

Results for the 1st Quarter of FY March 2019

August 1, 2018

Nihon Unisys, Ltd.

Foresight in sight

(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.

A net sales increase was enabled by Outsourcing and System Services.
Operating income slightly increased despite an increase in SG&A costs.

(Unit: Billion Yen)

	Q1 (Apr-Jun)		Changes	
	FY2018	FY2017		
Net Sales	57.0	56.1	+0.9	+1.6%
Gross Profit	14.0	13.8	+0.2	+1.7%
SG&A Costs	-12.5	-12.3	-0.2	-1.7%
Operating Income	1.5	1.4	+0.0	+2.2%
(Operating Margin)	(2.6%)	(2.6%)		(+0.02pts)
Profit Attributable to Owners of Parent	1.4	1.3	+0.1	+5.1%
Orders	60.7	57.5	+3.2	+5.5%
Order Backlogs	224.4	212.1	+12.3	+5.8%

<Key Points of Q1 Performance Results>

■ Net sales

Outsourcing and System Services drove net sales past the previous Q1 net sales.

■ Operating income

An increase in net sales and improved profitability of Service Businesses absorbed a decrease in Product Sales' gross profit. Gross profit was increased compared with Q1 of FY2017. However, operating income only increased slightly, due to an increase in SG&A costs.

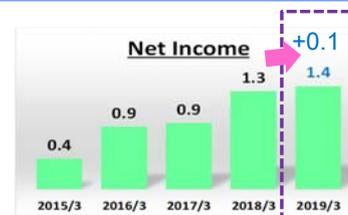
■ Profit attributable to owners of parent

A decrease in tax burden was a factor that facilitated a small increase in profit attributable to owners of parent.

■ Orders and order backlogs

Orders for System Services increased the most. As a result, order backlogs were also increased.

[For Reference] 5-Year Changes of Q1 Results (Unit: Billion Yen)



First of all, let me summarize the results of the first quarter of the fiscal year ending March 2019.

We posted: net sales of ¥57.0 billion, up by ¥0.9 billion compared with the first quarter of the previous fiscal year; operating income of ¥1.5 billion; and net income of ¥1.4 billion, both slightly higher than the previous Q1.

Net sales increased by ¥0.9 billion, compared with the same quarter of the previous fiscal year due to strong outsourcing and system services.

An increase in outsourcing and system services drove gross profit. Gross profit had an year-to-year increase of no more than ¥0.2 billion in this quarter, in contrast with Q1 of FY2017 in which we posted a profitable software product sale.

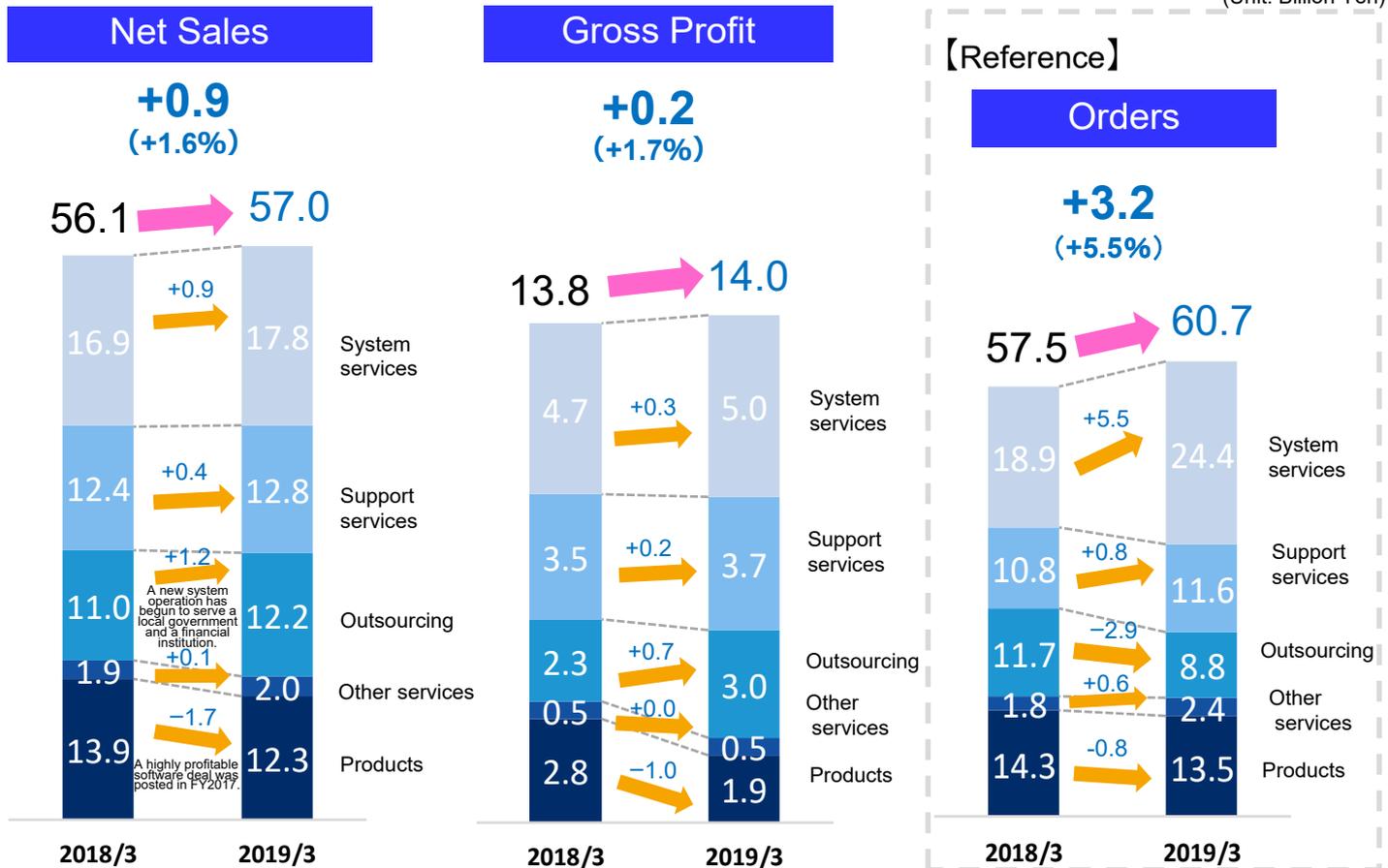
Furthermore, SG&A costs increased by ¥0.2 billion, mainly due to R&D costs spent for new business developments. As a result, operating income only slightly increased.

Having said that, profit attributable to owners of parent showed a slight increase partly owing to a decrease in tax burden.

Orders mainly for system services increased. They are ¥60.7 billion, an increase of ¥3.2 billion, compared with Q1 of the previous fiscal year.

Order backlogs also increased to ¥224.4 billion an increase of ¥12.3 billion, due to acquiring long-term outsourcing projects in the previous fiscal year as well as accumulated orders in the area of system services.

(Unit: Billion Yen)



Next, let me explain the situations by segment.

The net sales and gross profit of system services increased, as a result of accumulated small- and mid-sized projects such as those for financial institutions. There were no unprofitable projects in this first quarter.

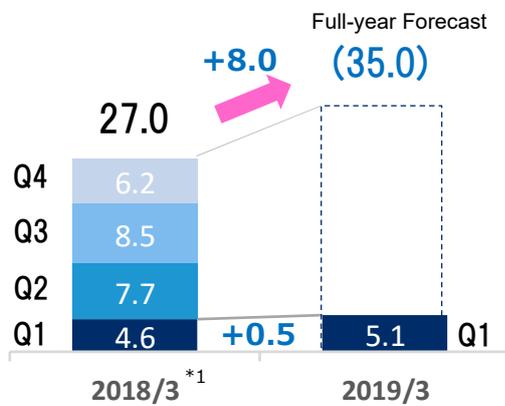
Net sales of support services increased, due to accumulated small-sized projects for a broad range of business categories. Also, an increase in the gross profit was enabled, as a result of reducing costs such as outsourcing costs.

We launched a new outsourcing service for a local government in April this year. Furthermore, a core-banking system began serving another Shinkin bank this January. Thus, we posted an increase in the outsourcing net sales and gross profit.

Gross profit has been steadily increasing, partly due to the fact that we are no longer burdened by a prior investment that occurred in Q1 of FY2017, and partly due to impacts of improved operational efficiencies.

Net sales and gross profit of product sales decreased in this quarter, compared with Q1 of FY2017 where we provided software products to financial institutions, which had a massive gross margin.

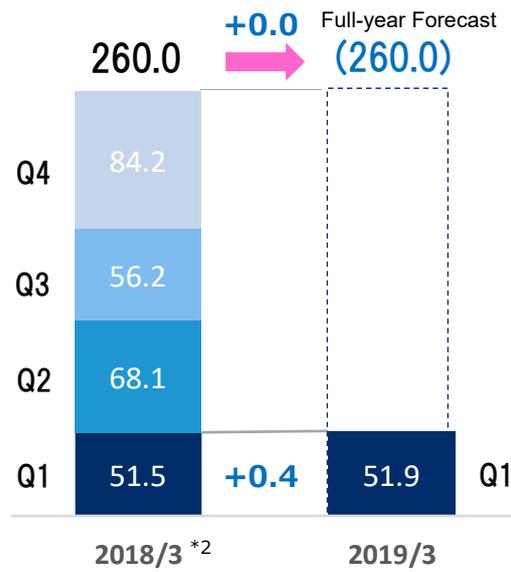
Focal Areas



- Increase in types of electronic payment service and affiliated shops
- Increase in the recipients that are served by our mobility service platform ('smart oasis[®])
- Increase in projects related to digital transformation

*1 The FYmar2018 bar shows the total of net sales of Digital Innovation and Life Innovation business areas described in the previous mid-term management plan.

ICT Core Areas



- BankVision[®] system development in progress for its 11th customer
- Steady system developments for financial institutions as planned
- Launch of an outsourcing service for a local government

*2 The FYmar2018 shows the net sales of 'Business ICT Platform' described in the previous mid-term management plan.

Next, let me explain business situations of our focal areas. These new areas are described in the three-year mid-term management plan that was launched in this fiscal year.

We have re-organized our business areas into the four focal areas: Neobanks, Digital Acceleration, Smart Town, and Assets Guardian.

The total net sales in these focal areas were ¥5.1 billion in this quarter, an increase of ¥0.5 billion, compared with the net sales of Digital Innovation area and Life Innovation area that we have been taking on as indicated in the previous mid-term management plan.

The net sales of fee-for-service businesses have continued at the same level as the previous Q1. Businesses related to digital transformation such as AI, IoT and RPA have increased. Thus, the net sales of the focal areas have been increasing.

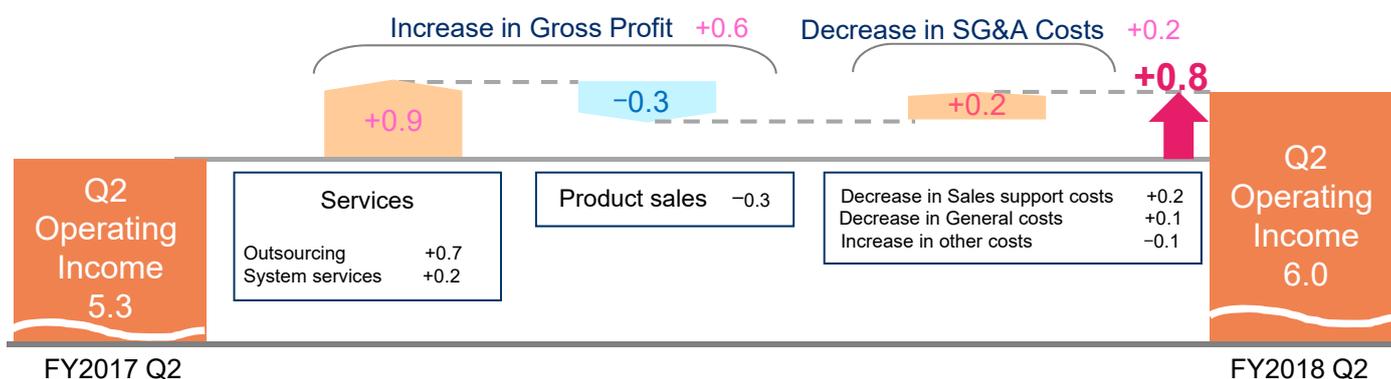
We plan full-year net sales of ¥35.0 billion, an increase of ¥8.0 billion, compared with the previous fiscal year.

The first-half forecasts of net sales, operating income, and profit attributable to owners of parent have not been revised since they were announced on May 9, 2018. (Unit: Billion Yen)

	FY2018 Q1 Actual		FY2018 Q2 Forecast		FY2018 H1 Forecast	
	Amount	Yr/Yr	Amount	Yr/Yr	Amount	Yr/Yr
Net Sales	57.0	+0.9	76.0	+0.2	133.0	+1.1
Operating Income	1.5	+0.0	6.0	+0.8	7.5	+0.8
Profit Attributable to Owners of Parent	1.4	+0.1	3.8	+0.4	5.2	+0.5

* See the supplementary material for a breakdown of the forecast above.
(Unit: Billion Yen) (Yr/Yr changes)

【Details of Q2 (Jul-Sep) Operating Income】



Let me describe our performance forecast.

The first-half forecasts of net sales, operating income, and profit attributable to owners of parent have not been revised since they were announced on May 9, 2018.

We plan an increase of ¥0.8 billion in operating income for the second quarter, compared with the corresponding quarter of the previous fiscal year. This plan is based on our expectations of an increase of ¥0.6 billion in gross profit (mainly of outsourcing and system services) and a decrease of ¥0.2 billion in SG&A costs (such as sales support costs and general costs).

We do not see any special concerns with projects, and thus we do not foresee risks of unprofitability in the second quarter.

This concludes my summarizing the performance results of the first quarter of the fiscal year ending March 2019.

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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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