

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 First Quarter of Fiscal Year Ending March 31, 2019 [Japan GAAP]

August 01, 2018

Nihon Unisys, Ltd.

Stock Listing:	Tokyo Stock Exchange 1st Section
Stock Code:	8056
URL:	http://www.unisys.co.jp/
Representative:	Akiyoshi Hiraoka, Representative Director, President & CEO
Scheduled Submission Date for Quarterly Report:	August 09, 2018
Scheduled Starting Date for Dividend Payment:	-
Earnings Supplementary Explanatory Documents:	yes
Earnings Results Briefing:	yes (for institutional investors and analysts)

(Amounts are rounded down to the nearest million yen.)

1. Consolidated Financial Results in FY2019 Q1 (from April 1, 2018 to June 30, 2018)

(1) Consolidated Results of Operations

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

	Net Sales		Operating Income		Ordinary Income		Profit Attributable to Owners of Parent	
	Millions of Yen	%	Millions of Yen	%	Millions of Yen	%	Millions of Yen	%
FY2019 Q1	57,030	1.6	1,466	2.2	1,776	2.2	1,408	5.1
FY2018 Q1	56,147	0.0	1,434	15.2	1,738	25.4	1,339	48.2

(Note) Comprehensive Income FY2019 Q1: 1,867 Million Yen (-34.5%) FY2018 Q1: 2,852 Million Yen (428.0%)

	Earnings Per Share		Diluted Earnings Per Share	
	Yen		Yen	
FY2019 Q1	14.04		13.99	
FY2018 Q1	13.35		13.31	

(2) Consolidated Financial Position

	Total Assets		Net Assets		Shareholders' Equity Ratio	
	Millions of Yen		Millions of Yen		%	
FY2019 Q1	184,003		104,470		55.9%	
FY2018	197,278		104,674		52.2%	

(Reference) Shareholders' Equity FY2019 Q1: 102,879 Million Yen FY2018: 103,001 Million Yen

2. Dividends

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

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

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

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

	Net Sales		Operating Income		Ordinary Income		Profit Attributable to Owners of Parent		Earnings Per Share
	Millions of Yen	%	Millions of Yen	%	Millions of Yen	%	Millions of Yen	%	Yen
FY2019 1st Half	133,000	0.9	7,500	12.0	7,500	8.0	5,200	10.1	51.83
FY2019	295,000	2.8	18,000	10.2	17,800	10.6	12,500	4.6	124.60

(Note) Revisions to the latest forecast of consolidated earnings: No

* Notes

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

(2) Adoption of special accounting methods for preparation of quarterly consolidated financial statements: No

(3) Changes in accounting policies, changes in accounting estimates and restatement of corrections

1. Changes in accounting policies in association with revision in accounting standards: No

2. Other changes in accounting policies: No

3. Changes in accounting estimates: No

4. Restatement of corrections: No

(4) Number of shares outstanding (common stock)

(shares)

1. Number of shares outstanding at the end of the period
(including treasury stock)

FY2019 Q1	109,663,524	FY2018	109,663,524
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2. Number of shares of treasury stock at the end of the period

FY2019 Q1	9,333,725	FY2018	9,341,775
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3. Average number of shares outstanding during the period

FY2019 Q1	100,327,674	FY2018 Q1	100,311,515
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*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.

(Appendix)

Contents

1. Results of Business Operations and Financial Conditions

- (1) Analysis of Business Operations
- (2) Analysis of Financial Conditions
- (3) Comments on the Consolidated Earnings Forecasts and Other Forecasts

2. Matters on Summary Information (Notes)

- (1) Additional Information

3. Consolidated Financial Statements

- (1) Consolidated Balance Sheets.....
- (2) Consolidated Statements of Income and Statements of Comprehensive Income.....
 - (Consolidated Statements of Income)
 - (Consolidated Statements of Comprehensive Income)
- (3) Notes concerning the Quarterly Consolidated Financial Statements.....
 - (Notes on Going Concern Assumption)
 - (Notes on Significant Changes in Shareholders' Equity)

1. Results of Business Operations and Financial Conditions

(1) Analysis of Business Operations

During the first three months of the fiscal year ending March 2019, the Japanese economy continued to show signs of gradual recovery enabled through improvements in employment and income environments as well as earnings of companies. However, its future remained unpredictable due to uncertain overseas political and economic factors. Against that backdrop, software investments have managed to remain almost unchanged in the domestic information services market. However, our environment has continued to be difficult mainly due to further intensified rivalries as a result of participants from other business categories.

In this environment, the Group has established the Mid-term Management Plan, 'Foresight in sight® 2020' (for the period from the fiscal year 2018 to the fiscal year 2020), and has made efforts accordingly. The Plan describes the Company aims to: become a 'company capable of solving social issues with customers and business partners, by providing services that are valued by society'; become a core capable of creating business ecosystems that connect different types/categories of businesses across conventional boundaries; and provide platforms capable of digital transformation.

The Company launched the 'Open API Service', a core-banking system service for Shinkin banks. This new effort in the focal areas described in the Mid-term Management Plan is to connect Shinkin banks with Fintech services as well as various types of business operators through the use of APIs for core banking functions. The intention is to improve convenience for citizens living in local areas and revitalize local economies by creating new financial services that satisfy the needs of local citizens and businesses, together with local financial institutions.

Furthermore, Canal Payment Service, Ltd. our subsidiary has begun to deploy a common point program 'HAPPY GO' for the Japanese market in cooperation with Digital Garage, Inc. This loyalty program is the most popular common point program in Taiwan (Republic of China). Our intention is to help entice Taiwanese sight-seers to shops through an enhanced acceptability of the loyalty initiative in Japan.

Our efforts made in the business area of sharing economy include a storage service platform that has been provided since April 2017. A storage, pickup & delivery service ('*Pony Hohan & Takuhei Service*' in Japanese) was the first service of this type enabled for Pony Cleaning. This business has steadily grown. We launched a new service which is, keeping personal belongings/property of customers safe and secure ('*Nandemo Nimotsu Oazukari Service*'), in May 2018, through the cooperation with Bears, a leading company of housekeeping services. This second service will enable new added value for enhanced apartment caretaker services ('*Mansion Concierge Services*') that have been provided by Bears. Customers of Bears' Mansion Concierge Services will be able to have their belongings kept safe, whether or not they are boxed or are in irregular shapes, through this service. This service will be coordinated with the storage, pickup & delivery services in the future.

We invested in a Japanese start-up specialized in agriculture that looks at global operations, as part of our considerations about possibilities in new business areas. The investee Kakaxi, Inc. (hereinafter referred to as 'Kakaxi') located in Silicon Valley in U.S. offers an IoT device, 'KAKAXI', created through their R&D efforts. KAKAXI can monitor agricultural land and provide at reasonable costs various types of data capable of contributing to an improved productivity of agriculture. The start-up has been making efforts to mass produce the device as well as sell it in overseas markets.

The Group will consider possibilities to use the monitoring data for purposes other than agriculture. Also, it will help businesses in Japan by coordinating its own ICT capabilities and expertise about big data management and operation.

In summary, the entirety of Nihon Unisys Group has been making diligent efforts to achieve its goals as indicated in the Mid-term Management Plan.

Notes

1. 'HAPPY GO' is a Taiwanese membership program where users are entitled to the most popular common point service if they make a payment at affiliated shops. This loyalty point program has approx. 16.6 million membership holders (or approx. 70% of the Taiwanese population as of March 2018) that shop at 20,000 or more affiliated shops in total, such as department stores, shopping malls, hotels, convenience stores, and gas stations as well as businesses online in the e-commerce area.
2. Other names of companies or products herein described are trademarks or registered trademarks of their respective organizations.

For this first period under review, net sales were ¥ 57,030million (a 1.6% increase compared with the same period of the previous fiscal year) as a result of the continued strong sales of outsourcing, system services and support services sales.

An increase in earnings enabled by the increase in net sales outweighed an increase in research and development expenses as well as selling, general and administrative expenses. Thus, we posted ¥ 1,466 million operating income (a 2.2 % increase compared with the first quarter of the previous fiscal year), ¥ 1,776 million ordinary income (a 2.2% increase), and ¥1,408 million profit attributable to owners of parent (a 5.1% increase).

(2) Analysis of Financial Conditions

In the first three months under review, partly due to a decrease in accounts receivable-trade, total assets were ¥ 184,003 million, a decrease of ¥ 13, 275 million compared with the end of the previous fiscal year.

Liabilities were ¥ 79, 532 million, a ¥ 13, 071 million decrease from the end of the previous fiscal year, partly due to a decrease in accounts payable-trade.

Net assets were ¥104,470 million. Shareholders' equity ratio was 55.9%, up by 3.7 percentage points from the end of the previous fiscal year.

(3) Comments on the Consolidated Earnings Forecasts and Other Forecasts

The performance forecasts on a consolidated basis and those on a non-consolidated basis have not been revised since they were announced on May 9, 2018.

2. Matters on Summary Information (Notes)

(1) Additional Information

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

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

2. Consolidated Financial Statements

(1) Consolidated Balance Sheets

Millions of Yen

	FY2018 (As of March 31, 2018)	FY2019 Q1 (As of June 30, 2018)
Assets		
Current assets		
Cash and deposits	18,575	21,502
Notes and accounts receivable - trade	68,650	45,360
Merchandise and finished goods	5,210	6,168
Work in process	1,426	3,681
Raw materials and supplies	127	133
Other	16,523	19,909
Allowance for doubtful accounts	(56)	(45)
Total current assets	110,458	96,710
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	4,348	4,257
Machinery, equipment and vehicles, net	8,278	8,138
Other, net	3,766	3,683
Total property, plant and equipment	16,393	16,079
Intangible assets		
Goodwill	753	732
Software	22,253	22,036
Other	60	55
Total intangible assets	23,066	22,824
Investments and other assets		
Investment securities	23,282	24,056
Deferred tax assets	4,182	3,716
Net defined benefit asset	3,556	4,141
Other	16,653	16,789
Allowance for doubtful accounts	(314)	(314)
Total investments and other assets	47,360	48,389
Total non-current assets	86,819	87,293
Total assets	197,278	184,003

Millions of Yen

	FY2018 (As of March 31, 2018)	FY2019 Q1 (As of June 30, 2018)
Liabilities		
Current liabilities		
Notes and accounts payable - trade	21,820	13,655
Short-term loans payable	1,350	350
Current portion of long-term loans payable	5,492	5,492
Income taxes payable	2,067	234
Accrued expenses	10,532	5,717
Advances received	14,457	19,315
Allowance for loss on contract development	227	142
Other provision	1,618	1,613
Other	10,559	9,851
Total current liabilities	68,125	56,371
Non-current liabilities		
Long-term loans payable	21,152	20,208
Provision	783	493
Net defined benefit liability	687	700
Asset retirement obligations	1,127	1,132
Other	727	626
Total non-current liabilities	24,478	23,161
Total liabilities	92,604	79,532
Net assets		
Shareholders' equity		
Capital stock	5,483	5,483
Capital surplus	14,361	14,361
Retained earnings	88,185	87,583
Treasury shares	(13,578)	(13,566)
Total shareholders' equity	94,451	93,861
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	6,547	6,969
Deferred gains or losses on hedges	0	0
Foreign currency translation adjustment	5	(80)
Remeasurements of defined benefit plans	1,997	2,128
Total accumulated other comprehensive income	8,550	9,017
Subscription rights to shares	369	361
Non-controlling interests	1,302	1,229
Total net assets	104,674	104,470
Total liabilities and net assets	197,278	184,003

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

Millions of Yen

	FY2018 Q1 (Three months ended June 30, 2017)	FY2019 Q1 (Three months ended June 30, 2018)
Net sales	56,147	57,030
Cost of sales	42,388	43,035
Gross profit	13,758	13,994
Selling, general and administrative expenses	12,324	12,528
Operating income	1,434	1,466
Non-operating income		
Interest income	0	1
Dividend income	308	336
Other	84	63
Total non-operating income	393	401
Non-operating expenses		
Interest expenses	33	24
Share of loss of entities accounted for using equity method	4	39
Other	51	27
Total non-operating expenses	89	91
Ordinary income	1,738	1,776
Extraordinary income		
Gain on transfer of business	108	-
Other	4	-
Total extraordinary income	113	-
Extraordinary losses		
Loss on valuation of investment securities	6	182
Other	17	2
Total extraordinary losses	24	184
Profit before income taxes	1,827	1,591
Income taxes - current	(49)	(39)
Income taxes - deferred	530	230
Total income taxes	481	191
Profit	1,345	1,399
Profit (loss) attributable to non-controlling interests	6	(8)
Profit attributable to owners of parent	1,339	1,408

(Consolidated Statements of Comprehensive Income)

Millions of Yen

	FY2018 Q1 (Three months ended June 30, 2017)	FY2019 Q1 (Three months ended June 30, 2018)
Profit	1,345	1,399
Other comprehensive income		
Valuation difference on available-for-sale securities	1,011	422
Deferred gains or losses on hedges	(1)	(0)
Remeasurements of defined benefit plans	495	131
Share of other comprehensive income of entities accounted for using equity method	0	(86)
Total other comprehensive income	1,506	467
Comprehensive income	2,852	1,867
(Breakdown)		
Comprehensive income attributable to owners of parent	2,845	1,875
Comprehensive income attributable to non-controlling interests	6	(8)

(3) Notes concerning the Quarterly Consolidated Financial Statements

(Notes on Going Concern Assumption)

Not applicable

(Notes on Significant Changes in Shareholders' Equity)

Not applicable