

Results for the 2nd Quarter of FY March 2020

November 6, 2019
Nihon Unisys, Ltd.

Foresight in sight

1 Financial Overview

2 Progress under Mid-term Management Plan

(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 2020.

An increase in system services and a demand for products drove net sales substantially. A continuously improved productivity helped a 36% increase in operating income.

(Unit: Billion Yen)

	H1 (Apr-Sep)		Changes	
	FY2019	FY2018		
Net Sales	149.7	133.8	+15.9	+11.9%
Gross Profit	37.4	33.8	+3.6	+10.5%
SG&A Costs	-26.4	-25.7	-0.7	-2.6%
Operating Income	11.0	8.1	+2.9	+35.8%
(Operating Margin)	(7.4%)	(6.1%)		(+1.3%)
Profit Attributable to Owners of Parent	7.9	6.2	+1.7	+28.1%
Orders	138.3	140.6	-2.4	-1.7%
Order Backlogs	215.1	227.5	-12.4	-5.5%
(Order backlogs in the current FY)	81.3	78.7	+2.7	+3.4%

<Key Points of H1 Performance Results>

■ Net sales

Net sales grew substantially due to a marked increase in system services sales and demands for promoted products. (Brisk demands for digital transformation, DX, projects drove the system services sales.)

■ Operating income

Operating income grew due to SG&A costs remaining as planned, impacts of the increase in net sales, and improved profitability of service businesses.

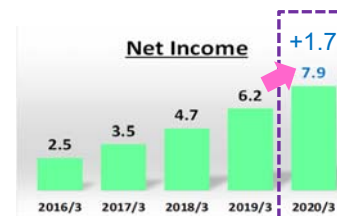
Operating margin increased by 1.3 pt.

■ Orders and order backlogs

Orders and order backlogs did not increase, due to awkward timings with renewals of large-scale outsourcing projects.

However, order backlogs of the discrete Q2 increased in comparison with Q2 of FY Mar 2019 from the viewpoint of posting as net sales by the end of each fiscal year.

[Reference] Changes in the H1(Apr-Sep) performance (Unit: Billion Yen)



Let me summarize our performance of the first half of the fiscal year ending March 2020.

Net sales were ¥149.7 billion, an increase of ¥15.9 billion in comparison with the same period of the previous fiscal year. Operating income was ¥11.0 billion, an increase of ¥2.9 billion. Profit attributable to owners of parent was ¥7.9 billion, an increase of ¥1.7 billion.

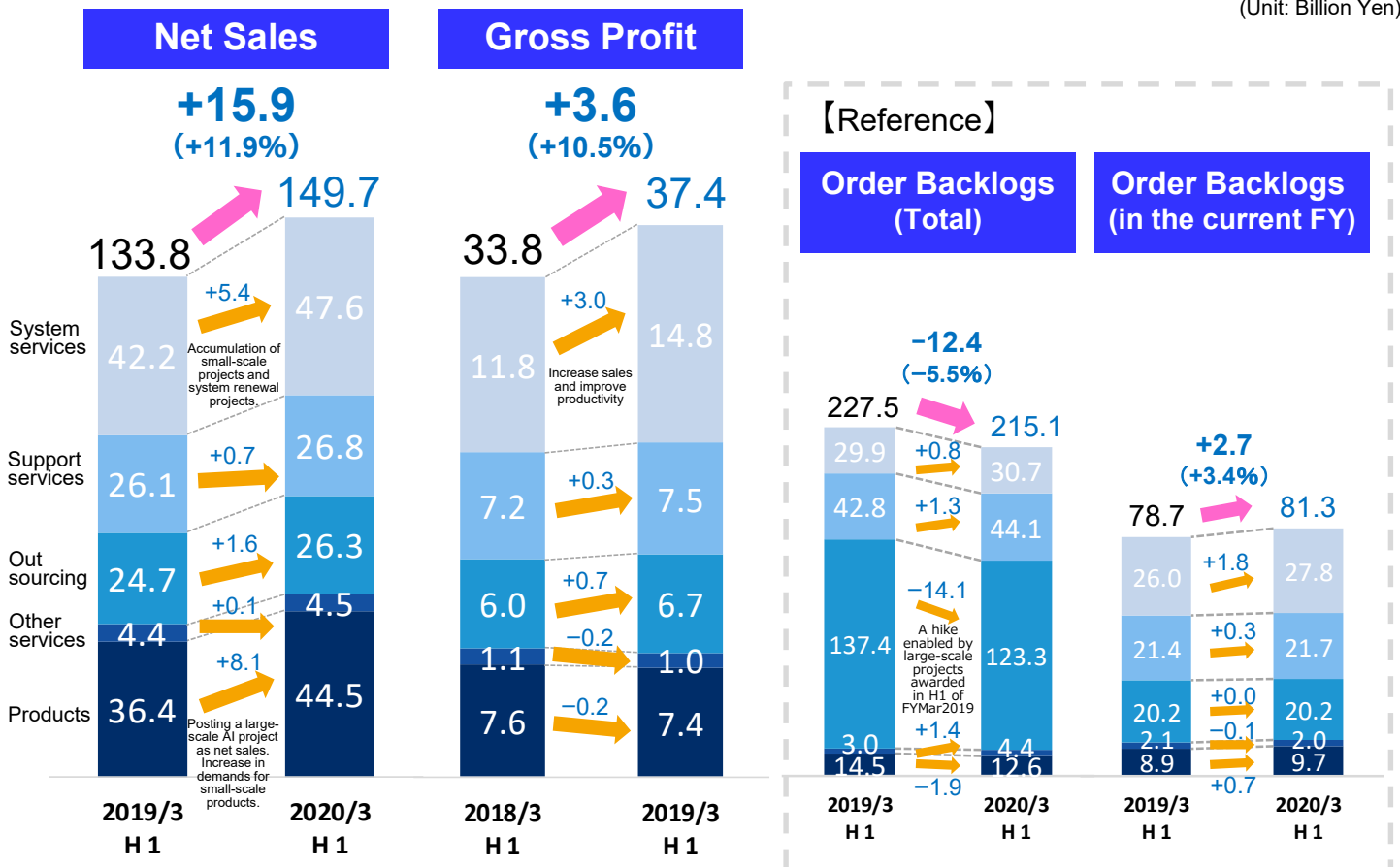
A continued strength of system services and a stable demand for product sales substantially increased net sales by ¥ 15.9 billion. The increase in net sales as well as an improved productivity of system services and an strengthened profitability of outsourcing owing to an optimized operational efficiency drove gross profit by ¥3.6 billion. This increase in gross profit absorbed SG&A costs of ¥0.7 billion. As a result, operating income was increased by ¥2.9 billion compared with the same period of the previous fiscal year.

Operating margin was 7.4%, up by 1.3 points compared with the same period of the previous fiscal year. Thus, we have been making steady progresses towards an achievement of operating margin of 8% or more referred to as our target in the current mid-term management plan. Furthermore, net income increased by ¥1.7 billion as a result of the increase in operating margin.

Although we had the continuous strength of system services and product sales, we were ill-timed with renewals of long-term large-scale outsourcing projects in this quarter. As a result, orders decreased by ¥ 2.4 billion compared with the same period of the previous fiscal year.

Likewise, order backlogs decreased by ¥12.4 billion. However, order backlogs increased by ¥2.7 billion from the viewpoint of posting as net sales by the end of the fiscal year. At this point in time, we have seen a generally stable order environment without big changes.

(Unit: Billion Yen)



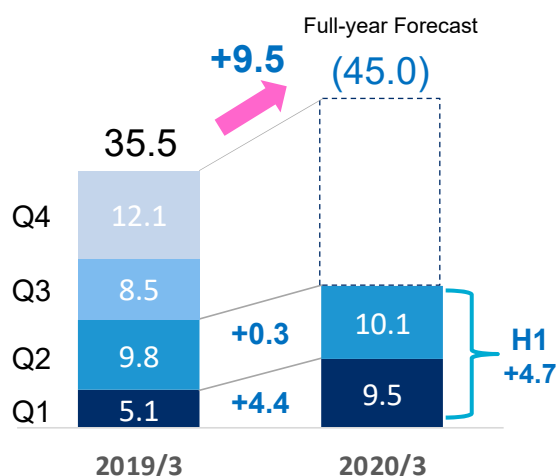
Next, let me brief you on sales and gross profit situations by segment.

Sales and gross profit of system services increased. This increase was enabled by an accumulation of small projects related to digital transformation as well as system renewal projects ordered from a wide range of businesses such as financial institutions, logistics/distribution companies, and services businesses.

Continued strengths of support services and outsourcing are reflected in the increase in their net sales and gross profit.

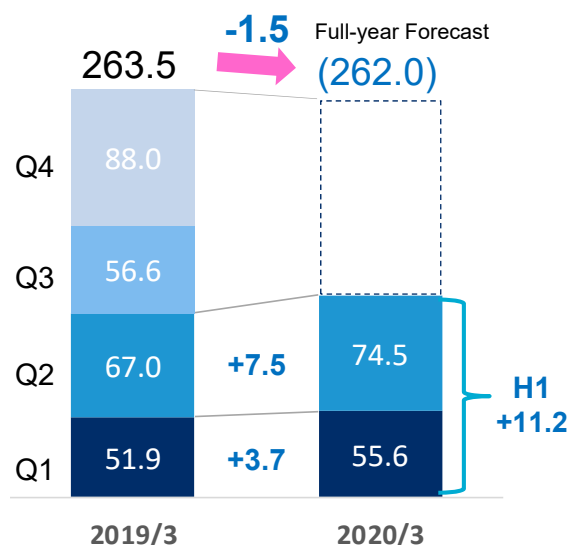
Products sales markedly grew on the basis of demands for promoted small devices such as PCs and tablet devices. However, productivity looks slightly less than that of the first half (Q1 and Q2) of the previous fiscal year, partly due to having posted multiple mainframe projects in Q2 of FY Mar 2019.

Net Sales of Focal Areas



- Increase in QR and bar code payment/settlement services transaction volume
- Expansion of MaaS-related business areas
- Focus on businesses with an eye towards spreading the use of renewable energy

Net Sales of ICT Core Areas



- System renewal projects making good progress for a wide variety of business categories
- Increase in device sales by subsidiaries
- BankVision® system test phase in progress for its 11th customer

Next, let me summarize our businesses in the focal areas described in the mid-term management plan.

Net sales from our focal area businesses were ¥19.6 billion in the first half (H1), up by ¥4.7 billion from the same period of the previous fiscal year.

There was a significant increase as a result of AI-related large-scale product sales in Q1. Small and medium-sized DX-related businesses steadily accumulated in Q2.

Net sales from fee-for-service businesses in H1 remained unchanged from the same period of the previous fiscal year. This was resulted due to a decrease in the transaction volume of value cards competing against other various payment means, despite an increase in QR and bar code payment/settlement services transaction volume in Q2 as in Q1 and an increase in mobility-related businesses through sharing cars and Driving recorder.

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 1, 2019.

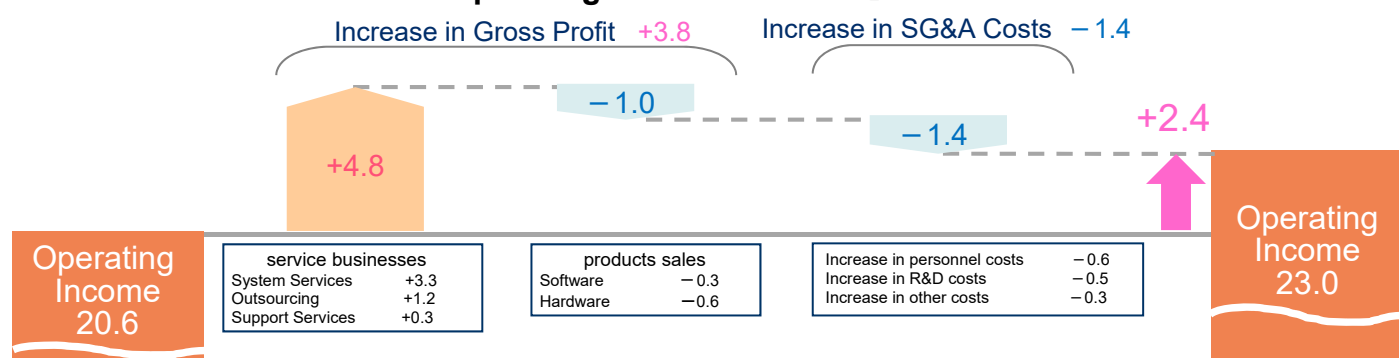
(Unit: Billion Yen)

	FY2019 H1 Actual		FY2019 H2 Forecast		FY2019 Full-Year Forecast	
	Amount	Yr/Yr	Amount	Yr/Yr	Amount	Yr/Yr
Net Sales	149.7	+15.9	157.3	-7.9	307.0	+8.0
Operating Income	11.0	+2.9	12.0	-0.5	23.0	+2.4
(Operating Margin)	(7.4%)	(+1.3pt)	(7.6%)	(+0.0pt)	(7.5%)	(+0.6pt)
Profit Attributable to Owners of Parent	7.9	+1.7	8.1	+0.0	16.0	+1.8

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

【Details of FY2019 Full-Year Operating Income Forecast】

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



FY2018 Full-Year

FY2019 Full-Year

Next, let me brief you on the performance forecast.

There have been no changes in the full-year forecasts of net sales, operating income and profit attributable to owners of parent since we made a public announcement on August 1, 2019.

We anticipate that our full-year net sales will be ¥307.0 billion, up by ¥8.0 billion compared with the previous fiscal year, operating income will be ¥23.0 billion, up by ¥2.4 billion, and profit attributable to owners of parent will be ¥16.0 billion, up by ¥1.8 billion.

We presume that the full-year results may likely be higher than our forecast at the beginning of the fiscal year, owing to the fact that our H1 performance results were more than the forecast, and that order backlogs at the end of September increased year over year from the viewpoint of posting as net sales within the fiscal year.

However, we will move ahead with business structural reforms in the second half with an eye towards enabling a medium and long-term business increase, by focusing on an increase in fee-for-service businesses and service-type businesses rather than on net sales growth. Thus, we will keep our full-year forecasts as we announced in the beginning of the fiscal year.

We plan the interim dividends of ¥32.5 per share and the expected full-year dividends of ¥65 per share as we announced in the beginning of the fiscal year.

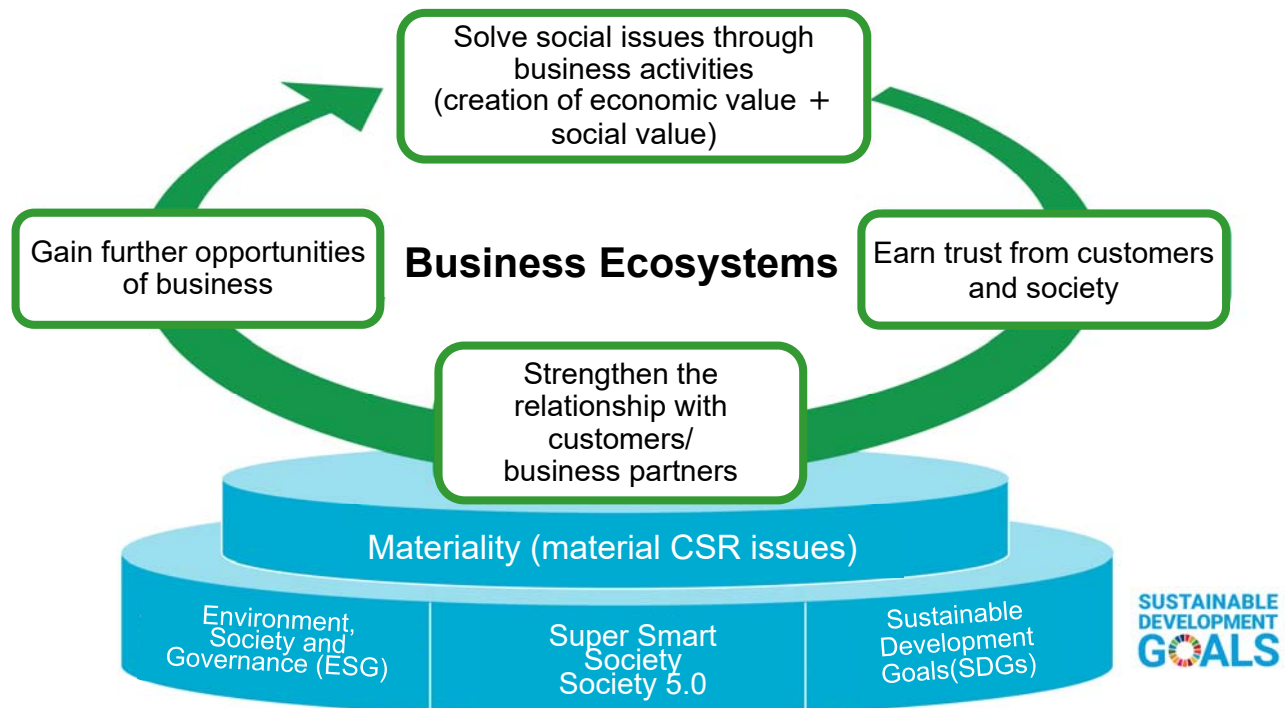
1 Financial Overview

2 Progress under Mid-term Management Plan

I will summarize our efforts as suggested in our mid-term management plan.

Become a sustainable company following a cycle of sustainable growth that is predicated on solving, through business activities in our areas of focus, social issues that lie behind issues experienced by customers

Sustainable Growth Cycle for the Nihon Unisys Group



The Nihon Unisys Group has been promoting business activities under the theme indicated in the mid-term management plan launched in the fiscal year ending March 2019. The theme is to solve social issues by playing a central role in providing business ecosystems that connect different types/categories of businesses across conventional boundaries.

We are halfway through the current plan period. We think that we have seen a steady business increase in the focal area where there is a growing social awareness towards digitalization that enables sharing economy and cashless economy, as well as customers willing to take on digital transformation.

With respect to our ICT Core businesses, we have seen a growth of System Services and Outsourcing businesses. This growth was as a result of our efforts to thoroughly operate mechanisms to examine and manage projects in order to minimize unprofitable situations, and respond to requests for system renewal that we have received stably from customers.

In addition, our efforts to improve productivity partly by promoting workstyle reform has enabled a continued high operation rate of system engineers. As a result, we have witnessed an improved profitability.

Promote business digitization in coordination with financial institutions and companies in order to improve convenience for ordinary citizens and revitalize industries. They experience economic disparities that are widened between large cities and local regions.

Reform business environments and improve business productivity through the use of IoT and AI technologies. Issues of aging public infrastructure as well as aging engineer population are experienced in the environments.



Re-create relationships among manufacturers, wholesalers/retailers and consumers by accelerating efforts of business digitization and visualizing economic activities. The purpose is to improve convenience of ordinary citizens and revitalize industries.

Enable comfortable environments for ordinary citizens who suffer issues such as population concentration in urban areas and labor demand-supply gap, by coordinating services such as energy, transportation, health care and tourism.

We have been implementing cross-functional activities in dealing with social issues beyond boundaries of the four focal areas described in the mid-term management plan.

I will brief you on three attempts to deal with key social issues, and strategic investments, corporate culture reform and corporate governance as indicated in the next slides.

Sustainable Energy Society



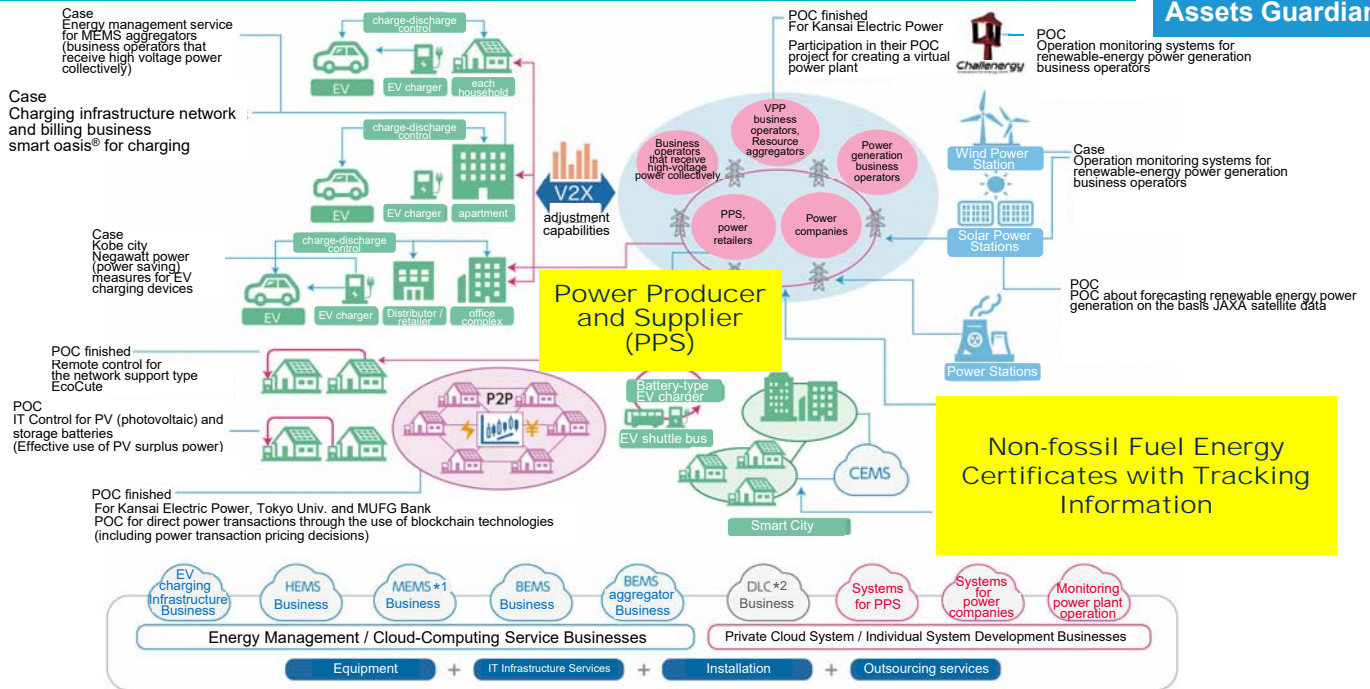
Contribute to creating a clean and sustainable energy society

Neobanks

Digital Acceleration

Smart Towns

Assets Guardian



First, let me brief you on our attempts under the theme of a sustainable energy society.

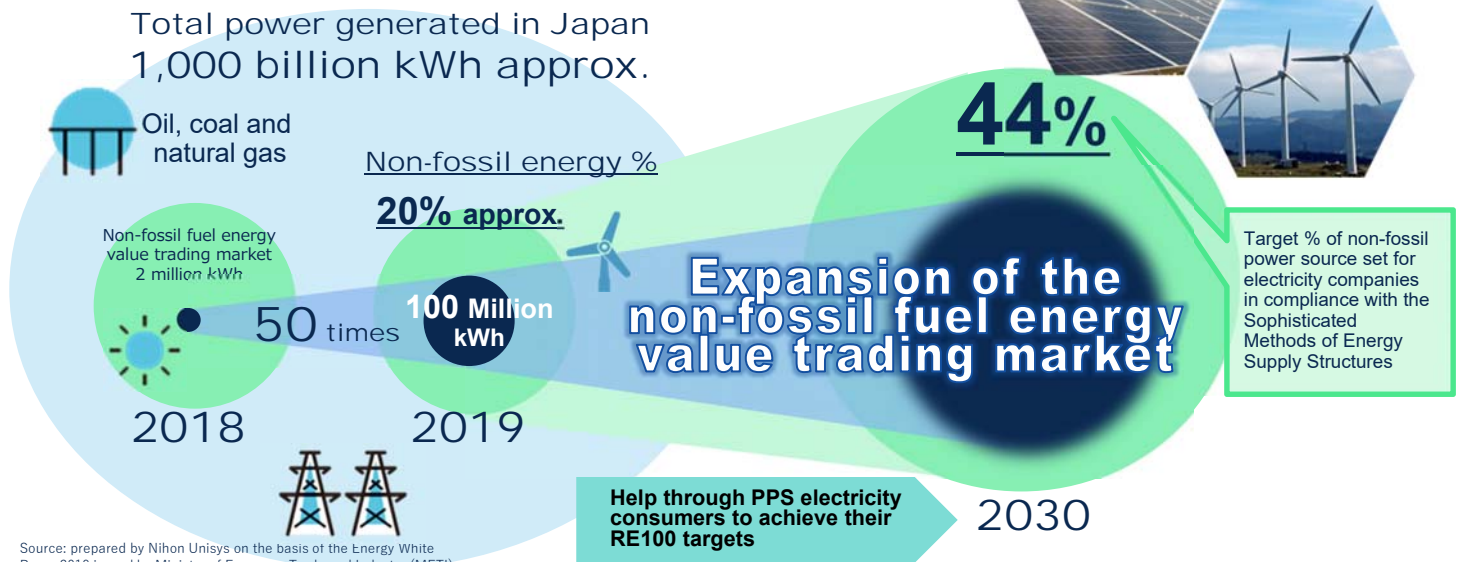
Sustainable Energy Society



- Neobanks
- Digital Acceleration
- Smart Towns
- Assets Guardian

Responses to climate change towards a decarbonized society

Take on a non-fossil fuel energy value trading market
 Launch of a business to certify non-fossil power sources in November



Source: prepared by Nihon Unisys on the basis of the Energy White Paper 2019 issued by Ministry of Economy, Trade and Industry (METI)



We have seen dramatic changes in the global energy landscape in the recent years. Attempts to take on realizing a decarbonized society have been made under the global initiatives such as the Paris Agreement and sustainable development goals in light of climate change. The attempts indicate a shift towards renewable energy. In Japan there has been a rapid increase in the number of business operators as a result of the full liberalization of retail electricity sales. This increase has enabled consumers to choose electricity providers and their services at their own discretion based on their lifestyles and sense of value.

In this environment, we would like to move ahead with a shift towards non-fossil energies in response to climate change, realize a decarbonized society, and create cities compliant with the governmental initiative called Kankyo Mirai Toshi (environment future city). Our aim is to pass down a sustainable globe to future generations.

In this connection, we have been conducting a business to certify non-fossil power sources under the Sophisticated Methods of Energy Supply Structures in November. This is preceded by a study on an increase in the utility value of non-fossil fuel energy certificate that we have already implemented since the previous fiscal year. The transaction volume of a non-fossil fuel energy value trading market reached 100 million kWh in August this year, approx. 50 times as much as last August. The government aims to increase the ratio of non-fossil electricity sources to 44% by 2030. The trading market is expected to expand in the future.

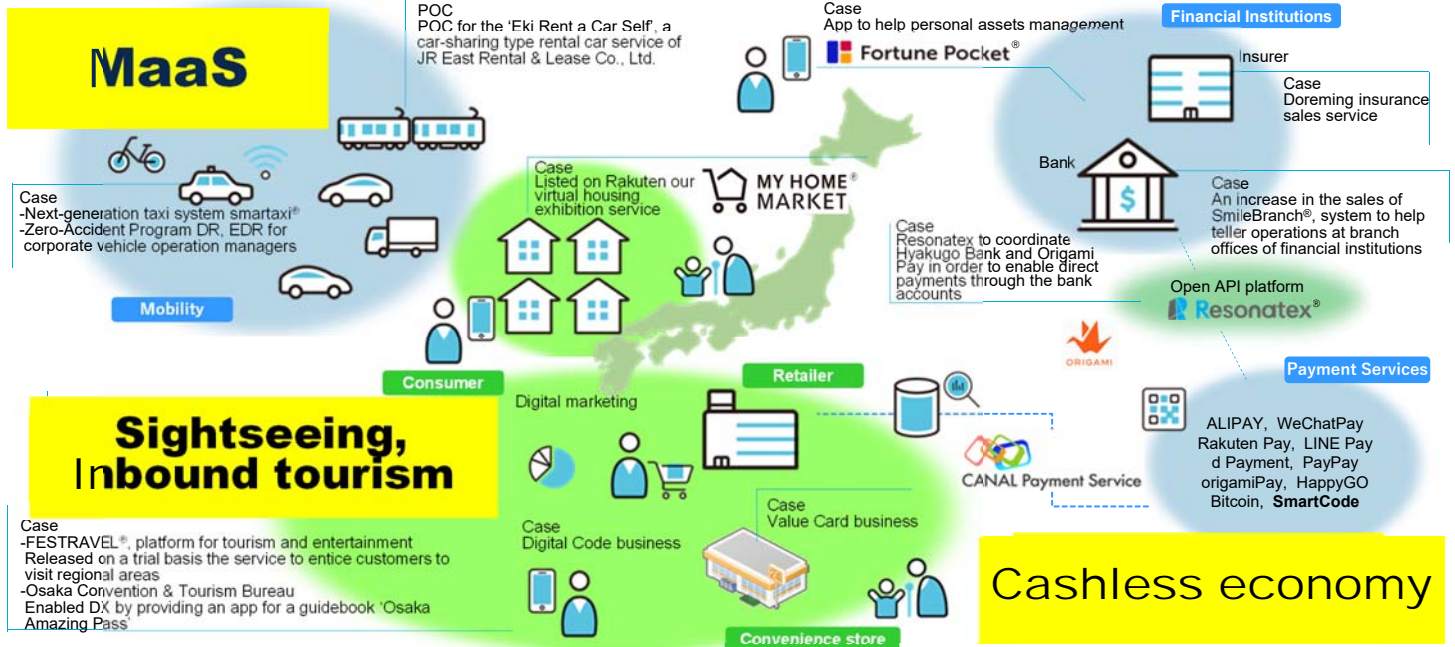
We would like to use this project in order to increase environmental value businesses in the future. We also would like to help electricity retailers to satisfy needs of electricity consumers who aim to achieve their own RE100 targets by providing our platform for PPS, Enability where the 'support capabilities for certifying non-fossil electricity sources' are integrated. Thus, we will be able to indirectly help companies to achieve their RE100 targets. We will make full use of technologies and knowledge that we have accumulated in our performances in the energy industry, and we will contribute to a further expansion of non-fossil energy use.

Towards Smart Living



- Neobanks
- Digital Acceleration
- Smart Towns
- Assets Guardian

Creation of a smart consumption society enabled through sharing/cashless economy



Let me brief you on our attempts to realize a smart consumption society such as those to deal with inbound tourism, MaaS and cashless economy.

Towards Smart Living



Neobanks

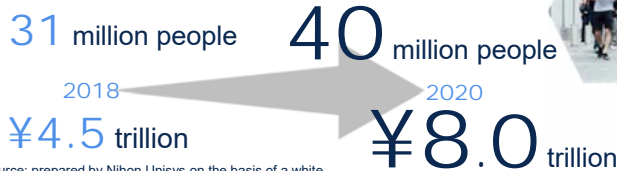
Digital Acceleration

Smart Towns

Assets Guardian

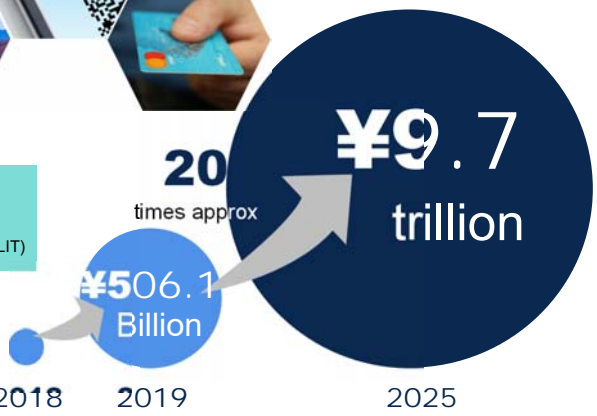
Aim to create safe, secure and wholesome cities and a regional circulation symbiotic area

Sightseeing, Inbound tourism



Cashless economy

QR and bar code payment/settlement market in Japan



Source: prepared by Nihon Unisys on the basis of a white paper on tourism issued in 2019, the first year of Reiwa Era



Sightseeing MaaS app Kotokoto Navi (Otsu City)

- MaaS promotion business designed to revitalize Otsu City through tours in the City's central area and around Mount Hiei
- Project to move ahead with a MaaS scheme for Niigata
- * 'Smart Mobility Challenge' support project by Ministry of Economy, Trade and Industry (METI) and Ministry of Land, Infrastructure, Transport and Tourism (MLIT)

MaaS market forecast



Source: prepared by Nihon Unisys on the basis of the 'realities and future forecasts of MaaS market, 2019' issued by Yano Research Institute Ltd.

Source: prepared by Nihon Unisys on the basis of the 'compendium of electronic payments 2019-2020' issued by infurcion, Inc., ePayments Laboratory Inc., and Yamamoto International Consultants



Continuing increase in the use of QR and bar code payment/settlement schemes

Let me describe our businesses in light of inbound tourism.

The Japanese government has set a target for 2020, which is to increase Japan visitors to 40 million and create a consumption market worth approx. ¥8.0 trillion. As a result of the governmental initiative, foreigners visiting Japan in 2018 have increased to 31 million, 3.7 times as many as six years ago. Their consumption amount during their stay in Japan has also increased to ¥4.5 trillion, 4.2 times as large as the past. Due to the Olympic and Paralympic Games Tokyo in 2020 and the World Expo Osaka in 2025 following the Rugby World Cup 2019, inbound tourism demand is expected to grow further.

We have seen consumers becoming more keenly aware of cashless payments in the wake of the recent consumption tax hike. Businesses have intensified their efforts to cope with cashless payments in order to entice non-Japanese shoppers to their stores. As a result, a market forecast predicts a ¥9.7 trillion QR and bar code payment/settlement market in Japan in 2025, approx. 20 times as large as the current market size.

In addition, we have seen a rapid increase in projects to put MaaS concepts to practical use across the nation. Automatic driving technologies are being implemented for actual use. As a result, we now witness a growing mobility trend towards multimodalization which is to integrate all individual transportation means including cars through ICT into a single mobility service provided on the cloud.

The Nihon Unisys Group aims to enable Japanese residents and non-Japanese visitors to experience a safe and secure life/stay in wholesome cities in Japan, and create a regional circulation symbiotic area, through developing digitalized smart schemes for consumption, payment and mobility.

We launched a POC (proof of concept) in order to tentatively use the 'Kotokoto Navi', a sightseeing app in November 2019. The sightseeing app helps tourists with integrated functions of sightseeing guidance, searching routes, coupons, and purchasing special discount mobility tickets. This trial project has been implemented in the area of Otsu City and Mount Hiei. Furthermore, we have participated in a MaaS project to move ahead and try to conduct a POC in Niigata city as well.

Our efforts to promote a cashless economy is exemplified by our subsidiary Canal Payment Services, Ltd. The company has steadily increased the number of the existing JCB member shops to introduce a QR and bar code payment/settlement scheme. Furthermore, the subsidiary has been steadily connecting gateways for issuers who indicated their intention to participate in the SmartCode scheme provided by JCB Co., Ltd.

Responses to society experiencing a declining labor force



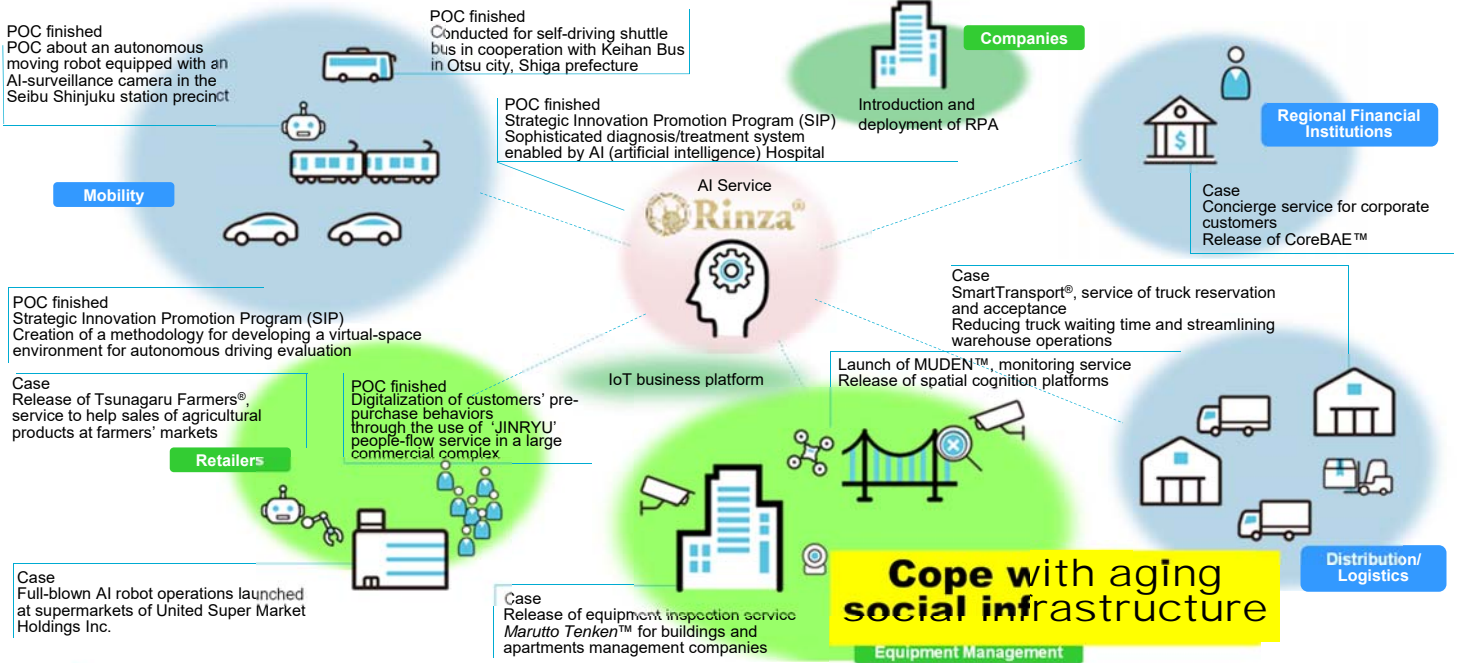
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Contribute to improving labor productivity towards a sustainable economic growth through the use of new technologies such as AI and robots



Let me brief you on our efforts to deal with aging social infrastructure on the basis of AI and IoT, the new technologies.

Cope with aging social infrastructure



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Maintain social infrastructure
Reform a maintenance environment

BRaVS Library™, BRaVS Platform™
Release of 'Marutto Tenken',
equipment inspection service



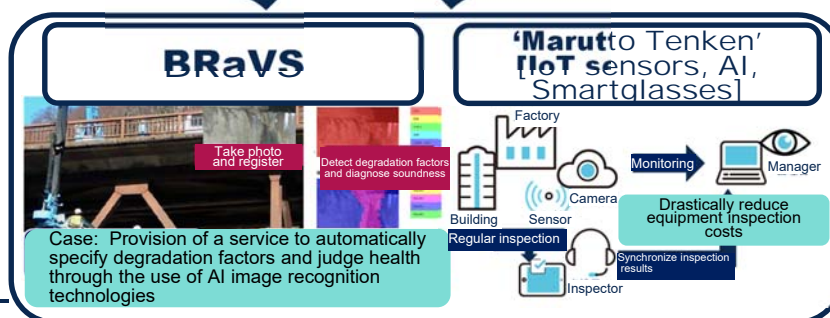
Aging X Labor shortage



Maintenance costs for public infrastructure

¥ Per Year

¥5.0 trillion approx



Building management market potential in Japan

¥ Per Year

¥4.0 trillion approx

Source: Estimations by MLIT (Estimated value for the fiscal year 2018)

Source: study on a building management market (2018) by Yano Research Institute Ltd.



Next, I would like to describe our efforts to cope with a labor shortage as a result of a decreasing working-age population, with an eye towards enabling a sustainable economic growth. We have been dealing with the issue through AI and IoT, the new technologies.

Most of the public infrastructure such as roads and bridges were developed during the high economic growth period. They have been aged rapidly. More than 50% of them will be more than 50 years old in 2033. Costs for maintaining and renewing the social infrastructure are approx. ¥5.0 trillion a year. It is expected to be no less than ¥194 trillion in 30 years pursuant to estimations by Ministry of Land, Infrastructure, Transport and Tourism (MLIT). Furthermore, office buildings have been aged rapidly. 82% of mid-scale buildings and 50% of large-scale buildings have been more than 20 years old. A yearly increase in the decrepit buildings continues to endorse a building management market worth ¥4 trillion a year in Japan. However, the market suffers a further shortage of engineers and experts capable of maintaining and managing infrastructure partly caused by a dwindling working-age population.

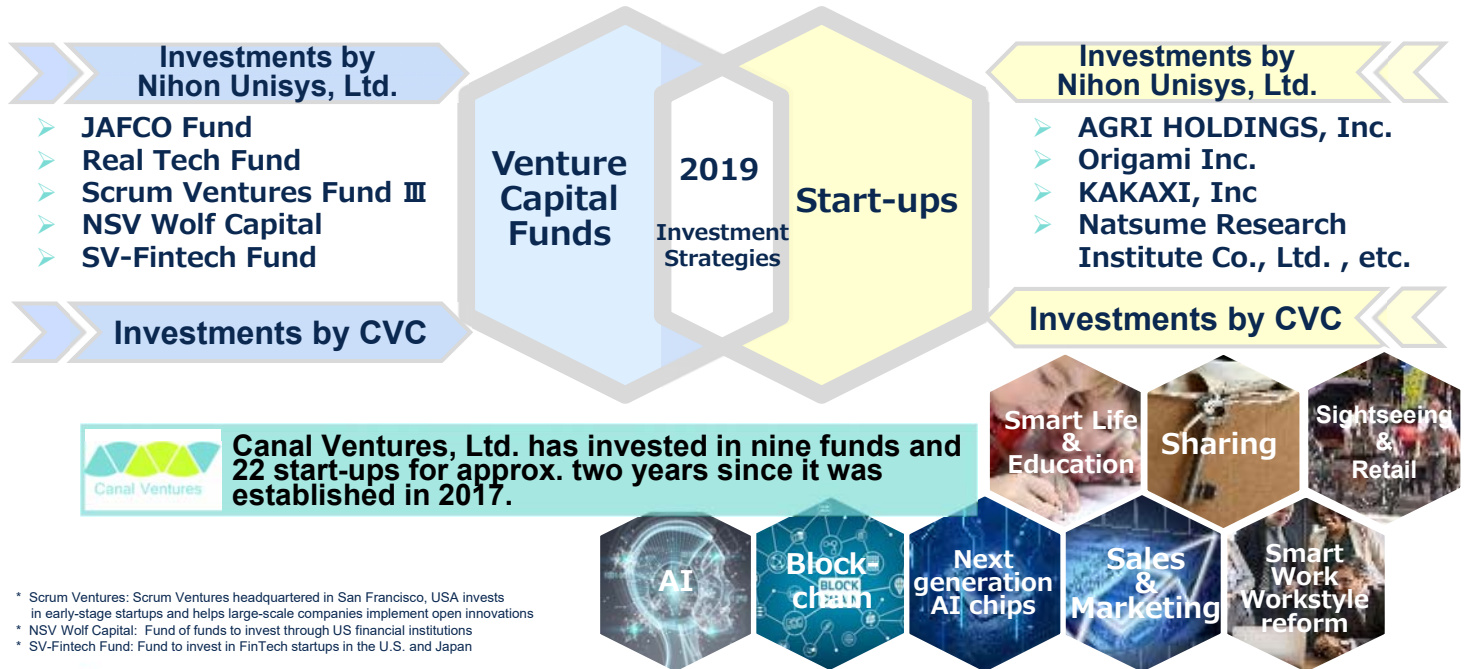
We aim to enable a safe and secure living environment where the nation can make a sustainable economic growth. For this, we would like to streamline operations by using AI and IoT technologies and reform a maintenance environment for social infrastructure partly through remote management.

We released BRaVS Library and BRaVS Platform, as well as Marutto Tenken services in the first half of the fiscal year. BRaVS Library and BRaVS, the spatial cognition platforms, reproduce human recognition and judgements. Marutto Tenken services enable a drastic reduction of equipment inspection costs and work style reform for the industry of residential and office buildings.

The BRaVS AI technologies also help Tohoku-Electric Power Co., Ltd. in their POC project to automate equipment patrols at their thermal power plants. Furthermore, the AI technologies have been already used to identify bridge deterioration factors and judge bridges soundness. We have been using BRaVS technologies in a bridge inspection joint project with Nihonkai Consultant Co., Ltd., with an eye towards commercializing the use of technology in the summer of 2020.

Strategic investments

Create dynamic innovations in cooperation with customers and start-up companies through investments in venture capital funds and start-ups



* Scrum Ventures: Scrum Ventures headquartered in San Francisco, USA invests in early-stage startups and helps large-scale companies implement open innovations
 * NSV Wolf Capital: Fund of funds to invest through US financial institutions
 * SV-Fintech Fund: Fund to invest in FinTech startups in the U.S. and Japan

Next, I would like to describe our strategic investments.

We have made investments into venture capital funds and start-ups. We make our strategic investments pursuant to our aim to make efforts to create innovations and implement them in communities in tandem with customers and start-up companies, with an eye towards eventually contributing to solving social issues.

We have been actively investing into a wide variety of venture capital funds at home and abroad and also venture businesses related to Real Tech Fund, a company aiming to solve social issues.

Canal Ventures, Ltd., our corporate venture capital established in 2017, has been active in making rapid investments partly pursuant to their own strategies. As a result, they have invested into nine funds and 22 start-ups for the past two years.

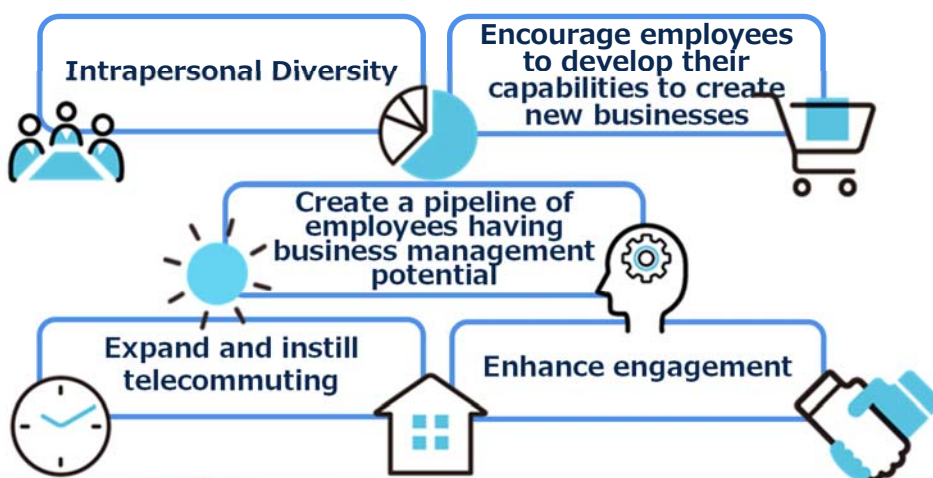
We will continue to contribute to open innovations through active investments.

Reform of corporate culture



Aim to strengthen capabilities for proactively creating value and designing business ecosystems

Human Resource Foresight™
Strategic personnel system reforms
Workstyle Foresight®
Workstyle reforms Organizational reforms Workforce reforms
Diversity Foresight®
Diversity promotion
Management Foresight®
Business operation process reforms System reforms



Next, I would like to describe our corporate culture reform.

We launched the 'Human Resource Foresight', a strategic workforce reform in this fiscal year. This reform is designed to cultivate a corporate culture where employees are encouraged to take initiative in creating and providing business ecosystems and platforms capable of socially beneficial services. We will train employees to enable sustainable innovations by widening their capabilities and playing various roles. We will promote the intrapersonal diversity with an eye towards establishing our talent management scheme to visualize self-reformation of individual employees and assimilation of their knowledge.

We have now 900 business-producing employees engaged in creating new businesses, against a target of 1,000 employees for the year 2020. This shows a steady progress of our efforts to reform our corporate culture and workforce by stimulating awareness of knowledge exploration partly through a program to develop business entrepreneurs 'Next Principal' continuing since 2010, a 'field experience program' implemented partly from external viewpoints such as SDGs, and a 'business design study' of industry-academia collaboration. Furthermore, we have been creating a business manager pipeline to develop candidates into managers to take an initiative in implementing reform programs pursuant to a succession plan.

Also, we have made efforts to improve productivity and recognize various types of workstyles as indicated in our Workstyle Foresight. Part of our efforts is a telecommuting training session with 97% of our 3,030 Tokyo employees participating during a Telework Days period. The intention was to promote telecommuting with an eye towards our BCP in an event of natural disasters that seem to recently increase and traffic congestions that are expected during the Olympic and Paralympic Games Tokyo 2020.

As a result, we have witnessed a continuous improvement of engagement score, part of indices to measure progress statuses of corporate culture reform, higher than our target. We were recognized for these endeavors and achievements by receiving awards and accreditations such as 'New Diversity Management Selection 100' and 'Top Hundred Telework Pioneer: Minister of Internal Affairs and Communications Award'.

Corporate Governance

1. Composition of Board of Directors and Audit & Supervisory Board

	Total Members	Independent Officers	Percentage of Board of Directors or Audit & Supervisory Board	
			Women	
Board of Directors	9	3	2	33.3%
Audit & Supervisory Board	5	3	1	60.0%
Total	14	6	3	42.9%

⇒ Three independent outside directors including two women

⇒ Three independent outside members of the Audit & Supervisory Board including one woman

2. Nomination and Remuneration Committee

- ✓ The committee was established in November 2015. It has been chaired by an independent outside directors since June 2019.

3. Cross-shareholdings

Policy: Verify the purpose of holding cross-shareholdings in light of durability and consistency within the context of business strategies from the medium-and long-term viewpoints.

If the meaning of holding the cross-shareholding shares has declined as a result of the verification, sell the shares.

- ✓ Reduced the cross-shareholdings by nine stocks during the fiscal year ended March 2019 (with 31 stocks left after the sales)
- ✓ Reduced the cross-shareholding by four stocks during the first half of the fiscal year ending March 2020 (with 27 stocks left after the sales)

I will describe our corporate governance attempts before concluding my briefing.

The Company aims to enable our sustainable growth and increase our corporate value. The Company has focused on developing mechanisms to help the management make sound and prompt business decisions and improving them, from this viewpoint.

We have been aware of recent changes in the market environment. Thus, we have elected as our outside directors persons who have abundant business management experience and expertise in order to deliver objective and transparent judgements from a wider viewpoint. Also, we appointed an independent outside director as chairperson of the Nomination and Remuneration Committee this June. (The Committee used to be chaired by the President & CEO.)

We verify the purpose of holding cross-shareholdings in light of durability and consistency within the context of business strategies from the medium-and long-term viewpoints. If the meaning of holding the cross-shareholding shares has declined as a result of the verification, we sell the shares.

This concludes my briefing. Thank you.

Foresight in sight

UNISYS

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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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