

Results for the 2nd Quarter of FY March 2022

November 2, 2021

Nihon Unisys, Ltd.

Foresight in sight

1 Summary of the Results for H1 FYMar2022

2 H1 Performance Summary and Initiatives for Medium and Long-term Growth

- ✓ **DX business projects drove a revenue increase. Operating profit was increased due to enhanced profitability that absorbed impacts from SG&A expenses growth.**
- ✓ **System services businesses accumulated in Q2 enabled continued strength of orders and order backlogs.**

(Unit: Billion Yen)

	FYMar2021 Q2 (Apr-Sep)	FYMar2022 Q2 (Apr-Sep)	Changes		
Revenue	145.0	145.9	+0.9	(+0.6%)	(Revenue) System services mainly for DX projects grew in Q2 and thus drove revenue.
Gross Profit	37.3	39.0	+1.7	(+4.5%)	
SG&A Expenses	-25.5	-26.2	-0.7	(+2.6%)	(Operating Profit) Gross margin grew based upon a revenue increase and improved profitability.
Operating Profit	11.8	13.0	+1.1	(+9.7%)	It absorbed an increase in SG&A expenses. As a result, operating profit increased by 9.7% compared with H1 FYMar2021.
(Operating Margin)	(8.1%)	(8.9%)	(+0.7pt)		
Profit attributable to Owners of Parent	8.0	9.4	+1.4	(+17.0%)	(Profit) The operating profit growth sustained and valuation profits of investment deals further drove profit.
Adjusted Operating Profit*	11.8	12.8	+1.0	(+8.6%)	
(Adjusted Operating Margin)	(8.2%)	(8.8%)	(+0.6pt)		
Orders	144.0	145.9	+2.0	(+1.4%)	(Orders and Order Backlogs) System services orders increased in Q2, more than making up for the lack of projects comparable to the large-scale outsourcing project posted in the same quarter of the previous fiscal year. As a result, the entire orders made an increase over a year-over-year basis.
Order Backlogs	225.5	242.3	+16.8	(+7.5%)	Order backlogs specifically of outsourcing and system services were accumulated steadily.
(Order backlogs in the current FY)	80.9	88.1	+7.2	(+8.9%)	

* Adjusted operating profit is the result obtained after deducting SG&A expenses and cost of sales from revenue.

First of all, let me summarize our performance for the first half of the fiscal year ending March 2022.

Revenue for the first half of the fiscal year was ¥145.9 billion, an increase of ¥0.9 billion from the same period of the previous fiscal year. The increase was sustained by an increase in the digital transformation (DX) -related projects.

Operating profit was recorded at ¥13.0 billion, an increase of ¥1.1 billion on a year-over-year basis. Gross profit increased by ¥1.7 billion. The increase was ascribable to improved profitability as well as the revenue growth. Gross profit could absorb impacts of an increase in SG&A expenses. As a result, operating profit increased by about 10% compared to the same period of the previous year.

There was a significant increase in system services in Q2 due to orders for large-scale projects for local governments and financial institutions. As a result, orders received increased by ¥2.0 billion on a year-over-year basis, which was more than absorbing impacts of a lack of projects comparable to the large-scale outsourcing project posted in Q2 of the previous fiscal year.

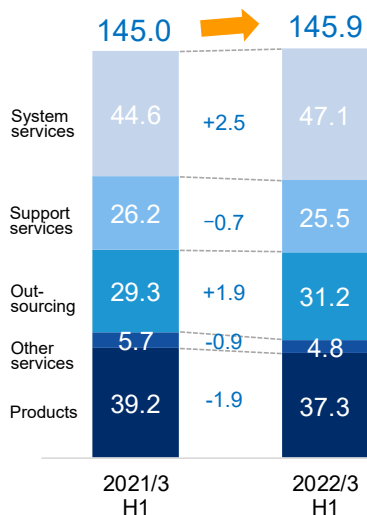
FYMar2022 H1 Revenue and Gross Profit by Segment (IFRS)

Foresight in sight

(Unit : Billion Yen)

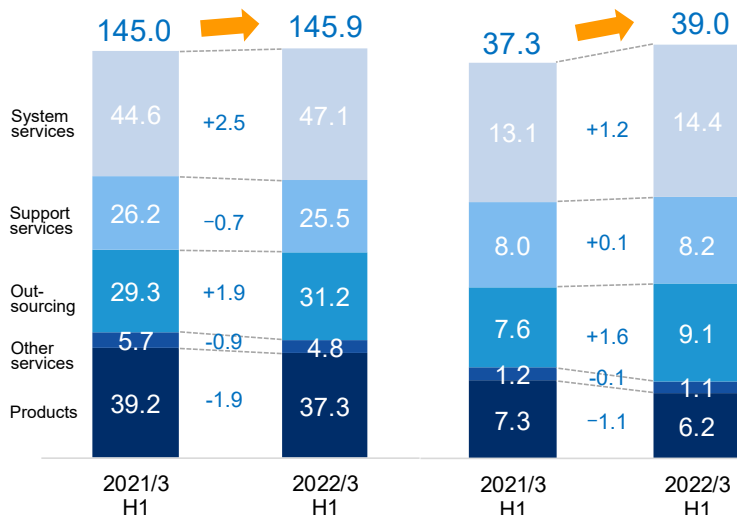
Revenue

+0.9
(+0.6%)



Gross Profit

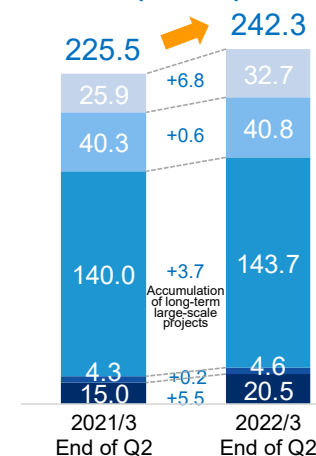
+1.7
(+4.5%)



[Reference]

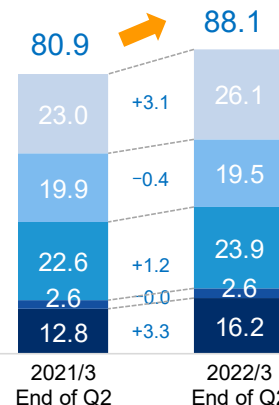
Order Backlogs (Total)

+16.8
(+7.5%)



Order Backlogs (to be posted as net sales within the FY)

+7.2
(+8.9%)



Next, let me summarize the situations by segment.

First of all, system services revenue and gross profit increased. Revenue growth is attributable to the continued strength of DX projects for retailers and financial institutions, and the launch of BankVision system development for its 12th bank. Gross profit was increased due to efforts of productivity improvement.

The outsourcing revenue and gross profit increased due to the provision of platform services for ecommerce and the enhanced new platform services for financial institutions.

In comparison with the first half of the previous fiscal year when the GIGA school project was posted, the products revenue and gross profit were less for the lack of comparable projects to the posted project.

Order backlogs show the continued strength of DX demands in hardware as well as system services and outsourcing. Projects scheduled to be posted as revenue in the second half are accumulating steadily.

【Revenue by Outsourcing】

(Unit: Billion Yen)

	FYMar2021 H1 (Apr-Sep)	FYMar2022 H1 (Apr-Sep)	Changes
Entrusted operation-type	24.8	25.2	+0.4
Corporate DX-type	2.1	3.1	+1.0
Service-based-type (business creation-type)	2.4	2.9	+0.5
Total revenue	29.3	31.2	+1.9

【Order Backlogs by Outsourcing】

(Unit: Billion Yen)

	FYMar2021 End of Q2	FYMar2022 End of Q2	Changes
Total order backlogs	140.0	143.7	+3.7

(Corporate DX-type outsourcing)

- ✓ The 'BankVision on Azure', Japan's first public cloud full-banking system, was launched in May. Another user decided in September to avail itself of the service.
- ✓ A DX service for retailer stores (AI-driven automatic order placement service) was broadly released. Efforts to increase users are focused.

(Service-based-type (business creation-type) outsourcing)

- ✓ A platform service for e-commerce was launched first for large-scale retailers. The service is planned to serve multiple business operators in the second half.
- ✓ The Value Card business and the dashcam (Drive Recorder) service have continued to be steady.

Next, I will explain the status of the outsourcing business.

The Group launched the Management Policies (2021-2023) in this fiscal year. The Group aims to increase outsourcing sales as indicated in the Management Policies where the outsourcing business is positioned as a growth driver.

In the first half of the current fiscal year, the outsourcing revenue increased by ¥1.9 billion compared with the same period of the previous year, with a particularly strong growth in corporate DX-type outsourcing.

The DX-promoting new platform services for financial institution customers are broadly provided. "BankVision on Azure", the first public-cloud full banking system in Japan, has been in operation for Hokkoku Bank since May. In September, another new customer decided to adopt the platform.

In addition, we have received orders from new customers for our AI-driven automatic ordering service for retail customers. We will continue to obtain more users.

Our platform service for EC exemplifies our service-based-type (business creation-type) outsourcing service. The platform service has already served a major retailer since it was launched in May. It is scheduled to be implemented for multiple users in the second half of this fiscal year.

✓ The Group has made progress as forecasted with an eye towards the full-year target. No revisions of the previous announcement are made.

(Unit: Billion Yen)

	FYMar2022 H1			FYMar2022 H2			FYMar2022 Full-Year		
	Actual	Changes		Forecast	Changes		Forecast	Changes	
Revenue	145.9	+0.9	(+0.6%)	174.1	+10.6	(+6.5%)	320.0	+11.6	(+3.8%)
Operating Profit	13.0	+1.1	(+9.7%)	13.0	+0.2	(+1.8%)	26.0	+1.4	(+5.6%)
(Operating Margin)	(8.9%)	(+0.7pt)		(7.5%)	(-0.3pt)		(8.1%)	(+0.1pt)	
Profit attributable to Owners of Parent	9.4	+1.4	(+17.0%)	8.1	-0.5	(-5.8%)	17.5	+0.9	(+5.2%)
Adjusted Operating Profit*	12.8	+1.0	(+8.6%)	13.7	+0.3	(+2.2%)	26.5	+1.3	(+5.2%)
(Adjusted Operating Margin)	(8.8%)	(+0.6pt)		(7.8%)	(-0.3pt)		(8.3%)	(+0.1pt)	

* Adjusted operating profit is the result obtained after deducting SG&A expenses and cost of sales from revenue.

I would like to brief you on our full-year earnings forecast for the FY March 2022.

System services performed well in Q2. Performance results for the first half of the fiscal year were in line with the forecast. We are aware of enthusiastic interests of customers in DX investment. We think that we can expect their digital investments to remain strong in H2 of this fiscal year.

As of the end of the first half of the fiscal year, we have got a stack of steadily increasing order backlogs of system services and outsourcing projects. Also, we are aware of some customers holding off on investments due to concerns related to the COVID-19 pandemic. Accordingly, we will maintain our forecasts for revenue of ¥320 billion, operating profit of ¥26.0 billion, and profit of ¥17.5 billion.

Adjusted operating profit is expected to be ¥26.5 billion.

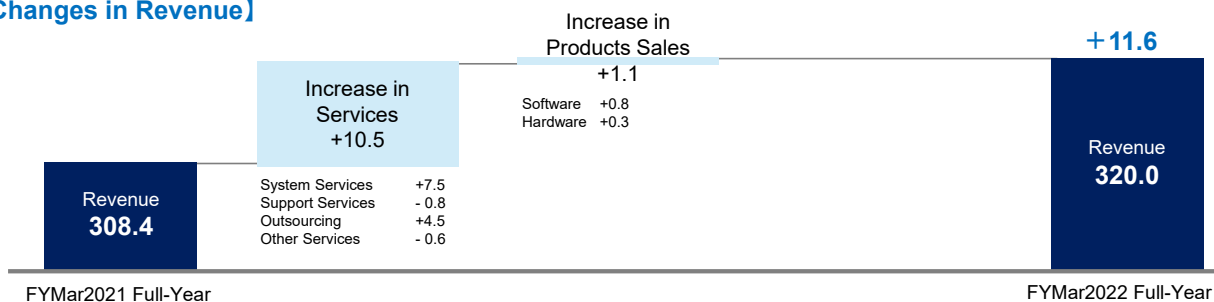
This is the summary of the financial results.

(Reference) Full-Year Performance Forecast for FYMar2022 (IFRS) Breakdown Details

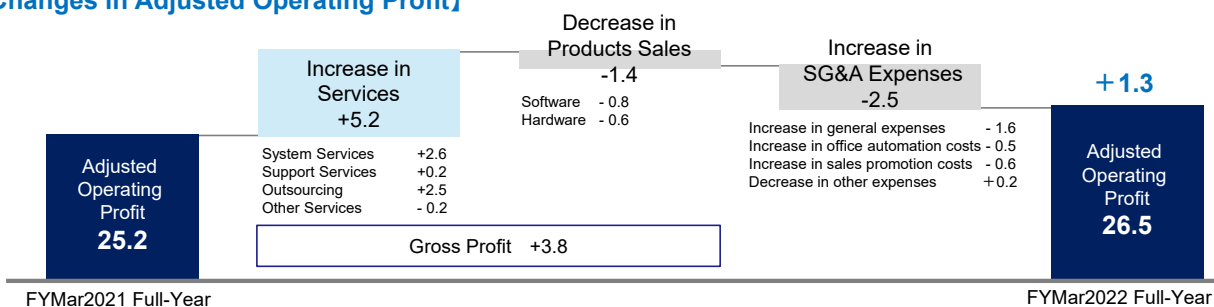
Foresight in sight

(Unit: Billion of Yen)

【Changes in Revenue】



【Changes in Adjusted Operating Profit】



1 Summary of the Results for H1 FYMar2022

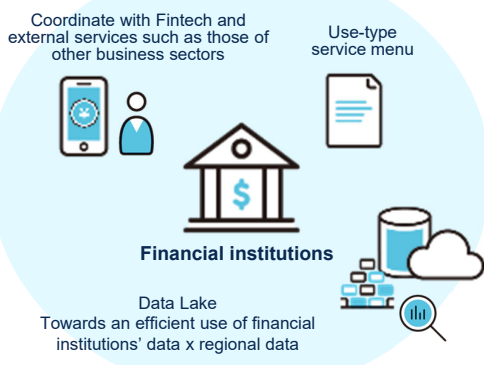
2 H1 Performance Summary and Initiatives for Medium and Long-term Growth

Let me summarize our performance of this first half period and our efforts for the medium and long-term growth.

<Efforts in the Areas Conducive to Revenue in H1>

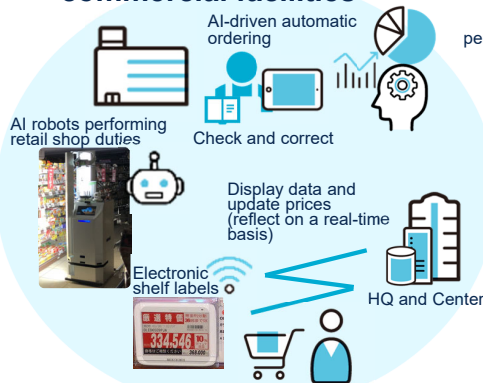
We enhanced our new platform to help regional financial institutions perform DX attempts. Our DX capability has come to serve more business sectors such as retail (with AI-driven automatic ordering and electronic shelf tagging solutions) and manufacturing (with purchase and procurement solutions).

DX for regional financial institutions



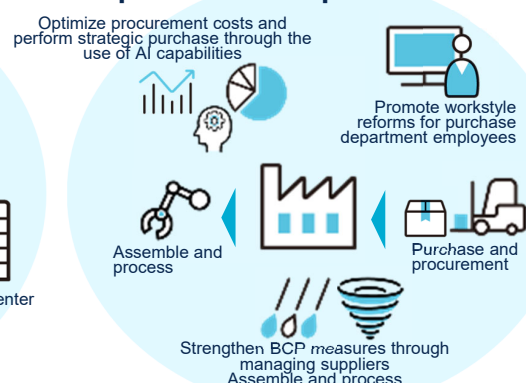
Propagate new platform services for financial institutions

DX for retailer shops and commercial facilities



Increase use of AI automatic ordering, electronic shelf labels, and AI robots performing retail shop duties

DX for manufacturers' purchase and procurement



Widely use purchase and procurement DX solutions

I will brief you on our key achievements in the business sectors that contributed to the revenue in the first half, finance, retail, and manufacturing.

With the advance of digitalization, financial institutions are expected to be more attentive and careful in supporting regional companies through consulting on business succession and collaboration, and helping consumers through financial services regardless of time and location. In this environment, we are working on a new usage-based platform service to be provided for financial institutions. Through this platform service to accelerate collaboration between financial institutions and other industries, we will contribute to developing and boosting local economies.

In the retail industry, we have provided DX solutions and services such as AI automated ordering, electronic shelf tags, and business-agent AI robots that support the transformation of real stores of retail supermarkets that specifically deal with daily necessities. The DX solutions and services continue to contribute to revenue. We expect DX demands from retailers to continue. Thus, we can continue to find more users. In addition, we aim to further increase the number of users of AI-based demand forecasting and shelf tagging, as we anticipate that the solutions can be used in the industries other than retail, such as logistics and manufacturing.

There is a strong need for DX in the business area of purchasing and procurement operations in the manufacturing industry. "eBuyerBrains" supports the digitalization of workflows and performance analysis in purchasing and procurement. The solution serves broadly beyond manufacturers. We have contributed to companies' attempts to enable strategic purchase by facilitating remote work and promoting workstyle reforms in the purchase and procurement departments, and optimizing procurement costs through the use of AI-based assessments.

[Tendency of Orders and Order Backlogs]

Order backlogs of system services, outsourcing and hardware increased significantly.

- ✓ Orders and order backlogs steadily piled up attributable to our financial services (a new user of BankVision and orders for Shinkin-bank's core-banking system services) in addition to our services for retailers and public service providers.
- ✓ Hardware orders and order backlogs increased more than the same period of the previous fiscal year, due to strong demands from education sectors and research institutions.

[Future Prospects]

Enquiries mainly from financial institutions and retailers about corporate DX-type outsourcing services will continue in the second half.

- ✓ We boosted proposal activities to sell EC platform services, part of our service-based-type (business creation-type) outsourcing services.
- ✓ We have confidence about a pile-up of projects in the pipeline to further grow to the level before the pandemic.

I would like to brief you on the order tendency of the second half of the fiscal year from the viewpoint of achieving the full-year target.

Orders received and order backlogs both increased on a year-over-year basis. Both are steadily accumulated. The solid buildups are witnessed in a wide range of sectors such as system services and outsourcing, due to steady projects in the financial and retail sectors and large orders in public services such as electricity, gas, and water.

Our corporate DX-type outsourcing business is exemplified by "BankVision". As we saw another user decide on using the BankVision service, we have gained a momentum for re-expansion of BankVision service use, partly through the cooperation and effectiveness of relationships among customers. We also received orders for our core-banking services for Shinkin banks in the first half of the fiscal year. Thus, our business for the financial sector as a whole is robust. We aim at increasing further this business in the second half on the basis of the orders. We have boosted proposal activities in order to entice users for our service-based-type (business creation-type) outsourcing services such as the EC platform service implementation.

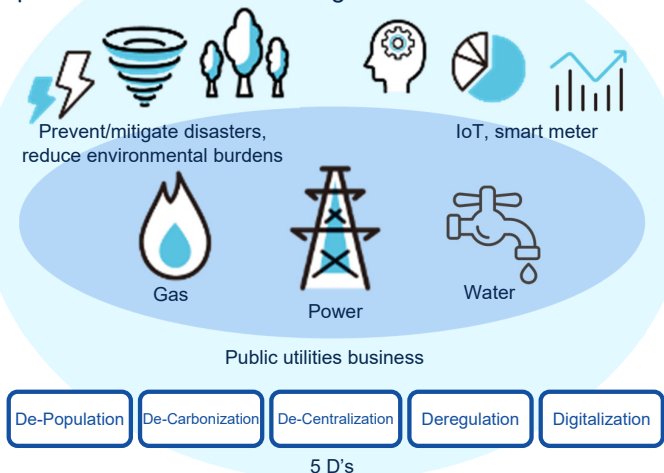
Looking at the status of the pipeline for the second half of the fiscal year, which has not yet resulted in any orders, there are a number of enquiries and the depth of the pipeline is increasing, although there are some differences in the industries and sectors. We foresee a return to pre-pandemic levels, and we will strengthen our daily activities to steadily enable orders based upon projects in the pipeline to orders in order to achieve the full-year target.

<Attempts to enable more orders in H2>

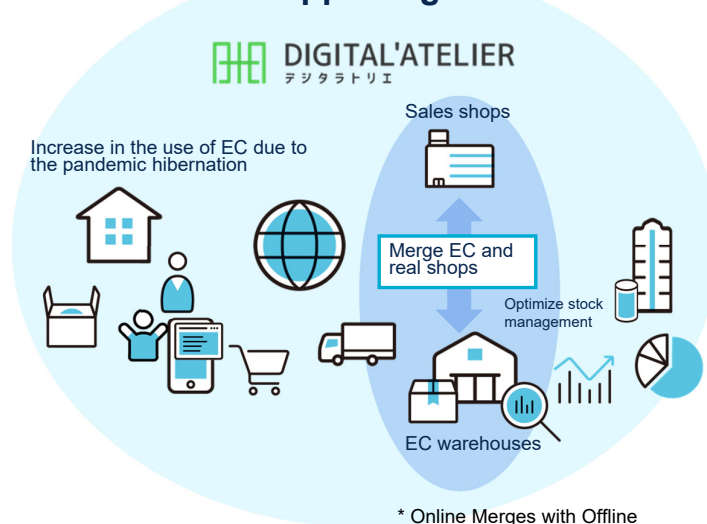
DX projects for public services (such as electricity, gas and water) have made progress. EC platform services are more enthusiastically used.

Progress of public services DX

- attempts towards decarbonization as well as disaster prevention and disaster mitigation -



Increase in the use of EC Platform Services supporting OMO*



I will brief you on the areas that will lead to increased orders in the second half of the fiscal year to achieve the full-year target.

Public services such as electricity, gas, and water, specifically in the electric power and energy industries, are undergoing a period of major transformation due to the trends known as the 5 D's (See the note below). DX in public services is spreading.

As I explained earlier, we have received orders for DX projects in public services such as electricity, gas, and water. By leveraging the power of data and digital technology to help public service providers transform their business models, we will sustain the provision of a safe and secure lifestyle for consumers.

By promoting DX, we will also contribute to solving social issues such as decarbonization, disaster prevention and disaster mitigation, and achieving the SDGs.

Under the effect of the COVID-19 pandemic, consumers' demands for EC have been intensified. Various industries are expected to satisfy the demands.

In this circumstance, a concept of merging physical stores and EC (OMO, or Online Merges with Offline) is spreading.

"DIGITAL'ATELIER", an OMO-compliant platform service for EC, contributes to improved user convenience by integrating the management of product, member, and inventory data from stores and EC.

For the second half of the fiscal year, we received an order from the largest mail-order company as a result of our enthusiastic proposal activities mainly targeted at EC and mail-order business operators.

We will focus on this service and will continue to promote the spread and penetration of SaaS-type services in various industries.

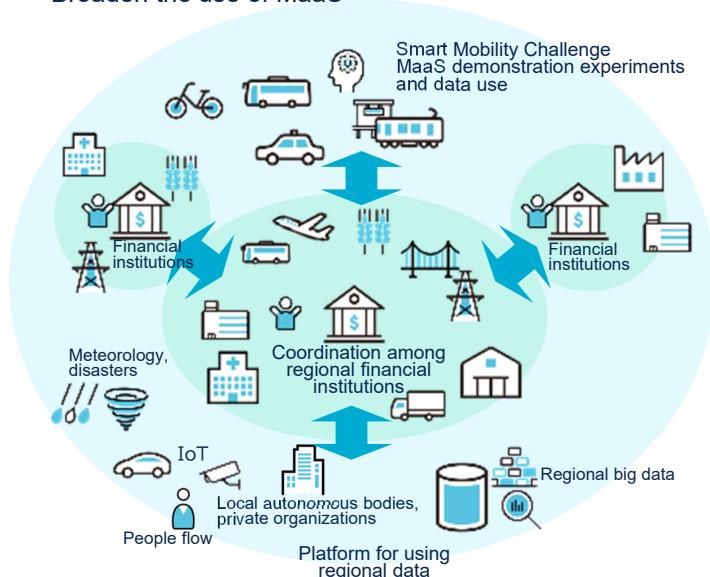
(*) 5 D's: De-Population, De-Carbonization, De-Centralization, Deregulation, Digitalization

(*) OMO: Abbreviated word for Online Merges with Offline

OMO means to merge offline and online. It is to merge real shops and EC for the retail industry.

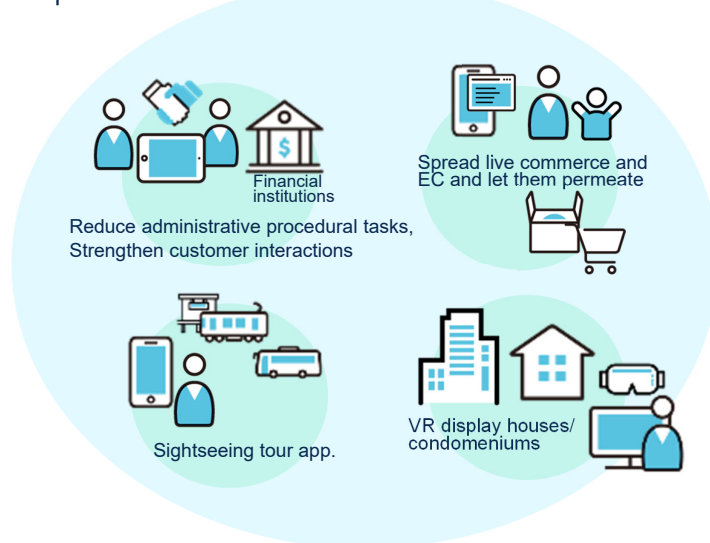
Revitalize regional economies

- Coordinate regional financial institutions
- Spread the use of local autonomous bodies' regional data
- Broaden the use of MaaS



Use digitalization capabilities and increase the interaction points from the viewpoint of consumers

- Provide services useful for intensifying the value of customer experience in various business sectors



I will brief you on the For Customers initiative for medium- and long-term growth.

First, we are working to develop and revitalize the local economy.

Regional financial institutions are expected to provide consulting and digitalization support for local industries and companies as an important player in promoting regional innovation. As I briefed earlier, the number of banks that use "BankVision on Azure" has increased. Collaboration among like-minded financial institutions has been born. It is expected to boost regional economies as it grows.

We are also working with local governments and organizations to provide a platform for utilizing open data, such as information on the flow of people to tourist spots, information on local disasters and weather conditions, as well as conducting MaaS demonstration experiments in various locations. We have seen several services born in the process to enliven local areas. In the future, we will coordinate these efforts to provide services conducive to revitalization of local economy through encouraging exchanges and movement within and outside the region with diverse partners.

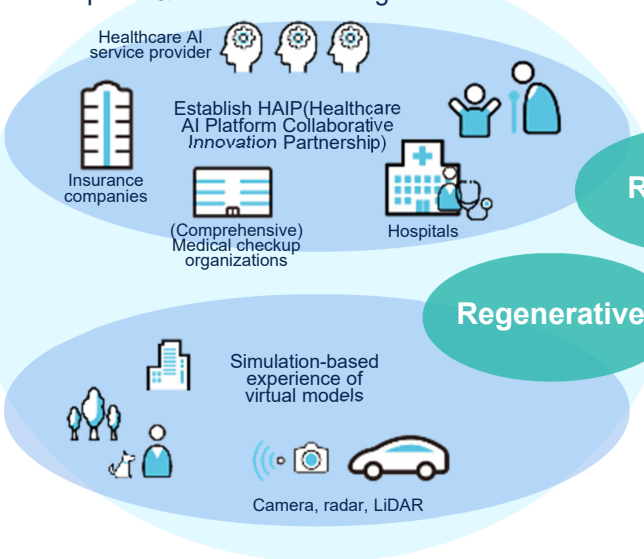
With the evolution of technology, interactions with consumers are enhanced in various ways, and we have been providing services to enhance the value of customer experience in various industries.

"SmileBranch" for financial institutions enables interactive customer service at branch offices through the use of tablets, transforming financial operations that were previously focused on administrative procedures. In addition, as people continue to refrain from going out, the progress of EC and live commerce has promoted the use of live commerce service "Live Kit" in various scenes such as sports and magazine planning events and various owned media.

In our virtual house exhibition hall "MY HOME MARKET" as well as in the VR display condominium that we developed jointly with Tokyu Land Corporation, not only houses but also furniture are exhibited. In the future, VR will be more broadly used not only for houses and furniture but also for renovation and other daily necessities. The use of VR will be extended from houses to the entire living.

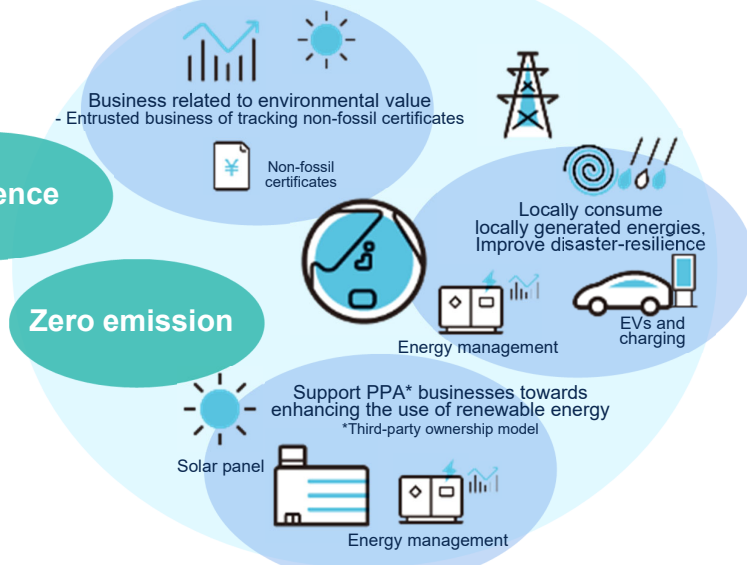
Participate in Cabinet Office's Strategic Innovation Program (SIP) program

- System for Advanced Diagnosis and Treatment by AI Hospitals & Automated Driving



Enable a decarbonized society

- Contribute to an enhanced use of renewable energy and conduct businesses related to environmental value



I will brief you on our For Society's initiative for medium- and long-term growth.


We are participating in the Cabinet Office's Strategic Innovation Program (SIP) by leveraging our knowledge, know-how, and technological assets accumulated through system integration and solution provision for various industries and sectors.

In the category of SIP Phase 2 "System for Advanced Diagnosis and Treatment by AI Hospitals", we have established the Healthcare AI Platform Collaborative Innovation Partnership (HAIP) and are promoting R&D of industry-wide fundamental technologies for the next generation.

Furthermore, in the category of SIP Phase 2 "Automated Driving", we plan to launch a pilot session of experiencing our simulation capabilities through mimic digital models in the virtual environment that replicates the Tokyo Waterfront area. The session will be launched in November 2021. We have received a large number of applications for participation. In collaboration with the Driving Intelligence Validation Platform (DIVP), we will implement an evaluation program next year through the use of virtual models of high real-virtual consistency with an eye toward promoting the use of simulation capabilities in society.

In addition, as part of our efforts to achieve decarbonization, we have supported Power Purchase Agreement (PPA) projects by utilizing our energy management system, "Enability". We are working with local governments to create systems that contribute to locally consuming locally generated energy and improving disaster-resilience. We have worked on these efforts in light of contributing to an enhanced use of renewable energy.

We are also promoting a wide range of activities in the energy field, such as those conducive to maximizing environmental value through performing a non-fossil certificate tracking business as continuously entrusted by the central government.

<p>Sustainability Management</p>	<ul style="list-style-type: none"> ✓ Establish a new materiality with an eye towards achieving Vision 2030 (with non-financial indicators incorporated into KPI) ✓ Respect for human rights and implement efforts related to labor (by promoting efforts to achieve SDGs in compliance with the Ten Principles of the UN Global Compact) ✓ Implement efforts on RE100 (by procuring renewable energy for our own facilities) ✓ Strengthen the governance system (through diversifying our directorship composition and revising the director remuneration system)
<p>Strategic Investment</p>	<ul style="list-style-type: none"> ✓ Accelerate investments in funds and startups through a corporate venture capital (CVC) function ✓ NSSC, a group company that conducts overseas research centered on North America, has opened a new base in Boston. ✓ Participation in the 'Decarbonized Tech Fund' and establishment of a company operating a platform for wood distribution
<p>Corporate Reform and Internal DX</p>	<ul style="list-style-type: none"> ✓ We attempted the use of application to create a sense of togetherness and enliven communications among employees on an internal trial The app. is used on a trial basis before commercialization as "PRAISE CARD" (in cooperation with Hakuhodo Inc. and Hakuhodo Consulting Inc.) ✓ Make it a norm to co-create systems with customers through hybridizing system development and maintenance/support services and the agile software development methodology 

We promote initiatives of sustainability management to support business growth.

We have formulated a new materiality based on our assessment of the rapidly changing external environment and the impact of these changes in order to realize our vision in 10 years' time outlined in the Vision 2030. We have identified materiality in terms of both business growth and the infrastructure that supports business growth and have set non-financial indicators as KPIs. As part of our commitment to RE100, we have gradually increased the procurement of renewable energy for our Toyosu headquarters with an aim to reach 10% by the end of this fiscal year.

In addition to appointing outside directors with extensive experience in venture investment and global business, we are working to strengthen our governance system by revising our executive compensation system, linking it to medium- to long-term performance in accordance with the degree of achievement of materiality.

In strategic investments, we are accelerating investments by Canal Ventures, our corporate venture capital, to acquire assets that will lead to the future and partners that will promote open innovation. Recently, we have invested in startups dealing with drone logistics and fintech to support the existing industries in pursuit of DX initiatives. Also, we have expanded our investments in VC funds in various fields and startups that aim to solve social issues. In addition, NSSC, which conducts research on advanced technologies and startups mainly in Silicon Valley, has opened a new base in Boston and has started research and sourcing activities in North America, specifically the East Coast.

In addition, in order to strengthen open innovation toward the realization of a decarbonized society, we invested in the "Decarbonization Tech Fund" established by Japan Energy Capital G.K., in whose operation ENECHANGE Ltd. participates.

We have worked to enhance our service assets in the energy field based on advanced examples overseas.

In addition, we will continue to further reform the corporate culture and promote internal DX initiatives as in the past in order to further accelerate our business growth.

Nihon Unisys Group will achieve the Vision 2030 plan by pursuing digital transformation (DX) for both customers and society, developing its business through a large framework that encompasses all of society, and working with partners and the community to expand business ecosystems.



Lastly, we are steadily preparing for the new BIPROGY, which will begin on April 1, 2022, in order to transform ourselves into a company that creates social value. Please look forward to it.

This concludes the explanation.

Nihon Unisys, Ltd. will change its trade name to
BIPROGY Inc. in April 2022.



BIPROGY

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(Note)

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

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

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