

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 Fiscal Year Ended March 31, 2019 [Japan GAAP]

May 9, 2019

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 Date for Ordinary General Meeting of Shareholders:	June 26, 2019
Scheduled Starting Date for Dividend Payment:	June 27, 2019
Scheduled Submission Date for Securities Report:	June 27, 2019
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 FY2019 (from April 1, 2018 to March 31, 2019)

(1) Consolidated Results of Operations (Percentage below represents increase (decrease) from 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	299,029	4.2	20,622	26.3	20,515	27.5	14,238	19.2
FY2018	286,977	1.7	16,332	14.1	16,092	16.2	11,949	16.4

(Note) Comprehensive Income FY2019: 15,776 Million Yen (-6.1%) FY2018: 16,794 Million Yen (28.6%)

	Earnings Per Share	Diluted Earnings Per Share	Return on Equity	Ordinary Income to Total Assets	Operating Income to Net Sales
	Yen	Yen	%	%	%
FY2019	141.90	141.40	13.1	10.0	6.9
FY2018	119.12	118.69	12.4	8.3	5.7

(Reference) Share of Profit of Entities Accounted for Using Equity Method FY2019: (574) Million Yen FY2018: (21) Million Yen

(2) Consolidated Financial Position

	Total Assets	Net Assets	Equity Ratio	Net Assets Per Share
	Millions of Yen	Millions of Yen	%	Yen
FY2019	211,421	116,615	54.2	1,142.41
FY2018	197,278	104,674	52.2	1,026.72

(Reference) Equity FY2019: 114,638 Million Yen FY2018: 103,001 Million Yen

(3) Consolidated Cash Flow Status

	Operating Activities	Investing Activities	Financing Activities	Cash and Cash Equivalents at End of Period
	Millions of Yen	Millions of Yen	Millions of Yen	Millions of Yen
FY2019	27,438	(10,586)	(8,226)	27,200
FY2018	26,956	(13,227)	(12,977)	18,575

2. Dividends

	Dividends Per Share					Total Dividends (Annual)	Dividend Payout Ratio (Consolidated)	Ratio of Dividends to Net Assets (Consolidated)
	End of Q1	End of Q2	End of Q3	Year-end	Total			
	Yen	Yen	Yen	Yen	Yen	Millions of Yen	%	%
FY2018	—	20.00	—	20.00	40.00	4,012	33.6	4.2
FY2019	—	25.00	—	30.00	55.00	5,519	38.8	5.1
FY2020 (Forecast)	—	32.50	—	32.50	65.00		40.8	

3. Consolidated Earnings Forecast for FY2020 (from April 1, 2019 to March 31, 2020)

(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
FY2020 1st Half	137,000	2.4	9,000	10.9	9,000	5.4	6,500	5.0	64.77
FY2020	307,000	2.7	23,000	11.5	22,800	11.1	16,000	12.4	159.44

* Notes

(1) Change in the scope of consolidation (change of condition of significant consolidated subsidiaries) during the period: No

(2) 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

(3) Number of shares outstanding (common stock) (shares)

1. Number of shares outstanding (including treasury shares)	FY2019	109,663,524	FY2018	109,663,524
2. Number of shares of treasury shares	FY2019	9,315,429	FY2018	9,341,775
3. Average number of shares outstanding (during the period)	FY2019	100,337,359	FY2018	100,314,744

(Reference) Summary of Non-Consolidated Performance Results

1. Non-Consolidated Financial Results for FY2019 (from April 1, 2018 to March 31, 2019)

(1) Non-Consolidated Results of Operations

(Percentage below presents increase (decrease) from previous year)

	Net Sales		Operating Income		Ordinary Income		Net Income	
	Millions of Yen	%	Millions of Yen	%	Millions of Yen	%	Millions of Yen	%
FY2019	175,298	4.5	12,793	45.0	18,269	61.8	13,886	33.9
FY2018	167,808	(1.5)	8,826	14.6	11,290	23.8	10,372	33.5

	Earnings Per Share	Diluted Earnings Per Share
	Yen	Yen
FY2019	138.40	137.90
FY2018	103.40	103.02

(2) Non-Consolidated Financial Position

	Total Assets	Net Assets	Equity Ratio	Net Assets Per Share
	Millions of Yen	Millions of Yen	%	Yen
FY2019	160,255	95,813	59.5	950.49
FY2018	153,933	86,253	55.8	856.07

(Reference) Equity FY2019: 95,381 Million Yen FY2018: 85,883 Million Yen

2. Non-Consolidated Earnings Forecast for FY2020 (from April 1, 2019 to March 31, 2020)

Percentage below represents increase(decrease)from previous year)

	Net Sales		Operating Income		Ordinary Income		Net Income		Earnings Per Share
	Millions of Yen	%	Millions of Yen	%	Millions of Yen	%	Millions of Yen	%	Yen
FY2020 1st Half	85,000	3.2	6,100	4.7	11,100	4.2	9,000	3.2	89.69
FY2020	180,000	2.7	13,500	5.5	19,200	5.1	15,000	8.0	149.48

* Implementation status of audit procedures

This Consolidated Financial Report is not subject to audit 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. [Performance Summaries]

(1) Analysis of Operating Results

<1> Summary of the Fiscal Year Under Review

For the fiscal year under review, the Japanese economy has continuously shown signs of slow recovery on the basis of improvements in employment growth as well as increases in salaries and company earnings. However, the future remained unpredictable due to impacts of trade dynamics in the global economy, unreliable overseas economies and rippling effects of a fluctuating financial and capital market.

Looking at the information services market in Japan, active investments in software products continued for the fiscal year. However, we understand that the Company will operate in a continuingly difficult environment, mainly due to further intensified rivalries as a result of participants from other business categories.

In this environment, the Nihon Unisys group established the mid-term management plan, ‘Foresight in sight® 2020’ (for the period from the fiscal year 2018 to the fiscal year 2020). The plan describes the Group as a corporate group solving social issues through socially beneficial services capable of creating a more affluent society together with customers and business partners. It also states that the Company aims to be at the center of the creation of business ecosystems that connect industries and business types across conventional boundaries and to provide platforms capable of digital transformation. The Company has made efforts on key issues as therein indicated.

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 key initiatives are exemplified by the effort to aim for a sustainable energy society in the energy management area. We have been entrusted to perform the ‘study project about an increase in the utility value of non-fossil fuel energy certificates’ by the Ministry of Economy, Trade and Industry. We have been collecting and managing tracking data through our expertise and knowledge about the Blockchain technology and energy management.

‘smart oasis®’, our mobility service platform, has served Nissan Motor Co., Ltd., Honda Motor Co., Ltd. and Volkswagen Group Japan Co., Ltd. This platform has significantly developed as a MaaS service platform.

Also, we have been making efforts to enable a society of smart consumption by promoting a cashless economy. Canal Payment Service, Ltd., our subsidiary, facilitated dissemination of electronic money among the existing credit card member shops, on the basis of a business and capital alliance which it entered into with JCB, the largest credit card company and Japan Card Network Co., Ltd. As a result, it further increased the transaction volume of QR code/bar code payments.

Furthermore, we have provided digital transformation services for an entire business of financial institutions. We have witnessed a continued increase in the sales of ‘BANK_FIT-NE®’, a next-generation branch office system, and ‘SmileBranch®’, a system to help financial institutions perform teller operations at branch offices.

Also, we have been expanding the use scope of Resonatex®, an open API platform. It is exemplified in the nation’s first attempt to directly connect deposit accounts of Hyakugo Bank Co., Ltd. with ‘Origami Pay’ a smartphone settlement service in a secure environment. We have enabled immediate payments through the bank’s deposit accounts registered at Origami Pay.

With regard to our ICT core business area, we saw the continued strength of orders from a broad range of industries interested in our solution businesses. Also, we have strengthened profitability through efforts to examine risks rigorously before targeting specific projects and share/re-use knowledge and expertise in order to promote an increase in productivity of system development and operation.

With respect to investments, we have seen new business plans and R&D projects promoted as a result of investments in funds that we have made with the aim of obtaining business seeds and knowing business trends in our focal areas, as well as CVC fund operations performed through our subsidiary, Canal Ventures, Ltd. We will continue to create businesses capable of contributing to creating new values and solving social issues through open innovation in order to create an affluent society in an accelerated manner.

We have been making efforts from various viewpoints such as reform of corporate culture, organizational reform in order to incorporate multifaceted perspectives, and personnel development programs in order to reveal creativity and innovativeness of individuals. The aim of our corporate culture reform is to re-create our company and make it a creative and innovative organization where innovative ideas are generated without negative impacts due to differences of attributes such as gender and situations such as child care/family care duties.

Furthermore, we have made efforts for workstyle reform. We developed an environment where all employees can work securely regardless of time and place through the use of satellite offices and a telecommuting system enhanced with the help of ICT.

We were recognized for these endeavors and achievements by receiving awards and accreditations such as 'New Diversity Management Selection 100' and 'Telework Pioneer 100: Minister of Internal Affairs & Communications Award'.

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. Digital Transformation: Business transformation through digital technologies
2. Non-fossil fuel energy certificates:
The Ministry of Economy, Trade and Industry established a non-fossil value trading market in May 2018. This is the market where non-fossil fuel energy certificates are traded. The certificates represent the environmental value of power which is generated by power generation facilities of non-fossil energy sources such as natural energies without emitting CO² (carbon dioxide).
3. Blockchain:
A blockchain is a database predicated on a distributed ledger technology to store data in blocks that are tied together as a chain of records
4. MaaS (Mobility as a Service):
Servitization of mobility solutions has accelerated, due to a shift away from personally owning vehicles towards consuming mobility solutions as a service.
5. Next-generation branch office system 'BANK FIT-NE':
Next-generation branch office system equipped with the nation's breakthrough technologies such as Real Concentration Function and Sales Mode Function
6. SmileBranch, system to help financial institutions perform teller operations at branch offices:
This system to help teller operations at branch offices of financial institutions was developed by the Eighteenth Bank, Limited and Nihon Unisys, Ltd. mutually cooperating on the basis of the concept of all-smiles bank tellers. Nihon Unisys released it in coordination with an organization ('*Kabushiki Kaisha Nagasaki Keizai Kenkyusho* (Nagasaki research institute)') of the Eighteenth Bank group.
7. Open API platform 'Resonatex':
Cloud-computing platform service to post web APIs held by banking institutions and other business entities on the Internet as open APIs
API (Application Program Interface: a set of commands and functions that can be used for developing software for specific platforms)
8. CVC: acronym for Corporate Venture Capital
9. 'New Diversity Management Selection 100':
This is a program created by the Ministry of Economy, Trade and Industry that evaluates a broad range of companies on their innovative efforts to translate diversity promotion into business effects, and recognizes with the Minister of Economy, Trade and Industry Award.
10. 'Telework Pioneer 100: Minister of Internal Affairs & Communications Award':
This is the award granted to companies and organizations that make excellent efforts setting an example to be emulated by others, among those recognized by the Ministry of Internal Affairs and Communications as the Telework Pioneer 100 selected by the Ministry of Internal Affairs.
11. Names of companies or products herein described are trademarks or registered trademarks of their respective organizations.

Situations of Sales

For this fiscal year, net sales were ¥299,029 million (a 4.2% increase compared with the previous fiscal year) as a result of the continued strength of system services and outsourcing sales.

Situations of Operating Income, Ordinary Income, and Profit attributable to owners of Parent

Gross profit was boosted to ¥73,169 million (an increase of ¥4,366 million or 6.3% compared with the previous fiscal year) mainly by an increase in system service sales and outsourcing sales as well as an increase in gross margin. Selling, general and administration costs increased to ¥52,547 million, an increase of ¥76 million or 0.1%.

As a result, we posted: ¥20,622 million operating income (an increase of ¥4,290 million or 26.3 %); ¥20,515 million ordinary income (an increase of ¥4,423 million or 27.5 %); and ¥14,238 million profit attributable to owners of parent (an increase of ¥2,289 million or 19.2 %).

With regard to the results on a non-consolidated basis, net sales were ¥175,298 million, up by 4.5 % from the previous fiscal year; operating income was ¥12,793 million, up by 45.0 %; ordinary income was ¥18,269 million, up by 61.8 %; and profit was ¥13,886 million, up by 33.9%.

<2> Forecast for the Next Fiscal Year

We plan to post ¥307,000 million net sales for the next fiscal year, up by 2.7 %, on a consolidated basis. We plan ¥23,000 million operating income (up by 11.5 %), ¥22,800 million ordinary income (up by 11.1 %) and ¥16,000 million profit attributable to owners of parent (up by 12.4%), through the efforts to increase net sales and further improve profitability.

Forecast of the consolidated performance for FY 2020

(Millions of yen)

	FY2020	FY2019	Changes
Net Sales	307,000	299,029	2.7%
Operating Income	23,000	20,622	11.5%
Ordinary Income	22,800	20,515	11.1%
Profit attributable to Owners of Parent	16,000	14,238	12.4%

(2) Analysis of Financial Condition

In the fiscal year under review, partly due to an increase in cash and deposits as well as notes and accounts receivable - trade, total assets were ¥211,421 million, an increase of ¥14,143 million compared with the end of the previous fiscal year.

Liabilities were ¥94,806 million, a ¥2,202 million increase from the end of the previous fiscal year, partly due to an increase in notes and accounts payable – trade as well as advances received, despite a decrease in long-term loans payable.

Net assets were ¥116,615 million, a ¥ 11,941 million increase compared with the end of the previous fiscal year, partly attributable to an increase in retained earnings.

With respect to cash and cash equivalents (hereinafter referred to as 'cash') at the end of the fiscal year under review, cash provided by operating activities was allocated to investments in computers for business activities and software for outsourcing. Also, interest-bearing debts were repaid. As a result, cash and cash equivalents were ¥ 27,200 million at the end of the fiscal year, up by ¥8,625 million compared with the beginning of this fiscal year.

(Cash flows from operating activities)

Net cash provided by operating activities totaled ¥27,438 million (an increase of ¥ 482 million in proceeds from the previous fiscal year). This is attributable to factors increasing the proceeds of ¥19,490 million in profit before income taxes (up by ¥3,959 million from the previous period), despite factors decreasing the proceeds. The factors increasing the proceeds include non-cash expenses including ¥11,537 million in depreciation and amortization and an increase of ¥ 4,189 million in notes and accounts payable-trade. The factors decreasing the proceeds include an increase of ¥3,829 million in notes and accounts receivable-trade and an increase of ¥3,516 million in inventory assets.

(Cash flows from investing activities)

Net cash spent in investing activities was ¥10,586 million (a decrease of ¥ 2,640 million in expenditures compared with the previous period). This includes: expenditures of ¥ 2,925million (a decrease of ¥739 million compared with the previous fiscal year) as a result of purchasing property, plant and equipment such as computers for business activities; expenditures of ¥ 4,669 million due to the acquisitions of intangible assets such as the investments in software for outsourcing (a decrease of ¥2,256 million in expenditures compared with the previous period); expenditures of ¥2,307 million (a decrease of ¥504 million) by making investments in funds as well as acquiring investment securities mainly for the purpose of operating a CVC (corporate venture capital) fund through our subsidiary, with the aim of strengthening and expanding the focal areas stipulated in the mid-term management plan; and, expenditures of ¥733 million for acquiring subsidiary stocks that would entail changes in the scope of consolidation.

(Cash flows from financing activities)

Net cash spent in the financing activities was ¥ 8,226 million (a decrease of ¥4,750 million in expenditures from the previous period). This reflects expenditures of ¥ 5,492 million due to repayment of long-term loans payable (a decrease of ¥ 5,515 million in expenditures from the previous period), and dividends payment of ¥4,511 million (an increase of ¥ 752 million in expenditures from the previous period).

(Reference) Changes in the equity ratio and the indicators related to cash flow

	FY2019	FY2018	FY2017	FY2016
Equity ratio (%)	54.2	52.2	46.7	46.8
Equity ratio (Market cap.) (%)	139.2	116.7	79.1	82.3
Ratio of cash flow to interest-bearing debts (years)	0.9	1.1	1.3	3.4
Interest coverage ratio (times)	275.1	209.9	148.5	32.5

(Notes) Equity ratio: Equity/Total assets

Equity ratio (Market cap.): Market capitalization /Total assets

Ratio of cash flow to interest-bearing debt: Interest-bearing debt/Cash flow

Interest coverage ratio: Cash flow/Interest payments

* 1. All of the above indicators are calculated using financial figures on a consolidated basis.

* 2. Cash flows indicated above mean cash flows from operating activities.

(3) Basic Policy on Distribution of Profits

The Company seeks to achieve a stable and continuous distribution of profits in line with a policy of paying dividends in accordance with our performance. The specific amount of dividends will be determined taking into consideration the need to secure internal reserves for business development, and also comprehensively considering the business environment and other factors.

For the fiscal year under review, we will pay a ¥55 annual dividend per share (¥25 for the mid-term dividend and ¥30 for the term-end dividend), which is more than previously announced. This is an annual increase of ¥15 compared with the previous period.

As for the dividends of the next period, we expect an increase in profit. Thus, we plan to pay a ¥65 annual dividend per share (¥32.50 for the mid-term dividend and ¥32.50 for the term-end dividend), which is more than this period.

2. [Basic Concept on the Selection of Accounting Standards]

We have been examining the principles for applying IFRS (International Financial Reporting Standards) and the schedule for implementing IFRS.

3. Consolidated Financial Statements

(1) Consolidated Balance Sheets

Millions of Yen

	FY2018 (As of March 31, 2018)	FY2019 (As of March 31, 2019)
ASSETS		
Current assets		
Cash and deposits	18,575	27,200
Notes and accounts receivable - trade	68,650	72,479
Merchandise and finished goods	5,210	8,248
Work in process	1,426	1,947
Raw materials and supplies	127	86
Prepaid expenses	11,360	12,011
Other	5,163	6,353
Allowance for doubtful accounts	(56)	(56)
Total current assets	110,458	128,270
Non-current assets		
Property, plant and equipment		
Buildings and structures	12,589	12,760
Accumulated depreciation	(8,240)	(8,678)
Buildings and structures, net	4,348	4,082
Machinery, equipment and vehicles	31,623	30,560
Accumulated depreciation	(23,344)	(23,889)
Machinery, equipment and vehicles, net	8,278	6,670
Land	599	599
Other	9,805	10,180
Accumulated depreciation	(6,637)	(7,283)
Other, net	3,167	2,897
Total property, plant and equipment	16,393	14,249
Intangible assets		
Goodwill	753	1,288
Software	22,253	19,982
Other	60	102
Total intangible assets	23,066	21,373
Investments and other assets		
Investment securities	23,282	23,854
Deferred tax assets	4,182	1,656
Net defined benefit asset	3,556	7,087
Other	16,653	15,237
Allowance for doubtful accounts	(314)	(307)
Total investments and other assets	47,360	47,528
Total non-current assets	86,819	83,151
Total assets	197,278	211,421

Millions of Yen

	FY2018 (As of March 31, 2018)	FY2019 (As of March 31, 2019)
LIABILITIES		
Current liabilities		
Notes and accounts payable - trade	21,820	26,009
Short-term loans payable	1,350	1,050
Current portion of long-term loans payable	5,492	5,255
Income taxes payable	2,067	2,905
Accrued expenses	10,532	11,155
Advances received	14,457	15,761
Allowance for loss on contract development	227	652
Other provision	1,618	1,555
Other	10,559	10,254
Total current liabilities	68,125	74,600
Non-current liabilities		
Long-term loans payable	21,152	16,635
Provision	783	416
Net defined benefit liability	687	614
Asset retirement obligations	1,127	1,131
Other	727	1,408
Total non-current liabilities	24,478	20,206
Total liabilities	92,604	94,806
NET ASSETS		
Shareholders' equity		
Capital stock	5,483	5,483
Capital surplus	14,361	14,909
Retained earnings	88,185	97,893
Treasury shares	(13,578)	(13,540)
Total shareholders' equity	94,451	104,745
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	6,547	6,561
Deferred gains or losses on hedges	0	0
Foreign currency translation adjustment	5	(31)
Remeasurements of defined benefit plans	1,997	3,361
Total accumulated other comprehensive income	8,550	9,892
Share acquisition rights	369	432
Non-controlling interests	1,302	1,544
Total net assets	104,674	116,615
Total liabilities and net assets	197,278	211,421

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

Millions of Yen

	FY2018 (Fiscal year ended March 31, 2018)	FY2019 (Fiscal year ended March 31, 2019)
Net sales	286,977	299,029
Cost of sales	218,174	225,859
Gross profit	68,803	73,169
Selling, general and administrative expenses		
Selling expenses	9,349	8,119
General and administrative expenses	43,120	44,427
Total selling, general and administrative expenses	52,470	52,547
Operating income	16,332	20,622
Non-operating income		
Interest income	3	8
Dividend income	413	466
Rebate revenue	44	94
Other	228	218
Total non-operating income	690	788
Non-operating expenses		
Interest expenses	126	98
Share of loss of entities accounted for using equity method	21	574
Loss on investments in partnership	128	176
Settlement package	606	-
Other	47	44
Total non-operating expenses	930	895
Ordinary income	16,092	20,515
Extraordinary income		
Gain on sales of investment securities	5	133
Gain on sale of businesses	108	-
Other	7	0
Total extraordinary income	120	133
Extraordinary losses		
Loss on sales and retirement of non-current assets	72	13
Impairment loss	576	361
Loss on valuation of investment securities	29	774
Other	3	8
Total extraordinary losses	682	1,159
Profit before income taxes	15,531	19,490
Income taxes - current	1,977	3,150
Income taxes - deferred	1,487	1,906
Total income taxes	3,465	5,057
Profit	12,065	14,433
Profit attributable to non-controlling interests	116	195
Profit attributable to owners of parent	11,949	14,238

(Consolidated Statements of Comprehensive Income)

Millions of Yen

	FY2018	FY2019
	(Fiscal year ended March 31, 2018)	(Fiscal year ended March 31, 2019)
Profit	12,065	14,433
Other comprehensive income		
Valuation difference on available-for-sale securities	1,921	14
Deferred gains or losses on hedges	(1)	0
Remeasurements of defined benefit plans	2,802	1,364
Share of other comprehensive income of entities accounted for using equity method	5	(37)
Total other comprehensive income	4,728	1,343
Comprehensive income	16,794	15,776
(Breakdown)		
Comprehensive income attributable to owners of parent	16,677	15,580
Comprehensive income attributable to non-controlling interests	116	195

(3) Consolidated Statement of Changes in Equity

FY2018 [From April 1, 2017 to March 31, 2018]

Millions of Yen

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	5,483	14,200	80,005	(13,592)	86,096
Changes of items during the period					
Dividends of surplus			(3,761)		(3,761)
Profit attributable to owners of parent			11,949		11,949
Purchase of treasury shares				(0)	(0)
Disposal of treasury shares			(7)	15	8
Change in ownership interest of parent due to transactions with non-controlling interests		160			160
Net changes of items other than shareholders' equity					
Total changes of items during the period	—	160	8,180	14	8,355
Balance at end of period	5,483	14,361	88,185	(13,578)	94,451

	Accumulated other comprehensive income					Share acquisition rights	Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains (losses) on hedges	Foreign currency translation adjustment	Re-measurements of defined benefit plans	Total accumulated other comprehensive income			
Balance at beginning of period	4,625	1	—	(805)	3,821	294	560	90,772
Changes of items during the period								
Dividends of surplus								(3,761)
Profit attributable to owners of parent								11,949
Purchase of treasury shares								(0)
Disposal of treasury shares								8
Change in ownership interest of parent due to transactions with non-controlling interests								160
Net changes of items other than shareholders' equity	1,921	(1)	5	2,802	4,728	75	742	5,546
Total changes of items during the period	1,921	(1)	5	2,802	4,728	75	742	13,901
Balance at end of period	6,547	0	5	1,997	8,550	369	1,302	104,674

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	5,483	14,361	88,185	(13,578)	94,451
Changes of items during the period					
Dividends of surplus			(4,514)		(4,514)
Profit attributable to owners of parent			14,238		14,238
Purchase of treasury shares				(1)	(1)
Disposal of treasury shares			(15)	38	23
Change in ownership interest of parent due to transactions with non-controlling interests		547			547
Net changes of items other than shareholders' equity					
Total changes of items during the period	—	547	9,708	37	10,293
Balance at end of period	5,483	14,909	97,893	(13,540)	104,745

	Accumulated other comprehensive income					Share acquisition rights	Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains (losses) on hedges	Foreign currency translation adjustment	Re-measurements of defined benefit plans	Total accumulated other comprehensive income			
Balance at beginning of period	6,547	0	5	1,997	8,550	369	1,302	104,674
Changes of items during the period								
Dividends of surplus								(4,514)
Profit attributable to owners of parent								14,238
Purchase of treasury shares								(1)
Disposal of treasury shares								23
Change in ownership interest of parent due to transactions with non-controlling interests								547
Net changes of items other than shareholders' equity	14	0	(37)	1,364	1,342	62	242	1,647
Total changes of items during the period	14	0	(37)	1,364	1,342	62	242	11,941
Balance at end of period	6,561	0	(31)	3,361	9,892	432	1,544	116,615

(4) Consolidated Statements of Cash Flows

Millions of Yen

	FY2018 (Fiscal year ended March 31, 2018)	FY2019 (Fiscal year ended March 31, 2019)
Net cash provided by (used in) operating activities:		
Profit before income taxes	15,531	19,490
Depreciation and amortization	10,279	11,537
Impairment loss	576	361
Amortization of goodwill	83	116
Share of loss (profit) of entities accounted for using equity method	21	574
Loss (gain) on sales of investment securities	(2)	(127)
Loss (gain) on valuation of investment securities	29	774
Increase (decrease) in allowance for loss on contract development	(85)	425
Increase (decrease) in other provision	17	(437)
Increase (decrease) in net defined benefit liability	(1,125)	(72)
Decrease (increase) in net defined benefit asset	(2,610)	(3,531)
Increase (decrease) in remeasurements of defined benefit plans	4,043	1,966
Interest and dividends income	(417)	(475)
Interest expenses	126	98
Decrease (increase) in notes and accounts receivable - trade	1,625	(3,829)
Decrease (increase) in inventories	945	(3,516)
Decrease (increase) in advances paid	(329)	(1,082)
Increase (decrease) in notes and accounts payable - trade	(789)	4,189
Increase (decrease) in accrued expenses	547	622
Other	(127)	2,388
Subtotal	28,341	29,474
Interest and dividend received	418	476
Interest paid	(128)	(99)
Income taxes paid	(1,675)	(2,413)
Net cash provided by (used in) operating activities	26,956	27,438
Net cash provided by (used in) investing activities		
Purchase of property, plant and equipment	(3,665)	(2,925)
Proceeds from sales of property, plant and equipment	25	27
Purchase of intangible assets	(6,926)	(4,669)
Purchase of investment securities	(2,811)	(2,307)
Proceeds from sales of investment securities	36	271
Payments of loans receivable from subsidiaries and associates	-	(230)
Purchase of shares of subsidiaries resulting in change in scope of consolidation	-	(733)
Proceeds from sale of businesses	110	-
Other	3	(18)
Net cash provided by (used in) investing activities	(13,227)	(10,586)
Net cash provided by (used in) financing activities		
Net increase (decrease) in short-term loans payable	1,000	(300)
Proceeds from long-term loans payable	6,362	737
Repayments of long-term loans payable	(11,007)	(5,492)
Proceeds from sale and leasebacks	1	1,098
Repayments of other borrowings	(461)	(593)
Increase (decrease) in commercial papers	(6,000)	-
Cash dividends paid	(3,758)	(4,511)
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	900
Other	0	(1)
Net cash provided by (used in) financing activities	(12,977)	(8,226)
Net increase (decrease) in cash and cash equivalents	751	8,625
Cash and cash equivalents at beginning of period	17,823	18,575
Cash and cash equivalents at end of period	18,575	27,200

(5) Notes on Going Concern Assumption
None applicable

(6) Changes in Presentation

(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) was adopted from the beginning of this fiscal year. The Company classifies deferred tax assets as investments and other assets, and deferred tax liabilities as non-current liabilities.

Thus, as indicated in the consolidated income statement of the previous fiscal year, the ‘Deferred tax assets’ of ¥5,397 million of current assets was included in the ‘Deferred tax assets’ of investments and other assets. The ¥1,357 million ‘Deferred tax liabilities’ of non-current liabilities were described after offsetting against the ‘Deferred tax assets’ of investments and other assets.

The ‘Deferred tax assets’ and the ‘Deferred tax liabilities’ of the same taxable entity are offset against each other, and thus the total assets of the previous fiscal year have been reduced by ¥1,357 million.

(Consolidated State of Income)

‘Rebate Revenue’ of the previous fiscal year was included in the ‘Other’ of non-operating income in the previous fiscal year is separately described for the fiscal year under review because it constitutes more than 10/100 of the amount of total non-operating income. (Note that it is ¥94 million for the fiscal year under review.)

Consolidated financial statements for the previous fiscal year have been reclassified in order to reflect this change in presentation.

‘Rebate Revenue’ of the previous fiscal year was ¥44 million.

‘Share of loss of entities accounted for using equity method’ that was included in the ‘Other’ of non-operating expenses in the previous fiscal year is separately described for the fiscal year under review because it constitutes more than 10/100 of the amount of total non-operating expenses. (Note that it is ¥574 million for the fiscal year under review.)

Consolidated financial statements for the previous fiscal year have been reclassified in order to reflect this change in presentation.

‘Share of loss of entities accounted for using equity method’ of the previous fiscal year was ¥21 million.

‘Gain on sales of investment securities’ of extraordinary income that was included in the ‘Other’ of extraordinary income in the previous fiscal year is described separately for the fiscal year under review because it constitutes more than 10/100 of the total extraordinary income. (Note that it is ¥133 million for the fiscal year under review.)

Consolidated financial statements for the previous fiscal year have been reclassified in order to reflect this change in presentation.

‘Gain on sales of investment securities’ of the previous fiscal year was ¥5 million.

‘Loss on valuation of investment securities’ that was included in the ‘Other’ of extraordinary income in the previous fiscal year is described separately for the fiscal year under review because it constitutes more than 10/100 of the total extraordinary losses. (Note that it is ¥774 million for the fiscal year under review.)

Consolidated financial statements for the previous fiscal year have been reclassified in order to reflect this change in presentation.

‘Loss on valuation of investment securities’ of the previous fiscal year was ¥29 million.

(Consolidated Statements of Cash Flows)

‘Share of loss (profit) of entities accounted for using equity method’ that was included in the ‘Other’ of net cash provided by (used in) operating activities in the previous fiscal year is described separately due to their increased financial significance. (Note that it is ¥574 million for the fiscal year under review.)

Consolidated financial statements for the previous fiscal year have been reclassified in order to reflect this change in presentation.

‘Share of loss (profit) of entities accounted for using equity method’ of the previous fiscal year were ¥21 million.

‘Loss (gain) on valuation of investment securities’ that was included in the ‘Other’ of net cash provided by (used in) operating activities in the previous fiscal year is described separately due to their increased financial significance. (Note

that it is ¥774 million for the fiscal year under review.)

Consolidated financial statements for the previous fiscal year have been reclassified in order to reflect this change in presentation.

‘Loss (gain) on valuation of investment securities’ of the previous fiscal year was ¥29 million.

‘Payments for asset retirement obligations’ of net cash provided by (used in) investing activities that were described separately in the previous fiscal year are included in the ‘Other’ for the fiscal year under review due to their reduced financial significance. (Note that it is ¥18 million for the fiscal year under review.)

Consolidated financial statements for the previous fiscal year have been reclassified in order to reflect this change in presentation.

‘Payments for asset retirement obligations’ of the previous fiscal year were ¥8 million.

‘Proceeds from sale and leasebacks’ of net cash provided by (used in) financing activities that were included in the ‘Other’ in the previous fiscal year are described separately due to their increased financial significance. (Note that it is ¥1,098 million for the fiscal year under review.)

Consolidated financial statements for the previous fiscal year have been reclassified in order to reflect this change in presentation.

‘Proceeds from sales and leasebacks’ of the previous fiscal year was ¥1 million.

‘Purchase of treasury shares’ of net cash provided by (used in) financing activities that was described separately in the previous fiscal year is included in the ‘Other’ for the fiscal year under review due to their reduced financial significance. (Note that it is ¥1 million for the fiscal year under review.)

Consolidated financial statements for the previous fiscal year have been reclassified in order to reflect this change in presentation.

‘Purchase of treasury shares’ of the previous fiscal year were ¥0 million.

(7) Notes to Consolidated Financial Statements

(Segment Information and Others)

[Segment Information]

1. Overview of reportable segments

The reportable segments of the Company are those units among the constituent units of the Company for which separate financial statements can be obtained and which are regularly examined by the Board of Directors for decisions on the allocation of management resources and for assessing business performance.

By fully harnessing the collective capabilities of the Group, the Company provides comprehensive IT solution services, from identifying customers' management issues to providing solutions to them. Our businesses involve proposing comprehensive strategies for products and services that together constitute IT solution services.

The Company's operations therefore consist of segments comprised of products and services that constitute our IT solution services. We have five reportable segments; System Services, Support Services, Outsourcing, Software, and Hardware.

Details of the reportable segments are as follows:

- System Services: Entrusted software development business, system engineer services and consulting
- Support Services: Software and hardware maintenance, installation support and related services
- Outsourcing: Entrusted management of information systems, and related services
- Software: Provision of software based on software license agreements
- Hardware: Provision of hardware based on equipment sales agreements or rental agreements

2. Methods to determine net sales, income or loss, assets, liabilities, and other amounts by reportable segment

The accounting methods by business segment reported herein are the same as described in the ‘Basis of Presentation of the Consolidated Financial Statements.’

3. Information on net sales, income or loss, assets, liabilities, and other amounts by reportable segment

FY2018 (from April 1, 2017 to March 31, 2018)

	Reportable segment						Other (Note 1)	Total	Adjust ment (Note 2)	Amount recorded in the consolidated financial statements (Note 3)
	System Services	Support Services	Out sourcing	Software	Hardware	Total				
Net Sales	90,509	52,821	48,017	33,103	54,097	278,548	8,428	286,977	-	286,977
Segment profits	23,960	15,122	10,765	8,965	7,950	66,764	2,038	68,803	(52,470)	16,332
Segment assets	1,572	1,458	21,685	5,076	3,998	33,791	199	33,991	163,287	197,278
Other items										
Depreciation and amortization	103	281	5,692	1,814	579	8,470	71	8,542	1,737	10,279
Increased amount of property, plant and equipment and intangible assets	95	85	6,781	2,449	368	9,780	48	9,829	1,644	11,473

(Note 1) The Other category is a business segment that is not included in the reportable segments. It includes network services and installation.

(Note 2) The contents of adjustment are described below.

- (1) The adjustment of ¥(52,470) million to segment profits includes development expenses of ¥(2,998) million, amortization of goodwill of ¥(83) million, and selling, general and administrative expenses of ¥(49,388) million that have not been distributed to each reportable segment.
- (2) The adjustment of ¥163,287 million to segment assets represents the corporate assets that have not been distributed to each reportable segment.
- (3) The adjustment of ¥1,737 million to depreciation and amortization represents the depreciation and amortization of the corporate assets that have not been distributed to each reportable segment.
- (4) The adjustment of ¥1,644 million to increased amount of property, plant and equipment and intangible assets represents the increase in the corporate assets that have not been distributed to each reportable segment.

(Note 3) Segment profits have been adjusted with the operating income recorded in the consolidated financial statements.

FY2019 (from April 1, 2018 to March 31, 2019)

	Reportable segment						Other (Note 1)	Total	Adjust ment (Note 2)	Amount recorded in the consolidated financial statements (Note 3)
	System Services	Support Services	Out sourcing	Software	Hardware	Total				
Net Sales	95,972	53,578	51,148	33,877	54,677	289,253	9,776	299,029	-	299,029
Segment profits	27,356	15,289	11,993	7,239	9,133	71,012	2,157	73,169	(52,547)	20,622
Segment assets	1,798	1,214	20,376	5,281	5,091	33,762	251	34,014	177,407	211,421
Other items										
Depreciation and amortization	108	137	6,805	2,053	489	9,593	110	9,704	1,832	11,537
Increased amount of property, plant and equipment and intangible assets	139	77	4,718	1,524	174	6,633	34	6,668	1,514	8,183

(Note 1) The Other category is a business segment that is not included in the reportable segments. It includes network services and installation.

(Note 2) The contents of adjustment are described below.

- (1) The adjustment of ¥(52,547) million to segment profits includes development expenses of ¥(3,958) million, amortization of goodwill of ¥(116) million, and selling, general and administrative expenses of ¥(48,471) million that have not been distributed to each reportable segment.
- (2) The adjustment of ¥177,407 million to segment assets represents the corporate assets that have not been distributed to each reportable segment.
- (3) The adjustment of ¥1,832 million to depreciation and amortization represents the depreciation and amortization of the corporate assets that have not been distributed to each reportable segment.
- (4) The adjustment of ¥1,514 million to increased amount of property, plant and equipment and intangible assets represents the increase in the corporate assets that have not been distributed to each reportable segment.

(Note 3) Segment profits have been adjusted with the operating income recorded in the consolidated financial statements.

[Related Information]

FY2018 (from April 1, 2017 to March 31, 2018)

1. Information by product and service

Information by product and service is not described because the same information is stated as part of segment information.

2. Information by region

(1) Net sales

Net sales by region are not disclosed because the amount of net sales to customers in Japan accounts for more than 90% of the amount of net sales of consolidated statements of income.

(2) Property, plant and equipment

Property, plant and equipment by region are not disclosed because the amount of property, plant and equipment that are located in Japan accounts for more than 90% of the amount of property, plant and equipment of consolidated balance sheets.

3. Information by major customer

No major customer is stated because no customer accounted for more than 10% of net sales as stated in the consolidated statements of income.

FY2019 (from April 1, 2018 to March 31, 2019)

1. Information by product and service

Information by product and service is not described because the same information is stated as part of segment information.

2. Information by region

(1) Net sales

Net sales by region are not disclosed because the amount of net sales to customers in Japan accounts for more than 90% of the amount of net sales of consolidated statements of income.

(2) Property, plant and equipment

Property, plant and equipment by region are not disclosed because the amount of property, plant and equipment that are located in Japan accounts for more than 90% of the amount of property, plant and equipment of consolidated balance sheets.

3. Information by major customer

No major customer is stated because no customer accounted for more than 10% of net sales as stated in the consolidated statements of income.

[Information on impairment loss of non-current assets by reportable segment]

FY 2018 (from April 1, 2017 to March 31, 2018)

(Millions of Yen)

	System Services	Support Services	Outsourcing	Software	Hardware	Other	Eliminations and Corporate (Note)	Total
Impairment loss	—	—	457	—	—	—	118	576

(Note) The amount of 'Eliminations and Corporate' represents impairment loss relating to the corporate assets that do not belong to any segment.

FY 2019 (from April 1, 2018 to March 31, 2019)

(Millions of Yen)

	System Services	Support Services	Outsourcing	Software	Hardware	Other	Eliminations and Corporate (Note)	Total
Impairment loss	—	—	272	—	—	—	89	361

(Note) The amount of 'Eliminations and Corporate' represents impairment loss relating to the corporate assets that do not belong to any segment.

[Information about the amount of amortization of goodwill and the amount of the unamortized balance of goodwill by reportable segment]

FY 2018 (from April 1, 2017 to March 31, 2018)

(Millions of Yen)

	System Services	Support Services	Outsourcing	Software	Hardware	Other	Eliminations and Corporate	Total
Amount of amortization for this period	—	—	—	—	—	—	83	83
Balance at the end of this period	—	—	—	—	—	—	753	753

FY 2019 (from April 1, 2018 to March 31, 2019)

(Millions of Yen)

	System Services	Support Services	Outsourcing	Software	Hardware	Other	Eliminations and Corporate	Total
Amount of amortization for this period	—	—	—	—	—	—	116	116
Balance at the end of this period	—	—	—	—	—	—	1,288	1,288

[Information about the gain on bargain purchase by reportable segment]

FY 2018 (from April 1, 2017 to March 31, 2018)

None applicable

FY 2019 (from April 1, 2018 to March 31, 2019)

None applicable

(Per-Share Information)

Items	FY 2018 (from April 1, 2017 to March 31, 2018)	FY 2019 (from April 1, 2018 to March 31, 2019)
Net assets per share (¥)	1,026.72	1,142.41
Earnings per share (¥)	119.12	141.90
Diluted earnings per share (¥)	118.69	141.40

Note: 1. The basic information used to calculate earnings per share or diluted earnings per share is as follows.

Items	FY 2018 (from April 1, 2017 to March 31, 2018)	FY 2019 (from April 1, 2018 to March 31, 2019)
Earnings per share		
Profit attributable to owners of parent for the year (¥ mil)	11,949	14,238
Amount that does not belong to ordinary shareholders (¥ mil)	—	—
Profit attributable to owners of parent, attributable to common stock (¥ mil)	11,949	14,238
Average number of common stock outstanding during the year (thousand shares)	100,314	100,337
Diluted earnings per share		
Adjustments to profit attributable to owners of parent (¥ mil)	-	-
Increase of common stock (thousand shares)	362	360
(Share acquisition rights (thousand shares))	(362)	(360)
Dilutive shares, which were not included in the calculation of diluted earnings per share, due to lack of dilution effect	—	—

Note: 2. The basic information used to calculate net asset per share is as follows.

	End of FY 2018 (March 31, 2018)	End of FY 2019 (March 31, 2019)
Total net assets (¥ mil)	104,674	106,615
Amounts to be deducted from the total net assets (¥ mil)	1,672	1,976
(Share acquisition rights) (¥ mil)	(369)	(432)
(Non-controlling interests) (¥ mil)	(1,302)	(1,544)
Net assets at the end of period attributable to common stock (¥ mil)	103,001	114,638
Number of common stock at the end of period utilized for the calculation of net assets per share (thousand shares)	100,321	100,348

(Significant Subsequent Events)

None