

Results for the 3rd Quarter of FY March 2022

February 1, 2022

Nihon Unisys, Ltd.

Foresight in sight

- ✓ Operating profit was driven by solid sales of system services and outsourcing.
- ✓ Order intake continued to be at a high level for system services.

(Unit: Billion Yen)

	FYMar2021 Q3 (Apr-Dec)	FYMar2022 Q3 (Apr-Dec)	Changes		
Revenue	218.0	217.8	-0.1	(-0.1%)	(Revenue) System services mainly for DX projects grew. Outsourcing remained stable.
Gross Profit	55.9	58.4	+2.5	(+4.4%)	The sound performances were comparable to large-scale hardware projects posted in the previous fiscal year. As a result, revenue compares favorably with the said period.
SG&A Expenses	-38.5	-39.7	-1.3	(+3.3%)	
Operating Profit	17.5	18.8	+1.2	(+7.1%)	(Operating Profit) An improved gross margin pushed up gross profit. As a result, operating profit was driven by the gross profit, despite an increase in SG&A expenses.
(Operating Margin)	(8.1%)	(8.6%)	(+0.6pt)		
Profit attributable to Owners of Parent	11.9	13.6	+1.7	(+14.6%)	(Profit) Profit was increased mainly due to an increase in operating profit and finance income.
Adjusted Operating Profit*	17.4	18.6	+1.2	(+6.9%)	
(Adjusted Operating Margin)	(8.0%)	(8.6%)	(+0.6pt)		
Orders	214.9	216.2	+1.3	(+0.6%)	(Orders and Order Backlogs) System services remained robust in this third quarter as in Q2 and thus enabled an increase in order intake even in comparison with the said period (where we had posted large-scale outsourcing projects and hardware sales projects). Order backlogs were accumulated steadily as well.
Order Backlogs	223.5	240.7	+17.2	(+7.7%)	
(Order backlogs in the current FY)	58.8	66.7	+7.9	(+13.5%)	

* Adjusted operating profit is the result obtained after deducting SG&A expenses and cost of sales from revenue.

First of all, let me summarize our performance for the third quarter of the fiscal year ending March 2022.

Revenue from small and medium-sized system services projects mainly related to digital transformation (DX) increased. Furthermore, outsourcing revenue remained robust.

We posted revenue of ¥217.8 billion. It is ¥0.1 billion smaller than it was driven by multiple large-scale hardware projects in the same period of the previous fiscal year.

Gross profit increased by ¥2.5 billion on a year-over-year basis partly due to an improved profitability. Impacts from an increase of ¥1.3 billion in SG&A expenses were thus absorbed. As a result, operating profit was ¥18.8 billion, up by ¥1.2 billion from the same period of the previous fiscal year.

We posted profit (attributable to owners of parent) of ¥13.6 billion, up by ¥1.7 billion ascribable to an increase in operating profit and financial income.

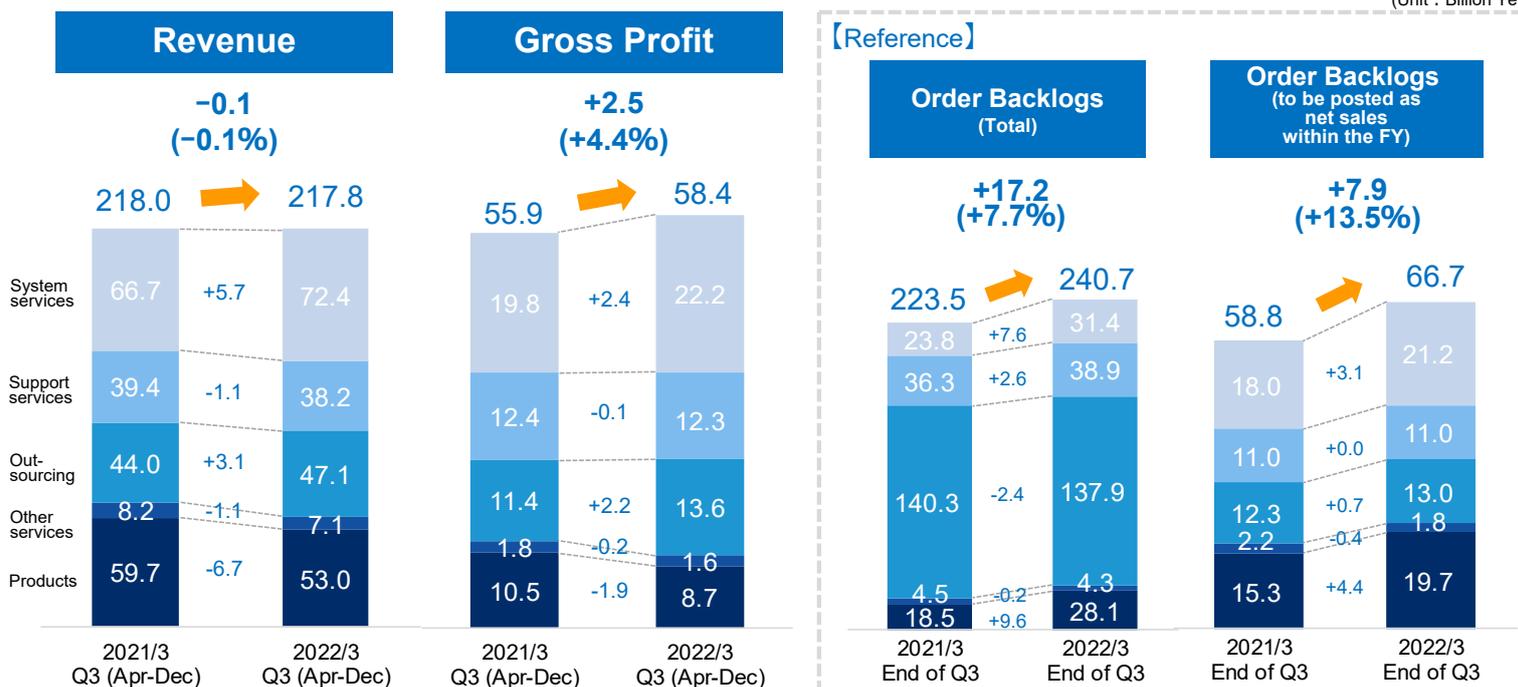
DX-related projects for financial institutions and retailers remained robust as in Q2. The DX projects orders were more than worth a large-scale outsourcing project order that we accepted in the same period of the previous fiscal year. Indeed, the orders could even absorb negative impacts from a decrease in the GIGA School-related hardware products orders.

As a result, we posted a ¥1.3 billion increase in order intake compared with the same period of the previous fiscal year.

FYMar2022 Q3 Revenue and Gross Profit by Segment (IFRS)

Foresight in sight

(Unit : Billion Yen)



Next, let me summarize the situations by segment.

First of all, system services revenue and gross profit increased. The increase is attributable to the continued strength of DX-related projects for financial institutions and retailers as well as a BankVision system development making progress as scheduled for its 12th bank.

The gross margin has been improved by an increase in comparatively profitable DX projects.

An outsourcing revenue increase is ascribable partly to the provision of platform services for ecommerce businesses and financial institutions. Furthermore, the initial fees from a BankVision-service user (its 13th bank) posted in this third quarter drove the outsourcing revenue and gross profit.

Products revenue and gross profit are smaller than those supported partly by a GIGA-School project in the same period of the previous fiscal year.

Order backlogs show a continued strength of steadily accumulated system services projects. The projects revenue are recognized for this period or likely to be recognized in the next period and thereafter as a driving force for revenue increase.

【Revenue by Outsourcing】

(Unit: Billion Yen)

	FYMar2021 Q3 (Apr-Dec)	FYMar2022 Q3 (Apr-Dec)	Changes
Entrusted operation-type	37.1	37.1	-0.0
Corporate DX-type	3.3	5.3	+2.1
Service-based-type (business creation-type)	3.7	4.7	+1.0
Total revenue	44.0	47.1	+3.1

【Order Backlogs by Outsourcing】

(Unit: Billion Yen)

	FYMar2021 End of Q3	FYMar2022 End of Q3	Changes
Total order backlogs	140.3	137.9	-2.4

(Corporate DX-type outsourcing)

- ✓ “BankVision on Azure”, the nation’s first attempt of public-cloud full banking system, is in service. The system has begun to serve new customers. Its customer base is expanding.
- ✓ A service of implementing “OptBAE”, a use-type core-banking service for regional financial institutions, has been provided. The implementation service supports multiple financial institutions in availing themselves of OptBAE.

(Service-based-type (business creation-type) outsourcing)

- ✓ “DIGITAL’ATELIER” (platform service for e-commerce) implementations at a major retailer began in the first half. Further, the system began to serve multiple companies including a major mail-order company in Q3.
- ✓ The Value Card business and the dashcam (Drive Recorder) service have remained stable.

Next, I will explain the status of the outsourcing business.

We posted a ¥3.1 billion increase in the cumulative outsourcing revenue in Q3 on a year-over-year basis. The increase is attributable to robust performance of “Corporate DX-type Outsourcing” and “Service-based-type Outsourcing”.

The “BankVision on Azure” service in the area of Corporate DX-type Outsourcing was launched in May. The service user base has been steadily expanding as exemplified by another regional financial institution availing itself of the service as its second customer in this third quarter.

We have promoted an implementation service to enable operations of the “OptBAE” use-type core-banking service for regional financial institutions. Thus, OptBAE sequentially began to serve customers since January.

We began to implement our EC platform service “DIGITAL’ATELIER” at a major retailer in the first half, and in this third quarter, even at a major mail-order businesses and other company.

We have seen the “DIGITAL’ATELIER” making a good start as a new type of services conducive to an increase in outsourcing businesses that we aim as indicated in the management policy launched in this period.

- ✓ The Group made progress in Q3 as forecasted in light of the full-year target. Order backlogs were steadily accumulated, as well. No revisions of the previous full-year forecast announcement are made.

(Unit: Billion Yen)

	FYMar2021 Full-Year Results	FYMar2022 Full-Year Forecast	Changes	
Revenue	308.4	320.0	+11.6	(+3.8%)
Operating Profit	24.6	26.0	+1.4	(+5.6%)
(Operating Margin)	(8.0%)	(8.1%)	(+0.1pt)	
Profit attributable to Owners of Parent	16.6	17.5	+0.9	(+5.2%)
Adjusted Operating Profit*	25.2	26.5	+1.3	(+5.2%)
(Adjusted Operating Margin)	(8.2%)	(8.3%)	(+0.1pt)	

* Adjusted operating profit is the result obtained after deducting SG&A expenses and cost of sales from revenue.

I would like to brief you on our full-year earnings forecast for the FY March 2022.

We have seen in the current business environment that customers are pretty much keenly interested in making DX investments. Also, order backlogs scheduled to be recognized as revenue in this period piled up at the end of December. Accordingly, we make no revisions about our full-year forecasts that we announced at the beginning of the period: revenue of ¥320 billion, operating profit of ¥26 billion, and profit of ¥17.5 billion. Adjusted operating profit is expected to be ¥26.5 billion.

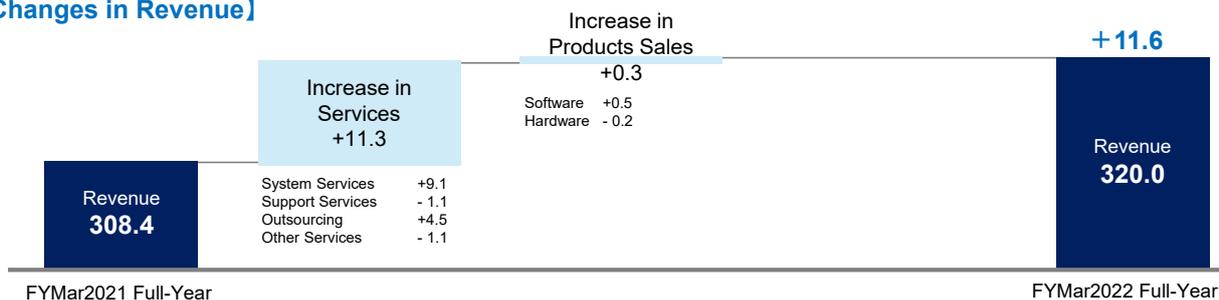
This concludes the summary of the financial results.

(Reference) Full-Year Performance Forecast for FYMar2022 (IFRS) Breakdown Details

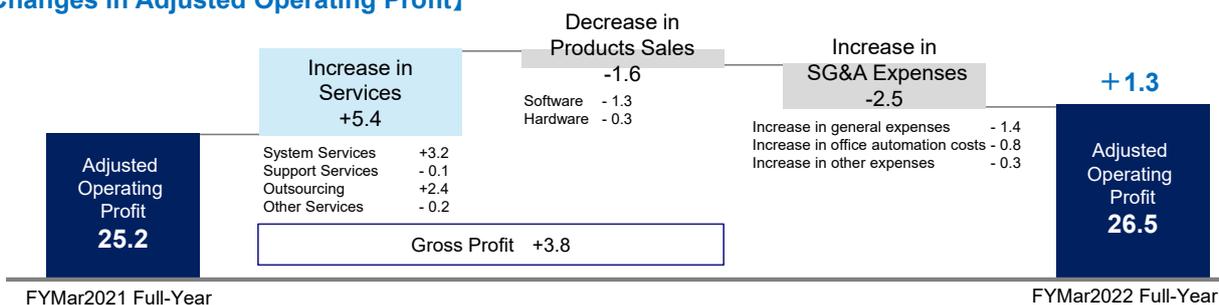
Foresight in sight

(Unit: Billion of Yen)

【Changes in Revenue】



【Changes in Adjusted Operating Profit】



Nihon Unisys, Ltd. will change its trade name to
BIPROGY Inc. in April 2022.



BIPROGY

Names of companies or products herein described are trademarks or registered trademarks of their respective organizations.

(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. This Company shall not be held responsible for any damages whatsoever incurred as a result of utilizing the information provided in this document.