

# UNISYS

Nihon Unisys Group

## Foresight in sight

Nihon Unisys Group

### **Integrated Report 2020**

For the Year Ended March 31, 2020



We would like to take this opportunity to express our wishes that the people who have contracted COVID-19 will get better soon. Our thoughts are with them and their families. We hope that the COVID-19 threat afflicting the world today will come to an end as quickly as possible. Our heartfelt gratitude goes out to all of the medical practitioners and other parties in the medical field who are doing their best to treat people and prevent further spread of the COVID-19.

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FY2019 Advanced Corporation Awards for the Promotion of Active Participation of Women, Minister of State for Gender Equality Award



FY2019 Nadeshiko Brand (Semi-Nadeshiko) (Ministry of Economy, Trade and Industry, Tokyo Stock Exchange)



FY2018 New Diversity Management Selection 100 (Ministry of Economy, Trade and Industry)



Platinum Kurumin certification (Minister of Health, Labour and Welfare)



Eruboshi certification (Minister of Health, Labour and Welfare)



Ikumen Company Award 2018 Grand Prize, Work-Life Balance Support Category (Minister of Health, Labour and Welfare)

PRIDE Index 2018 Gold (highest) rating (work with Pride)

Award of Excellence, Working Women Empowerment Awards (Japan Productivity Center, Public Interest Incorporated Foundation)



2020 Certified Health & Productivity Management Outstanding Organization (Ministry of Economy, Trade and Industry; Nippon Kenko Kaigi)



Top Hundred Telework Pioneer Award from the Minister for Internal Affairs and Communications (Ministry of Internal Affairs and Communications)



## Corporate Philosophy

### Our Mission

**Work with all people to contribute to creating a society that is friendly to people and the environment**

### Our Vision

**Be a group that strives to be sensitive to the expectations and needs of society and that thinks through how ICT can contribute to meet them**

### Our Values

#### **1. Pursuit of High Quality and High Technology**

Always have the latest knowledge that is useful for society while improving our skills

#### **2. Respect for Individuals and Importance of Teamwork**

Identify each other's good points, encourage each other to improve those good points and harness the strengths of each person

#### **3. Attractive Company for Society, Customers, Shareholders and Employees**

Listen sincerely to our stakeholders to improve our corporate value

## Corporate Statement

# Foresight in sight

Our corporate statement expresses the Nihon Unisys Group's vision for the future. "Foresight" consists of foreseeing and understanding industry changes, customer needs, and future social issues, and "in sight" has the double meaning of being able to see and understand things combined with the meaning of "insight."

We will utilize our foresight to gain a deep understanding of the problems of customers and society as quickly as possible, drawing on experience and insight that go beyond conventional knowledge. Using this foresight, we are dedicated to combining our ICT assets, wisdom, and ideas to provide the best solutions and services to customers, and also to offer new business models and business ecosystems.



## Concept of Integrated Report 2020

### The Broad Base of Capabilities Cultivated by the Nihon Unisys Group

In the more than 60 years since its founding, as a systems integrator, the Nihon Unisys Group has built systems that support the foundations of industry and an information society in Japan. Over this time, we have cultivated four strengths, which we leverage in to create social value and economic value by solving the various management issues faced by our customers, and ultimately the issues faced by society, through our business activities in priority areas and core ICT areas.

### What Future Does the Nihon Unisys Group Envisage?

In its mid-term management plan “Foresight in sight 2020” that commenced in FY2018, the Nihon Unisys Group has redefined the meaning of its existence in society as “a corporate group solving social issues through socially beneficial services capable of creating a more affluent society together with customers and partners.”

By building and providing platforms, based on business ecosystems, as shared assets to society to help resolve issues, the Nihon Unisys Group is advancing the creation of social frameworks for a vibrant future where everyone is eager to participate in communities.

### Frameworks for Supporting Sustainability at the Nihon Unisys Group

The Nihon Unisys Group is keen to pursue sustainability for the environment, society, and itself, based on the idea that a sustainable society is the basis for sustained growth as a company. To constantly improve corporate value, the Nihon Unisys Group has a human resource strategy that focuses on spurring innovation, and is taking various measures to ensure appropriate and effective corporate governance, as well as to reinforce risk management with the aim of avoiding and mitigating losses by anticipating potential risks.

#### Editorial Policy

This report aims to communicate the Nihon Unisys Group’s medium- to long-term initiatives to improve corporate value to a wide range of stakeholders, including shareholders and investors. It is also intended to further their understanding of our process for creating both social and economic value. The Integrated Report 2020 presents both financial and non-financial information about matters of high importance in the Group’s value creation process, and was written with reference to the Guidance for Collaborative Value Creation and the International Integrated Reporting Framework. A broader range of detailed information is also available on our website.

P.108 Tools for the Disclosure of Financial and Non-Financial Information

#### ■ Scope of the Report

In principle, the scope of the report consists of Nihon Unisys and the companies of the Nihon Unisys Group (consolidated subsidiaries and non-consolidated subsidiaries), and it is individually noted when the scope differs.

#### ■ Period of the Report

In this report, fiscal year (FY) refers to the period beginning April 1 and ending March 31 the following year. In principle, this report covers FY2019 (April 1, 2019 to March 31, 2020), with activities during past fiscal years and conditions following FY2020 also reported as necessary.

#### ■ Referenced Guidelines

- International Integrated Reporting Framework from the International Integrated Reporting Council
- Sustainability Reporting Standards from the Global Reporting Initiative (GRI)
- ISO 26000, JIS Z 26000
- Guidance for Collaborative Value Creation from the Ministry of Economy, Trade and Industry of Japan



#### ■ Issued

November 2020

#### Notes Concerning Forward-Looking Statements

Statements in this report that refer to the current plans, projections or strategies of Nihon Unisys, Ltd. or the Nihon Unisys Group, other than historical facts, represent forward-looking statements made based on judgments and assumptions in accordance with the information currently available. Please note that actual results may differ from the forecasts due to fluctuations in risks and uncertainties and changes in economic conditions, and the Group makes no guarantee of the reliability of such forecasts. This information is also subject to change without notice. The purpose of this report is to provide information for use as a reference in making investment decisions, and it has not been prepared to solicit investment. Nihon Unisys, Ltd. assumes no liability for any damages resulting from the use of this report.

# The Growth Trajectory of the Nihon Unisys Group

In the more than 60 years since its establishment, the Nihon Unisys Group has been a pioneering system integrator that has contributed to the formation and development of Japan's information society in line with the needs of the day. Based on our experience and the trust our customers place in us, we offer the business ecosystems and platforms that connect companies from various industries as new shared assets for society, and by creating innovative services we endeavor to find solutions to the issues that confront society.

- + 1947**  
Yoshizawa Kiki, the predecessor to Nippon Remington Univac Kaisha, Ltd., established
- + 1955**  
Installed Japan's first commercial computers at Tokyo Stock Exchange, Inc. and Nomura Securities Co., Ltd.
- + 1958**  
Nippon Remington Univac Kaisha, Ltd. (currently Nihon Unisys, Ltd.) established
- + 1967**  
Launched Japan's first online banking process
- + 1968**  
Nippon Remington Univac Kaisha, Ltd. changed its name to Nippon Univac Kaisha, Ltd.
- + 1971**  
Nippon Univac Kaisha, Ltd. listed on the first section of the Tokyo Stock Exchange
- + 1977**  
Launched FAST software for financial institutions
- + 1988**  
Nippon Univac Kaisha, Ltd. and Burroughs Corporation merged to establish Nihon Unisys, Ltd.
- + 1991**  
Launched the integrated CAD/CAM system CAD-CEUS®



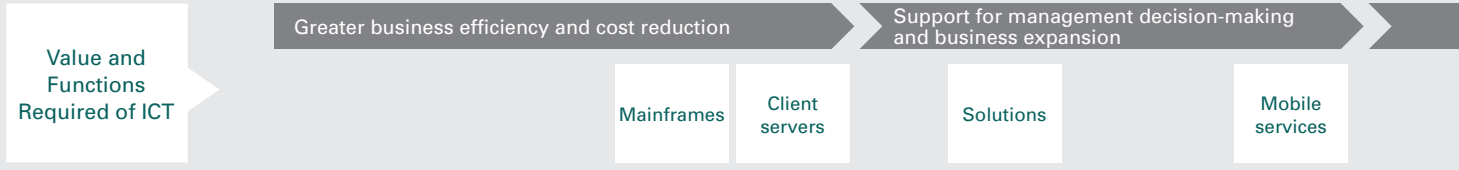
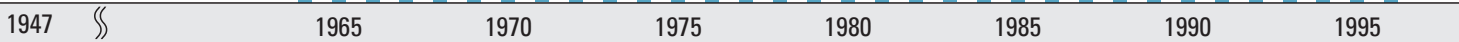
Changes in portfolio  
Composition of Net Sales



\* Nihon Unisys non-consolidated

+ Capital alliance    + Business

■ Net Sales    — Operating income

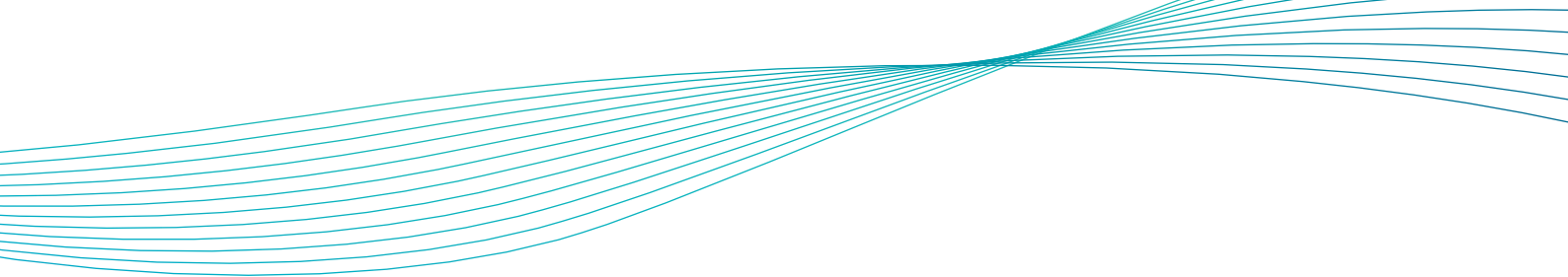


## Introduction of the first commercial computers in Japan, contributing to the formation of Japan's modern-day information society

The high rate of economic growth experienced upon entering the 1950s led to expanded corporate demand for business streamlining and cost reductions. In 1955, Yoshizawa Kiki, the predecessor to Nippon Remington Univac Kaisha, Ltd., installed Japan's first commercial computers at Tokyo Stock Exchange, Inc. and Nomura Securities Co., Ltd., and commenced bringing systems online at major banks and securities houses. The Nihon Unisys Group subsequently has been putting into operation a steady stream of large-scale online systems powered by mainframe computers, including accounting systems for financial institutions, design systems for the manufacturing industry, passenger systems for the transportation industry, and others.

## Contribution to the development of society by identifying the needs of customers and providing business solutions that support industry

The 1980s was a time of qualitative change in the computer market. Computers and communications technology became integrated and growth in the software market surged. In addition, escalating competition amongst makers also led to the high-end functionality of information systems. In 1988, Nippon Univac Kaisha, Ltd. and Burroughs Corporation merged to establish Nihon Unisys, Ltd. as a total system integrator handling a wide array of information systems, from mainframe computers to OA equipment.



**+ 1997**  
Total infrastructure service subsidiary UNIADDEX, Ltd. established

**+ 2012**  
Capital alliance with Dai Nippon Printing Co., Ltd. to strengthen business foundation for expansion in new markets

**+ 2017-2018**  
Established Canal Payment Service, Ltd., a payment- and settlement-related business subsidiary, and formed a business and capital alliance with JCB Co., Ltd. and CARDNET



**+ 2017**  
Canal Ventures, Ltd., a venture capital company, established

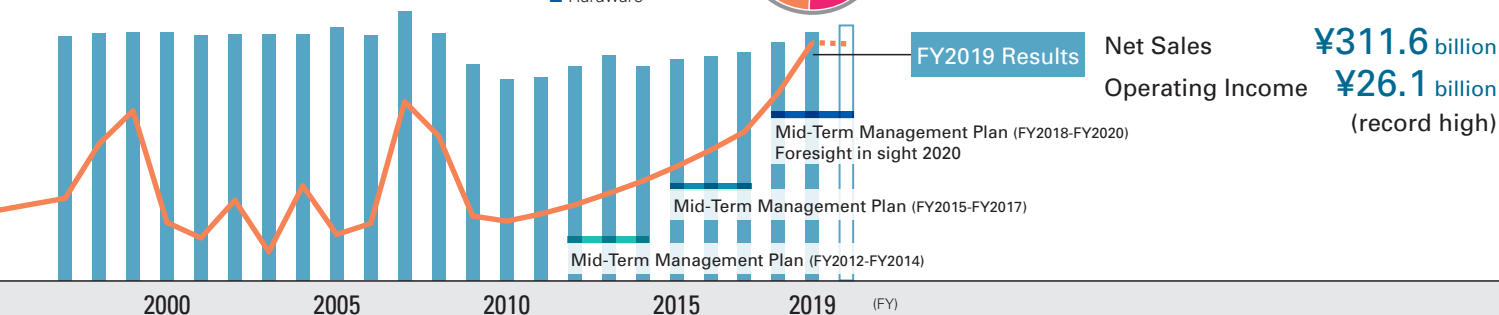


**+ 2007**  
Introduced core banking system BankVision®, the world's first "full-banking" system based on the Windows® platform

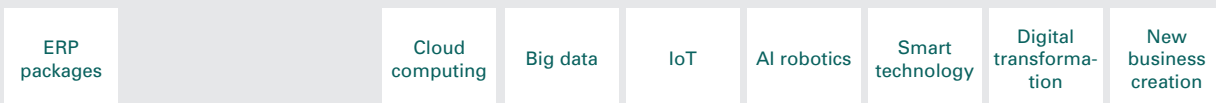
**+ 2013**  
Began operation of the world's first open technology-based domestic airline passenger system

**+ 2017**  
Start of Resonatex® open API platform service

**+ 2009**  
Started providing the smart oasis® charging infrastructure system for electric vehicles  
Started providing Zero-Accident Program DR service to help reduce automobile accidents and promote safe and energy-efficient driving



Support for structural reform → Business innovation/business creation → Resolution of social issues



**Creation of systems that anticipate technological advances, which will enable the provision of new services**

Amongst companies in the 1990s that promoted management rationalization and streamlining, the adoption of business outsourcing and open systems gained in popularity, and concerns with regard to security measures increased. Together with making concerted efforts into these fields, the Nihon Unisys Group enhanced its consulting service in efforts to find solutions to customers' management issues. In addition, in 1997 it established UNIADDEX, Ltd. to build ICT platforms and networks that are free from lock-in by specific vendor products, and to provide maintenance.

**Creation of business ecosystems to resolve social issues by providing platforms to connect different industries**

The 2000s saw operations becoming ever-more efficient owing to ICT, sparking the creation of new businesses and new lifestyles that utilize ICT. In addition, the advance of digital technology has been lowering the barriers between business types and categories in a variety of industries. Bringing to bear its experience and track record gained through the cultivation of ICT, the Nihon Unisys Group creates business ecosystems in which it works together with partners and customers from a wide range of industries to offer diverse capabilities, thus accelerating ground-breaking innovation as we aim to find solutions to social issues that cannot be handled by a single company.

# Value Creation Process

Leveraging its accumulated strengths, the Nihon Unisys Group creates social and economic value by solving a range of social problems faced by its customers through the creation of business ecosystems that span across sectors and business models.



Corporate philosophy and the significance of the Nihon Unisys Group

P.1

## Corporate Philosophy

Our Mission

Work with all people to contribute to creating a society that is friendly to people and the environment

## Sources of Competitive Advantages

### Inputs

#### Social and relationship capital

- Customer base spanning a broad range of sectors and industries  
Customers: More than 5,000 companies
- Relationships built on trust  
Japan Unisys Users Association  
Members: About 530 companies  
Development partners: More than 500 companies

Nihon Unisys Group Strengths

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Relationships with Customers and Partners in Various Industries

#### Human capital

- Human resources able to take the initiative to grasp social issues and take action
- Human resources able to innovate using their own initiative
- Human resources adaptable to diverse work styles  
No. of employees: 7,830  
Investment in human capital: ¥3.4 billion  
Ratio of women in management positions: 5.5%
- Human resources able to implement systems  
No. of engineers: 5,100

Capabilities for Enabling Successful System Implementation

#### Financial capital

Shareholders' equity: ¥120.5 billion  
Free cash flow: ¥14.3 billion

#### Intellectual capital

- Business knowledge and technical skills cultivated over a history of more than 60 years
- Open innovation through collaboration with venture firms and startups
- Investments to create new services  
Investments\*1: ¥19 billion

Capabilities for Enabling One-Stop Support That Is Free from Vendor Lock-in

#### Natural capital

- Environmental considerations and green procurement  
Energy consumption: 7,855kl

#### Manufactured capital

- System quality  
Training drills for responding to facility breakdowns at data centers:  
12 to 13 times per year at each data center  
Security e-learning classroom participation: 100%
- Effective BCP structure
- Nationwide service network in Japan, service bases in eight foreign countries

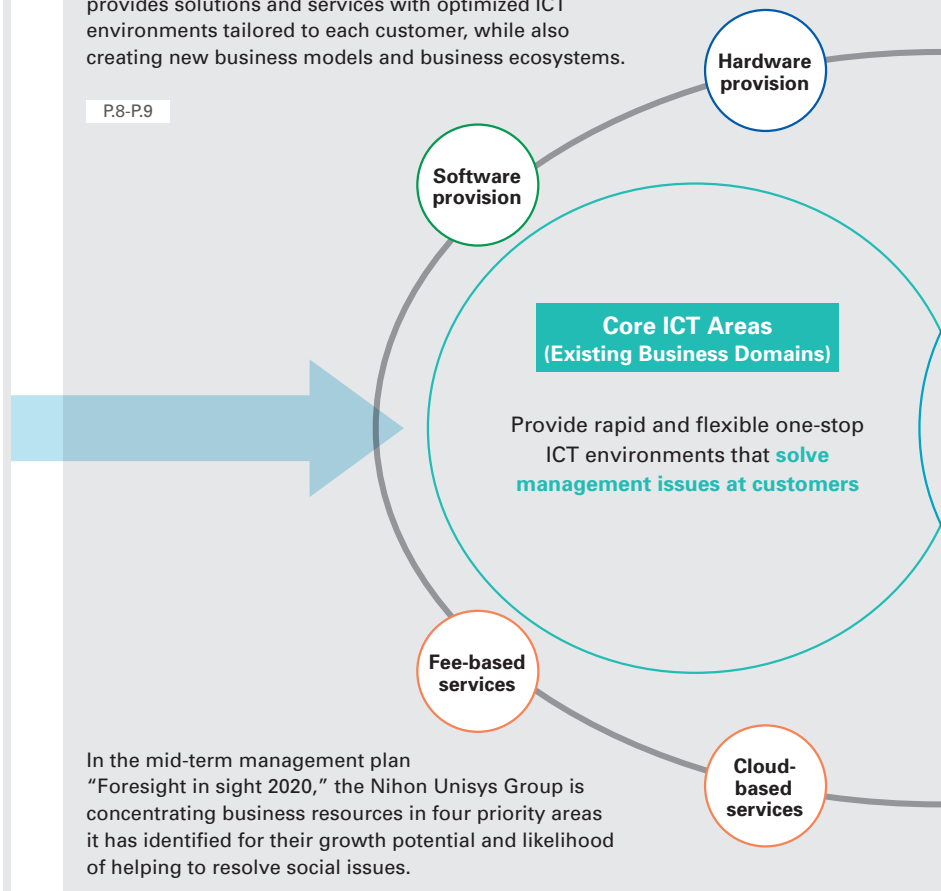
Capabilities for Designing and Delivering New Services

\*1 Total of R&D expenses, capital expenditures and strategic investments  
(Note) Data as of FY2019 or March 31, 2020

## Business Model

With foresight and insight, the Nihon Unisys Group provides solutions and services with optimized ICT environments tailored to each customer, while also creating new business models and business ecosystems.

P.8-P.9



## Material Sustainability Issues

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## Frameworks for Supporting Sustainability at the Nihon Unisys Group

P.43-P.71

Human resource management

P.46-P.49

Environmental management

P.50-P.51

**Foresight in sight**

P.2



# Toward a Vibrant Future

Realizing a Sustainable Society

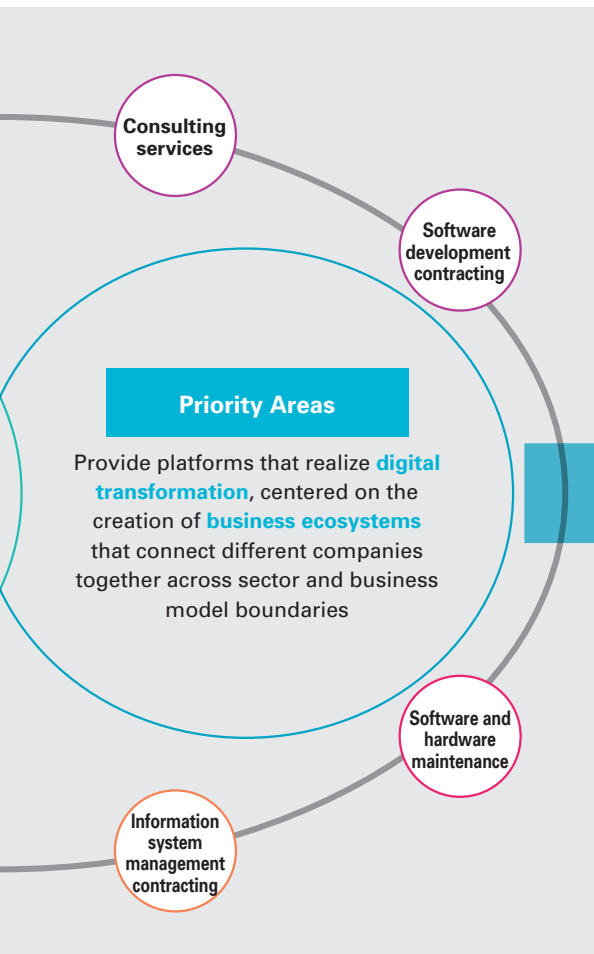
P.30-P.39

SUSTAINABLE DEVELOPMENT GOALS

Earning the trust of our customers and society, we pursue a virtuous cycle of sustainable growth by latching onto more business opportunities.

## The Significance of the Nihon Unisys Group

A corporate group solving social issues through socially beneficial services capable of creating a more affluent society together with customers and partners

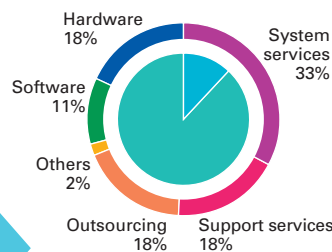


## Creation of Services

Outputs

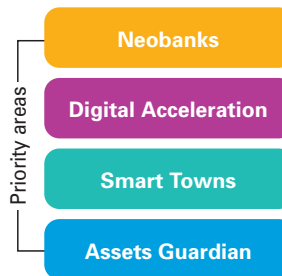
FY2019 net sales  
**¥311.6 billion**

■ Priority areas 15%    ■ Core ICT areas 85%  
¥48.0 billion    ¥263.6 billion



P.12-P.13

### Various Services in Priority Areas



P.32-P.39

(Negative output)

Greenhouse gas emissions: 14,358t-CO<sub>2</sub>

## Creation of Social and Economic Value

Outcomes

### Social and relationship capital

- Solve social issues by providing business ecosystems
- Fulfill social responsibilities by collaborating with suppliers and stakeholders

Level of suppliers' understanding of the Nihon Unisys Group Procurement and Transaction Guidelines: 99.8%

### Human capital

- Human resources able to create value on their own and agree with our vision and strategies
- High level of economic productivity through innovation

Operating income per employee: +25.3% vs. FY2018  
Paid leave utilization rate: 86.2%

### Financial capital

- High capital efficiency  
ROE: 15.5%
- High shareholder returns  
TSR<sup>\*2</sup> over past five years: 273.9% (+22.3% annualized)
- Solid financial base  
Issuer rating<sup>\*3</sup>: A-  
Equity ratio: 56.0%

### Intellectual capital

- Creation of new services  
News releases: 78
- Cumulative number of investments in venture capital funds and real-tech venture firms that aims to solve social problems  
14 funds, more than 40 venture firms

### Natural capital

- Spread and expand services that help reduce environmental impact
- Efficient use of energy  
Reduction in greenhouse gas emissions intensity: 30% (vs. FY2014)  
Improvement in energy consumption intensity: 20% (vs. FY2014)

### Manufactured capital

- Reliable operation of services  
Online uptime rate: 99.997%
- Control of cost overruns

\*2 TSR indexed to 100 based on closing share price on March 31, 2015  
\*3 Rating & Investment Information (R&I)

Promoting diversity

Implementation of health management

Corporate governance

P.52-P.63

Risk management

P.64-P.71

Using foresight to quickly identify customer and societal issues, our insight affords a deep understanding that goes beyond experience and common knowledge

# Business Model

The Nihon Unisys Group offers optimal ICT environments for customers and platforms that help solve social issues in two business domains: core ICT areas where the company has a customer base and track record delivering products and services, and priority areas that have growth potential.

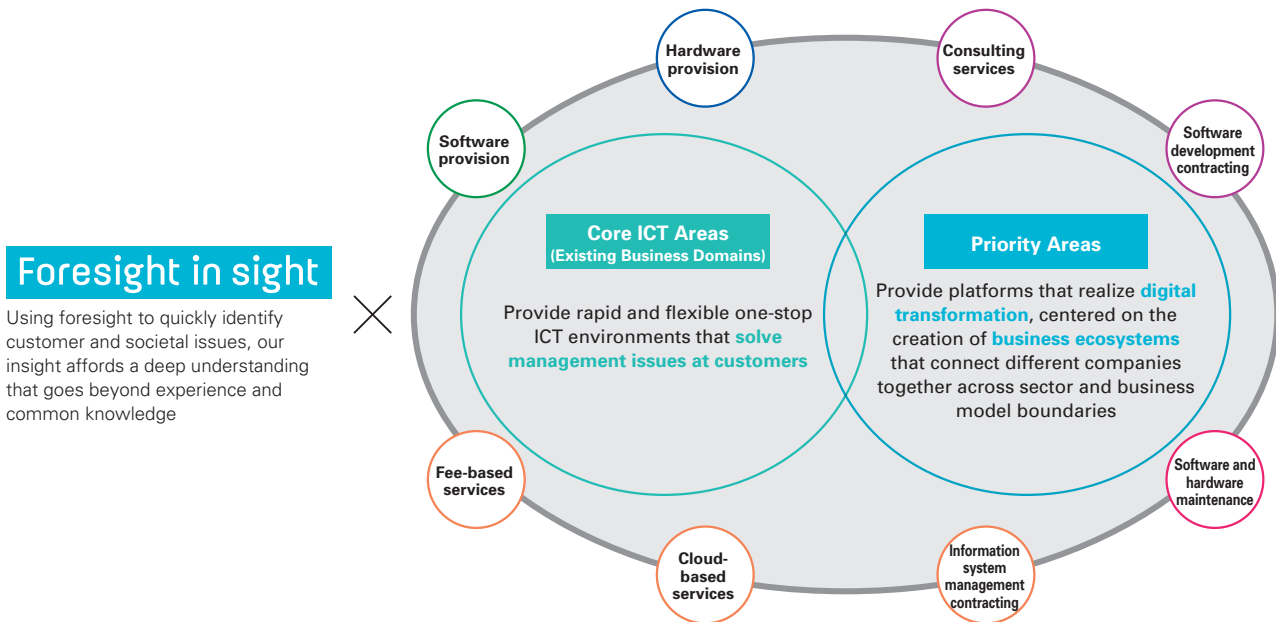
As a systems integrator that supports the development of ICT in Japan, the Nihon Unisys Group offers integrated services, from analysis to solutions for management issues, to customers in a wide range of fields.

The Nihon Unisys Group has been changing its business model with the aim of evolving into a corporation that uses foresight and insight in digital transformation to help resolve social issues.

## Nihon Unisys Group's Businesses

With foresight and insight, the Nihon Unisys Group provides solutions and services with optimized ICT environments tailored to each customer, while also creating new business models and business ecosystems.

In the mid-term management plan "Foresight in sight 2020," the Nihon Unisys Group is concentrating business resources in four priority areas it has identified for their growth potential and likelihood of helping to resolve social issues.



### Foresight in sight

Using foresight to quickly identify customer and societal issues, our insight affords a deep understanding that goes beyond experience and common knowledge

### Core ICT Areas (Existing Business Domains)

**Providing optimal ICT environments for customers**  
We leverage the strengths we have cultivated as a systems integrator, namely: relationships with customers and partners in various industries; capabilities for enabling successful system implementation; and capabilities for enabling one-stop support that is free from vendor lock-in. In doing so, we aim to reinforce our relationships with customers by delivering optimal ICT environments to customers, and expand business further by discovering and implementing new best practices and building them up as assets for the Group.

In core ICT areas, the Nihon Unisys Group intends to more rapidly and nimbly provide products and services that help its customers execute their strategies. We achieve this by drawing on our extensive experience in a broad range of fields, including finance, manufacturing, distribution, public utilities and services.

### Priority Areas

**Contributing to resolution of social issues by establishing and expanding businesses in priority areas**  
In the mid-term management plan "Foresight in sight 2020," priority areas are business domains where the Nihon Unisys Group's assets can be deployed, along with customers and partners, on markets likely to see growth over the medium to long term with the potential to resolve social issues.

In its four priority areas, the Nihon Unisys Group engages in cross-functional activities that span across domains to address social problems. To resolve social issues, the Nihon Unisys Group leverages its strengths, such as its capabilities for designing and delivering new services, and concentrates business resources in these priority areas in a bid to create business ecosystems. From this approach, the Nihon Unisys Group strives to create new markets and solve social issues.

## Nihon Unisys Group's Business Segments

The Nihon Unisys Group provides solutions and services tailored to each customer in optimized ICT environments.

### Services

#### System services

Provision of consulting services for ICT strategies, software development contracting, and technology support services

#### Outsourcing

Information system management contracting, services through cloud applications and fee-based services, etc.

### Product Sales

#### Software

Sales of solutions developed in-house, provision of optimal software from vendor-agnostic standpoint

#### Support services

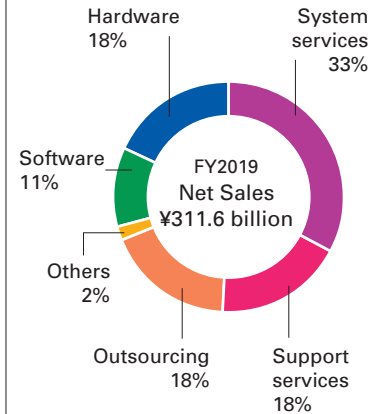
Software and hardware maintenance services, installation assistance, etc.

#### Others

Communications network services, electrical construction projects, educational services, etc.

#### Hardware

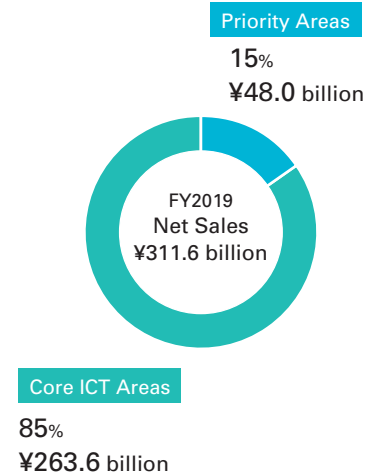
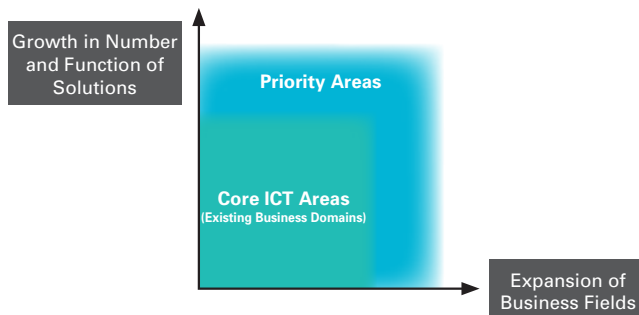
Sales of optimal equipment from vendor-agnostic standpoint, leasing



## Nihon Unisys Group's Business Domains

The Nihon Unisys Group's business domains encompass priority areas, which were newly defined in the mid-term management plan, and core ICT areas, which are existing business domains that support the ICT environments of customers.

With businesses in core ICT areas, where it has a customer base and extensive track record built up over many years as its foundation, the Nihon Unisys Group is keen to help resolve social issues while expanding earnings through the establishment and expansion of businesses in priority areas with growth potential.



## Provision of Systems that Support Foundations of Society

The Nihon Unisys Group offers a wide range of services that support the foundations of society through the building and upgrading of computer systems.

We moved to open core banking systems in the latter half of the 1990s, and began operating BankVision®, a Windows®-based core system, in 2007. This system is now in stable operation at 10 banks as of the end of March 2020. In 2016, we initiated a project to provide core banking systems via a cloud service platform.



In the airline industry, we worked with All Nippon Airways Co., Ltd. in 2013 to overhaul its core systems for domestic reservations, ticketing and boarding with the first open system among the world's major airline companies. This allows us to respond quickly and flexibly to the diverse and ever-changing needs of our customers.



# Strengths

Over its more than 60-year history, the Nihon Unisys Group has supported society and industry by providing solutions that satisfy the diverse needs of its customers. Our accumulated strengths are the well-spring of our competitive advantages as a Group. Based on these strengths, the Nihon Unisys Group plays a central role in creating business ecosystems that help resolve social issues while collaborating with various stakeholders.

## Relationships with Customers and Partners in Various Industries

The Nihon Unisys Group has a customer base of more than 5,000 companies\*<sup>1</sup>, centered on leading companies in a broad range of fields, including finance, manufacturing, distribution, public utilities and service providers. We have deepened our relationships with customers in each field while accumulating business knowledge and technological capabilities that address diverse needs. Through the Japan Unisys Users Association\*<sup>2</sup>, we have supported the activities among user businesses for many years. While collaborating with customers and alliance partners with which we have cultivated such strong relationships, we are keen to create business ecosystems that connect different types and categories of businesses across conventional boundaries.

\*1 Total of Nihon Unisys and UNIADDEX

\*2 An association of users of the Nihon Unisys Group services. Launched in 1953, the Japan Unisys Users Association is an IT-related user association with the longest history in Japan. Research activities by the Japan Unisys Users Association members and the Nihon Unisys Group employees that provide support as advisors, are broad reaching, and extend from regular presentations to publication in the company magazine.

## Capabilities for Enabling Successful System Implementation

Since it installed Japan's first large-scale commercial computer in 1955, Nihon Unisys has built and provided a variety of systems that support society and industry while helping customers solve issues in various industries, including the operation of mission-critical systems that must run 24 hours a day, 365 days a year. Leveraging our extensive experience and track record, we help our customers implement digital transformation. The high level of trust placed in us by our customers is a reflection of our customer-first approach to business and the technological capabilities accumulated since the Company's founding, and this trust is a key strength we utilize in building out business ecosystems.

### Customers in Broad Types and Categories of Businesses

Number of Customers\*<sup>1</sup>

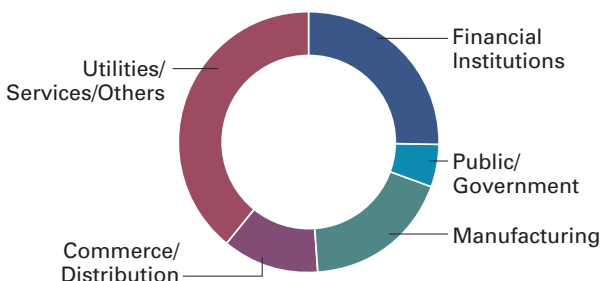
More than **5,000** companies

### Extensive track record

providing systems, including mission-critical systems that move society

#### Customer Base in a Wide Range of Fields

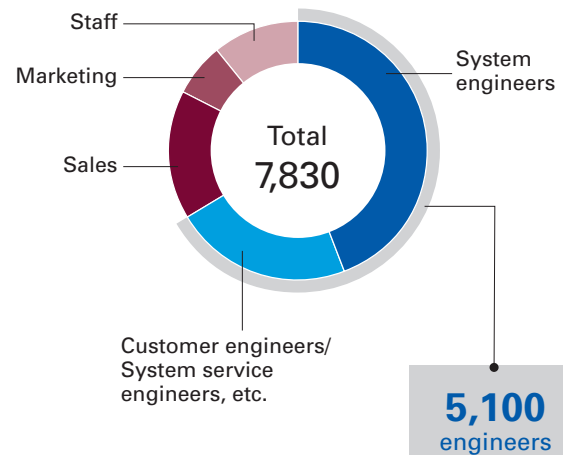
Breakdown of Sales by Market (FY2019)



- **Financial Institutions:** Banks, credit unions, central organizations of a cooperative financial institution, securities, insurance, leasing companies, etc.
- **Public/Government:** Government offices, local governments, related organizations, schools and nursery schools, medical facilities, etc.
- **Manufacturing:** Automobiles, printing, housing, precision instruments, food, pharmaceuticals, etc.
- **Commerce/Distribution:** Retail, wholesale, mail-order, apparel, distribution, trading companies, etc.
- **Utilities/Services/Others:** Electricity and gas, information and communications, transport, road services, real estate, travel, etc.

#### Engineers Back Our Technological Capabilities

Composition of Employees (as of March 31, 2020)





## Capabilities for Enabling One-Stop Support That Is Free from Vendor Lock-in

The Nihon Unisys Group is built upon a framework for providing integrated services that optimally combine the products of various manufacturers, without sticking to any specific manufacturer. We offer one-stop solutions for creating optimal ICT environments for customers through all of our services, from upstream consulting to system design, building, operation and maintenance, as well as support services that include training. The Nihon Unisys Group has a nationwide network in Japan and service bases in eight foreign countries\*3, ensuring a support system for customers that have business operations in Japan and abroad.

\*3 (As of March 31, 2020) America, China, Indonesia, Thailand, Singapore, the Philippines, Malaysia, Vietnam

## Capabilities for Designing and Delivering New Services

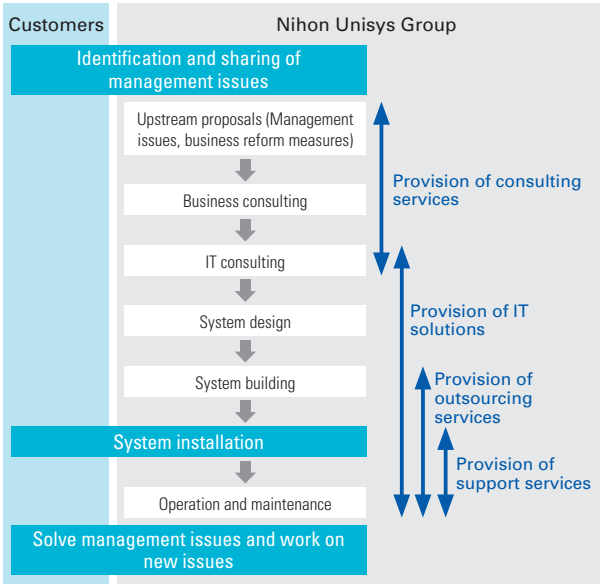
We are strengthening the entire Group's ability to create new services through management strategies, cultural reforms and human resource strategies based on a foresight perspective. In addition to proactively using in-house ideas, we spur innovation through collaborations with a variety of stakeholders, as we are keen to build relationships with alliance partners and invest in startup firms and venture capital firms. Through unique combinations of existing services, we seek to create new businesses centered on priority areas.

<p>Various manufacturers' products</p> <p style="text-align: center;">×</p> <p>Development partners</p> <p>More than <b>500</b> companies</p>	<p>Bases</p> <p>Japan</p> <p><b>Nationwide network</b></p> <p>Overseas</p> <p><b>8 countries</b>*3</p>
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<p>No. of news releases (FY2019)</p> <p style="font-size: 2em;"><b>78</b></p>	<p>Total investments*4 (FY2019)</p> <p style="font-size: 2em;"><b>¥19.0</b> billion</p> <p>Other Investments in human capital <b>¥3.4</b> billion</p>
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\*4 Total of R&D expenses, capital expenditures and strategic investments

### One-Stop Services



### Initiatives to Spur Innovation

- Personnel Strategy**

The Nihon Unisys Group is implementing strategic measures that emphasize transformation of ideas and skill sets, penetration of vision and strategies, and creation of innovation. P.46-P.49
- Investment strategies**

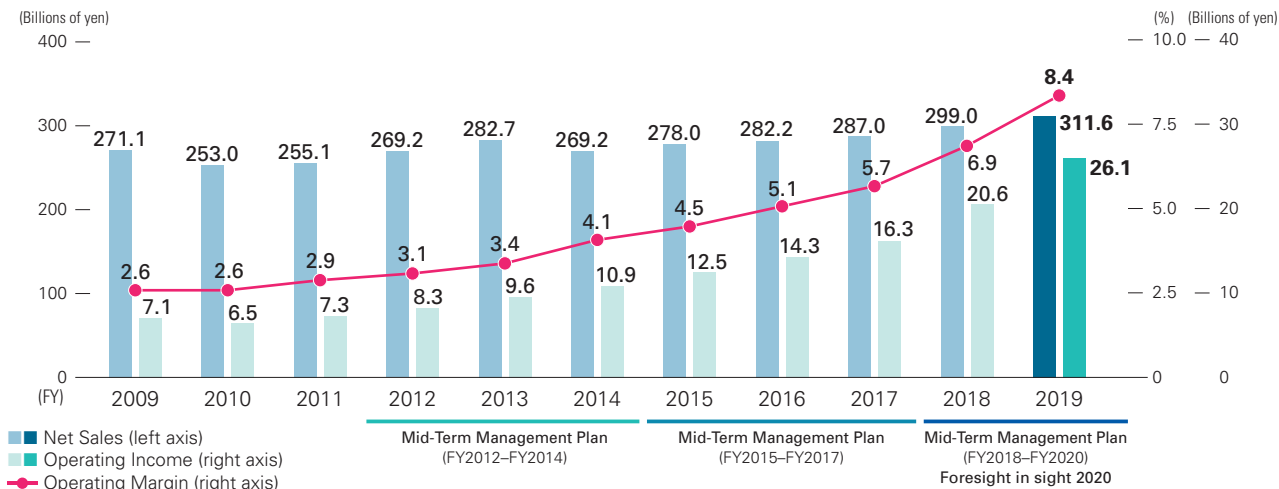
The Nihon Unisys Group is maintaining and expanding strategic investments in startup firms and venture capital funds, as well as operating companies to expand business in priority areas. P.29, P.40-P.42
- R&D**

The Nihon Unisys Group is enhancing its R&D capabilities in priority areas and cutting-edge technologies, and accelerating open innovation with the objective of creating new services. P.12, P.40-P.42

# Financial Highlights

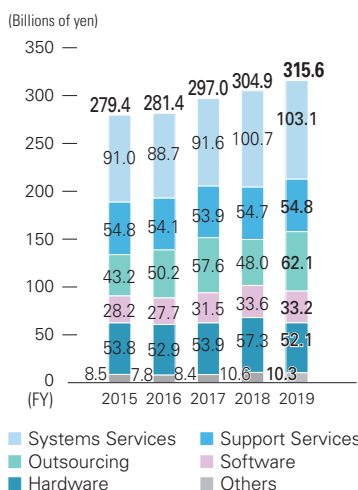
(Nihon Unisys, Ltd. and Consolidated Subsidiaries)

## Net Sales, Operating Income & Operating Margin



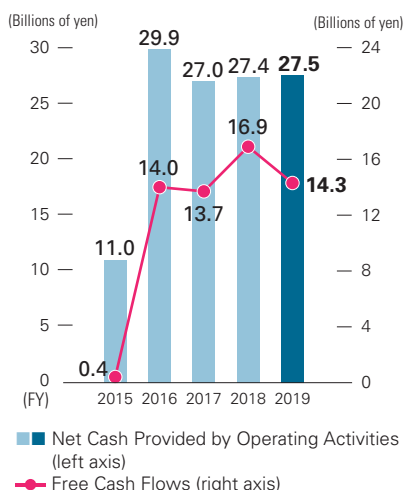
Under the mid-term management plan (FY2012–FY2014), we worked to reinforce the management foundation by reviewing the cost structure, conducting risk management and enhancing our financial condition. Under the next mid-term management plan (FY2015–FY2017), we stabilized business performance through productivity improvement and other measures, and innovated our business model to further improve profitability. In FY2018, the first year of the current mid-term management plan (FY2018–FY2020), we identified priority areas and worked to steadily expand business in these areas. As a result, the operating margin in FY2019 was 8.4%, meaning we achieved the target of “8% or more” in the mid-term management plan one year ahead of schedule.

## Orders Received by Segment



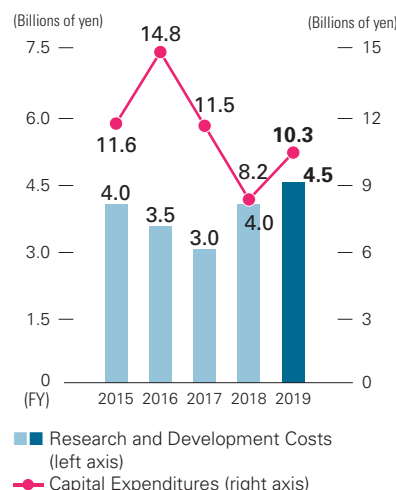
In a favorable demand environment, orders for system services have been steadily increasing, and orders for the recurring business are also steadily being won, such as for long-term large-scale outsourcing service projects in FY2019.

## Net Cash Provided by Operating Activities & Free Cash Flows



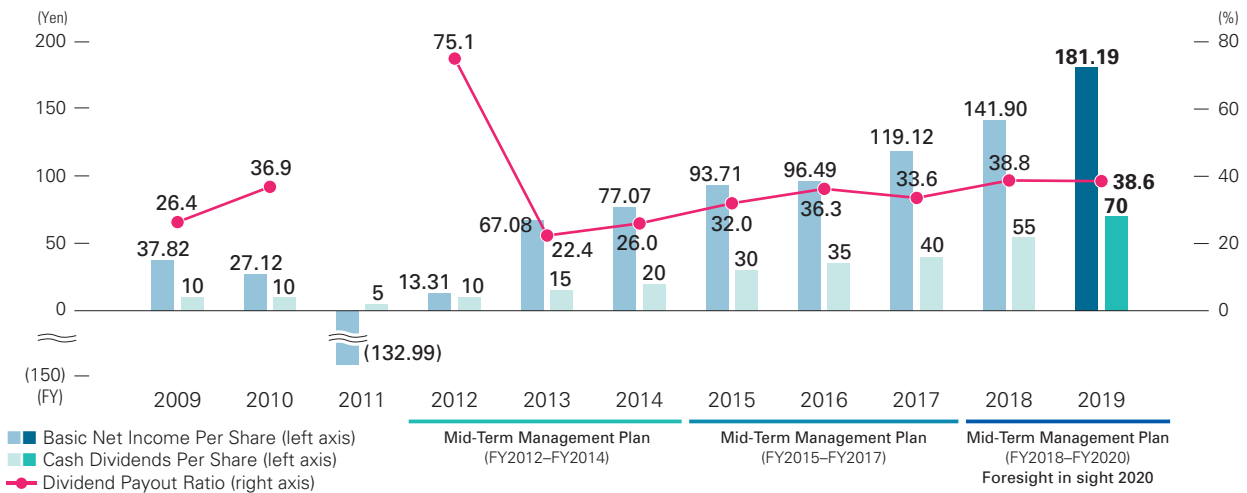
While we continue to invest for growth in our priority areas and new technology areas, improved profitability has increased our ability to generate stable free cash flows.

## Research and Development Costs & Capital Expenditures



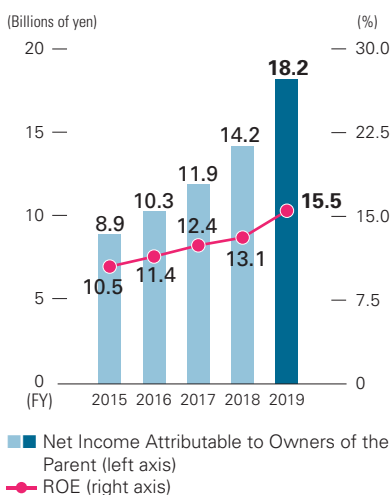
We have been continuously investing in R&D to create new services in our priority areas and making capital investments in outsourcing services in our core ICT area.

### Basic Net Income per Share, Cash Dividends per Share & Dividend Payout Ratio



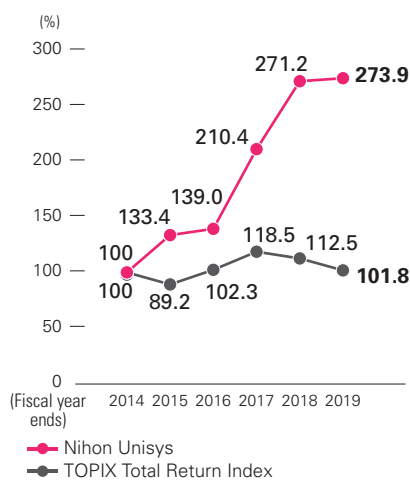
Net income was weak from FY2009 to FY2012, but the profit level steadily improved due to initiatives such as business model transformation, labor productivity improvement and elimination of unprofitable projects implemented during the mid-term management plan beginning in FY2012. In addition, we have been striving to enhance shareholder returns: dividends per share increased for eight consecutive fiscal years, and the consolidated payout ratio has been raised to a level of 40% in the mid-term management plan (FY2018-FY2020).

### Net Income Attributable to Owners of the Parent & ROE



Net income has been steadily increasing due to the expansion of profits in our core business. Since FY2015, we have continued to report record high profits, and ROE in FY2019 exceeded 15% due to the expansion of profits.

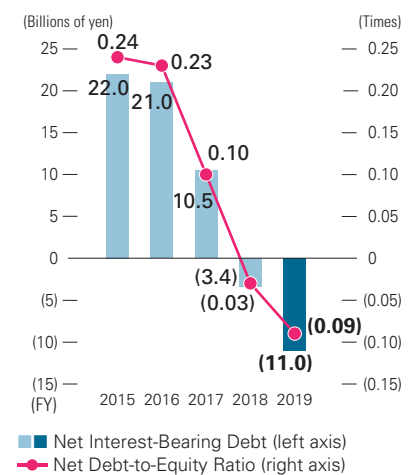
### Total Shareholder Return (TSR)



The total shareholder return (TSR) in FY2019 was significantly higher than the TOPIX total return index. Stock prices have been on an upward trend for the past five years accompanying strong business earnings.

\* TSR indexed to 100 for closing price data as of the end of March 2015

### Net Interest-Bearing Debt & Net Debt-to-Equity Ratio

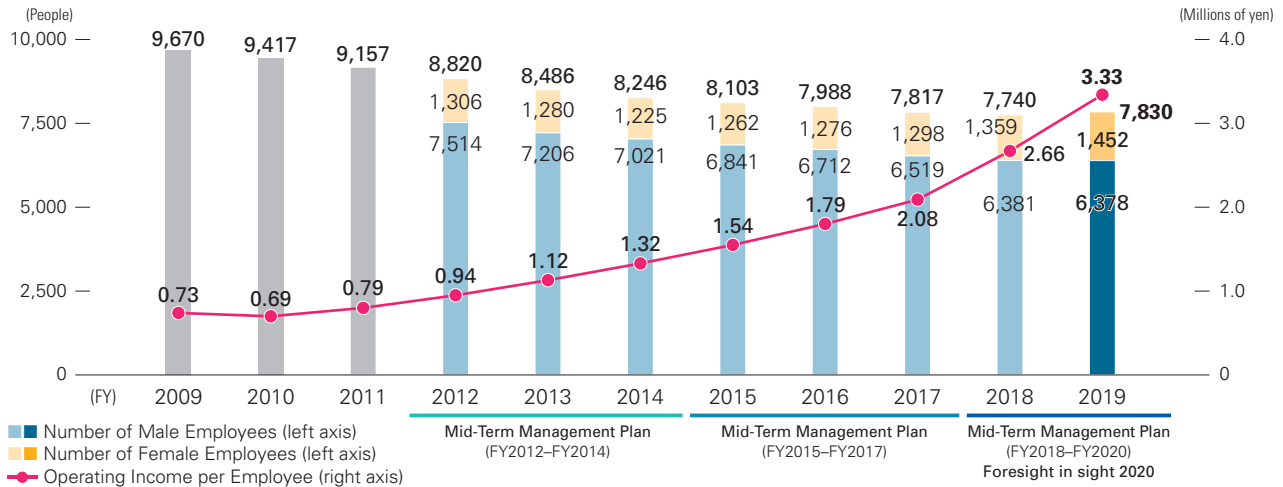


As a result of ongoing improvement of our financial condition, mainly by reducing interest-bearing debt, the net debt-to-equity ratio has improved to -0.09 times in FY2019.

# Non-Financial Highlights

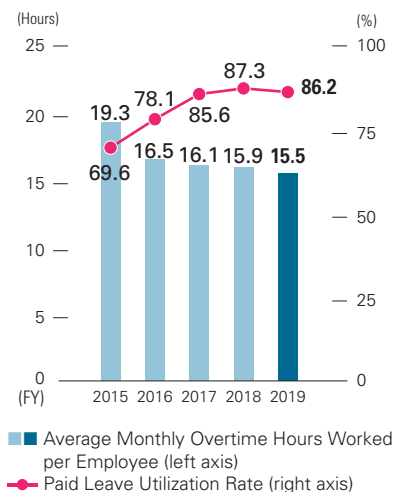
(Nihon Unisys, Ltd. and Consolidated Subsidiaries)

## Number of Employees (by Gender) & Operating Income per Employee



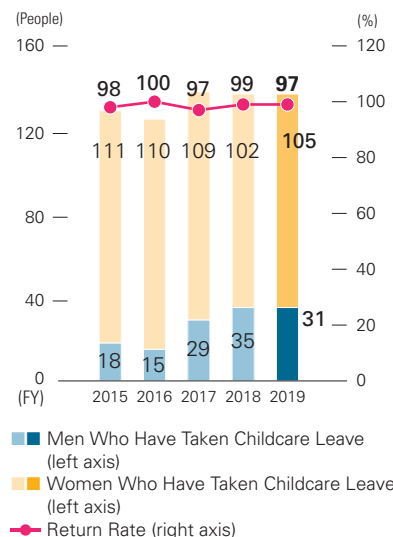
Since the mid-term management plan (FY2012–FY2014), we have been focusing on reforming our personnel system and human resource development as a priority issue, and implemented various measures under the themes of promoting work style reform and improving productivity. Until now, the number of employees has continued to decrease against the backdrop of retirements among the baby boom generation but we are conducting recruiting activities and human resource development measures with a medium- to long-term perspective in an effort to secure and develop diverse human resources who are able to think independently and generate innovation. As a result, operating income per employee has been steadily increasing.

## Average Monthly Overtime Hours Worked per Employee\*1 & Paid Leave Utilization Rate\*1



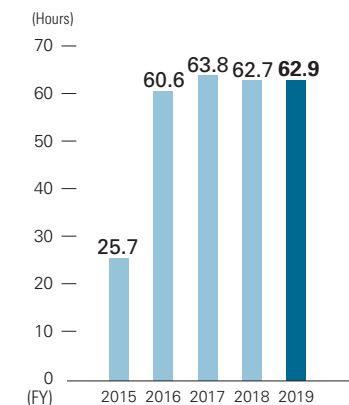
We have been striving to reduce average overtime hours by promoting flexibility in overtime activities and other measures. We are working to improve the paid leave utilization rate, which in FY2019 reached our target of at least 80%. We are also continuing to implement work style reforms and health management.

## Employees Taking Childcare Leave (by Gender)\*1 & Return Rate\*1



We have established systems for balancing work and child-rearing, and more male employees have been taking childcare leave in recent years. The return rate to work after childcare leave has exceeded 95% for over 10 years.

## Annual Training Hours per Employee\*1,2



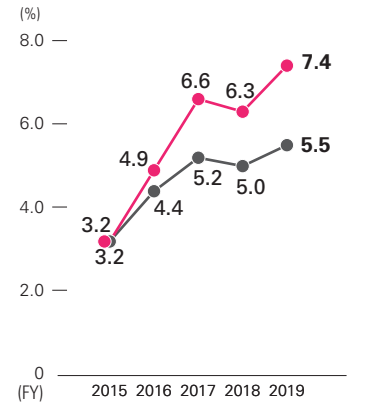
Based on our human resource strategy, we are expanding training, including dispatch to external programs and to overseas venture capital enterprises, with the aim of developing employees who can create businesses and who can acquire or improve their skills in new technological areas.

(Scope of Calculation) \*1 Nihon Unisys and UNIADDEX

\*2 Includes only the number of training hours for employee training program CAMP (Curriculum for Ambitious Managers and Professionals) for FY2015.



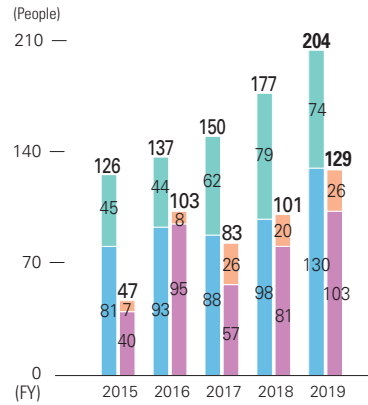
### Ratio of Management Positions Held by Women



● Ratio of Management Positions Held by Women (Non-Consolidated)  
● Ratio of Management Positions Held by Women (Consolidated)<sup>1)</sup>

We promote the active participation of women as a core measure for promoting diversity. One of our targets for material sustainability issues is to achieve a ratio of 10% of management positions held by women (non-consolidated) as of the end of FY2020.

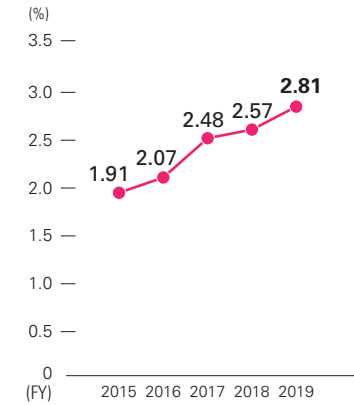
### Number of People Hired<sup>\*3</sup>



■ New University Graduates (Male)  
■ New University Graduates (Female)  
■ Mid-Career Hires (Male)  
■ Mid-Career Hires (Female)

In addition to recruiting new university graduates from a medium- to long-term perspective, we actively recruit mid-career human resources with specific skills who will be immediate assets in new fields. FY2019 has seen the highest number of both new graduates and career hires in the last five years, and the number of new female graduates hired has remained high.

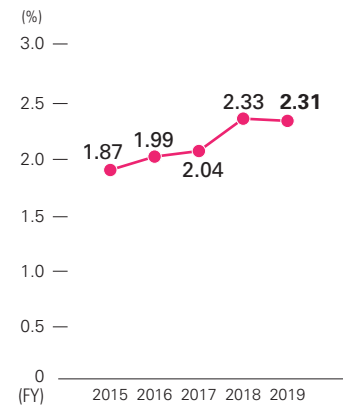
### Employee Turnover Rate<sup>\*1</sup>



We conduct ongoing efforts to create good workplace environments, proactively promote young employees and improve employee engagement. Our employee turnover rate is well below the industry average (11.8%\*).

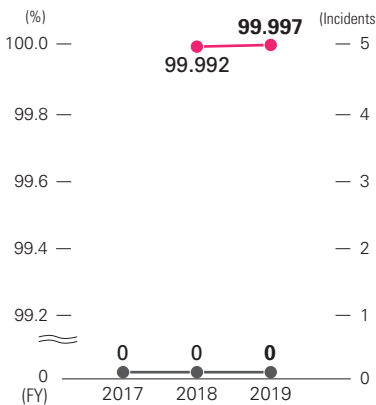
\* Source: Ministry of Health, Labour and Welfare, Survey on Employment Trends 2018, information and communications industry employee turnover rate

### Ratio of Employees with Disabilities<sup>\*1</sup>



In February 2018, we established NUL Accessibility, Ltd., which primarily handles web accessibility inspections. It was certified as a special subsidiary company in February 2019, and we are working to expand opportunities for people with disabilities.

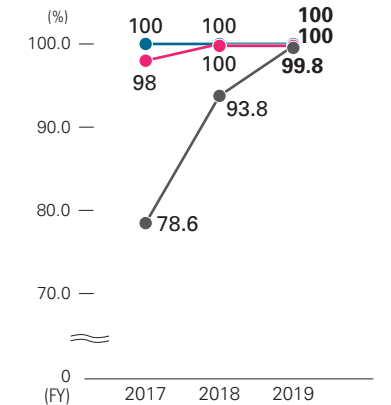
### Online Uptime Rate<sup>\*1, \*4</sup> & Number of Major Security Incidents<sup>\*5</sup>



● Online Uptime Rate (left axis)  
● Number of Major Security Incidents (right axis)

Since FY2018, the online uptime rate has been set at 99.990% or more as an indicator of stable system operation. The number of major security incidents has remained at zero for three consecutive years.

### Suppliers' Understanding of the Nihon Unisys Group Procurement and Transaction Guidelines & E-Learning Participation Rate<sup>\*5</sup>



● Suppliers' Understanding of the Nihon Unisys Group Procurement and Transaction Guidelines  
● Information Security E-Learning Participation Rate  
● Compliance E-Learning Participation Rate

To provide safe, secure products and services, we strive to improve the level of our suppliers' understanding of the Nihon Unisys Group Procurement and Transaction Guidelines, and conduct e-learning on information security and compliance.

\*3 Nihon Unisys and consolidated subsidiaries in Japan \*4 Began calculating from FY2018  
\*5 Nihon Unisys and its wholly owned consolidated subsidiaries in Japan

## CEO Message



We will continue to create systems to ensure the trustworthiness of information with digital power and offer society shared assets platforms.

**Akiyoshi Hiraoka**

Representative Director, President & CEO, CHO

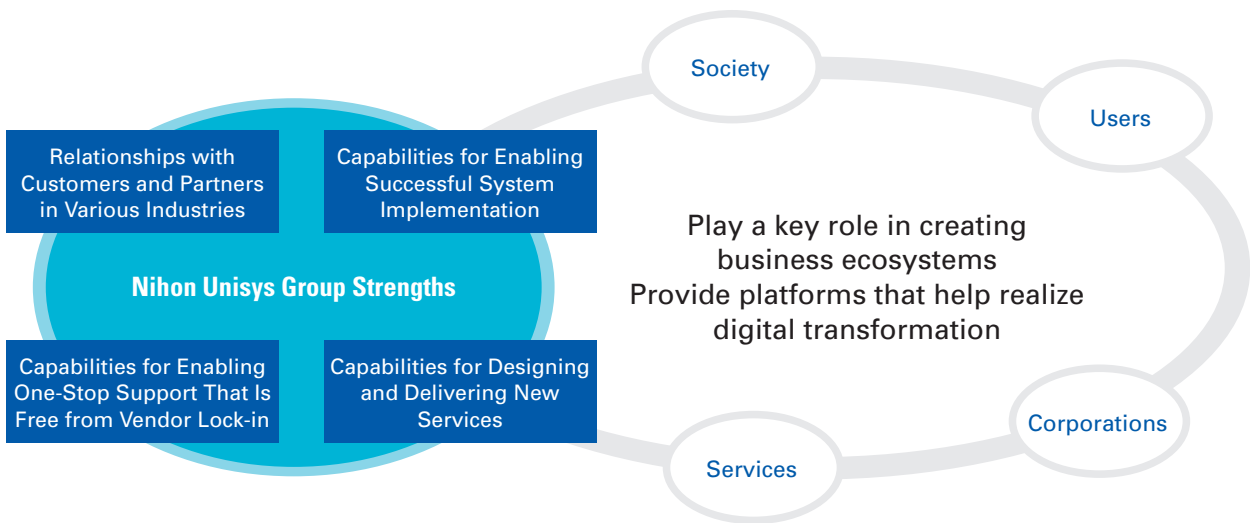
### Leveraging Four Key Strengths to Catalyze Business Ecosystems

For over 60 years, the Nihon Unisys Group has contributed to the creation and development of Japan's information society while responding to the needs of the times as a pioneering system integrator. In doing so, we have always held to the spirit of staying close to our customers and doing our best for them as embedded in our DNA. The purpose of the Nihon Unisys Group, based on our corporate philosophy, is to be "a corporate group solving social issues through socially beneficial services capable of creating a more affluent society together with customers and partners." As such, we are making sincere efforts to address environmental and social issues while striving to be a sustainable enterprise through our contributions to the sustainable development of society.

That the value of a company's existence lies in contributing to society has never been truer or placed greater demands on companies than today. An increasing number of

companies are seeking to carry out business activities that will lead to the solution of various social issues or to operate in ways that do not sacrifice the environment or society. However, in a world of uncertainty, where it is difficult to forecast the future of the social environment, a world encapsulated by the acronym VUCA (volatility, uncertainty, complexity, ambiguity), it is difficult for one company alone to solve social issues and grow. However, while it may be beyond the scope of an individual company, we can aim to make considerable headway in resolving social problems by combining the concept of business ecosystems with the concept of resolving social issues, and cooperating with multiple stakeholders that have diverse strengths. The Group has been focusing on creating business ecosystems by leveraging the four strengths it has cultivated so far (see the figure on the upper right) and becoming a catalyst to connect different industries. In promoting business ecosystems, we have been winning the trust of customers as a company that sees things through to the end. That has become one of our core strengths.

## Strengths and Business Ecosystems



## Creating the Miracle of the Commons on the Concept of Digital Trust

We aim to create as shared social assets, in other words digital commons, business ecosystems and platforms that can match services, products, companies, and users to solve social issues. In addition, the Group has signed the United Nations Global Compact, supporting and working on its Ten Principles under the categories of “human rights,” “labor,” “environment,” and “anti-corruption,” while contributing to the attainment of the Sustainable Development Goals (SDGs). Aware of the close affinity between the concept of digital commons and the concept of the SDGs, we have taken the SDGs goal of 2030 as the goal for completing digital commons. Until now, the shared assets of society have been provided by public works projects conducted by national and local governments, or by infrastructure companies. We combine the word “digital” with shared assets (“commons”) to mark a break from the world of mass production and mass consumption by utilizing digital power to realize the recycling and sustainable society aimed for in the SDGs.

Digital content can be reused at exceptionally low cost. Nowadays, music, dramas, and movies are distributed by video distribution services, and the marginal cost of reaching huge numbers of people can be reduced close to zero. The world has many assets that are unused or have low utilization rates. Marginal costs can be kept low by visualizing this with digital power, adding value by combining

assets, and increasing utilization rates with assets that are unused. The thinking underlying digital commons is that it is possible to create shared assets in society with a zero-marginal-cost model as the result of undertaking no new production.

Our concept of digital commons is derived from the regard and trust of many people. Information needs to be trustworthy. When each person can verify information through digitization, evidence can be proved and trust can be established. In particular, new organizational forms such as online services depend on trust as their foundation. Until now that trust has been built by governments and public third parties. However, with the development of social networks for increasingly diverse and sophisticated communications between individuals, such as SNS, it is essential to create new trust in the private community with the power of the private sector. This is what we call digital trust.

The “tragedy of the commons” is when an area of common grazing land is used selfishly by all and becomes an overgrazed wasteland and the ability to use it in perpetuity is lost. Today there are concerns over this happening both on earth and in space. This also applies to the shared social resources of digital commons, but we believe that the concept of digital trust can transform the “tragedy of the commons” into a “miracle of the commons.” Until now, we have raised earnings by pursuing customer value. From here on, however, we will seek to create social value that also delivers economic value. We will not take a top-down approach. Rather, we look for the balanced

pursuit of this goal within each site, organization, and individual. We believe this should accelerate our business speed while stimulating ambition and excitement.

## Progress with the Mid-Term Management Plan “Foresight in sight 2020”

The mid-term management plan “Foresight in sight 2020” (FY2018-FY2020) reaches its final year in FY2020. This plan identifies four areas of focus where customers and business partners can join us in utilizing the Group’s assets: “Neobanks,” “Digital Acceleration,” “Smart Towns,” and “Assets Guardian.” These focus areas are in markets expected to grow over the medium to long term on the basis of expected solutions of social issues. The four areas are cross-functional activities that go beyond the boundaries dividing each of our four priority areas.

Looking back on the business results for FY2019, digital transformation-related businesses in priority areas performed well, with sales and profits increasing supported by productivity improvement measures. As a result, both operating income and net income attributable to owners of the parent reached record highs. In addition, the operating margin was 8.4%, meaning we achieved the target of 8% or more one year ahead of schedule in the mid-term management plan, which ends in FY2020. I believe this

marks very good progress.

One of the drivers of this strong performance has been companies accelerating their digital transformation efforts. The focus of company leaders with respect to IT investment has shifted from improving operational efficiency to increasing competitive advantage by leveraging digital power and utilizing data, and the Group’s digital transformation-related businesses have expanded significantly supported by that shift.

As the idea has spread that the value of a company’s existence lies in contributing to society, the Group has been advocating the concept of business ecosystems. The business of solving social issues cannot be realized by one company alone, and cannot win a competitive advantage. Against this backdrop, the need for catalysts in business ecosystems such as ours has become evident. We have therefore been working to improve productivity in our long-established core ICT area, in order to create services that solve social issues. Just telling people to be more productive is not enough. Rather, it is the aspiration to create new value and services and solve social issues and the excitement of launching new products that have underpinned great productivity improvements with core businesses, leading to overall profitability improvement.

Looking at the current business environment, restrictions on economic and social activities stemming from COVID-19 appear set to continue for a long time, and in our core ICT area, we expect to see moves by companies to curb investment and reduce costs. Even in these circumstances, we will reinforce our efforts to contribute to the creation of a

### Nihon Unisys Group’s Digital Commons Concept

**Communities where it is possible for the creation of both social and economic value in solving social issues by using the power of digital to make possible the wide utilization of privately owned assets (assets owned by companies, organizations, and individuals) and surplus assets (assets with low utilization rates) that already exist in society as shared assets with low additional costs.**

These communities are based on a normative network of trust among participants that bring together companies, organizations, and people sympathetic to the idea of solving social issues and seek to realize a sustainable society by collaborating with each other providing and using a range of assets as shared assets. The power of digital makes the nature of assets visible, and by optimally combining assets and matching providers and users, we are creating new added value for the assets.

If assets with added value are used as shared assets for solving social issues, appropriate profits can be obtained, so that both social value and economic value are compatible. Through this approach, we aim to promote behavioral changes of companies and people who want to create a better society, and realize a zero emission and sustainable society.



sustainable society, by providing to the world services that help solve social issues.

## Providing Digital Technology for Responding to the Spread of COVID-19

With the spread of COVID-19, the need to visualize information has become widely recognized. Unless information related to one's own supply chain is visible on a daily basis,

it will not be possible adequately to manage such crises as the spread of infectious diseases and natural disasters. The Group's "Connected Work®" work style reform support service offers digital technology, various solutions and a secure environment based on the actual situation and issues facing customers. In addition, by utilizing digital technology, Saigai Net, a platform which realizes the visualization of required information in the event of a disaster, can record information as easily as writing it on a whiteboard. And since this information can be visualized in chronological order it can reduce the time and effort for organizing information. In view of COVID-19, we are also providing some of the Group's digital technologies and

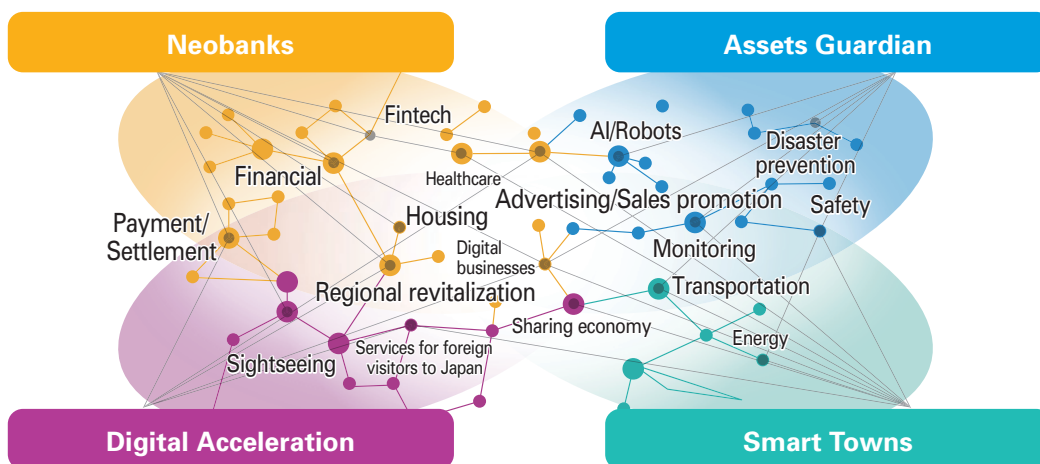
### Business Activities and SDGs Centered on Priority Areas



### Contributing to the achievement of SDGs through cross-functional business activities centered on priority areas

Promote business digitization in coordination with financial institutions and companies in order to improve convenience for ordinary citizens and revitalize industries. They experience economic disparities that are widened between large cities and local regions.

Reform business environments and improve business productivity through the use of IoT and AI technologies. Issues of aging public infrastructure as well as aging engineer population are experienced in the environment.



Re-create relationships among manufacturers, wholesalers/retailers and consumers by accelerating business digitalization efforts and visualizing economic activities to improve convenience of ordinary citizens and revitalize industries.

Enable comfortable environments for ordinary citizens who suffer due to issues such as population concentration in urban areas and gaps in labor supply and demand, by coordinating services such as energy, transportation, healthcare and tourism.

services free of charge for a limited time. The impact of COVID-19 is expected to be prolonged, but the Group will continue to make efforts to help ensure the safety and security of customers and society and support business continuity.

## Fostering a Culture of Self-Driven Action

We are tackling “Corporate Culture Reform” as one of the key initiatives under our mid-term management plan. To foster a diverse and innovative culture, we are implementing organizational reforms and human resource development programs to encourage individual creativity and innovation. With the spread of COVID-19, the number of situations in which individual employees are required to think and act on their own has rapidly increased.

In the Group’s corporate statement, “Foresight in sight®,” “Foresight” consists of foreseeing and understanding industry change, customer needs, and future social issues and “in sight” has the double meaning of being able to see and understand things combined with the meaning of “insight.” We must give free rein to our minds with “Foresight.” In this uncertain world, we must try to imagine the unforeseeable. Whether or not what we envisage comes to be that process gives us a reference point from which we can take action, observe, and if things turn out differently, make adjustments. In order to establish an environment that facilitates the creation of new things, we have eased internal approval criteria and promoted the delegation of authority. Up to a certain point, employees can act freely by applying the OODA (observe-orient-decide-act) loop. The decision-making method for achieving results by rotating at high speed the four steps of OODA allows employees to act on their own initiative. In response to the spread of COVID-19, growing numbers of employees have used this autonomy as a steppingstone to understand the situation and acting independently. This is gradually turning into a new Company strength.

In addition, we have established the “T3 activities” rule under which all employees are required to set aside three consecutive hours a week for work other than assigned duties. At the outset people did not know what to do, but now that the system is in its fourth year, they can use that time to build external networks, discuss new services on our internal SNS, and all sorts of other things. One upshot was that some employees decided to go to Fukushima to hear about the situation there on the ground. In addition, for employees who are worried about the realization of their ideas, we take care to introduce people who are in the position necessary ensure the realization of their ideas, and can give concrete advice under the “Planetarium Initiative”

which likens individual ideas to “stars” and seeks to provide services by connecting them together in a “constellation.” We have also for many years conducted the “Next Principal” program to discover and cultivate human resources among younger employees who can create new businesses independently. This idea has its roots in a private school that I used to operate when I was an executive corporate officer. I believe these kinds of efforts have helped embed a corporate culture that is able to undertake services and embrace initiatives that are outside the normal scope of IT companies. Examples include building network systems for charging stations for EVs/PHVs and participating in a virtual power plant experimental project.

To create business ecosystems and promote reforms in the organization to support creativity that accelerates open innovation, we have deliberately made efforts to break down organizational barriers. From the time I took office as president to the present, we have repeatedly implemented organizational restructuring. By reorganizing at a pace of about once every six months, employees have become accustomed to change as they have moved around. Applying the knowledge gained in providing services to different industries has nurtured the ability to make proposals to customers.

## Learning From Past Mistakes: A Personnel Evaluation System That Allows You To Take on New Challenges by Making Use of Your Mistakes in Learning

The promotion of diversity is one of the important elements of the Group’s Key Initiative “Corporate Culture Reform.” With the permeation of a culture that respects diversity, and encourages the active participation of women, the number of employees who act on their own initiative has been increasing. We are also promoting activities for creating new businesses and initiatives that transcend occupations and organizations. In promoting diversity, what I ask first of employees is to embrace diversity within themselves, in other words, “intra-personal” diversity. The more you embrace the diversity within yourself, the more you will be able to accept a diverse range of people. I want employees to have a strong desire to solve social issues and consider what services the world needs. This cannot be done by people or companies individually but requires multifaceted input. And individuals must take on multiple roles. That, in turn, leads to people taking responsibility and initiatives without limiting the scope of their roles, so maximizing business speed. At a time of great uncertainty,



we need the concept of “ambidextrous management” to balance the contradictory concepts of individuals’ “knowledge deepening” and “knowledge exploration.” Many efforts to that end have ended in failure. What is important is to learn from those failures and apply that knowledge next time around. I always say that the KPI of success is the number of failures. However, businesses that do not work well alone can still thrive by connecting with others. “Challenge” is included as an item in personnel evaluations from the perspective of learning from mistakes.

The idea that we can change the world for the better with the “power of digital” by acquiring new skills is related to the fact that the significance of the Group’s existence lies in “solving social issues.” In the future I would like the Company and its leaders to take this to heart. Next-generation leaders must have “innovation leadership” that can take new directions without being tied to the conventional, “portfolio leadership” that can see various businesses as one, and “moral leadership” to connect to “digital commons.” I think that moral leadership is the most important because it expresses the awareness that we are working to create a sustainable recycling society.

## Continue to be a Corporate Group That Constantly Strives for a Vibrant Future

So far, we have been part of a capitalist economy founded on the ideas of production and consumption, but we are

seeking to create a new economic concept offering greater social value—“digital capitalism”—using the power of digital for visualization. Until now, information was owned only by top management and providers, but now that each person has access to information and can apply visualization I believe the concept of digital trust will take hold. Active participation in the community of digital capitalism creates a sense of participation in society for each individual. By aiming to build “digital commons” based on the aspirations and empathy of diverse stakeholders, I believe we can promote behavioral changes toward a better society, and people will feel a sense of excitement.

On the other hand, the idea that the world will not change no matter what you do leads to a feeling of helplessness and resignation. In a movie produced and released in 2019 in which we participated, there is a line saying in effect that “the moment you think something is impossible you make it so.” The movie is based on the theme of a new childcare-related business that our employees have actually launched. Our Group’s employees are engaged in business with the awareness that their ambitions can change the world and encourage people to change. My greatest hope is that we remain such a “can do” company.

We will continue to combine our achievements and knowledge in solving social issues, networks with like-minded people, and digital technology based on many years of experience, as we aim for a vibrant future through the implementation of digital commons to create a new social system.

# Mid-Term Management Plan

## Review of Past Mid-Term Management Plans

	Mid-Term Management Plan FY2012–FY2014	Mid-Term Management Plan FY2015–FY2017
Vision	<b>Corporate Transformation for Sustainable Growth</b>	<b>Business Model Transformation</b>
KPIs	<p><b>FY2014 Results</b></p> <p>Operating Margin <b>4.1%</b></p> <p>Net Sales <b>¥269.2 billion</b></p> <p>ROE <b>9.7%</b></p> <p>Dividend Payout Ratio <b>26.0%</b></p>	<p><b>FY2017 Results</b></p> <p>Operating Margin <b>5.7%</b></p> <p>Net Sales <b>¥287.0 billion</b> (Net sales in the areas of digital innovation and life innovation) <b>(¥27.0 billion)</b></p> <p>ROE <b>12.4%</b></p> <p>Dividend Payout Ratio <b>33.6%</b></p>
Strategies and Key Outcomes	<p><b>Added the ability to design and implement new services to our existing strengths</b></p> <ul style="list-style-type: none"> <li>• Took a social perspective to create business ecosystems that link different industries                             <ul style="list-style-type: none"> <li>· Regional healthcare networks, energy management</li> </ul> </li> <li>• Collaboration with Dai Nippon Printing Co., Ltd., which has strengths in the content field                             <ul style="list-style-type: none"> <li>· Built a marketing platform</li> </ul> </li> <li>• Provided payment/settlement platforms as a service business                             <ul style="list-style-type: none"> <li>· Electronic value cards business, etc.</li> </ul> </li> <li>• Strengthened financial condition</li> </ul>	<p><b>Took on challenges in new business areas and strengthened our foundation for further growth</b></p> <ul style="list-style-type: none"> <li>• Challenges in the areas of digital innovation and life innovation                             <ul style="list-style-type: none"> <li>· Due to business expansion, earnings improved, and the number of potential new businesses increased in multiple areas</li> </ul> </li> <li>• Innovation in the Business ICT Platform Area                             <ul style="list-style-type: none"> <li>· Raised profitability through concentration on the Nihon Unisys Group's areas of strength and improved labor productivity</li> </ul> </li> <li>• Corporate Culture and Workforce Reform                             <ul style="list-style-type: none"> <li>· Promoted a change in skill sets in line with business model transformation</li> </ul> </li> <li>• Implementation of Investment Strategies                             <ul style="list-style-type: none"> <li>· Proactively promoted investments in business partners in Japan and overseas as well as Fund of Funds (FoF)</li> </ul> </li> </ul>
Issues	<p><b>Strategies</b></p> <ul style="list-style-type: none"> <li>· Address business model transformation through global and cross-industry collaboration, etc.</li> </ul> <p><b>Business Environment</b></p> <ul style="list-style-type: none"> <li>· Address major changes in the social environment resulting from expansion of digitalization and the emergence of new consumers</li> <li>· Creation of a new business platform to address the spread of the cloud and usage-based services</li> </ul>	<p><b>Strategies</b></p> <ul style="list-style-type: none"> <li>· Expand and monetize businesses in the areas of digital innovation and life innovation</li> <li>· Further raise labor productivity and improve ability to provide services in the business ICT platform area</li> <li>· Promote further growth in employee skill sets and diversity</li> <li>· Shift to capital and investment policies for growth</li> </ul> <p><b>Business Environment</b></p> <ul style="list-style-type: none"> <li>· Address the decline in system integration needs due to the emergence of business-related ICT services</li> <li>· Address the risk that a delay in responding to the digital shift will impede growth</li> <li>· Address the risk of hardware and software market contraction due to commoditization</li> <li>· Address the aging workforce and mismatched skills</li> <li>· Address the risk of a slowdown in growth of Japan's ICT market</li> </ul>

## Overview of Current Mid-Term Management Plan

### Mid-Term Management Plan

FY2018–FY2020

## Foresight in sight 2020

**Become a sustainable company and achieve a sustainable growth cycle predicated on resolving, through business activities in our priority areas, social issues in the context of customer issues.**

	FY2018 Results	FY2019 Results	FY2020 Target	
Operating Margin	6.9%	8.4%	8% or more	Aim to improve profitability on the basis of improving efficiency of work processes in the existing areas, as well as establishing and expanding our areas of focus
Net Sales (Net Sales in Priority Areas)	¥299.0 billion (¥35.5 billion)	¥311.6 billion (¥48.0 billion)	¥320.0 billion (¥60.0 billion)	Emphasizing profitability in implementing efforts to enable an aimed net sales increase in the priority areas
ROE	13.1%	15.5%	12-15%	Continue efforts to improve ROE with a target range of 12 to 15% during the period of mid-term management plan.
Dividend Payout Ratio	38.8%	38.6%	40% (Target)	Increase shareholder returns by targeting a 40% dividend payout ratio during the period of mid-term management plan.

### 1 Selection and concentration on priority areas P.24-P.27, P.30-P.39

Establish priority areas in the markets where medium- to long-term growth is expected on the basis of resolving social issues. Concentrate management resources on the priority areas where customers and business partners can make use of the Group's assets.

### 2 Strengthening relationships with customers to increase their added value P.24-P.27, P.30-P.39

Strengthen relationships with customers to become their strategic business partner. Cooperate with customers in creating and operating ICT assets, conducting digital transformation and creating new businesses.

### 3 Strengthening capability to provide platforms that support business P.24-P.27, P.30-P.39

Strengthen the value creation process leading to the resolution of social issues. Create platforms where Group assets are linked with business partners and customers as well as third-party services. Provide platforms as part of business ecosystems.

### 4 Corporate culture reform P.28, P.46-P.49

Improve corporate and organizational capabilities to enable a flexible response to changing demands. Develop a corporate culture where employees are encouraged to enhance their skill sets and take on challenges. Promote diversity and inclusion. Implement reform of business processes and internal systems.

### 5 Investment strategies P.29, P.40-P.42

Continue to promote strategic investments in service development such as the creation of platforms that are necessary for growth such as those in the priority areas and in advanced technologies.

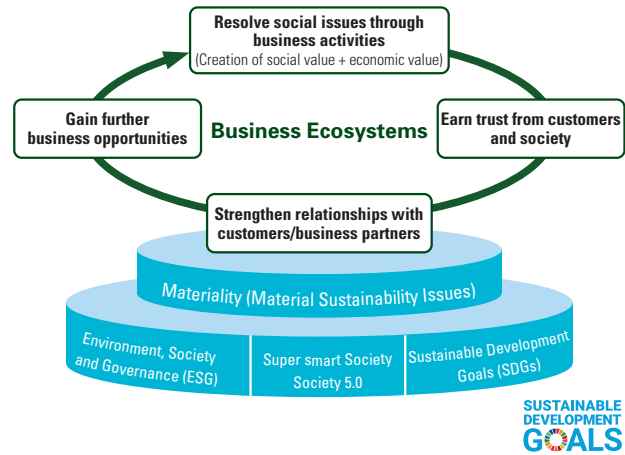
Key  
Initiatives

## Mid-Term Management Plan Policies and Progress

Solving social issues as the core of business ecosystems that link diverse industries and business types  
Contribute to enabling a resilient society

In "Foresight in sight 2020," its mid-term management plan that started in FY2018, the Nihon Unisys Group reassessed the significance of its existence and redefined itself as "a corporate group solving social issues through socially beneficial services capable of creating a more affluent society together with customers and partners." In FY2019, the second year of the mid-term management plan, the business priority areas grew steadily due to the growing social awareness of digitalization and the acceleration of customers' efforts toward digital transformation. Going forward, we will continue to aim to remain a sustainable company by realizing a sustainable growth cycle by solving social issues that lie behind issues experienced by customers through business activities defined in four priority areas.

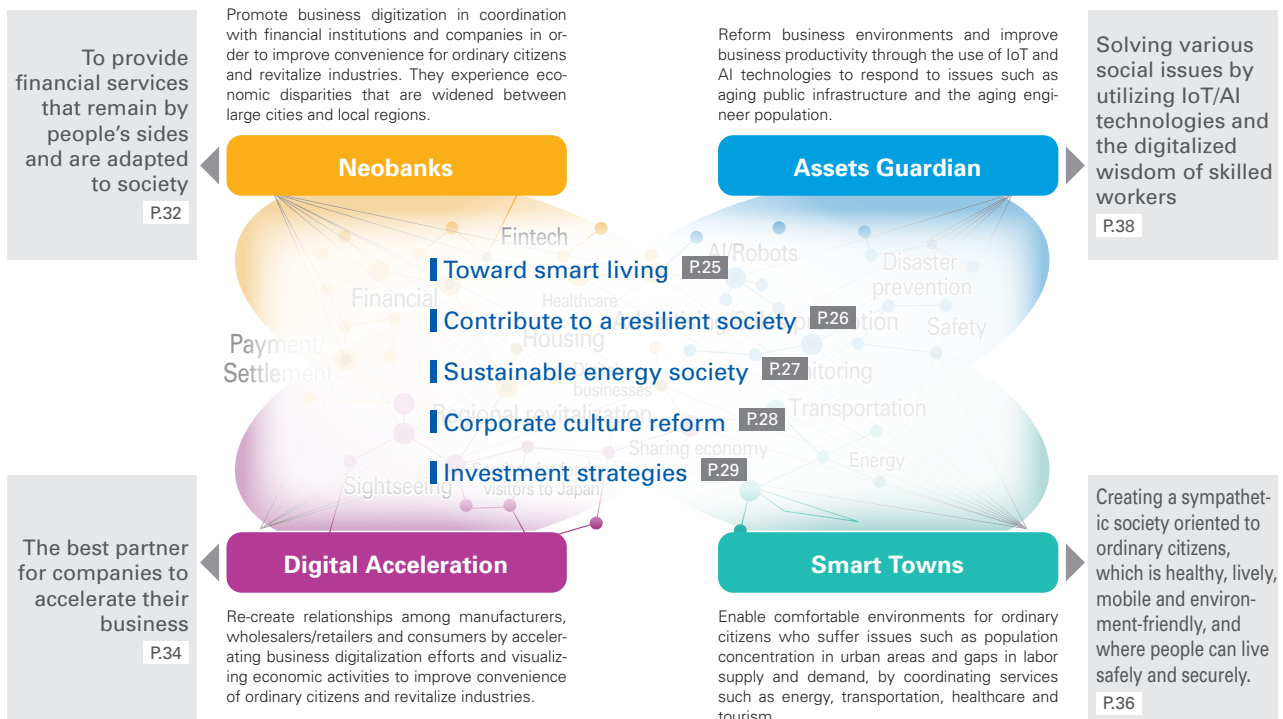
Sustainable Growth Cycle for the Nihon Unisys Group



### Priority Areas

Promoting the establishment and expansion of businesses in the four priority areas, while intending to increase earnings and help to solve social issues

The priority areas defined in the mid-term management plan consist of four areas: Neobanks, Digital Acceleration, Smart Towns, and Assets Guardian, and we are working cross-functionally across the boundaries of each area according to the corresponding social issues.





## Mid-Term Management Plan Initiatives

### Toward Smart Living

Realization of a safe and smart society utilizing digital space

By means of smart consumption and payment/settlement, the Nihon Unisys Group is working to improve the convenience of people's lives and to create social systems so that everyone can live safely and healthily.

In Japan, the proliferation of online shopping and the utilization of digital technologies are under way, and society has reached the point at which it has become the norm to buy everything online—including expensive products, the online purchase of which it had previously been thought would be met with reluctance—without going to a bricks and mortar store. At the same time, the transition toward a

cashless society continues. Canal Payment Service, Ltd., a subsidiary, provides a gateway service for a QR code/bar code payment scheme, and with the ratio of cashless payments increasing, the payment/settlement transaction volume is trending upward.

The Nihon Unisys Group contributes to a reduction in social costs and to the realization of a safe and smart society by utilizing the digital space corresponding to the new lifestyles associated both with the COVID-19 pandemic and the post pandemic periods and by creating and providing new services in anticipation of future cashless diversification.



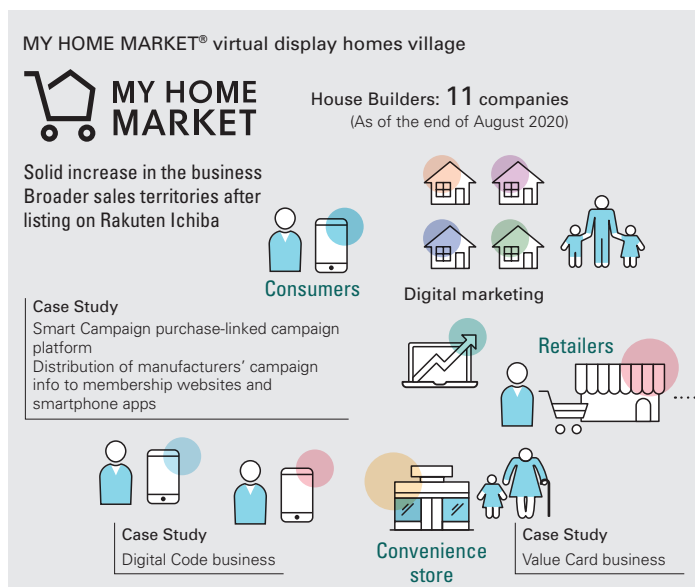
**Highlights** MY HOME MARKET® Display Homes Village Enables Viewing of Homes by VR

The utilization of digital technologies such as VR is becoming more widespread as a means of checking products online, and home sales is one of the fields that is benefitting. In anticipation of the dramatic changes to future housing exhibitions brought about by the utilization of digital spaces, Nihon Unisys commenced the operation of its MY HOME MARKET® virtual display homes village in March 2018. Allowing consumers to view their homes at any time and place on their smartphones or tablets without actually visiting a housing exhibition, and enabling consumers themselves to simulate estimates, this service is thus leading to reduced burden on consumers and house manufacturers alike. In October 2019, we listed a store on the Rakuten Ichiba Internet shopping mall, the usage of which is rising mainly among double-income households in their 20s and 30s, and the number of housing manufacturer brands\* handled is also steadily increasing. In addition to responding to changes in consumer needs, through the provision of MY HOME MARKET® we contribute to solving problems in the housing industry, such as the shortage of labor, by strengthening support for work-style reforms at house manufacturers nationwide.

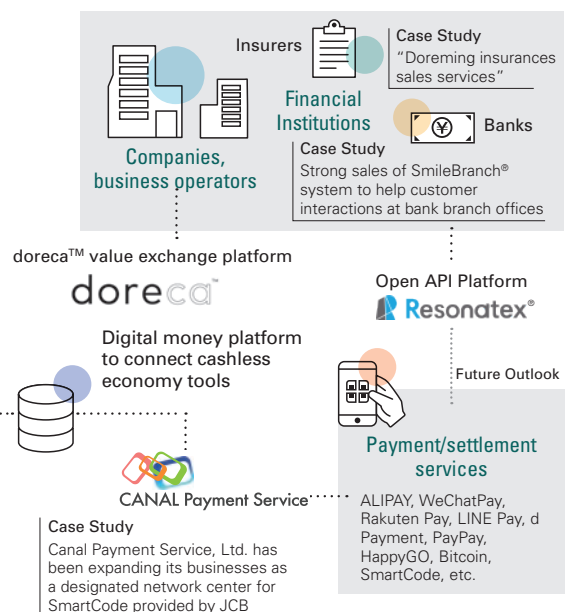
\* Number of companies introduced via MY HOME MARKET®: 11 (as of the end of August 2020)  
JIBUNHOUSE, Inc., TSUCHIYA HOME CO. LTD., MaeshoHome, SHINSHOWA withearth Higashi Kanto, Cleverly Home, WOOD FRIENDS Co., Ltd., TOYOTA HOME AICHI CO., LTD., ESTAGE, NIHON HOUSE HOLDINGS Co., Ltd., Masidea Co., Ltd., Hebel Haus

#### Smart society through the use of VR and digital space

Changes in display homes villages



#### Evolution & diversification of cashless economy



# Contribute to a Resilient Society

- Neobanks
- Digital Acceleration
- Smart Towns
- Assets Guardian



Create mechanisms and environments capable of contributing to a society that is resilient to natural disasters and epidemics

In Japan, countermeasures against disasters that include epidemics/pandemics such as infectious diseases as well as conventional natural disasters, such as earthquakes, typhoons and concentrated heavy rains, have become the most urgent social issues. In the meantime, the aging of infrastructure is becoming more serious, and is said that it will be necessary to repair approximately 80,000 road infrastructure facilities nationwide within the next five years.\*

In addition, labor shortages are becoming more acute due to the declining working population. For the creation of a disaster-resilient society it is indispensable to create mechanisms that do not depend on the movements of people. Such mechanisms entail an environment that prioritizes telework and solutions that enable remotely confirming and judging on-site situations without actual human visits in the

field. Also, it is crucial to identify, visualize and use correct information out of a formidable amount of data in the event of an unpredictable disaster afflicting a wide area such as with the COVID-19 pandemic.

Under these circumstances, the Group will transform the maintenance and conservation environment of social and public infrastructure, and contribute to the creation of a society in which everyone can live safely and securely, while achieving both work satisfaction and economic growth. This will be achieved by streamlining a range of tasks by the utilization of AI and IoT technologies and through the creation of “mechanisms that do not depend on the movements of people” and the “identification and visualization of correct information” through remote management.

\* According to the results of an aging infrastructure inspection survey conducted by the Ministry of Land, Infrastructure, Transport and Tourism from 2014 to 2018

**Highlights** Efforts to support the “identification and visualization of correct information” in emergencies

In the event of a disaster, telephone inquiries will increase rapidly at the sites of companies and organizations, and there will be many situations in which the received information cannot be organized and shared properly. These situations lead not only to exhaustion of the personnel who respond on site but also to increased risk of COVID-19 infections at the sites due to the many people going to work and the long periods of time spent dealing with the situation.

Saigai Net is a service that utilizes digital technology to easily centralize and share information in the event of an emergency such as a disaster when the processing of information becomes complicated. All the data is aggregated chronologically just by inputting the information received by telephone and other sources, as if recording the information on a whiteboard, and the time and effort for compiling and creating materials has been greatly reduced. This tool is used by customers in a variety of industries because it enables the situation at the scene of the emergency to be ascertained from a smartphone. By providing this service, we support the “identification and visualization of correct information” in an emergency and contribute to the realization of a disaster-resilient society.

## Create mechanisms that do not depend on the movements of people

**Expanding remote work policies to enable employees to work from anywhere**

**Case Study**  
Launch of Connected Work® service to help work style reforms  
Launch of a service to help a companywide telework implementation

**Services related to remote work that Nihon Unisys Group offer**

- Collaboration tools, such as Office365®
- Thin client, virtual desktop
- Cloud, network security

Telework      Companies/Offices

## Identification and visualization of correct information

**Information management systems that utilize digital technologies**

**Case Study**  
Provision of Saigai Net service free of charge for limited time

Healthcare

Transportation/energy      National and local governments      Financial industry and manufacturing industries

**Case Study**  
Smart Uni Site cloud-type image monitor service



**Mechanism to enable situation confirmation and judgement without presence at site**

**Case Study**  
Marutto Tenken equipment inspection service extended for management companies of office buildings and residential buildings



**Equipment Management**



### Proof of Concept (POC)

Strategic Innovation Promotion Program (SIP)  
Sophisticated diagnosis/treatment system enabled by artificial intelligence (AI) hospital

**Case Study**  
Launch of MUDEN Monitoring Service  
Launch of BRaVS Library® and BRaVS Platform® space perception platforms

AI Service



# Sustainable Energy Society

Contribute to enhancing sustainable energy and power infrastructure maintenance



- Neobanks
- Digital Acceleration
- Smart Towns
- Assets Guardian

As a response to climate change, the shift to renewable energy is progressing on a global basis with an eye toward a de-carbonized society, and we have seen a keener demand for such responses in society. We have deployed many types of energy businesses, partly through the Enability® series of platform products for power producers and suppliers (PPSs), on the basis of the Group's expertise and knowledge that we have accumulated with regard to energy-related systems. Toward the realization of a sustainable energy society of the future, we have been promoting efforts to shift to renewable energy. Also, as part of the

efforts we have made in the energy environment, we have been attempting to promote digitalization through robots and AI technologies that can streamline the inspection work of electric equipment. We have implemented a POC demonstrating automated patrols using drones and the tilt monitoring for power transmission towers in cooperation with power companies. Thus, we have been contributing to maintain and develop surrounding environments for energy. The Nihon Unisys Group will continue to promote efforts to disseminate and enhance clean and sustainable energy in cooperation with many partner companies.

## Highlights Non-fossil fuel certificate tracking and non-FIT, non-fossil fuel power supply certification

Since FY2018, Nihon Unisys has been entrusted by the Ministry of Economy, Trade and Industry with a "study on an increase in the non-fossil fuel energy use value (study on Tracking Information for FIT non-fossil fuel energy certificates)."<sup>\*1</sup> Based on the utilization of blockchain technology<sup>\*2</sup> and intellectual property related to energy management, we are conducting a POC experiment for the tracking of information for FIT non-fossil fuel energy certificates. This tracking of non-fossil fuel energy certificates enables consumers to utilize the electricity purchased under the RE100<sup>\*3</sup> initiative. In addition, since November 2019, as the only third-party organization commissioned by the government, we have been implementing the business of accrediting the amount of electricity generated by non-FIT non-fossil fuel power sources. This avoids the double counting of environmental value and enables the trading of non-fossil fuel energy certificates with guaranteed reliability. In the current fiscal year, we will continue to strive to improve the convenience of non-fossil fuel energy certificates and expand the options for procuring electricity derived from renewable energy.

\*1 In the non-fossil fuel energy value trading market established by the Ministry of Economy, Trade and Industry in May 2018, a certificate represents the environmental value of power which is generated by power generation facilities that use non-fossil energy sources such as natural energies without emitting CO<sub>2</sub> (carbon dioxide).  
\*2 Also called distributed ledger technology. Refers to a database that stores information in blocks that are tied together as a chain of records  
\*3 Implemented by the Climate Group and the Climate Disclosure Project (CDP) in the United Kingdom, an initiative with the goal of procuring 100% renewable energy for business operations

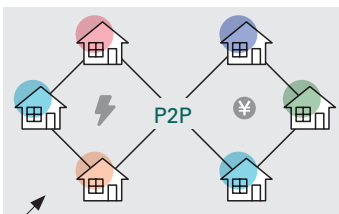
## Dissemination and expansion of the non-fossil fuel energy value trading market

### POC

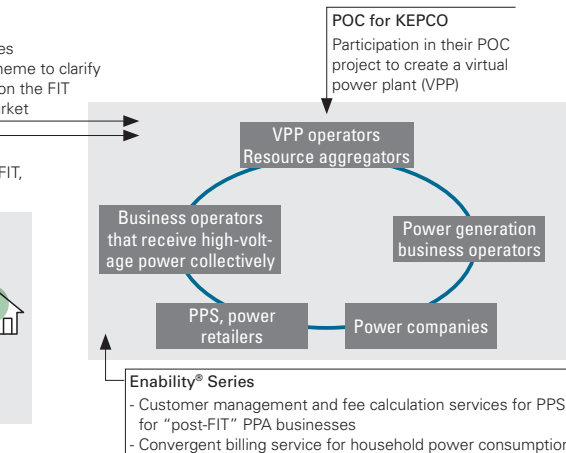
Tracking of non-fossil fuel energy certificates  
Implementation of a POC for a tracking scheme to clarify attribute information of certificates traded on the FIT non-fossil fuel energy value transaction market

### Case Study

Certification business work related to non-FIT, non-fossil fuel power sources



POC for The Kansai Electric Power Co., Inc. (KEPCO)  
Environmental value trading predicated on blockchain technologies, including environmental value transaction pricing decisions



POC for KEPCO, The University of Tokyo and MUFG Bank, Ltd.  
POC for direct power transactions through the use of blockchain technologies, including power transaction pricing decisions

Enability® Series  
- Customer management and fee calculation services for PPS for "post-FIT" PPA businesses  
- Convergent billing service for household power consumption

HEMS MEMS BEMS BEMS aggregator  
Cloud-Computing Service Businesses for Energy Management

Systems for PPSs Monitoring power plant equipment Systems for power companies  
Cloud-Computing Service Businesses for Energy Business

## Maintenance that supports power equipment



### Wind farm

POC  
POC for forecasting renewable energy power generation on the basis of JAXA satellite data

### Solar power plant

Case Study  
Operation monitoring systems for renewable-energy power generation business operators



### Power plants

POC for Tohoku Electric Power Co., Inc.  
Utilization of drones for automated inspection/monitoring of facilities at thermal power plants



POC for Tokyo Electric Power Company  
Remote monitoring service for power transmission tower inclination status

# Corporate Culture Reform

Aim to strengthen capabilities for proactively creating value and designing business ecosystems



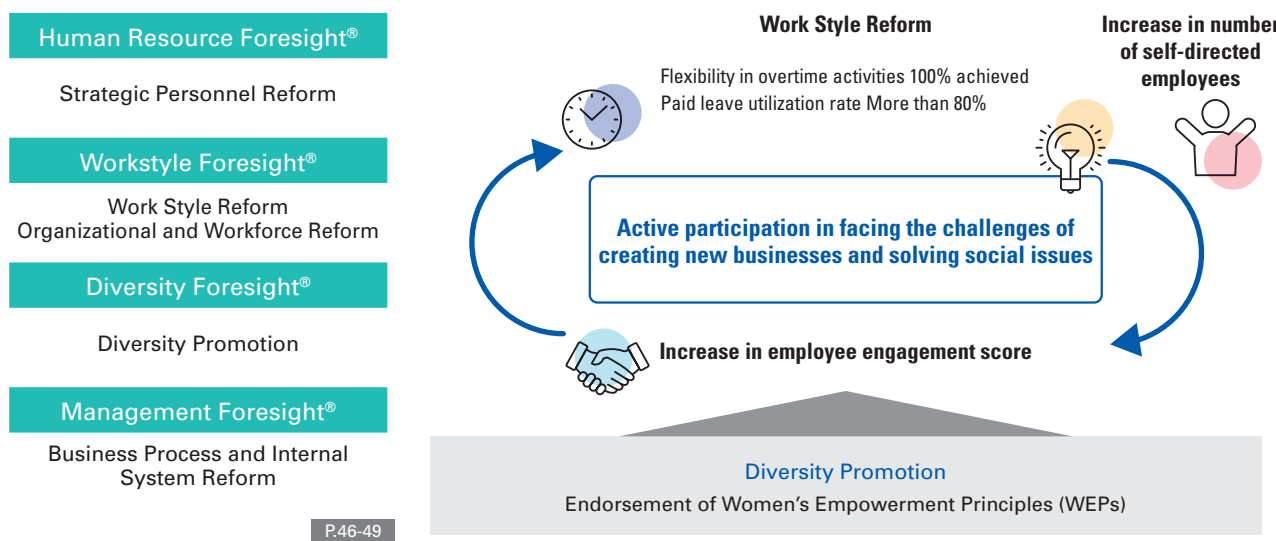
The Nihon Unisys Group aims to foster a diversified and innovative culture. Thus, in FY2019 we have been continuing to work from a range of perspectives including: the reform of corporate culture to ensure a creative and innovative organization; organizational reform to incorporate multifaceted perspectives; and personnel development programs to reveal creativity and innovativeness of individuals.

As a work style reform, we are promoting “flexibility in overtime activities” that create a month with zero overtime at least once, and in FY2019 we succeeded in a 100% achievement rate and achieved a paid leave utilization rate of more than 80%. We have seen more employees engaged in self-directed activities by using the time obtained as a result of such corporate efforts to reduce overtime in a corporate culture where diversity has become appreciated. This is reflected in the stable improvement in our Engage-

ment Score, an indicator to measure the progress of corporate culture reform. Having been implementing telework measures for all employees since October 2017, we were recognized as a company striving to enable telework operations with a Top Hundred Telework Pioneers award from the Minister for Internal Affairs and Communications in FY2018. The Company was recognized again in FY2019 under the 2020 Certified Health & Productivity Management Outstanding Organizations Recognition Program and received a prize at the Advanced Corporation Awards for the Promotion of Women for many efforts and achievements.

Continuing with the fostering of a diverse and innovative climate, as a company that creates business ecosystems, we will work to improve engagement to aim for the sustainable creation of innovation.

<b>Highlights</b>	<b>Signatory to Women’s Empowerment Principles (WEPs)</b>
<p>The Nihon Unisys Group has signed and thus endorses the Women’s Empowerment Principles (WEPs). Accelerating innovation and the creation of business ecosystems by forming an autonomous organization in which each individual can increase individual diversity, respect each other’s opinions and values, and demonstrate their abilities, the diversity management for which the Group is aiming brings about the realization of both social value and economic value. Promoting the active participation of women is the first step in accepting and utilizing the diversity of “individuals” and is one of the priority strategies of the Group’s diversity management. Through our support for WEPs, we will promote the empowerment of women in cooperation with internal and external stakeholders and further promote diversity management.</p>	
	<p>In support of</p> <p><b>WOMEN’S EMPOWERMENT PRINCIPLES</b></p> <p><small>Established by UN Women and the UN Global Compact Office</small></p>



## Investment Strategies

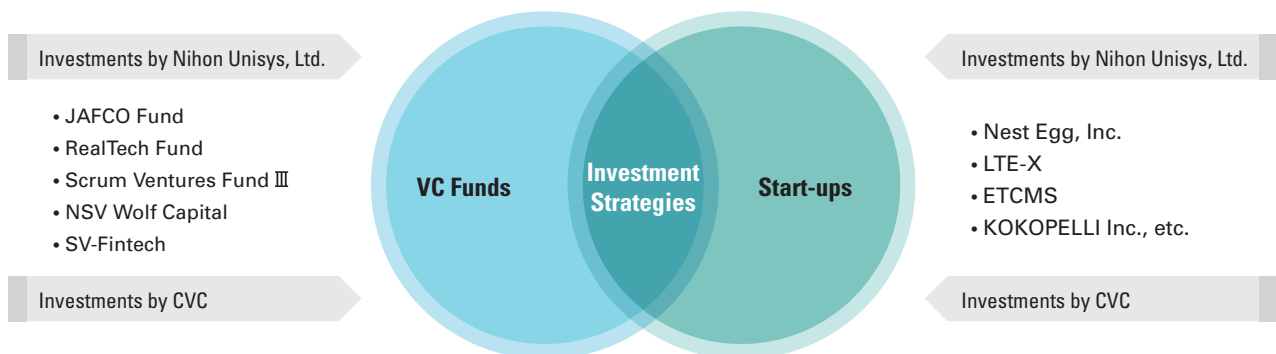
Vitalize open innovation in cooperation with customers and start-up companies through investing in and accompanying venture capital funds and start-ups

In addition to investing in venture capital (VC) funds as a strategic investment, the Nihon Unisys Group aims to contribute to solving social issues as well as creating innovations and implementing them in society in tandem with its customers and start-up companies. Investing in VC funds in various fields and real-tech ventures aiming to solve social issues, both in Japan and overseas, the Group had by the end of March 2020 invested in a total of 14 funds and more than 40 start-up companies. At Canal Ventures, Ltd., a corporate venture capital (CVC) firm, we will continue to expand our investment

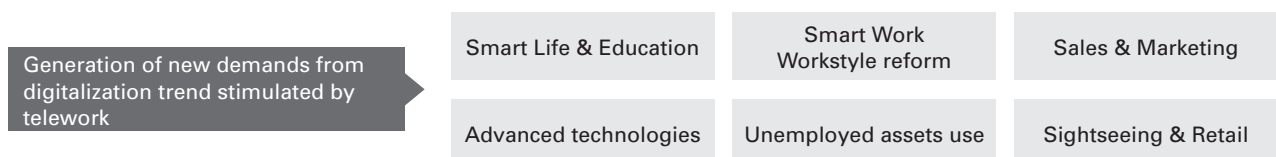
recipients, including technologies and businesses that may contribute to digital transformation.

We will remain watchful of the markets continuously experiencing drastic transformation and continue to help start-up companies and develop business ecosystems. This will help us accelerate open innovation to contribute to solving social issues that will face us with the advent of a new world.

Highlights	Aiming for Sustainable Creation of Innovation	
<p>As a mechanism to promote sustainable innovation through collaboration with startups, Canal Ventures Co., Ltd. (CVL) is a CVC firm established in May 2017 as a company to organize and manage the funds invested in VCs and start-ups. CVL plays a strong role in the Group's "search for knowledge," and the Canal Ventures Collaboration Fund (CVCF) No. 1 Investment Limited Partnership was formed in June 2017, directly after the company's establishment. Having formed the CVCF2 Investment Limited Partnership in April 2020, we will continue to "develop and maintain channels for startups and VCs," "collect and disseminate trend information foresight from start-up businesses," and carry out the "acquisition of intellectual property related to management through CVC management."</p> <p>Examples of service creation in collaboration with start-ups include Wrap®, the cloud-based network service provided by Group company UNIADDEX, and the corporate customer concierge service for regional financial institutions, CoreBAE™.</p>	<p>Amount of the Nihon Unisys Group investment*</p> <p>FY2018 <b>¥15.1 billion</b></p> <p style="text-align: center;">▼</p> <p>FY2019 <b>¥19.0 billion</b></p> <p><small>* Total of R&amp;D expenses, capital expenditures, and business investment</small></p>	



**The Nihon Unisys Group has invested in 14 funds and more than 40 start-ups**





# Toward a Vibrant Future

Contributing to the creation of a sustainable energy society, resilient cities, a safe, secure, and convenient consumer society and taking on the challenge of new mobility services. People envision the kind of society in which they would ideally like to live, while bringing to the table and combining their wisdom, ideas, and technology to solve social problems, create unprecedented social systems, and move the world forward. In this manner, the world can be changed by a circle of empathy that harmoniously connects ambitions.

We have embarked on a journey toward a vibrant future.



## Changes in the Structure of Industry Attributable to Digitalization

Digital connections between companies and companies, and individuals and companies, extend beyond the framework of conventional wisdom. The structure of industry will completely change due to the business transformation attributable to digitalization, and unprecedented value creation that transcends regional and industry boundaries will gain pace.



## Resilient City Creation

In addition to conventional natural disaster preparedness, designed so that people and companies are able to live safely and securely while increasing the sustainability of their activities, we have reached the point where a new society prepared for an infectious disease and the social infrastructure that underpins it will be built.



## Acceleration of Lifestyle Diversification

By means of extended reality (XR) and virtual reality (VR) commerce, people will increasingly experience the feeling of being out at a tourist spot or commercial facility while sitting at home. The diversification of people's lifestyles will gain pace through novel digital services compatible with diversity-driven values and lifestyles.



## Improved Well-Being Brought About by Technology

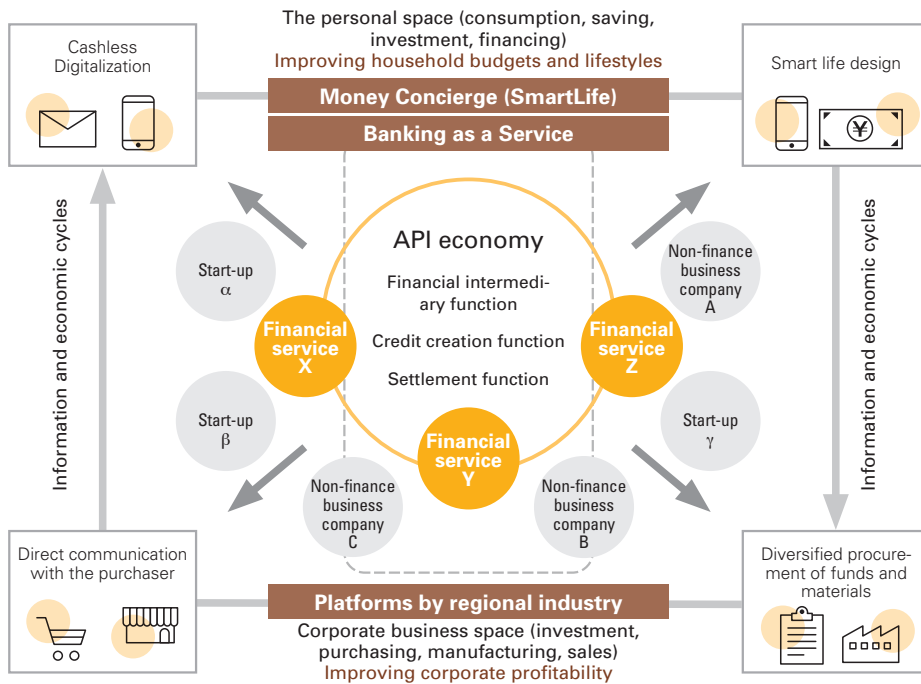
The contextual understanding of each and every consumer will be advanced through personal data, such as vital data and emotional data, by the utilization of digital technology. Technology that possesses a deeper understanding of people will contribute to people's well-being.

# Foresight in sight story 1

## Neobanks

### To provide financial services that remain by people's sides and are adapted to society

Improving convenience for ordinary citizens and revitalizing industries by responding to issues such as widening economic disparities between large cities and local regions and promoting business digitization in coordination with financial institutions and companies.



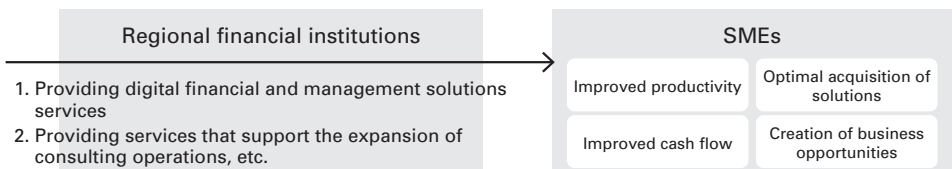
#### Cutting Edge

### Supporting the resolution of management issues at small and medium-sized enterprises through the digitalization of regional financial institutions

The Nihon Unisys Group aims to create business ecosystems that improves convenience for consumers and supports the revitalization of industries by unbundling increasingly sophisticated financial services and promoting cross-industry collaboration and digital transformation efforts.

In April 2020 we entered into a capital and business alliance with KOKOPELLI, Inc., a company focused on helping small and medium-sized companies solve their respective business challenges. The company operates Big Advance®, a management support platform offered by regional financial institutions to small to medium-sized companies, and has built a collaborative relationship with Nihon Unisys that includes providing business support and information utilizing AI for regional financial institutions through CoreBAE-Univers, a corporate customer concierge service. With the goal of promoting cross-industry alliances to create a prosperous, sustainable society and new ways of working and earning a living, the Group will use the power of digital technology to support the streamlining of business activities of small to medium-sized businesses and to improve the ability of regional financial institutions and others to assist small to medium-sized businesses in resolving issues.

#### Providing services through capital and business alliances





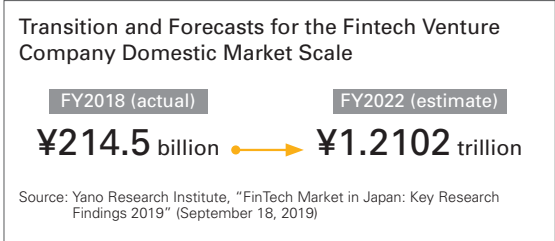
## Value Creation

### Nihon Unisys Group Assets (Strengths) Utilized

- IT implementation capabilities in the financial industry cultivated over many years.
- A network of regional financial institutions enabled by our track record of providing core systems

#### Target Markets

- Joint creation of new markets with financial institutions and fintech companies
- Management areas that improve quality of life through collaboration with different industries



#### Social issues that the Nihon Unisys Group contributes to addressing

- Low birthrate and aging society
- Digitalization
- Labor and skills shortage
- Shift to cashless economy
- Disparity in regional economies
- Customer orientation (emphasis on user interface and experience)
- Financial inclusion
- Collaboration between industries

#### Main Related SDGs



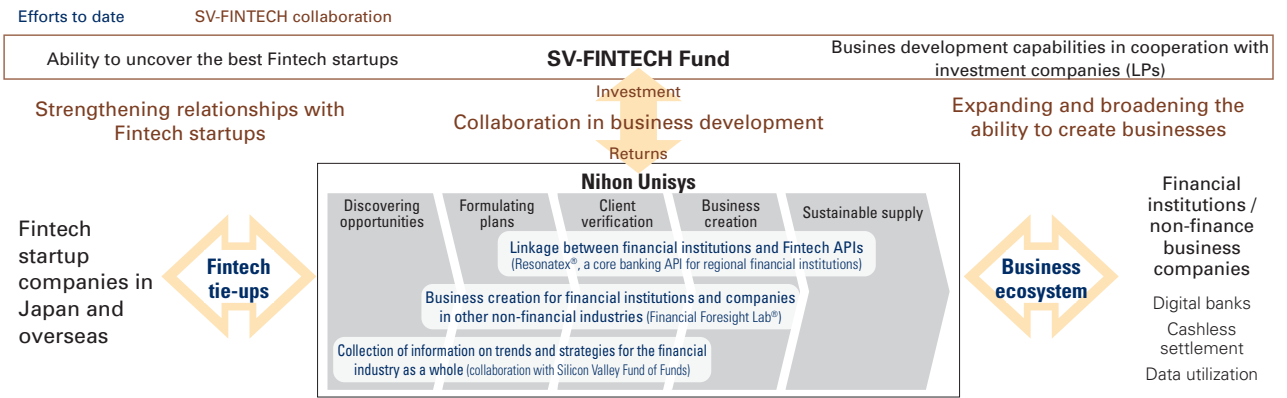
#### Services Provided

- Open API platform (Resonatex®)
- Platform for the creation of new businesses (Financial Foresight Lab®)
- Fintech-related services
- Personal asset management service apps (Fortune Pocket®)
- Teller assist system (SmileBranch®)
- Support for business reforms and workstyle reforms at banks and credit unions (POWER EGG®)
- Customer engagement platforms (Eltropy)
- Personalized recommendation services (Moneythor)
- Others

### Initiatives

Nihon Unisys in September 2018 invested in SV-FINTECH Fund, an investment fund focused mainly on Fintech startups in Japan and the US as part of its new effort to collaborate in the development of businesses in the Fintech field. In addition to acquiring a wide range of channels with the investee Fintech startups, by gaining access to the business

development capabilities of fund GP companies, we aim to create new businesses for financial institutions where a strong potential exists for the generation of synergies in the Fintech domain and create business ecosystems transcending business and sector boundaries as we work to resolve social issues.



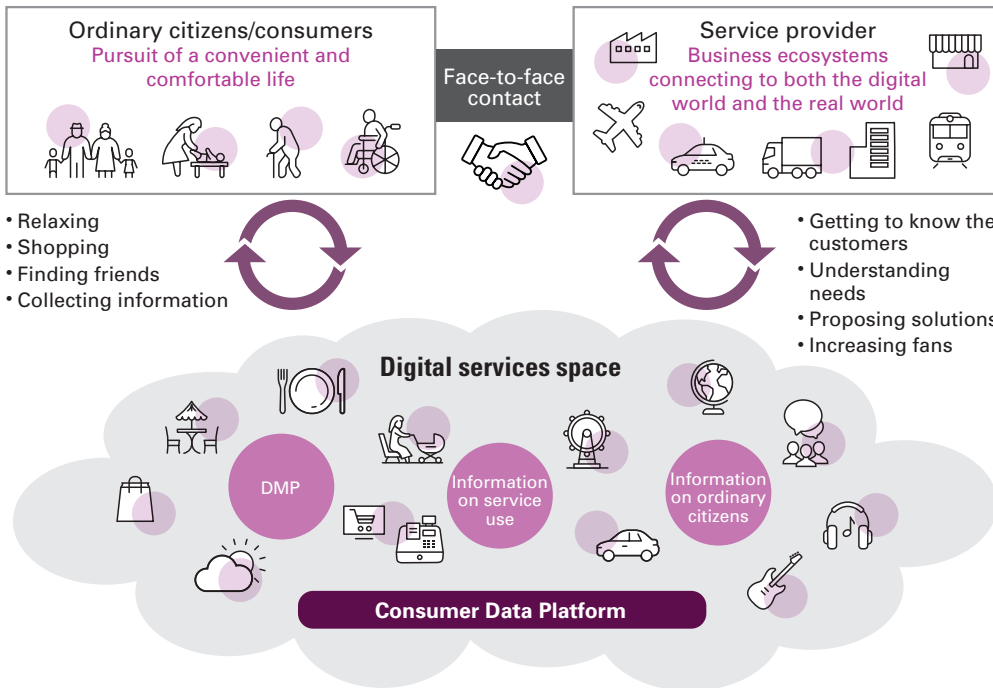


# Foresight in sight story 2

## Digital Acceleration

### The best partner for companies to accelerate their business

Re-create relationships among companies, wholesalers/retailers and ordinary citizens by accelerating business digitalization efforts and visualizing economic activities to improve convenience of ordinary citizens and revitalize industries.



#### Cutting Edge

#### Participation in the Ministry of Economy, Trade and Industry and NEDO's Task Force for Promoting Establishment of Implementation Models of Robots

Nihon Unisys announced its participation as a systems integrator in the Task Force for Promoting Establishment of Implementation Models of Robots established in November 2019. The task force was jointly launched by the Ministry of Economy, Trade and Industry and the New Energy and Industrial Technology Development Organization (NEDO) with the aim of creating a model for the social implementation of robots in the three fields of facility management, retail sales/restaurants and food manufacturing, where the labor shortage in Japan is becoming truly serious. Nihon Unisys as a member of the task force is keen to use the knowledge and technologies we have acquired through a variety of initiatives in the past developing service robots in supermarkets and retail outlets to create a robot implementation model.



Creating a foundation for the widespread adoption of robots by companies currently struggling with labor shortages





Accelerating digitalization in cooperation with businesses, government agencies, and ordinary citizens to make life richer and more comfortable

## Value Creation

### Nihon Unisys Group Assets (Strengths) Utilized

- Expertise in creating comprehensive electronic purchasing systems from introduction to measurement of effects
- Partnership with Dai Nippon Printing Co., Ltd., which has printing and information technologies

#### Target Markets

- Corporate advertising and sales promotion market
- ICT market for digital transformation

#### SP/PR/Event Planning/Internet Advertising Market Scale

FY2019 (actual)  
**¥1.5354 trillion**

Source: The Ministry of Economy, Trade and Industry's Survey of Selected Service Industries (3. Advertising), June 2020 report.

#### Social issues that the Nihon Unisys Group contributes to addressing

- Aging society
- Diversification of values
- Information explosion
- Digital divide
- Shopping inaccessibility
- Labor shortage
- Rise of disruptive businesses
- Rapid acceleration of digitalization

#### Main Related SDGs



#### Services Provided

- Purchasing data-linked marketing service (Smart Campaign)
- Virtual display homes village (MY HOME MARKET®)
- Truck reservation service (SmartTransport®)
- Retail robotics service (tentatively named RASFOR)
- Payment-related services
- Storage service platforms

Others

### Initiatives

Amid an environment characterized by the spread of COVID-19 and increasingly complex social situations, we believe it is becoming even more important to solve social issues through collaboration between companies, NPOs, and ordinary citizens. Through the Smart Campaign\* framework, the Group launched BE+CAUS™, a platform making it possible to offer support to a variety of social contribution efforts through the daily shopping transactions of ordinary citizens and as a platform for retailers and manufacturers that assists them in the development of a variety of social contribution initiatives through their business activities. By linking Smart Campaign with Syncable, a donation platform from STYZ Inc., we are helping to create an environment in

which ordinary citizens can easily donate to their preferred NPOs and NGOs through their everyday shopping activities. Through the BE+CAUS™ platform, the Group will continue to promote activities focused on the building of business ecosystems that contributes to the solving of social issues.

SOCIAL ACTION PLATFORM  
**BE+CAUS**

\* A platform operated by Nihon Unisys and Dai Nippon Printing Co. Ltd. that enables advertisers (manufacturers) to implement marketing strategies based on actual purchase data in cooperation with retail outlets nationwide.

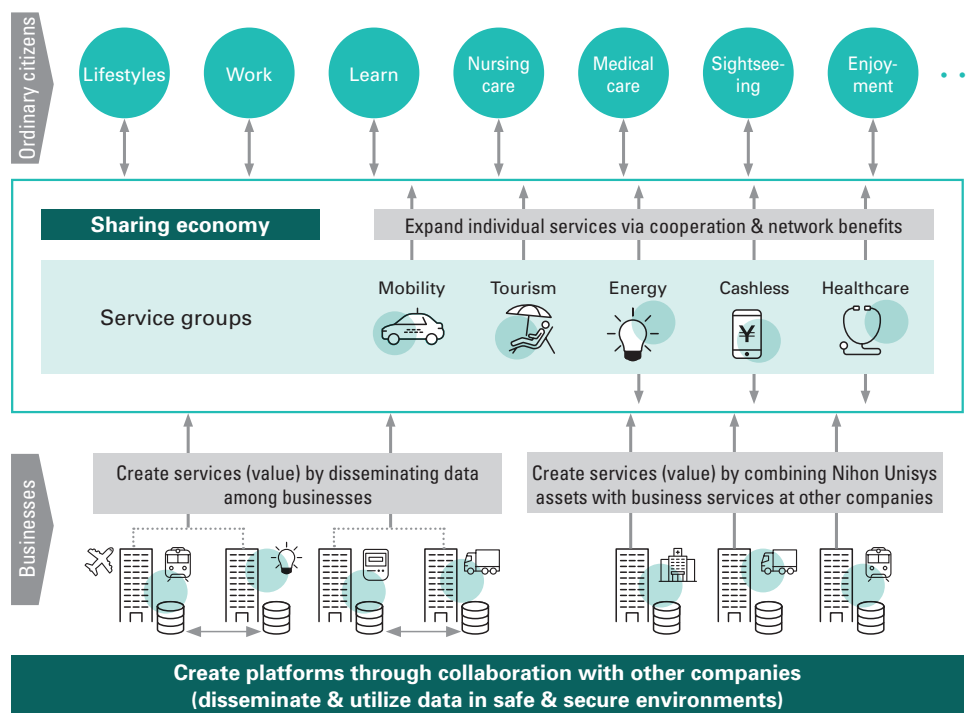


## Foresight in sight story 3

### Smart Towns

**Creating a sympathetic society oriented to ordinary citizens, which is healthy, lively, mobile and environment-friendly, and where people can live safely and securely.**

We are working to create communities oriented to ordinary citizens that are responsive to the “new normal” era by linking and jointly creating businesses in various services such as mobility, tourism, energy, cashless transactions and healthcare to address social issues that ordinary citizens face, including changing demographics, concentration in urban areas and the global environment.



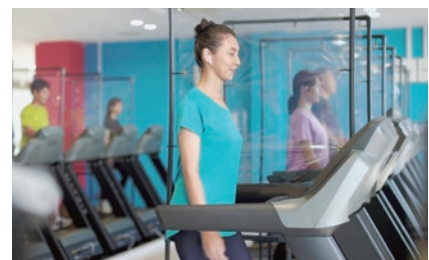
#### Cutting Edge

### Healthcare initiatives: Creating a society for healthy lifestyles for the Society 5.0 era

Nihon Unisys creates opportunities for fostering awareness and changing behaviors about the health of ordinary citizens while at the same time providing a platform that brings to fruition personalized healthcare services suited to these behavior changes. We are currently conducting lectures on AI and digital health science fields at the Kobe University, School of Medicine while examining various ways to use this platform-based healthcare data in cooperation with experts.

We are also working to create platform-based services through the acquisition and analysis of fitness data in collaboration with Koshi City, Kumamoto Prefecture, Kumamoto University, Renaissance Inc. and Kuru-Lab as well as game player activity data through the Game Wellness Project.

By connecting various local communities and companies through these platforms in the future, and also linking and utilizing data obtained with the consent of ordinary citizens in a safe and secure environment, positive steps will be taken to realize a new type of personalized healthcare in the Society 5.0 era.





## Value Creation

### Nihon Unisys Group Assets (Strengths) Utilized

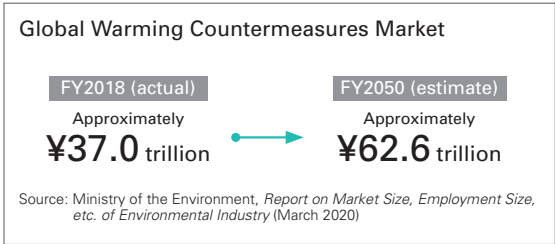
- Provision of platforms created through collaboration with other companies (ensuring data authenticity, data licensing and distribution, visualization of satisfaction)
  - Inter-company collaboration, creation of new services through cross-collaboration with the Group's assets, creation of services with added value through the use of personalized data
- Establishment of an industry-government-academia collaboration scheme and results of activities
- Open innovation schemes in collaboration with companies, startups and local businesses

**Target Markets**

- Mobility
- Energy
- Urban development/urban planning
- Healthcare
- Tourism

**Social issues that the Nihon Unisys Group contributes to addressing**

- Concentration in urban areas/ regional depopulation
- Super-aging society
- Medical care issues
- Transportation network redevelopment
- Energy and environmental problems
- Tourism infrastructure development
- Utilization of idle assets



**Main Related SDGs**

**Services Provided**

- Dot to Dot™ (D2D), data collaboration and consent management service platform
- Digital value exchange platform doreca™
- Travel and tourism service platform
  - Offer Links™ (one-stop and seamless offer)
  - Voucher Links™ (streamlining of QR issuance and settlement, digital coupon)
- Mobility service platform smart oasis®
- Retail electricity cloud solution Enability® Series
- Energy management service Enability® EMS
- Chronology-type crisis management information sharing system Saigai Net
- Cloud-based video surveillance service Smart Uni Site
- Others

### Initiatives

The Nihon Unisys Group has raised “smart town = sympathetic society creation oriented to ordinary citizens” as one key initiative of its mid-term management plan “Foresight in sight 2020.”

We believe providing services developed from the perspective ordinary citizens and local residents is indispensable for solving social issues facing local communities. In order to realize smart towns, we aim to create open innovation-based business ecosystems for catalyzing data gained from individuals and IoT to create a variety of new services.

COVID-19 has completely changed our society. Going forward, digital transformation will accelerate further as we enter an era in which there is less real contact among people.

We intend to use technology to help create a livable

society with the belief that mutual help, cooperation and mutual recognition among people will occur more than ever before in this new era.

Going forward, we will continue working to create healthy, lively and friendly communities that promote regional invigoration and where ordinary citizens live safely and securely by solving potential and existing regional issues together with local communities and businesses.

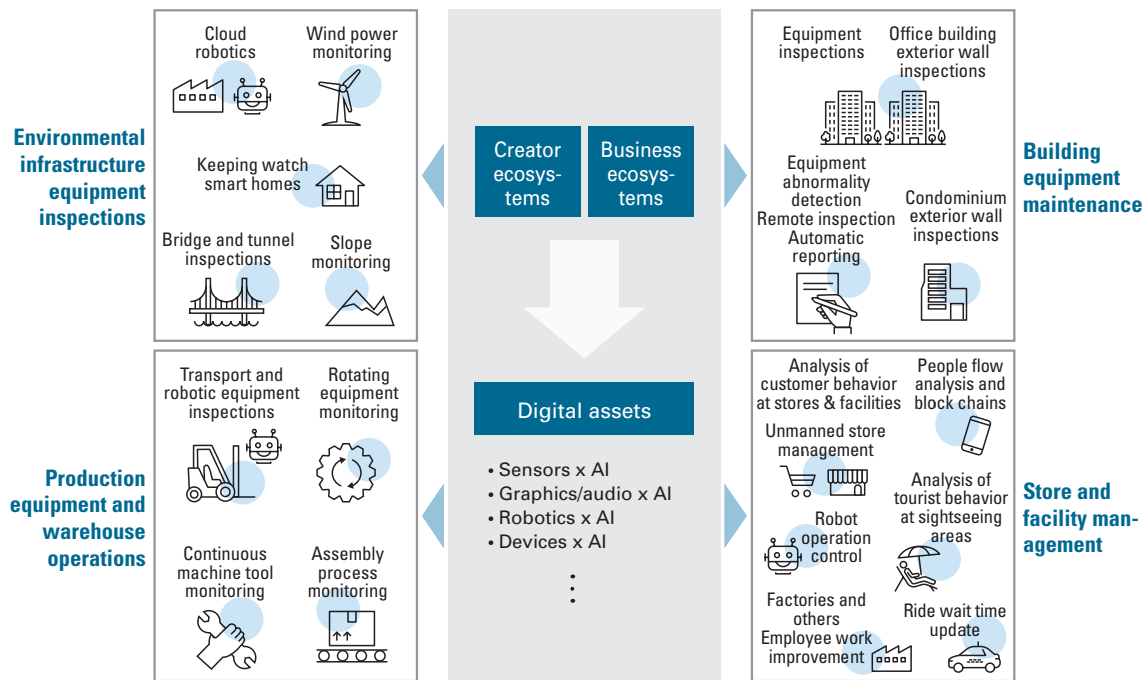


# Foresight in sight story 4

## Assets Guardian

### Solving various social issues by utilizing IoT/AI technologies and the digitalized wisdom of skilled workers

To address social issues in Japan such as aging public infrastructure and a decrease in skilled engineers, we will use IoT and AI technology to eliminate the labor shortages while realizing highly labor-saving and better-quality inspection work.



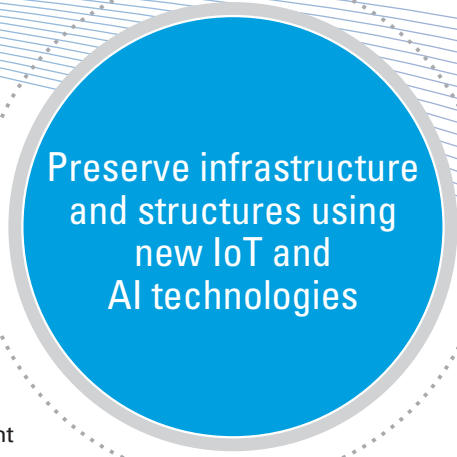
### Cutting Edge

#### Provision of the AI bridge diagnostic system Dr. Bridge™

Nihon Unisys began providing Dr. Bridge™ in June 2020 in partnership with Nihonkai Consultant Co., Ltd. to realize labor-saving and higher-quality inspection and diagnostic services for concrete bridges and other structures. In 2014, the enforcement of the Road Act was revised to make close-up visual inspections of bridges and other road structures mandatory once every five years. However, such inspections have become a social issue due to the significant increase in bridges, decline in skilled engineers, and budget limitations. Against this backdrop, Dr. Bridge™ reduces bridge inspection burdens while enabling highly accurate assessments owing to the use of AI to diagnose factors causing bridge deterioration and soundness through photos taken by cameras and simple data entry. Nihon Unisys aims to solve social problems by using Dr. Bridge™ to eliminate resource shortages regarding infrastructure inspections and diagnosis.



\* Comparison of aggregated results based on numerous engineer diagnoses using identical photographs



## Value Creation

### Nihon Unisys Group Assets (Strengths) Utilized

- System operation expertise in facility management and equipment maintenance
- Ability to provide various solutions to improve work efficiency

#### Target Markets

- Environmental and public equipment inspections
- Building equipment maintenance
- Production equipment and warehouse management
- Store and facility management

No. of road infrastructure facilities that require urgent action

Approximately **80,000**

Bridges	69,051
Tunnels	4,416
Accessories for roads, etc.	6,062
<b>Total</b>	<b>79,529</b>

Source: Ministry of Land, Infrastructure, Transport and Tourism, *Regulatory Overhaul based on Digital Technology Progress, Aging Infrastructure and Use of New Technology and Data* (December 2019)

#### Social issues that the Nihon Unisys Group contributes to addressing

- Natural disaster damage prevention
- Equipment obsolescence and safety measures
- Shortage of skilled engineers and workers
- More efficient infrastructure inspection and diagnosis
- Building facility efficiency improvement
- Streamlining of manufacturing sites
- Streamlining of distribution sites
- Streamlining of store and facility operations

#### Main Related SDGs



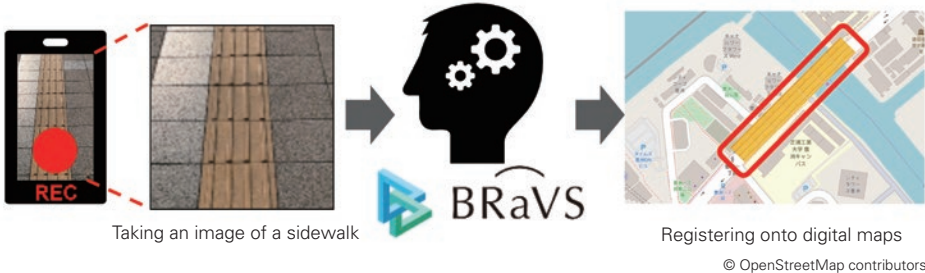
#### Services Provided

- Equipment inspection service Marutto Tenken
  - Spatial recognition platform that reproduces human recognition and assessments BRaVS Library®/BRaVS Platform®
  - Crowd flow analysis service JINRYU®
  - Distributed IoT Business Platform
  - Remote monitoring and remote work support MUD-EN Monitoring Service
  - AI bridge diagnostic support system Dr.Bridge™
  - Rotating equipment defect prediction and detection service VibSign™
- Others

### Initiatives

With Japan becoming a super-aging society, it is necessary to reduce costs, secure staff and improve work efficiency in various areas while building and upgrading infrastructure. As one measure to address this social issue, the Group jointly with Tsukuba University of Technology conducted field tests in October 2019 for a system that uses smartphones to automatically register Braille block track information on to digital maps using AI and image recognition technology.

BRaVS Library® spatial recognition platform—which integrates 3D data processing, deep learning and other technologies Nihon Unisys has cultivated over many years—is used to identify target objects. Looking ahead, we will help improve quality of life for various people including the visually impaired and the elderly by further expanding the recognizable infrastructure lineup in addition to Braille blocks and examine solutions that apply constructed digital maps.





## CFO Message



While keeping watch on a dramatically changing environment, we promote strategic investments with the aim of contributing to solving new social issues.

**Kazuma Umehara**  
Senior Corporate Officer and CFO

### Progress and assessment of the mid-term management plan “Foresight in sight 2020”

My name is Kazuma Umehara, and I was appointed as the Group’s CFO in April 2020. I hope to aggressively carry out our financial strategy and contribute to enhancing sustainable corporate value for the Nihon Unisys Group while striking a balance between a defensive and proactive approach for our current financial strategy.

Under “Foresight in sight 2020,” our current mid-term management plan that started in FY2018, we have shifted to full-fledged, proactive management underpinned by our firm financial base, which has been undergoing continuous improvement. We have made our operating margin the most important key performance indicator (KPI) for management under this mid-term management plan. If this were other companies in the same industry, the target of 8% or more by FY2020 would have been thought to be no more than a checkpoint on the way to a higher target. However, as a result of our concerted efforts focusing on boosting productivity and on projects with high profitability, we were able to achieve our goal in FY2019, a year ahead of schedule. We have also achieved our target of 12% to 15% for ROE, one of our most important management indicators, and we are working to grow corporate value by being cognizant of the cost of capital and improving the equity spread.

In addition to enhancing our current financial base, we were appraised for enhancing our profitability, for appropriate risk management, and other systems and in October 2019 we received a credit rating of “A-” from Rating and Investment Information, Inc. (R&I), marking our return to an “A” rating for the first time since 2010. This rating will of

course lower our capital procurement costs, but we also anticipate that it will more than ever before raise the level of trust and expectations from our customers and partners, leading to even more opportunities for business creation.

In our core ICT area business, our system services focus mainly on contract development responding to customer demand for system upgrades, and operating and other outsourcing services, both of which are growing steadily. In addition, in the quality of control process, we are minimizing the occurrence of unprofitable projects by evaluating the risks for each project, adopting a selective approach while carefully assessing the details of the project and monitoring as appropriate. As a result of efforts aimed at promoting work style reform and enhancing productivity in the development process, we are at the same time increasing profitability while maintaining the operation rates of system engineers at a certain level amid an upward trend in sales.

Our priority area businesses are growing steadily due to growing progress toward customer digital transformation and to increasing social awareness of digitalization, such as cashless transactions. While results are firm with FY2019 net sales in priority areas climbing to ¥48 billion, compared with the ¥45 billion planned at the beginning of the fiscal year, we recognize the issue is that sales from fee-based businesses, which are included in priority areas net sales, were held to about ¥7 billion, on a par with the previous fiscal year, due in part to the impact of the COVID-19 pandemic.

We recognize the need to transform to a service-type business model so that we can drive the Group’s further growth.

## Our Basic Investment Policy and Investment Strategy

With regard to our “investment strategy,” which is one of the priority measures in the mid-term management plan, even with the uncertain future brought about by the COVID-19 pandemic, we are maintaining our plan to invest a total of ¥60.0 billion over the three-year period of the plan. That notwithstanding, assuming that investment projects are in line with the Group’s strategy, we thoroughly analyze risk and return of investment projects and conduct careful screening using our internal investment criteria, such as the internal rate of return (IRR) based on expected cash flow.

Specifically, in terms of strategic investment areas, we will earmark funds geared toward strengthening our ability to offer platforms that will in the future generate new business together with customers. Moreover, create innovation as an investment strategy through investment in venture capital (VC) funds and startup companies, and implement it in society by working side-by-side with customers and each of these startups. Up to the present, regardless of whether it be in or outside of Japan, we have invested in VC funds in a variety of fields, as well as Re-alech Fund-affiliated ventures, and the Group has invested in a total of 14 funds and over 40 companies. In the environment brought about by the COVID-19 pandemic, the startup

companies in which we have invested are in fields that have been negatively affected. However, along with the rapid advance toward teleworking, and the associated transition to online operations, there are also fields which are experiencing the emergence of new demand and surging growth. While identifying market trends that will change drastically in the future, from here on we will accelerate open innovation with these startups. Through these efforts, we will form business ecosystems and aim to contribute to resolving social issues.

## Shareholder Returns and Capital Efficiency

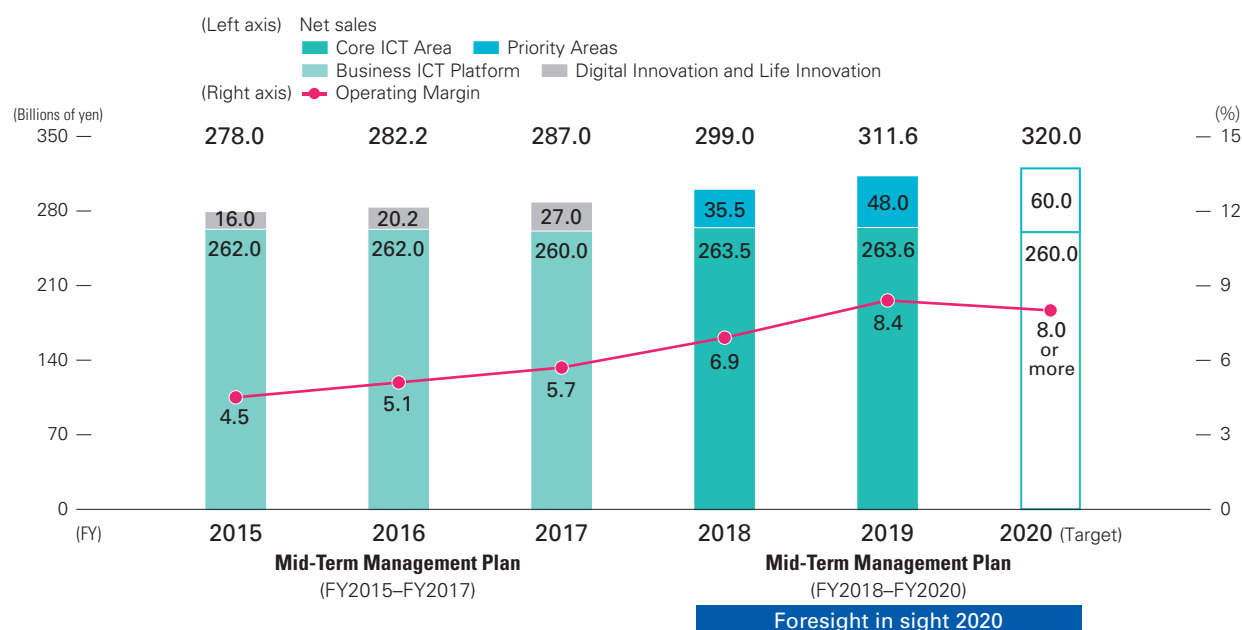
The balance between growth and improved capital efficiency is a very important issue. Our stance in regard to investment is outlined above. However, for shareholder returns, we have established a policy of returning profits based on a performance-linked allocation while comprehensively considering cash flow, the balance between the status of cash flow and investment for growth, accumulated equity and other factors. Under the current mid-term management plan, we have made a basic policy of setting the dividend payout ratio at 40%. In FY2020, amidst an environment with an uncertain outlook and having given due consideration to the current situation with cash flows and also the costs associated with future business continuity and maintaining human resources, we plan for per-share annual dividends of ¥70, which is a payout ratio of 41%, conditional on the projection that net income amounts to ¥17.0 billion.

With regard to capital efficiency (ROE), we have made it our policy to make efforts to improve by increasing the margin in DuPont analyses. Focusing on improving the capital turnover ratio, we have been endeavoring to instill

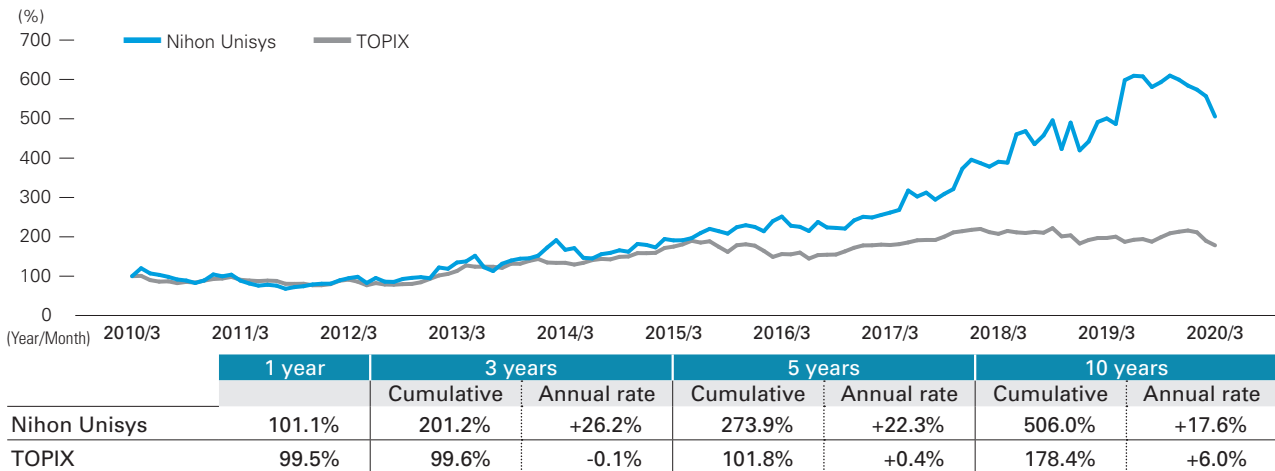
### Investment Strategy

		(Billions of yen)			
		(FY) 2017	2018	2019	Mid-term management plan 2018–2020
Strategic investment		2.8	3.0	4.2	Allocate funds flexibly to each investment area over the three years of the plan, with assumed total investment of approximately ¥60 billion
Investment in developing services	R&D	3.0	4.0	4.5	
	Capital expenditures	11.5	8.2	10.3	

### Net Sales & Operating Margin



## Total Shareholder Return (TSR)



\* Total Shareholder Return (TSR): Total return on investment that combines capital gains and dividends.  
\* TSR is calculated with the cumulative dividend amount and share price fluctuation for Nihon Unisys, and the share price index, including dividends, for TOPIX  
\* Numerical figures take the closing price data for March 31, 2010 as 100, and indexes market price from TSR (holding period: until March 31, 2020)

the importance of working capital management in the business divisions since FY2018. As a result, our cash conversion cycle (CCC) has had a standard target of less than 60 days. In this way, while being highly cognizant across the Group, we are seeking to heighten capital efficiency. Looking back over the past 10 years, total shareholder return (TSR), including dividends, has been at a level that surpassed TOPIX, while we continue to implement our growth strategy and an appropriate financial and capital policy in order to continue to realize TSR that exceeds shareholder equity costs.

The Group has been taking on the challenge of helping to resolve social issues through its businesses. Going forward, we aim to continue contributing to the creation of a new and prosperous society by resolving social issues that are difficult for a single company to resolve. This includes energy management systems and other environmental issues such as climate change, by addressing them with innovation and new services through the business ecosystem. I believe that these efforts will contribute to greater profit over the medium to long term and also lead to the realization of social value.

There are still very many more areas in which the Group can contribute to society through digitalization, and we anticipate that in the future there will be numerous examples that are completely different from services that are offered conventionally.

I look forward to all our shareholders and stakeholders having great expectations for the future of the Group.

## Efforts to Achieve Sustainability

For the Group to continuously improve its corporate value, a factor that is gaining in importance is a sustainability perspective.

## KPIs and Improving Corporate Value

Achieve enhanced profitability by establishing and expanding businesses in the priority areas of the mid-term management plan and improving productivity in our core ICT

The Source of Corporate Value Enhancement	Enhancing corporate value by raising profitability			
	FY2019 (Compared to FY2018)			
<ul style="list-style-type: none"> <li>Resolving social issues through business ecosystems</li> <li>Human resources who can create value independently</li> <li>Highly effective corporate governance</li> <li>Solid risk management</li> </ul>	<b>Net sales</b> <b>¥311.6 billion</b> (+4.2%)	<b>Operating income</b> <b>¥26.1 billion</b> (+26.8%)	<b>Net income</b> <b>¥18.2 billion</b> (+27.7%)	<b>ROE</b> <b>15.5%(+2.4pt)</b>
	<b>Priority area sales</b> <b>¥48.0 billion</b> (+35.2%)	<b>Operating income per employee</b> <b>¥3.33 million</b> (+25.3%)	<b>Net income/operating income</b> <b>69.6%</b> (+0.5pt)	
	<b>Core ICT area sales</b> <b>¥263.6 billion</b> (+0.0%)	<b>Operating margin</b> <b>8.4%</b> (+1.5pt)	<b>Total assets turnover</b> <b>1.46 times</b> (-0.00 times)	
			<b>Financial leverage</b> <b>181.4%</b> (-6.4pt)	

# Sustainability Management

## Nihon Unisys Group’s Vision for Sustainability

The Nihon Unisys Group has declared its corporate philosophy as “work with all people to contribute to creating a society that is friendly to people and the environment,” and has defined the significance of its existence as “a corporate group solving social issues through socially beneficial services capable of creating a more affluent society together with customers and partners.” With this as its foundation for sustainable growth as a company, the Group recognizes the importance of moving towards a sustainable society. Starting with corporate activities that focus on the environment, society and governance, the Group aims to be a sustainable corporate group having established a sustainable growth cycle through the creation of value by contributing to the development of a sustainable society and through direct initiatives to resolve various social issues.

Across the world today, in addition to social issues related to the environment and human rights, major changes in the structure of society could occur as a result of the COVID-19 pandemic in 2020. Going forward, we believe the business environment surrounding the Group will become increasingly uncertain.

Under these circumstances, the Group is sharing its clear vision for the future so that everyone has a long-term perspective and a purpose. Combining its experience and knowledge in solving social issues, networking with people who have a common sense of purpose, and digital technologies based on its many years of experience, the Group is promoting a digital commons for society that will lead to the creation of both social value and economic value. We are striving for sustainability in Group synergies along with the environment and society.

## System for Promoting Sustainability

The Group is keen to sustain growth while properly addressing social issues that are becoming increasingly complex and uncertain. To this end, we are enhancing activities in line with the Group’s vision and approach to value creation. Recognizing the importance of strengthening management and governance in the context of tackling issues related to sustainability, in 2020, the Group created the position of Chief Sustainability Officer (CSO) to be responsible for sustainability management strategies and initiatives that contribute to the achievement of SDGs. We appointed our CMO CCO, Representative Director & Executive Corporate Officer, who is in charge of corporate governance, to the position of CSO. At the same time, the Company created the Sustainability Committee as a decision-making entity headed by the CSO. Moreover, as subcommittees of the Sustainability Committee the Environment Contribution Committee and the Social Committee were established.

## Response to Social Issues and Participation in International Initiatives

The Group is advancing business activities centered on priority areas and taking initiatives to reform our corporate culture. Also, as outlined in the policy of our mid-term management plan, the Group is solving issues to become a core capable of creating business ecosystems that connect different categories of businesses across conventional boundaries to answer expectations from stakeholders for achieving SDGs adopted by the United Nations in September 2015, and for realizing Society 5.0, Japan’s vision for society that was declared in the 5th Science and Technology Basic Plan, which was approved by Cabinet decision in January 2016.

In March 2014, the Group became a signatory of the United Nations Global Compact, in response to the global expansion of operations at its customers and partners into new business regions. The Group is constantly working towards achieving the ten principles related to human rights, labor, environment and anti-corruption. With regards to human rights and labor, the Group has signed the Women’s Empowerment Principles (WEPs), and for initiatives related to the environment, the Group has endorsed the Task Force on Climate-related Financial Disclosures (TCFD), while also participating in RE100.

Through its endorsement of such visions inside and outside Japan, and by supporting similar initiatives, the Group is making concerted efforts to recognize social issues and enhance its ability to address the expectations and demands of society. We aim to be a company that remains trusted by its stakeholders, and fulfills the expectations placed on us.



### SUSTAINABLE DEVELOPMENT GOALS



## Identification of Materiality

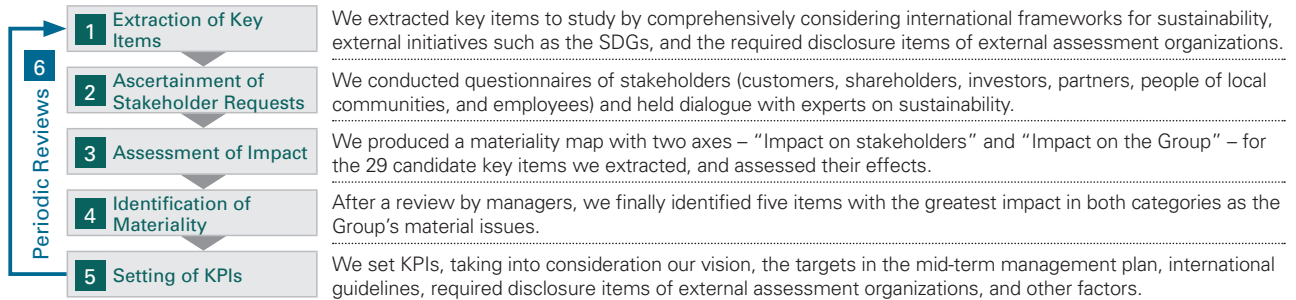
Aiming to be a sustainable company, in 2016, the Nihon Unisys Group identified the materiality (material sustainability issues) that it should prioritize, focusing on two aspects: “realization of a sustainable society” and “establishment of a sustainable growth cycle for the Group.” Since FY2017, we have set and are working toward targets for these materiality issues.

### Pathway for Establishing a Sustainable Growth Cycle for the Nihon Unisys Group

Materiality	Social value provided	Economic value gained
<p><b>Resolving social issues with business ecosystem</b></p> <p>Four priority areas</p> <ul style="list-style-type: none"> <li>Neobanks</li> <li>Digital Acceleration</li> <li>Smart Towns</li> <li>Asset Guardian</li> </ul> <p>Main Related SDGs: 17 PARTNERSHIPS FOR THE GOALS</p>	<ul style="list-style-type: none"> <li>Through innovation and new services created from business ecosystems, solve social issues that a single company alone cannot fix</li> <li>Realize a sustainable society where “no one will be left behind”</li> </ul> <p>Strategies</p> <ul style="list-style-type: none"> <li>Mid-term management plan “Foresight in sight 2020” (increase of business ecosystem services by advancing business activities centered on priority areas)</li> </ul>	<ul style="list-style-type: none"> <li>Expand business and increase profitability in priority areas</li> <li>Reinforce social and relationship capital by strengthening relationships with customers and partners, and expanding services provided as common assets for society</li> </ul> <p>P.24-P.27, P.30-P.39</p>
<p><b>Building resilient social infrastructure using ICT</b></p> <p>Main Related SDGs: 9 INDUSTRY, INNOVATION AND INFRASTRUCTURE, 11 SUSTAINABLE CITIES AND COMMUNITIES, 12 RESPONSIBLE CONSUMPTION AND PRODUCTION</p>	<ul style="list-style-type: none"> <li>Provide ICT services as dependable and sustainable social infrastructure</li> <li>Realize a resilient society where everyone can live without worry</li> </ul> <p>Strategies</p> <ul style="list-style-type: none"> <li>Improve and reinforce technologies and quality</li> <li>Cybersecurity strategy</li> </ul>	<ul style="list-style-type: none"> <li>Stronger social and relationship capital by earning the trust of society and customers as a result of providing reliable services</li> <li>Increase profitability by reducing business risks, such as major incidents</li> </ul> <p>P.24-P.27, P.64-P.71</p>
<p><b>Sustainable provision of safe and secure products and services throughout the value chain</b></p> <p>Main Related SDGs: 12 RESPONSIBLE CONSUMPTION AND PRODUCTION, 16 PEACE, JUSTICE AND STRONG INSTITUTIONS, 17 PARTNERSHIPS FOR THE GOALS</p>	<ul style="list-style-type: none"> <li>Provision of safe and secure products and services that comply with domestic and international laws and regulations, as well as social norms, based on collaboration with suppliers</li> <li>Provision of products and services that consider the sustainability of the environment and society, based on collaboration with suppliers</li> </ul> <p>Strategies</p> <ul style="list-style-type: none"> <li>Create social value through initiatives along the entire value chain</li> </ul>	<ul style="list-style-type: none"> <li>Stronger social and relationship capital by building trust with customers and suppliers and securing excellent partners</li> <li>Improved profitability by reducing business risks caused by unethical behavior, etc.</li> </ul> <p>P.24-P.27, P.64-P.71</p>
<p><b>Promotion of diversity</b></p> <p>Main Related SDGs: 5 GENDER EQUALITY, 8 DECENT WORK AND ECONOMIC GROWTH, 10 REDUCED INEQUALITIES</p>	<ul style="list-style-type: none"> <li>Realize a society where anyone can work with good health and peace of mind, and job opportunities are available for diverse human resources</li> <li>Contribute to improvements in Japan’s labor productivity amid a decline in the working-age population</li> </ul>	<ul style="list-style-type: none"> <li>Expand business and improve profitability by nurturing human resources able to innovate</li> <li>Enhance human capital by improving productivity as a result of hiring talented personnel and enhancing employee engagement</li> </ul>
<p><b>Implementation of health management</b></p> <p>Main Related SDGs: 3 GOOD HEALTH AND WELL-BEING, 8 DECENT WORK AND ECONOMIC GROWTH, 10 REDUCED INEQUALITIES</p>	<p>Strategies</p> <ul style="list-style-type: none"> <li>Human resource strategy, corporate culture reform</li> </ul>	<p>P.28, P.46-P.49</p>



Process of Determining and Updating Materiality



	KPIs	FY2019 targets	FY2019 results		FY2020 targets
	Numerical targets in mid-term management plan Sales in priority areas	¥45 billion (Forecast as of the beginning of FY2019)	¥48 billion	Advanced cross-functional activities that spanned across boundaries in each priority area to address social issues	¥60 billion
	Online uptime rate	At least 99.990%	99.997%	Since online services in social infrastructure must maintain high uptime rates, including newly operating systems, we will continue to maintain this level is an ongoing target	At least 99.990%
	Disaster countermeasure drills at data centers provided by the Group Frequency	At least once per year at each data center	At least once per year at each data center	Disaster countermeasure drill frequency was monitored at major data centers contracted out by the Group, and it was verified that drills were held 12-13 times per year at each data center	At least once per year at each data center
	Number of serious security incidents	0 incidents	0 incidents	Zero incidence since FY2017	0 incidents
	Security e-learning participation rate by all Group employees	100%	100%	100% course participation rate since FY2017	100%
	Compliance e-learning participation rate by all Group employees	100%	100%	100% course participation rate since FY2018	100%
	Percentage of responses to compliance surveys given to all Group employees	100% by end of FY2020	—	Survey conducted every other year; it was not done in FY2019	100%
	Suppliers' understanding of the Nihon Unisys Group Procurement and Transaction Guidelines (hardware, software, services, system services, system engineering services)	100% by end of FY2020	99.8%	No. of companies surveyed in FY2019: 1,187	100%
	Ratio of management positions held by women (Nihon Unisys non-consolidated)	At least 10% by end of FY2020	7.4%	This ratio has steadily increased from 4.9% in FY2016 (when materiality was set). We have set a target for FY2020 onward to double the number of women in management positions by FY2025, compared with FY2020.	At least 10%
	Ratio of Employees with Disabilities	At least 2.3%	2.31%	Ratio consistently above 2.2% legal mandate for employees with disabilities * Nihon Unisys non-consolidated: 2.27%	At least 2.3%
	Paid leave utilization rate	At least 80%	86.2%	Encouraged employees to take vacation by providing information on vacations taken each month to each organization * Nihon Unisys and its wholly owned consolidated subsidiaries in Japan: 85.3%	At least 80%
	Ratio of employees who worked zero overtime hours for at least one month in a year	100%	100%	We are reviewing the manner in which employees work while targeting a change in consciousness toward more varied and flexible workstyles. 100% ratio maintained since FY2018.	100%
	Number of employees with high stress levels	Under 80% the FY2016 level by end of FY2021	825 employees (86.9% the FY2016 level)	In addition to employees taking better care of themselves, we continue to offer mental care, such as stress checkups, and care through heads of organizations, industrial health staff and specialized organizations	Under 80% the FY2016 level by end of FY2021



# Society

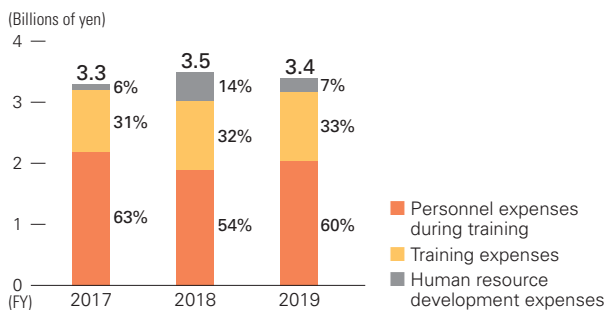
## The Nihon Unisys Group's Approach to Human Resources

The Nihon Unisys Group considers human resources to be an important corporate asset and the driving force for the Group's sustainable growth and for improvement in its corporate value over the medium to long term. Visualizing the changes over time in the amount of investment in human capital and its breakdown, the Group invests approximately ¥3.0 billion each year. We believe that continuous investment in human capital is indispensable for solving social issues that change with the times.

Working together with customers and business partners with the aim of building business ecosystems to resolve social issues requires creating new solutions and providing platforms. Since FY2012, we have been working on our human resource strategy as a key measure of our mid-term management plans. During the period of Innovative Change Plan, our previous mid-term management plan that ran from FY2015 to FY2017, we implemented numerous bold initiatives even in terms of system creation toward the creation of new business models and business ecosystems, including breaking down the walls of vertically divided organizations within the Group and transitioning to an integrated organization. Going forward, we consider it essential to strategically cultivate employees who possess the ability to utilize the outcomes of the initiatives implemented so far in conducting their duties while involving their colleagues as well as the ability to generate greater value by involving external human resources.

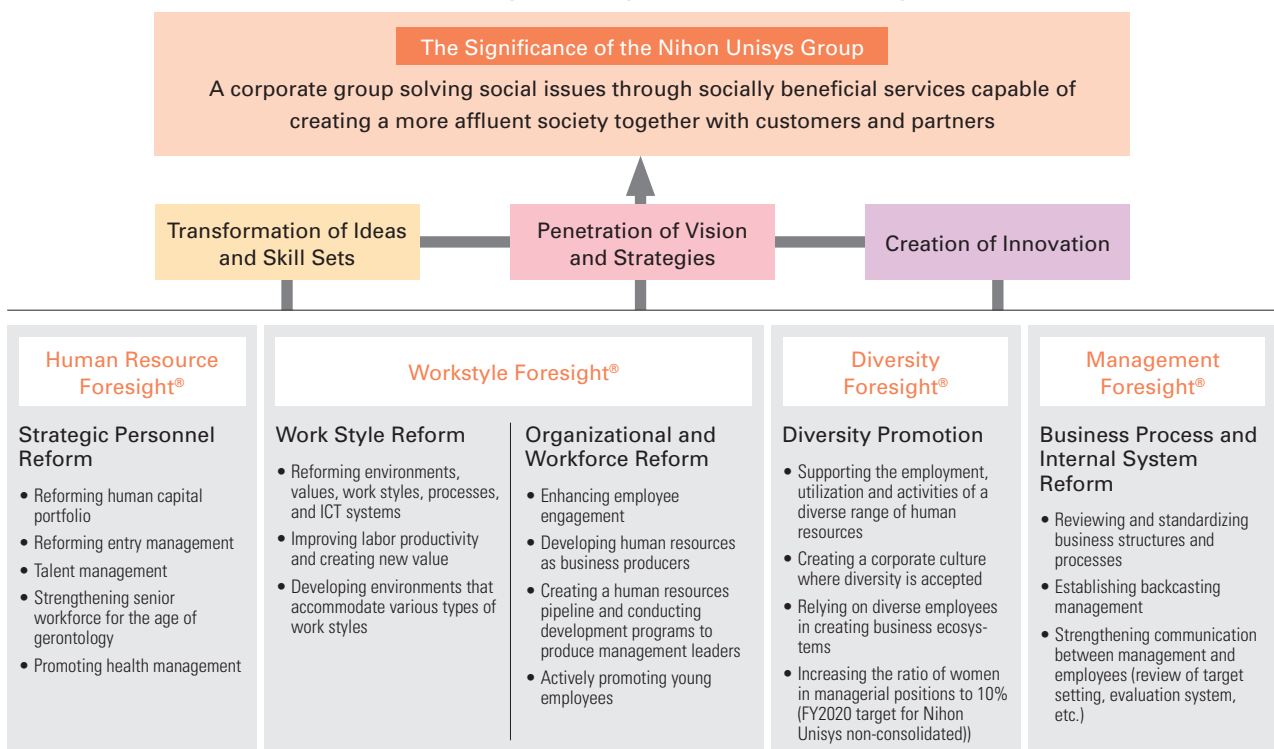
Based on this approach to human resources, the Group has been conducting measures with three emphases: transformation of ideas and skill sets; penetration of vision and strategies; and creation of innovation. Specifically, we have been conducting human resource development programs that encourage employees to create new businesses on their own, personnel evaluations that stress

The Nihon Unisys Group Investment in Human Resources



### Human Resource Strategy in the Mid-Term Management Plan

## The Nihon Unisys Group × Business Ecosystems



challenges taken on by employees, and work style reform. These initiatives have increased our pool of human resources capable of acting as “business producers,” who in aiming to create business ecosystems possess expertise related to business creation, leading to the creation of numerous new businesses and a positive reputation for the Group.

Based on this approach, under mid-term management plan “Foresight in sight 2020,” which started in FY2018 and has FY2020 as its final fiscal year, we promoted improvements in our corporate and organizational capabilities to enable rapid responses to cope with the changes of the times and employee skill transformation to help employees to develop more capabilities for spontaneously creating offerings and designing business ecosystems, while setting corporate culture reform as a key measure to encourage employees to take on challenges.

Underpinning the promotion of human resource strategies for this corporate culture reform are four pillars: Human Resource Foresight™ for strategic personnel reform in light of changes in our internal and external environment; Workstyle Foresight® that promotes work style reform and organizational and workforce reform; Diversity Foresight® to practice and promote diversity; and Management Foresight® for business process and internal system reform. Through these corporate culture reform initiatives, we are aiming to build business ecosystems that is directly linked to the resolving of social issues by a transformation in each and every employee’s ideas and skill sets, instilling the vision and strategies and also by promoting the creation of innovation.

## Human Resource Foresight

### Strategic Personnel Reform

To provide business ecosystems and platforms in keeping with our efforts to become a highly autonomous corporate organization with a culture capable of transforming society, we must conduct strategic personnel reforms. Moving forward with new initiatives toward human resource reform, the Group has therefore positioned such reform as one pillar that constitutes corporate culture reform under the name “Human Resource Foresight®.” Since FY2019, we have been implementing the “ROLES Foresight™” policy to produce a deeper pool of human resources capable of using their intrapersonal diversity to promote sustainable innovation. Standing for “multiple roles in business execution,” ROLES defines the roles played in business execution and the skills and competencies required to carry out business execution (jobs). A core concept, ROLES visualizes the type, quality, and quantity of human capital required for each kind of business strategy based on management strategies. Not pursuing individual diversity alone, the “ROLES Foresight™” policy also aims to realize advanced organizational capabilities by complementing diverse individuals. By visualizing human capital utilizing

ROLES, we will realize the acquisition, training and strengthening of human resources in line with the management policy; promote the fostering of a culture that facilitates innovation; implement human resource/organizational capabilities that can flexibly respond to changes in the business environment; and strengthen and develop human capital that contributes to corporate growth.

### Health management

The Group believes that employees who are both physically and mentally healthy as well as happy will generate the high productivity and fertile imaginations that lead to corporate development. The Company and Nihon Unisys Health Insurance Society will work together to increase employees’ interest and willingness to engage in health and to energize health promotion activities. We will make contributions to our customers and society through businesses that utilize this initiative.

#### ■ Main Health Management Initiatives and Results in FY2019

- Ratio of those having had regular health checkups 100 %
- Health point program to improve lifestyle habits 2,400 participants
- Holding of various kinds of educational seminars, including RIZAP health seminars 17 events held
- In collaboration with startups, we conducted trials with employees for the stiff shoulder app and the diet improvement app

## Workstyle Foresight

### Work Style Reform

In answer to social demands, such as work-life balance and a response to globalization, work-style reforms have been promoted in the industrial world. From the perspective of preventive measures and business continuity plans (BCPs), the changes in working people’s lifestyles are accelerating due to the prevalence of COVID-19 infections.

The Group believes that both new business creation and individual growth will be facilitated by having the room to create rich ideas for daily lives. Therefore, in addition to improvements in the working environment and system upgrades in response to these demands, we have been conducting four groupwide measures to promote workstyle reform that will instill a corporate culture that creates new value based on positive change in personal values and work styles. At the same time, we have been aiming to realize work styles that are not restricted by time and place and work styles that are highly productive.

Under the government-declared state of emergency imposed due to the COVID-19 pandemic in 2020, more than 80% of employees carried out their duties by teleworking. Since then, the company-wide attendance rate has remained at around 30% and, in May 2020, we launched the “Work Style Transformation Task Force” to consider new work styles with an eye toward the time after COVID-19. We are now considering and starting trials of measures in

areas such as work styles, work environments, and the further digitization of tasks\*1.

\*1 Refer to Responding to the Impact of COVID-19 on page 68.

#### Four Types of Work Style Reform

Environmental Reform	Personal Values and Work Style Reform	Process Reform
<ul style="list-style-type: none"> <li>Strategic facility management (Consolidation and optimization of business locations)</li> </ul>	<ul style="list-style-type: none"> <li>Flexibility in over-time activities*2</li> <li>Telecommuting/ Telework</li> <li>Paperless operation</li> <li>T3 (Time to think) activities*3</li> </ul>	<ul style="list-style-type: none"> <li>Meeting reform</li> <li>Review and standardization of business structure and processes</li> <li>Foresight in sight activities</li> </ul>

#### ICT Tool Use (System Reform)

- Cloud first (use of Office 365®)
- Mobile first (moconavi®)
- Use of Microsoft Teams
- Use of internal social media

\*2 Achievement of one or more months with “zero overtime (5 hours or less)” during the year

\*3 In technical departments, all employees set aside time each week for work other than their assigned duties, such as coming up with ideas for new businesses and research.

#### Main Work Style Reform Initiatives and Results in FY2019

- Flexibility in overtime activities: 100% achievement rate in FY2019 (Nihon Unisys non-consolidated)
- More than 80% of employees perform their tasks by teleworking in response to COVID-19

#### Organizational and Workforce Reform

The Group is aiming to be a company that “solves social issues through socially beneficial services capable of creating a more affluent society together with customers and partners.” To achieve this, we are promoting “Business Model Transformation” and the “Transformation of Skill Sets” while working on “corporate culture reforms to encourage the taking on of challenges” and “enhancing human resources, which are the source of the Group’s sustainable competitive advantage.”

To do so, we need to be an organization in which each employee acquires new knowledge and skills, generates change independently, and continues to boldly take on challenges. We are now accelerating organizational and workforce reform by implementing new or continuing existing programs aimed at improving employee engagement, cultivating human resources capable of business generation and management, and actively promoting young employees, among other measures. In addition, under our succession plan\*4 for management we are creating a human resource pipeline and implementing programs to continuously produce management leaders.

\*4 Refer to Succession Plan on page 60.

#### Engagement

Improving employee engagement has a positive impact on organizational performance and on business performance. In improving employee engagement so that we can design new business models and maximize our ability to offer these models to society, it is important to create mechanisms and organizations that enable each department to go through its own plan-do-check-act (PDCA) cycle.

In the Group, we regularly conduct engagement surveys to visualize employee attitudes and organizational issues. These surveys are given to all Group employees, and we use the findings to create the necessary mechanisms and structures. After conducting the surveys, results are analyzed, this includes analysis from management, and based on the results of this analysis and advice from external consultants, the person in charge in each department establishes and promotes an action plan based on the issues in his or her own department.

Our Engagement Score (ES), an indicator measuring the level of employee engagement, has improved significantly in recent years.

#### Cultivating Human Resources

In the Group, the guideline for capacity development on which Nihon Unisys CDP (Career Development Program) is premised, is called a career path. We are developing, operating, and expanding various systems and measures related to the recruitment, training, and placement of human resources based on career paths on the basis of our management vision.

Aiming to create business ecosystems, the Group has since FY2017 been defining “business producers” as human resources who possess expertise relating to business creation and has been promoting their education and training. As part of this, we have been conducting the Next Principal program, a human resources development program that aims to discover and cultivate human resources that will create new businesses, since FY2010. We also dispatch them to overseas venture capital firms and external business creation programs so that employees themselves become innovative human resources.

#### Main Cultivating Human Resources Initiatives and Results in FY2019

- Dispatched employees of Nihon Unisys as students to the Master’s Program in the Graduate School of Media and Governance, Keio University Institute for Advanced Biosciences (Tsuruoka City, Yamagata Prefecture), where they are learning how to resolve social issues using advanced science and technology, while working on regional development.
- Held the regular monthly Morning Challenge since 2017, in which all employees, including top management, share trends in open innovation, in FY2020 this has continued to be held online.
- Next Principal program: Up to and including FY2019, a total of 342 employees have participated in the program.
- Geared toward employees who harbor concerns about bringing their ideas to fruition, we held the Planetarium Initiative, an initiative that offers advice with a view to ensuring the realization of such ideas, and introducing human resources in the positions necessary for the idea’s realization.

## Diversity Foresight

### Diversity Promotion

To achieve the Group's aim of realizing companies that create business ecosystems while resolving social issues, it will be essential to promote diversity management that accepts and makes best use of culture and diversity that accelerate innovation.

To facilitate a balance between work and life events such as childcare and nursing care, we have established career development support mechanisms. We have set up in-house systems that go beyond legal requirements as well as offer correspondence courses for employees on childcare leave. We also hold an annual seminar for all Group executives and employees to communicate the thoughts of top management.

Moreover, managers are required to attend training by level and theme (including childcare, nursing care and empowerment of women) to accelerate the development of human resources who can practice diversity management. On an ongoing basis we also conduct educational programs (management positions, leader candidates, mid-level) to establish a human resources pipeline for female employees and implement measures to support LGBT employees and people with disabilities.

Going forward, we will proactively promote measures to increase intrapersonal diversity by offering the chance to take on various challenges and roles.

### Promotion of Active Roles for Women

See this as the first step to take advantage of the diversity of all individuals, we are promoting active roles for women. The Company has two directors, one auditor, and one corporate officer who are women, and the ratio of management positions held by women, which has been used as an index, increased to 10.2% in July 2020 (Nihon Unisys non-consolidated). We will continue our efforts by using "Ratio of women at executives level and above" and "the number of women in managerial positions" as new indicators.

### ■ Main Cultivating Human Resources Initiatives and Results in FY2019

- Ratio of managerial positions held by women: Increased from 4.9% in FY2016 to 10.2% as of July 2020 (Nihon Unisys non-consolidated)
- As the Company is aiming to establish a human resources pipeline for female employees, they have comprised 40% or more of all new graduate hires over the past four years (Nihon Unisys non-consolidated)
- Return rate of employees taking childcare leave: Remained at 95% or higher for more than 10 years
- Numerical targets (Nihon Unisys non-consolidated) for April 2020 to April 2025 have been set as follows:  
Ratio of women at executives level and above: 20%  
Number of women in managerial positions: Double that of FY2020
- Endorsement of Women's Empowerment Principles (WEPs)\*5 in 2020

\*5 Refer to Topics: Signatory to Women's Empowerment Principles (WEPs) on Page 28.

## Management Foresight

### Business Process and Internal System Reform

To transform itself into an organization capable of carrying out its vision and strategies, the Group is squarely tackling an overhaul of its internal rules and its entire system, including innovating business processes and establishing pipeline management. In addition, we are focusing on reforming our organizational culture by establishing backcasting management that starts from the objectives we have set, then works backward to determine what we must do now to get there, and by strengthening communication between management and employees. Accordingly, to ensure that we achieve our objectives going forward, we have introduced and deployed the new Visualized Management Method (VMM®). A feature of VMM® is that it sets clear goals for achievement and determines KPIs through backcasting. In addition to visualizing and sharing achievement status on a monitoring board, it encourages behavioral change through coaching, leading to steady execution of KPIs and achievement of goals.

Since FY2019, we have been holding individual KPI consultation meetings for those interested with the aim of verifying/correcting the effectiveness and validity of KPIs.

### Concerning Respect for Human Rights Efforts and Future Promotion Systems in Social Field

Interest in human rights is growing around the world, especially in Europe and the United States, and domestic and overseas stakeholders expect that companies will tackle human rights issues. The Group supports international norms such as the Universal Declaration of Human Rights and the ILO Core Labor Standards, and recognizes human rights as an important factor in sustainability management and the achievement of the SDGs. Having incorporated a policy of respect for human rights in the supply chain in the Nihon Unisys Group Procurement and Transaction Guidelines in FY2019, in aiming to respect the human rights of all stakeholders in the value chain, including employees, in the countries and regions where we do business, we have also established the related guidelines, such as formulating Nihon Unisys Group AI Ethics Guidelines. In June 2020, Nihon Unisys Group Human Rights Policy\*6 was formulated based on the International Code on Human Rights and the United Nations Guiding Principles on Business and Human Rights. Based on these policies and guidelines, we will promote human rights education and enlightenment activities and human rights due diligence.

In the years to come, the Social Committee, which has been newly established as a subordinate body of the Sustainability Committee, will promote cross-organizational efforts to address important issues in the social field, such as reforming the Group's corporate culture and respecting human rights, while contributing to the achievement of the SDGs and the resolving of social issues.

\*6 Nihon Unisys Group Human Rights Policy [https://www.unisys.co.jp/e/about/human\\_rights\\_policy.html](https://www.unisys.co.jp/e/about/human_rights_policy.html)

# Environment

## Long-Term Environmental Vision 2050

In July 2020, the Nihon Unisys Group formulated and published Nihon Unisys Group Long-Term Environmental Vision 2050. Guided by this vision, the Group will fulfill its social responsibility as a company by working with its customers and partners to resolve social issues, in a bid to secure further growth. Through its business

activities, the Group's contributions to the environment go beyond reducing its own CO<sub>2</sub> emissions to encompass all of its stakeholders involved in the creation of business ecosystems and digital commons. Our target is to help realize a zero emissions society.

### Nihon Unisys Group Long-Term Environmental Vision 2050



## Achieving the Long-Term Environmental Vision 2050

In order to achieve a zero emissions society, the Group believes in the importance of visualizing the impact of its environmental contributions on broader society through the digital commons it creates with its own services. The newly created Environmental Contribution Committee has been thoughtfully designed to promote environmental contributions and examine the Group's policies related to environmental contributions. While monitoring the state of policy execution and degree of goal achievement, the committee is charged with steadily advancing towards the realization of the long-term environmental vision.

Meanwhile, we recognize the need to reduce the environmental load of our own business activities. Based on Nihon Unisys Group Environmental Policy and ISO 14001, we are constantly working to reduce environmental load in the Group's business processes. The Group has drawn up Green Procurement Guidelines and conducts surveys of suppliers along its value chain. We intentionally procure products and services with as little environmental impact as possible by coordinating with our suppliers, while encouraging our business partners to lighten their environmental burdens as well.

Our approach to achieving zero emissions goes beyond efforts to reduce greenhouse gas emissions in our business activities. We also aim to contribute broadly to the environment through society and operations at customers.

## Initiatives in Renewable Energy

We understand the proliferation of renewable energy will be a key factor in achieving a zero emissions society. We therefore encourage the spread and growth of markets for trading the value of defossilization. By 2050, the Group aims to attain 100% renewable energy sources for the electricity it uses in Group operations. The Group has also endorsed RE100, an international initiative that share the same goal, and became a member of RE100 in July 2020.

## Climate Change

Around the world, climate change has had a deeper impact, such as more incidents of severe damage caused by the weather. On global capital markets, the movement to expand sustainable financing has gained momentum. Companies are now strongly expected to disclose information about their specific actions to achieve a decarbonized society in line with goals set forth by the Paris Agreement. Against this backdrop, Nihon Unisys declared its agreement with the Task Force on Climate-related Financial Disclosures (TCFD\*) in April 2020. The Group aims to enhance its corporate value over the medium to long term by strengthening initiatives to mitigate and adapt to climate change while appropriately disclosing information.

\* TCFD: TCFD is a task force led by private-sector companies to facilitate the disclosure of climate-related information, that was started as the result of growing worldwide requests for the disclosure of climate-related information.



## Governance Related to Climate Change

The Group maintains a corporate governance system that recognizes the importance of addressing environmental problems, such as climate change, as a priority issue for management in the improvement of medium- to long-term corporate value.

In 2020, Nihon Unisys established the Sustainability Committee as a decision-making entity, and set up the Environmental Contribution Committee under it as an organization dedicated to addressing environmental contributions.

P.56 Corporate Governance Structure

## Strategy

The Group recognizes the importance of taking a proper and strategic approach, and has identified climate-related risks and opportunities that may impact its medium- to long-term corporate value and the sustainability of its business model.

The Group properly assesses and manages risks. As for opportunities, the Nihon Unisys Group believes its core business areas of IT and digital services will play a key role in resolving environmental issues. We see opportunities for medium- to long-term growth in the creation and expansion of services that help mitigate and adapt to climate change. From FY2020, we launched initiatives to visualize and monitor the impact our products and services have in terms of environmental contributions, and we are still in the

examination stage.

By TCFD category, the Group has clarified its assessments and responses to the risks and opportunities for its businesses from the transition to a decarbonized society in line with the goals of the Paris Agreement by 2050, as well as the physical risks and opportunities inherent in the growing scale of weather-related damage, assuming the current level of CO<sub>2</sub> emissions in social and economic activities remains unchanged (Table 1 and Table 2 below).

## Risk Management

The Group is working to integrate its Group risk management system in view of the importance of climate-related risk management from a long-term perspective, while reflecting laws and regulations, as well as changes in government policy and economic systems during the transition to a decarbonized society into the latter part of this century.

## Indicators and Targets

The Group has set a target for purchasing 100% renewable energy for its own needs by the year 2050, and joined RE100 in July 2020. As milestones toward this target, the Nihon Unisys Group has finalized interim targets for the ratio of renewable energy in its electricity procurement, at 13% by 2030 and 70% by 2040.

Table 1: Impact on the business activities and response in each TCFD risk category

Type of risk	TCFD category	Main impact	Timeline for impact to emerge	Response aim	Key initiatives
Transition risk	Government policies and regulations	Increase in business costs from higher carbon prices after introduction of decarbonization and non-emission trading * Based on the 1.5°C scenario	Medium to long term	Promotion of decarbonization throughout supply chain	<ul style="list-style-type: none"> <li>Staged shift to renewable energy</li> <li>Energy conservation in corporate activities</li> <li>Continuous revision and improvement in Green Procurement Guidelines, including selection of data centers</li> </ul>
Physical risks	Immediate	Increase in business costs from responding to negative impacts (health, safety, long-term work absence) on the labor force, disruptions in supply chains and transportation, and service interruptions caused by damage from weather events, such as large-scale blackouts and wind/water damage * Based on the 4°C scenario	Short to long term	Reinforce resilience of businesses to large-scale weather damage	<ul style="list-style-type: none"> <li>Strengthen, continuously review and improve business continuity plan (BCP) P.64</li> <li>Operate, continuously reassess and improve the telework system</li> <li>Continuously revise and improve Green Procurement Guidelines, including selection of data centers</li> </ul>

(Note) Definition of timelines: Short term: until 2023; medium term: until 2030; long term: until 2050

Table 2: Impact on the business activities in each TCFD opportunity category and business strategy initiatives

Objective	TCFD category	Main impact	Contribution field	Initiatives in mid-term management plan	Key initiatives
Mitigation of climate change	Products and services, markets	Development of services that help mitigate climate change and increase earnings on growth in related markets	Promote avoidance and reduction of greenhouse gas emissions by improving energy efficiency; Promote the generation, storage, and use of renewable energy	Realize sustainable energy society P.27	<ul style="list-style-type: none"> <li>Energy management and cloud service business</li> <li>Energy business and cloud service business</li> <li>Electric vehicle recharging infrastructure systems business</li> <li>Participate in national non-fossil fuel energy value trading market-related businesses</li> <li>Participate in demonstration projects for mitigating climate change</li> <li>Create new services that help mitigate climate change</li> </ul>
Adapt to climate change	Products and services, markets	Create new services through innovation and R&D that facilitates adaptation to climate change, increase earnings on growth in related markets	Reduce negative impact on the current and future climate, avoid increasing adverse climate change impacts	Contribute to a resilient society P.26	<ul style="list-style-type: none"> <li>Create businesses that use digital technology for verifying and visualizing accurate information, to assist infrastructure inspections and crisis response headquarters in disaster prevention and mitigation</li> <li>Businesses related to work-style reforms that do not depend on the movement of people, such as telework, during natural disasters</li> <li>Participate in demonstration projects for adapting to climate change</li> <li>Create new services that help adapt to climate change</li> </ul>



# Taking a hard look at Nihon Unisys and providing strong support

## Dialogue with the CEO and Outside Directors

We invited journalist Ms. Atsuko Fukushima to facilitate an online discussion about the state of corporate governance at Nihon Unisys with Chairman of the Board of Directors & President Hiraoka and independent outside directors Mr. Kawada, Ms. Sonoda and Ms. Sato.

### Roles and Responsibilities of Outside Directors

**Fukushima** To begin, I would like to ask everyone about the role of outside directors and the ideal shape of the Board of Directors.

**Hiraoka** I have been president for five years now. Over this time, we have tried to solve the thorny issue of balancing economic value with the creation of social value while undertaking ongoing internal changes. To achieve success on this front, the Board of Directors welcomes the advice of its outside directors from various perspectives, and believes in the importance of reflecting their opinions on the business execution side.

**Kawada** In fulfilling their role, it is important that outside directors draw on their diverse backgrounds and expertise when commenting on the company and its direction. Innovation at a company is an essential element for the creation of social value. As outside directors, we should contribute to innovation based on the corporate culture of Nihon Unisys while considering the very nature of its corporate culture.

**Sonoda** Vision and purpose are also essential. On a personal note, I pay particular attention to whether the Company has a reason to exist within society in the future.

With CSR viewed as a “defensive” approach, it is important to also take an “offensive” approach by considering how the Company’s businesses give it reason to exist in future society, and what kind of society it envisions in the future. In this regard, the Company’s most important asset is its employees. Nihon Unisys is passionate about creating workplaces where all employees can utilize their skills to their fullest.

**Sato** In these unusual times, I believe it is management’s first and foremost priority to protect the health and safety of employees and other stakeholders. Nihon Unisys quickly took steps to combat the spread of COVID-19. Amid limited resources, management continues to list by priority what should be cut and what should stay. I believe an important role for an outside director is to monitor whether management is moving in the right direction on this.

### Evaluation of Board of Directors

**Fukushima** Next, how would you evaluate the state and initiatives of the Board of Directors at Nihon Unisys?

**Sonoda** When I was first appointed, I was the only female director at Nihon Unisys, so I asked the Company to increase the number of women on the board. After Ms. Sato joined, I feel like discussions have taken on a completely different resonance. In addition, I believe that the increased opportunities to talk outside Board of Directors meetings have deepened the understanding of each director’s thinking and led to lively discussions at subsequent Board meetings.

**Kawada** I believe the Board of Directors functions very effectively at Nihon Unisys. As an open company, I feel that feedback is welcomed. More specifically, executive officers provide timely and adequate explanations of important information, such as for risky projects, to the Board of Directors. As an outside director, I raise questions and point



Facilitator / journalist  
**Atsuko Fukushima**

Ms. Fukushima has served as a newscaster for the news programs of NHK, TBS, and TV Tokyo. She has interviewed over 700 business owners and operators while also giving lectures and actively participating in forums that focus on such themes as the economy, management, the environment, and diversity. Moreover, Ms. Fukushima serves as an outside director and has fulfilled the role of management advisor at certain major corporations.



Representative Director, President,  
CEO & CHO

### Akiyoshi Hiraoka

Mr. Hiraoka joined the Company in April 1980. Appointed as a Corporate Officer in June 2002. After serving as a Senior Corporate Officer and Executive Corporate Officer, he was appointed Representative Director, President & CEO and CHO in April 2016.



Director  
(Outside Director and Independent Officer)

### Go Kawada

Mr. Kawada's career includes head of Osaka Regional Taxation Bureau, Consul of the Consulate-General of Japan in San Francisco, Director of International Operations at the National Tax Agency Commissioner's Secretariat, Director of Collection Department of the National Tax Agency, and Regional Commissioner of the Sendai Regional Taxation Bureau. He became an Outside Director at Nihon Unisys in June 2013.



Director  
(Outside Director and Independent Officer)

### Ayako Sonoda

After working at an ad agency and Recruit Eizo Co., Ltd., Ms. Sonoda established Cre-en Incorporated in 1988 and assumed the position of Representative Director. She has been involved in the production of environmental, CSR and integrated reports for 700 companies, including Panasonic Corporation. She has been an Outside Director of Nihon Unisys since June 2015.



Director  
(Outside Director and Independent Officer)

### Chie Sato

Ms. Sato became an independent author and consultant after working at NHK, Boston Consulting Group and Walt Disney Company (Japan) Ltd. She has been an Outside Director of Nihon Unisys since June 2017.

out certain concerns. In some cases, I provide an opposing opinion. I believe it is this specific and active debate that makes governance work. I give the Company high marks on these aspects.

**Sato** I get the impression that our views are taken seriously by the executive officers. A common problem among Japanese companies is that they take longer on business execution than their international peers, but Nihon Unisys is tackling this in earnest. Every year, the Company surveys the effectiveness of the Board of Directors, and all the company's corporate officers honestly fill out the survey without reservation. On reading the results of the survey, I can see issues that I should address as an outside director, in addition to the Board of Directors.

**Hiraoka** On the Board of Directors information, even information that is of an internal nature and not normally put forward or has yet to be confirmed, is openly and proactively submitted to meetings, and the diverse opinions of the outside directors are fed back to the business execution side. We are able to have lively discussions, and I believe the employees have picked up on this tone. Earnings have improved, and employee engagement scores have also risen on the survey.

## Composition of Board of Directors and Nomination and Remuneration Committee

**Fukushima** The number of directors was reduced by one in 2020. Of the eight directors today, three are outside directors. Why were these changes made?

**Hiraoka** These days, directors who have risen up through the ranks are no longer in charge of everything on the business execution side. Corporate officers who are not also directors should execute autonomously. Assuming 10 is about the right number of directors, we want to leave room for increasing directors from outside the Company who are strongly independent, in the context of improving the diversity among board members.

**Kawada** I am in basic agreement with the idea of increasing the number of outside directors. I think an ideal composition is having half or a majority of outside directors on the board, but I understand this is impossible to achieve in short order, so a slow and gradual increase would be best. If this is the case, it will be important to consider the type of experiences and qualifications for strong candidates.

**Sato** Calls for increasing the diversity of directors who are foreign nationals or women are generally on the rise. I believe that Nihon Unisys has a solid corporate culture because we have numerous employees who have worked there for many long years. If the candidate does not respect

this corporate culture, I think it will be difficult for them to function well as an outside director.

**Sonoda** I think it would be good to have an outside director who is an expert in fields that Nihon Unisys intends to challenge, like someone who has knowledge of digital transformation and AI, for example, I also think finding someone who is a generation younger would add to the liveliness of the Board.

I hope the diversity of members on the Board of Directors can be increased, while corporate officers who are not directors execute autonomously.

Akiyoshi Hiraoka

**Fukushima** On the Nomination and Remuneration Committee, the number of inside directors was reduced from three to two people, and the number of outside directors was increased from one to two people.

**Hiraoka** One responsibility of the Nomination and Remuneration Committee is to nominate managers and provide a balance of short-term incentives and longer-term incentives. In this regard, the role of the Nomination and Remuneration Committee is rather important. If internal directors form a majority, the thought process tends to focus on insiders. For this reason, I have asked Mr. Kawada, the outside director who heads the committee, to ensure outside directors form half its members.

**Kawada** Under the previous system, my approval as an outside director was necessary for the Nomination and Remuneration Committee to pass a resolution. Now that Ms. Sonoda is on the committee, the ratio of outside directors has increased, and this should lead to more interesting discussions.

**Sonoda** I feel the weight of responsibility in this role, and I will put my best effort forward on the committee. With regard to remuneration, it is important to consider not only finances, but also ESG. For the environment and social aspects of EST, the Company has introduced non-financial KPIs as incentives, and I believe it is our responsibility to evaluate these KPIs.

## Succession Plans

**Hiraoka** In a world of increasing uncertainty, a pyramid-shaped organizational structure slows down decision-making, making it harder to compete, in my opinion. Corporate officers and senior management must autonomously

I hope that the people who aim to be the next generation of management will proactively network with a wide range of people outside the Company, gather information and bring it back in-house.

Go Kawada

ously and independently move forward, but not from the perspective of a director who has risen up through the ranks. In this context, succession plans and grooming candidates for management positions is critical, as it entails finding, selecting, and training human resources able to manage organizations.

**Fukushima** Nihon Unisys launched a management leadership program in fiscal 2018, and Ms. Sonoda has even been an instructor for this program.

**Sonoda** There are a large number of highly aware people here who are strongly motivated to succeed. I see the need for succession plans based on a medium- to long-term timeframe with broad perspectives, in the context of drawing a future vision for the Company and creating business concepts. Nihon Unisys has had a solid business model to date, and it may be difficult to drastically change its business model. With that said, I believe the Company's next step should focus on solving social issues with its customers, while carefully tending to its broad and diverse customer base.

**Sato** Succession plans are important in the sense of showing that a company is determined to continue existing in the future. At major international companies, employees in their 20s and 30s are chosen to participate in intense training programs to become candidates for core management positions. In Japan, unfortunately, employees all start out doing the same work under seniority-based pay systems, leaving them with fewer opportunities to train and think like a business owner and operator. While it may seem daunting, I think Nihon Unisys should take a longer perspective to grooming candidates for the president two or three generations out, for example, by selecting candidates who are younger.

**Kawada** Employees who would like to become the next generation of management should network with a wide range of people outside the Company, gather various information from a broad spectrum of sources, and bring back this information and new ideas for in-house consideration. In succession plans, it is very important to have a transparent process for selecting successors, including the attributes desired. In fiscal 2019, Nihon Unisys began to hold events for exchanging opinions with corporate officers and outside directors, and this has invigorated discussions among management. I believe these events like these are a good opportunity to discover successors.

I believe Nihon Unisys should take the initiative in thinking about how to resolve social issues with its customers, while taking care of its customer base spanning a broad range of sectors and industries.

Ayako Sonoda

**Hiraoka** In addition, succession planning and training is a difficult issue and as such is a topic of weekly discussion. For the past 20 years or so, however, we have held study sessions for talking about our mission outside of work, and by incorporating everyone's opinion in a transparent manner, I think we can come up with a unique succession plan.

## Future Growth of the Nihon Unisys Group

**Fukushima** What do you think the Nihon Unisys Group must do to ensure growth?

**Hiraoka** In these uncertain times, we must evolve our business model through a trial-and-error process. People are the most important resource for changing our business model. I believe organizations are stronger after they change when employee mindsets are along for the ride, rather than frameworks. To change the atmosphere and culture of the Company, the first step is to get everyone to know the Company very well, and then have conversations without reservation about what makes Nihon Unisys unique, in greater detail than before. Purpose and vision become extremely important when a company tries to change its organization into a more autonomous one, instead of a pyramid shape. I aim to help in this process of organizational change where initiative can be demonstrated, and in realizing a Board of Directors that conveys inspiration.

**Sonoda** Under President Hiraoka's leadership, employees have gradually changed from short- to long-term thinking. As the times change going ahead, Nihon Unisys must envision growth scenarios. The Company's endorsement of TCFD has moved the time horizon of management's thinking forward to 2050. Rather than realizing decarbonization by achieving numerical targets, I believe it will be key to analyze in detail the risks and opportunities that arise from climate change, and respond quickly, or truly change the business model. Nihon Unisys also became a signatory for Women's Empowerment Principles (WEPs), an international framework. While advancing diversity & inclusion, in addition to gender equality, an important issue to address is the creation of motivational organizations that foster excitement toward a vibrant future among diverse employees. I think Nihon Unisys should have deeper discussions about how this will be practically implemented in its businesses, and then move to take specific actions.

**Kawada** Nihon Unisys has a really good corporate culture. As I mentioned earlier, for a company to grow into better shape, it is essential that employees broaden their attributes and personalities while expanding the quality and volume of information held. One way to do this is to discuss this in meetings with outside directors, auditors and corporate officers, as well as meetings between female employees and the two female outside directors.

With its "second founding" at hand, I believe it is vital that Nihon Unisys create a vision that will serve as a guide as it reinvents itself.

Chie Sato

**Sato** I had the opportunity to exchange ideas with young employees of Nihon Unisys, and asked them what kind of company they wanted the Company to be. Many of the responses were along the lines of "I want Nihon Unisys to be a company that my own children are proud of," and "I want Nihon Unisys to be a company that is still around for my grandchildren." I believe the key issue here is how the Company can seize upon opportunities for growth and changing its business model after the COVID-19 pandemic ends. Amid a number of concrete issues to overcome for sustainable growth, and with its "second founding" at hand, I believe it is vital that Nihon Unisys create a vision that will serve as a guide as it reinvents itself.

**Hiraoka** As the next step, I hope that corporate officers who are not directors and other management class employees will participate in Board of Directors meetings to experience how management engages in discussions and see what areas are being checked and monitored. By becoming more open and incorporating outside views, the Board of Directors can have a positive influence on employees, and ultimately lead to the formation of better succession plans. I also ask the outside directors to cooperate with our efforts to further communications with employees.

In our unending efforts to improve corporate governance, we will continue to put our best foot forward.

# Corporate Governance

## Basic Stance

A mechanism of corporate governance that enables management to make prompt and sound management decisions under appropriate and effective supervision is indispensable to the Nihon Unisys Group’s continuous growth and increase in medium- to-long-term corporate value. The Company shall create, maintain, and ceaselessly improve this mechanism.

Furthermore, the significance of the existence of the Group lies in its ability to contribute to society. Based on this belief, the Company stipulates as part of its corporate philosophy, “Listen sincerely to our stakeholders to improve our corporate value” in order to create relationships of trust with all stakeholders, and shall proceed with its business activities in accordance with this principle.

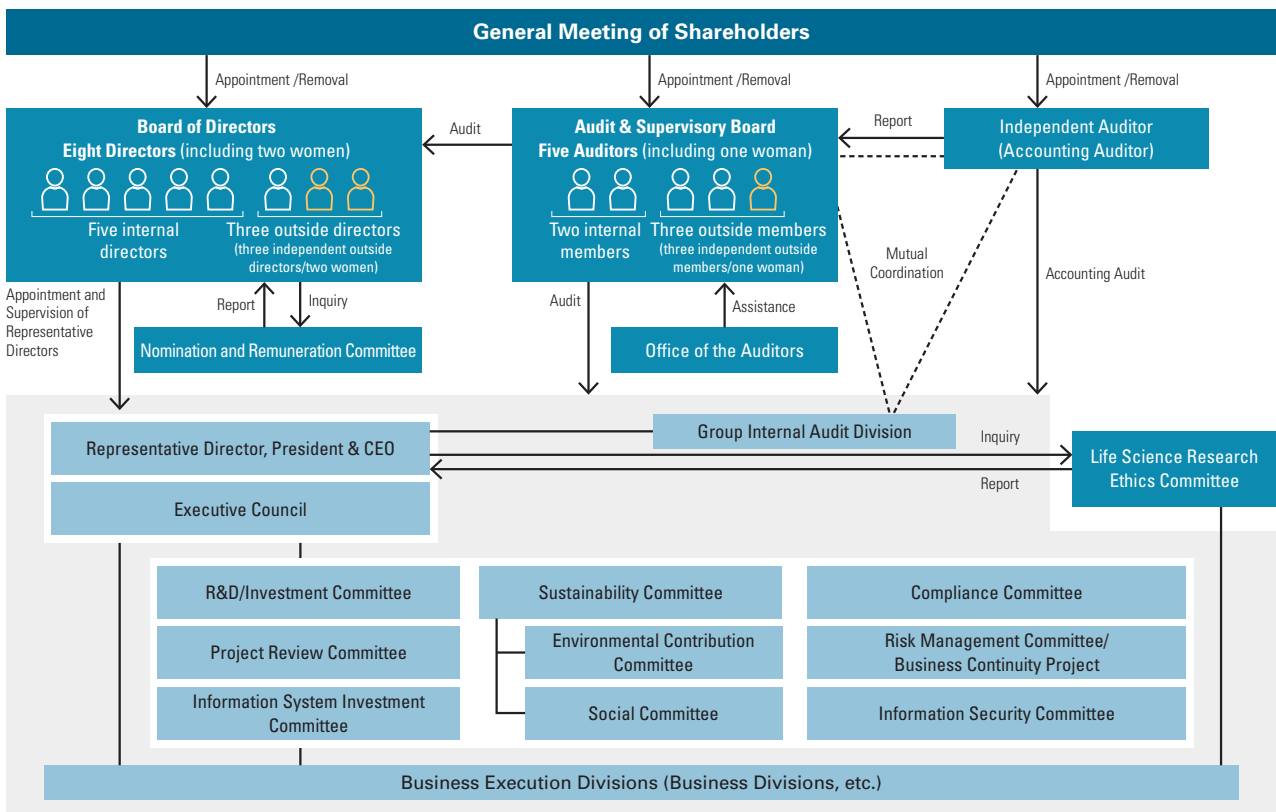
## Corporate Governance Structure

Nihon Unisys has determined that an audit system that includes supervision by the Board of Directors that includes outside directors and auditing by outside auditors is effective for monitoring management, and thus has adopted an Audit & Supervisory Board structure.

Given the decision-making speed required in light of the changing market environment, the Company aims to make

decisions that combine a broader perspective with objectivity and transparency as well as to ensure the effectiveness of supervisory functions related to the execution of duties. It will accomplish this by utilizing internal directors who are well-versed in the state of the Company and its industry and appointing persons with extensive business experience and expertise as outside directors.

Corporate Governance Structure (As of October 1, 2020)



### Nomination and Remuneration Committee

An advisory committee to the Board of Directors that deliberates and reports on matters pertaining to personnel and remuneration of our executives. Two of the four committee members are independent outside directors, and one of them serves as chairperson. The attendance of the independent outside director and the agreement of all members, including the independent outside director, are required when making resolutions.

### Executive Council

The Executive Council is a decision-making body for deciding important matters of business execution. Members included corporate officers who concurrently serve as directors, and meetings are held weekly, in principle.



## Various Other Committees: Deliberate on Individual Management Issues Related to Directors' Execution of Duties from a Practical Point of View

R&D/Investment	Deliberates on the advisability of plans for businesses, products and services based on the Group's priority areas, and decides whether to invest in such plans. Also evaluates actual results versus forecasts for such plans and requests a review as necessary.
Project Review	Determines the business risks and appropriate countermeasures for important development and service businesses, and decides whether to implement such countermeasures. Also evaluates actual results versus forecasts for such projects and requests a review as necessary.
Information System Investment	Deliberates on the advisability of cost, effectiveness, applied technologies and other matters for the Group's own system development and operation and decides whether to invest in such systems. Also evaluates actual results versus forecasts for such plans and requests a review as necessary.
Sustainability	Formulates measures and policies on achieving group SDGs, determines the appropriateness of overall business activities from an ESG perspective, comprehensively determines action promotion and evaluations, and requests a review as necessary.
Environmental Contribution	Manages and monitors investigations of environmental contribution-related policies as well as the design and implementation of mechanisms to promote environmental contributions.
Social	Consideration of policies on social fields, design of mechanisms to promote a social response and the management and supervision of the status of implementation, as well as other endeavors including corrective action on issues of concern
Compliance	Oversees compliance programs such as Group compliance education and internal reporting.
Risk Management/ Business Continuity Project	Handles various risks that exert a material impact on Group management and ensures business continuity.
Information Security	Formulates strategies for overall Group security and personal information protection, and considers and promotes various measures based on those strategies.
Life Science Research Ethics	Examines the validity of research on people within the Company reviewed by an independent organization from an ethical and scientific perspective, and requests a review as necessary.

## Initiatives to Enhance Corporate Governance

In order to express its basic stance, the Nihon Unisys Group ceaselessly improves on initiatives for enhancing corporate governance as a mechanism for implementing transparent, fair, prompt, and decisive decision making.

Overall Overall Corporate Governance Diversity Diversity in Directors and Audit & Supervisory Board Members Succession Succession Plan  
Effectiveness Evaluation of Effectiveness of the Board of Directors Remuneration Remuneration System

	Main Initiatives	Details/Objectives
2001	Overall Introduced corporate officer system	Separation of management supervision and execution and more efficient business execution
2002	Overall Appointed outside directors (4 persons)	Strengthening of supervisory functions
	Overall Increased the number of outside auditors (3 outside members out of 4)	Strengthening of audit system
2004	Overall Changed the term of office of directors from two years to one year	Establishment of a flexible management structure and clarification of directors' responsibilities
2012	Remuneration Introduced performance-based remuneration system for directors (excluding outside directors) and corporate officers	Increase in motivation to contribute to improving business results and corporate value
2013	Overall Changed the ratio of outside directors to at least one-third (3 outside directors out of 9)	Improvement of management transparency and objectivity
	Overall Increased the number of outside auditors by one (4 outside members out of 5)	Strengthening of the audit system
2015	Overall Established Corporate Governance and Internal Control Principles	Clarification of basic approach to corporate governance and internal control and its structure/management policy
	Overall Revised the regulations of the Board of Directors, etc.	Revision of agenda standards at Board of Directors meetings
	Overall Established Nomination and Remuneration Committee	To obtain the involvement and advice of an outside independent director on the appointment, removal and remuneration of directors and Audit & Supervisory Board members
	Diversity Increased the number of female outside directors by one (from 3 to 4 including male outside directors)	Strengthening of diverse viewpoints
2016	Overall Established Evaluation Criteria for Independence of Outside Directors	Clarification of the Company's standards for independence
	Overall Revised the evaluation criteria for independence in the Evaluation Criteria for Independence of Outside Officers	Clarification of independence criteria for outside auditors
	Succession Formulated a senior management succession plan including the CEO	Sustainable growth
	Effectiveness Started evaluation of the effectiveness of the Board of Directors	Improve the functioning of the Board of Directors
2017	Remuneration Introduced performance-linked bonuses	Increase in motivation to contribute to improving business results and corporate value
	Overall 3 outside directors and 3 outside auditors	Stricter interpretation of definition of outside officers and Strengthening of diverse viewpoints
2018	Succession Launched the Management Leader Program	Selection and cultivation of candidates for senior management, including the CEO
	Effectiveness Expanded the scope of the senior management succession plan Evaluated effectiveness in FY2017 (third time) after appointing an outside specialized agency	Use of objective analysis by external experts for evaluation
2019	Overall Appointed an outside director as chairperson of the Nomination and Remuneration Committee	Improve the effectiveness of the corporate officer remuneration system
2020	Overall Formulated the selection criteria and procedures for outside directors	Improvement of management transparency and objectivity
	Overall Increased the number of independent outside directors in the Nomination and Remuneration Committee to two	Strengthen the independence and objectivity of the Nomination and Remuneration Committee
	Effectiveness Evaluated effectiveness in FY2019 (fifth time) after appointing an outside specialized agency	Use of objective analysis by external experts for evaluation

## Background of Nihon Unisys Group' Governance Structure

The Nihon Unisys Group aims to further expand its business opportunities by resolving social issues through its business activities and earning trust from customers and society.

Achieving this sustainable growth cycle and creating business ecosystems requires the establishment and operation of an effective corporate governance structure that enables effective, transparent, fair, prompt and decisive decision making for the evolution of its business models and the value creation process.

In addition, in creating business ecosystems, it will be important to engage with an even wider range of stakeholders.

Therefore, the Nihon Unisys Group ensures the diversity of its directors and Audit & Supervisory Board members, and considers a succession plan for speedy evolution of the Group to be a priority item for the establishment and operation of the Group's corporate governance structure. To promote such a structure, the Group is also focusing on improving its remuneration system for directors and Audit & Supervisory Board members to improve corporate value.

The following explains the corporate governance structure of the Nihon Unisys Group and the four associated priority items mentioned above: (1) evaluation of the effectiveness of the Board of Directors; (2) diversity in directors and Audit & Supervisory Board members; (3) the succession plan; and (4) the remuneration system.

## Status of Response to Corporate Governance Code

All areas are addressed. See the Company's website listed below for details on corporate governance and internal control.



<https://www.unisys.co.jp/invest-e/com/governance.html>

- Corporate Governance and Internal Control Principles
- Corporate Governance Report

<https://www.unisys.co.jp/invest-j/com/governance.html>

- Systems to ensure the properness of operations (Internal Control System) (Available in Japanese only)

## Procedures for Appointing and Dismissing Board of Directors

Candidates for directors who will concurrently serve as corporate officers (below, senior management) are selected among those who are highly motivated and strong sense of ethics as well as possess knowledge and experience to enable them to precisely and effectively manage the Company. In addition, candidates for directors from outside the Company are selected with diversity in mind among those who possess abundant management experience and specialized knowledge, and are able to provide advice on and supervision of general management from an external, objective and professional perspective. Senior management and outside director candidates are selected by the Nomination and Remuneration Committee of which half are external outside directors, based on selection criteria and procedures formulated by this committee, and selections are decided by the Board of Directors.

The CEO and other members of senior management shall be dismissed if deemed appropriate after deliberations by the Board of Directors in the event of violating the legal regulations and/or the article of incorporation, engaging in dishonest, inappropriate and/or disloyal actions or not sufficiently performing their roles and functions.

## Evaluation of Effectiveness of the Board of Directors

To continuously improve corporate value, Nihon Unisys considers it important for the Board of Directors to enhance governance by fully deploying its functions. Every year since FY2016, the Company has analyzed and evaluated the effectiveness of the Board of Directors in the previous fiscal year and worked to improve its functionality.

In FY2019, the Company set and implemented action policies for issues pointed out in the FY2018 evaluation of the effectiveness of the Board of Directors, including clarifying the selection criteria for outside directors, appointing an independent outside director as chair of the Nomination and Remuneration Committee and reconsidering the corporate officer remuneration system.

Based on these results, in FY2020 the Company has begun measures that include overhauling the corporate officer remuneration system to function as a healthy incentive aimed at the sustained growth of the Group as well as

### Effectiveness Evaluation Process (FY2019 Board of Directors)



#### Evaluation Items

- |                                                                                                                            |                                                                                  |
|----------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------|
| ① Role/functions of directors                                                                                              | ⑦ Officer training                                                               |
| ② Progress of action policies for FY2019, which were determined after evaluating effectiveness in the previous fiscal year | ⑧ Support system for outside directors                                           |
| ③ Size and composition of the Board of Directors                                                                           | ⑨ Role of and expectations for Audit & Supervisory Board members                 |
| ④ Operation of the Board of Directors                                                                                      | ⑩ Relationship with various stakeholders                                         |
| ⑤ Composition and role of the Nomination and Remuneration Committee                                                        | ⑪ Overall effectiveness of corporate governance structure and Board of Directors |
| ⑥ Operation of the Nomination and Remuneration Committee                                                                   | ⑫ Self-assessment                                                                |
- (62 questions in total)

## Results of FY2019 Evaluation and Policies for FY2020

FY2018 Evaluation	<ul style="list-style-type: none"> <li>• Further clarification is needed for the selection criteria for outside directors. Improvement has been made in the other items.</li> <li>• “Size and composition of the Board of Directors,” “Operation of the Board of Directors (lively and open discussions),” “Officer training,” and “Feedback to the Board of Directors on investor and analyst evaluations of the Company” continued to receive high evaluations in FY2018</li> <li>• More in-depth discussion is needed on themes related to the essence of management</li> <li>• Appointment of an independent outside director as chairperson of the Nomination and Remuneration Committee and reconsideration of the remuneration system for directors and Audit &amp; Supervisory Board members are needed</li> </ul>
Actions Taken in FY2019	<ul style="list-style-type: none"> <li>• Appoint an independent outside director as chairperson of the Nomination and Remuneration Committee in FY2019</li> </ul> <ol style="list-style-type: none"> <li>(1) Clarify the selection criteria and procedures for outside directors</li> <li>(2) Review the remuneration system so that executive remuneration functions as a sound incentive for sustainable growth</li> <li>(3) Review the operation of the Board of Directors and further deepen discussions on business strategies, corporate culture reform, sustainability and other themes related to the essence of management</li> </ol>
FY2019 Evaluation	<p>Results received a high evaluation overall, confirming that there is a balance between experience and knowledge among members of the Board of Directors and deliberations on the essence of management have increased through consistently open and lively discussions. However, the following were pointed out.</p> <ol style="list-style-type: none"> <li>(1) While members are currently performing their roles and functions appropriately, it would be desirable for the Company to pursue greater diversification mainly by adding people with experience in managing a business from large companies to the Board of Directors in terms of promoting business model transformation</li> <li>(2) While Board of Directors management has improved and more time is being devoted to important management issues, discussions on matters such as the allotment of medium- to long-term management resources (personnel, funding, etc.) and key risks should be enhanced</li> <li>(3) An examination of the composition and management of the Nomination and Remuneration Committee as well as encouraging information sharing with the Board of Directors is needed</li> </ol> <p>Of note, in FY2020 the Company will continue its efforts to revise the corporate officer remuneration system in accordance with the next mid-term management plan.</p>
Actions to Be Taken in FY2020	<ul style="list-style-type: none"> <li>• Increase the number of independent outside directors from one to two on the four-member (director) Nomination and Remuneration Committee</li> </ul> <ol style="list-style-type: none"> <li>(1) Overhaul the corporate officer remuneration system to function as a healthy incentive aimed at the sustained growth of the Group</li> <li>(2) Select candidates and increase outside directors based on the selection criteria and procedures for outside directors</li> <li>(3) Reconfirm the roles and management methods for the Nomination and Remuneration Committee, work to enhance member discussions while timely and accurately reporting specific details to the Board of Directors</li> <li>(4) Ensure time for information sharing and discussions about important management issues such as the Group’s medium-to-long-term direction and strategies in order to deepen understanding among outside officers</li> </ol>

selecting candidates and increasing outside directors based on the selection criteria and procedures for outside directors.

## Diversity in Directors and Audit & Supervisory Board Members

The Company’s Board of Directors consists of eight members, more than one-third of whom are independent outside directors (two of whom are women). The backgrounds of the outside directors are diverse, and specialists familiar with management, taxation, the SDGs and other matters

have been appointed. At meetings of the Board of Directors, multifaceted discussions that utilize the expertise of each director are conducted. The term of office for directors has been set at one year in order to establish a flexible management system that can respond to changes in the business environment and to clarify management responsibilities. A majority of the Audit & Supervisory Board are independent outside members, including one attorney and one certified public accountant. One member is a woman.

The Company intends to continue emphasizing diversity in appointing various human resources.

	Total Members	Outside Members (Women)	Independent Officers	Percentage of Board of Directors or Audit & Supervisory Board
Board of Directors	8	3* (2)	3	37.5%
Audit & Supervisory Board	5	3* (1)	3	60.0%
Total	13	6 (3)	6	46.1%

\* Nihon Unisys has four directors and four Audit & Supervisory Board members from outside the Company. From FY2017, one director and one Audit & Supervisory Board member who serve concurrently as officers of a principal shareholder are no longer designated as outside officers, although they meet the legal requirements for outside officers, due to not meeting the Company’s independent criteria.

## Succession Plan

Nihon Unisys regards a succession plan for its senior management including the CEO as another priority item for ensuring transparent candidate selection and planned development of management. To ensure the transparency of the selection process, the Nomination and Remuneration Committee, which includes an independent outside director, deliberates and reports to the Board of Directors.

In this plan, integrity is the basis of the seven core competencies listed on the right that have been set as important qualifications required of CEOs including foresight and insight. The Committee believes that the degree to which each requirement is displayed may vary depending on the business environment (periods of change or continuity/growth). The seven core competencies consist of the following three categories on the basis of integrity.

### Our Ability to Create New Value

Foresight refers to the ability to foresee the future of the Nihon Unisys Group, promote a vision with great aspirations and make a commitment to the future. Insight refers to the ability to understand global trends and changes, identify Japanese and worldwide economic swings, and perceive essential value in everything. Determination refers to the ability to decide on a direction with unwavering conviction despite unpredictable conditions and with an awareness of the risks involved.

### Our Ability to Improve

Innovation refers to the power to improve, leaving precedent and custom behind to ambitiously carve out a new path undeterred by difficulties. Passion refers to the ability to gain the cooperation, trust and encouragement from those around you while passionately engaging in all endeavors and communicating extensively.

This also refers to such attributes as a high sensitivity toward information and receiving capabilities, as well as the ability to convey objectives in the direction of realizing dreams, goals to be achieved, and solving problems.

### Staying Power

Execution refers to the ability to steadfastly stay the course to achieve results by setting lofty goals companies should strive for and displaying leadership. Diversity & Inclusion refers to the ability to interact with wide array of people whether inside or outside the Company, recognizing the values of people with various standpoints without stereotyping and pigeonholing them. This also refers to the ability to build proactive relationships based on an understanding of ideas from various corporate and cultural perspectives.

In FY2018, the Company launched the Management Leader Program for managers to enhance the pool of candidates for senior management, including the CEO. The program includes sessions with experts from inside and outside the Company, evaluations with reference to the seven competencies, and challenging assignments.

## Requirements (Qualifications/Competencies)

1	Foresight
2	Insight
3	Determination
4	Innovation
5	Passion
6	Execution
7	Diversity & Inclusion

### The Aim of the Management Leader Program

The aim of the Management Leader Program is to enhance the pool of management leader candidates who will lead the Nihon Unisys Group into the future through sessions with experts from inside and outside the Company, evaluations and challenging assignments.

The Management Leader Program (three stages)	Aims
Management Leader	<ul style="list-style-type: none"> <li>Realizing a succession plan</li> <li>Management assignment awareness</li> </ul>
Management Leader: Advanced	<ul style="list-style-type: none"> <li>Instill the perspectives required for management leader candidates through discussion sessions with directors and experts from inside and outside the Company</li> <li>Secure of pool of next-generation management leader candidates based on evaluation results, rigorously assessing the qualities of each individual through dialog</li> </ul>
Management Leader: Basic	<ul style="list-style-type: none"> <li>Instill perspectives as next-generation leaders</li> </ul>

## Remuneration System

Directors are in principle paid according to their professional responsibilities, with a focus on performance-based pay and taking into account market-rate salaries and employees' salary levels.

Remuneration for directors consists of: (a) fixed remuneration (a monthly salary paid 90% in direct cash deposits), (b) annual performance-based bonuses using net income attributable to owners of the parent as an indicator, and (c) stock options as remuneration linked to medium-to-long-term business performance (appropriated from 10% of total monthly salary paid).

In addition, the Nomination and Remuneration Committee, which consists of four directors, including two independent outside directors, has been established as an advisory body to the Board of Directors to deliberate and report on matters related to the personnel and remuneration of executives. Stock options may not be exercised while the director or other grantee is in office at the Company or one of its subsidiaries. In addition, remuneration paid to non-executive directors including outside directors is not linked to performance and comprises monthly remuneration only set at a certain amount. The exact amount of remuneration is decided by the Board of Directors after deliberation by the Nomination and Remuneration Committee, which includes independent outside directors, within the amount as decided by resolution at general shareholders' meetings.

Policy, etc. on the method for calculating remuneration

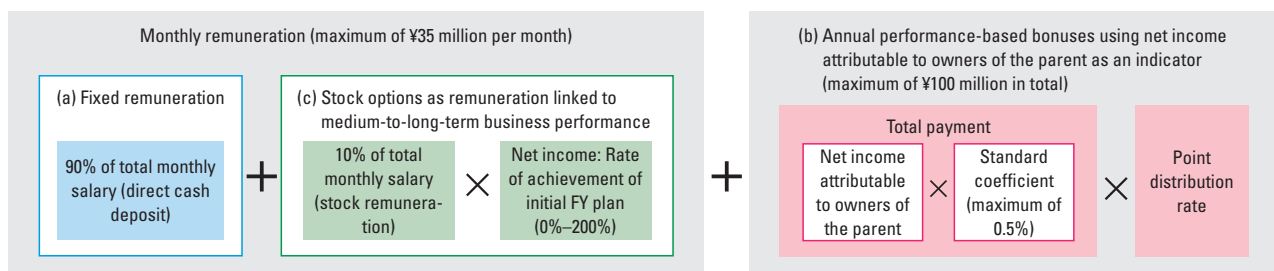
	Directors	Non-executive directors (including outside directors)
Policy	Remuneration is paid according to professional responsibilities, with a focus on performance-based pay and taking into account market-rate salaries and employees' salary levels.	Payment of a monthly remuneration only set at a certain amount based mainly on the career track record of applicable non-executive directors
Remuneration	Fixed remuneration + annual performance-based bonuses using net income attributable to owners of the parent as an indicator and Stock options as remuneration linked to medium-to-long-term business performance	Fixed monthly remuneration

Total Remuneration in FY2019 for Directors and Audit & Supervisory Board Members with Subtotals for Each Type of Remuneration and Numbers of Recipients

Classification	Total Remuneration Paid (Millions of yen)	Remuneration Paid by Type (Millions of yen)			Recipients
		(a) Fixed Remuneration	(c) Stock Options	(b) Bonuses	
Directors (Excluding outside directors)	312	215	25*1	71*1	6
Audit & Supervisory Board members (Excluding outside auditors)	33	33	—*2	—*2	2
Outside directors and outside auditors	63	63	—*2	—*2	6

\*1 One non-executive director is not eligible to receive stock options or bonuses.  
\*2 Audit & Supervisory Board members and outside directors are not eligible to receive stock options or bonuses.  
Note: Figures shown in millions of yen have been rounded down to the nearest million.

Director Remuneration



Cross-Shareholdings

The Company may sometimes hold shares of its business partners if, by maintaining or strengthening its relationship with such business partner based on its evaluation of the growth potential and prospects of the business partner, they are deemed to contribute to the enhancement of the corporate value of the Nihon Unisys Group in ways such as leading to expansion of revenue. The Company acquires such shares after adjudicating the appropriateness of acquiring them pursuant to its internal regulations. Upon acquisition of shares, each year the Company's Board of Directors examines the appropriateness of holding such shares. Based on that examination, the Company proceeds with selling shares that are judged to have poor economic rationality, while considering factors such as the impact on the market. In FY2019, the Company sold 8 stocks (including 3 unlisted stocks) based on the results of this examination. For shares held as of March 31, 2020, the Company confirmed stocks for which its policy is to sell due to the diminished significance of holding by examining the sustainability of the purpose of such shareholding and consistency with its business strategies from a medium-to-long-term perspective. For other stocks, after confirming the appropriateness of continuing to hold such shares, the Company verified related revenue such as dividends and related profit in business transactions to confirm that it was generally higher than the cost of capital.

Policy Regarding Constructive Dialogue with Shareholders and Other Investors

In addition to disclosing information to its shareholders and other investors at a suitable time and in an appropriate manner, the Nihon Unisys Group engages in proactive investor relations and shareholder relations activities, centered on its president, CFO and the executive in charge of corporate governance promotion, in the belief that repeatedly engaging in mutual dialogue leads to the fair assessment of its value. The Group places great significance on the opinions of its shareholders and other investors and reports these opinions to its management and the Board of Directors in a timely manner. These opinions are then used in making improvements to the Company's overall management.

Initiatives in FY2019

In addition to holding financial results briefings each quarter, the Nihon Unisys Group strives for constructive dialogue with investors through such means as small meetings and individual interviews with domestic and overseas investors. The Group is also taking steps to appropriately explain its corporate value through methods including issuing integrated reports and enhancing information disclosure online.



## Directors, Audit & Supervisory Board Members, and Corporate Officers (As of October 1, 2020)

### Directors



**Akiyoshi Hiraoka**  
Representative Director, President, Chief Executive Officer (CEO), Chief Health Officer (CHO)

Apr. 1980 Joined Nihon Unisys, Ltd.  
Apr. 2002 General Manager, Business Aggregation, Nihon Unisys, Ltd.  
Jun. 2002 Corporate Officer, Nihon Unisys, Ltd.  
Jun. 2005 Director, Senior Corporate Officer, Nihon Unisys, Ltd.  
Apr. 2007 Director, Superior Senior Corporate Officer, Nihon Unisys, Ltd.  
Jun. 2007 Superior Senior Corporate Officer, Nihon Unisys, Ltd.  
Apr. 2011 Executive Corporate Officer, Nihon Unisys, Ltd.  
Jun. 2011 Representative Director, Executive Corporate Officer, Nihon Unisys, Ltd.  
Apr. 2016 Representative Director, President & CEO, Nihon Unisys, Ltd. (present)

No. of attendance to the Board of Directors Meetings 11/11  
No. of company shares held 21,500  
Nomination and Remuneration Committee



**Noboru Saito**  
Representative Director, Executive Corporate Officer, Chief Marketing Officer (CMO), Chief Sustainability Officer (CSO), Chief Compliance Officer (CCO)

Apr. 1986 Joined Nihon Unisys, Ltd.  
Apr. 2004 General Manager, Industry & Commerce 2, Nihon Unisys, Ltd.  
Apr. 2009 General Manager, Industry & Commerce, Nihon Unisys, Ltd.  
Apr. 2010 General Manager, Industry & Commerce 2, Nihon Unisys, Ltd.  
Apr. 2012 General Manager, Business Services, Nihon Unisys, Ltd.  
Apr. 2013 Corporate Officer, Nihon Unisys, Ltd.  
Apr. 2016 Director, Senior Corporate Officer, Nihon Unisys, Ltd.  
Apr. 2020 Representative Director, Executive Corporate Officer, Nihon Unisys, Ltd. (present)

No. of attendance to the Board of Directors Meetings 11/11  
No. of company shares held 9,100  
Nomination and Remuneration Committee



**Koji Katsuya**  
Director, Senior Corporate Officer, Chief Administrative Officer (CAO), Chief Digital Officer (CDO)

Jan. 1985 Joined Nihon Unisys, Ltd.  
Jul. 2007 Senior Project Manager, S-BITS Project, SW & Services, Nihon Unisys, Ltd.  
Apr. 2011 General Manager, Financial 3, Nihon Unisys, Ltd.  
Apr. 2012 Deputy Division Manager, Financial Business Division; General Nihon Unisys, Ltd.  
Apr. 2014 Corporate Officer, General Manager, Corporate Planning, Nihon Unisys, Ltd.  
Apr. 2016 Senior Corporate Officer, Nihon Unisys, Ltd.  
Jun. 2016 Director, Senior Corporate Officer, Nihon Unisys, Ltd. (present)

No. of attendance to the Board of Directors Meetings 11/11  
No. of company shares held 3,784



**Kazuo Nagai**  
Director, Senior Corporate Officer

Apr. 1983 Joined Nihon Unisys, Ltd.  
Apr. 2006 Deputy General Manager, Industry & Commerce, Nihon Unisys, Ltd.  
Apr. 2009 General Manager, Airline Business, Nihon Unisys, Ltd.  
Apr. 2013 General Manager, Transportation & Logistics, Nihon Unisys, Ltd.  
Apr. 2014 Corporate Officer, Nihon Unisys, Ltd.  
Apr. 2017 Senior Corporate Officer, Nihon Unisys, Ltd.  
Jun. 2020 Director, Senior Corporate Officer (present)

No. of company shares held 4,400



**Toshiki Sugimoto**  
Director

Dec. 1992 General Manager of 2nd Research & Development Department, Manufacturing Technology Integration Laboratory, Strategic Manufacturing & Information Control System Division, Dai Nippon Printing Co., Ltd.  
Oct. 2000 General Manager of 1st Technical Department, Production Division, Business Form & Securities Printing Operations (concurrently serving as) General Manager of Business Form & Securities Printing Laboratory, Dai Nippon Printing Co., Ltd.  
Apr. 2002 General Manager of Production Division, DNP Data Techno Co., Ltd.  
Jun. 2003 President, DNP Data Techno Co., Ltd.  
Oct. 2009 General Manager of Research & Development Center, Dai Nippon Printing Co., Ltd.  
Jun. 2010 Corporate Officer, General Manager of Research & Development Center, General Manager of Corporate R&D Division, Dai Nippon Printing Co., Ltd.  
Jun. 2011 Corporate Officer, Dai Nippon Printing Co., Ltd.  
Jun. 2014 Senior Corporate Officer in charge of Research & Development Center, Intellectual Property Division, Corporate R&D Division, MEMS Center, General Manager, 3rd Division Advanced Business Center, Dai Nippon Printing Co., Ltd.  
Apr. 2018 Senior Corporate Officer in charge of ICT Business Development Division, Advanced Business Center, General Manager, 3rd Division Advanced Business Center, Dai Nippon Printing Co., Ltd. (present)  
Jun. 2018 Director, Nihon Unisys, Ltd. (present)

No. of attendance to the Board of Directors Meetings 11/11  
No. of company shares held None



**Go Kawada**  
Outside Director, Independent Officer

Apr. 1967 Joined the National Tax Agency; Head of the Kaibara Taxation Office, Osaka Regional Taxation Bureau; Consul of the Consulate-General of Japan in San Francisco; Director, Office of International Operation of the National Tax Agency Commissioner's Secretariat; Director, Administration Office, Collection Department of the National Tax Agency, Regional Commissioner of the Sendai Regional Taxation Bureau  
Sep. 1996 Started practice as a certified tax accountant  
Apr. 1997 Professor, Department of Politics and Economics, Kokushikan University  
Jun. 2002 Chairman, Yamada & Partners Certified Public Tax Accountants' Co.  
Apr. 2003 Professor, Department of Economics, Kokugakuin University  
Apr. 2004 Professor, Graduate School of Global Business, Meiji University  
Jun. 2004 Outside Auditor, BANDAI Co., Ltd.  
Jun. 2006 Outside Auditor, Murata Manufacturing Co., Ltd.  
Jun. 2012 Outside Auditor (Outside Director, Audit and Supervisory Committee since Jun.2019), DAIREI CO., LTD. (present)  
Jun. 2013 Outside Director, Nihon Unisys, Ltd. (present)  
May 2015 Outside Director, Gulliver International Co., Ltd. (present: IDOM)  
Jun. 2015 Advisor, Yamada & Partners Certified Public Tax Accountants' Co. (present)

No. of attendance to the Board of Directors Meetings 11/11  
No. of company shares held None  
Nomination and Remuneration Committee (chairperson)



**Ayako Sonoda**  
Outside Director, Independent Officer

Aug. 1988 Established Cre-en Incorporated and assumed position of Representative Director (present)  
Oct. 2003 Secretary-General, Sustainability Forum Japan (specified nonprofit corporation) (present)  
Jun. 2004 Director, Japan Sustainability Investment Forum (specified nonprofit corporation) (present)  
Jun. 2015 Outside Director, Nihon Unisys, Ltd. (present)  
Feb. 2017 Representative Director, Mirai RITA Foundation (general incorporated foundation) (present)

No. of attendance to the Board of Directors Meetings 11/11  
No. of company shares held None  
Nomination and Remuneration Committee



**Chie Sato**  
Outside Director, Independent Officer

Apr. 1992 Joined Japan Broadcasting Corporation (NHK)  
May 2001 Graduated from Columbia Business School  
Aug. 2001 Joined the Boston Consulting Group  
Jun. 2003 Joined the Walt Disney Company (Japan) Ltd.  
Jan. 2012 Became independent as author and consultant  
Apr. 2014 Member of the Professional Graduate Business School Certified Evaluation and Accreditation Committee, The Japan University Accreditation Association (present)  
Apr. 2016 Tokyo Broadcasting System Television (TBS) Program Practice Council Member (present)  
Jun. 2017 Outside Director, Nihon Unisys, Ltd. (present)

No. of attendance to the Board of Directors Meetings 11/11  
No. of company shares held None

## Audit & Supervisory Board Members



**Etsuo Uchiyama**  
Full-Time Auditor, Outside Auditor, Independent Officer

Apr. 1979 Joined The Norinchukin Bank  
Jul. 1999 General Manager, Nagano Branch, The Norinchukin Bank  
Jan. 2001 General Manager, Branch Administration Department, Planning Division, The Norinchukin Bank  
Jul. 2003 General Manager, Sendai Branch, The Norinchukin Bank  
Jul. 2005 General Manager, Coordination Division, The Norinchukin Bank  
Jun. 2007 Managing Director, Member of the Board, The Norinchukin Bank  
Jun. 2009 President & CEO, Nochu Business Support Co., Ltd.  
Jun. 2014 Outside Auditor, Nihon Unisys, Ltd. (present)

No. of attendance to the Board of Directors Meetings 11/11  
No. of attendance to the Audit & Supervisory Board Meetings 14/14  
No. of company shares held 4,000



**Yuji Teranishi**  
Full-Time Auditor (Newly appointed)

Apr. 1986 Joined Nihon Unisys, Ltd.  
Apr. 2008 Manager, J-SOX Promotion sec., J-SOX Project, Nihon Unisys, Ltd.  
Apr. 2011 Manager, J-SOX sec., Internal Audit, Nihon Unisys, Ltd.  
Apr. 2012 Manager, Group Internal Control sec., Corporate Planning, Nihon Unisys, Ltd.  
Apr. 2015 Manager, Group Internal Control sec., Business Management, Nihon Unisys, Ltd.  
Apr. 2016 General Manager, Accounting, Nihon Unisys, Ltd.  
Apr. 2018 General Manager, Business Accounting, Nihon Unisys, Ltd.  
Jun. 2020 Auditor, Nihon Unisys, Ltd. (present)

No. of company shares held None



**Hirofumi Hashimoto**  
Auditor

Jun. 1992 Manager of Control Section, Planning & Control Department, Business Form & Securities Printing Operations, Dai Nippon Printing Co., Ltd.  
Jan. 1997 P.T. DNP Indonesia  
Apr. 2002 General Manager of Planning & Control Department, Commercial Planning Operations, Dai Nippon Printing Co., Ltd.  
Apr. 2007 General Manager of Dynamic Advanced Communication Division, Commercial Planning Operations, Dai Nippon Printing Co., Ltd.  
Nov. 2009 General Manager of Strategic Business Planning Department, Dai Nippon Printing Co., Ltd.  
Jun. 2015 Corporate Officer, General Manager of Strategic Business Planning Department, Dai Nippon Printing Co., Ltd.  
Oct. 2017 Corporate Officer, General Manager of Strategic Business Planning & Development Division, Dai Nippon Printing Co., Ltd.  
Apr. 2018 Corporate Officer in charge of Strategic Business Planning & Development Division, Value Creation & Promotion Division, Dai Nippon Printing Co., Ltd.  
Jun. 2018 Auditor, Nihon Unisys, Ltd. (present) Senior Corporate Officer in charge of Strategic Business Planning & Development Division, Value Creation & Promotion Division, Dai Nippon Printing Co., Ltd.  
May 2019 Senior Corporate Officer in charge of Strategic Business Planning & Development Division, Value Creation & Promotion Division, Sanaicho Office, Dai Nippon Printing Co., Ltd. (present)  
Jun. 2020 Senior Corporate Officer in charge of Strategic Business Planning & Development Division, Value Creation & Promotion Division, Sanaicho Office, Dai Nippon Printing Co., Ltd. (present)

No. of attendance to the Board of Directors Meetings 11/11  
No. of attendance to the Audit & Supervisory Board Meetings 14/14  
No. of company shares held None



**Harumi Kojo**  
Outside Auditor, Independent Officer

Apr. 1976 Admitted as an attorney-at-law in Japan  
Jun. 1983 LL.M at the University of Virginia School of Law, Master of Laws  
Apr. 2001 Served as judge in the Tokyo High Court, Intellectual Property Division  
Oct. 2005 Joined Sakai Mirumura Law Office (name at the time)  
Jan. 2015 Established Sakurazaka Law Offices (as Partner) (present)  
Jun. 2017 Outside Auditor, Nihon Unisys, Ltd. (present)

No. of attendance to the Board of Directors Meetings 10/11  
No. of attendance to the Audit & Supervisory Board Meetings 13/14  
No. of company shares held None



**Norimitsu Yanai**  
Outside Auditor, Independent Officer

Nov. 1981 Joined Showa Audit Corporation (present: Ernst & Young ShinNihon LLC)  
Mar. 1985 Registered as a Certified Public Accountant with the Japanese Institute of Certified Public Accountants (JICPA)  
Jul. 1996 Partner of Showa Ota & Co. (present: Ernst & Young ShinNihon LLC)  
Jul. 2000 Ernst & Young London  
May 2002 Senior Partner of Ernst & Young ShinNihon LLC  
Sep. 2007 Ernst & Young New York  
Apr. 2009 Head of Multinational Client (MNC) Division, Ernst & Young ShinNihon LLC  
Jul. 2011 Deputy Head of Assurance Division 3, Ernst & Young ShinNihon LLC  
Jan. 2016 Part-time Auditor, Japan Pension Service (present)  
Jun. 2017 Outside Auditor, Nihon Unisys, Ltd. (present)

No. of attendance to the Board of Directors Meetings 11/11  
No. of attendance to the Audit & Supervisory Board Meetings 14/14  
No. of company shares held None

## Corporate Officers

**Hirokazu Konishi** Senior Corporate Officer  
**Norihiko Murata** Senior Corporate Officer  
**Kazuma Umehara** Senior Corporate Officer

**Hiroki Hyodo** Corporate Officer  
**Yasuhide Hatta** Corporate Officer  
**Mitsuru Tamura** Corporate Officer

**Tatsuya Sugai** Corporate Officer  
**Teruhisa Tanaka** Corporate Officer  
**Tsuneo Hoshi** Corporate Officer

**Tetsuya Fujito** Corporate Officer  
**Gakuji Watanabe** Corporate Officer  
**Kumiko Shirai** Corporate Officer

**Ken Tanaka** Corporate Officer  
**Naoshi Nagashima** Corporate Officer  
**Yuji Takeuchi** Corporate Officer

**Naoya Okuyama** Corporate Officer  
**Takashi Sasaki** Corporate Officer  
**Hideki Moriguchi** Corporate Officer

**Isao Miyata** Corporate Officer  
**Takashi Miyashita** Corporate Officer  
**Susumu Ogino** Corporate Officer

**Sadayuki Baba**  
Corporate Officer

Note: Attendance at meetings of the Board of Directors and Audit & Supervisory Board is shown for meetings held between April 1, 2019 and March 31, 2020. The number of the Company's shares held is as of June 26, 2020.

Note: As part of its development of human resources that advocates a spirit of challenge, as of April 1, 2018 Nihon Unisys, Ltd. has introduced a system in which corporate officers retain the status of employee separate from its traditional delegation-type corporate officer system to proactively increase opportunities for the appointment of young employees.

# Risk Management

## Nihon Unisys Group's Approach to Risk Management

Risks such as increasingly severe large-scale disasters, scandals and information security threats, in addition to risks like COVID-19 that could severely impact corporate activities, are becoming more diverse and complex day by day. The Nihon Unisys Group considers risk management, which is intended to predict potential events to avoid or reduce loss, to be an important foundation supporting the resolution of social issues and value creation.

### Risk Management System

The Nihon Unisys Group refers to the ISO 31000 international standard for risk management. The Group has established a Risk Management Committee chaired by the chief risk management officer (CRMO), who is responsible for overall risk management and business continuity. The committee has put in place a risk categorization system as a platform for comprehensively understanding and jointly managing the risks faced by the Group.

Currently, about 130 risk management items are classified into categories including information control risks, system development risks, and natural disaster and accident risks. For each item, the staff department, committee, or other party responsible for risk control formulates administrative rules, concrete preventive measures and countermeasures and when events occur respond to them.

In the event a major risk materializes, the department, committee or other party where the risk emerged will quickly report it to the Risk Management Committee. Depending on the severity of the risk, a Risk Countermeasures Council or a Risk Countermeasures Task Force will be set up to address the risk rapidly and precisely.

For business continuity risks in events where a company undergoes serious damage due to a large-scale earthquake

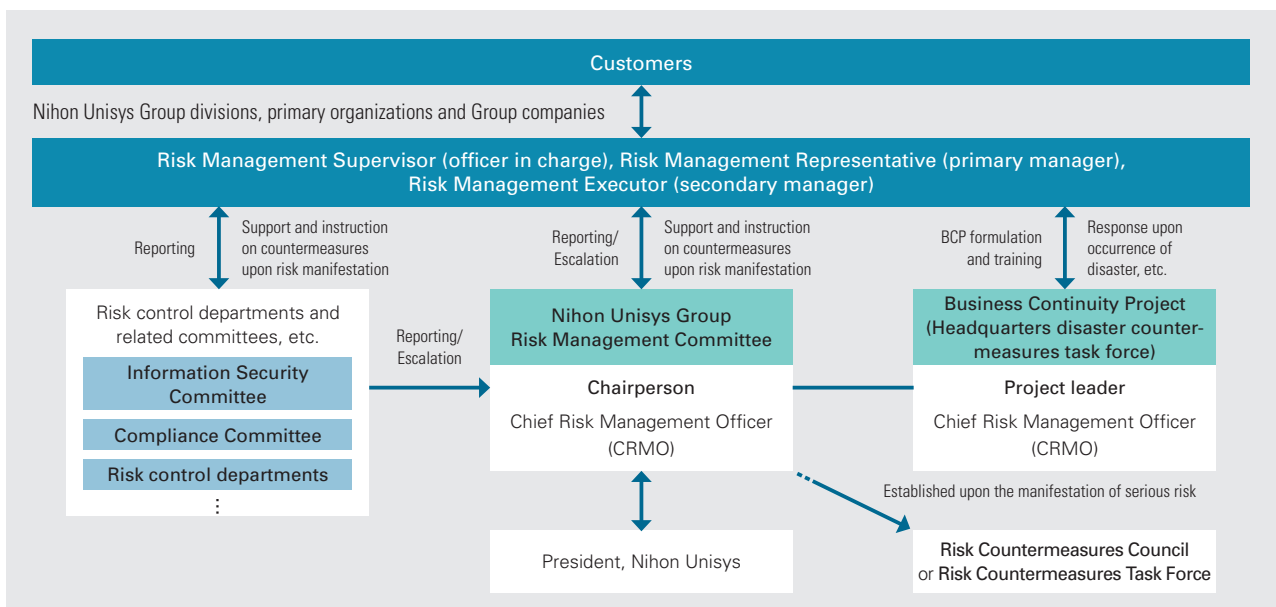
or a new strain of influenza, a Business Continuity Project with the CRMO as project leader decides on a business continuity plan (BCP) from the perspectives of ensuring safety, restoring Group operations and responding to customers. It also implements business continuity management (BCM) plans, including ongoing revisions and improvements to plans.

To prepare for disasters, the Group periodically conducts drills and training, including comprehensive simulation training for each role, which entails employees, heads of organizations and members of the disaster countermeasures task force conducting safety confirmation drills, reporting disaster conditions in accordance with specific scenarios, provide instructions to respond, and reporting the state of their response.

The activities of the Risk Management Committee and each Business Continuity Project are reported by CRMO to the Executive Council and the Board of Directors.

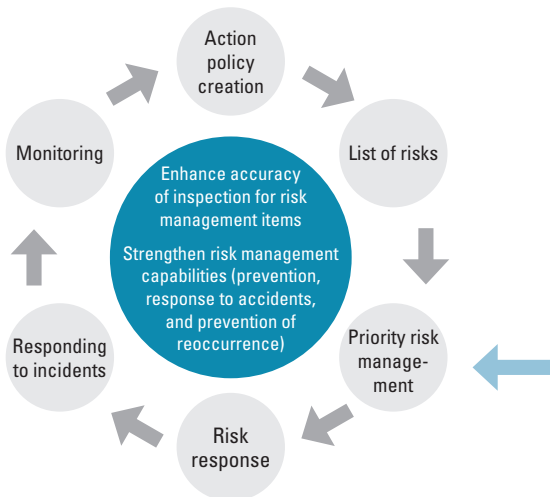
See the Company's website for details on our Risk Management initiatives.  
<https://unisys.disclosure.site/ja/themes/113>  
 (Available in Japanese only)

### Risk Management Structure



## Identification of Risks

The Risk Management Committee informs risk control departments of the risk management categories each year, and sets themes every fiscal year so that risk control departments can identify new risk management items on their own. For each risk management item, risk control departments report to the Risk Management Committee in

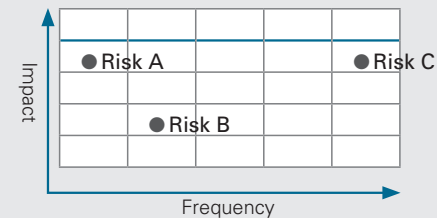


relation to frequency, degree of impact, prevention measures, responses to the risk, existence of audits, measures to reduce frequency and impact, and the state of risks that emerged in the previous fiscal year. The Risk Management Committee visualizes the size of the impact of each risk using a Risk Map.

### ■ Checks by risk control departments

- Set topics each fiscal year
- Provide reports in relation to frequency, degree of impact, prevention measures, responses to the risk, existence of audits, measures to reduce frequency and impact, and the state of risks that emerged in the previous fiscal year

### ■ Risk Map



## Actions Taken in FY2019

In FY2019, we focused on the following three priority measures for risk management. The first was strengthening risk management functions for the entire Group. For each risk management item, we ascertain any gaps in awareness and management status between the department controlling the risk and Group companies, and the results are fed back to both parties. The second was further improving the risk management skills of Group executives and employees. Crisis management training was given to risk management representative, and risk management training was provided to newly appointed managers and the directors of Group companies. The third was continuously improving and upgrading the risk management system. Initiatives have begun to reconfirm all risk items that should be covered and risk management targets in order to revise risk management items. To steadily promote these measures, we carry out the PDCA cycle. This cycle includes understanding and monitoring risk cases throughout the year, planning improvement measures based on newly emerging issues, and raising awareness and knowledge of risks among all employees.

In 2020, it became apparent that the COVID-19 pandemic would be prolonged and present risks with serious impacts on operations. In the event that a similar infectious disease emerges in the future, placing restrictions on the actions of

a majority of suppliers and employees in order to ensure their safety, maintain health and prevent the spread of the infectious disease, it could have an impact on the Nihon Unisys Group's business performance by severely affecting its business activities, including the provision of services.

The Nihon Unisys Group has set up the COVID-19 Response Headquarters to address the COVID-19 pandemic. From a BCP/BCM standpoint, the Group is implementing its business continuity plans for each stage of the pandemic, covering the initial outbreak overseas, first detection in Japan, the pandemic phase and then the recovery phase, while adapting to the special nature of COVID-19 in accordance with its novel influenza action plan, which had already been drawn up.

Our basic policy for responding to COVID-19 is as follows.

1. Human life is the highest priority.
2. Follow instructions and recommendations from the national and local governments, and cooperate with efforts to deal with the pandemic in society.
3. On a safety-first principle, once safety is assured, resume and continue business operations.

## Major Risks and Opportunities

Social Changes Recognized by the Nihon Unisys Group		Business and Other Risks	Threats
Paradigm shift in society caused by COVID-19	Acceleration of Digital Transformation	Market environment	<b>Impact from COVID-19</b> <ul style="list-style-type: none"> <li>Threats to the health and safety of our employees</li> <li>A prolonged outbreak causes:                             <ul style="list-style-type: none"> <li>Possibility of curbs on investments in large projects, centered on core system renewal</li> <li>Delays in sales activities, especially for new customers</li> <li>Product procurement delays due to impacts on the supply chain</li> <li>Impact on ability to secure key system development personnel at partner companies, including those offshore</li> <li>Decline in productivity due to constraints on work styles</li> </ul> </li> </ul>
			<b>Impact of economic trends and the market environment</b> <ul style="list-style-type: none"> <li>Curbs on corporate investments in information systems, changes in investment strategies</li> <li>Intensifying competition due to entrants from other industries</li> <li>Slower-than-expected progress of the cashless society, energy-related business and spread of the sharing economy</li> </ul>
Rapid shift to a digital society	Super Smart Society 5.0*	Business activities	<b>Procurement</b> <ul style="list-style-type: none"> <li>Worsening relationships with partners</li> <li>Occurrence of serious failures due to service malfunctions, security incidents, etc. <span style="float: right;">P.15, P.44-45</span></li> <li>Declining social credibility and brand image</li> </ul>
			<b>Intellectual property rights</b> <ul style="list-style-type: none"> <li>Infringement of intellectual property rights by third parties</li> <li>Expenses associated with disputes over intellectual property rights</li> <li>Possibility of no longer being able to provide certain products and services if necessary licenses cannot be obtained</li> <li>Cases where there was an expectation before a tie-up that the intellectual property rights of the partner company would be available for use but they were not</li> </ul>
Changes in society's expectations and demands of companies	Expectation of resolving social issues through business  Spread of ESG and Sustainability	Business activities	<b>Project management</b> <ul style="list-style-type: none"> <li>Deferral of delivery dates and cost overruns due to increasing complexity of customer requirements and project complexity</li> <li>Increased safety and security risks due to diversification of products and services</li> </ul>
			<b>System failure</b> <ul style="list-style-type: none"> <li>Serious failures due to system malfunction or cyberattack</li> <li>Declining social credibility and brand image</li> <li>Compensation for damages</li> </ul>
Changes in the business environment	Increased uncertainties  Intensifying competition due to entrants from other industries	Business activities	<b>Information security</b> <ul style="list-style-type: none"> <li>Leaks of confidential customer information or personal information</li> <li>Cyberattacks</li> </ul>
			<b>Human resources</b> <ul style="list-style-type: none"> <li>Intensifying competition for IT personnel</li> <li>Impact on technological superiority, competitiveness and sustainable growth potential due to a shortage of high-value-added human resources</li> </ul>
Changes in the business environment	Increased uncertainties  Intensifying competition due to entrants from other industries	Business activities	<b>Investment</b> <ul style="list-style-type: none"> <li>Insufficient return on investment</li> <li>Inconsistency with partners' management strategy</li> <li>Business growth below initial expectations</li> </ul>
			<b>Compliance</b> <ul style="list-style-type: none"> <li>Personnel and labor issues</li> <li>Declining social credibility, compensation incurred for damages and rejection by major partners due to serious compliance violations such as inadequate handling of data</li> </ul>
		Others	<b>Natural disasters, infectious diseases, etc.</b> <ul style="list-style-type: none"> <li>Catastrophic damage from natural disasters such as earthquakes or from terrorism</li> <li>Restrictions on providing services or other business activities due to an outbreak of infectious disease, etc.                             <ul style="list-style-type: none"> <li>➔ Business and Other Risks (Impact from COVID-19)</li> </ul> </li> </ul>

\* A new society in which IoT, AI, big data and other new technologies are incorporated into every industry and every facet of social life to create innovation that resolves social issues in ways that meet individual needs



Countermeasures	Opportunities
<p>The COVID-19 Response Headquarters was set up to:</p> <ul style="list-style-type: none"> <li>• Transition the Nihon Unisys Group employees and partner company employees to teleworking with information security ensured</li> <li>• Ascertain and manage the health of the Nihon Unisys Group employees and their families, as well as their work status, by checking up on their safety every day <ul style="list-style-type: none"> <li>➔ Continue business while making every effort to prevent the spread of COVID-19 in society, including among Group employees, partner company employees and customers</li> </ul> </li> <li>• Move to new work styles during and after COVID-19</li> </ul>	<ul style="list-style-type: none"> <li>• Expand demand from businesses related to telework, work style reform, and security</li> <li>• Expand businesses related to online / contactless e-commerce, cashless payments and remote monitoring</li> <li>• Provide services that resolve issues related to business continuity at customers</li> <li>• Contribute to the creation of resilient society</li> <li>• Strengthen relationships with business partners</li> <li>• Improve social credibility</li> <li>• Secure high-value-added human resources</li> </ul>
<ul style="list-style-type: none"> <li>• Generate ongoing innovation and strengthen ability to respond to diversifying customer needs by securing high-value-added human resources</li> <li>• Identify technologies that will become strengths and invest in them based on a technology strategy</li> </ul>	<ul style="list-style-type: none"> <li>• Establish and expand businesses in priority areas, including businesses related to cashless payments, energy and sharing economies <span style="float: right;">P.30-P.39</span></li> <li>• Create new businesses that quickly identify changes in social awareness and customer needs</li> </ul>
<ul style="list-style-type: none"> <li>• Periodic screening of partners</li> <li>• Quality control of products and services handled</li> <li>• Reliably secure prime suppliers</li> </ul>	<ul style="list-style-type: none"> <li>• Become a company trusted and preferred by its customers and partners by providing high-quality services and products</li> <li>• Enhance collaboration with cooperating companies and partners</li> </ul>
<ul style="list-style-type: none"> <li>• Secure intellectual property rights</li> <li>• Conduct sufficient research on the intellectual property rights of partner companies</li> <li>• Secure the necessary rights in contracts with collaboration partners</li> </ul>	<ul style="list-style-type: none"> <li>• Create new services and platforms through collaboration with startup companies on open innovation</li> <li>• Improve social credibility</li> <li>• Increase competitiveness by strengthening intellectual capital</li> </ul>
<ul style="list-style-type: none"> <li>• Ensure that all operations have been evaluated by the Project Review Committee</li> <li>• Systematize and standardize system development methods</li> <li>• Implement early detection system for project-related issues and other measures</li> </ul>	<ul style="list-style-type: none"> <li>• Secure a stable revenue base as productivity increases and cost overruns decrease <span style="float: right;">P.12-P.13</span></li> <li>• Improve customer satisfaction <span style="float: right;">P.24-P.27</span></li> <li>• Provide secure services and platforms to customers <span style="float: right;">P.30-P.39</span></li> </ul>
<ul style="list-style-type: none"> <li>• Conduct quality assurance review after system development and system inspection before and after system goes into operation among other measures</li> <li>• Respond promptly to system failures and prevent materialization of risks</li> </ul>	
<ul style="list-style-type: none"> <li>• Establish a project framework for formulating and promoting strategies to respond to cybersecurity risks</li> <li>• Take out security-related insurance coverage</li> </ul>	
<ul style="list-style-type: none"> <li>• Hire new university graduates with a medium- to long-term perspective and experienced candidates that are battle ready <span style="float: right;">P.14-P.15</span></li> <li>• Enhance training and systems for acquisition of more advanced skills</li> <li>• Support the active participation of diverse human resources by promoting diversity measures</li> <li>• Review the role of partners in the Group and strengthen relationships</li> </ul>	<ul style="list-style-type: none"> <li>• Secure high-value-added human resources</li> <li>• Create new services and platforms, including in priority areas</li> <li>• Maintain and expand our core ICT business and providing new technologies to customers</li> <li>• Ensure competitive advantages <span style="float: right;">P.10-P.11</span></li> </ul>
<ul style="list-style-type: none"> <li>• For each investment project, minimize investment risk by carefully examining the advisability and other aspects of the business plan in the R&amp;D/Investment Committee, Project Review Committee and Executive Council</li> </ul>	<ul style="list-style-type: none"> <li>• Create new services and platforms, including in priority areas</li> <li>• Develop high-value-added human resources with the ability to assess where and how much to invest</li> <li>• Increase return on investment</li> <li>• Ensure competitive advantages <span style="float: right;">P.10-P.11</span></li> </ul>
<ul style="list-style-type: none"> <li>• Establish a compliance promotion system by formulating the Nihon Unisys Group Charter of Corporate Behavior, the Group Compliance Basic Regulations and the Nihon Unisys Group Code of Conduct</li> </ul>	<ul style="list-style-type: none"> <li>• Improve social credibility</li> <li>• Secure high-value-added human resources</li> </ul>
<ul style="list-style-type: none"> <li>• Formulate, continuously review and improve a business continuity plan (BCP) from the perspectives of ensuring safety, internal business recovery, and customer service</li> <li>• Periodically conduct comprehensive simulation drills to prepare for natural disasters</li> </ul>	<ul style="list-style-type: none"> <li>• Create new services and platforms that help prevent and mitigate disasters</li> <li>• Contribute to the creation of a resilient society</li> </ul>

## Response to Risks

### Responding to the impact from COVID-19

#### ■ Business Continuity of the Nihon Unisys Group

The Nihon Unisys Group set up the COVID-19 Response Headquarters to analyze and evaluate the nature and status of the COVID-19 pandemic, and initiate a response based on its basic policies. While ensuring information security, employees of the Nihon Unisys Group companies and partner companies have been instructed to work remotely if possible. For work that could not be performed remotely, employees work on staggered shifts and take steps to reduce the risk of becoming infected. Through daily safety verifications, we have ascertained and managed the health of Group employees and their families, as well as their work status, for the entire Group. In addition, the Company holds events online. The Nihon Unisys Group will continue to monitor the pandemic, and make concerted efforts to prevent the spread of COVID-19 in society, beginning with Group employees and partner company employees, as well as customers, while continuing to carry out business.

#### ■ Switch to New Work Styles

COVID-19 has caused major changes across society. The Nihon Unisys Group recognizes the need to shift toward new work styles after the pandemic ends. With this in mind, we have created a task force under the jurisdiction of the COVID-19 Response Headquarters to examine new work styles in light of changes in society. This task force has examined specific measures related to telework, work environments and digital technologies enabled by IT based on the basic policy outlined below. Measures for which preparations have been completed are being implemented as they become ready.

##### Basic Policy on Switch to New Work Styles

The Nihon Unisys Group aims to be a corporate group solving social issues through socially beneficial services capable of creating a more affluent society together with customers and partners. We will therefore change our approach to work, adopting a more flexible stance that enables the continuation of business even when restrictions are placed on work locations and times, or restrictions are put on means of transportation, as a consequence of new infectious diseases or natural disasters, such as earthquakes and typhoons. As these changes are made, we are leveraging our strengths in ICT with the aim of achieving more efficient and creative work styles with the freedom to work anytime and anywhere.

#### ■ Nihon Unisys Group's Special Service Support

The Group provides the following assistance to various companies and business owners affected by COVID-19.

- ConnectedWork® is a service that facilitates work-style reforms at customers, based on the Group's own reforms to work styles using ICT solutions.

- Saigai Net, a system for sharing information chronologically for managing a crisis, is being offered free of charge for a limited time.
- Kimaticke™ is a service for distributing e-tickets for businesses in the retail, restaurant and tourism sectors affected by COVID-19. It is being offered free of charge for a limited time.
- Telework support package free for six months
- Launch of Uni-ContRact as a cloud-based service that enables digital signatures with other companies via e-mail, by replacing physical official stamps with digital signatures in existing workflows.
- uniConnect Cloud, a cloud-based PBX system for incoming/outgoing "corporate" phone calls on smartphones, is being offered at a 20% discount on rates for the first year of use.
- LearningCast is offered for free for a limited time as a learning management system for corporations that want to distribute information, monitor the status of communications and gather data on classes being taken.
- RinzaTalk, an AI-enabled service for increasing work efficiency, has been enhanced with a chatbot function able to automatically reply to in-house inquiries related to back-office work.

In addition, the Nihon Unisys is participating in the IP Open Access Declaration Against COVID-19\*.

By making this declaration, Nihon Unisys will assist in rapidly ending the pandemic by not exercising certain intellectual property rights for a period of time (i.e., until the COVID-19 pandemic ends) against any activities whose purpose is to stop the spread of COVID-19, including the development and production of therapeutic agents, vaccines, medical equipment and other products that prevent its spread. In ways like this, the Group is taking various steps to combat COVID-19, which continues to spread unabated around the world. With no end in sight to the pandemic, there is a concern that this prolonged crisis will impact the business activities of the Nihon Unisys Group. Potential risks include customers curtailing investments in major projects, especially updates to core systems, in their information system budgets. Other risks entail delayed marketing activities centered on new customers, and interruptions in the procurement of products due to impacts on the supply chain.

The Nihon Unisys Group also outsources some system development and support services to partner companies, including offshore firms in China and Vietnam. COVID-19 may affect its ability to secure key system development personnel. There is also the possibility that productivity will degrade as a result of restrictions on how executives and employees can work in the Group, and this could delay development work or lower the quality of services provided. The Nihon Unisys Group endeavors to properly address such risks in a timely fashion, while monitoring trends and changes in the external environment, because they could impact the business performance of the Group.

\* The IP Open Access Declaration Against COVID-19 was started by volunteer companies and universities. Owners of intellectual property rights, who have signed this declaration, promise to refrain for a limited time from executing their patent rights, utility model rights, design rights and copyrights, and will not seek any reimbursement or compensation for these rights, against activities for the sole purpose of ending the COVID-19 pandemic, in fields related to diagnosing, preventing, containing and treating the infectious disease.



### Response to impact of economic trends and the market environment

The Nihon Unisys Group's business performance and financial condition may be adversely affected in the event that the economy deteriorates from a long-lasting COVID-19 pandemic and the reignition of U.S.-China trade friction, or in the event that the business environment worsens due to companies curbing investments in information systems and changing their investment strategies, as well as tougher competition as companies from different sectors make inroads. In addition, changes in social sentiment due to the COVID-19 pandemic, changes in government policies, and inadequate growth may lead to revisions in strategies during the timeframe for businesses in priority areas, including the sharing economy in the mobility sphere.

The Nihon Unisys Group has set forth its image of ICT utilization three to five years in the future, viewed from the perspectives of politics, the economy, society and technology, and trends in advanced technology, under the name Technology Foresight®. To respond to both the advent of Society 5.0 and to help resolve social issues related to the SDGs at the same time, we have established a portfolio that encompasses all of our technology strategies, and we are identifying our technological strengths and investing in R&D. Although the COVID-19 pandemic has impacted the sharing economy and businesses that depend on foreign tourism, we believe the digital transformation trend will continue. Nihon Unisys Group is accelerating initiatives to realize a resilient society by assisting companies with digital transformation to create new value.

### Approach to Risks Relating to Procurement

The Nihon Unisys Group procures hardware, software and services from suppliers in Japan and overseas as it works to provide customers with innovative services and solutions that lead to the resolution of social issues. For this reason, changes to product specifications or the suspension of the supply of products or services due to factors such as unforeseen changes in the business strategy or deterioration in the business conditions of customers, or decline in its social credibility and brand image due to the occurrence of serious damage caused by factors such as defects in procured services or security incidents, or similar events could have an impact on the Group's business results. We conduct periodic inspections of suppliers and quality control of the products and services we handle as measures to prevent such occurrences.

In addition, we have established the Nihon Unisys Group Procurement and Transaction Guidelines, which promote the non-use of conflict minerals, and aim to conduct procurement based on these guidelines. Every year, we conduct annual surveys of our major suppliers to confirm their non-use of conflict minerals, among other matters.

### Approach to Risks Relating to Intellectual Property Rights

The Nihon Unisys Group intends to protect its intellectual property, and takes care not to infringe on the intellectual

property rights of third parties. The Company acknowledges the risk of incurring expenses from the possible infringement of the Group's intellectual property rights by third parties, and the risk of fighting accusations that the Group's products and services infringe on their intellectual property rights of third parties. Moreover, intellectual property rights and other rights necessary for the Group to conduct its business could have an impact on business results. Consequently, in addition to acquiring intellectual property rights, we strive to fully investigate the intellectual property rights of partner companies and secure the necessary rights through partnership agreements.

### Approach to Risks Relating to Project Management

Amid intense market competition, customer requirements have become more advanced and projects more complex. In the event problems arise with these projects, more costs and time may be required to fix the projects, leading to cost overruns and delayed release schedules. Moreover, the increasingly diverse products and services being handled may result in increased safety and security risks. The Nihon Unisys Group takes a thorough approach in addressing these risks through the Project Review Committee, which assesses from various angles the risks inherent in projects, while monitoring the status of service implementation. In addition, the Group continues to work to increase productivity by systematizing and standardizing system development methods and implement measures such as the Andon system for detecting problems in a project at an early stage. The Group also implements the plan-do-check-act cycle of improvement predicated upon reviewing problematic projects, ascertaining true causes and implementing fundamental countermeasures and recurrence prevention measures. The Group has been making these efforts to detect problems early and prevent cost overruns.

### Approach to Risks Relating to System Failure

The Nihon Unisys Group has come to deliver diversified systems and services that include mission-critical systems for customers' businesses, financial and electricity infrastructure systems/services, and consumer services such as payment/settlement services and EC (electronic commerce). In the event of serious failures caused by system faults and cyberattacks, a broad range of impacts extends beyond our customers to other consumers who use our systems/services provided via our customers. We will be exposed to the reputation risk of having our own social credibility and brand image damaged and with compensation payments for any damages incurred. This in turn may impact our Group business performance.

For these reasons, the Group has put in place quality targets for unplanned service downtime due to system failure. At the same time, every effort is made to improve such quality characteristics as airtightness, fault tolerance, recoverability, and stability through various measures including quality assurance reviews at the time of system development and system inspections before and after operation. Furthermore, the Group has been making efforts

to enable rapid responses in an event of an occurrence of system trouble and stave off facing risk by sharing information with related in-house departments through a system trouble reporting system.

P.44-P.45 Identification of Materiality

### Approach to Risks Relating to Information Security

Cyberattacks have been increasing and becoming more sophisticated every day. As an ICT company, the Nihon Unisys Group must use data in its business. We also often come into contact with confidential information of our customers and personal information in our business activities. Management has therefore positioned cybersecurity risks as its top priority. The Company addresses cybersecurity risks as one side of the same coin, and on the other side, it pursues new business creation through digital transformation. To manage cybersecurity, the Nihon Unisys Group has formulated a cybersecurity strategy based on the Ministry of Economy, Trade and Industry's Cyber Security Management Guidelines and other principles. This strategy sets forth a vision, mission and objectives for continuously practicing cybersecurity management, and promotes various wide-ranging security measures. To enhance incident detection and responsiveness, we established cyber security training to perform training as a computer security incident response team (CSIRT) that specializes in preventing cyberattacks and responds to incidents, and also expanded the scope of supervision of the internal Security Operation Center that monitors and analyzes threats to Group networks and servers.

In fiscal 2019, the Nihon Unisys Group took a methodical approach to formulating measures with priorities assigned based on risks, while collaborating with related departments and organizations within the Group, based on the results of an assessment guided by the cybersecurity framework of National Institute of Standards and Technology (NIST) in the U.S. In system-related measures, one

objective of our cybersecurity strategy is to maintain secure environments that enable all employees to protect information assets and collaborate with people in various places. We are maintaining and implementing a cybersecurity response platform based on the zero trust\* concept, as a necessary security system for adapting to new work styles during the COVID-19 pandemic. Furthermore, on collaborating with external parties on measures to visualize risks, the Nihon Unisys Group has participated in cybersecurity conferences promoted by the government with cyber-related businesses in order to facilitate the sharing of information between the public and private sectors. In the unlikely event that information is leaked out, the Company has taken out insurance to cover a certain amount of any damages.

\* This concept does not trust any access points and examines all access. On this premise, all users and devices must be authenticated and examined for access privileges in order to ensure security.

### Approach to Risks Relating to Human Resources

Competition to acquire IT human resources is becoming increasingly severe as a result of tougher international competition, the shrinking labor force due to the declining birthrate and aging population, and advances in digital transformation. This situation looks likely to continue in light of the sharp increase in demand for introducing ICT environments in response to the COVID-19 pandemic. For this reason, in addition to technological capabilities, securing high-value-added human resources who can generate continuous innovation and respond to diversifying customer needs is a key issue for the Nihon Unisys Group.

If the Group is unable to secure the necessary high-value-added human resource, it could have an impact on its technological advantages, competitive strength and sustainable growth capabilities. Therefore, to acquire and cultivate high-value-added human resources, the Group takes a medium- to-long-term perspective in hiring new university graduates and mid-career applicants whose skills can be put to use immediately, then conducting various development

### Overview of Cyber Security Strategy

<b>Vision</b>	<b>Cyber Security Foresight®</b> Provide a proactive and secure environment to grow into a business ecosystem creator that connects diverse companies				
<b>Mission</b>	Realizing the cyber security required to be a corporate group solving social issues through socially beneficial services capable of creating a more affluent society together with customers and partners				
<b>Objectives</b>	1. Provide secure platforms for customers and partners as a basis for business ecosystems 2. Maintain and improve the management quality of the Group so that it is chosen by customers and partners with peace of mind 3. Establish secure environments in which each employee can protect information assets and collaborate with various people on site				
<b>Measures</b>	System measures		Visualization measures	Organizational and process measures	Human resource measures
	<b>Customer systems and services</b> Provide highly secure services and platforms	<b>Internal systems</b> Continuously provide a safe environment	Disclose and share information	Build systems that are not vulnerable to cyberattacks	Improve the skills, abilities and awareness of Group officers and employees

measures to enhance training so they can acquire more advanced skills. Furthermore, the Company has created better work environments by introducing telework systems, even before the COVID-19 outbreak started, while reforming organizations to draw out the full potential of its human resources. By promoting diversity, we also support the empowerment of diverse human resources, including women and seniors. Moreover, to stably secure human resources who support the Group's sustainable growth over the medium to long term, we are maintaining and expanding our core ICT business and providing new technologies to customers, as well as reviewing the role of partners in the Group and strengthening relationships to create new business value together with them.

P.46-P.49 Society

### Approach to Risks Relating to Investment

With the ultimate goal to strengthen its competitiveness and expand business, the Nihon Unisys Group invests heavily in the provision of new products and services and at the same time, continues to increase investment and M&A deals globally in partners with advance technologies and knowledge and increase investment in startup firms and venture capital funds. These investments are not guaranteed to consistently generate an adequate return on the investment. Accordingly, the Group's business performance may be adversely affected by the inability of partners to carry out their business strategies and by weaker-than-anticipated growth in business. For each investment project, the R&D/Investment Committee, Project Review Committee and Executive Council carefully examine the advisability and other aspects of the business plan to minimize investment risk.

P.40-P.42 CFO Message

### Approach to Risks Relating to Compliance

The Nihon Unisys Group established the Group Compliance Basic Policy and the Nihon Unisys Group Code of Conduct

to ensure business activities are conducted in a sound and transparent manner in accordance with social norms and to ensure compliance with laws and regulations in Japan and around the world.

#### Our Approach to Preventing Corruption

The Nihon Unisys Group strictly complies with applicable laws and regulations in each country and region where it conducts business. The Group fairly engages in business activities in accordance with sound business practices and social conventions, and spares no effort to prevent corruption for making illicit profits.

#### Compliance Promotion System

The Compliance Committee, chaired by the Chief Compliance Officer (CCO), has been established to proactively advance compliance programs throughout the Group with the objective of improving knowledge and awareness of compliance issues among Group executives and employees. We have also set up an internal notification system that can be used anonymously or in name by anyone.

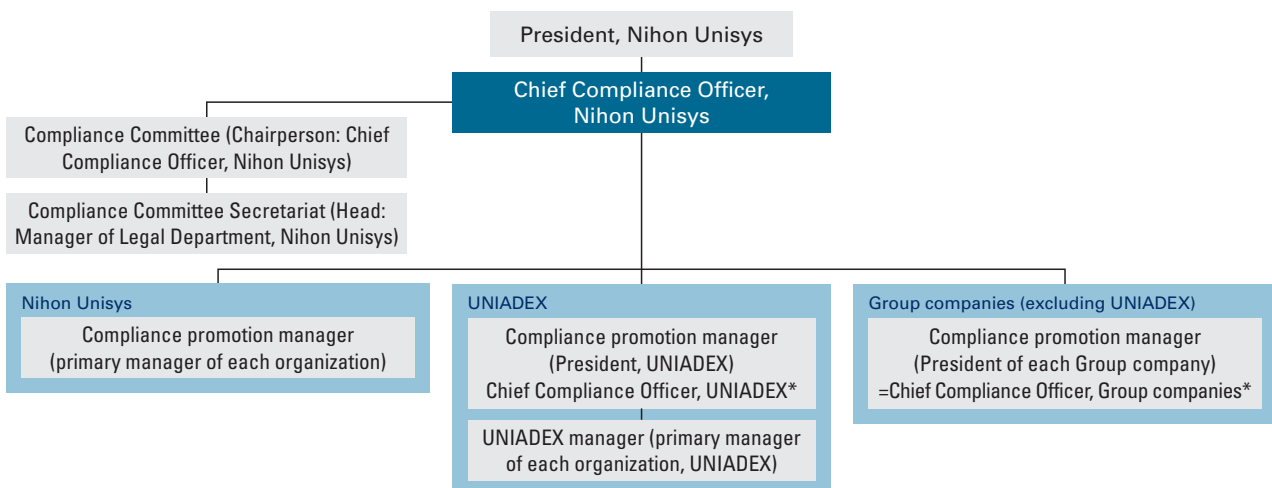
The status of compliance activities are periodically reported to the Executive Council and Board of Directors.



See the Company's website for details

- Nihon Unisys Group Code of Conduct (Available in Japanese only)  
[https://www.unisys.co.jp/com/corporate\\_code\\_of\\_conduct.pdf](https://www.unisys.co.jp/com/corporate_code_of_conduct.pdf)
- Nihon Unisys Group Procurement and Transaction Guidelines (Available in Japanese only)  
<https://www.unisys.co.jp/com/purchase.html>

### Compliance Promotion System



\* Compliance promotion managers of each group company can appoint their own CCO and delegate the role of their own compliance promotion.



# Data Business Summary

(Nihon Unisys, Ltd. and Consolidated Subsidiaries)

## Summary of FY2019 Results

<b>Net Sales</b> <b>¥311.6</b> billion	<b>Forecast*</b> ¥307.0 billion <b>Achieved</b> <b>Year-on-year change</b> +¥12.5 billion (+4.2%) ↑ Growth in system services and outsourcing services	<b>Operating Income</b> <b>¥26.1</b> billion	<b>Forecast</b> ¥23.0 billion <b>Achieved</b> <b>Year-on-year change</b> +¥5.5 billion (+26.8%) ↑ Set new record high with profit growth on higher sales and better profitability in system services
<b>Net Sales in Priority Areas</b> <b>¥48.0</b> billion	<b>Forecast</b> ¥45.0 billion <b>Achieved</b> <b>Year-on-year change</b> +¥12.5 billion ↑	<b>Operating Margin</b> <b>8.4%</b>	<b>Forecast</b> 7.5% <b>Achieved</b> <b>Year-on-year change</b> +1.5 points ↑
		<b>ROE</b> <b>15.5%</b>	<b>Forecast</b> 12-15% <b>Achieved</b> <b>Year-on-year change</b> +2.4 points ↑

\* Forecasts as of beginning of FY2019

## Business Environment

On the domestic information services market, investment had been brisk in information systems, but the ongoing COVID-19 pandemic and resulting restrictions on corporate activities have cast uncertainty on the outlook for IT investment. The Nihon Unisys Group therefore views its business environment as a challenging one. Despite these circumstances, the Nihon Unisys Group performed well in FY2019, with growth in both sales and profits amid robust demand in digital transformation-related businesses, expansion in outsourcing services and better profitability on higher levels of productivity.

## Progress on Mid-Term Management Plan

In FY2020, the final fiscal year of its Foresight in sight 2020 mid-term management plan, the Nihon Unisys Group focused on improving the operating margin and expanding businesses in priority areas, while targeting a consolidated operating margin of 8% or higher, consolidated net sales of ¥320 billion, and consolidated net sales in priority areas of ¥60 billion.

During the mid-term management plan, from FY2018 to FY2020, the Group targeted ROE in a range of 12-15% and a consolidated dividend payout ratio of 40% in a bid to enhance shareholder returns. In FY2019, the second year of

## Growth in Software Investment (Bank of Japan's Short-Term Economic Survey of Enterprises in Japan ("Tankan"))

(FY)	2015	2016	2017	2018	2019
Manufacturing	3.9	(5.1)	6.3	6.1	14.7
Non-manufacturing	0.0	5.6	7.5	3.6	8.4
All industries (manufacturing + non-manufacturing)	1.2	2.1	7.1	4.3	10.3
Financial institutions	32.4	8.8	11.2	(9.8)	10.0
All industries + financial institutions	7.8	3.9	8.5	(0.4)	10.2

## Summary of Operating Results

(FY)	2015	2016	2017	2018	2019	Change	(Billions of yen) Change (%)
Net sales	278.0	282.2	287.0	299.0	311.6	12.5	4.2
System services	89.8	89.6	90.5	96.0	102.9	6.9	7.2
Support services	55.4	54.1	52.8	53.6	55.0	1.4	2.7
Outsourcing	40.5	45.9	48.0	51.1	55.2	4.0	7.9
Software	30.0	29.7	33.1	33.9	33.9	0.1	0.2
Hardware	53.9	54.1	54.1	54.7	55.1	0.4	0.8
Others	8.5	8.8	8.4	9.8	9.4	(0.4)	(4.0)
Gross profit	64.6	66.7	68.8	73.2	79.8	6.6	9.1
System services	23.8	23.5	24.0	27.4	31.7	4.4	16.0
Support services	14.8	15.0	15.1	15.3	16.2	0.9	5.9
Outsourcing	8.8	10.6	10.8	12.0	14.0	2.0	16.4
Software	7.4	7.0	9.0	7.2	6.8	(0.5)	(6.4)
Hardware	7.4	8.4	8.0	9.1	9.0	(0.1)	(1.3)
Others	2.4	2.1	2.0	2.2	2.1	(0)	(0.9)
SG&A expenses	52.1	52.4	52.5	52.5	53.7	1.1	2.1
Operating income	12.5	14.3	16.3	20.6	26.1	5.5	26.8
(Operating margin)	4.5%	5.1%	5.7%	6.9%	8.4%	1.5points	-
Net income attributable to owners of the parent	8.9	10.3	11.9	14.2	18.2	3.9	27.7

the mid-term management plan, the operating margin was 8.4%, achieving the 8% target one year in advance. ROE was 15.5%, and the consolidated dividend payout ratio was 38.6%.

## Operating Results

Net sales increased by ¥12.5 billion (+4.2%) year-on-year change to ¥311.6 billion, owing to expansion in digital transformation-related businesses and brisk demand for system services and outsourcing services.

Gross profit rose on higher sales and a better gross margin, thanks to better productivity in services. Selling, general and administrative (SG&A) expenses increased ¥1.1 billion year on year (+2.1%) to ¥53.7 billion, reflecting higher spending on R&D to develop new businesses, even though sales support expenses declined. Growth in gross profit offset these higher expenses, resulting in operating income expansion of ¥5.5 billion (+26.8%) year on year to ¥26.1 billion.

## Financial Condition

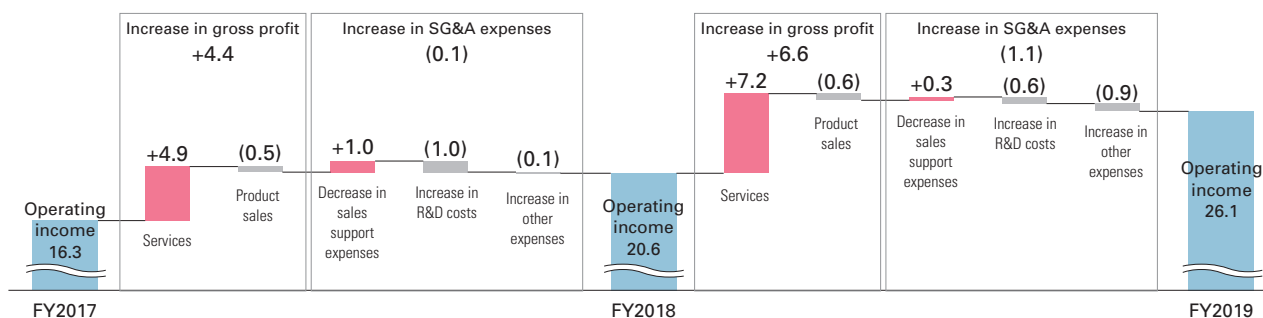
As of the end of FY2019, net assets totaled ¥122.6 billion, year-on-year growth of ¥6.0 billion due to an increase in retained earnings. As a result, ROE increased 2.4 points to 15.5%, the equity ratio increased 1.8 points to 56.0%, and net assets per share rose ¥57.91 to ¥1,200.32.

An important focus of the mid-term management plan is the investment strategy, which is premised on investments totaling about ¥60 billion for FY2018–FY2020. For these investments, the Group intends to flexibly allocate funds to each investment area while observing the progress of each business and achievement of quantitative targets.

The necessary funds will basically be provided by cash on hand and cash flows generated from businesses in the core ICT area and priority areas where future growth is expected.

### Analysis of Changes in Operating Income

(Billions of yen, year-on-year change)



### Conditions by Segment

	FY2019 Results
Services	<b>System Services</b> Sales ↑ Gross profit ↑ Demand was brisk for projects related to digital transformation, such as building front-end systems for enhancing customer interactions in a broad range of industry. The Group continued measures to improve productivity by advancing development methods and collaborating with partners. Profitability steadily increased.
	<b>Support Services</b> Sales ↑ Gross profit ↑ Sales and profit increased on stronger demand for ancillary services alongside brisk sales of products. Profitability gradually improved on cost structure reforms that included efforts to streamline support bases.
	<b>Outsourcing</b> Sales ↑ Gross profit ↑ Sales and profit grew thanks to several new projects for financial institutions in the fourth quarter, in addition to an increase in small/medium-size projects in IT outsourcing.
Product sales	<b>Software</b> Sales ↑ Gross profit ↓ Although sales rose slightly, profits decreased after taking account of several highly profitable projects last fiscal year.
	<b>Hardware</b> Sales ↑ Gross profit ↓ Sales increased slightly but gross profit was down, reflecting the end of a project leasing contract during FY2019, despite robust demand for network-related and other small size equipment, like PCs and tablets.

Strategy
Continue to expand high-value-added businesses by aggressively developing digital transformation businesses, centered on customer interactions. Aim to improve profitability by continuing measures to enhance productivity.
Continue to cut costs with the aim of maintaining and improving profitability.
Aim for further business expansion by growing IT outsourcing and working to increase service-oriented businesses that help solve social issues, such as services for realizing a smart society with cashless payments, and energy management solutions for a sustainable energy society.
Aim to expand profits by strengthening sales of solutions in front-end domains with a focus on customer interactions.
Despite progress in the shift to cloud-based services, mainly in server-related areas, tap into demand for products unaffected by the move to cloud services, such as network products and equipment related to IoT and AI.

# 11-Year Financial Summary

(Nihon Unisys, Ltd. and Consolidated Subsidiaries)

Mid-Term Management Plan

	FY2009	FY2010	FY2011	FY2012
<b>Fiscal Year</b>				
Net sales	¥271,085	¥252,990	¥255,123	¥269,170
Operating income	7,106	6,527	7,311	8,311
Net income attributable to owners of the parent	3,627	2,575	(12,499)	1,251
Capital investment	15,541	12,678	11,559	12,352
Depreciation and amortization	13,425	15,328	12,155	10,440
Research and development costs	4,272	5,525	4,913	4,861
Net cash provided by (used in) operating activities	14,500	21,708	13,430	18,448
Net cash provided by (used in) investing activities	(14,701)	(11,168)	(10,642)	(11,443)
Free cash flows	(200)	10,539	2,788	7,004
Net cash provided by (used in) financing activities	(10,371)	(5,587)	(5,947)	(8,985)
Orders received	271,689	250,848	267,894	259,551
<b>Fiscal Year-End</b>				
Total assets	¥218,067	¥207,282	¥190,084	¥197,780
Total equity	76,927	76,770	63,223	67,917
Net interest-bearing debt	56,387	48,507	46,906	40,858
Shareholders' equity	75,494	75,514	61,923	66,505
<b>Per Share Information</b>				
Basic net income per share (Yen)	¥ 37.82	¥ 27.12	¥ (132.99)	¥ 13.31
Net assets per share (Yen)	787.12	803.52	658.90	707.57
Cash dividends per share (Yen)	10.00	10.00	5.00	10.00
<b>Other Information</b>				
Dividend payout ratio (%)	26.4	36.9	–	75.1
Operating margin (%)	2.6	2.6	2.9	3.1
Return on equity (ROE) (%)	4.9	3.4	(18.2)	1.9
Equity ratio (%)	34.6	36.4	32.6	33.6
Net debt-to-equity ratio (Times)	0.75	0.64	0.76	0.61
Operating income per employee (Millions of yen)	0.73	0.69	0.79	0.94

(FY2012–FY2014)

Mid-Term Management Plan (FY2015–FY2017)

Mid-Term Management Plan (FY2018–FY2020)

(Millions of yen)

FY2013	FY2014	FY2015	FY2016	FY2017	FY2018	FY2019
¥282,691	¥269,155	¥278,039	¥282,249	¥ 286,977	¥ 299,030	¥ 311,554
9,575	10,925	12,525	14,315	16,333	20,623	26,140
6,305	7,246	8,920	10,261	11,949	14,238	18,183
8,573	14,191	11,631	14,781	11,473	8,183	10,337
10,321	9,821	9,488	9,315	10,363	11,653	11,161
4,660	4,337	4,036	3,454	2,998	3,959	4,513
11,889	18,037	10,990	29,922	26,955	27,439	27,539
(8,289)	(10,548)	(10,566)	(15,906)	(13,227)	(10,586)	(13,259)
3,600	7,489	424	14,015	13,728	16,852	14,280
(151)	(12,887)	(8,185)	(11,757)	(12,977)	(8,227)	(8,202)
309,790	263,478	279,415	281,394	296,956	304,874	315,626
¥202,468	¥199,772	¥193,095	¥192,694	¥ 197,279	¥ 211,422	¥ 214,976
76,017	81,976	91,214	90,773	104,674	116,616	122,598
38,473	33,665	22,020	21,003	10,529	(3,375)	(11,020)
74,796	81,021	90,374	89,918	103,001	114,638	120,473
¥ 67.08	¥ 77.07	¥ 93.71	¥ 96.49	¥ 119.12	¥ 141.90	¥ 181.19
795.61	861.53	847.51	896.39	1,026.72	1,142.41	1,200.32
15.00	20.00	30.00	35.00	40.00	55.00	70.00
22.4	26.0	32.0	36.3	33.6	38.8	38.6
3.4	4.1	4.5	5.1	5.7	6.9	8.4
8.9	9.7	10.5	11.4	12.4	13.1	15.5
36.9	40.6	46.8	46.7	52.2	54.2	56.0
0.51	0.42	0.24	0.23	0.10	(0.03)	(0.09)
1.12	1.32	1.54	1.79	2.08	2.66	3.33

# Consolidated Financial Statements

## Consolidated Balance Sheet

Nihon Unisys, Ltd. and Consolidated Subsidiaries  
March 31, 2020

ASSETS	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2020	2019	2020
<b>Current Assets:</b>			
Cash and cash equivalents (Notes 3 and 15)	¥33,287	¥27,201	\$305,862
Accounts receivable—trade (Notes 5 and 15)	70,841	72,480	650,933
Inventories (Note 6)	9,364	10,282	86,042
Prepaid expenses	10,942	12,012	100,542
Other	8,884	6,352	81,632
Allowance for doubtful accounts	(21)	(57)	(193)
Total current assets	133,297	128,270	1,224,818
<b>Property, Plant and Equipment:</b>			
Land	599	599	5,504
Buildings and structures (Note 7)	12,798	12,760	117,596
Machinery and equipment (Note 7)	39,877	38,331	366,416
Other	2,570	2,411	23,615
Total	55,844	54,101	513,131
Accumulated depreciation	(42,378)	(39,851)	(389,396)
Net property, plant and equipment	13,466	14,250	123,735
<b>Investments and Other Assets:</b>			
Investment securities (Notes 4 and 15)	20,596	21,120	189,249
Investments in associated companies	2,733	2,806	25,113
Goodwill	1,509	1,288	13,866
Software (Note 7)	18,711	19,983	171,929
Lease deposits	6,762	6,776	62,134
Asset for retirement benefits (Note 10)	4,358	7,088	40,044
Deferred tax assets (Note 9)	3,819	1,657	35,091
Other	10,022	8,491	92,088
Allowance for doubtful accounts	(297)	(307)	(2,729)
Total investments and other assets	68,213	68,902	626,785
Total	¥214,976	¥211,422	\$1,975,338



LIABILITIES AND EQUITY	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2020	2019	2020
<b>Current Liabilities:</b>			
Short-term bank loans (Notes 8 and 15)		¥1,050	
Current portion of long-term debt (Notes 8 and 15)	¥5,618	5,255	\$51,622
Accounts payable—trade (Note 15)	22,475	26,009	206,515
Accounts payable—other	2,105	2,626	19,342
Income taxes payable (Note 9)	4,654	2,906	42,764
Accrued expenses	10,906	11,155	100,211
Advances received	18,477	15,762	169,779
Allowance for loss on contract development	709	653	6,515
Other	9,173	9,184	84,287
Total current liabilities	74,117	74,600	681,035
<b>Long-Term Liabilities:</b>			
Long-term debt (Notes 8 and 15)	15,718	16,635	144,427
Long-term accounts payable—other	53	17	487
Liability for retirement benefits (Note 10)	652	653	5,991
Asset retirement obligations	1,129	1,132	10,374
Other	709	1,769	6,515
Total long-term liabilities	18,261	20,206	167,794
<b>Commitments and Contingent Liabilities (Note 14)</b>			
<b>Equity (Notes 11 and 12):</b>			
Common stock—authorized, 300,000,000 shares; issued, 109,663,524 shares in 2020 and 2019	5,483	5,483	50,381
Capital surplus	14,909	14,909	136,993
Retained earnings	109,796	97,894	1,008,876
Treasury shares—at cost 9,294,553 shares in 2020 and 9,314,175 shares in 2019	(13,513)	(13,541)	(124,166)
Stock acquisition rights	491	432	4,512
Accumulated other comprehensive income:			
Unrealized gain on available-for-sale securities	4,886	6,562	44,896
Foreign currency translation adjustment	(33)	(31)	(303)
Deferred gain (loss) on derivatives under hedge accounting	1	1	9
Remeasurements of defined benefit plan, net of tax	(1,056)	3,362	(9,703)
Total accumulated other comprehensive income	120,964	115,071	1,111,495
Non-controlling interests	1,634	1,545	15,014
Total equity	122,598	116,616	1,126,509
Total	¥214,976	¥211,422	\$1,975,338

See notes to consolidated financial statements.

## Consolidated Statement of Income

Nihon Unisys, Ltd. and Consolidated Subsidiaries  
Year Ended March 31, 2020

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2020	2019	2020
Net sales	¥311,554	¥299,030	\$2,862,758
Cost of sales (Note 10)	231,754	225,860	2,129,504
Gross profit	79,800	73,170	733,254
Selling, general and administrative expenses (Notes 10 and 13)	53,660	52,547	493,063
Operating income	26,140	20,623	240,191
Other income (expenses):			
Interest and dividend income	512	475	4,705
Interest expense	(86)	(99)	(790)
Gain on sales of investment securities (Note 4)	118	133	1,084
Loss on valuation of investment securities	(1,199)	(775)	(11,017)
Loss on impairment of long-lived assets (Note 7)	(285)	(362)	(2,619)
Equity in losses of associated companies	(271)	(574)	(2,490)
Reversal of provision for contingent loss	486	68	4,466
Loss on sales and retirement of noncurrent assets	(24)	(14)	(221)
Settlement package	(228)		(2,095)
Loss on investments in partnership	(188)	(177)	(1,727)
Other—net	231	193	2,122
Other expenses—net	(934)	(1,132)	(8,582)
Income before income taxes	25,206	19,491	231,609
Income taxes (Note 9):			
Current	6,397	3,150	58,779
Deferred	528	1,907	4,852
Total income taxes	6,925	5,057	63,631
Net income	18,281	14,434	167,978
Net income attributable to non-controlling interests	98	196	900
Net income attributable to owners of the parent	¥18,183	¥14,238	\$167,078
<b>Per Share Amounts (Notes 2.t and 18):</b>	<b>Yen</b>	<b>Yen</b>	<b>U.S. Dollars</b>
Basic net income	¥181.19	¥141.90	\$1.66
Diluted net income	180.53	141.40	1.66
Cash dividends applicable to the year	70.00	55.00	0.64

See notes to consolidated financial statements.

## Consolidated Statement of Comprehensive Income

Nihon Unisys, Ltd. and Consolidated Subsidiaries  
Year Ended March 31, 2020

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2020	2019	2020
Net income	¥18,281	¥14,434	\$167,978
Other comprehensive income (Note 17):			
Unrealized gain on available-for-sale securities	(1,676)	15	(15,400)
Deferred gain (loss) on derivatives under hedge accounting	1	1	9
Foreign currency translation adjustment	10		92
Remeasurements of defined benefit plans, net of tax	(4,418)	1,365	(40,595)
Share of other comprehensive income of entities accounted for using equity method	(9)	(38)	(83)
Total other comprehensive income	(6,092)	1,343	(55,977)
Comprehensive income	¥12,189	¥15,777	\$112,001
Total comprehensive income attributable to (Note 17):			
Owners of the parent	¥12,088	¥15,581	\$111,073
Non-controlling interests	101	196	928

See notes to consolidated financial statements.

## Consolidated Statement of Changes in Equity

Nihon Unisys, Ltd. and Consolidated Subsidiaries  
Year Ended March 31, 2020

	<i>Thousands</i>	<i>Millions of Japanese Yen</i>				
	Outstanding number of shares of common stock	Common stock	Capital surplus	Retained earnings	Treasury stock -at cost	Stock acquisition rights
<b>Balance, March 31, 2018</b>	100,323	¥5,483	¥14,361	¥88,185	¥(13,578)	¥370
Net income attributable to owners of the parent				14,238		
Cash dividends				(4,515)		
Purchase of treasury stock					(1)	
Disposal of treasury stock	26			(14)	38	
Change in ownership interest of parent due to transactions with non-controlling interests			548			
Net changes in items						62
Net changes during the year	26		548	9,709	37	62
<b>Balance, March 31, 2019</b>	100,349	¥5,483	¥14,909	¥97,894	¥(13,541)	¥432
Net income attributable to owners of the parent				18,183		
Cash dividends				(6,272)		
Purchase of treasury stock					(2)	
Disposal of treasury stock	20			(9)	30	
Change in ownership interest of parent due to transactions with non-controlling interests						
Net changes in items						59
Net changes during the year	20			11,902	28	59
<b>Balance, March 31, 2020</b>	100,369	¥5,483	¥14,909	¥109,796	¥(13,513)	¥491

	<i>Millions of Japanese Yen</i>						
	Accumulated other comprehensive income						
	Unrealized gain on available-for-sale securities	Foreign currency translation adjustment	Deferred gain (loss) on derivatives under hedge accounting	Remeasurements of defined benefit plans, net of tax	Total	Non-controlling interests	Total equity
<b>Balance, March 31, 2018</b>	¥6,547	¥6		¥1,997	¥103,371	¥1,303	¥104,674
Net income attributable to owners of the parent					14,238		14,238
Cash dividends					(4,515)		(4,515)
Purchase of treasury stock					(1)		(1)
Disposal of treasury stock					24		24
Change in ownership interest of parent due to transactions with non-controlling interests					548		548
Net changes in items	15	(37)	1	1,365	1,406	242	1,648
Net changes during the year	15	(37)	1	1,365	11,700	242	11,942
<b>Balance, March 31, 2019</b>	¥6,562	¥(31)	¥1	¥3,362	¥115,071	¥1,545	¥116,616
Net income attributable to owners of the parent					18,183		18,183
Cash dividends					(6,272)		(6,272)
Purchase of treasury stock					(2)		(2)
Disposal of treasury stock					21		21
Change in ownership interest of parent due to transactions with non-controlling interests							
Net changes in items	(1,676)	(2)		(4,418)	(6,037)	89	(5,948)
Net changes during the year	(1,676)	(2)		(4,418)	5,893	89	5,982
<b>Balance, March 31, 2020</b>	¥4,886	¥(33)	¥1	¥(1,056)	¥120,964	¥1,634	¥122,598

Thousands of U.S. Dollars (Note 1)

	Common stock	Capital surplus	Retained earnings	Treasury stock -at cost	Stock acquisition rights
Balance, March 31, 2019	\$50,381	\$136,993	\$899,513	\$(124,423)	\$3,970
Net income attributable to owners of the parent			167,077		
Cash dividends			(57,631)		
Purchase of treasury stock				(18)	
Disposal of treasury stock			(83)	275	
Change in ownership interest of parent due to transactions with non-controlling interests					
Net changes in items					542
Net changes during the year			109,363	257	542
Balance, March 31, 2020	\$50,381	\$136,993	\$1,008,876	\$(124,166)	\$4,512

Thousands of U.S. Dollars (Note 1)

	Accumulated other comprehensive income				Total	Non-controlling interests	Total equity
	Unrealized gain on available- for-sale securities	Foreign currency translation adjustment	Deferred gain (loss) on derivatives under hedge accounting	Remeasurements of defied benefit plans, net of tax			
Balance, March 31, 2019	\$60,296	\$(285)	\$9	\$30,892	\$1,057,346	\$14,196	\$1,071,542
Net income attributable to owners of the parent					167,077		167,077
Cash dividends					(57,631)		(57,631)
Purchase of treasury stock					(18)		(18)
Disposal of treasury stock					192		192
Change in ownership interest of parent due to transactions with non-controlling interests							
Net changes in items	(15,400)	(18)		(40,595)	(55,471)	818	(54,653)
Net changes during the year	(15,400)	(18)		(40,595)	54,149	818	54,967
Balance, March 31, 2020	\$44,896	\$(303)	\$9	\$(9,703)	\$1,111,495	\$15,014	\$1,126,509

See notes to consolidated financial statements.

## Consolidated Statement of Cash Flows

Nihon Unisys, Ltd. and Consolidated Subsidiaries  
Year Ended March 31, 2020

	<i>Millions of Yen</i>		<i>Thousands of U.S. Dollars (Note 1)</i>
	<b>2020</b>	<b>2019</b>	<b>2020</b>
<b>Operating Activities:</b>			
Income before income taxes	<b>¥25,206</b>	¥19,491	<b>\$231,609</b>
Adjustments for:			
Income taxes paid	<b>(4,589)</b>	(2,413)	<b>(42,167)</b>
Loss on impairment of long-lived assets	<b>285</b>	362	<b>2,619</b>
Depreciation and amortization	<b>10,900</b>	11,537	<b>100,156</b>
Amortization of goodwill	<b>261</b>	116	<b>2,398</b>
Equity in losses of associated companies	<b>271</b>	574	<b>2,490</b>
Net gain on sales of investment securities	<b>(113)</b>	(127)	<b>(1,038)</b>
Loss on valuation of investment securities	<b>1,199</b>	775	<b>11,017</b>
Decrease (increase) in accounts receivable—trade	<b>1,789</b>	(3,830)	<b>16,438</b>
Decrease (increase) in inventories	<b>918</b>	(3,516)	<b>8,435</b>
Increase in advances paid	<b>(2,163)</b>	(1,083)	<b>(19,875)</b>
(Increase) decrease in interest and dividends receivable	<b>(14)</b>	2	<b>(129)</b>
Increase (decrease) in asset for retirement benefits	<b>2,730</b>	(3,531)	<b>25,085</b>
(Decrease) increase in remeasurement of defined benefit plans	<b>(6,366)</b>	1,966	<b>(58,495)</b>
Decrease in liability for retirement benefits	<b>(2)</b>	(192)	<b>(18)</b>
(Decrease) increase in accounts payable—trade	<b>(3,638)</b>	4,189	<b>(33,428)</b>
Decrease in interest payable	<b>(1)</b>	(1)	<b>(9)</b>
(Decrease) increase in accrued expenses	<b>(279)</b>	622	<b>(2,564)</b>
Increase in allowance for loss on contract development	<b>56</b>	426	<b>515</b>
Decrease in other allowance	<b>(1,045)</b>	(318)	<b>(9,602)</b>
Other—net	<b>2,134</b>	2,390	<b>19,608</b>
Total adjustments	<b>2,333</b>	7,948	<b>21,436</b>
Net cash provided by operating activities	<b>27,539</b>	27,439	<b>253,045</b>
<b>Investing Activities:</b>			
Proceeds from sales of property, plant and equipment		27	
Payments for purchases of property, plant and equipment	<b>(3,304)</b>	(2,925)	<b>(30,359)</b>
Payments for purchases of software	<b>(6,055)</b>	(4,667)	<b>(55,637)</b>
Proceeds from sales of investment securities	<b>212</b>	271	<b>1,948</b>
Payments for purchases of investment securities	<b>(3,661)</b>	(2,308)	<b>(33,640)</b>
Origination of loans to associated companies		(230)	
Purchase of shares of subsidiaries resulting in change in scope of consolidation	<b>(525)</b>	(733)	<b>(4,824)</b>
Other—net	<b>74</b>	(21)	<b>680</b>
Net cash used in investing activities	<b>(13,259)</b>	(10,586)	<b>(121,832)</b>
<b>Financing Activities:</b>			
Net decrease in short-term bank loans	<b>(1,050)</b>	(300)	<b>(9,648)</b>
Proceeds from long-term debt	<b>4,700</b>	738	<b>43,187</b>
Repayments of long-term debt	<b>(5,255)</b>	(5,493)	<b>(48,286)</b>
Proceeds from sales and leasebacks	<b>183</b>	1,099	<b>1,682</b>
Repayments of other debt	<b>(402)</b>	(594)	<b>(3,694)</b>
Cash dividends	<b>(6,268)</b>	(4,511)	<b>(57,594)</b>
Cash dividends to non-controlling interests	<b>(109)</b>	(64)	<b>(1,002)</b>
Proceeds from sales of shares of subsidiaries without changes in the scope of consolidation		900	
Other—net	<b>(1)</b>	(2)	<b>(10)</b>
Net cash used in financing activities	<b>(8,202)</b>	(8,227)	<b>(75,365)</b>
<b>Effect of exchange rate change on cash and cash equivalents</b>	<b>8</b>		<b>74</b>
<b>Net increase in Cash and Cash Equivalents</b>	<b>6,086</b>	8,626	<b>55,922</b>
<b>Cash and Cash Equivalents, Beginning of Year</b>	<b>27,201</b>	18,575	<b>249,940</b>
<b>Cash and Cash Equivalents, End of Year</b>	<b>¥33,287</b>	¥27,201	<b>\$305,862</b>

See notes to consolidated financial statements.



# Notes to Consolidated Financial Statements

Nihon Unisys, Ltd. and Consolidated Subsidiaries  
Year Ended March 31, 2020

## 1. Basis of presenting consolidated financial statements

The accompanying consolidated financial statements have been prepared in accordance with the provisions set forth in the Japanese Financial Instruments and Exchange Act and its related accounting regulations and in accordance with accounting principles generally accepted in Japan (“Japanese GAAP”), which are different in certain respects as to application and disclosure requirements from International Financial Reporting Standards.

In preparing these consolidated financial statements, certain reclassifications and rearrangements have been made to the consolidated financial statements issued domestically in order to present them in a form that is more familiar to readers outside Japan. In addition, certain reclassifications have been made in the 2019 financial statements to conform them to the classifications used in 2020.

The consolidated financial statements are stated in Japanese yen, the currency of the country in which Nihon Unisys, Ltd. (the “Company”) is incorporated and operates. The translations of Japanese yen amounts into U.S. dollar amounts are included solely for the convenience of readers outside Japan and have been made at the rate of ¥108.83 to \$1, the approximate rate of exchange at March 31, 2020. Such translations should not be construed as representations that the Japanese yen amounts could be converted into U.S. dollars at that or any other rate.

## 2. Summary of significant accounting policies

**(a) Consolidation** – The consolidated financial statements as of March 31, 2020 include the accounts of the Company and its 17 (13 as of March 31, 2019) significant subsidiaries and four (2 as of March 31, 2019) associated companies that are accounted for by the equity method (collectively, the “Group”).

Under the control and influence concepts, those companies in which the Company, directly or indirectly, is able to exercise control over operations are fully consolidated, and those companies over which the Group has the ability to exercise significant influence are accounted for by the equity method.

The remaining 6 (7 as of March 31, 2019) unconsolidated subsidiaries are excluded from the scope of consolidation because the portion of their assets, net income (loss), retained earnings, and other amounts that correspond to the Company’s equity are immaterial and the effect on the accompanying consolidated financial statements is insignificant.

The remaining 6 (7 as of March 31, 2019) unconsolidated subsidiaries and 10 (12 as of March 31, 2019) associated companies are not accounted for by the equity method because the portion of their net income (loss), retained earnings, and other amounts which correspond to the Company’s equity are immaterial and the effect on the accompanying consolidated financial statements is insignificant.

Goodwill represents the excess of the cost of an acquisition over the fair value of the net assets of the acquired subsidiary at the date of acquisition. Goodwill is amortized using the straight-line method over the reasonably estimated amortization period of 20 years or less.

All significant intercompany balances and transactions have been eliminated in consolidation.

All material unrealized profit included in assets resulting from transactions within the Group is also eliminated.

The fiscal year end of three consolidated subsidiaries is December 31. For the preparation of the consolidated financial statements, the Company uses their financial statements and makes necessary adjustments for the consolidation purposes, as to significant transactions incurred from December 31 to March 31.

The fiscal year end of the other consolidated subsidiaries is consistent to that of the Company.

**(b) Cash and cash equivalents** – Cash and cash equivalents consist of cash on hand, demand deposits and short-term investments with maturities of three months or less from the date of acquisition that are readily convertible into cash and that are exposed to insignificant risk of changes in value.

**(c) Inventories** – Inventories held for sale are stated at the lower of cost, determined by the moving-average method, or net selling value.

Maintenance service parts inventory is stated at the lower of cost, determined by the specific identification method, or net selling value.

**(d) Investment securities** – Investment securities are classified and accounted for depending on management’s intent. These are classified as available-for-sale securities or held-to-maturity securities.

Marketable available-for-sale securities are reported at fair value, with unrealized gains and losses, net of applicable taxes, reported in a separate component of equity.

The cost of securities sold is determined based on the moving-average method.

Nonmarketable available-for-sale securities are stated at cost as determined by the moving-average method. For other-than-temporary declines in fair value, nonmarketable available-for-sale securities are reduced to net realizable value by a charge to income.

Investments in partnership are valued at the net amount proportionate to the Company’s ownership interests, based on the financial statements for the most recent fiscal year available.

- (e) **Allowance for doubtful accounts** – The allowance for doubtful accounts is stated at amounts considered to be appropriate based on the Group’s past credit loss experience and an evaluation of potential losses in the receivables outstanding.
- (f) **Property, plant and equipment** – Property, plant and equipment are stated at cost. Depreciation of rent and computers for outsourcing services included in machinery and equipment is mainly computed by the straight-line method over the useful life, which is principally five years, with no residual value.  
Depreciation of buildings and structures and other machinery and equipment is mainly computed by the straight-line method. Useful lives range from 4 to 50 years for buildings and structures. Machinery and equipment held for lease are depreciated by the straight-line method over the respective lease periods. The useful lives for lease assets are the periods of the respective leases.
- (g) **Software** – Software development costs, incurred through the completion of a Beta version of specific software for sale to the market, are charged to income as incurred. Costs incurred subsequent to the completion of the Beta versions are capitalized as software.  
Software for sale to the market is amortized at the greater of either the amount to be amortized in proportion of the actual sales of the software during the current year to the estimated total sales over the estimated salable years of the software or the amount to be amortized by the straight-line method over the estimated salable years, which is principally over three years. Software for internal use is amortized by the straight-line method over the estimated useful lives, principally over five to ten years. Software held for leasing is depreciated by the straight-line method over the respective lease periods.
- (h) **Long-lived assets** – The Group reviews its long-lived assets for impairment whenever events or changes in circumstance indicate the carrying amount of an asset or asset group may not be recoverable. An impairment loss is recognized if the carrying amount of an asset or asset group exceeds the sum of the undiscounted future cash flows expected to result from the continued use and eventual disposition of the asset or asset group. The impairment loss would be measured as the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the higher of the discounted cash flows from the continued use and eventual disposition of the asset or the net selling price at disposition.
- (i) **Allowance for loss on contract development** – An allowance for loss on contract development is provided for at an estimated amount of probable losses to be incurred in future years on software development contracts that cost ¥50 million (\$459 thousand) or more.
- (j) **Retirement and Pension Plans** – The Company and a certain subsidiary have defined benefit corporate pension plans (cash balance plans) and defined contribution pension plans covering substantially all of their employees. Other consolidated subsidiaries have defined benefit pension plans, defined contribution pension plans, and severance lump-sum payment plans. The Company accounts for the liability for retirement benefits based on the projected benefit obligations and plan assets at the balance sheet date. The projected benefit obligations are attributed to periods on a benefit formula basis. Actuarial gains and losses that are yet to be recognized in profit or loss are recognized within accumulated other comprehensive income in equity, after adjusting for tax effects, and are recognized in profit or loss mainly over 10 years, no longer than the expected average remaining service period of the employees. The discount rate is determined using a single weighted-average discount rate reflecting the estimated timing and amount of benefit payment.  
The Company and a certain subsidiary participate in the New Career Support Program (the “NCSP”) to assist certain employees in retiring before their mandatory retirement age. The Company and a certain subsidiary provide for the estimated future payments to be paid under the NCSP and include this amount in liability for retirement benefits.
- (k) **Asset Retirement Obligations** – An asset retirement obligation is recorded for a legal obligation imposed either by law or contract that results from the acquisition, construction, development, and normal operation of a tangible fixed asset and is associated with the retirement of such tangible fixed asset. The asset retirement obligation is recognized as the sum of the discounted cash flows required for the future asset retirement and is recorded in the period in which the obligation is incurred if a reasonable estimate can be made. If a reasonable estimate of the asset retirement obligation cannot be made in the period the asset retirement obligation is incurred, the liability should be recognized when a reasonable estimate of the asset retirement obligation can be made. Upon initial recognition of a liability for an asset retirement obligation, an asset retirement cost is capitalized by increasing the carrying amount of the related fixed asset by the amount of the liability. The asset retirement cost is subsequently allocated to expense through depreciation over the remaining useful life of the asset. Over time, the liability is accreted to its present value each period. Any subsequent revisions to the timing or the amount of the original estimate of undiscounted cash flows are reflected as an adjustment to the carrying amount of the liability and the capitalized amount of the related asset retirement cost.
- (l) **Stock options** – The cost of employee stock options is measured based on the fair value at the date of grant and recognized as compensation expense over the vesting period as consideration for receiving goods or services. In the consolidated balance sheet, stock options are presented as stock acquisition rights as a separate component of equity until exercised.

- (m) Construction contracts** – For software development contracts that cost ¥ 50 million (\$459 thousand) or more for the years ended March 31, 2020 and 2019, the percentage-of-completion method is adopted only if the percentage of completion can be reasonably determined. For other contracts, the completed-contract method is applied.  
The percentage of completion is mainly evaluated by Earned Value Management (“EVM”). EVM divides deliverables defined on the contract, such as software and related documents, by work phase. EVM defines percentages of completion as the ratio of earned value of work phase completed during the fiscal year divided by the entire work phase.
- (n) Research and development costs** – Research and development costs are charged to income as incurred.
- (o) Leases** – Finance lease transactions are capitalized to recognize lease assets and lease obligations in the balance sheet.
- (p) Income taxes** – The provision for income taxes is computed based on the pretax income included in the consolidated statement of income.  
The asset and liability approach is used to recognize deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts and the tax bases of assets and liabilities. Deferred taxes are measured by applying currently enacted tax laws to the temporary differences.  
The Company and certain of its subsidiaries have applied the consolidated taxation system.  
In the Act for Partial Revision of the Income Tax Act, etc. (Act No. 8 of 2020) promulgated in March 2020, it was decided to revise the consolidated taxation system and shift to the group tax sharing system, which will be effective for fiscal years beginning on or after April 1, 2022.  
In accordance with the paragraph 3 of the “Practical Solution on the Treatment of Tax Effect Accounting for the Transition from the Consolidated Taxation System to the Group Tax Sharing System” (Practical Issue Task Force No. 39, March 31, 2020), as to the provisions revised to the separate taxation system, the Company and certain of its subsidiaries do not apply the provisions prescribed in the paragraph 44 of the “Partial Amendments to Accounting Standard for Tax Effect Accounting” (Accounting Standards Board of Japan (“ASBJ”) Statement No. 28, February 16, 2018) but apply the tax provisions before the Act to the calculation of deferred tax assets and liabilities.
- (q) Appropriations of retained earnings** – Appropriations of retained earnings are reflected in the financial statements for the following year upon shareholders’ approval.
- (r) Foreign currency transactions** – All short-term and long-term monetary receivables and payables denominated in foreign currencies are translated into Japanese yen at the exchange rates at the balance sheet date. The foreign exchange gains and losses from translation are recognized in the statement of income to the extent that they are not hedged by forward exchange contracts.  
Assets and liabilities of foreign subsidiaries financial statements are translated into Japanese yen at the spot exchange rates at the balance sheet date and their revenue and expenses are translated at the average exchange rate for the period. Translation differences are included in the foreign currency translation adjustment account under net assets and non-controlling interests.
- (s) Derivatives and hedge accounting** – The Company and certain subsidiaries use a variety of derivative financial instruments, including foreign currency forward contracts and interest rate swaps, as a means of hedging exposure to foreign currency and interest rate risks. The Company and certain subsidiaries do not enter into derivatives for trading or speculative purposes.  
Derivative financial instruments are classified and accounted for as follows:  
(1) All derivatives are recognized as either assets or liabilities and measured at fair value, and gains or losses on trades, except for derivatives that qualify for hedge accounting, are recognized in the consolidated statement of income.  
(2) For derivatives used for hedging purposes, if derivatives qualify for hedge accounting because of a high correlation and effectiveness between the hedging instruments and the hedged items, gains or losses on derivatives are deferred until maturity of the hedged transactions.  
Foreign currency forward contracts are utilized to hedge foreign currency exposure in the procurement of merchandise from overseas suppliers. Trade payables denominated in foreign currencies are translated at the contracted rates if the forward contracts qualify for hedge accounting.  
Interest rate swaps are utilized to hedge interest rate exposures on certain liabilities. The interest rate swaps which qualify for hedge accounting are measured at market value at the balance sheet date and the unrealized gains or losses are deferred until maturity as other liabilities or assets. However, in cases where interest rate swaps qualify for hedge accounting and meet specific matching criteria, the net amount to be paid or received under the interest rate swap contracts are added to or deducted from the interest on the assets or liabilities for which the swap contract was executed.
- (t) Per-share information** – Basic net income per share is computed by dividing net income available to common shareholders by the weighted-average number of common shares outstanding for the period.  
Diluted net income per share reflects the potential dilution that could occur if securities were exercised or converted into common stock.  
Diluted net income per share of common stock assumes full exercise of outstanding warrants.  
Cash dividends per share presented in the accompanying consolidated statement of income are dividends applicable to the

respective years, including dividends to be paid after the end of the year.

**(u) New Accounting Pronouncements**

On March 31, 2020, the ASBJ issued ASBJ Statement No. 29 (revised 2020), “Revised Accounting Standard for Revenue Recognition,” and ASBJ Guidance No. 30 (revised 2020), “Revised Implementation Guidance on Accounting Standard for Revenue Recognition.” The core principle of the standard and guidance is that an entity should recognize revenue to depict the transfer of promised goods or service to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. An entity should recognize revenue in accordance with that core principle by applying the following steps:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognize revenue when (or as) the entity satisfies a performance obligation

The accounting standard and guidance are effective for annual periods beginning on or after April 1, 2021.

The Company will adopt International Financial Reporting Standards (“IFRS”) from the first quarter period of the year ending March 31, 2022; therefore, the Company does not measure the effects of applying the accounting standard and guidance in future applicable periods.

On July 4, 2019, the ASBJ issued the following accounting standards and implementation guidance: ASBJ Statement No. 30 “Accounting Standard for Fair Value Measurement,” ASBJ Guidance No. 31 “Implementation Guidance on Accounting Standard for Fair Value Measurement,” ASBJ Statement No. 9 (revised 2019) “Revised Accounting Standard for Measurement of Inventories” and ASBJ Statement No. 10 (revised 2019) “Revised Accounting Standard for Financial Instruments.” In addition, the ASBJ issued the Implementation Guidance No. 19 (revised 2019) “Revised Implementation Guidance on Disclosures about Fair Value of Financial Instruments.”

The International Accounting Standards Board (“IASB”) and the Financial Accounting Standards Board (“FASB”) in the US provide detailed guidance on fair value measurements that is almost identical (IFRS 13 by IASB and Topic 820 by FASB). Under the circumstances, the ASBJ issued the “Accounting Standard for Fair Value Measurement” in efforts to harmonize Japanese GAAP with international accounting standards mainly with respect to the guidance and disclosure of the fair value of financial instruments. As a basic policy in developing the standards, the ASBJ adopted the provisions of IFRS 13 in order to improve the comparability of financial statements between domestic and foreign entities by using uniform measurement method. In addition, in consideration of the practices that have been conducted in Japan, other treatments for individual items shall be prescribed to the extent that the comparability between financial statements is not significantly impaired.

The Company will adopt IFRSs from the first quarter period of the year ending March 31, 2022; therefore, the Company does not measure the effects of applying the accounting standards and guidance in future applicable periods.

On March 31, 2020, the ASBJ issued ASBJ Statement No. 31 “Accounting Standard for Disclosure of Accounting Estimates.” In developing this accounting standard, the ASBJ referred to the provisions of “key sources of estimation uncertainty” as stated in Paragraph 125 of the International Accounting Standard No. 1 “Presentation of Financial Statement.” The basic policy of ASBJ in developing this accounting standard is not to expand the number of individual notes, but to set out the principles as to disclosure purposes. Thus, the entity shall judge the specific content of disclosure based on the disclosure purposes. The Company will adopt this accounting standard effective from the year ending March 31, 2021.

On March 31, 2020, the ASBJ issued ASBJ Statement No. 24 (revised 2020) “Revised Accounting Standard for Accounting Policy Disclosures, Accounting Changes and Error Corrections.” This accounting standard was developed to enhance the footnote information as to the accounting principles and procedures adopted in case where related provisions of accounting standards are not clear. The accounting standard requires to take over the provisions of the explanatory paragraph of Corporate Accounting Principles (Note 1-2) in order not to affect the current practice in case where related provisions of accounting standards are clear.

The Company will adopt this accounting standard effective from the year ending March 31, 2021.

**(v) Changes in Presentation**

(1) **Consolidated statement of income** – The account “Reversal of provision for contingent loss” which was previously included in “Other-net” is disclosed as a separate line item from the year ended March 31, 2020 since the amount (¥486 million (\$4,466 thousand)) became significant. The amount included in “Other-net” for the year ended March 31, 2019 (\$68 million) is reclassified to conform to the presentation for the year ended March 31, 2020.

The account “Sales promotion premium” which was previously a separate line item is included in “Other-net” from the year ended March 31, 2020 since the amount (¥112 million (\$1,029 thousand)) became insignificant. The amount for the year ended March 31, 2019 (¥95 million) is reclassified to “Other-net” to conform to the presentation for the year ended March 31, 2020.

### 3. Cash equivalents

Cash equivalents at March 31, 2020 and 2019, consisted of the following:

	<i>Millions of Yen</i>		<i>Thousands of U.S. Dollars</i>
	<b>2020</b>	2019	<b>2020</b>
Cash and time deposits	<b>¥33,287</b>	¥27,201	<b>\$305,862</b>
Total	<b>¥33,287</b>	¥27,201	<b>\$305,862</b>

### 4. Investment securities

Investment securities as of March 31, 2020 and 2019, consisted of the following:

	<i>Millions of Yen</i>		<i>Thousands of U.S. Dollars</i>
	<b>2020</b>	2019	<b>2020</b>
Current:			
Trust fund investments and other		¥2	
Total		¥2	
Noncurrent:			
Equity securities	<b>¥17,235</b>	¥18,937	<b>\$158,366</b>
Trust fund investments and other	<b>3,361</b>	2,183	<b>30,883</b>
Total	<b>¥20,596</b>	¥21,120	<b>\$189,249</b>

The costs and aggregate fair values of investment securities at March 31, 2020 and 2019, were as follows:

<b>March 31, 2020</b>	<i>Millions of Yen</i>			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Available-for-sale securities:				
Equity securities	<b>¥7,958</b>	<b>¥7,075</b>	<b>¥(416)</b>	<b>¥14,617</b>
Other	<b>34</b>	<b>5</b>		<b>39</b>
Total	<b>¥7,992</b>	<b>¥7,080</b>	<b>¥(416)</b>	<b>¥14,656</b>

March 31, 2019	<i>Millions of Yen</i>			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Available-for-sale securities:				
Equity securities	¥7,544	¥9,401	¥(156)	¥16,789
Other	34	7		41
Total	<b>¥7,578</b>	<b>¥9,408</b>	<b>¥(156)</b>	<b>¥16,830</b>

<b>March 31, 2020</b>	<i>Thousands of U.S. Dollars</i>			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Available-for-sale securities:				
Equity securities	<b>\$73,123</b>	<b>\$65,010</b>	<b>\$(3,822)</b>	<b>\$134,311</b>
Other	<b>312</b>	<b>46</b>		<b>358</b>
Total	<b>\$73,435</b>	<b>\$65,056</b>	<b>\$(3,822)</b>	<b>\$134,669</b>

Unlisted equity securities are not included in the tables above since the fair value of the unlisted equity securities cannot be reliably determined due to the following reasons: their market prices are not readily available and it is not possible to estimate the future cash flows. As at March 31, 2020 and 2019, the carrying values of unlisted securities were ¥5,940 million (\$54,581 thousand) and ¥4,291 million, respectively.



Information regarding available-for-sale securities sold during the years ended March 31, 2020 and 2019, were as follows:

<b>March 31, 2020</b>	<i>Millions of Yen</i>		
	Proceeds	Realized Gains	Realized Losses
Available-for-sale securities:			
Equity securities	<b>¥212</b>	<b>¥118</b>	<b>¥(5)</b>
Other			
<b>Total</b>	<b>¥212</b>	<b>¥118</b>	<b>¥(5)</b>

March 31, 2019	<i>Millions of Yen</i>		
	Proceeds	Realized Gains	Realized Losses
Available-for-sale securities:			
Equity securities	¥272	¥133	¥(5)
Other			
<b>Total</b>	<b>¥272</b>	<b>¥133</b>	<b>¥(5)</b>

<b>March 31, 2020</b>	<i>Thousands of U.S. Dollars</i>		
	Proceeds	Realized Gains	Realized Losses
Available-for-sale securities:			
Equity securities	<b>\$1,948</b>	<b>\$1,084</b>	<b>\$ (46)</b>
Other			
<b>Total</b>	<b>\$1,948</b>	<b>\$1,084</b>	<b>\$ (46)</b>

Impairment losses on available-for-sale equity securities for the years ended March 31, 2020 and 2019, were ¥1,199 million (\$11,017 thousand) and ¥775 million, respectively.

#### 5. Accounts receivable—trade

Costs and estimated earnings recognized with respect to construction contracts accounted for by the percentage-of-completion method at March 31, 2020 and 2019, were as follows:

	<i>Millions of Yen</i>		<i>Thousands of U.S. Dollars</i>
	2020	2019	2020
Costs and estimated earnings	<b>¥3,841</b>	¥4,911	<b>\$35,294</b>
Amount billed	<b>(88)</b>	(207)	<b>(809)</b>
<b>Total</b>	<b>¥3,753</b>	¥4,704	<b>\$34,485</b>

#### 6. Inventories

Inventories at March 31, 2020 and 2019, consisted of the following:

	<i>Millions of Yen</i>		<i>Thousands of U.S. Dollars</i>
	2020	2019	2020
Work in process	<b>¥1,844</b>	¥1,948	<b>\$16,944</b>
Merchandise and finished products	<b>7,443</b>	8,248	<b>68,391</b>
Supplies	<b>77</b>	86	<b>708</b>
<b>Total</b>	<b>¥9,364</b>	¥10,282	<b>\$86,042</b>

#### 7. Long-lived assets

The Group reviewed its long-lived assets for impairment as of March 31, 2020 and 2019. As for certain assets used for application services, the Group determined that the total of expected future cash flows was below their carrying value.

As for internal use assets, certain assets were determined to be disposed of as of March 31, 2020 and 2019. As a result, the Group recognized an impairment loss as summarized below. The carrying amounts of the relevant assets were written down to their recoverable amounts.

The recoverable amounts of those asset groups were measured at their value in use. The asset group, for which the recoverable amount of value in use is negative, is calculated as zero.

Loss on impairment of long-lived assets for the years ended March 31, 2020 and 2019, consisted of the following:

	<i>Millions of Yen</i>		<i>Thousands of U.S. Dollars</i>
	<b>2020</b>	2019	<b>2020</b>
Internal use assets:			
Software	<b>¥51</b>		<b>\$469</b>
Buildings and structures		<b>¥74</b>	
Other (equipment)		<b>15</b>	
Total	<b>¥51</b>	<b>¥89</b>	<b>\$469</b>
	<i>Millions of Yen</i>		<i>Thousands of U.S. Dollars</i>
	<b>2020</b>	2019	<b>2020</b>
Application services:			
Software	<b>¥234</b>	¥244	<b>\$2,150</b>
Other		29	
Total	<b>¥234</b>	<b>¥273</b>	<b>\$2,150</b>

### 8. Short-term bank loans and long-term debt

Short-term bank loans of ¥1,050 million at March 31, 2019, bore interest at a rate of approximately 0.27%.

Long-term debt at March 31, 2020 and 2019, consisted of the following:

	<i>Millions of Yen</i>		<i>Thousands of U.S. Dollars</i>
	<b>2020</b>	2019	<b>2020</b>
Unsecured loans from banks and insurance companies, 0.29% to 0.37%, due serially to 2026	<b>¥21,335</b>	¥21,890	<b>\$196,040</b>
Total	<b>21,335</b>	21,890	<b>196,040</b>
Less current portion	<b>(5,618)</b>	(5,255)	<b>(51,622)</b>
Long-term debt less current portion	<b>¥15,718</b>	¥16,635	<b>\$144,427</b>

The annual maturities of long-term debt subsequent to March 31, 2020 are as follows:

<u>Year Ending March 31</u>	<i>Millions of Yen</i>	<i>Thousands of U.S. Dollars</i>
2021	<b>¥5,618</b>	<b>\$51,622</b>
2022	<b>4,317</b>	<b>39,667</b>
2023	<b>6,275</b>	<b>57,659</b>
2024	<b>1,650</b>	<b>15,161</b>
2025	<b>1,875</b>	<b>17,229</b>
2026		
2027	<b>1,600</b>	<b>14,702</b>
Total	<b>¥21,335</b>	<b>\$196,040</b>

As is customary in Japan, the Company maintains substantial deposit balances with banks with which it has borrowings. Such deposit balances are not legally or contractually restricted as to withdrawal. General agreements with respective banks provide, as is customary in Japan, that additional collateral must be provided under certain circumstances, if requested by such banks and that certain banks have the right to offset cash deposited with them against any long-term or short-term debt or obligation that becomes due and, in case of default and certain other specified events, against all other debt payable to the banks. The Company has never been requested to provide any additional collateral.

## 9. Income taxes

The Group is subject to Japanese national and local income taxes which resulted in normal effective statutory tax rates of approximately 30.6% for the years ended March 31, 2020 and 2019.

The tax effects of significant temporary differences and tax loss carryforwards which resulted in deferred tax assets and liabilities at March 31, 2020 and 2019, were as follows:

	<i>Millions of Yen</i>		<i>Thousands of U.S. Dollars</i>
	<b>2020</b>	2019	<b>2020</b>
Current assets:			
Deferred tax assets:			
Accrued bonuses	¥2,954	¥2,887	\$27,143
Depreciation expense	1,715	1,600	15,759
Loss on impairment of long-lived assets	1,271	1,333	11,679
Inventory valuation	1,067	1,066	9,804
Tax loss carryforwards	499	690	4,585
Revenue recognized for tax purposes	158	392	1,452
Accrued business and office taxes	387	370	3,556
Asset retirement obligations	354	346	3,253
Liability for retirement benefits	218	206	2,003
Allowance for loss on contract development	223	200	2,049
Allowance for doubtful accounts	95	111	873
Unrealized profit of inventories	77	86	708
Other	1,396	1,549	12,827
Total	<u>10,414</u>	<u>10,836</u>	<u>95,691</u>
Less valuation allowance	<u>(2,948)</u>	<u>(3,938)</u>	<u>(27,088)</u>
Total	<u>¥7,466</u>	<u>¥6,898</u>	<u>\$68,602</u>
Deferred tax liabilities:			
Unrealized gain (loss) on available-for-sale securities	¥(2,111)	¥(2,811)	\$(12,248)
Asset for retirement benefits	(1,333)	(2,169)	(19,397)
Other	(226)	(261)	(2,077)
Total	<u>¥(3,670)</u>	<u>¥(5,241)</u>	<u>\$(33,722)</u>
Net current deferred tax assets	<u>¥3,796</u>	<u>¥1,657</u>	<u>\$34,880</u>

Net current deferred tax assets are included in the following accounts on the consolidated balance sheets.

	<i>Millions of Yen</i>		<i>Thousands of U.S. Dollars</i>
	<b>2020</b>	2019	<b>2020</b>
Deferred tax assets under "Investments and Other Assets"	¥3,819	¥1,657	\$35,091
Deferred tax liabilities included in "Other" under "Long-Term Liabilities"	23		211

A reconciliation between the normal effective statutory tax rates and the actual effective tax rates reflected in the accompanying consolidated statements of income for the years ended March 31, 2020 and 2019, was as follows:

	<b>2020</b>	2019
Normal effective statutory tax rate	30.6%	30.6%
Expenses not deductible for income tax purposes	0.6	0.7
Nontaxable items	(0.2)	(0.3)
Decrease in valuation allowance	(4.4)	(5.4)
Effect of difference between effective tax rate and future effective tax rate	0.1	(0.1)
Amount of per capita local tax	0.5	0.7
Amortization of goodwill	0.3	0.2
Equity in losses of associated companies	0.3	0.9
Other—net	(0.3)	(1.4)
Actual effective tax rate	<u>27.5%</u>	<u>25.9%</u>

The Company omitted the disclosure of tax loss carryforwards due to immateriality in amount at March 31, 2020 and 2019.

## 10. Retirement and Pension Plans

The Company and UNIADDEX, Ltd. have defined benefit corporate pension plans (cash balance plans) and defined contribution pension plans (retirement benefit prepayment plan option is also available) covering substantially all of their employees.

Other consolidated subsidiaries have defined benefit corporate pension plans, defined contribution pension plans, and severance lump-sum payment plans.

Certain consolidated subsidiaries, in the calculation of liabilities and retirement benefit costs related to retirement benefits, apply the simplified method and account for the liability for retirement benefits based on retirement benefit obligation for payments by voluntary retirement.

Changes in the liability for retirement benefit obligations for the years ended March 31, 2020 and 2019, were as follows:

	<i>Millions of Yen</i>		<i>Thousands of U.S. Dollars</i>
	<b>2020</b>	2019	<b>2020</b>
Retirement benefit obligation, beginning of year (as previously reported)	<b>¥103,454</b>	¥107,328	<b>\$950,602</b>
Service cost	<b>2,119</b>	2,199	<b>19,471</b>
Interest cost	<b>477</b>	494	<b>4,383</b>
Actuarial losses	<b>3,382</b>	(1,695)	<b>31,076</b>
Payments for retirement benefit	<b>(4,587)</b>	(4,872)	<b>(42,148)</b>
Retirement benefit obligation, end of year	<b>¥104,845</b>	¥103,454	<b>\$963,383</b>

Changes in the pension assets for the years ended March 31, 2020 and 2019, were as follows:

	<i>Millions of Yen</i>		<i>Thousands of U.S. Dollars</i>
	<b>2020</b>	2019	<b>2020</b>
Pension assets, beginning of year	<b>¥109,927</b>	¥110,197	<b>\$1,010,080</b>
Expected return on assets	<b>1,118</b>	1,653	<b>10,273</b>
Actuarial gains (losses)	<b>(1,233)</b>	(485)	<b>(11,330)</b>
Contributions from the employer	<b>3,291</b>	3,277	<b>30,240</b>
Payments for retirement benefit	<b>(4,552)</b>	(4,715)	<b>(41,827)</b>
Pension assets, end of year	<b>¥108,551</b>	¥109,927	<b>\$997,436</b>

Assets related to retirement benefits and debt retirement benefits that have been recorded in the consolidated balance sheet and year-end balance of pension assets and retirement benefit obligations for the years ended March 31, 2020 and 2019, were as follows:

	<i>Millions of Yen</i>		<i>Thousands of U.S. Dollars</i>
	<b>2020</b>	2019	<b>2020</b>
Funded defined benefit obligation	<b>¥(104,193)</b>	¥(102,839)	<b>\$(957,392)</b>
Plan assets	<b>108,551</b>	109,927	<b>997,436</b>
Total	<b>4,358</b>	7,088	<b>40,044</b>
Unfunded defined benefit obligation	<b>(652)</b>	(615)	<b>(5,991)</b>
Net asset (liabilities) arising from defined benefit obligation	<b>¥3,706</b>	¥6,473	<b>\$34,053</b>
Liability for retirement benefits	<b>¥(652)</b>	¥(615)	<b>\$(5,991)</b>
Asset for retirement benefits	<b>4,358</b>	7,088	<b>40,044</b>
Net asset (liabilities) arising from defined benefit obligation	<b>¥3,706</b>	¥6,473	<b>\$34,053</b>

The liability for retirement benefits on the consolidated balance sheets at March 31, 2020 and 2019, included the following liabilities:

	<i>Millions of Yen</i>		<i>Thousands of U.S. Dollars</i>
	<b>2020</b>	2019	<b>2020</b>
Allowance for the "NCSP"	<b>¥39</b>	¥158	<b>\$358</b>
Current portion	<b>(39)</b>	(120)	<b>(358)</b>
Net noncurrent portion		¥38	

Total charges relating to allowance for the NCSP for the years ended March 31, 2020 and 2019, were as follows:

	<i>Millions of Yen</i>		<i>Thousands of U.S. Dollars</i>
	<b>2020</b>	2019	<b>2020</b>
Allowance for the "NCSP"	<b>¥57</b>	¥(106)	<b>\$(524)</b>

The components of net periodic benefit costs for the years ended March 31, 2020 and 2019, were set forth as follows:

	<i>Millions of Yen</i>		<i>Thousands of U.S. Dollars</i>
	<b>2020</b>	2019	<b>2020</b>
Service cost *1	<b>¥2,119</b>	¥2,199	<b>\$19,471</b>
Interest cost	<b>477</b>	494	<b>4,383</b>
Expected return on assets	<b>(1,118)</b>	(1,653)	<b>(10,273)</b>
Cost of actuarial gains and losses	<b>(1,751)</b>	756	<b>(16,089)</b>
Retirement benefit cost of defined benefit plans	<b>¥(273)</b>	¥1,796	<b>\$(2,508)</b>
Other *2	<b>¥1,112</b>	¥1,090	<b>\$10,218</b>

\*1 Retirement benefit cost of consolidated subsidiaries using the simplified method is included in the service cost.

\*2 "Other" is the sum of (i) the amount of contribution required for the defined contribution pension plan, (ii) payment by the retirement prepaid system to prepaid retired employees, and (iii) the amount of contribution that is required for a multi-employer plan.

In addition, contributions to defined contribution pension plans in the years ended March 31, 2020 and 2019, were ¥971 million (\$8,922 thousand) and ¥940 million, respectively, and contributions to a multi-employer plan to be accounted for and to a defined contribution pension plan in the years ended March 31, 2020 and 2019, were ¥11 million (\$101 thousand) and ¥9 million, respectively.

Amounts recognized in other comprehensive income as remeasurements of defined benefit plans (before income tax effect) in respect of defined retirement benefit plans for the years ended March 31, 2020 and 2019, were as follows:

	<i>Millions of Yen</i>		<i>Thousands of U.S. Dollars</i>
	<b>2020</b>	2019	<b>2020</b>
Actuarial gains (losses)	<b>¥(6,366)</b>	¥1,966	<b>\$(58,495)</b>

Amounts recognized in accumulated other comprehensive income (before income tax effect) in respect of defined retirement benefit plans as of March 31, 2020 and 2019, were as follows:

	<i>Millions of Yen</i>		<i>Thousands of U.S. Dollars</i>
	<b>2020</b>	2019	<b>2020</b>
Unrecognized actuarial losses	<b>¥(1,522)</b>	¥(4,844)	<b>\$(13,985)</b>

Breakdown of pension assets:

	<b>2020</b>	2019
Bonds	<b>46%</b>	49%
Life insurance	<b>14</b>	14
Stocks	<b>9</b>	10
Cash and cash equivalents	<b>6</b>	10
Other	<b>25</b>	17
Total	<b>100%</b>	100%

Method of determining the expected rate of return on plan assets:

The expected rate of return on plan assets is determined considering the long-term rates of return which are expected currently and in the future from the various components of the plan assets.

Major actuarial assumptions:

	<b>2020</b>	2019
Discount rate	<b>mainly 0.45%</b>	mainly 0.45%
Expected rate of return on plan assets	<b>mainly 1.0%</b>	mainly 1.5%
Expected salary increase rate	<b>mainly 3.4% (average)</b>	mainly 3.5% (average)



## 11. Equity

The significant provisions in the Companies Act of Japan (the “Companies Act”) that affect financial and accounting matters are summarized below:

### (1) Dividends

Under the Companies Act, companies can pay dividends at any time during the fiscal year in addition to the year-end dividend upon resolution at the shareholders’ meeting. For companies that meet certain criteria such as (1) having a board of directors, (2) having independent auditors, (3) having a board of corporate auditors, and (4) the term of service of the directors being prescribed as one year rather than the normal two-year term by its articles of incorporation, the board of directors may declare dividends (except for dividends-in-kind) at any time during the fiscal year if the company has prescribed so in its articles of incorporation. The Company meets all the above criteria.

Semiannual interim dividends may also be paid once a year upon resolution by the board of directors if the articles of incorporation of the company so stipulate. The Companies Act provides certain limitations on the amounts available for dividends or the purchase of treasury stock. The limitation is defined as the amount available for distribution to the shareholders, but the amount of net assets after dividends must be maintained at no less than ¥3 million.

### (2) Increases/decreases and transfer of common stock, reserve, and surplus

The Companies Act requires that an amount equal to 10% of dividends must be appropriated as a legal reserve (a component of retained earnings) or as additional paid-in capital (a component of capital surplus) depending on the equity account charged upon the payment of such dividends until the total aggregate amount of legal reserve and additional paid-in capital equals 25% of the amount of common stock.

Under the Companies Act, the total amount of additional paid-in capital and legal reserve may be reversed without limitation. The Companies Act also provides that common stock, legal reserve, additional paid-in capital, other capital surplus, and retained earnings can be transferred among the accounts within equity under certain conditions upon resolution of the shareholders.

### (3) Treasury stock and treasury stock acquisition rights

The Companies Act also provides for companies to purchase treasury stock and dispose of such treasury stock by resolution of the board of directors. The amount of treasury stock purchased cannot exceed the amount available for distribution to the shareholders, which is determined by a specific formula. Under the Companies Act, stock acquisition rights are presented as a separate component of equity. The Companies Act also provides that companies can purchase both treasury stock acquisition rights and treasury stock. Such treasury stock acquisition rights are presented as a separate component of equity or deducted directly from stock acquisition rights.

## 12. Stock options

The Company’s granted stock options as of March 31, 2020, were as follows:

Stock Option	Persons Granted	Number of Options Granted	Date of Grant	Exercise Price	Exercise Period
2012 Stock Option	6 directors; 16 employees; 4 subsidiaries’ directors; 10 subsidiaries’ employees	200,600 shares	July 17, 2012	¥1 \$0.01	From July 1, 2013 to June 30, 2043
2013 Stock Option	6 directors; 16 employees; 4 subsidiaries’ directors; 9 subsidiaries’ employees	261,200 shares	July 12, 2013	¥1 \$0.01	From July 1, 2014 to June 30, 2044
2015 Stock Option	4 directors; 16 employees; 3 subsidiaries’ directors; 13 subsidiaries’ employees	164,800 shares	July 13, 2015	¥1 \$0.01	From July 1, 2016 to June 30, 2046
2016 Stock Option	5 directors; 14 employees; 5 subsidiaries’ directors; 6 subsidiaries’ employees	168,000 shares	July 14, 2016	¥1 \$0.01	From July 1, 2017 to June 30, 2047
2017 Stock Option	5 directors; 13 employees; 3 subsidiaries’ directors; 6 subsidiaries’ employees	94,000 shares	July 14, 2017	¥1 \$0.01	From July 1, 2018 to June 30, 2048
2018 Stock Option	5 directors; 10 employees; 4 subsidiaries’ directors; 5 subsidiaries’ employees	56,000 shares	July 13, 2018	¥1 \$0.01	From July 1, 2019 to June 30, 2049
2019 Stock Option	5 directors; 9 employees; 4 subsidiaries’ directors; 6 subsidiaries’ employees	39,400 shares	July 12, 2019	¥1 \$0.01	From July 1, 2020 to June 30, 2050

The Company's stock option activity was as follows:

	2012 Stock Option (Shares)	2013 Stock Option (Shares)	2015 Stock Option (Shares)	2016 Stock Option (Shares)	2017 Stock Option (Shares)	2018 Stock Option (Shares)	2019 Stock Option (Shares)
<b>For the year ended March 31, 2019</b>							
<u>Nonvested</u>							
March 31, 2018—Outstanding							
Granted						56,000	
Canceled							
Vested						56,000	
March 31, 2019—Outstanding							
<u>Vested</u>							
March 31, 2018—Outstanding	16,500	97,900	84,800	85,000	49,300		
Vested						56,000	
Exercised	2,600	14,200	5,100	4,900			
Canceled *1						22,600	
March 31, 2019—Outstanding	13,900	83,700	79,700	80,100	49,300	33,400	
<b>For the year ended March 31, 2020</b>							
<u>Nonvested</u>							
March 31, 2019—Outstanding							
Granted							39,400
Canceled							
Vested							39,400
March 31, 2020—Outstanding							
<u>Vested</u>							
March 31, 2019—Outstanding	13,900	83,700	79,700	80,100	49,300	33,400	
Vested							39,400
Exercised	1,600	10,200	3,000	2,500	1,600	1,200	
Canceled *1							16,800
March 31, 2020—Outstanding	12,300	73,500	76,700	77,600	47,700	32,200	22,600
Exercise price	¥1 \$0.01	¥1 \$0.01	¥1 \$0.01	¥1 \$0.01	¥1 \$0.01	¥1 \$0.01	¥1 \$0.01
Average stock price at exercise	¥3,226 \$29.64	¥2,746 \$25.23	¥2,791 \$25.65	¥2,472 \$22.71	¥2,472 \$22.71	¥2,472 \$22.71	
Fair value price at grant date	¥553 \$5.08	¥706 \$6.49	¥1,256 \$11.54	¥1,174 \$10.79	¥1,728 \$15.88	¥2,572 \$23.63	¥3,539 \$32.52

\*1 This represents the number of stock options issued but cancelled during the year of issuance due to failure to achieve the performance targets for the respective year.

Assumptions Used to Measure the Fair Value of the 2019 Stock Option

Estimate method:	Black-Scholes option pricing model
Volatility of stock price:	29.841%
Estimated remaining outstanding period:	3.07 years
Estimated dividend:	¥55 (\$0.51) per share
Risk-free interest rate:	(0.191)%

**13. Research and development costs**

Research and development costs charged to income were ¥4,513million (\$41,468 thousand) and ¥3,959 million for the years ended March 31, 2020 and 2019, respectively.

## 14. Leases

The minimum rental commitments under noncancellable operating leases at March 31, 2020 and 2019 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2020	2019	2020
Due within one year	¥613	¥666	\$5,633
Due after one year	2,457	354	22,576
Total	¥3,070	¥1,020	\$28,209

## 15. Financial Instruments and Related Disclosures

### (1) Policy for financial instruments

The Group uses financial instruments, mainly bank loans and bonds. Cash surpluses, if any, are invested in low-risk financial assets. All derivative transactions are entered into, not for speculative purposes, but to manage exposure to financial risks incorporated within its business.

### (2) Nature and extent of risks arising from financial instruments

Receivables, such as trade notes and trade accounts, are exposed to customer credit risk. Investment securities, mainly equity instruments of customers and suppliers of the Group, are exposed to the risk of market price fluctuations. Payment terms of payables, such as trade notes and trade accounts, are less than one year. Payables in foreign currencies are exposed to the market risk of fluctuation in foreign currency exchange rates. Bank loans, commercial paper, and bonds are mainly used to fund ongoing operations. Certain bank loans are exposed to market risks from changes in variable interest rates. Derivatives mainly include forward foreign currency contracts and interest rate swaps, which are used to manage exposure to market risks from changes in foreign currency exchange rates of payables, and from changes in interest rates of bank loans. Please see Note 16 for more details about derivatives.

### (3) Risk management for financial instruments

#### Credit risk management

Credit risk is the risk of economic loss arising from a customer's failure to repay its obligation according to the contractual terms. Receivables such as trade notes and trade accounts are exposed to customer credit risk. The Company manages its credit risk for receivables on the basis of internal guidelines to identify and minimize the default risk of customers in the early stages. The internal guidelines include conducting a credit investigation of a new customer to limit its credit amount, periodically reviewing the status of customers, and monitoring of payment terms and balances of each customer by the business administration department and the credit department.

The Company's subsidiaries also manage their credit risk on the basis of the same basic internal guidelines as the Company's.

#### Market risk management (foreign currency exchange rate risk and interest rate risk)

With respect to the risk of market price fluctuations of investment securities, the Group monitors market values and/or financial position of issuers, which are the Group's customers and suppliers, on a regular basis to determine whether to continue to hold such securities, taking into consideration the relationship with those customers and suppliers of the Group.

Exchange rate risk of trade payables denominated in foreign currency is hedged principally by forward foreign currency contracts. Interest rate swaps and embedded derivatives are used to manage exposure to market risks from changes in interest rates for certain bank loans.

Execution and custody of derivative transactions by the corporate treasury department have been approved by the directors based on internal guidelines. The transaction data has been reported to the directors and corporate auditors on a monthly basis.

#### Liquidity risk management

Liquidity risk comprises the risk that the Company and its subsidiaries cannot meet their contractual obligations in full on maturity dates. The Group manages its liquidity risk by holding adequate volumes of liquid assets, along with adequate financial plans prepared and updated by the Company's corporate treasury department, based on reports from the Company's subsidiaries and its internal departments.

### (4) Fair values of financial instruments

Fair values of financial instruments are based on quoted prices in active markets. If a quoted price is not available, other rational valuation techniques are used instead. Such valuation reflects variable factors and may result in a different amount depending on assumptions.

The contract amounts of derivatives shown in Note 16 do not measure the Group's exposure to market risk.

(a) Fair values of financial instruments

Fair values of financial instruments as of March 31, 2020 and 2019, were shown below. The financial instruments whose fair value is extremely difficult to determine are not included in the following tables.

<b>March 31, 2020</b>	<i>Millions of Yen</i>		
	Carrying Amount	Fair Value	Unrealized Gain (Loss)
Cash and cash equivalents	¥33,287	¥33,287	
Accounts receivable—trade	70,841	70,841	
Investment securities	14,656	14,656	
<b>Total</b>	<b>¥118,784</b>	<b>¥118,784</b>	
Accounts payable—trade	¥22,475	¥22,475	
Short-term bank loans			
Long-term debt *1	21,335	21,351	¥16
<b>Total</b>	<b>¥43,810</b>	<b>¥43,826</b>	<b>¥16</b>
Derivatives *2	¥2	¥2	

March 31, 2019	<i>Millions of Yen</i>		
	Carrying Amount	Fair Value	Unrealized Gain (Loss)
Cash and cash equivalents	¥27,201	¥27,201	
Accounts receivable—trade	72,480	72,480	
Investment securities	16,830	16,830	
<b>Total</b>	<b>¥116,511</b>	<b>¥116,511</b>	
Accounts payable—trade	¥26,009	¥26,009	
Short-term bank loans	1,050	1,050	
Long-term debt *1	21,890	21,899	¥9
<b>Total</b>	<b>¥48,949</b>	<b>¥48,958</b>	<b>¥9</b>
Derivatives *2	¥2	¥2	

<b>March 31, 2020</b>	<i>Thousands of U.S. Dollars</i>		
	Carrying Amount	Fair Value	Unrealized Gain (Loss)
Cash and cash equivalents	\$305,862	\$305,862	
Accounts receivable—trade	650,933	650,933	
Investment securities	134,669	134,669	
<b>Total</b>	<b>\$1,091,464</b>	<b>\$1,091,464</b>	
Accounts payable—trade	\$206,515	\$206,515	
Short-term bank loans			
Long-term debt *1	196,040	196,187	\$147
<b>Total</b>	<b>\$402,554</b>	<b>\$402,701</b>	<b>\$147</b>
Derivatives *2	\$18	\$18	

\*1 Long-term debt includes the current portion.

\*2 Assets and liabilities from derivative transactions are netted, with net liabilities presented in parentheses.

#### Cash and cash equivalents

The carrying values of cash and cash equivalents approximate fair value because of their short maturities.

#### Accounts receivable—trade

The carrying values of accounts receivable—trade approximate fair value because of their short maturities.

#### Investment securities

The fair values of investment securities are measured at the quoted market price of the stock exchange for the equity instruments and at the quoted price obtained from the financial institution for certain debt instruments. The fair values of mutual funds are measured at the market price.

Fair value information for investment securities by classification is included in Note 4.

#### Accounts payable—trade, short-term bank loans

The carrying values of accounts payable—trade, short-term bank loans approximate fair value because of their short maturities.

#### Long-term debt

The fair values of long-term debt are determined by discounting the cash flows related to the debt at the assumed borrowing rate applied if debt of the same interest and principal were newly financed. Interest rate swaps which qualify for hedge accounting and which meet specific matching criteria are not remeasured at market value, but the differential paid or received under the swap agreements is recognized and included in interest expense or income. The fair values of items (i.e., floating rate loans from banks and insurance companies) hedged by such interest rate swaps are determined by discounting the total cash flows of those hedged items and hedging instruments at the estimated rate applied if debt of the same interest and principal were financed.

As for long-term loans with embedded derivatives, the price of embedded derivatives is obtained from the financial institution and included in the fair value of long-term debt.

#### Derivatives

Fair value information for derivatives is included in Note 16.

#### (b) Carrying amount of financial instruments whose fair value cannot be reliably determined

	<i>Millions of Yen</i>		<i>Thousands of U.S. Dollars</i>
	<u>2020</u>	<u>2019</u>	<u>2020</u>
Investments in unconsolidated subsidiaries and associated companies	<b>¥2,676</b>	¥2,734	<b>\$24,589</b>
Investments in equity instruments that do not have a quoted market price in an active market	<b>¥2,618</b>	¥2,147	<b>\$24,056</b>
Other	<b>¥3,322</b>	¥2,144	<b>\$30,525</b>

#### (5) Maturity analysis for financial assets and securities with contractual maturities

	<i>Millions of Yen</i>			
	<u>Due in 1 year or less</u>	<u>Due after 1 year through 5 years</u>	<u>Due after 5 years through 10 years</u>	<u>Due after 10 years</u>
<b>March 31, 2020</b>				
Cash and cash equivalents	<b>¥33,287</b>			
Accounts receivable—trade	<b>70,841</b>			
Investment securities				
Available-for-sale securities:				
Other		<b>¥1</b>	<b>¥2,598</b>	<b>¥724</b>
Total	<b>¥104,128</b>	<b>¥1</b>	<b>¥2,598</b>	<b>¥724</b>

	<i>Millions of Yen</i>			
	<u>Due in 1 year or less</u>	<u>Due after 1 year through 5 years</u>	<u>Due after 5 years through 10 years</u>	<u>Due after 10 years</u>
<b>March 31, 2019</b>				
Cash and cash equivalents	¥27,201			
Accounts receivable—trade	72,480			
Investment securities				
Available-for-sale securities:				
Other	2		¥1,180	¥1,420
Total	¥99,683		¥1,180	¥1,420



	<i>Thousands of U.S. Dollars</i>			
	Due in 1 year or less	Due after 1 year through 5 years	Due after 5 years through 10 years	Due after 10 years
<b>March 31, 2020</b>				
Cash and cash equivalents	<b>\$305,862</b>			
Accounts receivable—trade	<b>650,933</b>			
Investment securities				
Available-for-sale securities:				
Other		<b>\$9</b>	<b>\$23,872</b>	<b>\$6,653</b>
<b>Total</b>	<b>\$956,795</b>	<b>\$9</b>	<b>\$23,872</b>	<b>\$6,653</b>

\*Please see Note 8 for annual maturities of long-term debt.

## 16. Derivatives

The Company and certain subsidiaries enter into foreign currency forward contracts to hedge exchange rate risk associated with certain liabilities denominated in foreign currencies. The Company also enters into interest rate swap contracts to manage its interest rate exposures on certain liabilities.

All derivative transactions are entered into to hedge interest and foreign currency exposures incorporated within the Company's and certain subsidiaries' business. Accordingly, market risk in these derivatives is basically offset by opposite movements in the value of hedged liabilities.

Because the counterparties to these derivatives are limited to major international financial institutions and credible general trading companies, the Company and certain subsidiaries do not anticipate any losses arising from credit risk.

Derivative transactions entered into by the Company and certain subsidiaries have been made in accordance with internal policies which regulate the authorization and credit limit amounts.

No derivative transactions to which hedge accounting is not applied existed at March 31, 2020 and 2019.

Derivative transactions to which hedge accounting is applied at March 31, 2020 and 2019, were as follows:

	<i>Millions of Yen</i>			
	Hedged Item	Contract Amount	Contract Amount Due after One Year	Fair Value
<b>March 31, 2020</b>				
Foreign currency forward contracts:				
Buying U.S. Dollars:				
- Deferral hedge	Payables	<b>¥126</b>		<b>¥2</b>
- Forward contracts applied for designated transactions	Payables	<b>374</b>		(*) <sup>2</sup>
Interest rate swaps:				
- Fixed-rate payment and floating- rate receipt	Long-term debt			(*) <sup>3</sup>

	<i>Millions of Yen</i>			
	Hedged Item	Contract Amount	Contract Amount Due after One Year	Fair Value
<b>March 31, 2019</b>				
Foreign currency forward contracts:				
Buying U.S. Dollars:				
- Deferral hedge	Payables	¥72		¥2
- Forward contracts applied for designated transactions	Payables	427		(*) <sup>2</sup>
Interest rate swaps:				
- Fixed-rate payment and floating- rate receipt	Long-term debt			(*) <sup>3</sup>

	<i>Thousands of U.S. Dollars</i>			Fair Value
	Hedged Item	Contract Amount	Contract Amount Due after One Year	
<b>March 31, 2020</b>				
Foreign currency forward contracts:				
Buying U.S. Dollars:				
- Deferral hedge	Payables	<b>\$1,158</b>		<b>\$18</b>
- Forward contracts applied for designated transactions	Payables	<b>3,437</b>		(*) <sup>2</sup>
Interest rate swaps:				
- Fixed-rate payment and floating-rate receipt	Long-term debt			(*) <sup>3</sup>

\*1 The fair values of derivative transactions are measured at the quoted price obtained from the financial institutions.

\*2 Payables denominated in foreign currencies covered by a forward exchange contract are translated at the contracted rates if the forward contracts qualify for hedge accounting.

\*3 The above interest rate swaps which qualify for hedge accounting and which meet specific matching criteria are not remeasured at market value, but the differential paid or received under the swap agreements is recognized and included in interest expense or income. In addition, the fair values of such interest rate swaps are included in those of the hedged items (i.e., long-term debt).

In addition to the above, as of March 31, 2020 and 2019, the Company held ¥1,687 million (\$15,501 thousand) and ¥2,375 million of long-term loans, respectively, which include embedded derivatives.

The embedded derivatives substantially fix the interest rates of the loans and the fair value of these derivatives is included in the fair value of the long-term loans.

### 17. Comprehensive income

The components of other comprehensive income for the years ended March 31, 2020 and 2019, were as follows:

	<i>Millions of Yen</i>		<i>Thousands of U.S. Dollars</i>
	<b>2020</b>	2019	<b>2020</b>
Unrealized gain (loss) on available-for-sale securities:			
(Losses) gains arising during the year	¥(3,135)	¥(162)	\$(28,806)
Reclassification adjustments to profit or loss	738	175	6,781
Amount before income tax effect	(2,397)	13	(22,025)
Income tax effect	721	2	6,625
<b>Total</b>	<b>¥(1,676)</b>	<b>¥15</b>	<b>\$(15,400)</b>
Deferred gain (loss) on derivatives under hedge accounting:			
Gains (losses) arising during the year	¥1	¥1	\$9
Reclassification adjustments to profit or loss			
Amount before income tax effect	1	1	9
Income tax effect	(0)	(0)	(0)
<b>Total</b>	<b>¥1</b>	<b>¥1</b>	<b>\$9</b>
Foreign currency translation adjustment:			
Gains arising during the year	¥10		\$92
Reclassification adjustments to profit or loss			
Amount before income tax effect	10		92
Income tax effect			
<b>Total</b>	<b>¥10</b>		<b>\$92</b>
Deferred gain (loss) on defined benefit plans:			
(Losses) gains arising during the year	¥(4,615)	¥1,211	\$(42,406)
Reclassification adjustments to profit or loss	(1,751)	755	(16,089)
Amount before income tax effect	(6,366)	1,966	(58,495)
Income tax effect	1,948	(601)	17,899
<b>Total</b>	<b>¥(4,418)</b>	<b>¥1,365</b>	<b>\$(40,595)</b>
Share of other comprehensive income in associated companies accounted for using equity method:			
(Losses) gains arising during the year	¥(9)	¥(37)	\$(83)
<b>Total other comprehensive income (loss)</b>	<b>¥(6,092)</b>	<b>¥1,343</b>	<b>\$(55,977)</b>

### 18. Net income per share

A reconciliation of the differences between basic and diluted net income (loss) per share ("EPS") for the years ended March 31, 2020 and 2019, is as follows:

	Net Income	Weighted- average shares	EPS	
	<i>Millions of Yen</i>	<i>Thousands of shares</i>	<i>Yen</i>	<i>U.S. Dollars</i>
<b>For the year ended March 31, 2020</b>				
Basic EPS				
Net income available to common shareholders	¥18,182	100,353	¥181.19	\$1.66
Effect of dilutive securities:				
Convertible bonds				
Warrants		365		
<b>Diluted EPS—Net income for computation</b>	<b>¥18,182</b>	<b>100,718</b>	<b>¥180.53</b>	<b>\$1.66</b>

For the year ended March 31, 2019

Basic EPS			
Net income available to common shareholders	¥14,238	100,337	¥141.90
Effect of dilutive securities:			
Convertible bonds			
Warrants		360	
Diluted EPS—Net income for computation	¥14,238	100,697	¥141.40

## 19. Related-party transactions

There were no significant transactions with related parties for the years ended March 31, 2020 and 2019.

## 20. Segment information

### For the years ended March 31, 2020 and 2019

Under ASBJ Statement No. 17, “Accounting Standard for Segment Information Disclosures,” and ASBJ Guidance No. 20, “Guidance on Accounting Standard for Segment Information Disclosures,” an entity is required to report financial and descriptive information about its reportable segments. Reportable segments are operating segments or aggregations of operating segments that meet specified criteria. Operating segments are components of an entity about which separate financial information is available and for which such information is evaluated regularly by the chief operating decision-maker in deciding how to allocate resources and in assessing performance. Generally, segment information is required to be reported on the same basis as is used internally for evaluating operating segment performance and deciding how to allocate resources to operating segments.

#### (1) Description of reportable segments

The Group’s reportable segments are those for which separate financial information is available and regular evaluation by the Company’s management is performed in order to decide how resources are allocated among the Group. As such, the Group consists of five segments – system services, support services, outsourcing, software, and hardware. The “System Services” segment consists of contracted software development, system-related services, and consulting. The “Support Services” segment consists of support services for software, support services for hardware, and installation services. The “Outsourcing” segment consists of contracted administration of information systems and others. The “Software” segment consists of providing software under a software license agreement. The “Hardware” segment consists of providing hardware under a sales contract or a lease contract.

#### (2) Methods of measurement for the amounts of sales, profit (loss), assets, and other items for each reportable segment

The accounting policies of each reportable segment are consistent with those disclosed in Note 2, “Summary of significant accounting policies.”

#### (3) Information about sales, profit (loss), assets, and other items is as follows:

<i>Millions of Yen</i>										
2020										
	Reportable segments						Other (1)	Total	Reconcili- ations (2)	Consoli- dated (3)
	System Services	Support Services	Out- sourcing	Software	Hardware	Total				
Sales	¥102,919	¥55,023	¥55,184	¥33,943	¥55,098	¥302,167	¥9,387	¥311,554		¥311,554
Segment profit	31,722	16,187	13,967	6,774	9,011	77,661	2,139	79,800	¥(53,660)	26,140
Segment assets	1,936	1,451	19,360	4,557	4,430	31,732	194	31,926	183,049	214,976
Other:										
Depreciation	216	230	6,571	1,891	303	9,212	31	9,243	1,657	10,900
Increase in property, plant and equipment and intangible assets	211	292	6,277	1,619	570	8,969	43	9,012	1,324	10,337
Loss on impairment of long-lived assets			233						52	285
Goodwill:										
Amortization									261	261
Balance									1,509	1,509

(1) The “Other” category, which is not included in a specific reportable segment, consists of installation and other businesses.

(2) Reconciliation of segment profit of ¥(53,660) million consists of selling, general and administrative expenses of ¥(48,886) million not allocable to the reportable segments, research and development costs of ¥(4,512) million, and amortization of goodwill of ¥(261) million.

Reconciliation of segment assets of ¥183,049 million consists of corporate assets not allocable to the reportable segments.  
Reconciliation of depreciation expense of ¥1,657 million consists of depreciation expense of corporate assets not allocable to the reportable segments.

Reconciliation of the increase in property, plant and equipment and intangible assets of ¥1,324 million consists of an increase in corporate assets not allocable to the reportable segments.

(3) Segment profit is reconciled to operating income in the consolidated statement of income.

<i>Millions of Yen</i>										
2019										
	Reportable segments						Other (1)	Total	Reconcili- ations (2)	Consoli- dated (3)
	System Services	Support Services	Out- sourcing	Software	Hardware	Total				
Sales	¥95,973	¥53,579	¥51,148	¥33,877	¥54,677	¥289,254	¥9,776	¥299,030		¥299,030
Segment profit	27,357	15,289	11,994	7,239	9,133	71,012	2,158	73,170	¥(52,547)	20,623
Segment assets	1,799	1,215	20,376	5,281	5,092	33,763	252	34,015	177,407	211,422
Other:										
Depreciation	109	137	6,805	2,053	490	9,594	111	9,705	1,832	11,537
Increase in property, plant and equipment and intangible assets	139	77	4,719	1,525	174	6,634	34	6,668	1,515	8,183
Loss on impairment of long-lived assets			272			272		272	90	362
Goodwill:										
Amortization									116	116
Balance									1,288	1,288

(1) The "Other" category, which is not included in a specific reportable segment, consists of installation and other businesses.

(2) Reconciliation of segment profit of ¥(52,547) million consists of selling, general and administrative expenses of ¥(48,472) million not allocable to the reportable segments, research and development costs of ¥(3,959) million, and amortization of goodwill of ¥(116) million.

Reconciliation of segment assets of ¥177,407 million consists of corporate assets not allocable to the reportable segments.  
Reconciliation of depreciation expense of ¥1,832 million consists of depreciation expense of corporate assets not allocable to the reportable segments.

Reconciliation of the increase in property, plant and equipment and intangible assets of ¥1,515 million consists of an increase in corporate assets not allocable to the reportable segments.

(3) Segment profit is reconciled to operating income in the consolidated statement of income.

*Thousands of U.S. Dollars*

	2020							Reconcili- ations (2)	Consoli- dated (3)
	Reportable segments			Total					
	System Services	Support Services	Out- sourcing	Software	Hardware	Total	Other (1)	Total	
Sales	\$945,686	\$505,587	\$507,066	\$311,890	\$506,276	\$2,776,505	\$86,254	\$2,862,758	\$2,862,758
Segment profit	291,482	148,737	128,338	62,244	82,798	713,599	19,655	733,254	\$(493,063) 240,191
Segment assets	17,789	13,333	177,892	41,873	40,706	291,574	1,783	293,357	1,681,972 1,975,338
Other:									
Depreciation	1,985	2,113	60,379	17,376	2,784	84,646	285	84,931	15,226 100,156
Increase in property, plant and equipment and intangible assets	1,939	2,683	57,677	14,876	5,238	82,413	395	82,808	12,166 94,983
Loss on impairment of long-lived assets			2,141						478 2,619
Goodwill:									
Amortization									2,398 2,398
Balance									13,866 13,866

- (1) The "Other" category, which is not included in a specific reportable segment, consists of installation and other businesses.  
(2) Reconciliation of segment profit of \$(493,063) million consists of selling, general and administrative expenses of \$(44,920) million not allocable to the reportable segments, research and development costs of \$(41,459) million, and amortization of goodwill of \$(2,398) million.  
Reconciliation of segment assets of \$1,681,972 million consists of corporate assets not allocable to the reportable segments.  
Reconciliation of depreciation expense of \$15,226 million consists of depreciation expense of corporate assets not allocable to the reportable segments.  
Reconciliation of the increase in property, plant and equipment and intangible assets of \$12,166 million consists of an increase in corporate assets not allocable to the reportable segments.  
(3) Segment profit is reconciled to operating income in the consolidated statement of income.

Information about industry segments, geographical segments, and sales to foreign customers of the Group for the years ended March 31, 2020 and 2019, is as follows:

(1) Industry segments

Industry segment information is not presented because the Group operates in a single segment of the industry that provides computers, software, and other related products, as well as various kinds of related services.

(2) Geographical segments

Geographical segment information is not presented because the Japanese portion of the Group's consolidated net sales contributed more than 90% of total net sales.

(3) Sales to foreign customers

Information on sales to foreign customers is not presented because the amount contributed to an insignificant percentage of consolidated net sales.

**21. Subsequent events**

At the general shareholders' meeting held on June 25, 2020, the Company's shareholders approved the following appropriation of retained earnings:

**Appropriations of retained earnings**

	<u>Millions of Yen</u>	<u>Thousands of U.S. Dollars</u>
Cash dividends, ¥37.50 (\$0.34) per share	¥3,763	\$34,577



## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of Nihon Unisys, Ltd.:

### Opinion

We have audited the consolidated financial statements of Nihon Unisys, Ltd. and its consolidated subsidiaries (the "Group"), which comprise the consolidated balance sheet as of March 31, 2020, and the consolidated statement of income, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies, all expressed in Japanese yen.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of March 31, 2020, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with accounting principles generally accepted in Japan.

### Convenience Translation

Our audit also comprehended the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made in accordance with the basis stated in Note 1 to the consolidated financial statements. Such U.S. dollar amounts are presented solely for the convenience of readers outside Japan.

### Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the provisions of the Code of Professional Ethics in Japan, and we have fulfilled our other ethical responsibilities as auditors. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Responsibilities of Management and Audit & Supervisory Board Members and the Audit & Supervisory Board for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern in accordance with accounting principles generally accepted in Japan and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Audit & Supervisory Board members and the Audit & Supervisory Board are responsible for overseeing the Directors' execution of duties relating to the design and operating effectiveness of the controls over the Group's financial reporting process.

### **Auditor's Responsibilities for the Audit of the Consolidated Financial Statements**

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with auditing standards generally accepted in Japan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks. The procedures selected depend on the auditor's judgment. In addition, we obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain, when performing risk assessment procedures, an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate whether the overall presentation and disclosures of the consolidated financial statements are in accordance with accounting principles generally accepted in Japan, as well as the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with Audit & Supervisory Board members and the Audit & Supervisory Board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide Audit & Supervisory Board members and the Audit & Supervisory Board with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

**Interest Required to Be Disclosed by the Certified Public Accountants Act of Japan**

Our firm and its designated engagement partners do not have any interest in the Group which is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

*Deloitte Touche Tohmatsu LLC*

June 25, 2020



The Nihon Unisys Group's ESG Initiatives	Initiatives Leading to Improved Corporate Value	Initiatives Leading to Reduced Risk (Improved Sustainability)
------------------------------------------	-------------------------------------------------	---------------------------------------------------------------

## Environment

- Contributing to the realization of a zero emission society
- Promoting effective use of resources and energy, response to climate change and business activities that consider biodiversity
- Promotion of appropriate information disclosure

<b>Mid-Term Management Plan Initiatives</b>	P.25-P.29
<b>Foresight in sight story</b>	P.32-P.39
<b>Environment</b>	P.50-P.51

- Formulation of a Long-Term Environmental Vision 2050
- Creation of new services and providing services that contribute to climate change mitigation and adaptation (services that help reduce environmental impact and improve energy efficiency, adapt to climate-related damage, others)
- Promotion of business operations with 100% renewable energy (membership in RE100)
- Agreement with Task Force on Climate-related Financial Disclosures (TCFD) and promotion of information disclosure in accordance with this framework

- Establishment of an environmental activity promotion system (acquisition of ISO 14001 environmental management system certification, establishment of an environmental contribution committee, internal environmental audit, legal compliance)
- Environmental preservation activities (conducting environmental education, reducing energy consumption, promoting recycling, etc.)
- Use of an environmentally friendly data center
- Procurement of products and services with low environmental impact in accordance with Green Procurement Guidelines
- Visualization of environmental impact in the value chain

## Social

- Helping to realize a resilient society where people can live with peace of mind by providing safe and secure services throughout the value chain
- Developing human resources who can detect social issues and design business ecosystems

<b>Mid-Term Management Plan Initiatives</b>	P.25-P.29
<b>Foresight in sight story</b>	P.32-P.39
<b>Social</b>	P.46-P.49
<b>Risk Management</b>	P.64-P.71

- Providing solutions and services that contribute to realizing a resilient society
- Development of human resources capable of responding in new technology fields and development of management leaders
- Promoting diversity (signatory to Women's Empowerment Principles (WEPs), increasing the ratio of female managers, appointing female executives, ensuring diversity in the Board of Directors and the Audit & Supervisory Board)
- Work style reform (flexibility in overtime activities, telework), promotion of health management
- Acquisition of Privacy Mark certification

- Creation of a quality assurance system (obtaining ISO 9001 certification and an in-house standardized system equivalent to ISO 9001)
- Revision of Procurement and Transaction Guidelines for the supply chain
- Respect for human rights (formulation of Nihon Unisys Group Human Rights Policy, other)
- Ensuring employee health and safety (implementation of hygiene committee initiatives, health management)
- Formulation and execution of a BCP

## Governance

- Establishment and operation of a corporate governance structure that enables transparent and speedy decision making that is effective in the evolution of business models and the value creation process
- Make advance predictions of potential events, undertake risk management to avoid and mitigate loss

<b>Corporate Governance</b>	P.52-P.63
<b>Risk Management</b>	P.64-P.71

- Nomination and Remuneration Committee: Four members (including two independent outside directors, chaired by an independent outside director)
- Remuneration system for directors and Audit & Supervisory Board members: Introduction of annual performance-based bonuses using net income attributable to owners of the parent as an indicator and Stock options as remuneration linked to medium- to-long-term business performance
- Capital efficiency: Establishment of target ROE level during the term of the mid-term management plan
- Shareholder returns: Policy of stable, performance-linked returns to shareholders
- Evaluation of effectiveness of the Board of Directors: Conducted yearly
- Promotion of cyber security strategy (acquisition of ISO 27001 information security management system certification)

- Structure: Company with Audit & Supervisory Board
- Board of Directors: 8 directors (including 3 independent outside directors)
- Audit & Supervisory Board: 5 members (including 3 independent outside auditors)
- Advisors: None
- Promotion of compliance (establishment of a compliance hotline system)

### Participation in International Initiatives, Acquisition of Third-Party Certifications

- UN Global Compact
- Women's Empowerment Principles (WEPs)
- Task Force on Climate-related Financial Disclosures (TCFD)
- RE100
- ISO 14001
- ISO/IEC 27001:2013, JIS Q 27001:2014
- ISO 9001
- Privacy Mark certification



### External Evaluations

- FY2019 Advanced Corporation Awards for the Promotion of Active Participation of Women, Minister of State for Gender Equality Award
- FY2019 Nadeshiko Brand (Semi-Nadeshiko)
- FY2018 New Diversity Management Selection 100
- Platinum Kurumin certification
- Eruboshi certification
- Ikumen Company Award 2018 Grand Prize, Work-Life Balance Support Category
- PRIDE Index 2018 Gold (highest) rating
- Award of Excellence, Working Women Empowerment Awards
- 2020 Certified Health & Productivity Management Outstanding Organization
- Top Hundred Telework Pioneer Award from the Minister for Internal Affairs and Communications

and others

## Main ESG Data

	(FY)	2015	2016	2017	2018	2019
<b>E*1</b>						
Energy consumption (kl)		10,049	9,411	7,927	7,613	7,855
Greenhouse gas emissions						
Direct greenhouse gas emissions Scope 1 (t-CO <sub>2</sub> )		0	0	0	0	0
Indirect greenhouse gas emissions Scope 2 (t-CO <sub>2</sub> )		19,792	18,464	15,100	14,107	14,358
Scope 1 + Scope 2 emissions total (t-CO <sub>2</sub> )		19,792	18,464	15,100	14,107	14,358
Energy consumption intensity (kl/m <sup>2</sup> )		0.0797	0.0681	0.0623	0.0618	0.0657
Greenhouse gas emissions intensity (t/m <sup>2</sup> )		0.1570	0.1336	0.1186	0.1145	0.1201
Recycling rate (%)**2		73.3	58.9	68.8	78.5	76.7
<b>S</b>						
Consolidated number of employees (people)		8,103	7,988	7,817	7,740	7,830
Paid leave utilization rate (%)**3		69.6	78.1	85.6	87.3	86.2
Ratio of employees with disabilities (%)**3		1.87	1.99	2.04	2.33	2.31
Ratio of management positions held by women (%)**3		3.2	4.4	5.2	5.0	5.5
Ratio of female employees (%)		15.6	16.0	16.6	17.6	18.5
Employee turnover rate (%)**3		1.91	2.07	2.48	2.57	2.81
Average monthly overtime hours worked per employee (hours/month)**3		19.3	16.5	16.1	15.9	15.5
Annual training hours per employee (hours)**3		25.7	60.6	63.8	62.7	62.9
Suppliers' understanding of the Nihon Unisys Group Procurement and Transaction Guidelines (%)**3		—	—	78.6	93.8	99.8
Online uptime rate (%)**3		—	—	—	99.992	99.997
<b>G</b>						
Board of Directors ratio of independent outside directors (%)		25.0	22.2	33.3	33.3	37.5
Audit & Supervisory Board ratio of independent outside auditors (%)		—	—	60.0	60.0	60.0
Payout ratio (%)		32.0	36.3	33.6	38.8	38.6
Return on equity (ROE) (%)		10.5	11.4	12.4	13.1	15.5

### Scope of calculation

\*1 Nihon Unisys, eight other companies and two organizations (main Japanese bases), for FY2015. Nihon Unisys, seven other companies and two organizations (main Japanese bases for FY2016. Nihon Unisys, ten other companies and two organizations (main Japanese bases), for FY2017 and thereafter.

\*\*2 Head office

\*\*3 Nihon Unisys and UNIADDEX

Inclusion in ESG Indexes	MSCI Japan ESG Select Leaders Index	MSCI Japan Empowering Women Index (WIN)	
	MSCI Japan ESG Select Leaders Index	MSCI Japan Empowering Women Index (WIN)	S&P/JPX Carbon Efficient Index

 See our website for more details on our sustainability initiatives. <https://www.unisys.co.jp/csr/> (Available in Japanese only)

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# Data Corporate Information

(As of March 31, 2020)

## Corporate Data

<b>Company Name</b>	Nihon Unisys, Ltd.	<b>Independent Auditor</b>	Deloitte Touche Tohmatsu LLC
<b>Established</b>	March 29, 1958	<b>Business Offices</b>	Headquarters: 1-1-1 Toyosu, Koto-ku, Tokyo 135-8560, Japan Regional Headquarters: Kansai (Osaka), Chubu (Nagoya), and Kyushu (Fukuoka) Regional Offices: Hokkaido (Sapporo), Tohoku (Sendai), Niigata (Niigata), Hokuriku (Kanazawa), Shizuoka (Shizuoka), and Chugoku (Hiroshima) Other: Sapporo Techno-Center, Tokyo Education Center, and Izu Executive Center
<b>Paid-in Capital</b>	¥5,483 million		
<b>Description of Business</b>	Services business including cloud computing and outsourcing; computer and network system sales/ rentals; software development and sales; system-related services		
<b>Number of Employees</b>	7,830 (consolidated)		






## Overview of the Nihon Unisys Group

Business Process	Company Name
	Nihon Unisys, Ltd.
Marketing and Business Development and Consulting	UEL Corporation Cambridge Technology Partners, Ltd. Cambridge Technology Partners Inc. AFAS Inc. Canal Payment Service, Ltd. Canal Globe, Ltd. Axxis Consulting (S) Pte. Ltd. Axxis Technologies (S) Pte. Ltd. Axxis Consulting (M) Sdn. Bhd. Canal Ventures, Ltd. Canal Ventures Collaboration Fund 1 Investment Limited Partnership
Total Infrastructure Services	UNIADEX, Ltd. S&I Co., Ltd.
System Services	USOL VIETNAM Co., Ltd. International Systems Development Co., Ltd. G&U System Service, Ltd.
Outsourcing	TRADE VISION, Ltd.

Group companies other than the above (non-consolidated companies): UEL (Thailand) Co., Ltd., Netmarks Information Technology (Shanghai) Co., Ltd., UNIAID Co., Ltd., Beijing Unity Information Technology Co., Ltd., NUL System Services Corporation, and NUL Accessibility, Ltd.

## Tools for the Disclosure of Financial and Non-Financial Information

Integrated Report 2020 is available as either a printed booklet or as a PDF from our corporate website. A broader range of detailed information is also available on our website. In addition, we release various information disclosure tools at the request of stakeholders.

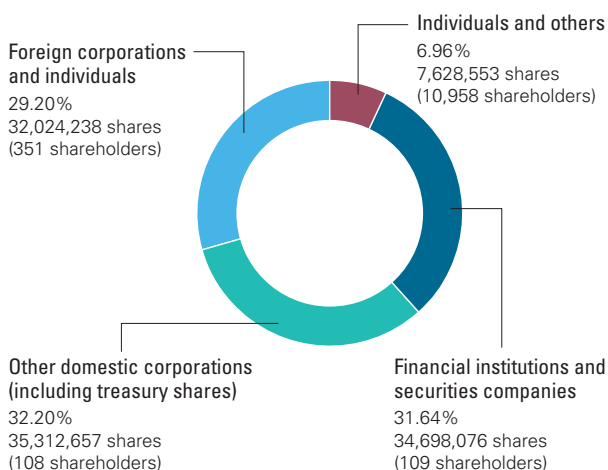
Website		Booklet
 <b>Integrated Report (PDF)</b> <a href="https://www.unisys.co.jp/invest-e/ir/ar.html">https://www.unisys.co.jp/invest-e/ir/ar.html</a>	 <b>Corporate Homepage</b> <a href="https://www.unisys.co.jp/e/">https://www.unisys.co.jp/e/</a>	<b>Integrated Report</b> 
 <b>Investor Relations</b> <a href="https://www.unisys.co.jp/invest-e/">https://www.unisys.co.jp/invest-e/</a>	 <b>Sustainability Information (Japanese only)</b> <a href="https://www.unisys.co.jp/csr/">https://www.unisys.co.jp/csr/</a>	



## Stock Information

Number of shares issued	109,663,524 shares
Number of shareholders	11,526 shareholders

### Classification of Shareholders



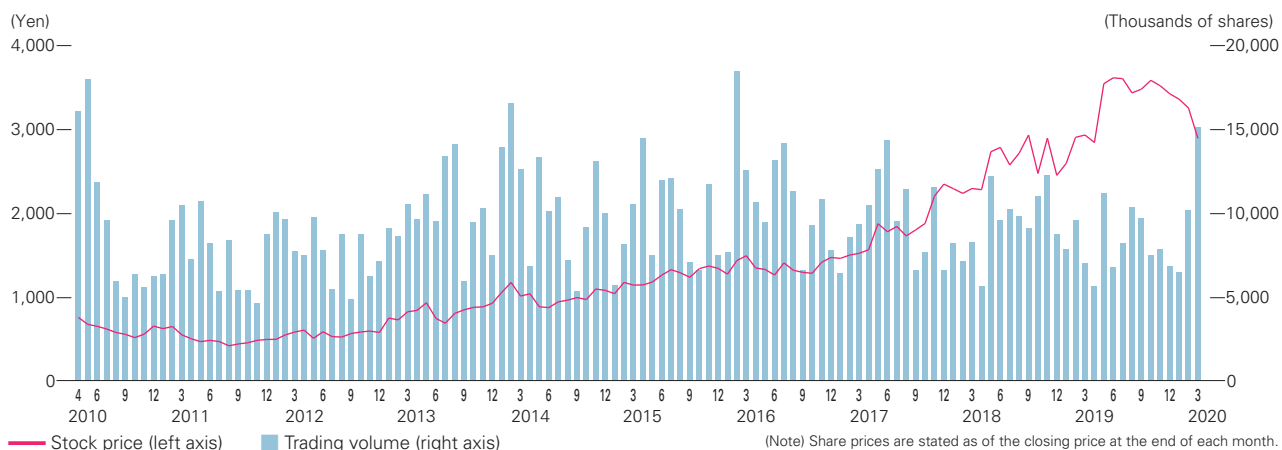
### Principal Shareholders

Name	Number of shares held (Thousands of shares)	Holding ratio (%)
Dai Nippon Printing Co., Ltd.	20,727	20.65
Japan Trustee Services Bank, Ltd. (Trust account)	8,776	8.74
The Master Trust Bank of Japan, Ltd. (Trust account)	7,114	7.08
The Norinchukin Bank	4,653	4.63
Mitsui & Co., Ltd.	2,448	2.43
GOVERNMENT OF NORWAY	1,968	1.96
THE BANK OF NEW YORK MELLON 140040	1,809	1.80
ANA HOLDINGS INC	1,794	1.78
Nihon Unisys Employees' Shareholding Society	1,599	1.59
Japan Trustee Services Bank, Ltd. (Trust account 7)	1,567	1.56

(Notes)

1. Numbers of shares less than one thousand has been omitted.
2. The Company retains 9,294,553 treasury shares without voting rights. Thus, they are excluded from the major shareholder list above.
3. The ratios are calculated by deducting treasury shares and expressed by rounding down to two decimal places.

### Stock Price Information



### About production of "Nihon Unisys Group Integrated Report 2020"

The Nihon Unisys Group has published an "Integrated Report" since 2015 in order to further deepen an understanding of its efforts to achieve medium- to long-term growth and to raise its corporate value.

In light of the progress made in the second year of the mid-term management plan, Integrated Report 2020 spotlights the direction that the Group seeks to navigate under the mid-term management plan, as well as its long-term value-creation process. In addition, in this 2020 edition, within ESG Information particular emphasis is placed on expanding upon information with regard to the environment. The Nihon Unisys Group is in agreement with the Task Force on Climate-related Financial Disclosures (TCFD) recommendations, and having been accepted for membership in RE100, further strives to conduct proper disclosure of information. We declare that the process by which this report was created is proper.

I sincerely hope that this report aids in understanding our efforts to realize the Nihon Unisys Group's sustainable growth and a sustainable society, among the broad range of all of our stakeholders, led by our shareholders and investors.

Kazuma Umehara  
Senior Corporate Officer and CFO

## Nihon Unisys, Ltd.

1-1-1 Toyosu, Koto-ku, Tokyo 135-8560, Japan

Finance Department

<https://www.unisys.co.jp/e/>

TEL: 81-3-5546-4111

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