

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

February 01, 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:	February 12, 2019
Scheduled Starting Date for Dividend Payment:	-
Earnings Supplementary Explanatory Documents:	yes
Earnings Results Briefing:	yes (for institutional investors, analysts)

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

1. Consolidated Financial Results for FY2019 Q3 (from April 1, 2018 to December 31, 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 Q3	198,886	1.2	12,100	28.3	12,592	27.7	9,024	33.0
FY2018 Q3	196,567	4.5	9,428	26.3	9,857	35.4	6,786	31.9

(Note) Comprehensive Income FY2019 Q3: 8,733 Million Yen (-21.2%) FY2018 Q3: 11,083 Million Yen (57.0%)

	Earnings Per Share		Diluted Earnings Per Share	
	Yen		Yen	
FY2019 Q3	89.94		89.63	
FY2018 Q3	67.66		67.42	

(2) Consolidated Financial Position

	Total Assets		Net Assets		Shareholders' Equity Ratio	
	Millions of Yen		Millions of Yen		%	
FY2019 Q3	187,154		109,534		57.5%	
FY2018	197,278		104,674		52.2%	

(Reference) Shareholders' Equity FY2019 Q3: 107,693 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	—	25.00	—	25.00	50.00
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	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 Q3	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 Q3	9,320,434	FY2018	9,341,775
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3. Average number of shares outstanding during the period

FY2019 Q3	100,335,144	FY2018 Q3	100,313,784
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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.

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1. Results of Business Operations and Financial Conditions

(1) Analysis of Business Operations

For the past nine months of the fiscal year under review, the Japanese economy has undergone a continuing 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, investments in software products, while slightly lower, have remained almost as strong as before. However, we understand that the Company has been operating 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.

The Company has made efforts on focal areas as indicated in the Mid-term Management Plan such as the launch of an Account Direct Settlement service. This service is enabled on an open API platform 'Resonatex[®]', where 'Origami Pay', a smartphone settlement service, is directly offered through deposit accounts at Hyakugo Bank Co., Ltd. in a secure environment.

In other words, all individual customers holding a savings account at Hyakugo Bank are capable of immediate payments through their Hyakugo Bank account registered at Origami Pay as long as they have registered their account via Origami App. This bank account coordination with the Origami Pay service is the nation's first initiative by the Company for Hyakugo Bank through the use of the open API (Write API) of 'Origami Pay'.

The Company intends to generate a cycle of creating new services based on data flow. The cycle is predicated on constant input and feedback of digitized money flow data obtained from cashless transactions that it promotes through Resonatex in the regional areas. The constant input of data will continuously inform the development of these services. Thus, it will help to eventually improve convenience for customers in the regional areas and revitalize local economies.

Furthermore, it has continued to enhance its efforts to help regional financial institutions strengthen their capabilities of interacting with customers. The Company launched 'SmileBranch[®]' for three banks, the Chiba Bank, Ltd., the Daishi Bank, Ltd., and the Chugoku Bank, Ltd. in order to help them operate teller operations at their branch offices. SmileBranch is an interactive solution designed to make customers and bank employees smile. It is capable of improving bank customer relations through the use of tablet devices at the tellers of branch offices.

The Company has focused on digital transformation for overall businesses at sales office headquarters of financial institutions. This was promoted by developing new capabilities of SmileBranch. It aims to increase orders by further strengthening sales arrangements on the basis of its successful achievements of branch office systems such as SmileBranch

servicing the three banks.

Furthermore, the Company has witnessed high and continual orders in the area of ICT core businesses where it provides solutions for the logistics/distribution industry and projects for electric power companies.

The Company has promoted its efforts to reform its corporate culture on the basis of three initiatives: Workstyle Foresight® for promoting reforms of organizations, employees' capabilities and workstyles; Diversity Foresight® for promoting diversity; and Management Foresight® for reviewing and reforming institutions and business processes. As a result, the Company has won the 'Top Hundred Telework Pioneers, the Minister for Internal Affairs and Communications Award' in November 2018.

It understands that the award was received for the achievements in the various areas such as productivity, after-hours work, rate of the used portion of employees' annual paid leave, and transportation costs. Furthermore, the Company headquartered at the Tokyo bay area has made efforts such as Telework Day training against congestion and confusion expected from the Tokyo Olympics.

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'.

(Note) 1.

Open API platform 'Resonatex' is a cloud-type platform where business entities such as financial institutions are capable of releasing their Web APIs as open APIs on the Internet.

2.

The 'Top Hundred Telework Pioneers, the Minister for Internal Affairs and Communications Award' is the award granted by the Ministry for Internal Affairs and Communications for the purpose of promulgating telework. It is granted to companies and organizations that make excellent efforts setting an example to be emulated by others, among those recognized by the Ministry as the 'Top Hundred Telework Pioneers' that have adequately performed in implementing and using a telework scheme. The award was granted to five companies including the Company in 2018.

3.

Names of companies or products herein described are trademarks or registered trademarks of their respective organizations.

Net sales on a consolidated basis for the nine-month period under review totaled ¥198,886 million (a 1.2 % increase compared with the same period of the previous fiscal year). It was ascribed to the continued strength of outsourcing sales and system services sales.

A sales increase and an improved profitability mainly of outsourcing and system services drove an increase in earnings. As a result, operating income was ¥12,100million, up 28.3% from the same period of the previous fiscal year. Ordinary income was ¥ 12,592 million, up by27.7%. Profit attributable to owners of parent was ¥9,024 million, up by 33.0%.

(2) Analysis of Financial Condition

At the end of the nine-month period of the current fiscal year, total assets were ¥187,154 million, a decrease of ¥10,124 million compared with the end of the previous fiscal year, partly due to a decrease in accounts receivable-trade.

Liabilities were ¥77,619 million, a ¥ 14,984 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 were ¥ 109,534 million. Shareholders' equity ratio was 57.5 %, up by 5.3 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 the first quarter. Thus, the Company classifies deferred tax assets as investments and other assets, and deferred tax liabilities as non-current liabilities.

3. Consolidated Financial Statements

(1) Consolidated Balance Sheets

Millions of Yen

	FY2018 (As of March 31, 2018)	FY2019 Q3 (As of December 31, 2018)
Assets		
Current assets		
Cash and deposits	18,575	20,676
Notes and accounts receivable - trade	68,650	46,351
Merchandise and finished goods	5,210	10,828
Work in process	1,426	4,797
Raw materials and supplies	127	88
Other	16,523	21,286
Allowance for doubtful accounts	(56)	(48)
Total current assets	110,458	103,981
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	4,348	4,006
Machinery, equipment and vehicles, net	8,278	7,159
Other, net	3,766	3,642
Total property, plant and equipment	16,393	14,808
Intangible assets		
Goodwill	753	1,341
Software	22,253	21,262
Other	60	110
Total intangible assets	23,066	22,715
Investments and other assets		
Investment securities	23,282	23,589
Deferred tax assets	4,182	1,380
Net defined benefit asset	3,556	5,301
Other	16,653	15,692
Allowance for doubtful accounts	(314)	(315)
Total investments and other assets	47,360	45,649
Total non-current assets	86,819	83,173
Total assets	197,278	187,154

Millions of Yen

	FY2018 (As of March 31, 2018)	FY2019 Q3 (As of December 31, 2018)
Liabilities		
Current liabilities		
Notes and accounts payable - trade	21,820	16,675
Short-term loans payable	1,350	350
Current portion of long-term loans payable	5,492	4,973
Income taxes payable	2,067	366
Accrued expenses	10,532	5,582
Advances received	14,457	17,649
Allowance for loss on contract development	227	353
Other provision	1,618	1,376
Other	10,559	9,207
Total current liabilities	68,125	56,534
Non-current liabilities		
Long-term loans payable	21,152	18,005
Provision	783	501
Net defined benefit liability	687	726
Asset retirement obligations	1,127	1,126
Other	727	724
Total non-current liabilities	24,478	21,085
Total liabilities	92,604	77,619
Net assets		
Shareholders' equity		
Capital stock	5,483	5,483
Capital surplus	14,361	14,909
Retained earnings	88,185	92,681
Treasury shares	(13,578)	(13,547)
Total shareholders' equity	94,451	99,526
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	6,547	5,825
Deferred gains or losses on hedges	0	0
Foreign currency translation adjustment	5	(48)
Remeasurements of defined benefit plans	1,997	2,390
Total accumulated other comprehensive income	8,550	8,167
Subscription rights to shares	369	400
Non-controlling interests	1,302	1,440
Total net assets	104,674	109,534
Total liabilities and net assets	197,278	187,154

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

(Consolidated Statements of Income)

Millions of Yen

	FY2018 Q3 (Nine months ended December 31, 2017)	FY2019 Q3 (Nine months ended December 31, 2018)
Net sales	196,567	198,886
Cost of sales	148,912	148,571
Gross profit	47,654	50,314
Selling, general and administrative expenses	38,226	38,214
Operating income	9,428	12,100
Non-operating income		
Interest income	2	6
Dividend income	383	465
Other	312	273
Total non-operating income	698	745
Non-operating expenses		
Interest expenses	97	73
Settlement package	38	-
Loss on investments in partnership	67	113
Other	67	66
Total non-operating expenses	269	253
Ordinary income	9,857	12,592
Extraordinary income		
Gain on sales of investment securities	0	95
Gain on transfer of business	108	-
Other	9	-
Total extraordinary income	118	95
Extraordinary losses		
Impairment loss	213	89
Loss on valuation of investment securities	29	251
Other	64	16
Total extraordinary losses	306	357
Profit before income taxes	9,668	12,329
Income taxes - current	74	272
Income taxes - deferred	2,770	2,941
Total income taxes	2,844	3,213
Profit	6,824	9,116
Profit (loss) attributable to non-controlling interests	37	91
Profit attributable to owners of parent	6,786	9,024

(Consolidated Statements of Comprehensive Income)

Millions of Yen

	FY2018 Q3	FY2019 Q3
	(Nine months ended December 31, 2017)	(Nine months ended December 31, 2018)
Profit	6,824	9,116
Other comprehensive income		
Valuation difference on available-for-sale securities	2,775	(721)
Deferred gains or losses on hedges	(1)	(0)
Remeasurements of defined benefit plans	1,486	393
Foreign currency translation adjustment	(1)	-
Share of other comprehensive income of entities accounted for using equity method	0	(54)
Total other comprehensive income	4,259	(382)
Comprehensive income	11,083	8,733
(Breakdown)		
Comprehensive income attributable to owners of parent	11,046	8,641
Comprehensive income attributable to non-controlling interests	37	91

(3) Notes concerning the Consolidated Financial Statements

(Notes on Going Concern Assumption)

Not applicable

(Notes on Significant Changes in Shareholders' Equity)

Not applicable