

Nihon Unisys, Ltd.
Earnings Announcement
for the Second Quarter of the Fiscal Year Ending March 2017
held on November 4, 2016

Principal Questions and Answers

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

[Questioner A]

Q : Net sales increased by 0.7% in the first quarter (Q1), compared with the same period of the previous fiscal year. Why did net sales decrease by 0.6% in Q2, compared with the corresponding period of the previous fiscal year?

A : Hardware and software product sales worth slightly more than ¥2 billion in Q2 were put off to the second half (2H) of the fiscal year. Thus, net sales in Q2 were slightly decreased due to the impact. Improved profitability of system services and product sales helped gross profit to increase compared with Q2 of FY2015.

Q : May I confirm that you will not revise your forecast of an increase in net sales in 2H?

A : We anticipate a ¥7.8 billion (5%) increase in net sales in 2H of the fiscal year, compared with 2H of FY2015. Most of the net sales increase forecast is given on the assumption that projects worth ¥2 billion are postponed from the first half and initial costs will be posted pertaining to an outsourcing project for financial institutions. The 2H forecast will be achieved if another increase in net sales worth ¥2 billion through ¥3 billion is achieved, although it is still open to conjecture.

Q : May I ask if the outsourcing project for financial institutions have not contributed to the Q2 performance?

A : Its Q2 contribution was approx. a few hundred million yen.

Q : May I ask if you do not revise your performance plan of the next period?

A : We announced our forecast of ¥320 billion net sales and ¥ a 17 billion operating income for the next fiscal year, the final fiscal year of our Mid-term Management Plan. We have not revised the forecast at this point in time. We have been preparing for businesses that significantly include fee businesses. Once fee businesses are released and become widespread in the communities, we think that they will help us to achieve the forecasted net sales. Furthermore, we hope that we will be able to win other businesses relating to these businesses. We will forecast a performance for the next fiscal year by taking into account impacts on the performance of this period from the macroeconomic environment

(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.

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such as a strong yen. We do not plan to revise our guidelines for the Mid-term Management Plan at this point in time.

[Questioner B]

Q : Order decreased by 12% in Q2, compared with the same period of the previous fiscal year. May I ask about the current environment of order?

A : Outsourcing order smoothly increased as a result of our efforts focused on the business area. Product sales are uneven depending on the period. They have been impacted by cloud computing, although we would like to keep them at the same level as before. System services projects have come to be small. Short term projects have increased recently. According to our analysis, this is applicable not only to our company but also to other companies. We respond to customers who demand accelerated IT services in order to augment their services overall, rather than justifying the creation of large-scale systems over periods of several years.

Q : I would like to know if there will be an increase in orders in this fiscal year and the next fiscal year, and if so how much of an increase there will be.

A : We would like to strengthen outsourcing businesses that include a fee business as well as the traditional IT outsourcing business. In the case of fee business, received fee alone is recognized as orders, and so its order amount cannot be significant easily. However, we will surely take on this business that should be continued for a long period of time. System services business projects that have risks and those that need to be collectively implemented are strictly examined and sorted out before bidding. Projects have become and will continue to be small against the backdrop where customers demand speedy projects.

[Questioner C]

Q : May I ask how much the net sales of value card business have increased in 1H? Also, I would like to know the situations of fee business.

A : The 1H net sales of value card business increased by ¥0.3 billion, compared with the same period of the previous fiscal year. We have launched various types of fee businesses such as charge-point business. They have made small contributions because they have been only just started.

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