

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 First Quarter of Fiscal Year Ending March 31, 2021 [Japan GAAP]

August 6, 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: August 13, 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 FY2021 Q1(from April 1, 2020 to June 30, 2020)

#### (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	%
<b>FY2021 Q1</b>	64,140	(1.6)	3,282	6.7	3,490	(6.2)	2,086	(21.0)
<b>FY2020 Q1</b>	65,154	14.2	3,076	109.8	3,719	109.4	2,642	87.6

(Note) Comprehensive Income FY2021 Q1: 2,534 Million Yen ( 41.9 % ) FY2020 Q1: 1,786 Million Yen ( -4.3 % )

	Earnings Per Share	Diluted Earnings Per Share
	Yen	Yen
<b>FY2021 Q1</b>	20.79	20.72
<b>FY2020 Q1</b>	26.33	26.24

#### (2) Consolidated Financial Position

	Total Assets	Net Assets	Shareholders' Equity Ratio
	Millions of Yen	Millions of Yen	%
<b>FY2021 Q1</b>	202,698	121,432	58.9%
<b>FY2020</b>	214,975	122,598	56.0%

(Reference) Shareholders' Equity FY2021 Q1: 119,319 Million Yen FY2020: 120,473 Million Yen

### 2. Dividends

	Dividends Per Share				
	End of Q1	End of Q2	End of Q3	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
<b>FY2020</b>	—	32.50	—	37.50	70.00
<b>FY2021</b>	—	—	—	—	—
<b>FY2021 (Forecast)</b>	—	35.00	—	35.00	70.00

(Note) Revisions to the latest forecast of dividends: No

### 3. Consolidated Earnings Forecast for FY2021 (from April 1, 2020 to March 31, 2021)

(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
<b>FY2021</b>	320,000	2.7	26,000	(0.5)	25,600	(3.8)	17,000	(6.5)	169.38

(Note) Revisions to the latest forecast of consolidated earnings: No

\* Notes

(1) Change in the scope of consolidation (change of condition of significant consolidated subsidiaries) during this quarterly period: Yes  
Newly consolidated company : CVCF2 Investment Limited Partnership

(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)

FY2021 Q1	109,663,524	FY2020	109,663,524
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2. Number of shares of treasury stock at the end of the period

FY2021 Q1	9,295,807	FY2020	9,295,807
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3. Average number of shares outstanding during the period

FY2021 Q1	100,367,717	FY2020 Q1	100,350,623
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\*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 first three months of the fiscal year ending March 2021, the Japanese economy was continuously confronted with serious economic difficulties.

The economy will be sustained and hopefully show signs of recovery through initiatives to gradually raise the level of socioeconomic activities. However, an unpredictable future has continued due to the occurrence of COVID-19 infectious disease at home and abroad as well as impacts of a fluctuating financial and capital market.

We have witnessed that companies are forced to limit business activities under stress of the continuing pandemic spread. We have also seen them tend to postpone ICT investments in the domestic information services market. This tendency indicates that we are operating in a difficult environment.

Against this background, the Nihon Unisys group established its mid-term management plan ‘Foresight in sight® 2020’ (FY2018-FY2020). The plan describes the intention of the Company to be at the center of the creation of business ecosystems that connect industries and business types across conventional boundaries. Furthermore, the intention of the Company is to provide platforms capable of digital transformation <sup>Note 1</sup>.

The Company has made continuous efforts about key issues indicated in the plan as a ‘corporate group resolving social issues through socially beneficial services capable of creating a more affluent society together with customers and business partners’.

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.

Our efforts to realize a smart society are exemplified by ‘AI-Order Foresight™’ based on AI-driven demand forecasts and ‘RinzaTarget™’.

We launched ‘AI-Order Foresight™’, cloud-type service to automate order-related duties for retail shops. ‘RinzaTarget™’ is our customer data analysis service to help companies about their marketing promotion strategies.

Our AI-Order Foresight automates order-related tasks at shops on the basis of various types of data such as sales results, meteorological data, and event information. It even helps to reduce excessive inventory by enabling shop operations less bound by employees’ experiences and skills. Furthermore, the service will conduce to reducing food loss and waste, part of the social issues that we keep in mind.

Our RinzaTarget helps customers take new sales promotion measures.

The solution is predicated on data analysis methods and AI analysis algorithms that we have developed. It can merge and analyze data that it obtains from online and offline purchase experiences enabled at actual shops and members-only websites via smartphone apps. The service helps us and Dai Nippon Printing Co., Ltd. in jointly operating SmartCampaign®, service to deploy sales promotion campaigns.

Our new IoT business platform initiatives are exemplified by our launching VibSign™ and Dr.Bridge™. VibSign detects signs of problems that lie in rotary devices at factories and enables maintenance to prevent trouble occurrence. Dr.Bridge™ is an AI-driven system to diagnose bridges. This labor-saving service can improve the quality of operations involved in inspecting bridges.

Our services driven by AI and IoT will help us to contribute to improving work-saving maintenance tasks of inspecting and diagnosing devices at factories as well as bridges and structures on the road such as tunnels that age every year.

The Company has participated in two demonstration projects selected as ‘Virtual PowerPlant (VPP <sup>Note 2</sup>) Construction and Demonstration Project for Fiscal 2020’ subsidized by the Agency for Natural Resources and Energy of Ministry of Economy, Trade and Industry.

The aim of the first virtual power plant demonstration project that we operate together with other companies such as Kansai Electric Power Co., Ltd. is to enable an optimum energy management capable of taking into account electricity self-generation. The VPP comprises photovoltaic power system and ENE・FARM® residential fuel cells installed at general households.

We have been operating the second demonstration project under the theme of system to manage energy resources for households. The project is promoted by a consortium which we belong to under the leadership of Kyushu Electric Power Company as the managing company.

Our eventual aim is to broaden a gamut of possibilities of energy management by using knowledge and expertise that we gain through these demonstration projects. Thus, we will contribute to enabling a

society capable of efficiently using energy.

In addition to the above, we have taken part in a project to develop an advanced diagnostic and therapeutic system assisted by ‘AI hospitals (innovative AI hospital systems)’ , and put it into effect in our society in the year 2022. The project was launched pursuant to an approval obtained in the Cross-ministerial Strategic Innovation Promotion Program (SIP) phase 2 <sup>Note 3</sup>.

We will promote the project, with an aim to establish an AI-driven advanced diagnostic and therapeutic system which will help ensure the quality of medical care and reduce the burden on healthcare workers in a super-aged society.

We have been aware of system service projects gradually suffering stress from the COVID-19 pandemic. Production operation phases are postponed, and small to medium-sized projects are decreasing.

We have made efforts to ensure and further strengthen in-depth monitoring of the projects in order to witness unusual signs in the early stages and implement appropriate countermeasures.

DX-related businesses have been steadily increasing partly through dealing with front-office system to strengthen interaction with customers at financial institutions. Also, we have seen a solid increase in projects about outsourcing core-banking system operations for financial institutions.

Furthermore, we aim to enable companies to continue business operations through flexible workstyles in the environment where their activities are limited under the COVID-19 pandemic effect. We have been providing various types of services such as ‘Wrap®’ cloud-type network service and platforms to help companies carry out workstyle reforms.

Our corporate culture reform has been promoted through measures designed to enable new workstyles. The measures include those to allow a high degree of freedom of working place and working time as well as digitalize businesses.

Furthermore, we launched a new internal project in the year 2020 with an aim to create new services conducive to solving social issues through encouraging employees to think and behave more autonomously and flexibly.

The project comprises diverse members assigned through an internal recruitment regardless of occupation, specialty, sex, and age.

What we aim by attempting a holacracy structure for the project without a hierarchical relationship is to perform trial operations of a model of distributed management of decision making as well as goal setting and personal evaluation. Also, we aim to create new services and business ecosystems through activities across the conventional boundaries of company and organization.

In summary, the Nihon Unisys group as a whole has been studious in achieving its goals set forth in the midterm management plan, ‘Foresight in sight 2020’.

#### (NOTES)

1

Digital Transformation: Companies transform themselves through the use of data and digital technologies in an attempt to enable agile responses to needs of customers and needs of society. Such a transformation in light of products, services, and business models, as well as businesses, organizations, processes, and corporate culture helps companies establish and strengthen competitive edges to cope with drastic changes in a business environment.

2.

Virtual Power Plant (VPP) : Integrate and coordinate several small-scale power sources and electricity demand control system through the use of IT technologies into a system comparable to a power station. VPP can optimize a supply and demand balance in the electricity grid.

3

The Cross-ministerial Strategic Innovation Promotion Program (SIP): a national program founded to enable scientific and technical innovation through management that extends beyond the boundaries of existing fields and government departments, ministries, and agencies. The program is led by the Cabinet Office's Council for Science, Technology and Innovation taking the leadership in the management. The program promotes 12 issues including health and medical care in the phase 2.

4

Holacracy organization: management approach to do away with a hierarchy structure, and distribute decision-making authority among self-organizing teams composing a flat organization governed by fulfilling roles pursuant to rules

5.

‘Smart Campaign’ is a registered trademark of Dai Nippon Printing Co., Ltd. ‘ENE・FARM’ is a registered trademark of Tokyo Gas Co., Ltd., Osaka Gas Co., Ltd. and ENOES Corporation. Names of other companies or other products herein described are trademarks or registered trademarks of their respective organizations.

For the first three-month period under review, net sales were ¥64,140 million (a 1.6% decrease compared with the same period of the previous fiscal year) as a result of hardware sales and software sagged by impacts of the COVID-19 pandemic, although outsourcing services increased.

Gross profit was decreased due to the decrease in net sales. However, ¥3,282 million operating income (an increase of 6.7% compared with the same quarter of the previous fiscal year) was enabled, attributable to a decrease in general expenses. Ordinary income was ¥3,490 million (a decrease of 6.2%) under the effect of a decrease in gain on reversal of provision for contingent loss and a decrease in dividend income. Profit attributable to owners of parent of ¥2,086 million (a decrease of 21.0%).

## (2) Analysis of Financial Condition

In the first three months, total assets were ¥202,698 million, a decrease of ¥12,277 million compared with the end of the previous fiscal year.

Total current assets were ¥120,211 million, a decrease of ¥13,086 million, partly due to a ¥21,888 million decrease in notes and accounts receivable-trade despite a ¥3,695 million increase in cash and deposits.

Despite a ¥3,088 million investment mainly in the outsourcing services related businesses of the focal areas and ICT core areas, total non-current assets were ¥82,487million, an increase of ¥808 million, partly due to posting a ¥2,655 million depreciation.

In addition, we made strategic investments in start-up companies and funds in order to strengthen and increase our businesses in the focal areas. Thus, investment securities increased by ¥1,116 million compared with the end of the previous fiscal year.

Liabilities were ¥81,265 million, a ¥11,111 million decrease from the end of the previous fiscal year, partly due to a decrease in notes and accounts payable-trade.

Despite an increase in profit attributable to owners of parent, net assets decreased to ¥121,432 million after dividend payments. Net assets decreased by ¥1,165 million compared with the end of the previous fiscal year.

Shareholders’ equity ratio was 58.9%, up by 2.9 percentage points from the end of the previous fiscal year.

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

The performance forecast on a consolidated basis has not been revised since it was announced on May 18, 2020.

## 2. Consolidated Financial Statements

### (1) Consolidated Balance Sheets

	Millions of Yen	
	FY2020	FY2021 Q1
	(As of March 31, 2020)	(As of June 30, 2020)
<b>Assets</b>		
<b>Current assets</b>		
Cash and deposits	33,287	36,982
Notes and accounts receivable - trade	70,840	48,952
Merchandise and finished goods	7,443	7,455
Work in process	1,843	3,687
Raw materials and supplies	77	77
Other	19,825	23,076
Allowance for doubtful accounts	(21)	(20)
<b>Total current assets</b>	<b>133,297</b>	<b>120,211</b>
<b>Non-current assets</b>		
<b>Property, plant and equipment</b>		
Buildings and structures, net	3,764	3,684
Machinery, equipment and vehicles, net	6,414	6,453
Other, net	3,286	3,441
<b>Total property, plant and equipment</b>	<b>13,465</b>	<b>13,579</b>
<b>Intangible assets</b>		
Goodwill	1,509	1,407
Software	18,711	18,561
Other	203	605
<b>Total intangible assets</b>	<b>20,423</b>	<b>20,574</b>
<b>Investments and other assets</b>		
Investment securities	23,272	24,389
Deferred tax assets	3,818	2,834
Net defined benefit asset	4,357	4,820
Other	16,637	16,585
Allowance for doubtful accounts	(296)	(296)
<b>Total investments and other assets</b>	<b>47,789</b>	<b>48,333</b>
<b>Total non-current assets</b>	<b>81,678</b>	<b>82,487</b>
<b>Total assets</b>	<b>214,975</b>	<b>202,698</b>

Millions of Yen

	FY2020 (As of March 31, 2020)	FY2021 Q1 (As of June 30, 2020)
<b>Liabilities</b>		
<b>Current liabilities</b>		
Notes and accounts payable - trade	22,475	16,273
Current portion of long-term loans payable	5,617	5,133
Income taxes payable	4,654	294
Accrued expenses	10,905	5,529
Advances received	18,477	22,943
Provision for loss on contract development	708	712
Other provisions	846	1,143
Other	10,431	10,644
<b>Total current liabilities</b>	<b>74,117</b>	<b>62,673</b>
<b>Non-current liabilities</b>		
Long-term loans payable	15,717	15,332
Provisions	94	76
Net defined benefit liability	651	668
Asset retirement obligations	1,128	1,133
Other	668	1,381
<b>Total non-current liabilities</b>	<b>18,260</b>	<b>18,591</b>
<b>Total liabilities</b>	<b>92,377</b>	<b>81,265</b>
<b>Net assets</b>		
<b>Shareholders' equity</b>		
Capital stock	5,483	5,483
Capital surplus	14,909	14,909
Retained earnings	109,795	108,127
Treasury shares	(13,513)	(13,513)
<b>Total shareholders' equity</b>	<b>116,675</b>	<b>115,007</b>
<b>Accumulated other comprehensive income</b>		
Valuation difference on available-for-sale securities	4,886	5,526
Deferred gains or losses on hedges	0	0
Foreign currency translation adjustment	(33)	(71)
Remeasurements of defined benefit plans	(1,056)	(1,141)
<b>Total accumulated other comprehensive income</b>	<b>3,798</b>	<b>4,312</b>
Stock acquisition rights	491	491
Non-controlling interests	1,633	1,621
<b>Total net assets</b>	<b>122,598</b>	<b>121,432</b>
<b>Total liabilities and net assets</b>	<b>214,975</b>	<b>202,698</b>



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

(Consolidated Statements of Income)

Millions of Yen

	FY2020 Q1 (Three months ended June 30, 2019)	FY2021 Q1 (Three months ended June 30, 2020)
<b>Net sales</b>	<b>65,154</b>	<b>64,140</b>
<b>Cost of sales</b>	<b>49,426</b>	<b>48,472</b>
<b>Gross profit</b>	<b>15,728</b>	<b>15,667</b>
<b>Selling, general and administrative expenses</b>	<b>12,652</b>	<b>12,385</b>
<b>Operating income</b>	<b>3,076</b>	<b>3,282</b>
<b>Non-operating income</b>		
Interest income	2	2
Dividend income	353	256
Other	408	45
<b>Total non-operating income</b>	<b>764</b>	<b>303</b>
<b>Non-operating expenses</b>		
Interest expenses	18	25
Share of loss of entities accounted for using equity method	6	60
Other	95	9
<b>Total non-operating expenses</b>	<b>120</b>	<b>95</b>
<b>Ordinary income</b>	<b>3,719</b>	<b>3,490</b>
<b>Extraordinary income</b>		
Gain on sales of non-current assets	0	0
Other	11	1
<b>Total extraordinary income</b>	<b>11</b>	<b>1</b>
<b>Extraordinary losses</b>		
Loss on valuation of investment securities	45	431
Other	55	16
<b>Total extraordinary losses</b>	<b>101</b>	<b>448</b>
<b>Profit before income taxes</b>	<b>3,629</b>	<b>3,043</b>
<b>Income taxes - current</b>	<b>235</b>	<b>264</b>
<b>Income taxes - deferred</b>	<b>766</b>	<b>744</b>
<b>Total income taxes</b>	<b>1,001</b>	<b>1,009</b>
<b>Profit</b>	<b>2,627</b>	<b>2,033</b>
<b>Profit (loss) attributable to non-controlling interests</b>	<b>(14)</b>	<b>(52)</b>
<b>Profit attributable to owners of parent</b>	<b>2,642</b>	<b>2,086</b>

## (Consolidated Statements of Comprehensive Income)

Millions of Yen

	FY2020 Q1	FY2021 Q1
	(Three months ended June 30, 2019)	(Three months ended June 30, 2020)
<b>Profit</b>	<b>2,627</b>	<b>2,033</b>
<b>Other comprehensive income</b>		
Valuation difference on available-for-sale securities	(512)	639
Deferred gains or losses on hedges	(1)	(1)
Foreign currency translation adjustment	-	(51)
Remeasurements of defined benefit plans	(303)	(85)
Share of other comprehensive income of entities accounted for using equity method	(23)	0
<b>Total other comprehensive income</b>	<b>(841)</b>	<b>501</b>
<b>Comprehensive income</b>	<b>1,786</b>	<b>2,534</b>
<b>(Breakdown)</b>		
Comprehensive income attributable to owners of parent	1,801	2,600
Comprehensive income attributable to non-controlling interests	(15)	(65)

(3) Notes concerning the Quarterly Consolidated Financial Statements  
(Notes on Going Concern Assumption)  
Not applicable

(Notes on Significant Changes in Shareholders' Equity)  
Not applicable