



# Mid-term Management Plan (2012→2014)

December 20, 2011\*

Nihon Unisys, Ltd.  
President & CEO  
**Shigeru Kurokawa**

# Scope of This Briefing

## Nihon Unisys Group Mid-term Management Plan (2012→2014)

— Issues for Corporate Transformation for a Sustainable Growth —

Mid-term Management Plan (2012→2014)

Mid-term Management Plan



**The Vision for the Group  
Mid-term Targets  
Direction of our Aim**



Individual Business Plan

(to be prepared in January to February )

**Targets/Plans by Group Company, Business Unit**

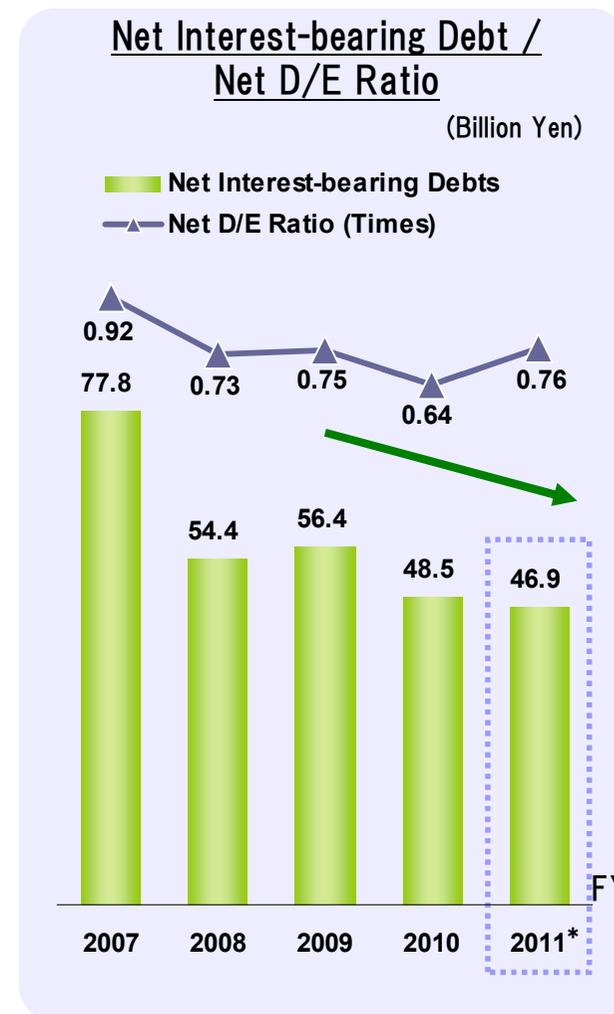
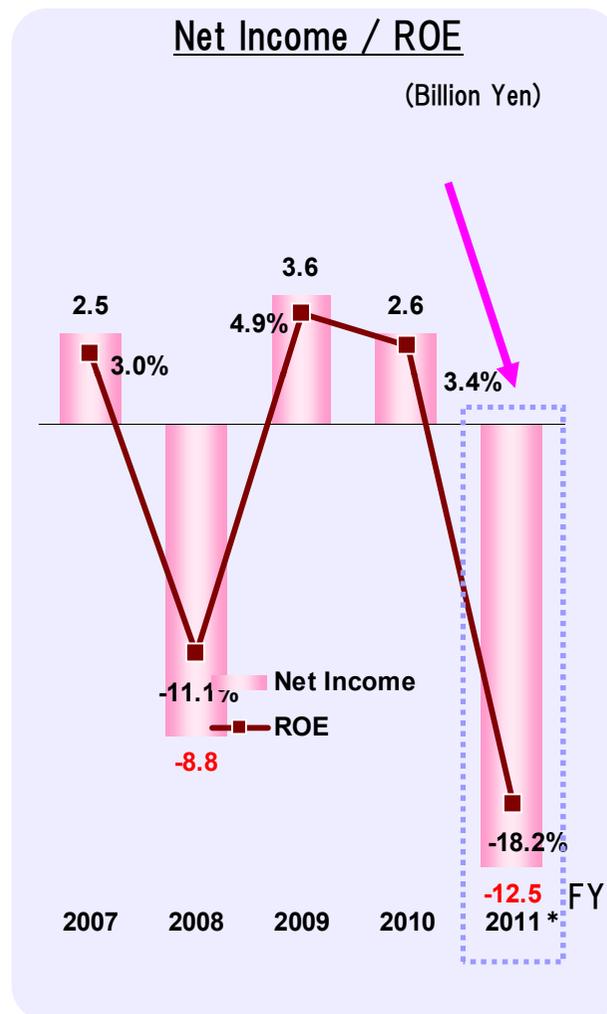
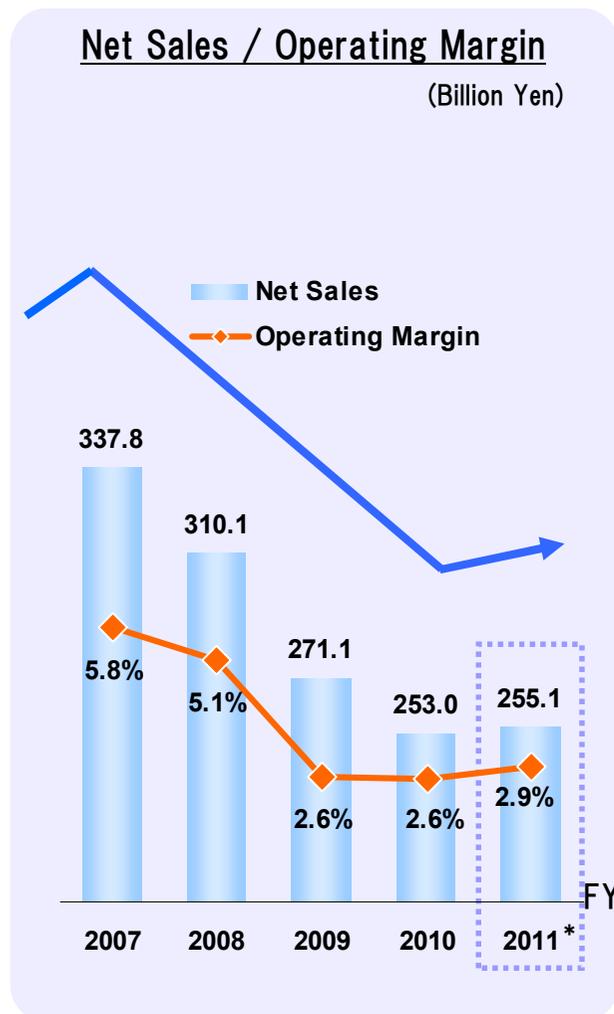
- 1. Changes in the Performance of the Past**
- 2. Environment of Markets**
- 3. Characteristics of our Businesses**
- 4. New Opportunities for our Businesses**
- 5. Mid-term Vision**
- 6. Guidelines for Mid-term 3-year Plan**
- 7. Key Strategies**

**Note:** The expression “FY/ fiscal year” utilized in this document indicates the fiscal year which finishes at the end of March of the following year.

(Example: The expression FY2012 refers to the fiscal year ending March 2013.)

# 1. Changes in the Performance of the Past

Constitutional improvement is urgently required in order to halt the declining tendency of earnings and direct our business toward a sustainable growth, amid the severe environment for our business.



(\* The result values for FY2011 have been reflected)

# 1. Factors for the Changes in the Performance of the Past

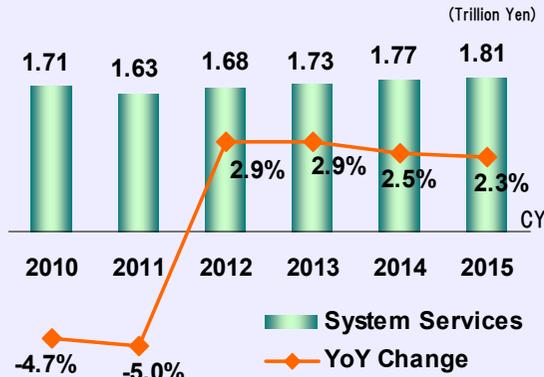
## **Weak performance as a result of delayed responses to the changes in the market environment**

- Lost opportunities for orders as a result of choosing projects on the basis of profitability concerns in the business environment where companies have reduced their ICT investments**
- Lack of agile responses to the changes in the businesses of customers**
- Weakness in the investment policies (Delayed recovery of investment)**
- Delayed reforms addressing habituated excessive generosity and complacency, and a corporate structure predicated on high fixed expenditure**

# 2. Environment of Markets

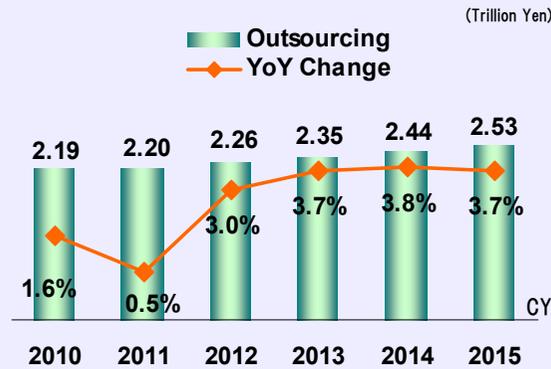
New markets are expected to grow, in contrast to a slow growth of the market of SI, System Integration

## System Services Market



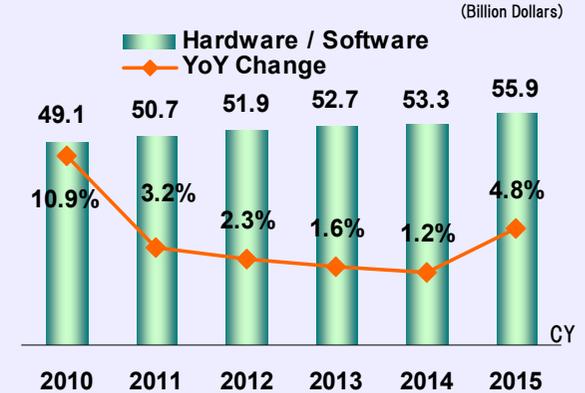
Source: IDC Japan, 2011, October, 2011 Japan IT Services 2011-2015 Forecast Update and 2010 Review by Vertical Segment: First-Half 2011 (J11260106)  
Note: The data on the basis of project among those of IT services was excerpted.

## Outsourcing Market



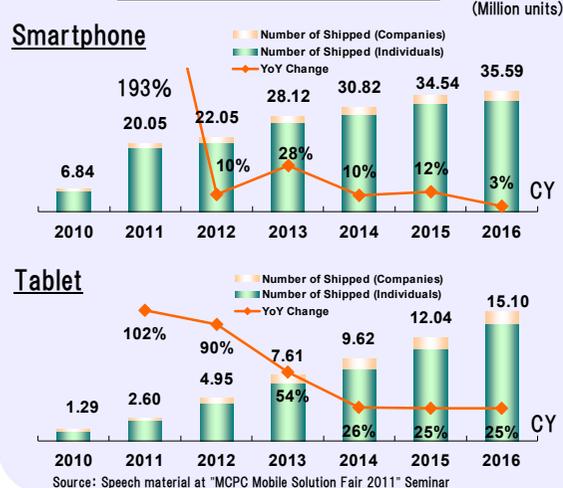
Source: IDC Japan, 2011, October, 2011 Japan IT Services 2011-2015 Forecast Update and 2010 Review by Vertical Segment: First-Half 2011 (J11260106)  
Note: The data of IT outsourcing among those of IT services was excerpted.

## Hardware / Software Market



Source: Gartner "Gartner Market Databook, 3Q11 Update" September 23, 2011 Table2-1 Worldwide End-User Spending on IT by Technology Segment and Region  
Note: Total of Computing Hardware and Software (Japan markets)

## New Devices Market



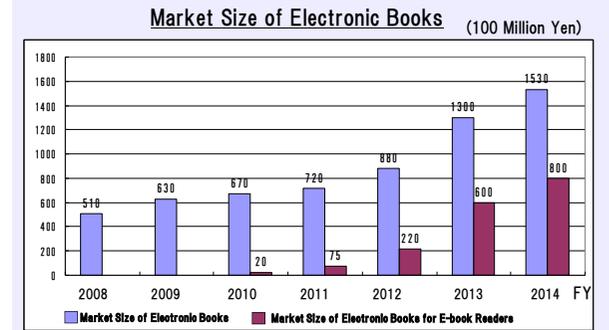
Source: Speech material at "MCPC Mobile Solution Fair 2011" Seminar

## Smart City-related IT Investments



Note: An actual performance value is shown for 2010, and forecast values are shown for the other years.  
Source: Press release by IDC Japan "Announcement of Japan IT Market Forecast about Smart Cities" September 1, 2011

## Electronic Books Market

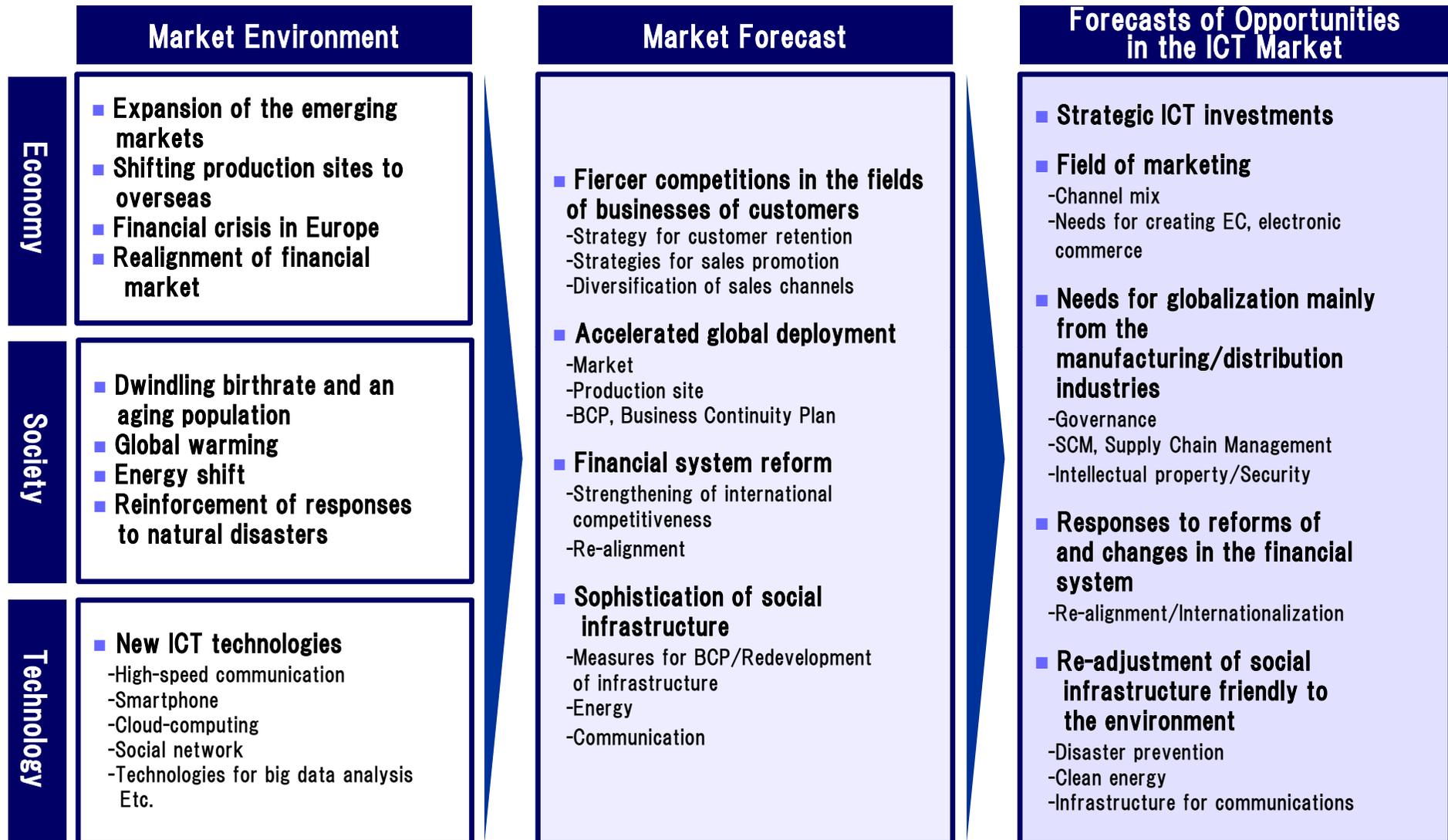


Note 1: Based on sales value of content business establishments.  
Note 2: (est.) means an estimated value, and (fcs.t.) means a forecast value. (as of November 2010)  
Note 3: E-book readers refer to the terminals for reading, including tablet personal computers such as iPad.  
Note 4: The market size of electronic books for e-book readers is included in the market size of electronic books.  
Note 5: The market size does not include the cost of terminals to display the content, the cost of communications for downloads and the revenue from advertising.

Source: Yano Research Institute Ltd. "Electronic Book Industry in Japan: Key Research Findings 2010" (announced on November 18, 2010)

## 2. Environment of Markets

**New needs for ICT are expected, due to the changes in the market environment.**



# 3. Characteristics of our Businesses

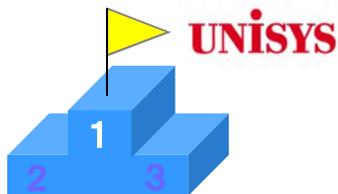
Despite our capabilities of providing a full range of ICT services for all types of industries, we have been kept in the limited scope of the system integration business for specific markets.

## characteristics

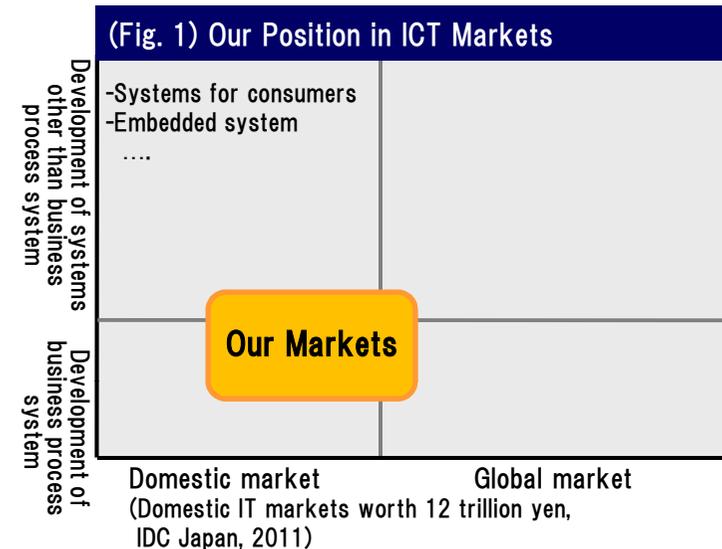
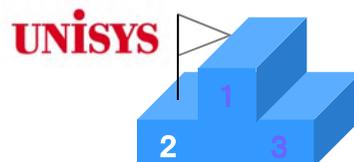
- Majoring in business process systems for specific domestic markets (Fig. 1)
- Our SI business mainly performs the scratch development.
- Deployment of a full range of ICT services for all types of industries (Fig. 2)
- Discrete delivery of individual services
- Major customer base
- High appreciation for our responsible attitude to accomplishment (Customer satisfaction\*)
- Actual performances of providing services as a multi-vendor
- Actual performances of providing solutions, which combine on-premises operations and cloud computing

\*16th Customer Satisfaction Survey by Nikkei Computer (Issued in the August 18th 2011)

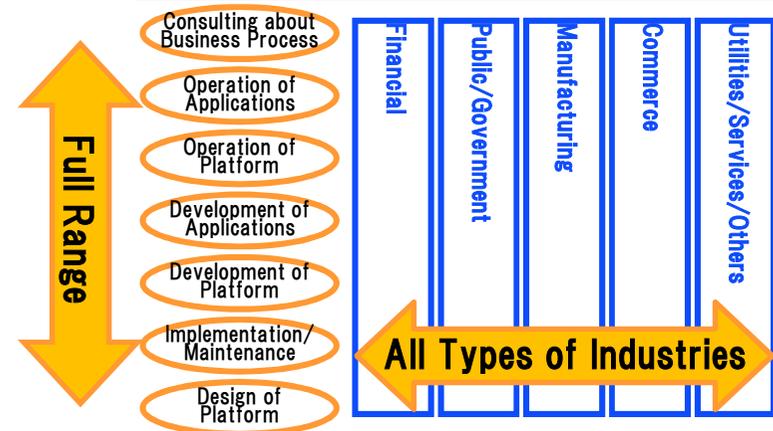
System Development  
Related Services



IT Consulting / Upstream  
System Design Related Service



(Fig. 2) Domains of Our Services



# 4. New Opportunities for our Businesses

## Understanding and responding to new ICT needs, and uncovering business opportunities

### Our Characteristics

- Capability of providing various IT services that suit the business strategies of customers
- Many performances of developing contact point solution system
- Capability of responding to the needs for global deployment
- Achievements of developing and providing many solutions to various types of industries
- Retention of the major customer base operating in the social infrastructure field

### Opportunities in ICT Market

- Increase in the strategic ICT investments
- Strengthening of marketing
- Responses to globalization mainly for manufacturing/distribution industries
- Responses to reforms of and changes in the financial system
- Redeveloping social infrastructure to make it friendly to the environment

### New Opportunities for our Businesses

- Domain of our core businesses\*
  - "Optimization of ICT" that suits the business strategies
  - Fields of contact points/marketing
  - Responses to globalization mainly for manufacturing/distribution industries
  - Responses to the realignment of financial markets and reforms of financial system
- Co-Creation/BPO (Business Process Outsourcing) business
- Businesses of social infrastructure

\* System & network integration

## 5. Mid-term Vision

### Mission of the Nihon Unisys Group

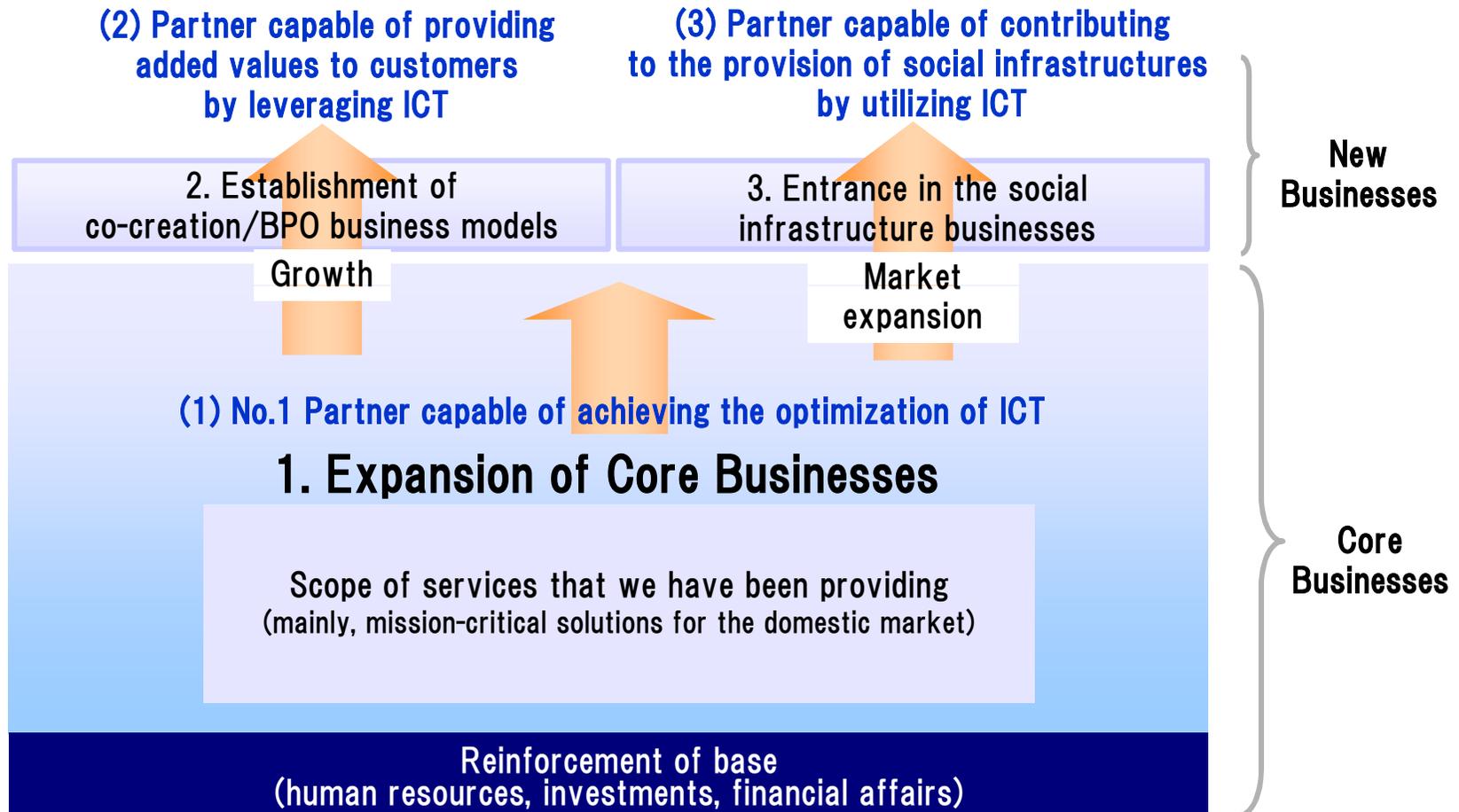
**We will create a society  
which is “kind to people and the environment”  
together with our customers, through the use of ICT**

### Mid-term Vision

- 1. We will become the No.1 partner capable of achieving the optimization of ICT**
- 2. We will become a partner capable of providing added values to customers by leveraging ICT.**
- 3. We will become a partner capable of contributing to the provision of social infrastructures by utilizing ICT.**

## 5. Mid-term Vision: Fundamental Policies

**We will stabilize the base of our earnings in 3 years  
on the basis of expanded core businesses.  
We will aim to enhance our businesses through new opportunities.**



# 6. Mid-term 3-year Plan: Guidelines

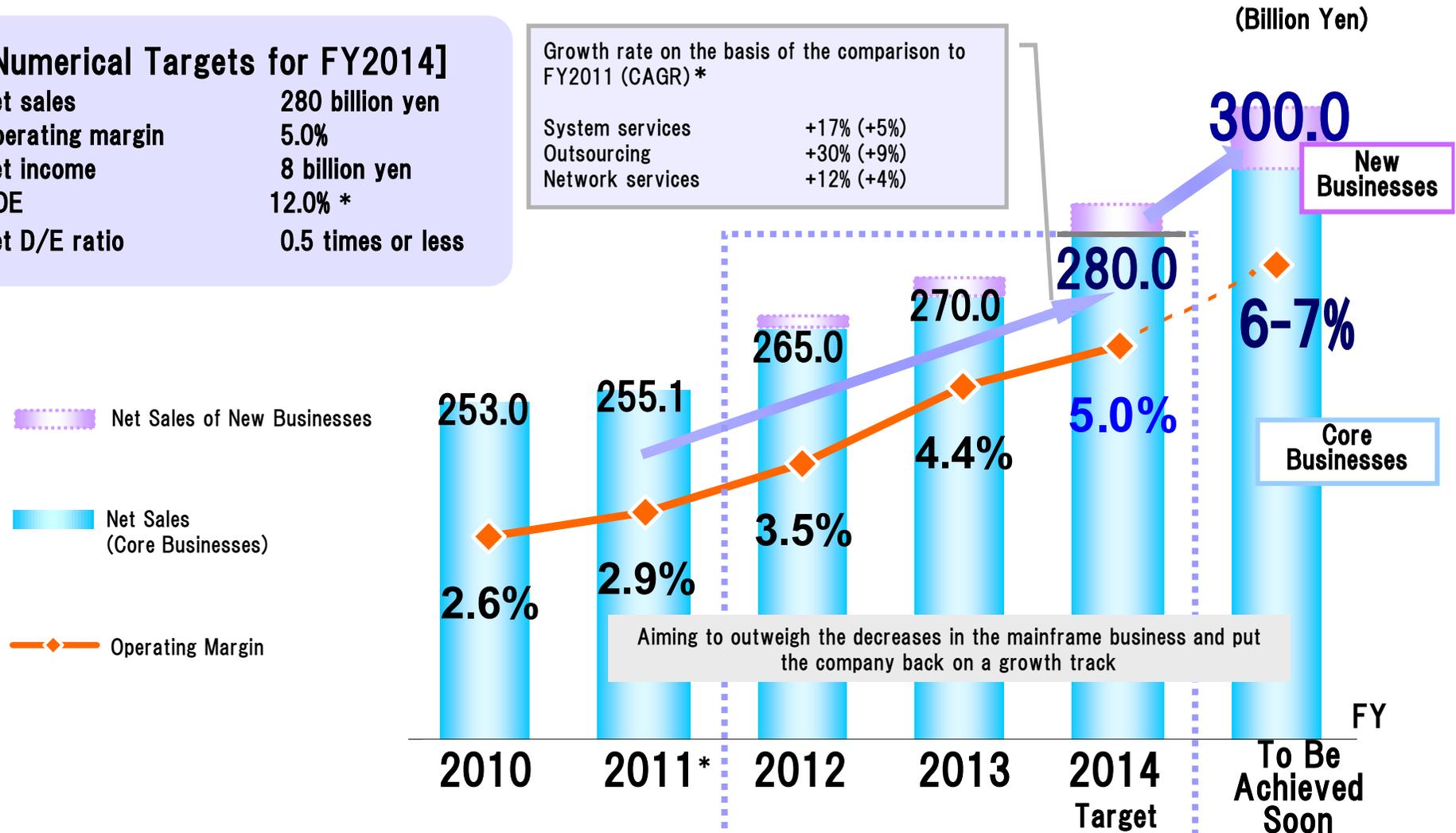
**Targets: Net sales of 280 billion yen and operating margin of 5% (core businesses)**  
**We will aim to achieve net sales of 300 billion yen and operating margin of 6 to 7% soon.**

## [Numerical Targets for FY2014]

Net sales	280 billion yen
Operating margin	5.0%
Net income	8 billion yen
ROE	12.0% *
Net D/E ratio	0.5 times or less

Growth rate on the basis of the comparison to FY2011 (CAGR) \*

System services	+17% (+5%)
Outsourcing	+30% (+9%)
Network services	+12% (+4%)

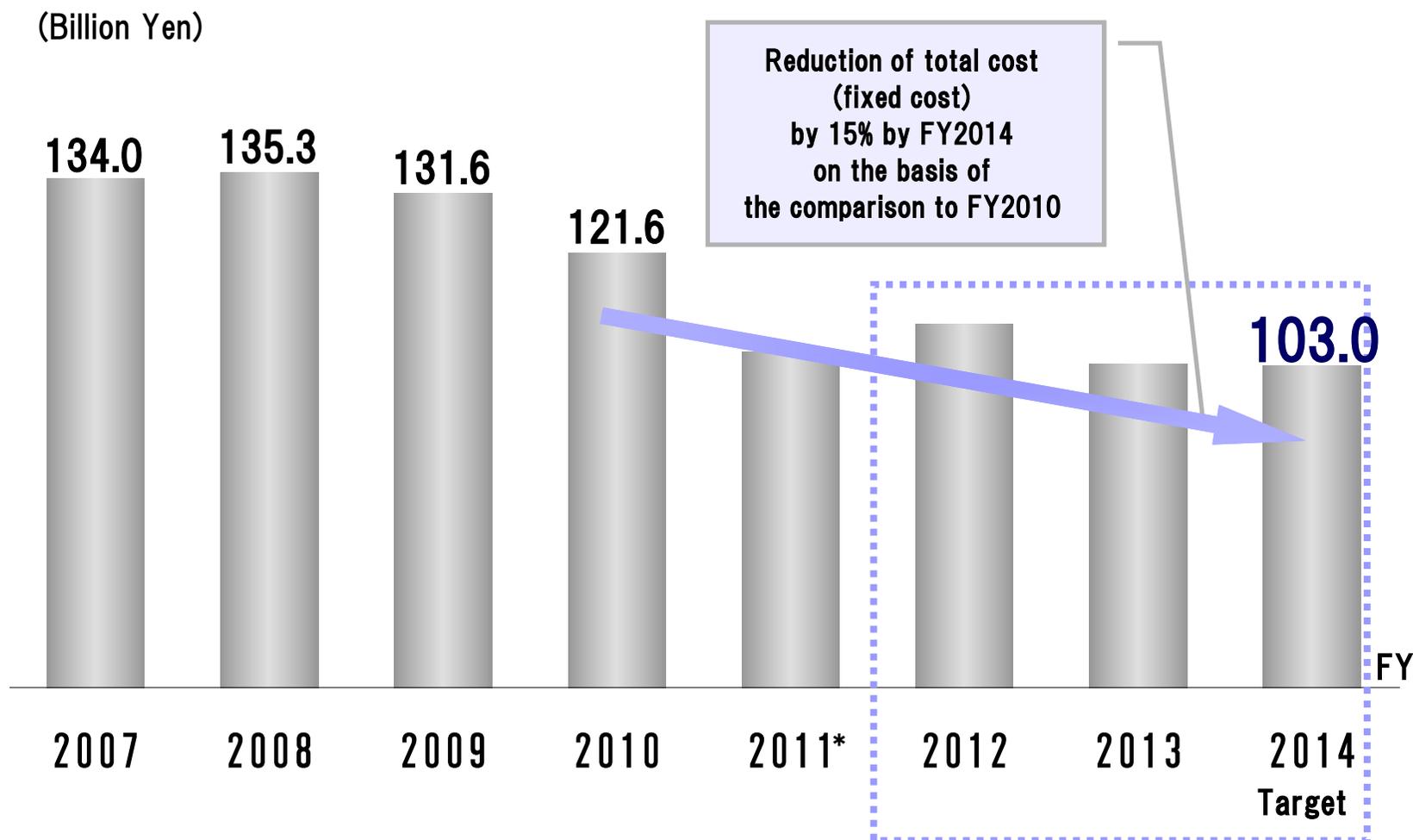


(\* The result value for FY 2011 has been reflected)

## 6. Mid-term 3-year Plan: Guidelines

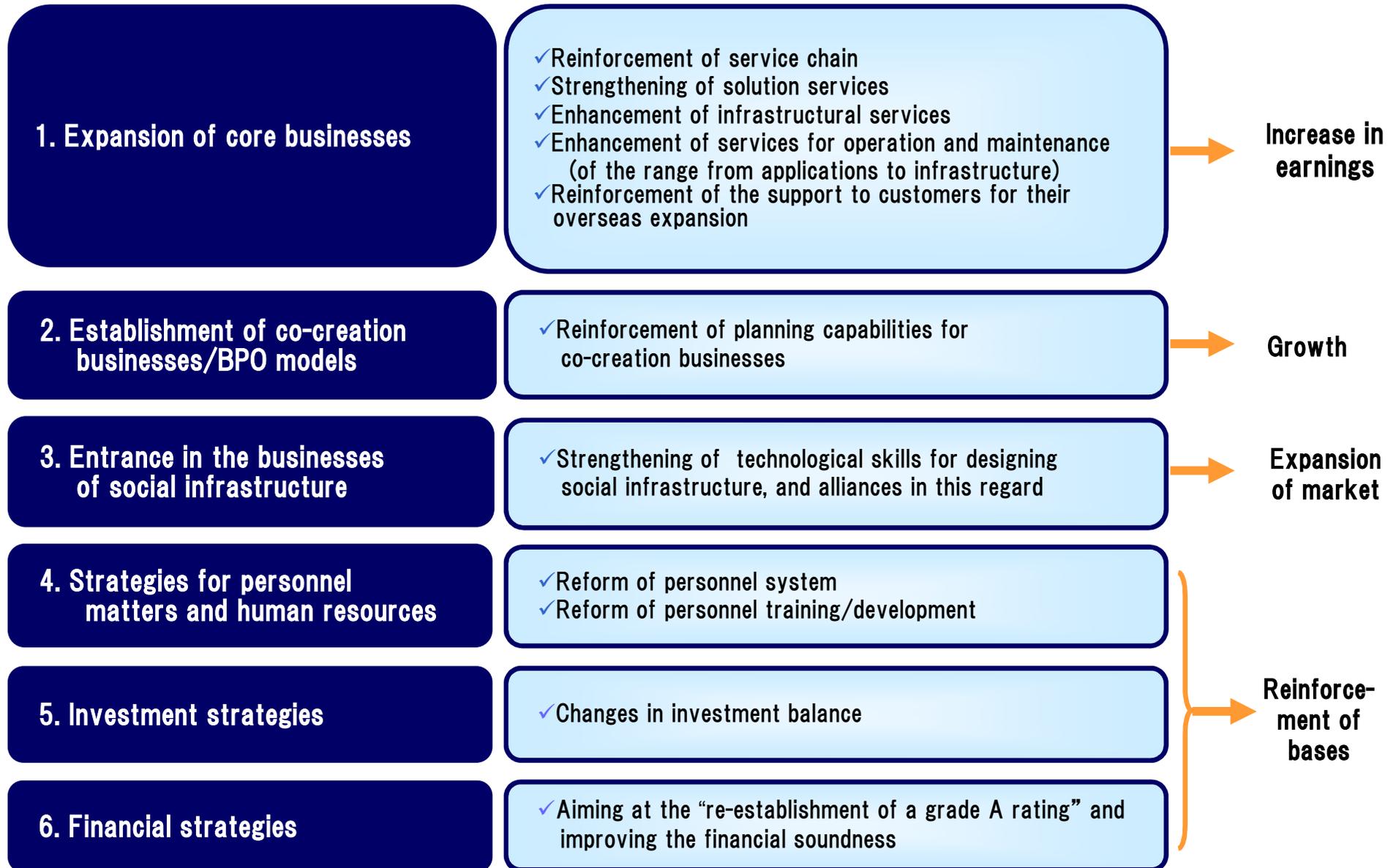
Improvement of our cost structure  
on the basis of a continued decrease in our fixed cost

### Changes in Total Cost



(\* The result value for FY 2011 has been reflected)

# 7. Key Strategies



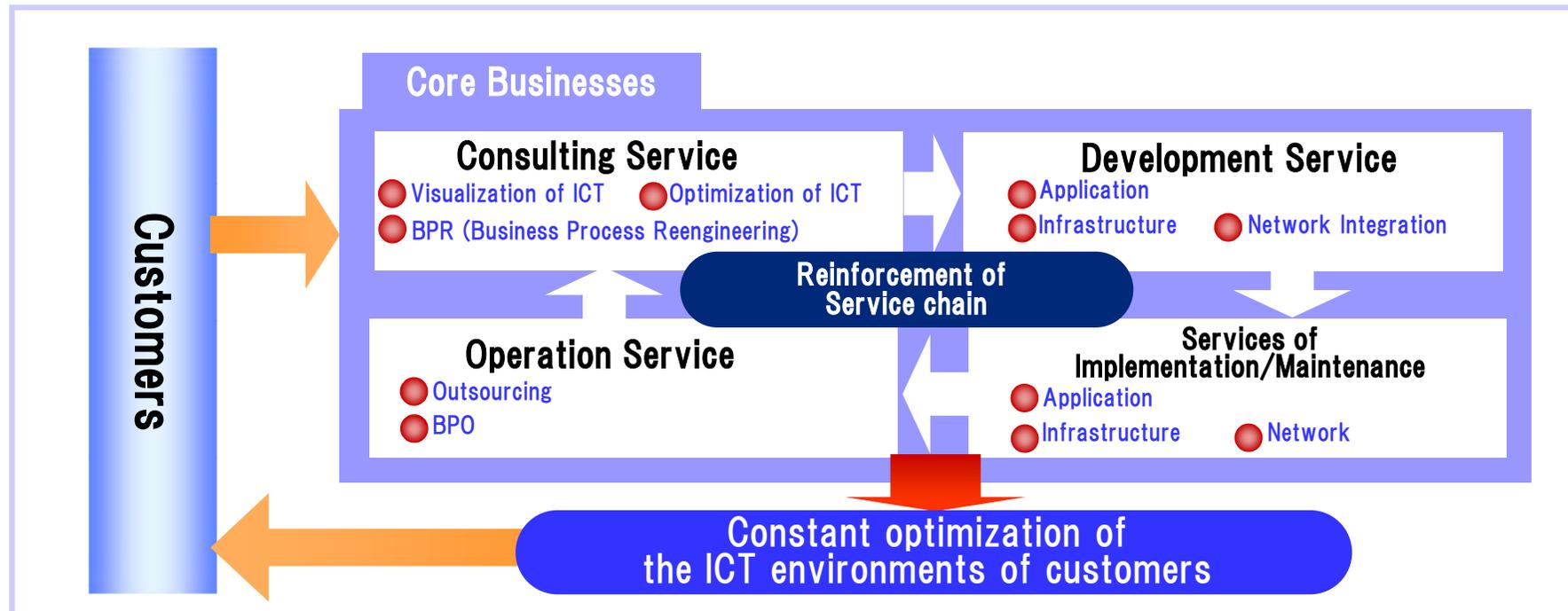
# 7. Key Strategies 1 Expansion of Core Businesses (1/3)

## Key Strategy

**Reinforcement of Service Chain**

## Summary of Strategy

- Strengthening of upstream consulting business for customers from the viewpoint of entire ICT lifecycle and from mid-/long-term viewpoints
- Re-alignment of functions assigned to group companies
- Reform of the flow of business process



## 7. Key Strategies 1 Expansion of Core Businesses (2/3)

### Key Strategy

#### Strengthening of Solution Services

### Summary of Strategy

- Shift from template-type services to introduction-type services\*
- Diversifying and improving the product line through alliances

\*Change from solution services in which customization is righteously presumed to those which are based on least customization

#### Case Examples

- Information system infrastructure for commerce “CoreCenter®”, System for lease business “LeaseCreation®”
- Provision of sales support system for pharmaceutical industry by way of cloud-computing service in cooperation with IMS Japan K.K. Cooperation with Works Applications Co., Ltd. in the field of personnel matters/accounting system (ERP package “COMPANY®”)

### Key Strategy

#### Enhancement of Infrastructural Services

### Summary of Strategy

- Reinforcement/integration of arrangements for making proposals regarding infrastructure
  - Reinforcement of arrangements for sales/maintenance of infrastructure-related products
  - Acceleration of virtualization/automation businesses of solutions
  - Acceleration of businesses of making proposals and redesigning for the migration to multi-vendor cloud-computing and hybrid systems

#### Case Examples

- Services of server virtualization/virtual desktop, Services of U-Cloud®
- Services of information securities, Solutions for disaster countermeasure and business continuity supports, etc.

## 7. Key Strategies 1 Expansion of Core Businesses (3/3)

### Key Strategy

**Enhancement of Services for  
Operation/Maintenance  
(of the range from  
application to infrastructure)**

### Summary of Strategy

- Change from an SI-centered discrete services to comprehensive services that include operation/maintenance services (for application and infrastructure)
- Laborsaving and streamlining of the outsourcing scheme that deals with individual customers

#### Case Examples

- S-BITS services have already been operating for 7 banks and are to operate for 9 banks in total, Shinkin Bank outsourcing scheme through which outsourcing services for exchange are provided, LCM services, Integrated system management service "IP&A®", etc.

### Key Strategy

**Reinforcement of Supports to  
Customers for their  
Overseas Expansion**

### Summary of Strategy

- Promoting the globalization for the proven solutions (created by our group/other companies)
- Strengthening our arrangements for globally delivering our services
- Development of personnel suitable for global ICT businesses

#### Case Examples

- 7 local corporations of NETMARKS, 11 distributors of specific solutions, 14 distributors of UEL Corporation, USOL Vietnam, and Unisys Corporation in US (all the regions)

## 7. Key Strategies 2

### Establishment of Co-creation Businesses/BPO Models

#### Key Strategy

**Reinforcement of  
Planning Capabilities  
for Co-creation Businesses**

#### Summary of Strategy

- Reinforcement of upstream consulting services (consulting services about business management and business process)
- Development of personnel capable of creating and innovating at their own initiative
- Reforming the flow of business process

#### Case Examples

- Co-creation businesses with customers (gift card mall, cloud-type taxi assignment system, Yamada Mobile, etc.)
- Cases of partnering (World Co., Ltd., Library services for electronic books published by Yuhikaku Co., Ltd., "The Samurai Gourmet")
- Introduction of training program for developing personnel capable of creating businesses ("Principal System")

## 7. Key Strategies 3 Entrance in the Businesses of Social Infrastructure

### Key Strategy

**Strengthening of Technological Skills for Designing Social Infrastructure\*, and alliances in this regard**

### Summary of Strategy

- Strengthening of coordination among engineers of basic domains (for devices, OS, technologies of use, etc)
- Strengthening of alliances with customers operating in the field of social infrastructure
  - Government, local autonomous bodies
  - Power companies, automobile manufacturers, medical institutions, carriers, manufacturers, etc.
- Active participation in demonstration experiment projects, eventual commercialization and development of business models

\*Coordination regarding devices/services and mutual operation technologies etc.

### Case Examples

- Provision of social infrastructure
  - Infrastructure for battery charging for electric vehicles “smart oasis®”
  - Cloud-computing solutions for local governments (information sharing system for crisis management “SAVEaid®”, mission-critical business system “Civicloud®”)
- Participation in the Promotion program for Reducing global Environmental load through ICT innovation (PREDICT), part of the countermeasures taken against global warming by Ministry of Internal Affairs and Communications (CO<sub>2</sub> emission credit)

## 7. Key Strategies 4 Strategies for Personnel Matters and Human Resources

### Key Strategies

#### Reform of Personnel System

#### Reform of Personnel Training/Development

### Summary of Strategies

- Efforts to reinvent and tighten our personnel system, such as drastic implementation of performance appraisal
- Reduction of the number of employees from 9,300(\*1) to 8,000(\*2) in conjunction with a reform of business structure

- Promotion of programs for personnel development
  - Implementation of career design
  - Review and improvement of training system
- Implementation of re-training and appropriate assignment of personnel

(\*1) Actual number of employees on a consolidated basis as of the end of September,2011

(\*2) Targeted number of employees at the end of FY2014 (excluding the number of employees of USOL Vietnam)

## 7. Key Strategies 5 Investment Strategies

**We will maintain the total costs of current investments such as capital expenditures and R&D costs.  
We will change the balance of R&D investments in order to accelerate our business growth.**

### Types of Investment

**Investment in  
Social Infrastructure/  
Co-creation Businesses**

**Investment in  
Product Development  
(Packaged software based  
solution services)**

**Investment in  
Product Development  
(Template based solution services)**

**Investment in  
Research in Pioneering Technologies  
and Development of Intellectual  
property**

### Strategies of Investment

**Challenging ourselves with this new investment**

**Changing the focus of investment from template based solution services in order to strengthen this type of investment**

**Changing the focus to improvement and maintenance of the existing solutions**

**Retention**



# 7. Key Strategies 6 Financial Strategies

## Re-establishment of a Grade A Rating

### Standards of Earnings for a Grade A Rating

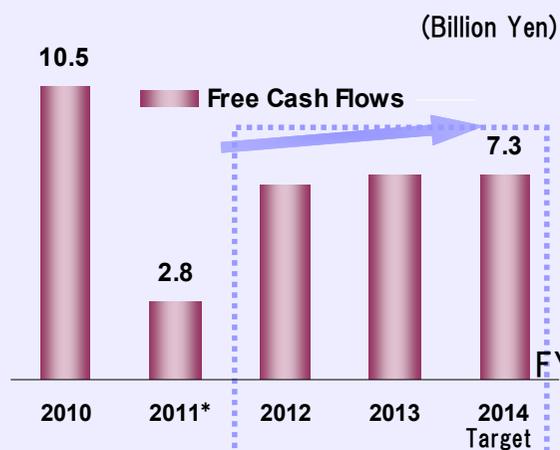
- Operating Margin: higher single digit percentage margin
- Equity Capital Ratio: 45% approx.
- EBITDA: 30 billion yen
- Net Debt/Equity Ratio: 0.5 times approx.

### Initiatives

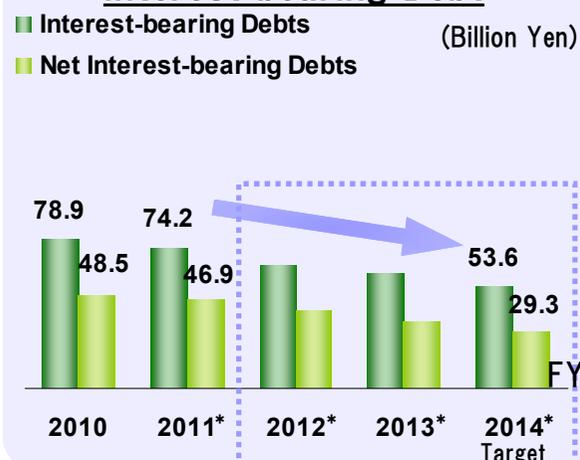
### Improvement of cash flows and enhancement of financial strength

- Increase in earnings (for the adequacy of equity capital) and improvement of cash flows provided by operating activities on the basis of an ensured achievement of earnings target
- Investment within the appropriate scope (the range of depreciation/amortization cost)
- Enhancement of financial soundness due to a reduction of interest-bearing debts

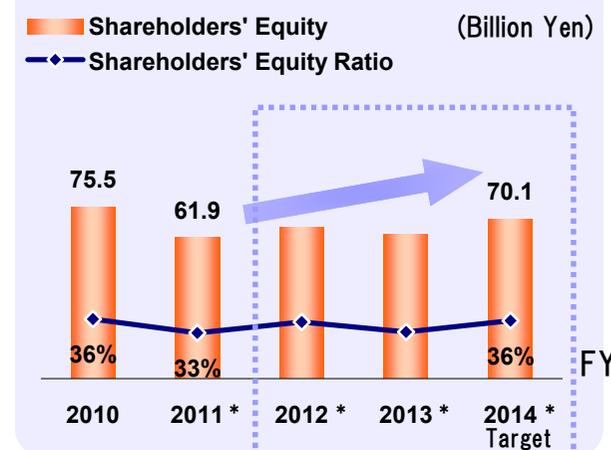
### Free Cash Flows



### Interest-bearing Debt



### Shareholders' Equity



(\* ) The result values for FY2011 have been reflected.

(\* ) The estimated amount (¥8.5 billion) of impacts of the one-time recording of unrecognized pension liability attributable to a (planned) change in accounting standards has been reflected.

# U&U

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**(Note)**

Forecasts in this document rely on judgments and assumptions based on information available at present, and are subject to changes in risks, uncertainties, economy and other factors that could cause actual results to be materially different from expectations. Information in this document is intended to provide further understanding of Nihon Unisys, Ltd. and is not intended to solicit investment.