

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, 2018 [Japan GAAP]

November 06, 2017

Nihon Unisys, Ltd.

Stock Listing:	Tokyo Stock Exchange 1st Section
Stock Code:	8056
URL:	http://www.unisys.co.jp/
Representative:	Akiyoshi Hiraoka, Representative Director, President & CEO
Scheduled Submission Date for Quarterly Report:	November 10, 2017
Scheduled Starting Date for Dividend Payment:	December 5, 2017
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 in FY2018 Q2 (from April 1, 2017 to September 30, 2017)

(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	%
FY2018 Q2	131,867	3.5	6,693	34.4	6,944	38.8	4,724	34.6
FY2017 Q2	127,449	(0.7)	4,981	16.3	5,002	34.3	3,511	40.7

(Note) Comprehensive Income FY2018 Q2: 7,396 Million Yen (103.1 %) FY2017 Q2: 3,641 Million Yen (164.4 %)

	Earnings Per Share	Diluted Earnings Per Share
	Yen	Yen
FY2018 Q2	47.10	46.94
FY2017 Q2	32.72	32.54

(2) Consolidated Financial Position

	Total Assets	Net Assets	Shareholders' Equity Ratio
	Millions of Yen	Millions of Yen	%
FY2018 Q2	184,677	97,225	51.8%
FY2017	192,694	90,772	46.7%

(Reference) Shareholders' Equity FY2018 Q2: 95,698 Million Yen FY2017: 89,918 Million Yen

2. Dividends

	Dividends Per Share				
	End of Q1	End of Q2	End of Q3	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
FY2017	—	17.50	—	17.50	35.00
FY2018	—	20.00	—	—	—
FY2018 (Forecast)	—	—	—	20.00	40.00

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

3. Consolidated Earnings Forecast for FY2018 (from April 1, 2017 to March 31, 2018)

(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
FY2018	290,000	2.7	16,000	11.8	15,800	14.1	11,000	7.2	109.66

(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: 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)

FY2018 Q2	109,663,524	FY2017	109,663,524
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2. Number of shares of treasury stock at the end of the period

FY2018 Q2	9,348,219	FY2017	9,351,876
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3. Average number of shares outstanding during the period

FY2018 Q2	100,313,140	FY2017 Q2	107,309,156
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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.

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1. Results of Business Operations and Financial Conditions

(1) Analysis of Business Operations

During the first six months of the fiscal year ending March 2018, the Japanese economy continued to show signs of moderate recovery enabled by improved employment /income environments and boosted corporate earnings. However, it was subject to continuing uncertainty about the future due to overseas political and economic situations such as Brexit, Britain's withdrawal from the European Union (EU), policy management by the U.S. administration and heightened geopolitical risks from North Korean activity. Against that backdrop, our domestic information services market generally experienced a plateau in software investments. However, it witnessed intensified rivalries against competitors, and it has been exposed to uncertain overseas economies and changes in financial and capital markets. Thus, we recognize that we continue to be surrounded by a difficult environment.

In this environment, the Nihon Unisys Group has entered the final year of the Mid-term Management Plan that was launched in the fiscal year ending March 2016. It has been accelerating our growth strategies of expanding digital/life innovation areas and changes to business ICT platform areas. Furthermore, the Group has been promoting efforts on key strategies mainly of reforming corporate culture and strengthening human resources capabilities.

In the digital innovation area where we challenge ourselves as depicted in the Mid-term Management Plan, 'BANK_FIT-NE®', a next-generation sales office system and 'SmileBranch®', a system supporting front office business operations at sales offices, have served more regional financial institutions. The systems are intended to strengthen consulting business and advising capabilities and enable discussions with and make proposals to customers.

We will continue to focus on such systems capable of further accelerating sales office reforms in regional financial institutions. They are branch office UI (user experience)/UX (user experience) systems operating front office duties of interacting with customers.

Furthermore, our new company, 'Canal Payment Service, Ltd.' entered into a master merchant contract on Alipay® service with Kumamoto DMC after it executed the contract with JTB and launched the service. Since then, it has made efforts to promote the service among tourist business operators and regional business operators (shops and related facilities) in Kumamoto prefecture.

In addition, the new company launched a platform that enables the use of Rakuten Pay, Rakuten smartphone payment/settlement application at Lawson convenience stores across the nation.

Our activities in the life innovation field include efforts to deal with consumption activities by inbound tourists enabled through an enhanced platform for the tourism industry. It is a one-stop aggregate of IT services capable of satisfying the needs of non-Japanese visitors before, during, and after their sightseeing experiences in Japan. Japan's biggest charms and other tourist information are communicated through the use of an SNS-linked tourist information website, signages and tablet devices. Furthermore, the ingredient-sourcing commitments of restaurants are conveyed by WaviSaviNavi® app. capable of dish menu translation. Tourist Pass, an unlimited pass for tourists, is also made available by a smartphone app. Services to help creation of tourist portal sites and applications are also provided.

A smooth transformation of conventional business models to service-type business models has

been witnessed in the business ICT platform area. It is exemplified by standardization of development methods and business processes, re-use of knowledge and expertise, and promotion of implementation-type businesses.

Our efforts to reform corporate culture and workforce capabilities include the implementation of projects for developing new management talents and innovative leaders, and improvement of working environment (such as promotion of workstyle reforms to enable working from home and telecommuting; promoting non-territorial offices; and creating satellite offices).

In addition, we established a new company dealing in venture capital businesses, 'Canal Ventures, Ltd.', and created a fund totaling ¥5,000 million in order to create new businesses through open innovation.

Furthermore, we established 'Canal Globe, Ltd.', a new company through which we invested in the capital of the PT. Indivara Sejahtera Mandiri (ISeMa) group after establishing collaboration with the PT. Indivara Sejahtera Sukses Makmur (Indivara) group headquartered in Indonesia.

We will promote platform businesses capable of meeting the needs of communities and create business ecosystems regardless of national boundaries, industry boundaries, and business boundaries in order to contribute to developments of local communities in the East Asian region where further economic growth is expected.

In summary, the Nihon Unisys Group as a whole has been diligently promoting the Mid-term Management Plan.

(Note) Alipay is a registered trademark of Ant Financial Services Group which is an affiliate company of Alibaba Group.

(Note) Rakuten Pay is a registered trademark of Rakuten, Inc.

(Note) Other names of companies or products herein described are trademarks or registered trademarks of their respective organizations.

Net sales on a consolidated basis for the six-month period under review were ¥ 131,867 million, up by 3.5% from the same period of the previous fiscal year. The total was attributable to the continued strength of software services and outsourcing sales.

An increase in earnings driven by the increase in software sales eventually enabled, operating income was ¥ 6,693 million, up by 34.4% from the same period of the previous fiscal year. Ordinary income was ¥ 6,944 million, up by 38.8% from the said period. Profit attributable to owners of parent was ¥ 4,724 million, up by 34.6%.

Net sales on a non-consolidated basis for the period under review were ¥ 80,163 million, up by 1.0% compared with the corresponding period of the previous fiscal year. Operating income was ¥ 4,077 million, up by 28.5%. Ordinary income was ¥ 6,260 million, up by 39.2%. Net income was ¥ 5,277 million, down by 46.3%.

(2) Analysis of Financial Condition

At the end of the six-month period of the previous fiscal year, total assets were ¥ 184,677 million, down by ¥ 8,016 million from the end of the previous fiscal year, partly due to a decrease in accounts receivable-

trade.

Liabilities were ¥ 87,451 million, down by ¥ 14,469 million from the end of the previous fiscal year, partly due to a decrease in interest-bearing debts.

Net assets were ¥ 97,225 million. Shareholders' equity ratio was 51.8 %, up by 5.2 percentage points from the end of the previous fiscal year.

(Cash Flows)

Cash and cash equivalents at the end of the period under review were ¥ 17,192 million, down by ¥ 630 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 ¥15,429 million (an increase of ¥ 372 million in proceeds from the corresponding period of the previous fiscal year).

This reflects proceeds of ¥ 6,768 million in profit before income taxes (up by ¥1,667 million from the same period), the elements of increasing the proceeds and the elements of decreasing the proceeds.

The elements of increasing the proceeds include a ¥12,159 million decrease in notes and accounts-receivable trade and non-cash expenses of ¥5,069 million in depreciation and amortization.

The elements of decreasing the proceeds include a decrease of ¥2,500 million in notes and accounts-payable trade and a ¥3,338 million increase of inventories.

(Cash flows from investing activities)

Net cash spent in investing activities was ¥6,152 million (an increase of ¥371 million in expenditures compared with the corresponding period of the previous fiscal year).

This includes expenditures of ¥1,647 million as a result of purchasing investment securities (an increase of ¥1,595 million in expenditures compared with the same period), expenditures of ¥ 1,446 million due to the acquisition of property, plant and equipment such as computers for business activities (a decrease of ¥499 million in expenditures compared with the same period), and expenditures of ¥3,218 million due to the acquisitions of intangible assets such as investments in software for outsourcing (a decrease of ¥692 million in expenditures compared with the same period).

(Cash flows from financing activities)

Net cash spent in the financing activities was ¥9,907 million (an increase of ¥3,510 million in expenditures compared with the corresponding period of the previous fiscal year). This reflects expenditures of ¥6,000 million as a result of repayment of commercial papers (an increase of ¥6,000 million in expenditures from the same period) and ¥2,816 million repayment of long-term loans payable (a decrease of ¥2,628 million in expenditures from the same period), and the amount of paid dividends, ¥1,754 million, (an increase in expenditures of ¥ 156 million from the same period).

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

The performance forecasts on a consolidated basis and those on a non-consolidated basis have not been revised since they were announced on May 9, 2017.

2. Consolidated Financial Statements

(1) Consolidated Balance Sheets

Millions of Yen

	FY2017 (As of March 31, 2017)	FY2018 Q2 (As of September 30, 2017)
Assets		
Current assets		
Cash and deposits	17,823	17,192
Notes and accounts receivable - trade	70,275	58,116
Merchandise and finished goods	5,708	7,305
Work in process	1,684	3,591
Raw materials and supplies	317	152
Deferred tax assets	6,307	4,439
Other	16,196	17,127
Allowance for doubtful accounts	(59)	(53)
Total current assets	118,255	107,871
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	4,098	3,903
Machinery, equipment and vehicles, net	8,467	8,193
Other, net	3,953	3,832
Total property, plant and equipment	16,519	15,929
Intangible assets		
Goodwill	836	794
Software	21,602	21,823
Other	300	62
Total intangible assets	22,739	22,681
Investments and other assets		
Investment securities	17,911	21,850
Deferred tax assets	1,463	246
Net defined benefit asset	945	1,110
Other	15,175	15,302
Allowance for doubtful accounts	(316)	(315)
Total investments and other assets	35,179	38,194
Total non-current assets	74,439	76,805
Total assets	192,694	184,677

Millions of Yen

	FY2017 (As of March 31, 2017)	FY2018 Q2 (As of September 30, 2017)
Liabilities		
Current liabilities		
Notes and accounts payable - trade	22,609	20,109
Short-term loans payable	350	350
Current portion of long-term loans payable	11,007	10,912
Commercial papers	6,000	-
Income taxes payable	1,965	657
Accrued expenses	9,985	7,523
Advances received	13,838	16,883
Allowance for loss on contract development	312	195
Other provision	1,232	933
Other	9,146	8,226
Total current liabilities	76,448	65,791
Non-current liabilities		
Long-term loans payable	20,282	17,561
Provision	1,147	1,308
Net defined benefit liability	1,813	674
Asset retirement obligations	1,132	1,118
Other	1,097	997
Total non-current liabilities	25,473	21,660
Total liabilities	101,921	87,451
Net assets		
Shareholders' equity		
Capital stock	5,483	5,483
Capital surplus	14,200	14,361
Retained earnings	80,005	82,971
Treasury shares	(13,592)	(13,587)
Total shareholders' equity	86,096	89,228
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	4,625	6,284
Deferred gains or losses on hedges	1	0
Remeasurements of defined benefit plans	(805)	185
Total accumulated other comprehensive income	3,821	6,470
Subscription rights to shares	294	317
Non-controlling interests	560	1,209
Total net assets	90,772	97,225
Total liabilities and net assets	192,694	184,677

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

Millions of Yen

	FY2017 Q2 (Six months ended September 30, 2016)	FY2018 Q2 (Six months ended September 30, 2017)
Net sales	127,449	131,867
Cost of sales	96,663	99,731
Gross profit	30,786	32,135
Selling, general and administrative expenses	25,805	25,442
Operating income	4,981	6,693
Non-operating income		
Interest income	4	1
Dividend income	279	312
Other	202	149
Total non-operating income	486	464
Non-operating expenses		
Interest expenses	106	66
Settlement package	240	66
Loss on investments in partnership	-	49
Other	119	32
Total non-operating expenses	465	213
Ordinary income	5,002	6,944
Extraordinary income		
Gain on transfer of business	-	108
Gain on sales of investment securities	100	-
Gain on reversal of subscription rights to shares	64	-
Other	6	9
Total extraordinary income	171	118
Extraordinary losses		
Impairment loss	-	213
Loss on sales of investment securities	43	-
Other	29	81
Total extraordinary losses	72	294
Profit before income taxes	5,101	6,768
Income taxes - current	110	83
Income taxes - deferred	1,470	1,936
Total income taxes	1,581	2,020
Profit	3,519	4,747
Profit attributable to non-controlling interests	8	23
Profit attributable to owners of parent	3,511	4,724

(Consolidated Statements of Comprehensive Income)

Millions of Yen

	FY2017 Q2	FY2018 Q2
	(Six months ended September 30, 2016)	(Six months ended September 30, 2017)
Profit	3,519	4,747
Other comprehensive income		
Valuation difference on available-for-sale securities	(859)	1,658
Deferred gains or losses on hedges	9	(0)
Remeasurements of defined benefit plans	972	991
Share of other comprehensive income of entities accounted for using equity method	(0)	0
Total other comprehensive income	121	2,648
Comprehensive income	3,641	7,396
(Breakdown)		
Comprehensive income attributable to owners of parent	3,632	7,373
Comprehensive income attributable to non-controlling interests	8	23

(3) Consolidated Statements of Cash Flows

	Millions of Yen	
	FY2017 Q2 (Six months ended September 30, 2016)	FY2018 Q2 (Six months ended September 30, 2017)
Net cash provided by (used in) operating activities:		
Profit before income taxes	5,101	6,768
Depreciation and amortization	4,563	5,069
Impairment loss	-	213
Amortization of goodwill	41	41
Loss (gain) on sales of investment securities	(57)	-
Increase(decrease) in allowance for loss on contract development	1	(116)
Increase (decrease) in other provision	(29)	(144)
Increase (decrease) in net defined benefit liability	(1,292)	(1,138)
Decrease (increase) in net defined benefit asset	(1)	(164)
Increase (decrease) in remeasurements of defined benefit plans	1,405	1,434
Interest and dividend income	(284)	(314)
Interest expenses	106	66
Decrease (increase) in notes and accounts receivable - trade	16,526	12,159
Decrease (increase) in inventories	(1,850)	(3,338)
Increase (decrease) in notes and accounts payable - trade	(5,588)	(2,500)
Increase (decrease) in accrued expenses	(2,121)	(2,461)
Others	(648)	935
Subtotal	15,872	16,508
Interest and dividends income received	287	316
Interest expenses paid	(107)	(66)
Income taxes (paid) refund	(995)	(1,329)
Net cash provided by (used in) operating activities	15,056	15,429
Investing activities:		
Purchase of property, plant and equipment	(1,946)	(1,446)
Proceeds from sales of property, plant and equipment	2	27
Purchase of intangible assets	(3,911)	(3,218)
Purchase of investment securities	(52)	(1,647)
Proceeds from sales of investment securities	238	22
Proceeds from redemption of investment securities	300	-
Payments for asset retirement obligations	(438)	(8)
Proceeds from transfer of business	-	110
Others	26	8
Net cash provided by (used in) investing activities	(5,780)	(6,152)
Financing activities:		
Net increase (decrease) in short-term loans payable	(175)	-
Proceeds from long-term loans payable	300	-
Repayments of long-term loans payable	(5,445)	(2,816)
Proceeds from sales and leasebacks	839	1
Repayments of other borrowings	(314)	(226)
Increase (decrease) in commercial papers	-	(6,000)
Cash dividends paid	(1,597)	(1,754)
Dividends paid to non-controlling interests	(46)	(41)
Proceeds from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	-	930
Others	42	(0)
Net cash provided by (used in) financing activities	(6,396)	(9,907)
Net increase (decrease) in cash and cash equivalents	2,878	(630)
Cash and cash equivalents at beginning of period	15,564	17,823
Cash and cash equivalents at end of period	18,443	17,192

(4) Notes concerning the Quarterly Consolidated Financial Statements

(Notes on Going Concern Assumption)

Not applicable

(Notes on Significant Changes in Shareholders' Equity)

Not applicable