

**Nihon Unisys, Ltd.**  
**Earnings Announcement**  
**for the First Quarter of the Fiscal Year Ending March 2022**  
**held on August 4, 2021**

**Principal Questions and Answers**

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

[Questioner A]

Q : You referred to your expecting an order for a big project in the Q2 (Jul-Sep) period. May I have a summary?

A : We expect that we will receive an order for a system development for a new BankVision customer that we won in the previous fiscal year.

Q : Your revenue level and profit level of Q1 are higher than before, due to adopting IFRS. May I ask how your IFRS adoption will impact your quarterly performance balance?

A : Revenue used to be recognized upon shipment before. It is now recognized upon delivery. This change in the revenue recognition standard is reflected in a change in the revenue posting timing. (Net sales begin to be recognized upon delivery as well pursuant to the Japan's Generally Accepted Accounting Principles (J-GAAP) in this fiscal year.)  
For example, if we have a project, and if we are to ship at the end of March and deliver at the beginning of April, we used to post net sales in March. Now, we will post revenue in April from this fiscal year. Therefore, no changes will be observed from a full-year point of view. From a quarterly viewpoint, however, we expect revenue in Q1 and Q3 to be driven up based upon more deliveries in March and September.

Q : You received more orders in System Services in Q1. However, in light of your having suffered a 27% decrease in Q1 of the previous fiscal year on a year-over-year basis, it would seem that you have not regained completely the decrease. You may experience uneven recoveries depending upon business sectors. May I ask about your order environment?

A : We saw an increase in orders that we received for small and medium projects compared with the same quarter of the previous fiscal year. On the other hand, we have seen customers in some COVID-19 pandemic-stricken sectors still on the way to recovery and continually shying away from making investments. Thus, we think that generally our businesses is halfway down the road to recovery.

[Questioner B]

Q : You have a large increase in Outsourcing gross profit in Q1. May I ask what composes the increase? Do you expect that this will become a trend to continue in Q2 and thereafter?

A : There was a highly profitable project that was recognized in Q4 of the previous fiscal year. Due to our IFRS adoption, it is posted in Q1 of this fiscal year. An increase by posting this project is a specific factor. Generally speaking, the entire profitability is improved.

Q : May I ask what factors contributed to an increase in the gross profit of System Services in Q1?

A : The gross profit in this Q1 is more than that of Q1 of the previous fiscal year when we posted an unprofitable project. If we disregard this specific factor, our profitability (gross margin) is slightly lowered. However, this slight decrease is attributable to only quarterly variations, not any specific factors from our understanding.

Q : May I ask for your sense of direction about orders that you will receive from each business sector in Q2 and thereafter?

A : It would seem difficult to expect customers in business sectors such as those related to mobility and entertainment to resume investments, depending upon the trajectory of COVID-19 pandemic. Our business in the financial sector goes extremely well. We see even bright signs in the patchy logistics/distribution businesses.

[Questioner A]

Q : You posted a highly profitable Outsourcing project in Q1 based upon the IFRS regulations. Do I correctly understand that that specific project is already baked into your full-year plan?

A : It is already included in our full-year plan. This is conducive to an increase in the revenue for this fiscal year in light of IFRS.

[Questioner B]

Q : Your selling, general and administrative expenses in Q1 increased by ¥0.8 billion compared with Q1 of the previous fiscal year. May I ask for breakdowns? Do you expect the expenses to continue to increase at this level in Q2 and thereafter?

A : We have increased IT-related costs mainly for strengthening security by a few hundreds of millions of yen, partly due to our continuing telework since the previous fiscal year. We had reduced entertainment expenses and traveling & transportation expenses in the first quarter of the previous fiscal year due to the COVID-19 pandemic. In comparison, we have seen an increase in the expenses as a result of our resuming business activities in this Q1.

We will strongly perform sales activities in Q2 and thereafter. Also, we will check and control costs in light of striking balance between medium-term costs and short-term costs, if revenue and profit are below our assumption.

Q : Order backlogs at the end of Q1 to be posted as revenue within this fiscal year piled up at a higher growth percentage than the projected revenue growth percentage of this period (the fiscal year ending March 2022). Is it de facto higher than the level that you expected in the beginning of this period? Or, does it only seem inflated due to your IFRS adoption?

A : There are no impacts from the change in the accounting standards. We have a large-scale development project that is yet to be posted as revenue. We would like to further accumulate order backlogs such as those of Outsourcing in the future.

[Questioner C]

Q : I would like to organize my thoughts about your BankVision project for a new customer. Do I correctly understand that: you posted revenue (initial fee) in Outsourcing in Q4 of the previous fiscal year; you now post the Outsourcing initial fee revenue in Q1 of this fiscal year through reclassification as a result of IFRS adoption; and, you will post revenue from system development as a System Services order of this fiscal year?

A : Correct. We already posted the revenue portion that is out of the entire project revenue and that corresponds to the initial fee revenue as the revenue of this Q1. The balance is composed of System Development revenue and Outsourcing revenue, almost 50% each. We expect to see part of the system development revenue realized before the end of this period.

(Note)

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