Results for the 3rd Quarter of FY March 2021

February 2, 2021

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 FY2020 refers to the fiscal year ending March 2021.

Foresight in sight

FY2020 Q3 Consolidated Performance Results

Foresight in sight

A decrease in the small- and medium-size projects in the ICT Core area reduced net sales, despite a continued strength of the Focal Area. We continued proactive R&D investments with an eye toward creating new businesses.

(Unit: Billion Yen)

	Q3 (Apr-Dec)		Changes	
	FY2020	FY2019		
Net Sales	213.3	218.9	−5.6	−2.6%
Gross Profit	55.7	55.9	−0.2	−0.3%
SG&A Expenses	−39.4	−39.3	−0.1	−0.2%
Operating Income	16.2	16.5	−0.3	−1.6%
(Operating Margin)	(7.6%)	(7.5%)		(+0.1%)
Profit Attributable to Owners of Parent	10.9	11.9	−1.0	−8.4%
Orders	213.7	203.0	+10.7	+5.3%
Order Backlogs	231.0	210.7	+20.4	+9.7%
(Order backlogs in the current FY)	61.3	58.5	+2.8	+4.7%

<Key Points of Q3 Performance Results>

■ Net sales

Outsourcing services remained strong. System services decreased partly due to postponing renewals of the existing systems mainly in the ICT Core area.

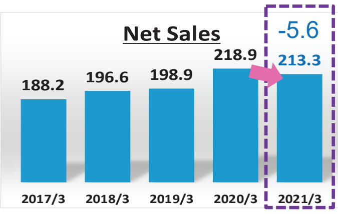
■ Operating income

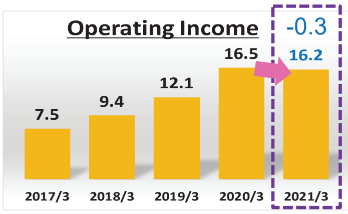
System services gross profit was reduced as a result of decreased net sales. However, the reduction was outweighed by outsourcing services. Thus, gross profit was only slightly impacted. SG&A expenses were driven by R&D costs for new business creation and strengthening our internal security platforms. As a result, operating income was pushed down.

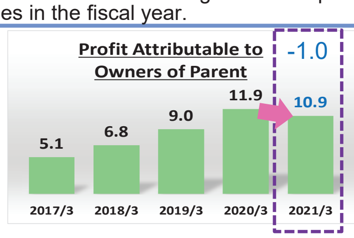
■ Orders and order backlogs

Long-term large-scale outsourcing projects and DX device sales were accumulated to increase orders and order backlogs in Q3 as in Q2.
Order backlogs mainly of products sales increased to the extent that the backlogs are to be posted as net sales in the fiscal year.

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







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I would like to brief you on the summary of our performance results of the third quarter of the fiscal year ending March 2021.

Net sales of Q3 on an accumulated basis were ¥213.3 billion, down by ¥5.6 billion compared with the same period of the previous fiscal year. Operating income was ¥16.2 billion, down by ¥0.3 billion. Profit attributable to owners of parent was ¥10.9 billion, down by ¥1.0 billion.

Net sales decreased by ¥5.6 billion, despite steady DX-related sales and a smooth progress of shifting from system services to outsourcing services. The decrease was partly attributable to impacts of slight delays of returns from investing mainly in small and mid-sized ICT Core area projects.

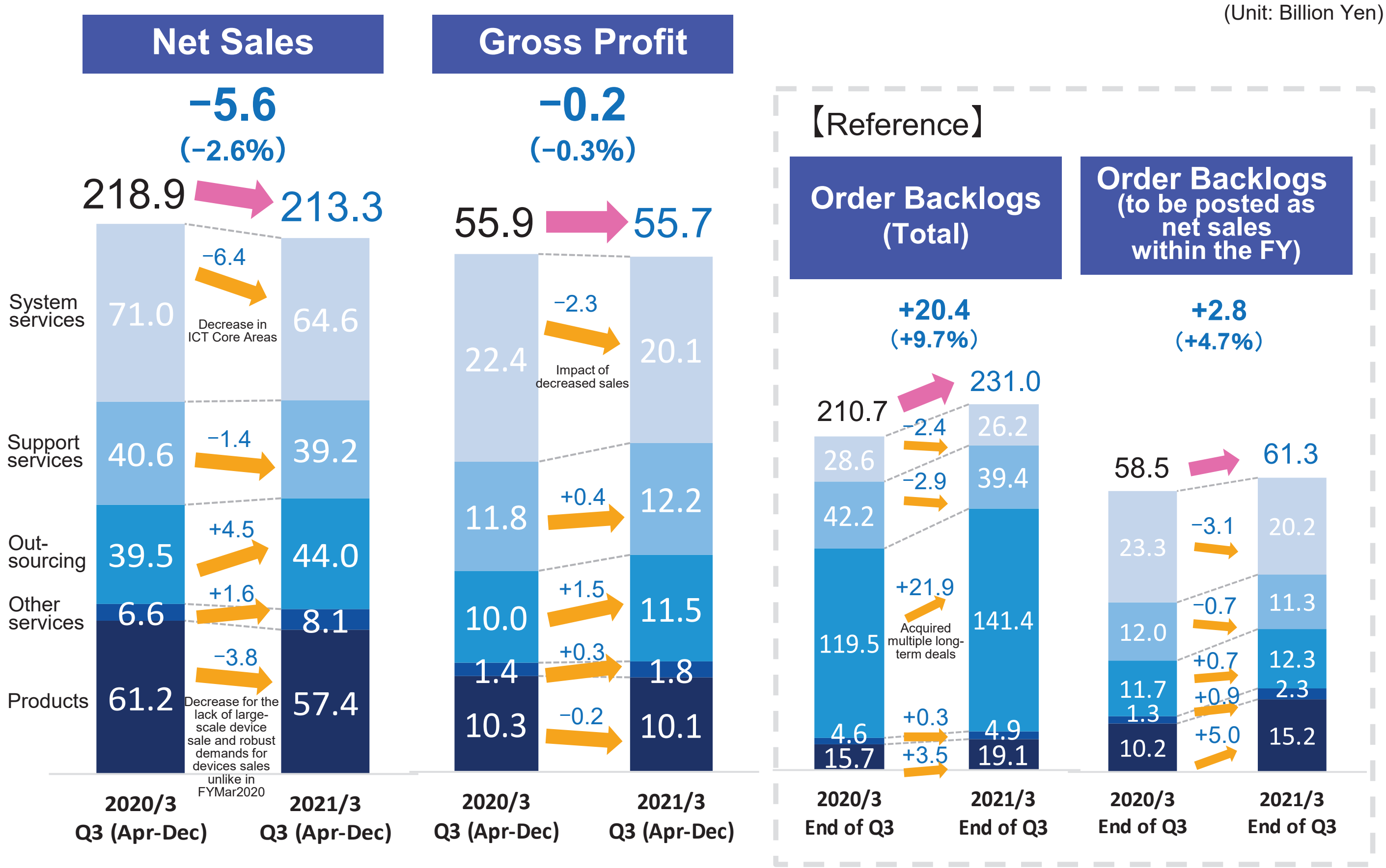
Increased net sales as well as improved profitability in outsourcing services could not offset a decrease in system services sales. As a result, gross profit decreased by ¥0.2 billion compared with Q3 FY2019. SG&A costs increased by ¥0.1 billion, mainly due to an increase in R&D costs for creating new businesses and an increase in investments to strengthen our internal security base. As a result, operating income decreased by ¥0.3 billion compared with the same period of the previous fiscal year. A decrease in operating income and dividend income as well as an increase in tax burden pushed down profit attributable to owners of parent by ¥1.0 billion.

We received an order for long-term outsourcing project in Q3 as we did in Q2. Furthermore, we saw a buildup of projects about electronic shelf labels and the GIGA School Program in the product sales section. As a result, orders and order backlogs increased. Also, the order backlogs to be posted in the fiscal year increased mainly in the section.

FY2020 Q3 Net Sales and Gross Profit by Segment

Foresight in sight

(Unit: Billion Yen)



I would like to summarize the sales and gross profit by segment.

Despite DX projects continuously showing relative strength, System Services suffered a decrease in net sales and gross profit. The decrease was mainly attributable to the small and medium-sized projects in the ICT Core area to renew existing systems. The projects are slow in moving forward in response to our activities. No new unprofitable projects occurred in the third quarter.

In Support Services, despite a decrease in net sales, gross profit increased owing to the profitability improved through cost reduction measures such as those to consolidate support bases.

Outsourcing net sales and gross profit increased based on an accumulation of core-banking service projects for financial institutions and small and medium-sized IT outsourcing projects. Gross margin continues to be improved as a result of improved operational efficiency.

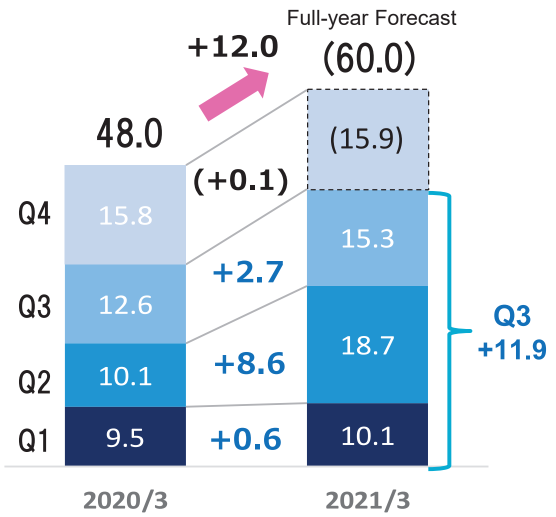
DX projects for retailers and GIGA School Program projects were posted in Q3 as in Q2. As a result, net sales of product sales were pushed up for the discrete three months of Q3. In comparison with Q3 FY2019, however, the accumulated net sales for the three quarters were less. There were strong demands for small devices such as PCs and tablets in H1 of FY2019 and large-scale device sales were posted in Q1 of FY2019.

FY2020 Q3　Situations of Focal Areas

Foresight in sight

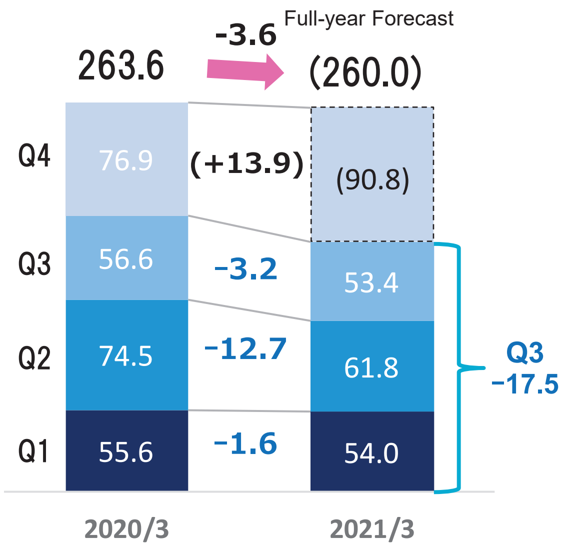
(Unit: Billion Yen)

Net Sales of Focal Areas



- Retail DX businesses as well as device sales projects of educational DX business (GIGA School) continued to be strong.
- Use of dashcams (event data recorders) and energy-management services increased steadily.

Net Sales of ICT Core Areas



- Investments were continuously reduced and projects mainly about back-office systems were continuously postponed in some industries.
- Lack of the mainframe product sales posted in Q3 of FYMar2020.

Next, I would like to brief you on the business situation of the Focal Area of the mid-term management plan.

Net sales of our Focal Area on an accumulated basis were ¥44.1 billion, an increase of ¥11.9 billion compared with Q3 of FY2019. In Q3, sales of electronic shelf label solution projects, GIGA School projects were posted, and net sales in the Focal Area grew steadily due to an increase in such digital transformation (DX) projects.

Net sales of fee-for-service type businesses continued to show signs of increase on a year-over-year basis.
We have seen continuously sluggish services such as those related to inbound tourism and carsharing in the midst of the COVID-19 pandemic. However, the value card business sales growth has continued owing to impacts of demands from staying at home, although the business was on a downward trend in the previous fiscal year. Furthermore, we have seen a steady expansion of businesses related to dashcam (EDR) and energy management services.

Full-Year Performance Forecast for FY2020

Foresight in sight

✓ The full-year forecast announced on November 6 remains unchanged.

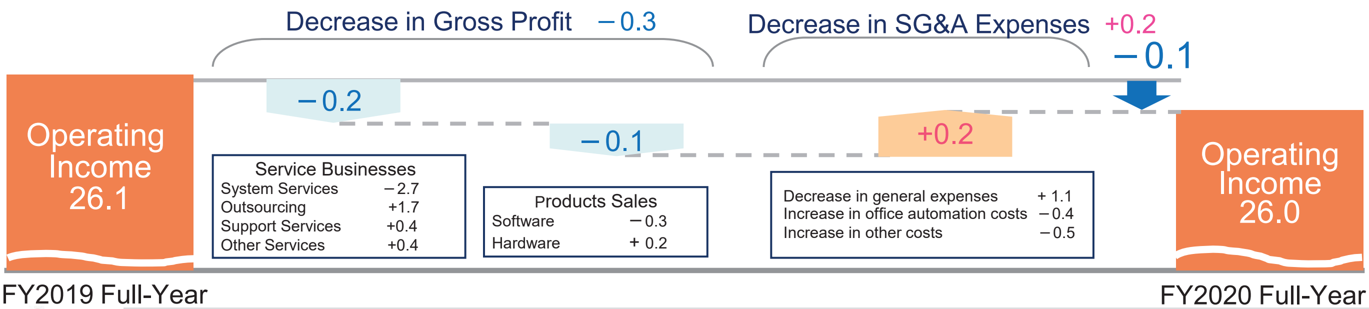
(Unit: Billion Yen)

	FY2020 Q3(Apr-Dec) Actual		FY2020 Q4 Forecast		FY2020 Full-Year Forecast		FY2020 Targets stipulated in the mid-term management plan
	Amount	Yr/Yr	Amount	Yr/Yr	Amount	Yr/Yr	Amount
Net Sales	213.3	−5.6	106.7	+14.0	320.0	+8.4	320.0
Operating Income	16.2	−0.3	9.8	+0.1	26.0	−0.1	
(Operating Margin)	(7.6%)	(+0.1pt)	(9.1%)	(−1.3pt)	(8.1%)	(−0.3pt)	8.0% or more
Profit Attributable to Owners of Parent	10.9	−1.0	6.1	−0.2	17.0	−1.2	

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

【Details of FY2020 Full-Year Operating Income Forecast】

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



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Lastly, I would like to brief you on our business performance forecast.

We have not revised the full-year forecasts for net sales, operating income and net income (profit attributable to owners of parent) that we announced on November 6, 2020.

Investment postponements have been continuously witnessed mainly in the industries where customers have been significantly impacted in the COVID-19 crisis. The business climate remains uncertain due to factors such as the declaration of a state of emergency made once again. We have seen a buildup of order backlogs at this point in time. Order backlogs to be posted as net sales in the fiscal year have also increased on a year-over-year basis.
We expect to post comparatively large-scale product sales in Q4 again such as those related to electronic shelf label solution and the GIGA School Program, according to what we see in the current pipeline. Furthermore, we anticipate the continued strength of DX projects. Thus, we have decided to keep our full-year forecast of sales and profit unchanged.

This concludes my summarizing our performance results of the third quarter of the fiscal year ending March 2021.

Foresight in sight