

Results for the 2nd Quarter of FY March 2019

November 6, 2018
Nihon Unisys, Ltd.

Foresight in sight

1 General Overview

2 Progress under 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 FY2018 refers to the fiscal year ending March 2019.

Strength of Outsourcing and System Services drove net sales.

Operating income increased by 21% as a result of profitability improved mainly by Outsourcing.

	1H (Apr-Sep)		Changes	
	FY2018	FY2017		
Net Sales	133.8	131.9	+2.0	+1.5%
Gross Profit	33.8	32.1	+1.7	+5.3%
SG&A Costs	-25.7	-25.4	-0.3	-1.0%
Operating Income	8.1	6.7	+1.4	+21.3%
(Operating Margin)	(6.1%)	(5.1%)		(+1.0%)
Profit Attributable to Owners of Parent	6.2	4.7	+1.5	+31.1%
Orders	140.6	146.2	-5.5	-3.8%
Order Backlogs	227.5	225.0	+2.5	+1.1%

(Unit: Billion Yen)

<Key Points of 1H Performance Results>

■ Net sales

An increase in Outsourcing and System Services outweighed a decrease in Products. As a result, net sales increased.

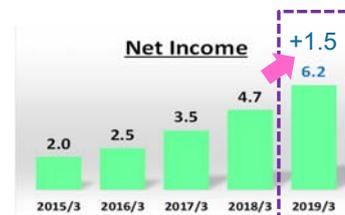
■ Operating income

An increase in SG&A costs was outweighed by the increase in net sales and the improved profitability of Services businesses. As a result, operating income increased, as witnessed in a 1.0pt increase in the operating margin.

■ Orders and order backlogs

Multiple orders for large-scale Outsourcing projects were received in Q2 of FY2017. Orders for Products decreased in this Q2. Thus, orders overall have decreased. Order backlogs increased as a result of steady accumulation of Outsourcing orders.

[Reference] Changes in the 1H(Apr-Sep) performance (Unit: Billion Yen)



Let me summarize the result of the first half of the fiscal year ending March 2019.

Net sales were ¥133.8 billion, up by ¥ 2.0 billion from the same period of the previous fiscal year.

Operating income was ¥ 8.1 billion, a ¥1.4 billion increase from the said period.

Net income for 1H was ¥6.2 billion, up by ¥1.5 billion.

Net sales were driven by the continued strength of Outsourcing and System Services.

They increased by ¥ 2.0 billion.

Gross profit increased by ¥1.7 billion, due to an improved profitability through more efficient Outsourcing operations.

This enabled a ¥1.4 billion increase in operating income compared with the same period of the previous fiscal year, despite a ¥0.3 billion increase in SG&A costs.

As a result, operating margin increased to 6.1%, up by 1.0 points compared with 1H of FYMar2018.

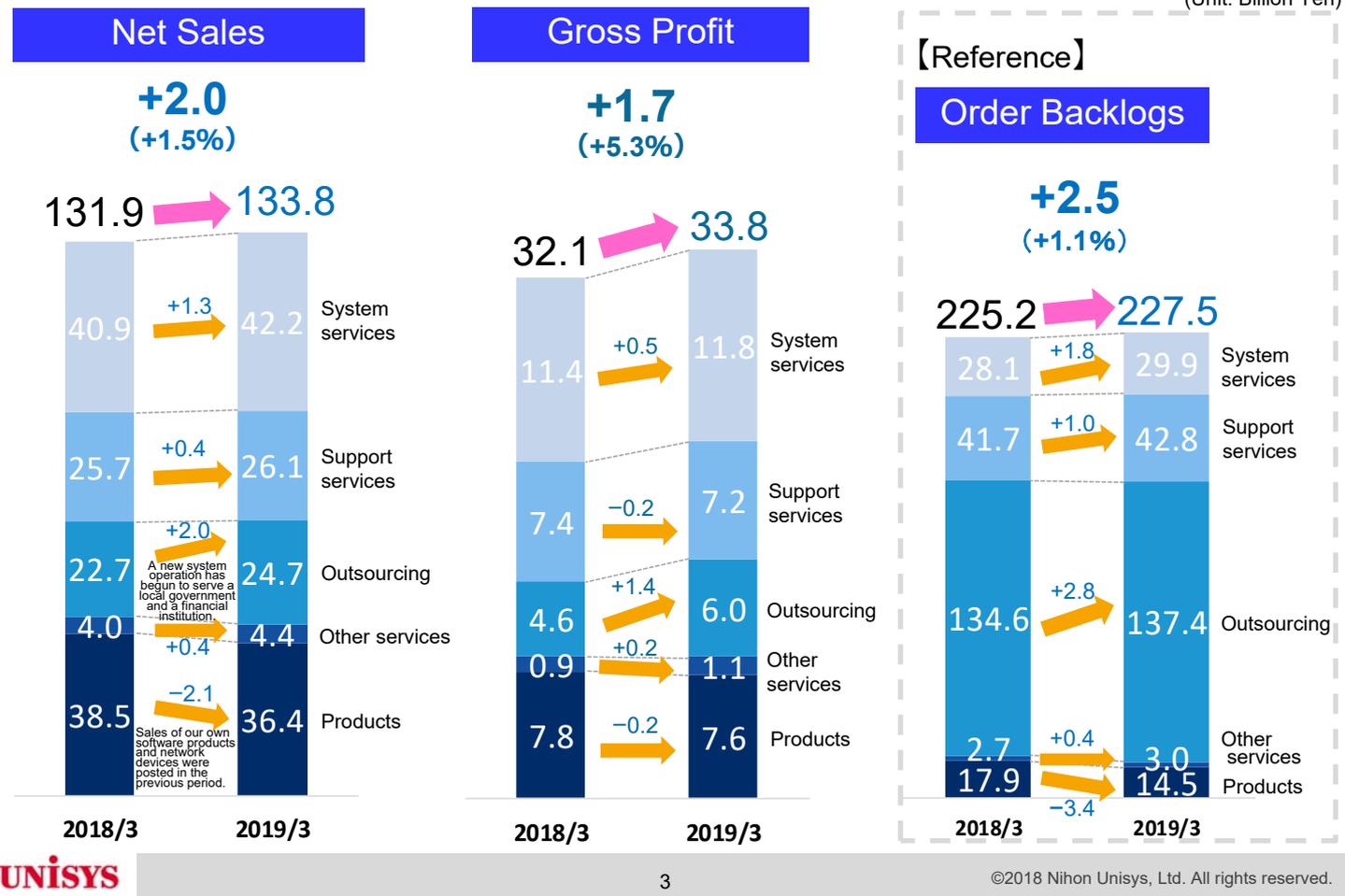
It shows a steady sign of improvement towards an achievement of our 8 % target or more as indicated in the mid-term management plan.

Net income increased by ¥1.5 billion as a result of an increase in operating income.

Orders suffered a decrease of ¥5.5 billion compared with the same period of the previous fiscal year, this is partly due to the impacts of having posted multiple long-term outsourcing projects for financial institutions in the said period.

Order backlogs steadily accumulated mainly in the businesses of Outsourcing and System Services. Thus, they increased by ¥2.5 billion to ¥227.5 billion from 1H of FYMar2018.

(Unit: Billion Yen)



Let me describe the net sales and gross profit in segments.

The net sales and gross profit of System Services increased on the basis of the accumulation of projects: mid- and small-scale projects for financial institutions and small projects related to digital transformations of several business types.

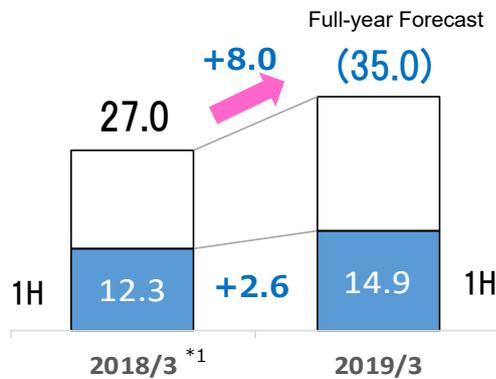
Please note that there has been no occurrence of non-profitable projects in the first half.

Support Services increased their net sales. Efforts to reduce costs such as outsourcing expenses have been made continuously. However, the business suffered a decrease in the gross profit partly due to the impacts of costs incurred by consolidating support bases in the Q2

An increase in the net sales and gross income for Outsourcing was enabled partly due to multiple projects beginning to serve a local government and financial institutions. The business profitability was improved as well, attributable to the impact of improved operational efficiency.

There was a decrease in the net sales and gross profit of Products. The decrease was attributed to a decline in the network device sales for telecommunications carriers. It makes a stark contrast with 1H of the previous fiscal year when our own software products sales were posted.

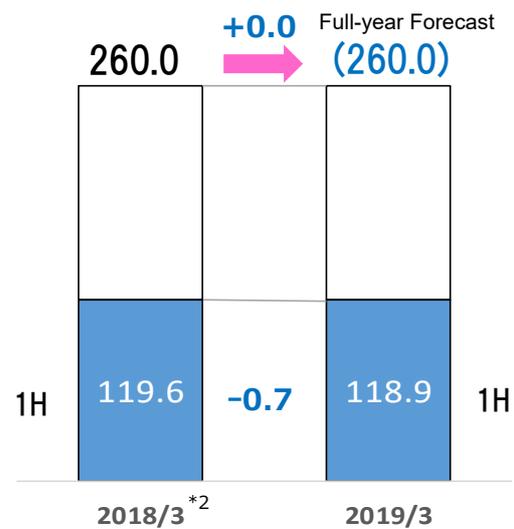
Focal Areas



- Strengthen efforts to increase transaction amounts for QR code payment/settlement services
- Increase recipients of services provided through our mobility service platform ('smart oasis[®])
- Increase customers who will implement our open API platform ('Resonatex[®])
- Implement a Smart Campaign capable of connecting makers and retailers of distribution network.

*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 system development continues for financial institutions
- Outsourcing operations began for local autonomous bodies and financial institutions

*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 three-year mid-term management plan that has been launched in this period.

Net sales of the focal areas in 1H were ¥ 14.9 billion, up by ¥2.6 billion compared with the same period of the previous fiscal year.

The fee-for-service businesses remained on the same level as the same period of the previous fiscal year, due to the fact that many of them provide implementation services. However, net sales of focal areas have increased on the basis of an increase in digital transformation related projects through the use of IoT, AI and RPA.

I will share with you our specific efforts towards increasing businesses in the focal areas later.

We have concentrated efforts on electronic payment business from a viewpoint of foreseeing an advent of cashless society in the future. Thus, we have been strengthening efforts to increase transaction amounts with QR code payment/settlement business.

We have gradually seen results from our efforts as exemplified in a steady increase in destinations of our charging service provision through our mobility service platform, 'smart oasis'.

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, 2018.

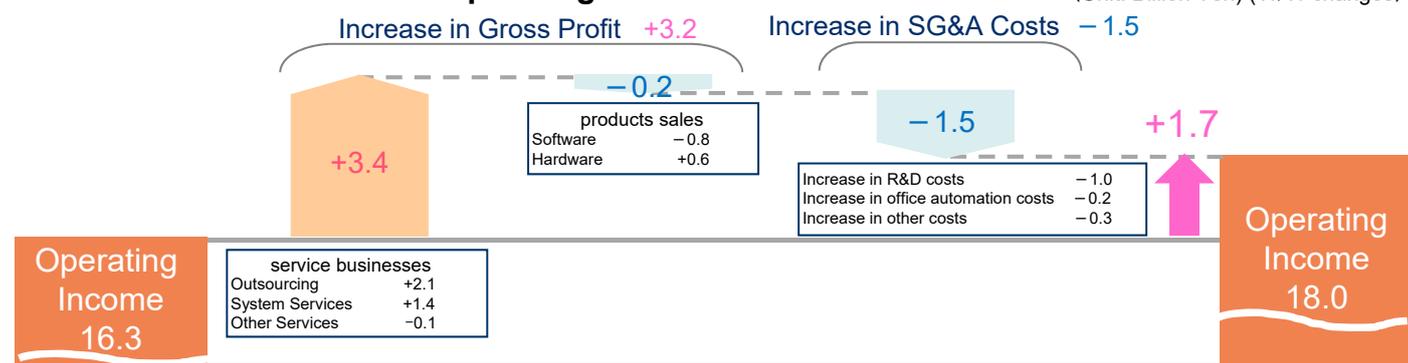
(Unit: Billion Yen)

	FY2018 1H Actual		FY2018 2H Forecast		FY2018 Full-Year Forecast	
	Amount	Yr/Yr	Amount	Yr/Yr	Amount	Yr/Yr
Net Sales	133.8	+2.0	161.2	+6.1	295.0	+8.0
Operating Income	8.1	+1.4	9.9	+0.2	18.0	+1.7
(Operating Margin)	(6.1%)		(6.1%)		(6.1%)	
Profit Attributable to Owners of Parent	6.2	+1.5	6.3	-0.9	12.5	+0.6

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

【Details of FY2018 Full-Year Operating Income Forecast】

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



FY2017 Full-Year

FY2018 Full-Year

Let me describe 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 August 1, 2018.

We plan an increase of ¥8.0 billion in net sales to ¥295.0 billion, an increase of ¥1.7 billion in operating income to ¥ 18.0 billion, and an increase of ¥0.6 billion in net income to ¥ 12.5 billion for the full year.

We expect that Outsourcing and System Services will continuously be driving factors for our performance in the second half. There will an increase in the businesses of focal areas which led to higher R&D costs. However, despite the costs, we anticipate that we can achieve an operating income as we announced in the beginning of the period.

We do not foresee risks of unprofitability in the second half.

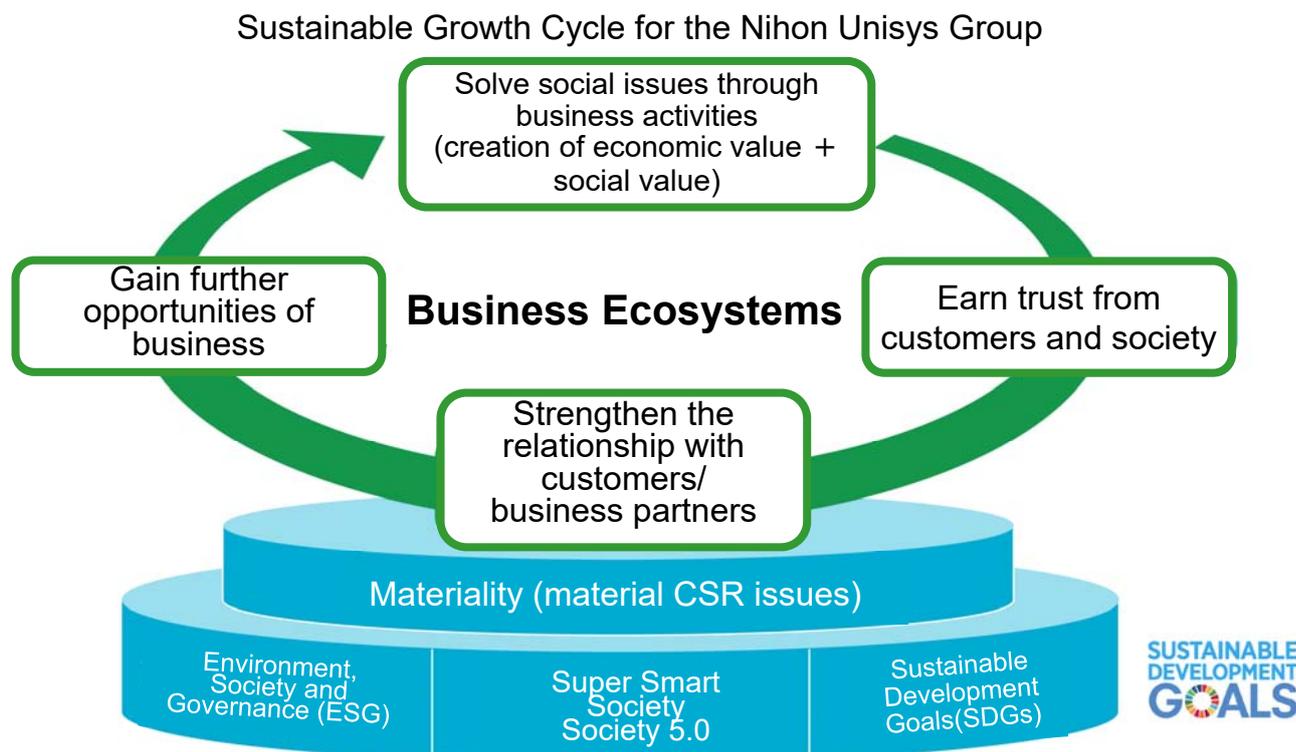
We plan to pay a ¥ 50 annual dividend per share that includes ¥25 for the interim dividend, as we announced in the beginning of the fiscal year.

1 General Overview

2 Progress under 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 .



As indicated in the mid-term management plan, the Group has taken on key issues with the intention of taking the initiative in creating business ecosystems across industries and business types and solving social issues.

The Group aims to become a sustainable company and contribute to creating a sustainable society by helping achievements of Society 5.0 and SDGs as a result of our efforts.

Strategic Business Units were established for each of newly defined focal areas. BizDevOps is a new department dedicated for delivering new services. Strategic Business Units and BizDevOps have taken the lead in making steady efforts on new services with the aim of solving social issues in the first half of the first year for the mid-term management plan.

The Group has continuously improved the profitability through efforts to shift from traditional business models to service-oriented businesses. The efforts have been exemplified in standardizing development methods and business processes, reusing the knowledge and expertise as well as software created in the past and promoting the expansion of implementation-type businesses

We have made investments in workforce in order to reform our corporate culture. Furthermore, pursuant to our investment strategies, we have continuously invested in advanced technologies and service businesses that will likely generate synergistic effects mainly in focal areas.

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.

This chart shows the four areas of focus which are four focal areas: Neobanks, Digital Acceleration, Smart Towns, and Assets Guardian.

These topics have been identified as our priority: social issues have become visible; new markets can be expected; and solutions can be created on the basis of combining our Group assets and those of our customers and business partners.

We have been helping customers to implement a digital transformation in each of the focal areas. In the process, we have developed new businesses, identified undiscovered value, and further strengthened our relationship with customers. Furthermore, we have provided customers with platforms where our assets are connected with external services such as those of our business partners. This has allowed us to focus on expanding our business ecosystem.

Next, I would like to describe the efforts we made in addressing the four social issues, mentioned in the middle of the page.

National Resilience

Towards creating sustainable and resilient cities where safe and secure life is ensured

Neobanks

Digital Acceleration

Smart Towns

Assets Guardian

Chronology-type system for sharing disaster management information 'Saigai Net'



Photos: disaster photo database of Institute of Scientific Approaches for Fire & Disaster

No.	日時	場所	内容	担当	状況	備考	入力者	更新者	備考
01	2018/01/04 10:00	東京電力	東京電力の電力供給が停止し、大規模な停電が発生した。	田中	発生		田中	田中	
02	2018/01/04 10:30	東京電力	東京電力の電力供給が徐々に回復し、一部地域で復旧した。	田中	発生		田中	田中	
03	2018/01/04 11:00	東京電力	東京電力の電力供給が完全に回復し、全国で復旧した。	田中	発生		田中	田中	
04	2018/01/04 11:30	東京電力	東京電力の電力供給が再び停止し、大規模な停電が発生した。	田中	発生		田中	田中	
05	2018/01/04 12:00	東京電力	東京電力の電力供給が再び徐々に回復し、一部地域で復旧した。	田中	発生		田中	田中	
06	2018/01/04 12:30	東京電力	東京電力の電力供給が再び完全に回復し、全国で復旧した。	田中	発生		田中	田中	
07	2018/01/04 13:00	東京電力	東京電力の電力供給が再び停止し、大規模な停電が発生した。	田中	発生		田中	田中	
08	2018/01/04 13:30	東京電力	東京電力の電力供給が再び徐々に回復し、一部地域で復旧した。	田中	発生		田中	田中	
09	2018/01/04 14:00	東京電力	東京電力の電力供給が再び完全に回復し、全国で復旧した。	田中	発生		田中	田中	

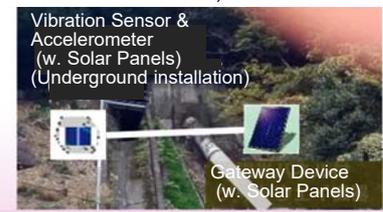


IoT Business Platform



Slope Status Monitoring

(National Research Institute for Earth Science and Disaster Resilience)



TEPCO's Nishinagawa Power Plant No.3

AI-powered system capable of helping identification of bridge deterioration factors and bridge soundness evaluation



This year, we have continued to suffer various types of natural disasters such as earthquakes and typhoons. We aim to create safe and secure cities resilient to these events. Furthermore, we are aware that our social infrastructures such as roads, bridges and tunnels have been significantly dilapidated since they were developed around the time of the previous Tokyo Olympic Games. We also would like to focus on maintaining them.

We have been advised of the difficulty of sharing information on the occasion of natural disasters. Sharing information is vital in order to quickly resume operations in the wake of transmission outages or blackouts experienced in the Tohoku region as a result of the recent typhoon. In this situation, we have witnessed an increase in the usage of our 'Saigai Net'. This solution has become further widely used mainly by companies (West Japan Railway Co., etc.) dealing with key infrastructures such as railroads, airports, central and local governmental organizations, and financial institutions.

Upon an occurrence of a natural disaster, a significant amount of data will be flooding from in the field and outside sources. Due to a lack of processing power for a large amount of data, the management will suffer report delays and thus hinder for recovery process on the scene.

Our 'Saigai Net' is a system created on the basis of an established manual approach across industries and business types, which is to export information chronologically about disasters to an interactive white board. The system enables information sharing on a real-time basis without compromising operational efficiency in the field. It has been appreciated and used more widely.

Social infrastructures have been continuously dilapidated. They have developed a key issue of inspection and maintenance. Their inspections cannot be performed as expected due to a shortage of engineers and skilled engineers continuously aging.

I heard that there are approx. 700, 000 bridges across the nation. It takes a large amount of labor and costs to inspect them. Furthermore, judgements vary depending on engineers. We and Nihonkai Consultant Co., Ltd. have been taking on a joint development project in order to create an AI-powered system capable of helping identification of bridge deterioration factors and bridge soundness evaluation on the basis of our IoT and AI technologies.

Furthermore, we have cooperated with the National Research Institute for Earth Science and Disaster Resilience in order to take on disasters such as land slides and flooding rivers. Our efforts are intended to develop algorithms capable of forecasting disasters on the basis of slope condition data captured via an underground sensor as well as meteorological data. We will aim to create a resilient nation through improving services such as verification of the accuracy of collected sensor data and providing them more widely.

Sustainable Energy Society

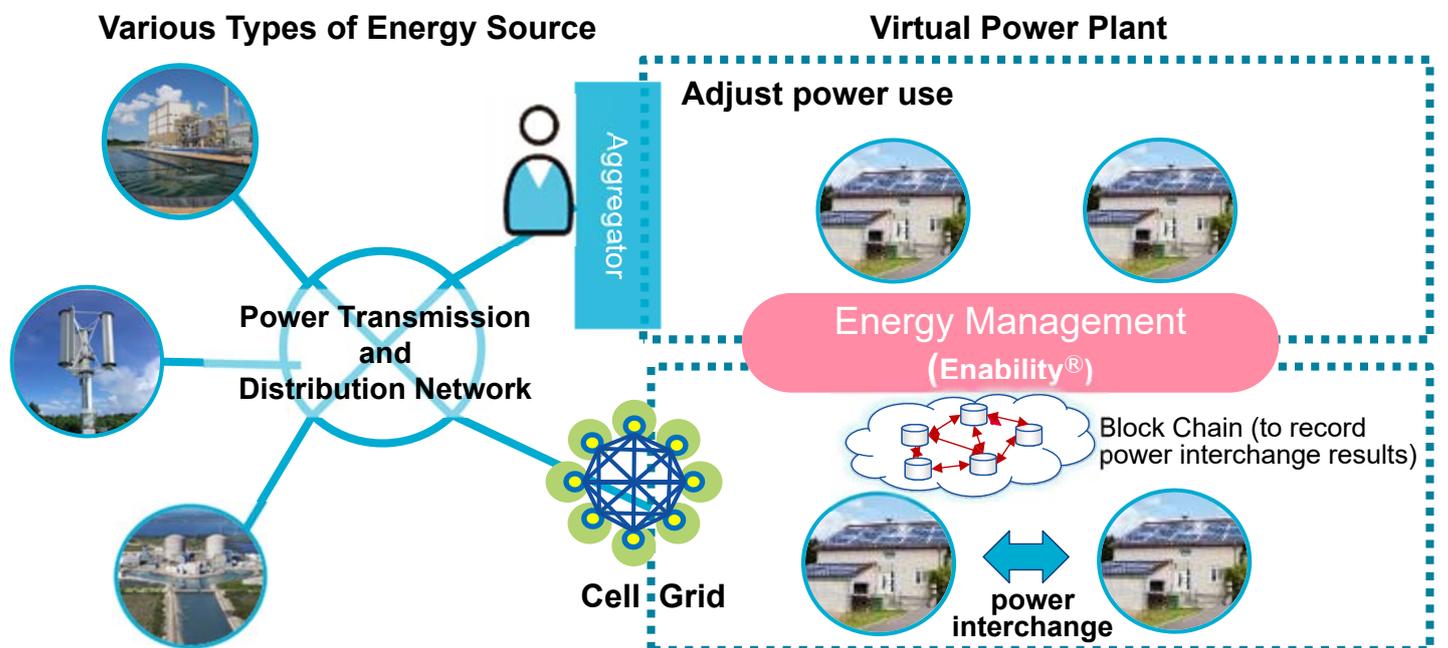
Neobanks

Digital Acceleration

Smart Towns

Assets Guardian

Contribute to materializing a clean and sustainable energy society through Virtual power plant (VPP) and power transaction schemes



Japan has suffered serious energy issues since the Great East Japan Earthquake. The Company has provided the nation with an energy management system, 'Enability.' The system provides the largest cloud service of energy management in Japan, and it now takes care of energy management data for 16 business operators. We would like to aim to create a society based on decentralized energy systems, rather than the conventional power generation/transmission systems. We will use technologies such as IoT, AI, grid computing, and Blockchain.

The 'Enability' system has become used more widely. The Company has taken on a POC (proof-of-concept) focused on a virtual power plant. A virtual power plant is a conceptualized power plant capable of renewable energy generation based on natural resources and conventional fossil electric power generation. It is intended to balance power supply capacity of electricity utilities with power demand in buildings and houses through integrating the management of power facility devices and storage battery systems installed thereat. This will further promote the use of renewable energy which is difficult to stabilize in light of power supply-demand.

Furthermore, we are aware of a news report which said that a well-balanced power supply-demand is prioritized by discarding unused electricity produced through solar power generation. In response, the Company has been searching for solutions, through POC attempts, capable of solving social issues such as the one reported in the news.

We made an investment in DIGITAL GRID Corporation which aims to shift from central power generation to autonomous power distribution. DIGITAL GRID Corporation has taken on a concept of grids capable of managing power systems. Moreover, we have conducted a POC with the aim of identifying environmental value held in the use of renewable energy, and down the road making real-time deals on the value. In addition, some POC attempts have been made in order to examine a power bargaining system on the basis of Blockchain technologies. The system is intended to enable business operators to make deals amongst themselves on solar energy and renewable energy which would otherwise be wasted in the process of power supply/demand adjustment. Likewise, individuals can make deals amongst themselves in the same way.

We would like to take steady steps to create a society capable of contributing to the global environment. The steps are to: use green energy in light of RE100; efficiently operate facilities; and use renewable energy in the form of storage batteries; as well as enable consumers to select energy and entice them to select renewable energy (natural energy).

Mobility Services

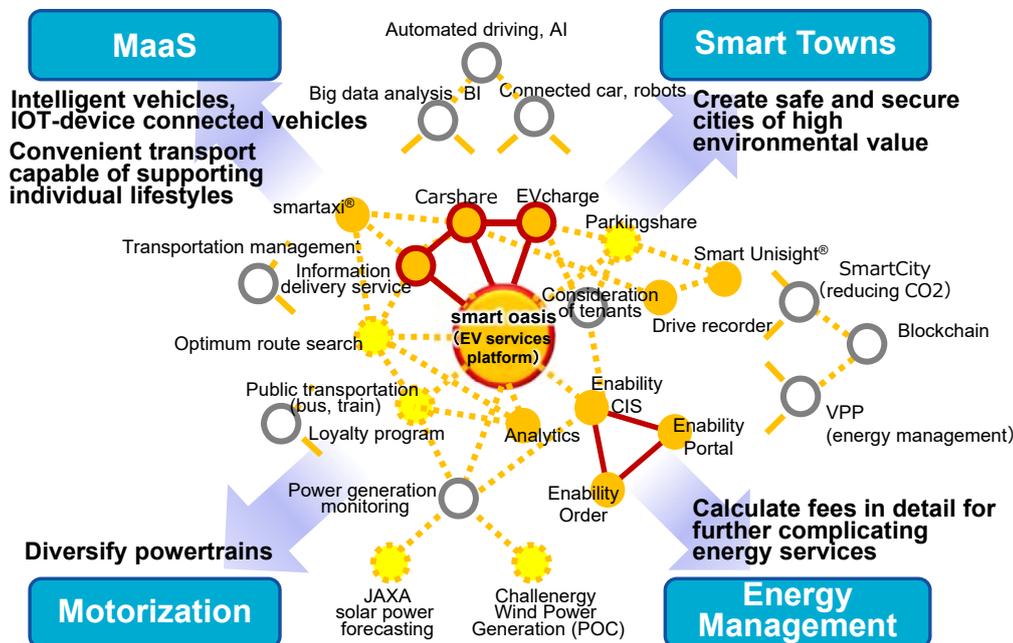
Contribute to improving the global environment and convenient lifestyles through promoting EV-use and materializing new mobility services

Neobanks

Digital Acceleration

Smart Towns

Assets Guardian



The Japanese automotive industry directly contributes to employment and GDP, and thus it is a core industry that supports the nation. A once-in-a-century digital business reform has come to sweep over the industry, as well. I heard that Toyota Motor Corporation will make attempts to change their business model. Such a change will appear in the form of 'Mobility as a Service (MaaS)'. It will mean a change from owning a car to using a car from a consumer viewpoint. Today's cars will transform into electrically driven cars or autonomous cars.

We have continuously taken part in creating ICT mechanisms together with various automotive manufacturers at home and abroad. For example, we have been researching in cooperation with Toyota Motor Corporation, Virtual Agent which is a next-generation car-rental agent (AI-powered multilingual-support system for rental car reservation). Furthermore, we have been researching a mechanism capable of supporting inbound tourists, and a mechanism of shop information, as well as using the latest technologies such as speech recognition, automatic answering, and natural language analysis.

Looking ahead to a digital business reform expected to occur to the automotive industry in the future, and on the basis of our accumulated experience, we would like to provide automotive manufacturers with 'smart oasis', a platform capable of supporting MaaS. In fact, we have already implemented the platform for customers of various industries.

This system was launched for a car-sharing service operated by Nissan Motor Co., Ltd. last year. During the first half of this fiscal year, Volkswagen Group Japan and Honda Motor Co., Ltd. began to use our service for their EV charging business.

It is needless to predict that EVs will be more popular in the future and will contribute to reduction of greenhouse effect gas. We would like to create a platform capable of providing power to EVs which suffer a power failure as long as EVs' batteries are connected to a Virtual Plant. We will go ahead towards our future vision as a creator of sustainable energy sources.

Towards Smart Living

Promote a cashless society in order to create a safe, secure and convenient consumer society and reduce social costs

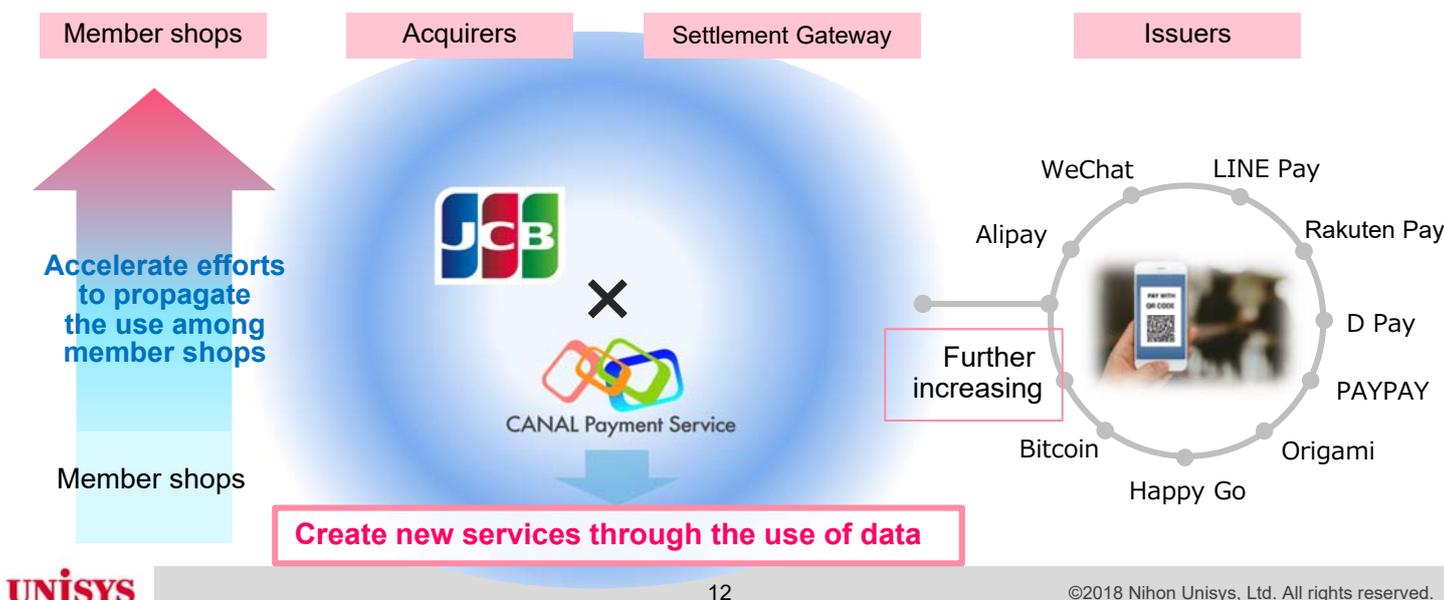
Neobanks

Digital Acceleration

Smart Towns

Assets Guardian

Provide more issuers with the QR/Barcode payment/settlement platform in cooperation with the JCB group



There are several initiatives about smart living. Here, I would like to describe our attempts to promote a cashless society supported by the Japanese government.

Social costs for transacting money, in other words, costs for cash transaction, is by no means negligible. Attempts towards a cashless society can minimize the costs as close to zero as possible. The attempts will also materialize highly convenient, safe and secure transactions amongst consumers. The key to a full-blown cashless society is to ensure safe and secure transactions as well as convenient transactions for non-Japanese travelers.

Our subsidiary, Canal Payment Services, Ltd. has operated a Chinese payment/settlement services business and a Charge Point services business. It has already executed agreements with several issuers who deal with electronic money in providing the services.

We are determined to make further efforts towards an increase in the aforementioned businesses. We formed a capital alliance with CARDNET as well as JCB Co., Ltd., the largest credit card company in Japan. We would like to play a part in materializing a cashless society by encouraging existing member shops of the credit card companies to use electronic money, thus further increasing the use of QR and barcode payment/settlement schemes.

Furthermore, we will be able to create more businesses through cooperation with business ecosystems which have been developed in other focal areas. Such businesses will include distributing sales promotion or coupon messages on the basis of tendency analysis focusing on the local areas and customers through the use of member shop networks and their settlement data. They will also refer to creating businesses in light of a new token economy as well as coupons and loyalty points. This will be done in cooperation with regional financial institutions and local sightseeing organizations.

Workstyle Reforms

Towards a society where all can achieve optimal performance and job satisfaction

Looking ahead to the Olympic and Paralympic Games Tokyo 2020

- The Company participated in the Telework Days campaign. (**64%** of the eligible employees of main office telecommuted.)
- The Company conducted a POC (proof-of-concept) in order to examine the 'Saigai Net' solution mainly capable of sharing traffic congestion data. This POC was a joint operation together with companies and related organizations in the Toyosu area.

Top Hundred Telework Pioneers

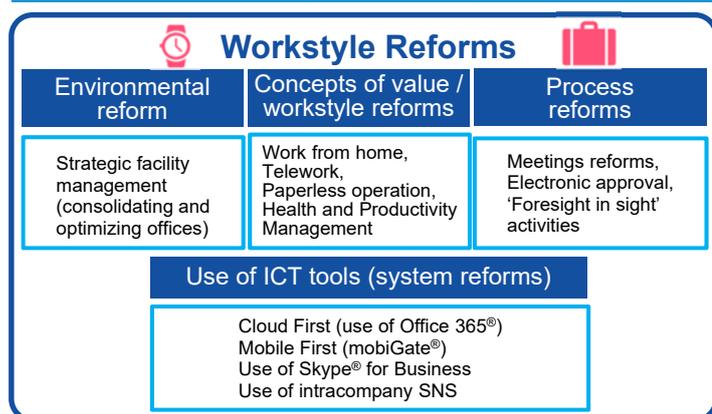
The Minister for Internal Affairs and Communications Award*



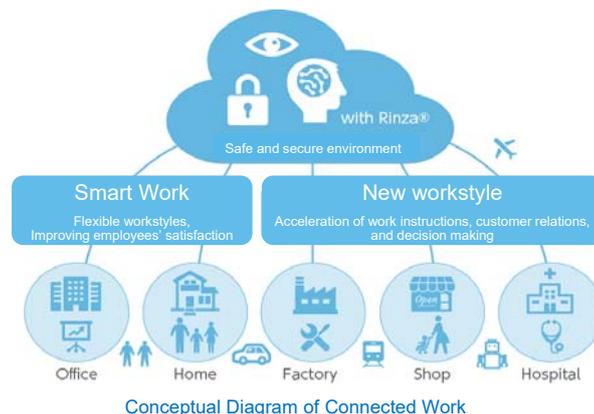
Implement Workstyle Reforms
X
IT Company's Track Records

The Company launched the 'Connected Work™', a solution capable of helping customers reform their workstyles through AI and RPA

Workstyle Foresight®



Provide Services



* The Minister for Internal Affairs and Communications Award: granted to companies among those recognized by the Ministry for Internal Affairs and Communications as the 'Top Hundred Telework Pioneers', that make excellent efforts setting an example to be emulated by others

As you may know, the nation has been experiencing a low birthrate and an aging population that have not been witnessed in the rest of the world. The working population has continued to decrease. It is said that our labor resources will drastically decrease. Furthermore, there is a typical issue in the Japanese labor environment, this being prolonged work, which causes low productivity. We would like to make reformative efforts to create a society where all can achieve optimal performance and job satisfaction.

First, we decided to take on the issue by ourselves. We have made group-wide efforts to reform workstyles through promoting the use of satellite offices and telecommuting as well as ICT. The intention is to develop an environment where all employees can work securely regardless of time and location through ICT.

Looking ahead to the Olympic and Paralympic Games Tokyo 2020, we foresee extreme congestions in the area of Toyosu where we are located during the period. We have participated in the initiative of Telework Days since last year with an aim to avoid predictable congestion issues. We increased the duration of our initiative this year. As a result, 64% of our main office employees participated in the initiative.

Furthermore, we conducted a POC (proof of concept) about sharing congestion data amongst companies and organization of the Toyosu area using our 'Saigai Net' system. This system was referred to in my description on the topic of national resilience.

We have been recognized as 'Top Hundred Telework Pioneers' for these efforts. This year, we received the Minister for Internal Affairs and Communications Award. Five companies received the award across the nation.

We have launched 'Connected Work', a service capable of helping customers to materialize optimum workstyles mainly through AI and RPA. This service is enabled on the basis of our accumulated performance as an IT company and our actual efforts to reform workstyles.

We would like to help customers to implement their workstyle reforms by understanding their issues that they and their employees experience on the scene.

The Nihon Unisys Group would like to continue our efforts towards creating an amazing future.

Foresight in sight

UNISYS

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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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