

# Results for the 3rd Quarter FY March 2017

February 1, 2017  
Nihon Unisys, Ltd.



Foresight in sight

# Summary of the Results for FY March 2017 Q3

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An increase in profit was secured in the 9 months of FY March 2017, although operating income was compromised as a result of more SG&A costs outweighing an improved gross profit driven by Outsourcing.

(Unit: Billion Yen)

	Q3 (Apr-Dec)		Changes	
	FYMar2017	FYMar2016		
Net Sales	188.2	188.9	-0.7	-0.4%
Gross Profit	45.4	44.8	+0.7	+1.5%
SG&A Costs	-38.0	-37.2	-0.8	-2.2%
Operating Income	7.5	7.6	-0.2	-2.0%
Profit Attributable to Owners of Parent	5.1	4.5	+0.7	+14.6%
Orders	191.3	185.7	+5.6	+3.0%
Order Backlogs	214.7	207.0	+7.7	+3.7%

## <Key Points of Q3 Results>

### ■ Net Sales

Despite an increase in system services and outsourcing, net sales declined, due to a decrease in product sales

### ■ Operating Income

Operating income was reduced due to an increase in SG&A costs. However, profit was eventually boosted by outsourcing.

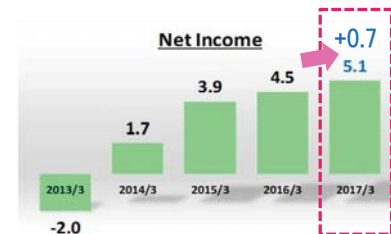
### ■ Profit Attributable to Owners of Parent

Profit attributable to owners of parent increased partly due to a decrease in non-operating losses.

### ■ Orders and Order Backlogs

Orders and order backlogs both increased, due to our continued strength in outsourcing.

■ Changes in the Q3 (9 months) performance (Unit: Billion Yen)



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1

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I would like to explain the performance of the third quarter of the fiscal year ending March 2017.

Net sales were ¥188.2 billion, a ¥ 0.7 billion decrease from the same period of the previous fiscal year. This drop is attributable to a decrease in product sales that outweighed a growth of system services and outsourcing.

Outsourcing boosted gross profit by ¥0.7 billion, compared with the same period of the previous fiscal year.

An increase in retirement benefit costs and a heavier tax burden due to a pro forma standard taxation, as well as impacts from changing the provision for bonuses schedule, increased SG&A costs by ¥0.8 billion. As a result, operating income was compromised as reflected in a ¥0.2 billion decrease.

Profit attributable to owners of parent increased, however, by ¥0.7 billion, mainly due to a lack of non-operating losses.

Let me explain slightly about the changes to the provision for bonuses schedule.

We decided on a formula of linking bonuses to operating income, between management and workers, at the end of the previous period.

Accordingly, the provision is now posted every quarter, not at the end of the second and fourth quarters as it used to be in the past.

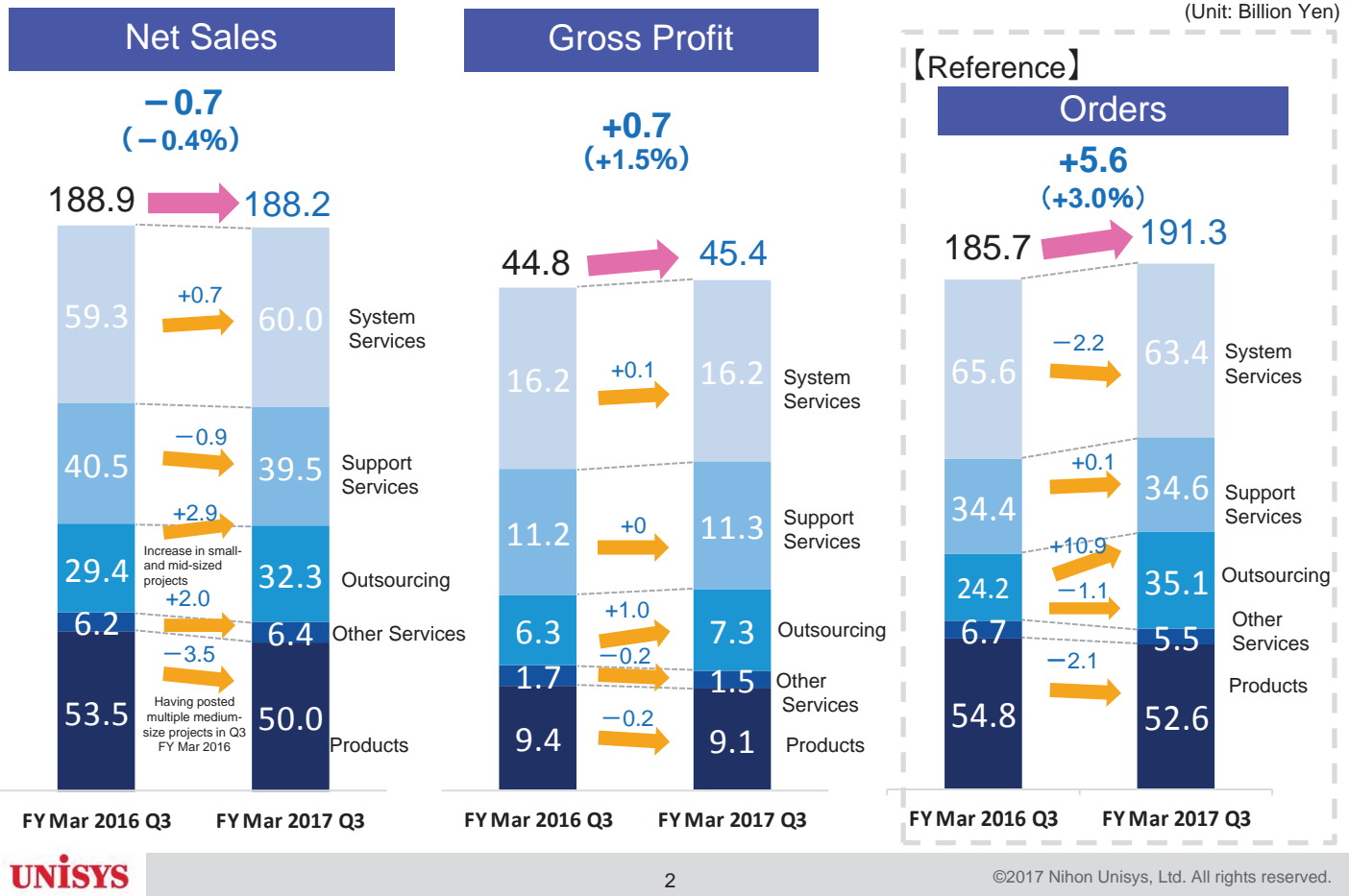
We transitioned to the new schedule at the end of Q3. The total amount is ¥1.8 billion, consisting of ¥1.0 billion posted as costs for sale and ¥0.8 billion posted as SG&A costs.

Thus, if compared with Q3 of the previous fiscal year without this provision for bonuses, gross profit would increase by ¥ 1.7 billion; SG&A costs would remain unchanged; and operating income would increase by ¥1.6 billion.

Orders increased by ¥5.6 billion to ¥191.3 billion, compared with the third quarter of the previous fiscal year. This was enabled by an increase in outsourcing orders.

Order backlogs also increased by ¥7.7 billion to ¥214.7 billion.

(Unit: Billion Yen)



Next, I would like to explain net sales and gross profit by segment.

System services and outsourcing continued to be strong, resulting in an increase in both net sales and gross profit.

In the outsourcing area, medium and small sized projects and value card projects were driving forces for large net sales and gross profit.

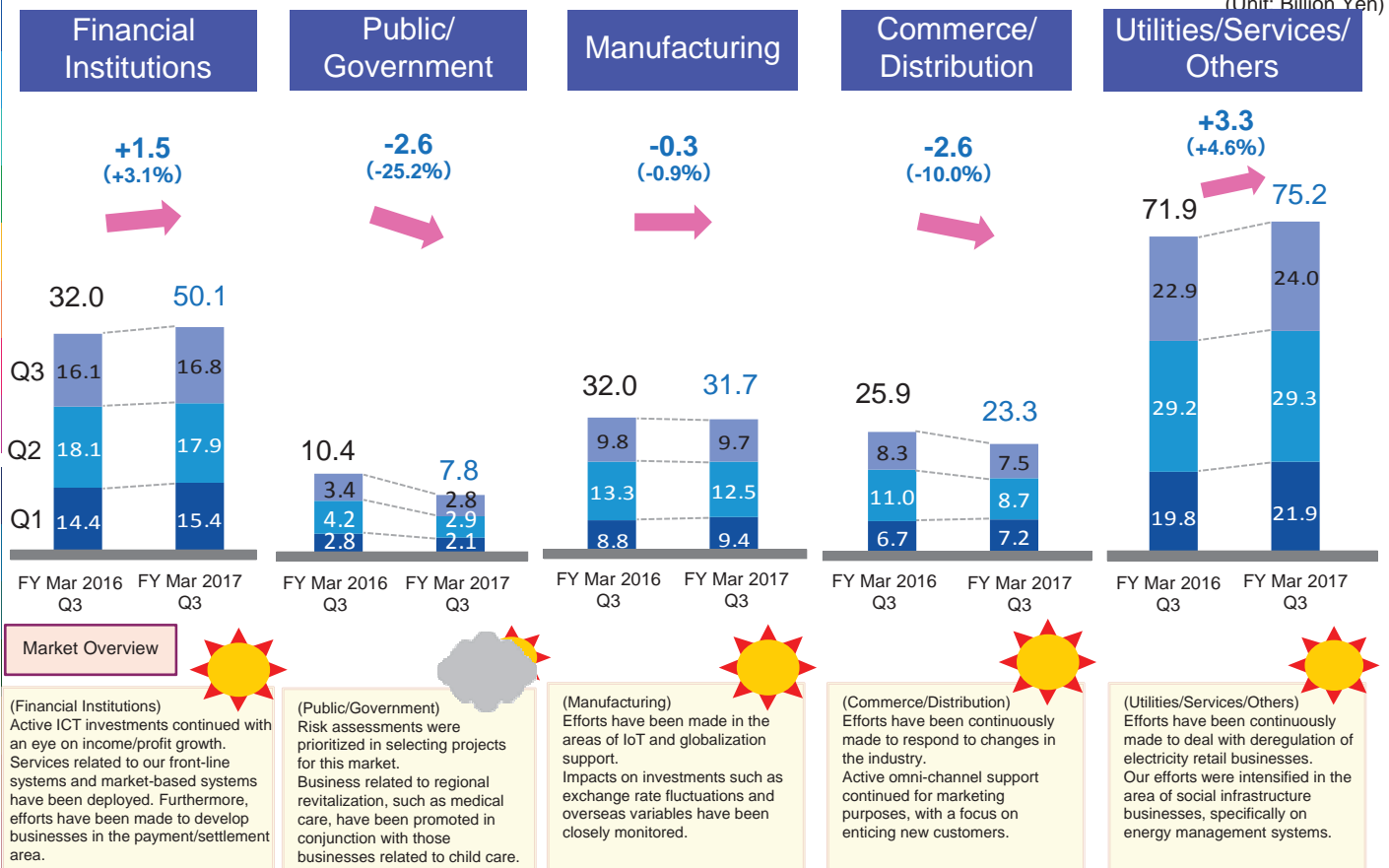
An improved gross margin of product sales helped the gross profit remain unchanged from Q3 of the previous fiscal year, although the net sales shrank due to impacts from posting multiple medium-sized projects in the same period.

There were no unprofitable projects in the third quarter of this fiscal year.

# Net Sales by Market

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(Unit: Billion Yen)



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3

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Next, I would like to break down net sales by market.

Net sales continued to increase in the markets of financial institutions and utilities/services/others.

In the financial market where ICT investments remained active in expectation of income/profit growth, we have been diligently deploying services related to our front-line and market-based systems.

In the public/government market, net sales decreased as a result of the vetting of projects before the bidding process from the viewpoint of risk assessment. However, we have not flinched from continuingly promoting efforts in the areas of childcare and regional revitalization through regional medical care coordination with a view to solving societal issues in Japan.

In the manufacturing market, demands, mainly from auto-related businesses, remained strong. We have intensified our efforts in our IoT businesses.

In the commerce/distribution market, customers' interest in investing has been piqued as a result of our intensified efforts to enable omni-channel support.

Net sales, however, was negatively impacted from our having posted multiple medium sized projects mainly consisting of product sales in the third quarter of the previous fiscal year.

In the market of utilities/services/others, we have continued to respond to projects related to deregulation of electricity retail businesses. Furthermore, we have taken on businesses in the social infrastructure area with a particular focus on energy management systems.

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 November 4, 2016.

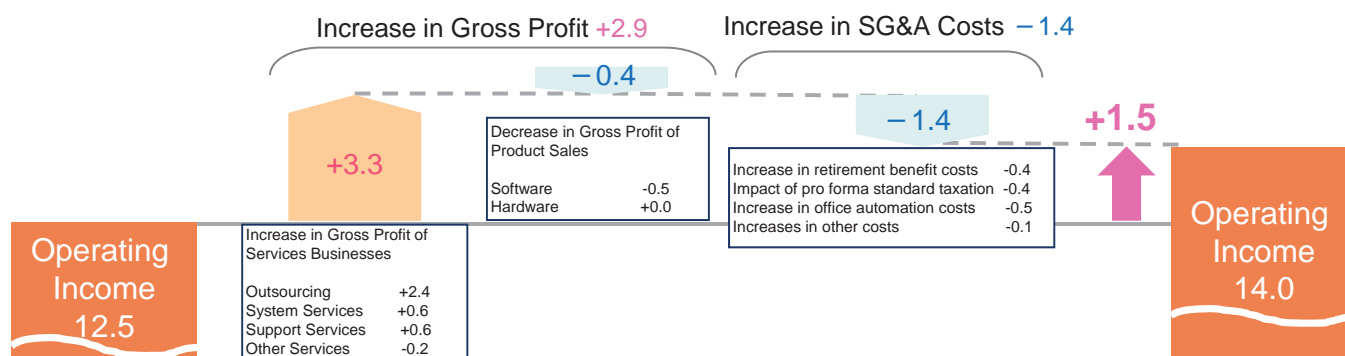
(Unit: Billion Yen)

	FYMar2017 Q3 (Apr-Dec) Actual		FYMar2017 Q4(Jan-Mar) Forecast		FYMar2017 Full-Year Forecast	
	Amount	Changes	Amount	Changes	Amount	Changes
Net Sales	188.2	-0.7	96.8	+7.7	2,85.0	+7.0
Operating Income	7.5	-0.2	6.5	+1.6	14.0	+1.5
Profit Attributable to Owners of Parent	5.1	+0.7	4.9	+0.4	10.0	+1.1

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

[Details of FYMar2017 full-year operating income]

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



FYMar2016 Full-Year

FYMar2017 Full-Year

I would like to explain our performance forecast.

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 November 4, 2016.

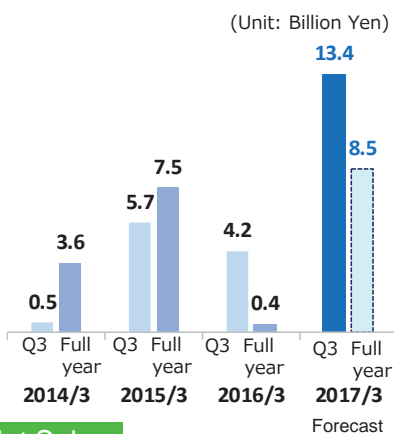
As indicated in the graph which shows positive and negative impacts on operating income, the total gross profit is expected to be driven by outsourcing and increase by ¥2.9 billion.

SG&A costs are expected to increase by ¥1.4 billion, partly due to an increase in retirement benefit costs.

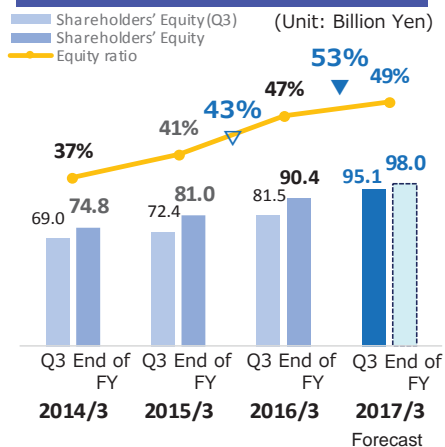
Thus, we plan a ¥ 14.0 billion operating income up by ¥1.5 billion.

FYMar2017 Q3 Actual ▼ FYMar2016 Q3 Actual

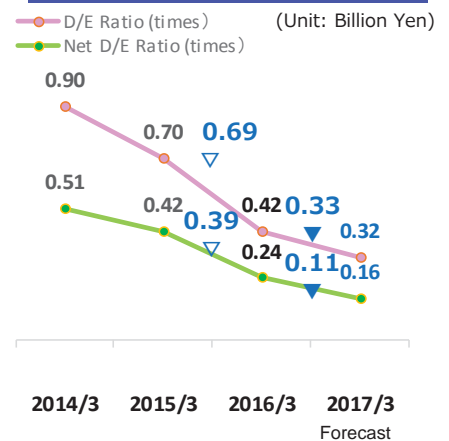
### Free Cash Flow



### Shareholders' Equity



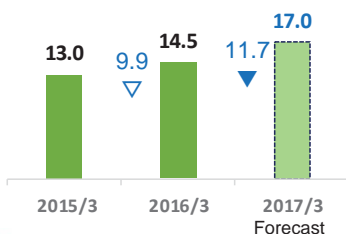
### D/E Ratio



### Net Sales

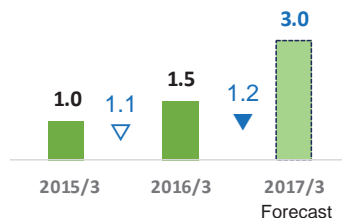
#### Digital Innovation

(Unit: Billion Yen)



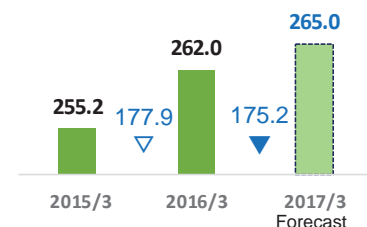
#### Life Innovation

(Unit: Billion Yen)



#### Business ICT Platform

(Unit: Billion Yen)



A ¥13.4 billion free cash flow, a 53% shareholders' equity ratio, and 0.11 times net D/E ratio indicate that our financial strength has been continuously and firmly improved.

# Foresight in sight

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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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