

Results for the 2nd Quarter FY March 2018

November 6, 2017
Nihon Unisys, Ltd.

Foresight in sight

1 General Overview

2 Progress on 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 FY2017 refers to the fiscal year ended March 2018.)

An increase in software and outsourcing as well as continued strength of system services contributed to a 34% increase in operating income.

(Unit: Billion Yen)

	1H (Apr-Sep)		Changes	
	FY2017	FY2016		
Net Sales	131.9	127.4	+4.4	+3.5%
Gross Profit	32.1	30.8	+1.3	+4.4%
SG&A Costs	-25.4	-25.8	+0.4	+1.4%
Operating Income	6.7	5.0	+1.7	+34.4%
(Operating Margin)	(5.1%)	(3.9%)		(1.2pt)
Profit attributable to Owners of Parent	4.7	3.5	+1.2	+34.6%
Orders	146.2	132.7	+13.4	+10.1%
Order Backlogs	225.0	216.9	+8.2	+3.8%

<Key Points of 1H Results>

■ Net sales

Net sales were boosted by an increase in software and outsourcing.

They were contributed to by continuingly strong system services, as well.

■ Operating income

Operating income increased partly due to the increase in net sales as well as a decrease in SG&A costs.

■ Profit attributable to Owners of Parent

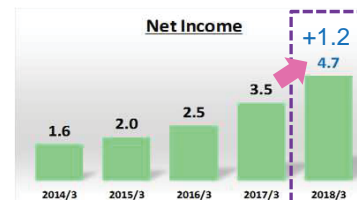
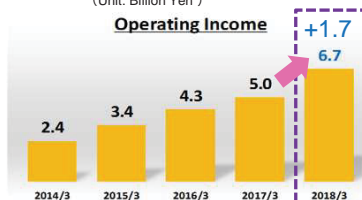
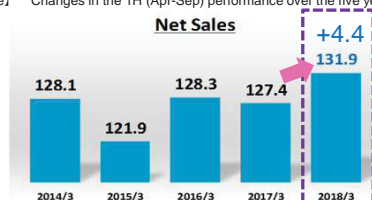
Profit attributable to Owners of Parent increased attributable to the increase in operating income.

■ Orders / Order backlogs

An increase in both orders and order backlogs centers on outsourcing and system services.

[Reference] Changes in the 1H (Apr-Sep) performance over the five years

(Unit: Billion Yen)



First of all, let me summarize the performance of the first half of the fiscal year ending March 2018.

Net sales were ¥ 131.9 billion, up by ¥4.4 billion, compared with the same period of the previous fiscal year.

Operating income was ¥6.7 billion, up by ¥1.7 billion, compared with the same period.

And, profit attributable to owners of parent was ¥4.7 billion, up by ¥1.2 billion, compared with the same period.

Net sales were boosted by a continuing increase in software and outsourcing since Q1 and a continued strength of system services furnished mainly for financial institutions and distribution businesses.

Gross profit increased due to the increase in net sales.

Operating income increased by ¥ 1.7 billion, or 34% compared with the corresponding period of the previous fiscal year, as a result of the increase in gross profit and a decrease in SG&A costs.

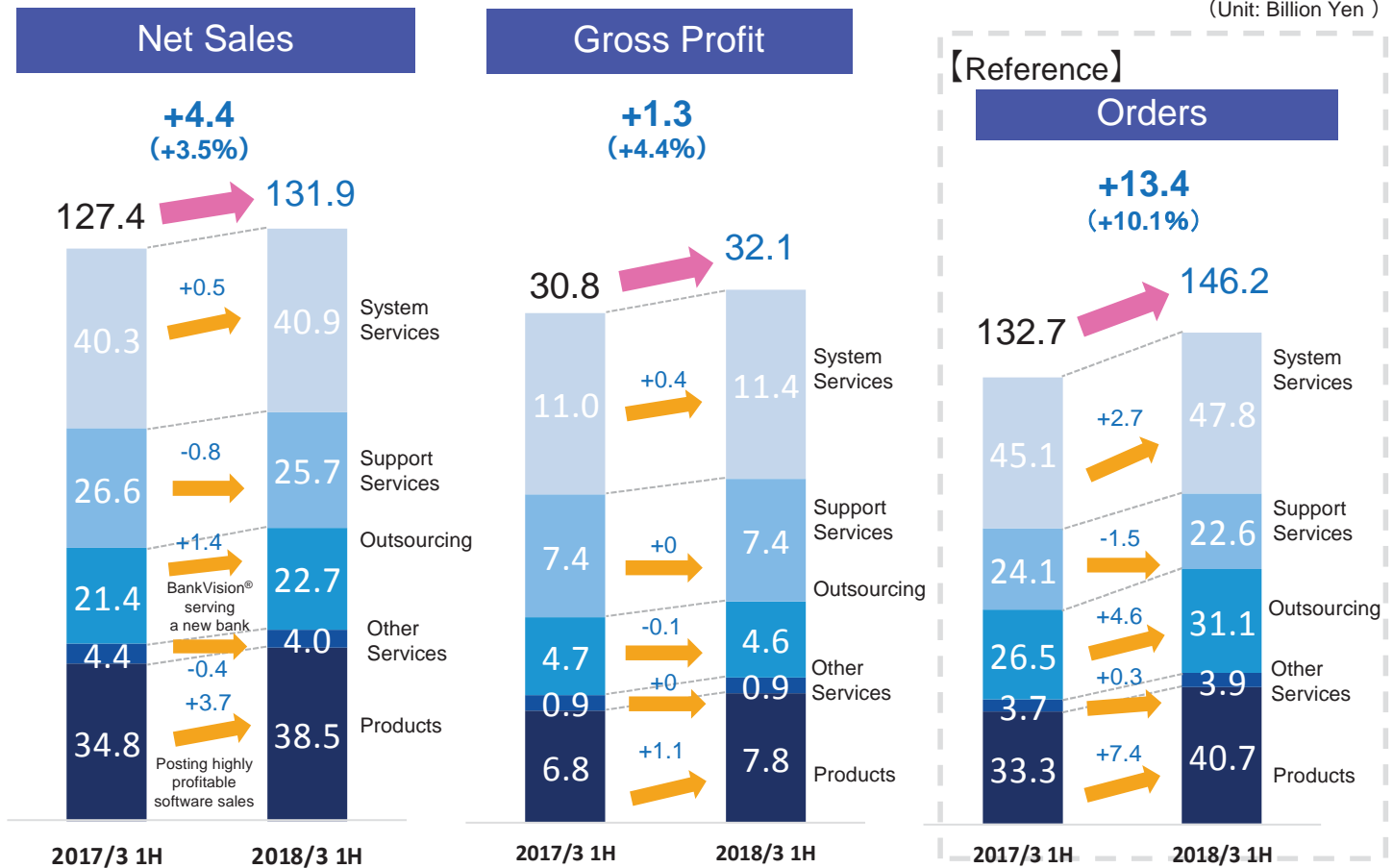
The increase in operating income boosted profit attributable to owners of parent.

Orders increased by ¥13.4 billion, compared with 1H of FY2017, due to continued strength of almost all markets such as finance, distribution and services. Also, an order for the BankVision® system development was awarded in Q2 as scheduled. (The BankVision system development project for its 11 th bank had been postponed from the first quarter.)

Order backlogs were ¥ 225.0 billion, up by ¥ 8.2 billion from 1H of FY2016.

They are mainly composed of outsourcing and system services orders.

(Unit: Billion Yen)



Let me explain the situations by segment.

Net sales and gross profit of system services increased mainly due to an accumulation of multiple small-size projects for various industries.

Sales volume and profitability were improved amid efforts to use workforce for developing new services. The intention is to increase net sales and gross profit through continued aggressive efforts for developing new areas as well as diligent efforts to stimulate demands in the areas related to the existing areas and enable orders.

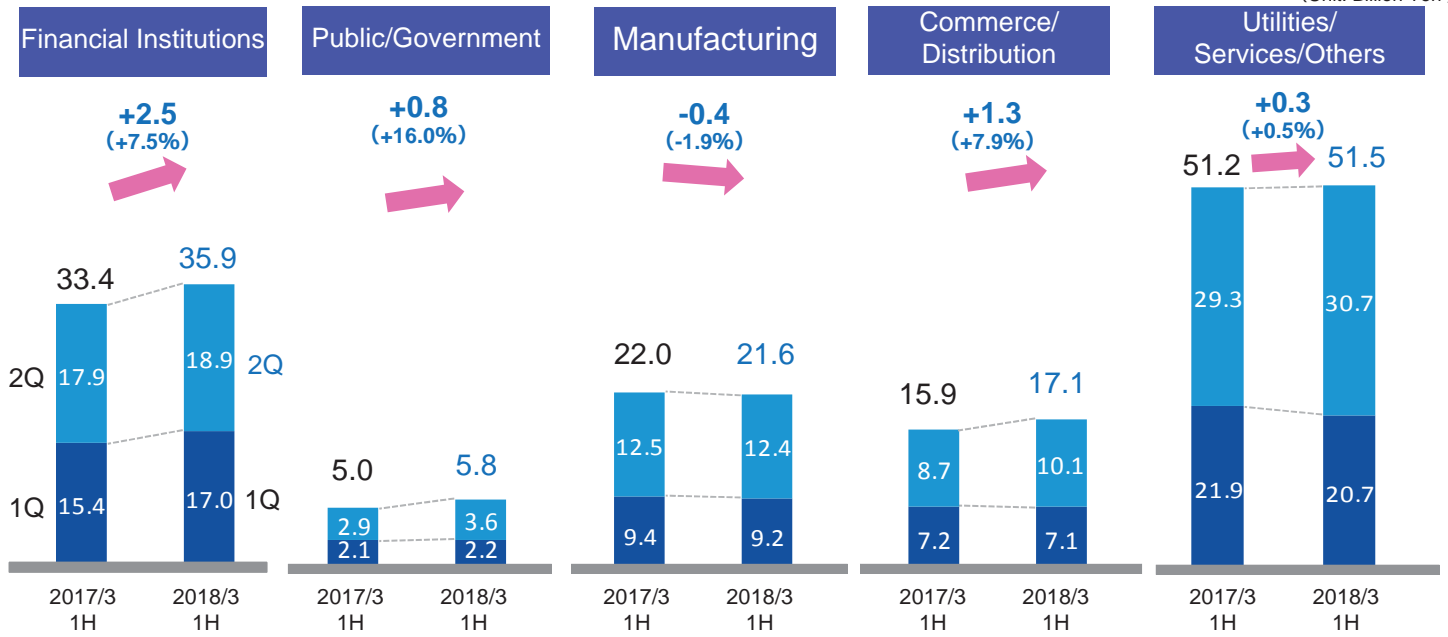
There was a continuation in the second quarter where there were no unprofitable projects.

Net sales of support services decreased, mainly attributable to a decrease in spot contracts. Despite the decrease, gross profit of support services is at the same level as the same period of the previous fiscal year as a result of our continued efforts of cost reduction.

Net sales of outsourcing increased due to BankVision® starting to serve its 10 th bank in May 2017 and an accumulation of middle-and small-sized projects. However, its gross profit decreased partly attributable to costs incurred previously in order to make preparations for a service launch.

Net sales and gross profit of product sales increased ascribable to continuously strong sales of software products created by our company. Gross margin improved as well.

(Unit: Billion Yen)



Market Summaries

<p>(Financial Institutions) The Company has been keen on customer contact businesses capable of helping financial institutions to reform their sales offices. Furthermore, it has been strengthening sales activities for new services that use FinTech.</p>	<p>(Public/Government) The Company has taken on efforts to create municipality businesses capable of regional revitalization.</p>	<p>(Manufacturing) The business has been based on strong demands mainly from automobile industry. The Company has been promoting IoT platform businesses. It has been keen on increasing AI related businesses.</p>	<p>(Commerce/Distribution) The Company has attempted to increase implementation-type businesses among retail and EC business operators. It began to make approaches to solutions capable of customer data analysis through the use of big data.</p>	<p>(Utilities/Services/Others) The Company has focused on energy management systems with the aim of strengthening businesses in the social infrastructure area. It has been enhancing tourism platforms for non-Japanese travellers.</p>
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Let me explain net sales by market.

Our businesses for financial and commerce/distribution markets continued to be strong.

Our businesses of customer-contact front-office solutions that help financial institutions to reform their branch offices have steadily increased. Also, our businesses of markets operations & front/middle/back office systems continue to be strong as they were. Details will be shared later.

We will make efforts to create municipality businesses related to regional revitalization.

Manufacturing net sales have remained stable mainly by our automobile businesses. We strive to further business expansion through the use of IoT and AI.

We have continued our efforts to increase sales of implementation-type solutions to retailers and e-commerce businesses in the commerce/distribution markets. Furthermore, we have begun an approach to solutions capable of customer data analysis through the use of big data.

Our efforts in the Utilities/Services/Others markets have included efforts to increase the social infrastructure businesses by using energy management system as the driving force. An enhanced tourism industry platform capable of providing various types of services to non-Japanese visitors is also part of the efforts.

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, 2017.

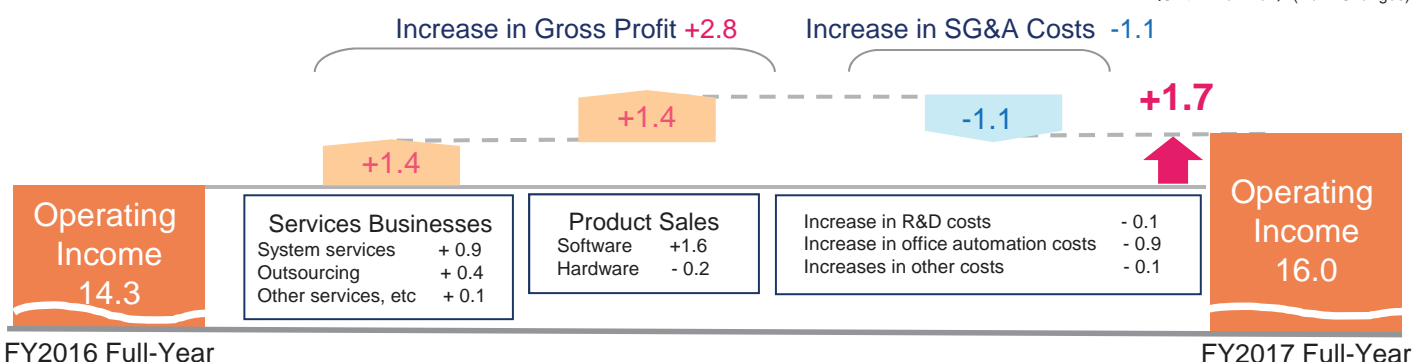
(Unit: Billion Yen)

	FY2017 1H Actual		FY2017 2H Forecast		FY2017 Full-Year Forecast	
	Amount	Yr/Yr	Amount	Yr/Yr	Amount	Yr/Yr
Net Sales	131.9	+4.4	158.1	+3.3	290.0	+7.8
Operating Income	6.7	+1.7	9.3	-0	16.0	+1.7
(Operating Margin)	(5.1%)		(5.9%)		(5.5%)	
Profit attributable to Owners of Parent	4.7	+1.2	6.3	-0.5	11.0	+0.7

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

【Details of FY2017 Full-Year Operating Income Forecast】

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



Let me explain our full-year performance forecast.

The full-year forecasts of net sales, operating income, and net income have not been revised since they were announced on August 1, 2017.

We anticipate that our full-year net sales will be ¥290.0 billion, up by ¥ 7.8 billion compared with the previous fiscal year. ¥ 16.0 billion operating income up by ¥1.7 billion as well as ¥11.0 billion profit up by ¥ 0.7 billion are also expected.

Operating income will be influenced by a ¥ 2.8 billion increase in gross profit (services and product sales, both) and a ¥ 1.1 billion increase in SG&A costs (office automation costs, etc.).

Unprofitable projects did not occur in the first half. However, we have taken conservatively into consideration unprofitable project risks worth ¥0.5 billion for the second half, although there are no projects of concern.

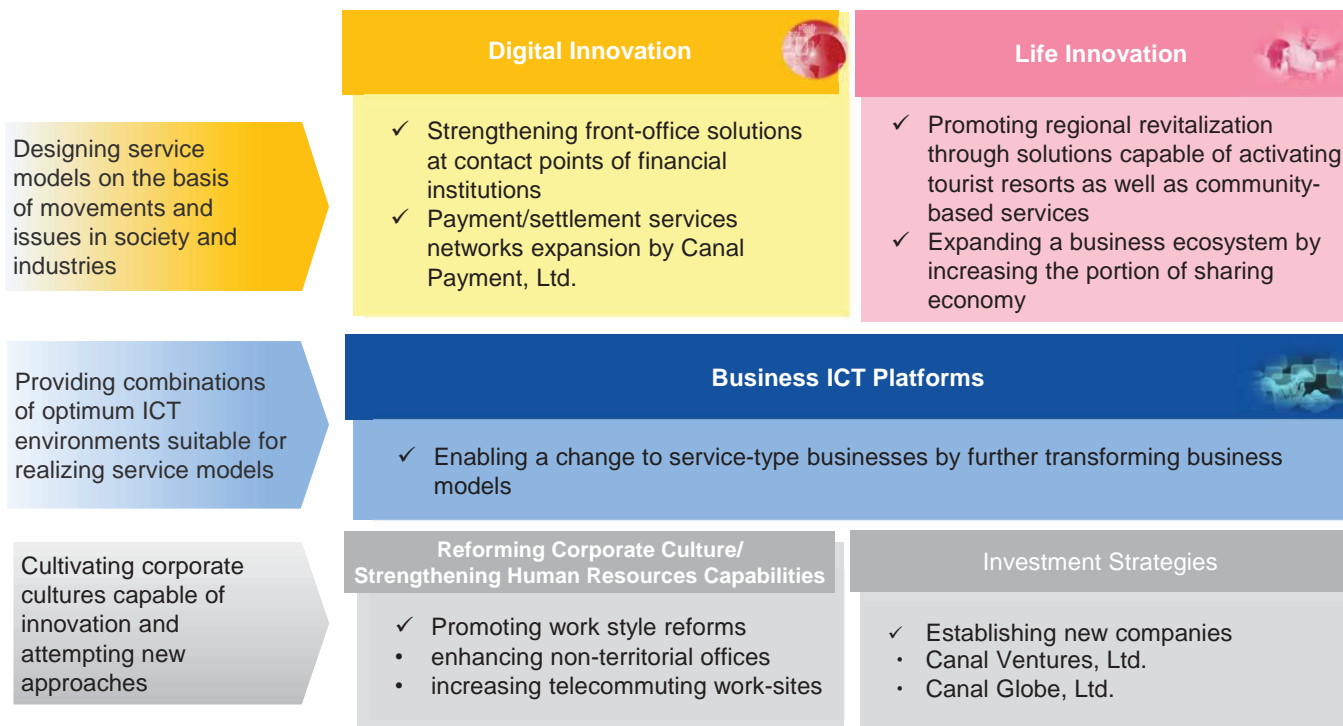
(For the fiscal year under review, we plan to pay a ¥40 annual dividend per share that includes ¥20 for the mid-term dividend, after taking into consideration our business performances in the first half.)

1 General Overview

2 Progress on Mid-term Management Plan

Let me explain our progress status under the Mid-term Management Plan.

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



In this environment, the Group has entered the final year of the Mid-term Management Plan that was launched in the fiscal year ended March 2016. It has been accelerating our growth strategies of expanding digital/life innovation areas and changes to business ICT platform areas. Furthermore, the Group has been promoting efforts on key strategies mainly of reforming corporate culture and strengthening human resources capabilities.

Our digital innovation business area witnessed an increase in the customer-contact front-office solution business for financial institutions. Furthermore, a payment/settlement service network was expanded through a platform enabled by our subsidiary Canal Payment Services, Ltd.

The life innovation part of business ecosystem has grown due to an increase in the nodes of regional revitalization business and sharing economy business.

A smooth transition to service-type businesses was witnessed in the business ICT platform area as a result of our continued efforts to transform business models.

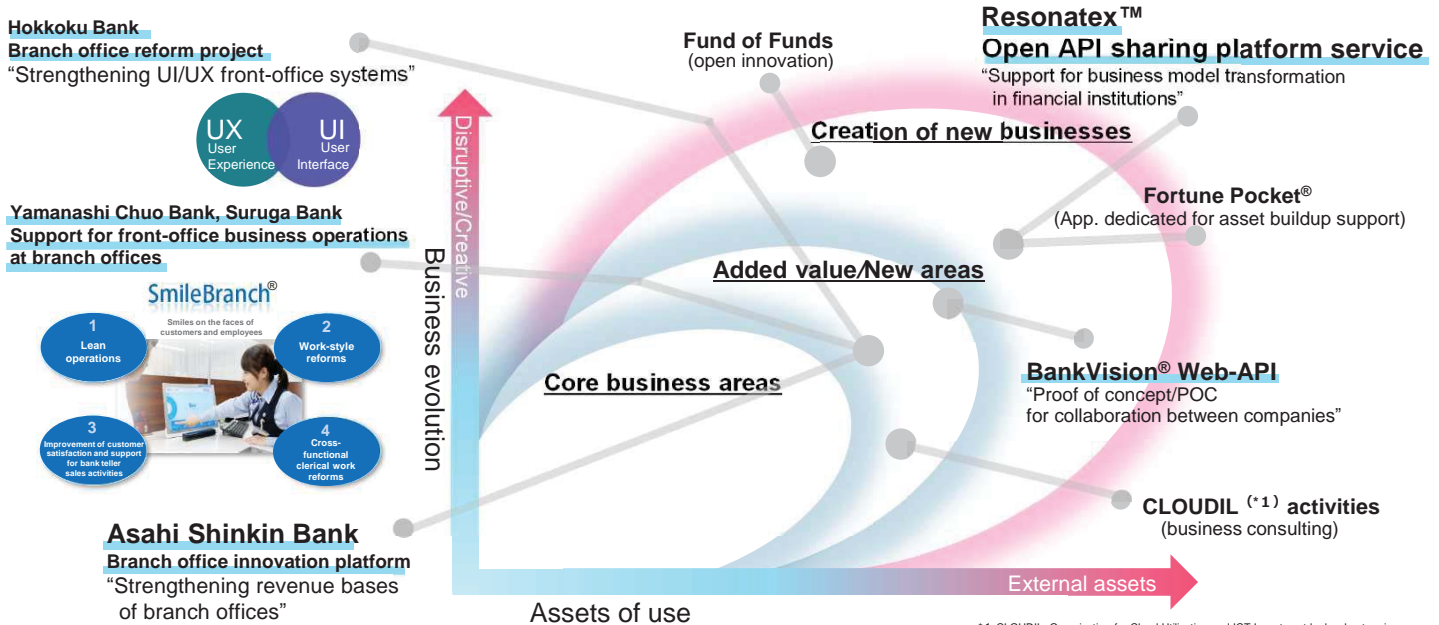
We launched a new venture capital business, and established a new company to operate business overseas as part of our investment strategies. They are intended to accelerate creation of new businesses through open innovation.

Let me summarize some of our approaches.

Digital Innovation

- ✓ Strengthening customer-contact front office solutions in order to expand our business area in the financial industry

We envisage the creation of new value regardless of the boundaries existing in the conventional financial industry, and aim at continually playing the role of partner for financial institutions.



Let me brief you on our efforts in the digital innovation area.

We strive to become a stable partner for financial institutions. We have strengthened our efforts to serve more through a next-generation bank branch system and a system supporting front-office business operations at branch offices. The systems are intended to strengthen consulting business and advising capabilities and enable discussions with and make proposals to customers. We will continue to focus on such systems capable of further accelerating sales office reforms in regional financial institutions. They are branch office UI/UX systems operating front office duties for interacting with customers.

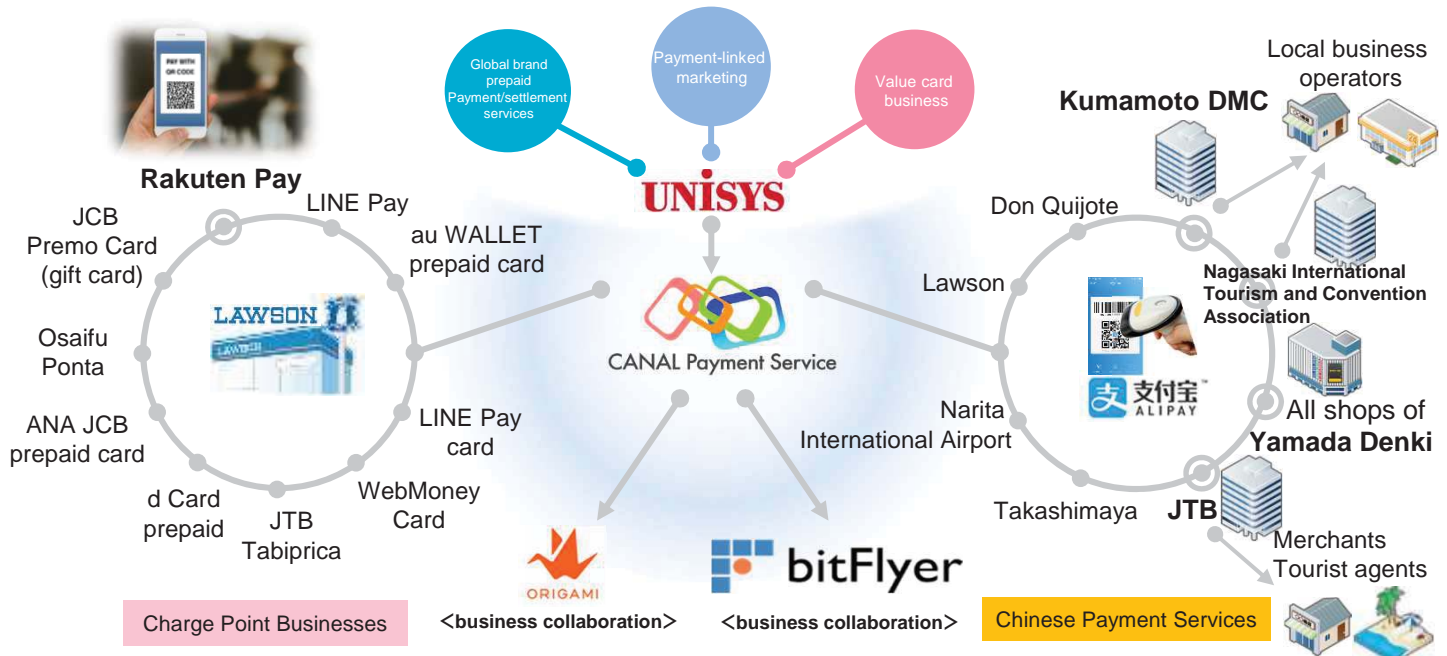
In addition, we launched Web API open services capable of helping BankVision®, a function-rich open core-banking system to connect with services regardless of business categories in order to forge business relationships therewithin. This fall, we also released 'Resonatex™', an open API shared platform for business entities such as financial institutions.

We will accelerate open innovation by setting the stage for horizontal cooperation between financial institutions, Fintech business operators and other types of business operators. This will help financial institutions to transform their business models. We will create new businesses capable of revitalizing the local areas together with regional financial institutions and business operators.

Digital Innovation

✓ Expanding payment/settlement service networks by coordinating with the platform of Canal Payment Services, Ltd., our subsidiary

We, proven IT service provider, strive to help our communities digitized to become cashless.



Let me explain our efforts in the area of payment business and charge point business.

Nihon Unisys Group strives to help communities transform themselves and become cashless through digitization efforts by providing proven payment/settlement solutions.

Our new subsidiary, 'Canal Payment Service, Ltd.' entered into a master merchant contract on Alipay® service with the Kumamoto DMC after it executed the contract with JTB and launched the service. Since then, it has made efforts to promote the service among tourist business operators and regional business operators (shops and related facilities) in Kumamoto prefecture. In addition, the new company launched a platform that enables the use of Rakuten Pay, Rakuten smartphone payment/settlement application at Lawson convenience stores across the nation.

Furthermore, we established a business alliance with bitFlyer, Inc., Japan's largest virtual currency and Blockchain company, in order to increase the Bitcoin payment services stewardship by stores.

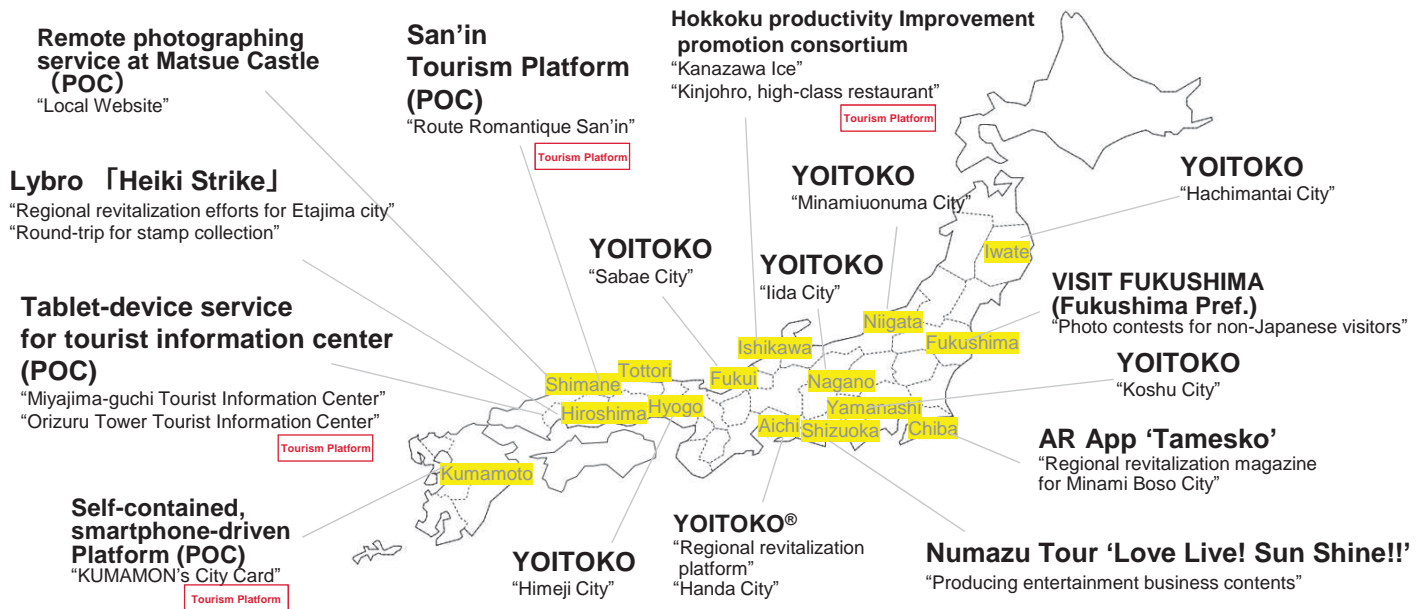
This business alliance has helped us entice retailers who have accepted Alipay payment services to accept Bitcoin payment services.

The Nihon Unisys Group continuously strives to enable services beneficial to users and businesses both, and helps government-private cooperation in promoting cashless payment.

Life Innovation

- ✓ Promoting regional revitalization through efforts to activate tourist resorts by using the Tourism Business Platform in coordination with owners of characteristic regional contents

We are keen on our efforts to revitalize local areas by using the Tourism Business Platform capable of indiscretely providing tourist services, and cooperating with owners of unique regional contents and business operators.



Let me explain our efforts in the life innovation area.

We are aware of consumption activities by inbound tourists, and we strive to provide tourist ecosystem services enabling non-stressful travel experience in Japan for non-Japanese visitors. The intention is to entice non-Japanese travelers to visit regional areas by indiscretely enabling various types of high-quality tourist services, and also help businesses care for non-Japanese customers.

The services include the San'in Tourism Platform that focuses on non-Japanese travelers visiting Japan via cruise vessels and low-cost carriers (LCCs), and enables IoT-driven services during their visits in the San'in region of western Honshu, Tottori Prefecture and Shimane Prefecture, in particular. The two local governments, with a keen eye on consumption by non-Japanese travelers, wish to entice frequent tours and long stays.

Furthermore, we provide community-based services in cooperation with the owners of iconic regional specialties and business operators. They include a new service enabled in collaboration with cartoon/anime characters as well as one that provides employment matching occasions for city dwellers and regional employers.

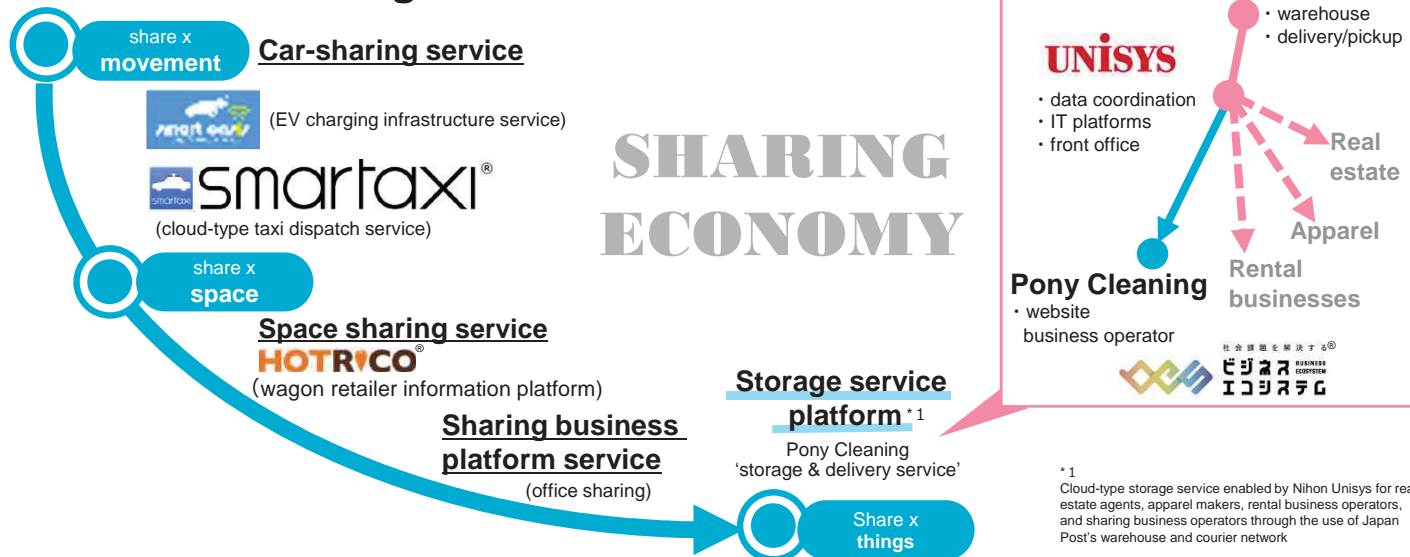
We will strive to enable regional revitalization by: solving regional issues together with local residents; creating new community-based services; as well as providing services to non-Japanese visitors.

Life Innovation

- ✓ Developing a business ecosystem composed of sharing platforms where various types of added value services are enabled

We will develop more platforms in the sharing economy area where mutual collaboration is enabled among different service businesses enticed to use their techniques and assets.

Increase in Sharing Platforms



Let me explain our efforts in the sharing economy area.

We have been proactive in solving issues in communities through our efforts in the sharing economy area such as car sharing and space sharing services.

We launched another sharing economy solution, storage service platform, for Pony Cleaning in the first half of this fiscal year.

The platform enables Pony Cleaning to operate a business of dry cleaning/laundry pickup and delivery web services for clothes.

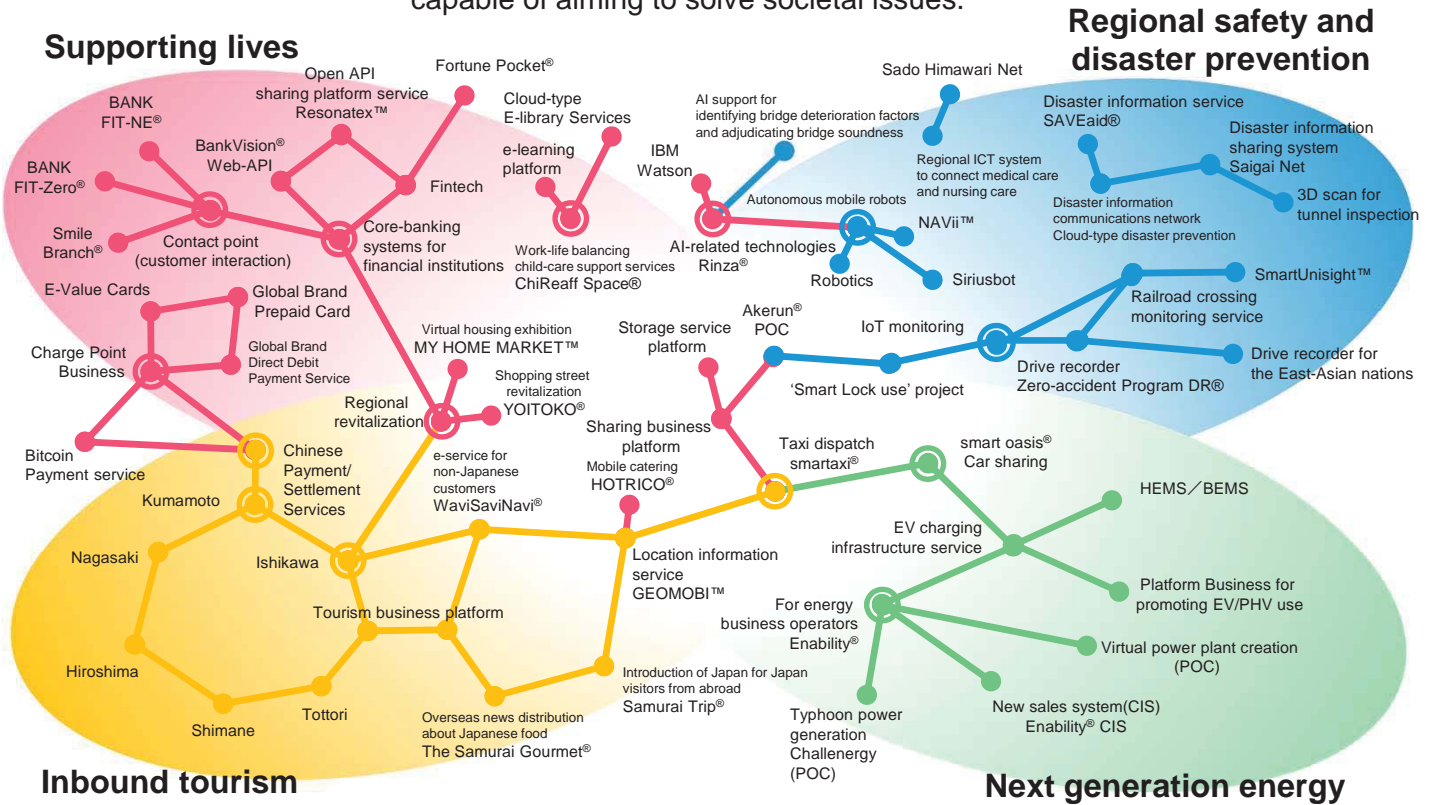
Furthermore, this platform is capable of interconnecting different types of business operators such as real estate agents, apparel makers, rental business operators, and sharing business operators. The service platform can further develop.

Creating such platforms regardless of business boundaries and industry boundaries will expand networks of business participants. Eventually, a business ecosystem will form.

We will create truly valuable innovative services by enabling organic collaboration among customers, partners and their beneficiaries.



Our proven solutions have helped businesses to connect themselves regardless of industry boundaries and cluster into a business ecosystem capable of aiming to solve societal issues.



This page shows a conceptual diagram of the services and businesses enabled by our group. We have continuously enabled business clusters to become composed of separately formed service/business nodes.

We promote a business ecosystem that enables business collaboration regardless of industry boundaries in the midst of further rapidly changing environments.

As said, individual services have come to be part of businesses and solutions capable of solving issues of communities. They have connected as if points are connected to each other and gradually networked onto a plane. Their increase further develops the business ecosystem.

Our group is keen on creating new businesses through open innovation in a society that is witnessing incessant digital transformation.

We will continue to play a role of catalyst that generates new businesses capable of solving societal issues with our business partners regardless of industry boundaries.

Investment Strategies

- ✓ Establishing two subsidiaries in order to set the stage for investment in the digital transformation area and full-fledged overseas business operations



Canal Ventures, Ltd. was founded to deal in venture capital businesses. A fund totaling ¥5.0 billion was established with the aim of facilitating incessant innovations in the digital transformation area



Canal Globe, Ltd. was established in order to enable full-fledged business operations out of Japan. The new company intends to conduct overseas operations on the basis of cooperation with customers at home and abroad. An investment was made in the 'ISeMa group^{*1}' of Indonesia. Platform businesses will be promoted in the East Asian nations.

*1 PT. INDIVARA SEJAHTERA MANDIRI group (Headquarter : Jakarta, Indonesia)

Last but not least, we would like to explain our efforts of investment strategy.

We established a new company dealing in venture capital businesses, 'Canal Ventures, Ltd.', and created a fund totaling ¥5.0 billion in order to create new businesses through open innovation.

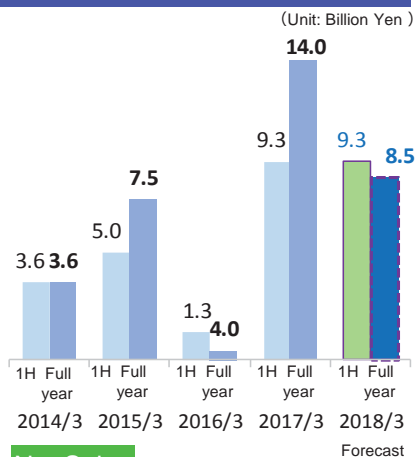
This VC capable of investing in the digital transformation area enables our participation in communication circles of startups, VCs and accelerators. It will eventually form a part of business ecosystem capable of helping us strive to continuously stimulate innovations.

Furthermore, we established a subsidiary, 'Canal Globe, Ltd.', in collaboration with the Indivara group^(*1) headquartered in Indonesia, and invested in the IseMa group in order to enable full-fledged overseas business operations.

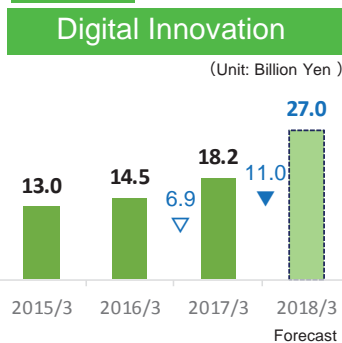
We will promote the platform businesses capable of satisfying the needs of East Asian communities where further economic growth is expected. They will eventually form part of business ecosystem regardless of national boundaries, industry boundaries, and business boundaries. We stand activated for enabling this contribution capable of local development.

▼ FY2017 1H Actual ▼ FY2016 1H Actual

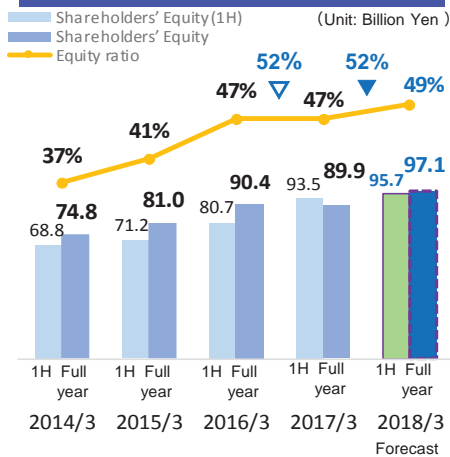
Free Cash Flow



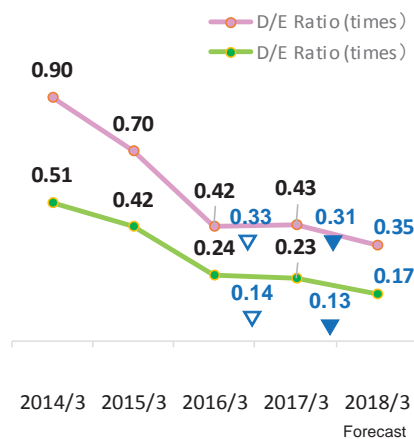
Net Sales



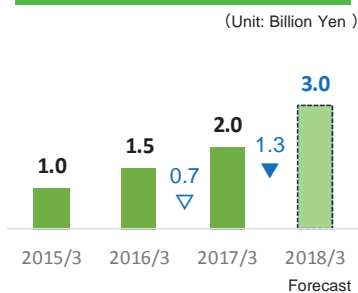
Shareholders' Equity



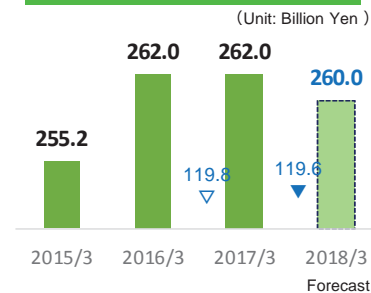
D/E Ratio



Life Innovation



Business ICT Platform



Foresight in sight

UNISYS

(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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