

# Results for the Fiscal Year Ended March 2017

May 9, 2017

Nihon Unisys, Ltd.

**Foresight in sight**

(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 FY2016 refers to the fiscal year ended March 2017.)

# 1 General Overview

## 2 Efforts under the Mid-term Management Plan

Outsourcing took the lead in increasing sales and income.  
Profit attributable to owners of parent hit a record-high.

(Unit : Billion Yen)

	Full Year (Apr-Mar)		Changes	
	FY2016	FY2015		
Net Sales	282.2	278.0	+4.2	+1.5%
Gross Profit	66.7	64.6	+2.1	+3.3%
SG&A Costs	-52.4	-52.1	-0.3	-0.6%
Operating Income	14.3	12.5	+1.8	+14.3%
(Operating Margin)	(5.1%)	(4.5%)	(+0.6pt)	
Profit Attributable to Owners of Parent	10.3	8.9	+1.3	+15.0%
Orders	281.4	279.4	+2.0	+0.7%
Order Backlogs	210.7	211.6	-0.9	-0.4%

## <Key Points>

### ■ Net Sales

were boosted by on the basis of growth in our outsourcing business.

### ■ Operating Income

increased mainly due to the increase in net sales and improved profitability.

### ■ Profit Attributable to Owners of Parent

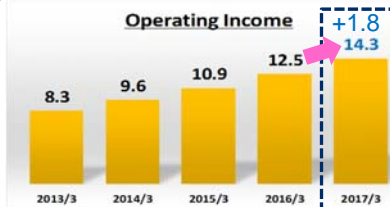
increased as a result of the increase in operating income.

### ■ Orders and order backlogs

Orders increased as a result of a continued strength in outsourcing.

Order backlogs remained at a similar level to those of the previous fiscal year.

## ■ Changes in the Full-Year Results (Unit : Billion Yen)



First of all, let me brief you on the performance for the fiscal year ended March 2017.

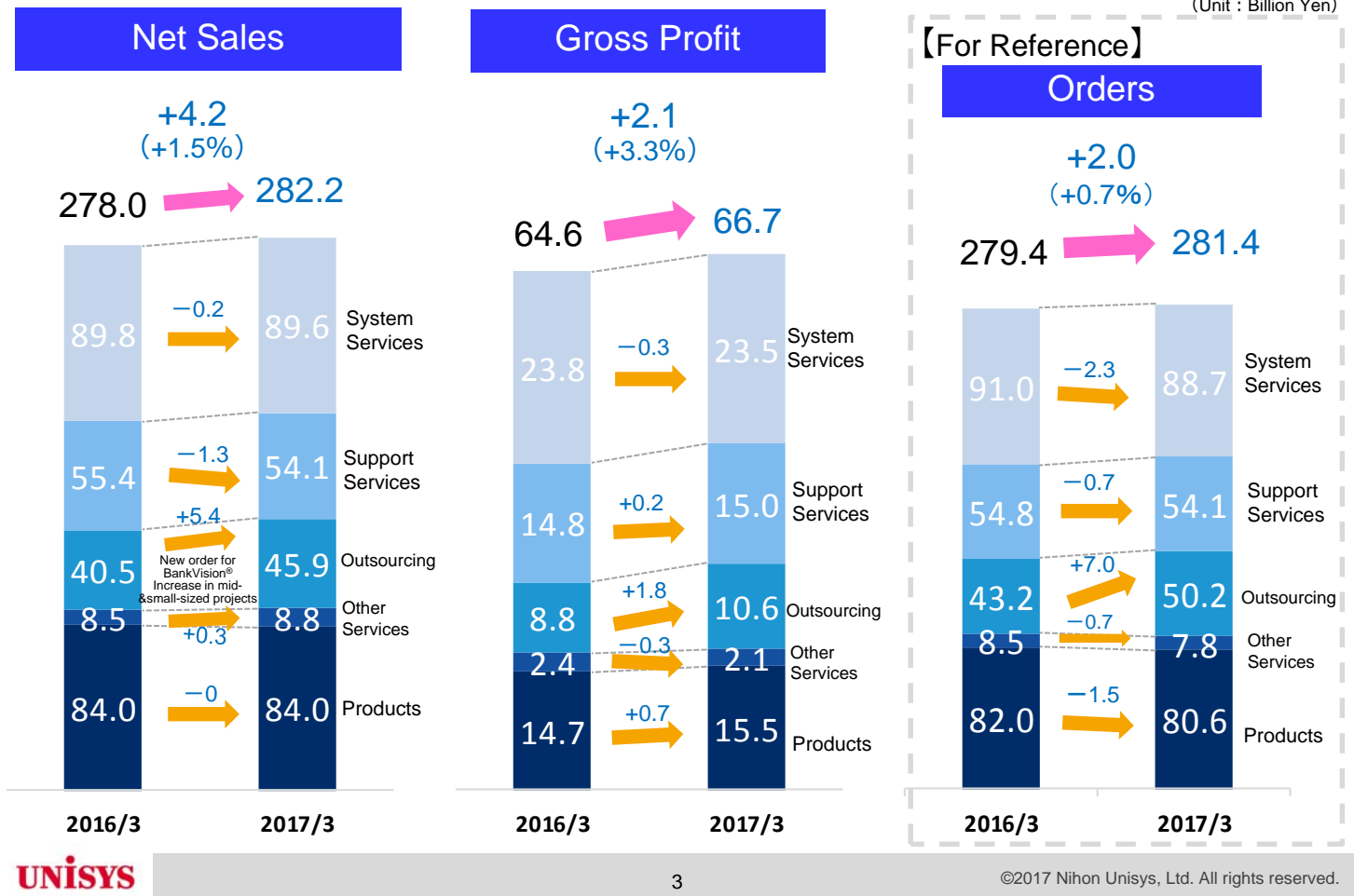
We posted: net sales of ¥282.2 billion, up by ¥4.2 billion, compared with the previous fiscal year; operating income of ¥ 14.3 billion, up by ¥1.8 billion; and profit of ¥10.3 billion, up by ¥1.3 billion.

Although the net sales were slightly lower than planned, operating income and profit eventually exceeded expectations due to improved profitability.

Outsourcing orders increased in the sectors of financial institutions and utilities/services. They boosted orders to ¥ 281.4 billion, up by ¥2.0 billion from the previous fiscal year.

However, order backlogs remained on a par with the previous period. This is partly because of an increase in commission-income type businesses that are not posted in order backlogs.

(Unit : Billion Yen)



Next, I would like to break down our situation by segment.

In the fiscal year ended March 2017, outsourcing drove an increase in the net sales and gross profit of all the segments.

Outsourcing achieved a significant increase in net sales and gross profit, attributable to an increase in small and medium sized projects as well as a new order for BankVision® awarded in Q4.

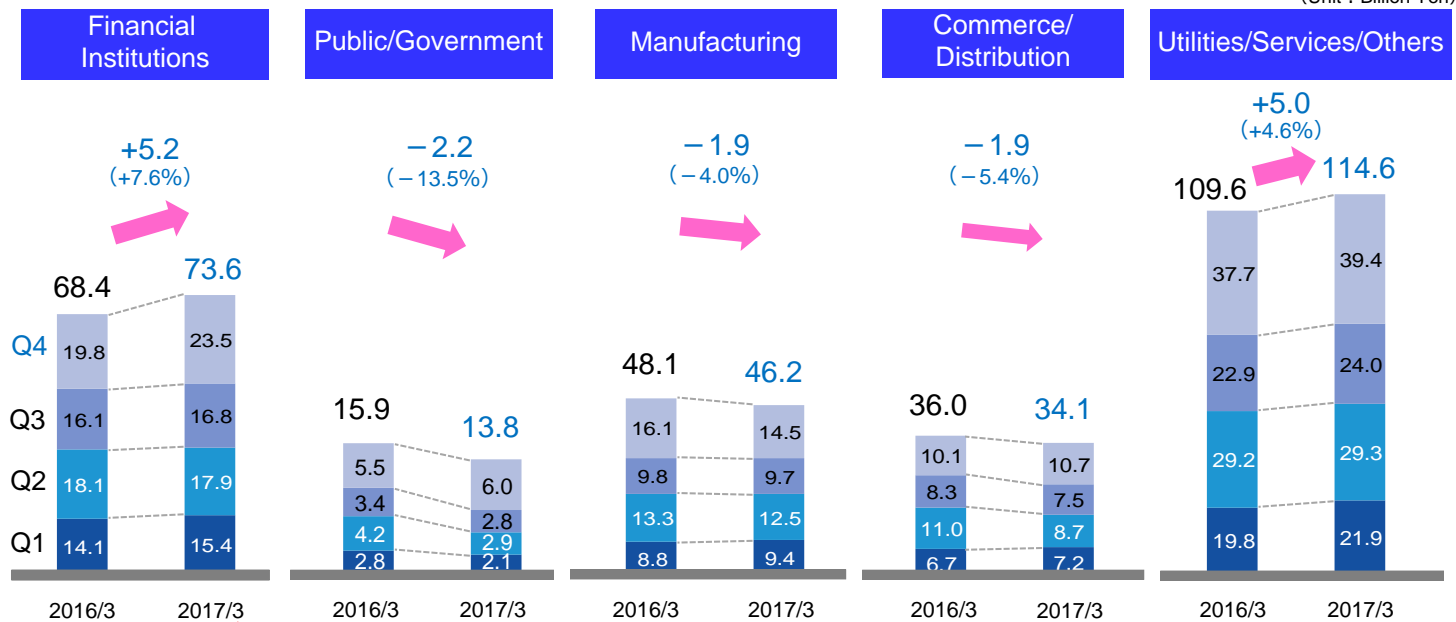
The net sales and gross profit of system services were slightly dampened.

For your information, unprofitable projects have not occurred in this period as they did not in the previous period.

Support services suffered a decrease in net sales. However, the gross profit was slightly increased due to our efforts to reduce costs such as outsourcing costs.

The profitability of products sales was improved partly due to efforts to strengthen the capability to make proposals. Thus, they contributed to the increase in gross profit.

(Unit : Billion Yen)



**Market Summaries**

- (Financial Institutions)** We were active in providing services for the front-line area and those relating to treasury and securities, in the financial market where stable ICT investments continued. FinTech efforts were strengthened further.
- (Public/Government)** Project risks were examined before bidding.
- (Manufacturing)** Our sector was busy with project activities mainly for the automotive industry. Earnest efforts to deal with IoT began.
- (Commerce/Distribution)** Our sector saw an increase in enquiries regarding omnichannel support capable of improving retail competitiveness. Use of robotics/AI was emphasized.
- (Utilities/Services/Others)** Businesses for the social infrastructure area were strengthened by putting our energy management systems at the core. EDRs were released overseas.

Next, I would like to explain net sales by market.

Our businesses continued to be strong in the markets of financial institutions and utilities/services/others.

In the financial market, ICT investments remained stable. We actively provided to regional financial institutions solutions for the front-line area and those about treasury and securities. Furthermore, we strengthened our FinTech efforts.

Public/government project risks were examined before bidding. As a result, the business suffered a decrease in net sales.

Our manufacturing net sales were decreased due to a decrease in small- to medium-scale projects. However, demands mainly in the automotive sector continued to be stable. Accordingly, we intensified our efforts mainly in the IoT area.

In the commerce/distribution market, many enquiries about omnichannel support continued. We started efforts to help shops serve customers and operate business through the use of robotics and AI.

In the utilities/services/others market, we continued our efforts to deal with projects arising from the liberalization of gas retail market. Furthermore, we intensified our business efforts in the social infrastructure area with a focus on energy management system. In addition, we started to provide EDR services overseas.

An increase in income is forecasted on the basis of an increase in sales and improved profitability.

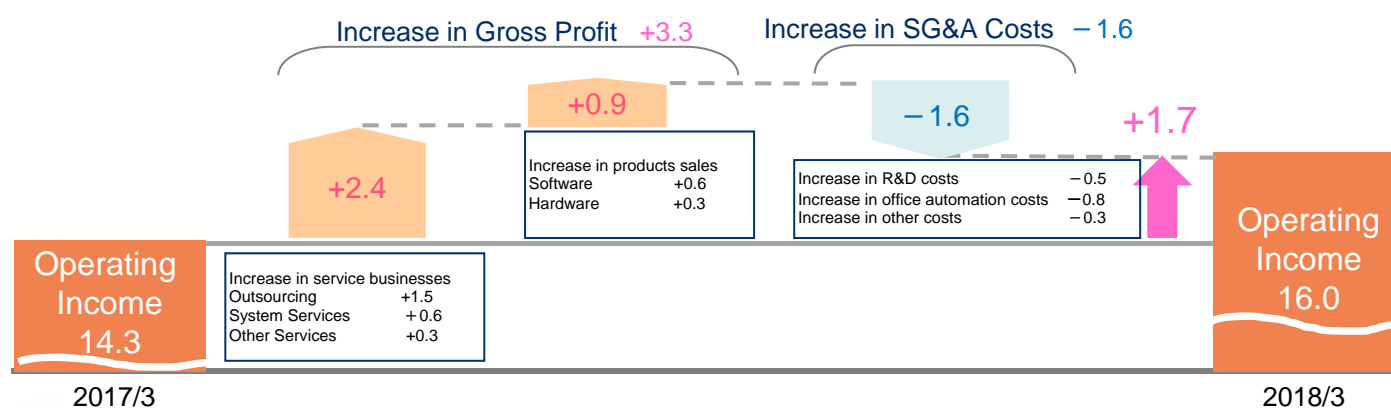
(Unit : Billion Yen)

	FY2016 Full-Year Actual			FY2017 Full-Year Forecast		
	Amount	Yr/Yr Changes		Amount	Yr/Yr Change	
Net Sales	282.2	+4.2	+1.5%	290.0	+7.8	+2.7%
Operating Income	14.3	+1.8	+14.3%	16.0	+1.7	+11.8%
(Operating Margin)	(5.1%)		(+0.6pt)	(5.5%)		(+0.4pt)
Profit attributable to Owners of Parent	10.3	+1.3	+15.0%	11.0	+0.7	+7.2%

(Note) See the supplementary material for the full-year forecast breakdown.

## 【Operating Income Changes】

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



Let me explain the performance forecast.

We forecast on a full-year basis: net sales of ¥290.0 billion, up by ¥7.8 billion from the previous period; operating income of ¥16.0 billion, up by ¥1.7 billion; and profit of ¥11.0 billion, up by ¥0.7 billion.

The fiscal year will be the final fiscal year of the 3-year Mid-term Management Plan.

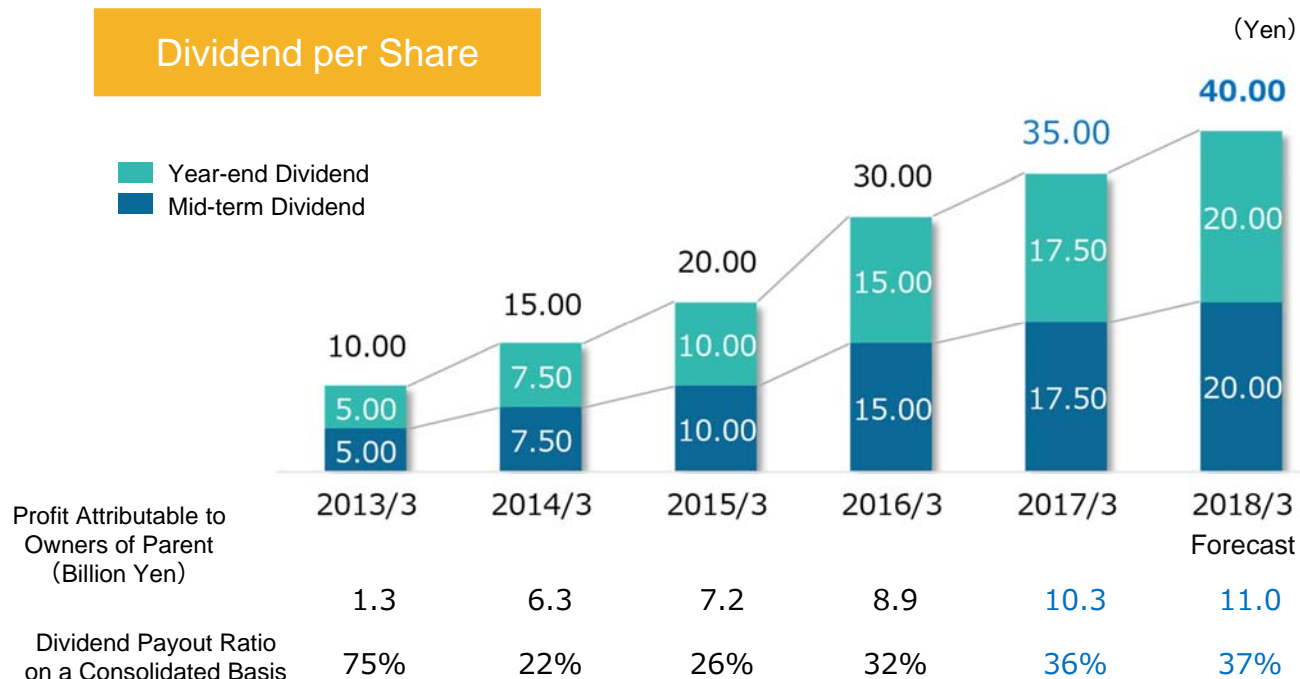
The guidelines when the Mid-term Management Plan was made indicated net sales of ¥320.0 billion and operating income of ¥17.0 billion. However, partly due to considering the recent market environment and partly because of further costs to bear such as retirement benefit costs and pro forma standard taxation impacts, we revised the guidelines.

Profitability was improved. Thus, operating margin is expected to increase to 5.5 % from 5.3 % when the Mid-term Management Plan was made.

As indicated in the graph, we expect: a ¥3.3 billion increase in gross profit; a ¥1.6 billion increase in SG&A costs; and resulting in a ¥ 1.7 billion increase in operating profit.

- ✓ Continued increase in dividends for six consecutive periods
- ✓ Fiscal year ending March 2018  
expected annual dividends ¥40 per share (up by ¥5 / dividend payout ratio 37 %)

## Dividend per Share



I would like to explain returns to shareholders.

The planned full-year profit for the fiscal year ended March 2017 was almost attained.

Thus, the annual dividend of ¥35 per share will be submitted at the general meeting of shareholders for approval.

We indicated our intention to implement a 30% dividend payout ratio target in order to increase returns to shareholders in the Mid-term Management Plan that was started in the fiscal year ended March 2016.

Dividends of the fiscal year ending March 2018 are planned, pursuant to this basic policy. We plan a ¥ 40 annual dividend per share up by ¥5, or a 37% dividend payout ratio on the achievement of the forecasted ¥11.0 billion profit.

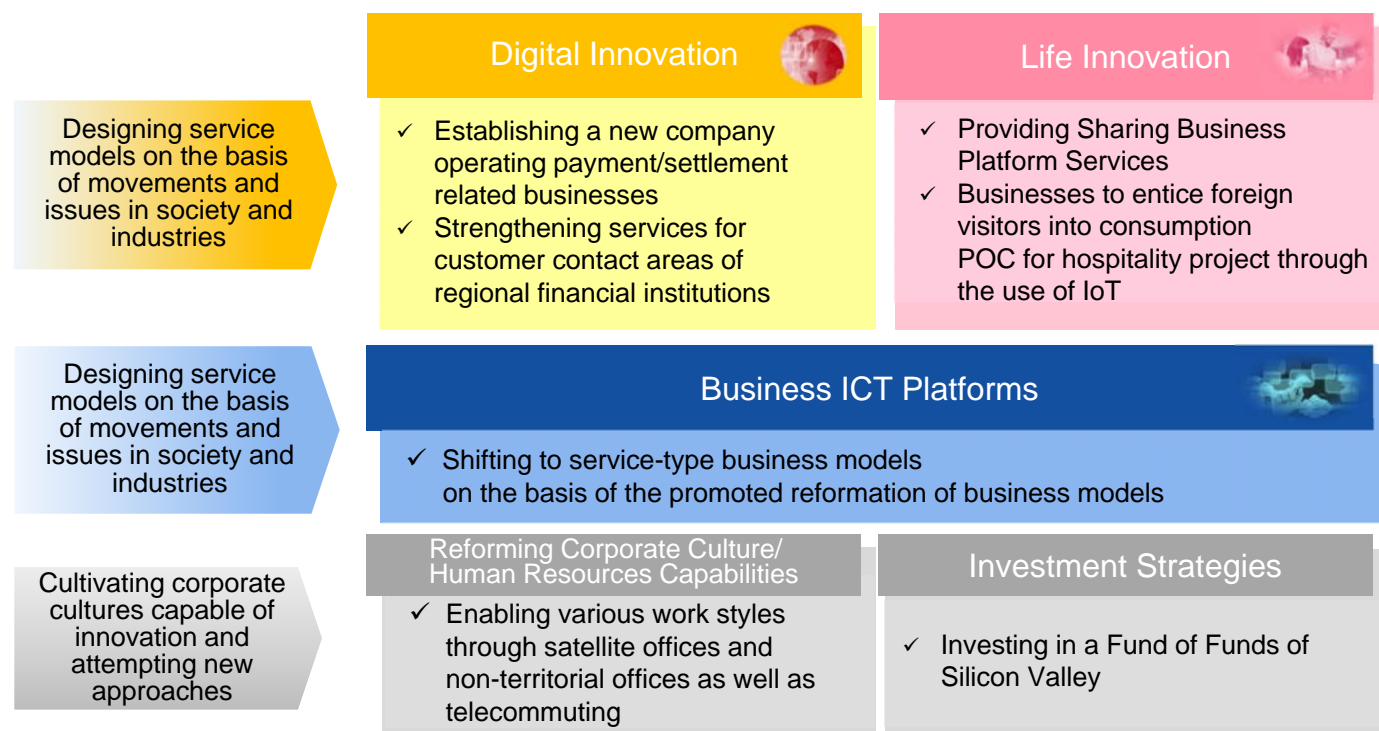
# 1 General Overview

# 2 Efforts under the Mid-term Management Plan

Next, I would like to explain the progress under the Mid-term Management Plan.



✓ Situation of Efforts in the Areas as Envisaged in the Mid-term Management Plan



The Nihon Unisys Group has entered the second year of the Mid-term Management Plan that was launched in the fiscal year ended March 2016.

The Group has been promoting the key strategies of expanding digital/life innovation areas and implementing changes of business ICT platform area, as well as reforming corporate culture and strengthening human resources capabilities. Progress has been steadily made accordingly.

A new company was established in the area of digital innovation. The purpose of this establishment is to accelerate further the continually growing payment-related businesses.

New types of services that we have been providing in the life innovation area have come to form unprecedented connections and constituent elements of business ecosystems, through which we aim to solve societal issues.

We have been promoting changes of business models in the business ICT platforms area. A smooth shift to a service type business was witnessed.

In addition, we have made steady efforts in investment strategy in order to enable the accelerated creation of new businesses through open innovation. Let me brief you on some key examples.

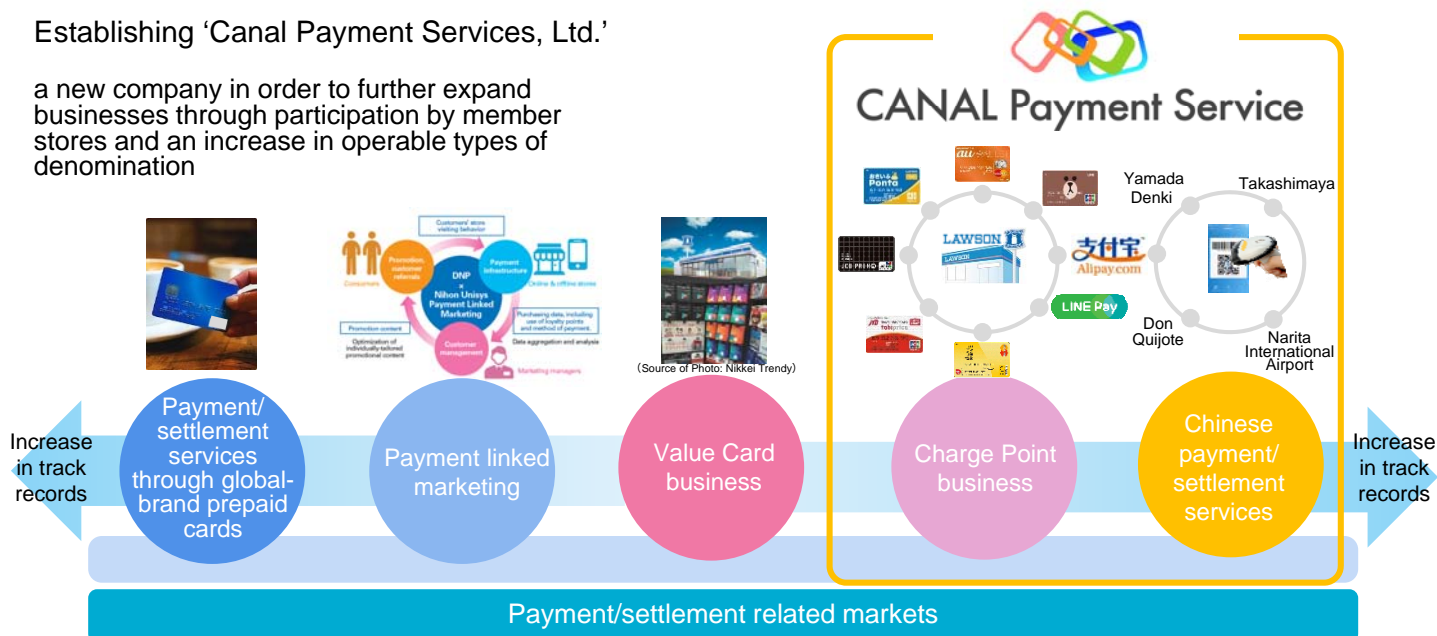
## Digital Innovation

- ✓ Attempting to accelerate a business increase through a spin-off company operating Chinese payment/settlement services and Charge Point businesses

Preparing for the advent of new cashless society, and aiming to solve societal issues through the use of proven services

### Establishing 'Canal Payment Services, Ltd.'

a new company in order to further expand businesses through participation by member stores and an increase in operable types of denomination



First of all, I would like to explain our efforts in the digital innovation area.

In June 2011, our group took the lead in participating in the e-value card business sector in the payment-related market that had been expected to grow. We have been a core player capable of coordinating with various types of partners in a business ecosystem. Thus, our presence continued to be strengthened.

We have continuously provided: Chinese payment service; Charge Point business; payment linked marketing; and payment services through global-brand prepaid cards, in addition to Value Card business.

Thus, we are positioned to further make efforts as we are braced for the advent of a new cashless society.

We expect a further increase in demands for Chinese payment services and Charge Point services.

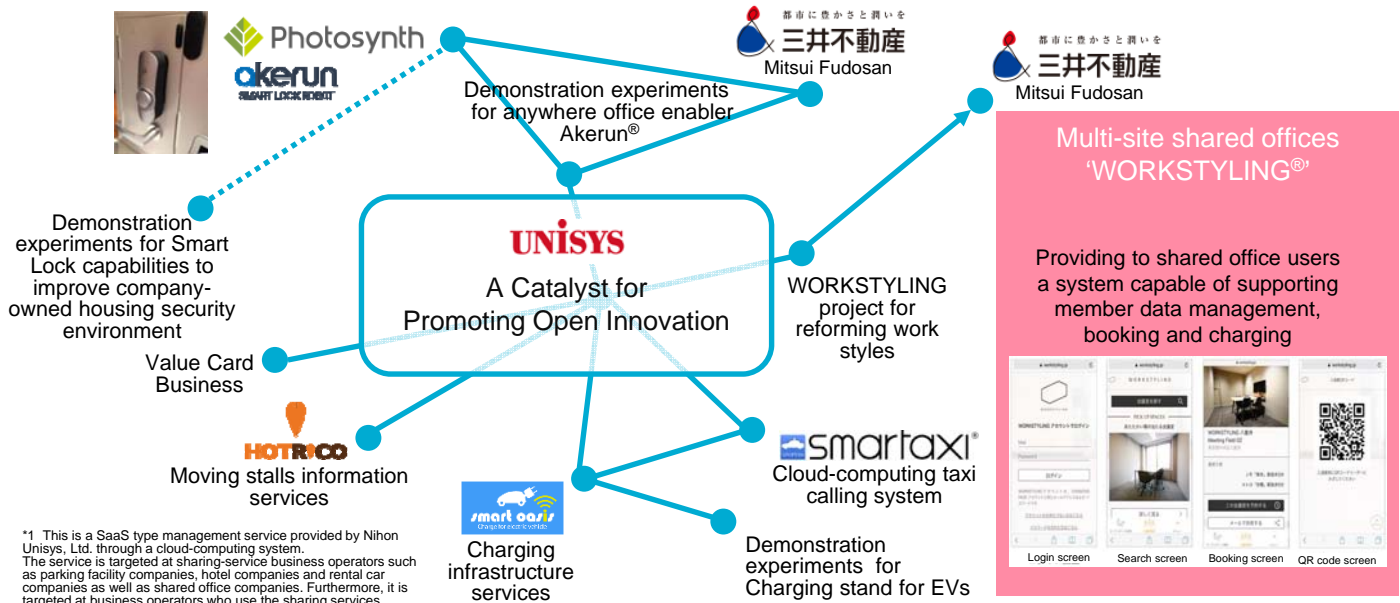
Thus, we established 'Canal Payment Services, Ltd.' a new company capable of a quick and significant increase in business. The businesses were transferred and assigned to the company.

We will make efforts to create new business ecosystems through increasing new member shops and types of denomination in the payment related market, that has been expanding continuously.

## Life Innovation

- ✓ Starting to provide the Sharing Business Platform Services for Mitsui Fudosan Co., Ltd.'s WORKSTYLING®

Enabling Sharing Business Platform Services <sup>(\*)</sup>  
in order to create a business ecosystem capable of supporting a future sharing economy



\*1 This is a SaaS type management service provided by Nihon Unisys, Ltd. through a cloud-computing system. The service is targeted at sharing-service business operators such as parking facility companies, hotel companies and rental car companies as well as shared office companies. Furthermore, it is targeted at business operators who use the sharing services.

Next, let me explain our efforts in the area of life innovations.

As a good example, we started to provide a platform service for Mitsui Fudosan Co., Ltd.'s WORKSTYLING®, a multi-site shared office service. Our platform service supports member data management, booking and charging.

We cooperated with Mitsui Fudosan in attempting to create various types of innovations including a demonstration experiments through the use of Photosynth, Inc.'s Akerun: key digitization technology.

This service was enabled through the use of proven services of e-value card, charging infrastructure system (smart oasis®) and cloud taxi control system (smartaxi®) and the knowledge thereof.

Sharing economy markets are expected to achieve a rapid growth in the future. We will aim to solve societal issues through business ecosystems consisting of different interrelated companies, thus enabling new services in the markets.

## Business ICT Platforms

- ✓ Shifting to service-type business models on the basis of the promoted reformation of business models

Key Points of Reform	Key Performances
Standardization/Re-use	<ul style="list-style-type: none"> <li>✓ Continuously providing implementation-type solutions for retail stores and mail-order companies, and also re-using the solutions</li> <li>✓ Deploying advanced practices and solutions mainly in the areas of front line business and strategic business of financial institutions</li> <li>✓ Increasing businesses targeted at new business operators against the backdrop of energy reform</li> <li>✓ Releasing new platforms and strengthening an organization capable of supporting service monetization through the use of such platforms</li> </ul>
Enhancement of Implementation-Type Businesses	
Promoting service menu creation	
Promotion of Work Style Reform	

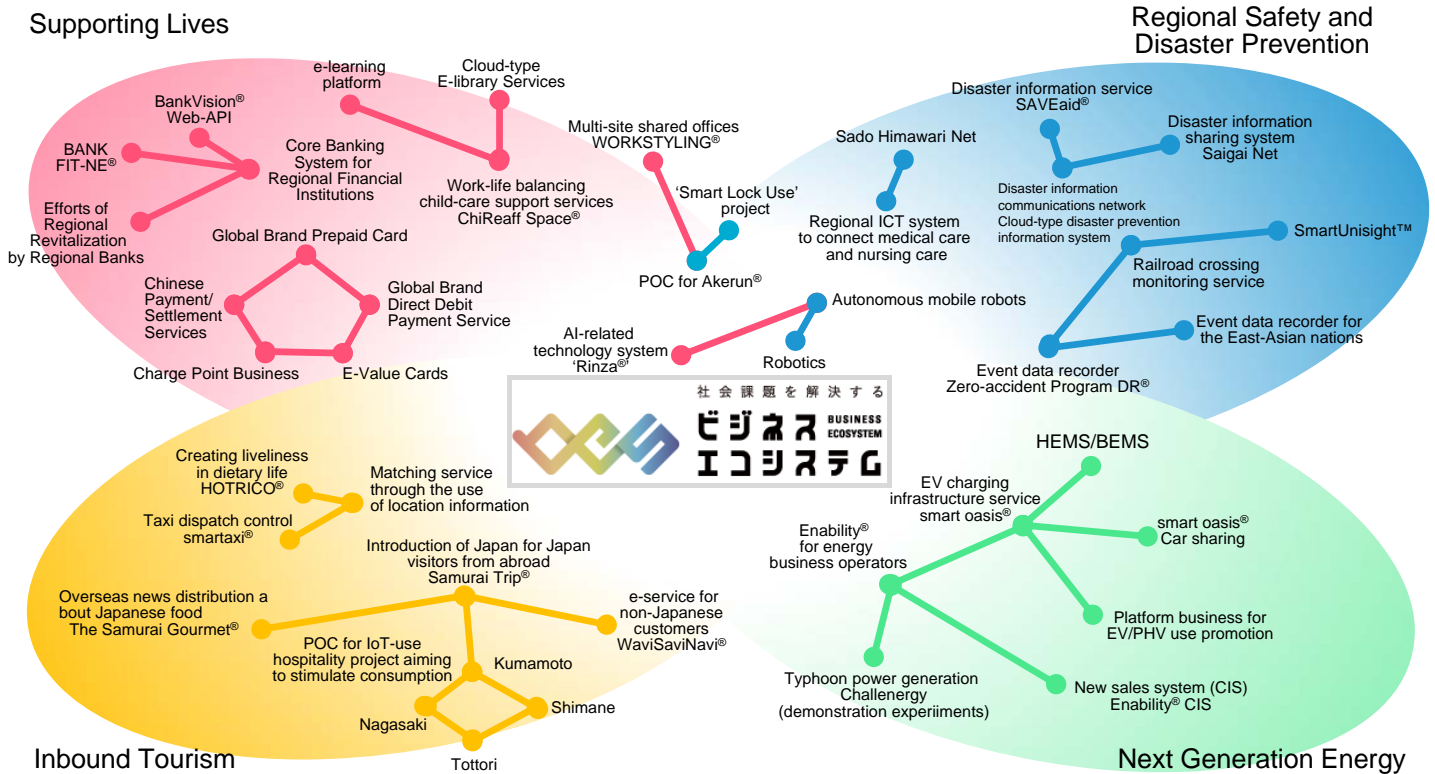
We have strengthened our shift to service-type business in the business ICT platform area. We have been promoting our efforts to: reform the conventional types of business models; standardize development methodology and business operation processes; reuse knowledge that was created in the past; and increase implementation-type businesses. Thus, our business change has made smooth progress towards service menu creation.

Furthermore, we released a new platform for service type businesses after providing a platform for IoT businesses. The new platform is provided as a scheme for coordinating external assets with assets that have been accumulated by providing conventional IT services. This is expected to enable us to act quickly in dealing with new businesses.

In addition, we strengthened arrangements for creating service menu in the business service department. The intention is to create new businesses and enable demonstration experiments and POC (proof of concept) in an accelerated manner in order to further reform our business models.

We have been promoting work style reforms since the first fiscal year of the Mid-term Management Plan. As a result of the reform taking root, we have witnessed signs of steadily improving productivity.

Connecting different types of businesses on the basis of proven service track records as if points are mutually connected and further networked onto a plane in order to create a business ecosystem that aims to solve societal issues



This chart shows our recent key services and business efforts.

We have made new attempts in wide areas. Services and mechanisms released in the past have come to be part of businesses and solutions capable of solving new societal issues. They have connected as if points are connected to each other and gradually networked onto a plane. We will cherish the constellations and continue our efforts to evolve business ecosystems.

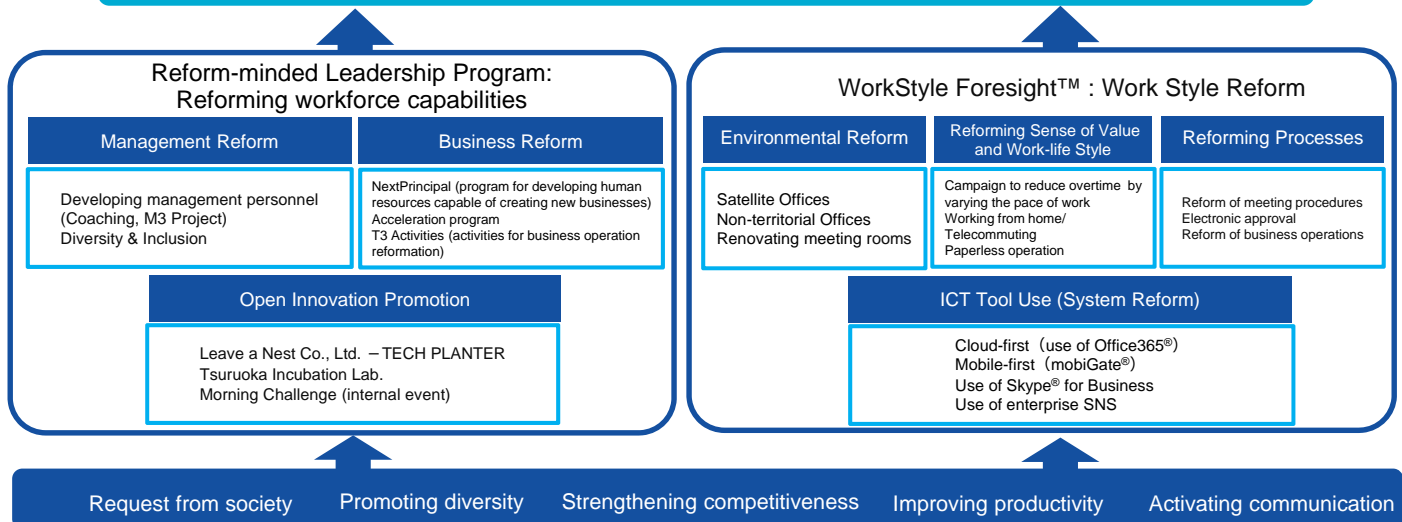
We will connect different types of industries from the viewpoints of users, and create new values in a digitally transforming society that will be developed further in the future. We expect business ecosystems to be therein created and help us to solve societal issues as we envision.

Reform of Corporate Culture/  
Human Resources Capabilities

✓ Cultivating a corporate culture of capable of innovation

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

## Developing an innovation-friendly corporate culture



We have made efforts to reform our corporate culture and work force capabilities in order to improve the group's earning capabilities.

We reformed work styles through promoting telecommuting and developing satellite offices under the banner of 'Workstyle Foresight™' in the fiscal year.

We will continue to reform our working environment and process as well as a sense of value and working style, through an effective use of our strength, ICT.

We have promoted a program of developing reform-minded leadership in order to change the awareness and working style of the management and employees. It is part of our efforts to create new businesses.

The program consists of: coaching organization leaders; M3 project to enable changes by mid-level employees; NextPrincipal program of considering new business ideas.

Furthermore, we started the Morning Session campaign where officers participate in discussions and help employees to quickly come up with ideas for business creation.

We will create future-proof services and businesses through three factors enabled as a result of these efforts. The factors are: reforming management style; cultivating corporate culture where innovations are nurtured; and fulfilling individuals' lives and promoting their growth.



## Investment Strategies

- ✓ Investing in a Fund of funds in order to create new businesses through open innovation



**NSSC** \*1  
NUL System Services Corporation  
Nihon Unisys, Ltd. Group

Studying start-ups, VC-related information, and technological trends

Participating in the NSV's (\*2) 'Venture Scan'

Use of Silicon Valley's 'Plug and Play'

Coordinating with Scrum Ventures and Btrax



Playing a role as partner in Leave a Nest's 'TECH PLANTER'

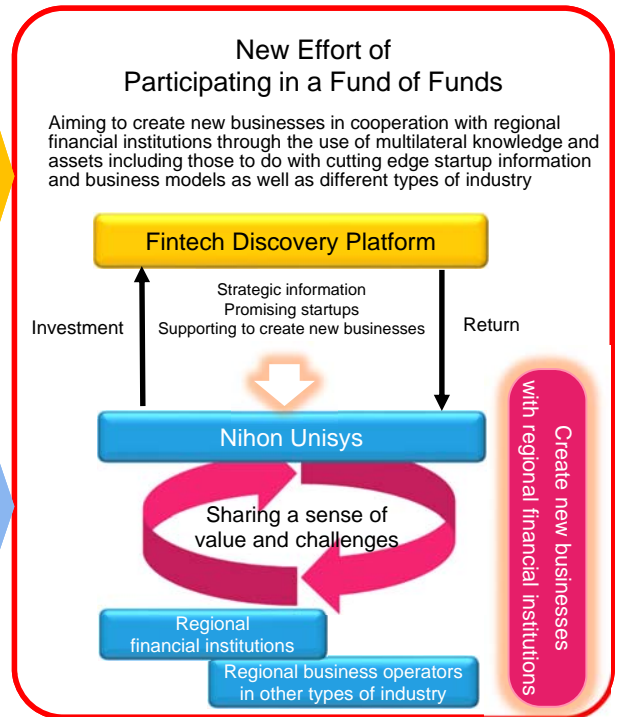
Investing in Real Tech Fund

Investing in 'JAFCO' and 'JICT' (\*3)

\*1 NUL (Nihon Unisys) System Services Corporation (at Silicon Valley and Minneapolis)

\*2 NSV Wolf Capital, a Fund of Funds established and operated by NetService Ventures (headquartered in Silicon Valley / US <http://nsv.com/japan/>)

\*3 Fund Corporation for the Overseas Development of Japan's ICT and Postal Services (Japan ICT Fund)



Last but not least, I would like to explain our efforts of investment strategies.

Our group has continued efforts to create relationships with startup companies and venture capitals. These efforts also included researching technological trends. Our US subsidiary NSSC established in 2006 has taken the lead in the efforts towards creating new businesses through open innovation.

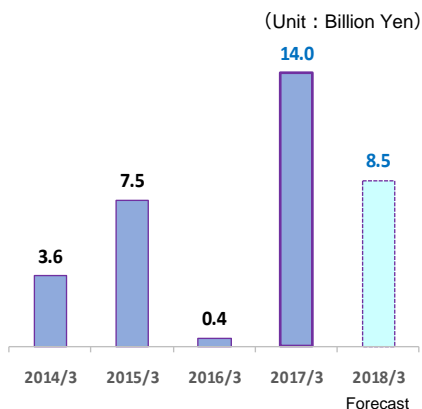
Furthermore, we played a role as partner in TECHPLANTER sponsored by Leave a Nest, Ltd. in order to find venture businesses at the seed and early stage and help them to create new businesses.

We have invested in a venture capital fund of Euglena Investment in order to develop new engineers through investing in Real Tech Venture programs.

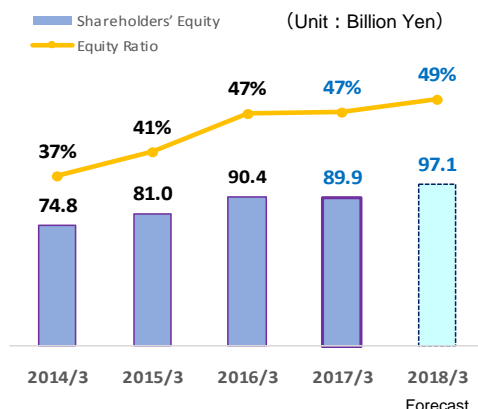
We invested in a fund of funds, Fintech Discovery Platform (FDP), that targets startup companies at the seed and early stage. This investment was made in order to strengthen our capabilities for creating new businesses through the use of Silicon Valley Fintech. FDP will provide us with the latest startup information and business models as well as multilateral knowledge and assets including those of other industries. We will thus be equipped and positioned in order to create new businesses in cooperation with regional financial institutions.

This concludes my remarks. Thank you for your attention.

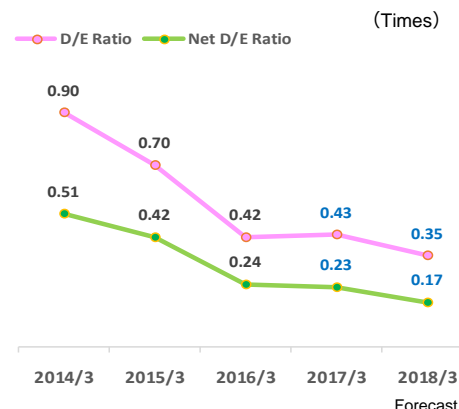
## Free Cash Flows



## Shareholders' Equity



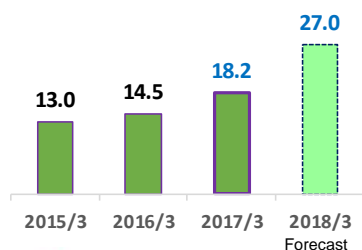
## D/E Ratio



## Net Sales

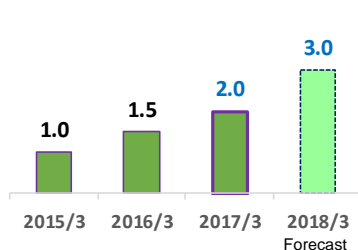
### Digital Innovation

(Unit : Billion Yen)



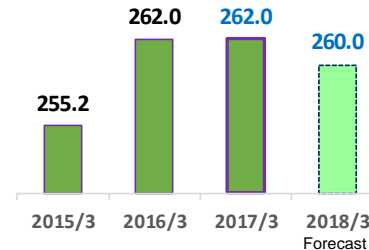
### Life Innovation

(Unit : Billion Yen)



### Business ICT Platform

(Unit : Billion Yen)



Foresight in sight

**(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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