

**Nihon Unisys, Ltd.**  
**Earnings Announcement**  
**for the First Quarter of the Fiscal Year Ending March 2018**  
**held on August 1, 2017**

**Principal Questions and Answers**

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

(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 FY 2017 refers to the fiscal year ending March in 2018.

**[Questioner A]**

Q : It is reported that mainframe software project sales were posted in Q1. May I ask if the posting had been in the original schedule? Please tell us if you now have any other mainframe projects that are expected to be posted for FY2017 and FY2018.

A : With respect to the mainframe project that was posted for Q1, the order had been awarded in Q4 of the previous fiscal year. Thus, it was posted in Q1 as scheduled.

We do not expect any other large-scale mainframe projects for FY2017 and FY2018. The full-year mainframe software and hardware net sales of the fiscal year ended March 2017 were ¥ 6.5 billion. For FY2017, they are anticipated to be almost on par with the previous fiscal year.

Q : Orders and order backlogs of system services have continued to show signs of decrease since around Q2 of the previous fiscal year. It is reported that you have postponed a system service project from FY2017/Q1 to FY2017/Q2. May I ask if the order amount would have exceeded that of the first quarter of the previous fiscal year, without the postponement? Furthermore, may I ask if an increase in the full-year net sales of system services will be enabled as you planned?

A : Part of a set of BankVision system development projects was postponed from Q1 to Q2. (A participation in the BankVision service scheme had been agreed to by its 11th bank in the previous fiscal year.)

The system services orders decreased by ¥3.1 billion, compared with the first quarter of the previous fiscal year. Orders almost worth this value are expected to be received in Q2. System services projects tend to become smaller in scale and have shorter delivery durations. We think that our orders and order backlogs will vary slightly till this tendency stabilizes. If the fluctuations converge within our current assumptions, we think that we can achieve our net sales goal for FY2017.

**(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.

Information in this document is intended to provide further understanding of Nihon Unisys, Ltd. and is not intended to solicit investment.

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【Questioner B】

Q : We would like to know how you evaluate your Q1 performance results.

A : We think that we could bring results in Q1 almost as internally planned. Expected progresses have been made towards accomplishing achievements as indicated in our full-year plan.

Q : It is reported that you made previously incurred costs in Q1 in preparing an outsourcing project for its service launch. We would like to know the size and details.

A : The costs were made in order to make preparations about a multi-user core banking system for shinkin banks. The system has already served a member bank. Costs have been incurred before the system serves a new member. Pursuant to accounting conservatism, they were deemed as previously incurred costs and thus posted. It is worth several hundreds of millions of yen.

Q : Would the outsourcing gross profit have beaten that of the first quarter of the previous fiscal year, if the previously incurred costs had not been posted?

A : The outsourcing gross margin was 20.6% in FY2017/Q1. However, without the costs, the gross margin of FY2017/Q1 would have slightly exceeded that of FY2016/Q1 (22.8%).

【Questioner C】

Q : May I ask about a schedule for recovering the previously incurred costs in an outsourcing project? Have you been aware of them since the beginning of the period?

A : We plan to recover them over a few years once the operation starts next year. We have been prepared for the incurrence of costs since the beginning of this fiscal year, and thus we have included the costs in the full-year plan.

Q : It is reported that you anticipate an increase in the full-year outsourcing gross profit for the fiscal year ending March 2018. Does it mean that you expect a recovery of the previously incurred costs for that project as well as a significant increase in the outsourcing gross profit enabled through other projects?

A : Our outsourcing category includes highly-profitable digital innovation businesses as well as BankVision business. We expect a new member in the BankVision service scheme in the second half of FY2017. Thus, we think that we can achieve the gross profit growth as we assume.

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Q : There was a significant increase in the digital innovation net sales of Q1 (up ¥1.3 billion compared with the first quarter of the previous fiscal year). I would like to know what enabled the increase.

A : We have witnessed payment/settlement related businesses emerging in the area of digital innovation business, such as value-card business, charge-point business, and Alipay payment/settlement services. We expect them to drive the net sales of digital innovation business. The increase in the net sales of Q1 was attributable to the payment/settlement businesses as well as an increase in businesses of customer contact points. The touchpoint business contributors are exemplified by branch office solution services for financial institutions such as regional banks and shinkin banks.

Q : It is reported that you anticipate a new member in the BankVision service scheme in the second half. May I ask about the current sales situations? Have you seen any change in the sales situations since the beginning of the period?

A : Major changes have not been witnessed since the beginning of the fiscal year. We have been continuing sales activities targeted at multiple financial institutions.

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