

Results for the 3rd Quarter of FY March 2020

February 4, 2020
Nihon Unisys, Ltd.

(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 2020.

Foresight in sight

System services took the lead in increasing net sales and continuously improving profitability. Operating income based on a significant growth in gross profit remained at a higher level than planned.

(Unit: Billion Yen)

	Q3 (Apr-Dec)		Changes	
	FY2019	FY2018		
Net Sales	218.9	198.9	+20.0	+10.1%
Gross Profit	55.9	50.3	+5.5	+11.0%
SG&A Expenses	-39.3	-38.2	-1.1	-3.0%
Operating Income	16.5	12.1	+4.4	+36.4%
(Operating Margin)	(7.5%)	(6.1%)		(+1.5%)
Profit Attributable to Owners of Parent	11.9	9.0	+2.9	+31.7%
Orders	203.0	204.1	-1.0	-0.5%
Order Backlogs	210.7	225.9	-15.2	-6.7%
(Order backlogs in the current FY)	58.5	57.6	+0.9	+1.5%

<Key Points of Q3 Performance Results>

■ Net sales

Strong net sales were enabled mainly through: DX-related services taking the lead in continuing strong system services; small to medium-size outsourcing projects adding up; and product sales driven by demands for products.

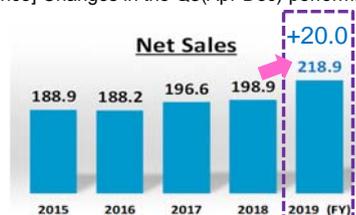
■ Operating income

Gross profit significantly increased, attributable to the increase in net sales as well as a continuously improved profitability of system services. SG&A costs remained as planned despite an increase in R&D costs.

■ Orders and order backlogs

Orders and order backlogs decreased, due to awkward timings with a renewals of large-scale outsourcing projects. However, order backlogs to be posted as net sales within the fiscal year increased in comparison with the same period of the previous fiscal year.

[Reference] Changes in the Q3(Apr-Dec) performance (Unit: Billion Yen)



I would like to summarize the results of the third quarter of the fiscal year ending March 2020.

Net sales were ¥218.9 billion, an increase of ¥20.0 billion in comparison with the same period of the previous fiscal year (FY2018). Operating income was ¥16.5 billion, an increase of ¥4.4 billion. Profit attributable to owners of parent was ¥11.9 billion, an increase of ¥2.9 billion.

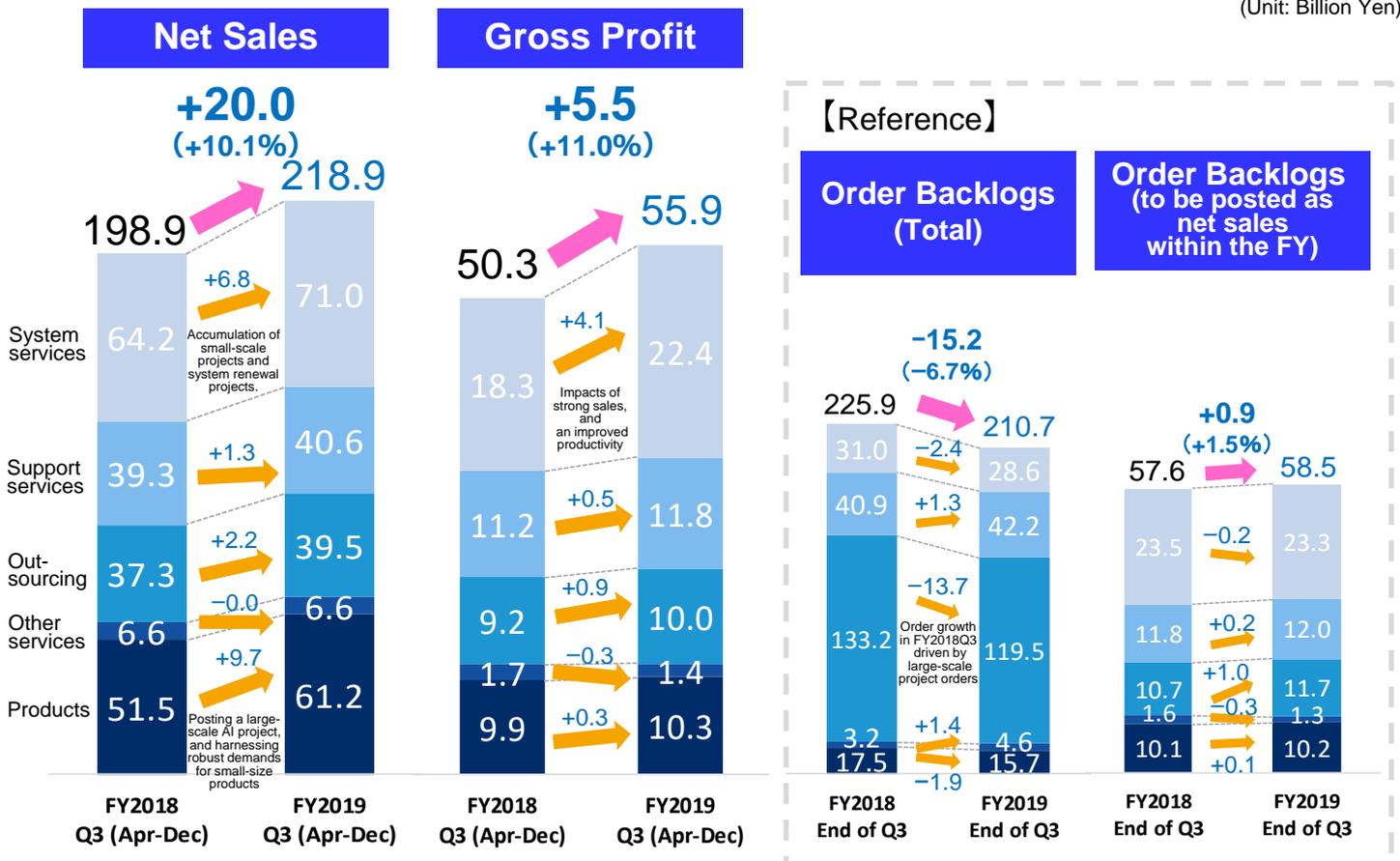
Net sales grew by ¥20.0 billion on the basis of a continued strength of system services and outsourcing as well as product sales driven by stable demands for products.

The increase in net sales as well as an improved productivity of system services enabled a ¥5.5 billion increase in gross profit. This increase in gross profit outweighed an increase in SG&A Expenses of ¥1.1 billion partly reflecting an increase in R&D costs. As a result, operating income increased by ¥4.4 billion compared with the third quarter (Q3) of FY2018.

Accordingly, a 7.5% operating margin up by 1.5pt compared with Q3 of FY2018 was achieved. It shows a steady progress that we have made towards the target of an 8.0% or more operating margin indicated in the mid-term management plan. We posted a ¥2.9 billion increase of profit as a result of the increase in operating income.

Orders and order backlogs decreased compared with Q3 of FY2018. The decrease was attributable to untimely renewal schedules that prevented us from receiving large-scale projects of multiple-year outsourcing service delivery (such as those that we received in the second quarter of FY2018). We have continued to be in a favorable order environment where we have received many customer inquiries since we closed the first half (H1). Order backlogs to be posted as net sales within the fiscal year under review increased by ¥ 0.9 billion compared with the third quarter of the previous fiscal year.

(Unit: Billion Yen)



I would like to brief you on the net sales and gross profit by segment.

We saw an increase in net sales and gross profit of system services. The increase was attributable to small- and medium-size DX projects steadily adding up as well as renewal projects of existing systems in service at financial institutions and manufacturing companies. Also, the profitability has been continuously improved partly owing to measures of productivity improvement that have been incessantly taken.

We also saw an increase in net sales and gross profit of support services. The increase was attributable to maintenance/support businesses for products adding up steadily in connection with a continued strength of product sales.

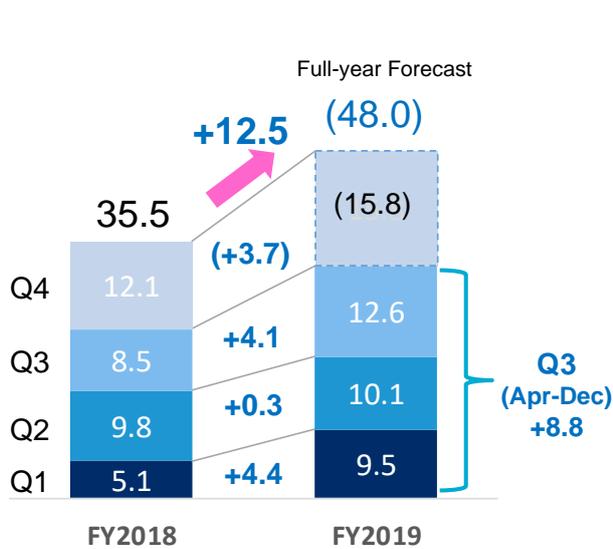
Net sales and gross profit for outsourcing also increased on the basis of an increase in relatively small-scale IT outsourcing services.

Products net sales and gross profit increased. The increase was ascribable to a strong demand for small-size products such as PCs and tablet PCs in H1, and posting mainframe projects in Q3.

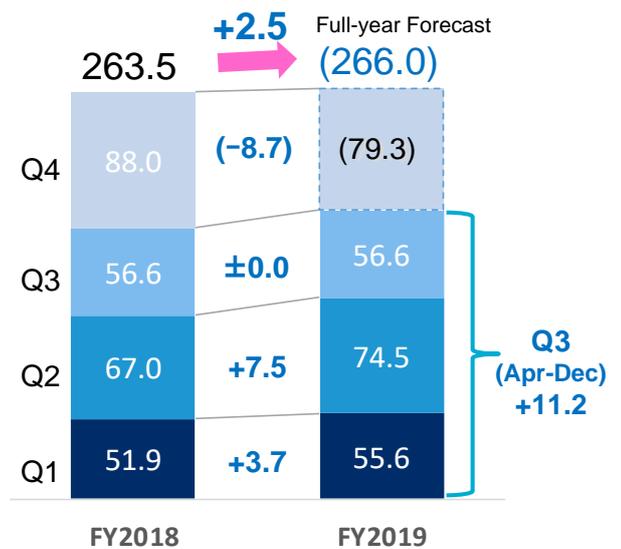
Outsourcing order backlogs significantly decreased due to impacts of renewal timing of large-scale outsourcing projects, as I referred to the description of page 1.

However, we have a plan to receive a large-scale outsourcing project order in the fourth quarter of the fiscal year. Thus, we expect outsourcing order backlogs to increase at the end of this fiscal year.

Net Sales of Focal Areas



Net Sales of ICT Core Areas



- Customer-interaction systems taking the lead in robust sales from DX system development projects
- Increase in QR Code and barcode payment services transaction volume
- Activities being enhanced in the areas of energy management and MaaS

- System renewal projects taking the lead in continuously stabilizing sales
- Efforts to improve system development/operation productivity being continued

Next, I would like to explain the business situations of our focal areas mentioned in the mid-term management plan.

Net sales of our focal areas in the third quarter (Apr-Dec) increased to ¥32.2 billion, an increase of ¥8.8 billion from the same quarter of the previous fiscal year.

Net sales increased as a result of small- and medium-sized projects mainly about DX system development continuously adding up.

Net sales of fee-for-service businesses of this third quarter were on the same level as in Q3 of FY2018.

The situation is the same as in the first half: an increase in the transaction volume of QR Code and barcode payment services; and, a steady growth of mobility-related businesses via EDRs; as well as a continuing decrease in the transaction volume of value cards faced with diversified payment methods.

Upward revision of the full-year performance forecast. Due to an improved profitability, we are likely to achieve a year ahead of schedule the target level indicated in the mid-term management plan.

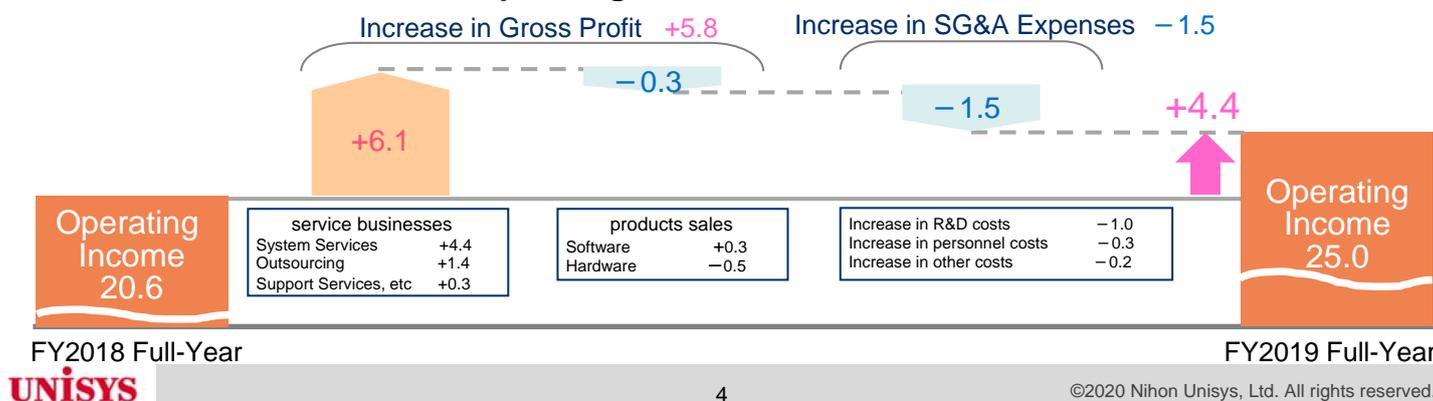
(Unit: Billion Yen)

	FY2019 Q3(Apr-Dec) Actual		FY2019 Q4 Forecast		FY2019 Full-Year Revised Forecast		Previous Forecast (Nov. 06)	vs. Previous Forecast
	Amount	Yr/Yr	Amount	Yr/Yr	Amount	Yr/Yr	Amount	Difference
Net Sales	218.9	+20.0	95.1	-5.0	314.0	+15.0	307.0	+7.0
Operating Income	16.5	+4.4	8.5	-0.0	25.0	+4.4	23.0	+2.0
(Operating Margin)	(7.5%)	(+1.5pt)	(8.9%)	(+0.4pt)	(8.0%)	(+1.1pt)	(7.5%)	(+0.5pt)
Profit Attributable to Owners of Parent	11.9	+2.9	5.6	+0.4	17.5	+3.3	16.0	+1.5

* See the supplementary material for a breakdown of the forecast above.

【Details of FY2019 Full-Year Operating Income Forecast】

(Unit: Billion Yen) (Yr/Yr changes)



Next, I would like to summarize the performance forecast.

We made an upward revision to the full-year forecasts of net sales, operating income and profit attributable to owners of parent that we publicly announced on November 6, 2019. This was due to considerations about order and performance situations up to the third quarter.

We expect that our full-year net sales will be ¥314.0 billion, up by ¥15.0 billion compared with the previous fiscal year. Operating income will be ¥25.0 billion, up by ¥4.4 billion. Profit attributable to owners of parent will be ¥17.5 billion, up by ¥3.3 billion.

The revision of the previous forecasts makes differences: ¥7.0 billion increase in net sales; ¥2.0 billion in operating income; and ¥1.5 billion in profit attributable to owners of parent.

The full-year operating margin forecast is 8.0%. We expect to achieve a year ahead of schedule the level, 8% or more, targeted in the mid-term management plan to be finished in the next fiscal year.

Let me brief you on the Details of FY2019 Full-Year Operating Income Forecast.

We expect gross profit to be boosted ¥5.8 billion based on net sales increases and an enhanced profitability of service businesses, despite a ¥1.5 billion SG&A Expenses increase partly attributable to an increase in R&D costs.

We plan the expected full-year dividends of ¥70 per share, up by ¥5 compared with that of our previous announcement in the beginning of the fiscal year. This dividend payment complies with our dividend policy which is a payout ratio of 40% as indicated in the mid-term management plan.

This concludes my summarizing the performance results of the third quarter of the fiscal year ending March 2020.

Foresight in sight

UNISYS

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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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