



Consolidated Financial Report for the Second Quarter of Fiscal Year Ending March 31, 2014 [Japan GAAP]

November 1, 2013

Nihon Unisys, Ltd.

Stock Listing:	Tokyo Stock Exchange 1st Section
Stock Code:	8056
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Scheduled Submission Date for Quarterly Report:	November 8, 2013
Scheduled Starting Date for Dividend Payment:	December 3, 2013
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 FY2014 Q2 (from April 1, 2013 to September 30, 2013)

(1) Consolidated Results of Operations

(Percentage below represents increase (decrease) from the same period of previous year)

	Net Sales		Operating Income		Ordinary Income		Net Income	
	Millions of Yen	%	Millions of Yen	%	Millions of Yen	%	Millions of Yen	%
FY2014 Q2	128,123	2.9	2,404	(43.5)	2,703	(38.2)	1,643	—
FY2013 Q2	124,571	6.4	4,257	113.4	4,375	142.2	(2,533)	—

(Note) Comprehensive Income FY2014 Q2: 2,752 Million Yen (—%) FY2013 Q2: -162 Million Yen (—%)

	Earnings Per Share		Diluted Earnings Per Share	
	Yen		Yen	
FY2014 Q2	17.48		15.80	
FY2013 Q2	(26.96)		—	

(2) Consolidated Financial Position

	Total Assets		Net Assets		Shareholders' Equity Ratio	
	Millions of Yen	%	Millions of Yen	%	%	
FY2014 Q2	190,746		69,945		36.1	
FY2013	197,779		67,916		33.6	

(Reference) Shareholders' Equity FY2014 Q2: 68,793 Million Yen FY2013: 66,505 Million Yen

2. Dividends

	Dividends Per Share				
	End of Q1	End of Q2	End of Q3	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
FY2013	—	5.00	—	5.00	10.00
FY2014	—	7.50	—	—	—
FY2014 (Forecast)	—	—	—	7.50	15.00

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

3. Consolidated Earnings Forecast for FY2014 (from April 1, 2013 to March 31, 2014)

(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
FY2014	275,000	2.2	12,000	44.4	11,300	35.9	7,000	459.6	74.48

(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)

FY2014 Q2	109,663,524	FY2013	109,663,524
FY2014 Q2	15,672,194	FY2013	15,672,347
FY2014 Q2	93,991,069	FY2013 Q2	93,988,024

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.

4. Qualitative Information on the Consolidated Financial Results for the Second Quarter of Fiscal Year Ending March 31, 2014

(1) Analysis of Business Operation

During the past six months of the fiscal year ending March 2014, the Japanese economy has steadily recovered as a whole, on the back of the effects of various economic measures taken by the new government. However, it may be exposed to the risk of downward pressures due to the lingering uncertainties about the global economies such as the Syria issue, European debt crisis, and the slowdown in China's economic growth. Against this backdrop, large companies have taken the lead in recovery, as reflected mainly in the nonmanufacturing sectors where there were the signs of resumed capital investment. Capital expenditures are expected to increase also in other sectors, ascribable to the mid-and-long-term factors such as the approval of My Number bill about a scheme of national identification which is a part of Japan's growth strategy and the 2020 Olympic Games awarded to Tokyo. Accordingly, the Japanese market of information services will enter a period of recovery, and for our business, it will eventually constitute a tougher business environment where we will face fiercer competition.

In this environment, the Nihon Unisys group aimed to further increase the corporate values. In the second year of our "Mid-term Management Plan 2012→2014", we endeavoured to strengthen the income base through the expansion of our core businesses. Also, we aimed to put co-creation/BPO (Business Process Outsourcing) businesses and social infrastructure businesses on the track of growth by taking on the challenge of new businesses and actively deploying the cooperative businesses with Dai Nippon Printing Co., Ltd. which we formed a business alliance with last year. Furthermore, we made efforts to reform personnel system and cost structure in order to reinforce the management base.

With regard to the expansion of core businesses, a business collaboration agreement has been executed with a large financial institution in order to extend ICT support services to overseas operating companies. This agreement constitutes a part of our key strategic efforts to reinforce the support for the customers' overseas expansion. It also represents the first ever initiative by a financial institution of Japan; a scheme of business tie-up was established with an ICT service provider for the specific services. Our whole group will continue to help our customers proactively in advancing overseas.

With respect to the challenge of new businesses, a service of disaster surveillance camera solution has been launched in cooperation with an incorporated foundation that provides services of meteorological information. The service, referred to as Saicamera ZERO, is enabled through the combined use of cloud-computing services and an environment of portable communications. The business will be promoted with our standard for the next three years set on the subscription by 200 entities including companies responsible for social infrastructure. Also, a discount service has been released towards the EV/PHV drivers holding certification cards for EV charging that have been issued and operated in tandem with a large tourist agency. The card holders are entitled to the discount service at about 1,700 leisure/tourist facilities across the nation. Thus, we will continue to collaborate with various types of customers in implementing measures to promote a nationwide EV/PHV charging infrastructure and increase the card holders. This business will enable us to contribute to the achievement of sustainable low-carbon society.

As regards the last point of reinforcing the management base, we have continued the initiatives for reducing fixed costs: optimization of personnel and reform of cost structure. We have taken approaches of shifting back-office personnel to operation workforce and consolidating offices.

As above, our whole group has enthusiastically taken on the endeavours in order to achieve as stated in the Mid-term Management Plan, and generally we have almost made a favourable progress.

As regards the consolidated results of the past six months under review, net sales totalled ¥128,123 million, up by 2.9% compared with the same period of the previous fiscal year, attributable to the continued strong services and hardware sales.

With regard to profit, gross profit decreased compared with the year-earlier period when highly profitable projects had converged; due to the pullback therefrom, the efforts of reducing costs such as selling, general and administrative expenses were outweighed in the period under review. Operating income decreased to ¥2,404 million, down by 43.5% compared with the same period of the previous fiscal year. Ordinary income decreased to ¥2,703 million, down by 38.2% compared with the year-earlier period. A ¥1,643 million net income was posted, an increase of ¥4,176 million from the year-earlier period when the Group had posted a ¥2,533 million net loss partly due to recognizing as extraordinary loss a ¥5,122 million loss on valuation of investment securities.

Also, with respect to the non-consolidated performance result for the six months under review, net sales was ¥80,831 million, down by 0.8% compared with the year-earlier period; operating income was ¥846 million, down by 73.2%; ordinary income was ¥2,554 million, down by 53.2%; and net income was ¥1,857 million against a ¥1,574 million net loss of the year-earlier period.

(2) Analysis of Financial Condition

In the period under review, total assets were ¥190,746 million, down by ¥7,033 million from the end of the previous fiscal year, partly due to a decrease in accounts receivable-trade.

An increase in convertible bond was outweighed by a decrease partly in commercial paper and accounts payable-trade. Thus, total liabilities were ¥120,801 million, down by ¥9,061 million from the end of the previous fiscal year.

Net assets were ¥69,945 million at the end of the period under review. The shareholders' equity ratio was 36.1%, an improvement of 2.4 percentage points compared with the end of the previous fiscal year.

(Status of Cash Flows)

Cash and cash equivalents (hereinafter referred to as 'cash') amounted to ¥29,341 million at the end of the second quarter of the fiscal year under review, which represents a ¥4,066 million increase since the end of the previous fiscal year.

Below is a cash flow statement including cash flow status and factors for the period under review.

(Cash flow from operating activities)

Net cash provided by operating activities in the period under review totalled ¥7,206 million (a decrease of ¥6,340 million in proceeds from the same period of the previous fiscal year).

This result reflects elements with negative effects on proceeds against a ¥2,271 million income before income taxes and minority interests (an increase of ¥3,522 million on a year-over-year basis). The elements with negative effects on proceeds include a ¥6,359 million increase in inventories (the effect of a ¥3,212 million decrease in proceeds on a year-over-year basis) and a ¥5,914 million decrease in notes and accounts payable-trade (the effect of a ¥1,781 million decrease in proceeds compared with the year-earlier period). Also, the result reflects elements with positive effects on proceeds such as non-cash expenses including ¥5,061 million in depreciation and amortization (the effect of a ¥226 million decrease in proceeds compared with the year-earlier period) and a ¥14,262 million decrease in notes and accounts receivable-trade (the effect of a ¥5,957 million increase in proceeds on a year-over-year basis).

(Cash flow from investing activities)

Net cash used in investing activities was ¥3,639 million (down by ¥2,773 million in expenditures compared with the same period of the previous fiscal year). This result mainly reflects the fact that we used ¥992 million (down by ¥1,158 million in expenditures on a year-over-year basis) to purchase property, plant and equipment such as computers for sales activities, and ¥2,416 million (down by ¥1,845 million in expenditures on a year-over-year basis) to purchase intangible assets (software).

(Cash flow from financing activities)

Net cash provided by financing activities was ¥499 million (up by ¥7,922 million in proceeds compared with the same period of the previous fiscal year). Factors contributing to this figure include ¥15,225 million in proceeds from the issuance of convertible bond (an increase of ¥15,225 million in proceeds on a year-over-year basis) and a ¥13,000 million net decrease in commercial paper (a ¥11,000 million increase in expenditures from the same period of the previous fiscal year).

(3) Comments on the Forward-Looking Statements such as Consolidated Financial Forecast

Our consolidated performance forecast and non-consolidated performance forecast as announced on May 9, 2013 have not been revised.

5. Consolidated Financial Statements

(1) Consolidated Balance Sheets

Millions of Yen

	FY2013 (As of March 31, 2013)	FY2014 Q2 (As of September 30, 2013)
ASSETS		
Current assets		
Cash and deposits	25,274	29,341
Notes and accounts receivable-trade	69,189	54,926
Merchandise and finished goods	6,043	9,699
Work in process	2,594	5,302
Raw materials and supplies	178	172
Deferred tax assets	6,024	6,860
Others	14,878	10,657
Allowance for doubtful accounts	(145)	(103)
Total current assets	124,037	116,857
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	3,338	3,189
Machinery, equipment and vehicles, net	6,276	5,639
Others, net	3,909	3,698
Total property, plant and equipment	13,524	12,527
Intangible assets		
Goodwill	2,072	2,003
Software	21,926	20,705
Others	93	78
Total intangible assets	24,092	22,787
Investments and other assets		
Investment securities	14,586	15,984
Deferred tax assets	6,807	5,067
Prepaid pension cost	1,523	3,053
Others	13,692	14,952
Allowance for doubtful accounts	(484)	(484)
Total investments and other assets	36,124	38,573
Total non-current assets	73,742	73,889
Total assets	197,779	190,746

Millions of Yen

	FY2013 (As of March 31, 2013)	FY2014 Q2 (As of September 30, 2013)
LIABILITIES		
Current liabilities		
Notes and accounts payable-trade	25,517	19,603
Current portion of long-term loans payable	2,290	2,533
Commercial papers	13,000	—
Income taxes payable	753	421
Allowance for loss on contract development	1,757	2,226
Other provision	650	732
Others	32,688	27,948
Total current liabilities	76,657	53,465
Non-current liabilities		
Bonds payable	10,000	10,000
Convertible bond	—	15,200
Long-term loans payable	39,560	38,640
Deferred tax liabilities	47	57
Provision for retirement benefits	958	994
Other provision	665	615
Asset retirement obligations	1,281	1,294
Others	692	533
Total non-current liabilities	53,205	67,335
Total liabilities	129,863	120,801
Net assets		
Shareholders' equity		
Capital stock	5,483	5,483
Capital surplus	15,281	15,281
Retained earnings	63,141	64,314
Treasury stock	(19,344)	(19,343)
Total shareholders' equity	64,561	65,735
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,957	3,052
Deferred gains or losses on hedges	(13)	6
Total accumulated other comprehensive income	1,943	3,058
Subscription rights to shares	858	622
Minority interests	552	528
Total net assets	67,916	69,945
Total liabilities and net assets	197,779	190,746

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

(Consolidated Statements of Income)

Millions of Yen

	FY2013 Q2 (Six months ended September 30, 2012)	FY2014 Q2 (Six months ended September 30, 2013)
Net sales	124,571	128,123
Cost of sales	93,076	98,941
Gross profit	31,494	29,182
Sg&a expenses	27,237	26,777
Operating income	4,257	2,404
Non-operating income		
Interest income	32	37
Dividends income	305	273
Foreign exchange gains	101	130
Others	88	146
Total non-operating income	527	588
Non-operating expense		
Interest expenses	343	234
Others	66	56
Total non-operating expense	410	290
Ordinary income	4,375	2,703
Extraordinary income		
Gain on reversal of subscription rights to shares	-	266
Gain on sales of golf club memberships	1	8
Others	3	17
Total extraordinary income	4	291
Extraordinary loss		
Loss on sales and retirement of non-current assets	18	32
Impairment loss	387	112
Loss on valuation of investment securities	5,122	577
Loss on valuation of golf club membership	5	-
Others	97	1
Total extraordinary loss	5,631	722
Income (loss) before income taxes and minority interests	(1,250)	2,271
Income taxes-current	687	335
Income taxes-deferred	558	298
Total income taxes	1,246	634
Income (loss) before minority interests	(2,497)	1,637
Minority interests in income (loss)	36	(5)
Net income (loss)	(2,533)	1,643

(Consolidated Statements of Comprehensive Income)

Millions of Yen

	FY2013 Q2	FY2014 Q2
	(Six months ended September 30, 2012)	(Six months ended September 30, 2013)
Income (loss) before minority interests	(2,497)	1,637
Other comprehensive income		
Valuation difference on available-for-sale securities	2,379	1,094
Deferred gains or losses on hedges	(45)	20
Share of other comprehensive income of associates accounted for using equity method	0	0
Total other comprehensive income	2,334	1,115
Comprehensive income	(162)	2,752
(Breakdown)		
Comprehensive income attributable to owners of the parent	(199)	2,758
Comprehensive income attributable to minority interests	36	(5)

(4) Consolidated Statements of Cash Flows

Millions of Yen

	FY2013 Q2	FY2014 Q2
	(Six months ended September 30, 2012)	(Six months ended September 30, 2013)
Net cash provided by (used in) operating activities:		
Income (loss) before income taxes and minority interests	(1,250)	2,271
Depreciation and amortization	5,288	5,061
Impairment loss	387	112
Amortization of goodwill	68	69
Amortization of negative goodwill	(7)	-
Loss (gain) on valuation of investment securities	5,122	577
Increase (decrease) in provisions for retirement benefits	29	36
Increase (decrease) in allowance for loss on contract development	187	469
Increase (decrease) in other provisions	(75)	(10)
Interest and dividends income	(337)	(311)
Interest expenses	343	234
Decrease (increase) in notes and accounts receivable-trade	8,305	14,262
Decrease (increase) in inventories	(3,146)	(6,359)
Increase (decrease) in notes and accounts payable-trade	(4,132)	(5,914)
Others	3,738	(3,033)
Subtotal	14,521	7,467
Interest and dividends income received	344	312
Interest expenses paid	(358)	(259)
Income taxes paid	(959)	(313)
Net cash provided by (used in) operating activities	13,547	7,206
Investing activities:		
Purchase of property, plant and equipment	(2,151)	(992)
Proceeds from sales of property, plant and equipment	1	42
Purchase of intangible assets	(4,262)	(2,416)
Purchase of investment securities	(2)	(318)
Proceeds from sales of investment securities	-	9
Others	2	36
Net cash provided by (used in) investing activities	(6,412)	(3,639)
Financing activities:		
Net increase (decrease) in short-term loans payable	-	(300)
Proceeds from long-term loans payable	3,000	-
Repayment of long-term loans payable	(8,167)	(676)
Proceeds from issuance of convertible bond	-	15,225
Increase (decrease) in commercial papers	(2,000)	(13,000)
Purchase of treasury stock	(0)	(0)
Proceeds from sales of treasury stock	7	-
Cash dividends paid	(0)	(469)
Cash dividends paid to minority shareholders	(14)	(18)
Others	(248)	(261)
Net cash provided by (used in) financing activities	(7,422)	499
Net increase (decrease) in cash and cash equivalents	(288)	4,066
Cash and cash equivalents at beginning of period	27,254	25,274
Cash and cash equivalents at end of period	26,966	29,341

(4) Notes concerning the Quarterly Consolidated Financial Statements

(Notes concerning Going Concern Assumption)

Not applicable

(Notes in the Event of Material Changes in amount of Shareholders' Equity)

Not applicable