

Results for the 1st Quarter of FY March 2020

August 1, 2019

Nihon Unisys, Ltd.

Foresight in sight

Net sales increased significantly due to large-scale product sale and a continued increase in DX-related service businesses as witnessed in the previous period. As a result, operating income doubled compared to Q1 FY2018.

(Unit: Billion Yen)

	Q1 (Apr-Jun)		Changes	
	FY2019	FY2018		
Net Sales	65.2	57.0	+8.1	+14.2%
Gross Profit	15.7	14.0	+1.7	+12.4%
SG&A Costs	-12.7	-12.5	-0.1	-1.0%
Operating Income	3.1	1.5	+1.6	+109.8%
(Operating Margin)	(4.7%)	(2.6%)		(+2.2pts)
Profit Attributable to Owners of Parent	2.6	1.4	+1.2	+87.6%
Orders	67.6	60.7	+6.8	+11.3%
Order Backlogs	229.0	224.4	+4.6	+2.0%

<Key Points of Q1 Performance Results>

■ Net sales

System services and product sales drove a significant increase in net sales.

■ Operating income

Gross profit increased mainly due to impacts of the improved services net sales and productivity. Thus, operating income doubled in comparison with Q1 FY2018 after offsetting an increase in SG&A costs.

■ Profit attributable to owners of parent

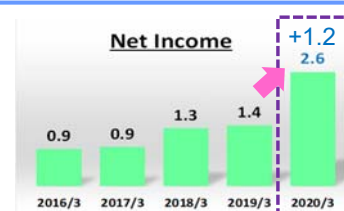
Profit attributable to owners of parent increased by 88% year on year due to the increase in operating income.

■ Orders and order backlogs

System services and product sales drove an increase in orders.

A stable quantity of order backlogs continued based on accumulated order backlogs of system services.

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



Let me summarize our performance of the first quarter of the fiscal year ending March 2020.

We posted: net sales of ¥65.2 billion, up by ¥8.1 billion compared with the first quarter of the previous fiscal year; operating income of ¥3.1 billion, an increase of ¥1.6 billion; and net income of ¥2.6 billion, up by ¥1.2 billion.

System services and product sales drove net sales. As a result, net sales increased by ¥8.1 billion compared with the same quarter of the previous fiscal year.

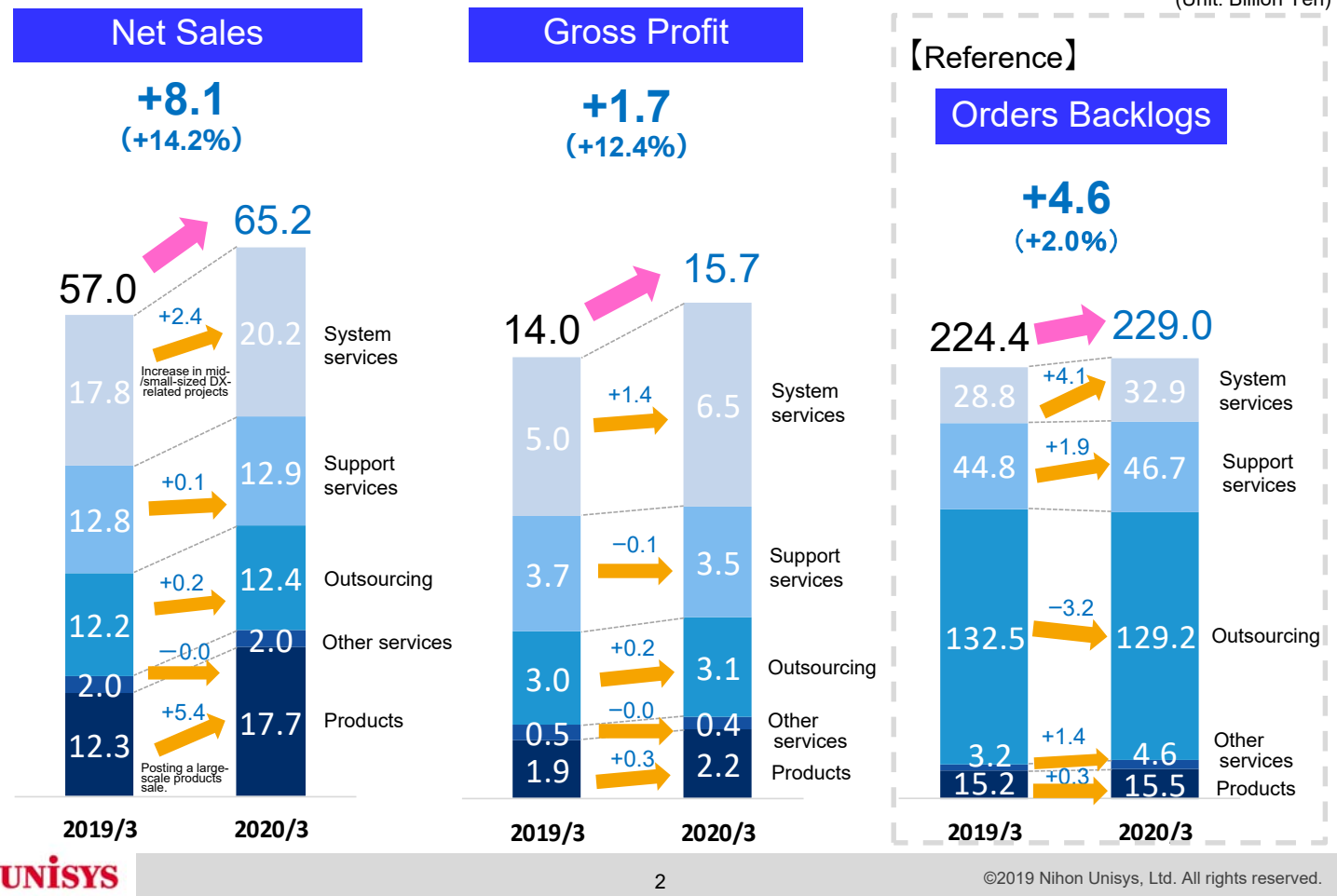
Gross profit increased by ¥1.7 billion compared with Q1 FY2018 as a result of an increase mainly in system services. Sales support expenses decreased although we increased personnel costs and R&D costs. We saw only a slight increase in SG&A costs compared with Q1 FY2018. As a result, operating income increased by ¥1.6 billion.

Profit attributable to owners of parent increased by ¥1.2 billion compared with Q1 FY2018, owing to the increase in operating income.

Orders were ¥67.6 billion, a ¥6.8 billion increase compared with the first quarter of the previous fiscal year. The increase was enabled by accumulated mid-/small-size system services projects and an increase in product sales.

Order backlogs also increased to ¥229.0 billion, a ¥4.6 billion increase mainly owing to the system services projects.

(Unit: Billion Yen)



Let me brief you on the net sales and gross profit by segment.

System services continued to improve productivity on the basis of accumulated mid-/small-sized DX-related and other projects as they did in the previous period. Furthermore, we have been proceeding with system renewal projects in a wide variety of business categories such as finance, logistics/distribution and services. Thus, we saw an increase in the net sales and gross profit. We have not witnessed a new unprofitable project in the first quarter.

We have operated an unprofitable project that has remained in the red since the last fiscal year. We have been proceeding with test phases with an eye on launching a production operation in the Fall 2019. We have been operating the tests within the scope of the allowance appropriated in the previous fiscal year.

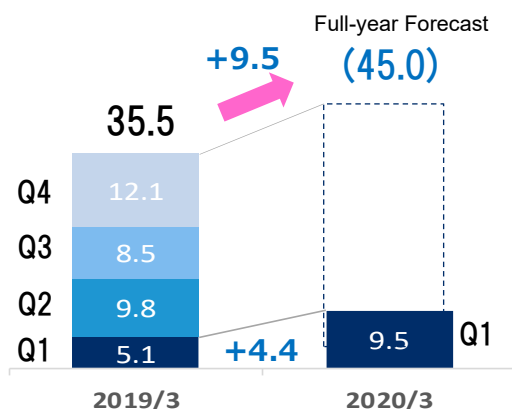
The net sales of support services slightly increased partly due to stable operations of small-size contract projects and a launch of our service as indicated in a new contract active over multiple years.

The gross profit slightly decreased. We have been proceeding with elimination and integration attempts of support bases that we began in the previous period, as we planned. We will maintain profitability through our continued efforts to control costs.

We had a slight increase in the net sales and gross profit of outsourcing businesses. It is partly due to no new launch of large-scale projects in the ICT Core area.

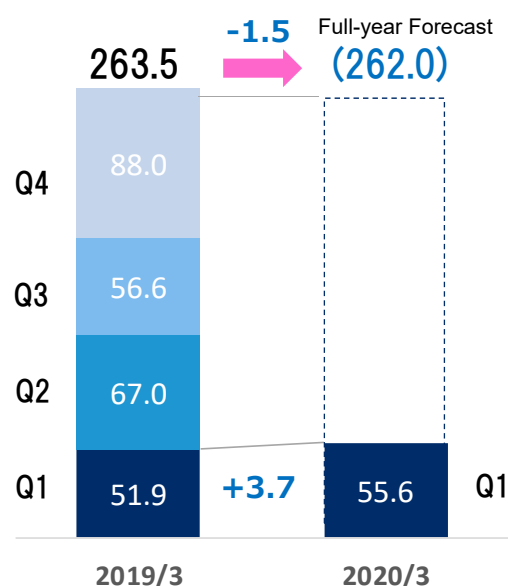
We had a significant increase in the net sales of product sales. This is due to having transferred to the product net sales an AI-related large-scale products sale as entered in the order backlogs at the end of the previous period.

Net Sales of Focal Areas



- An increase in QR and bar code payment/settlement commission fees income
- An increase in the MaaS platform usage
- Posting an AI-related large-scale products sales project as posted in Q4 of the previous fiscal year

Net Sales of ICT Core Areas



- BankVision® system test phase in progress for its 11th customer
- System renewal projects making good progress for a wide variety of business categories
- An increase in system platform related device sales by subsidiaries

Let me brief you on business situations in our focal areas indicated in the mid-term management plan.

The total net sales in these focal areas were ¥9.5 billion in this quarter, an increase of ¥4.4 billion, compared with the first quarter of the previous fiscal year.

We had a significant increase in net sales compared with Q1 FY2018. This is due to a continued strength of DX-related businesses for a broad range of business categories as in the previous fiscal year, as well as an AI-related large-scale products sale project posted in this first quarter again.

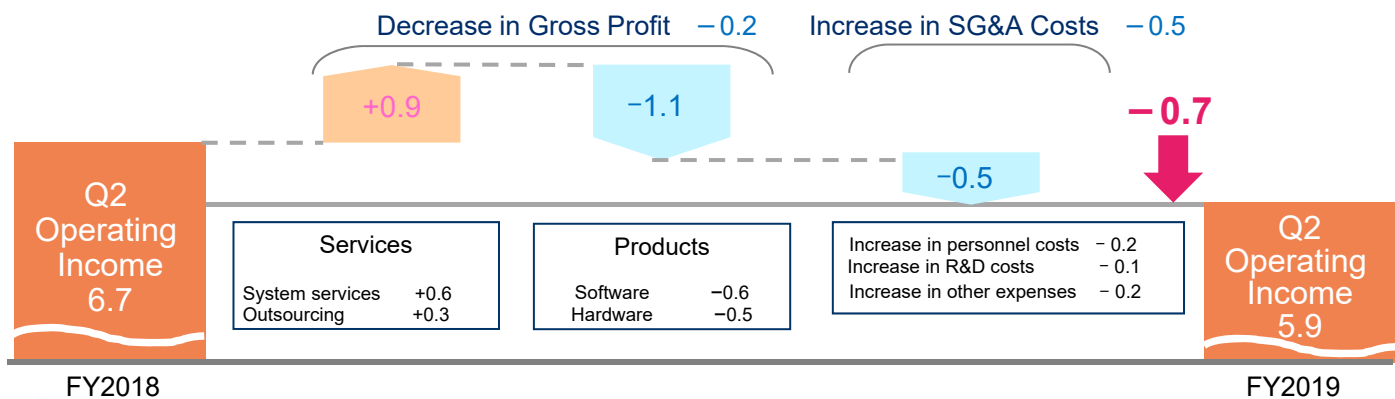
The net sales of fee-for-service businesses have stayed at the same level as Q1 FY2018. This almost unchanged situation is due to a slight decrease in the value card handling quantity as a result of negative impacts of diversified payment/settlement means, although we have seen an increase in the QR and bar code payment/settlement handling quantity and the use of mobility service platforms mainly for car-sharing schemes.

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, 2019. (Unit: Billion Yen)

	FY2019 Q1 Actual		FY2019 Q2 Forecast		FY2019 H1 Forecast	
	Amount	Yr/Yr	Amount	Yr/Yr	Amount	Yr/Yr
Net Sales	65.2	+8.1	71.8	-4.9	137.0	+3.2
Operating Income	3.1	+1.6	5.9	-0.7	9.0	+0.9
Profit Attributable to Owners of Parent	2.6	+1.2	3.9	-0.9	6.5	+0.3

* 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, 2019.

We anticipate an increase in the gross profit of services mainly due to system services in the second quarter.

However, we foresee a ¥0.2 billion decrease in gross profit compared with Q2 FY2018; in this Q2, we will not have mainframe projects as we had in Q2 FY2018.

We foresee an SG&A costs increase of ¥0.5 billion which is partly composed of an increase in personnel costs and R&D costs.

As a result, we anticipate a ¥0.7 billion decrease in operating income.

We do not see concerns with system development projects at this point in time, 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 2020.

Foresight in sight

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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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