

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, 2017 [Japan GAAP]

November 4, 2016

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 11, 2016
Scheduled Starting Date for Dividend Payment:	December 6, 2016
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 FY2017 Q2 (from April 1, 2016 to September 30, 2016)

(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	%
FY2017 Q2	127,449	(0.7)	4,981	16.3	5,002	34.3	3,511	40.7
FY2016 Q2	128,308	5.3	4,283	27.6	3,724	6.9	2,495	27.2

(Note) Comprehensive Income FY2017 Q2: 3,641 Million Yen (164.4 %) FY2016 Q2: 1,377 Million Yen (-53.2 %)

	Earnings Per Share	Diluted Earnings Per Share
	Yen	Yen
FY2017 Q2	32.72	32.54
FY2016 Q2	26.53	22.91

(2) Consolidated Financial Position

	Total Assets	Net Assets	Shareholders' Equity Ratio
	Millions of Yen	Millions of Yen	%
FY2017 Q2	180,782	94,306	51.7
FY2016	193,094	91,213	46.8

(Reference) Shareholders' Equity FY2017 Q2: 93,547 Million Yen FY2016: 90,374 Million Yen

2. Dividends

	Dividends Per Share				
	End of Q1	End of Q2	End of Q3	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
FY2016	—	15.00	—	15.00	30.00
FY2017	—	17.50	—	—	—
FY2017 (Forecast)	—	—	—	17.50	35.00

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

3. Consolidated Earnings Forecast for FY2017 (from April 1, 2016 to March 31, 2017)

(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
FY2017	285,000	2.5	14,000	11.8	13,800	13.5	10,000	12.1	93.05

(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 (including treasury stock)

FY2016 Q2	109,663,524	FY2015	109,663,524
FY2016 Q2	1,996,904	FY2015	3,035,570
FY2016 Q2	107,309,156	FY2015 Q2	94,054,714

2. Number of shares of treasury stock

3. Average number of shares outstanding (during the period)

** Indication of quarterly review procedure implementation status

This quarterly earnings report is not subject to quarterly review procedures based upon the Financial Instruments and Exchange Act. Thus, at the time of disclosure of the financial results, the quarterly financial statement review procedures based upon the Financial Instruments and Exchange Act have not been completed.

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

(Note on forward-looking statements)

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 Operating Results

During the first six months of the fiscal year ending March 2017, the Japanese economy continued to show signs of moderate recovery, despite the conservative decision making stance generally witnessed in Japanese companies. It is reflected in Japan's information services market where software investments have continued to be flat. We are concerned about downward pressures on the Japanese economy from future uncertainties in the economies of developing Asian nations including China and changes in financial and capital markets. Thus, we understand that further intensifying rivalries against our competitors created increasingly tough environments.

In this environment, the Nihon Unisys group has entered the second year of the Mid-term Management Plan that was launched in the fiscal year ending March 2016. We have been intensifying efforts in growth strategies expansion in the areas of digital innovation and life innovation and changes in the area of business ICT platforms, and promoting efforts in strategic policies such as reform of corporate culture/strengthening of human resources capabilities.

In the area of digital innovation that we have challenged ourselves to take on as stipulated in the Mid-term Management Plan, a steady growth of settlement-related services has been driven by a long proven prepaid card business. Furthermore, services in the customer contacts area have been strengthened by launching a tablet solution for regional financial institutions.

In the area of life innovation, community medicine & care coordinating ICT systems and childcare support services have been deployed, which have proven track records. Furthermore, expecting the liberalization of gas retail market in April 2017, we enhanced functions of cloud services that had been developed for electric power retailers against the background of deregulation of electric power. We have steadily received orders. In addition, we have made solid efforts to expand our business areas by: solving societal issues through a proof of concept for a mesh-type network of regional communications for local governments; and practicalizing new labor saving businesses through the use of drones.

In the area of business ICT platform, standardization and knowledge re-use have been proactively promoted in order to enable changes. We have been promoting efforts to provide services in the fastest and optimum manner through the cooperation with IoT business platform services and data using platforms.

Last but not least, with respect to a key strategy, reforming corporate culture and human resources capabilities, we have been active in cultivating a culture capable of encouraging employees to spontaneously come up with innovations towards an achievement as envisaged in the Mid-term Management Plan. This is achieved mainly through: implementing projects of developing management talents and reform-minded leaders; promoting a telecommuting system as part of work style reform; further improving environments such as creating satellite offices; and participating as a partner in 'TECH PLANTER' seed acceleration program.

As above, the entirety of Nihon Unisys group has been promoting the Mid-term Management Plan.

Net sales on a consolidated basis for the six-month period under review were ¥127,449 million, down by 0.7% from the same period of the previous fiscal year. The total was attributable to combined effects of the strength of system services and outsourcing sales and the decrease in hardware and software sales.

Operating income was ¥4,981 million, up by 16.3% from the same period of the previous fiscal year. Ordinary income was ¥5,002 million, up by 34.3% from the said period. Profit attributable to owners of parent was ¥3,511 million, up by 40.7%.

Net sales on a non-consolidated basis for the period under review were ¥79,357 million, down by 0.1% compared with the corresponding period of the previous fiscal year. Operating income was ¥3,172 million, up by 8.1%. Ordinary income was ¥4,495 million, up by 39.8%. Net income was ¥3,605 million, down by 4.1%.

(2) Analysis of Fiscal Position

At the end of the six-month period of the previous fiscal year, total assets were ¥180,782 million, down by ¥12,311 million from the end of the previous fiscal year, partly due to a decrease in accounts receivable-trade.

Liabilities were ¥86,476 million, down by ¥15,405 million from the end of the previous fiscal year, partly due to a decrease in accounts payable-trade.

Net assets were ¥94,306 million. Shareholders' equity ratio was 51.7%, up by 4.9 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 ¥18,443 million, up by ¥2,878 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 ¥15,056 million (an increase of ¥8,793 million in proceeds from the corresponding period of the previous fiscal year). This reflects proceeds of ¥5,101 million in profit before income taxes (up by ¥684 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 ¥16,526 million decrease of notes and accounts-receivable trade and non-cash expenses of ¥4,563 million in depreciation and amortization. The elements of decreasing the proceeds include a decrease of ¥5,588 million in notes and accounts-payable trade and a ¥1,850 million increase of inventories.

(Cash flows from investing activities)

Net cash spent in investing activities was ¥5,780 million (an increase of ¥785 million in expenditures compared with the corresponding period of the previous fiscal year). This includes expenditures of ¥1,946 million as a result of purchasing property, plant and equipment such as computers for business activities (an increase of ¥89 million in expenditures compared with the same period) and expenditures of ¥ 3,911 million due to the acquisitions of intangible assets (software for outsourcing) (an increase of ¥265 million in expenditures compared with the same period).

(Cash flows from financing activities)

Net cash spent in the financing activities was ¥6,396 million (an increase of ¥4,536 million in expenditures compared with the corresponding period of the previous fiscal year). This reflects expenditures of ¥5,445million as a result of repayment of long-term loans payable (an increase of ¥4,800 million in expenditures from the same period), and the amount of paid dividends, ¥1,597 million, (an increase in expenditures of ¥ 658 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 10, 2016.

2. Matters on Summary Information (Notes)

(1) Additional Information

(Adoption of the Implementation Guidance on Recoverability of Deferred Tax Assets)

The Company has adopted the 'Implementation Guidance on Recoverability of Deferred Tax Assets' (ASBJ Guidance No. 26 of March 28, 2016) since the first quarter of the fiscal year under review.

3. Consolidated Financial Statements

(1) Consolidated Balance Sheets

Millions of Yen

	FY2016 (As of March 31, 2016)	FY2017 Q2 (As of September 30, 2016)
Assets		
Current assets		
Cash and deposits	15,564	18,443
Notes and accounts receivable - trade	70,446	53,920
Merchandise and finished goods	9,374	9,942
Work in process	2,341	3,207
Raw materials and supplies	223	639
Deferred tax assets	6,194	5,154
Other	18,539	18,797
Allowance for doubtful accounts	(163)	(152)
Total current assets	122,520	109,953
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	3,167	3,618
Machinery, equipment and vehicles, net	7,371	7,086
Other, net	3,481	3,749
Total property, plant and equipment	14,019	14,454
Intangible assets		
Goodwill	920	878
Software	19,933	20,485
Other	269	793
Total intangible assets	21,123	22,157
Investments and other assets		
Investment securities	15,544	14,180
Deferred tax assets	4,175	3,692
Net defined benefit asset	832	834
Other	15,353	15,983
Allowance for doubtful accounts	(475)	(473)
Total investments and other assets	35,431	34,217
Total non-current assets	70,574	70,829
Total assets	193,094	180,782

Millions of Yen

	FY2016 (As of March 31, 2016)	FY2017 Q2 (As of September 30, 2016)
Liabilities		
Current liabilities		
Notes and accounts payable - trade	22,940	17,352
Short-term loans payable	475	300
Current portion of convertible bond	1,085	—
Current portion of long-term loans payable	16,015	12,246
Income taxes payable	1,173	586
Accrued expenses	8,922	6,800
Advances received	13,637	16,398
Allowance for loss on contract development	55	56
Other provision	820	635
Asset retirement obligations	517	—
Other	9,631	7,640
Total current liabilities	75,273	62,017
Non-current liabilities		
Long-term loans payable	18,915	17,538
Provision	1,136	1,303
Net defined benefit liability	4,822	3,529
Asset retirement obligations	974	1,123
Other	760	963
Total non-current liabilities	26,608	24,458
Total liabilities	101,881	86,476
Net assets		
Shareholders' equity		
Capital stock	5,483	5,483
Capital surplus	14,200	14,200
Retained earnings	73,364	75,140
Treasury shares	(3,746)	(2,464)
Deposit for subscriptions to treasury shares	6	—
Total shareholders' equity	89,309	92,360
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	4,297	3,437
Deferred gains or losses on hedges	(16)	(6)
Remeasurements of defined benefit plans	(3,216)	(2,244)
Total accumulated other comprehensive income	1,065	1,187
Subscription rights to shares	269	227
Non-controlling interests	569	531
Total net assets	91,213	94,306
Total liabilities and net assets	193,094	180,782

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

Millions of Yen

	FY2016 Q2 (Six months ended September 30, 2015)	FY2017 Q2 (Six months ended September 30, 2016)
Net sales	128,308	127,449
Cost of sales	98,645	96,663
Gross profit	29,663	30,786
Selling, general and administrative expenses	25,379	25,805
Operating income	4,283	4,981
Non-operating income		
Interest income	23	4
Dividend income	280	279
Other	110	202
Total non-operating income	414	486
Non-operating expenses		
Interest expenses	129	106
Settlement package	200	240
Other	642	119
Total non-operating expenses	973	465
Ordinary income	3,724	5,002
Extraordinary income		
Gain on sales of investment securities	509	100
Gain on reversal of subscription rights to shares	188	64
Other	1	6
Total extraordinary income	698	171
Extraordinary losses		
Loss on sales and retirement of non-current assets	6	25
Loss on sales of investment securities	—	43
Other	0	3
Total extraordinary losses	6	72
Profit before income taxes	4,416	5,101
Income taxes - current	184	110
Income taxes - deferred	1,727	1,470
Total income taxes	1,911	1,581
Profit	2,505	3,519
Profit attributable to non-controlling interests	10	8
Profit attributable to owners of parent	2,495	3,511

(Consolidated Statements of Comprehensive Income)

Millions of Yen

	FY2016 Q2	FY2017 Q2
	(Six months ended September 30, 2015)	(Six months ended September 30, 2016)
Profit	2,505	3,519
Other comprehensive income		
Valuation difference on available-for-sale securities	(932)	(859)
Deferred gains or losses on hedges	(0)	9
Remeasurements of defined benefit plans	(195)	972
Share of other comprehensive income of entities accounted for using equity method	0	(0)
Total other comprehensive income	(1,128)	121
Comprehensive income	1,377	3,641
(Breakdown)		
Comprehensive income attributable to owners of parent	1,367	3,632
Comprehensive income attributable to non-controlling interests	10	8

(3) Consolidated Statements of Cash Flows

Millions of Yen

	FY2016 Q2	FY2017 Q2
	(Six months ended September 30, 2015)	(Six months ended September 30, 2016)
Net cash provided by (used in) operating activities		
Profit before income taxes	4,416	5,101
Depreciation and amortization	4,761	4,563
Amortization of goodwill	41	41
Loss (gain) on sales of investment securities	(509)	(57)
Increase(decrease) in allowance for loss on contract development	(1,457)	1
Increase (decrease) in other provision	735	(29)
Increase (decrease) in net defined benefit liability	22	(1,292)
Decrease (increase) in net defined benefit asset	(1,153)	(1)
Increase (decrease) in remeasurements of defined benefit plans	(308)	1,405
Interest and dividend income	(303)	(284)
Interest expenses	129	106
Decrease (increase) in notes and accounts receivable - trade	8,510	16,526
Decrease (increase) in inventories	(2,926)	(1,850)
Increase (decrease) in notes and accounts payable - trade	(4,338)	(5,588)
Increase (decrease) in accrued expenses	(1,299)	(2,121)
Other, net	(293)	(648)
Subtotal	6,026	15,872
Interest and dividend income received	305	287
Interest expenses paid	(168)	(107)
Income taxes (paid) refund	99	(995)
Net cash provided by (used in) operating activities	6,263	15,056
Net cash provided by (used in) investing activities		
Purchase of property, plant and equipment	(1,856)	(1,946)
Proceeds from sales of property, plant and equipment	0	2
Purchase of intangible assets	(3,646)	(3,911)
Purchase of investment securities	(544)	(52)
Proceeds from sales of investment securities	1,025	238
Proceeds from redemption of investment securities	—	300
Payments for asset retirement obligations	—	(438)
Other, net	24	26
Net cash provided by (used in) investing activities	(4,995)	(5,780)
Net cash provided by (used in) financing activities		
Net increase (decrease) in short-term loans payable	—	(175)
Proceeds from long-term loans payable	—	300
Repayments of long-term loans payable	(645)	(5,445)
Repayments of other borrowings	(251)	(314)
Proceeds from other borrowings	—	839
Purchase of treasury shares	(0)	(0)
Cash dividends paid	(939)	(1,597)
Dividends paid to non-controlling interests	(48)	(46)
Other, net	25	42
Net cash provided by (used in) financing activities	(1,860)	(6,396)
Net increase (decrease) in cash and cash equivalents	(592)	2,878
Cash and cash equivalents at beginning of period	23,326	15,564
Cash and cash equivalents at end of period	22,733	18,443

(4) Notes concerning the Quarterly Consolidated Financial Statements

(Notes on Going Concern Assumption)

None applicable

(Notes on Significant Changes in Shareholders' Equity)

None applicable