

Nihon Unisys, Ltd.
Earnings Announcement
for the Second Quarter of the Fiscal Year Ending March 2020
held on November 6, 2019

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 FY2019 refers to the fiscal year ending March in 2020.)

[Questioner A]

Q :

The System Services order amount in the discrete Jul – Sep period (Q2) decreased by 1.2 % on a year-on-year basis. You have order backlogs that you plan to recognize as sales before the end of this fiscal year, and we have seen such order backlogs remaining at high levels. Thus, does it imply a slowdown of orders? Please brief us more.

A :

We received steadily System Services orders for digital transformation (DX)-related projects. System development projects have come to be implemented on a small scale and finished in a short period of time. Sometimes we receive project orders in a quarter, and we recognize them as sales in the same quarter. Furthermore, we have seen an accumulation of order backlogs and we have planned to recognize the order backlogs as sales within this fiscal year. Therefore, we anticipate that the strength of System Services will continue.

Q :

You have steadily received orders for small and medium-sized System Services projects since the fourth quarter (Q4) of the previous fiscal year. In addition, you have continuously improved productivity. Please tell me if I correctly presume that there are not so many elements to impact my understanding of the situation in the second half.

A :

Although we are aware of small signs of uncertain economy, we have received many requests from customers who are anxious for launching their IT investment projects as soon as possible. The reason is due to their understanding of IT investments as indispensable costs for stronger competitiveness, rather than their conventional costs. We have received inquiries steadily as well. IT investments are indispensable for customers to develop their competitive edge. Thus, we anticipate that customers will not expose IT investments so much to impacts of economy.

Q :

In your briefing on progresses in the focal areas, there were references to the fee-for-service businesses. The businesses remained at the same level as the corresponding period of the previous fiscal year. You ascribed the unchanged situation to a decrease in the Value Card business, although there were increases in new businesses.

Please tell me what the increases in the QR and bar code payment/settlement services business and mobility business are like. Also, I would like to know how much the Value Card business decreased and if the business will continue to decrease towards the next period.

A :

There are numerous settlement issuers to deal with QR and bar code payment/settlement schemes. Our company has been able to connect with most of them. Furthermore, we have been making efforts to increase member shops. We executed a capital and business alliance with JCB. We think that we can expect a further increase in the business if we can entice the member shops of JCB to use the payment scheme. Also, we anticipate that the scheme use will be furthermore popular in the wake of a consumption tax hike in October.

The Value Card business has decreased by 30% approx. compared with the same period of the previous fiscal year. We think that some value card use may be expected in relation to digital codes used via smartphone in the future. We anticipate a furthermore increase in the businesses related to electronic money such as QR and bar code payment/settlement. We expect a sales increase of the businesses.

Q :

May I ask about your efforts to increase member shops on the basis of a business alliance that you executed with JCB with an eye toward the QR and bar code payment/settlement business? I would like to know the progress status.

A :

Many of the shops participating in our scheme have been major chain stores. JCB has numerous small and medium-sized shops. The shops have rushed to be in line for application for our payment scheme and have been waiting for their turn of the acceptance procedure (processing all applications concurrently is not enabled.) We have seen a rapid increase in our member shops as a result of their participation.

Although we have not reached and enticed all shops of the significantly extensive scope of JCB member shops, we have been able to obtain participation almost equivalent to our existing membership size.

Q :

Please tell us about your forecast of Hardware Sales for the second half of this fiscal year and in the future. Do you anticipate any impacts from the Consumption Tax hike as well as support discontinuation for Windows 7 and Server OS? Also, may I ask if you can expect any highly profitable software projects such as those of customer interaction in the second half?

A :

We were prepared for a decrease in Hardware Sales due to an increase in cloud-computing use. However, we have witnessed an explosive increase in the amount of data handled. We have seen demands for on-premise hardware products continuing. Also, we have strengthened efforts to promote the demands since last year. As a result, we posted an increase in Hardware Sales.

We have been implementing our software products of customer interaction at some customers. The products sales have not increased as they had in the past. However, we expect steady sales to continue, although we know that the profitability cannot beat that of Mainframe software products.

Q :

I would like to know about your efforts to consolidate your regional offices of Support Services. Please tell me about the progress. I would like to know when we can see effects.

A :

We have been reorganizing our Support Bases as planned. We have been able to maintain the quality of our services despite our concerns. We would like to transform the services into those delivered on a real-time basis through AI and remote operation functions.

We had been prepared for a decrease in Support Services due to an advance of cloud-computing. Despite this anticipation, we have seen stable demands for the time being. Furthermore, we have been able to have more profitable business arrangements by reviewing the cost structure.

We think that we will put our key focus in our future business battlefield on considering how to deliver services remotely partly through IoT means.

(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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