

**Earnings Announcement
for the Fourth Quarter of the Fiscal Year Ending March 2020
held on May 18, 2020**

Principal Questions and Answers

(with certain details modified in an attempt to provide readers with a deeper understanding.)

(Note) The expression 'FY/Fiscal Year' utilized in this document indicates a fiscal year which finishes at the end of March of the following year.

Example: The expression of FY2019 refers to the fiscal year ending March in 2020.)

[Questioner A]

Q : You announced that you would keep your full-year forecast for the fiscal year ending March 2021 at the mid-term management plan target. May I ask about your intention that lies behind the forecast numbers? You plan a 2.7% increase of net sales and a smaller operating margin compared with the previous period (FY2019). May I ask if you foresee any factors? Or, may I ask that you have just followed your mid-term management plan?

A : The correct understanding is that the numbers just follow the target described in the mid-term management plan. Order backlogs are expected to exceed the previous fiscal year based on a steady accumulation. We have seen pipelines being steadily built. However, we are not sure how we will be impacted by the Novel Coronavirus pandemic. We are not able to predict reasonably when the pandemic is going to settle down and fade away. Thus, we have left the mid-term management plan numbers unchanged.

We plan to have operating income remain almost at the same level as FY2019. We have known cost controls through continuous efforts to 'visualize' costs for the past few years. We would like to use the cost control knowledge and understanding and dare to set this operating income as the minimum level of operating income. We would like to aim to achieve an operating margin targeted in the mid-term management plan, which is 8% or more. We find it extremely difficult to forecast net sales. We are confident based on the current pipeline and order backlogs situations. However, we need to monitor carefully for a while.

Q : May I ask if there are any possible damages incurred from the Novel Coronavirus pandemic that we have to take into considerations?

A : We have become able to cope with system development businesses through telework operations. We have not seen any loss of productivity in April. Thus, we think that we have few concerns as far as system development businesses are concerned. We have been able to provide maintenance and support as well as outsourcing services that need to be performed at customer's sites through engineers teleworking on a rotation basis.

We are beginning to see some customers likely face business difficulties depending on business categories. At this point in time, we have not seen any system development projects suspended. However, we see a phase of production operation being postponed slightly in the future for some projects.

Please note that no projects have disappeared. Be that as it may, we use the percentage of

completion method for posting system development projects. Thus, we have risks of putting off posting net sales slightly in the future. We are aware of possibilities that we may have large-scale projects suspended or difficult price negotiations depending on business situations of customers in the future. Although we have witnessed little such impacts as of today, we are in unpredictable situations.

Q : Do you think that you will have special demands due to COVID-19?

A : We have received significantly many enquiries about telework-related services. We have provided some services free of charge. The services may contribute to our income depending upon when we begin to charge the services. Also, we have seen a high demand for businesses related to strengthening networks, which constitutes business opportunities for UNIADDEX, Ltd. our subsidiary. Furthermore, we have witnessed more enquiries about remote operations via digital technologies and DX projects powered by AI and robotics. This means also big business chances for us.

[Questioner B]

Q : I would like to ask about order backlogs to be posted as net sales within the fiscal year ending March 2021. How many such order backlogs are accumulated out of the order backlogs at the end of March 2020?

A : Order backlogs to be posted as net sales within this fiscal year has increased by ¥1.5 billion or 1.4% compared with the end of the previous fiscal year, as described in the presentation material (page 3).

Q : Sharing economy businesses such as car sharing service in the fee-for-service business section were strong before the COVID-19 pandemic. May I ask about the current situation? Also, I would like to know situations related to cashless economy.

A : We expect a stalling progress for sharing economy businesses in the future due to COVID-19 impacts. When we look at cashless economy services, we have witnessed a significant decrease in net sales in March and thereafter from overseas QR code/bar code settlement services as a result of devastated inbound tourism. However, we have seen a steady growth of Japanese counterparts. The value card service sales remained almost unchanged in Q4 after a continuing decrease. We think that the business shows signs of having reached a bottom. The dashcam (driving recorder) business and energy-related businesses continued to be strong. The businesses outweighed negative impacts and enabled the fee-for-service business sales to remain at the same level as of FY2018.

We will wait and see the situations of inbound tourism businesses and sharing economy businesses for a while in the fiscal year ending March 2021. However, we expect to see a continuing strength from Japanese electronic payment services, dashcam business, and energy businesses. Furthermore, we have launched a service-type business about remote equipment management scheme. A growth in the future is expected.

We planned ¥8.0 billion fee-for-service businesses net sales for FY2019 at the beginning of the fiscal year. However, we only enabled ¥7.0 billion, the same level as of FY2018. We would like to aim to achieve ¥10.0 billion, targeted in the mid-term management plan, in FY 2020. Although we will see decreases and increases in fee-for-service business sales depending on each business in the fiscal year ending March 2021, we expect DX projects outweigh negative businesses. We would like to achieve the target net sales ¥60.0 billion in the focal areas including the fee-for-service businesses.

Q : Please give us guidance on your quarterly performance trajectories in the fiscal year ending March 2021.

A : Order backlogs to be posted as net sales within the first half (H1) out of backlogs at the end of March have been increasing compared with the end of the previous fiscal year. The on-going businesses have been continuously stable. However, the net sales in the first quarter (Q1) will remain at the same level as or slightly slid over Q1 of FY2019, making a contrast to the period when we posted large-scale AI server sales.

We are in the circumstances where we can hardly predict any recoveries of economic activities. We will have to take a wait-and-see attitude until about the end of June. We have received very many enquiries about our DX projects. Furthermore, we have become capable of ensuring sufficient productivity from performing system development businesses even through telework operations. Thus, we hope that we may manage a turnaround in H2 if economic activities come back. However, in an event where a few years of endeavors may not guarantee economic recoveries, we may have to announce a revision of our performance forecast after carefully crunching numbers.

[Questioner C]

Q : May I ask how much you can increase fee-for-service business sales in FY2020? You mentioned that the value card business on the decline turned out to finish unchanged compared with Q4 of FY2018. May I ask for your expectations about FY2020?

A : We think that the value card business hit the bottom in Q4 of FY2019. However, we do not expect any dramatic recovery. In other words, we need a reference range for net sales of the business in the next fiscal year, which is to multiply the Q4 result by 4.

Net sales from fee-for-service businesses related to inbound tourism and Chinese electronic payment services constitute a small percentage of the entire fee-for-service business net sales. We anticipate that the services' net sales will be drastically reduced almost to nothing in FY2020. However, the Japanese digital payment services increased significantly in the previous period. We expect the services to continue the growth. The services are expected to be driven by an increase in the user population as well as a steady increase in member shops.

We have been under challenging circumstances for sharing economy businesses where people's movements are limited. We expect to see dashcams and remote equipment

management mechanism that do not require people's movements spread at an accelerated pace. Retail businesses such as supermarkets are seen in very good shape. They refrain from running sales promotion campaigns. As far as our digital campaign solutions are concerned, we have already executed contracts with many shops and manufacturers. We expect revenues from the fee-for-service business in the future as economy activities are resumed. In addition, we have seen strengthened awareness of and interests in the environment protection. We anticipate that energy businesses will increase in H2 if the coronavirus's spread settles down slightly.

We would like to near the target value ¥10.0 billion for the fee-for-service business net sales in FY2020 as we described in the mid-term management plan. We will carefully monitor the situations of H1, in light of avoiding falling below the FY2019 level and complementing how much with other businesses.

Q : May I ask about impacts on your entire businesses from key customers and your income structure partly composed of income from businesses for key customers?

A : Our sales do not depend on specific customers. Distributed sales constitute our entire net sales. No one customer net sales impacts significantly our performance. We provide most of our major customers with a large percentage of continuous services such as outsourcing service and a small percentage of system development project services. The system development projects value a reasonably large amount. We have had none of system development projects suspended as of today. However, there are possibilities that a production operation phase will be put off slightly in the future. In an event where financial difficulties may continue in H2, we may face judgements to cancel projects. We need to remain alert, although so far we have not been subject to significant impacts.

(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. Information in this document is intended to provide further understanding of Nihon Unisys, Ltd. and is not intended to solicit investment. This Company shall not be held responsible for any damages whatsoever incurred as a result of utilizing the information provided in this document.