

Results for the Fiscal Year Ended March 2019

May 9, 2019

Nihon Unisys, Ltd.

Foresight in sight

1 Summary of the Results for FYMar2019

2 Efforts in accordance with the Mid-term Management Plan

Operating income and profit attributable to owners of parent were boosted by an increase in services related to digital transformation. As a result, the income and the profit broke their records.

(Unit : Billion Yen)

	Full Year (Apr-Mar)		Changes	
	FYMar2018	FYMar2017		
Net Sales	299.0	287.0	+12.1	+4.2%
Gross Profit	73.2	68.8	+4.4	+6.3
SG&A Costs	-52.5	-52.5	+0.1	+0.1%
Operating Income	20.6	16.3	+4.3	+26.3%
(Operating Margin)	(6.9%)	(5.7%)	(+1.2pt)	
Profit attributable to Owners of Parent	14.2	11.9	+2.3	+19.2%
Orders	304.9	297.0	+7.9	+2.7%
Order Backlogs	226.6	220.7	+5.8	+2.6%

<Key Points>

■ Net sales

Net sales of system services and outsourcing services increased.

■ Operating income

The increase in net sales and an improved profitability of system services boosted operating income.

■ Profit attributable to owners of parent

The increase in operating income enabled a record-breaking profit attributable to owners of parent.

■ Orders and order backlogs

Orders and order backlogs both increased on the basis of steadily accumulated system services.

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



First of all, I would like to summarize the performance of the fiscal year ended in March 2019.

Net sales were ¥299.0 billion, an increase of ¥12.1 billion compared with the previous fiscal year.

Operating income was ¥20.6 billion, an increase of ¥4.3 billion, and net income was ¥14.2 billion, an increase of ¥2.3 billion.

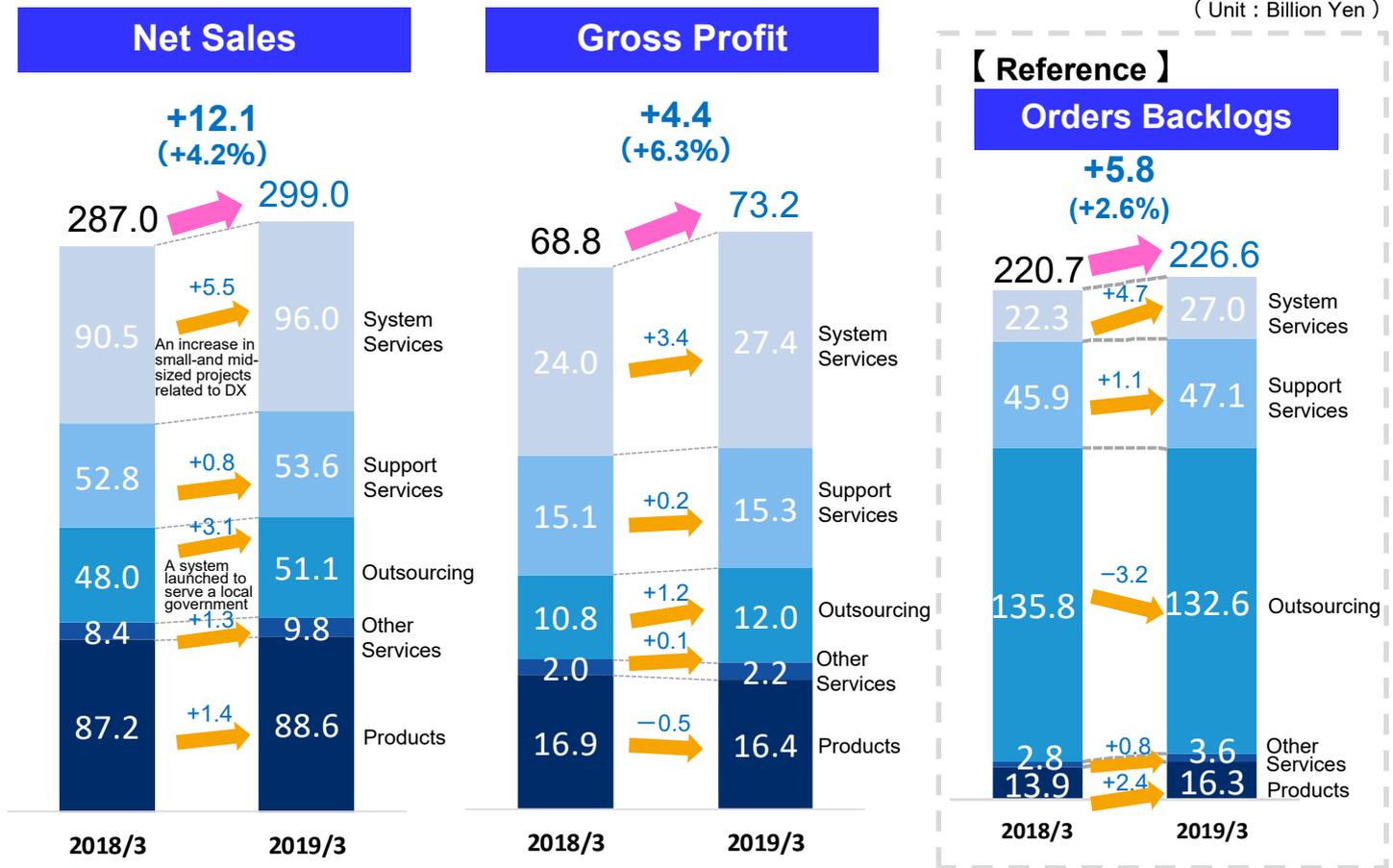
Net sales as well as operating income and net income outperformed the planned values announced in the beginning of the fiscal year under review, attributable to effects of improved profitability in addition to an increase in net sales of DX (digital transformation)- related services.

Operating income and net income broke their records.

There were steadily accumulated orders for system services from a broad range of businesses. Furthermore, we received an order for a large-scale DX-related project in the fourth quarter. As a result, orders were ¥304.9 billion, an increase of ¥7.9 billion compared with the previous period.

Accumulated system services orders pushed up order backlogs to be ¥226.6 billion an increase of ¥5.8 billion compared with the previous period.

(Unit : Billion Yen)



Next, let me explain the situations by segment.

The net sales and gross profit of the system services segment increased, due to strong demands for DX-related system development. The increase in gross profit was enabled mainly by mid-and small-sized projects accumulated in Q4.

We made an additional provision of ¥0.2 billion in the fourth quarter in order to deal with a project that experienced a cost overrun in the third quarter. As a result, the full-year unprofitable project amount was ¥0.5 billion.

We plan to see a production for this project as scheduled for Autumn in 2019. We have been making progress in the test phase as scheduled. We made a provision for the project risks including future possible risks in this period.

An improved productivity of system services has steadily improved profitability of the business. As a result, the business has become stronger than offsetting unprofitability.

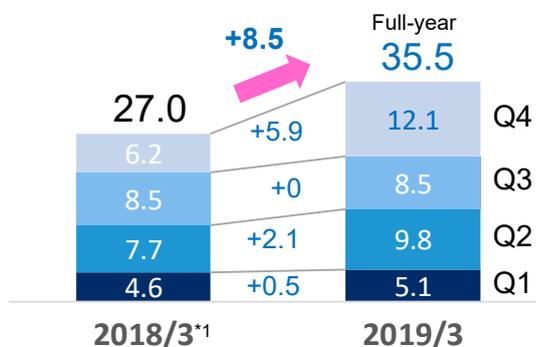
Support services suffered a transient cost incurred from consolidating support stations. However, the cost was outweighed by an increase in demand for ancillary services in accordance with an increase in product sales. As a result, we saw an increase in the net sales and gross profit of the business.

We saw an increase in the net sales and gross profit of outsourcing due to an improved operational efficiency as well as factors to drive up the net sales. The factors are: an increase in the service-type outsourcing business and fee-for-service outsourcing business that we have been focusing on; a new outsourcing project that we launched for a local government in the first quarter; and an increase in the IT outsourcing projects implemented by our subsidiary.

Product net sales increased due to an increase in a large-scale hardware project in the fourth quarter. However, product sales' gross profit decreased as a result of a decrease in the sales of highly profitable in-house software products compared with the previous period.

Net Sales

Focal Areas



- Platform businesses in the MaaS area mainly through car-sharing schemes have been increasing.
- Sales from DX-related system development have been strong.
- The transaction volume by QR and bar code payment/settlement services have been increasing.
- 'Resonatex[®]', an open API platform, has been implemented more.
- We posted large-scale AI-related hardware sales in Q4.

^{*1} The 2018/3 bar indicates the total of 'Digital Innovation' and 'Life Innovation' net sales defined in the previous mid-term management plan.

ICT Core Areas



- Strong sales were continuously enabled through system development projects for a broad range of businesses such as financial institutions, manufacturers, distributors, and service firms.
- Our subsidiaries also have expanded their IT outsourcing services.

^{*2} The 2018/3 bar indicates the 'Business ICT Platform' net sales defined in the previous mid-term management plan.

Let me describe the business situations of focal areas indicated in the mid-term management plan.

Net sales of the focal areas were ¥35.5 billion, up by ¥8.5 billion compared with the previous fiscal year.

Net sales slightly outperformed the planned value, due to the continued strength of DX-related businesses including those performed by our subsidiaries. We promoted the DX-related businesses for a broad range of companies from the viewpoint of strengthening customer interaction capabilities.

The fee-for-service businesses have increased as expected. They have been boosted on the basis of an increase in the transaction volume of QR and bar code payment/settlement business and an increase in the use of our mobility service platform mainly for car-sharing.

We plan an increase in net sales, operating income and profit attributable to owners of parent, on the basis of an accumulation of order backlogs and by promoting efforts to improve profitability.

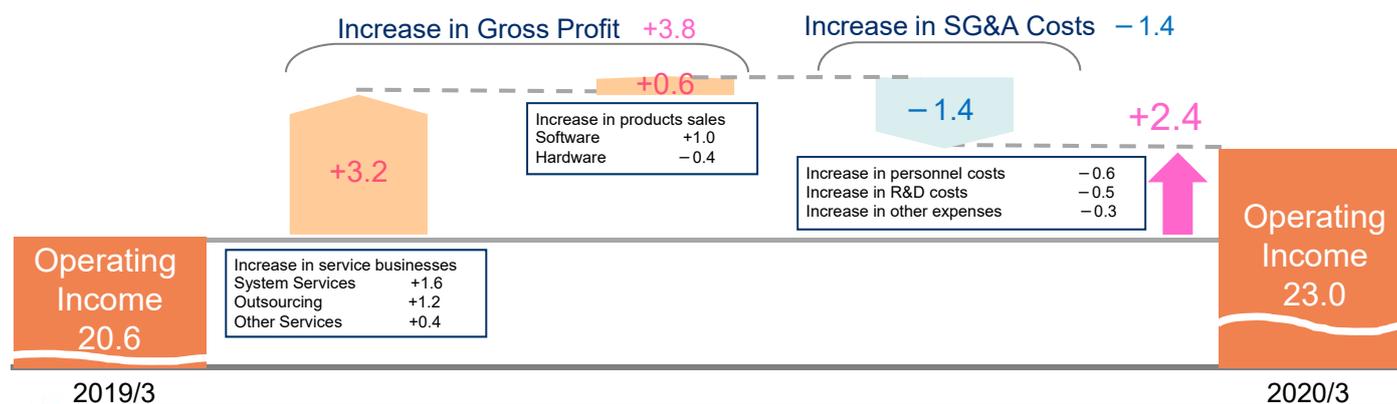
(Unit : Billion Yen)

	FYMar2019 Full-Year Actual			FYMar2020 Full-Year Forecast		
	Amount	Yr/Yr Changes		Amount	Yr/Yr Change	
Net Sales	299.0	+12.1	+4.2%	307.0	+8.0	+2.7%
Operating Income	20.6	+4.3	+26.3%	23.0	+2.4	+11.5%
(Operating Margin)	(6.9%)	(+1.2pt)		(7.5%)	(+0.6pt)	
Profit attributable to Owners of Parent	14.2	+2.3	+19.2%	16.0	+1.8	+12.4%

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

【Operating Income Changes】

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

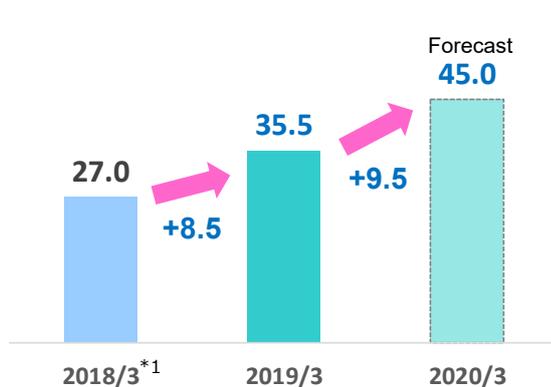


Let me describe our performance forecast for the fiscal year ending March 2020, which is the second year of the three-year mid-term management plan.

Our performance expectation for the fiscal year ending March 2020 is predicated upon: a steady accumulation of order backlogs; an improvement of profitability of the ICT core area businesses; and efforts to increase businesses in the focal areas. Thus, we expect that: net sales will be ¥307.0 billion, up by ¥8.0 billion compared with the previous period; 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.

Net Sales

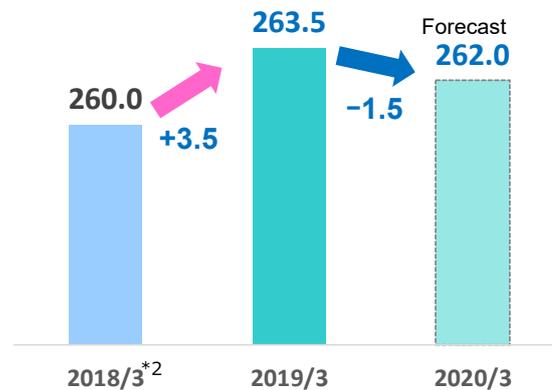
Focal Areas



- Further increase in the businesses of energy management area and MaaS area
- Promotion of services to help increase productivity through the use of new technologies such as AI and robots
- Increase in the businesses of QR and bar code payment/settlement area
- Performance track records of 'Resonatex[®]' services of business coordination have been accumulated. Use digital data generated from the 'Resonatex[®]' cashless transactions. Furthermore, promote the 'Resonatex[®]' services to coordinate non-banking businesses with banking businesses.

*1 The 2018/3 bar indicates the total of 'Digital Innovation' and 'Life Innovation' net sales defined in the previous mid-term management plan.

ICT Core Areas



- Steady demands in a broad range of areas. Examine risks and select projects.
- Promotion of measures to improve productivity through sharing and re-using knowledge and expertise, in order to further improve profitability.

*2 The 2018/3 bar indicates the 'Business ICT Platform' net sales defined in the previous mid-term management plan.

We plan ¥45.0 billion net sales in the focal areas for the fiscal year ending March 2020.

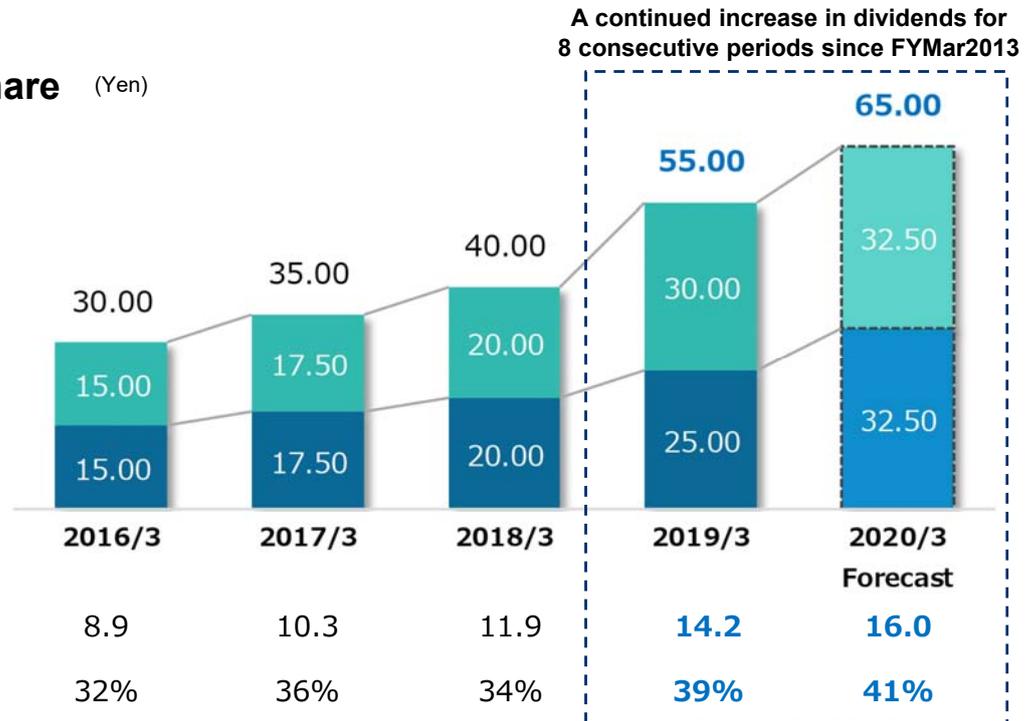
We will aim to increase businesses in the focal areas of high profitability in order to achieve an 8% or higher operating margin indicated in the mid-term management plan as the growth prediction for the fiscal year ending March 2021.

Keeping in mind the significance of our existence ('A corporate group solving social issues through socially beneficial services capable of creating a more affluent society together with customers and business partners'), we would like to increase businesses in our focal areas (such as energy management, MaaS, AI/robotics, and electronic payment) where we can help customers to promote their digital transformation.

- ✓ FY March 2019: expected annual dividends ¥55 per share (up by ¥15 compared with the previous fiscal year, up by ¥5 compared with the plan)
- ✓ FY March 2020: expected annual dividends ¥65 per share

Dividends per Share (Yen)

■ Year-end Dividend
■ Mid-term Dividend



Let me describe shareholders' return.

We will propose at the general meeting of shareholders an annual dividend of ¥55 per share for the fiscal year ended March 2019, an increase of ¥5 compared with the value planned at the beginning of the fiscal year.

We plan to pay a term-end dividend of ¥30 since we already paid a ¥25 interim dividend.

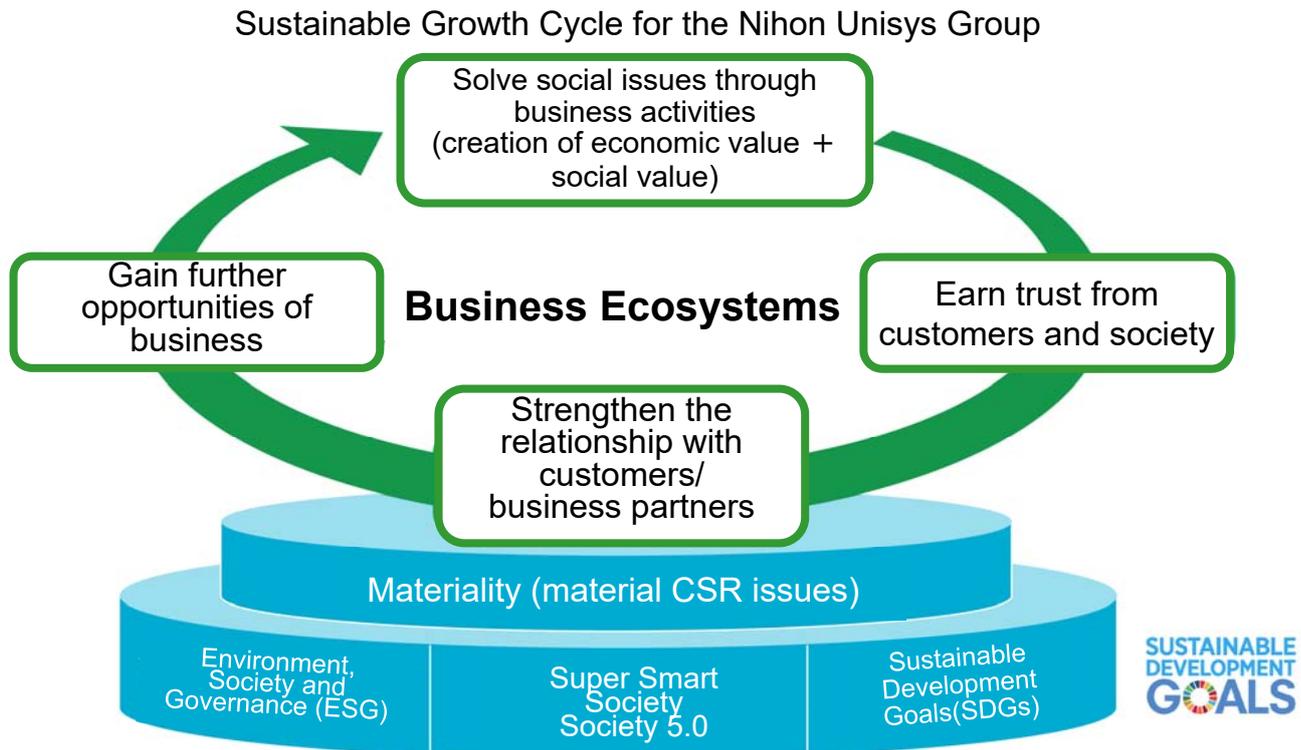
We target a dividend payout ratio of 40% as indicated in the mid-term management plan. Thus, we plan a dividend payout ratio of 41% or an annual dividend of ¥65 per share, up by ¥10 per share, on the assumption of a profit forecast of ¥16.0 billion for the dividends for the fiscal year ending March 2020.

1 Summary of the Results for FYMar2019

2 Efforts in accordance with the Mid-term Management Plan

Let me explain our progress status under the 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



The Nihon Unisys group has been promoting business activities under the theme of becoming a core capable of creating business ecosystems that connect different types/categories of businesses across conventional boundaries, and solving social issues as indicated in the mid-term management plan since it was launched in the previous fiscal year.

We have been taking on business creation businesses and ICT growth businesses mainly in our focal areas with our contributions to achieving the Sustainable Development Goals (SDGs) kept in mind. We have witnessed opportunities to further grow our group during the efforts to solve our social issues in Japan, a developed country facing challenges, through activities of creating new businesses and expanding our business ecosystems.

Also, in the ICT core business area, we have been promoting efforts to improve productivity in developing and operating systems through sharing and reusing knowledge and expertise, as well as to prioritize careful risk examination in selecting projects.

In addition, the operation rate of system engineers has increased due to social implementations of the deliverables in the area of business creation businesses and ICT growth businesses. The increase has improved the entire 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 making cross-functional activities to deal with social issues across the boundaries of the four focal areas stipulated in the mid-term management plan.

I would like to brief you on our three initiatives that are enabling us to clearly see opportunities of creating markets through the activities.

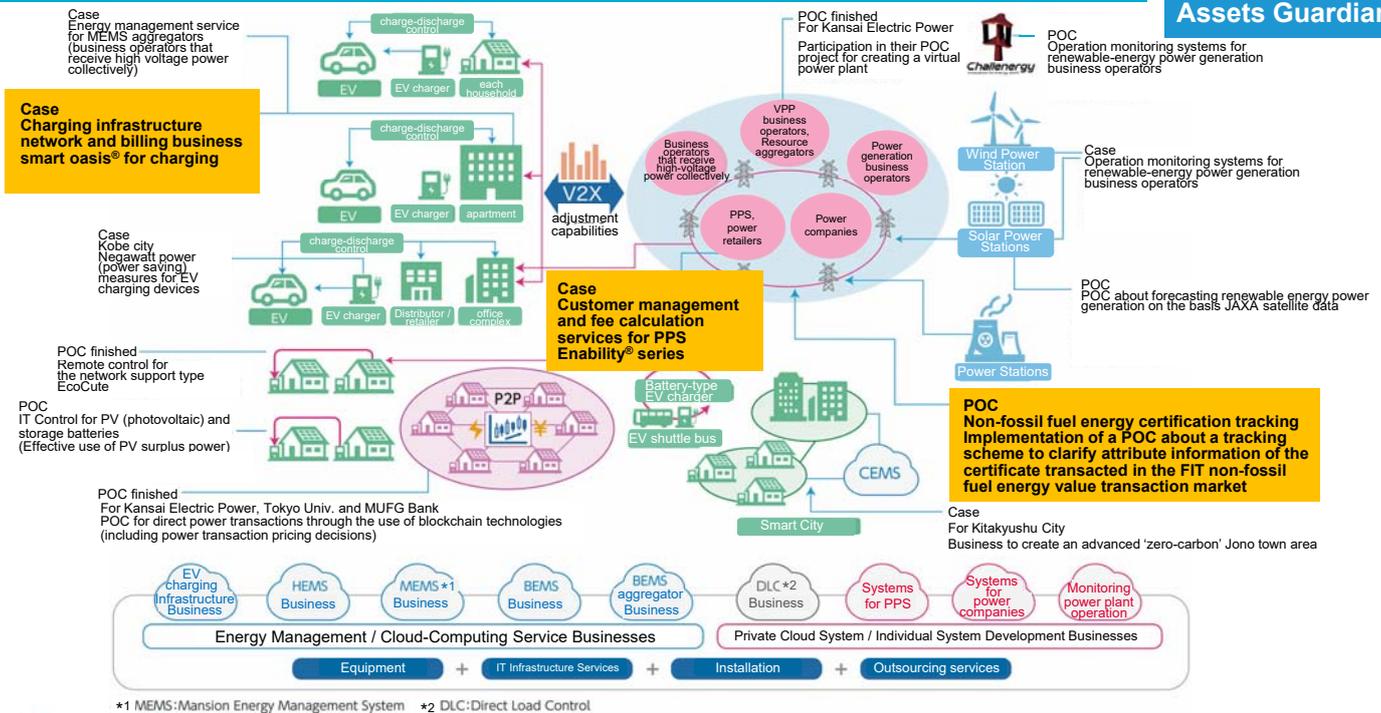
Also, I will touch on our efforts of strategic investment and corporate culture reform that make the basis for the activities.

Sustainable Energy Society



- Neobanks
- Digital Acceleration
- Smart Towns
- Assets Guardian

Contribute to creating a clean and sustainable energy society.



First of all, let me describe our efforts under the theme of sustainable energy society.

We think that SDGs can be achieved mainly due to deliverables of efforts and contributions of all companies. Economic activities depending upon fossil fuels have negative impacts of increasing greenhouse gas emissions. In Japan, we witnessed an establishment of a market where electricity retailers procure ‘non-fossil’ energies last year.

We have been collecting and managing tracking data on the basis of our knowledge and expertise of blockchain technology and energy management since we were entrusted to perform the ‘study project about an increase in the utility value of non-fossil energy certificates’ by the Ministry of Economy, Trade and Industry. We will contribute to increasing options for consumers and companies to procure renewable energy electricity through our efforts to improve convenience of non-fossil energy certificates.

We launched our charging infrastructure business for electricity vehicles a decade ago. We struggled to develop the business in the beginning. It hardly contributed to our earnings. However, we have increased the businesses listed at the bottom of the chart one by one from the viewpoint of creating a sustainable energy society in the future. The businesses have developed significantly as energy-related businesses, and they have become part of our revenue sources.

We have come to be capable of managing energy more efficiently than ever before through the use of AI and IoT technologies. We will contribute to enabling a sustainable clean energy society by promoting investments into technologies to help a clean energy life become a norm as well as efforts to achieve SDGs goals together with a wide range of partners, to say nothing of an increase in the Enability/smart oasis user number.

Towards Smart Living



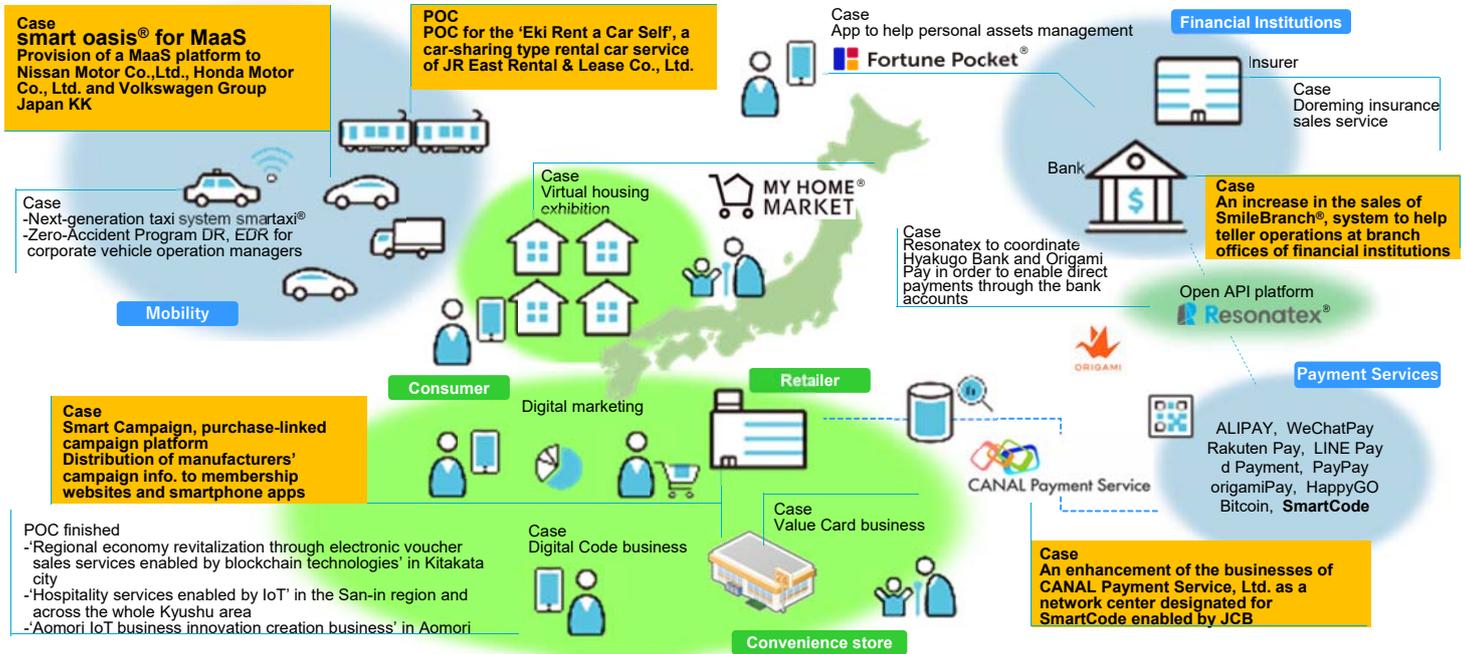
Neobanks

Digital Acceleration

Smart Towns

Assets Guardian

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



Next, I would like to describe our efforts to achieve a smart consumption society by promoting sharing economy and cashless economy.

‘smart oasis’, our mobility service platform, has served automobile manufacturers such as Nissan Motor Co., Ltd., Honda Motor Co., Ltd. and Volkswagen Group Japan Co., Ltd. It is the MaaS platform that has the top share of the domestic market in terms of the implementation quantity. Furthermore, we have begun to provide carsharing services through ‘smart oasis’ for a poc (proof-of-concept) of the ‘Eki Rent a Car Self’ project operated by JR East Rental & Lease Co., Ltd., part of the JR East railway business group. We will continue to deploy furthermore ‘smart oasis’ a mobility-service platform to support various types of customers in the future in an accelerated manner.

Also, we have enhanced efforts to strengthen customer interactions for regional financial institutions. One example is SmileBranch, a system to help financial institutions perform teller operations at the branch offices, that now serves 11 financial institutions such as the Chiba Bank, Ltd., the Daishi Bank, Ltd., and the Chugoku Bank, Ltd. We will continue to promote digitization of businesses of companies including financial institutions, and make proposals about new visions for indispensable financial services that may contribute to improving convenience for consumers in regional areas.

We have made various types of efforts to promote a cashless society. We would like to enable consumers to select green corporate products and services independently and more flexibly. Also, we aim to create a safe and secure consumption society by contributing to helping society to reduce cash management costs through the efforts about cashless society. For example, Canal Payment Services, Ltd., our subsidiary, has been continually expanding its business on the basis of an alliance with JCB Co., Ltd. as reported the other day.

In addition, we will provide a purchase-linked campaign platform in the digital marketing area. It is to help consumers understand SDGs-related efforts by manufacturers and entice them to purchase the products.

Responses to society experiencing a declining labor force



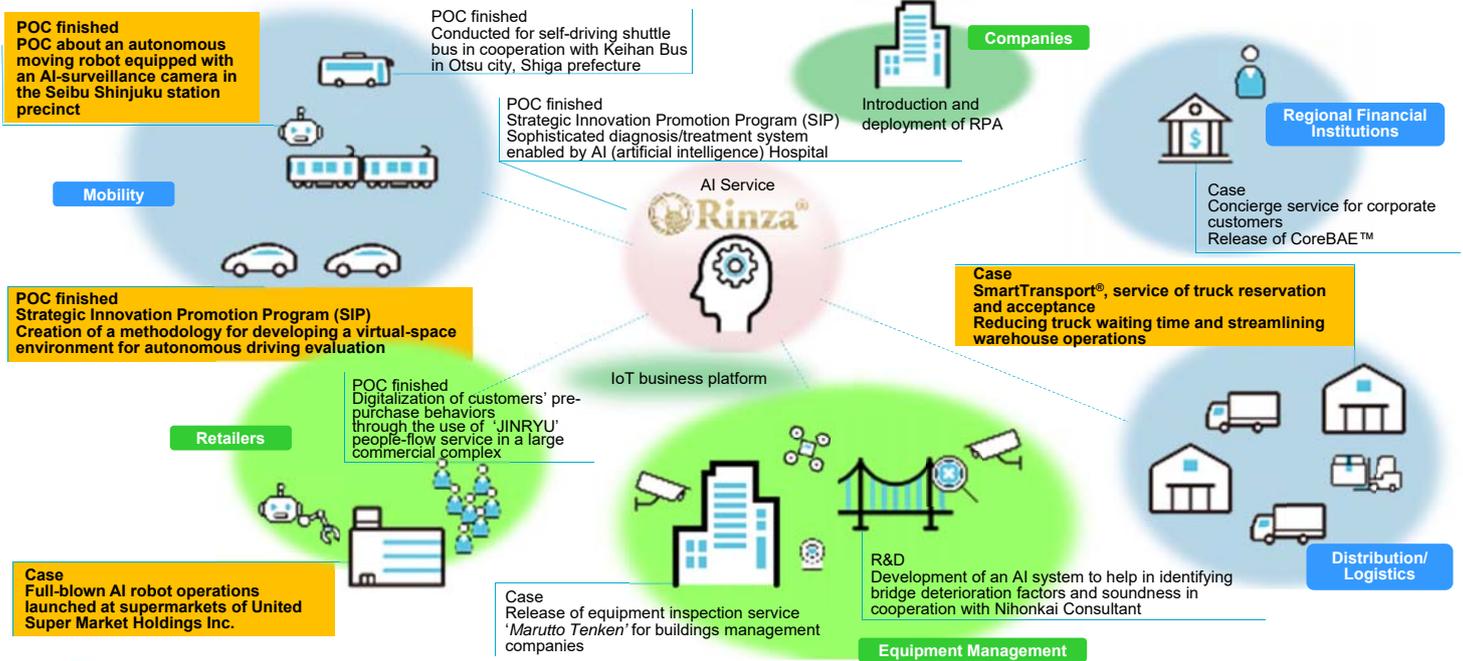
Contribute to improving labor productivity towards a sustainable economic growth through the use of new technologies such as AI and robots.

Neobanks

Digital Acceleration

Smart Towns

Assets Guardian



Next, I would like to describe our efforts to create a sustainable economic growth through using new technologies such as AI and robots in order to deal with labor shortage issues due to a shrinking labor force.

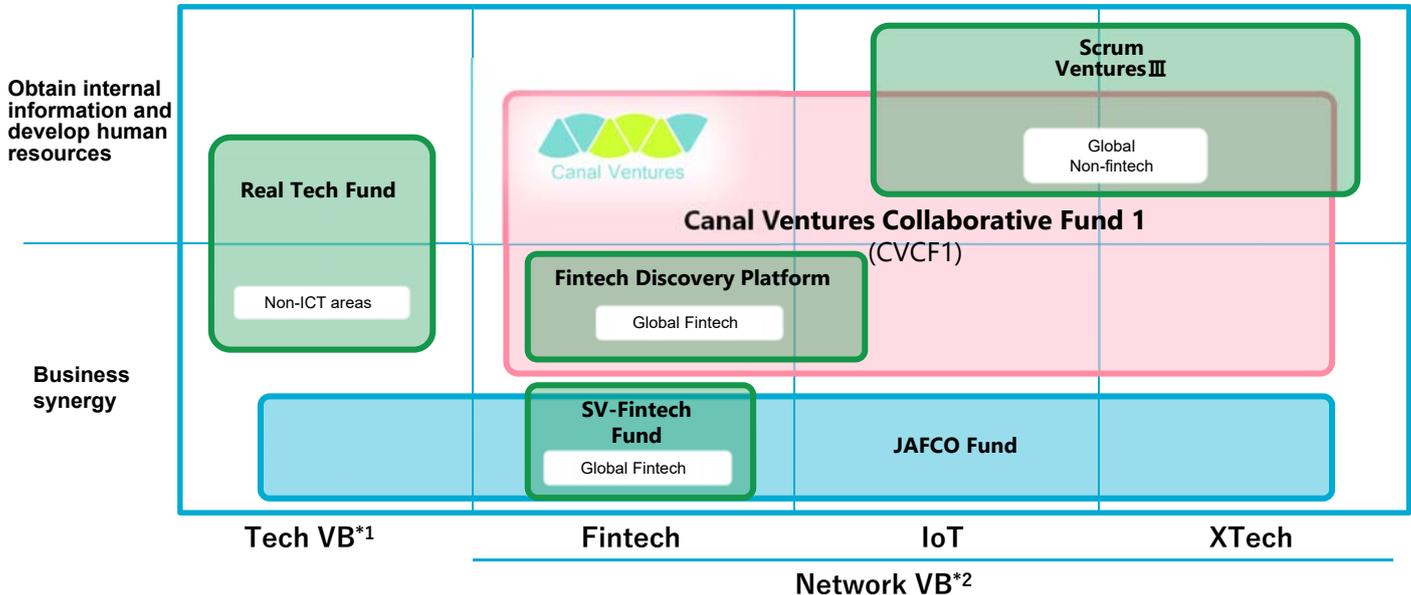
Our attempts to use robots included a proof-of-concept about an autonomous moving patrol robot equipped with AI monitoring cameras in the precinct of Seibushinjuku Station. This robot gathers attention as part of solutions for public transportation organizations facing issues to improve safety and reduce station employees' workloads of patrolling and monitoring, against the background that a drastic increase in passengers is expected for stations in the metropolitan area in accordance with an increase in non-Japanese sightseers as 2020 approaches. Furthermore, we began the nation's first attempt to execute permanent operations of autonomous moving AI robots capable of performing specified human duties in cooperation with United Super Market Holdings Inc. The self-driving robots shoot pictures of display racks in stores unmanned after business hours and analyze the data. Workloads of retail employees can be reduced on the basis of evaluation results of POP (point of purchase advertising) effects by using results of the analyses.

Social issues experienced in the mobility business area include a driver shortage, people without transportation means in regional areas, and traffic accidents caused by elderly drivers. We have been participating in a governmental project 'Strategic Innovation Promotion Program (SIP)' as part of our efforts about driverless cars. We have been developing a methodology for creating a virtual-space environment for autonomous driving evaluation. Furthermore, the logistics industry also faces social issues such as a shortage of drivers and operators and an environment worsened by trucks waiting in a queue around warehouses. We have been promoting the provision of 'SmartTransport' to innovate the industry in response to the issues. This solution enables drivers to advise distribution stations of their expected arrival time and book. As a result, drivers can have their waiting time reduced and workloads of acceptance at and shipment from warehouses can be significantly streamlined. We will aim to develop the solution into a platform commonly used across the logistics industry by increasing subject business types and functions.

The Nihon Unisys group has accumulated text analysis and mining expertise that it has developed for many years, as well as data analytic technologies (statistical analysis and future prediction, machine learning and deep learning) and AI technologies coordinated with business knowledge. We will merge with AI the abundant knowledge and expertise about data use from data management (necessary for data use) to data analysis, into development models to help us solve social issues. We will deliver our services predicated on the development models.

Strategic investments

Our investment into start-up companies



*1 Tech VB Venture businesses (start-ups) that have R&D type innovative technologies in the machine engineering and biotechnology fields
 *2 Network VB Venture businesses (start-ups) that grow on the basis of capabilities and human networks of people in management jobs and creation of eco systems

Next, I would like to describe our efforts about strategic investment.

The Nihon Unisys group has made various types of efforts in order to promote innovation such as NextPrincipal, a program for developing innovative employees, ideathons and hackathons, and T3 Initiatives for effective use of time for purposes other than regular assignments. Furthermore, we have been proactively taking on open innovation by participating in 'TECH PLANTER' seed acceleration program and investing in a Silicon Valley FOFs (fund of funds).

We had issues such as fragile practices of matching seeds and businesses and accessing little information about the latest trends. Furthermore, our weak relationships with startup companies and cultural differences hampered our continuous innovation.

However, we have made direct investments into 20 businesses and have come to see new business plans and R&Ds promoted in the past few years. This is attributable to our fund investments that we have made with the aim of obtaining business seeds and understanding business trends in our focal areas, and CVC fund operations promoted through Canal Ventures, Ltd., our subsidiary.

The CVC (corporate venture capital) capabilities by the subsidiary have enabled us to be assimilated into VCs and start-up companies in their early stages, the types of companies that large companies could not access easily. We have been able to contribute to cultivating human resources and building a network for them.

Furthermore, the original intention of these investments is to gain strategic returns through business synergies. In this regard, we have come to a phase where we can expect financial returns as secondary effects only one and a half years after we began the operations.

We will continuously enable innovations by participating in the networks of start-up companies, VCs, and accelerators as well as developing business ecosystems.

Reform of corporate culture



Aim to strengthen capabilities for proactively creating values and design business ecosystems



We were recognized for the key efforts listed above with awards and accreditations in the fiscal year ended in March 2019

Last but not least, I would like to describe our efforts to reform our corporate culture.

The vision for our group is 'A corporate group solving social issues through socially beneficial services capable of creating a more affluent society together with customers and business partners'. We have been promoting corporate culture reforms in order 'to strengthen our capabilities to create values proactively and design business ecosystems'.

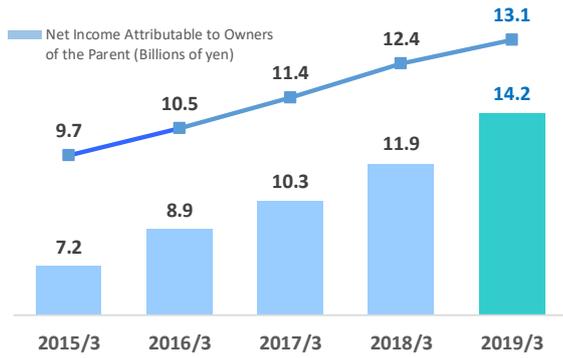
The Company aims to create a corporate culture that encourages individual employees to identify issues to solve, express their intention to take on the challenge of solving them, and take action accordingly. We have made efforts to create organizations and an environment where employees can continue to grow, manifest their aptitude, and feel fulfilled more at work.

We implemented efforts from various viewpoints such as reform of corporate culture, organizational reform in order to incorporate multifaceted perspectives, and personnel development programs in order to reveal creativity and innovativeness of individuals. The aim of our corporate culture reform is to re-create our company and make it a creative and innovative organization where innovative ideas are generated without negative impacts due to differences of attributes such as gender and situations such as child care/family care duties. Furthermore, we have made efforts for workstyle reform. We have developed an environment where all employees can securely work from anywhere and anytime through ICT to help them telecommute or work at satellite offices frequently. We were recognized for these endeavors and achievements by receiving awards and accreditations such as 'New Diversity Management Selection 100' and 'Telework Pioneer 100: Minister of Internal Affairs & Communications Award'/ The 'Top Hundred Telework Pioneers, the Minister for Internal Affairs and Communications Award'.

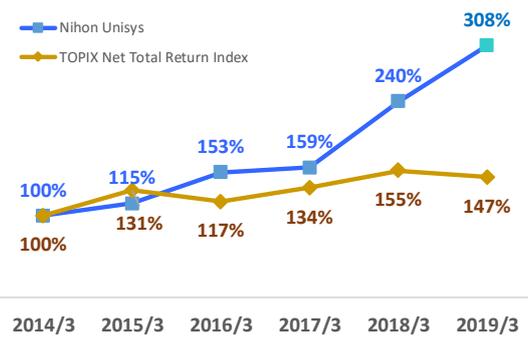
The Group plans to implement various types of efforts on the 4 Foresight concepts, and strengthen reformative efforts for our corporate culture.

The Nihon Unisys group will continue to promote the corporate culture reform with an eye on creating an exciting future.

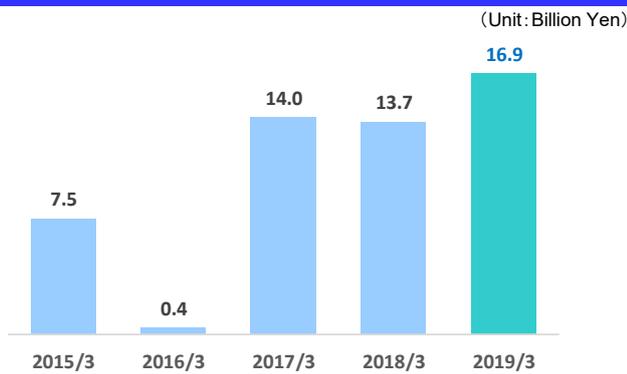
Profit Attributable to Owners of the Parent, ROE



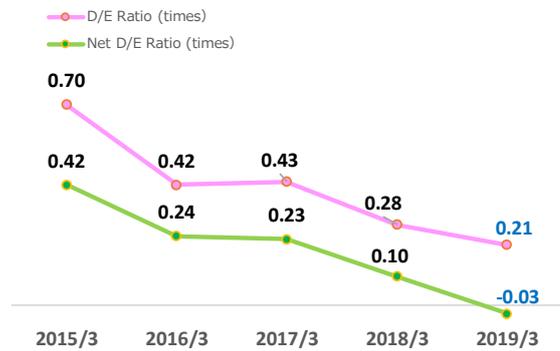
Total Shareholder Return (TSR)



Free Cash Flow



D/E Ratio



Foresight in sight

UNISYS

Names of companies or products herein described are trademarks or registered trademarks of their respective organizations.

(Note)

Forecasts in this document rely on judgments and assumptions based on information available at present. Actual results may differ from the forecasts due to changes in risks, uncertainties, economy and other factors. Thus, the certainty of these forecast is not guaranteed by our Group.

Also, the information is subject to change without prior notice in future.

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