society that is friendly to people and the environment

A New, World First Type of Environmental Conservation

Purchasing CO_2 emission rights from disaster-stricken areas and using them to offset CO_2 emissions from reconstruction activities

From February 9 to 13, 2012, the Nihon Unisys Group—together with the National Institute of Informatics, Toppan Printing Co., Ltd., Seven & i Holdings Co., Ltd., and Mitsubishi UFJ Lease & Finance Company Limited—conducted a pilot test related to a new method of trading CO_2 emission rights*1 using ICT. The test was conducted at the Sogo Yokohama store. Using carbon offsets*2, the test reflected a commitment to support the reconstruction activities following the Great East Japan Earthquake and to contribute to the environment.

The rights that were sold in the disaster-stricken area were repackaged into 10-kilogram units and then allotted to message cards. These cards were then sold to consumers as message cards with attached emissions rights. The people who receive the cards can select a group that they want to support from among multiple reconstruction support groups. The emission rights that are allotted to the cards can be donated to reconstruction support groups. As a result, this framework enables the groups that receive donations to offset the CO_2 emissions from their reconstruction activities.

In this pilot test, the Nihon Unisys Group realized a model for the establishment and management of emissions rights accounts.

*1. Emission rights: There are two methods. Under the first, participation in CO_2 emission reduction activities yields emission rights for the amount of the reduction, and those rights have economic value that can be traded. Under the second, countries and companies determine emissions allowances for greenhouse gases, and those allowances can be traded between countries and companies that have allowances they will not need and countries and companies whose emissions have exceeded their allowances.

*2. Carbon offsets: A framework that enables emissions of greenhouse gases to be offset by investing in activities that reduce greenhouse gases in accordance with the volume of greenhouse gases emitted.

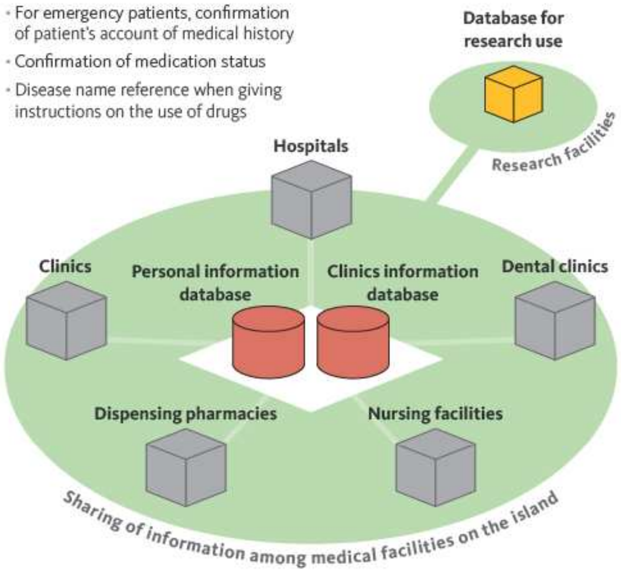
Medical Network in Sado Region

The Nihon Unisys Group's medical network in the Sado region is the first system in Japan for the sharing and centralized management of information from more than 100 medical institutions. The network includes hospitals, clinics, dispensing pharmacies, and nursing homes on Sado Island. Through this network, information such as medical history, diagnosis and treatment, and prescription history is shared, and cooperative treatment among different medical facilities is realized. Patients are introduced to facilities in accordance with their condition, thereby providing optimal allocation of limited medical resources. Moreover, the use of the shared information to contribute to clinical research through the provision of anonymous diagnosis and treatment information to universities and other research facilities is under consideration. This network is drawing attention as an example of EHR* in Japan. (Plans call for the system to start operation in April 2013.)

* EHR: Electronic health records. Records of lifetime health and medical information, which are being advanced in many countries, centered on countries that are leaders in the use of IT in medicine. Testing initiatives are underway to establish a national-level network of these records for historical health information and diagnosis and treatment information anytime, anyplace, and to anyone, as needed.

Cooperative Diagnosis and Treatment Among Different Industries

- For emergency patients, confirmation of patient's account of medical history
- Confirmation of medication status
- Disease name reference when giving instructions on the use of drugs



CORPORATE GOVERNANCE

Basic Approach to Corporate Governance

The Group strives to reinforce its corporate governance for the purpose of making decisions in a prompt manner in response to changes in the business environment, clarifying management accountability, and increasing business transparency.

The Group's approach to corporate governance is described in the Nihon Unisys Group Corporate Conduct Charter. This charter serves as the Group's code of conduct and outlines the measures that the Group will implement to contribute to the development of a sustainable society as a good corporate citizen.

Reinforcing and Enhancing Corporate Governance

Seeking to continuously raise corporate value, the Group strives to reinforce and enhance its corporate governance through the establishment of internal controls.

- The Group will work to practice good corporate governance based on high ethical standards and transparency.
- We will ensure business transparency by disclosing corporate information in an appropriate and timely manner.
- We will effectively respond to the various risks that could seriously affect Group management. We will promptly and precisely respond to any risks that either have affected or have the possibility of affecting the Group

Corporate Governance Structure

Reasons for Adopting the Current Corporate Governance Structure

The Company has adopted the corporate auditor system based on the belief that a system of corporate auditor oversight that includes outside corporate auditors is an effective means for ensuring management oversight.

In light of the rapidly evolving nature of our industry, the core of the Board of Directors consists of six in-house managing directors with an expert understanding of the industry and the Company. In addition, we have appointed two outside managing directors who ensure effective management oversight by offering objective, expert advice based on their vast experience in corporate management. We believe this structure brings a broader perspective and an added element of objectivity to our decision making and helps guarantee the effective oversight of our business operations.

Outline of the Current System

The operations, functions, and activities conducted by each body are as follows.

Board of Directors

The Board of Directors consists of eight managing directors, including two outside managing directors, and meets, in principle, once a month. The Board decides and reports on key corporate issues. The term of office of managing directors is one year. This term was decided with the goal of securing a flexible management structure that can promptly respond to the changing business environment and clarifying the responsibilities of the managing directors.

Business Execution Structure

• Corporate Officer System

The Company has adopted the corporate officer system as part of its policy for establishing a solid management control system, and works to separate the functions of management oversight and business execution.

• Executive Council

The Executive Council, composed of representative directors, is a body created to deliberate and make prompt, efficient decisions regarding important business execution related matters.

• Committees

To bring a practical perspective to the deliberation of specific management issues related to the business execution of the managing directors, we have established various committees, including the Compliance Committee, the CSR Committee, the Risk Management Committee, the Security Committee, the R&D/Investment Committee, the Project Review Committee, and the Infrastructure Investment Committee.

• Collective Decision-Making System

To deal with issues that require decisions beyond the authority of first-tier unit managers, we have developed a system of approval in which either corporate officers responsible for the division in question, decision-making bodies (committees), or the representative directors collectively make decisions while considering expert opinion presented by corporate staff managers from related divisions.

Audit Structure

There are four corporate auditors, including three full-time corporate auditors. Of the four corporate auditors, three are outside corporate auditors, two of whom are full-time corporate auditors. Based on the Audit Standard, audit policy, and audit plan formulated by the Board of Corporate Auditors, corporate auditors attend meetings of the Board of Directors and other important meetings, and also review the status of both operations and assets, thereby monitoring the business execution of the managing directors.

• Audits by Corporate Auditors

The corporate auditors also audit the status of the management of Group companies and seek to enhance the quality of Group audits by maintaining regular contact with the corporate auditors at Group companies. To ensure the effectiveness of the audits conducted by the corporate auditors and the smooth execution of the auditing function, we have established the Corporate Auditors Office to assist the corporate auditors in the execution of their duties. Further, to secure independence from the Board of Directors, staff appointments to the Corporate Auditors Office are decided by the managing director responsible for such decisions with the agreement of the Board of Corporate Auditors.

Full-time corporate auditor Kazuhiro Hara has extensive experience in accounting- and finance-related divisions of the Company, and has held positions as General Manager of the Accounting Department and the Finance Department. He therefore possesses significant insight relating to finance and accounting.

Full-time corporate auditor Eiji Ike possesses a profound insight into financial and accounting matters based on the breadth of his experience, including his past service as chief financial officer of Mitsui & Co. Europe Plc.

Likewise, full-time corporate auditor Atsushi Takaoka possesses considerable insight into financial and accounting matters based on his extensive experience working at financial institutions.

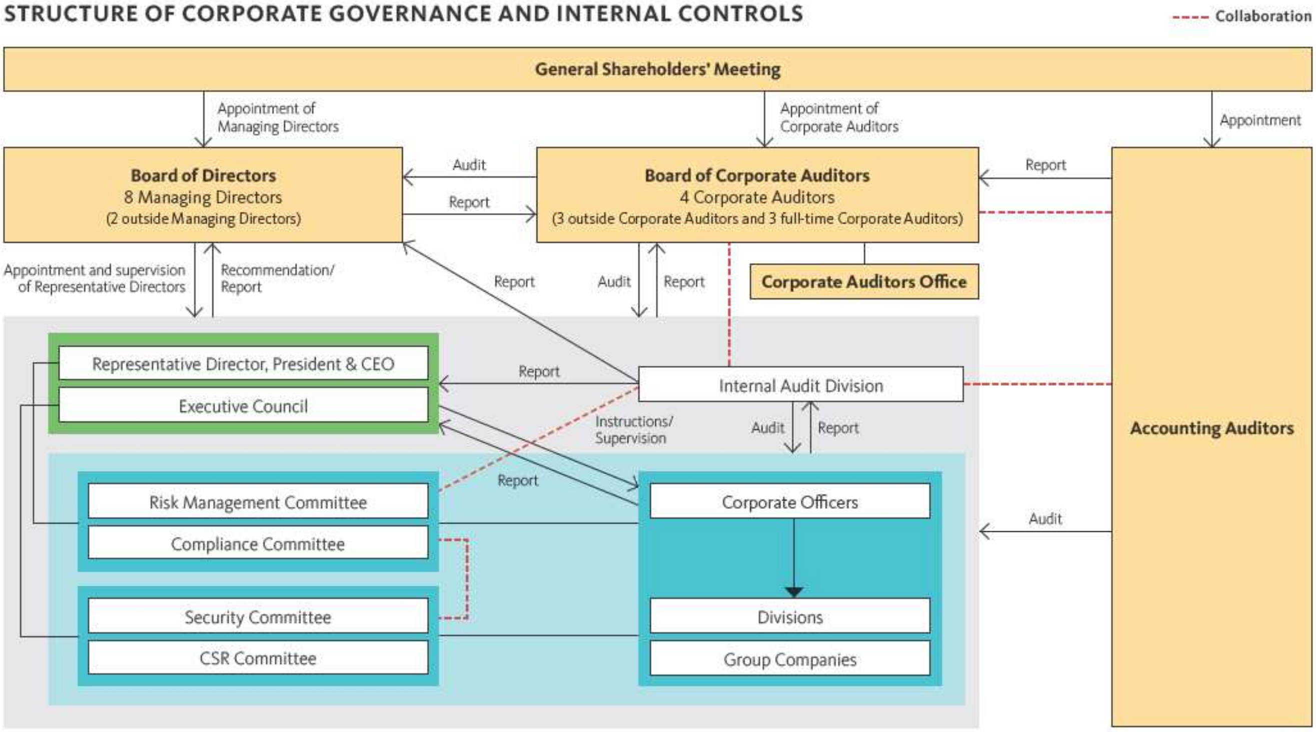
• Accounting Audit

The Company is audited by the independent public accounting firm Deloitte Touche Tohmatsu LLC. Certified public accountants responsible for conducting the accounting audit were Yoshiyuki Higuchi, Kazunari Todoroki, and Masato Shoji, who are all employed at Deloitte Touche Tohmatsu. These three independent auditors have been regularly involved in the Company's accounting audit for no longer than seven years. Representing the Company, six certified public accountants and nine other support staff assist in the accounting audit. There are no conflicts of interest between the Company and Deloitte Touche Tohmatsu in terms of personnel, finances, business relationships, or any other matters. In addition, our key subsidiaries also undergo separate audits by Deloitte Touche Tohmatsu.

• Internal Audit

The Internal Audit Division, which is a 41-member body within Nihon Unisys, Ltd., conducts internal audits of all divisions across the Group to assess the appropriateness and efficiency of internal controls. The results of these audits are reported to top management, and the division suggests improvements and corrective actions as required. It also confirms the results of these actions. Information regarding audits, including audit results, is disclosed to unit managers to accelerate the pace of improvements and implementation of corrective actions as well as to share these with other divisions. In addition, information regarding these audits is provided to Deloitte Touche Tohmatsu.

STRUCTURE OF CORPORATE GOVERNANCE AND INTERNAL CONTROLS



DIRECTORS, CORPORATE AUDITORS, AND CORPORATE OFFICERS

As of June 28, 2012

Shigeru Kurokawa
Representative Director,
President & CEO

Yasushi Kado
Representative Director,
Executive Corporate Officer

Akiyoshi Hiraoka
Representative Director,
Executive Corporate Officer

Ryuji Tatsuno
Representative Director,
Executive Corporate Officer

Osamu Takahashi
Representative Director,
Executive Corporate Officer

Susumu Mukai
Representative Director,
Senior Corporate Officer

Managing Director, Part-Time

Kenji Akikawa

Junichi Shibuta

Auditor, Full-Time

Kazuhiro Hara

Eiji Ike

Atsushi Takaoka

Auditor, Part-Time

Katsuhisa Kiyozuka

Superior Senior Corporate Officer

Kei Sawada

Yasushi Iribe

Senior Corporate Officer

Makoto Akiyama

Yoshinori Ijichi

Kazuhiro Iwata

Corporate Officer

Minoru Tasaki

Masashi Yamada

Ryoichi Yamashita

Tetsuro Yoshioka

Masayuki Okada

Katsuhiro Ohtomo

Toshio Mukai

Kouichi Ishiyama

Yasuo Fukushima

Hirokazu Konishi

Hiroki Hyodo

ANALYSIS OF RESULTS OF OPERATIONS, FINANCIAL CONDITION, AND CASH FLOWS

Analysis of Results of Operations

During the fiscal year under review, the Japanese economy continued to face severe circumstances brought about by the Great East Japan Earthquake. Nonetheless, the economy showed signs of a gradual recovery as the decline in corporate capital investment leveled off and investment in social infrastructure was active. On the other hand, investment in the information services market was basically flat year on year.

Net Sales

In this environment, computer sales and outsourcing business sales were strong, and as a result consolidated net sales increased ¥2,133 million year on year, or 0.8%, to ¥255,123 million.

Financial results for each segment are as follows.

• System Services

The System Services segment consists of contracted software development, system-related services, and consulting. Net sales in this segment decreased 2.5%, to ¥71,658 million.

• Support Services

The Support Services segment consists of support services for software, support services for hardware, and installation services. Net sales in this segment decreased 2.0%, to ¥52,902 million.

• Outsourcing

The Outsourcing segment consists of contracted administration of information system and others. Net sales in this segment increased 12.4%, to ¥31,943 million.

• Netmarks Services

The Netmarks Services segment consists of network system integration. Net sales in this segment increased 8.3%, to ¥21,982 million.

• Software

The Software segment consists of providing software under a software license agreement. Net sales in this segment decreased 13.0%, to ¥23,328 million.

• Hardware

The Hardware segment consists of providing hardware under a sales contract or a lease contract. Net sales in this segment increased 28.0%, to ¥44,582 million.

• Other

The Other segment comprises businesses not included in other reportable segments. Net sales in this segment were ¥8,728 million.

Note: The figures cited above do not include consumption tax.

Operating Income

Gross profit decreased ¥2,319 million year on year, or 3.5%, to ¥63,562 million. Selling, general and administrative expenses decreased ¥3,103 million, or 5.2%, to ¥56,251 million. This was due to the effects of cost reduction measures. As a result of the above, operating income increased ¥784 million, or 12.0%, to ¥7,311 million.

Net Income

We implemented a reversal of deferred tax assets that are no longer expected to be realized as a result of a change in the normal effective statutory tax rate from the fiscal year ending March 2013 and of the provision of allowance for loss on contract development. As a result, net income (loss) worsened by ¥15,074 million, to a net loss of ¥12,499 million.

Analysis of Financial Condition

At the end of the fiscal year under review, total assets of the Nihon Unisys Group amounted to ¥190,084 million, representing a year-on-year decrease of ¥17,198 million. Total current assets at the end of the fiscal year were up ¥1,927 million due to a ¥5,167 million increase in accounts receivable–trade, which offset a ¥3,159 million decrease in cash and cash equivalents and a ¥1,176 million decrease in deferred tax assets. Total non-current assets decreased ¥19,125 million as a result of year-on-year decreases of ¥11,735 million in deferred tax assets and ¥5,403 million in prepaid pension costs. Total liabilities decreased ¥3,651 million, to ¥126,861 million, due to a ¥6,626 million decrease in accrued expenses and a ¥3,576 million decrease in long-term debt, which offset a ¥4,444 million increase in accounts payable–trade and a ¥3,577 million increase in allowance for loss on contract development.

Total equity decreased ¥13,547 million, to ¥63,223 million. The shareholders' equity ratio was 3.9 percentage points lower, at 32.6%.

Analysis of Cash Flows

Cash and cash equivalents (hereinafter referred to as "cash") for the fiscal year under review decreased ¥3,159 million, to ¥27,255 million. This decline reflected the accelerated repayment of long-term debt and a net decrease in commercial paper, besides a decrease in net cash provided by operating activities mainly due to an increase in accounts receivable–trade.

• Cash Flows from Operating Activities

Net cash provided by operating activities in the fiscal year under review totaled ¥13,430 million (a decrease of ¥8,278 million from the previous year). This reflects proceeds of ¥590 million in income before income taxes and minority interests (down by ¥3,250 million from the previous term), non-cash expenses of ¥12,012 million in depreciation and amortization (which had the effect of decreasing proceeds by ¥1,362 million compared with the previous term), a

¥4,443 million increase in accounts payable–trade (which had the effect of increasing proceeds by ¥7,608 million), a ¥5,403 million decrease in prepaid pension cost (which had the effect of increasing proceeds by ¥4,600 million), a ¥3,577 million increase in allowance for loss on contract development (which had the effect of increasing proceeds by ¥4,271 million), against expenditures including a ¥5,167 million rise in notes and accounts receivable–trade (which had the effect of decreasing proceeds by ¥15,297 million), and a ¥6,630 million decline of accrued expenses (which had the effect of decreasing proceeds by ¥6,195 million).

• **Cash Flows from Investing Activities**
Net cash used in investing activities was ¥10,642 million (down by ¥526 million compared with the previous period). This mainly reflected the fact that the Company used ¥2,820 million (down by ¥500 million) to purchase property, plant and equipment, such as computers for sales activities, and ¥8,529 million (up by ¥809 million) to purchase software for sales and outsourcing purposes.

• **Cash Flows from Financing Activities**
Net cash used in financing activities during the fiscal year under review was ¥5,947 million (up by ¥360 million from the previous term). This reflected factors such as ¥14,250 million in proceeds from long-term debt (a decrease of ¥1,738 million) and ¥17,826 million in repayment of long-term debt (up by ¥1,174 million).

Working Capital Requirements

The Nihon Unisys Group requires sufficient operating capital to pay for outsourced systems and support services as well as to purchase computers and software for sales, leasing, and outsourcing purposes. Operating capital is also required to meet operating expenses such as manufacturing costs and selling, general and administrative expenses. Operating expenses consist primarily of personnel costs, sales support costs, and R&D expenditure. The main components of sales support costs and R&D expenditure are personnel costs for systems engineers. The Group's policy is to meet our operating capital requirements for these purposes mainly from net cash provided by operating activities.

To ensure reliable, flexible access to funds and improve our financial efficiency, the Group has established commitment lines with five banks. The unused balance of these commitment lines as of March 31, 2012, stood at ¥15,000 million.

Dividend Policy

In accordance with a basic policy of providing dividends in line with performance, the Company will seek to continue issuing stable shareholder returns based on the understanding that the increase of corporate value is the most important means of repaying shareholders. The Company will target a 20% consolidated dividend payout ratio, with decisions about the specific dividend amount made with due consideration for securing internal reserves for business development and with comprehensive consideration for the business environment.

With consideration for performance in the year ended March 31, 2012, the Company paid annual dividends of ¥5.00 per share, consisting of an interim dividend of ¥5.00 per share and no year-end dividend, a decrease of ¥5.00 per share from the previous fiscal year.

For the year ending March 31, 2013, the management environment is expected to remain severe, but the Company expects to record net income for the year. As a result, in accordance with the basic policy for allocation of profits, the Company plans to pay annual dividends of ¥10.00 per share, consisting of an interim dividend of ¥5.00 per share and a year-end dividend of ¥5.00 per share.

RISKS IN BUSINESS OPERATIONS

Major risks related to the Group's businesses and finances that have the possibility of influencing the decisions of investors are as follows. Forward-looking statements are based on the understanding of the Group as of the end of the fiscal year under review.

1. Impact from Economic Trends and the Market Environment

In the information service market in which the Group operates, companies remain reluctant to invest in information systems and the business climate continues to be difficult. In this environment, any serious situation, such as unexpectedly intense price competition or delayed response to technological advancement, may affect the business results and financial conditions of the Group.

2. Project Management Risks

The Group is engaged in many different system development projects. With intensified competition, however, customers are continually demanding more-sophisticated systems and as a result projects are becoming increasingly complex. If a problem arises in a development project, there is a risk that the problem would require greater-than-expected costs and time to resolve, which could lead to a cost overrun. To avoid such a risk, the Group has continued working to implement effective measures for preventing cost overruns and detecting problems at an early stage by enhancing the project management system, increasing productivity by systematizing and standardizing the system development method, and implementing the Andon system, which detects problems in a project at an early stage, as well as implementing a cycle of improvement that includes the review of problems to ascertain their true causes and implement fundamental countermeasures.

3. System Failure Risks

The systems and services provided by the Group have a significant effect on important administrative systems of customers and on social infrastructure. In the event of a major failure due to a system malfunctioning, an operational mistake, etc., involving these systems and services, the business results of the Group could be affected by such factors as a decline in society's trust in the Group, a decline in the Group's brand image, and the payment of compensation for damages that have occurred.

Accordingly, the Group categorizes systems in use by their degree of social importance, determines quality standards, such as problem occurrence rates and the number of days needed to complete the response to a problem, and establishes systems to respond to problems. In addition, in regard to the occurrence of problems, the Group is working to provide information to related in-house departments through a problem reporting system and to rapidly implement responses to problems. In addition, the Group is working to raise the quality of systems in use by implementing evaluation and improvement activities through periodic system maintenance.

4. Risks Associated with Investment Decisions

The Group makes large investments with the aim of providing new products and services to strengthen its competitiveness and expand its businesses. When such investments are made, the R&D/Investment Committee and the Executive Council carefully determine the appropriateness of business plans and other factors. However, there is no guarantee that an adequate return on investment will always be achieved. If the Group is unable to achieve an adequate return, then its business results may be affected.

5. Information Control Risks

The Group has many opportunities to access confidential personal and/or corporate information, including information on the Group itself, through business activities related to the development and provision of information systems. We therefore place information control as a top priority in order to hold information in strict confidence, and we take all possible measures for appropriate management of information as a member of the IT industry. To cope with the small possibility of an information leak in an emergency case that is beyond conventional imagination, the Group has insurance contracts to address the situation up to a certain extent. However, in the case that damage repair expenses are higher than the overall amount of contract coverage, or in the case that the leak has resulted in severe damage to the Group's reputation, there is the possibility that the business results and financial conditions of the Group would be severely affected.

6. Risks Associated with Retention of Skilled Engineers

The shortage of skilled engineers in the information service industry is a significant issue. If we are unable to recruit high-caliber engineers to meet our needs, this could have a material impact on the Group's ability to secure technological advantages. To address this issue, we are proactively revising the personnel system to improve the working environment of employees, enabling them to acquire high-level qualifications.

7. Intellectual Property Rights Risks

The Group applies intellectual property rights to a large number of computer programs for its business operations. Thus, any failure in the acquisition or maintenance of licenses as scheduled could affect the Group's business activities. In addition, there is a possibility that the Group may be one of the parties concerned with intellectual property rights litigation on computer programs and, as a result, any incurred expenses could affect the Group's business results.

8. Risks Associated with Key Supplier Relations

We are the sole authorized distributor of Unisys Corporation–made computers and other products. We handle the import, sales, and maintenance services of those computers and other products in Japan, while Unisys Corporation grants us the use of its trademark, technical information, and assistance. The trading relationship with Unisys Corporation has been secure, but if the relationship became unbalanced and could not be sustained, it would have a material impact on the Group's business results.

9. Exchange Rate Fluctuation Risks

The Group imports and sells Unisys Corporation-made computers and other foreign-made products. Thus, the Group's procurements in foreign currency denominations could be exposed to fluctuations in foreign exchange rates. To avoid such risks, the Group takes risk-hedging measures through forward exchange contracts. The Group's purchase of foreign-currency denominations totaled ¥9,845 million for the fiscal year under review.

10. Lawsuit Risks

The Group makes continuous efforts to fully comply with laws and ordinances in order to perform its business activities in a proper and transparent manner. If any lawsuit or legal action were to be taken against the Company or any Group companies, regardless of whether or not there was a compliance violation, the business results of the Group may be impacted.

11. Natural Disaster Risks

The occurrence of a natural disaster, such as an earthquake or infectious disease outbreak, could cause damage to or otherwise result in loss of social infrastructure or one or more of the Group's major business bases. Such a disaster could also injure many of our suppliers or employees, or result in a situation in which the Group must restrict its business activities to ensure the safety or maintain the wellbeing of such suppliers or employees. Were such a disaster to occur, then the Group may have to incur significant expenses to respond to the damages, which could greatly impact sales or other business activities and ultimately affect the Group's business results. Therefore, in preparation for the case in which such an event occurs, the Group is striving to establish a structure on which its operations could be maintained.

CONSOLIDATED BALANCE SHEET

Nihon Unisys, Ltd. and Consolidated Subsidiaries
March 31, 2012

ASSETS	Millions of Yen 2012	Millions of Yen 2011	Thousands of U.S. Dollars (Note 1) 2012
Current Assets:			
Cash and cash equivalents (Notes 3 and 15)	**¥27,255**	¥30,414	**$331,610**
Investment securities—due within one year (Notes 4 and 15)		21	
Accounts receivable—trade (Notes 5 and 15)	**64,422**	59,255	**783,818**
Inventories (Note 6)	**7,639**	7,068	**92,943**
Deferred tax assets (Note 9)	**5,137**	6,313	**62,502**
Other	**10,849**	10,125	**131,998**
Allowance for doubtful accounts	**(432)**	(253)	**(5,256)**
Total current assets	**114,870**	112,943	**1,397,615**
Property, Plant and Equipment:			
Land	**634**	634	**7,714**
Buildings and structures (Note 7)	**11,920**	12,386	**145,030**
Machinery and equipment (Note 7)	**67,888**	70,519	**825,989**
Other	**1,865**	1,646	**22,691**
Total	**82,307**	85,185	**1,001,424**
Accumulated depreciation	**(68,766)**	(70,005)	**(836,671)**
Net property, plant and equipment	**13,541**	15,180	**164,753**
Investments and Other Assets:			
Investment securities (Notes 4 and 15)	**12,275**	11,852	**149,349**
Investments in associated companies	**1,461**	1,385	**17,776**
Goodwill (Note 7)	**2,209**	2,354	**26,877**
Software (Note 7)	**22,391**	23,561	**272,430**
Lease deposits	**8,239**	8,705	**100,243**
Prepaid pension costs (Note 10)	**1,606**	7,009	**19,540**
Deferred tax assets (Note 9)	**9,622**	21,357	**117,070**
Other	**3,870**	2,936	**47,086**
Total investments and other assets	**61,673**	79,159	**750,371**
Total	**¥190,084**	¥207,282	**$2,312,739**

See notes to consolidated financial statements.

LIABILITIES AND EQUITY	Millions of Yen 2012	Millions of Yen 2011	Thousands of U.S. Dollars (Note 1) 2012
Current Liabilities:			
Current portion of long-term debt (Notes 8 and 15)	**¥20,173**	¥17,887	**$245,443**
Commercial paper (Notes 8 and 15)	**12,000**	13,000	**146,003**
Accounts payable—trade (Note 15)	**23,378**	18,934	**284,438**
Accounts payable—other	**2,464**	1,893	**29,979**
Income taxes payable (Note 9)	**1,223**	1,858	**14,880**
Accrued expenses	**3,603**	10,229	**43,837**
Advances received	**10,565**	10,379	**128,544**
Allowance for loss on contract development	**3,740**	163	**45,504**
Other (Note 14)	**4,564**	4,852	**55,532**
Total current liabilities	**81,710**	79,195	**994,160**
Long-Term Liabilities:			
Long-term debt (Notes 8 and 15)	**40,988**	46,850	**498,698**
Long-term accounts payable—other	**92**	118	**1,119**
Allowance for retirement benefits (Note 10)	**976**	917	**11,875**
Negative goodwill	**8**	23	**97**
Deferred tax liabilities (Note 9)	**176**	707	**2,141**
Asset retirement obligations	**1,301**	1,275	**15,829**
Other (Note 14)	**1,610**	1,427	**19,590**
Total long-term liabilities	**45,151**	51,317	**549,349**
Commitments and Contingent Liabilities (Notes 14 and 17)			
Equity (Notes 11 and 12):			
Common stock—authorized, 300,000,000 shares; issued, 109,663,524 shares in 2012 and 2011	**5,483**	5,483	**66,711**
Capital surplus	**15,282**	15,282	**185,935**
Stock acquisition rights	**849**	834	**10,330**
Retained earnings	**62,370**	75,808	**758,852**
Treasury stock—at cost 15,670,750 shares in 2012 and 15,683,618 shares in 2011	**(19,361)**	(19,361)	**(235,564)**
Accumulated other comprehensive income (loss):			
Net unrealized loss on available-for-sale securities	**(1,869)**	(1,717)	**(22,740)**
Deferred gain on derivatives under hedge accounting	**17**	18	**207**
Total	**62,771**	76,347	**763,731**
Minority interests	**452**	423	**5,499**
Total equity	**63,223**	76,770	**769,230**
Total	**¥190,084**	¥207,282	**$2,312,739**

See notes to consolidated financial statements.

CONSOLIDATED STATEMENT OF INCOME

Nihon Unisys, Ltd. and Consolidated Subsidiaries
Year Ended March 31, 2012

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2012	2011	2012
Net sales	**¥255,123**	¥252,990	**$3,104,064**
Cost of sales (Note 10)	**191,561**	187,109	**2,330,710**
Gross profit	**63,562**	65,881	**773,354**
Selling, general and administrative expenses (Notes 10 and 13)	**56,251**	59,354	**684,402**
Operating income	**7,311**	6,527	**88,952**
Other income (expenses):			
Interest and dividend income	**315**	242	**3,833**
Interest expense	**(817)**	(960)	**(9,940)**
Gain on sales of property, plant and equipment		79	
Gain (loss) on sales of investment securities (Note 4)	**34**	(26)	**414**
Loss on valuation of investment securities	**(70)**	(61)	**(852)**
Foreign exchange gain (loss)	**55**	(13)	**669**
Impairment loss (Note 7)	**(386)**	(515)	**(4,696)**
Equity in earnings of associated companies	**50**	30	**608**
Loss on valuation of pension assets (Note 10)	**(5,524)**		**(67,210)**
Provision of allowance for doubtful accounts	**(232)**		**(2,823)**
Loss on valuation of golf club membership	**(77)**		**(937)**
Gain on sales of investments in subsidiaries and associated companies		1,289	
Additional amortization of goodwill		(1,842)	
Provision for office transfer expenses	**(40)**	(334)	**(487)**
Loss on sales and retirement of non-current assets	**(113)**		**(1,375)**
Loss on adjustment for change of accounting standard for asset retirement obligations		(449)	
Other—net	**84**	(127)	**1,022**
Other expenses—net	**(6,721)**	(2,687)	**(81,774)**
Income before income taxes and minority interests	**590**	3,840	**7,178**
Income taxes (Note 9):			
Current	**1,273**	2,086	**15,488**
Deferred	**11,771**	(724)	**143,217**
Total income taxes	**13,044**	1,362	**158,705**
Net income (loss) before minority interests	**(12,454)**	2,478	**(151,527)**
Minority interests in net gain (loss)	**45**	(97)	**547**
Net income (loss)	**¥(12,499)**	¥2,575	**$(152,074)**
Per Share Amounts (Notes 2.u and 19):	Yen		U.S. Dollars
Basic net income (loss)	**¥(132.99)**	¥27.12	**$(1.62)**
Cash dividends applicable to the year	**5.00**	10.00	**0.06**

See notes to consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Nihon Unisys, Ltd. and Consolidated Subsidiaries
Year Ended March 31, 2012

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2012	2011	2012
Net income (loss) before minority interests	**¥(12,454)**	¥2,478	**$(151,527)**
Other comprehensive loss (Note 18):			
Unrealized loss on available-for-sale securities	**(152)**	(351)	**(1,849)**
Deferred gain (loss) on derivatives under hedge accounting	**(1)**	5	**(12)**
Total other comprehensive loss	**(153)**	(346)	**(1,861)**
Comprehensive income (loss)	**(12,607)**	2,132	**(153,388)**
Total comprehensive income (loss) attributable to (Note 18):			
Owners of the parent	**¥(12,652)**	¥2,229	**$(153,936)**
Minority interests	**45**	(97)	**548**

See notes to consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Nihon Unisys, Ltd. and Consolidated Subsidiaries
Year Ended March 31, 2012

	Thousands	Millions of Japanese Yen									
							Accumulated other comprehensive income (loss)				
	Outstanding number of shares of common stock	Common stock	Capital surplus	Stock acquisition rights	Retained earnings	Treasury stock —at cost	Net unrealized loss on available-for-sale securities	Deferred gain on derivatives under hedge accounting	Total	Minority interests	Total equity
Balance, April 1, 2010	95,912	¥5,483	¥15,476	¥790	¥75,149	¥(19,260)	¥(1,366)	¥13	¥76,285	¥642	¥76,927
Net income					2,575				2,575		2,575
Cash dividends					(721)				(721)		(721)
Purchase of treasury stock	(3,356)					(2,096)			(2,096)		(2,096)
Retirement of treasury stock	1,424		(194)		(1,195)	1,995			606		606
Net changes of items				44			(351)	5	(302)	(219)	(521)
Net change during the year	(1,932)		(194)	44	659	(101)	(351)	5	62	(219)	(157)
Balance, March 31, 2011	93,980	5,483	15,282	834	75,808	(19,361)	(1,717)	18	76,347	423	76,770
Net loss					(12,499)				(12,499)		(12,499)
Cash dividends					(939)				(939)		(939)
Net changes of items				15			(152)	(1)	(138)	29	(109)
Net change during the year				15	(13,438)		(152)	(1)	(13,576)	29	(13,547)
Balance, March 31, 2012	93,980	¥5,483	¥15,282	¥849	¥62,370	¥(19,361)	¥(1,869)	¥17	¥62,771	¥452	¥63,223

	Thousands of U.S. Dollars (Note 1)									
						Accumulated other comprehensive income (loss)				
	Common stock	Capital surplus	Stock acquisition rights	Retained earnings	Treasury stock —at cost	Net unrealized loss on available-for-sale securities	Deferred gain on derivatives under hedge accounting	Total	Minority interests	Total equity
Balance, March 31, 2011	$66,711	$185,935	$10,147	$922,351	$(235,564)	$(20,891)	$219	$928,908	$5,147	$934,055
Net loss				(152,074)				(152,074)		(152,074)
Cash dividends				(11,425)				(11,425)		(11,425)
Net changes of items			183			(1,849)	(12)	(1,678)	352	(1,326)
Net change during the year			183	(163,499)		(1,849)	(12)	(165,177)	352	(164,825)
Balance, March 31, 2012	$66,711	$185,935	$10,330	$758,852	$(235,564)	$(22,740)	$207	$763,731	$5,499	$769,230

See notes to consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

Nihon Unisys, Ltd. and Consolidated Subsidiaries
Year Ended March 31, 2012

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2012	2011	2012
Operating Activities:			
Income before income taxes and minority interests	¥590	¥3,840	$7,178
Adjustments for:			
Income taxes paid	(2,057)	(1,365)	(25,027)
Impairment loss	386	515	4,696
Depreciation and amortization	12,012	13,374	146,149
Amortization of goodwill	144	2,101	1,752
Amortization of negative goodwill	(16)	(44)	(195)
Gain on sales of property, plant and equipment		(79)	
Loss (gain) on sales of investment securities	(34)	26	(414)
Gain on sales of investments in subsidiaries and associated companies		(1,289)	
Loss on valuation of investment securities	70	61	852
Loss on adjustment for change of accounting standard for asset retirement obligations		449	
Decrease (increase) in accounts receivable—trade	(5,167)	10,130	(62,867)
Decrease (increase) in inventories	(571)	1,496	(6,947)
Decrease (increase) in interest and dividends receivable	(1)	3	(12)
Decrease in prepaid pension costs	5,403	803	65,738
Increase (decrease) in accounts payable—trade	4,443	(3,165)	54,058
Decrease in interest payable	(13)	(22)	(158)
Decrease in accrued expenses	(6,630)	(435)	(80,667)
Increase (decrease) in allowance for retirement benefits	25	(98)	304
Decrease in allowance for restructuring charges		(2,609)	
Increase (decrease) in allowance for loss on contract development	3,577	(694)	43,521
Increase in other allowance	521	194	6,339
Other—net	748	(1,484)	9,102
Total adjustments	12,840	17,868	156,224
Net cash provided by operating activities	13,430	21,708	163,402
Investing Activities:			
Proceeds from sales of property, plant and equipment	22	95	268
Payments for purchases of property, plant and equipment	(2,820)	(3,320)	(34,311)
Payments for purchases of software	(8,529)	(7,720)	(103,772)
Proceeds from sales of investment securities	143	87	1,740
Payments for purchases of investment securities	(137)	(473)	(1,667)
Proceeds from sales of investments in subsidiaries resulting in change in scope of consolidation		200	
Proceeds from collection of short-term loans receivable	712		8,663
Other—net	(33)	(37)	(401)
Net cash used in investing activities	(10,642)	(11,168)	(129,480)
Financing Activities:			
Net decrease in short-term bank loans		(5,700)	
Proceeds from long-term debt	14,250	15,988	173,379
Repayments of long-term debt	(17,826)	(16,652)	(216,888)
Repayments of other debt	(418)	(401)	(5,086)
Net increase (decrease) in commercial paper	(1,000)	4,000	(12,167)
Payments for purchases of treasury stock		(2,096)	
Cash dividends	(938)	(719)	(11,413)
Cash dividends to minority interests	(15)	(7)	(182)
Net cash used in financing activities	(5,947)	(5,587)	(72,357)
Net increase (decrease) in Cash and Cash Equivalents	(3,159)	4,953	(38,435)
Cash and Cash Equivalents, Beginning of Year	30,414	25,461	370,045
Cash and Cash Equivalents, End of Year	¥27,255	¥30,414	$331,610

See notes to consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Nihon Unisys, Ltd. and Consolidated Subsidiaries
Year Ended March 31, 2012

1. Basis of presenting consolidated financial statements

The accompanying consolidated financial statements have been prepared in accordance with the provisions set forth in the Japanese Financial Instruments and Exchange Act and its related accounting regulations and in conformity with accounting principles generally accepted in Japan (Japanese GAAP), which are different in certain respects as to application and disclosure requirements from International Financial Reporting Standards.

In preparing these consolidated financial statements, certain reclassifications and rearrangements have been made to the consolidated financial statements issued domestically in order to present them in a form which is more familiar to readers outside Japan. In addition, certain reclassifications have been made in the 2011 financial statements to conform to the classifications used in 2012.

The consolidated financial statements are stated in Japanese yen, the currency of the country in which Nihon Unisys, Ltd. (the "Company") is incorporated and operates. The translations of Japanese yen amounts into U.S. dollar amounts are included solely for the convenience of readers outside Japan and have been made at the rate of ¥82.19 to $1, the approximate rate of exchange at March 31, 2012. Such translations should not be construed as representations that the Japanese yen amounts could be converted into U.S. dollars at that or any other rate.

2. Summary of significant accounting policies

(a) ***Consolidation*** – The consolidated financial statements as of March 31, 2012 include the accounts of the Company and its 20 (the same for the year ended March 31, 2011) significant subsidiaries and 1 (the same for the year ended March 31, 2011) associated company accounted for under equity method (collectively, the "Group").

Under the control or influence concept, those companies in which the Company, directly or indirectly, is able to exercise control over operations are fully consolidated, and those companies over which the Group has the ability to exercise significant influence are accounted for by the equity method.

Investments in the remaining 8 unconsolidated subsidiaries and 10 (the same for the year ended March 31, 2011) associated companies are stated at cost. If the consolidation or equity method of accounting had been applied to the investments in these companies, the effect on the accompanying consolidated financial statements would not be material.

The excess cost of an acquisition over the fair value of subsidiaries' net assets acquired is amortized on a straight-line basis over 5 or 20 years.

All significant intercompany balances and transactions have been eliminated in consolidation. All material unrealized profit included in assets resulting from transactions within the Group is eliminated.

(b) ***Business Combinations*** – In October 2003, the Business Accounting Council (the "BAC") issued a Statement of Opinion, "Accounting for Business Combinations" and in December 2005, the Accounting Standards Board of Japan (the "ASBJ") issued ASBJ Statement No. 7, "Accounting Standard for Business Divestitures" and ASBJ Guidance No. 10, "Guidance for Accounting Standard for Business Combinations and Business Divestitures". The accounting standard for business combinations allows companies to apply the pooling-of-interests method of accounting only when certain specific criteria are met such that the business combination is essentially regarded as a uniting-of-interests. For business combinations that do not meet the uniting-of-interests criteria, the business combination is considered to be an acquisition and the purchase method of accounting is required. This standard also prescribes the accounting for combinations of entities under common control and for joint ventures.
In December 2008, the ASBJ issued a revised accounting standard for business combinations, ASBJ Statement No. 21, "Accounting Standard for Business Combinations". Major accounting changes under the revised accounting standard are as follows:
(1) The revised standard requires accounting for business combinations only by the purchase method. As a result, the pooling-of-interests method of accounting is no longer allowed.
(2) The current accounting standard accounts for the research and development costs to be charged to income as incurred. Under the revised standard, in-process research and development (IPR&D) costs acquired in the business combination are capitalized as an intangible asset.
(3) The previous accounting standard provided for a bargain purchase gain (negative goodwill) to be systematically amortized over a period not exceeding 20 years. Under the revised standard, the acquirer recognizes the bargain purchase gain in profit or loss immediately on the acquisition date after reassessing and confirming that all of the assets acquired and all of the liabilities assumed have been identified after a review of the procedures used in the purchase allocation.
The revised standard was applicable to business combinations undertaken on or after April 1, 2010.

(c) ***Cash equivalents*** – Cash equivalents are short-term investments that are readily convertible into cash and that are exposed to insignificant risk of changes in value.

Cash equivalents include time deposits, certificate of deposits, commercial paper and bond funds, all of which mature or become due within three months of the date of acquisition.

(d) ***Inventories*** – Inventories are stated at the lower of cost determined by the moving-average method or net selling value.

(e) ***Investment securities*** – Investment securities are classified and accounted for depending on management's intent. All securities are classified as available-for-sale securities.

Marketable available-for-sale securities are reported at fair value, with unrealized gains and losses, net of applicable taxes, reported in a separate component of equity.

The cost of securities sold is determined based on the moving-average method.

Non-marketable available-for-sale securities are stated at cost as determined by the moving-average method. For other-than-temporary declines in fair value, non-marketable available-for-sale securities are reduced to net realizable value by a charge to income.

(f) ***Allowance for doubtful accounts*** – The allowance for doubtful accounts is stated at amounts considered to be appropriate based on the Group's past credit loss experience and on evaluation of potential losses in the receivables outstanding.

(g) ***Property, plant and equipment*** – Property, plant and equipment are stated at cost. Depreciation of rental and outsourcing computers included in machinery and equipment is mainly computed by the straight-line method over useful life, principally 5 years with no residual value.

Depreciation of buildings and structures and other machinery and equipment is mainly computed by the straight-line method.

Useful lives range from 6 to 50 years for buildings and structures. The useful lives for lease assets are the periods of the respective leases. Machinery and equipment held for lease is depreciated by the straight-line method over the respective lease periods.

Effective April 1, 2011, the Group adopted the straight-line method of depreciation for rental and outsourcing computers, which, previously, had been depreciated by the declining-balance method over 5 years with no residual value, and for buildings and structures acquired before March 31, 1998, which, previously, had been depreciated by the declining-balance method.

The changes above are based on the judgment that the straight-line method is more appropriate for the following reasons. As a result of the fact that the enhancement efforts of our sales structure on our key initiative of "promoting and strengthening our ICT business" have almost been completed, the proportion of computers used for outsourcing business will increase among the computers used for operating purposes, and their stable utilization for the duration of use is almost ensured. Also, revenue is equally distributed over the course of the outsourcing contract period, and new key investments in other assets will focus on our ICT business which ensures continued stable earnings.

The effects of this change were to decrease depreciation by ¥453 million and increase income before income taxes and minority interests by ¥453 million for the year ended March 31, 2012.

(h) ***Software*** – Software development costs, incurred through the completion of a Beta version of specific software for sale to the market, are charged to income as incurred. Costs incurred subsequent to the completion of the Beta version are capitalized as software.

Software for sale to the market is amortized at the greater of either the amount to be amortized in proportion of the actual sales of the software during the current year to the estimated total sales over the estimated salable years of the software or the amount to be amortized by the straight-line method over the estimated salable years, principally over 3 years.

Software for internal use is amortized by the straight-line method over the estimated useful lives, principally over 5 years. Software held for lease is depreciated by the straight-line method over the respective lease periods.

(i) ***Long-lived assets*** – The Group reviews its long-lived assets for impairment whenever events or changes in circumstance indicate the carrying amount of an asset or asset group may not be recoverable. An impairment loss would be recognized if the carrying amount of an asset or asset group exceeds the sum of the undiscounted future cash flows expected to result from the continued use and eventual disposition of the asset or asset group. The impairment loss would be measured as the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the higher of the discounted cash flows from the continued use and eventual disposition of the asset or the net selling price at disposition.

(j) ***Retirement benefits*** – The Company and certain subsidiaries have a contributory pension plan covering substantially all of their employees. Other consolidated subsidiaries have non-contributory pension plans.

Actuarial gains and losses are recognized using the straight-line method over the average of the estimated remaining service period (mainly 10 years for the fiscal years ended March 31, 2012 and 2011) starting in the following year. Prior service cost is amortized in expenses using the straight-line method over the average of the estimated remaining service period (10 years for the fiscal years ended March 31, 2012 and 2011).

The Company and a certain subsidiary participate in the New Career Support Program (the "NCSP") to assist certain employees in retiring before their mandatory retirement age. The Company and the certain subsidiary provide for the estimated future payments to be paid under the NCSP, and include this amount as a liability for retirement benefits.

(k) ***Allowance for restructuring charges*** – Concerning specific contracts for the outsourcing business for regional banks that are under restructuring, the Company posted the expected loss amounts that are to be incurred from the operation and maintenance/support of the business.

(l) ***Asset Retirement Obligations*** – In March 2008, the ASBJ published the accounting standard for asset retirement obligations, ASBJ Statement No. 18, "Accounting Standard for Asset Retirement Obligations" and ASBJ Guidance No. 21, "Guidance on Accounting Standard for Asset Retirement Obligations". Under this accounting standard, an asset retirement obligation is defined as a legal obligation imposed either by law or contract that results from the acquisition, construction, development and the normal operation of a tangible fixed asset and is associated with the retirement of such tangible fixed asset. The asset retirement obligation is recognized as the sum of the discounted cash flows required for the future asset retirement and is recorded in the period in which the obligation is incurred if a reasonable estimate can be made. If a reasonable estimate of the asset retirement obligation cannot be made in the period the asset retirement obligation is incurred, the liability should be recognized when a reasonable estimate of the asset retirement obligation can be made. Upon initial recognition of a liability for an asset retirement obligation, an asset retirement cost is capitalized by increasing the carrying amount of the related fixed asset by the amount of the liability. The asset retirement cost is subsequently allocated to expense through depreciation over the remaining useful life of the asset. Over time, the liability is accreted to its present value each period. Any subsequent revisions to the timing or the amount of the original estimate of undiscounted cash flows are reflected as an increase or a decrease in the carrying amount of the liability and the

capitalized amount of the related asset retirement cost.

(m) ***Stock options*** – ASBJ Statement No. 8, "Accounting Standard for Stock Options" and related guidance are applicable to stock options granted on and after May 1, 2006.

This standard requires companies to recognize compensation expense for employee stock options based on the fair value at the date of grant and over the vesting period as consideration for receiving goods or services. The standard also requires companies to account for stock options granted to non-employees based on the fair value of either the stock option or the goods or services received. In the consolidated balance sheet, stock options are presented as stock acquisition rights as a separate component of equity until exercised.

The Group has applied the accounting standard for stock options to those granted on and after May 1, 2006.

(n) ***Construction contracts*** – For software development contracts that cost ¥50 million or more for the fiscal years ended March 31, 2012 and 2011, the percentage-of-completion method is adopted only if the percentage of completion is reasonably assured. For other contracts, the completed-contract method is applied.

The percentage of completion is evaluated by Earned Value Management ("EVM"). EVM divides deliverables defined on the contract, such as software and related documents, by work phase. EVM defines percentages of completion as the ratio of earned value of work phase completed during the fiscal year divided by the entire work phase.

(o) ***Research and development costs*** – Research and development costs are charged to income as incurred.

(p) ***Leases*** – In March 2007, the ASBJ issued ASBJ Statement No. 13, "Accounting Standard for Lease Transactions", which revised the previous accounting standard for lease transactions issued in June 1993. The revised accounting standard for lease transactions was effective for fiscal years beginning on or after April 1, 2008.

Under the previous accounting standard, finance leases that were deemed to transfer ownership of the leased property to the lessee were to be capitalized. However, other finance leases were permitted to be accounted for as operating lease transactions if certain "as if capitalized" information was disclosed in the notes to the lessee's financial statements. The revised accounting standard requires that all finance lease transactions should be capitalized to recognize lease assets and lease obligations in the balance sheet. In addition, the revised accounting standard permits leases which existed at the transition date and which do not transfer ownership of the leased property to the lessee to be accounted for as operating lease transactions.

The Group applied the revised accounting standard effective April 1, 2008. In addition, the Group accounted for leases which existed at the transition date and which do not transfer ownership of the leased property to the lessee as operating lease transactions.

The adoption of this standard had no effect on the Company's consolidated statement of income.

All other leases are accounted for as operating leases.

(q) ***Income taxes*** – The provision for income taxes is computed based on the pretax income included in the consolidated statement of income. The asset and liability approach is used to recognize deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts and the tax bases of assets and liabilities. Deferred taxes are measured by applying currently-enacted tax laws to the temporary differences.

Application of consolidated taxation system – The Company and certain of its subsidiaries have been approved by the Commissioner of the National Tax Agency regarding the application of the consolidated taxation system from the year ending March 31, 2013. Therefore, effective the fiscal year ended March 31, 2012, related accounting procedures have been based on the "Practical Solution on Tentative Treatment of Tax Effect Accounting under Consolidated Taxation System (Part 1)" (Practical Issues Task Force (PITF) No.5 of March 18, 2011) and the "Practical Solution on Tentative Treatment of Tax Effect Accounting under Consolidated Taxation System (Part 2)" (PITF No.7 of June 30, 2010.

(r) ***Appropriations of retained earnings*** – Appropriations of retained earnings are reflected in the financial statements for the following year upon shareholders' approval.

(s) ***Foreign currency transactions*** – All short-term and long-term monetary receivables and payables denominated in foreign currencies are translated into Japanese yen at the exchange rates at the balance sheet date. The foreign exchange gains and losses from translation are recognized in the income statement to the extent that they are not hedged by forward exchange contracts.

(t) ***Derivatives and hedge accounting*** – The Company and certain subsidiaries use a variety of derivative financial instruments, including foreign currency forward contracts and interest rate swaps as a means of hedging exposure to foreign currency and interest rate risks. The Company and certain subsidiaries do not enter into derivatives for trading or speculative purposes.

Derivative financial instruments and foreign currency transactions are classified and accounted for as follows:
(1) All derivatives are recognized as either assets or liabilities and measured at fair value, and gains or losses on trade except for derivatives which qualify for hedge accounting are recognized in the consolidated statement of income.
(2) For derivatives used for hedging purposes, if derivatives qualify for hedge accounting because of high correlation and effectiveness between the hedging instruments and the hedged items, gains or losses on derivatives are deferred until maturity of the hedged transactions.

The foreign currency forward contracts are utilized to hedge foreign currency exposures in procurement of merchandise from overseas suppliers. Trade payables denominated in foreign currencies are translated at the contracted rates if the forward contracts qualify for hedge accounting.

Interest rate swaps are utilized to hedge interest rate exposures on certain liabilities. The interest rate swaps which qualify for hedge accounting are measured at market value at the balance sheet date and the unrealized gains or losses are deferred until maturity as other liabilities or assets. However, in cases where interest rate swaps qualify for hedge accounting and meet specific matching criteria, the net amount to be paid or received under the interest rate swap contracts are added to or deducted from the interest on the assets or liabilities for which the swap contract was executed.

(u) ***Per share information*** – Basic net income per share is computed by dividing net income available to common shareholders by the weighted-average number of common shares outstanding for the period.

Diluted net income per share reflects the potential dilution that could occur if securities were exercised into common stock. Diluted net income per share of common stock assumes full exercise of outstanding warrants.

Cash dividends per share presented in the accompanying consolidated statement of income are dividends applicable to the respective years, including dividends to be paid after the end of the year.

(v) ***Accounting Changes and Error Corrections*** – In December 2009, the ASBJ issued ASBJ Statement No. 24, "Accounting Standard for Accounting Changes and Error Corrections" and ASBJ Guidance No. 24, "Guidance on Accounting Standard for Accounting Changes and Error Corrections". Accounting treatments under this standard and guidance are as follows:

(1) *Changes in Accounting Policies* – When a new accounting policy is applied with revision of accounting standards, the new policy is applied retrospectively unless the revised accounting standards include specific transitional provisions. When the revised accounting standards include specific transitional provisions, an entity shall comply with the specific transitional provisions.
(2) *Changes in Presentations* – When the presentation of financial statements is changed, prior-period financial statements are reclassified in accordance with the new presentation.
(3) *Changes in Accounting Estimates* – A change in an accounting estimate is accounted for in the period of the change if the change affects that period only, and is accounted for prospectively if the change affects both the period of the change and future periods.
(4) *Corrections of Prior-Period Errors* – When an error in prior-period financial statements is discovered, those statements are restated.

This accounting standard and the guidance are applicable to accounting changes and corrections of prior-period errors which are made from the beginning of the fiscal year that begins on or after April 1, 2011.

(w) ***Changes in Presentation***

Sales support expense – Prior to April 1, 2011, sales support expense was included in cost of sales on the consolidated statement of income. Effective April 1, 2011, however, the Group recognized it in selling, general and administrative expense on the consolidated statement of income. The effects of this change for 2011 were as follows:

(1) Consolidated statement of income – Selling, general and administrative expense increased by ¥4,192 million, cost of sales decreased by ¥3,758 million and income before income taxes and minority interests decreased by ¥434 million.
(2) Consolidated balance sheet – Inventories decreased by ¥62 million and software decreased by ¥372 million.

(x) ***New Accounting Pronouncements***

Accounting Standard for Retirement Benefits – On May 17, 2012, the ASBJ issued ASBJ Statement No. 26, "Accounting Standard for Retirement Benefits" and ASBJ Guidance No. 25, "Guidance on Accounting Standard for Retirement Benefits" which replaced the Accounting Standard for Retirement Benefits that had been issued by the Business Accounting Council in 1998 with effective date of April 1, 2000 and the other related practical guidances, being followed by partial amendments from time to time through 2009. Major changes are as follows:

(1) *Treatment in the consolidated balance sheet* – Under the current requirements, actuarial gains and losses and past service costs that are yet to be recognized in profit or loss are not recognized in the consolidated balance sheet, and the difference between retirement benefit obligations and plan assets (hereinafter, "deficit or surplus"), adjusted by such unrecognized amounts, are recognized as a liability or asset.
Under the revised accounting standard, actuarial gains and losses and past service costs that are yet to be recognized in profit or loss shall be recognized within equity (accumulated other comprehensive income), after adjusting for tax effects, and the deficit or surplus shall be recognized as a liability (liability for retirement benefits) or asset (asset for retirement benefits).
(2) *Treatment in the consolidated statement of income and the consolidated statement of comprehensive income* – The revised accounting standard would not change how to recognize actuarial gains and losses and past service costs in profit or loss. Those amounts would be recognized in profit or loss over a certain period no longer than the expected average remaining working lives of the employees. However, actuarial gains and losses and past service costs that arose in the current period and yet to be recognized in profit or loss shall be included in other comprehensive income and actuarial gains and losses and past service costs that were recognized in other comprehensive income in prior periods and then recognized in profit or loss in the current period shall be treated as reclassification adjustments.

This accounting standard and the guidance are effective for the end of annual periods beginning on or after April 1, 2013 with earlier application being permitted from the beginning of annual periods beginning on or after April 1, 2013. However, no retrospective application of this accounting standard to consolidated financial statements in prior periods is required. The Group expects to apply the revised accounting standard from the end of the annual period beginning on April 1, 2013 and is in the process of measuring the effects of applying the revised accounting standard for the year ending March 31, 2014.

3. Cash and cash equivalents

Cash and cash equivalents at March 31, 2012 and 2011 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2012	2011	**2012**
Cash and time deposits	**¥27,255**	¥30,414	**$331,610**
Total	**¥27,255**	¥30,414	**$331,610**

4. Investment securities

Investment securities as of March 31, 2012 and 2011 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2012	2011	**2012**
Current:			
Debt securities			
Other		¥21	
Total		¥21	
Noncurrent:			
Equity securities	**¥11,989**	¥11,558	**$145,869**
Debt securities	**100**	100	**1,217**
Trust fund investments and other	**186**	194	**2,263**
Total	**¥12,275**	¥11,852	**$149,349**

The costs and aggregate fair values of investment securities at March 31, 2012 and 2011 were as follows:

	Millions of Yen			
March 31, 2012	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Available-for-sale securities:				
Equity securities	**¥13,108**	**¥1,423**	**¥(3,833)**	**¥10,698**
Other	**34**		**(7)**	**27**
Total	**¥13,142**	**¥1,423**	**¥(3,840)**	**¥10,725**
March 31, 2011				
Available-for-sale securities:				
Equity securities	¥13,093	¥972	¥(3,829)	¥10,236
Other	33		(7)	26
Total	¥13,126	¥972	¥(3,836)	¥10,262

	Thousands of U.S. Dollars			
March 31, 2012	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Available-for-sale securities:				
Equity securities	**$159,484**	**$17,314**	**$(46,636)**	**$130,162**
Other	**414**		**(85)**	**329**
Total	**$159,898**	**$17,314**	**$(46,721)**	**$130,491**

Information regarding available-for-sale securities which were sold during the years ended March 31, 2012 and 2011 was as follows:

	Millions of Yen		
March 31, 2012	Proceeds	Realized Gains	Realized Losses
Available-for-sale securities:			
Equity securities	**¥123**	**¥34**	
Other	**21**		
Total	**¥144**	**¥34**	
March 31, 2011			
Available-for-sale securities:			
Equity securities	¥87	¥6	¥(33)
Total	¥87	¥6	¥(33)

	Thousands of U.S. Dollars		
March 31, 2012	Proceeds	Realized Gains	Realized Losses
Available-for-sale securities:			
Equity securities	**$1,497**	**$414**	
Other	**256**		
Total	**$1,753**	**$414**	

5. Accounts receivable—trade

Costs and estimated earnings recognized with respect to construction contracts which were accounted for by the percentage-of-completion method at March 31, 2012 and 2011 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2012	2011	**2012**
Costs and estimated earnings	**¥6,383**	¥4,686	**$77,662**
Amount billed	**(626)**	(855)	**(7,617)**
	¥5,757	¥3,831	**$70,045**

6. Inventories

Inventories at March 31, 2012 and 2011 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2012	2011	2012
Work in process	¥2,139	¥2,646	$26,025
Merchandise and finished products	5,335	4,277	64,911
Supplies	165	145	2,007
Total	¥7,639	¥7,068	$92,943

7. Long-lived assets

The Group reviewed its long-lived assets for impairment as of March 31, 2012. As a result, the Group recognized an impairment loss of ¥386 million ($4,696 thousand) for the asset groups used to provide application services due to continuous operating losses of those units and the carrying amounts of the relevant assets were written down to the recoverable amount.

The recoverable amounts of those asset groups, measured at their value in use, were zero.

Impairment loss for the year ended March 31, 2012 consisted of the following:

	Millions of Yen	Thousands of U.S. Dollars
	2012	2012
Application services:		
Machinery and equipment	¥45	$547
Software	317	3,857
Goodwill	24	292
Total	¥386	$4,696

The Group reviewed its long-lived assets for impairment as of March 31, 2011. As a result, the Group recognized an impairment loss of ¥515 million for the asset groups used to provide application services due to continuous operating losses of those units and the carrying amounts of the relevant assets were written down to the recoverable amount.

The recoverable amounts of those asset groups, measured at their value in use, were zero.

Impairment loss for the year ended March 31, 2011 consisted of the following:

	Millions of Yen
	2011
Application services:	
Machinery and equipment	¥19
Software	454
Goodwill	42
Total	¥515

8. Short-term bank loans and long-term debt

Commercial paper of ¥12,000 million ($146,003 thousand) and ¥13,000 million bore interest at a rate of 0.12% at March 31, 2012 and 2011, respectively.

Long-term debt at March 31, 2012 and 2011 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2012	2011	2012
1.38% unsecured bonds due 2013	¥10,000	¥10,000	$121,669
1.39% unsecured bonds due 2015	10,000	10,000	121,669
Unsecured loans from banks and insurance companies, 0.72% to 1.87%, due serially to 2017	41,161	44,737	500,803
Total	61,161	64,737	744,141
Less current portion	(20,173)	(17,887)	(245,443)
Long-term debt, less current portion	¥40,988	¥46,850	$498,698

The annual maturities of long-term debt as of March 31, 2012 for the next five years were as follows:

Year Ending March 31,	Millions of Yen	Thousands of U.S. Dollars
2013	¥20,173	$245,443
2014	2,238	27,230
2015	13,200	160,603
2016	13,750	167,295
2017	11,800	143,570
Total	¥61,161	$744,141

As is customary in Japan, collateral must be provided under certain circumstances, if requested by a lending bank, and such bank has the right to offset cash deposited with it against any debts or obligations that become due and, in the case of default or certain other specified events, against all debts payable to the bank. The Group has never received such a request.

9. Income taxes

The Group is subject to Japanese national and local income taxes which, in the aggregate, resulted in a normal effective statutory tax rate of approximately 40.7% for the years ended March 31, 2012 and 2011.

The tax effects of significant temporary differences and tax loss carryforwards which resulted in deferred tax assets and liabilities at March 31, 2012 and 2011 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2012	2011	**2012**
Current assets:			
Deferred tax assets:			
Inventory valuation	**¥1,486**	¥1,666	**$18,080**
Allowance for loss on contract development	**1,421**	66	**17,289**
Tax loss carryforwards	**1,054**	20	**12,824**
Accrued bonuses	**349**	3,652	**4,246**
Accrued business and office taxes	**236**	297	**2,871**
Unrealized profit of inventories	**140**	246	**1,703**
Others	**786**	831	**9,564**
Total	**5,472**	6,778	**66,577**
Less valuation allowance	**(321)**	(459)	**(3,905)**
Total	**¥5,151**	¥6,319	**$62,672**
Deferred tax liabilities:			
Deferred gain on derivatives under hedge accounting	**¥14**	¥15	**$170**
Total	**¥14**	¥15	**$170**
Net current deferred tax assets	**¥5,137**	¥6,304	**$62,502**

Net current deferred tax assets at March 31, 2012 included in the consolidated balance sheet were as follows:

	Millions of Yen	Thousands of U.S. Dollars
Deferred tax assets—current	**¥5,137**	**$62,502**
Net deferred tax assets—current	**¥5,137**	**$62,502**

	Millions of Yen		Thousands of U.S. Dollars
	2012	2011	**2012**
Non-current assets:			
Deferred tax assets:			
Tax loss carryforwards	**¥12,077**	¥12,223	**$146,940**
Depreciation expense	**6,595**	8,381	**80,241**
Impairment loss	**4,623**	5,956	**56,248**
Net unrealized gain on available-for-sale securities	**882**	1,183	**10,731**
Allowance for retirement benefits	**317**	353	**3,857**
Others	**875**	793	**10,646**
Total	**25,369**	28,889	**308,663**
Less valuation allowance	**(15,217)**	(5,319)	**(185,144)**
Total	**¥10,152**	¥23,570	**$123,519**
Deferred tax liabilities:			
Prepaid pension costs	**¥(609)**	¥(2,816)	**$(7,410)**
Others	**(97)**	(104)	**(1,180)**
Total	**¥(706)**	¥(2,920)	**$(8,590)**
Net non-current deferred tax assets	**¥9,446**	¥20,650	**$114,929**

Net non-current deferred tax assets at March 31, 2012 included in the consolidated balance sheet were as follows:

	Millions of Yen	Thousands of U.S. Dollars
Deferred tax assets—non-current	**¥9,622**	**$117,070**
Deferred tax liabilities—non-current	**(176)**	**(2,141)**
Net deferred tax assets—non-current	**¥9,446**	**$114,929**

A reconciliation between the normal effective statutory tax rates and the actual effective tax rates reflected in the accompanying consolidated statements of income for the years ended March 31, 2012 and 2011 were as follows:

	2012	2011
Normal effective statutory tax rate	**40.7%**	40.7%
Increase in valuation allowance	**1,696.0**	15.1
Effect of change of tax rate	**388.7**	
Expenses not deductible for income tax purposes	**43.3**	7.7
Tax effect not recognized on unrealized income	**35.0**	
Amortization of goodwill	**9.9**	22.1
Amount of per-capita local tax	**8.3**	1.4
Amortization of negative goodwill	**(1.1)**	
Equity in earnings of associated companies	**(3.4)**	
Non-taxable items	**(5.4)**	(0.7)
Gain on sales of investments in subsidiaries and associated companies		(10.8)
Reversal of temporary difference for investment in a subsidiary		(40.2)
Other—net	**(1.0)**	0.2
Actual effective tax rate	**2,211.0%**	35.5%

On December 2, 2011, new tax reform laws were enacted in Japan, which changed the normal effective statutory tax rate from approximately 40.7% to 38.0% effective for the fiscal years beginning on or after April 1, 2012 through March 31, 2015, and to 35.6% afterwards. The effect of this change was to decrease net deferred tax assets in the consolidated balance sheet as of March 31, 2012 by ¥2,415 million ($29,383 thousand) and to increase income taxes—deferred in the consolidated statement of income for the year then ended by ¥2,293 million ($27,899 thousand).

At March 31, 2012, the Company and certain consolidated subsidiaries have tax loss carryforwards aggregating approximately ¥35,883 million ($436,585 thousand), which are available to be offset against taxable income in future years. These tax loss carryforwards, if not utilized, will expire as follows:

Year Ending March 31	Millions of Yen	Thousands of U.S. Dollars
2013	**¥211**	**$2,567**
2014	**5,224**	**63,560**
2015	**1,086**	**13,213**
2018	**1,432**	**17,423**
2019	**10,908**	**132,717**
2020	**11,227**	**136,598**
2021	**5,795**	**70,507**
Total	**¥35,883**	**$436,585**

10. Retirement benefits

The Group has severance payment plans for employees. Under most circumstances, employees terminating their employment are entitled to retirement benefits determined based on the rate of pay at the time of termination, years of service and certain other factors. Such retirement benefits are made in the form of lump-sum severance payments from the Company or from certain consolidated subsidiaries and annuity payments from a trustee. Employees are entitled to larger payments if the termination is involuntary, by retirement at the mandatory retirement age, by death, or by voluntary retirement at certain specific ages prior to the mandatory retirement age.

The liability for retirement benefits at March 31, 2012 and 2011 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2012	2011	2012
Projected benefit obligation	**¥100,262**	¥102,771	**$1,219,881**
Fair value of plan assets *	**(85,896)**	(91,916)	**(1,045,091)**
Unrecognized prior service cost	**2,403**	3,604	**29,237**
Unrecognized actuarial gain	**(17,488)**	(20,613)	**(212,775)**
Prepaid pension costs	**1,606**	7,009	**19,540**
Net liability	**¥887**	¥855	**$10,792**

The components of net periodic benefit costs for the years ended March 31, 2012 and 2011 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2012	2011	2012
Service cost	**¥2,335**	¥2,499	**$28,410**
Interest cost	**2,045**	2,094	**24,881**
Expected return on plan assets	**(2,753)**	(2,770)	**(33,496)**
Amortization of prior service cost	**(1,201)**	(1,201)	**(14,612)**
Recognized actuarial loss	**4,298**	5,283	**52,293**
Payment to a defined contribution plan and other	**1,154**	1,261	**14,041**
Total	**¥5,878**	¥7,166	**$71,517**
Loss on valuation of pension assets *	**5,524**		**67,210**
Net periodic benefit costs	**¥11,402**	¥7,166	**$138,727**

* The Group posted the other expense of ¥5,524 million in relation to the contract assets under the management of AIJ Investment Advisors Co., Ltd. (AIJ) pursuant to a discretionary investment contract. AIJ managed pension assets of more than 100 companies and is said to have lost most of them by false investment reports. Most of the contract assets, the pension assets of our corporate pension fund of the Group, were lost on the basis of our assessment.

Assumptions used for the years ended March 31, 2012 and 2011 were set forth as follows:

	2012	2011
Discount rate	**2.0%**	2.0%
Expected rate of return on plan assets	**mainly 3.0%**	mainly 3.0%
Amortization period of prior service cost	**10 years**	10 years
Recognition period of actuarial gain/loss	**mainly 10 years**	mainly 10 years

The liability for retirement benefits at March 31, 2012 and 2011 included the following liabilities:

	Millions of Yen		Thousands of U.S. Dollars
	2012	2011	2012
Allowance for the New Career Support Program (the "NCSP")	**¥165**	¥172	**$2,008**
Current portion	**(76)**	(110)	**(925)**
Net noncurrent portion	**¥89**	¥62	**$1,083**

Total charges relating to allowance for the NCSP for the years ended March 31, 2012 and 2011 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2012	2011	2012
Allowance for the NCSP	**¥78**	¥106	**$949**

11. Equity

The significant provisions in the Companies Act of Japan (the "Companies Act") that affect financial and accounting matters are summarized below:

(1) Dividends

Under the Companies Act, companies can pay dividends at any time during the fiscal year in addition to the year-end dividend upon resolution at the shareholders' meeting. For companies that meet certain criteria such as; (1) having a board of directors, (2) having independent auditors, (3) having a board of corporate auditors, and (4) the term of service of the directors is prescribed as one year rather than two years of normal term by its articles of incorporation, the board of directors may declare dividends (except for dividends-in-kind) at any time during the fiscal year if the company has prescribed so in its articles of incorporation. The Company meets all the above criteria.

Semiannual interim dividends may also be paid once a year upon resolution by the board of directors if the articles of incorporation of the company so stipulate. The Companies Act provides certain limitations on the amounts available for dividends or the purchase of treasury stock. The limitation is defined as the amount available for distribution to the shareholders, but the amount of net assets after dividends must be maintained at no less than ¥3 million.

(2) Increases / decreases and transfer of common stock, reserve and surplus

The Companies Act requires that an amount equal to 10% of dividends must be appropriated as a legal reserve (a component of retained earnings) or as additional paid-in capital (a component of capital surplus) depending on the equity account charged upon the payment of such dividends until the total aggregate amount of legal reserve and additional paid-in capital equals 25% of the amount of common stock.

Under the Companies Act, the total amount of additional paid-in capital and legal reserve may be reversed without limitation. The Companies Act also provides that common stock, legal reserve, additional paid-in capital, other capital surplus and retained earnings can be transferred among the accounts under certain conditions upon resolution of the shareholders.

(3) Treasury stock and treasury stock acquisition rights

The Companies Act also provides for companies to purchase treasury stock and dispose of such treasury stock by resolution of the board of directors. The amount of treasury stock purchased cannot exceed the amount available for distribution to the shareholders which is determined by specific formula. Under the Companies Act, stock acquisition rights are presented as a separate component of equity. The Companies Act also provides that companies can purchase both treasury stock acquisition rights and treasury stock. Such treasury stock acquisition rights are presented as a separate component of equity or deducted directly from stock acquisition rights.

12. Stock options

The granted stock options as of March 31, 2012 of the Company were as follows:

Stock Option	Persons Granted	Number of Options Granted	Date of Grant	Exercise Price	Exercise Period
2003 Stock Option	10 directors; 533 employees; 15 subsidiaries' directors; 14 subsidiaries' employees	713,100 shares	September 3, 2003	¥962 $11.70	From July 1, 2005 to June 30, 2010
2004 Stock Option	10 directors: 513 employees; 27 subsidiaries' directors; 324 subsidiaries' employees	692,700 shares	September 7, 2004	¥952 $11.58	From July 1, 2006 to June 30, 2011
2005 Stock Option	10 directors; 403 employees; 12 subsidiaries' directors; 276 subsidiaries' employees	749,000 shares	December 16, 2005	¥1,763 $21.45	From July 1, 2007 to June 30, 2012
2006 Stock Option	10 directors; 250 employees; 20 subsidiaries' directors; 514 subsidiaries' employees	522,900 shares	November 7, 2006	¥2,434 $29.61	From July 1, 2008 to June 30, 2013
2007 Stock Option	8 directors; 352 employees; 30 subsidiaries' directors; 250 subsidiaries' employees	746,300 shares	November 15, 2007	¥1,712 $20.83	From November 1, 2009 to October 31, 2014
2008 Stock Option	8 directors; 395 employees; 23 subsidiaries' directors; 265 subsidiaries' employees	963,600 shares	August 15, 2008	¥1,791 $21.79	From July 1, 2010 to June 30, 2015
2009 Stock Option	7 directors; 424 employees; 21 subsidiaries' directors; 256 subsidiaries' employees	991,900 shares	August 7, 2009	¥864 $10.51	From July 1, 2011 to June 30, 2016

The stock option activity of the Company was as follows:

	2003 Stock Option (Shares)	2004 Stock Option (Shares)	2005 Stock Option (Shares)	2006 Stock Option (Shares)	2007 Stock Option (Shares)	2008 Stock Option (Shares)	2009 Stock Option (Shares)
For the year ended March 31, 2011							
Non-vested							
March 31, 2010—Outstanding						474,100	988,100
Granted							
Canceled							506,900
Vested						474,100	
March 31, 2011—Outstanding							481,200
Vested							
March 31, 2010—Outstanding	299,300	374,600	713,100	506,300	730,600		
Vested						474,100	
Exercised							
Canceled	299,300	700	800	700	1,500		
March 31, 2011—Outstanding		373,900	712,300	505,600	729,100	474,100	
For the year ended March 31, 2012							
Non-vested							
March 31, 2011—Outstanding							**481,200**
Granted							
Canceled							**700**
Vested							**480,500**
March 31, 2012—Outstanding							
Vested							
March 31, 2011—Outstanding		**373,900**	**712,300**	**505,600**	**729,100**	**474,100**	
Vested							**480,500**
Exercised							
Canceled		**373,900**	**11,300**	**11,200**	**17,800**	**10,000**	**6,600**
March 31, 2012—Outstanding			**701,000**	**494,400**	**711,300**	**464,100**	**473,900**
Exercise price	¥962 $11.70	¥952 $11.58	¥1,763 $21.45	¥2,434 $29.61	¥1,712 $20.83	¥1,791 $21.79	¥864 $10.51
Fair value price at grant date				¥520 $6.33	¥396 $4.82	¥397 $4.83	¥215 $2.62

The granted stock options as of March 31, 2012 of NM were as follows:

Stock Option	Persons Granted	Number of Options Granted	Date of Grant	Exercise Price	Exercise Period
2002 Stock Option	4 directors; 52 employees	2,784 shares	July 31, 2002	¥50,625 $615.95	From July 1, 2004 to March 31, 2010
2003 Stock Option	27 employees	1,088 shares	September 30, 2003	¥111,250 $1,353.57	From July 1, 2005 to March 31, 2010
2004 Stock Option	2 employees	136 shares	July 30, 2004	¥335,261 $4,079.10	From July 1, 2006 to March 31, 2011
2005 Stock Option	1 director; 1 employee	588 shares	July 29, 2005	¥328,030 $3,991.12	From July 1, 2007 to March 31, 2012

The stock option activity of NM was as follows:

	2002 Stock Option (Shares)	2003 Stock Option (Shares)	2004 Stock Option (Shares)	2005 Stock Option (Shares)
For the year ended March 31, 2011				
Vested				
March 31, 2010—Outstanding	560	320	48	500
Canceled	560	320	48	500
March 31, 2011—Outstanding				
Exercise price	¥50,625 $615.95	¥111,250 $1,353.57	¥335,261 $4,079.10	¥328,030 $3,991.12

No non-vested stock options existed at March 31, 2012, 2011 and 2010, respectively.

The granted stock options as of March 31, 2012 of S&I were as follows:

Stock Option	Persons Granted	Number of Options Granted	Date of Grant	Exercise Price	Exercise Period
2004 Stock Option	4 directors; 2 auditors; 8 employees	135 shares	November 1, 2004	¥138,800 $1,688.77	From November 1, 2006 to March 31, 2014
2005 Stock Option	6 directors; 53 employees	237 shares	July 1, 2005	¥180,000 $2,190.05	From July 1, 2007 to March 31, 2015
2006 Stock Option	5 directors; 2 auditors; 71 employees	229 shares	July 1, 2006	¥193,000 $2,348.22	From July 1, 2008 to March 31, 2016
2007 Stock Option	5 directors; 44 employees	162 shares	July 1, 2007	¥151,000 $1,837.21	From July 1, 2009 to March 31, 2017

The stock option activity of S&I was as follows:

	2004 Stock Option (Shares)	2005 Stock Option (Shares)	2006 Stock Option (Shares)	2007 Stock Option (Shares)
For the year ended March 31, 2011				
Non-vested				
March 31, 2010—Outstanding	15	80	101	93
Canceled	15	80	101	93
March 31, 2011—Outstanding				
Exercise price	¥138,800 $1,688.77	¥180,000 $2,190.05	¥193,000 $2,348.22	¥151,000 $1,837.21

No vested stock options existed at March 31, 2012, 2011 and 2010, respectively.

13. Research and development costs

Research and development costs charged to income were ¥4,913 million ($59,776 thousand) and ¥5,525 million for the years ended March 31, 2012 and 2011, respectively.

14. Leases

The minimum rental commitments under noncancellable operating leases at March 31, 2012 and 2011 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2012	2011	**2012**
Due within one year	**¥543**	¥540	**$6,607**
Due after one year	**54**	581	**657**
Total	**¥597**	¥1,121	**$7,264**

Due to the immaterial amounts of lease transactions in the consolidated financial statements, "as if capitalized" information for the fiscal year ended March 31, 2012 and 2011 is omitted.

15. Financial Instruments and Related Disclosures

On March 10, 2008, the ASBJ revised ASBJ Statement No. 10, "Accounting Standard for Financial Instruments" and issued ASBJ Guidance No. 19, "Guidance on Accounting Standard for Financial Instruments and Related Disclosures". This accounting standard and the guidance are applicable to financial instruments and related disclosures at the end of the fiscal years ending on or after March 31, 2010, with early adoption permitted from the beginning of the fiscal years ending before March 31, 2010. The Group applied the revised accounting standard and the new guidance effective March 31, 2010.

(1) Policy for financial instruments

The Group uses financial instruments, mainly bank loans and bonds. Cash surpluses, if any, are invested in low-risk financial assets. All derivative transactions are entered into, not for speculative purposes, but to manage exposure to financial risks incorporated within its business.

(2) Nature and extent of risks arising from financial instruments

Receivables such as trade notes and trade accounts are exposed to customer credit risk. Investment securities, mainly equity instruments of customers and suppliers of the Group, are exposed to the risk of market price fluctuations. Payment terms of payables, such as trade notes and trade accounts, are less than one year. Payables in foreign currencies are exposed to the market risk of fluctuation in foreign currency exchange rates. Bank loans, commercial paper, and bonds are mainly used to fund its ongoing operations. Certain bank loans are exposed to market risks from changes in variable interest rates. Derivatives mainly include forward foreign currency contracts and interest rate swaps, which are used to manage exposure to market risks from changes in foreign currency exchange rates of payables, and from changes in interest rates of bank loans. Please see Note 16 for more detail about derivatives.

(3) Risk management for financial instruments

Credit risk management
Credit risk is the risk of economic loss arising from a customer's failure to repay according to the contractual terms. Receivables such as trade notes and trade accounts are exposed to customer credit risk. The Company manages its credit risk from receivables on the basis of internal guidelines to identify and minimize the default risk of customers in the early stages. The internal guidelines include conducting a credit investigation of a new customer to limit its credit amount, periodically reviewing the status of customers, and monitoring of payment terms and balances of each customer by the business administration department and the credit department. The Company's subsidiaries also manage their credit risk on the basis of the same basic internal guidelines as the Company's.

Market risk management (foreign exchange risk and interest rate risk)
With respect to the risk of market price fluctuations of investment securities, the Group monitors market values and/or financial position of issuers, which are the Group's customers and suppliers, on a regular basis to determine whether to continue to hold such securities taking into consideration the relation with those customers and suppliers of the Group.
Currency exchange risk of foreign currency trade payables is hedged principally by forward foreign currency contracts. Interest rate swaps are used to manage exposure to market risks from changes in interest rates for certain bank loans.
Execution and custody of derivative transactions by the corporate treasury department have been approved by the directors concerned based on internal guidelines. The transaction data has been reported to the directors concerned and corporate auditors on a monthly basis.

Liquidity risk management
Liquidity risk comprises the risk that the Company and its subsidiaries cannot meet their contractual obligations in full on maturity dates. The Group manages its liquidity risk by holding adequate volumes of liquid assets, along with adequate financial plans prepared and updated by the Company's corporate treasury department, based on reports from the Company's subsidiaries and its internal departments.

(4) Fair values of financial instruments

Fair values of financial instruments are based on quoted price in active markets. If quoted price is not available, other rational valuation techniques are used instead. Such valuation reflects variable factors and may result in a different amount depending on assumptions.

The contract amounts of derivatives shown in Note 16 do not measure the Group's exposure to market risk.

(a) Fair values of financial instruments

Fair values of financial instruments as of March 31, 2012 and 2011 were as follows:

	Millions of Yen		
March 31, 2012	Carrying Amount	Fair Value	Unrealized Gain (Loss)
Cash and cash equivalents	**¥27,255**	**¥27,255**	
Accounts receivable—trade	**64,422**	**64,422**	
Investment securities	**10,725**	**10,725**	
Total	**¥102,402**	**¥102,402**	
Current portion of long-term debt	**¥20,173**	**¥20,255**	**¥(82)**
Commercial paper	**12,000**	**12,000**	
Accounts payable—trade	**23,378**	**23,378**	
Long-term debt	**40,988**	**41,226**	**(238)**
Total	**¥96,539**	**¥96,859**	**¥(320)**
Derivatives *	**¥37**	**¥37**	
March 31, 2011			
Cash and cash equivalents	¥30,414	¥30,414	
Accounts receivable—trade	59,255	59,255	
Investment securities	10,262	10,262	
Total	¥99,931	¥99,931	
Current portion of long-term debt	¥17,887	¥17,993	¥(106)
Commercial paper	13,000	13,000	
Accounts payable—trade	18,934	18,934	
Long-term debt	46,850	47,110	(260)
Total	¥96,671	¥97,037	¥(366)
Derivatives *	¥13	¥13	

	Thousands of U.S. Dollars		
March 31, 2012	Carrying Amount	Fair Value	Unrealized Gain (Loss)
Cash and cash equivalents	**$331,610**	**$331,610**	
Accounts receivable—trade	**783,818**	**783,818**	
Investment securities	**130,491**	**130,491**	
Total	**$1,245,919**	**$1,245,919**	
Current portion of long-term debt	**$245,443**	**$246,441**	**$(998)**
Commercial paper	**146,003**	**146,003**	
Accounts payable—trade	**284,438**	**284,438**	
Long-term debt	**498,698**	**501,594**	**(2,896)**
Total	**$1,174,582**	**$1,178,476**	**$(3,894)**
Derivatives *	**$450**	**$450**	

* Assets and liabilities from derivative transactions are netted, with net liabilities presented in parenthesis.

Cash and cash equivalents
The carrying values of cash and cash equivalents approximate fair value because of their short maturities.

Accounts receivable—trade
The carrying values of accounts receivable—trade approximate fair value because of their short maturities.

Investment securities
The fair values of investment securities are measured at the quoted market price of the stock exchange for the equity instruments, and at the quoted price obtained from the financial institution for certain debt instruments. The fair values of mutual funds are measured at the market price.
The information of the fair value for investment securities by classification is included in Note 4.

Accounts payable—trade, short-term bank loans, and commercial paper
The carrying values of accounts payable—trade, short-term bank loans, and commercial paper approximate fair value because of their short maturities.

Long-term debt
The fair values of long-term debt are determined by discounting the cash flows related to the debt at the assumed borrowing rate applied if the debt of the same interest and principal were newly financed. Interest rate swaps which qualify for hedge accounting and which meet specific matching criteria are not remeasured at market value, but the differential paid or received under the swap agreements are recognized and included in interest expense or income. The fair values of items (i.e., floating rate loans from banks and insurance companies) hedged by such interest rate swaps are determined by discounting the total cash flows of those hedged items and hedging instruments at the rationally estimated rate applied if the debt of the same interest and principal were financed.

Derivatives
The information of the fair value for derivatives is included in Note 16.

(b) Financial instruments whose fair value cannot be reliably determined

	Carrying Amount		
	Millions of Yen		Thousands of U.S. Dollars
	2012	2011	**2012**
Investments in unconsolidated subsidiaries and associated companies	**¥1,461**	¥1,385	**$17,776**
Investments in equity instruments that do not have a quoted market price in an active market	**¥1,291**	¥1,322	**$15,707**
Other	**¥259**	¥289	**$3,151**

(5) Maturity analysis for financial assets and securities with contractual maturities

	Millions of Yen			
March 31, 2012	Due in one year or less	Due after one year through five years	Due after five years through ten years	Due after ten years
Cash and cash equivalents	**¥27,255**			
Accounts receivable—trade	**64,422**			
Investment securities:				
Available-for-sale securities:				
(1)Debt securities			**¥100**	
(2)Other		**¥63**	**83**	
Total	**¥91,677**	**¥63**	**¥183**	
March 31, 2011				
Cash and cash equivalents	¥30,414			
Accounts receivable—trade	59,255			
Investment securities:				
Available-for-sale securities:				
(1)Debt securities			¥100	
(2)Other	21	¥68	88	
Total	¥89,690	¥68	¥188	

	Thousands of U.S. Dollars			
March 31, 2012	Due in one year or less	Due after one year through five years	Due after five years through ten years	Due after ten years
Cash and cash equivalents	**$331,610**			
Accounts receivable—trade	**783,818**			
Investment securities:				
Available-for-sale securities:				
(1)Debt securities			**$1,217**	
(2)Other		**$767**	**1,010**	
Total	**$1,115,428**	**$767**	**$2,227**	

* Please see Note 8 for annual maturities of long-term debt.

16. Derivatives

The Company and certain subsidiaries enter into foreign currency forward contracts to hedge foreign exchange risk associated with certain liabilities denominated in foreign currencies. The Company also enters into interest rate swap contracts to manage its interest rate exposures on certain liabilities.

All derivative transactions are entered into to hedge interest and foreign currency exposures incorporated within the Company's and certain subsidiaries' business. Accordingly, market risk in these derivatives is basically offset by opposite movements in the value of hedged liabilities.

Because the counterparties to these derivatives are limited to major international financial institutions and credible general trading companies, the Company and certain subsidiaries do not anticipate any losses arising from credit risk.

Derivative transactions entered into by the Company and certain subsidiaries have been made in accordance with internal policies which regulate the authorization and credit limit amounts.

Derivative transactions to which hedge accounting is not applied at March 31, 2012 and 2011 were as follows:

	Millions of Yen			
March 31, 2012	Contract Amount	Contract amount due after one year	Fair Value	Gain (Loss)
Foreign currency forward contracts (off-market trading):				
Buying U.S. Dollars	**¥862**		**¥7**	**¥7**
March 31, 2011				
Foreign currency forward contracts (off-market trading):				
Buying U.S. Dollars	¥157	¥99	¥(12)	¥(12)
Foreign currency options (off-market trading):				
Buying U.S. Dollars	339		(6)	(6)

	Thousands of U.S. Dollars			
March 31, 2012	Contract Amount	Contract amount due after one year	Fair Value	Gain (Loss)
Foreign currency forward contracts (off-market trading):				
Buying U.S. Dollars	**$10,488**		**$85**	**$85**

* The fair value of derivative transactions is measured at the quoted price obtained from the financial institutions.

Derivative transactions to which hedge accounting is applied at March 31, 2012 and 2011 were as follows:

	Millions of Yen			
March 31, 2012	Hedged Item	Contract Amount	Contract amount due after one year	Fair Value
Foreign currency forward contracts:				
Buying U.S. Dollars:				
- Deferral hedge	Payables	**¥605**		**¥(6)**
- Forward contracts applied for designated transactions	Payables	**319**		
Buying Korean Won:				
- Deferral hedge	Payables	**533**		**36**
Interest rate swaps:				
- Hedge accounting	Long-term debt	**3,000**	**¥3,000**	
- Fixed rate payment, floating rate receipt	Long-term debt	**13,650**	**11,500**	
March 31, 2011				
Foreign currency forward contracts:				
Buying U.S. Dollars:				
- Deferral hedge	Payables	¥1,949		¥31
- Forward contracts applied for designated transactions	Payables	861		
Interest rate swaps:				
- Fixed rate payment, floating rate receipt	Long-term debt	15,025	¥7,650	

	Thousands of U.S. Dollars			
March 31, 2012	Hedged Item	Contract Amount	Contract amount due after one year	Fair Value
Foreign currency forward contracts:				
Buying U.S. Dollars:				
- Deferral hedge	Payables	**$7,361**		**$(73)**
- Forward contracts applied for designated transactions	Payables	**3,881**		
Buying Korean Won:				
- Deferral hedge	Payables	**6,485**		**438**
Interest rate swaps:				
- Hedge accounting	Long-term debt	**36,501**	**$36,501**	
- Fixed rate payment, floating rate receipt	Long-term debt	**166,079**	**139,920**	

* The fair values of derivative transactions are measured at the quoted price obtained from the financial institutions.
* Payables denominated in foreign currencies covered by a forward exchange contract are translated at the contracted rates if the forward contracts qualify for hedge accounting.
* The above interest rate swaps which qualify for hedge accounting and which meet specific matching criteria are not remeasured at market value, but the differential paid or received under the swap agreements are recognized and included in interest expense or income. In addition, the fair values of such interest rate swaps are included in those of the hedged items (i.e., long-term debt).

17. Contingent liabilities

At March 31, 2012, the Group had the following contingent liabilities:

	Millions of Yen	Thousands of U.S. Dollars
Guarantees of bank loans to employees for housing	**¥1,038**	**$12,629**

18. Comprehensive income

The components of other comprehensive loss for the year ended March 31, 2012 were as follows:

	Millions of Yen	Thousands of U.S. Dollars
	2012	**2012**
Unrealized gain (loss) on available-for-sale securities:		
Gains arising during the year	**¥397**	**$4,830**
Reclassification adjustments to profit or loss	**52**	**633**
Amount before income tax effect	**449**	**5,463**
Income tax effect	**(601)**	**(7,312)**
Total	**¥(152)**	**$(1,849)**
Deferred gain (loss) on derivatives under hedge accounting:		
Losses arising during the year	**¥(13)**	**$(158)**
Reclassification adjustments to profit or loss	**11**	**134**
Amount before income tax effect	**(2)**	**(24)**
Income tax effect	**1**	**12**
Total	**(1)**	**(12)**
Total other comprehensive loss	**¥(153)**	**$(1,861)**

The corresponding information for the year ended March 31, 2011 was not required under the accounting standard for presentation of comprehensive income as an exemption for the first year of adopting that standard and not disclosed herein.

19. Net income per share

Reconciliation of the differences between basic and diluted net income (loss) per share ("EPS") for the years ended March 31, 2012 and 2011 is as follows:

	Net loss	Weighted-average shares	EPS	
For the year ended March 31, 2012:	Millions of Yen	Thousands of shares	Yen	U.S. Dollars
Basic EPS				
Net loss available to common shareholders	**¥(12,499)**	**93,980**	**¥(132.99)**	**$(1.62)**

Diluted net income per share is not disclosed because of the Group's net loss position for the year ended March 31, 2012.

	Net income	Weighted-average shares	EPS
For the year ended March 31, 2011:	Millions of Yen	Thousands of shares	Yen
Basic EPS			
Net income available to common shareholders	¥2,575	94,922	¥27.12

Diluted net income per share is not disclosed because it is anti-dilutive for the year ended March 31, 2011.

20. Related party transactions

Deposits with Mitsui & Co. Financial Services Ltd., sister company of the Company, for the years ended March 31, 2012 and 2011 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2012	2011	**2012**
Deposits: Mitsui & Co. Financial Services Ltd.	**¥9,211**	¥10,679	**$112,070**

The deposit amounts above are the interim average balance of short-term deposits. There were no transaction balances due to or from Mitsui & Co. Financial Services Ltd. at March 31, 2012 and 2011.

21. Segment information

For the years ended March 31, 2012 and 2011

Under ASBJ Statement No. 17, "Accounting Standard for Segment Information Disclosures" and issued ASBJ Guidance No. 20, "Guidance on Accounting Standard for Segment Information Disclosures", an entity is required to report financial and descriptive information about its reportable segments. Reportable segments are operating segments or aggregations of operating segments that meet specified criteria. Operating segments are components of an entity about which separate financial information is available and such information is evaluated regularly by the chief operating decision maker in deciding how to allocate resources and in assessing performance. Generally, segment information is required to be reported on the same basis as is used internally for evaluating operating segment performance and deciding how to allocate resources to operating segments.

(1) Description of reportable segments

The Group's reportable segments are those for which separate financial information is available and regular evaluation by the Company's management is being performed in order to decide how resources are allocated among the Group. Therefore, the Group consists of six segments - system services, support services, outsourcing, Netmarks services, software, and hardware. "System services" segment consists of contracted software development, system-related services, and consulting. "Support services" segment consists of support services for software, support services for hardware, and installation services. "Outsourcing" segment consists of contracted administration of information system and others. "Netmarks services" segment consists of network system integration. "Software" segment consists of providing software under a software license agreement. "Hardware" segment consists of providing hardware under a sales contract or a lease contract.

(2) Methods of measurement for the amounts of sales, profit (loss), assets and other items for each reportable segment

The accounting policies of each reportable segment are consistent with those disclosed in Note 2, "Summary of significant accounting policies".

(3) Information about sales, profit (loss), assets and other items is as follows:

	Millions of Yen										
	2012										
	Reportable segment										
	System Services	Support Services	Out-sourcing	Netmarks Services	Software	Hardware	Total	Other [1)]	Total	Reconcil-iations [2)]	Consol-idated [3)]
Sales	¥71,658	¥52,902	¥31,943	¥21,982	¥23,328	¥44,582	¥246,395	¥8,728	¥255,123		¥255,123
Segment profit	15,439	20,595	4,073	4,638	5,546	10,150	60,441	3,121	63,562	¥(56,251)	7,311
Segment assets	1,635	2,329	17,431	2,290	4,730	5,577	33,992	341	34,333	155,751	190,084
Other:											
Depreciation	139	258	4,139	514	3,630	937	9,617	102	9,719	2,293	12,012
Increase in property, plant and equipment and intangible assets	106	128	3,454	365	2,316	610	6,979	33	7,012	4	11,559
Impairment losses of assets			386				386		386		386
Goodwill:											
Amortization										144	144
Balance										2,209	2,209
Negative goodwill:											
Amortization										16	16
Balance										8	8

1) The "Other" category not included in a specific reportable segment consists of installation and other businesses.
2) Reconciliation of segment profit of ¥(56,251) million consists of selling, general, and administrative expenses of ¥(51,194) million not allocable to the reportable segments, research and development costs of ¥(4,913) million, and amortization of goodwill of $(144) million.
Reconciliation of segment assets of ¥155,751 million consists of corporate assets not allocable to the reportable segments.
Reconciliation of depreciation expense of ¥2,293 million consists of depreciation expense of corporate assets not allocable to the reportable segments.
Reconciliation of increase in property, plant and equipment and intangible assets of ¥4,547 million consists of increase in corporate assets not allocable to the reportable segments.
3) Segment profit is reconciled to operating income in the consolidated statement of income.

Millions of Yen 2011	Reportable segment										
	System Services	Support Services	Out-sourcing	Netmarks Services	Software	Hardware	Total	Other [1]	Total	Reconcil-iations [2]	Consol-idated [3]
Sales	¥73,521	¥53,974	¥28,424	¥20,293	¥26,813	¥34,816	¥237,841	¥15,149	¥252,990		¥252,900
Segment profit	18,900	18,207	2,593	4,106	9,210	8,952	61,968	3,913	65,881	¥(59,354)	6,527
Segment assets	1,720	1,664	21,933	2,506	5,988	4,233	38,044	135	38,179	169,103	207,282
Other:											
Depreciation	79	206	5,186	520	4,208	1,223	11,422	167	11,589	1,785	13,374
Increase in property, plant and equipment and intangible assets	72	280	6,953	289	2,006	692	10,292	154	10,446	2,348	12,794
Impairment losses of assets			473				473		473	42	515
Goodwill:											
Amortization										2,101	2,101
Balance										2,354	2,354
Negative goodwill:											
Amortization										44	44
Balance										23	23

1) The "Other" category not included in a specific reportable segment consists of printing and other businesses.
2) Reconciliation of segment profit of ¥(59,354) million consists of selling, general, and administrative expenses of ¥(53,570) million not allocable to the reportable segments, research and development costs of ¥(5,525) million, and amortization of goodwill of $(259) million.
Reconciliation of segment assets of ¥169,103 million consists of corporate assets not allocable to the reportable segments.
Reconciliation of depreciation expense of ¥1,785 million consists of depreciation expense of corporate assets not allocable to the reportable segments.
Reconciliation of increase in property, plant and equipment and intangible assets of ¥2,348 million consists of increase in corporate assets not allocable to the reportable segments.
3) Segment profit is reconciled to operating income in the consolidated statement of income.

Thousands of U.S. Dollars 2012	Reportable segment										
	System Services	Support Services	Out-sourcing	Netmarks Services	Software	Hardware	Total	Other [1]	Total	Reconcil-iations [2]	Consol-idated [3]
Sales	**$871,859**	**$643,655**	**$388,648**	**$267,453**	**$283,830**	**$542,426**	**$2,997,871**	**$106,193**	**$3,104,064**		**$3,104,064**
Segment profit	**187,845**	**250,578**	**49,556**	**56,430**	**67,478**	**123,494**	**735,381**	**37,973**	**773,354**	**$(684,402)**	**88,952**
Segment assets	**19,892**	**28,337**	**212,082**	**27,862**	**57,550**	**67,855**	**413,578**	**4,149**	**417,727**	**1,895,012**	**2,312,739**
Other:											
Depreciation	**1,691**	**3,139**	**50,359**	**6,254**	**44,166**	**11,400**	**117,009**	**1,241**	**118,250**	**27,899**	**146,149**
Increase in property, plant and equipment and intangible assets	**1,289**	**1,557**	**42,025**	**4,441**	**28,179**	**7,422**	**84,913**	**402**	**85,315**	**55,323**	**140,638**
Impairment losses of assets			**4,696**				**4,696**		**4,696**		**4,696**
Goodwill:											
Amortization										**1,752**	**1,752**
Balance										**26,877**	**26,877**
Negative goodwill:											
Amortization										**195**	**195**
Balance										**97**	**97**

1) The "Other" category not included in a specific reportable segment consists of installation and other businesses.
2) Reconciliation of segment profit of $(684,402) thousand consists of selling, general, and administrative expenses of $(622,874) thousand not allocable to the reportable segments, research and development costs of $(59,776) thousand, and amortization of goodwill of $(1,752) thousand.
Reconciliation of segment assets of $1,895,012 thousand consists of corporate assets not allocable to the reportable segments.
Reconciliation of depreciation expense of $27,899 thousand consists of depreciation expense of corporate assets not allocable to the reportable segments.
Reconciliation of increase in property, plant and equipment and intangible assets of $55,323 thousand consists of increase in corporate assets not allocable to the reportable segments.
3) Segment profit is reconciled to operating income in the consolidated statement of income.

Information about industry segments, geographical segments and sales to foreign customers of the Group for the years ended March 31, 2012 and 2011 is as follows:

(1) Industry segments

Industry segment information has not been presented because the Group operates in a single segment of the industry that provides computers, software and other related products, as well as various kinds of related services.

(2) Geographical segments

Geographical segment information has not been presented because the Japanese portion of our consolidated net sales constituted more than 90%.

(3) Sales to foreign customers

Information on sales to foreign customers has not been presented because the amount constituted an insignificant percentage of consolidated net sales.

INDEPENDENT AUDITOR'S REPORT

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of Nihon Unisys, Ltd.:

We have audited the accompanying consolidated balance sheet of Nihon Unisys, Ltd. and consolidated subsidiaries as of March 31, 2012, and the related consolidated statements of income, comprehensive income, changes in equity, and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information, all expressed in Japanese yen.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in conformity with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in conformity with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Nihon Unisys, Ltd. and consolidated subsidiaries as of March 31, 2012, and the consolidated results of their operations and their cash flows for the year then ended in conformity with accounting principles generally accepted in Japan.

Convenience Translation

Our audit also comprehended the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made in conformity with the basis stated in Note 1. Such U.S. dollar amounts are presented solely for the convenience of readers outside Japan.

Deloitte Touche Tohmatsu LLC

June 28, 2012

Member of
Deloitte Touche Tohmatsu Limited

CORPORATE PROFILE AND STOCK INFORMATION

As of March 31, 2012

Corporate Profile

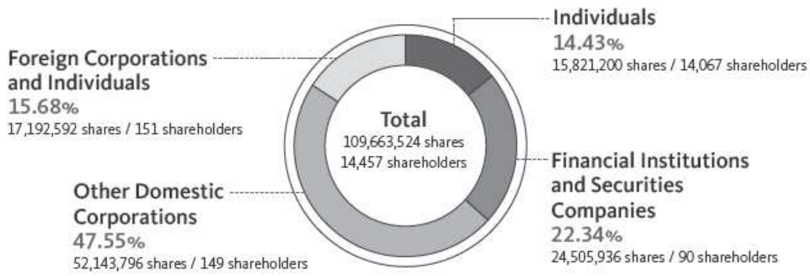
Name	Nihon Unisys, Ltd.
Established	March 29, 1958
Capital	¥5,483 million
Business Activities	Consulting ICT solutions Outsourcing Support and system-related services Sales of computer systems (hardware and software)
Number of Employees	9,157 (consolidated basis)
Independent Auditor	Deloitte Touche Tohmatsu LLC
Business Offices	Headquarters: 1-1-1 Toyosu, Koto-ku, Tokyo 135-8560, Japan Regional Headquarters: Kansai (Osaka), Chubu (Nagoya), Kyushu (Fukuoka) Regional Offices: Hokkaido (Sapporo), Tohoku (Sendai), Niigata (Niigata), Hokuriku (Kanazawa), Shizuoka (Shizuoka), Chugoku (Hiroshima)

Stock Information

Number of Shares Issued 109,663,524 shares

Number of Shareholders 14,457

Classification of Shareholders



Principal Shareholders

Name	Number of shares held (Thousands)	Holding ratio (%)
Mitsui & Co., Ltd.	30,524	27.83
Japan Trustee Services Bank, Ltd. (Trust Account)	6,024	5.49
The Norinchukin Bank	4,653	4.24
Nihon Unisys Employees' Shareholding Society	3,400	3.10
The Master Trust Bank of Japan, Ltd. (Trust Account)	3,194	2.91
All Nippon Airways Co., Ltd.	1,794	1.63
Morgan Stanley & Co. International plc	1,423	1.29
Morgan Stanley & Co. LLC	1,277	1.16
The Master Trust Bank of Japan, Ltd. (Retirement Benefit Trust Account/Mitsubishi Electric Corporation Account)	1,271	1.15
State Street Bank and Trust Company 505225	1,134	1.03

Notes: Number of shares is rounded down to the nearest thousand shares.
In addition to the above, Nihon Unisys, Ltd., retains 15,670,750 treasury shares (holding ratio: 14.28%).
On August 22, 2012, Mitsui & Co., Ltd., sold a portion of its shareholdings to Dai Nippon Printing Co., Ltd., and as a result there was a change in the Company's largest shareholder.
Dai Nippon Printing Co., Ltd., has become the largest shareholder, with 20,727,410 shares (shareholding ratio: 18.90%). Mitsui & Co., Ltd., now holds 9,798,509 shares (shareholding ratio: 8.94%).

GROUP COMPANIES

As of March 31, 2012

Marketing & Business Development & Consulting

Consulting, sales, and marketing
Nihon Unisys, Ltd. (4,358 employees)

CAD / CAM system-related services
UEL Corporation (198 employees)

Consulting services
Cambridge Technology Partners, Ltd. (62 employees)

Investment advisory and business analysis services through the utilization of intellectual property information
NU Intellectual Property Financial Services Co., Ltd. (non-consolidated company)

ICT solution services for financial institutions
AFAS Inc. (75 employees)

Network & Support Services

Network and support services
UNIADEX, Ltd. (2,554 employees)
S&I Co., Ltd. (156 employees)

Network services
NETMARKS INC. (495 employees)

System Services

ICT solution services
USOL HOLDINGS Co., Ltd.
- USOL Hokkaido Co., Ltd. (92 employees)
- USOL Tohoku Co., Ltd. (27 employees)
- USOL Tokyo Co., Ltd. (164 employees)
- USOL Chubu Co., Ltd. (83 employees)
- USOL Kansai Co., Ltd. (46 employees)
- USOL Chugoku Co., Ltd. (51 employees)
- USOL Kyushu Co., Ltd. (60 employees)
- USOL VIETNAM Co., Ltd. (167 employees)

ICT solution services based in Okinawa
International Systems Development Co., Ltd. (152 employees)

ICT solution services for the commercial and manufacturing sectors
G&U System Service, Ltd. (69 employees)

ICT solution services for the distribution and retail sectors
UNIAID Co., Ltd. (non-consolidated company)

Outsourcing

ICT outsourcing services
A-tas, Ltd. (113 employees)

Outsourcing services for the futures trading industry
TRADE ViSION, Ltd. (5 employees)

Group Shared Services

Group shared operations and various services
Nihon Unisys Business, Ltd. (230 employees)

Group accounting operations services
Nihon Unisys Accounting Co., Ltd. (non-consolidated company)

U.S. base
NUL System Services Corporation (non-consolidated company)

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135-8560, Japan
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