Nihon Unisys, Ltd.

ANNUAL REPORT **2013**

For the Year Ended March 31, 2013

Highlights

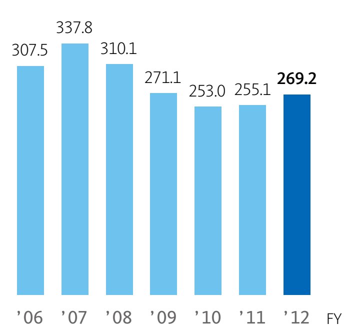
Nihon Unisys, Ltd. and Consolidated Subsidiaries

Millions of Yen	FY2008	FY2009	FY2010	FY2011	FY2012	Mid-Term Management Plan Targets FY2014 Targets*1
Financial Data:						
Net sales	¥ 310,127	¥ 271,085	¥ 252,990	¥ 255,123	**¥269,170**	**¥280,000**
Operating income	15,883	7,106	6,527	7,311	**8,311**	**14,000**
Net income (loss)	(8,819)	3,627	2,575	(12,499)	**1,251**	**8,000**
Total assets	233,546	218,067	207,282	190,084	**197,780**	–
Total equity	75,465	76,927	76,770	63,223	**67,917**	–
Interest-bearing debt	90,526	81,848	78,921	74,161	**66,133**	–
Per share amounts (Yen):						
Basic net income (loss)	¥ (91.96)	¥ 37.82	¥ 27.12	¥(132.99)	**¥13.31**	–
Cash dividends applicable to the year	15.00	10.00	10.00	5.00	**10.00**	–
Non-financial Data:						
Number of employees	9,639	9,670	9,417	9,157	**8,820**	**8,000*2**
Energy consumption (kl)*3 *4	–	–	12,353	10,026	**9,830**	–
CO_2 emissions (t)*4	–	–	18,798	16,509	**17,417*5**	–

*1 Mid-Term Management Plan Targets
*2 Workforce optimization is being conducted in accordance with the Mid-Term Management Plan (see page 5 for details).
*3 Energy consumption: crude oil equivalent
*4 Certain Group companies with low influence are excluded.
*5 Year-on-year increases are due to the worsening of CO_2 emissions coefficients following a rise in thermal power generation in response to lower operation ratios of nuclear power plants in Japan.

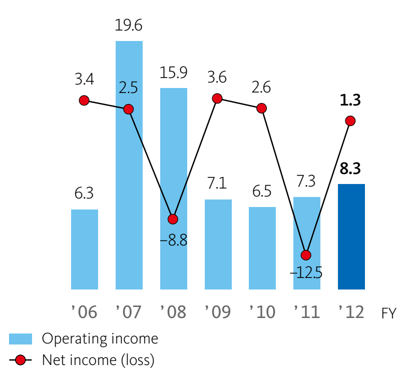
Net Sales

(Billions of yen)



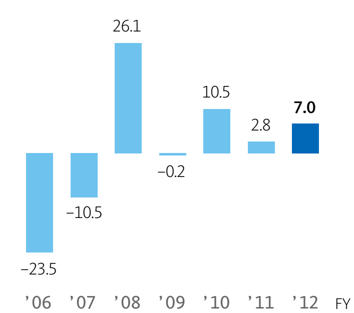
Operating Income /Net Income (Loss)

(Billions of yen)



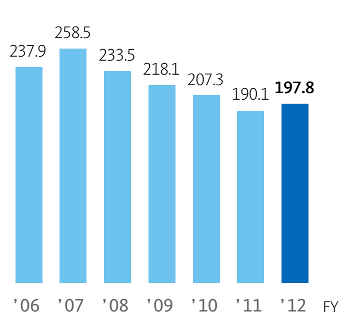
Free Cash Flows

(Billions of yen)



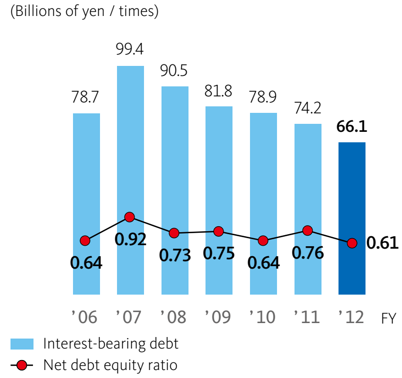
Total Assets

(Billions of yen)



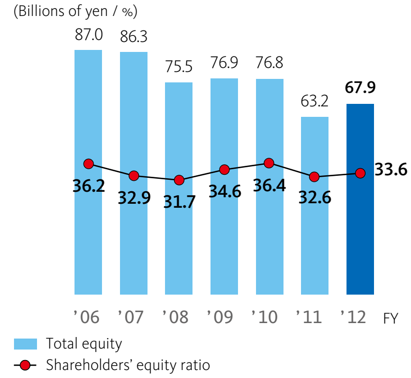
Interest-bearing Debt / Net Debt Equity Ratio

(Billions of yen / times)



Total Equity / Shareholders' Equity Ratio

(Billions of yen / %)



In this report, fiscal year refers to the period beginning April 1 and ending March 31. Fiscal 2012 refers to the year ended March 31, 2013.

We will work with all people to contribute to creating a society that is friendly to people and the environment.

Established in 1958, the Nihon Unisys Group has a history dating back to the dawn of the computer era. As a solutions provider, we have continually contributed to the development of information and communications technology (ICT) in Japan by providing timely ICT services matched to user needs.

The Group provides integrated services that begin with the analysis of management issues and culminate in their solution, for clients in sectors ranging from financial services, manufacturing, and distribution to energy and government.

By leveraging the Group's ICT technologies to provide services that help resolve various social issues, we aim to contribute to the development of society itself through our business activities.

Contents

We will continue to push forward as we aim to grow

In the fiscal year ended March 31, 2013 (fiscal 2012), conditions in the business environment remained sluggish against the backdrop of the global economic recession. However, the change in government administration in Japan that occurred at the end of 2012 promoted an optimistic view for the possibility of recovery in the domestic economy.

In this environment, we diligently advanced the core growth strategies of Mid-Term Management Plan (2012→2014), expanding core businesses, taking on the challenge of new businesses, and reinforcing our management base. As a result of these efforts, we were able to achieve year-on-year increases in net sales and income in the fiscal 2012, the first year of the plan. I thus felt we made strong progress in realizing recovery on the top line, which was a major task placed before the Company.

In the fiscal year ending March 31, 2014, which will be the second year of the three-year plan, we will further advance the core growth strategies of Mid-Term Management Plan (2012→2014) while also steadily leveraging the benefits of our business alliance with Dai Nippon Printing Co., Ltd., which commenced on August 9, 2012. Through these efforts, we aim to

Nihon Unisys Group Corporate Philosophy

Our Mission

Work with all people to contribute to creating a society that is friendly to people and the environment

Our Vision

Be a group that strives to be sensitive to the expectations and needs of society and that thinks through how ICT can contribute to meet them

Our Values

1. Pursuit of High Quality and High Technology
   Always have the latest knowledge that is useful for society while improving our skills
2. Respect for Individuals and Importance of Teamwork
   Identify each other's good points, encourage each other to improve those good points and harness the strength of each person
3. Attractive Company for Society, Customers, Shareholders and Employees
   Listen sincerely to our stakeholders to improve our corporate value

sustainably as a company.

achieve net sales of ¥275.0 billion in the fiscal year ending March 31, 2014, higher than the target set in the Mid-Term Management Plan, and operating income of ¥12.0 billion.

One-third of the period of Mid-Term Management Plan (2012→2014) has passed, and we have made good progress in individual initiatives. Going forward, we will accelerate our efforts to connect the results of these initiatives and generate synergies, and then leverage these synergies to create further value. In concrete terms, we will strengthen our ICT capabilities and pursue cooperation with customers in various industries and businesses. Through this process, I believe we can use ICT technologies to contribute to the resolution of social issues.

In this undertaking, it is not enough to focus only on serving our customers. We must expand our perspective to include the customers of our customers, and then finally to broaden our view to advance our business while considering all of society. In Mid-Term Management Plan (2012→2014), we have defined a mission of "creating a society that is kind to people and the environment." We realize that in order to accomplish this we first must continue to change ourselves. To communicate this commitment both inside and outside of the Group, we recently revised the Nihon Unisys Group Corporate Philosophy. The revised philosophy defines our mission as:

"work with all people to contribute to creating a society that is friendly to people and the environment."

Striving to accomplish this mission, we will continue to push forward as we aim to grow sustainably as a company by contributing to the resolution of social issues through our business.

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

September 2013

Shigeru Kurokawa
President & CEO

Nihon Unisys Group Charter of Corporate Behavior

We will meet our responsibilities towards society and the environment to protect the future of our children.

1. Act with coexistence of people and the environment as the highest priority
2. Always act according to the principles of social responsibility
3. Sincerely work on the core subjects and issues of social responsibility

Principles of Social Responsibility
The Nihon Unisys Group strives to practice social responsibility in accordance with the seven principles of social responsibility described in ISO 26000, the international standard for social responsibility. These are accountability, transparency, ethical behavior, respect for stakeholder interests, respect for the rule of law, respect for international norms of behavior, and respect for human rights.

Core Subjects of Social Responsibility
The Nihon Unisys Group evaluates its CSR activities and identifies core subjects and issues in consideration of the seven core subjects of ISO 26000, the international standard of social responsibility. These are organizational governance, human rights, labour practices, the environment, fair operating practices, consumer issues, and community involvement and development.

Mid-Term Management Plan (2012→2014)

Progress in Fiscal 2012, Future Strategies

The Nihon Unisys Group began advancing its three-year Mid-Term Management Plan (2012→2014) in April 2012. In fiscal 2012, growth in the ICT infrastructure business enabled us to realize improvements in both sales and income. Meanwhile, efforts to reform our cost structure and reinforce our management base progressed smoothly.

Overview of Mid-Term Management Plan (2012→2014)

In Mid-Term Management Plan (2012→2014), we have identified the strategies of expanding core businesses, taking on the challenge of new businesses, and reinforcing our management base. We aim to accelerate growth by expanding core businesses, cooperating with Dai Nippon Printing Co., Ltd. (DNP), and taking on challenges in new business fields, while also strengthening our management base. Through these efforts, we will work to accomplish our goals.

Fundamental Policies

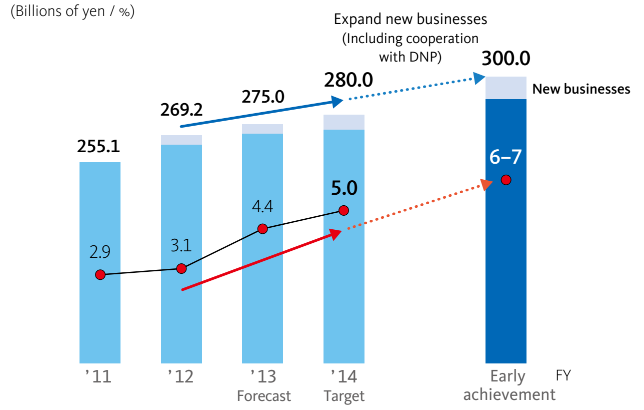
- Strengthening income base on basis of expansion of core businesses
- Taking on new challenges of co-creation / BPO business models and social infrastructure businesses to drive medium- to long-term growth
- Reinforcement of management base toward sustainable growth
- Pursuit of medium- to long-term business expansion through cooperation with DNP

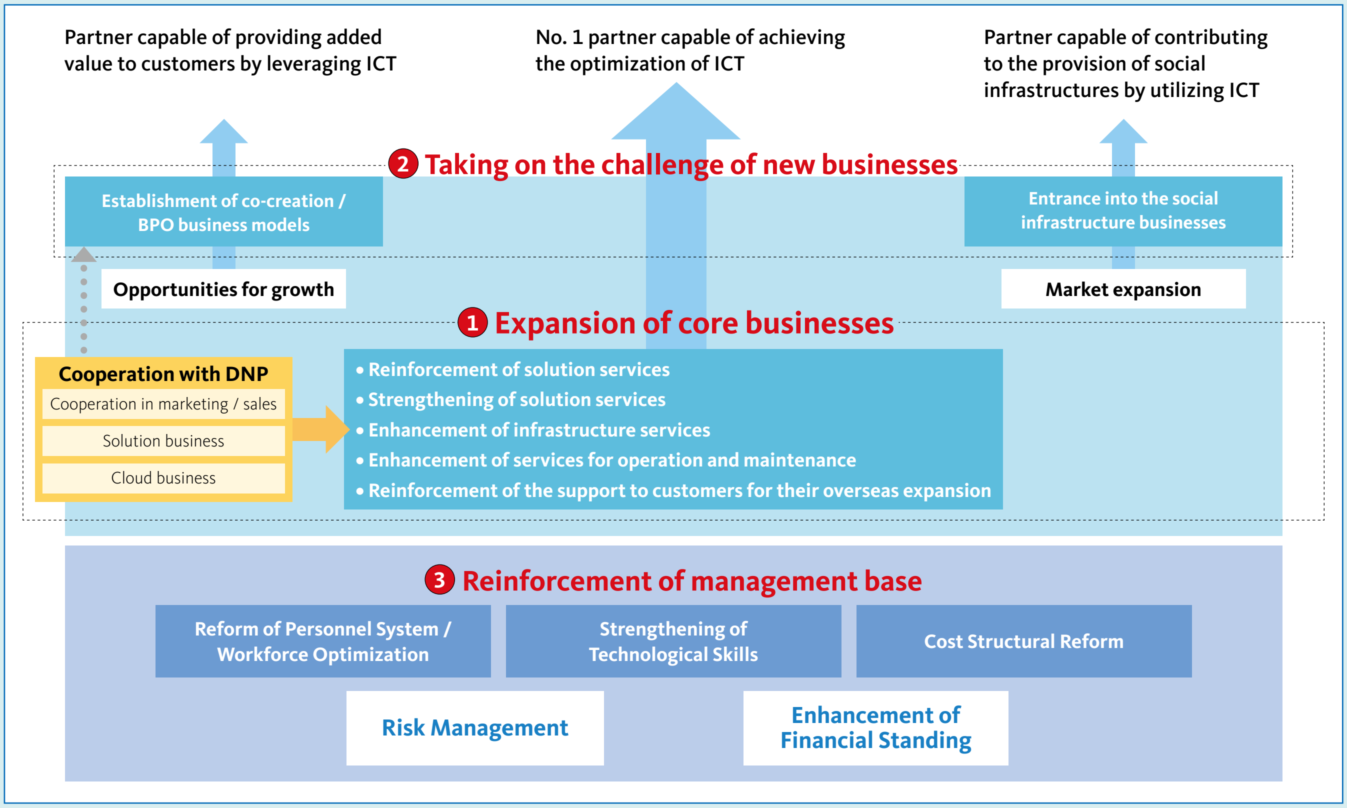
Guidelines

Accomplish goals of the plan (net sales of ¥280.0 billion, operating margin of 5% in fiscal 2014), and target the early achievement of net sales of ¥300.0 billion and an operating margin of 6–7%.

Net Sales / Operating Margin

(Billions of yen / %)





Progress of Core Strategies in Fiscal 2012

CORE STRATEGY

1 Expansion of core businesses

Overview

Solid increases in net sales on the back of growth in the ICT infrastructure business

Net sales* up

5.5%

*Including new businesses sales

Progress and Future Initiatives

- Net sales exceeded planned levels due to support of strong growth in sales in ICT infrastructure business (+ 8%).

- Issues Support services have yet to recover.

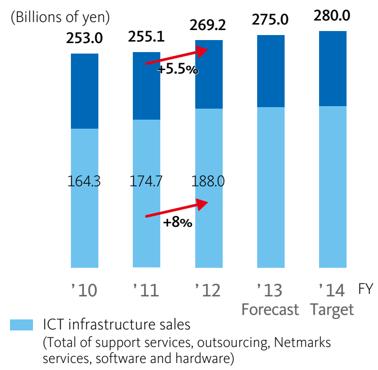
We will target sales increases for our high-value-added comprehensive system management services.

- We are steadily deploying CoreCenter® and other solutions that require minimal customization.

We will work to bolster our lineup of these solutions and strengthen our implementation capabilities.

Net Sales

(Billions of yen)



CORE STRATEGY

2 Taking on the challenge of new businesses

Overview

Smooth operation of individual businesses

New business sales total

¥3.3 billion
(+ 172%)

Progress and Future Initiatives

Establishment of co-creation / BPO business models

- Performance in gift card business proved favorable.

- Issues Certain businesses have not met targets.

We will clarify processes for planning and withdrawing and quickly make necessary decisions.

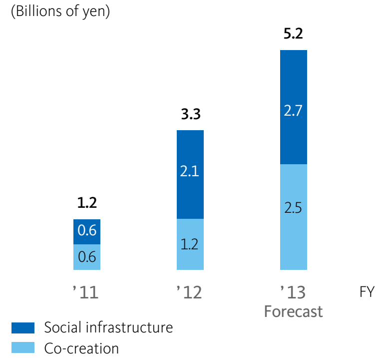
Entrance into the social infrastructure businesses

- Businesses related to regional medical networks, battery charging infrastructure, and environmental management systems are being operated separately.

We will consolidate these businesses to expand into the total energy management system business.

Net Sales from New Businesses

(Billions of yen)



CORE STRATEGY

3 Reinforcement of management base

Overview

On-schedule advancement of personnel system and cost structure reforms
Strengthening of risk management

Total cost reductions of

14%

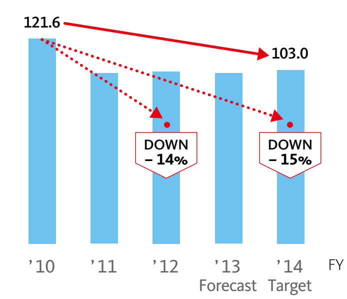
(vs FY2010), toward goal of 15% reduction

Progress and Future Initiatives

- New personnel system was introduced on schedule in April 2013, giving the Company a fairer personnel evaluation system that places emphasis on employee abilities.
- Workforce optimization, which entailed shifting toward a service-oriented business model and reallocating back-office personnel to front office, and other fixed cost reduction measures progressed smoothly.
- Risk management system strengthened in November 2012 to respond to expanded range of business risks resulting from the creation of new businesses and rising difficulty of specifications for development projects.

Total Costs

(Billions of yen)



Creating New Business Value through a Business Alliance with DNP

In August 2012, Nihon Unisys, Ltd. entered into a business alliance with Dai Nippon Printing Co., Ltd. (DNP). The companies will advance initiatives in four areas to strengthen their operating foundations in a manner that facilitates their spread into new markets. The four areas are (1) marketing and sales coordination geared toward ability to make proposals to both companies' customers, (2) service business foundation reinforcement to strengthen the basis for both companies' businesses, (3) joint creation and development of marketing platforms to improve and accelerate responsiveness to the needs of client companies and their customers, and (4) global expansion, a key theme in the growth strategies of both DNP and the Nihon Unisys Group .

DNP Executive Vice President Koichi Takanami (left) and Nihon Unisys President & CEO Shigeru Kurokawa (right)

Creating New Businesses and Services through Cross-Industry Coordination

Advance initiatives in four areas to strengthen operating foundations and spread into new markets

Respond to various issues faced by companies, consumers, and society

- Solid business development capabilities steeped in printing technologies
- Unique P&I solutions
- Customer development, planning, and production capabilities

DNP + **Nihon Unisys**

- One of Japan's foremost system venders
- Shaper of the cloud computing market
- Market creating initiatives

Introduce new businesses and services into the market that greatly advance consumer lifestyles and company management

INITIATIVE AREAS

Marketing and Sales Coordination

Coordinate sales in areas of electronic publishing, e-libraries, BPO, and social infrastructure

Service Business Foundation Reinforcement

Develop one of Japan's largest service networks by leveraging both companies' data centers and cloud computing technologies

Reduce costs by conducting joint equipment purchasing and pursuing higher maintenance and operational efficiency

Joint Creation and Development of Marketing Platforms

Cooperate to supply the O-to-O and e-commerce markets with mobile phone, smartphone, digital commerce, next-generation payment, and big data services

Global Expansion

Jointly create solutions, develop platforms, outsource processes, and advance R&D ventures between DNP and the Nihon Unisys Group from a global perspective

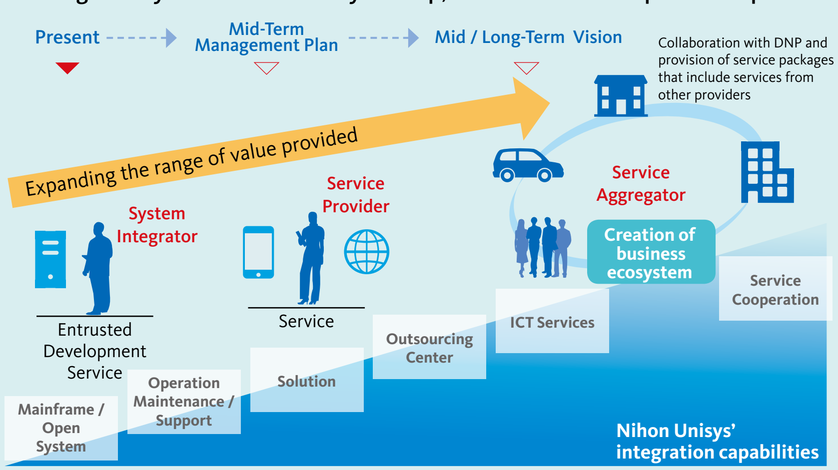
* In accordance with the share transfer agreement between Mitsui & Co., Ltd., and Dai Nippon Printing Co., Ltd., a portion of the shares of common stock in Nihon Unisys held by Mitsui were transferred to Dai Nippon Printing in August 2012. As a result, Dai Nippon Printing is now listed among the principal shareholders of Nihon Unisys.

Vision for Medium- to Long-Term Growth

The Nihon Unisys Group operates in the domestic system integration (SI) market, which is expected to experience a gradual growth trend over the medium- to long-term. However, if the Group is to continue growing greater than the market, it will be necessary to expand into new, rapidly growing business fields, such as those involving new technologies or digital marketing. We will also need to develop business models that incorporates service cooperation.

Currently, the Nihon Unisys Group is shifting away from its business model focused on the SI market as it evolves into a service provider with offerings centered on introduction-type solutions and co-creation outsourcing. Further, we aim to evolve into a service aggregator by incorporating the benefits of new partnerships.

Leveraging the technologies and integration capabilities developed throughout the long history of the Nihon Unisys Group, we will create new partnerships.



Nihon Unisys' technological capabilities

- Technological capabilities for supporting customers' core systems
- Technical solutions capabilities for creating businesses together with customers

Environment

In addressing the environmental issues faced by the world, we recognize that, as an ICT group, the Nihon Unisys Group is best poised to address issues in the field of energy conservation. Accordingly, we are working to reduce our own energy usage while helping customers lower their energy usage through the provision of our ICT services.

Provision of Data Center Services that Reduce Electricity Consumption

The Nihon Unisys Group is focusing on the data center business, which incorporates cloud-computing services. In this business, we consolidate the servers used for customers' systems and pursue more energy-efficient data center operations, effectively lowering customers' electricity usage.

Obama Data Center

In April 2012, we commenced operations at the Obama Data Center, which employs state-of-the-art air-conditioning technologies and cooling systems, enabling it to surpass the industry's best figure of 1.2 on the PUE* scale for data center energy efficiency.

Going forward, we will continue to provide a variety of services steeped in our rich energy management expertise to reduce the environmental footprint of our customers and society as a whole.

* Power usage effectiveness: This indicator is used as a measure of how efficiently a data center uses its energy. Lower figures represent more-efficient electricity usage. Data centers generally have a PUE between 2.0 and 3.0.

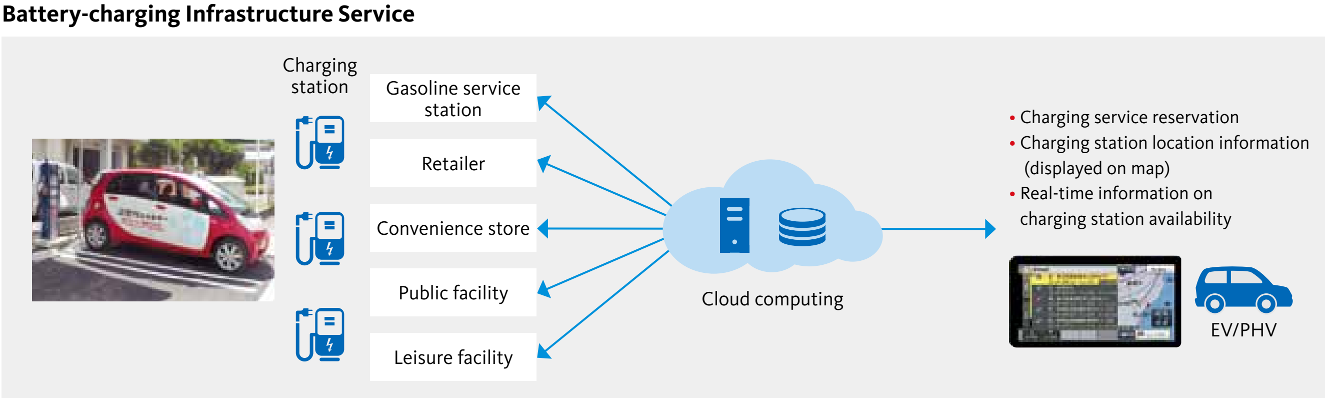
Battery-charging Infrastructure System Service that Reduces Greenhouse Gas Emissions

In recent years, the global warming issue has been growing ever more serious.

As one effort to address this issue, the Nihon Unisys Group has developed the smart oasis® battery-charging infrastructure system service for electric vehicles (EVs) and plug-in hybrid vehicles (PHVs). The Group is providing this service in cooperation with a number of private companies as well as with the government of Japan, municipal governments, and other administrative organizations. This service is available at gasoline service station, convenience stores, and leisure facilities, as well as along the Tomei Expressway, the New Tomei Expressway, and the Chuo Expressway. The Group currently boasts the No.1 share in the market for EV quick-charging infrastructure systems in Japan.

Going forward, we will continue to develop various energy management systems that utilize ICT technologies. These systems will then be linked together to construct a comprehensive energy management system that will promote appropriate energy usage throughout all areas of society, thus mirroring our strategy of linking initiatives to generate synergies, and then leveraging these synergies to create further value. In this manner, we aim to further expand our contributions to environmental preservation.

Battery-charging Infrastructure Service



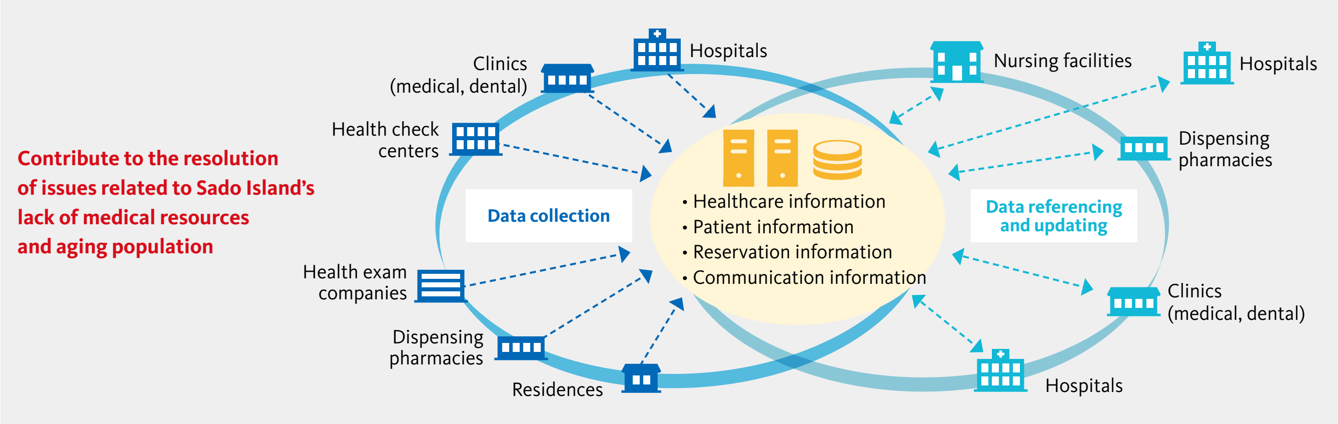
Society

Realization of a Healthy, Long-living Society—Improving the Quality of Healthcare Services and Preventive Medicine Services Through Coordination Between Medical Facilities

Faced with a declining birthrate and aging population, Japan must develop new foundations for its society. For example, on Sado Island, the population is aging and the lack of physicians and nurses is making it difficult to maintain a sufficient level of healthcare, which is beginning to represent a serious problem. To resolve this problem, Sado Himawari Net, a network linking approximately 70 of the more than 100 medical and social welfare facilities located on the island, was established on April 1, 2013. The Nihon Unisys Group played an integral role in designing and constructing this network. The most prominent characteristic of Sado Himawari Net is its easy-to-use user interface. From the perspective of continuity, the network has been highly evaluated for its low maintenance and operating costs as well as its stable operation.

In the interdisciplinary research field, we are aiding genomic cohort research at Kyoto University's Center for Genomic Medicine by providing the center with an information base and support for analyzing data. Genomic cohort research entails investigating genes and illness causes, and is thus expected to have future applications in preventive medicine and personal healthcare while also contributing to reductions in healthcare costs. By supporting this research, the Nihon Unisys Group aims to contribute to the realization of a healthy, long-living society.

Sado Island Healthcare Network



Initiatives to Develop Future ICT Leaders through Industry–Academia Collaboration

ICT technologies are used in numerous places in today's society, and are indispensable in addressing social issues. Accordingly, the skills sought in prospective ICT workers are different from those already skilled in the field. Currently, the focus is shifting toward people that can discern the underlying nature of social issues and use ICT technologies to resolve them. The Nihon Unisys Group uses the technological capabilities and expertise accumulated through its business activities to advance various initiatives designed to support the education of the ICT leaders that will shape the society of the future.

As part of these initiatives, we are conducting lectures and committee-related activities at universities to support the development of future ICT leaders. These initiatives are being conducted at the request of various organizations and NPOs. Over the past five years, we have instructed between 600 and 700 students per year at 12 universities.

Nihon Unisys is also participating as a contractor in a project spearheaded by the Ministry of Internal Affairs and Communications to support education for teaching practical ICT skills in remote locations. Through our participation, we have developed and verified the functionality of a distance learning program that utilizes cloud computing technologies. In addition, the Company participates in the "Future School Promotion Project" case study conducted by the same ministry, which is designed to promote the use and utilization of ICT in the field of education.

Going forward, we will continue to support the development of future ICT leaders through various initiatives in order to contribute to the creation of a better society.

Corporate Governance

Basic Approach to Corporate Governance

The Nihon Unisys Group believes that building trust relationships with all stakeholders is of the highest importance and includes "striving to increase corporate value through listening sincerely to stakeholders" as part of its corporate philosophy. As such, we are working to bolster corporate governance and reinforce the transparency and soundness of management.

Corporate Governance Structure and Reasons for Adoption

Outline of the Current Structure

The Company has adopted the Audit & Supervisory Board system. In order to achieve effective corporate governance for the benefit of shareholders and other stakeholders, we have introduced and maintain the following systems.

Board of Directors

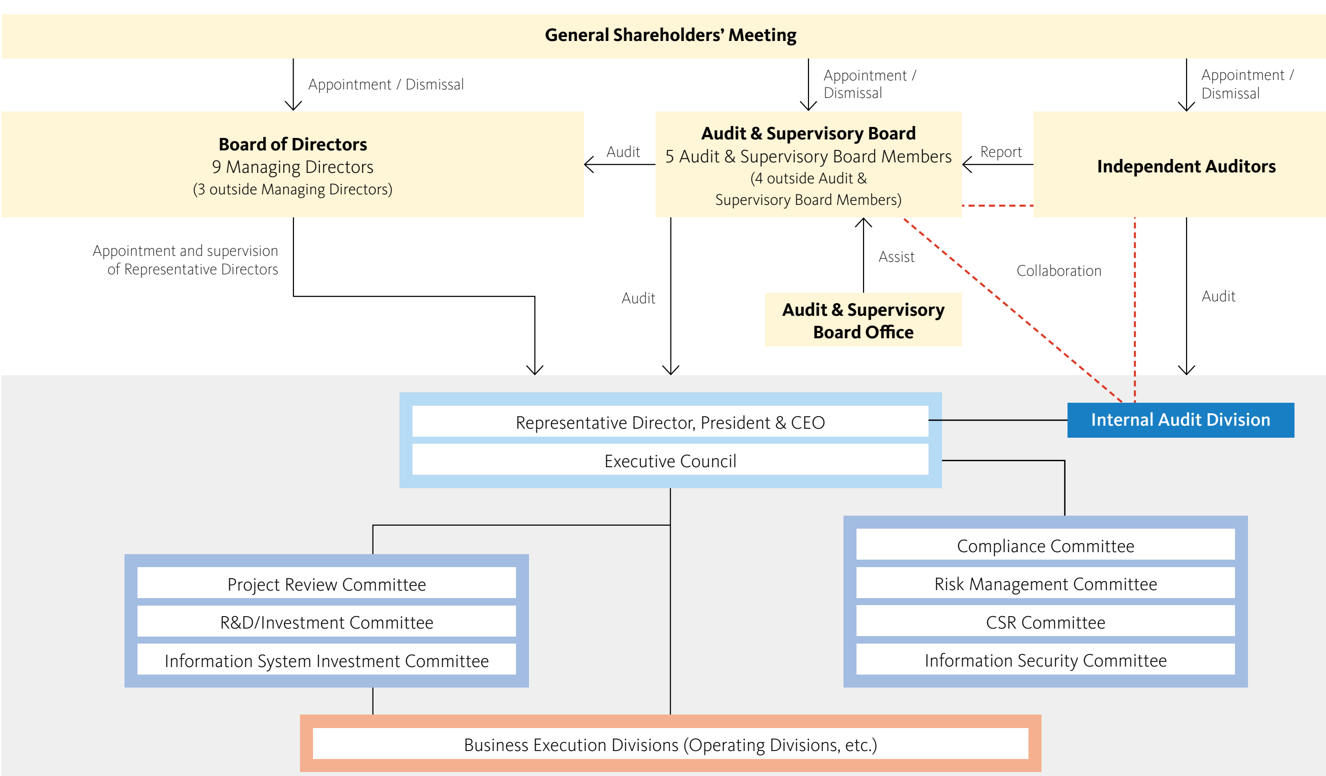
The Board of Directors consists of nine managing directors, including three outside managing directors, and meets, in principle, once a month. The Board decides and reports on key corporate issues. The term of office of managing directors is one year. This term was decided with the goal of securing a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

Audit & Supervisory Board

There are five audit & supervisory board members, including four outside audit & supervisory board members. Of the five audit & supervisory board members, three are full-time audit & supervisory board members. Audit & supervisory board members 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.

We have also established the Audit & Supervisory Board Office, which provides assistance with auditing duties to ensure the effectiveness and smooth execution of auditing.

Structure of Corporate Governance and Internal Controls



Independent Auditors

The Company is audited by the independent public accounting firm Deloitte Touche Tohmatsu LLC.

Business Execution Structure

Executive Council

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

Internal Audit Division

The Internal Audit Division was established as an internal body under the direct control of the President and CEO to assess the effectiveness and efficiency of internal controls across the Group.

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 Information Security Committee, the R&D/Investment Committee, the Project Review Committee, and the Information System Investment Committee.

Corporate Officer System

The Company has adopted the corporate officer system to separate management oversight from business execution with the aim of achieving prompt performance of operations.

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.

Reasons for Adopting the Current Structure

The Company has adopted the Audit & Supervisory Board system based on the belief that a system of audit & supervisory board member oversight that includes outside audit & supervisory board members 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 three 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.

Statement from an Outside Managing Director (Independent Director)

Go Kawada
Outside Managing Director
Chairman, Yamada & Partners
Certified Public Tax Accountants' Co.

In June 2013, I was newly appointed as an outside managing director at Nihon Unisys, Ltd. For nearly 50 years, I have devoted my career to the field of taxation and accounting. Recently, I have found myself serving as an outside auditor at other listed companies, a role that I work to fulfill by supervising and monitoring these companies from an objective standpoint. ICT is indispensable to the management of a company, and as the Company's business grows more complex, it will become increasingly more important for risks to be properly discerned and addressed. Calling upon my experience and expertise, I will aid the Nihon Unisys Group in improving its corporate value by providing appropriate advice and supervision from an impartial perspective.

Directors, Audit & Supervisory Board Members, and Corporate Officers

As of June 26, 2013

Shigeru Kurokawa
Representative Director,
President & CEO

Yasushi Kado
Representative Director,
Superior Executive Corporate Officer

Ryuji Tatsuno
Representative Director,
Superior Executive Corporate Officer

Akiyoshi Hiraoka
Representative Director,
Executive Corporate Officer

Osamu Takahashi
Representative Director,
Executive Corporate Officer

Susumu Mukai
Representative Director,
Senior Corporate Officer

Managing Director, Part-time

Junichi Shibuta*1
Tatsuo Komaki*1
Go Kawada*1

*1 Outside managing director

Audit & Supervisory Board Member, Full-time

Kazuhiro Hara
Atsushi Takaoka*2
Akihiro Imura*2

Audit & Supervisory Board Member, Part-time

Shigemi Furuya*2
Masao Noda*2

*2 Outside audit & supervisory board member

Superior Senior Corporate Officer

Yasushi Iribe
Makoto Akiyama

Senior Corporate Officer

Yoshinori Ijichi
Kazuhiro Iwata
Ryoichi Yamashita

Corporate Officer

Minoru Tasaki
Tetsuro Yoshioka
Masayuki Okada
Katsuhiro Ohtomo
Toshio Mukai
Kouichi Ishiyama
Yasuo Fukushima
Hirokazu Konishi
Hiroki Hyodo
Keiji Matsuo
Noboru Saito

Analysis of Results of Operations, Financial Condition, and Cash Flows

Financial Highlights

- Net sales rose 5.5% year on year to **¥269.2 billion**, due to increased revenues mainly from product sales as a result of recording several large-scale system replacement projects.
- Operating income rose 13.7% year on year to **¥8.3 billion**, due to factors including large-scale system replacement projects and cost reductions.
- Net income was **¥1.3 billion** after recording loss on valuation of investment securities. This was a great improvement on the previous fiscal year, which included a reversal in deferred tax assets.

Analysis of Results of Operations

During the fiscal year under review, with the slowdown in the world economy the Japanese economy remained weak. However, demand associated with reconstruction and expectations of the new government's economic policies have led to visible signs of recovery. Corporate capital investment picked up gradually alongside improvements in business conditions and there was brisk investment in social infrastructure. However, investment in the information services market generally remained flat.

Net Sales

Consolidated net sales rose ¥14,047 million (5.5%) year on year to ¥269,170 million, due to strong software and hardware sales. 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 rose 0.9% to ¥72,335 million, and segment profit fell 16.0% to ¥12,963 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 fell 3.0% to ¥51,335 million, and segment profit fell 15.1% to ¥17,485 million.

Outsourcing

The Outsourcing segment consists of the contracted administration of information systems and other services. Net sales in this segment rose 1.3% to ¥32,356 million, and segment profit fell 10.1% to ¥3,661 million.

Netmarks Services

The Netmarks Services segment consists of network system integration. Net sales in this segment fell 1.0% to ¥21,758 million, and segment profit fell 15.1% to ¥3,937 million.

Software

The Software segment consists of the provision of software under a user license agreement. Net sales in this segment rose 31.9% to ¥30,763 million, and segment profit rose 89.5% to ¥10,512 million.

Hardware

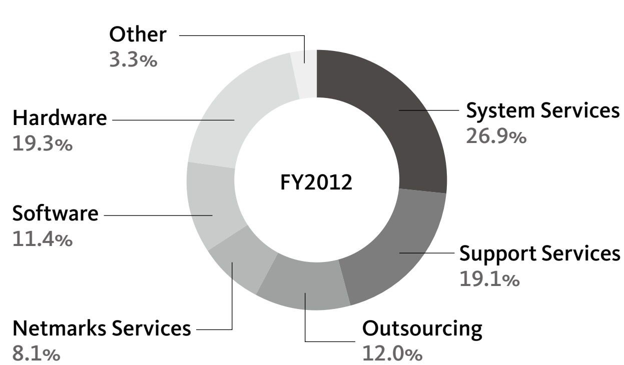
The Hardware segment consists of the provision of hardware under a sales or lease contract. Net sales in this segment rose 16.3% to ¥51,828 million, and segment profit rose 13.9% to ¥11,556 million.

Other

The Other segment comprises businesses such as equipment installation not included in reportable segments. Net sales in this segment rose 0.8% to ¥8,795 million, and segment profit rose 10.0% to ¥3,431 million.

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

Composition of Net Sales by Segment



Net Sales by Segment (Millions of yen)

	FY2011	FY2012	Change
System Services	71,658	72,335	+0.9%
Support Services	52,902	51,335	-3.0%
Outsourcing	31,943	32,356	+1.3%
Netmarks Services	21,982	21,758	-1.0%
Software	23,328	30,763	+31.9%
Hardware	44,582	51,828	+16.3%
Others	8,728	8,795	+0.8%
Total	255,123	269,170	+5.5%

Operating Income

Gross profit fell ¥16 million (0.0%) year on year to ¥63,545 million, as the increase in cost of sales was marginally higher than the increase in net sales. Selling, general and administrative expenses fell ¥1,017 million (1.8%) to ¥55,234 million, due to decreases of ¥365 million in rent and ¥937 million in sales support costs, despite an increase in employee compensation of ¥671 million. As a result of the above, operating income increased ¥1,000 million (13.7%) to ¥8,311 million.

Net Income

Net income rose ¥13,749 million year on year to ¥1,250 million, due partly to posting of loss on valuation of investment securities of ¥4,248 million and impairment loss of ¥1,336 million.

Analysis of Financial Condition

At the end of the fiscal year under review, total assets of the Nihon Unisys Group amounted to ¥197,780 million, representing a year-on-year increase of ¥7,696 million. Total current assets were up ¥9,168 million due to a ¥4,768 million increase in accounts receivable–trade and a ¥1,177 million increase in inventories. Total non-current assets fell ¥1,472 million due to factors including a ¥2,815 million decrease in deferred tax assets.

Total liabilities rose ¥3,002 million to ¥129,863 million, mainly as a result of increases in accounts payable–other and accrued expenses.

Total equity increased ¥4,694 million to ¥67,917 million, as a result of factors including an increase in the net unrealized gain on available-for-sale securities. The shareholders' equity ratio increased 1.0 percentage point to 33.6%.

Analysis of Cash Flows

Cash and cash equivalents at the end of the fiscal year under review decreased ¥1,980 million to ¥25,275 million. This decline reflected appropriation of net cash provided by operating activities to investment in software for sale or outsourcing as well as redemption of bonds.

○ Cash Flows from Operating Activities

Net cash provided by operating activities in the fiscal year under review totaled ¥18,448 million (an increase of ¥5,018 million from the previous year). This reflects proceeds of ¥2,638 million in income before income taxes and minority interests (an increase of ¥2,048 million from the previous term), non-cash expenses of ¥10,368 million in depreciation and amortization (which had the effect of decreasing proceeds by ¥1,644 million compared with the previous term), a loss on valuation of investment securities of ¥4,248 million (which had the effect of increasing proceeds by ¥4,178 million), a ¥3,721 million increase in accrued expenses (which had the effect of increasing proceeds by ¥10,351 million), a ¥2,309 million increase in deposits received (which had the effect of increasing proceeds by ¥2,559 million), and a ¥2,140 million increase in accounts payable–trade (which had the effect of decreasing proceeds by ¥2,303 million) against expenditures including a ¥4,768 million increase in accounts receivable–trade (which had the effect of increasing proceeds by ¥399 million) and a ¥1,982 million decrease in allowance for loss on contract development (which had the effect of decreasing proceeds by ¥5,559 million).

○ Cash Flows from Investing Activities

Net cash used in investing activities was ¥11,443 million (up ¥801 million compared with the previous period). This mainly reflected the fact that the Company used ¥3,817 million (up ¥997 million) to purchase property, plant and equipment, such as computers for sales activities, and ¥8,069 million (down ¥460 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 ¥8,985 million (up ¥3,038 million from the previous term). This reflected factors such as ¥10,863 million in proceeds from long-term debt (a decrease of ¥3,387 million) and ¥20,173 million in repayment of long-term debt (down ¥2,347 million).

Working Capital Requirements

The Nihon Unisys Group requires sufficient working capital to pay for outsourced systems and support services as well as to lay in stock of computers and software for sales purposes and purchase computers and software for leasing and outsourcing purposes. Working capital is also required to meet operating expenses such as manufacturing costs and selling, general and administrative expenses. Operating costs 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 system engineers. The Group's policy is to provide the working capital required 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, 2013, stood at ¥17,500 million.

Dividend Policy

In accordance with a basic policy of providing dividends in line with performance, the Company will seek to continue delivering 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 of the business environment.

Although this fiscal year's net income was significantly lower than expected, taking into account that one of the factors was a temporary valuation loss in the Company's investment securities, the Company paid annual dividends of ¥10.00 per share in line with its original announcement. This consisted of an interim dividend of ¥5.00 per share and a year-end dividend of ¥5.00 per share, an increase in the annual dividend of ¥5.00 per share from the previous fiscal year.

For the year ending March 31, 2014, the management environment is expected to remain severe, but the Company expects to record increased income for the year. As a result, the Company plans to pay increased annual dividends of ¥15.00 per share, consisting of an interim dividend of ¥7.50 per share and a year-end dividend of ¥7.50 per share.

Outlook

Looking ahead to the fiscal year ending March 31, 2014, there are signs of recovery in the Japanese economy and corporate capital investment is picking up gradually. Facing this business environment, in the next consolidated fiscal year we plan to record a 2.2% increase in net sales to ¥275,000 million.

Also, through increased net sales as well as boosted profitability of System Services, we plan to increase operating income 44.4% to ¥12,000 million and to increase net income 459.6% to ¥7,000 million.

Outlook of Consolidated Performance for the fiscal 2013 (Millions of yen)

	FY2012	FY2013 (Forecast)	Change
Net Sales	269,170	275,000	+2.2%
Operating Income	8,311	12,000	+44.4%
Net Income	1,251	7,000	+459.6%

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

The business results and financial conditions of the Group may be affected by a number of factors including reluctance to invest in information systems, unexpectedly intense price competition, and delayed response to technological advancement due to economic trends and shifts in the information service market. They may also be affected by a worsening of the business environment as a result of changes in regulations and systems such as laws, taxation, and accounting systems or changes in social infrastructure such as power and communications.

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 instituted a thorough and multifaceted system for assessing risk in the Project Review Committee at both the proposal and implementation stage. It has also 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 determines quality standards, such as categorization of systems in use by their degree of social importance, 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 Project Review Committee, the R&D/Investment Committee, and above them 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 customers' confidential personal and/or corporate information, as well as 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 revised the personnel system in the fiscal year ended March 31, 2013, 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 ¥13,658 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 the loss of social infrastructure or one or more of the Group's major business bases. Such a disaster could also impact 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 such an occurrence or a situation where such an occurrence is anticipated, 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, 2013

ASSETS	Millions of Yen 2013	Millions of Yen 2012	Thousands of U.S. Dollars (Note 1) 2013
Current Assets:			
Cash and cash equivalents (Notes 3 and 15)	**¥25,275**	¥27,255	**$268,740**
Accounts receivable—trade (Notes 5 and 15)	**69,190**	64,422	**735,673**
Inventories (Note 6)	**8,816**	7,639	**93,737**
Deferred tax assets (Note 9)	**6,024**	5,137	**64,051**
Other	**14,879**	10,849	**158,203**
Allowance for doubtful accounts	**(146)**	(432)	**(1,552)**
Total current assets	**124,038**	114,870	**1,318,852**
Property, Plant and Equipment:			
Land	**634**	634	**6,741**
Buildings and structures (Note 7)	**11,997**	11,920	**127,560**
Machinery and equipment (Note 7)	**51,374**	67,888	**546,241**
Other	**1,821**	1,865	**19,362**
Total	**65,826**	82,307	**699,904**
Accumulated depreciation	**(52,301)**	(68,766)	**(556,098)**
Net property, plant and equipment	**13,525**	13,541	**143,806**
Investments and Other Assets:			
Investment securities (Notes 4 and 15)	**13,157**	12,275	**139,894**
Investments in associated companies	**1,502**	1,461	**15,970**
Goodwill (Note 7)	**2,072**	2,209	**22,031**
Software (Note 7)	**21,927**	22,391	**233,142**
Lease deposits	**7,931**	8,239	**84,327**
Prepaid pension costs (Note 10)	**1,523**	1,606	**16,194**
Deferred tax assets (Note 9)	**6,807**	9,622	**72,376**
Other	**5,298**	3,870	**56,332**
Total investments and other assets	**60,217**	61,673	**640,266**
Total	**¥197,780**	¥190,084	**$2,102,924**

See notes to consolidated financial statements.

LIABILITIES AND EQUITY	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2013	2012	**2013**
Current Liabilities:			
Current portion of long-term debt (Notes 8 and 15)	**¥2,290**	¥20,173	**$24,349**
Commercial paper (Notes 8 and 15)	**13,000**	12,000	**138,224**
Accounts payable—trade (Note 15)	**25,518**	23,378	**271,324**
Accounts payable—other	**7,469**	2,464	**79,415**
Income taxes payable (Note 9)	**754**	1,223	**8,017**
Accrued expenses	**7,324**	3,603	**77,874**
Advances received	**11,228**	10,565	**119,383**
Allowance for loss on contract development	**1,758**	3,740	**18,692**
Other (Note 14)	**7,317**	4,564	**77,799**
Total current liabilities	**76,658**	81,710	**815,077**
Long-Term Liabilities:			
Long-term debt (Notes 8 and 15)	**49,560**	40,988	**526,954**
Long-term accounts payable—other	**54**	92	**574**
Allowance for retirement benefits (Note 10)	**1,082**	976	**11,505**
Negative goodwill		8	
Deferred tax liabilities (Note 9)	**47**	176	**500**
Asset retirement obligations	**1,282**	1,301	**13,631**
Other (Note 14)	**1,180**	1,610	**12,546**
Total long-term liabilities	**53,205**	45,151	**565,710**
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 2013 and 2012	**5,483**	5,483	**58,299**
Capital surplus	**15,282**	15,282	**162,488**
Stock acquisition rights	**858**	849	**9,123**
Retained earnings	**63,141**	62,370	**671,355**
Treasury stock—at cost 15,672,347 shares in 2013 and 15,684,004 shares in 2012	**(19,344)**	(19,361)	**(205,678)**
Accumulated other comprehensive income (loss):			
Net unrealized gain (loss) on available-for-sale securities	**1,958**	(1,869)	**20,819**
Deferred (loss) gain on derivatives under hedge accounting	**(14)**	17	**(149)**
Total	**67,364**	62,771	**716,257**
Minority interests	**553**	452	**5,880**
Total equity	**67,917**	63,223	**722,137**
Total	**¥197,780**	¥190,084	**$2,102,924**

See notes to consolidated financial statements.

Consolidated Statement of Income

Nihon Unisys, Ltd. and Consolidated Subsidiaries
Year Ended March 31, 2013

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2013	2012	**2013**
Net sales	**¥269,170**	¥255,123	**$2,861,988**
Cost of sales (Note 10)	**205,625**	191,561	**2,186,337**
Gross profit	**63,545**	63,562	**675,651**
Selling, general and administrative expenses (Notes 10 and 13)	**55,234**	56,251	**587,283**
Operating income	**8,311**	7,311	**88,368**
Other income (expenses):			
Interest and dividend income	**430**	315	**4,572**
Interest expense	**(651)**	(817)	**(6,922)**
Gain on sales of investment securities (Note 4)	**129**	34	**1,372**
Gain on donation of noncurrent assets	**53**		**564**
Loss on valuation of investment securities	**(4,248)**	(70)	**(45,168)**
Foreign exchange gain		55	
Impairment loss (Note 7)	**(1,336)**	(386)	**(14,205)**
Equity in earnings of associated companies	**43**	50	**457**
Loss on valuation of pension assets (Note 10)		(5,524)	
Provision of allowance for doubtful accounts	**(4)**	(232)	**(43)**
Loss on valuation of golf club membership	**(18)**	(77)	**(191)**
Provision for office transfer expenses		(40)	
Loss on sales and retirement of noncurrent assets	**(37)**	(113)	**(393)**
Other—net	**(34)**	84	**(362)**
Other expenses—net	**(5,673)**	(6,721)	**(60,319)**
Income before income taxes and minority interests	**2,638**	590	**28,049**
Income taxes (Note 9):			
Current	**1,116**	1,273	**11,866**
Deferred	**153**	11,771	**1,627**
Total income taxes	**1,269**	13,044	**13,493**
Net income (loss) before minority interests	**1,369**	(12,454)	**14,556**
Minority interests in net gain	**118**	45	**1,255**
Net income (loss)	**¥1,251**	¥(12,499)	**$13,301**
Per Share Amounts (Notes 2.t and 19):	Yen		U.S. Dollars
Basic net income (loss)	**¥13.31**	¥(132.99)	**$0.14**
Diluted net income	**¥13.31**		**$0.14**
Cash dividends applicable to the year	**10.00**	5.00	**0.1**

See notes to consolidated financial statements.

Consolidated Statement of Comprehensive Income

Nihon Unisys, Ltd. and Consolidated Subsidiaries
Year Ended March 31, 2013

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2013	2012	**2013**
Net income (loss) before minority interests	**¥1,369**	¥(12,454)	**$14,556**
Other comprehensive income (loss) (Note 18):			
Unrealized gain (loss) on available-for-sale securities	**3,826**	(152)	**40,680**
Deferred loss on derivatives under hedge accounting	**(32)**	(1)	**(340)**
Total other comprehensive income (loss)	**3,794**	(153)	**40,340**
Comprehensive income (loss)	**5,163**	(12,607)	**54,896**
Total comprehensive income (loss) attributable to (Note 18):			
Owners of the parent	**¥5,045**	¥(12,652)	**$53,641**
Minority interests	**118**	45	**1,255**

See notes to consolidated financial statements.

Consolidated Statement of Changes in Equity

Nihon Unisys, Ltd. and Consolidated Subsidiaries
Year Ended March 31, 2013

	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, 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
Net income					1,251				1,251		1,251
Cash dividends					(470)				(470)		(470)
Purchase of treasury stock	(1)										
Disposal of treasury stock	12				(10)	17			7		7
Net changes of items				9			3,827	(31)	3,805	101	3,906
Net change during the year	11			9	771	17	3,827	(31)	4,593	101	4,694
Balance, March 31, 2013	93,991	¥5,483	¥15,282	¥858	¥63,141	¥(19,344)	¥1,958	¥(14)	¥67,364	¥553	¥67,917

		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, 2012	93,980	$58,299	$162,488	$9,027	$663,157	$(205,859)	$(19,872)	$181	$667,421	$4,806	$672,227
Net income					13,301				13,301		13,301
Cash dividends					(4,997)				(4,997)		(4,997)
Purchase of treasury stock	(1)										
Disposal of treasury stock	12				(106)	181			75		75
Net changes of items				96			40,691	(330)	40,457	1,074	41,531
Net change during the year	11			96	8,198	181	40,691	(330)	48,836	1,074	49,910
Balance, March 31, 2013	93,991	$58,299	$162,488	$9,123	$671,355	$(205,678)	$20,819	$(149)	$716,257	$5,880	$722,137

See notes to consolidated financial statements.

Consolidated Statement of Cash Flows

Nihon Unisys, Ltd. and Consolidated Subsidiaries
Year Ended March 31, 2013

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2013	2012	**2013**
Operating Activities:			
Income before income taxes and minority interests	**¥2,638**	¥590	**$28,049**
Adjustments for:			
Income taxes paid	**(1,575)**	(2,057)	**(16,746)**
Impairment loss	**1,336**	386	**14,205**
Depreciation and amortization	**10,368**	12,012	**110,239**
Amortization of goodwill	**137**	144	**1,457**
Amortization of negative goodwill	**(8)**	(16)	**(85)**
Gain on sales of investment securities	**(129)**	(34)	**(1,372)**
Loss on valuation of investment securities	**4,248**	70	**45,167**
Increase in accounts receivable—trade	**(4,768)**	(5,167)	**(50,696)**
Increase in inventories	**(1,177)**	(571)	**(12,515)**
Decrease (increase) in interest and dividends receivable	**7**	(1)	**74**
Decrease in prepaid pension costs	**83**	5,403	**883**
Increase in accounts payable—trade	**2,140**	4,443	**22,754**
Decrease in interest payable	**(19)**	(13)	**(202)**
Increase (decrease) in accrued expenses	**3,721**	(6,630)	**39,564**
Increase (decrease) deposit received	**2,309**	(250)	**24,551**
Increase in allowance for retirement benefits	**124**	25	**1,318**
(Decrease) increase in allowance for loss on contract development	**(1,982)**	3,577	**(21,074)**
(Decrease) increase in other allowance	**(117)**	521	**(1,244)**
Other—net	**1,112**	998	**11,823**
Total adjustments	**15,810**	12,840	**168,101**
Net cash provided by operating activities	**18,448**	13,430	**196,150**
Investing Activities:			
Proceeds from sales of property, plant and equipment	**1**	22	**11**
Payments for purchases of property, plant and equipment	**(3,817)**	(2,820)	**(40,585)**
Payments for purchases of software	**(8,069)**	(8,529)	**(85,795)**
Proceeds from sales of investment securities	**500**	143	**5,316**
Payments for purchases of investment securities	**(30)**	(137)	**(319)**
Proceeds from collection of short-term loans receivable		712	
Other—net	**(28)**	(33)	**(297)**
Net cash used in investing activities	**(11,443)**	(10,642)	**(121,669)**
Financing Activities:			
Net increase in short-term bank loans	**300**		**3,190**
Proceeds from long-term debt	**10,863**	14,250	**115,502**
Repayments of long-term debt	**(20,173)**	(17,826)	**(214,492)**
Repayments of other debt	**(498)**	(418)	**(5,295)**
Net increase (decrease) in commercial paper	**1,000**	(1,000)	**10,633**
Proceeds from sale of treasury stock	**7**		**74**
Cash dividends	**(470)**	(938)	**(4,997)**
Cash dividends to minority interests	**(14)**	(15)	**(149)**
Net cash used in financing activities	**(8,985)**	(5,947)	**(95,534)**
Net decrease in Cash and Cash Equivalents	**(1,980)**	(3,159)	**(21,053)**
Cash and Cash Equivalents, Beginning of Year	**27,255**	30,414	**289,793**
Cash and Cash Equivalents, End of Year	**¥25,275**	¥27,255	**$268,740**

See notes to consolidated financial statements.

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 accordance 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 2012 financial statements to conform them to the classifications used in 2013.

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 ¥94.05 to $1, the approximate rate of exchange at March 31, 2013. 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, 2013 include the accounts of the Company and its 20 (the same for the year ended March 31, 2012) significant subsidiaries and one (the same for the year ended March 31, 2012) associated company accounted for by the 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 six unconsolidated subsidiaries and 10 (the same for the year ended March 31, 2012) 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) 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, certificates of deposits, commercial paper and bond funds, all of which mature or become due within three months of the date of acquisition.

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

(d) 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.

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

(e) 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.

(f) 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 five 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.

(g) 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 three years.

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

(h) ***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 is 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.

(i) ***Allowance for loss on contract development*** — The allowance for loss on contract development is provided for an estimated amount of probable losses to be incurred in future years on the software development contracts that cost ¥ 50 million or more.

(j) ***Retirement benefits*** – The Company and certain subsidiaries have defined benefit corporate pension plans (cash balance plans) and defined contribution pension plans covering substantially all of their employees. Other consolidated subsidiaries have defined benefit pension plans, defined contribution pension plans, and severance lump-sum payment 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, 2013 and 2012) 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, 2013 and 2012).

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) ***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 adjustment to the carrying amount of the liability and the capitalized amount of the related asset retirement cost.

(l) ***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 measure the cost of employee stock options based on the fair value at the date of grant and recognize compensation expense over the vesting period as consideration for receiving goods or services. The standard also requires companies to account for stock options granted to nonemployees 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.

(m) ***Construction contracts*** – For software development contracts that cost ¥50 million or more for the fiscal years ended March 31, 2013 and 2012, 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.

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

(o) ***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.

(p) ***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.

The Company and certain of its subsidiaries have applied the consolidated taxation system from the year ended March 31, 2013.

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

(r) ***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.

(s) ***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 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.

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.

(t) ***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.

(u) ***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 following revision of an accounting standard, the new policy is applied retrospectively unless the revised accounting standard includes specific transitional provisions, in which case the entity shall comply with the specific transitional provisions.
(2) *Changes in Presentation* – 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, 2012.

(v) ***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 an effective date of April 1, 2000, and the other related practical guidance, and 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, is 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 any resulting 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 does 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 have not yet been 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.

(3) *Amendments relating to the method of attributing expected benefit to periods and relating to the discount rate and expected future salary increases* – The revised accounting standard also made certain amendments relating to the method of attributing expected benefit to periods and relating to the discount rate and expected future salary increases.

This accounting standard and the guidance for (1) and (2) above are effective for the end of annual periods beginning on or after April 1, 2013, and for (3) above are effective for the beginning of annual periods beginning on or after April 1, 2014, or for the beginning of annual periods beginning on or after April 1, 2015, subject to certain disclosure in March 2015, both 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 Company expects to apply the revised accounting standard for (1) and (2) above from the end of the annual period beginning on April 1, 2013, and for (3) above from the beginning of the annual period beginning on April 1, 2014, and is in the process of measuring the effects of applying the revised accounting standard in future applicable periods.

(w) Changes in Presentation

Consolidated Statement of Cash Flows − Prior to April 1, 2012, increases (decreases) of deposits received were included in the Other-net among Operating Activities section of the consolidated statement of cash flows.
Since during this fiscal year ended March 31, 2013, the amount increased significantly, such amount is disclosed separately in the Operating Activities section of the consolidated statement of cash flows for the year ended March 31, 2013. The amount included in Other-net for the year ended March 31, 2012, was ¥ 250 million.

3. Cash equivalents

Cash equivalents at March 31, 2013 and 2012 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2013	2012	**2013**
Cash and time deposits	**¥25,275**	¥27,255	**$268,740**
Total	**¥25,275**	¥27,255	**$268,740**

4. Investment securities

Investment securities as of March 31, 2013 and 2012 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2013	2012	**2013**
Noncurrent:			
Equity securities	**¥12,849**	**¥11,989**	**$136,619**
Debt securities	**100**	**100**	**1,063**
Trust fund investments and other	**208**	**186**	**2,212**
Total	**¥13,157**	**¥12,275**	**$139,894**

The costs and aggregate fair values of investment securities at March 31, 2013 and 2012 were as follows:

	Millions of Yen			
March 31, 2013	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Available-for-sale securities:				
Equity securities	**¥8,495**	**¥3,774**	**¥(709)**	**¥11,560**
Other	**34**		**(6)**	**28**
Total	**¥8,529**	**¥3,774**	**¥(715)**	**¥11,588**
March 31, 2012				
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

	Thousands of U.S. Dollars			
March 31, 2013	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Available-for-sale securities:				
Equity securities	**$90,324**	**$40,128**	**$(7,539)**	**$122,913**
Other	**362**		**(64)**	**298**
Total	**$90,686**	**$40,128**	**$(7,603)**	**$123,211**

Information regarding available-for-sale securities which were sold during the years ended March 31, 2013 and 2012 was as follows:

	Millions of Yen		
March 31, 2013	Proceeds	Realized Gains	Realized Losses
Available-for-sale securities:			
Equity securities	**¥500**	**¥129**	
Other			
Total	**¥500**	**¥129**	
March 31, 2012			
Available-for-sale securities:			
Equity securities	¥123	¥34	
Other	21		
Total	¥144	¥34	

	Thousands of U.S. Dollars		
March 31, 2013	Proceeds	Realized Gains	Realized Losses
Available-for-sale securities:			
Equity securities	**$5,316**	**$1,372**	
Other			
Total	**$5,316**	**$1,372**	

Impairment losses on available-for-sale equity securities for the years ended March 31, 2013 and 2012, were ¥ 4,248 million ($ 45,168 thousand) and ¥ 70 million, respectively.

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, 2013 and 2012 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2013	2012	**2013**
Costs and estimated earnings	**¥3,628**	¥6,383	**$38,575**
Amount billed	**(55)**	(626)	**(585)**
	¥3,573	¥5,757	**$37,990**

6. Inventories

Inventories at March 31, 2013 and 2012 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2013	2012	**2013**
Work in process	**¥2,594**	¥2,139	**$27,581**
Merchandise and finished products	**6,043**	5,335	**64,253**
Supplies	**179**	165	**1,903**
Total	**¥8,816**	¥7,639	**$93,737**

7. Long-lived assets

The Group reviewed its long-lived assets for impairment as of March 31, 2013. As a result, the Group recognized an impairment loss of ¥380 million ($4,040 thousand) for the asset groups used to provide application services, and ¥955 million ($10,154 thousand) for the asset groups used to provide outsourcing, 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 were measured at their value in use by means of discounted future cash flows with a discount rate of 4.6%.

Impairment losses for the year ended March 31, 2013 consisted of the following:

	Millions of Yen	Thousands of U.S. Dollars
Application services:	**2013**	**2013**
Machinery and equipment	**¥3**	**$32**
Software	**377**	**4,008**
Total	**¥380**	**$4,040**
Outsourcing:		
Machinery and equipment	**¥189**	**$2,010**
Software	**767**	**8,155**
Total	**¥956**	**$10,165**

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 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 amounts.

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

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

	Millions of Yen
Application services:	2012
Machinery and equipment	¥45
Software	317
Goodwill	24
Total	¥386

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

Short-term bank loans of ¥300 million ($3,190 thousand) bore interest at a rate of approximately 0.26% at March 31, 2013.

Commercial paper of ¥13,000 million ($138,224 thousand) bore interest at a rate of approximately 0.11% at March 31, 2013, and ¥12,000 million bore interest at a rate of 0.12% at March 31, 2012.

Long-term debt at March 31, 2013 and 2012 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2013	2012	**2013**
1.38% unsecured bonds due 2013		¥10,000	
1.39% unsecured bonds due 2015	**¥10,000**	10,000	**$106,326**
Unsecured loans from banks and insurance companies, 0.54% to 1.19%, due serially to 2018	**41,850**	41,161	**444,976**
Total	**51,850**	61,161	**551,302**
Less current portion	**(2,290)**	(20,173)	**(24,348)**
Long-term debt, less current portion	**¥49,560**	¥40,988	**$526,954**

The annual maturities of long-term debt as of March 31, 2013 for the next five years were as follows:

Year Ending March 31,	Millions of Yen	Thousands of U.S. Dollars
2014	**¥2,290**	**$24,348**
2015	**13,840**	**147,156**
2016	**14,640**	**155,662**
2017	**15,440**	**164,168**
2018	**5,640**	**59,968**
Total	**¥51,850**	**$551,302**

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 resulted in a normal effective statutory tax rate of approximately 38.0% for the year ended March 31, 2013, and 40.7% for the year ended March 31, 2012.

The tax effects of significant temporary differences and tax loss carryforwards which resulted in deferred tax assets and liabilities at March 31, 2013 and 2012 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2013	2012	**2013**
Current assets:			
Deferred tax assets:			
Accrued bonuses	**¥1,935**	¥349	**$20,574**
Inventory valuation	**1,509**	1,486	**16,045**
Tax loss carryforwards	**782**	1,054	**8,315**
Allowance for loss on contract development	**715**	1,421	**7,602**
Accrued business and office taxes	**270**	236	**2,871**
Unrealized profit of inventories	**175**	140	**1,861**
Others	**1,014**	786	**10,781**
Total	**6,400**	5,472	**68,049**
Less valuation allowance	**(358)**	(321)	**(3,807)**
Total	**¥6,042**	¥5,151	**$64,242**
Deferred tax liabilities:			
Deferred gain on derivatives under hedge accounting	**¥(13)**	¥(14)	**$(138)**
Others	**(5)**		**(53)**
Total	**¥(18)**	¥(14)	**$(191)**
Net current deferred tax assets	**¥6,024**	¥5,137	**$64,051**

Net current deferred tax assets at March 31, 2013 included in the consolidated balance sheet were as follows:

	Millions of Yen	Thousands of U.S. Dollars
Deferred tax assets—current	**¥6,024**	**$64,051**
Net deferred tax assets—current	**¥6,024**	**$64,051**

	Millions of Yen		Thousands of U.S. Dollars
	2013	2012	**2013**
Noncurrent assets:			
Deferred tax assets:			
Tax loss carryforwards	**¥11,035**	¥12,077	**$117,331**
Depreciation expense	**4,890**	6,595	**51,994**
Impairment loss	**4,671**	4,623	**49,665**
Net unrealized loss on available-for-sale securities		882	
Allowance for retirement benefits	**350**	317	**3,721**
Others	**2,720**	875	**28,921**
Total	**23,666**	25,369	**251,632**
Less valuation allowance	**(15,171)**	(15,217)	**(161,308)**
Total	**¥8,495**	¥10,152	**$90,324**
Deferred tax liabilities:			
Net unrealized gain on available-for-sale securities	**¥ (1,080)**		**$ (11,483)**
Prepaid pension costs	**(578)**	¥(609)	**(6,146)**
Others	**(77)**	(97)	**(819)**
Total	**¥(1,735)**	¥(706)	**$(18,448)**
Net noncurrent deferred tax assets	**¥6,760**	¥9,446	**$71,876**

Net noncurrent deferred tax assets at March 31, 2013 included in the consolidated balance sheet were as follows:

	Millions of Yen	Thousands of U.S. Dollars
Deferred tax assets—noncurrent	**¥6,807**	**$72,376**
Deferred tax liabilities—noncurrent	**(47)**	**(500)**
Net deferred tax assets—noncurrent	**¥6,760**	**$71,876**

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, 2013 and 2012 were as follows:

	2013	2012
Normal effective statutory tax rate	**38.0%**	40.7%
Increase in valuation allowance	**4.4**	1,696.0
Effect of change of tax rate		388.7
Expenses not deductible for income tax purposes	**8.8**	43.3
Tax effect not recognized on unrealized income	**(4.3)**	35.0
Amortization of goodwill	**2.0**	9.9
Amount of per capita local tax	**1.9**	8.3
Amortization of negative goodwill	**(0.1)**	(1.1)
Equity in earnings of associated companies	**(0.6)**	(3.4)
Nontaxable items	**(2.7)**	(5.4)
Effect of difference between effective tax rate and actual effective tax rate	**7.0**	
Effect of application of consolidated taxation system	**(3.9)**	
Research and development tax credit	**(1.9)**	
Other—net	**(0.5)**	(1.0)
Actual effective tax rate	**48.1 %**	2,211.0%

At March 31, 2013, the Company and certain consolidated subsidiaries have tax loss carryforwards aggregating approximately ¥34,841 million ($370,452 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
2014	**¥3,911**	**$41,584**
2015	**1,086**	**11,547**
2018	**1,433**	**15,237**
2019	**10,908**	**115,981**
2020	**11,221**	**119,309**
2021	**5,789**	**61,552**
2022	**493**	**5,242**
Total	**¥34,841**	**$370,452**

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.

10. Retirement benefits

The Company and certain subsidiaries have defined benefit corporate pension plans (cash balance plans) and defined contribution pension plans covering substantially all of their 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.

Other consolidated subsidiaries have defined benefit pension plans, defined contribution pension plans, and severance lump-sum payment plans.

The liability for retirement benefits at March 31, 2013 and 2012 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2013	2012	**2013**
Projected benefit obligation	**¥98,082**	¥100,262	**$1,042,871**
Fair value of plan assets *	**(94,944)**	(85,896)	**(1,009,506)**
Unrecognized prior service cost	**1,202**	2,403	**12,780**
Unrecognized actuarial gain	**(4,905)**	(17,488)	**(52,153)**
Prepaid pension costs	**1,523**	1,606	**16,194**
Net liability	**¥958**	¥887	**$10,186**

The components of net periodic benefit costs for the years ended March 31, 2013 and 2012 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2013	2012	**2013**
Service cost	**¥2,285**	¥2,335	**$24,296**
Interest cost	**1,994**	2,045	**21,201**
Expected return on plan assets	**(1,718)**	(2,753)	**(18,267)**
Amortization of prior service cost	**(1,201)**	(1,201)	**(12,770)**
Recognized actuarial loss	**3,325**	4,298	**35,354**
Payment to a defined contribution plan and other	**1,110**	1,154	**11,802**
Total	**¥5,795**	¥5,878	**$61,616**
Loss on valuation of pension assets *		5,524	
Net periodic benefit costs	**¥5,795**	¥11,402	**$61,616**

* The Group posted other expenses of ¥5,524 million for the fiscal year ended March 31, 2012, 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, 2013 and 2012 were set forth as follows:

	2013	2012
Discount rate	**mainly 2.0%**	2.0%
Expected rate of return on plan assets	**2.0%**	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, 2013 and 2012 included the following liabilities:

	Millions of Yen		Thousands of U.S. Dollars
	2013	2012	**2013**
Allowance for the New Career Support Program (the "NCSP")	**¥218**	¥165	**$2,318**
Current portion	**(94)**	(76)	**(1,000)**
Net noncurrent portion	**¥124**	¥89	**$1,318**

Total charges relating to allowance for the NCSP for the years ended March 31, 2013 and 2012 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2013	2012	**2013**
Allowance for the NCSP	**¥109**	¥78	**$1,159**

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, 2013 of the Company were as follows:

Stock Option	Persons Granted	Number of Options Granted	Date of Grant	Exercise Price	Exercise Period
2005 Stock Option	10 directors; 403 employees; 12 subsidiaries' directors; 276 subsidiaries' employees	749,000 shares	December 16, 2005	¥1,763 $18.75	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 $25.88	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 $18.20	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 $19.04	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 $9.19	From July 1, 2011 to June 30, 2016
2012 Stock Option	6 directors; 16 employees; 4 subsidiaries' directors; 10 subsidiaries' employees	200,600 shares	July 17, 2012	¥1 $0.01	From July 1, 2013 to June 30, 2043

The stock option activity of the Company was as follows:

	2004 Stock Option (Shares)	2005 Stock Option (Shares)	2006 Stock Option (Shares)	2007 Stock Option (Shares)	2008 Stock Option (Shares)	2009 Stock Option (Shares)	2012 Stock Option (Shares)
For the year ended March 31, 2012							
Nonvested							
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	
For the year ended March 31, 2013							
Nonvested							
March 31, 2012—Outstanding							
Granted							200,600
Canceled							
Vested							200,600
March 31, 2013—Outstanding							
Vested							
March 31, 2012—Outstanding		701,000	494,400	711,300	464,100	473,900	
Vested							200,600
Exercised							
Canceled		701,000	3,800	5,200	5,900	5,900	181,200
March 31, 2013—Outstanding			490,600	706,100	458,200	468,000	19,400
Exercise price	¥952 $10.12	¥1,763 $18.75	¥2,434 $25.88	¥1,712 $18.20	¥1,791 $19.04	¥864 $9.19	¥1 $0.01
Fair value price at grant date			¥520 $5.53	¥396 $4.21	¥397 $4.22	¥215 $2.29	¥553 $5.88

13. Research and development costs

Research and development costs charged to income were ¥4,861 million ($51,685 thousand) and ¥4,913 million for the years ended March 31, 2013 and 2012, respectively.

14. Leases

The minimum rental commitments under noncancellable operating leases at March 31, 2013 and 2012 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2013	2012	**2013**
Due within one year	**¥525**	¥543	**$5,582**
Due after one year	**565**	54	**6,008**
Total	**¥1,090**	¥597	**$11,590**

Due to the immaterial amounts of lease transactions in the consolidated financial statements, "as if capitalized" information for the fiscal year ended March 31, 2013 and 2012 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 prices in active markets. If a 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, 2013 and 2012 were as follows:

	Millions of Yen		
March 31, 2013	Carrying Amount	Fair Value	Unrealized Gain (Loss)
Cash and cash equivalents	**¥25,275**	**¥25,275**	
Accounts receivable—trade	**69,190**	**69,190**	
Investment securities	**11,588**	**11,588**	
Total	**¥106,053**	**¥106,053**	
Current portion of long-term debt	**¥2,290**	**¥2,295**	**¥(5)**
Commercial paper	**13,000**	**13,000**	
Accounts payable—trade	**25,518**	**25,518**	
Long-term debt	**49,560**	**49,956**	**(396)**
Total	**¥90,368**	**¥90,769**	**¥(401)**
Derivatives *	**¥12**	**¥12**	
March 31, 2012			
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	

	Thousands of U.S. Dollars		
March 31, 2013	Carrying Amount	Fair Value	Unrealized Gain (Loss)
Cash and cash equivalents	**$268,740**	**$268,740**	
Accounts receivable—trade	**735,673**	**735,673**	
Investment securities	**123,211**	**123,211**	
Total	**$1,127,624**	**$1,127,624**	
Current portion of long-term debt	**$24,349**	**$24,402**	**$(53)**
Commercial paper	**138,224**	**138,224**	
Accounts payable—trade	**271,324**	**271,324**	
Long-term debt	**526,954**	**531,164**	**(4,210)**
Total	**$960,851**	**$965,114**	**$(4,263)**
Derivatives *	**$128**	**$128**	

* 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 is 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
	2013	2012	**2013**
Investments in unconsolidated subsidiaries and associated companies	**¥1,502**	¥1,461	**$15,970**
Investments in equity instruments that do not have a quoted market price in an active market	**¥1,289**	¥1,291	**$13,706**
Other	**¥280**	¥259	**$2,977**

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

	Millions of Yen			
March 31, 2013	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	**¥25,275**			
Accounts receivable—trade	**69,190**			
Investment securities:				
Available-for-sale securities:				
(1)Debt securities			**¥100**	
(2)Other		**¥170**		
Total	**¥94,465**	**¥170**	**¥100**	
March 31, 2012				
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	

	Thousands of U.S. Dollars			
March 31, 2013	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	**$268,740**			
Accounts receivable—trade	**735,673**			
Investment securities:				
Available-for-sale securities:				
(1)Debt securities			**$1,063**	
(2)Other		**$1,808**		
Total	**$1,004,413**	**$1,808**	**$1,063**	

* 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.

No derivative transactions to which hedge accounting is not applied existed at March 31, 2013.

Derivative transactions to which hedge accounting is not applied at March 31, 2012 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**

* 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, 2013 and 2012 were as follows:

		Millions of Yen		
March 31, 2013	Hedged Item	Contract Amount	Contract amount due after one year	Fair Value
Foreign currency forward contracts:				
Buying U.S. Dollars:				
- Deferral hedge	Payables	**¥1,544**		**¥32**
- Forward contracts applied for designated transactions	Payables	**1,497**		
Interest rate swaps:				
- Hedge accounting	Long-term debt	**3,000**	**¥3,000**	**(44)**
- Fixed-rate payment, floating rate receipt	Long-term debt	**13,150**	**13,150**	
March 31, 2012				
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	

		Thousands of U.S. Dollars		
March 31, 2013	Hedged Item	Contract Amount	Contract amount due after one year	Fair Value
Foreign currency forward contracts:				
Buying U.S. Dollars:				
- Deferral hedge	Payables	**$16,417**		**$340**
- Forward contracts applied for designated transactions	Payables	**15,917**		
Interest rate swaps:				
- Hedge accounting	Long-term debt	**31,898**	**$31,898**	**(468)**
- Fixed-rate payment, floating rate receipt	Long-term debt	**139,819**	**139,819**	

* 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 is 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, 2013, the Group had the following contingent liabilities:

	Millions of Yen	Thousands of U.S. Dollars
Guarantees of bank loans to employees for housing	**¥832**	**$8,846**

18. Comprehensive income

The components of other comprehensive income (loss) for the years ended March 31, 2013 and 2012 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2013	2012	**2013**
Unrealized gain (loss) on available-for-sale securities:			
Gains arising during the year	**¥1,359**	¥397	**$14,450**
Reclassification adjustments to profit or loss	**4,125**	52	**43,859**
Amount before income tax effect	**5,484**	449	**58,309**
Income tax effect	**(1,658)**	(601)	**(17,629)**
Total	**¥3,826**	¥(152)	**$40,680**
Deferred gain (loss) on derivatives under hedge accounting:			
Losses arising during the year	**¥(19)**	¥(13)	**$(202)**
Reclassification adjustments to profit or loss	**(24)**	11	**(255)**
Amount before income tax effect	**(43)**	(2)	**(457)**
Income tax effect	**11**	1	**117**
Total	**(32)**	(1)	**(340)**
Total other comprehensive income (loss)	**¥3,794**	¥(153)	**$40,340**

19. Net income per share

A reconciliation of the differences between basic and diluted net income (loss) per share ("EPS") for the years ended March 31, 2013 and 2012 is as follows:

	Net income	Weighted-average shares	EPS	
For the year ended March 31, 2013:	Millions of Yen	Thousands of shares	Yen	U.S. Dollars
Basic EPS				
Net income available to common shareholders	**¥1,251**	**93,990**	**¥13.31**	**$0.14**
Effect of dilutive securities:				
Warrants		**19**		
Diluted EPS—Net income for computation	**¥1,251**	**94,009**	**¥13.31**	**$0.14**

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

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

20. Related-party transactions

Deposits with Mitsui & Co. Financial Services Ltd., sister company of the Company, for the years ended March 31, 2013 and 2012 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2013	2012	**2013**
Deposits: Mitsui & Co. Financial Services Ltd.	**¥3,349**	¥9,211	**$35,609**

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, 2013 and 2012.

Mitsui & Co. Financial Services Ltd. is a subsidiary of Mitsui & Co., Ltd, of which the Company used to be an associated company before August 22, 2012, and which remains a major corporate shareholder with more than 10% of the voting power.

21. Segment information

For the years ended March 31, 2013 and 2012

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. The "System services" segment consists of contracted software development, system-related services, and consulting. The "Support services" segment consists of support services for software, support services for hardware, and installation services. The "Outsourcing" segment consists of contracted administration of information system and others. The "Netmarks services" segment consists of network system integration. The "Software" segment consists of providing software under a software license agreement. The "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										
	2013										
	Reportable segment										
	System Services	Support Services	Out-sourcing	Netmarks Services	Software	Hardware	Total	Other [1]	Total	Reconcil-iations [2]	Consol-idated [3]
Sales	**¥72,335**	**¥51,335**	**¥32,356**	**¥21,758**	**¥30,763**	**¥51,828**	**¥260,375**	**¥8,795**	**¥269,170**		**¥269,170**
Segment profit	**12,963**	**17,485**	**3,661**	**3,937**	**10,512**	**11,556**	**60,114**	**3,431**	**63,545**	**¥(55,234)**	**8,311**
Segment assets	**2,071**	**2,301**	**17,971**	**2,313**	**4,379**	**5,978**	**35,013**	**314**	**35,327**	**162,453**	**197,780**
Other:											
Depreciation	**135**	**357**	**3,889**	**465**	**2,444**	**1,068**	**8,358**	**157**	**8,515**	**1,853**	**10,368**
Increase in property, plant and equipment and intangible assets	**164**	**350**	**6,350**	**344**	**1,882**	**1,462**	**10,552**	**105**	**10,657**	**1,696**	**12,353**
Impairment losses of assets			**1,336**				**1,336**		**1,336**		**1,336**
Goodwill:											
Amortization										**137**	**137**
Balance										**2,072**	**2,072**
Negative goodwill:											
Amortization										**8**	**8**
Balance											

1) The "Other" category not included in a specific reportable segment consists of installation and other businesses.
2) Reconciliation of segment profit of ¥(55,234) million consists of selling, general and administrative expenses of ¥(50,236) million not allocable to the reportable segments, research and development costs of ¥(4,861) million and amortization of goodwill of ¥(137) million.
Reconciliation of segment assets of ¥162,453 million consists of corporate assets not allocable to the reportable segments.
Reconciliation of depreciation expense of ¥1,853 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 ¥1,696 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										
	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	4,547	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 printing 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.

	Thousands of U.S. Dollars										
	2013										
	Reportable segment										
	System Services	Support Services	Out-sourcing	Netmarks Services	Software	Hardware	Total	Other 1)	Total	Reconcil-iations 2)	Consol-idated 3)
Sales	**$769,112**	**$545,827**	**$344,030**	**$231,345**	**$327,092**	**$551,068**	**$2,768,474**	**$93,514**	**$2,861,988**		**$2,861,988**
Segment profit	**137,831**	**185,912**	**38,926**	**41,861**	**111,770**	**122,871**	**639,171**	**36,480**	**675,651**	**$(587,283)**	**88,368**
Segment assets	**22,020**	**24,466**	**191,079**	**24,593**	**46,560**	**63,562**	**372,280**	**3,339**	**375,619**	**1,727,305**	**2,102,924**
Other:											
Depreciation	**1,435**	**3,796**	**41,351**	**4,944**	**25,986**	**11,356**	**88,868**	**1,669**	**90,537**	**19,702**	**110,239**
Increase in property, plant and equipment and intangible assets	**1,744**	**3,721**	**67,517**	**3,658**	**20,011**	**15,545**	**112,196**	**1,116**	**113,312**	**18,033**	**131,345**
Impairment losses of assets			**14,205**				**14,205**		**14,205**		**14,205**
Goodwill:											
Amortization										**1,457**	**1,457**
Balance										**22,031**	**22,031**
Negative goodwill:											
Amortization										**85**	**85**
Balance											

1) The "Other" category not included in a specific reportable segment consists of installation and other businesses.
2) Reconciliation of segment profit of $(587,283) thousand consists of selling, general and administrative expenses of $(534,141) thousand not allocable to the reportable segments, research and development costs of $(51,685) thousand and amortization of goodwill of $(1,457) thousand.
Reconciliation of segment assets of $1,727,305 thousand consists of corporate assets not allocable to the reportable segments.
Reconciliation of depreciation expense of $19,702 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 $18,033 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, 2013 and 2012 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.

22. Subsequent events

Issuance of Euro Yen zero coupon convertible bonds due 2016

The board of directors of the Company, at the board meeting held on June 4, 2013, passed resolutions to issue Euro Yen zero coupon convertible bonds due 2016. All payments were made on June 20, 2013.
Details are as follows:

(1) Aggregate amount of issue price — Sum of ¥15,225 million ($161,882 thousand) and the total amount of payments for replacements of bonds. Should any bond certificate be lost, stolen, destroyed, mutilated or defaced, it may be replaced upon payment by the claimant of the expenses incurred in connection therewith and on such terms as to evidence, security, indemnity and otherwise as the Company or the registrar may require (provided that the requirement is reasonable in the light of prevailing market practice).

(2) Issue price (amount to paid in) — 101.5% of the face value of the bonds (in the denomination of ¥5 million ($53 thousand))

(3) Offer price — 104.0% of the face value

(4) Closing date — on June 20, 2013

(5) Redemption at maturity — on June 20, 2016
(Early redemption and retirement by purchase under certain circumstances was specified in the Information Memorandum)

(6) Coupon — Zero

(7) Class and number of shares to be issued or transferred upon exercise of the stock acquisition rights
①Class — Common stock (share unit :100 shares)
②Number of shares — The number of shares to be acquired by a bondholder exercising its stock acquisition rights will be determined by dividing the aggregate principal amount of the bonds with respect to the stock acquisition rights by the conversion price as set forth in (9). However, the fractions of a share will not be issued and no adjustment by means of cash payment will be made in respect thereof.

(8) Number of stock acquisition rights
Sum of 3,000 units and the total number of the units determined by dividing the aggregate principal amount of replacements of bonds by ¥5 million ($53 thousand).

(9) Exercise of stock acquisition rights and contribution of the bond
①Upon exercise of the stock acquisition right incorporated in each bond, the bond shall be deemed to be acquired by the Company as a capital contribution in kind by such bondholder at the price equal to the principal amount of the bond.
②Initial conversion price — ¥1,114 ($12) per share
③Adjustment of conversion price
The conversion price shall be adjusted in accordance with the following formula, if the Company issues new shares or disposes of the shares it holds at an issue price or disposal price below the current market price of the shares (except in the case of exercising the stock acquisition rights of the Company and exercising the right to demand the acquisition of shares with a put option). In the following formula, the “number of shares outstanding” means the total number of the shares that are issued and outstanding (but excluding those held by the Company).

$$\text{Conversion price after adjustment} = \text{Conversion price before adjustment} \times \frac{\text{Number of shares outstanding} + \dfrac{\text{Number of shares to be issued or disposed of} \times \text{Issue or disposal price per share}}{\text{Market price per share}}}{\text{Number of shares outstanding} + \text{Number of shares to be issued or disposed of}}$$

The conversion price will also be appropriately adjusted in the case of a stock split of the shares, consolidation of the shares, a distribution of a certain amount of dividend, an issue by the Company of stock acquisition rights to acquire the shares (including stock acquisition rights incorporated into bonds with stock acquisition rights) at a price below the current market price of the shares, or in certain other cases.

(10) Exercise period of the stock acquisition rights

Each stock acquisition right may be exercised at any time during the period from, and including, July 4, 2013 to, and including, the close of business (at the place where the stock acquisition right is to be exercised) on June 6, 2016; or

However, (1) in the case of early redemption upon occurrence of a corporate event (unless, in the case of an early redemption for taxation reasons, as categorized in an early redemption at the option of the Company, where the holder of such bond has elected that such Bond shall not be redeemed early), the exercise period shall be up to the third Tokyo business day prior to the date fixed for redemption thereof, (2) in the case of an early redemption at the option of the bondholders, the exercise period shall be up to the time when the relevant notice of redemption is deposited at the specified office of an agent, (3) in the case of a purchase and cancellation of the bond, the exercise period shall be up to the time when such bond is so cancelled by the Company or (4) in the case where the bond becomes due and repayable, the exercise period shall be up to the time when such bond becomes so due and repayable.

In any case of the foregoing, the stock acquisition right may not be exercised after June 6, 2016 (local time of the place where execution is accepted).

Notwithstanding the foregoing, the stock acquisition right may not be exercised for such period as may be designated by the Company if the Company reasonably determines that such suspension is necessary in order to consummate the relevant reorganization of the Company, provided that such period may not exceed 30 days and shall expire on or before the date that is 14 days after the corporate event effective date.

Furthermore, notwithstanding the foregoing, the stock acquisition rights may not be exercised where the calendar day in Japan on which the exercise of the stock acquisition rights shall become effective (or the next following Tokyo business day, if the relevant calendar day will not be a Tokyo business day) would fall on a date within the period from and including the second (2nd) Tokyo business day falling immediately prior to any record date specified by the Company or any other date set for the purpose of determination of shareholders in connection with paragraph 1 of article 151 of the Act on Book-Entry Transfer of Company Bonds, Shares, etc. (together with the record date specified by the Company, collectively, the “Shareholder Determination Date”) (or, if such Shareholder Determination Date falls on a date that is not a Tokyo business day, the third (3rd) Tokyo business day falling immediately prior to such Shareholder Determination Date), to and including (y) such Shareholder Determination Date (provided that if such Shareholder Determination Date falls on a date that is not a Tokyo business day, the Tokyo business day immediately following such Shareholder Determination Date).

However, the limit of the exercise period shall be modified when Japanese law, regulation and business relating to delivery of the shares by executing the stock acquisition rights on the transfer system based on the Act on Book-Entry Transfer of Company Bonds, Shares, etc., are changed.

(11) Conditions for exercise of the stock acquisition rights

No stock acquisition rights may be exercised in part only.

(12) Use of proceeds

The net proceeds of the issue of the bonds will be used, by around March 2014, as follows:

(a) ¥5 billion ($53 million) for capital expenditures on hardware and software for the outsourcing business, and

(b) The balance for repayment of interest-bearing debt.

Deloitte.

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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 its consolidated subsidiaries as of March 31, 2013, 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 accordance 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 accordance 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 its consolidated subsidiaries as of March 31, 2013, and the consolidated results of their operations and their cash flows for the year then ended in accordance 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 accordance with the basis stated in Note 1 to the consolidated financial statements. Such U.S. dollar amounts are presented solely for the convenience of readers outside Japan.

Deloitte Touche Tohmatsu LLC

June 26, 2013

Member of
Deloitte Touche Tohmatsu Limited

Corporate Profile and Stock Information

As of March 31, 2013

Corporate Profile

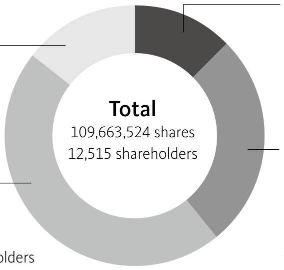
Name	Nihon Unisys, Ltd.
Established	March 29, 1958
Capital	¥5,483 million
Business Activities	Consulting ICT solutions Outsourcing Support and system-related services Sales of computer systems (hardware and software)
Number of Employees	8,820 (consolidated basis)
Independent Auditor	Deloitte Touche Tohmatsu 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 12,515

Classification of Shareholders



Principal Shareholders

Name	Number of shares held (Thousands)	Holding ratio (%)
Dai Nippon Printing Co., Ltd.	20,727	18.90
Mitsui & Co., Ltd.	9,798	8.93
Japan Trustee Services Bank, Ltd. (Trust Account)	7,974	7.27
The Master Trust Bank of Japan, Ltd. (Trust Account)	5,544	5.05
The Norinchukin Bank	4,653	4.24
Nihon Unisys Employees' Shareholding Society	3,221	2.93
All Nippon Airways Co., Ltd.	1,794	1.63
MSIP CLIENT SECURITIES	1,513	1.37
The Master Trust Bank of Japan, Ltd. (Retirement Benefit Trust Account/Mitsubishi Electric Corporation Account)	1,271	1.15
Japan Trustee Services Bank, Ltd. (Trust Account 9)	1,198	1.09

Notes: Number of shares is rounded down to the nearest thousand shares.
In addition to the above, Nihon Unisys, Ltd., retains 15,671,093 treasury shares (holding ratio: 14.29%).

Group Companies

As of March 31, 2013
Figures in parentheses represent employee numbers.

Marketing & Business Development & Consulting

Consulting, sales, and marketing
Nihon Unisys, Ltd. (4,212)

CAD / CAM system-related services
UEL Corporation (192)

Consulting services
Cambridge Technology Partners, Ltd. (69)

ICT solution services for financial institutions
AFAS Inc. (50)

Network & Support Services

Network and support services
UNIADEX, Ltd. (2,523)
S&I Co., Ltd. (156)

Network services
NETMARKS INC. (471)

System Services

ICT solution services
USOL HOLDINGS Co., Ltd.
- USOL Hokkaido Co., Ltd. (95)
- USOL Tohoku Co., Ltd. (24)
- USOL Tokyo Co., Ltd. (167)
- USOL Chubu Co., Ltd. (82)
- USOL Kansai Co., Ltd. (45)
- USOL Chugoku Co., Ltd. (30)
- USOL Kyushu Co., Ltd. (56)
- USOL VIETNAM Co., Ltd. (149)

ICT solution services based in Okinawa
International Systems Development Co., Ltd. (138)

ICT solution services for the commercial and manufacturing sectors
G&U System Service, Ltd. (63)

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

Outsourcing

ICT outsourcing services
A-tas, Ltd. (96)

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

Group Shared Services

Group shared operations and various services
Nihon Unisys Business, Ltd. (197)

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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