

# Results for the 2nd Quarter FY March 2017

November 4, 2016  
Nihon Unisys, Ltd.

Foresight in sight

# 1 General Overview

# 2 Progress on the Mid-term Management Plan

Despite a yr/yr decrease in sales due to less product sales, an increase in services sales and improved profitability boosted income & profit.

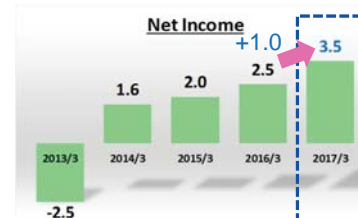
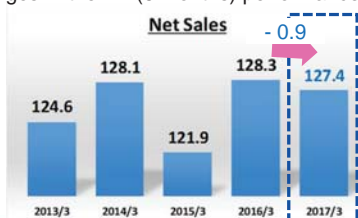
(Unit: Billion Yen)

	1H (Apr-Sep)		Changes	
	FYMar2017	FYMar2016		
Net Sales	127.4	128.3	-0.9	-0.7%
Gross Profit	30.8	29.7	+1.1	+3.8%
SG&A Costs	-25.8	-25.4	-0.4	-1.7%
Operating Income	5.0	4.3	+0.7	+16.3%
Profit attributable to Owners of Parent	3.5	2.5	+1.0	+40.7%
Orders	132.7	132.5	+0.2	+0.2%
Order Backlogs	216.9	214.4	+2.4	+1.1%

### <Key Points of 1H Results>

- **Net Sales**  
Despite an increase in system services and outsourcing, net sales decreased, due to a decrease in product sales
- **Operating Income**  
Operating income increased mainly due to an increase in services sales and improved profitability.
- **Profit attributable to Owners of Parent**  
Profit attributable to owners of parent increased mainly due to an increase in operating income and a decrease in non-operating expenses.
- **Orders and Order Backlogs**  
Orders and order backlogs both increased mainly in outsourcing business.

### ■ Changes in the 1H (6 months) performance over the five years (Unit: Billion Yen)



Net sales were ¥127.4 billion, a ¥0.9 billion decrease from the same period of the previous fiscal year.

Operating income was ¥5.0 billion, a ¥0.7 billion increase.

And, profit attributable to owners of parent was ¥3.5 billion, a ¥1.0 billion increase.

Net sales were slightly driven down as a result of less product sales despite an increase in system services and outsourcing sales.

Gross profit was boosted by ¥1.1 billion, from the same period of the previous fiscal year, as a result of an improved profitability.

Operating income increased by ¥0.7 billion, despite a ¥0.4 billion increase in SG&A costs due to an increase in retirement benefit costs and impact of dual corporate tax system reform.

Profit attributable to owners of parent was pushed upward partly due to an increase in operating income and a decrease in non-operating expenses.

Orders increased to ¥132.7 billion, a ¥0.2 billion increase from the corresponding period of the previous fiscal year, as a result of an increase in outsourcing orders.

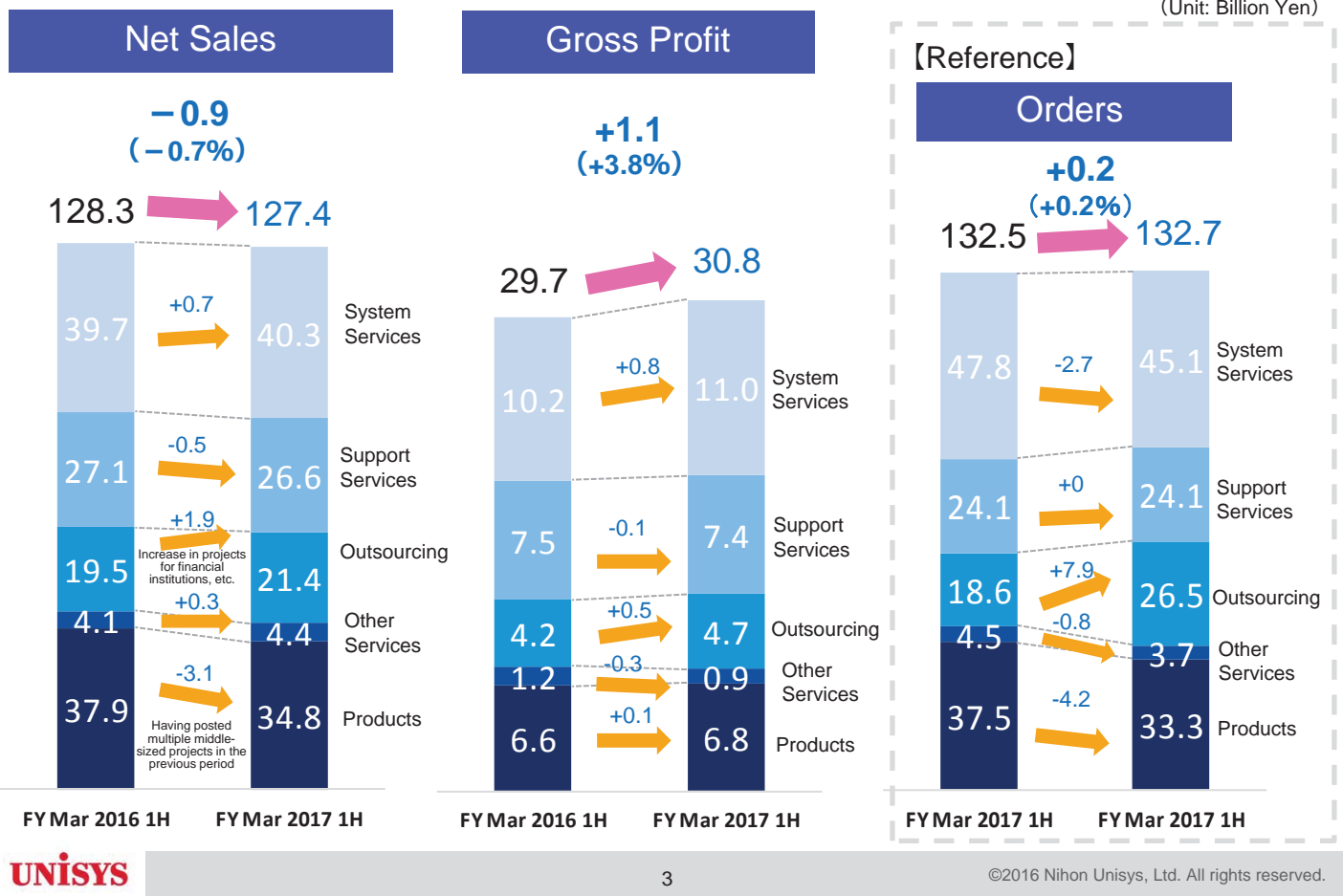
Order backlogs increased to ¥216.9 billion, a ¥2.4 billion increase.

Changes in the 1H (6 months) performances over the five years are indicated at the bottom of the page. Income has been steadily increased, as therein shown.

# Net Sales and Gross Profit by Segment

Foresight in sight

(Unit: Billion Yen)



System services and outsourcing enabled an increase in net sales and gross profit, due to their continued strength.

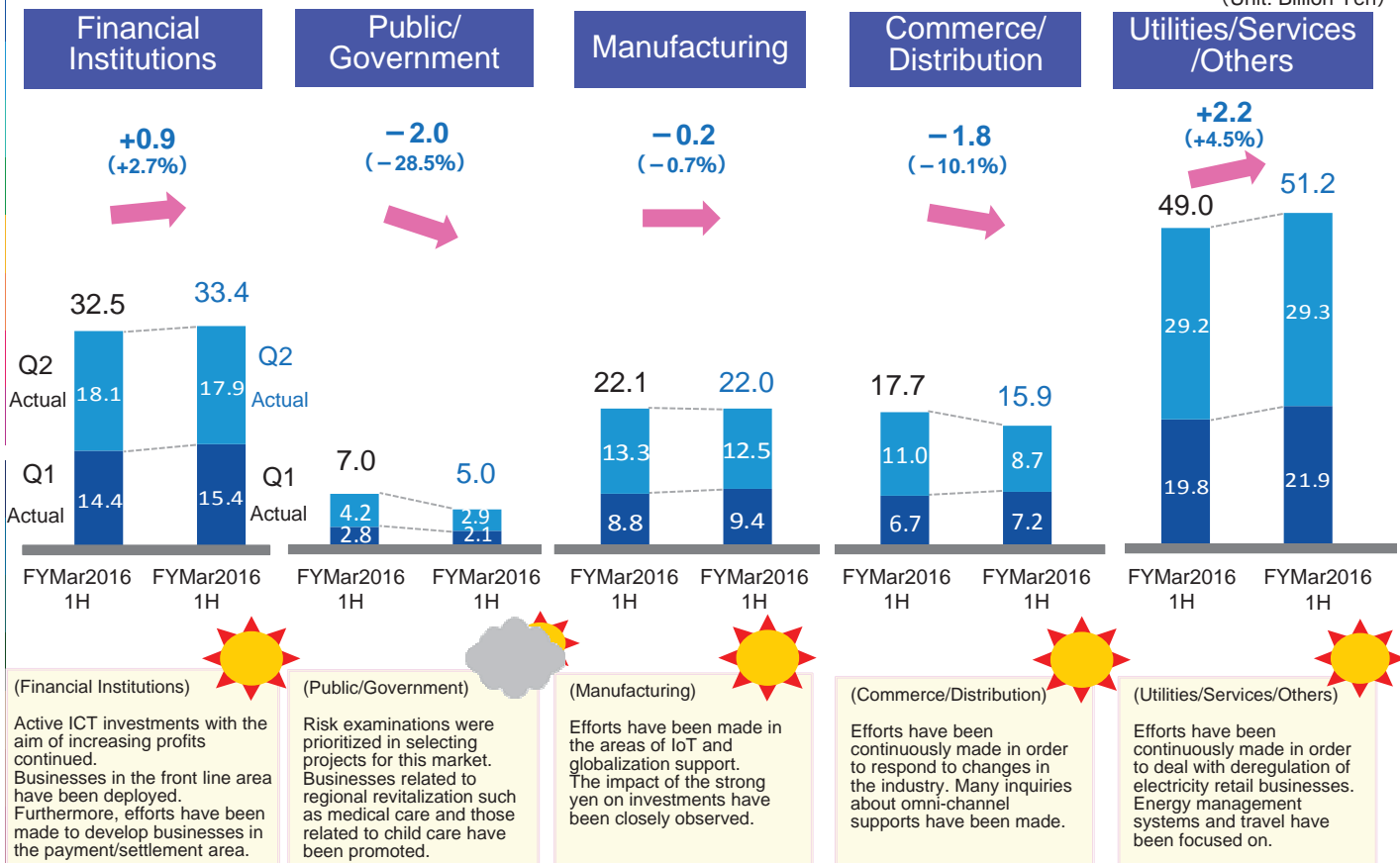
Product sales suffered a decrease as a result of impacts arising from posting multiple middle-sized projects in the same period of the previous fiscal year. However, its gross profit managed to remain at the same level as the previous period, attributable to improved profitability.

Nihon Unisys Group has been taking on challenges and reforms in order to create business ecosystems. It is prepared to increase orders by focusing on projects that may bring opportunities to create future business ecosystems.

# Net Sales by Market

Foresight in sight

(Unit: Billion Yen)



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Net sales continued to increase in the market of financial institutions and utilities/services/others. Financial institutions have continued to be active in ICT investments with the aim of increasing profits against the backdrop of fiercer FY competitions in the industry. Thus, we have been proactively deploying services for the front line business area.

Net sales in the public/government market have decreased as a result of our selecting projects from the viewpoint of prioritizing risk considerations. Efforts have been focused on dealing with child care businesses and health care businesses such as regional medical care collaboration.

Manufacturing business demands continued to be strong mainly in the car industry. We have strengthened our efforts to deal with the IoT area.

The businesses in the commerce/distribution market have decreased in sales as a result of having posted multiple middle-sized projects (mainly comprised of device sales) in the same period of the previous fiscal year. However, customers have been keen on making investments against the backdrop of significant changes in the industry, and thus we have received more inquiries mainly about omni-channel supports.

In the market of utilities/services/others, although device sales to telecommunications carriers decreased, projects related to travels and services have increased. Our continued efforts have been made to deal with electricity deregulation businesses.

The full-year forecasts of net sales, operating income, and profit attributable to owners of parent have not been revised since they were announced on August 2, 2016.

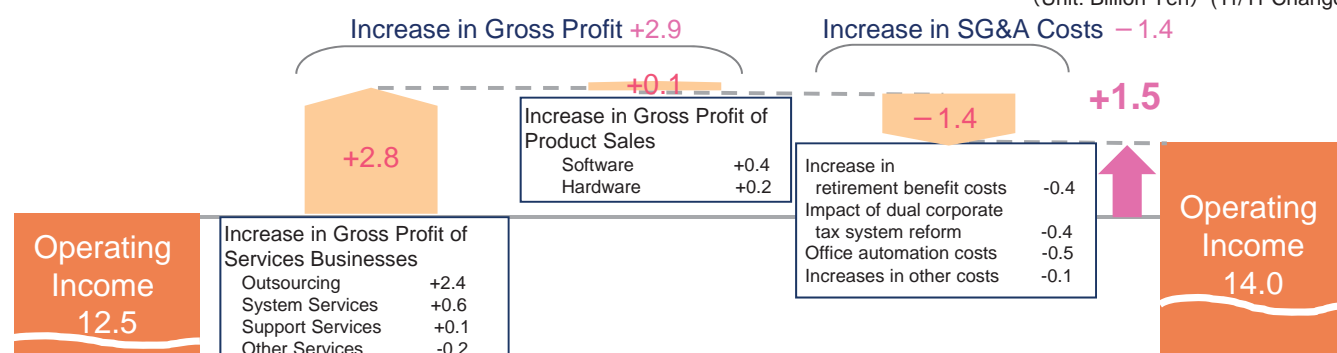
(Unit: Billion Yen)

	FYMar2017 1H Actual		FYMar2017 2H Forecast		FYMar2017 Full-Year Forecast	
	Amount	Yr/Yr Changes	Amount	Yr/Yr Changes	Amount	Yr/Yr Changes
Net Sales	127.4	-0.9	157.6	+7.8	285.0	+7.0
Operating Income	5.0	+0.7	9.0	+0.8	14.0	+1.5
Profit attributable to Owners of Parent	3.5	+1.0	6.5	+0.1	10.0	+1.1

## 【Details of FYMar2017 Full-Year Operating Income】

\* See the supplementary material for a breakdown of the forecast above.

(Unit: Billion Yen) (Yr/Yr Changes)



FYMar2016 Full-Year

FYMar2017 Full-Year

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The full-year forecasts of net sales, operating income, and net income have not been revised since they were announced on August 2, 2016.

As indicated in the operating income changes graph at the bottom, gross profit is expected to be driven by outsourcing, and a total ¥2.9 billion increase is anticipated.

SG&A costs are anticipated to increase ¥1.4 billion attributable to an increase in retirement benefit costs. Accordingly, operating income is planned to be ¥14 billion, a ¥1.5 billion increase.

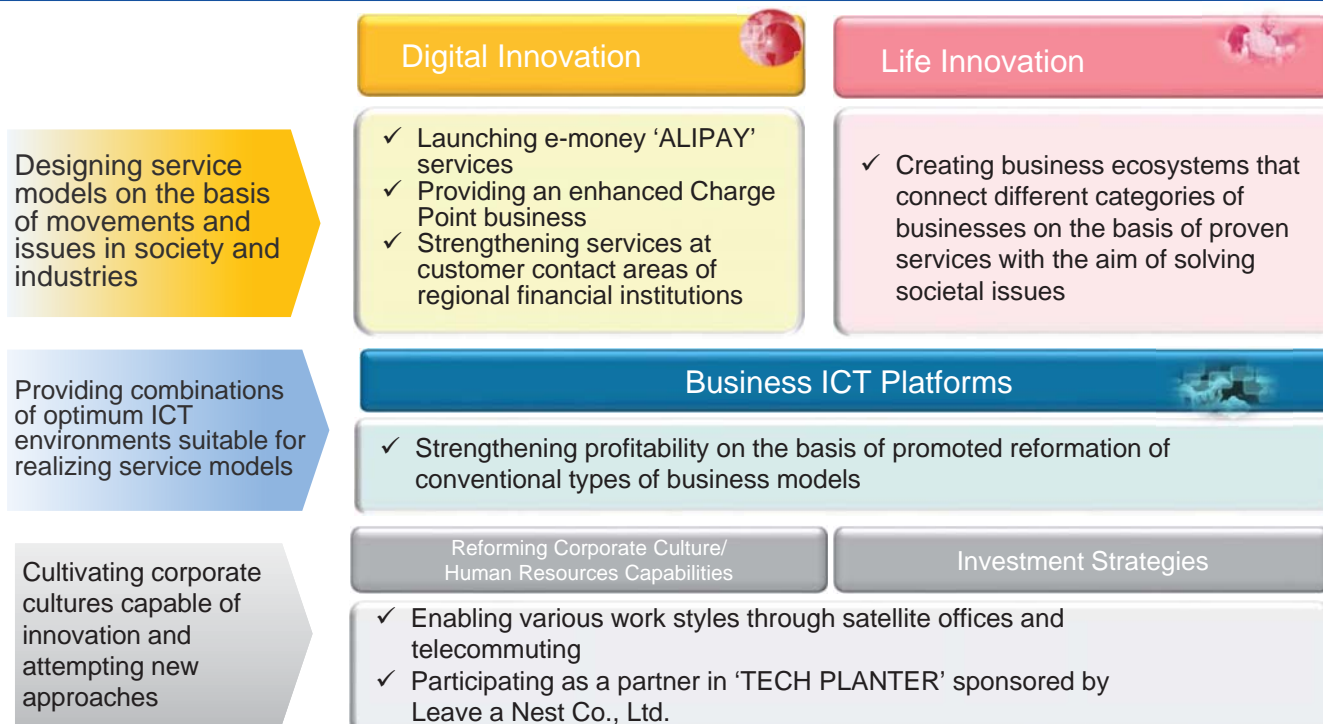
Although unprofitable projects did not occur in the first half, we have taken unprofitable project risks worth ¥0.5 billion into consideration for the second half.

# 1 General Overview

## 2 Progress on the Mid-term Management Plan

Next, I would like to explain briefly statuses of efforts that have been made in the areas as stipulated in the current Mid-term Management Plan.

## ✓ Statuses of efforts in the areas pursuant to the Mid-term Management Plan



The Group stipulated its areas of focus in the mid-term management plan launched in the fiscal year ended March 2016. Good results have been certainly delivered in the second year of the plan.

In the area of digital innovation, payment/settlement services have been enhanced on the basis of efforts in the past. Our services have been provided further in the area of customer contacts for financial institutions.

In the area of life innovation where we provided various types of services, we have been endeavoring to create business ecosystems that connect those services with an aim of solving societal issues.

In the area of business ICT platforms, we have been promoting efforts to change business models. They have been steadily materialized.

Let me explain several key examples of our efforts.

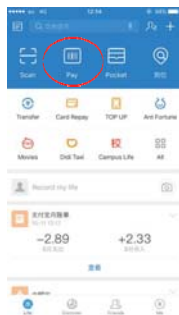


## Digital Innovation

✓ Launching e-money 'ALIPAY' services mainly at Takashimaya Company, Don Quijote, Narita International Airport, Yamada Denki, and Lawson

Offering ALIPAY payment service (mobile payment service provided to 450 million users by an affiliated company of Alibaba Group, occupying a 70% market share in China)

(1) Display a QR code on the top page of ALIPAY Wallet.



(2) A shop clerk reads the page of smartphone through a bar code scanner or tablet camera after inputting amounts in a register.



(3) Payment is made promptly.



First of all, let me explain our efforts in the digital innovation area.

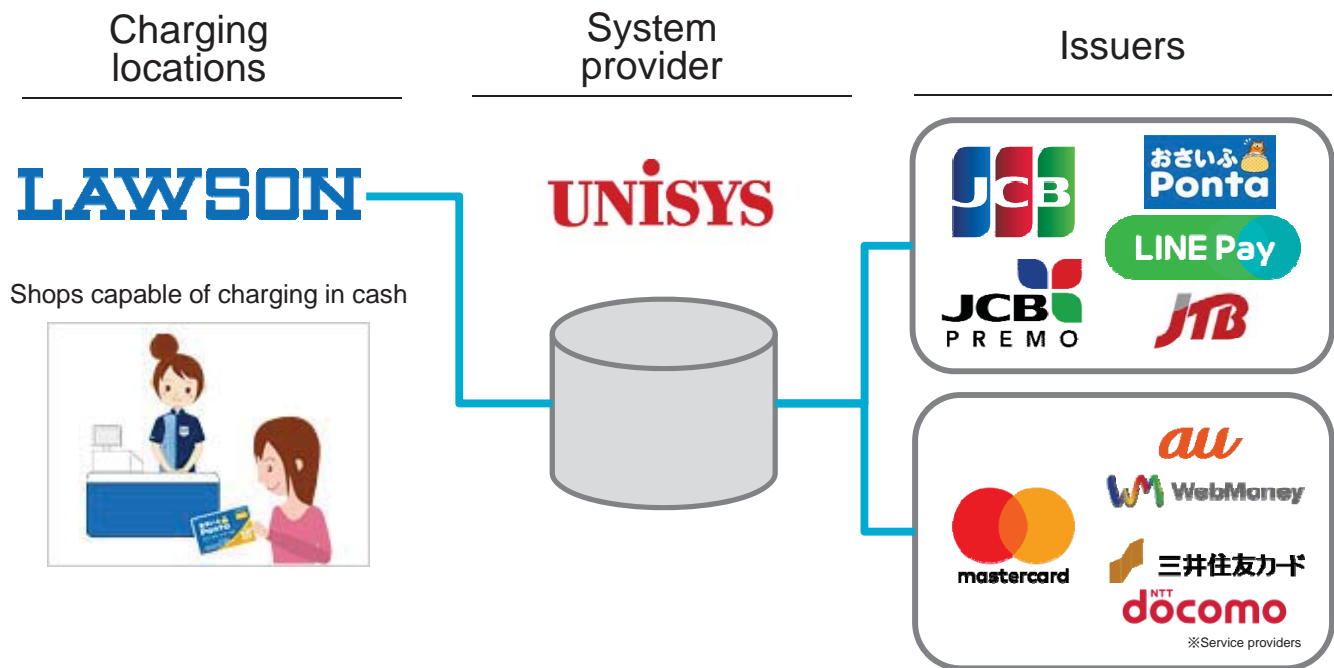
Payment/settlement services have grown steadily with a focus on a proven prepaid card business.

A mobile payment/settlement service ALIPAY that serves 450 million users (70% market in China) has been provided for a variety of businesses including a major department store and an international airport since it was launched for Yamada Denki in December, 2015.

Our company has provided a wide variety of services such as an around-clock call center as well as tablet support, special-purpose terminal support and POS reform. We plan to continue to enhance these e-money services.

## Digital Innovation

- ✓ Providing Charge Point business that enables shops to recharge global brand pre-paid cards, the only such large-scale business in Japan



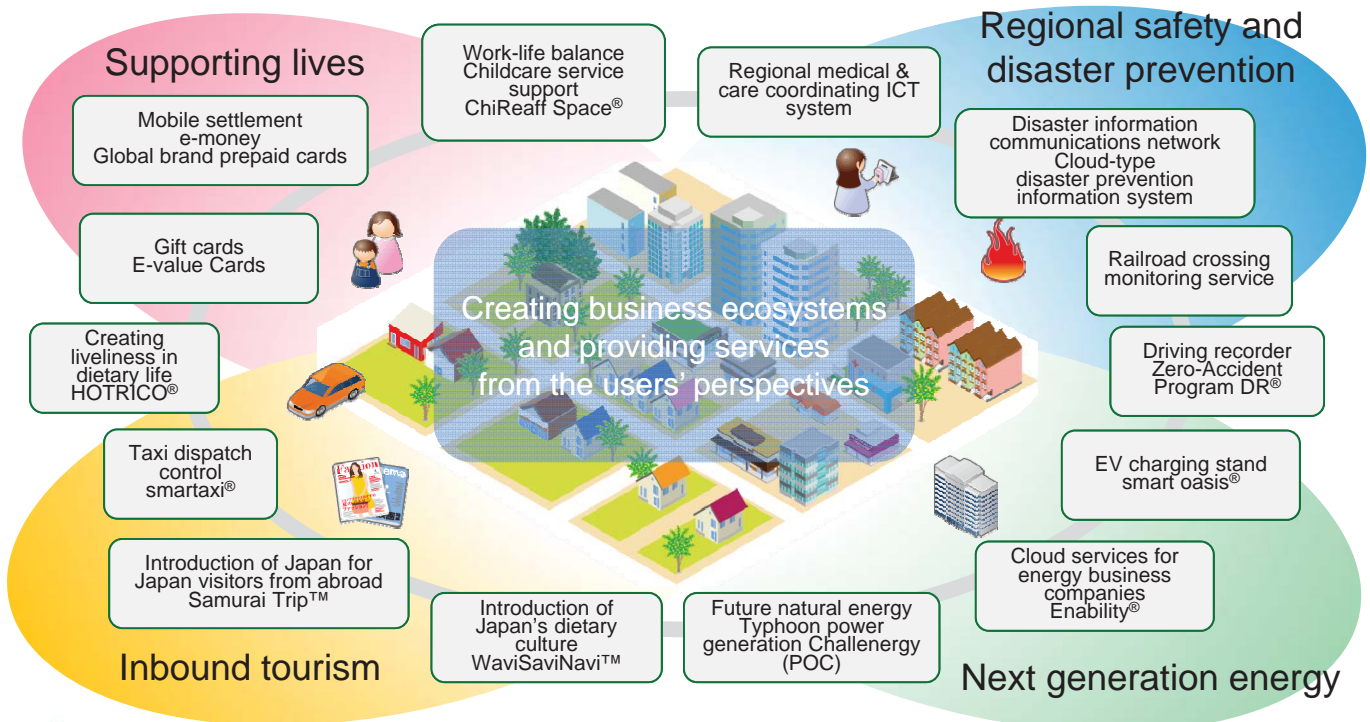
We have been deploying a gift card business. Furthermore, we have been steadily strengthening our Charge Point business through the use of global brand prepaid cards.

We have been enhancing our Charge Point business that enables Lawson shops to charge global brand prepaid cards through our gateway system connecting them and prepaid card issuers since July 2015.

We have been enticing global brand prepaid card issuers to join the scheme by cooperating with Lawson the only such large-scale charging locations in Japan

## Life innovation

- ✓ Creating business ecosystems that connect different industries on the basis of proven services with the aim of solving societal issues



Let me explain our efforts in the area of life innovation.

Nihon Unisys Group has been providing services in various areas such as medical care, nursing care, energy, disaster prevention, traffic, and payment/settlement.

We would like to create new services across the boundaries of multiple industries on the basis of our proven performance, and further develop them into business ecosystems aiming at solving societal issues.

## Business ICT Platforms

- ✓ Strengthening profitability on the basis of promoted reformation of conventional types of business models

### Key Points of Reform

Re-use

Promoting service menu creation

Enhancing implementation-type businesses

### Key Performances

- ✓ Enhancing implementation-type solution business and reusing for retail shops and mail-order business
- ✓ Deploying advanced practices and solutions mainly in the areas of front line business and strategic business of financial institutions
- ✓ Increasing businesses for new business operators against the background of energy reform
- ✓ Providing cloud-platform creation services

In the area of business ICT platforms, we have focused on re-using solutions, promoting service menu creation, and enhancing implementation-type business with the aim of creating a stable revenue base. Good results have been delivered steadily.

For example, we have achieved results due to efforts to increase our revenue capabilities by increasing implementation-type businesses for retailers and re-using assets obtained from development projects. Furthermore, we have endeavoured to serve financial institutions through front-line service solutions and solutions pertaining to management strategies. In addition, we have increased businesses for new business operators against the backdrop of energy reforms such as electricity deregulations.

Reforming Corporate Culture & Human Resources Capabilities/ Investment Strategies

✓ Cultivating a corporate culture capable of innovation

## Work Style Reform

### Work Style Reform of the Nihon Unisys Group Workstyle Foresight 2016

- Purposes**
1. Reform of management style
  2. Cultivation of a corporate culture capable of innovation
  3. Fulfilling individuals' lives and promoting their growth

## Promoting Open Innovation

Participating as a partner in 'TECH PLANTER' seed acceleration program (sponsored by Leave a Nest Co., Ltd.) designed to find new venture companies with the aim of creating businesses through the use of their scientific and technological skills and grow them

### Issues

### Measures

Issues	Measures
Time	Reforming sense of value and work/life style • <b>Promoting VMM (Visualized Management Method)</b> • <b>Telecommuting</b> <ul style="list-style-type: none"> <li>• Smartwork</li> <li>• Overtime reduction</li> <li>• Taking of paid vacations</li> <li>• Paperless operation</li> </ul>
Place	
Office	Reforming environments • <b>Satellite offices</b> <ul style="list-style-type: none"> <li>• Reviewing reception area</li> <li>• <b>Open seating arrangements</b> <ul style="list-style-type: none"> <li>• Meeting room renovations</li> </ul> </li> </ul>
ICT tool	Reforming processes • Business reform workshop (administrative management policies) • Reform of meeting procedures
Institution	
Sense of value	Reforming systems • Cloud first policy (Office 365®) • <b>Promoting Skype® use</b> • <b>Mobile first policy (mobiGate®)</b>



Source: September 2016 issue published by Leave a Nest Co., Ltd.

We have been attempting to cultivate cultures where innovations are created in order to accelerate these efforts. Reforming our corporate cultures and workforce capabilities is critical.

We have been accelerating 'Workstyle Foresight 2016' to: promote telecommuting; create satellite offices; and reform work styles on the basis of using smart devices and cloud computing.

This initiative is aimed at three key points of: reforming management styles; cultivating cultures where innovations are encouraged; and fulfilling individuals' lives and growth, through new work styles unbound by time and place.

We have been keen on promoting open innovation.

We have been actively participating as a partner in 'TECH PLANTER' held by Leave a Nest Co., Ltd. that aims to develop venture businesses capable of technologies other than IT. It gives us opportunities to collaborate with venture businesses or start-up companies.

We aim to foster an environment for creating values that may enable us to: find excellent venture businesses; challenge ourselves to take on open innovation; and respond to rapid changes of the times. We will take on studying and creating businesses that anticipate the future.

- ✓ The Nihon Unisys Group received first prizes in three divisions of Nikkei Computer 'Customer Satisfaction Survey 2016-2017' by Nikkei BP

## Nihon Unisys

- IT Consulting and Upstream Design-Related Services (Manufacturers) division No.1
- System Development-Related Services (Manufacturers) division No.1

## UNIADEX

- System Operation-Related Services (Information Service Providers) division No.1  
(Note that this company has been ranked No. 1 for 5 years consecutively since FY March 2013.)



日経コンピュータ 2016年9月15日号  
顧客満足度調査 2016-2017

ITコンサルティング/上流設計関連サービス (メーカー) 部門 (日本ユニシス)  
システム開発関連サービス (メーカー) 部門 (日本ユニシス)  
システム運用関連サービス (情報サービス会社) 部門 (ユニアテックス)

第1位

Source: Nikkei Computer 'Customer Satisfaction Survey 2016-2017' (the September 15, 2016)

Our employees won gold medals this year in badminton. I would like to take this opportunity to convey my gratitude for your support.

The Group was not outdone by the employees and won gold medals. The Nikkei Computer Customer Satisfaction Survey conducted by Nikkei BP every year appreciated the Nihon Unisys Group in the IT categories of consulting upstream design, development, and operation & management. Nihon Unisys is ranked No. 1 in the categories of consulting upstream design and development. UNIADEX has been ranked No.1 in the division of operation for 5 years consecutively.

These awards indicate that we have been appreciated by customers who expect more of us in the future. We will be fully prepared to avoid slipping into complacency and will continue to devote ourselves to better servicing customers.

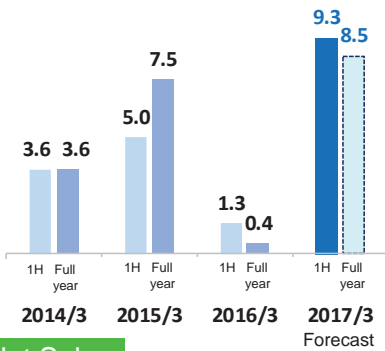
# (Reference) Changes in Financial Indicators Progress on the Mid-term Management Plan

Foresight in sight

▼ FYMar2017 1H Actual      ▼ FYMar2016 1H Actual

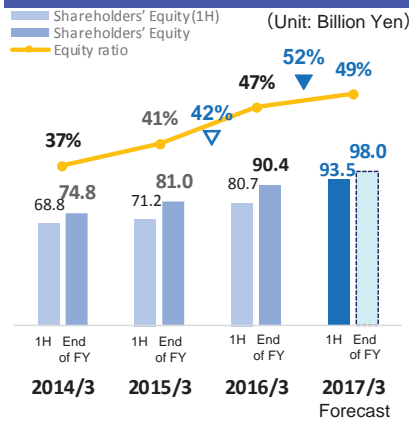
## Free Cash Flow

(Unit: Billion Yen)



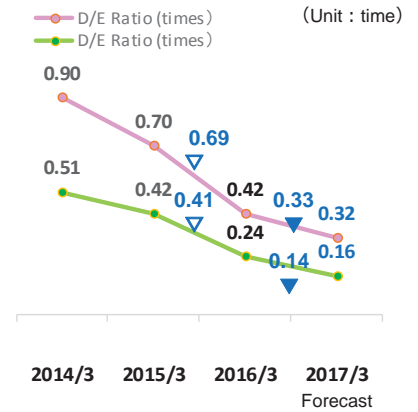
## Shareholders' Equity

(Unit: Billion Yen)



## D/E Ratio

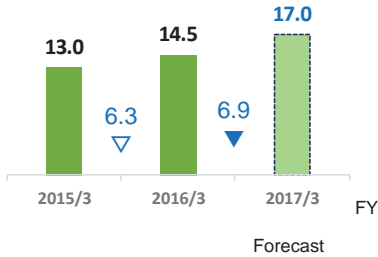
(Unit : time)



## Net Sales

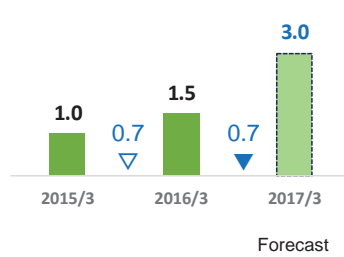
### Digital Innovation

(Unit: Billion Yen)



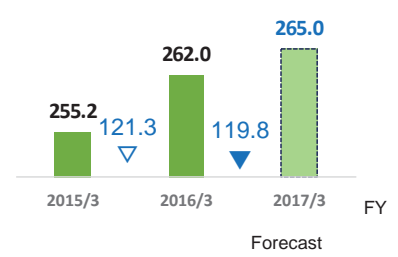
### Life Innovation

(Unit: Billion Yen)



### Business ICT Platform

(Unit: Billion Yen)



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# Foresight in sight

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**(Note)**

Forecasts in this document rely on judgments and assumptions based on information available at present. Actual results may differ from the forecasts due to changes in risks, uncertainties, economy and other factors. Thus, the certainty of these forecast is not guaranteed by our Group.

Also, the information is subject to change without prior notice in future.

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