

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, 2019 [Japan GAAP]

November 06, 2018

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 09, 2018
Scheduled Starting Date for Dividend Payment:	December 04, 2018
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 FY2019 Q2 (from April 1, 2018 to September 30, 2018)

(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	%
FY2019 Q2	133,821	1.5	8,117	21.3	8,541	23.0	6,192	31.1
FY2018 Q2	131,867	3.5	6,693	34.4	6,944	38.8	4,724	34.6

(Note) Comprehensive Income FY2019 Q2: 6,978 Million Yen (-5.6 %) FY2018 Q2: 7,396 Million Yen (103.1 %)

	Earnings Per Share	Diluted Earnings Per Share
	Yen	Yen
FY2019 Q2	61.72	61.50
FY2018 Q2	47.10	46.94

(2) Consolidated Financial Position

	Total Assets	Net Assets	Shareholders' Equity Ratio
	Millions of Yen	Millions of Yen	%
FY2019 Q2	194,561	109,606	55.5%
FY2018	197,278	104,674	52.2%

(Reference) Shareholders' Equity FY2019 Q2: 107,966 Million Yen FY2018: 103,001 Million Yen

2. Dividends

	Dividends Per Share				
	End of Q1	End of Q2	End of Q3	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
FY2018	—	20.00	—	20.00	40.00
FY2019	—	25.00	—	—	—
FY2019 (Forecast)	—	—	—	25.00	50.00

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

3. Consolidated Earnings Forecast for FY2019 (from April 1, 2018 to March 31, 2019)

(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
FY2019	295,000	2.8	18,000	10.2	17,800	10.6	12,500	4.6	124.60

(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)

FY2019 Q2	109,663,524	FY2018	109,663,524
FY2019 Q2	9,324,334	FY2018	9,341,775
FY2019 Q2	100,332,209	FY2018 Q2	100,313,140

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

3. Average number of shares outstanding during the period

*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

For the past six months of the fiscal year under review, the economy of Japan has continuously shown signs of slow recovery on the basis of improvements in the employment environment and income environment as well as earnings of companies. However, the future remained uncertain due to unreliable political and economic situations abroad such as the impact of trade issues on the global economy.

Looking at the information services market in Japan, investments in software products, while slightly lower, have remained almost as strong as before. However, we understand that the Company has been operating in a continuingly 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. The Company has made efforts 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’.

The Company has begun to provide ‘smart oasis® for charging’, a mobility services platform for a charging service business individually launched by the Volkswagen Group Japan and Honda Motor Co., Ltd. in July 2018. It is part of our efforts in the focal areas as described in our mid-term management plan.

This is a cloud-type platform capable of providing system functions necessary for operating mobility service businesses including charging services (such as membership management, service management and billing & settlement). This platform already served Nissan Co., Ltd.

It holds the largest share of MaaS (Mobility-as-a-Service) service platform market in Japan. We will continue to create innovative services that will enable safe and convenient mobility.

Our Group is aware of the fact that natural disasters have occurred periodically in Japan in recent years. We have provided the ‘Saigai Net’, a solution for sharing information about responses to natural disasters. It is a system created on the basis of an established approach across industries and business types, which is to export information chronologically about disasters to an interactive white board. Saigai Net enables information sharing on a real-time basis without compromising the efficiency of on-site operations. This simple mechanism is well renowned and used more widely in important social and economic infrastructures such as railroads, airports, central and local governmental organizations, and financial institutions.

In the area of ICT Core businesses, we have witnessed the continued strength of solution businesses for financial institutions and logistics companies. We will continue our efforts to transfer smoothly from conventional business models to service type business models. These efforts are predicated on: standardizing development methods and business processes; re-using knowledge and expertise included in our past deliverables; and enhancing implementation-type businesses.

We have made our efforts in corporate culture reform in three areas. Firstly, ‘WorkstyleForesight®’ which promotes re-organization, human resources development and workstyle reforms. Secondly, ‘DiversityForesight®’ which promotes diversity. Thirdly, ‘ManagementForesight®’ which reviews institutional systems and operation processes. The Company has won the Grand Prize in the Ikumen Enterprise Award 2018. We believe that our efforts of proactively creating institutions and environments which encourages male employees to achieve a healthy work-life balance and apply for paternity leave (as evidenced in the recorded average duration of paternity leave) were appreciated.

We are looking ahead to the age of smart societies when houses, cars and shops as well as entire cities will be connected through IT networks. Thus, we made investments in the fund of ‘Scrum-Ventures L.L.C’ venture capital that invests mainly in Early Stage start-up companies in Silicon Valley. The investments will enable us to access information which helps our understanding of the latest trends in Silicon Valley and related markets. We expect that the information will accelerate our efforts to create businesses capable of creating innovations which will make affluent societies and contributing to solving social issues.

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. Mobility-as-a-Service (MaaS)

Servitization of mobility solutions has accelerated, due to a shift away from personally owning vehicles towards consuming mobility solutions as a service.

2. The ‘Ikumen Award’ is granted by the Ministry of Health, Labour and Welfare to companies for positively encouraging male employees to balance childcare and work and improve business operations. The Award is given with the aim of helping men who are keen on assuming childcare responsibilities (referred to as ‘Ikumen’) to take paternity leave.

3. 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 totaled ¥133,821 million (a 1.5% increase compared with the same period of the previous fiscal year). It was ascribed to the continued strength of outsourcing sales and system services sales.

Due to an increase in earnings on the basis of a sales increase and an improved profitability mainly of outsourcing and system services, operating income was ¥ 8,117 million, up 21.3 % from the corresponding period of the previous fiscal year. Ordinary income was ¥ 8,541 million, up by 23.0 % compared with the same period. Profit attributable to owners of parent was ¥ 6,192 million, up by 31.1% compared with the same period.

Net sales on a non-consolidated basis for the period under review were ¥ 82, 383 million, up by 2.8 % compared with the same period of the previous fiscal year. Operating income was ¥ 5,825 million, up by 42.9 %. Ordinary income was ¥ 10, 652 million, up by 70.2 %. Net income was ¥ 8,718 million, down by 65.2 %.

(2) Analysis of Financial Condition

In the past six months under review, total assets were ¥194,561 million, a decrease of ¥ 2,717 million compared with the end of the previous fiscal year, partly due to a decrease in accounts receivable-trade.

Liabilities were ¥ 84,955 million, a ¥ 7,648 million decrease from the end of the previous fiscal year, partly due to a decrease in interest-bearing debts.

Net assets were ¥109,606 million. Shareholders' equity ratio was 55.5 %, up by 3.3 percentage points from the end of the previous fiscal year.

(Cash Flows)

Cash and cash equivalents at the end of the six-month period under review were ¥ 21,388 million, up by ¥ 2,812 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 ¥ 14,623 million (a decrease of ¥ 805 million in proceeds from the corresponding period of the previous fiscal year). This reflects proceeds of ¥ 8,268 million in profit before income taxes (up by ¥ 1,500 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 ¥ 9,607 million decrease in notes and accounts receivable trade and non-cash expenses of ¥ 5,593 million in depreciation and amortization. The elements of decreasing the proceeds include a decrease of ¥2,166 million in notes and accounts payable trade and a ¥2,633 million increase of inventories.

(Cash flows from investing activities)

Net cash spent in investing activities was ¥ 6,043 million (a decrease of ¥ 108 million in expenditures compared with the corresponding period of the previous fiscal year). This includes expenditures of ¥ 1,455 million as a result of purchasing investment securities (a decrease of ¥ 191 million in expenditures compared with the same period), expenditures of ¥ 1,720 million due to the acquisition of property, plant and equipment such as computers for business activities (an increase of ¥ 274 million in expenditures compared with the same period), and expenditures of ¥ 2,691 million due to the acquisitions of intangible assets such as investments in software for outsourcing (a decrease of ¥ 526 million in expenditures

compared with the same period).

(Cash flows from financing activities)

Net cash spent in the financing activities was ¥ 5,767 million (a decrease of ¥ 4,139 million in expenditures compared with the corresponding period of the previous fiscal year). This reflects expenditures of ¥ 2,721 million as a result of repayment of long-term loans payable (a decrease of ¥ 95 million in expenditures from the same period) and the amount of paid dividends, ¥ 2,005 million, (an increase in expenditures of ¥ 251 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, 2018.

2. Matters on Summary Information (Notes)

(1) Additional Information

(Adoption of ‘Partial Amendments to Accounting Standards concerning Tax Effect Accounting’)

The ‘Partial Amendments to Accounting Standards concerning Tax Effect Accounting’ (Accounting Standards Board of Japan (‘ASBJ’) Statement No. 28, issued on February 16, 2018), etc. was adopted from the beginning of the first quarter. Thus, the Company classifies deferred tax assets as investments and other assets, and deferred tax liabilities as non-current liabilities.

3. Consolidated Financial Statements

(1) Consolidated Balance Sheets

Millions of Yen

	FY2018	FY2019 Q2
	(As of March 31, 2018)	(As of September 30, 2018)
Assets		
Current assets		
Cash and deposits	18,575	21,388
Notes and accounts receivable - trade	68,650	59,042
Merchandise and finished goods	5,210	6,253
Work in process	1,426	3,003
Raw materials and supplies	127	141
Other	16,523	18,726
Allowance for doubtful accounts	(56)	(61)
Total current assets	110,458	108,494
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	4,348	4,106
Machinery, equipment and vehicles, net	8,278	7,537
Other, net	3,766	3,868
Total property, plant and equipment	16,393	15,512
Intangible assets		
Goodwill	753	711
Software	22,253	21,812
Other	60	50
Total intangible assets	23,066	22,574
Investments and other assets		
Investment securities	23,282	25,141
Deferred tax assets	4,182	2,387
Net defined benefit asset	3,556	4,724
Other	16,653	16,040
Allowance for doubtful accounts	(314)	(314)
Total investments and other assets	47,360	47,980
Total non-current assets	86,819	86,067
Total assets	197,278	194,561

Millions of Yen

	FY2018 (As of March 31, 2018)	FY2019 Q2 (As of September 30, 2018)
Liabilities		
Current liabilities		
Notes and accounts payable - trade	21,820	19,654
Short-term loans payable	1,350	350
Current portion of long-term loans payable	5,492	5,048
Income taxes payable	2,067	712
Accrued expenses	10,532	9,620
Advances received	14,457	17,556
Allowance for loss on contract development	227	184
Other provision	1,618	1,487
Other	10,559	8,340
Total current liabilities	68,125	62,954
Non-current liabilities		
Long-term loans payable	21,152	18,875
Provision	783	479
Net defined benefit liability	687	715
Asset retirement obligations	1,127	1,122
Other	727	808
Total non-current liabilities	24,478	22,000
Total liabilities	92,604	84,955
Net assets		
Shareholders' equity		
Capital stock	5,483	5,483
Capital surplus	14,361	14,361
Retained earnings	88,185	92,360
Treasury shares	(13,578)	(13,553)
Total shareholders' equity	94,451	98,651
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	6,547	7,110
Deferred gains or losses on hedges	0	1
Foreign currency translation adjustment	5	(56)
Remeasurements of defined benefit plans	1,997	2,259
Total accumulated other comprehensive income	8,550	9,314
Subscription rights to shares	369	379
Non-controlling interests	1,302	1,260
Total net assets	104,674	109,606
Total liabilities and net assets	197,278	194,561

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

(Consolidated Statements of Income)

Millions of Yen

	FY2018 Q2 (Six months ended September 30, 2017)	FY2019 Q2 (Six months ended September 30, 2018)
Net sales	131,867	133,821
Cost of sales	99,731	99,997
Gross profit	32,135	33,824
Selling, general and administrative expenses	25,442	25,706
Operating income	6,693	8,117
Non-operating income		
Interest income	1	3
Dividend income	312	341
Other	149	225
Total non-operating income	464	570
Non-operating expenses		
Interest expenses	66	51
Settlement package	66	-
Loss on investments in partnership	49	63
Other	32	31
Total non-operating expenses	213	146
Ordinary income	6,944	8,541
Extraordinary income		
Gain on sales of investment securities	-	57
Gain on transfer of business	108	-
Other	9	-
Total extraordinary income	118	57
Extraordinary losses		
Impairment loss	213	89
Loss on valuation of investment securities	29	232
Other	51	8
Total extraordinary losses	294	330
Profit before income taxes	6,768	8,268
Income taxes - current	83	609
Income taxes - deferred	1,936	1,444
Total income taxes	2,020	2,053
Profit	4,747	6,214
Profit (loss) attributable to non-controlling interests	23	22
Profit attributable to owners of parent	4,724	6,192

(Consolidated Statements of Comprehensive Income)

Millions of Yen

	FY2018 Q2	FY2019 Q2
	(Six months ended September 30, 2017)	(Six months ended September 30, 2018)
Profit	4,747	6,214
Other comprehensive income		
Valuation difference on available-for-sale securities	1,658	563
Deferred gains or losses on hedges	(0)	1
Remeasurements of defined benefit plans	991	262
Share of other comprehensive income of entities accounted for using equity method	0	(62)
Total other comprehensive income	2,648	764
Comprehensive income	7,396	6,978
(Breakdown)		
Comprehensive income attributable to owners of parent	7,373	6,956
Comprehensive income attributable to non-controlling interests	23	22

(3) Consolidated Statements of Cash Flows

Millions of Yen

	FY2018 Q2 (six months ended September 30, 2017)	FY2019 Q2 (six months ended September 30, 2018)
Net cash provided by (used in) operating activities:		
Profit before income taxes	6,768	8,268
Depreciation and amortization	5,069	5,593
Impairment loss	213	89
Amortization of goodwill	41	41
Loss (gain) on sales of investment securities	-	(52)
Loss (gain) on valuation of investment securities	29	232
Increase (decrease) in allowance for loss on contract development	(116)	(42)
Increase (decrease) in other provision	(144)	(430)
Increase (decrease) in net defined benefit liability	(1,138)	27
Decrease (increase) in net defined benefit asset	(164)	(1,168)
Increase (decrease) in remeasurements of defined benefit plans	1,434	377
Interest and dividends income	(314)	(344)
Interest expenses	66	51
Decrease (increase) in notes and accounts receivable-trade	12,159	9,607
Decrease (increase) in inventories	(3,338)	(2,633)
Increase (decrease) in notes and accounts payable-trade	(2,500)	(2,166)
Increase (decrease) in accrued expenses	(2,461)	(912)
Other	906	45
Subtotal	16,508	16,585
Interest and dividends income received	316	346
Interest expenses paid	(66)	(52)
Income taxes (paid) refund	(1,329)	(2,255)
Net cash provided by (used in) operating activities	15,429	14,623
Investing activities:		
Purchase of property, plant and equipment	(1,446)	(1,720)
Proceeds from sales of property, plant and equipment	27	0
Purchase of intangible assets	(3,218)	(2,691)
Purchase of investment securities	(1,647)	(1,455)
Proceeds from sales of investment securities	22	73
Payments of loans receivable from subsidiaries and associates	-	(230)
Proceeds from transfer of business	110	-
Other	(0)	(19)
Net cash provided by (used in) investing activities	(6,152)	(6,043)
Financing activities:		
Net increase (decrease) in short-term loans payable	-	(1,000)
Repayment of long-term loans payable	(2,816)	(2,721)
Proceeds from sales and leasebacks	1	329
Repayments of other borrowings	(226)	(305)
Increase (decrease) in commercial papers	(6,000)	-
Cash dividends paid	(1,754)	(2,005)
Dividends paid to non-controlling interests	(41)	(64)
Proceeds from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	930	-
Other	(0)	(0)
Net cash provided by (used in) financing activities	(9,907)	(5,767)
Net increase (decrease) in cash and cash equivalents	(630)	2,812
Cash and cash equivalents at beginning of period	17,823	18,575
Cash and cash equivalents at end of period	17,192	21,388

(4) Notes concerning the Quarterly Consolidated Financial Statements

(Notes on Going Concern Assumption)

Not applicable

(Notes on Significant Changes in Shareholders' Equity)

Not applicable