

Note) This is an English translation of summarized consolidated financial results prepared for readers' convenience. Should there be any inconsistency between the translation and the original Japanese text, the latter shall prevail.



Consolidated Financial Report for the Third Quarter of Fiscal Year Ending March 31, 2020 [Japan GAAP]

February 4, 2020

Nihon Unisys, Ltd.

Stock Listing: Tokyo Stock Exchange 1st Section
Stock Code: 8056
URL: <https://www.unisys.co.jp/>
Representative: Akiyoshi Hiraoka, Representative Director, President & CEO
Scheduled Submission Date for Quarterly Report: February 12, 2020
Scheduled Starting Date for Dividend Payment: -
Earnings Supplementary Explanatory Documents: yes
Earnings Results Briefing: yes (for institutional investors, analysts)

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

1. Consolidated Financial Results for FY2020 Q3 (from April 1, 2019 to December 31, 2019)

(1) Consolidated Results of Operations

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

| | Net Sales | | Operating Income | | Ordinary Income | | Profit Attributable to Owners of Parent | |
|------------------|-----------------|------|------------------|------|-----------------|------|---|------|
| | Millions of Yen | % | Millions of Yen | % | Millions of Yen | % | Millions of Yen | % |
| FY2020 Q3 | 218,901 | 10.1 | 16,504 | 36.4 | 17,357 | 37.8 | 11,882 | 31.7 |
| FY2019 Q3 | 198,886 | 1.2 | 12,100 | 28.3 | 12,592 | 27.7 | 9,024 | 33.0 |

(Note) Comprehensive Income FY2020 Q3: 11,221 Million Yen (28.5 %) FY2019 Q3: 8,733 Million Yen (-21.2 %)

| | Earnings Per Share | Diluted Earnings Per Share |
|------------------|--------------------|----------------------------|
| | Yen | Yen |
| FY2020 Q3 | 118.41 | 117.99 |
| FY2019 Q3 | 89.94 | 89.63 |

(2) Consolidated Financial Position

| | Total Assets | Net Assets | Shareholders' Equity Ratio |
|------------------|-----------------|-----------------|----------------------------|
| | Millions of Yen | Millions of Yen | % |
| FY2020 Q3 | 203,960 | 121,548 | 58.7% |
| FY2019 | 211,421 | 116,615 | 54.2% |

(Reference) Shareholders' Equity FY2020 Q3: 119,672 Million Yen FY2019: 114,638 Million Yen

2. Dividends

| | Dividends Per Share | | | | |
|--------------------------|---------------------|-----------|-----------|----------|-------|
| | End of Q1 | End of Q2 | End of Q3 | Year-end | Total |
| | Yen | Yen | Yen | Yen | Yen |
| FY2019 | — | 25.00 | — | 30.00 | 55.00 |
| FY2020 | — | 32.50 | — | | |
| FY2020 (Forecast) | | | | 37.50 | 70.00 |

(Note) Revisions to the latest forecast of dividends: Yes

3. Consolidated Earnings Forecast for FY2020 (from April 1, 2019 to March 31, 2020)

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

| | Net Sales | | Operating Income | | Ordinary Income | | Profit Attributable to Owners of Parent | | Earnings Per Share |
|---------------|-----------------|-----|------------------|------|-----------------|------|---|------|--------------------|
| | Millions of Yen | % | Millions of Yen | % | Millions of Yen | % | Millions of Yen | % | Yen |
| FY2020 | 314,000 | 5.0 | 25,000 | 21.2 | 25,900 | 26.2 | 17,500 | 22.9 | 174.39 |

(Note) Revisions to the latest forecast of consolidated earnings: Yes

* Notes

(1) Change in the scope of consolidation (change of condition of significant consolidated subsidiaries) during this quarterly period: No

(2) Adoption of special accounting methods for preparation of quarterly consolidated financial statements: No

(3) Changes in accounting policies, changes in accounting estimates and restatement of corrections

1. Changes in accounting policies in association with revision in accounting standards: No

2. Other changes in accounting policies: No

3. Changes in accounting estimates: No

4. Restatement of corrections: No

(4) Number of shares outstanding (common stock)

(shares)

1. Number of shares outstanding at the end of the period
(including treasury stock)

| | | | |
|-----------|-------------|--------|-------------|
| FY2020 Q3 | 109,663,524 | FY2019 | 109,663,524 |
|-----------|-------------|--------|-------------|

2. Number of shares of treasury stock at the end of the period

| | | | |
|-----------|-----------|--------|-----------|
| FY2020 Q3 | 9,310,479 | FY2019 | 9,315,429 |
|-----------|-----------|--------|-----------|

3. Average number of shares outstanding during the period

| | | | |
|-----------|-------------|-----------|-------------|
| FY2020 Q3 | 100,351,687 | FY2019 Q3 | 100,335,144 |
|-----------|-------------|-----------|-------------|

*This consolidated financial report is not subject to quarterly review procedures.

*Comment regarding appropriate usage of earnings forecast, and other special notes

The forward-looking statements such as earnings forecasts contained in this document are based on the information currently available to the Company and certain assumptions which are regarded as legitimate. The Company makes no warranty as to the achievability of what is described in the statements. Actual results may differ from these forecasts due to various factors.

(Appendix)

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1. Results of Business Operations and Financial Conditions

(1) Analysis of Business Operations

During the past nine months of the fiscal year ending March 2020, there were concerns that the attitudes and behavior of Japanese consumers may be impacted by international affairs including conditions of overseas economies as well as a consumption tax hike in Japan. However, the Japanese economy continued to show signs of gradual recovery enabled through improvements in employment and income environments.

Investments in information system have remained strong in the domestic information services market. However, the Company has been operating in a continually difficult environment due to tough rivalries that are expected to be further intensified due to participants from other business categories.

In this environment, the Nihon Unisys group established the mid-term management plan, 'Foresight in sight® 2020' (for the period from the fiscal year 2018 to the fiscal year 2020). The plan describes the Group as a corporate group solving social issues through socially beneficial services capable of creating a more affluent society together with customers and business partners. It also states that the Company aims to be at the center of the creation of business ecosystems that connect industries and business types across conventional boundaries and to provide platforms capable of digital transformation ^(Note 1). The Company has made efforts on key issues as therein indicated.

We have been performing cross-functional activities beyond the boundaries of four focal areas set forth in the mid-term management plan in order to deal with social issues that we target.

Specifically, we began an experimental study in December 2019 in the energy management area. The study subject is a system to decide selling prices of 'environmental value' generated by solar power generation and support environmental value trading for 'RE100' companies. It is an advanced version of our previous experimental study that we implemented in the previous fiscal year about P2P solar energy trading through the use of blockchain technology in cooperation with Kansai Electric Power Co., Inc.

We will obtain knowledge and expertise about environmental value trading through the experimental study. We will further relate ourselves to RE100 member companies in the future. These efforts will enable us to contribute to creating a society of efficient energy use.

Furthermore, 'MY HOME MARKET®' (Note 2), launched in March 2018 under the theme of 'using Virtual Reality to design my home', is now listed on Rakuten. We expect that 'MY HOME MARKET®' our user-friendly virtual housing exhibition service will be appreciated by more consumers as a new way of home purchase.

Also, we have seen an accumulation of DX-related businesses and strong mobility-related businesses among other focal area businesses. Our innovative website systems provided through our digital transformation capabilities have enabled us to serve financial institutions by strengthening the front-office skills to interact with customers. Also, our car-sharing business and EDR business have continued to stabilize our mobility business performances.

We have seen SI-type business projects and IT infrastructure product sales adding up steadily in the ICT core business area. We serve a wide variety of business sectors through the projects. Accordingly, an operation rate of system engineers has been kept at a high level.

We aim to improve productivity in system development and operation projects. For that, we will continue to carefully examine risks in projects and make efforts to share and re-use knowledge and expertise that we have obtained from the projects.

We executed a capital and business alliance agreement with ALBERT Inc. well versed in AI algorithm development and big data analytics in November 2019. This investment approach will promote our joint proposals on new businesses and product developments based on AI and analytical technologies. We will begin to target existing and potential customers of our group companies first in the social infrastructure business areas such as distribution, transportation and energy businesses.

The Company has promoted a diverse corporate culture capable of creating business ecosystems. We have been connecting a wide variety of stakeholders who have their values across conventional boundaries of industry and business type.

In this connection, we aim to create an internal talent pipeline of female employees. We have made efforts to promote diverse and flexible workstyles through the use of female employee development programs such as OJT and other types of training as well as telework. Furthermore, we have enabled female workers to work shorter hours than they are legally entitled to and have helped them to strike their work and family-life balance through child-birth and child-care leave workshops.

As a result, the Company received the 'Japan's Minister of State for Special Missions Prize' at the 'Advanced Corporation Awards for the Promotion of Women' (Note 3). The award is organized by the Government of Japan's Gender Equality Bureau of the Cabinet Office.

We will continue to cultivate further our corporate culture where diverse individuals including female workers are respected.

In summary, the Nihon Unisys Group as a whole has been studious in achieving its goals set forth in the mid-term management plan, 'Foresight in sight 2020'.

(Notes)

1.

Digital Transformation: Digital transformation enables companies to cope with drastic changes in business environment through the use of data and digital technology. Companies change their products and services as well as business models into those capable of satisfying needs of customers and needs in society. Furthermore, companies can ensure their competitive superiority by changing their businesses, organization, and processes as well as their corporate culture.

2.

MY HOME MARKET: Our own VR service to help users to check show houses through the use of digital devices such as smartphones until they find their ideal houses

3.

Advanced Corporation Awards for the Promotion of Women:

This award was established in 2014 with the aim of helping to enable a working environment where women can play an active role in contributing to the creation of a 'society where women shine'. The award recognizes companies that have made significant achievements in light of policies, initiatives and performances of promoting women to executive and managerial positions as well as disclosing the information thereof.

4.

Names of companies or products herein described are trademarks or registered trademarks of their respective organizations.

For the third quarter, net sales were ¥218,901 million (a 10.1% increase compared with the same period of the previous fiscal year) mainly due to the continued strength of system services as well as software & hardware sales.

Despite an increase in R&D costs, we had an increase in income due to an increase in system services and outsourcing sales as well as improved profitability. We posted: ¥ 16,504 million operating income (an increase of 36.4% compared with the same period of the previous fiscal year); ¥17,357million ordinary income (an increase of 37.8%); and ¥ 11,882 million profit attributable to owners of parent (an increase of 31.7%).

(2) Analysis of Financial Condition

At the end of the nine-month period of the current fiscal year, total assets were ¥ 203,960 million, a decrease of ¥ 7,460 million compared with the end of the previous fiscal year, partly due to a decrease in accounts receivable-trade.

Liabilities were ¥ 82,412 million, a ¥ 12,394 million decrease from the end of the previous fiscal year, partly due to a decrease in accounts payable-trade and interest-bearing debts.

Net assets were ¥ 121,548 million. Shareholders' equity ratio was 58.7%, up by 4.5 percentage points from the end of the previous fiscal year.

(3) Comments on the Consolidated Earnings Forecasts and Other Forecasts

We have continuously witnessed strong information system investments in the domestic information services market. Our group business segments specifically, system services, software, and hardware sales, have continued to show stable performances in a favorable order environment. Thus, we have revised our full-year consolidated performance forecast and full-year non-consolidated performance forecast as below.

(Full-Year) Consolidated Performance Forecast

| | Net sales | Operating income | Ordinary income | Profit Attributable to Owners of Parent | Profit per share |
|---|-----------------|------------------|-----------------|---|------------------|
| | Millions of Yen | Millions of Yen | Millions of Yen | Millions of Yen | Yen |
| Previous forecasts (A) (announced on November 6, 2019) | 307,000 | 23,000 | 22,800 | 16,000 | 159.44 |
| Current forecasts (B) | 314,000 | 25,000 | 25,900 | 17,500 | 174.39 |
| Increase/decrease (B-A) | 7,000 | 2,000 | 3,100 | 1,500 | — |
| Change (%) | 2.3 | 8.7 | 13.6 | 9.4 | — |
| Results for the fiscal year ended March 2019 | 299,029 | 20,622 | 20,515 | 14,238 | 141.90 |

(Full-Year) Non-consolidated Performance Forecast

| | Net sales | Operating income | Ordinary income | Profit Attributable to Owners of Parent | Profit per share |
|--|-----------------|------------------|-----------------|---|------------------|
| | Millions of Yen | Millions of Yen | Millions of Yen | Millions of Yen | Yen |
| Previous forecasts (A) (announced on May 9, 2019) | 180,000 | 13,500 | 19,200 | 15,000 | 149.48 |
| Current forecasts (B) | 181,000 | 14,500 | 20,000 | 15,200 | 151.46 |
| Increase/decrease (B-A) | 1,000 | 1,000 | 800 | 200 | — |
| Change (%) | 0.6 | 7.4 | 4.2 | 1.3 | — |
| Results for the fiscal year ended March 2019 | 175,298 | 12,793 | 18,269 | 13,886 | 138.40 |

We have established a policy of returning profits based on a performance-linked allocation while comprehensively considering cash flow, the balance between cash flow and investment for growth, business environment, and other factors.

Under the mid-term management plan, we target the dividend payout ratio of 40%.

We have made the revision below to our year-end dividend forecast pursuant to the basic policy and the revised full-year performance forecast.

Dividend Forecasts

| Record date | Dividends per share | | |
|--|---------------------|----------|--------|
| | End of Q2 | Year-end | Annual |
| Previous forecasts (announced on November 6, 2019) | Yen | Yen | Yen |
| | | 32.50 | 65.00 |
| Current forecasts | | 37.50 | 70.00 |
| Actual results for the fiscal year ending March 2020 | 32.50 | | |
| Dividends for the fiscal year ended March 2019 | 25.00 | 30.00 | 55.00 |

2. Consolidated Financial Statements

(1) Consolidated Balance Sheets

Millions of Yen

| | FY2019 (As of March 31, 2019) | FY2020 Q3 (As of December 31, 2019) |
|--|----------------------------------|--|
| Assets | | |
| Current assets | | |
| Cash and deposits | 27,200 | 26,190 |
| Notes and accounts receivable - trade | 72,479 | 52,271 |
| Merchandise and finished goods | 8,248 | 12,457 |
| Work in process | 1,947 | 5,131 |
| Raw materials and supplies | 86 | 71 |
| Other | 18,364 | 22,525 |
| Allowance for doubtful accounts | (56) | (48) |
| Total current assets | 128,270 | 118,598 |
| Non-current assets | | |
| Property, plant and equipment | | |
| Buildings and structures, net | 4,082 | 3,864 |
| Machinery, equipment and vehicles, net | 6,670 | 5,889 |
| Other, net | 3,496 | 3,123 |
| Total property, plant and equipment | 14,249 | 12,878 |
| Intangible assets | | |
| Goodwill | 1,288 | 1,618 |
| Software | 19,982 | 18,519 |
| Other | 102 | 93 |
| Total intangible assets | 21,373 | 20,231 |
| Investments and other assets | | |
| Investment securities | 23,854 | 27,056 |
| Deferred tax assets | 1,656 | 531 |
| Net defined benefit asset | 7,087 | 8,505 |
| Other | 15,237 | 16,455 |
| Allowance for doubtful accounts | (307) | (297) |
| Total investments and other assets | 47,528 | 52,252 |
| Total non-current assets | 83,151 | 85,361 |
| Total assets | 211,421 | 203,960 |

Millions of Yen

| | FY2019 (As of March 31, 2019) | FY2020 Q3 (As of December 31, 2019) |
|---|----------------------------------|--|
| Liabilities | | |
| Current liabilities | | |
| Notes and accounts payable - trade | 26,009 | 17,527 |
| Current portion of long-term loans payable | 5,255 | 5,180 |
| Income taxes payable | 2,905 | 450 |
| Accrued expenses | 11,155 | 6,538 |
| Advances received | 15,761 | 20,905 |
| Provision for loss on contract development | 652 | 529 |
| Other provisions | 1,555 | 892 |
| Other | 11,304 | 12,537 |
| Total current liabilities | 74,600 | 64,560 |
| Non-current liabilities | | |
| Long-term loans payable | 16,635 | 13,913 |
| Provisions | 416 | 208 |
| Net defined benefit liability | 614 | 642 |
| Asset retirement obligations | 1,131 | 1,146 |
| Other | 1,408 | 1,942 |
| Total non-current liabilities | 20,206 | 17,852 |
| Total liabilities | 94,806 | 82,412 |
| Net assets | | |
| Shareholders' equity | | |
| Capital stock | 5,483 | 5,483 |
| Capital surplus | 14,909 | 14,909 |
| Retained earnings | 97,893 | 103,500 |
| Treasury shares | (13,540) | (13,534) |
| Total shareholders' equity | 104,745 | 110,358 |
| Accumulated other comprehensive income | | |
| Valuation difference on available-for-sale securities | 6,561 | 6,940 |
| Deferred gains or losses on hedges | 0 | 0 |
| Foreign currency translation adjustment | (31) | (76) |
| Remeasurements of defined benefit plans | 3,361 | 2,450 |
| Total accumulated other comprehensive income | 9,892 | 9,314 |
| Stock acquisition rights | 432 | 474 |
| Non-controlling interests | 1,544 | 1,401 |
| Total net assets | 116,615 | 121,548 |
| Total liabilities and net assets | 211,421 | 203,960 |

(2) Consolidated Statements of Income and Consolidated Statements of Comprehensive Income

(Consolidated Statements of Income)

Millions of Yen

| | FY2019 Q3 (Nine months ended December 31, 2018) | FY2020 Q3 (Nine months ended December 31, 2019) |
|--|---|---|
| Net sales | 198,886 | 218,901 |
| Cost of sales | 148,571 | 163,047 |
| Gross profit | 50,314 | 55,854 |
| Selling, general and administrative expenses | 38,214 | 39,349 |
| Operating income | 12,100 | 16,504 |
| Non-operating income | | |
| Interest income | 6 | 6 |
| Dividend income | 465 | 486 |
| Reversal of reserve for contingent losses | 87 | 485 |
| Other | 186 | 242 |
| Total non-operating income | 745 | 1,220 |
| Non-operating expenses | | |
| Interest expenses | 73 | 64 |
| Settlement package | - | 178 |
| Loss on investments in partnership | 113 | 98 |
| Other | 66 | 25 |
| Total non-operating expenses | 253 | 367 |
| Ordinary income | 12,592 | 17,357 |
| Extraordinary income | | |
| Gain on sales of investment securities | 95 | 118 |
| Other | - | 0 |
| Total extraordinary income | 95 | 118 |
| Extraordinary losses | | |
| Impairment loss | 89 | 284 |
| Loss on valuation of investment securities | 251 | 315 |
| Other | 16 | 43 |
| Total extraordinary losses | 357 | 643 |
| Profit before income taxes | 12,329 | 16,832 |
| Income taxes - current | 272 | 2,184 |
| Income taxes - deferred | 2,941 | 2,844 |
| Total income taxes | 3,213 | 5,029 |
| Profit | 9,116 | 11,803 |
| Profit (loss) attributable to non-controlling interests | 91 | (79) |
| Profit attributable to owners of parent | 9,024 | 11,882 |

(Consolidated Statements of Comprehensive Income)

Millions of Yen

| | FY2019 Q3 | FY2020 Q3 |
|--|--|--|
| | (Nine months ended December 31, 2018) | (Nine months ended December 31, 2019) |
| Profit | 9,116 | 11,803 |
| Other comprehensive income | | |
| Valuation difference on available-for-sale securities | (721) | 377 |
| Deferred gains or losses on hedges | (0) | (1) |
| Foreign currency translation adjustment | - | (15) |
| Remeasurements of defined benefit plans | 393 | (911) |
| Share of other comprehensive income of entities accounted for using equity method | (54) | (31) |
| Total other comprehensive income | (382) | (581) |
| Comprehensive income | 8,733 | 11,221 |
| (Breakdown) | | |
| Comprehensive income attributable to owners of parent | 8,641 | 11,303 |
| Comprehensive income attributable to non-controlling interests | 91 | (81) |

(3) Notes concerning Consolidated Financial Statements

(Notes on Going Concern Assumption)

Not applicable

(Notes on Significant Changes in Shareholders' Equity)

Not applicable