

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, 2020 [Japan GAAP]

November 6, 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 Submission Date for Quarterly Report:	November 12, 2019
Scheduled Starting Date for Dividend Payment:	December 3, 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 FY2020 Q2 (from April 1, 2019 to September 30, 2019)

(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	%
FY2020 Q2	149,726	11.9	11,020	35.8	11,656	36.5	7,928	28.1
FY2019 Q2	133,821	1.5	8,117	21.3	8,541	23.0	6,192	31.1

(Note) Comprehensive Income FY2020 Q2: 7,692 Million Yen (10.2 %) FY2019 Q2: 6,978 Million Yen (-5.6 %)

	Earnings Per Share	Diluted Earnings Per Share
	Yen	Yen
FY2020 Q2	79.01	78.74
FY2019 Q2	61.72	61.50

(2) Consolidated Financial Position

	Total Assets	Net Assets	Shareholders' Equity Ratio
	Millions of Yen	Millions of Yen	%
FY2020 Q2	205,993	121,312	57.9%
FY2019	211,421	116,615	54.2%

(Reference) Shareholders' Equity FY2020 Q2: 119,339 Million Yen FY2019: 114,638 Million Yen

2. Dividends

	Dividends Per Share				
	End of Q1	End of Q2	End of Q3	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
FY2019	—	25.00	—	30.00	55.00
FY2020	—	32.50	—	—	—
FY2020 (Forecast)	—	—	—	32.50	65.00

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

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	307,000	2.7	23,000	11.5	22,800	11.1	16,000	12.4	159.44

(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)

FY2020 Q2	109,663,524	FY2019	109,663,524
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2. Number of shares of treasury stock at the end of the period

FY2020 Q2	9,311,571	FY2019	9,315,429
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3. Average number of shares outstanding during the period

FY2020 Q2	100,351,203	FY2019 Q2	100,332,209
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*This consolidated financial report is not subject to quarterly review procedures.

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

The forward-looking statements such as earnings forecasts contained in this document are based on the information currently available to the Company and certain assumptions which are regarded as legitimate. The Company makes no warranty as to the achievability of what is described in the statements. Actual results may differ from these forecasts due to various factors.

(Appendix)

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1. Results of Business Operations and Financial Conditions

(1) Analysis of Business Operations

During the past six months of the fiscal year ending March 2020, there were concerns about the impact of an increase in tensions arising from international affairs on the global economy. However, the Japanese economy continued to show signs of gradual recovery enabled through improvements in employment and income environments.

Investments in information system have remained strong as well in the domestic information services market. However, the Company has been operating in a continuingly difficult environment due to tough rivalries that are expected to be further intensified as a result of participants from other business categories.

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 about key measures 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’.

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. One of the key efforts is an attempt to practicalize a MaaS project with an eye toward enabling a sustainable town pursuant to a MaaS promotion treaty executed between Otsu City, KEIHAN BUS Co., Ltd. and our company. We will begin a POC (proof of concept) in order to tentatively use the ‘Kotokoto Navi’, a sightseeing app to help tourists with integrated functions of sightseeing guidance, searching routes, coupons, and purchasing special discount mobility tickets. This trial project will be conducted in the area of Otsu City and Mount Hiei in November 2019. Furthermore, we have expanded our MaaS efforts partly by participating in a Niigata City MaaS project. We have been moving ahead with preparations for a POC in the city.

Our efforts to promote a cashless economy has been made by our subsidiary Canal Payment Services, Ltd., with an eye toward realizing a smart consumption society. The company has steadily increased the number of the existing JCB member shops to introduce a QR

code/barcode payment scheme. Furthermore, the subsidiary has promoted the QR code/barcode payments by gradually connecting gateways for issuers who indicated their intention to participate in the SmartCode scheme provided by JCB Co., Ltd.

Furthermore, 'MY HOME MARKET®', our virtual housing exhibition service has been steadily accepted since the launch in March 2018. 'MY HOME MARKET®' enabled under the theme of 'using Virtual Reality to design my home' now serves six customers in total including Wood Friends Co., Ltd., the latest customer, by helping home sales. 'MY HOME MARKET®' sales have been promoted partly by Ministry of Economy, Trade and Industry (METI) having specified the solution as an eligible service for the IT implementation subsidy in June 2019.

In addition, our company received the GOOD DESIGN AWARD 2019 in October 2019 for this service to provide an innovative consumer experience of purchasing a home. We will continue to spread the service, and thus we will make further contributions to enabling homes considerate of feelings and needs of home purchasers and also to helping house builders promote work style reform.

Our efforts in the area of IoT business platforms are exemplified by 'BRaVS Library™' and 'BRaVS Platform™'. These spatial cognition platforms reproduce human cognitions and judgements. BRaVS helps Tohoku-Electric Power Co., Inc. in their POC project to automate equipment patrols at their thermal power plants. Furthermore, BRaVS is used for image diagnoses to identify bridge deterioration elements and judge bridge soundness in our joint project with Nihonkai Consultant Co., Ltd. The use of our AI technology for examining bridges was elected by Ishikawa Sunrise Industries Creation Organization (ISICO) as an eligible technology for their commercialization promotion project. We will move ahead with operationalizing our AI technology with an eye toward a production operation in the summer of 2020.

In the ICT Core business area, we have seen a steady accumulation of SI-type business projects and product sales in response to system renewal demands in a broad range of businesses.

Furthermore, we have made efforts to increase productivity through work style reformative efforts. The efforts and a continued high operation rate of system engineers have improved profitability. We will promote our attempts with an eye towards increasing productivity in system development and operation.

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: Digital transformation enables companies to cope with drastic changes in business environment through the use of data and digital technology. Companies change their products and services as well as business models into those capable of satisfying needs of customers and needs in society. Furthermore, companies can ensure their competitive superiority by changing their businesses, organization, and processes as well as their corporate culture.
2. MaaS (Mobility as a Service): A new concept of mobility solution to see a mobility enabled via each transportation means except owner-driven cars as a service and connect the services seamlessly. Servitization of mobility solutions has accelerated, due to a progressive shift away from personally owning vehicles towards using them.
3. SmartCode: A QR code/Barcode payment scheme provided by JCB Co., Ltd. in compliance with the Payments Japan Association standards
4. MY HOME MARKET: Our own VR service to help users to check show houses through the use of digital devices such as smartphones until they find their ideal houses
5. IoT Business Platform: A platform provided by the Nihon Unisys Group to enable a one-stop management of collecting and analyzing data from devices such as sensors and cameras as well as machine learning.
6. BRaVS: our spatial cognition platform to reproduce human cognition and judgement. This platform integrates 4D data (distance and space as well as time) and other data (regions, seasons, time slots, sounds, etc.) into deep learning in order to enable an overall cognition and evaluation comparable to human performance. Precise judgements based on perceiving objects and detecting anomalies are now enabled in areas where they could not be without BRaVS.
7. Names of companies or products herein described are trademarks or registered trademarks of their respective organizations.

For the second quarter, net sales were ¥149,726 million (a 11.9% increase compared with the same period of the previous fiscal year) mainly due to the continued strength of system services as well as software & hardware sales.

Despite an increase in R&D costs, we had an increase in income due to an increase in outsourcing sales in addition to the increase in the system services sales as well as an improved profitability. We posted: ¥11,020 million operating income (an increase of 35.8 % compared with the same period of the previous fiscal year); ¥11,656 million ordinary income (an increase of 36.5 %); and ¥7,928 million profit attributable to owners of parent (an increase of 28.1 %).

With regard to the results on a non-consolidated basis, net sales were ¥85,135 million, up by 3.3 % from the same period of the previous fiscal year; operating income was ¥6,594 million, up by 13.2 %; ordinary income was ¥11,849 million, up by 11.2 %; and profit was ¥9,536 million, up by 9.4%.

(2) Analysis of Financial Condition

At the end of the six-month period of the current fiscal year, total assets were ¥205,993 million, a decrease of ¥5,428 million compared with the end of the previous fiscal year, partly due to a decrease in accounts receivable-trade.

Liabilities were ¥ 84,680 million, a ¥10,125 million decrease from the end of the previous fiscal year, partly due to a decrease in accounts payable-trade and interest-bearing debts.

Net assets decreased to ¥121,312million. Shareholders' equity ratio was 57.9 %, up by 3.7 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 ¥ 28,328 million, up by ¥ 1,127 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 ¥ 12,603 million (a decrease of ¥ 2,020 million in proceeds from the corresponding period of the previous fiscal year). This reflects proceeds of ¥ 11,329 million in profit before income taxes (up by ¥ 3,061 million from the said period), the elements of increasing the proceeds and the elements of decreasing the proceeds. The elements of increasing the proceeds include a ¥11,364 million decrease in notes and accounts receivable-trade and non-cash expenses of ¥ 5,436 million in depreciation and amortization. The elements of decreasing the proceeds include a decrease of ¥6,838 million in notes and accounts payable-trade and a ¥3,225 million increase of inventories.

(Cash flows from investing activities)

Net cash spent in investing activities was ¥ 5,269 million (a decrease of ¥ 774 million in expenditures compared with the corresponding period of the previous fiscal year).

This includes expenditures of ¥ 1,466 million due to the acquisition of property, plant and equipment such as computers for business activities (a decrease of ¥ 254 million in expenditures compared with the same period), expenditures of ¥ 2,635 million due to the acquisitions of intangible assets such as investments in software for outsourcing (a decrease of ¥ 56 million in expenditures compared with the same period), expenditures of ¥ 761 million as a result of purchasing investment securities* (a decrease of ¥ 694 million in expenditures compared with the

same period),

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

(Cash flows from financing activities)

Net cash spent in the financing activities was ¥6,206 million (an increase of ¥ 438 million in expenditures compared with the corresponding period of the previous fiscal year). This reflects expenditures of ¥ 2,277 million as a result of repayment of long-term loans payable (a decrease of ¥ 443 million in expenditures from the same period) and the amount of paid dividends, ¥ 3,007 million, (an increase in expenditures of ¥ 1,002 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, 2019.

2. Consolidated Financial Statements

(1) Consolidated Balance Sheets

Millions of Yen

	FY2019 (As of March 31, 2019)	FY2020 Q2 (As of September 30, 2019)
Assets		
Current assets		
Cash and deposits	27,200	28,328
Notes and accounts receivable - trade	72,479	61,262
Merchandise and finished goods	8,248	9,716
Work in process	1,947	3,710
Raw materials and supplies	86	80
Other	18,364	20,147
Allowance for doubtful accounts	(56)	(49)
Total current assets	128,270	123,195
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	4,082	3,971
Machinery, equipment and vehicles, net	6,670	6,342
Other, net	3,496	3,244
Total property, plant and equipment	14,249	13,558
Intangible assets		
Goodwill	1,288	1,708
Software	19,982	18,973
Other	102	96
Total intangible assets	21,373	20,778
Investments and other assets		
Investment securities	23,854	24,971
Deferred tax assets	1,656	1,019
Net defined benefit asset	7,087	8,036
Other	15,237	14,730
Allowance for doubtful accounts	(307)	(297)
Total investments and other assets	47,528	48,461
Total non-current assets	83,151	82,798
Total assets	211,421	205,993

Millions of Yen

	FY2019 (As of March 31, 2019)	FY2020 Q2 (As of September 30, 2019)
Liabilities		
Current liabilities		
Notes and accounts payable - trade	26,009	19,272
Current portion of long-term loans payable	5,255	5,180
Income taxes payable	2,905	2,215
Accrued expenses	11,155	10,780
Advances received	15,761	20,063
Allowance for loss on contract development	652	717
Other provision	1,555	1,099
Other	11,304	8,058
Total current liabilities	74,600	67,386
Non-current liabilities		
Long-term loans payable	16,635	14,782
Provision	416	208
Net defined benefit liability	614	634
Asset retirement obligations	1,131	1,141
Other	1,408	527
Total non-current liabilities	20,206	17,293
Total liabilities	94,806	84,680
Net assets		
Shareholders' equity		
Capital stock	5,483	5,483
Capital surplus	14,909	14,909
Retained earnings	97,893	102,809
Treasury shares	(13,540)	(13,535)
Total shareholders' equity	104,745	109,666
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	6,561	6,978
Deferred gains or losses on hedges	0	0
Foreign currency translation adjustment	(31)	(59)
Remeasurements of defined benefit plans	3,361	2,754
Total accumulated other comprehensive income	9,892	9,673
Stock acquisition rights	432	451
Non-controlling interests	1,544	1,520
Total net assets	116,615	121,312
Total liabilities and net assets	211,421	205,993

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

(Consolidated Statements of Income)

Millions of Yen

	FY2019 Q2 (Six months ended September 30, 2018)	FY2020 Q2 (Six months ended September 30, 2019)
Net sales	133,821	149,726
Cost of sales	99,997	112,337
Gross profit	33,824	37,388
Selling, general and administrative expenses	25,706	26,368
Operating income	8,117	11,020
Non-operating income		
Interest income	3	4
Dividend income	341	354
Reversal of reserve for contingent losses	92	300
Other	132	174
Total non-operating income	570	833
Non-operating expenses		
Interest expenses	51	36
Settlement package	-	65
Loss on investments in partnership	63	62
Other	31	32
Total non-operating expenses	146	196
Ordinary income	8,541	11,656
Extraordinary income		
Gain on sales of investment securities	57	33
Other	-	0
Total extraordinary income	57	34
Extraordinary losses		
Impairment loss	89	284
Loss on valuation of investment securities	232	68
Other	8	7
Total extraordinary losses	330	361
Profit before income taxes	8,268	11,329
Income taxes - current	609	2,704
Income taxes - deferred	1,444	713
Total income taxes	2,053	3,417
Profit	6,214	7,912
Profit (loss) attributable to non-controlling interests	22	(16)
Profit attributable to owners of parent	6,192	7,928

(Consolidated Statements of Comprehensive Income)

Millions of Yen

	FY2019 Q2	FY2020 Q2
	(Six months ended September 30, 2018)	(Six months ended September 30, 2019)
Profit	6,214	7,912
Other comprehensive income		
Valuation difference on available-for-sale securities	563	416
Deferred gains or losses on hedges	1	(0)
Remeasurements of defined benefit plans	262	(607)
Share of other comprehensive income of entities accounted for using equity method	(62)	(27)
Total other comprehensive income	764	(219)
Comprehensive income	6,978	7,692
(Breakdown)		
Comprehensive income attributable to owners of parent	6,956	7,709
Comprehensive income attributable to non-controlling interests	22	(17)

(3) Consolidated Statements of Cash Flows

Millions of Yen

	FY2018 Q2 (Six months ended September 30, 2018)	FY2019 Q2 (Six months ended September 30, 2019)
Net cash provided by (used in) operating activities:		
Profit before income taxes	8,268	11,329
Depreciation and amortization	5,593	5,436
Impairment loss	89	284
Amortization of goodwill	41	106
Loss (gain) on sales of investment securities	(52)	(31)
Loss (gain) on valuation of investment securities	232	68
Increase (decrease) in allowance for loss on contract development	(42)	64
Increase (decrease) in other provision	(430)	(686)
Increase (decrease) in net defined benefit liability	27	19
Decrease (increase) in net defined benefit asset	(1,168)	(948)
Increase (decrease) in remeasurements of defined benefit plans	377	(875)
Interest and dividends income	(344)	(358)
Interest expenses	51	36
Decrease (increase) in notes and accounts receivable-trade	9,607	11,364
Decrease (increase) in inventories	(2,633)	(3,225)
Decrease (increase) in advances paid	(651)	(763)
Increase (decrease) in notes and accounts payable-trade	(2,166)	(6,838)
Increase (decrease) in accrued expenses	(912)	(404)
Other	697	1,025
Subtotal	16,585	15,601
Interest and dividends received	346	360
Interest paid	(52)	(37)
Income taxes (paid) refund	(2,255)	(3,321)
Net cash provided by (used in) operating activities	14,623	12,603
Investing activities:		
Purchase of property, plant and equipment	(1,720)	(1,466)
Purchase of intangible assets	(2,691)	(2,635)
Purchase of investment securities	(1,455)	(761)
Proceeds from sales of investment securities	73	70
Loan advances to subsidiaries and associates	(230)	-
Purchase of shares of subsidiaries resulting in change in scope of consolidation	-	(524)
Other	(18)	48
Net cash provided by (used in) investing activities	(6,043)	(5,269)
Financing activities:		
Net increase (decrease) in short-term loans payable	(1,000)	(1,050)
Proceeds from long-term borrowings	-	350
Repayments of long-term borrowings	(2,721)	(2,277)
Proceeds from sales and leasebacks	329	28
Repayments of other borrowings	(305)	(163)
Cash dividends paid	(2,005)	(3,007)
Dividends paid to non-controlling interests	(64)	(84)
Other	(0)	(1)
Net cash provided by (used in) financing activities	(5,767)	(6,206)
Net increase (decrease) in cash and cash equivalents	2,812	1,127
Cash and cash equivalents at beginning of period	18,575	27,200
Cash and cash equivalents at end of period	21,388	28,328

(4) Notes concerning the Quarterly Consolidated Financial Statements

(Notes on Going Concern Assumption)

Not applicable

(Notes on Significant Changes in Shareholders' Equity)

Not applicable