

Nihon Unisys, Ltd.
Earnings Announcement
for the Fourth Quarter of the Fiscal Year Ended March 2017
held on May 9, 2017

Principal Questions and Answers

(with certain details modified in an attempt to provide readers with a deeper understanding)

[Questioner A]

Q : A new order for BankVision was received in Q4 of the fiscal year ended March 2017. How will the order contribute to performance in the next fiscal year and thereafter? Also, I would like to know your expectations of BankVision future orders.

A : The new order for BankVision received in Q4 was recognized as solution net sales in Q4 of the fiscal year ended March 2017. BankVision system creation will continue for a few years. Outsourcing services will be provided after the system begins to operate. Thus, we expect that this order will continue to positively contribute to our business performance for a long time.

Furthermore, we plan a sales increase in the fiscal year ending March 2018 by taking into consideration one more order from a bank. Financial institutions make stable investments in ICT assets although they are slightly more cautious due to the impacts of the negative interest rate policy. We have strengthened our new BankVision services mainly through an API (application program interface) disclosure that will enable the creation of FinTech businesses as we envisage. We aim to receive more orders earlier through this effort.

Q : An expected gross profit increase in the next period (by ¥3.3 billion compared with the fiscal year ended March 2017) is approximately half made up of an increase in outsourcing gross profit (by ¥1.5 billion). What sectors of outsourcing businesses are expected to grow?

A : We anticipate that the payment/settlement outsourcing sector will continue to be strong. Furthermore, a core-banking system began to serve a Shinkin bank (credit union) in the fiscal year ended March 2017. In addition, BankVision began to serve Ogaki Kyoritsu bank, which is a new customer, after the series of national holidays from April 29 to May 5 this year.

Moreover, we have already received orders for mid-and small-sized outsourcing services. These factors will help an increase in net sales and profit from outsourcing businesses in the fiscal year ending March 2018.

(Note)

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Q : System services' net sales have hardly increased since Q2 of the fiscal year ended March 2017. Their order backlogs have decreased as well. It is partly impacted by the outsourcing segment taking the lead in increasing net sales in the wake of your efforts to shift into service-type businesses. Having said that, taking into consideration the start of the new BankVision system development project, I would say a slightly too humble forecast is made about system services' net sales for the fiscal year ending March 2018. It might be advisable to make efforts to obtain plenty of orders, by taking advantage of the current brisk demands business environment, and expand your territory.

A : We compromised our system services businesses, worth one thousand and some hundreds man/month of system engineers in the fiscal year ended March 2017, in order to enable them to engage in studying and researching new technologies and services.

Our current strategy is to select and accept system development orders that will enable us to conduct service-type businesses. We are aware of the situation where outsourcing net sales are outweighing system services net sales. We will strengthen our efforts to increase businesses for the existing customers in order to meet our standards in net sales and profit.

We have shifted our priorities to service-type businesses. Customers have become interested in using prepared solutions and introducing service offerings rather than in starting large-scale system creation projects from scratch. Small-and Mid-sized projects have come to be preferred. Our analysis highlights that these factors have caused the current decrease in orders.

We fully recognize that system creation is our key line of business. We will continue to make full efforts in system development.

Q : I remember that the performance of Q3 of the fiscal year under review was impacted by your changing of the method of posting the bonus provision. I would like to confirm a similar impact in Q4.

A : The bonus provision used to be posted at the end of Q2 and Q4. We changed this practice and have posted it at the end of each quarter since the fiscal year ending March 2017. A ¥1.8 billion bonus provision was posted in Q3. In other words, Q4 costs would be technically reduced by ¥1.8 billion. However, this cost reduction in Q4 was outweighed by an increase in actual bonus amounts paid in conjunction with an improved corporate performance as formulated. In short, it is reflected as a ¥0.8 billion increase in operating income.

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[Questioner B]

Q : It has been explained that system engineers were released from the field, and were made to retreat for study and research. Does this cause a ¥0.5 billion increase in R&D costs in the fiscal year ending March 2018?

A : The retreat does not completely release system engineers from field engagements. It gives each of them 3 consecutive hours or more once a week for taking on things other than their current duties, such as studying various types of new technologies and participating in demonstration experiments. This retreat eventually outweighed the negative cost impacts in improving the Company's profitability. It was well implemented. Positive results have been witnessed in business projects for customers and regions such as demonstration experiments and proof of concept opportunities. We would like to visualize the retreat program through R&D metrics in order to enable monetization in future.

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