

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

November 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:	November 12, 2020
Scheduled Starting Date for Dividend Payment:	December 4, 2020
Earnings Supplementary Explanatory Documents:	yes
Earnings Results Briefing:	yes (for institutional investors, analysts and press)

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

1. Consolidated Financial Results for FY2021 Q2 (from April 1, 2020 to September 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	%
FY2021 Q2	144,571	(3.4)	11,567	5.0	11,533	(1.1)	7,566	(4.6)
FY2020 Q2	149,726	11.9	11,020	35.8	11,656	36.5	7,928	28.1

(Note) Comprehensive Income FY2021 Q2: 8,572 Million Yen (11.4 %) FY2020 Q2: 7,692 Million Yen (10.2 %)

	Earnings Per Share		Diluted Earnings Per Share	
	Yen		Yen	
FY2021 Q2	75.38		75.12	
FY2020 Q2	79.01		78.74	

(2) Consolidated Financial Position

	Total Assets		Net Assets		Shareholders' Equity Ratio	
	Millions of Yen		Millions of Yen		%	
FY2021 Q2	211,307		127,451		59.3%	
FY2020	214,975		122,598		56.0%	

(Reference) Shareholders' Equity FY2021 Q2: 125,388 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				
FY2020	—	32.50	—	37.50	70.00
FY2021	—	35.00	—	—	—
FY2021 (Forecast)	—	—	—	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
FY2021	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 Q2	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 Q2	9,290,432	FY2020	9,295,807
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3. Average number of shares outstanding during the period

FY2021 Q2	100,369,371	FY2020 Q2	100,351,203
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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 past six months of the fiscal year ending March 2021, the Japanese economy has been continuously put in a difficult situation where it suffers the long-term impacts of COVID-19 pandemic. Although we have seen economic activities resumed in many places, we think that the economic prospects remain uncertain due to the situations of COVID-19 infectious disease at home and abroad as well as fluctuations in the financial and capital market.

We have seen that companies are forced to postpone ICT investments under the current circumstances where it may be long before the pandemic fades away. The landscape of the domestic information services market is thus impacted. We know that we are operating in a difficult environment.

Against this background, the Nihon Unisys group has made continuous efforts about key issues indicated in its mid-term management plan ‘Foresight in sight[®] 2020 ‘(FY2018-FY2020), as a ‘corporate group resolving social issues through socially beneficial services capable of creating a more affluent society together with customers and business partners’. The group aims to be at the center of the creation of business ecosystems that connect various companies across conventional boundaries of industry and business sector. It also aims to provide platforms capable of digital transformation ^{Note 1}.

Net sales in the Focal Area significantly increased by 46.9% from the same period of the previous fiscal year, although the ICT Core businesses were negatively impacted by product sales situations as well as reduced or postponed investments in small and medium-sized projects.

We saw customers continuously show a stronger interest in investments related to digital transformation (DX) in the second quarter than in the first quarter. We have continuously received many inquiries. The net sales have been increasing towards achieving the full-year target value of the Focal Area faster than the same period of the previous fiscal year.

The Focal Area business growth is on track. The growth is ascribable to DX businesses such as: our existing service to strengthen customer interactions at financial institutions; service to transform retail real shop businesses through an electronic shelf label solution; and solutions to help accelerate workstyle reforms and digitalization in the field of education in response to the pandemic.

Our electronic shelf label solution has been gradually implemented at major mass retailers. An integrated processing system enables customers to immediately reflect prices and label designs as they intend. The solution contributes to significantly reducing time at the shops for changing shelf labels in accordance with seasonally resetting racks and shelves. Our integrated processing service to change price tags in real time also helps the mass retailers become further competitive.

Our fee-for-services business related to inbound tourism and carsharing has continued to suffer the pandemic impact. However, our Japanese QR code/bar code settlement service made up for the decrease in the international settlement service. The entire QR code/bar code settlement service is at the same level as the same

period of the previous fiscal year. The transaction volume of our digital code service has also been solid, with a spreading use of digital money and digital coupons.

The robustness of our dashcam (EDR) service, energy management service, and storage service was conducive to an increase in the fee-for-service business sales. Furthermore, our value card business has been picking up through consumption from staying at home, and drove the fee-for-service business sales.

The entire society has been striving to know how to balance attempts to prevent a further spread of the COVID-19 pandemic and economic activities in the second quarter. The Company significantly improved both orders and order backlogs compared with the first quarter of the fiscal year under review. Orders were ¥141.7 billion, an increase of 2.5% from the second quarter of the previous fiscal year. Order backlogs were ¥227.8 billion, an increase of 5.9%.

The backlog of orders was larger from the same quarter of the previous fiscal year. It means that the Company obtained projects to enable a further growth under the pandemic. Also, the order backlogs to be posted as net sales within the fiscal year under review has recovered to the same level as the second quarter of the previous fiscal year.

We will continuously aim to obtain further DX businesses in the retail sector of the Focal Area and also in response to the GIGA School Program^{Note 2}.

We have received orders for several new projects and renewal projects such as those to upgrade mission-critical systems from the retail sector. The sector is indispensable for consumers living daily lives in the pandemic-ridden circumstances. Thus, we expect the business field to lead our performance in the second half. Furthermore, we have seen an increase in orders for DX projects such as an AI-driven automatic ordering service to help retailers to transform shop operations.

‘AI-Order ForesightTM’, an AI-driven automatic ordering service based on demand forecasts uses various types of data such as sales records and meteorological information. The solution can automatically calculate optimum order quantities. The service contributes to reducing losses of opportunities and wastes at shops through operations without depending on employees’ experiences and skills. We will steadily promote and expand projects to help the customers implement digital transformation in the future.

We launched ‘BE+CAUSTM’, social action platform where social contributions can be made through daily shopping, as part of our sustainability^{Note 3} initiatives. We would like to create big movements to achieve SDGs in response to a rising awareness of solving social issues, through the platform where we entice various stakeholders such as retailers to mutually cooperate and work on solving social issues.

Also, our attempts to reduce food loss & waste have been made through the aforementioned ‘AI-Order Foresight’ service. This contributes to solving an environmental issue of food loss & waste by reducing an excessive inventory of supply chains.

Furthermore, we have taken measures to reduce CO2 in response to climate changes. We further enhanced our efforts to spread environmental value trading partly through non-fossil fuel energy certificate. We established the Group’s ‘Long-term Environmental Vision 2050’, and participated in RE100^{Note 4}. We aim to enable a zero-emission society by 2050.

The Group will promote a sustainable management with the aim of solving social issues with various stakeholders through our businesses, contributing to enabling a sustainable society envisioned for the future, and

enabling a sustainable growth of the Group.

(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. GIGA School Program:

Initiative of the Ministry of Education, Culture, Sports, Science and Technology to aim to enable education where creativity is promoted through digitalization optimized for diverse individual children.

The initiative is implemented by promoting cloud-computing on the basis of developing in an integrated fashion PCs and a high-speed large-capacity communications network for individual students.

3. Sustainability:

Sustainability means to maintain favorable conditions for the natural environment and human societies without losing functions and systems for a long period of time.

The Nihon Unisys Group aims to become a sustainable company by sincerely working on issues of the environment and society in order to contribute to enabling a sustainable social development, pursuant to the corporate principle. The Group thus aims as “a corporate group solving social issues through socially beneficial services capable of creating a more affluent society together with customers and partners”.

4. RE100:

Global initiative to support companies committed to using 100% renewable power in order to operate their business

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

For the second quarter, net sales were ¥144,571 million (a 3.4% decrease compared with the same period of the previous fiscal year) mainly due to a decrease in the net sales of system services as well as software & hardware sales partly impacted by the COVID-19 pandemic, despite an increase in outsourcing services.

Despite an increase in R&D costs for creating new businesses, we posted operating income ¥11,567 million (an increase of 5.0% compared with the same period of the previous fiscal year), owing to an improved profitability and a decrease in general expenses. Ordinary income was ¥11,533 million (a decrease of 1.1%) reflecting a decrease in gain on provision for contingent loss and dividend income. Profit attributable to owners of parent was ¥7,566 million (a decrease of 4.6%).

(2) Analysis of Financial Condition

In the first six months, total assets were ¥211,307 million, a decrease of ¥3,668 million compared with the end of the previous fiscal year. This is partly attributable to a decrease in accounts receivable-trade.

Liabilities were ¥ 83,855 million, a ¥8,521 million decrease from the end of the previous fiscal year, partly due to a decrease in accounts payable-trade and interest-bearing debt.

Net assets were ¥127,451 million. Shareholders' equity ratio was 59.3%, up by 3.3 percentage points from the end of previous fiscal year.

(Cash Flows)

Cash and cash equivalents at the end of the six-month period under review were ¥ 39,869 million, up by ¥ 6,582 million compared with the end of the previous fiscal year. See below the situations of cash flows for the period under review and the factors concerned.

(Cash flows from operating activities)

Net cash provided by operating activities totaled ¥ 18,091 million (an increase of ¥ 5,487 million in proceeds from the corresponding period of the previous fiscal year). This reflects proceeds of ¥ 11,064 million in profit before income taxes (down by ¥ 265 million from the said period of the previous fiscal year), the elements of increasing the proceeds and the elements of decreasing the proceeds. The elements of increasing the proceeds include a ¥11,956 million decrease in notes and accounts receivable-trade and non-cash expenses of ¥ 5,325 million in depreciation and amortization. The elements of decreasing the proceeds include a decrease of ¥2,183 million in notes and accounts payable-trade.

(Cash flows from investing activities)

Net cash spent in investing activities was ¥ 5,001 million (a decrease of ¥ 267 million in expenditures compared with the corresponding period of the previous fiscal year).

This includes expenditures of ¥ 1,223 million due to the acquisition of property, plant and equipment such as computers for business activities (a decrease of ¥ 243 million in expenditures compared with the same period of the previous fiscal year), expenditures of ¥ 3,180 million due to the acquisitions of intangible assets such as investments in software for outsourcing (an increase of ¥ 544 million in expenditures), expenditures of ¥ 746 million as a result of purchasing investment securities* (a decrease of ¥ 14 million in expenditures).

* Investment securities were purchased mainly for fund investments and operating a fund established by a CVC, our subsidiary company. The investment activities were performed for the purposes of strengthening and expanding the Focal Areas described in the mid-term management plan.

(Cash flows from financing activities)

Net cash spent in the financing activities was ¥6,498 million (an increase of ¥ 292 million in expenditures compared with the corresponding period of the previous fiscal year).

This reflects expenditures of ¥ 2,202 million as a result of repayment of long-term borrowings (a decrease of ¥ 75 million in expenditures from the same period of the previous fiscal year) and the amount of paid dividends, ¥ 3,764 million (an increase in expenditures of ¥ 756 million).

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

The performance forecasts on a consolidated basis have not been revised since they were announced on May 18, 2020.

2. Consolidated Financial Statements

(1) Consolidated Balance Sheets

	Millions of Yen	
	FY2020	FY2021 Q2
	(As of March 31, 2020)	(As of September 30, 2020)
Assets		
Current assets		
Cash and deposits	33,287	39,869
Notes and accounts receivable - trade	70,840	58,876
Merchandise and finished goods	7,443	6,714
Work in process	1,843	3,305
Raw materials and supplies	77	73
Other	19,825	20,129
Allowance for doubtful accounts	(21)	(54)
Total current assets	133,297	128,914
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	3,764	3,682
Machinery, equipment and vehicles, net	6,414	5,933
Other, net	3,286	3,386
Total property, plant and equipment	13,465	13,002
Intangible assets		
Goodwill	1,509	1,529
Software	18,711	18,642
Other	203	709
Total intangible assets	20,423	20,881
Investments and other assets		
Investment securities	23,272	25,139
Deferred tax assets	3,818	2,287
Retirement benefit asset	4,357	5,288
Other	16,637	16,085
Allowance for doubtful accounts	(296)	(292)
Total investments and other assets	47,789	48,508
Total non-current assets	81,678	82,392
Total assets	214,975	211,307

Millions of Yen

	FY2020 (As of March 31, 2020)	FY2021 Q2 (As of September 30, 2020)
Liabilities		
Current liabilities		
Notes and accounts payable - trade	22,475	20,287
Current portion of long-term borrowings	5,617	4,555
Income taxes payable	4,654	1,465
Accrued expenses	10,905	9,260
Advances received	18,477	20,595
Provision for loss on contract development	708	545
Other provisions	846	1,038
Other	10,431	8,157
Total current liabilities	74,117	65,906
Non-current liabilities		
Long-term borrowings	15,717	14,577
Provisions	94	47
Retirement benefit liability	651	671
Asset retirement obligations	1,128	1,169
Other	668	1,483
Total non-current liabilities	18,260	17,949
Total liabilities	92,377	83,855
Net assets		
Shareholders' equity		
Capital stock	5,483	5,483
Capital surplus	14,909	14,909
Retained earnings	109,795	113,607
Treasury shares	(13,513)	(13,505)
Total shareholders' equity	116,675	120,494
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	4,886	6,183
Deferred gains or losses on hedges	0	0
Foreign currency translation adjustment	(33)	(62)
Remeasurements of defined benefit plans	(1,056)	(1,227)
Total accumulated other comprehensive income	3,798	4,893
Stock acquisition rights	491	505
Non-controlling interests	1,633	1,557
Total net assets	122,598	127,451
Total liabilities and net assets	214,975	211,307

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

Millions of Yen

	FY2020 Q2 (Six months ended September 30, 2019)	FY2021 Q2 (Six months ended September 30, 2020)
Net sales	149,726	144,571
Cost of sales	112,337	106,848
Gross profit	37,388	37,723
Selling, general and administrative expenses	26,368	26,155
Operating income	11,020	11,567
Non-operating income		
Interest income	4	4
Dividend income	354	258
Other	474	81
Total non-operating income	833	345
Non-operating expenses		
Interest expenses	36	51
Share of loss of entities accounted for using equity method	14	138
Loss on investments in partnership	62	131
Other	83	58
Total non-operating expenses	196	379
Ordinary income	11,656	11,533
Extraordinary income		
Gain on sales of investment securities	33	8
Other	0	9
Total extraordinary income	34	18
Extraordinary losses		
Loss on valuation of investment securities	68	470
Other	292	16
Total extraordinary losses	361	487
Profit before income taxes	11,329	11,064
Income taxes - current	2,704	2,536
Income taxes - deferred	713	1,044
Total income taxes	3,417	3,581
Profit	7,912	7,483
Profit (loss) attributable to non-controlling interests	(16)	(82)
Profit attributable to owners of parent	7,928	7,566

(Consolidated Statements of Comprehensive Income)

Millions of Yen

	FY2020 Q2	FY2021 Q2
	(Six months ended September 30, 2019)	(Six months ended September 30, 2020)
Profit	7,912	7,483
Other comprehensive income		
Valuation difference on available-for-sale securities	416	1,298
Deferred gains or losses on hedges	(0)	(1)
Foreign currency translation adjustment	-	(35)
Remeasurements of defined benefit plans	(607)	(171)
Share of other comprehensive income of entities accounted for using equity method	(27)	(0)
Total other comprehensive income	(219)	1,088
Comprehensive income	7,692	8,572
(Breakdown)		
Comprehensive income attributable to owners of parent	7,709	8,662
Comprehensive income attributable to non-controlling interests	(17)	(89)

(3) Consolidated Statements of Cash Flows

Millions of Yen

	FY2020 Q2 (Six months ended September 30, 2019)	FY2021 Q2 (Six months ended September 30, 2020)
Net cash provided by (used in) operating activities:		
Profit before income taxes	11,329	11,064
Depreciation and amortization	5,436	5,325
Impairment loss	284	-
Amortization of goodwill	106	212
Share of loss (profit) of entities accounted for using equity method	14	138
Loss (gain) on sales of investment securities	(31)	(8)
Loss (gain) on valuation of investment securities	68	470
Increase (decrease) in provision for loss on contract development	64	(163)
Increase (decrease) in other provisions	(686)	174
Increase (decrease) in retirement benefit liability	19	20
Decrease (increase) in retirement benefit asset	(948)	(930)
Increase (decrease) in remeasurements of defined benefit plans	(875)	(246)
Interest and dividends income	(358)	(263)
Interest expenses	36	51
Decrease (increase) in notes and accounts receivable-trade	11,364	11,956
Decrease (increase) in inventories	(3,225)	(728)
Decrease (increase) in advances paid	(763)	1,298
Increase (decrease) in notes and accounts payable-trade	(6,838)	(2,183)
Increase (decrease) in accrued expenses	(404)	(1,643)
Other	1,011	(1,024)
Subtotal	15,601	23,518
Interest and dividends received	360	275
Interest paid	(37)	(52)
Income taxes (paid) refund	(3,321)	(5,650)
Net cash provided by (used in) operating activities	12,603	18,091
Investing activities:		
Purchase of property, plant and equipment	(1,466)	(1,223)
Purchase of intangible assets	(2,635)	(3,180)
Purchase of investment securities	(761)	(746)
Proceeds from sales of investment securities	70	12
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(524)	-
Proceeds from purchase of shares of subsidiaries resulting in change in scope of consolidation	-	146
Other	48	(11)
Net cash provided by (used in) investing activities	(5,269)	(5,001)
Financing activities:		
Net increase (decrease) in short-term borrowings	(1,050)	-
Proceeds from long-term borrowings	350	-
Repayments of long-term borrowings	(2,277)	(2,202)
Proceeds from sales and leasebacks	28	166
Repayments of other borrowings	(163)	(320)
Cash dividends paid	(3,007)	(3,764)
Dividends paid to non-controlling interests	(84)	(96)
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	-	(281)
Other	(1)	(0)
Net cash provided by (used in) financing activities	(6,206)	(6,498)
Effect of exchange rate change on cash and cash equivalents	-	(8)
Net increase (decrease) in cash and cash equivalents	1,127	6,582
Cash and cash equivalents at beginning of period	27,200	33,287
Cash and cash equivalents at end of period	28,328	39,869

(4) Notes concerning the Quarterly Consolidated Financial Statements

(Notes on Going Concern Assumption)

Not applicable

(Notes on Significant Changes in Shareholders' Equity)

Not applicable