

**UNISYS**

Nihon Unisys Group

 **BIPROGY**

Nihon Unisys, Ltd. will change its corporate name (trade name) to BIPROGY Inc. as of April 1, 2022.



**Foresight in sight**

Nihon Unisys Group

**Integrated Report 2021**

For the Year Ended  
March 31, 2021

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### Concept of Integrated Report 2021

Over the more than sixty years since providing Japan's first commercial computers, the Nihon Unisys Group has contributed to the formation and development of Japan's domestic information service industry by offering ICT services and building systems that support society and industry. In order to realize a sustainable society as represented by the Sustainable Development Goals (SDGs), we quickly became the core of business ecosystems that links companies that span sectors and business models and collaborated with customers and partner companies to resolve issues faced by society and create new value for a more affluent society. In order to accelerate these efforts and transform the company into one that creates social value, we set a new purpose and announced Vision 2030 and Management Policies (2021-2023) to achieve it.

In the Nihon Unisys Group Integrated Report 2021, we explain the value creation process of the Group that aims to create social value and generate sustainable growth through efforts related to Vision 2030 and Management Policies (2021-2023) and based on the newly set purpose.

#### 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 2021 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 (Ministry of Economy, Trade and Industry) and the International Integrated Reporting Framework (International Integrated Reporting Council (IIRC)\*). A broader range of detailed information is also available on our website.

\* IIRC and the Sustainability Accounting Standards Board were merged in June 2021, forming the Value Reporting Foundation (VRF).

P.104 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 FY2020 (April 1, 2020 to March 31, 2021), with activities during past fiscal years and conditions following FY2021 also reported as necessary.

The Company adopted international financial reporting standards (IFRS) for fiscal 2021 and after, but for fiscal 2020 and before, financial information is based on Japanese accounting standards.

#### 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 2021

#### Notes Concerning Forward-Looking Statements

Statements in this report that refer to 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.

## 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

## Nihon Unisys Group Charter of Corporate Behavior

We will meet our responsibilities towards society and the environment to protect the future of our children.

#### 1. Act with coexistence of people and the environment as the highest priority

#### 2. Always act according to the principles of social responsibility

#### 3. Sincerely work on the core subjects and issues of social responsibility

##### \* Principles of social responsibility

The seven key principles of ISO 26000, the international guidance relating to social responsibility: accountability, transparency, ethical behavior, respect for stakeholder interests, respect for the rule of law, respect for international norms of behavior, and respect for human rights.

##### \* Core subjects and issues of social responsibility

The seven core subjects of ISO 26000, the international guidance relating to social responsibility: organizational governance, human rights, labor practices, the environment, fair operating practices, consumer issues, community involvement and development, and relevant issues related to each of the core subjects.

## Notification of Change in Trade Name

Becoming a company that fuses the light everyone possesses and creates social value that leads to a promising future

**UNISYS**

**BIPROGY**

Changing the name from Nihon Unisys, Ltd. to BIPROGY Inc.

Nihon Unisys simultaneously announced that it had decided and was prepared to become a company that creates social value as given in the new purpose and that it would change both its name and corporate brand. The name of the company will change to BIPROGY Inc. as of April 1, 2022. With an eye toward drawing out the potential of technology through foresight and insight and creating a sustainable society, Nihon Unisys will transform itself into a company that creates social value based on this new name and corporate brand.

\* BIPROGY is an acronym coined from the first letters of blue, indigo, purple, red, orange, green, and yellow, the seven colors visible when light is refracted and reflected. BIPROGY illustrates a world where the colors of light mix beyond any bounds. It also means that we will be a hands-on company that combines light and makes the seven colors shine to:

- illuminate new paths in a chaotic society by mixing the colors of light of various business partners and various individuals, and
- change the value we provide in response to changes in society and environments, just as the colors of light change in response to changes in circumstances.

### New corporate name

**BIPROGY Inc.**

### New corporate brand

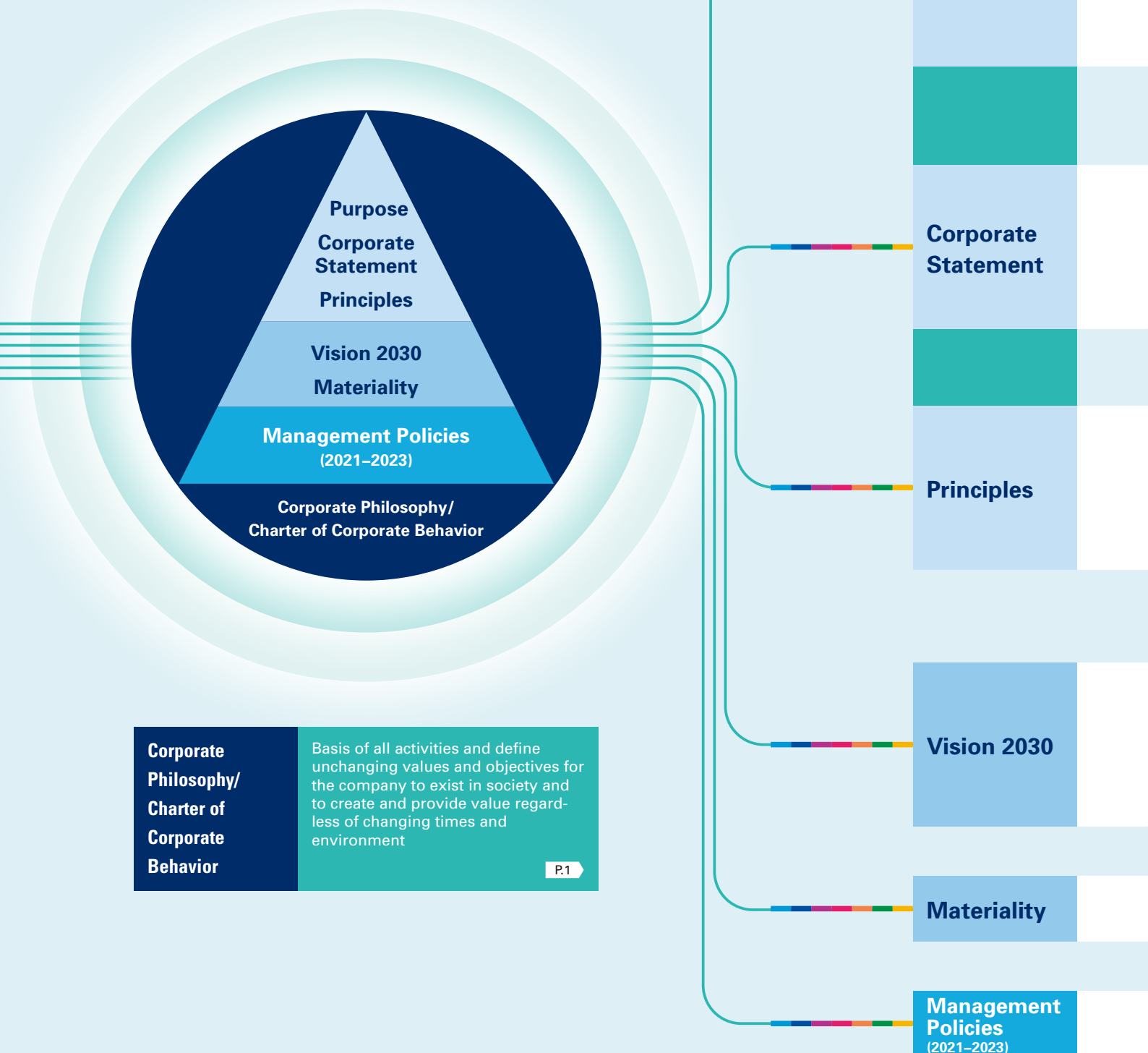
**BIPROGY**

### Date of change

April 1, 2022

# Toward New Growth

In addition to rededicating ourselves to making further contributions as a member of society through the efforts we have undertaken over the years to create new social value and to clarifying our purpose (the Company's raison d'etre), our role in society to fulfill over the long term, we want to align the Group and generate sustainable growth by setting Principles and Vision 2030 and formulating management policies that are consistent with those.



Until now  
**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

Description of the company's raison d'être and roles in society, which includes unique characteristics of the Group and management's determination to gain empathy from, and involve, various stakeholders

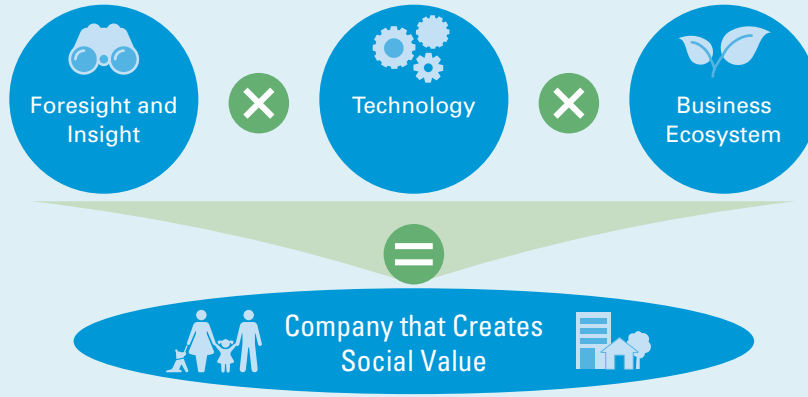
A simple slogan to spread the company's ideals and goals in a consistent manner both inside and outside the company

Defines the principles and creed for the Corporate Philosophy and Charter of Corporate Behavior as well as for realizing the Purpose and Vision

Describes the Group's roles and raison d'être, our ideals and commitment to undertake long-term activities to prepare for the year 2030

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## Create a sustainable society using foresight and insight to unlock the full potential of technology.



### Foresight in sight

“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.”

#### Principles:

- Social Inclusion and Respect for Human Rights
- Acceptance and Acquisition of Diversity
- Self-improvement and Greater Discretion
- Transparent Corporate Activities and Healthy Corporate Culture
- Sincere Performance

#### Creeds:

- Sincere and Passionate Actions as a Good Member of Society
- Efforts to Hand Down Well-being to the Next Generation
- Create Value by Forming Business Ecosystems
- Pursue High Quality, High Technology and High-level Skills
- Create Social Value and Achieve Sustained Growth

## We will develop the Digital Commons which is a platform that helps create a society where everyone can live happily.

#### Nihon Unisys Group's Digital Commons Concept

Digital Commons are communities where it is possible to create both social and economic value in solving social issues by using the power of digital technology to make it possible to widely use 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.

Material issues to be undertaken by the Group and performance indicators

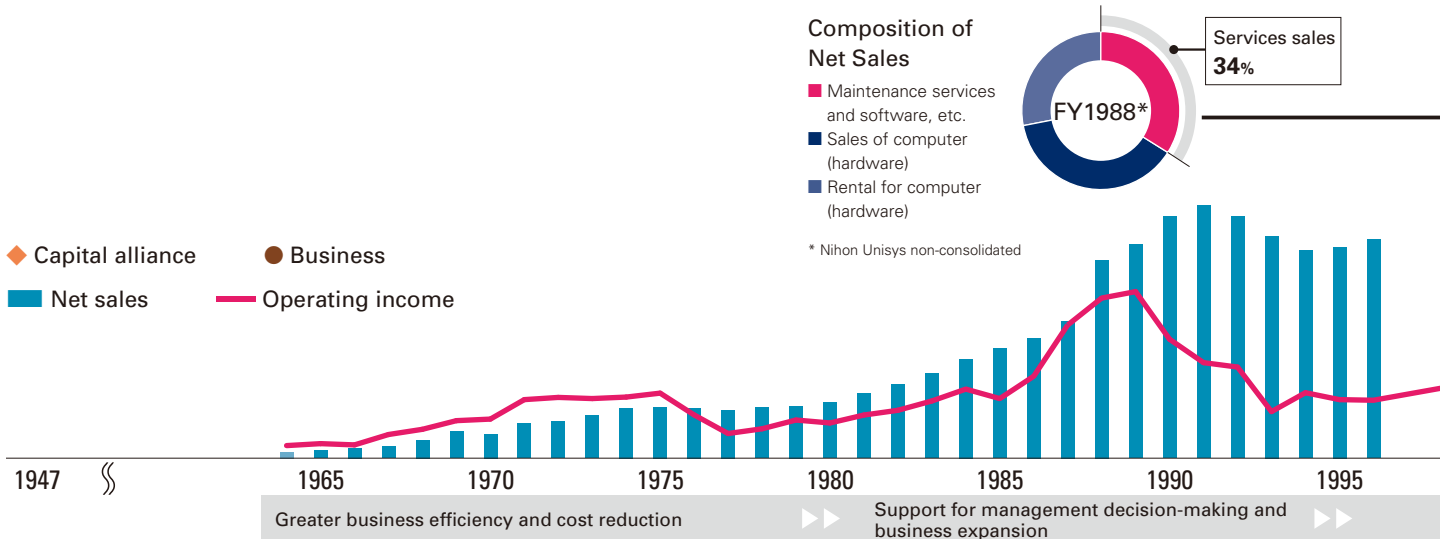
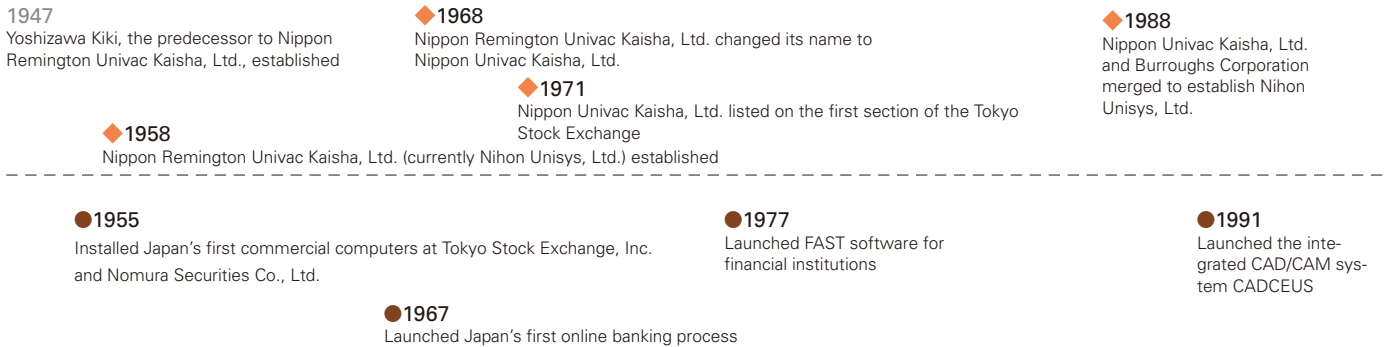
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Targets to be achieved over three years (fiscal 2021–fiscal 2023) and the main strategies, organization etc. of the Group to achieve the goals of Vision 2030

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# Transforming from Nihon Unisys into BIPROGY

Since its establishment in 1958, the dawn of the computer age, the Nihon Unisys Group has supported the development of Japan's information society by meeting the needs of the time. In addition to fusing our foresight and insight regarding social changes, technology centered on ICT, and formation of business ecosystems of various business partners, we will accelerate efforts to create new value and solve the issues faced by society by moving beyond simply providing ICT services and transform the company into one that creates social value.



### 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.

Value and Functions Required of ICT





◆ 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

◆ 2020  
Established Emellence Partners Inc. for co-creative business generation

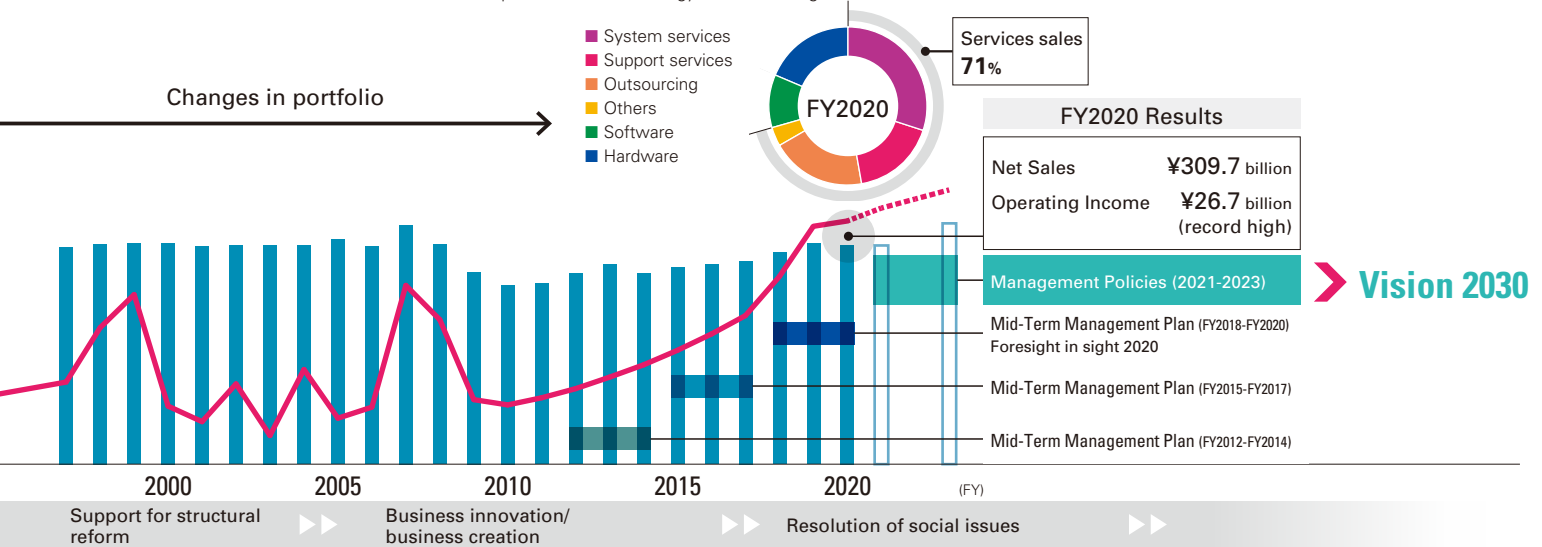
● 2007  
Introduced core-banking system BankVision, the world's first "full-banking" system based on the Windows platform

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

● 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

● 2017  
Start of Resonatex open API platform service

● 2020  
Launch of AI-Order Foresight, a cloud-based automatic order service based on AI demand forecasts



### 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

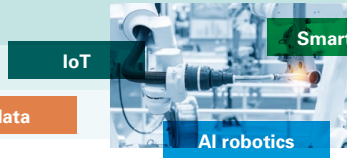
The 2000s saw operations becoming ever-more efficient owing to ICT, sparking the creation of new businesses and new lifestyles that utilize ICT. In addition, the advance of digital technology has been lowering the barriers between business types and categories in a variety of industries.

The Nihon Unisys Group will resolve the issues faced by society and develop digital commons, society's shared assets, into systems that promote the creation of a society that everyone can live happily in through business ecosystems that link customers and partners in different sectors who possesses diverse strengths by leveraging the experience and achievements we have acquired through ICT.

**New business creation**




Big data



Smart technology

Digital transformation





We aim to transform into a company that creates social value by building a corporate brand that is unique in the world and by working to solve social problems with borderless ideas

**Akiyoshi  
Hiraoka**  
Representative  
Director, President &  
CEO, CHO



## Resolve and determination behind our new corporate brand

We have announced that we will change our corporate name to BIPROGY\*<sup>1</sup> Inc. on April 1, 2022. Firstly, I would like to thank our shareholders for approving this change and our investors and customers for their many words of encouragement. I've been asked, "Why change the name Nihon Unisys, which has a long history and brand image?" The greatest reason is our desire to have a brand that is completely unique in the world.

We have always felt frustrated at the limitations on the global use of the Unisys brand name. When we celebrated our 60th anniversary in 2018, we redefined the Company's raison d'être as being "a corporate group that solves social issues." It was while working to solve various social issues over the following three years of our previous mid-term management plan, however, that I was regularly hit by the realization that borderless ideas are vital for creating great solutions.

Whether we like it or not, the corporate name Nihon Unisys identifies us as an IT company, and gives the impression we are restricting ourselves to Japan. We will need to embrace ways of thinking that strive for the best results in a comprehensive manner—overall optimization—from a range of narrow perspectives—partial optimization—such as social engineering and technologies besides IT. We also need to start thinking from a behavioral science perspective—looking into why humans behave in ways that create social issues.

At this juncture, as a Group, we have set forth in our new Purpose (the company raison d'être) to transform into a company that creates social value that helps to achieve a sustainable society by reimagining the social role we should play and the value we should provide going forward. We believe this juncture is the perfect timing for showing our determination to make a new start in building a unique brand from a borderless perspective. To this end, we decided to change our corporate name.

Regardless of our change of corporate name, our busi-

ness alliance with Unisys Corporation will remain unchanged and we will continue to sell Unisys Corporation products in Japan.

\*1 BIPROGY is an acronym coined from the first letters of blue, indigo, purple, red, orange, green, and yellow, the seven colors visible when light is refracted and reflected. BIPROGY illustrates a world where the colors of light mix beyond any bounds. It also means that we will be a hands-on company that combines light and makes the seven colors shine to:

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## Reflecting on our previous mid-term management plan

Fiscal 2020 was the final year of our mid-term management plan, "Foresight in sight 2020." Reflecting on our business performance, net sales were below our target of ¥320 billion at ¥309.7 billion as a result of a decline in sales of system services, partly due to the impact of the COVID-19 pandemic. Profits grew, however, as a result of an increase in highly profitable digital transformation (DX) projects in priority areas and significant growth in outsourcing services. This saw the operating margin, our most important indicator, reach 8.6%—exceeding its target of 8%.

Under the previous mid-term management plan, we had separate categories of priority areas and core ICT areas. We believe the steady growth of digital transformation (DX) business in our priority area has laid the foundations—and has given us significant confidence—for executing our new management policy. Additionally, these priority areas have seen the launch of several services able to create social value, such as energy management services. This means we have created the very markets that are creating social value. Moreover, we have laid the foundations to grow these priority areas even further by using the assets we have developed to collaborate with various companies in our business ecosystems. This progress gives a general summary of the three years of the previous mid-term management plan.

### Mid-Term Management Plan (FY2018-FY2020)

		FY2020 Target	FY2020 Results
<div style="border: 1px solid blue; padding: 5px; width: fit-content;"> <b>Foresight in sight 2020</b> </div>	■ Operating Margin	<b>8% or more</b>	<b>8.6%</b>
	■ Net Sales (Net Sales in Priority Areas)	<b>¥320.0 billion</b> (¥60.0 billion)	<b>¥309.7 billion</b> (¥68.4 billion)
	■ ROE	<b>12-15%</b>	<b>13.4%</b>
	■ Dividend Payout Ratio	<b>Approx. 40%</b>	<b>41.1%</b>

## Vision 2030: Our path to 2030

### ■ Creating digital commons through three social impacts

The Group has set Vision 2030—under our Purpose—as our direction toward 2030. Our aim is to achieve a sustainable society—equipped with social systems to enable everyone to live happily—by creating digital commons (shared assets of society) through the promotion of our business with three social impacts as our guide:

- Resilience: Viable and resilient autonomous distributed environments,
- Regenerative: Regenerative systems for a net positive society
- Zero emissions: Environmental contributions and reduced environmental loads using digital technologies.

### ■ Building resilient social infrastructure through visualization

Resilience is the capacity to recover quickly from sudden crisis and environmental changes such as disasters and infectious disease epidemics. In recent years, Japan has also been affected by climate change, and it is now not uncommon for major disasters to occur each year that were once said to occur once every 50 or 100 years. Under these conditions, it is necessary to visualize the disaster prediction data and take countermeasures. We are participating in projects such as the Cabinet Office's Cross-ministerial Strategic Innovation Promotion Program (SIP), Phase 2: Enhancement of Societal Resiliency against Natural Disasters, II. Development of Systems for Analyzing and Sharing

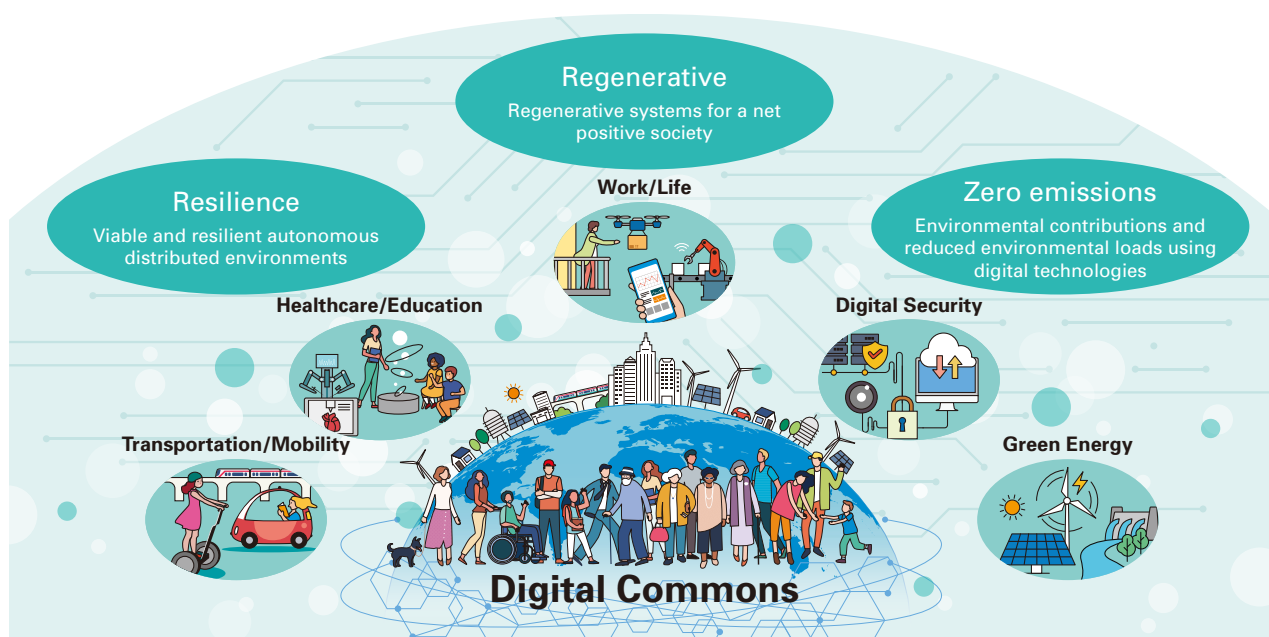
Disaster Information. We are working to enhance responses to natural disasters (evacuation and emergency measures) by rapidly extracting information that gives situational awareness of the disaster—utilizing data collected and observed such as from satellite imagery—and by grasping and monitoring possible future situations. If disaster algorithms can be analyzed by visualizing various changes in the natural environment before, during, and after a disaster using sensors and radar, it will be possible to make predictions and take rapid emergency response measures.

In addition, infrastructure such as roads, bridges, and tunnels are aging all over Japan and require maintenance and inspection. However, many of the bridges are under the control of local governments. Therefore, for various reasons, it is difficult to regularly inspect and repair all of them. Resilient societal infrastructure can be developed and decisions on repair prioritization can be made, however, using digital technologies in conjunction with self-flying drones and analysis of captured images using AI. Repair work can also be prioritized in locations of heavy traffic volumes by digitally visualizing the traffic volumes of bridges. In such cases, we will collaborate with external companies and organizations beyond our industry bounds while making the most of their respective technologies and strengths.

### ■ Regenerating old mechanisms with the power of digital technology

The next word, regenerative is not so familiar to us, however, it's derived from regenerate, meaning to bring new and more vigorous life to something. Organizations and systems in Japan are often unable to cope in the world today, or their latent problems are often highlighted because of some

## Vision 2030: Towards a Sustainable Society



event or circumstance. The reality is that it is quite difficult to go back to a blank slate and start again from scratch. Adding digital power to what has been accumulated from the past, however, creates the possibility of regeneration.

As an example, in Japan, even during the COVID-19 pandemic, supermarket distribution networks were not disrupted and there was no sense of any shortage of goods. This is solely due to the efforts of essential workers who work in not only supermarkets but also in manufacturers, wholesalers and logistics. On the other hand, there are still issues that need to be solved such as excess inventory and food losses and waste. Currently, systems are being developed that do not result in lost opportunities for sales and that do not result in excess inventory. This ongoing process is seeing supermarket orders being switched to AI orders due to labor shortages, and AI analyzing weather information and local event information, and making purchases based on predictions of how much of a particular product will sell—particularly for fresh produce and products with short expiration dates such as milk that are delivered daily to retail stores.

By sharing such mechanisms not only within supermarkets but also with manufacturers and wholesalers, it may be possible to further reduce excess inventory. By connecting with producers and consumers—who are now highly aware of issues such as SDGs—there is a possibility that daily deliveries can be switched to pre-order sales and food losses and waste can be eliminated. In addition, optimization of delivery can be expected to reduce greenhouse gas emissions. In this way, regenerating the existing system into a new system that enables further problem solving with the power of digital technologies is what we call regenerative.

By zero emissions we mean societal systems such as a resource-recycling social system that does not produce any waste. To create systems that positively contribute to the environment and reduce the environmental impact using digital technologies, regenerative systems are also necessary, and to ensure the continuity of companies and to maintain the lives of ordinary citizens no matter what kind of crisis occurs requires resiliency.

Vision 2030 thus expresses our stance of contributing to the three interrelated social impacts from the perspectives of various industries and markets together with our business ecosystem partners. The Group is a member of the United Nations Global Compact and has been promoting efforts to achieve its Ten Principles and the SDGs. Going forward we will make even greater contributions to achieving the SDGs through our efforts toward Vision 2030.

## Two perspectives represented in Management Policies (2021-2023)

The basic policy for achieving Vision 2030 is Management Policies (2021-2023), and this policy is defined from two

perspectives. One is For Customers (promotion of DX for customers), to contribute to the social value that customers aim for, and the other is For Society (promotion of DX for society) to create a market for social value creation together with customers and partners and turn it into the digital commons for the promotion of solutions to social issues.

An example of an initiative we have already implemented is the campaign called “BE + CAUS” (because). Through collaboration with a donations platform—provided by Smart Campaign\*<sup>2</sup> and STYZ Co., Ltd.—this initiative allows ordinary citizens to participate in social contribution activities. For example, when a customer who is a member of a supermarket buys a specific product of a participating manufacturer, the manufacturer makes a donation to an NPO that cleans marine debris. This, in essence, is a business ecosystem value chain. The circulation of this kind of value chain will create a system of supporting various people working to solve various social issues—that is, the digital commons with added economic value. Since it is a campaign for a specific product, it is initially For Customers, but by using this mechanism, it can also be a promotion For Society.

It was some of our female employees who came up with this idea. Continuing from the period of the previous mid-term management plan, we have a rule that engineers need to set aside three consecutive hours a week for work other than their assigned duties. This idea is a direct result of employees making the most of such an environment—conceiving and actioning a marketing method of involving manufacturers and retailers by matching up consumers wanting to contribute to society with organizations wanting to raise funds. Another group of employees are trialing another idea to help solve marine debris issues. They are using satellite and drone imagery to analyze the flow and amount of ocean currents and drifting debris to help collect and dispose of debris and have set up IoT imagery devices on the coast in collaboration with local governments to enable volunteer coastal clean ups. The collected waste is either used as fuel or recycled into other products—an ecosystem that links to non-IT initiatives. I believe an interesting market can be created through the further expansion of this circular ecosystem with digital technologies.

We want to expand our business ecosystems in collaboration with our customers and partners to achieve a better society by accumulating DX for Customers and promoting DX for Society.

\*2 A platform that enables advertisers (manufacturers) to implement marketing strategies based on actual purchase data in cooperation with retail outlets nationwide. Operated by Nihon Unisys and Dai Nippon Printing Co., Ltd.

## New initiatives associated with materiality review

The Group—under its aim of becoming a sustainable company and from the two aspects of achieving a sustainable society and establishing sustainable growth cycles—has



identified, set, and promoted issues that should be prioritized as material issues. In the process of establishing Vision 2030, we reviewed our material issues with achieving this vision in mind. We also revised our director remuneration system and decided to introduce new restricted stock remuneration linked to medium- to long-term performance that includes our level of achievement of these material issues. This revision clarifies the responsibility of directors for short-term performance in times of significant change, improves corporate value over the medium to long term, and enhances the link between remuneration and medium- to long-term performance. The aim is to share our interests and objectives with our shareholders and employees. It also shows our stance toward solving social issues to various stakeholders.

Currently, most of the businesses the Group engages in are created by our business ecosystems and are linked to the digital commons, which then links to social value. The capacity to judge and appraise not only technology but services—and social value brought about by services—and business models is vital for solving social issues and creating social value. To promote innovation, it is also vital we collaborate with companies that have technologies that we do not possess. We will expand our business ecosystems and keep building the digital commons by enhancing our capacity for judging and appraising and enhancing our agility to respond to changes in the times armed with our capacity to implement our accumulated Group technology in society.

## Desired profile of personnel

The reason we changed from a management plan to a management policy when formulating our current Management Policies (2021-2023), is because we want each employee to act and interact autonomously and independently—with our Purpose as a guide—to respond flexibly to changes. Moreover, no matter how much we explain our Purpose from a

top-down manner, we will not get widespread understanding and uptake of our Purpose in the Group. I believe we can achieve this—effective dissemination of our Purpose—through the accumulation of successful actions and interactions, which will lead to our own independent sustainability. The assets we achieve through this may be small. However, by combining all these small assets will see the creation of new markets. Even small stories can be woven together to realize lofty ambitions—what we call giant technological leaps or moonshots.

Regarding the profile of personnel the Group seeks to nurture, we have not increased our total number of employees by much over the long term, which I think is unusual for an IT company. Conventional business thinking says that the greater the number of personnel, the greater the revenue. However, I have continued to endeavor to create value by pursuing other avenues than a “man-month” business mindset. I believe we must think more dynamically about human resources such as utilizing our entire business ecosystems.

Meanwhile, of our core personnel, I want to place the most importance on and appreciation for those who share the same aspirations and get actively involved in our Purpose and Vision 2030. If you define your required skill set in detail, you will lose diversity. Currently, we are actively calling on our employees to become personnel who take on multiple roles—under our ROLES HR policy. While it is said that it is important to have diversity for innovation, if you do not have diversity within yourself, you cannot easily respect the diversity of others. Diversity within oneself is also called intrapersonal diversity. By first creating diversity in ourselves, we can respect a diverse range of people with diverse attributes while also seeking greater diversity for ourselves. I want our Company to be made up of such employees.

## Strategic investment

We have accumulated profits so far and have sufficient investment capacity, so going forward we plan to make further investments to contribute and give back to society with our profits. When it comes to investing, we need the capacity for judging and appraising we mentioned earlier because we are constantly exploring what kind of technologies and business models are the best match for each other. We have begun investing through corporate venture capital (CVC) to ensure this search is efficient. We plan to further strengthen our CVC investments with a focus on finding new technologies and want to enhance our capacity for judging and appraising. We have also established an investment company—Emellence Partners, tasked with finding potential business partners—to form business alliances and partnerships, and have already invested directly from Nihon Unisys rather than through CVC. Meanwhile, we are also planning to undertake investments to secure intellectual

property that we do not have within the Group. We provide funding when a party—wishing to create a business ecosystem; but not in the traditional relationship of contractee and contractor—has the technology but lacks the financial resources or a suitable place to verify the feasibility of the technology. We also are looking to make investments with parties wanting to try out their technology in an existing business ecosystem.

## What kind of future do we want to create?

Our Group corporate statement is “Foresight in sight.” I translate this “foresight” as “daydream.” The campaign I mentioned earlier was born out of employee daydreams, and I’ve always told our employees, “You can spend your time daydreaming.” This is also a daydream, but toward our future in 2050, I have already published, in-house, a road-map of the dream future I want to create. I started by imagining the future in 2050. Backcasting from there, I then imagined what a world in 2030 would look like where the concept of the digital commons had become normal and where social issues no longer arose.

The digital commons needs the trust and appreciation of

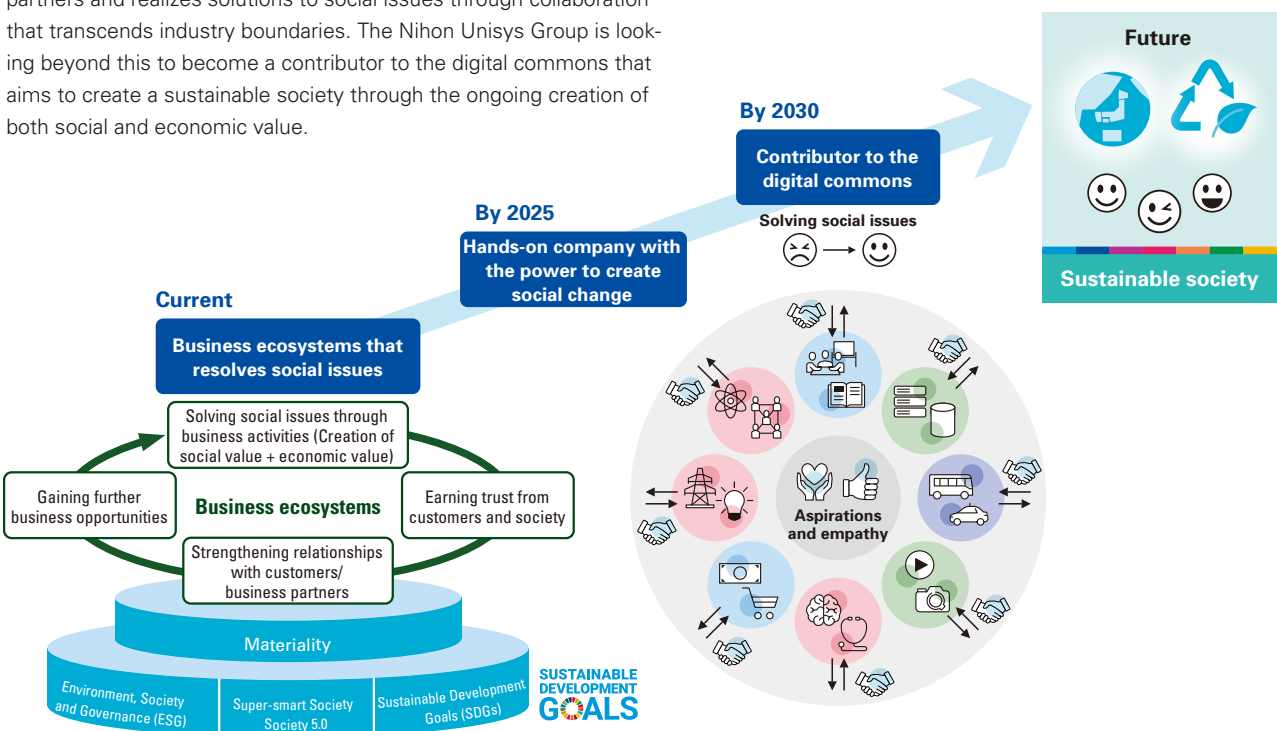
many people to be viable. The depletion of resources due to the selfish use of shared resources is called the “tragedy of the commons.” To prevent this tragedy of the commons from occurring, the current capitalist economy on its own is insufficient. We also need mechanisms that guarantee the reliability of information. While currently such mechanisms are yet to be established, I believe—in the future, in 2030, in 2050—these problems will be solved and the reliability of information (digital trust) will be enhanced, such as with AI that is even able to detect fakes.

This can enable us to pinpoint societal and systemic bottlenecks. I envision us all together being able to create a better society, if we can implement behavioral science in society through the power of digital at times when we need to transform peoples’ behaviors through social engineering for the design of overall optimization. An original concept of behavioral science is that if peoples’ motivation is kept high, they can maintain high productivity regardless of their surrounding environment.

In the future, we may be able to achieve a good balance between social engineering and behavioral science by realizing our desires of contributing to society and creating a society that is sustainable and comfortable. To realize this, a “miracle of the commons,” we aim to transform into a company that creates social value under our new corporate brand by bringing together the intellectual property, experiences, and assets of our various stakeholders and people.

## From Business Ecosystems to Digital Commons

Business ecosystems strengthen relationships with customers and partners and realizes solutions to social issues through collaboration that transcends industry boundaries. The Nihon Unisys Group is looking beyond this to become a contributor to the digital commons that aims to create a sustainable society through the ongoing creation of both social and economic value.



# Value Creation Process

By expanding business ecosystems that span across sectors and business models and leveraging its accumulated strengths to solve the problems of society, the Nihon Unisys Group aims to create a sustainable society through the creation of social and economic value.

**Corporate Philosophy**  
 Our Mission **P.1**  
 Work with all people to contribute to creating a society that is friendly to people and the environment

**Materiality** **P.26-27**

- Create schemes to solve issues through the use of digital technology and business ecosystems
- Contribute to the environment through the use of digital technology and reduce the environmental burden of business activities in order to achieve a zero-emission society
- Sustainably procure and provide safe and secure products and services throughout an entire value chain

## External Environment

Paradigm shift in society caused by COVID-19

Rapid shift to a digital society

Changes in society's expectations and demands for companies in order to create a sustainable society

Business environment in which it is difficult to read the future

## Sources of Competitive Advantages

(Inputs) Data as of FY2020 or March 31, 2021

**P.16**

**Social and relationship capital** **P.16**

- 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 450 companies

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**Human capital**

- Human resources able to take the initiative to grasp social issues and take action
- Diverse human resources able to innovate  
No. of employees: 7,913  
Investment in human capital: ¥3.1 billion  
Percentage of management positions held by women: 7.5%
- Human resources able to implement systems  
No. of engineers: 5,049

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**Financial capital**

- Shareholders' equity: ¥134.6 billion
- Free cash flows: ¥20.7 billion

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**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: ¥19.5 billion

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**Natural capital**

- Environmental considerations and green procurement  
Energy consumption: 7,425kl

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**Manufactured capital**

- System quality  
Training drills for responding to facility breakdowns at data centers: 1 or more times per year at each data center  
Security e-learning classroom participation rate: 100%
- Effective BCP structure
- Nationwide service network in Japan, service bases in eight foreign countries

\*1 Total of R&D expenses, capital expenditures and strategic investments

**Strengths** **P.14**

- Relationships with customers and partners in various Industries
- Capabilities for enabling successful system implementation
- Capabilities for enabling one-stop vendor-free support
- Capabilities for designing and delivering new services

## Nihon Unisys Group's Businesses

**P.15**

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

5 Increase both the network effect and customers with shared aspiration

## Creation of Services (Outputs)

**P.16-17**

Frameworks for Supporting Sustainability at the Nihon Unisys Group **P.42-63**

Human Resource Management **P.42-45**

# Vision 2030

## Realizing a Sustainable Society

P.24-27



### Purpose

P.2-3

Create a sustainable society using foresight and insight to unlock the full potential of technology.

We have developed “the significance of the Nihon Unisys Group” in order to implement Vision 2030 and have formulated a new Purpose.

- Develop and strengthen human resource to create a new future and promote diversity & inclusion
- Further improve corporate governance and integrity

### Foresight in sight

P.2-3

1 Obtain assets through various activities, such as daily activities with customers

2 Expand business platform layer

3 Expand service context

4 Win the trust of customers as a business partner

Implementation Capabilities Backed by Integrity, the Power to Get Things Done

### Creation of Social and Economic Value

(Outcomes) Data as of FY2020 or March 31, 2021

P.17

#### 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: 100%

#### 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: +1.2% (vs. FY2019)  
Paid leave utilization rate: 81.1%

#### Financial capital

- High capital efficiency  
ROE: 13.4%
- High shareholder returns  
TSR\*2 over past five years: 246.8%(+19.8% annualized)
- Solid financial base  
Issuer rating\*3: A-  
Equity ratio: 58.0%

#### Intellectual capital

- Creation of new services  
No. of news releases: 106
- Cumulative number of investments in venture capital funds and real-tech venture firms that aim to solve social problems  
About 20 funds, more than 40 venture firms

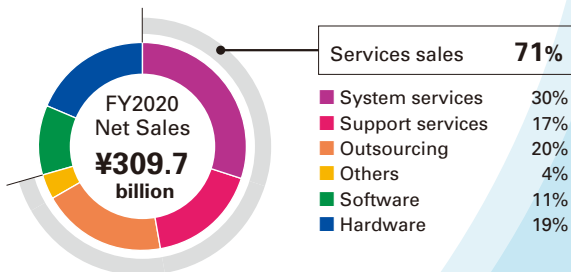
#### Natural capital

- Spread and expand services that help reduce environmental impact
- Efficient use of energy  
Reduction in greenhouse gas emissions intensity: 2.8% (vs. FY2019)  
Improvement in energy consumption intensity: 3.7% (vs. FY2019)

#### Manufactured capital

- Reliable operation of services  
Online uptime rate: 99.996%
- Control of cost overruns

\*2 Market price based on TSR indexed with closing price on March 31, 2016, 100.  
\*3 Rating & Investment Information (R&I)



(Negative output) Greenhouse gas emissions: 13,692t-CO<sub>2</sub>

Environmental Management

P.46-48

Supply Chain Management

P.49

Corporate Governance

P.50-57

Risk Management

P.58-63

# Explanation of the Value Creation Process

The Nihon Unisys Group's competitive advantage comes from its strength built up by supporting society and industries through the provision of solutions that meet the diverse needs of customers. Based on this strength, the Group collaborates with a wide range of stakeholders to generate innovation.

## Nihon Unisys Group's Strength— Implementation Capabilities Backed by Integrity, the Power to Get Things Done

### Relationships with Customers and Partners in Various Industries

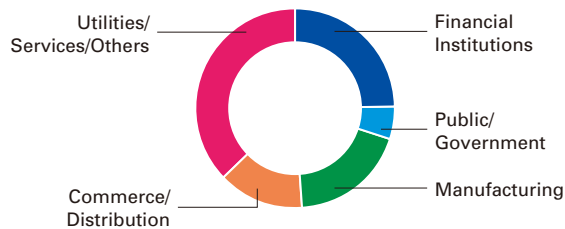
Customers in Broad Types and Categories of Businesses

Number of Customers\*1

More than **5,000** companies

\*1 Total of Nihon Unisys and UNIADDEX

Customer Base in a Wide Range of Fields  
Breakdown of Sales by Market (FY2020)



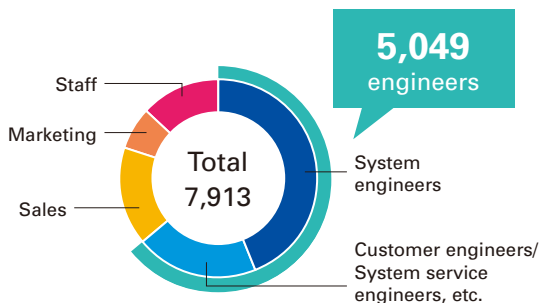
<b>Financial Institutions</b>	Banks, credit unions, central organizations of a cooperative financial institution, securities, insurance, leasing companies, etc.
<b>Public/Government</b>	Government offices, local governments, related organizations, schools and nursery schools, medical facilities, etc.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

### Capabilities for Enabling Successful System Implementation

Providing systems, including mission-critical systems that move society

Extensive **track record**

Engineers Back Our Technological Capabilities  
Composition of Employees (as of March 31, 2021)



### Capabilities for Enabling One-Stop Vendor-Free Support

Various manufacturers' products  
×

Development partners

More than **450** companies

Bases

Japan

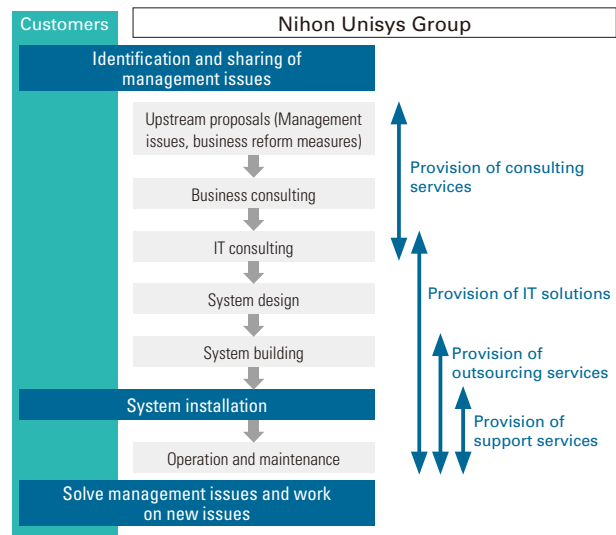
**Nationwide network**

Overseas

**8 countries\*2**

\*2 (As of March 31, 2021) America, China, Indonesia, Thailand, Singapore, the Philippines, Malaysia, Vietnam

One-Stop Services



### Capabilities for Designing and Delivering New Services

No. of news releases  
(FY2020)

**106**

Total investments\*3  
(FY2020)

**¥19.5 billion**

Other Investments in human capital ¥3.1 billion

\*3 Total of R&D expenses, capital expenditures and strategic investments

Initiatives to Spur Innovation

**Personnel Strategy** The Group is promoting personnel reforms with the aim of becoming a highly autonomous corporate organization with a culture capable of transforming society.

**Investment Strategies** The Nihon Unisys Group is continuing and expanding investments and M&A, including global investments in partners with cutting-edge technologies and expertise, as well as investments in startups and funds.

**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.



## Value Creation Cycle in the Nihon Unisys Group's Business Activities

In addition to providing the optimal ICT environment to customers, the Group works to create business ecosystems that connect numerous companies in different sectors and in different business categories.

Through these business activities, the Group has earnestly collaborated with customers in all industries to solve their problems, which has made it possible for us to accumulate experience and knowledge based on our familiarity with their operations.

By stitching together in a patchwork fashion the knowledge we have acquired while working with customers, solutions we have independently developed, open innovation, and various assets we have obtained through the pursuit of knowledge and other companies' products and reworking knowledge obtained from customers into an optimal form, we will work to expand our unique, flexible business platform layer.

At the same time, we would like to increase, in the long term, service contexts appealing for customers by generalizing the experience and knowledge from individual projects into a form applicable to multiple customers and compiling that into a library.

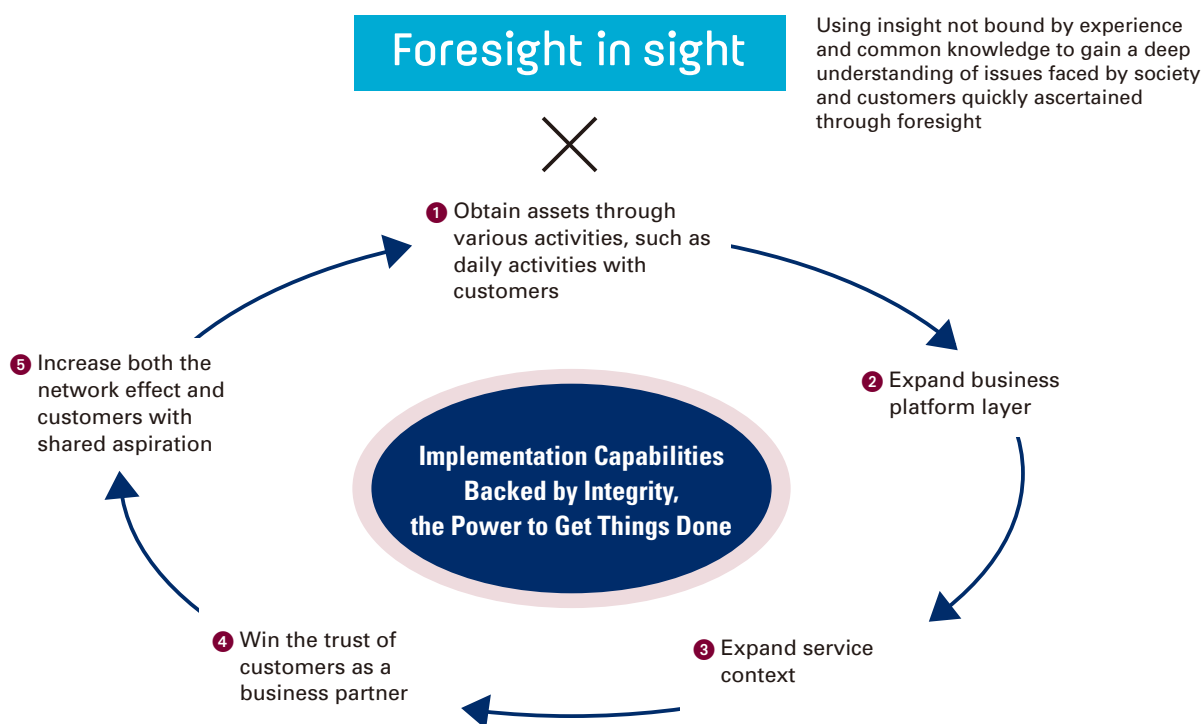
Furthermore, we will be able to quickly launch services that rivals cannot imitate and win the trust of customers as a business partner by keeping our eyes open both inside and outside the company and creating a system that makes it possible to provide the optimal combination of services for customers.

Increasing the number of customers who trust us will accelerate the creation of business ecosystems that link numerous customers and give birth to novel practices among customers in new sectors. If there are more such cases, this will lead to greater trust from society, a stronger network effect within business ecosystems, more customers who share our ambitions, and solutions to a larger number of issues faced by society.

What makes it possible to create such a cycle is possessing both foresight and insight, which the Group does, and implementation capabilities backed by integrity (power to get things done). Repeatedly working through this cycle will lead to the sustainable creation of value.

### Value Creation Cycle

We aim to generate sustainable growth by running through this value creation cycle that accelerates the creation of business ecosystems based on assets acquired through the provision of services to customers.



**Business platform:** platform that combines operation processes and systems, SaaS, BPO, and similar elements.  
**Service context:** service scenario and business model whose hypothesis has been verified

## Sources of Competitive Advantages (Inputs)

Creating and providing services with high social and economic added value based on accumulated capital and sharing that with stakeholders.

### Social and relationship capital

The relationships with customers and partners built on trust and our customer base that spans a wide range of sectors and industries are valuable assets for not only supporting the medium- to long-term sustainability of the Group's businesses but also accelerating the creation of business ecosystems.

### Human capital

Human resources are an important asset for companies, and the Nihon Unisys Group has diverse employees who create new businesses to solve issues faced by society and possess the technical skills to implement those businesses.

### Financial capital

Abundant equity and ability to generate cash flows support the Group's financial base and make it possible to maintain the business and flexibly make investments to generate growth.

### Intellectual capital

The business knowledge and technical skills to meet customer needs that we have acquired over the more than 60-year history of the company is the source of our ability to create various solutions. In order to create new services, we have accumulated new knowledge through open innovation based on partnerships with startups and venture companies.

### Natural capital

In order to conduct environment friendly business, we not only promote green procurement but also have reinforced our development capabilities related to services that employ digital technology and contribute to a lighter environmental burden.

### Manufactured capital

We have created a business structure that supports the provision of stable systems both throughout Japan and overseas.

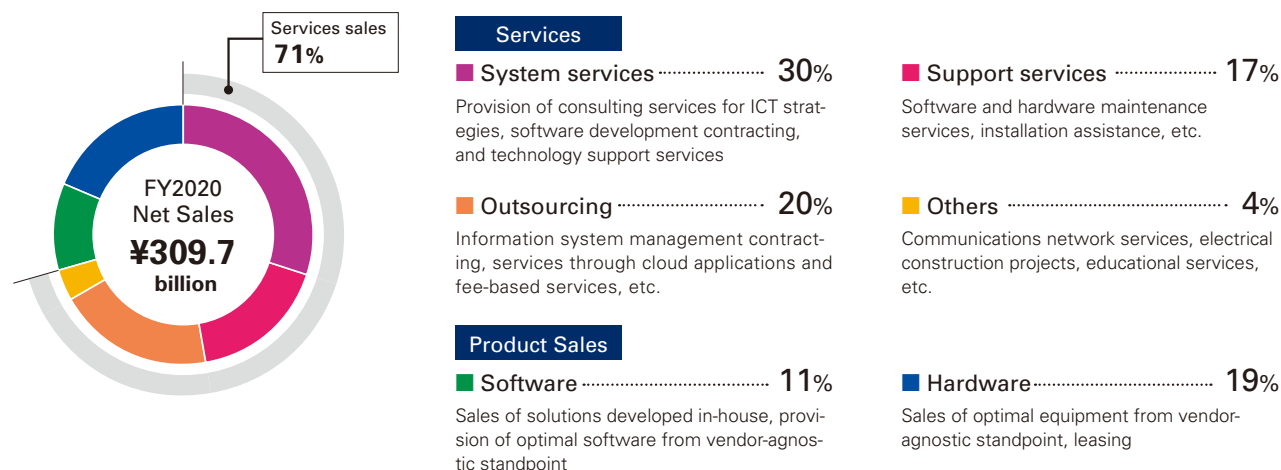
## Creation of Services (Outputs)

In addition to providing the most appropriate solutions and services for customers by combining ICTs, we operate a service-type business based on a new profit model.

The Group's business segments consist of system services, support services, outsourcing, software sales, hardware sales, etc. In Management Policies (2021–2023), we pivot to a greater focus on service-type businesses by not only stipulating two perspectives—"for customers," promoting digital transformations that contribute to the sustainable growth of customers, and "for society," promoting social digital transformation that advances solutions to issues faced by society in cooperation with customers and partners in a wide range of sectors and industries—but also striving to capture and reinforce cutting-edge technology and working to create a digital commons.

## Nihon Unisys Group's Business Segments

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



## Creation of Social and Economic Value (Outcomes)

Through the creation of social and economic value, in addition to gaining the trust of our customers and society, we will achieve a virtuous cycle of sustainable growth through the acquisition of further business opportunities.

### Social and relationship capital

We share a common ambition with various stakeholders, including partners, and aim to solve the issues faced by society.

### Human capital

By training human resources who share our vision and strategy and can independently create value, we achieve high productivity through innovation.

### Financial capital

We pay a high shareholder return based on a firm financial base and high capital efficiency. This leads to new investment capacity and wins the trust of customers.

### Intellectual capital

By investing in startups and funds, strengthening our human resources that generate innovation, and other efforts, we create new services that lead to solutions to issues faced by society.

### Natural capital

We promote the efficient use of energy by more broadly introducing and expanding services that contribute to a lighter environmental burden.

### Manufactured capital

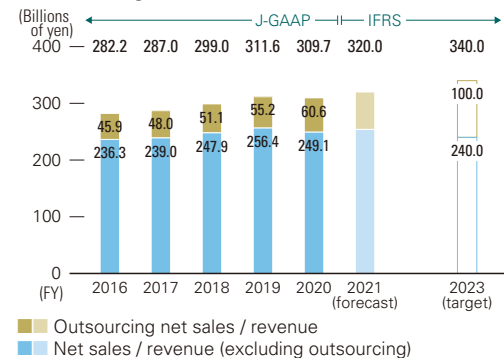
We ensure the stable operation of services and work to maintain profitability to the extent possible by making efforts throughout the value chain.

## Outsourcing, Engine of Growth

In Management Policies (2021–2023), which starts to be applied in fiscal 2021, we position the outsourcing business as the engine of growth for the company and set a numerical target of increasing outsourcing revenue to ¥100.0 billion by fiscal 2023, the final year that the policies apply.

The Group's outsourcing business covers several services, including entrusted operation services for customer operation systems, services that contribute to customers' digital transformations, and services to resolve the issues faced by society in collaboration with customers and partners. We aim to not only reinforce our stable profit foundation by winning new projects but also further increase profitability and create social value by accelerating efforts to expand our service-type businesses that solve issues faced by society.

### Outsourcing Net Sales



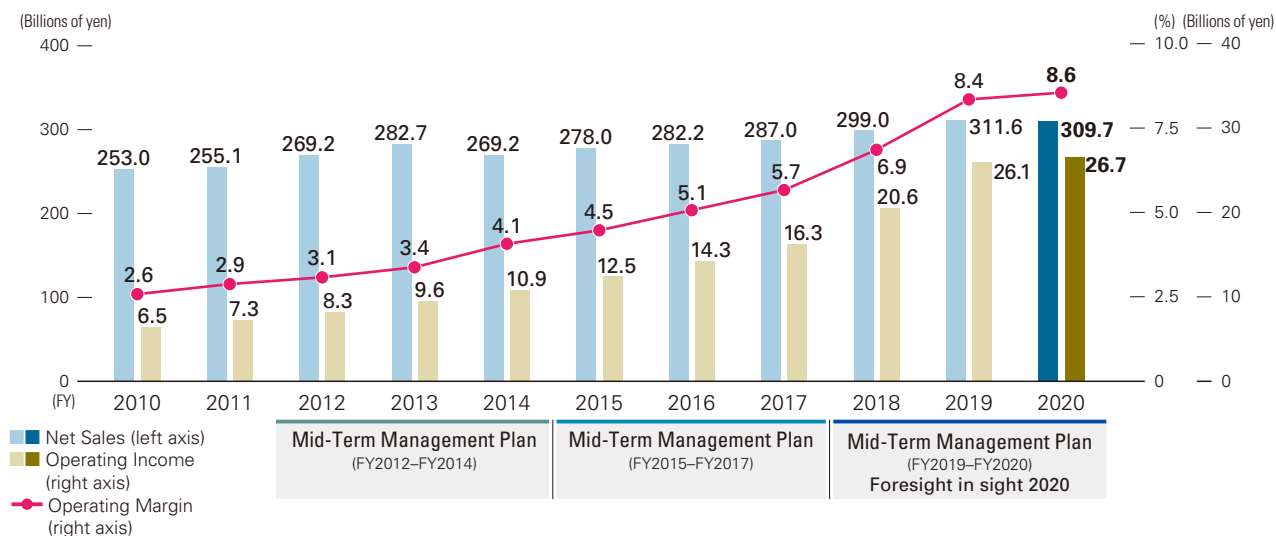
## Main Types of Outsourcing Services

	Entrusted operation type	Corporate DX type	Service-based type (business creation type)
Distinguishing characteristics	Entrusted operation services for individual customers	Outsourcing services that are more evolved entrusted operation services due to digital transformation and are provided in a new form	Outsourcing services provided as a business by the Group alone or by the Group in partnership with customers
Value provided	Increasing the efficiency and sophistication of customer business	Transform customer companies and establish competitive advantage for the business	Move toward providing and operating digital commons to build a better society and solve issues faced by society
Proxy service	<ul style="list-style-type: none"> <li>Overall IT outsourcing and business outsourcing services</li> <li>BankVision, an open core-banking system (on-premises type)</li> <li>SBI21, a core-banking system for regional financial institutions</li> </ul>	<ul style="list-style-type: none"> <li>BankVision on Azure, a public cloud-based full-banking system <a href="#">P.33</a> <a href="#">P.48</a></li> <li>OptBAE, a use-type core-banking system for regional financial institutions</li> <li>AI-Order Foresight, an automatic order system based on AI demand forecasts <a href="#">P.32</a></li> </ul>	<ul style="list-style-type: none"> <li>Zero-Accident Program DR, a communication-type drive recorder</li> <li>Electronic value cards business</li> <li>smart oasis, a mobility service platform</li> <li>Storage service platform</li> <li>Saigai Net, a chronology-type crisis management information sharing system <a href="#">P.48</a></li> <li>SaaS-type EC/OMO solution DIGITAL' ATELIER <a href="#">P.48</a></li> </ul>

# Financial Highlights

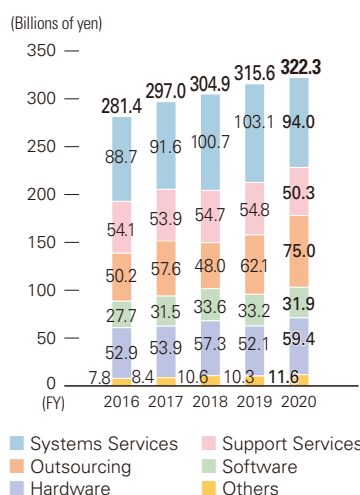
(Nihon Unisys, Ltd. and Consolidated Subsidiaries)

## Net Sales, Operating Income & Operating Margin



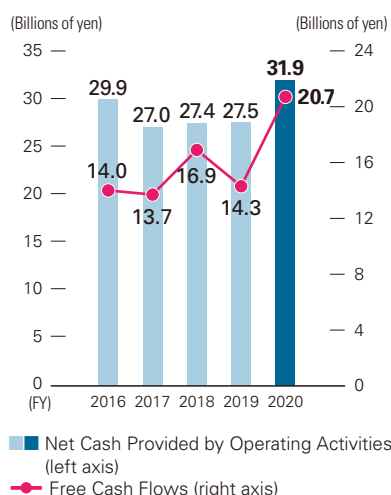
Under the mid-term management plan (FY2012–FY2014), we worked to reinforce the management foundation by reviewing the cost structure, conducting risk management, and enhancing our financial condition. Under the subsequent mid-term management plan (FY2015–FY2017), we stabilized business performance through productivity improvements and other measures, and innovated our business model to further improve profitability. In the following mid-term management plan (FY2018–FY2020), net sales for FY2020, the final year of the plan, fell slightly for various reasons, including the impact of projects in the core ICT area being postponed. Even so, operating income hit the target of ¥26.0 billion as a result of an increase in outsourcing service profit. Furthermore, operating margin had already reached the target of 8% or more by FY2019 and continued to increase and hit 8.6% in FY2020.

## Orders Received by Segment



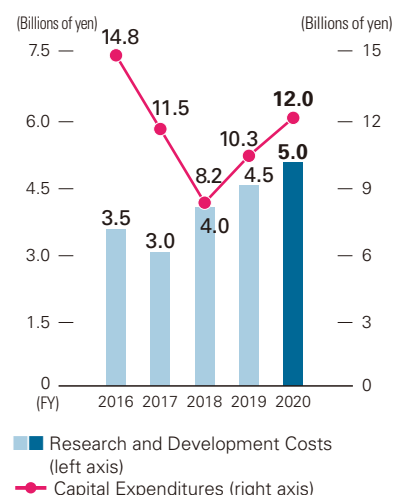
In FY2020, there was a decline in system service orders received as some customers moved to limit investments because of the COVID-19 pandemic, but for outsourcing services, which we are aiming to expand in the new Management Policies (2021–2023), there was an increase in orders as a result of several large projects that we expect to provide services for over many years.

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



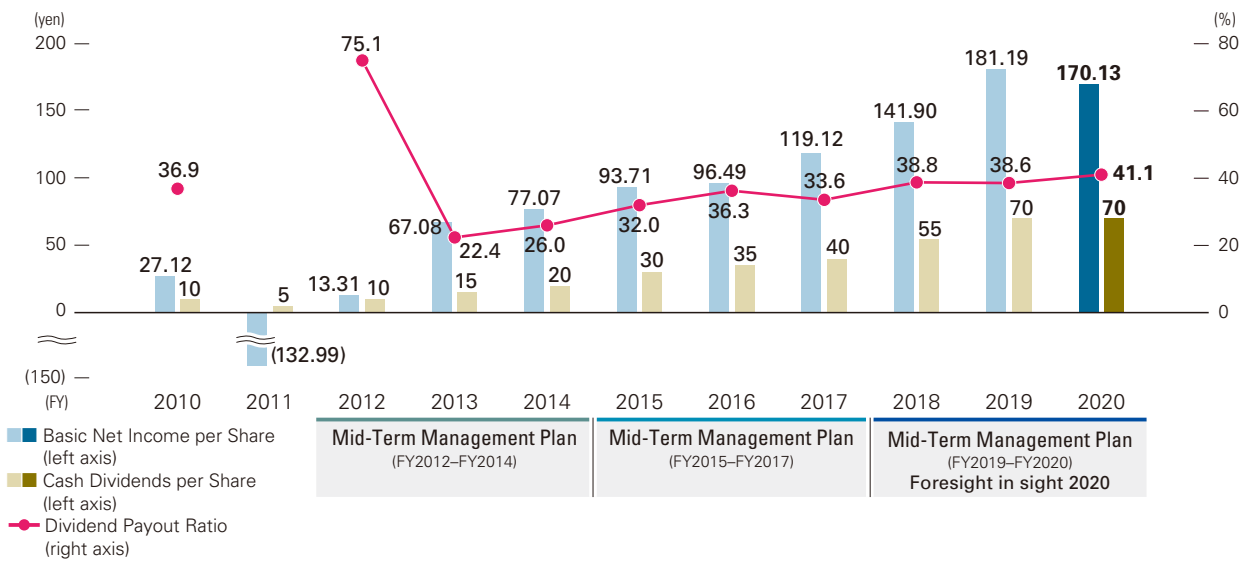
As a result of an increase in profitability, we are able to generate greater net cash provided by operating activities. Using that cash, we will continue to make various investments, including ones in startup companies that possess knowledge that will lead to advanced technology and innovation, and will accelerate efforts to expand business in order to implement Vision 2030.

## Research and Development Costs & Capital Expenditures



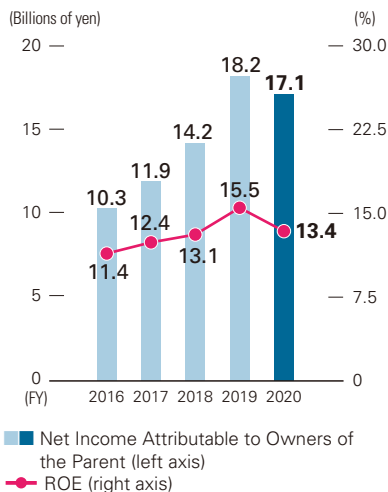
We have been continuously investing in R&D to create new services in our priority areas and making capital investments in outsourcing services in our core ICT area. As a result, the amount of investment has increased.

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



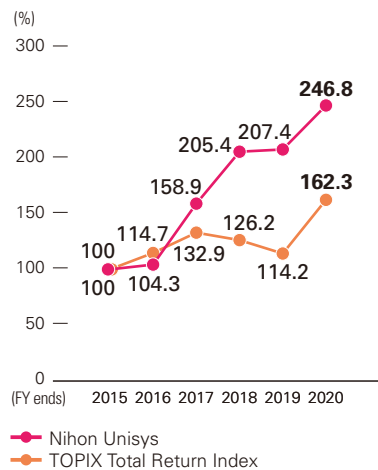
Net income was weak from FY2010 to FY2012, but profits steadily improved due to several initiatives related to transforming our business models, improving labor productivity, and eliminating unprofitable projects implemented during the mid-term management plan beginning in FY2012. Although net income fell in FY2020, we paid a dividend of ¥70, the same amount as for the previous fiscal year, and achieved a consolidated dividend payout ratio of 41.1%. In Management Policies (2021–2023), too, we adopted a policy of aiming to achieve a consolidated dividend payout ratio of 40% and want to pay a greater return to shareholders by expanding earnings.

### 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. In FY2020, net income declined due to an increase in income taxes, and ROE fell along with that. In the mid-term management plan (FY2018–FY2020), we aimed to achieve an ROE of 12%–15%, but in Management Policies (2021–2023), the target was set to 15%.

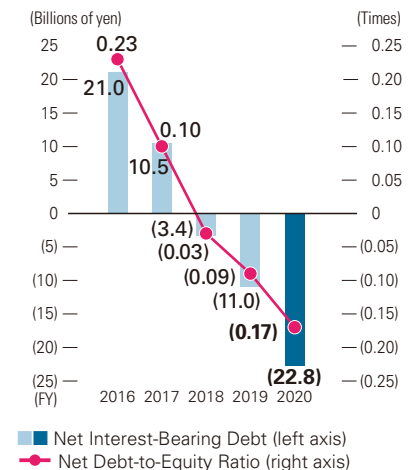
### Total Shareholder Return (TSR)



The total shareholder return (TSR) in FY2020 was significantly higher than the TOPIX total return index. Stock prices have been on an upward trend for the past five years due to strong earnings.

\* Market price based on TSR indexed with closing price on March 31, 2016, 100.

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

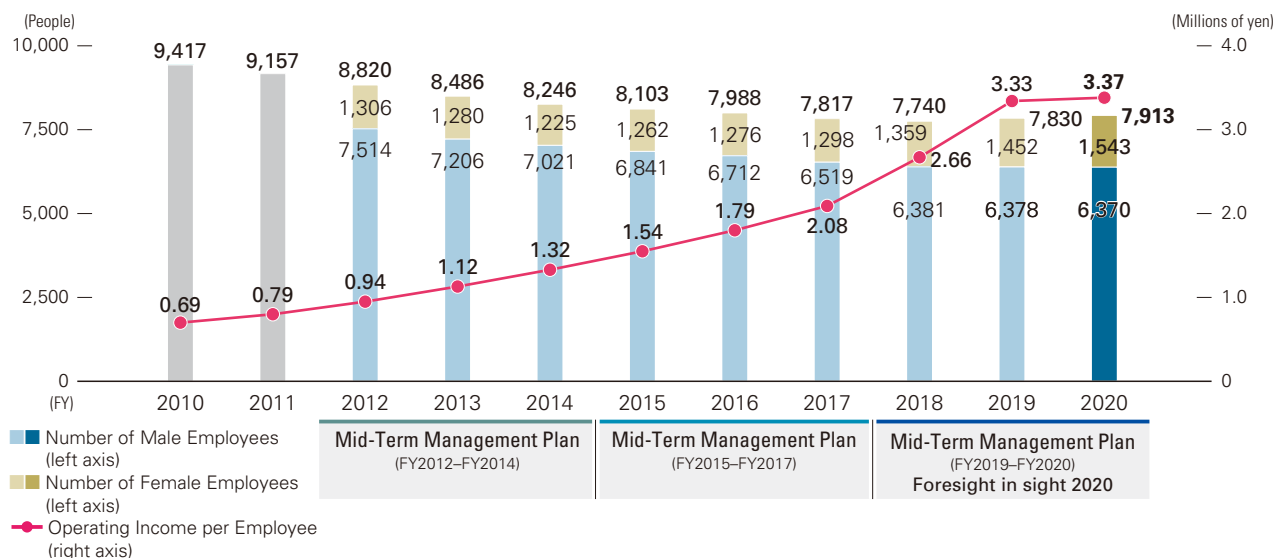


As a result of ongoing improvements to our financial condition, achieved mainly by reducing interest-bearing debt, the net debt-to-equity ratio has improved to -0.17 times in FY2020.

# Non-Financial Highlights

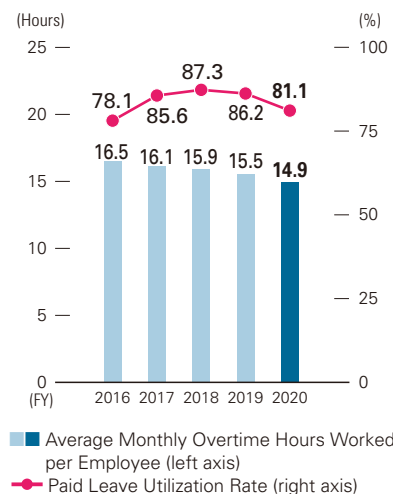
(Nihon Unisys, Ltd. and Consolidated Subsidiaries)

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



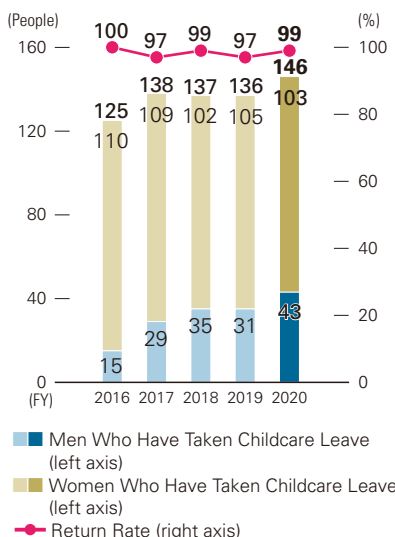
Since the mid-term management plan (FY2012–FY2014), we have been focusing on reforming our personnel system and human resource development as a priority issue, and implemented various measures dealing with promoting work style reforms and improving productivity. Until now, the number of employees has continued to decrease for several reasons including the retirement of baby boom generation employees, but we are conducting recruiting activities and implementing human resource development measures from a medium- to long-term perspective in an effort to secure and train 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



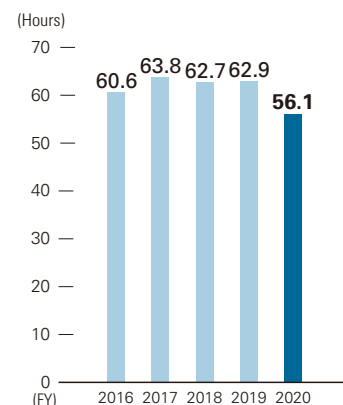
We have been striving to reduce average overtime hours by promoting flexibility in overtime activities and other measures. In FY2020, too, we reached our paid leave utilization target rate of at least 80%. We are also continuing to implement work style reforms and health management.

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



We have established systems for balancing work and childcare, and more male employees have been taking childcare leave in recent years. The return rate to work after childcare leave has been 100% or close to it.

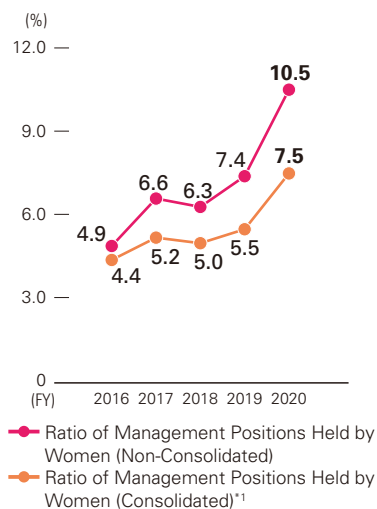
## Annual Training Hours per Employee\*1



We also implement various measures to strengthen our human resources, and these include dispatching personnel to external programs and to overseas venture capital enterprises, with the aim of helping those employees acquire and improve skills related to creating businesses and in new technological areas. In FY2020, training time fell for several reasons including the postponement of training due to the COVID-19 pandemic. Having already put in place a remote training system, we expect that starting in FY2021, the amount of training will return to its previous level.

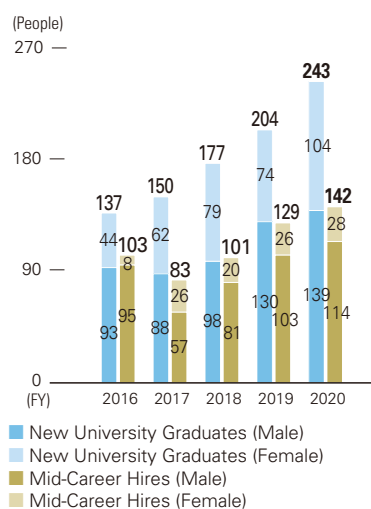
(Scope of Calculation) \*1 Nihon Unisys and UNIADDEX

### Ratio of Management Positions Held by Women



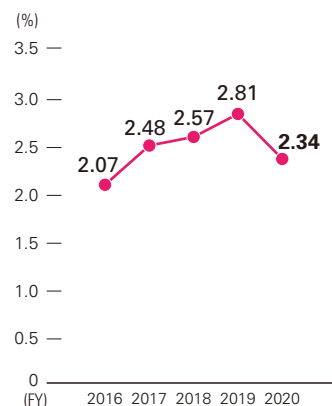
We promote the active participation of women as a core measure for increasing diversity. One of our targets for materiality (important issue of sustainability) is to have women hold 10% or more of management positions (non-consolidated) and we reached 10.5% in FY2020.

### Number of People Hired<sup>\*2</sup>



In addition to recruiting new university graduates from a medium- to-long-term perspective, we actively recruit mid-career human resources in new fields or with specific skills who will be immediate assets. In FY2020, too, we actively recruited new graduates and mid-career workers, and the number of new female graduates hired has remained high.

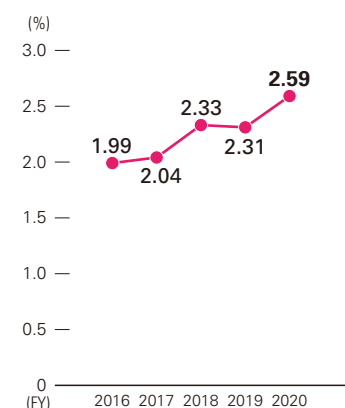
### Employee Turnover Rate<sup>\*1</sup>



We continue to promote numerous efforts, including those to create a good workplace environment, proactively promote young employees, and improve employee engagement. Our employee turnover rate is well below the industry average (9.2\*).

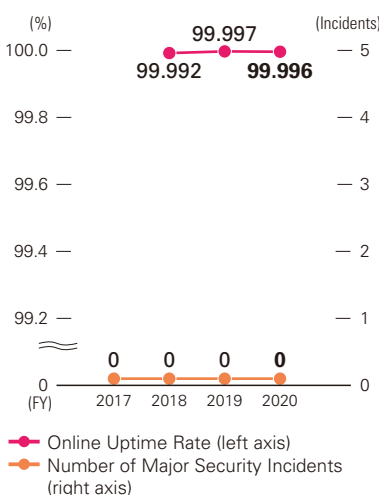
\* Source: Ministry of Health, Labour and Welfare, Survey on Employment Trends 2020 information and communications industry employee turnover rate

### Ratio of Employees with Disabilities<sup>\*3</sup>



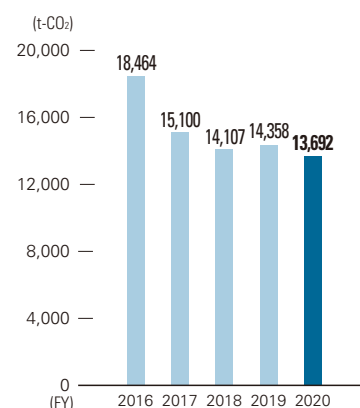
In February 2018, we established NUL Accessibility, Ltd., which primarily handles web accessibility inspections. It was certified as a special subsidiary company in February 2019, and undertakes independent efforts to expand opportunities for people with disabilities to make contributions.

### Online Uptime Rate<sup>\*1,4</sup> & Number of Major Security Incidents<sup>\*5,6</sup>



Since FY2018, we have set an online uptime rate of 99.990% as an indicator of stable system operation. The number of major security incidents has remained at zero for four consecutive years.

### Total Scope 1 and Scope 2 Greenhouse Gas Emissions (t-CO<sub>2</sub>)<sup>\*7</sup>



In FY2020, we reduced energy use, mainly at offices, because we promoted remote work in response to the COVID-19 pandemic, limited the percentage of employees working in offices, and implemented measures to reduce the size of some offices.

\*2 Nihon Unisys and consolidated subsidiaries in Japan \*3 Nihon Unisys and UNIADEX before FY2019. Nihon Unisys and 6 other companies in FY2020

\*4 Began calculating from FY2018 \*5 Nihon Unisys and its wholly owned consolidated subsidiaries in Japan \*6 Began calculating from FY2017

\*7 Nihon Unisys and 7 other companies and 2 organizations (main bases in Japan) in FY2016. Nihon Unisys and 10 other companies and 2 organizations (main bases in Japan) from FY2017-FY2019. Nihon Unisys and 12 other companies and 2 organizations (main bases in Japan) in FY2020

# Vision 2030 and Management Policies (2021-2023)

## Review of Past Mid-Term Management Plans

	Mid-Term Management Plan FY2012–FY2014	Mid-Term Management Plan FY2015–FY2017
<b>Vision</b>	Corporate Transformation for Sustainable Growth	Business Model Transformation
<b>KPIs</b>	<b>FY2014 Results</b> Operating Margin <b>4.1%</b> Net Sales <b>¥269.2 billion</b> ROE <b>9.7%</b> Dividend Payout Ratio <b>26.0%</b>	<b>FY2017 Results</b> Operating Margin <b>5.7%</b> Net Sales <b>¥287.0 billion</b> (Net sales in the areas of digital innovation and life innovation) <b>(¥27.0 billion)</b> ROE <b>12.4%</b> Dividend Payout Ratio <b>33.6%</b>
<b>Strategies and Key Outcomes Acquired strengths</b>	Added the ability to design and implement new services to our existing strengths <ul style="list-style-type: none"> <li>• Took a social perspective to create business ecosystems that link different industries Regional healthcare networks, energy management</li> <li>• Collaboration with Dai Nippon Printing Co., Ltd., which has strengths in the content field Built a marketing platform</li> <li>• Provided payment/settlement platforms as a service business Electronic value cards business, etc.</li> <li>• Strengthened financial condition</li> </ul>	Took on challenges in new business areas and strengthened our foundation for further growth <ul style="list-style-type: none"> <li>• Challenges in the areas of digital innovation and life innovation Due to business expansion, earnings improved, and the number of potential new businesses increased in multiple areas</li> <li>• Innovation in the Business ICT Platform Area Raised profitability through concentration on the Nihon Unisys Group's areas of strength and improved labor productivity</li> <li>• Corporate Culture and Workforce Reform Promoted a change in skill sets in line with business model transformation</li> <li>• Implementation of Investment Strategies Proactively promoted investments in business partners in Japan and overseas as well as Fund of Funds (FoF)</li> </ul>
<b>Issues Weaknesses to overcome</b>	<b>Strategies</b> <ul style="list-style-type: none"> <li>· Address business model transformation through global and cross-industry collaboration, etc.</li> </ul> <b>Business Environment</b> <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>	<b>Strategies</b> <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> <b>Business Environment</b> <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>



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.

	FY2020 Target	FY2020 Results
Operating Margin	8% or higher	8.6%
Net Sales	¥320.0 billion	¥309.7 billion
(Net Sales in Priority Areas)	(¥60.0 billion)	¥68.4 billion)
ROE	12-15%	13.4%
Dividend Payout Ratio	Approx. 40%	41.1%

Acquired assets to transform the Group into one that creates social value by expanding business in priority areas  
Achieved target operating margin, the key indicator

- **Selection and concentration on priority areas**  
Built a foundation for the direction that should be promoted in the next management policies through initiatives in the fields of neo-banks, digital acceleration, smart towns, and asset guardian
- **Strengthening relationships with customers to increase their added value**  
Reviewed human resources and roles in business execution, cultivated relationships with customers, and contribute to greater customer value
- **Strengthening capability to provide platforms that support business**  
Effectively implemented measures to concentrate technology within the Group, raised productivity, and increased efficiency
- **Corporate culture reform**  
Implemented measures on various fronts, including corporate culture reforms that promote challenges and reforms in awareness regarding diversity
- **Investment strategies**  
Proactively implemented initiatives that foster open innovation and acquired knowledge through investments that target new business creation

#### Strategies

- Accumulate experience in the field of business creation and make use of related intellectual property and resources
- Create intellectual property to accelerate the development and provision of platforms and enhance verification of combined technologies
- Manage the investment portfolio to further increase benefits of knowledge acquired through investments

#### Business Environment

- Although net sales exceeded targets in priority areas, some customers curbed investments because of the COVID-19 pandemic, and fee revenue fell short of targets due to lackluster inbound and sharing business.
- Aiming to advance corporate culture reforms and human resource development, we strengthened efforts to spread and adopt the concept of ROLES that take into consideration intrapersonal diversity.

Formulate Management Policies to realize Vision 2030

## Management Policies FY2021-FY2023

### Concept to Achieve a Sustainable Society

#### Targets for FY2023 (IFRS\*1)

Adjusted Operating Margin*2	10% or higher
Revenue	¥340 billion
Outsourcing Business*3	100 billion
ROE	Approx. 15%
Dividend Payout Ratio	Approx. 40%

\*1 International Financial Reporting Standards (IFRS) applied starting FY2021  
\*2 Adjusted Operating Profit: Revenue minus cost of sales and SG&A expenses.  
\*3 System outsourcing as well as service businesses where Nihon Unisys Group is the provider.

#### Basic Policy

Nihon Unisys Group will achieve the Vision 2030 plan by pursuing digital transformation (DX) for both customers and society, developing its business through a large framework that encompasses all of society, and working with partners and the community to expand business ecosystems.

#### For Customers

Pursue DX that leads to sustained growth for customers by strengthening value creation capabilities and generating social value.

#### For Society

Use relationships with customers and partners in a wide range of industries, together with best practices, to realize business concepts that benefit all of society and the world.

#### Corporate Culture Reforms

Pursue cultural reforms to strengthen value creation capabilities and achieve the Vision 2030 plan.

#### Investment Strategy

Accelerate strategic investment on leading-edge technologies aiming for the sustainable innovation.



# Vision 2030

Concept to Achieve a Sustainable Society

We will develop the Digital Commons which is a platform that helps create a society where everyone can live happily.

## Set Direction the Group will Move in Over the Next Decade and Formulate a New Materiality to Move in that Direction

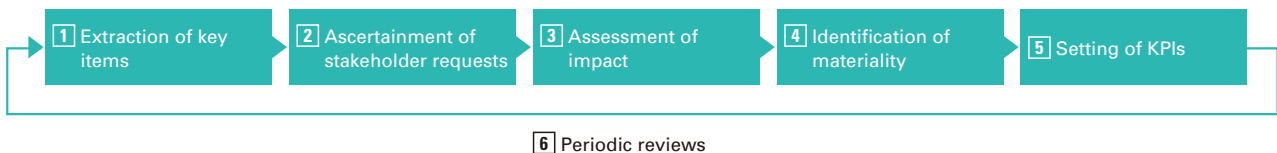
Vision 2030 sets the direction that the Nihon Unisys Group will move in over the coming decade. In order to create a sustainable society by unlocking the full potential of technology based on ambition and understanding, we want to create and provide platforms and business ecosystems that will make it possible to match various services, products, companies, and users. These platforms and business ecosystems will form a digital commons, shared assets of society. In order to achieve that, it is necessary to possess both digital and technical abilities. We want to link that to the creation of new value and markets by promoting business-

es using the three social impacts of resilience, regenerative, and zero emissions as guideposts and contributing to society from the perspective of a wide range of industries, sectors, and markets in collaboration with business ecosystem partners.

In addition to fusing our foresight and insight regarding social change, technology centered on ICT, and formation of business ecosystems with various business partners, we will not simply provide ICT services but accelerate efforts to create new value that makes current society richer and to solve the issues faced by society, and transform the Company into one that creates social value.

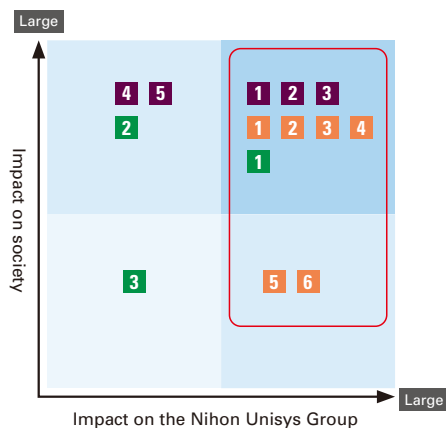
In order to integrate the Group's sustainability initiatives to realize Vision 2030 into management, we also revised our materialities so that they match the management's long-term vision.

### Process of Determining and Updating Materiality



### 3 Assessment of Impact

Items in red border were extracted as materialities



- E (Environment)**
  - 1 Climate change
  - 2 Water resources
  - 3 Biodiversity
- S (Social)**
  - 1 Acquisition and promotion of diverse human resources
  - 2 Cultivating of human resources
  - 3 Supply chain management
  - 4 Customer service
  - 5 Human rights
  - 6 Labor
- G (Governance)**
  - 1 Corporate governance
  - Risk management
  - Compliance
  - Intellectual property protection
  - 2 Innovation management
  - 3 Information security
  - 4 Prevent corruption and bribery
  - 5 Protect data privacy and ensure freedom of expression

## New Materiality

Materiality category	Materiality	
Materiality to achieve business growth	● Create schemes to solve issues through the use of digital technology and business ecosystems	P.28-35
	● Contribute to the environment through the use of digital technology and reduce the environmental burdens as a result of business activities in order to achieve a zero-emission society	P.46-48
Materiality to support business growth	● Sustainably procure and provide safe and secure products and services throughout an entire value chain	P.49
	● Develop and strengthen human resource to create a new future and promote diversity & inclusion	P.42-45
	● Further improve corporate governance and integrity	P.50-57 P.62-63

## Stance Toward Sustainability Management and 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 “creating a sustainable society using foresight and insight to unlock the full potential of technology.” With this as its foundation for sustainable growth as a company and 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 earnest initiatives to resolve various social issues.

By moving forward with the introduction of digital commons into society through the sharing of a clear vision of the future, each member possessing a long-term perspective and ambition, and fusing our experience with and knowledge of solving issues faced by society with a network of people who possess the same ambition and digital technology based on our many years of experience, we want to create both social and economic value and pursue mutual sustainability for the environment, society, and the Group.

## Sustainability Promotion System

Material issues concerning the Group’s efforts to solve problems related to the environment and sustainability of society are deliberated and reported on by the Executive Council and various committees. The Board of Directors receives reports on core activities, including the response to sustainability issues, from committees and organizations and discusses the issues from various perspectives.

In addition to reinforcing the vision for the whole Group and value creation perspective, we have established a system to promote these efforts based on the idea that it is important to strengthen management and governance with-in efforts to tackle sustainability-related issues. We have established not only the Sustainability Committee, a decision-making body chaired by the Chief Sustainability Officer (CSO), who has overall responsibility for initiatives that contribute to SDGs and the sustainability management strategy, but also an Environment Contribution Committee and Social Committee as subordinate organizations for the respective field.



# New Materiality

	Materiality	Company's ideals and goals	Create social value
Materiality to achieve business growth	<ul style="list-style-type: none"> <li>● Create schemes to solve issues through the use of digital technology and business ecosystems</li> </ul> <p>Related SDG targets</p> 	<p>We will create a regenerative, zero emissions, and resilient society by creating communities with customers and partner companies in a wide range of industries who share our ambition.</p>	<ul style="list-style-type: none"> <li>● Contribute to society's sustainability by providing businesses that solve the issues faced by society</li> <li>● Accelerate solutions to issues faced by society, primarily in the five areas included in targets</li> </ul>
	<ul style="list-style-type: none"> <li>● Contribute to the environment through the use of digital technology and reduce the environmental burdens as a result of business activities in order to achieve a zero-emission society</li> </ul> <p>Related SDG targets</p> 	<p>In addition to providing services that promote carbon neutrality and a circular economy and to cooperating and collaborating to create a carbon free society, we aim to contribute to cutting greenhouse gas emissions by reducing the environmental impact caused by our business activities.</p>	<ul style="list-style-type: none"> <li>● Contribute to the early realization of a de-carbonized society by providing environment friendly services that promote carbon neutrality and a circular economy</li> <li>● Contribute to a lighter environmental burden through reinforced initiatives to reduce carbon emissions from business activities, such as procuring renewable energy</li> </ul>
Materiality to support business growth	<ul style="list-style-type: none"> <li>● Sustainably procure and provide safe and secure products and services throughout an entire value chain</li> </ul> <p>Related SDG targets</p> 	<p>We will construct and maintain a value chain that respects human rights and has a lighter environmental burden and procure and provide safe and secure products and services.</p>	<ul style="list-style-type: none"> <li>● Contribute to the stability and maintenance of IT infrastructure that supports societal activities by providing safe and secure products and services that adhere to various laws, regulations, and social norms.</li> <li>● Contribute to the spread of ethical consumption and realize a sustainable society by providing products and services that take into consideration the environment and society</li> </ul>
	<ul style="list-style-type: none"> <li>● Develop and strengthen human resource to create a new future and promote diversity &amp; inclusion</li> </ul> <p>Related SDG targets</p> 	<p>We must become the type of human resources and organizations that recognize and accept individual diversity, expertise, and values to continue creating innovation to achieve our future. To this end, we will continue reforming our human resources and culture.</p>	<ul style="list-style-type: none"> <li>● Contribute to the solution of social issues by continuously producing innovative, talented workers</li> <li>● Contribute to the creation of employment opportunities for diverse human resources</li> <li>● Contribute to the creation of a society that is physically and mentally healthy, is accepting of individual diversity, and offers work satisfaction</li> </ul>
	<ul style="list-style-type: none"> <li>● Further improve corporate governance and integrity</li> </ul> <p>Related SDG targets</p> 	<p>We will construct and operate a corporate governance system that makes transparent, fair, quick, and bold decision-making possible.</p> <p>As a group that can provide social value and ICT services as trustworthy, sustainable social infrastructure, we will adhere to both domestic and overseas laws and regulations, act in line with social norms based on high ethics, and conduct sound, transparent business activities.</p>	<ul style="list-style-type: none"> <li>● Contribute to the solution of issues faced by society and the economic growth of society through transparent and fair processes</li> <li>● Contribute to the empowerment of all people, regardless of age, sex, handicap status, race, ethnicity, origin, religion, economic position, etc.</li> <li>● Contribute to the creation of a society in which workers can experience job satisfaction by ensuring equal opportunities through the elimination of discriminatory practices, creation and operation of appropriate related rules, promotion of appropriate behavior, and similar activities</li> </ul>

Create economic value	KPI and targets (when achieved)
<ul style="list-style-type: none"> <li>• Create business opportunities that contribute to the solution of issues faced by society and capture profits in created markets</li> </ul>	<ul style="list-style-type: none"> <li>• Create/expand businesses that solve the issues faced by society and that look to optimize society and the world               <ul style="list-style-type: none"> <li>- 200% or more of such projects compared to FY2020 (FY2030)</li> <li>- Transform businesses that solve the issues faced by society, centered on digital security, green energy, work/life, transportation/mobility, and healthcare/education into core businesses (FY2030)</li> </ul> </li> </ul>
<ul style="list-style-type: none"> <li>• Increase profit from services that contribute to the environment</li> <li>• Restrain costs by reducing business risks due to climate change</li> </ul>	<ul style="list-style-type: none"> <li>• Zero emission achievement rate as contribution through provision of environment friendly products and services 100% (FY2030)</li> <li>• Percentage of business opportunities and risks extracted based on climate change scenario analysis (impact evaluation) that a risk response has been implemented 100% (FY2030)</li> <li>• Percentage of purchased energy used at Nihon Unisys Group business locations that is renewable energy 50% or more (FY2030)</li> <li>• Percent reduction in GHG emissions (scope 1 + scope 2) 50% or more compared to FY2019 (FY2030)</li> </ul>
<ul style="list-style-type: none"> <li>• Increase profit opportunities by strengthening trust with customers/suppliers and capturing quality partner companies and thus reinforcing relationship capital</li> <li>• Reduce business risks related to issues such as human rights and environmental burden throughout the value chain</li> </ul>	<ul style="list-style-type: none"> <li>• Disclose information on scope 3 supply chain GHG emissions (procurement shipping, business trips, commute, waste) and set related targets (FY2022)</li> <li>• Percent reduction in scope 3 supply chain GHG emissions (business trips and commute) 50% or more compared to FY2019 (FY2021)</li> <li>• Percentage of human rights-related problems at Nihon Unisys Group for which a response has been launched 100% (FY2023)</li> <li>• Percentage of main suppliers that an ESG risk assessment has been made of 100% (FY2021)</li> </ul>
<ul style="list-style-type: none"> <li>• Expand business by generating innovation</li> <li>• Increase profitability by raising labor productivity</li> </ul>	<ul style="list-style-type: none"> <li>• Number of business producers who possess expertise in business creation 2x compared to FY2021 (FY2023)</li> <li>• Ratio of management positions held by women 18% or more (FY2025)</li> <li>• Percentage of employees with a disability 0.1% or more greater than legally required (annually)</li> <li>• Weighted average score of work style related items in the engagement survey at least equal to FY2019–FY2020 average score (FY2023)</li> <li>• Percentage of workers with risk of high blood pressure who have received treatment at a clinic or lifestyle guidance by public health nurse 100% of workers with stage 2 or 3 high blood pressure (FY2023)</li> <li>• Total number of lost days of work for mental health reasons -5% compared to FY2019–FY2020 average (FY2023)</li> <li>• Number of executives and employees participating in social contribution activities 20% increase compared to FY2020 (FY2023)</li> </ul>
<ul style="list-style-type: none"> <li>• Create business ecosystems and expand business opportunities by establishing trust with a wide range of stakeholders</li> <li>• Generate sustainable improvements in corporate value</li> <li>• Reduce business risks related to scandals, etc.</li> </ul>	<ul style="list-style-type: none"> <li>• Actions for each fiscal year set in the evaluation of Board of Directors effectiveness are undertaken (each year)</li> <li>• Compliance Committee with outside experts, such as attorney, makes overall evaluation of the following and reports state of promotion to Board of Directors, including outside directors (each year)               <ul style="list-style-type: none"> <li>-Improvement and upgrade in the compliance program</li> <li>-Spread of awareness of integrity among Group executives and employees</li> <li>-Compliance incident trends</li> </ul> </li> <li>• Number of serious security incidents 0 (each year)</li> </ul>

Management Policies (2021-2023)

## Towards New Growth

The Nihon Unisys Group will achieve Vision 2030 plan by pursuing digital transformation (DX) for both customers and society, developing its business through a larger framework that encompasses all of society, and working with partners and the community to expand business ecosystems.

### Management Policies (2021–2023) Key Points

Based on its Purpose and Vision 2030, the Nihon Unisys Group strove to create economic value by pursuing the creation of social value and formulated Management Policies (2021–2023) with an eye toward moving to the next stage, where we will continually improve the corporate value of the whole group. We have formulated a mid-term management plan, but developing and implementing a strategy and then revising that based on a plan as has been done before makes it difficult to quickly respond to changes in the environment. The times are changing at a quicker and quicker pace, and we live in an era of remarkable technical evolution. It is, however, also an era of VUCA\*<sup>1</sup>, when it is difficult to forecast the future. Therefore, we have decided to indicate a policy, not a plan, and set our Purpose as a new guideline in order to flexibly respond to changes. It is also an expression that we will embody the future vision of the Group, in which each member of the Group makes autonomous decisions and acts based on this management policy.

In addition, we have set “for customers,” promoting customers’ digital transformations that contribute to their sustainable growth, and “for society,” promoting social digital

transformation that advances solutions to issues faced by society in cooperation with customers and partners in a wide range of sectors and industries, as our basic policy in Management Policies (2021–2023). We will accumulate the best practices of customers implementing digital transformations, promote digital transformation for society, and collaborate with customers and partners to expand the business ecosystems within a massive framework that encompasses all of society.

\*1 A word coined from the first letter of the words volatility, uncertainty, complexity, and ambiguity. This expresses situations when it is difficult to forecast what will happen in the social environment.

### Toward Creation of Social Value

In addition to the knowledge acquired by providing system integration services and solutions in a wide range of sectors and industries that comprise society, the Group possesses the business creativity and engineering capabilities that fuse best practices. In addition, our strengths are the trust with customers in a wide range of industries that form our business ecosystems and our relationships with partners,



Tomorrow



which are not limited to one type of relationship, and we create social value by leveraging these strengths.

Using the implementation capabilities we have acquired, we will increase the speed of business through greater agility, undertake co-creation with customers through business ecosystems, and transform not only customers but also ourselves in order to promote “for customers” and “for society” stipulated in the basic policy and expand the business ecosystems. We aim to fuse various services that we have evaluated and verified for markets in several ways, such as proof of concept (PoC), and to contribute to society by moving to a hands-on stage.

At this major turning point, there are strong demands for companies to work with a range of stakeholders to resolve issues faced by society through business and to take the initiative to not only contribute but also promote the creation of a sustainable society into the future. There will probably be an even greater trend toward growth markets arising from the creation of social value. Aiming to accurately position itself in such markets and to continue to create social value, the Group moved forward with initiatives in four priority areas (neobanks, digital acceleration, smart towns, and assets guardians) in the previous mid-term man-

agement plan. We recognize that we have fully established a footing to achieve Management Policies (2021–2023) and want to steadily accumulate results and experience.

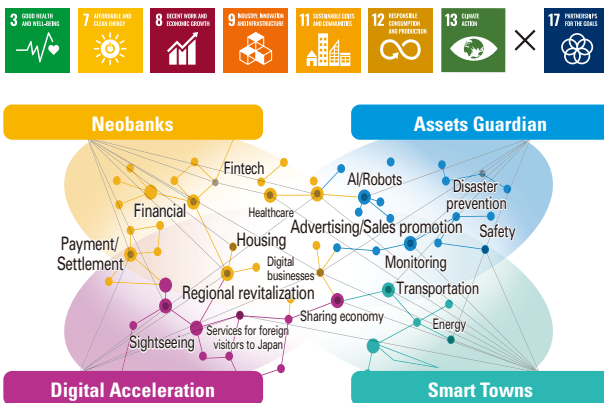
### Approach to Social Impact Through Our Assets

In the previous mid-term management plan, the Group acquired numerous assets by providing services to customers and undertaking new initiatives in four priority areas. By leveraging those assets to the greatest extent possible, we can create new markets with an eye toward three social impacts,\*2 and in those markets, we will be able to establish a unique position by providing services that only the Nihon Unisys Group can.

\*2 Three social impacts: resilience, regenerative, zero emissions

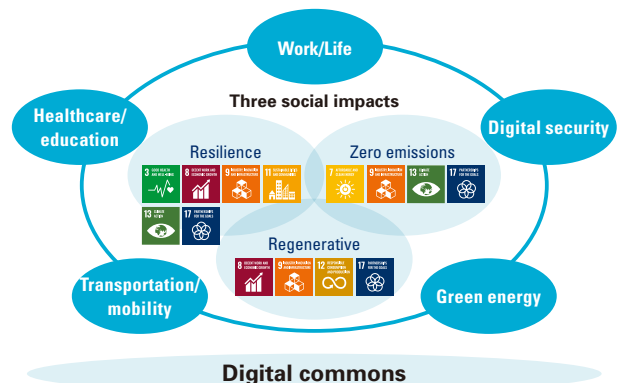
#### Four priority areas in Mid-Term Management Plan (2018-2020)

Accumulate assets and create a foundation for our target direction through cross-functional business activities centered on priority areas



#### Creation of Social Value in Management Policies (2021–2023)

Aim to generate social impact that combines business assets in multiple markets



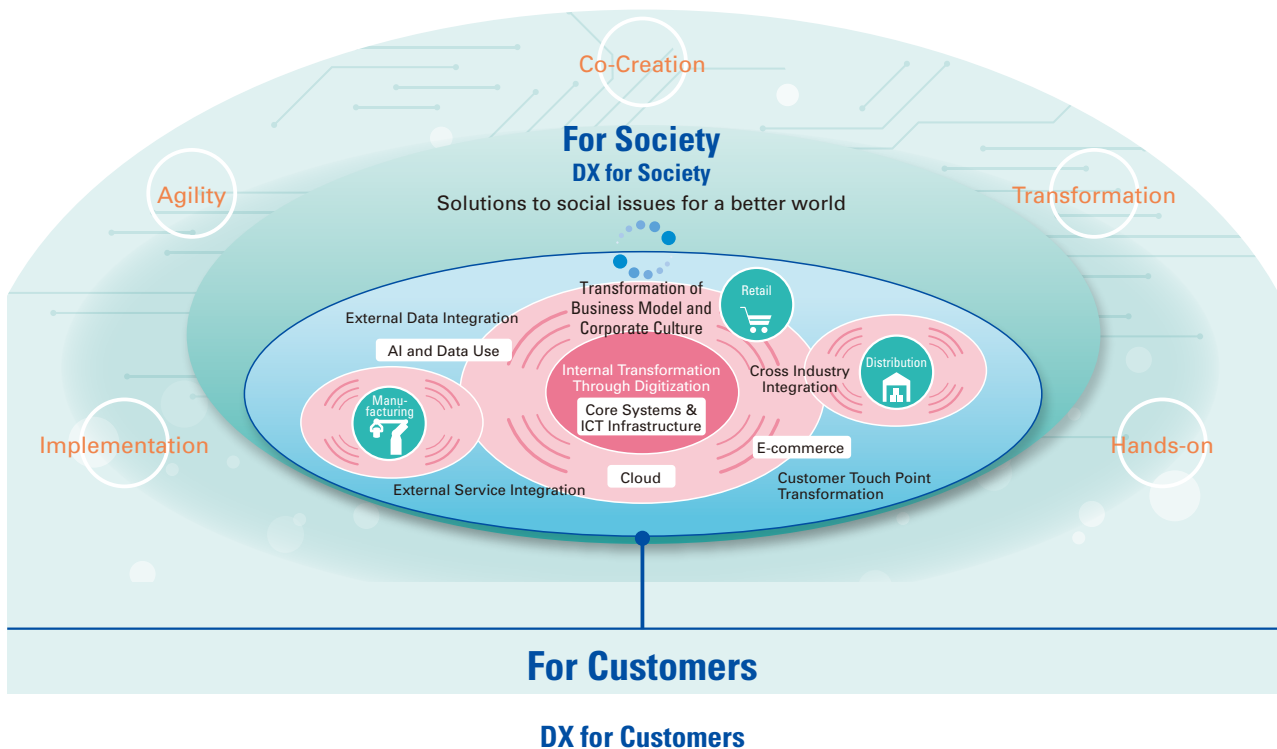
Resilience: Viable and resilient autonomous distributed environments  
Regenerative: Regenerative systems for a net positive society  
Zero emissions: Environmental contributions and reduced environmental loads using digital technologies

## For Customers

Work to reinforce value creation capabilities and promote digital transformation linked to customer's sustainable growth through creation of social value

The Nihon Unisys Group has won the trust of customers by providing ICT infrastructure and system services over many years. In addition, the Group has created new services and solutions and contributed to customers' digital transformations through the use of continually evolving technology, such as clouds and AI. We have been able to accumulate deep knowledge through our experience providing system integration services to numerous customers. In addition to leveraging this deep knowledge from a "for customers" perspective, we will not only further strengthen our fusion based on open innovation, such as overseas best practices in various sectors and industries, but also transform customers' business models.

Examples of these initiatives are our provision of AI-Order Foresight, an automatic order service based on AI forecasts for retail customers, and Smart Campaign, a campaign management service. These are efforts to undertake AI-based optimization by combining various types of data, including actual results based on consumer centered information, weather information, and event information, and we are providing products and services that match consumer preferences and contributing to reductions in excess inventory and elimination of food losses and waste.



Work with customers to implement corporate and industry DX that supports DX for society



Management Policies (2021–2023)  
Basic Policy

## For Society

Use relationships with customers and partners in a wide range of industries, together with best practices, to realize business concepts that benefit all of society and the world.

From a “for society” perspective, we view local communities and the industrial value chain as social systems, contribute economic value, and create social value in order to resolve social issues.

The Group has customers who form a supply chain for overall food distribution, including manufacturers, retailers, and transportation companies. For example, consider the application of the automatic order service based on AI demand forecasts to “for customers.” We will capture these customers, make use of AI and data throughout the supply chain, and provide the necessary amount at the necessary time, which will make it possible to achieve several objectives, including eliminating food losses and waste and reducing greenhouse gas emissions through optimized deliveries.

Through past initiatives, the Group has built up assets in a wide range of fields including energy, finance, healthcare, education, transportation/mobility, manufacturing, and government. The value of “for society” comes from combining in a cross-sectional manner the services and value created in a wide range of sectors, industries, and markets, such as services that lead to solutions to social problems appearing in SDGs, drawing out the potential of technology, and shaping them into usable shared assets. This is a digital commons. Through the two perspectives of “for customers” and “for society,” we will work to resolve various issues faced by society and promote activities to realize a digital commons.



### DX for Society

Solutions to social issues for a better world



## Example initiatives

### Contributing to Solutions to Social Issues in Partnership with Companies, NPOs, and Ordinary Citizens through Daily Shopping Smart Campaign / BE+CAUS

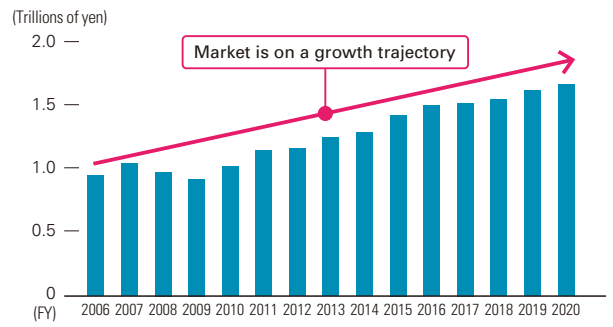
At a time of the COVID-19 pandemic and concerns that social issues, such as those in SDGs, are growing more complex, it is even more important to work to resolve those problems in partnerships with companies, NPOs, and ordinary citizens. By applying the Smart Campaign mechanism, we provide BE+CAUS, a platform that makes it possible for ordinary citizens to support various social contribution initiatives through their everyday shopping and for retailers and manufacturers to introduce various social contribution initiatives through their business activities. Having linked Smart Campaign with Syncable, a donation platform offered by STYZ Inc, we created an environment in which it is possible for ordinary citizens to easily donate to NPOs and NGOs through daily shopping. The Group will continue to promote activities to create business ecosystems that solve social problems through the provision BE+CAUS.



#### Target Markets

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

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



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

### Contributing to Greater Store Operation Efficiency and Reduction in Various Losses in a Society Whose Population is Shrinking AI-Order Foresight, AI automatic Order Service

Labor shortages are becoming a particularly grave issue in the wholesale and retail industries, and by 2040, the number of employees is projected to decline 1.75 million compared to 2017.

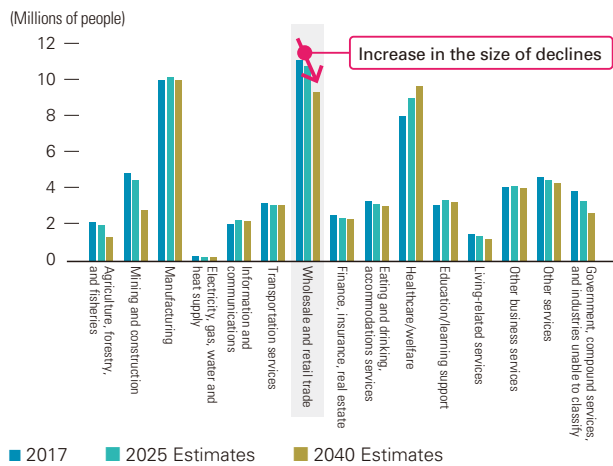
Our AI-Order Foresight is a cloud-based AI automatic order service that automates retail store merchandise orders based on actual sales, sale promotion plans, weather forecast, and other factors. AI-based automated demand forecasts make it possible to conduct a range of operations, from analyzing sales to calculating orders, in a highly accurate manner even if a company does not employ a data scientist, resulting in automatic orders of daily goods and fresh products, which have traditionally been difficult to make. This also makes it possible to dramatically lessen the burden of order operations, operate stores even without experienced, skilled employees, and reduce out-of-stock items and food losses and waste. This service was introduced into all Life stores operated by Life Corporation, which jointly developed the system, and in August 2021, it was designated an eligible IT tool for the 2021 IT Introduction Subsidy provided by the Ministry of Economy, Trade and Industry.



#### Target Markets

- Primarily, operation of stores/facilities in the retail industry
- Other industries that the demand forecast engine could be introduced

#### Employment Outlook by Industry



Source: Employee Forecasts By Industry (Labor Force Demand/Supply Estimates) by Ministry of Health, Labour and Welfare

Tomorrow

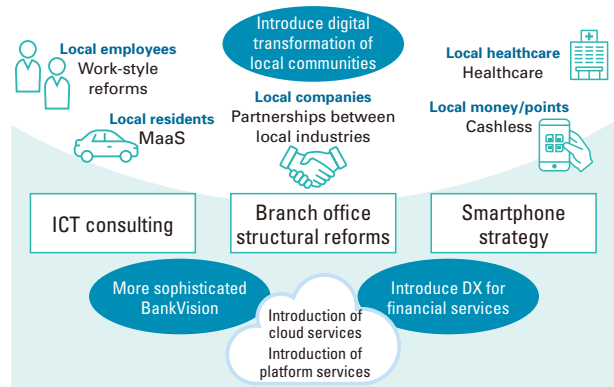
## Contributing to the Transformation of Financial Institution's Business Models and Revitalization of Local Communities BankVision

Having worked to develop an open account system that forms the core of banking operations since the latter half of 1990s, Nihon Unisys launched the Windows-based core banking system BankVision in 2007. As of March 31, 2021, twelve financial institutions used the system, and there was stable operation at ten financial institutions. In May 2021, we launched operation of BankVision on Azure, the first public cloud full banking system in Japan, and The Hokkoku Bank, Ltd. transitioned to the system. In addition to offering new profit opportunities through partnerships with other sectors and Fintech, the system supports not only the introduction of digital technology for banking operations in order to transform the business model of regional banks but also consulting operations and the introduction of digital technology in local community industries and customers and helps further invigorate local communities. We also concluded a comprehensive tie-up agreement with The Kiyo Bank Ltd. in February 2021 to develop solutions to social issues in local communities. In addition to conducting a joint examination with Hokkoku Bank and moving forward with work to increase the sophistication of BankVision, we will link that to the digital transformation of local communities to create affluent cities, solutions to various issues that society faces, and contributions to invigorate local communities through the digital transformation of financial services.

### Target Markets

- Create new markets through joint creation with financial institutions and Fintech companies
- Local financial institutions

### Reinforce bank functions to improve productivity of local communities



## Contributing to the Smooth Business Operation of Energy Businesses Enability series

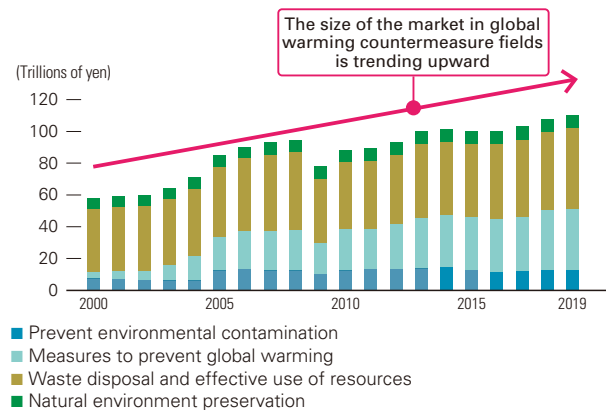
At a time of greater demands throughout the world for measures to combat global warming, Japan is standing at a critical crossroads in terms of its energy policy and is moving forward with a review of its Basic Energy Plan. In the power industry, a revolution is occurring, including liberalization of retail power generation and greater use of renewable energy, and the current issue is decarbonizing power while ensuring a stable supply in the long term.

Our Enability Series is a retail power solution that offers a cloud-based customer management and fee calculation system for power businesses. This cloud service brings together the system construction know-how that we have accumulated in the power industry over many years. The series consists of Enability CIS, Enability Order, Enability Portal, and Enability EMS, which provide all the necessary functions for a retail power business under a single roof, and these functions range from handling switching requests to fee calculation, billing, and energy use limits and visualization. In addition to providing functions related to purchasing low-voltage post-FIT renewable energy and applying for non-fossil fuel power generation certification, we will develop and provide functions that meet market trends and needs due to changes in national policies and systems and other developments.

### Target Markets

- Energy consumer
- Energy business/creator
- Energy supplier

### Size of Japan's environmental industry market



Source: "Summary of Market Size and Employment of the Environmental Industry Estimates (2019)," Ministry of the Environment



## Pursue cultural reforms to strengthen value creation capabilities and achieve the Vision 2030 plan.

At the Nihon Unisys Group, we promoted corporate culture reforms, centered on four pillars—strategic personnel reform, work style reform and organizational and workforce reform, diversity promotion, and business process and internal system reforms—during the three years of the previous mid-term management plan. Through these efforts, a corporate culture that respects diversity, particularly the active participation of women, spread throughout the group, which resulted in an increase in the number of employees acting autonomously and more active efforts to create new businesses and initiatives that are not bound by a particular job or organization.

With an eye toward creating a sustainable society, we will create a Sustainability Committee to ensure that we establish a more sustainable existence for ourselves and are working to raise awareness of social issues by endorsing the domestic and overseas vision related to the environment and society and supporting related initiatives, including joining RE100 and signing the Women Empowerment Principles (WEPs). We are aiming to become a company that stakeholders continue to trust and rely upon by using these initiatives to strengthen our ability to respond to the expectations and demands of society.

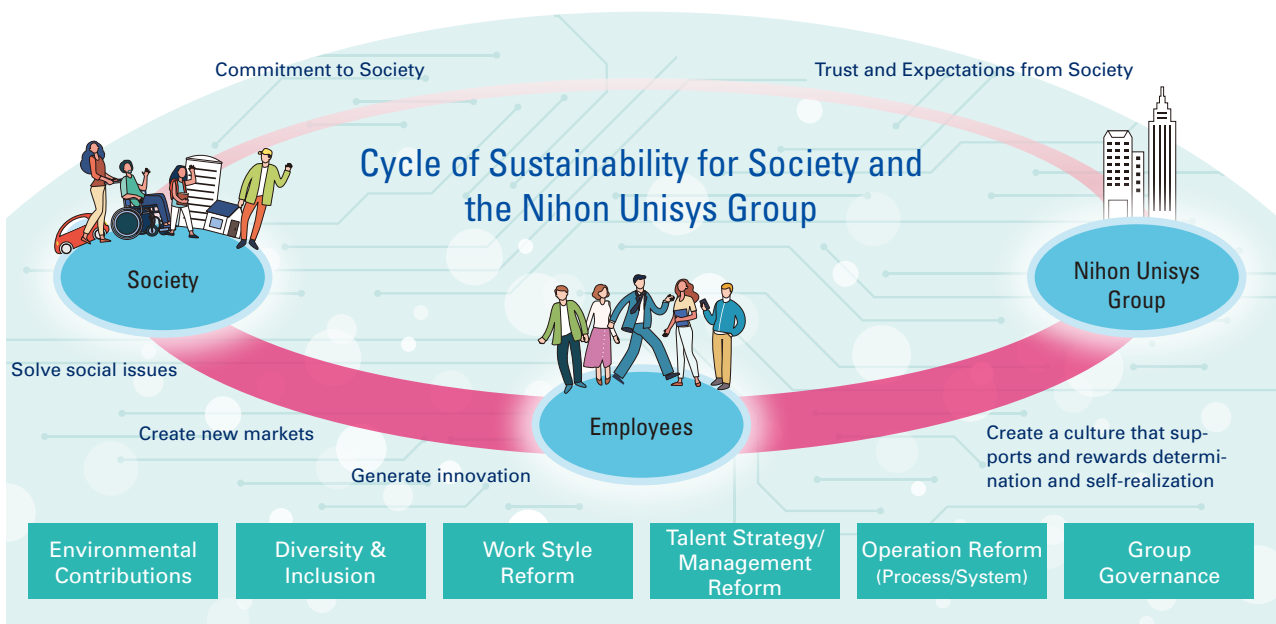
In order to implement “for society” that solves social issues, it is necessary that employees who will promote these initiatives foster a strong desire themselves to do

that. We will move forward with additional corporate culture reforms so that we can not only capture employees who want to take the initiative to solve social problems and change society and various stakeholders who possess ways to solve those problems but also take on the challenge of solving those issues.

### Initiatives

#### Promoting the Social Impact Project

The Group launched its first such effort, the Social Impact Project, which adopted a flat organization operation. Through this project, which is being undertaken by employees who belong to various departments, including those related to engineering, sales, and technical research, we aim to create businesses that generate economic value through the pursuit of social value creation. Distinguishing aspects of how the project team operates is that no members of management, superiors, are part of the project team and that a system has been introduced in which decisions are made based on the collective will of the project team by dividing up and allocating management roles to individual project members. Having the member define the necessary roles itself in light of various factors including progress in achieving the mission and completing projects encourages a highly flexible organization operation and autonomous activities by members. Because of this initiative, we will move forward with creating an organizational culture and climate in which employees themselves can take on the challenge of bettering themselves.



## Investment Strategy

Tomorrow



### Accelerate strategic investment in order to leverage leading-edge technologies and generate sustainable innovation.

Just as with the previous mid-term management plan, we have positioned the investment strategy as a critical element of Management Policies (2021–2023). In these management policies, investments are broken into one of four types—strategic investments in operating companies, start-up firms and venture capital firms in order to create new businesses; research and development investments to develop new services, etc.; capital investments to conduct existing business and provide services businesses; and structural reform investments for workforce reforms and promotion of in-house DX—and we will accelerate strategic investments in order to make use of cutting-edge technology and continually generate innovation.

In the area of strategic investments, we will continue our efforts in start-up investments and corporate venture capital (CVC) with a focus on medium- to long-term open innovation. The Group subsidiary, Canal Ventures, Ltd. which is a corporate venture capital function, is expanding its investments by setting up the CVCF No. 2 fund in FY2020, following the CVCF No. 1 fund. In addition, we established Emellience Partners Inc. It is a company designed to co-create strategic new business projects in the area of digital transformation. We will invest in and support in the management of startups that make early inroads into new markets created by the advancement of digitalization. We

envisage thus enhancing corporate value for us and them. We will further accelerate the efforts. We will broadly explore knowledge and expertise in our dealing with start-up investments and CVC. We will play in-depth practical roles in our dealing with co-creative new businesses. This will enable us to surely obtain channels as well as knowledge and expertise and accumulate empirical experience through hands-on involvement. We will also perform R&D and capital investment with an eye on enabling the Digital Commons. Our efforts will include further acquiring and improving leading-edge technologies and enhancing our outsourcing and service-oriented businesses. Furthermore, we will continue to invest in workforce and our internal IT assets necessary to perform corporate culture reforms and structural reforms.

#### Strategic Investment

- Continue investment in and alliance with startups with innovative technologies, in various industries including ICT, in order to pursue solutions to social issues from a longer-term perspective.
- Actively seek out and realize M&A opportunities.
- Promote investments in new businesses with partners.

#### R&D

- Accelerate DX based on an in-depth understanding of customers and industries, and promote the development of various services.
- Strengthen R&D centered on leading-edge technologies.
- Enhance service development and technical capabilities to accelerate service businesses.

#### Capital Investment

- Continue investment in outsourcing and service businesses.

#### Structural Reform Investment

- Implement human resource reforms to acquire new capabilities.
- Promote new and flexible work styles.
- Implement internal reforms of the Nihon Unisys Group for further digitization of business (internal DX).



Accelerating strategic investments with an eye toward leveraging technology and continually generating innovation in order to transform Nihon Unisys Group into a social value creation company group

**Kazuma Umehara**

Senior Corporate Officer and CFO

## Evaluation of Foresight in sight 2020, the Previous Mid-Term Management Plan

In the previous mid-term management plan Foresight in sight 2020, we aimed to establish a sustainable growth cycle and become a sustainable company group by using our reinforced financial base to move forward with concentrated investments in four priority areas in order to shift to proactive management. As for quantitative targets, the plan included the following targets for the final fiscal year: operating margin of 8% or higher, net sales of ¥320.0 billion, ROE of 12%-15%, and dividend payout ratio of 40%. Of those targets, we stressed operating margin, which indicates basic profitability, and promoted efficient management because generating profit results in returns for stakeholders, particularly shareholders.

In FY2020, the final fiscal year of the plan, net sales fell slightly year on year to ¥309.7 billion despite firm DX-related business as a result of decisions by companies in some sectors to postpone IT investments in response to the COVID-19 pandemic. While SG&A expenses rose due to an increase in R&D to generate growth, greater outsourcing business profit made contributions, and operating income rose 2.2% year on year to ¥26.7 billion while net income attributable to owners of the parent fell 6.1% year on year to ¥17.1 billion because of greater tax burden of income taxes. Both orders and order backlogs grew as a result of recording large-scale new projects and outsourcing proj-

ects, and we steadily built up the stock business, which will contribute to future growth.

As for targets, we fell short of our net sales target but were able to reach an operating margin of 8.6%, ROE of 13.4%, and dividend payout ratio of 41.1%. It is particularly noteworthy that over those three years, operating income increased ¥10.4 billion and our operating margin rose 2.9 points.

In addition, our financial soundness improved dramatically as net assets rose to ¥136.9 billion and net interest-bearing debt fell to -¥22.8 billion.

Net cash provided by operating activities had trended in the upper ¥20.0 billion range for several years, but in FY2020, it rose to ¥31.9 billion. We are aware, therefore, that we have steadily acquired earning power. While accumulating net assets over the three years, we have increased shareholder return, such as raising the dividend per share to ¥70.

Turning to investments, we envisioned about ¥60.0 billion in investment over three years. While we were able to reasonably make strategic investments in startup firms and venture capital firms, R&D investments to develop new services, and capital investments, the foundation of future business, it was not possible to fully make business investments because of the COVID-19 pandemic, resulting in actual investments of ¥53.7 billion.

## Toward Management Policies (2021–2023)

For the Group, there has been no change in the basic financial policy of working to increase corporate value and properly fulfilling our responsibilities as a listed company by increasing the equity spread while remaining aware of the cost of capital.

In Management Policies (2021–2023), we have set numerical targets for FY2023 of an adjusted operating margin\*<sup>1</sup> of at least 10% or higher and sales revenue of ¥340.0 billion, by expanding to ¥100.0 billion in outsourcing sales because of our further shift in focus to service businesses in order to generate sustainable growth. As for capital efficiency, we are aiming for an ROE of 15%.

Once the COVID-19 pandemic is brought under control, IT investment that had been postponed is expected to recover. In addition to continuing to improve productivity, we will raise our adjusted operating margin to double-digit percentage by growing the outsourcing business, which is expected to generate strong profit and lead to a digital transformation for both customers and society.

As for dividends, our policy is to stress stability and continuity and to increase the absolute amount of dividends by growing income while balancing investment and return, and aim for a dividend payout ratio of 40%.

Having steadily built up profit over the years, we now have sufficient investment capacity. We will continue to make growth investments, primarily in the following areas.

\*1 International Financial Reporting Standards (IFRS) were adopted in place of traditional Japanese standards since FY2021 in order to increase international comparability of financial information in capital markets. Due to our adopting IFRS, we used adjusted operating margin as the same indicator with operating margin under Japanese GAAP.

### ■ Strategic Investment

From a medium- to long-term perspective, we will continue to promote cooperation with other companies and entities in different sectors through M&As and corporate venture capital (CVC), joint ventures, and other methods. As for M&As, they are mostly conducted by individual business divisions. Various aspects including value and risks of investment targets are examined, primarily by the finance and legal divisions, and there is management and monitoring in order to improve the quality of projects and smoothly

integrate organizations. We view CVC as a type of cost to promote open innovation and aim to use that to create new businesses. Turning to business investments, collaborative projects were put off because of the COVID-19 pandemic, and although they have not yet resulted in major business, we will create greater synergies to generate results over the coming three years. While keeping an eye on the balance throughout the Group, we will regularly manage these investments and make changes when necessary.

We will continue to form business ecosystems, centered on the areas of transportation/mobility, healthcare/education, work/life, digital security, and green energy.

### ■ R&D Investments and Capital Investments

We are prioritizing capital investments because it is necessary to capture and strengthen cutting-edge technology and reinforce intangible fixed assets, the foundation of the outsourcing business, which leads to the digital transformation of customers and society.

### ■ Structural Reform Investments

With the goal of strengthening the foundation for expanding business, we are moving forward with both workforce reforms and in-house reforms (promotion of in-house DX). In order to implement both corporate culture reforms and structural reforms, it is necessary to transform people's mindsets and to unlearn certain things and relearn other things. It is also important to improve the management foundation and infrastructure, which includes IT investment.

## Toward the Realization of Vision 2030

We live in an era when it is difficult to predict the future, a so-called VUCA\*<sup>2</sup> era, and Nihon Unisys Group has decided to indicate a management policy, not the traditional three-year mid-term management plan, as it is no longer sufficient to simply run through the PDCA cycle since there are demands for flexible and autonomous on-site responses. We consider Management Policies (2021–2023) a milestone on our journey toward Vision 2030, what we want to become for the next 10 years, and ESG and SDG factors are becoming more important. Under these conditions, we must undertake monitoring by quantifying non-financial

### Investment Performance

(Billions of yen)

	FY2018	FY2019	FY2020	Total for three FYs	
Strategic investment	3.0	4.2	2.5	9.7	
Investment in developing services	R&D investments	4.0	4.5	5.0	13.5
	Capital investments	8.2	10.3	12.0	30.5
Total	15.1	19.0	19.5	53.7	

### Targets for FY2023 (IFRS\*<sup>3</sup>)

Adjusted Operating Margin* <sup>4</sup>	10% or higher
Revenue	¥340.0 billion
Outsourcing Business* <sup>5</sup>	¥100.0 billion
ROE	Approx. 15%
Dividend Payout Ratio	Approx. 40%

\*3 Adopt International Financial Reporting Standards (IFRS) since FY2021.  
\*4 Adjusted operating profit: sales revenue minus cost of sales and SG&A expenses.  
\*5 System outsourcing as well as service businesses where Nihon Unisys Group is the provider.

aspects, such as environment, social, and governance elements. In terms of the environment, there are expectations of Nihon Unisys Group to not only reduce its own greenhouse gas emissions but also to conduct development that entails innovation that leads to reductions in greenhouse gas emissions but also to create highly profitable businesses. As for society, we may be able to increase investments in human capital and intellectual capital related to employee compensation and research from the perspective of fulfillment and job satisfaction. I think that setting numerical targets for non-financial capital aspects and conducting

appropriate monitoring will probably also result in financial figures.

Nihon Unisys Group stresses dialogue with all shareholders and stakeholders with an eye toward creating digital commons to achieve Vision 2030. I hope for your continued strong support.

\*2 A word coined from the first letter of the words volatility, uncertainty, complexity, and ambiguity. This expresses situations when it is difficult to forecast what will happen in the society.

### Evaluating the Previous Mid-Term Management Plan Foresight in sight 2020 (FY2018–FY2020) and Increasing Corporate Value

#### Earning power > Achieve operating margin target (8% or higher), most important indicator

	FY2017	FY2020	(Compared to FY2017)	(Target)
Net Sales	¥287.0 billion	¥309.7 billion	+7.9%	¥320.0 billion
Operating income	¥16.3 billion	¥26.7 billion	+63.6%	–
Operating Margin	5.7%	8.6%	+2.9pt	8% or higher
ROE	12.4%	13.4%	+1.0pt	12-15%
Ratio of net income to net sales	4.2%	5.5%	+1.4pt	–
Total assets turnover	1.47 times	1.39 times	-0.09 times	–
Financial leverage	2.02 times	1.75 times	-0.27 times	–
Net cash provided by operating activities	¥27.0 billion	¥31.9 billion	+18.5%	–
Basic net income per share	¥119.12	¥170.13	+42.8%	–

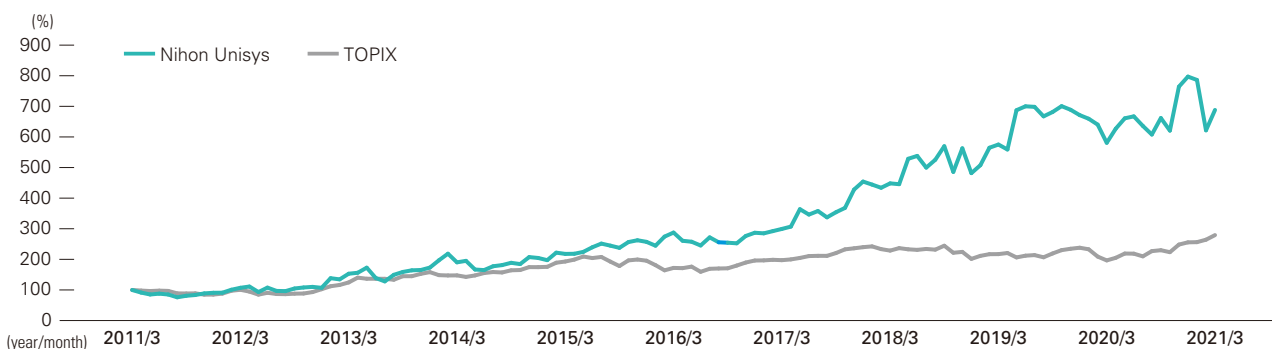
#### Financial soundness > Recapture A rating in FY2019

	FY2017	FY2020	(Compared to FY2017)	(Target)
Total assets	¥104.7 billion	¥136.9 billion	+30.8%	–
Net interest-bearing debt	¥10.5 billion	¥22.8 billion	–	–

#### Shareholder value > Increase cash dividends and TSR

	FY2017	FY2020	(Compared to FY2017)	(Target)
Cash dividends per share	¥40	¥70	+75.0%	–
Dividend Payout Ratio	33.6%	41.1%	+7.6pt	Approx. 40%
TSR (3 years)	–	157.1%	–	–

### Total Shareholder Return (TSR)



	1 year	3 years		5 years		10 years	
		Cumulative	Annual rate	Cumulative	Annual rate	Cumulative	Annual rate
Nihon Unisys	120.3%	157.1%	16.3%	246.8%	19.8%	688.6%	21.3%
TOPIX	142.1%	122.1%	6.9%	162.3%	10.2%	279.4%	10.8%

\* 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.  
 \* Market price based on TSR indexed with closing price on March 31, 2011, 100. (holding period: until March 31, 2021)



## Dialogue with the CEO and Outside Directors



**Akiyoshi Hiraoka**

Representative Director, President & CEO, CHO



**Go Kawada**

Director (Outside Director and Independent Director)



**Ayako Sonoda**

Director (Outside Director and Independent Director)

### Incorporating diverse perspectives and strengthening effectiveness



**Chie Sato**

Director (Outside Director and Independent Director)

We held an online discussion regarding ensuring the effectiveness of the Board of Directors and the value that the Nihon Unisys Group creates with Chairman of the Board of Directors & President Hiraoka and independent outside directors Mr. Kawada, Ms. Sonoda, Ms. Sato, and Mr. Advani.



**Nalin Advani**

Director (Outside Director and Independent Director)

#### What the Nihon Unisys Board of Directors should be

■ **Hiraoka** Today I would like to hear your frank opinions as outside directors regarding what the Company's Board of Directors should be, discussions by the board, and what is necessary to ensure effective governance. I would like to hear from each of you starting with the newest outside director. Therefore, let's first hear from Mr. Advani, who joined the board in 2021.

■ **Advani** I attended my first Nihon Unisys Board of Directors meeting the other day, and what everyone had to say indicated to me that people are thinking of the Group from a very long-term perspective. I also think that there is a well-balanced selection of outside directors, which is wonderful.

■ **Sato** I joined the Board of Directors in 2017, making this my fourth year on the board. Nihon Unisys's Board of Directors offers a psychologically safe environment because of its open atmosphere, which makes it possible for directors to express their candid opinion. In addition, I think there is a very good balance among both inside and outside directors, and in regard to the skill matrix, too, the recent addition of Mr. Advani has further improved the balance in specializations.

■ **Sonoda** It has been six years since I joined the Board of Directors as an outside director in 2015. When I first joined

the board, I was the only female director, but after that, Ms. Sato was also elected. Diversity increased further with the appointment of Mr. Advani, transforming the atmosphere into one in which it is even easier to express your opinion.

■ **Kawada** I have been on the Board of Directors the longest since I took up the position in 2013. When I joined the board, the business environment was extremely harsh. Earnings are firm now, and considering what I know about the past, I may be overstating how difficult things are. Please forgive me for that. The number of outside directors on the Board of Directors has dramatically increased, and they have become extremely forceful members. Although they may make things difficult for the management team, from an investor perspective, the way they stir things up is probably good.

■ **Hiraoka** My management policy is to "manage through a team." The current inside directors worked together to engineer a V-shaped recovery during some difficult periods, and the team response was perfect. But because many have worked under similar conditions, there is the risk of falling into the trap of decision making based on limited information and experience. Furthermore, more people have only had the experience of earnings continually growing, and they may miss warning signs of a crisis as a result of a normalcy bias. Therefore, I am careful to listen to the opinions of outside directors.

## How to guarantee the effectiveness of the Board of Directors

■ **Kawada** The Company is not confronted with any governance-related problems. In addition, I focus on whether compliance is being adhered to. Outside directors may not obtain the same detailed information as inside directors, but despite this asymmetry in information, I try to make appropriate comments regarding what I notice from my outside perspective.

■ **Sonoda** It is my opinion that the Company has an extremely meticulous process that extends to decision making by the Board of Directors. There are various meetings and get-togethers for outside directors and outside auditors—although last year there were fewer such opportunities because of the COVID-19 pandemic—making it possible to immediately check concerns with both groups of people. My specialization is disclosure, and very ardent efforts have been made to disclose ESG-related information, which has resulted in horizontal cooperation and a substantially greater level of disclosure.

■ **Sato** A distinguishing aspect of Nihon Unisys is that there is free communication among members of the Company—from front-line young employees to corporate officers. It seems that there are restrictions at other companies, but here, if you ask for information necessary for Board of Directors meetings in advance, it is provided. That level of transparency is outstanding.

■ **Hiraoka** Nihon Unisys has always had a flat, free and open-minded corporate climate regarding communication, and in particular, over the past several years, the Company has thoroughly worked to create a horizontal flow of information by eliminating barriers within the organization. I think that it has become a habit for us to disclose information, not hide it.

**It is possible to avoid the risk of decision making based on limited information and experience by listening to the opinions of outside directors.**  
Akiyoshi Hiraoka

## Board of Directors' deliberations on formulating Vision 2030

■ **Hiraoka** In fiscal 2021, we announced our medium- and long-term vision, Vision 2030 and Management Policies (2021-2023). When formulating these, there was extensive debate among outside directors.

■ **Sato** There was a candid exchange of opinions regarding the Nihon Unisys Group's raison d'être and concrete management policies, such as what businesses we should select and concentrate on during the COVID-19 pandemic. As a result, we were able to draw out the Nihon Unisys Group's uniqueness in the Vision 2030.

■ **Sonoda** After the SDGs were adopted, the Group quickly committed itself to achieving them. We were able to firmly incorporate into Vision 2030 the idea of striving to solve, through the creation of business ecosystems, topics included in SDGs as issues that humanity must tackle.

■ **Kawada** At the same time, we announced the change in the name of the company. By doing so, we were able to wipe away elements that appeared to be parts of the Unisys Corporation while establishing a new direction, which I think was extremely good timing. Even for business fields, we were able to indicate a stance of shifting from a business that partially relied on hardware to a new field.

**I think it was extremely good timing to announce the change in the company name when we formulated our new direction.**

Go Kawada

■ **Hiraoka** The concept behind Vision 2030 was brought together through debates regarding a shift to using "want to" and "hope to" when discussing ESG and SDGs, which tend to be talked about using "must" and "have to." I would like to generate a sense of excitement regarding how we will get society and customers to actually feel this and using the change in the name of the company to BIO-PROGY to align our efforts.

■ **Advani** Vision 2030 and the new materiality reflect the discussions that I had when I first met President Hiraoka regarding the relationship between companies and society and how employees should give their all for the company within the larger relationship with society. An extension of "want to" and "hope to" is "love to" and "proud to," and it is my opinion that the Group is one that will create employees and stakeholders who possesses a sense of pride in the Company's business.

**I think that the Nihon Unisys Group will create employees and stakeholders who possesses a sense of pride in the Company's business.**  
Nalin Advani

## New remuneration system for directors that reflects ESG indicators

■ **Kawada** In fiscal 2021, we worked out a new director remuneration system based on the Company's own philosophy.

■ **Sonoda** I have been a member of the Nomination and Remuneration Committee since 2020. This time, following repeated discussions regarding how to incorporate medium- and long-term targets, it was decided to provide three types of remuneration—fixed remuneration, short-term per-

formance-based bonus, and medium- and long-term performance-based remuneration—in the ratio of 4:4:2.

**It was possible to firmly incorporate into Vision 2030 the Company's idea of working to solve issues appearing in SDGs.**

Ayako Sonoda

■ **Sato** In order to be recognized as a company that promotes ESG initiatives by international society, it is necessary to incorporate related indicators in the remuneration system, and I think that it was excellent that with the recent revisions to the system, we added ESG indicators when determining medium- and long-term performance-based remuneration. I also think that there is a good balance in regard to the differential between remuneration for employees (and directors) and in terms of short-term and long-term perspective.

■ **Advani** It is said that companies in Japan account for half the companies in the world that have survived for two hundred years or more, and this is probably because there is a proper alignment between employees, the management team, and people who supervise management. For example, compared to the U.S. there is still a sense of fairness because of the smaller difference in the growth rate of director and employee remuneration, which is probably a critical point for the long-term survival of companies.

■ **Hiraoka** Although it was exceedingly difficult to design the remuneration system this time, I think we created a wonderful system with the help of all outside directors. I would like to take this opportunity to express my appreciation.

## Value that the Nihon Unisys Group will provide in the future

■ **Kawada** In order to undertake management that stresses stakeholders, an important issue is to what extent the opinions of individual employees are listened to. Regarding this point, the Company has created numerous opportunities for face-to-face dialogue between management and employees, and the opinions of employees are reflected through the labor union.

■ **Sonoda** Both diversity and inclusion of people with many attributes, including not only sex but also nationality, values, and culture from overseas, are extremely important to generate various types of innovation. I would like Nihon Unisys, too, to promote these types of initiatives throughout the Group and to create new business ecosystems by capturing customers and other companies.

■ **Sato** I think that IT companies will play a central role in creating a sustainable society and that the value the Nihon Unisys Group can provide is extremely important. The

Group possesses a diverse and outstanding customer base, and we can create numerous businesses by linking these customers together. On the other hand, regarding the use of human resources, I think it would be best to create a system that makes effective use of young people, women, and non-Japanese in order to create new businesses.

**I think it would be best to create a system that makes effective use of young people, women, and non-Japanese in order to create new businesses.**

Chie Sato

■ **Advani** When I first heard President Hiraoka, I thought that the Nihon Unisys Group is not merely a system integrator that undertakes outsourced development but is a company that is seriously tackling the challenge of creating platforms. I hope that I can help the Group generate robust growth in the future.

■ **Hiraoka** We have to overcome major challenges in the future, but I think that those challenges will lead to an exciting future. Under these conditions, as pointed out by everyone, we will aim to firmly rediscover our strengths and leverage them to become a peerless company that creates greater social value.

### Profile

#### ■ Akiyoshi Hiraoka

Mr. Hiraoka joined the Company in April 1980. He was appointed 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.

#### ■ Go Kawada

Mr. Kawada's career includes head of the Kaibara Taxation Office, Osaka Regional Taxation Bureau, Consul of the Consulate-General of Japan in San Francisco, Director of Office of International Operations at the National Tax Agency Commissioner's Secretariat, Director of Administration Office, 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.

#### ■ 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 an Outside Director at Nihon Unisys since June 2015.

#### ■ 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 at Nihon Unisys since June 2017.

#### ■ Nalin Advani

Mr. Advani is a venture capitalist and investment/management strategy advisor. After serving in several posts including President, Barco Co., Ltd. (Japan), and Vice President, Asia Pacific, Barco Pte Ltd., he co-founded KPISOFT Inc. (present-day entomo pte ltd) In addition to possessing technical knowledge of topics such as AI and robots, he has experience with global business, particular in the Asia Pacific region. He has been Outside Director at Nihon Unisys since June 2021.

# Human Resource Strategy

Materiality	<ul style="list-style-type: none"> <li>Develop and strengthen human resource to create a new future and promote diversity &amp; inclusion</li> </ul>
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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. We must become the type of human resources and organizations that recognize and accept individual diversity, expertise, and values to continue creating innovation to achieve our Vision 2030. To this end, we will continue reforming our human resources and culture.

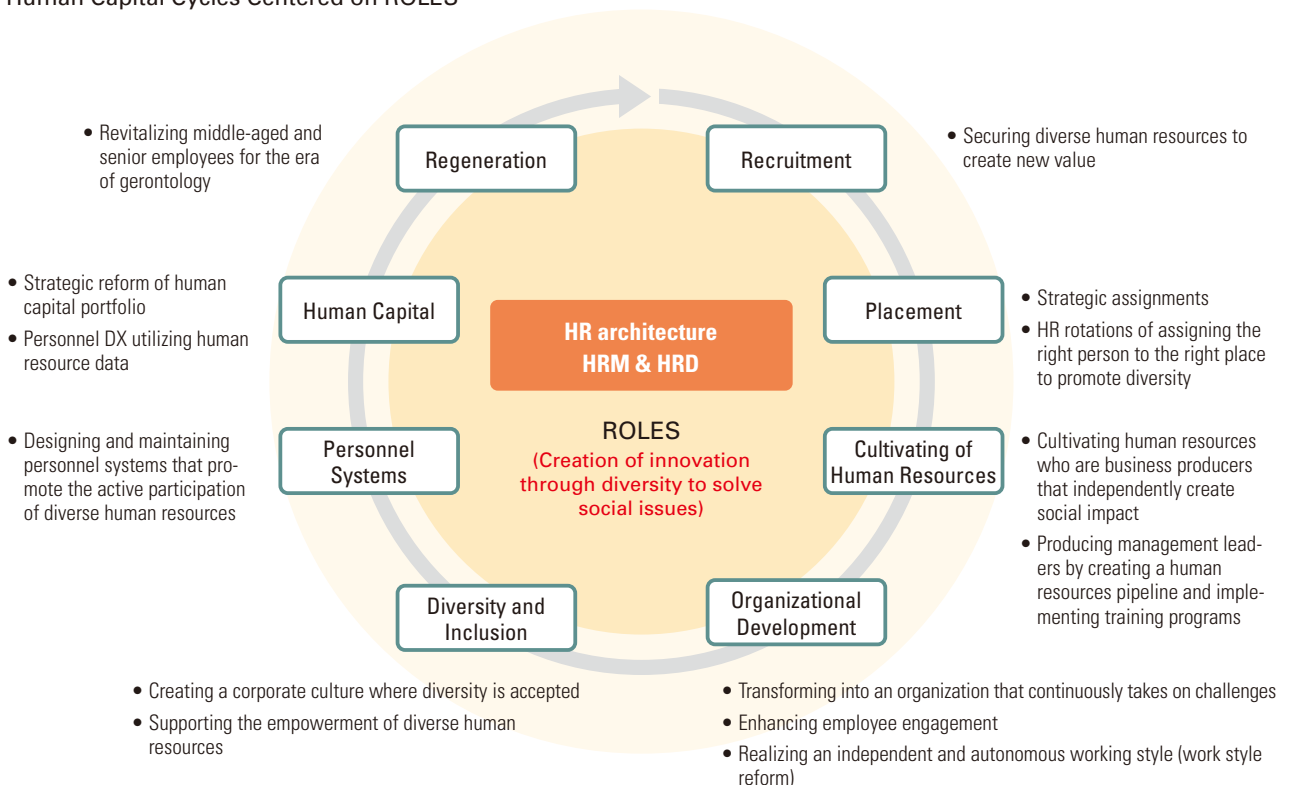
## Human Resource Strategy of Nihon Unisys Group

The Nihon Unisys Group needs human resources who can create new social value together by involving customers and partners and sharing our vision and values to solve social issues with a combination of foresight, insight, technology, and business ecosystems.

Since fiscal 2012, we have been working on our human resource strategy as a key measure of our mid-term management plans. During the period of our Innovative Change Plan, the mid-term management plan that ran from FY2015 to FY2017, we implemented numerous bold initiatives even in terms of systems 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. Furthermore, during the period of the mid-term man-

agement plan “Foresight in sight 2020” from FY2018 to FY2020, we have been working on initiatives focused on: transformation of ideas and skill sets; penetration of vision and strategies; and creation of innovation. The objective of these initiatives is to enhance our corporate and organizational capacity to respond quickly to changes of the times, and to enhance our capacity to independently create value and design business ecosystems. Specifically, we have been conducting human resource development programs that encourage employees to create new businesses on their own, personnel evaluations that stress challenges taken on by employees, work style reforms, and the penetration of a culture of diversity and inclusion. 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.

### Human Capital Cycles Centered on ROLES



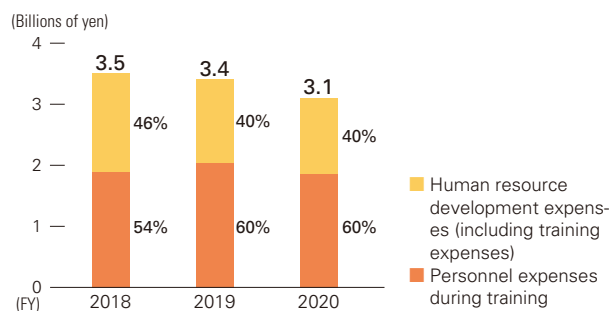
Going forward, we will further promote our initiatives to date through HR architecture centered on human resource management (HRM), human resource development (HRD) measures and ROLES. Through these measures, we will strategically cultivate employees who possess the ability to interact autonomously and independently—with our Purpose as a compass—and who have the ability to generate greater value by involving not only their colleagues but also external human resources.

### Investment in human capital

The Nihon Unisys Group considers continuous investment in human capital as indispensable for solving social issues that change with the times. The Group invests approximately ¥3.0 billion each year in human capital and visualizes the changes over time and the breakdown of the investment amount.

The amount of human capital investment in fiscal 2020 decreased compared to fiscal 2019, partly due to decreased opportunities to attend external training due to the impact of the COVID-19 pandemic.

The Nihon Unisys Group Investment in Human Capital



## Personnel and workforce reform

### ROLES

The Group is promoting personnel and workforce reforms—centered on the ROLES initiative—with the aim of becoming a highly autonomous corporate organization with a culture capable of transforming society. Standing for “roles in business execution,” ROLES defines the roles played in business execution (jobs)—and the skills and competencies required for these—and is a core concept for visualizing the type, quality, and quantity of human capital. By utilizing ROLES as a shared foundation for human capital management, we will visualize intrapersonal diversity, which is the diversity cultivated within individuals. We aim to cultivate intrapersonal diversity and thus transform the thinking and skills of each individual and create innovation by promoting learning and experiences that transcend the boundaries of individual employees. Moreover, by organizing ROLES in the form of a human resources portfolio (by department, organization, business area, age group, etc.), we will be able to objectively grasp the diversity of the entire organization—in the manner of a bird’s-eye view. Thus, we will maximize organizational capacity through inter-departmental and -divisional collaboration and through strategic assignment and rotations of personnel.

### Developing human resources as business producers

The Next Principal program is being implemented with the aim of developing human resources who can independently create new businesses. A total of about 380 employees participated in the program between fiscal 2010 and fiscal 2021 (22 participated in fiscal 2021). Additionally, we have held “idea-a-thons” and “hackathons”—for three years running; FY2019-2021—by inviting client companies and cooperating companies, and are dispatching employees externally, such as dispatching overseas and to study at domestic universities, and to experience field work. Further, we are planning and implementing a product owner development program to promote service businesses. We have created the following businesses as a result of the steady evolution of our innovations in human resources.

#### Newly launched products and services in fiscal 2021

- AI robots for retail stores that perform tasks on behalf of humans, RASFOR: Robot as a Service for Retail
- Virtual trade fair service that enables customer contact DX through AI

#### Products and services launched before fiscal 2020

- Mobility service platform, smart oasis
- Storage service platform
- Personal asset management service, Fortune Pocket
- Open API public platform service, Resonatex
- Virtual home exhibition space, MY HOME MARKET

### Nurturing future generations of management leaders

We have been implementing programs to nurture management leaders—from each career stage since fiscal 2018—for those who have the purpose and will to create change in the Company and who are committed to its ongoing transformation. As a specific initiative, we are holding CEO & Leaders sessions as a place to share and discuss themes and issues—that should be taken on from a management perspective—and to connect these into actions. We have implemented a program for advanced leaders—candidates to fill the next generation of management—to equip them with the necessary perspectives as management leaders and to equip and strengthen their competencies through dialogue sessions with Directors and internal and external experts. Fiscal 2021 is the second year this program has been running. Regarding the development of management human resources, we are creating a human resource pipeline and implementing programs to continuously produce management leaders under our succession plan.\*

\*Refer to Succession Plan on page 53

## Strengthening organizational capabilities

Improving employee engagement has a positive impact on organizational and business performance, and we believe it is important to develop mechanisms and to grow as an organization to increase employee engagement.

The Group has been conducting regular engagement surveys—targeting all Group employees since fiscal 2013—with the aim of visualizing employee attitudes and organizational issues. The results of the survey are analyzed, including by the management team, and based on the analysis results and the advisory of an external consultant, the person in charge of each department sets and promotes an action plan for the issues of their own organization, and uses it to grow as an organization. From fiscal 2021, we have also added measures to support the initiatives of each organization. The Engagement Score (ES), an index that measures the level of engagement, has improved significantly in recent years.

In addition, in the past, to motivate subordinates and improve the results of the organization, we have promoted measures to improve coaching skills of managers, and from fiscal 2020 we introduced an initiative for one-on-one dialogue between superiors and subordinates called Your Time. With the impact of COVID-19 as a backdrop—and teleworking becoming a mainstay and improving communication between superiors and subordinates also becoming an issue—Your Time has become a means for superiors and subordinates to try to deepen their communication. We have also been implementing various measures for managers such as workshops that include Your Time briefing sessions, provision of guides and tools, and opportunities to share concerns and problems, with the aim of improving and supporting the skills (coaching, teaching, feedback) needed to effectively implement Your Time. Your Time produced results in fiscal 2020, with 85% of managers and participants responding that their “relationships of trust have improved” and more than 80% responded that they “have learned and noticed things that have led to improvements in business processes.”

## Work style reforms

The work style reforms in the Management Policies (2021-2023) aim to realize work styles in which employees can continue to produce results while flexibly responding to changes in their own lifestyles and social environment. The work style reforms adopt five indicators: (1) place of work, (2) time of work, (3) working environment, (4) job satisfaction, and (5) ease of work. The first goal of the reforms is to increase the degree of freedom and flexibility of both the place and time of work. Our policy is to leverage these reforms to improve the results of individuals and teams.

Additionally, since fiscal 2020, about 70% of employees have continued to carry out their duties by teleworking, which is the same for fiscal 2021. For the time being, we plan to maintain this telework-centered work style—with an

attendance rate of 30% as a yardstick, and aim to improve productivity in the telework environment, both on the individual and the team level.

We are working to ensure flexibility in our working styles—in addition to expanding teleworking—such as making it possible to leave temporarily to visit the doctor etc. during work hours and to use accumulated annual leave from previous years such as when needing to take time off for childcare, nursing care, or when showing symptoms or suspected of contracting COVID-19.

## Diversity and Inclusion (D&I)

Since fiscal 2013, we have set up a dedicated organization, the Diversity Promotion Office. We have been promoting a range of diversity and inclusion measures—as outlined below—with the aim of fostering a culture where everyone can enhance their individual diversity; can express their creativity without being restrained by their personal attributes or various limiting factors; and a culture that actively seeks and utilizes diversity.

### ■ Empowering Women Employees

- Announced an action plan (April 2, 2020 to April 1, 2025) based on the Act on the Promotion of Female Participation and Career Advancement in the Workplace. Goals are for a ratio of female executives of 20% and to double the number of female managers from fiscal 2020 levels (Nihon Unisys non-consolidated). In April 2021, endorsed Keidanren (Japan Business Federation) challenge initiatives for 30% of executives to be women by 2030. To achieve these goals, will formulate a managerial appointment plan for each department and build a monitoring and reporting system for the Sustainability Committee and the Board of Directors to strengthen the formation of a female human resources pipeline
- Endorsed Women's Empowerment Principles (WEPs): Endorsed WEPs as a statement of support for international initiatives following on from endorsement of United Nations Global Compact. Aim to improve the quality of our global management by further promoting diversity management
- Joined the Nikkei Women Empowerment Consortium—a first for an IT company. Promoted gender equality and women's empowerment—not just within the Company, but—through collaboration with companies and stakeholders that goes beyond the bounds of international organizations and industries
- Provided forums for discussing diversity issues and initiatives also at combined meetings of the Board of Directors and management leaders

### ■ Promotion of D&I by non-administrative departments centered on dialogue

- Taking D&I from a must to a want: Aim for a form of self-propelled D&I in our non-administrative departments through activities that emphasize dialogue
- In fiscal 2020, established a D&I task force consisting of executives and senior managers in our non-administrative departments. In fiscal 2021, task force members took on

leading roles in initiating D&I dialogue with a team of younger subordinates and are working to foster momentum to proactively promote D&I by solving issues within their workplaces

### ■ Training program that encourages employee awareness and behavioral reform

- Diversity management training: Conducting mandatory training for managers by level and theme (diversity of opinions, childcare, nursing care, and disabilities)
- Diversity development program for women: Training program for female employees by level—mid-level, management positions, and leader candidates

### ■ Supporting career building and balancing work with life events

- Rate of male employees taking childcare leave\*<sup>1</sup> and the average number of days taken\*<sup>2</sup> continues to rise  
Fiscal 2020 results (Nihon Unisys non-consolidated): \*1 26.7% \*2 99.2 days
- Provided information and seminars for balancing work with nursing care and childcare, and held three-way interviews (employee, boss, and Diversity Promotion Office representative) before and after childcare leave. Supported employees working at branch offices and those stationed at customer offices by distributing DVDs or video streaming
- Rate of returning to work after childcare leave has been almost 100% for more than 10 years. Thoroughly designed and operated HR systems to ensure employees who are temporarily restricted such as due to a life event are evaluated appropriately according to their abilities without being disadvantaged in promotion and appointment to new roles

### ■ Measures for understanding and supporting LGBT

- Clarified policies regarding sexual minorities in policies such as the Group Compliance Basic Policy and Human Rights Policy

- Implemented e-learning available to all Group employees and measures to further understanding such as distributing LGBT handbooks and ally stickers to be worn by those who understand and support LGBT employees
- Expanded support in personnel systems such as making HR systems related to spouses and their families applicable to same-sex partners



Introduction to LGBT (e-learning course)

#### Results up to fiscal 2020

- In March 2021, selected as a progressive enterprise under the FY2020 Diversity Management Selection 100 Prime program by the Ministry of Economy, Trade and Industry. Also selected for the third year running as a Nadeshiko Brand (FY2020; Semi-Nadeshiko) by the Ministry of Economy, Trade and Industry and the Tokyo Stock Exchange.
- Ratio of women hired as new graduates (Nihon Unisys non-consolidated) has met or exceeded the target of 40% for five consecutive years
- Achieved the target ratio of 10% of management positions held by women in fiscal 2020 (Nihon Unisys non-consolidated)—a material issue of the previous mid-term management plan (FY2018-2020)



## In-house DX initiatives

The Group, as stated in its Management Policies (2021-2023), will undertake internal reforms (promotion of in-house DX) to enhance digitalization of its business by promoting both customer DX and social DX, and expand its business ecosystems together with partners and communities. As an initiative to this end, we are promoting an in-house IT strategy under the leadership of the Chief Digital Officer (CDO) and the Chief Information Officer (CIO).

We are promoting communication and improving productivity while also aiming to develop a work environment that leads to the creation of innovation through the utilization of various ICT tools (business backbone systems, cloud-first office applications, mobile-first, web conferencing systems, corporate SNS, etc.). We built a seamless network based on the zero trust concept and adopted highly secure cloud storage to make it easier to find intellectual property. In addition, we are promoting the digitization of our in-house inspection and verification processes and are introducing electronic signature services.

Also, with an eye toward the end of the COVID-19 pandemic, we set up a task force to consider new ways of working, under the COVID-19 Response Headquarters. In this task force, we have been considering specific measures—on work styles, work environments, further digitization utilizing ICT, and so on—and, once each consideration is completed, we have started trialing and full implementation of each measure.

# Environment

Materiality	<p>● <b>Contribute to the environment through the use of digital technology and reduce the environmental burdens as a result of business activities in order to achieve a zero-emission society</b></p>
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We see achieving zero emissions as an issue that should be addressed not only through our efforts to reduce greenhouse gas emissions of our business activities, but also through the services of the Nihon Unisys Group and the digital commons the Group builds and participates in. We aim to contribute to reducing greenhouse gas emissions by providing services that promote carbon neutrality and the circular economy, and by cooperating and collaborating towards achieving a carbon-free society.

## Enhancing environmental management to achieve a zero emissions society

Decarbonization has become a focus of the international community since the Paris Agreement at the end of 2015, and changes in the market environment are accelerating due to the tightening of regulations on greenhouse gas emissions. Expectations are rising for companies to create technologies and innovations to help solve issues such as the effects of climate change, which are becoming increasingly serious year by year.

Under these circumstances, the Group considers mitigating and adapting to climate change and establishing a circular economic system as urgent issues to be tackled to achieve a sustainable society. At the same time, we recognize these as our responsibility to future generations, and are enhancing our environmental management. In 2020, we formulated the Nihon Unisys Group Long-Term Environmental Vision 2050, joined RE100\*, an international environmental initiative, and expressed our support for the Task Force on Climate-related Financial Disclosures (TCFD) framework. Further, in 2021, new material issues were established in conjunction with the launch of Vision 2030, which aims to create value based on three social impacts, including zero emissions. These material issues are aimed at achieving a zero emissions society through a wide range of environmental contributions through the development and participation in the digital commons—as set out in the long-term environmental vision—as well as the reduction of greenhouse gas emissions in the Group’s business activities, and the provision of services to customers through our business. To further solidify these means of creating value, we will enhance our efforts to visualize environmental contributions, operate an environmental management system that complies with ISO14001—which is the basis of these activities—and will promote measures such as education to raise the environmental awareness of employees.

P.24 Vision 2030



\* RE100 is an initiative led by the Climate Group in partnership with CDP and is also operated as part of the We Mean Business Coalition. In Japan, the Japan Climate Leaders Partnership (JCLP) has been supporting the participation and activities of Japanese companies as an official regional partner of RE100 since 2017.

## Response to Climate Change

### ■ Governance Related to Climate Change

Responses to environmental issues, including climate change, are deliberated and decided upon by the Sustainability Committee—a decision-making body—and its subordinate organization, the Environmental Contribution Committee. Of these responses, we report important management matters and annual activity results and progress to the Executive Council and the Board of Directors. From 2020 onward, the matters to be reported to the Board of Directors on climate change include newly formulated related indicators and targets including materiality and greenhouse gas emission reduction, the activities of various working groups for climate change scenario analysis and environmental contribution visualization, and the activity results reports of the Environmental Contribution Committee. With reports, members of the Board of Directors give their advice and guidance on these matters.

The Chief Sustainability Officer (CSO) is responsible for assessing and managing climate change-related business opportunities and risks for the Group, and a Director, Senior Corporate Officer is in charge of this. Furthermore, in June 2021, we introduced a new director remuneration system that incorporates long-term performance conditions, including the track record of responding to sustainability issues such as climate change.

P.50 Corporate Governance Structure, P.54 Remuneration System

### ■ Strategy: climate change-related business opportunities and risks

The Group recognizes that responding to climate change is an important management issue that affects the long-term value of a company, and believes it is important to have strategies and flexibility able to respond to changing and uncertain circumstances. Based on this, we conducted an impact assessment through climate change scenario analysis to identify climate change-related business opportunities and risks that affect our business model and to respond appropriately and strategically. Quantitative and qualitative analysis has shown that services in the digital domain—the main business of the Group—will play an important role in solving future environmental issues and will be an opportunity for growth that will sufficiently contribute to improving the value of the Group in the medium to long term. Even when compared with the expected impacts of risks, the assessment results showed that the positive business impacts of the business opportunities exceed the risks.



## Identification of business opportunities and risks through climate change scenario analysis (impact assessment)

The Environmental Contribution Committee set up a Company-wide cross-sectional project and identified business opportunities and risks (impact assessment) by analyzing climate change scenarios. An outline of the analysis and the assessment results are as follows.

### ■ Purpose of climate change scenario analysis

To ensure we have the strategies and flexibility to respond to changing and uncertain circumstances and will work to improve our corporate value over the medium to long term by analyzing two climate scenarios for reference to identify and assess the impact of future climate-related business opportunities and risks and changes in future environment, society, and economy.

### ■ Climate change scenarios used

The analysis was conducted using two scenarios based on IPCC Representative Concentration Pathway (RCP) scenarios in which the global average surface temperature in 2100 increased by 4 °C (RCP 8.5) and 1.5 °C (RCP 1.9), respectively, compared to temperatures before the Industrial Revolution.

### ■ Settings of the time axis and assessment areas for business opportunities

The time axis for identification of business opportunities and risk is set to 2050, which makes it easy to imagine the world at that point in the future, and the impact assessment is set to 2030. The impacts of the identified business opportunities are assessed in terms of the five environmental contribution areas (Tables 1 to 5 below).

### Impact assessment results (listed items are highly likely to occur and may affect the business of the Group)

Social change (2050)	Impacts on the Nihon Unisys Group	Specific examples	Impact assessment (2030)	
<b>1.5 °C scenario (RCP 1.9)</b>  Strengthening environmental regulations such as carbon emission restrictions  Proper use of resources is promoted by progress in prevention, forecasting, and efficiency improvements in energy and resource consumption  Promotion of control of environmental destruction caused by global warming resulting from carbon emission regulations and development of decarbonization technologies	<b>Business opportunities</b>  1. <b>Energy Management &amp; Renewable Energy</b> Popularizing renewable energy and improving energy utilization efficiency using IT  2. <b>Circular Economy</b> Enhanced efficiency and reduction of losses associated with production and consumption of goods using IT  3. <b>New Reality, Resilient Cities</b> Mechanisms that allow remote decision making without needing to go to a site  4. <b>Green Mobility and Transport</b> Systems for green cities using digital technologies  5. <b>New Normal</b> Mechanisms utilizing digital technologies that do not rely on the movement of people	<ul style="list-style-type: none"> <li>Demand for platforms for managing and trading greenhouse gas emissions credits will increase</li> <li>Demand for systems infrastructure for overall management of energy will increase</li> <li>Demand for systems for forecasting renewable energy power generation, and for monitoring power generation and operations will increase</li> </ul>	★★★★★ Significant impact	
		<ul style="list-style-type: none"> <li>Demand for systems to manage traceability will increase</li> <li>Transformation to production processes that match consumer preferences (made-to-order production) will progress</li> <li>Demand for shared-use core services will increase</li> </ul>	★★★★★ Significant impact	
		<ul style="list-style-type: none"> <li>Demand for remote inspection and control solutions, detection of signs of failure, and AI diagnosis will increase</li> <li>Demand for platforms that connect medical information will increase</li> </ul>	★★★★★ Significant impact	
		<ul style="list-style-type: none"> <li>Demand for mobility-as-a-service (MaaS) systems for overarching connection of various modes of public transport will increase</li> <li>Demand for systems that optimize mobility throughout the city will increase</li> <li>Demand for systems for shared delivery and improved delivery efficiency will increase</li> </ul>	★★★ Moderate impact	
		<ul style="list-style-type: none"> <li>Demand for infrastructure development such as network-related infrastructure will increase as cities become more digital</li> <li>Demand for systems for operating virtual stores and unmanned stores will increase</li> <li>Demand for systems related to online lessons and learning will increase</li> </ul>	★★★★★ Significant impact	
	<b>Risks</b>  Impact of the transition to a carbon-free society on business	<b>Technology</b> <ul style="list-style-type: none"> <li>Office and data center procurement costs related to making offices highly energy efficient and introducing 100% renewable energy temporarily increase, and costs to respond to this rise.</li> <li>Expenses related to the transition to a cleaner cloud rise.</li> </ul>	★ Negligible impact * Assessment based on risk management	
		<b>Market</b> <ul style="list-style-type: none"> <li>There is no increase in productivity from teleworking and work styles that make use of remote technology.</li> <li>It is not possible to quickly provide and propose products and services that contribute to the environment.</li> <li>Net sales of hardware and ancillary maintenance services decline because of greater desire to use cloud services.</li> </ul>		
		<b>Evaluation</b> <ul style="list-style-type: none"> <li>The Group cannot respond to the transition to a decarbonized society and its reputation among customers and society falls.</li> </ul>		
	<b>4 °C scenario (RCP 8.5)</b>  World population exposed to flood risk increases by 5.8 times (compared to 1976-2005)  Sea level rise by 2100: 70-130 cm  Decrease in habitable land area  Increased management burden on energy and resource use	<b>Business opportunities</b>  1. <b>Energy Management &amp; Renewable Energy</b>  2. <b>Circular Economy</b>  3. <b>New Reality, Resilient Cities</b>  4. <b>Green Mobility and Transport</b>  5. <b>New Normal</b>	<ul style="list-style-type: none"> <li>Demand for energy usage monitoring systems will increase</li> <li>Demand for systems that automatically optimize and enhance energy saving and renewable energy will increase</li> </ul>	★★★ Moderate impact
			<ul style="list-style-type: none"> <li>Demand for platforms that connect producers and consumers will increase</li> </ul>	★★★ Moderate impact
<ul style="list-style-type: none"> <li>Demand for disaster countermeasure and robotics technologies will increase</li> <li>Demand for human flow analysis services for monitoring will increase</li> <li>Demand for monitoring systems using cameras and sensors will increase</li> </ul>			★★★★★ Significant impact	
<ul style="list-style-type: none"> <li>Demand for systems infrastructure enabling automatic delivery will increase</li> </ul>			★ Negligible impact	
<ul style="list-style-type: none"> <li>Demand for labor-saving robots for managing stores will increase</li> </ul>			★ Negligible impact	
<b>Risks</b>  Physical impact on business due to more severe extreme weather events		<b>Acute</b> <ul style="list-style-type: none"> <li>Disruptions to the supply chain of the Group will result in lost opportunities for sales and proposals, decreased profits, the provision of services to customers becoming unsustainable and/or increased cost of responses</li> </ul>	★ Negligible impact * Assessment based on risk management	

As a result of analysis, there is a possibility that various regulations will be strengthened and greenhouse gas emission costs such as carbon tax will increase due to the transition to a carbon-free society. However, we recognize it is possible to reduce the risk of impacts by taking measures based on these assumptions. We also believe that demand and markets for digital-related services that help reduce carbon will grow as the transition progresses. In response to such changes in the business environment, the Group will strategically work to create business opportunities related to climate change, and at the same time, will contribute to "achieving a zero emissions society" as set forth in the Nihon Unisys Group Long-Term Environmental Vision 2050.

The Nihon Unisys Group is working to maximize climate change business opportunities by providing services and building business ecosystems that contribute to solutions to various environmental problems and thus raise its corporate value in the medium to long term.

### Examples of Services Provided that Contribute to Climate Change Mitigation

#### ● Increasing energy efficiency and spread the use of renewable energy through energy solutions

Leveraging its system construction know-how acquired in the power industry over many years, knowledge obtained by participating in numerous verification projects,\*1 and other elements, the Group is expanding numerous energy-related businesses to build a sustainable energy society. As for the Energy Resources Aggregation Business (ERAB),\*2 which is expected to grow in the future and includes the retail power platform Enability series, we are providing not only AI-based excess solar power forecast service for retail producers but also resource control service for high-voltage power consumers, which offers various benefits including greater energy efficiency and remote control of load facilities. Envisioning changes in markets, demand, and other factors as stricter policies and regulations are imposed on greenhouse gas emissions, we are also proactively conducting research and development and making investments to create new value.

\*1 The main projects we are taking part in are the Project for Configuring Virtual Power Plants through the Intelligent Use of Consumers-Side Energy Resources, which is being conducted by the New Energy and Industrial Technology Development Organization, and "study on an increase in the non-fossil fuel energy use value (study on Tracking Information for FIT non-fossil fuel energy certificates)", which the Agency for Natural Resources and Energy, an external agency of the Ministry of Economy, Trade and Industry, is undertaking.

\*2 The business concept is to aggregate the distributed energy resources owned by consumers (energy farms, eco farms, HEMS, etc.) and use them as a stabilizing energy system.

#### ● Reducing customers' greenhouse gas emissions through joint-use services

Joint-use services not only meet customer demands to reduce development and operating costs but also increase the value of the services when used as a low-carbon service in response to the trend toward decarbonization. For BankVision, the core-banking system for financial institutions that we provide, we are transitioning to BankVision on Azure, whose infrastructure is the public cloud Microsoft Azure, in order to further increase the sophistication of our joint-use services. This is also expected to further increase the value of using the service as a low-carbon service.

#### ● Reducing customers' greenhouse gas emissions through SaaS EC solutions—Omni-Base for DIGITAL'ATELIER

Omni-Base for DIGITAL'ATELIER is one of the services provided under the DIGITAL'ATELIER brand, Nihon Unisys' new service brand that was launched based on the concept of "creating an era when even large companies use the services." With all the functions necessary for operating an EC mail-order store, this service provides an integrated solution that supports the realization of OMO commerce measures, such as inventory centralization and customer integration. Using these services, customers can reduce greenhouse gas emissions compared to when they conduct independent development and operation through the use of SaaS as a core system. Even in regard to store operation, the service, which helps introduce omnichannel retailing, is expected to lead to reductions in emissions through less inventory loss, more efficient deliveries, and other benefits.



### Examples of Services Provided that Contribute to Climate Change Adaptation

#### ● Saigai Net, creating a society more resilient to disasters through the use of digital technology

Chronology-type crisis management information sharing system Saigai Net is a cloud service that makes it easy to centralize and share information during emergencies when information becomes complicated, such as massive meteorological disasters. With this service, information received by phone and other means is entered just like writing it on a whiteboard, which outlines all information in chronological order and dramatically reduces the effort and time spent collecting information and creating material. The service also makes it possible to ascertain frontline conditions from a smartphone. Therefore, it is used by customers in a wide range of sectors, primarily social-infrastructure companies.



## ■ Risk Management

At the Nihon Unisys Group, the Environment Contribution Committee uses the Sustainability Committee to share, with management, countermeasures based on the results of climate change risk assessments made using the previously discussed scenario analysis. In addition, the various measures to mitigate and avoid risks are implemented by departments and monitored by the Environment Contribution Committee. As for climate-related risks that were evaluated as critical for the Group's business, the Environment Contribution Committee and Risk Management Committee collaborate to develop processes with the goal of integrating it into the Group risk management system.

P.58 Risk Management

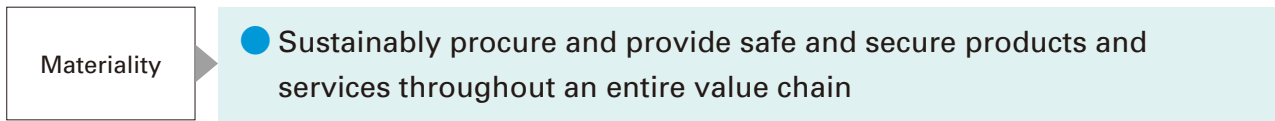
## ■ Indicators and Targets

In addition to setting new greenhouse gas emission reduction targets, the Group raised its intermediate target for the percentage of energy purchased that is renewable energy, which was set when the Group joined RE100 in 2020. In FY2020, the Group cut its greenhouse gas emissions 4.6% year on year.

Indicator	Target
Greenhouse gas (GHG) emissions (scope 1 + scope 2)	Reduce 50% or more by FY2030 (compared to FY2019)
Greenhouse gas (GHG) emissions (scope 3, business trips and commute)	Reduce 50% or more by FY2021 (compared to FY2019)
% of energy purchased that is renewable energy	Reduce 50% or more by FY2030 (before increase: 13%) 100% by FY2050

P.26 Materiality, P.99 ESG Information

# Supply Chain Management



Supply chain breakdowns due to ESG risks such as human rights and the environment may affect our customers, society, and the management of the Nihon Unisys Group. We believe it is important to understand the current situation, conduct risk assessments, and to communicate (information disclosure and dialogue) for building and maintaining a supply chain that respects human rights and considers the environmental impact, and for procuring and providing safe and secure products and services.

## Creating social value

For the Nihon Unisys Group to become a provider in the digital commons and create social value, it is essential that we collaborate with our business partners and suppliers. We cooperate with many partners throughout our Group value chain, particularly in systems design, construction, operation and maintenance, and provision of services. We also procure hardware, software, and services from domestic and overseas suppliers, and strive to provide innovative services and solutions that help solve social issues.

## Addressing human rights and environmental issues

In recent years, interest in human rights is growing around the world, and an expectation by domestic and overseas stakeholders that companies will tackle human rights issues in their supply chains.

The Group supports international norms such as the Universal Declaration of Human Rights and the ILO Core Labor Standards and recognizes human rights as integral to our business activities. In June 2020, the Nihon Unisys Group Human Rights Policy was formulated based on the United Nations Guiding Principles on Business and Human Rights.

We have been conducting, since fiscal 2019, human rights due diligence to address identified human rights risks. We are also establishing a human rights due diligence process for the entire Group. Going forward, we will undertake human rights due diligence at Group companies other than Nihon Unisys, Ltd., and will develop a framework for managing and responding to human rights risks throughout the Group.

Recognizing the importance of reducing greenhouse gas emissions throughout our value chain toward realizing a zero-emission society, firstly, we have started to calculate Scope 3 emissions and visualize the amount of environmental contribution of our solutions and services. We are promoting the procurement of products and services with low environmental impact in collaboration with our business partners and are regularly surveying how environmentally friendly their business activities are, in accordance with the Green Procurement Guidelines.

## ESG Risk Assessment

An issue such as suspension of procurement or supply of a product or service, or a serious incident or failure due to a problem with a service or a security incident, may seriously impact society as well as customers of the Group. Moreover, it may affect the management of the Group such as negatively impacting our social reputation or brand image.

The Group formulated the Nihon Unisys Group Sustainability Procurement Guidelines in April 2021 in addition to our existing Nihon Unisys Group Procurement and Transaction Guidelines and Green Procurement Guidelines. By promoting and implementing this guideline, we aim to build a long-term relationship of trust with society throughout our supply chain and realize a sustainable society in harmony with the environment and local communities, while adapting to changes in society.

We have conducted surveys, each year, on the level of understanding of our key partner companies and suppliers on the Nihon Unisys Group Procurement and Transaction Guidelines so that they can understand—and we can work together on—our initiatives and approaches to sustainability. In fiscal 2020, we surveyed 1,284 companies and had a response rate of 100%, achieving our mid-term materiality target.

Going forward, we will work to disseminate the newly formulated Sustainability Procurement Guidelines and will assess the ESG risks of our suppliers.

- 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)
- Nihon Unisys Group Sustainability Procurement Guidelines (Available in Japanese only)  
[https://www.unisys.co.jp/com/pdf/Sustainability\\_Procurement\\_Guideline.pdf](https://www.unisys.co.jp/com/pdf/Sustainability_Procurement_Guideline.pdf)

# Corporate Governance

Materiality ● Further improve 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.

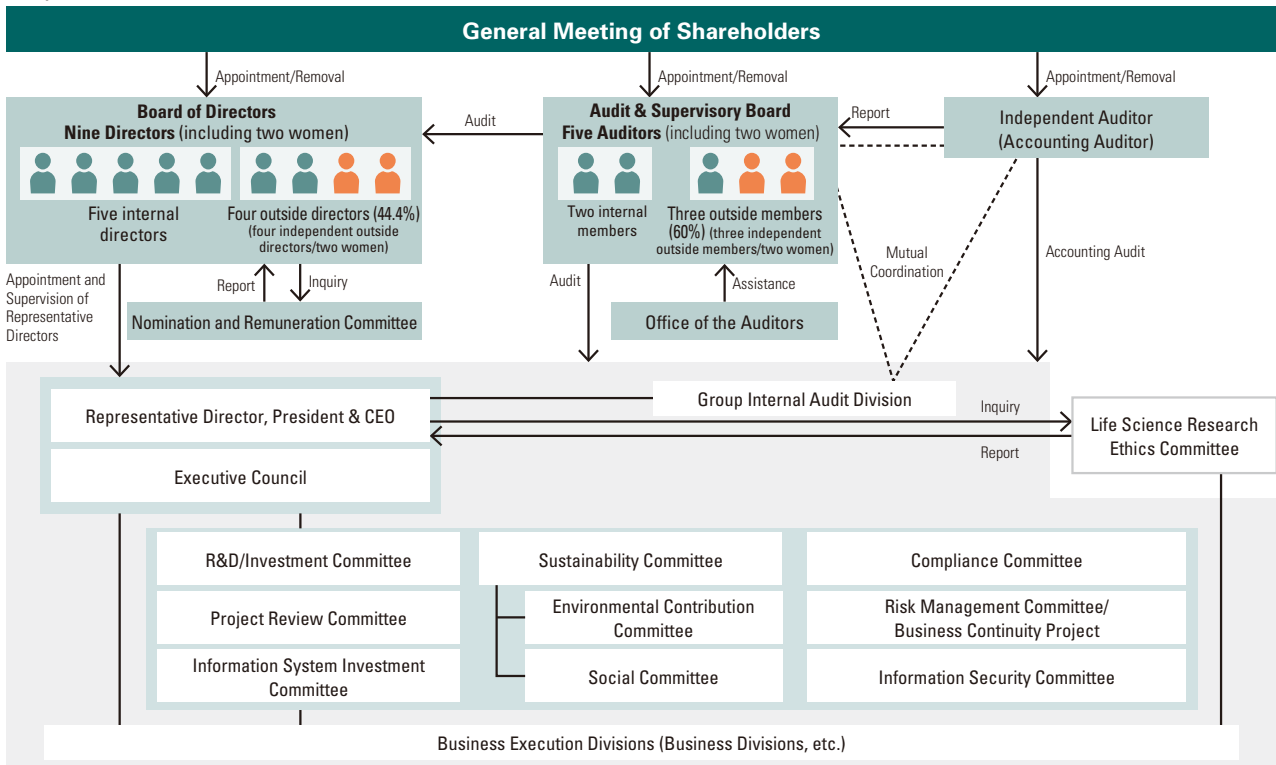
## Corporate Governance Structure

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 June 28, 2021)



### 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 include 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	<b>Overall</b> Introduced corporate officer system	Separation of management supervision and execution and more efficient business execution
2004	<b>Overall</b> 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	<b>Remuneration</b> 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	<b>Overall</b> Changed the ratio of outside directors to at least one-third (3 outside directors out of 9)	Improvement of management transparency and objectivity
	<b>Overall</b> Established Corporate Governance and Internal Control Principles	Clarification of basic approach to corporate governance and internal control and its structure/management policy
	<b>Overall</b> Revised the regulations of the Board of Directors, etc.	Revision of agenda standards at Board of Directors meetings
2015	<b>Overall</b> 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
	<b>Diversity</b> Increased the number of female outside directors by one (from 3 to 4 including male outside directors)	Strengthening of diverse viewpoints
	<b>Overall</b> Established Evaluation Criteria for Independence of Outside Directors	Clarification of the Company's standards for independence
	<b>Overall</b> Revised the evaluation criteria for independence in the Evaluation Criteria for Independence of Outside Officers	Clarification of independence criteria for outside auditors
2016	<b>Succession</b> Formulated a senior management succession plan including the CEO	Sustainable growth
	<b>Effectiveness</b> Started evaluation of the effectiveness of the Board of Directors	Improve the functioning of the Board of Directors
	<b>Remuneration</b> Introduced performance-linked bonuses	Increase in motivation to contribute to improving business results and corporate value
2017	<b>Overall</b> 3 outside directors and 3 outside auditors	Stricter interpretation of definition of outside officers and Strengthening of diverse viewpoints
2018	<b>Succession</b> Launched the Management Leader Program Expanded the scope of the senior management succession plan	Selection and cultivation of candidates for senior management, including the CEO
	<b>Effectiveness</b> Evaluated effectiveness in FY2017 (third time) after appointing an outside specialized agency	Use of objective analysis by external experts for evaluation
2019	<b>Overall</b> Appointed an outside director as chairperson of the Nomination and Remuneration Committee	Improve the effectiveness of the corporate officer remuneration system
	<b>Overall</b> Formulated the selection criteria and procedures for outside directors	Improvement of management transparency and objectivity
2020	<b>Overall</b> 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
	<b>Effectiveness</b> Evaluated effectiveness in FY2019 (fifth time) after appointing an outside specialized agency	Use of objective analysis by external experts for evaluation
2021	<b>Remuneration</b> Revise director remuneration system (introduce restricted-stock-as-remuneration system)	Raise desire to contribute to greater medium- to long-term performance and corporate value
	<b>Overall</b> Increase the number of outside directors and disclose skill matrix	Select directors and Audit & Supervisory Board members who possess a wide range of knowledge and experience to realize Vision 2030 and implement Management Policies (2021–2023)

## Background of Nihon Unisys Group's 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.



- Corporate Governance and Internal Control Principles
- Corporate Governance Report  
<https://www.unisys.co.jp/invest-e/com/governance.html>
- Systems to ensure the properness of operations (Internal Control System) (Available in Japanese only)  
<https://www.unisys.co.jp/invest-j/com/governance.html>

## 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 have a 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.

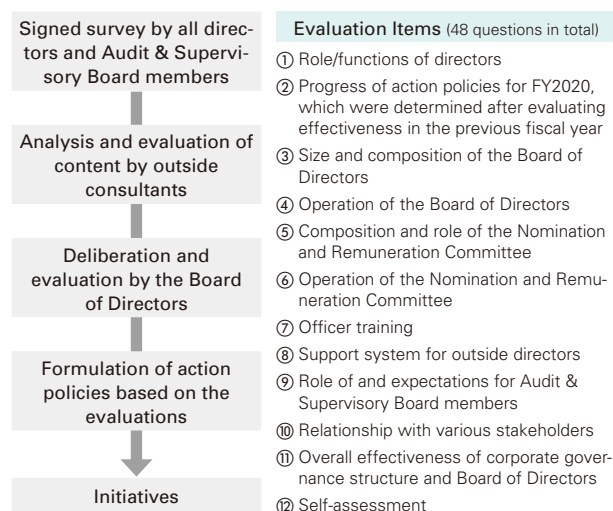
The CEO and other members of senior management shall be dismissed if deemed appropriate after deliberations by the Board of Directors in the event of violating the legal regulations and/or the article of incorporation, engaging in dishonest, inappropriate and/or disloyal actions or not sufficiently performing 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 FY2020, actions were taken to respond to issues pointed out in the FY2019 evaluation of the effectiveness of the Board of Directors, which included fundamentally revising the director remuneration system, increasing the number of outside directors, expanding discussions by the Nomination and Remuneration Committee and accurately reporting those discussions to the Board of Directors in a timely manner, and ensuring time to share information on and discuss material management issues. In FY2021, we launched efforts to tackle the issues of further expanding and accelerating the sharing of information with outside officers, expanding discussions to ensure that the Board of Directors can fulfill its function to monitor issues related to the essence of management to the greatest extent possible, and working to reinforce the independence of the Nomination and Remuneration Committee.

### Effectiveness Evaluation Process (FY2020 Board of Directors)



## Results of FY2020 Evaluation and Policies for FY2021

<p><b>FY2019 Evaluation</b></p>	<ul style="list-style-type: none"> <li>Work to clarify selection criteria and selection process for outside directors. Selection criteria and selection process were established based on the opinions of members of the Board of Directors regarding the role/function and quality/skills of outside directors, and outside director candidates were selected in line with those in FY2020.</li> <li>Review the remuneration system so that director remuneration functions as a healthy incentive for sustainable growth. Although work to formulate a revised plan was started, it was suspended so that the system could be revised in conjunction with the formulation of the next mid-term management plan in order to ensure linkage between director remuneration and medium- to-long-term performance. Action will continue to be taken in FY2020.</li> <li>In addition to changes to the operation of the Board of Directors, report topics requiring more extensive discussions such as those related to the essence of management, including business strategy, corporate culture reforms, and sustainability, to the Board of Directors, and conduct more extensive discussions, particularly regarding diversity and the environment.</li> </ul>
<p><b>Actions to be taken in FY2020, State of Efforts, and Evaluation Results</b></p>	<ol style="list-style-type: none"> <li>Overhaul the director remuneration system so that it functions as a healthy incentive for the sustained growth of the Group. It was decided not only to revise the director remuneration system and increase the weight of performance-linked remuneration but also to introduce a bonus based on short term performance and restricted stock as remuneration linked to medium- to-long-term performance, including ESG initiatives.</li> <li>Select candidates and increase outside directors based on the selection criteria and process for outside directors. Candidates were selected in line with the outside director selection criteria and selection process and the number of independent outside directors was increased. Considering the Nihon Unisys's growth strategy, we will select necessary personnel and continue to move forward with an examination of further increasing the number of independent outside directors.</li> <li>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. Outside directors reported the details of discussions by the Nomination and Remuneration Committee to the Board of Directors, and that information was shared in a timely and accurate manner. We will continue to examine the composition of the Nomination and Remuneration Committee in order to further increase transparency of the committee and expand active discussions and reports.</li> <li>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. Although there has been progress on the management policy and management strategy, including discussions by the Board of Directors and other entities, we will continue to promote serious discussions regarding medium- to-long-term management issues.</li> </ol> <p>These actions can generally be highly praised, and it was confirmed that there were lively discussions from various perspectives and that there are annual efforts to make improvements through evaluation of effectiveness. On the other hand, the following items were given as issues.</p> <ol style="list-style-type: none"> <li>In order for there to be more lively discussions by the Board of Directors, it is necessary to secure sufficient examination time by trying to provide information in advance and to further expand follow-up reports on proposals brought before the Board of Directors.</li> <li>When implementing the management policy, it is vital to incorporate it into the formulation of a concrete growth strategy and methodology, to spread it throughout the company, and to properly train human resources. The Board of Directors must discuss and monitor progress related to these efforts.</li> </ol>
<p><b>Actions to Be Taken in FY2021</b></p>	<p>Considering the above evaluation results, it was decided to further enhance the Nihon Unisys governance system through the following initiatives in FY2021.</p> <ol style="list-style-type: none"> <li>Expand the provision of information regarding industry/market and technology/innovation trends and accelerate the provision of information related to Board of Director proposals in order to further deepen outside officers' understanding of the Nihon Unisys Group.</li> <li>Undertake more active discussions on the growth strategy in Vision 2030 and Management Policies (2021–2023), sustainability, and topics related to the essence of management, including corporate culture reforms, so that the Board of Directors can fulfill its monitoring function to the greatest extent possible.</li> <li>Have more than half of Nomination and Remuneration Committee members independent outside directors in order to strengthen the committee's independence.</li> </ol>

## Diversity in Directors and Audit & Supervisory Board Members

Nihon Unisys appoints directors and Audit & Supervisory Board members who possess a wide range of knowledge and experience necessary to realize Vision 2030 and implement Management Policies (2021–2023).

As for the Board of Directors, four of the nine directors are independent outside directors (this is one more than the three directors for the previous fiscal year) who possess experience as an outside officer at listed companies, experience providing various types of support for SDGs and integrated management, abundant experience with and knowledge of management both in Japan and overseas, and diverse backgrounds, including experience with venture investments and global business. Independent outside directors make up 44% of the set number of directors, and two directors are women. The term of directors is one year to establish a flexible management system that can respond to changes in the business environment and to clarify the responsibility of directors.

For the Audit & Supervisory Board, three of the five members are independent outside members, including one attorney, and two of the members are women.

Various human resources will continue to be recruited out of a strong awareness of diversity.

## 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 addition to integrity, a critical quality demanded of the CEO, the plan stipulates the following seven other items as important competencies, and they can be divided into three categories.

Skill Matrix		Independent outside officers						
		Business management experience at other companies	Industry knowledge	Technology/R&D	Finance/accounting	Legal/risk management	ESG/sustainability*	Global business
Directors	Akiyoshi Hiraoka		●	●	●	●	●	
	Noboru Saito		●	●		●	●	●
	Koji Katsuya		●	●		●	●	
	Kazuo Nagai		●	●				●
	Takahito Kanazawa	●		●				
	Go Kawada	●			●	●		●
	Ayako Sonoda	●				●	●	
	Chie Sato					●	●	●
	Nalin Advani	●	●	●				●
Audit & Supervisory Board members	Yuji Teranishi		●		●	●	●	
	Masaya Oishi	●	●		●	●	●	
	Hirofumi Hashimoto	●			●	●	●	●
	Harumi Kojo			●		●		●
	Keiko Mizuguchi				●	●	●	●

\* S of ESG (environmental, social, governance) includes human resources strategy, diversity & inclusion, etc.

### 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 a 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.

The Committee believes that the degree to which each requirement is displayed may vary depending on the business environment (periods of transition and change or continuity/growth).

In addition, we operate a management leader program to strengthen the pipeline of management leader candidates responsible for the future of the Company through sessions with independent and in-house managers and experts,

### 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 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 a 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>

assessments, and difficult assignments. In addition to providing opportunities to take on additional challenges for each class, we work to systemize the human resource pool and pipeline of successor candidates, and aim to link that to the Group's sustainability management.

### Remuneration System

Through FY2020, executive directors were paid not only fixed remuneration (a monthly salary paid 90% in direct cash deposits) but also (b) an annual performance-based bonus 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 (10% of total monthly salary is paid into the system).

The new remuneration system was designed so that the weight of the performance-based bonus and stock remuneration were increased and that if performance targets are fully met, fixed remuneration, performance-based bonus (linked to net income), and stock remuneration are paid in a



**Total Remuneration in FY2020 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)	275	190	17 <sup>*1</sup>	67 <sup>*1</sup>	7
Audit & Supervisory Board members (Excluding outside auditors)	34	34	— <sup>*2</sup>	— <sup>*2</sup>	3
Outside directors and outside auditors	65	65	— <sup>*2</sup>	— <sup>*2</sup>	6

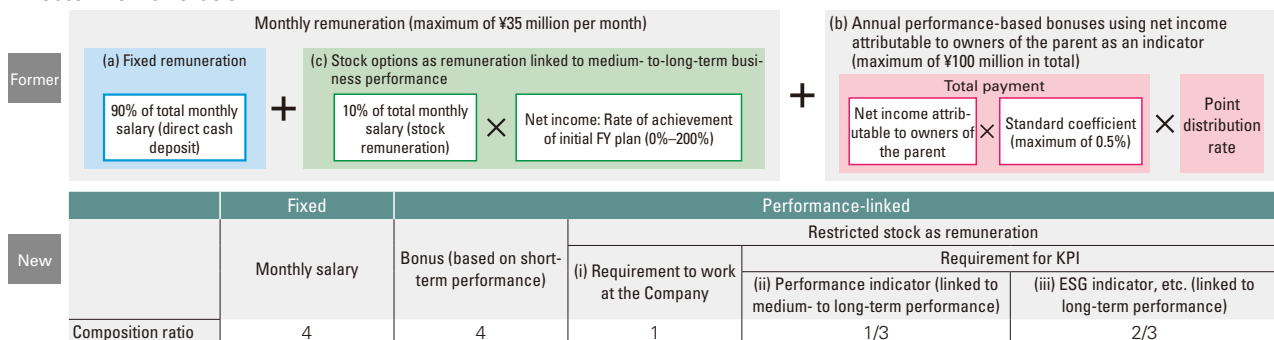
\*1 One non-executive director is not eligible to receive stock options or bonuses.

\*2 Audit & Supervisory Board members and outside directors are not eligible to receive stock options or bonuses.

Notes 1: Figures shown in millions of yen have been rounded down to the nearest million.

2. The above includes the amount of remuneration for the terms of the two directors and one Audit & Supervisory Board member who resigned as of the end of the 76th General Shareholders Meeting held on June 25, 2020.

**Director Remuneration**



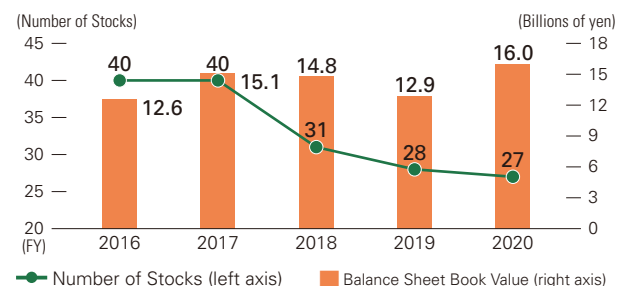
ratio of 4:4:2. Furthermore, for stock remuneration, restricted stock as remuneration, which many companies have introduced, was adopted to replace previous stock options as remuneration. While single year net income was used as an indicator for stock options, the current stock remuneration employs three requirements and indicators: (i) requirement to work at the Company, (ii) medium-term performance indicator (ratio of total shareholder return related to share (TSR) to TOPIX growth rate), and (iii) ESG indicator (see pages 26-27). It is paid in a ratio of 3:1:2.

No changes have been made to remuneration for non-executive directors, such as outside directors. Non-executive directors are paid only a fixed monthly salary that is not linked to performance to guarantee effective advising and monitoring of management.

**Cross-Shareholdings**

Nihon Unisys may strategically hold shares of partners if it is deemed that this would contribute to greater corporate value for the Company, such as resulting in a stronger profit basis by maintaining or strengthening the relationship with the partner. The determination to acquire stock is made pursuant to its internal regulations. As for the subsequent holding of the shares, the Board of Directors verifies whether it is appropriate to do so each year, and we are working to reduce such holdings. As for the shares of listed companies held, the Board of Directors verifies if it is appropriate to hold those shares by considering several factors, including sustainability of the purpose for holding individual shares, consistency of holding individual shares with the business strategy, and profit from business with the issuer of the shares. If the counterparty of strategic shareholdings who

**Number of Stocks Held by Nihon Unisys for Non-pure Investment Purposes and Total Value on Balance Sheet (listed companies)**




holds Nihon Unisys shares indicates a desire to dispose of the shares they hold, Nihon Unisys will appropriately respond to the sale without trying to prevent the sale.

**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.


# Directors, Audit & Supervisory Board Members, and Corporate Officers (As of June 28, 2021)

## Directors

	No. of attendance to the Board of Directors Meetings	12/12
	No. of company shares held	21,900
	Nomination and Remuneration Committee	

**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	12/12
	No. of company shares held	9,800
	Nomination and Remuneration Committee	


**Noboru Saito**  
Representative Director, Executive Corporate Officer, Chief Marketing Officer (CMO)

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 Senior Corporate Officer, Nihon Unisys, Ltd.  
Jun. 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	12/12
	No. of company shares held	4,084
	Nomination and Remuneration Committee	

**Koji Katsuya**  
Director, Executive Corporate Officer, Chief Sustainability Officer (CSO)

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.  
Apr. 2021 Director, Executive Corporate Officer, Nihon Unisys, Ltd. (present)

	No. of attendance to the Board of Directors Meetings	9/9
	No. of company shares held	6,500
	Nomination and Remuneration Committee	

**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 attendance to the Board of Directors Meetings	
	No. of company shares held	none
	Nomination and Remuneration Committee	

**Takahito Kanazawa**  
Director (Newly appointed)

Dec. 1998 General Manager of Digital & Information Network Systems Department, Tokyo Sales & Business Planning Division Digital & Information Network Systems Department, Business Form & Securities Printing Operations, Dai Nippon Printing Co., Ltd.  
Apr. 2007 General Manager of System Development Division, Information Processing Solutions Operations System Development Division, Dai Nippon Printing Co., Ltd.  
Oct. 2008 General Manager of Production Division, Information Processing Solutions Operations Production Division, Dai Nippon Printing Co., Ltd.  
Oct. 2012 General Manager of BPO Development Division, Information Solution Operations BPO Development Division, Dai Nippon Printing Co., Ltd.  
Oct. 2016 Deputy General Manager of BPO Center, Information Innovation Operations BPO Center, Dai Nippon Printing Co., Ltd.  
Apr. 2017 Representative Director, President, DNP Data Techno Co., Ltd.  
Apr. 2018 General Manager of Information Systems Division, Dai Nippon Printing Co., Ltd.  
Jul. 2018 General Manager of ICT Business Development Division, Advanced Business Center, Dai Nippon Printing Co., Ltd.  
Jun. 2019 Corporate Officer, General Manager of ICT Business Development Division, Advanced Business Center, Dai Nippon Printing Co., Ltd.  
Apr. 2020 Corporate Officer, in charge of Information Systems Division and General Manager of ICT Business Development Division, Advanced Business Center, Dai Nippon Printing Co., Ltd.  
Apr. 2021 Corporate Officer, in charge of ICT Business Development Division, Advanced Business Center and Information Systems Division, Dai Nippon Printing Co., Ltd. (present)  
Jun. 2021 Director, Nihon Unisys, Ltd. (present)

	No. of attendance to the Board of Directors Meetings	12/12
	No. of company shares held	none
	Nomination and Remuneration Committee (Chairperson)	


**Go Kawada**  
Outside Director, Independent Director

From Apr. 1987  
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; IDDM)  
Jun. 2015 Advisor, Yamada & Partners Certified Public Tax Accountants' Co. (present)

	No. of attendance to the Board of Directors Meetings	12/12
	No. of company shares held	none
	Nomination and Remuneration Committee	


**Ayako Sonoda**  
Outside Director, Independent Director

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 (public interest incorporated foundation) (present)

	No. of attendance to the Board of Directors Meetings	12/12
	No. of company shares held	none
	Nomination and Remuneration Committee	

**Chie Sato**  
Outside Director, Independent Director

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	
	No. of company shares held	none
	Nomination and Remuneration Committee	

**Nalin Advani**  
Outside Director, Independent Director (Newly appointed)

Apr. 1984 Venture Capitalist, Investment / Corporate Strategy Advisor (present)  
Sep. 1998 Director, Chief Marketing Officer, eSOL Co., Ltd.  
Jan. 2007 President, Barco Co., Ltd. (Japan) (Retired in Jul. 2011)  
Aug. 2009 Managing Director, Barco Electronic Systems Pvt Ltd. (India) (Retired in Aug. 2011)  
Jan. 2010 Graduated from the UCLA Anderson and NUS (National University of Singapore) Business School  
Sep. 2011 Vice President, Asia Pacific, Barco Pte Ltd. (Retired in Dec. 2015)  
Aug. 2013 Guest Lecturer, National University of Singapore Business School (present)  
Nov. 2015 Co-Founder, KPISOFT Inc (entomo pte ltd of the present) (present)  
Feb. 2016 CEO Asia Pacific & Japan, Grey Orange Pte. Ltd. (Retired in Mar. 2019)  
Jun. 2021 Outside Director, Nihon Unisys, Ltd. (present)

## Audit & Supervisory Board Members

	No. of attendance to the Board of Directors Meetings	9/9
	No. of attendance to the Audit & Supervisory Board Meetings	12/12
	No. of company shares held	100


**Yuji Teranishi**  
Full-Time Auditor

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 attendance to the Board of Directors Meetings	
	No. of attendance to the Audit & Supervisory Board Meetings	
	No. of company shares held	none


**Masaya Oishi**  
Full-Time Auditor, Outside Auditor, Independent Officer (Newly appointed)

Apr. 1983 Joined The Norinchukin Bank  
Jun. 2003 General Manager, Niigata Branch, The Norinchukin Bank  
Feb. 2005 Deputy General Manager, System Planning Division, The Norinchukin Bank  
Jun. 2007 General Manager, Utsunomiya Branch, The Norinchukin Bank  
Nov. 2009 General Manager, Corporate Planning Division, The Norinchukin Bank  
Jul. 2011 General Manager, System Planning Division, The Norinchukin Bank  
Jun. 2013 Member of Audit & Supervisory Board, The Norinchukin Bank  
Jun. 2015 Managing Executive Officer, Deputy Head of Asset Management Unit, Mizuho Financial Group, Inc. (Retired in Mar. 2021)  
Managing Director and Managing Executive Officer, in charge of JA Sales Dept. of Markets & Products Division and Corporate Investment Services & Retail Business Division, Mizuho Securities Co., Ltd.  
Apr. 2016 Executive Managing Director and Managing Executive Officer, in charge of JA Sales Dept. of Global Markets Division, and in charge of Fund Product Development Dept. and Investment Management Dept. of Retail & Business Banking Division, Mizuho Securities Co., Ltd.  
Apr. 2018 Executive Managing Director and Managing Executive Officer, Head of Fund Business Division and in charge of JA Sales Dept. of Global Markets Division, Mizuho Securities Co., Ltd.  
Apr. 2021 Special Adviser, AgriFuture Japan  
Jun. 2021 Outside Auditor, Nihon Unisys, Ltd. (present)

	No. of attendance to the Board of Directors Meetings	12/12
	No. of attendance to the Audit & Supervisory Board Meeting	16/16
	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.  
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	12/12
	No. of attendance to the Audit & Supervisory Board Meeting	16/16
	No. of company shares held	none

**Harumi Kojo**  
Outside Auditor, Independent Officer

Apr. 1976 Admitted as an attorney-at-law in Japan  
Jun. 1983 LLM 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 Mimura 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	
	No. of attendance to the Audit & Supervisory Board Meetings	
	No. of company shares held	none

**Keiko Mizuguchi**  
Outside Auditor, Independent Officer (Newly appointed)

Apr. 1986 Joined JP Morgan Chase Bank, N.A., Tokyo Branch (name at present)  
Apr. 1995 Associate Directors, Standard & Poor's International Ratings, Ltd.  
Apr. 1998 Director, Chuo Aoyama Pricewaterhouse Cooper  
Nov. 2000 Director, UBS Warburg Japan, Ltd.  
May 2002 Senior Credit Analyst, Prudential Investment Management Japan, Inc.  
Apr. 2003 Senior Analyst, Chuo Aoyama Pricewaterhouse Cooper  
Apr. 2005 Chief Analyst, Japan Credit Rating Agency, Ltd  
Apr. 2008 General Manager of Rating Planning Department, and Chief Analyst, Japan Credit Rating Agency, Ltd  
Feb. 2013 Member of Business Accounting Council / Member of Audit Standard Committee of Business Accounting Council (present)  
Apr. 2013 Commissioner of Certified Public Accountants and Auditing Oversight Board (present)  
Jun. 2013 Member of Technical Committee: Insurance Contracts (From June 2013), Member of Technical Committee: Financial Instruments (From May 2015), and Member of Technical Committee: Disclosure (From April 2017) of Accounting Standards Board of Japan (present)  
Jul. 2015 Member of Working Group on Development of Infrastructure to Vitalize the Corporate Bond Market, The Japan Securities Dealers Association (present)  
Apr. 2017 Counselor and Chief Analyst, Japan Credit Rating Agency, Ltd  
Jan. 2020 Counselor in charge of research and planning, Japan Credit Rating Agency, Ltd (present)  
Jun. 2021 Outside Auditor, Nihon Unisys, Ltd. (present)

## Corporate Officers

<b>Hirokazu Konishi</b> Senior Corporate Officer	<b>Naoya Okuyama</b> Corporate Officer
<b>Kazuma Umehara</b> Senior Corporate Officer	<b>Hideki Moriguchi</b> Corporate Officer
<b>Yasuhide Hatta</b> Senior Corporate Officer	<b>Isao Miyata</b> Corporate Officer
<b>Takashi Sasaki</b> Senior Corporate Officer	<b>Takashi Miyashita</b> Corporate Officer
<b>Hiroki Hyodo</b> Corporate Officer	<b>Susumu Ogino</b> Corporate Officer
<b>Mitsuru Tamura</b> Corporate Officer	<b>Sadayuki Baba</b> Corporate Officer
<b>Tetsuya Fujito</b> Corporate Officer	<b>Takeshi Takai</b> Corporate Officer
<b>Kumiko Shirai</b> Corporate Officer	<b>Atsushi Tsubouchi</b> Corporate Officer
<b>Ken Tanaka</b> Corporate Officer	<b>Shinsuke Chiba</b> Corporate Officer
<b>Naoshi Nagashima</b> Corporate Officer	<b>Hideaki Sato</b> Corporate Officer
<b>Yuji Takeuchi</b> Corporate Officer	<b>Taeko Sawakami</b> Corporate Officer

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.

Note: Attendance at meetings of the Board of Directors and Audit & Supervisory Board is shown for meetings held between April 1, 2020 and March 31, 2021.

# 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.

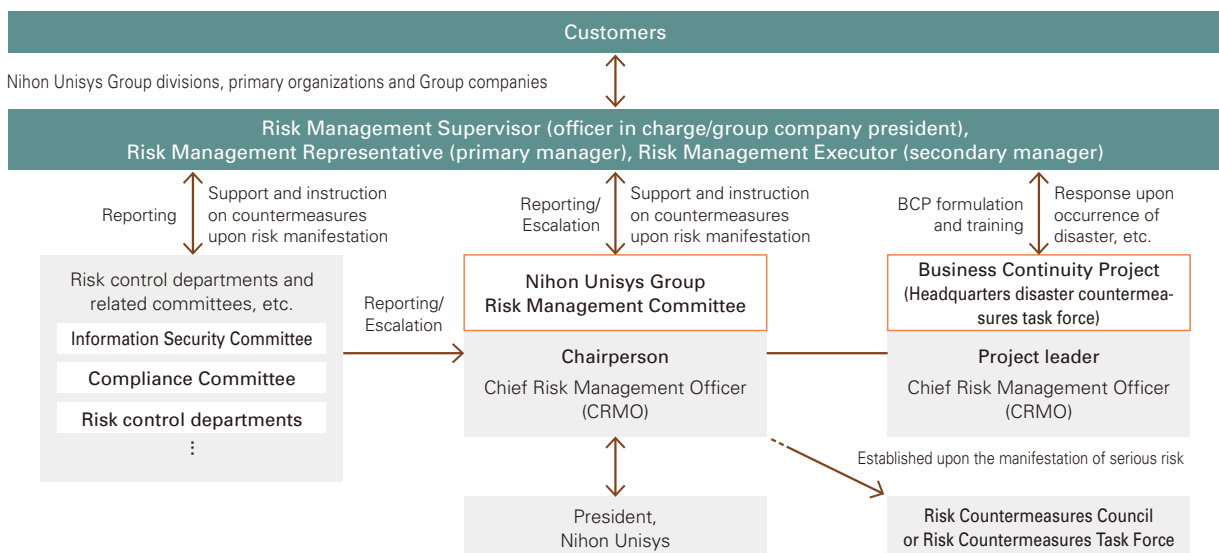
In the event a major risk materializes, the department, committee or other party where the risk emerged will quickly report it to the Risk Management Committee. Depending on the severity of the risk, a Risk Countermeasures Council or a Risk Countermeasures Task Force will be set up to address the risk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

In addition, the Group has started to examine integrating climate change-related risks, which were evaluated as extremely important for its business, into the Group risk management system.

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

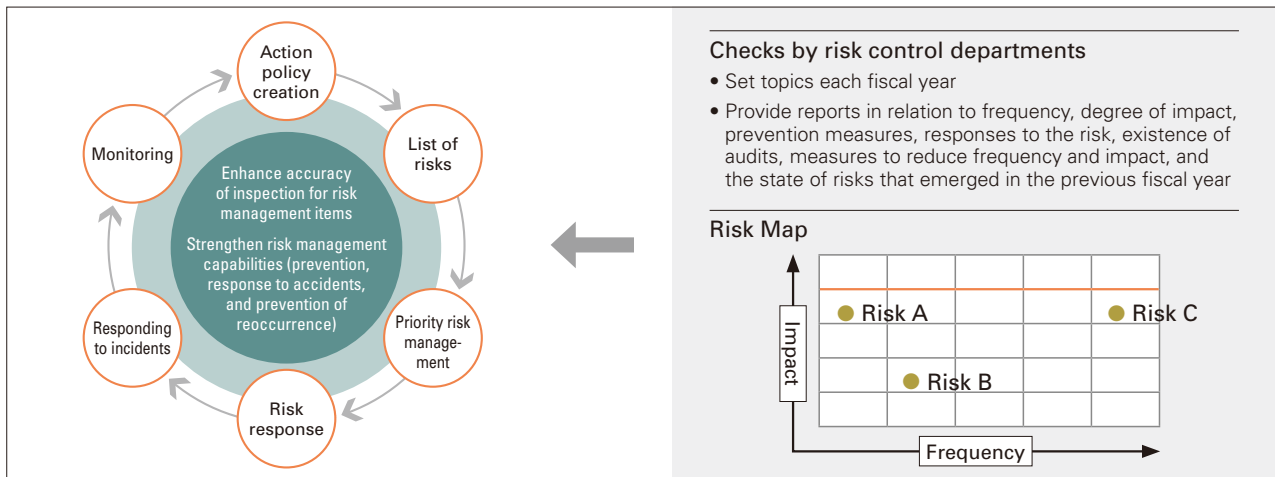
### Risk Management Structure



## 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.



## Actions Taken in FY2020

FY2020 risk management initiatives were focused on two issues—“enhancing risk management throughout the Group” and “further improving risk management abilities of Group executives and employees.” Changes in the environment, including the rapid introduction of digital technology and the sudden spread of telework in response to COVID-19, are impacting the Group’s business activities.

Since January 2020, the Group has transitioned to a work system in which telework is the standard work style for all Group employees by not only recommending and ordering the gradual shift to telework within the Group in response to changes in the situation but also introducing, in April 2020, a system in which employees have to obtain permission to come to the office in order to thoroughly spread telework. Teleworking continues to be the standard work style in FY2021, when more than 70% of workers normally teleworked.

However, because of an evaluation of incidents that occurred outside the Company in 2020 as a result of the sudden introduction of telework, the Group should consider the impact of the following three factors.

### (1) Physical distance

Examples: limits on the response in the case of emergencies and difficulty in management seeing what is happening

### (2) Psychological distance

Examples: weakening of routine communication

### (3) Slipshod introduction of digital technology

Examples: insufficient security in the telework environment (confidentiality, completeness, and availability)

Because of this, it is probably necessary to conduct an analysis from a risk management perspective and to review the various measures when necessary. This was, therefore, reflected in the FY2021 risk inventory.

As for FY2020 risk management initiatives, priority was given to evaluating the impact that COVID-19 has on the existing critical risk response, such as information security management and business continuity plan (BCP), and revising countermeasures. In particular, we conducted a review of the effectiveness of the BCP in the case of a massive earthquake when more than 70% of employees are teleworking. Since the first half of FY2020, the various working groups of the headquarters disaster countermeasures task force have reviewed numerous elements, including critical operations, target recovery time, and procedure manuals. In addition, BCP Comprehensive Simulation Training 2020, which all employees participate in, was conducted for the scenario assuming telework.

As for the second issue, “further improving the risk management abilities of Group executives and employees,” we conducted specific training for different groups of people, including crisis management training for risk management representatives and risk management training for newly appointed organization heads and Group company directors. In order to steadily promote these initiatives, we not only ascertain and monitor risk cases throughout the year and respond using the OODA loop when necessary but also run through the PDCA cycle, which includes proposing improvements based on issues that newly come to light, raising risk awareness among all employees, and educating them about risks.

Through these activities, we will work to continuously improve and upgrade the risk management system in FY2020 and beyond.

Major Risks and Opportunities

Main changes in society we are aware of		Business and Other Risks	Threats
Paradigm shift in society caused by COVID-19	Acceleration of Digital Transformation	Market environment	<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>Curbs on information system investment based on customer business conditions</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>Delay in development operations and decline in quality of provided services because of temporary closure of development bases or other reasons</li> </ul> </li> </ul>
			<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	<ul style="list-style-type: none"> <li>Impact on the purchase of the Group's products due to changes in the business strategy of or deterioration in management at suppliers</li> <li>Occurrence of serious failures due to service malfunctions, security incidents, etc. <span style="float: right;">P.21 P.99</span></li> <li>Declining social credibility and brand image</li> </ul>
Changes in expectations and demands to companies regarding creating a sustainable society	Expectation of resolving social issues through business		<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 not being able to obtain necessary licenses and no longer being able to provide certain products and services</li> <li>Not being able to use the intellectual property that partner companies expected to be able to use through tie-ups</li> </ul>
			<ul style="list-style-type: none"> <li>Delay in deliveries 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>
Spread of ESG and Sustainability	Intensifying competition due to entrants from other industries		<ul style="list-style-type: none"> <li>Serious failures due to system malfunction, cyberattack, or other problem</li> <li>Declining social credibility and brand image</li> <li>Compensation for damages</li> </ul>
			<ul style="list-style-type: none"> <li>Leaks of confidential customer information or personal information</li> <li>Cyberattacks</li> </ul>
Business environment in which it is difficult to read the future	Increased uncertainties		<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>
			<ul style="list-style-type: none"> <li>Insufficient return on investment</li> <li>Inconsistency with business partners' management strategy</li> <li>Business growth below initial expectations</li> </ul>
Intensifying competition due to entrants from other industries	Increased uncertainties	<ul style="list-style-type: none"> <li>Personnel and labor issues</li> <li>Decline in the trust of society, need to pay compensation for damages, or review of business with important suppliers due to serious compliance violations such as inadequate handling of data</li> </ul>	
		<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>	
		Others	

\* 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>• Introduce teleworking for Nihon Unisys Group employees and partner companies employees 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> <li>• Support efforts including digital transformation, remote work, and continuing operations at customers</li> </ul>	<ul style="list-style-type: none"> <li>• Expand demand from businesses related to telework, work style reform, and security</li> <li>• Expand non-face-to-face/contactless business, such as e-commerce, cashless payments, and remote monitoring</li> <li>• Provide services that resolve issues related to business continuity at customers</li> <li>• Contribute to creating a resilient society</li> <li>• Strengthen relationships with business partners</li> <li>• Improve social credibility</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> <li>• Review business strategy in the case that environmental regulations are strengthened throughout the world or there are changes in measures promoted by the government, such as disaster countermeasures</li> </ul>	<ul style="list-style-type: none"> <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>• Improve productivity by systematizing and standardizing system development methods</li> <li>• Implement early detection system for project-related issues and other measures</li> </ul> <hr/> <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> <hr/> <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>• Secure a stable revenue base as productivity increases and cost overruns decrease</li> <li>• Win the trust of customers, business partners, etc.</li> <li>• Provide secure services and platforms to customers</li> </ul> <div style="text-align: right;"> <span>P.18-19</span>  <span>P.14-15</span>  <span>P.28-35</span> </div>
<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>P.21</span></li> <li>• Enhance training and systems for acquisition of more advanced skills <span>P.43</span></li> <li>• Promote diversity in human resources through related measures <span>P.44-45</span></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</li> <li>• Provide high-value-added services that make use of advanced skills</li> <li>• Ensure competitive advantages <span>P.14</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 by 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</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>P.14</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

In response to COVID-19, the Group is implementing its business continuity plans for each stage—from when the first COVID-19 infections occur overseas, when the first infections occur in Japan, and when infections spread through when the recovery phase begins—in line with the Novel Influenza Response Action Plan, which was previously formulated.

The basic policy is as given below.

1. Give the greatest priority to people's lives
2. Comply with the instructions and warnings of national and local governments and cooperate with society-wide efforts to respond to the pandemic
3. Continue and relaunch operations after ensuring safety

As for concrete responses, the Company established a COVID-19 Response Headquarters, and analyzed and evaluated the unique properties of COVID-19. After ensuring information security for employees at all Group companies and partner companies in line with the above basic policy, the Company has promoted telework and online meetings, even for customers, and has employees come to the office at non-peak commute times for work that cannot be done

via telework and do their work after taking steps to reduce the risk of infection. The Company is also ascertaining and managing the state of health for all Group employees and their families and work status by checking on their safety every day.

Japan has started to vaccinate its population, and the situation is expected to gradually get under control. Even so, a different virus variant or new threat could arise, and there are concerns that a drawn-out rebound in infections could impact the Group's business activities and thus its performance. Therefore, we will carefully ascertain trends in and changes in the outside environment and work to respond in a timely manner.

In addition to working to prevent the spread of infectious diseases in society, the Group gives the greatest priority to ensuring the safety of employees, partner companies, customers, and suppliers and is moving forward with work style reforms, including telework. Furthermore, we will do all that we can to support the business continuity of customers, remote work, digital transformation, and other efforts and accelerate work to achieve a resilient society.

Materiality

Further improve integrity

As a company that can provide social value and ICT services as trustworthy, sustainable social infrastructure, we adhere to both domestic and overseas laws and regulations and recognize that acting in line with social norms based on high ethics and conducting sound, transparent business activities is vital not only in terms of risk management but also for building trust with a wide range of stakeholders and solving issues faced by society.

## Compliance Promotion System

Implementing compliance is also a responsibility of companies. Once a scandal occurs, companies lose the trust of markets, which is not easy to regain. In line with the Nihon Unisys Group Corporate Philosophy and Nihon Unisys Group Charter of Corporate Behavior, we not only thoroughly educate all Group members of the Group Compliance Basic Regulations and the Nihon Unisys Group Code of Conduct, which is based on those regulations, but also actively work to promote compliance through a system centered on the Chief Compliance Officer (CCO) in order to prevent misconduct by executives and employees.

Concrete examples of these efforts include establishing a Compliance Committee, an advisory body to the CCO, and working to establish, operate, monitor, and improve the compliance program throughout the Group. In addition, at each Group company, we have stipulated the company's president as the compliance promotion manager and work to promote compliance in line with the Company's policy.

### Compliance Program Details (System for Promoting Compliance)

- Establish policies, rules, and other items and educate people of those
- Maintain and operate a compliance promotion system
- Create and operate a reporting/advising route (whistleblower system)
- Conduct education and training activities
- Conduct monitoring through awareness survey and other instruments
- Implement other measures to promote compliance

### Main Measures Implemented in FY2020

- Conducted compliance awareness survey among all Group executives and employees
- Conducted e-learning for all Group executives and employees
- Conducted various types of compliance training seminars
- Established and held a compliance week  
Released messages from the CCO and organization heads and held both seminars by experts and Group Company CCO Meetings
- Held an intellectual property week (inspection proper use of software, etc., at each organization)



At the Nihon Unisys Group, for both the Compliance Committee secretariat hotline and the Audit & Supervisory Board Member hotline, we established an in-house contact point so whistleblowers can directly make contact and an outside contact point (Integrex Inc.) so whistleblowers can contact an independent entity. The Compliance Committee secretariat hotline receives many requests for advice, and it is our understanding that this is because that on account of our continuous compliance activities, an awareness is taking root among executives and employees that when a compliance issue arises, the hotline should be used to report the problem or to seek advice regarding it.

## Cybersecurity Measures

As an ICT company, we must make effective use of data within business, and because we handle the personal and confidential information of numerous customers, we consider information management a critical issue. Furthermore, the threat of cyberattacks is growing more sophisticated and skilled each day, and attacks have become an unavoidable management risk.

The Group has formulated a cybersecurity strategy as a way to tackle this issue. The strategy clarifies the vision, mission, and objectives of cybersecurity management and encompasses a wide range of diverse security measures. In order to promote the cybersecurity strategy, a project for that purpose was launched under the Information Security Committee, which unifies information security management throughout the Group, and this is one element of the Group's cybersecurity management. Concrete efforts include (1) strengthening the computer security incident response team (CSIRT) that responds to emergencies, (2) conducting assessments in line with the cybersecurity framework established by the U.S. National Institute of Standards and Technology and then implementing priority

measures according to risk based on assessment results, (3) reinforcing crisis response abilities through education and training, and (4) creating a cybersecurity response infrastructure and shifting to a zero trust model.

In FY2020, we had to respond to changes in the environment, including the sudden introduction of teleworking due to COVID-19. We brought forward the installation of cybersecurity countermeasure infrastructure based on the idea of zero trust architecture as an environment so that devices, applications, and data can be used safely whenever and wherever.

In addition to establishing an Information Security Committee and formulating information security and personal information protection strategies for the Group, we launched a Cybersecurity Strategy Promotion Project under that committee and moved forward with implementing the cybersecurity strategy. In addition, the main Group companies in Japan and Vietnam-based USOL Vietnam obtained ISMS (ISO/IEC27001) certification, an international standard for information security management. As for the Privacy Mark, a Japanese standard that certifies organizations have appropriate personal information protection measures, six Group companies had earned the mark as of May 2021.



See the website for details.  
(Available in Japanese only)

- Nihon Unisys Group Code of Conduct  
[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  
<https://www.unisys.co.jp/com/purchase.html>
- Information Security Initiatives  
<https://unisys.disclosure.site/ja/themes/114>

### Overview of Cyber Security Strategy

Vision	<b>Cyber Security Foresight</b> Provide a proactive and secure environment to grow into a business ecosystem creator that connects diverse companies				
Mission	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				
Objectives	<ol style="list-style-type: none"> <li>1. Provide secure platforms for customers and partners as a basis for business ecosystems</li> <li>2. Maintain and improve the management quality of the Group so that it is chosen by customers and partners with peace of mind</li> <li>3. Establish secure environments in which each employee can protect information assets and collaborate with various people on site</li> </ol>				
Measures	<b>System measures</b>		<b>Visualization measures</b>	<b>Organizational and process measures</b>	<b>Human resource measures</b>
	<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

# Business Results Summary

(Nihon Unisys, Ltd. and Consolidated Subsidiaries)

## Summary of FY2020 Results

<b>Net Sales</b> <b>¥309.7 billion</b> Forecast* ¥320.0 billion <span>Fell short</span> Year-on-year change -¥1.9 billion (-0.6%)↓ System service sales fell despite growth in outsourcing.	<b>Operating Income</b> <b>¥26.7 billion</b> Forecast ¥26.0 billion <span>Achieved</span> Year-on-year change +¥0.6 billion (+2.2%)↑ Income rose for various reasons, including increase in outsourcing sales and improved profitability.	
<b>Net Sales in Priority Areas</b> <b>¥68.4 billion</b> Forecast ¥60.0 billion <span>Achieved</span> Year-on-year change +20.4 billion↑	<b>Operating Margin</b> <b>8.6 %</b> Forecast 8.1% <span>Achieved</span> Year-on-year change +0.2points↑	<b>ROE</b> <b>13.4 %</b> Target 12-15% <span>Achieved</span> Year-on-year change -2.1points↓

\* Forecasts as of beginning of FY2020

## Business Environment

In the domestic information service market, there are no signs that the COVID-19 pandemic will be over soon, which is impacting investment trends, such as postponements of information system investments, but there is firm digital transformation-related investment demand. In FY2020, the Nihon Unisys Group recorded a decline in sales but growth in income for several reasons. Although system service sales fell because customers in some sectors restrained investments due to the COVID-19 pandemic, income and profitability improved as outsourcing sales rose.

## Growth in Software Investment

(FY)	2016	2017	2018	2019	2020
Manufacturing	(5.1)	6.3	6.1	14.7	(5.9)
Non-manufacturing	5.6	7.5	3.6	8.4	(6.4)
All industries (manufacturing + non-manufacturing)	2.1	7.1	4.3	10.3	(6.2)
Financial institutions	8.8	11.2	(9.8)	10.0	(10.2)
All industries + financial institutions	3.9	8.5	(0.4)	10.2	(7.4)

Source: Bank of Japan's Short-Term Economic Survey of Enterprises in Japan ("Tankan")

## Review of the Mid-Term Management Plan

The mid-term management plan Foresight in sight 2020 included the targets of ¥320.0 billion in net sales, operating margin of 8% or more, and ¥60.0 billion in priority area sales for FY2020, the final fiscal year of the plan. The same mid-term management plan had the target of an ROE of 12%–15%, and Nihon Unisys worked to increase shareholder return with a target consolidated dividend payout ratio of 40%. As for actual FY2020 results, net sales fell short of the target due to the COVID-19 pandemic, but the targets for both operating margin and priority area sales were achieved. We also recorded an ROE of 13.4% and consolidated dividend payout ratio of 41.1%, thus more than achieving its targets.

## Operating Results

Net sales fell ¥1.9 billion (-0.6%) year on year to ¥309.7 billion despite an increase in outsourcing sales because system service sales declined as a result of customers in some sectors holding back on investments due to the COVID-19

## Summary of Operating Results

(FY)	2016	2017	2018	2019	2020	Change	Change (%)
Net sales	282.2	287.0	299.0	311.6	309.7	(1.9)	(0.6)
System services	89.6	90.5	96.0	102.9	93.6	(9.3)	(9.1)
Support services	54.1	52.8	53.6	55.0	53.0	(2.0)	(3.6)
Outsourcing	45.9	48.0	51.1	55.2	60.6	5.4	9.8
Software	29.7	33.1	33.9	33.9	33.3	(0.7)	(1.9)
Hardware	54.1	54.1	54.7	55.1	57.6	2.5	4.6
Others	8.8	8.4	9.8	9.4	11.5	2.2	23.0
Gross profit	66.7	68.8	73.2	79.8	81.1	1.3	1.6
System services	23.5	24.0	27.4	31.7	29.1	(2.6)	(8.2)
Support services	15.0	15.1	15.3	16.2	16.3	0.2	0.9
Outsourcing	10.6	10.8	12.0	14.0	17.4	3.4	24.5
Software	7.0	9.0	7.2	6.8	7.0	0.3	3.8
Hardware	8.4	8.0	9.1	9.0	8.7	(0.3)	(3.1)
Others	2.1	2.0	2.2	2.1	2.5	0.3	14.8
SG&A expenses	52.4	52.5	52.5	53.7	54.4	0.7	1.3
Operating income	14.3	16.3	20.6	26.1	26.7	0.6	2.2
(Operating margin)	5.1%	5.7%	6.9%	8.4%	8.6%	0.2points	–
Ordinary income	13.9	16.1	20.5	26.6	26.5	(0.1)	(0.3)
Net income attributable to owners of the parent	10.3	11.9	14.2	18.2	17.1	(1.1)	(6.1)

pandemic. Gross profit rose ¥1.3 billion (+1.6%) year on year to ¥81.1 billion for various reasons, including an increase in profit as outsourcing service sales rose and greater profitability.

Selling, general and administrative (SG&A) expenses increased ¥700 million (+1.3%) year on year to ¥54.4 billion despite selling expenses falling ¥1.2 billion because general and administrative expenses rose ¥1.9 billion due to an increase in R&D costs and other developments. Therefore, operating income rose ¥600 million (+2.2%) year on year to ¥26.7 billion.

## Financial Condition

As of the end of FY2020, net assets totaled ¥136.9 billion, rising ¥14.3 billion year on year due to an increase in retained earnings. Therefore, the equity ratio increased 2.0 points to 58.0%, and net assets per share rose ¥140.72 to ¥1,341.04.

In the previous mid-term management plan, we expected investments to total ¥60.0 billion over three years, FY2018–FY2020, but because of the COVID-19 pandemic, FY2020 strategic investments declined and fell short of projections, resulting in ¥53.7 billion in total investments over the three

years. The investment strategy continues to be positioned as a critical element of Management Policies (2021–2023), and we plan to accelerate strategic investments with an eye toward leveraging cutting-edge technology and continually generating innovation. The necessary funds will basically be provided by cash on hand and cash flows generated from businesses in the existing core ICT area and service businesses where future growth is expected.

## FY2021 Outlook

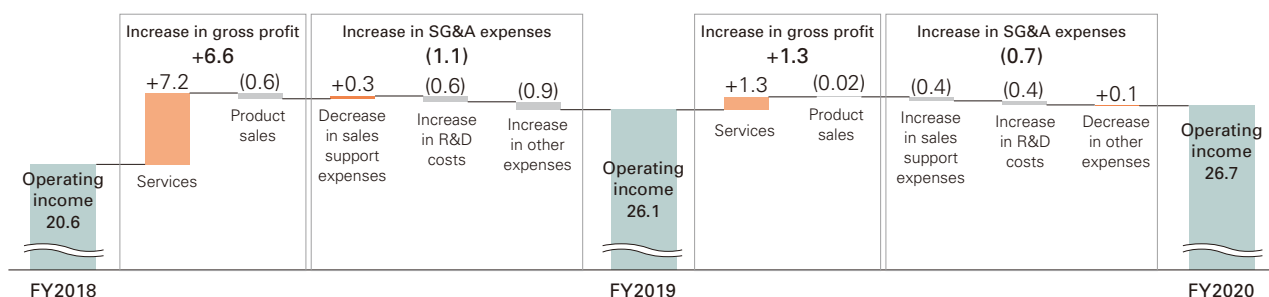
Nihon Unisys will apply International Financial Reporting Standards (IFRS) starting FY2021 in order to increase international comparability of financial information by capital markets. Following the adoption of IFRS, adjusted operating profit, revenue minus cost of sales and SG&A expenses, will be used as a performance management indicator.

### FY2021 Consolidating Results Outlook (IFRS)

(% are year-on-year changes)			
Revenue	Adjusted operating profit	Operating profit	Profit attributable to owners of parent
¥320.0 billion	¥26.5 billion	¥26.0 billion	¥17.5 billion
3.8%	5.2%	5.6%	5.2%

### Analysis of Changes in Operating Income

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



### Conditions by Segment

	FY2020 Results	Future Direction
Services	<b>System Services</b> Net Sales ↓ Gross profit ↓ Despite firm digital transformation-related projects, sales and profit in core ICT areas fell because it was a dead period for large system renovation projects and the impact of the COVID-19 pandemic on investments, particularly in susceptible sectors, stretched on.	Aim to increase profit by providing high-added-value services through the active expansion of DX-related business, centered on strengthening customer interactions and business reforms
	<b>Support Services</b> Net Sales ↓ Gross profit ↑ Segment profit rose despite a decline in sales due to the impact of cost structure reforms, such as merging and eliminating support bases.	Continue to work to implement cost cutting measures and maintain profit
	<b>Outsourcing</b> Net Sales ↑ Gross profit ↑ Both sales and income rose due to the introduction of the open core-banking system BankVision into an eleventh bank and the steady accumulation of core-banking system services at other financial institutions and medium- and small-sized IT outsourcing projects.	Outsourcing is a growth driver in Management Policies (2021–2023), and we aim to further expand the business by not only broadening IT outsourcing, but also working to expand several service businesses that contribute to solutions to social problems, such as providing energy management solutions for a sustainable energy society
Product sales	<b>Software</b> Net Sales ↓ Gross profit ↑ Segment profit rose despite a decline in sales because there was a larger percentage of projects with low gross margins in the previous fiscal year than in FY2020.	Continue to expand profits by strengthening sales of solutions in front-end domains with a focus on customer interactions.
	<b>Hardware</b> Net Sales ↑ Gross profit ↓ Segment profit fell because of the product mix due to greater sales of products with low gross margins even though sales rose for various reasons including the recording of digital transformation projects for a retailer and projects related to the GIGA school program.	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 (FY2012–FY2014)

	FY2010	FY2011	FY2012	FY2013
<b>■ Fiscal Year</b>				
Net sales	¥252,990	¥255,123	¥269,170	¥282,691
Operating income	6,527	7,311	8,311	9,575
Net income attributable to owners of the parent	2,575	(12,499)	1,251	6,305
Capital investment	12,678	11,559	12,352	8,573
Depreciation and amortization	15,328	12,155	10,440	10,321
Research and development costs	5,525	4,913	4,861	4,660
Net cash provided by (used in) operating activities	21,708	13,430	18,448	11,889
Net cash provided by (used in) investing activities	(11,168)	(10,642)	(11,443)	(8,289)
Free cash flows	10,539	2,788	7,004	3,600
Net cash provided by (used in) financing activities	(5,587)	(5,947)	(8,985)	(151)
Orders received	250,848	267,894	259,551	309,790
<b>■ Fiscal Year-End</b>				
Total assets	¥207,282	¥190,084	¥197,780	¥202,468
Total equity	76,770	63,223	67,917	76,017
Net interest-bearing debt	48,507	46,906	40,858	38,473
Shareholders' equity	75,514	61,923	66,505	74,796
<b>■ Per Share Information</b>				
Basic net income per share (Yen)	¥ 27.12	¥ (132.99)	¥ 13.31	¥ 67.08
Net assets per share (Yen)	803.52	658.90	707.57	795.61
Cash dividends per share (Yen)	10.00	5.00	10.00	15.00
<b>■ Other Information</b>				
Dividend payout ratio (%)	36.9	–	75.1	22.4
Operating margin (%)	2.6	2.9	3.1	3.4
Return on equity (ROE) (%)	3.4	(18.2)	1.9	8.9
Equity ratio (%)	36.4	32.6	33.6	36.9
Net debt-to-equity ratio (Times)	0.64	0.76	0.61	0.51
Operating income per employee	0.69	0.79	0.94	1.12

	Mid-Term Management Plan (FY2015–FY2017)				Mid-Term Management Plan (FY2018–FY2020)		
	FY2014	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020
	(Millions of yen)						
	¥269,155	¥278,039	¥282,249	¥ 286,977	¥ 299,030	¥ 311,554	¥ 309,686
	10,925	12,525	14,315	16,333	20,623	26,140	26,725
	7,246	8,920	10,261	11,949	14,238	18,183	17,077
	14,191	11,631	14,781	11,473	8,183	10,337	12,039
	9,821	9,488	9,315	10,363	11,653	11,161	10,999
	4,337	4,036	3,454	2,998	3,959	4,513	4,952
	18,037	10,990	29,922	26,955	27,439	27,539	31,934
	(10,548)	(10,566)	(15,906)	(13,227)	(10,586)	(13,259)	(11,207)
	7,489	424	14,015	13,728	16,852	14,280	20,726
	(12,887)	(8,185)	(11,757)	(12,977)	(8,227)	(8,202)	(8,178)
	263,478	279,415	281,394	296,956	304,874	315,626	322,268
	¥199,772	¥193,095	¥192,694	¥ 197,279	¥ 211,422	¥ 214,976	¥ 231,981
	81,976	91,214	90,773	104,674	116,616	122,598	136,887
	33,665	22,020	21,003	10,529	(3,375)	(11,020)	(22,815)
	81,021	90,374	89,918	103,001	114,638	120,473	134,632
	¥ 77.07	¥ 93.71	¥ 96.49	¥ 119.12	¥ 141.90	¥ 181.19	¥ 170.13
	861.53	847.51	896.39	1,026.72	1,142.41	1,200.32	1,341.04
	20.00	30.00	35.00	40.00	55.00	70.00	70.00
	26.0	32.0	36.3	33.6	38.8	38.6	41.1
	4.1	4.5	5.1	5.7	6.9	8.4	8.6
	9.7	10.5	11.4	12.4	13.1	15.5	13.4
	40.6	46.8	46.7	52.2	54.2	56.0	58.0
	0.42	0.24	0.23	0.10	(0.03)	(0.09)	(0.17)
	1.32	1.54	1.79	2.08	2.66	3.33	337



# Consolidated Financial Statements

## Consolidated Balance Sheet

Nihon Unisys, Ltd. and Consolidated Subsidiaries  
March 31, 2021

ASSETS	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2021	2020	2021
<b>Current Assets:</b>			
Cash and cash equivalents (Notes 4 and 16)	¥45,833	¥33,287	\$413,992
Accounts receivable—trade (Notes 6 and 16)	72,430	70,841	654,232
Inventories (Note 7)	7,796	9,364	70,418
Prepaid expenses	10,984	10,942	99,214
Other	7,707	8,884	69,614
Allowance for doubtful accounts	(51)	(21)	(461)
Total current assets	144,699	133,297	1,307,009
<b>Property, Plant and Equipment:</b>			
Land	599	599	5,411
Buildings and structures (Note 8)	12,966	12,798	117,117
Machinery and equipment (Note 8)	38,656	39,877	349,164
Other	3,064	2,570	27,676
Total	55,285	55,844	499,368
Accumulated depreciation	(42,964)	(42,378)	(388,077)
Net property, plant and equipment	12,321	13,466	111,291
<b>Investments and Other Assets:</b>			
Investment securities (Notes 5 and 16)	24,913	20,596	225,029
Investments in associated companies	2,146	2,733	19,384
Goodwill	1,473	1,509	13,305
Software (Note 8)	19,806	18,711	178,900
Lease deposits	6,813	6,762	61,539
Asset for retirement benefits (Note 11)	9,075	4,358	81,971
Deferred tax assets (Note 10)	960	3,819	8,671
Other	10,067	10,022	90,932
Allowance for doubtful accounts	(292)	(297)	(2,638)
Total investments and other assets	74,961	68,213	677,093
Total	¥231,981	¥214,976	\$2,095,393

LIABILITIES AND EQUITY	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2021	2020	2021
<b>Current Liabilities:</b>			
Current portion of long-term debt (Notes 9 and 16)	¥4,317	5,618	\$38,994
Accounts payable—trade (Note 16)	25,294	22,475	228,471
Accounts payable—other	2,024	2,105	18,282
Income taxes payable (Note 10)	5,114	4,654	46,193
Accrued expenses	11,230	10,906	101,436
Advances received	17,737	18,477	160,211
Allowance for loss on contract development	329	709	2,972
Other	8,479	9,173	76,587
Total current liabilities	74,524	74,117	673,146
<b>Long-Term Liabilities:</b>			
Long-term debt (Notes 9 and 16)	17,013	15,718	153,672
Long-term accounts payable—other	42	53	379
Liability for retirement benefits (Note 11)	703	652	6,350
Asset retirement obligations	1,208	1,129	10,911
Other	1,604	709	14,488
Total long-term liabilities	20,570	18,261	185,800
<b>Commitments and Contingent Liabilities (Note 15)</b>			
<b>Equity (Notes 12 and 13):</b>			
Common stock—authorized, 300,000,000 shares; issued, 109,663,524 shares in 2021 and 2020	5,483	5,483	49,526
Capital surplus	14,901	14,909	134,595
Retained earnings	119,587	109,796	1,080,182
Treasury shares—at cost 9,268,600 shres in 2021 and 9,294,553 shares in 2020	(13,475)	(13,513)	(121,714)
Stock acquisition rights	519	491	4,688
Accumulated other comprehensive income:			
Unrealized gain on available-for-sale securities	7,600	4,886	68,648
Foreign currency translation adjustment	(53)	(33)	(479)
Deferred gain (loss) on derivatives under hedge accounting	0	1	0
Remeasurements of defined benefit plan, net of tax	589	(1,056)	5,320
Total accumulated other comprehensive income	135,151	120,964	1,220,766
Non-controlling interests	1,736	1,634	15,681
Total equity	136,887	122,598	1,236,447
Total	¥231,981	¥214,976	\$2,095,393

See notes to consolidated financial statements.

## Consolidated Statement of Income

Nihon Unisys, Ltd. and Consolidated Subsidiaries  
Year Ended March 31, 2021

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2021	2020	2021
Net sales	¥309,686	¥311,554	\$2,797,272
Cost of sales (Note 11)	228,606	231,754	2,064,908
Gross profit	81,080	79,800	732,364
Selling, general and administrative expenses (Notes 11 and 14)	54,355	53,660	490,968
Operating income	26,725	26,140	241,396
Other income (expenses):			
Interest and dividend income	426	512	3,848
Interest expense	(100)	(86)	(903)
Gain on sales of investment securities (Note 5)	513	118	4,634
Gain on sales of shares of subsidiaries and associates	86		777
Sales promotion premium	72	112	650
Loss on valuation of investment securities	(1,028)	(1,199)	(9,286)
Loss on impairment of long-lived assets (Note 8)	(466)	(285)	(4,209)
Equity in losses of associated companies	(397)	(271)	(3,586)
Loss on investments in partnership	(188)	(188)	(1,698)
Loss on sales and retirement of non-current assets	(18)	(24)	(163)
Other—net	15	377	136
Other expenses—net	(1,085)	(934)	(9,800)
Income before income taxes	25,640	25,206	231,596
Income taxes (Note 10):			
Current	7,232	6,397	65,324
Deferred	1,254	528	11,327
Total income taxes	8,486	6,925	76,651
Net income	17,154	18,281	154,945
Net income attributable to non-controlling interests	77	98	695
Net income attributable to owners of the parent	¥17,077	¥18,183	\$154,250
<b>Per Share Amounts (Notes 2.t and 19):</b>	<b>Yen</b>	<b>Yen</b>	<b>U.S. Dollars</b>
Basic net income	¥170.13	¥181.19	\$1.54
Diluted net income	169.52	180.53	1.53
Cash dividends applicable to the year	70.00	70.00	0.63

See notes to consolidated financial statements.

## Consolidated Statement of Comprehensive Income

Nihon Unisys, Ltd. and Consolidated Subsidiaries  
Year Ended March 31, 2021

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2021	2020	2021
Net income	¥17,154	¥18,281	\$154,945
Other comprehensive income (loss) (Note 18):			
Unrealized gain (loss) on available-for-sale securities	2,715	(1,676)	24,524
Deferred (loss) gain on derivatives under hedge accounting	(1)	1	(9)
Foreign currency translation adjustment	(26)	10	(235)
Remeasurements of defined benefit plans, net of tax	1,646	(4,418)	14,868
Share of other comprehensive income of entities accounted for using equity method	(1)	(9)	(9)
Total other comprehensive income (loss)	4,333	(6,092)	39,139
Comprehensive income	¥21,487	¥12,189	\$194,084
Total comprehensive income attributable to (Note 18):			
Owners of the parent	¥21,416	¥12,088	\$193,443
Non-controlling interests	71	101	641

See notes to consolidated financial statements.



## Consolidated Statement of Changes in Equity

Nihon Unisys, Ltd. and Consolidated Subsidiaries  
Year Ended March 31, 2021

	Thousands	Millions of Japanese Yen				
	Outstanding number of shares of common stock	Common stock	Capital surplus	Retained earnings	Treasury stock -at cost	Stock acquisition rights
Balance, March 31, 2019	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
Balance, March 31, 2020	100,369	¥5,483	¥14,909	¥109,796	¥(13,513)	¥491
Net income attributable to owners of the parent				17,077		
Cash dividends				(7,277)		
Purchase of treasury stock	0				(0)	
Disposal of treasury stock	26			(9)	38	
Change in treasury shares arising from change in equity in entities accounted for using equity method						0
Change in ownership interest of parent due to transactions with non-controlling interests			(8)			
Net changes in items						28
Net changes during the year	26		(8)	9,791	38	28
Balance, March 31, 2021	100,395	¥5,483	¥14,901	¥119,587	¥(13,475)	¥519

	Millions of Japanese Yen						
	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
Balance, March 31, 2019	¥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
Balance, March 31, 2020	¥4,886	¥(33)	¥1	¥(1,056)	¥120,964	¥1,634	¥122,598
Net income attributable to owners of the parent					17,077		17,077
Cash dividends					(7,277)		(7,277)
Purchase of treasury stock					(0)		(0)
Disposal of treasury stock					29		29
Change in treasury shares arising from change in equity in entities accounted for using equity method					0		0
Change in ownership interest of parent due to transactions with non-controlling interests						(8)	(8)
Net changes in items	2,714	(20)	(1)	1,645	4,366	102	4,468
Net changes during the year	2,714	(20)	(1)	1,645	14,187	102	14,289
Balance, March 31, 2021	¥7,600	¥(53)	¥0	¥589	¥135,151	¥1,736	¥136,887

Thousands of U.S. Dollars (Note 1)

	Common stock	Capital surplus	Retained earnings	Treasury stock -at cost	Stock acquisition rights
Balance, March 31, 2020	\$49,526	\$134,667	\$991,743	\$(122,057)	\$4,435
Net income attributable to owners of the parent			154,250		
Cash dividends			(65,730)		
Purchase of treasury stock				(0)	
Disposal of treasury stock			(81)	343	
Change in treasury shares arising from change in equity in entities accounted for using equity method				0	
Change in ownership interest of parent due to transactions with non- controlling interests		(72)			
Net changes in items					253
Net changes during the year		(72)	88,439	343	253
Balance, March 31, 2021	\$49,526	\$134,595	\$1,080,182	\$(121,714)	\$4,688

Thousands of U.S. Dollars (Note 1)

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
Balance, March 31, 2020	\$44,134	\$(298)	\$9	\$(9,539)	\$1,092,620	\$14,760	\$1,107,380
Net income attributable to owners of the parent					154,250		154,250
Cash dividends					(65,730)		(65,730)
Purchase of treasury stock					(0)		(0)
Disposal of treasury stock					262		262
Change in treasury shares arising from change in equity in entities accounted for using equity method					0		0
Change in ownership interest of parent due to transactions with non- controlling interests					(72)		(72)
Net changes in items	24,514	(181)	(9)	14,859	39,436	921	40,357
Net changes during the year	24,514	(181)	(9)	14,859	128,146	921	129,067
Balance, March 31, 2021	\$68,648	\$(479)	\$0	\$5,320	\$1,220,766	\$15,681	\$1,236,447

See notes to consolidated financial statements.

## Consolidated Statement of Cash Flows

Nihon Unisys, Ltd. and Consolidated Subsidiaries  
Year Ended March 31, 2021

	<i>Millions of Yen</i>		<i>Thousands of U.S. Dollars (Note 1)</i>
	2021	2020	2021
<b>Operating Activities:</b>			
Income before income taxes	¥25,640	¥25,206	\$231,596
Adjustments for:			
Income taxes paid	(6,756)	(4,589)	(61,024)
Loss on impairment of long-lived assets	466	285	4,209
Depreciation and amortization	10,599	10,900	95,737
Amortization of goodwill	400	261	3,613
Equity in losses of associated companies	397	271	3,586
Net gain on sales of investment securities	(591)	(113)	(5,338)
Loss on valuation of investment securities	1,028	1,199	9,286
(Increase) decrease in accounts receivable—trade	(1,595)	1,789	(14,407)
Decrease in inventories	1,568	918	14,163
Decrease (increase) in advances paid	1,172	(2,163)	10,586
Decrease (increase) in interest and dividends receivable	12	(14)	108
(Increase) decrease in asset for retirement benefits	(4,718)	2,730	(42,616)
Increase (decrease) in remeasurement of defined benefit plans	2,371	(6,366)	21,416
Increase (decrease) in liability for retirement benefits	52	(2)	470
Increase (decrease) in accounts payable—trade	2,822	(3,638)	25,490
Decrease in interest payable	(1)	(1)	(9)
Increase (decrease) in accrued expenses	326	(279)	2,945
(Decrease) increase in allowance for loss on contract development	(380)	56	(3,432)
Decrease in other allowance	(467)	(1,045)	(4,218)
Other—net	(411)	2,134	(3,714)
Total adjustments	6,294	2,333	56,851
Net cash provided by operating activities	31,934	27,539	288,447
<b>Investing Activities:</b>			
Proceeds from sales of property, plant and equipment	2		18
Payments for purchases of property, plant and equipment	(2,600)	(3,304)	(23,485)
Payments for purchases of software	(7,802)	(6,055)	(70,472)
Proceeds from sales of investment securities	589	212	5,320
Proceeds from sales of shares of subsidiaries and associates	972		8,780
Payments for purchases of investment securities	(2,479)	(3,661)	(22,392)
Proceeds from purchase of shares of subsidiaries resulting in change in scope of consolidation	147		1,328
Purchase of shares of subsidiaries resulting in change in scope of consolidation		(525)	
Other—net	(36)	74	(325)
Net cash used in investing activities	(11,207)	(13,259)	(101,228)
<b>Financing Activities:</b>			
Net decrease in short-term bank loans		(1,050)	
Proceeds from long-term debt	5,613	4,700	50,700
Repayments of long-term debt	(5,618)	(5,255)	(50,745)
Proceeds from sales and leasebacks	194	183	1,752
Repayments of other debt	(692)	(402)	(6,251)
Cash dividends	(7,275)	(6,268)	(65,712)
Cash dividends to non-controlling interests	(118)	(109)	(1,066)
Purchase of shares of subsidiaries not resulting in change in scope of consolidation	(282)		(2,547)
Other—net	(0)	(1)	(0)
Net cash used in financing activities	(8,178)	(8,202)	(73,869)
Effect of exchange rate change on cash and cash equivalents	(3)	8	(26)
Net increase in Cash and Cash Equivalents	12,546	6,086	113,324
Cash and Cash Equivalents, Beginning of Year	33,287	27,201	300,668
Cash and Cash Equivalents, End of Year	¥45,833	¥33,287	\$413,992

See notes to consolidated financial statements.



# Notes to Consolidated Financial Statements

Nihon Unisys, Ltd. and Consolidated Subsidiaries

Year Ended March 31, 2021

## 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 2020 financial statements to conform them to the classifications used in 2021.

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 ¥110.71 to \$1, the approximate rate of exchange at March 31, 2021. 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, 2021 include the accounts of the Company and its 20 (17 as of March 31, 2020) significant subsidiaries and 5 (4 as of March 31, 2020) 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 (6 as of March 31, 2020) 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 (6 as of March 31, 2020) unconsolidated subsidiaries and 9 (10 as of March 31, 2020) 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 (\$452 thousand) or more. Since an amount of allowance for loss on contract development is affected by the estimate of total costs for work phases, the amounts estimated and recognized in the consolidated financial statements may be affected if the estimates of total costs are changed due to additional work phases, etc.
- (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.
- (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 (\$452 thousand) or more for the years ended March 31, 2021 and 2020, 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. Since the calculation of the percentage of completion is affected by the estimate of value for work phase, the amounts recognized in the consolidated financial statements may be affected if the estimates of value of work phase are changed due to changes in work volume.
- (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. (hereinafter the “Act,” 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 on March 26, 2021, the ASBJ issued ASBJ Guidance No. 30 (revised 2021), “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 expects to 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 expects to 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.

**(v) Changes in Presentation**

- (1) **Consolidated statement of income** – The account “Sales promotion premium” which was previously included in “Other–net” is disclosed as a separate line item from the year ended March 31, 2021 since the amount (¥72 million (\$650 thousand)) became significant. The amount included in “Other–net” for the year ended March 31, 2020 (¥112 million) is reclassified to conform to the presentation for the year ended March 31, 2021. The account “Reversal of provision for contingent loss” which was previously a separate line item is included in “Other–net” from the year ended March 31, 2021 since the amount (¥0 million (\$0 thousand)) became insignificant. The amount for the year ended March 31, 2020 (¥486 million) is reclassified to “Other–net” to conform to the presentation for the year ended March 31, 2021. Further, the account “Settlement package” which was previously disclosed as a separate line item is included in “Other–net” for the year ended March 31, 2021 since the amount (¥7 million (\$63 thousand)) became insignificant. The amount for the year ended March 31, 2020 (¥228 million) is reclassified to “Other–net” to conform to the presentation for the year ended March 31, 2021.
- (2) Application of “Accounting Standard for Disclosure of Accounting Estimates”  
The Company applied ASBJ Statement No. 31 “Accounting Standard for Disclosure of Accounting Estimates” (issued on March 31, 2020) effective from the year ended March 31, 2021, and disclosed a footnote, regarding significant accounting estimates, to the consolidated financial statements.

### 3. Significant accounting estimates

In preparing the consolidated financial statements, the Company's management is required not only to apply accounting policies but also to make judgements, estimates and assumptions that affect amounts reported as assets, liabilities, income and expenses. Estimates and underlying assumptions are based on reasonable judgments of the Company's management at the end of the fiscal year, taking into account past experience and available information; however, actual results may differ from initial estimates.

Estimates and underlying assumptions are continuously reviewed and changed as necessary. The effect from changes in accounting estimates will be recognized for the fiscal year in which the changes are made and in the future fiscal year.

The judgements, estimates and assumptions that may affect amounts recognized in the Company's consolidated financial statements are as follows:

- Impairment of long-lived assets (Note 8)
- Measurement of asset and liability for retirement benefits (Note 11)
- Recognition and measurement of allowance for loss on contract development (Note 2 (i))
- Application of the percentage of completion method for software development contracts (Note 2 (m))
- Collectability of deferred tax assets (Note 10)

### 4. Cash equivalents

Cash equivalents at March 31, 2021 and 2020, consisted of the following:

	<i>Millions of Yen</i>		<i>Thousands of U.S. Dollars</i>
	2021	2020	2021
Cash and time deposits	¥45,833	¥33,287	\$413,992
Total	¥45,833	¥33,287	\$413,992

### 5. Investment securities

Investment securities as of March 31, 2021 and 2020, consisted of the following:

	<i>Millions of Yen</i>		<i>Thousands of U.S. Dollars</i>
	2021	2020	2021
Current:			
Trust fund investments and other	¥1		\$9
Total	¥1		\$9
Noncurrent:			
Equity securities	¥20,702	¥17,235	\$186,993
Trust fund investments and other	4,211	3,361	38,036
Total	¥24,913	¥20,596	\$225,029

The costs and aggregate fair values of investment securities at March 31, 2021 and 2020, were as follows:

<b>March 31, 2021</b>	<i>Millions of Yen</i>			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Available-for-sale securities:				
Equity securities	¥8,080	¥10,570	¥(158)	¥18,492
Other	34	7		41
Total	¥8,114	¥10,577	¥(158)	¥18,533

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



<b>March 31, 2021</b>	<i>Thousands of U.S. Dollars</i>			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Available-for-sale securities:				
Equity securities	<b>\$72,983</b>	<b>\$95,475</b>	<b>\$(1,427)</b>	<b>\$167,031</b>
Other	<b>307</b>	<b>63</b>		<b>370</b>
<b>Total</b>	<b>\$73,290</b>	<b>\$95,538</b>	<b>\$(1,427)</b>	<b>\$167,401</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, 2021 and 2020, the carrying values of unlisted securities were ¥6,382 million (\$57,646 thousand) and ¥5,940 million, respectively.

Information regarding available-for-sale securities sold during the years ended March 31, 2021 and 2020, were as follows:

<b>March 31, 2021</b>	<i>Millions of Yen</i>		
	Proceeds	Realized Gains	Realized Losses
Available-for-sale securities:			
Equity securities	<b>¥1,561</b>	<b>¥599</b>	<b>¥(8)</b>
Other			
<b>Total</b>	<b>¥1,561</b>	<b>¥599</b>	<b>¥(8)</b>

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

<b>March 31, 2021</b>	<i>Thousands of U.S. Dollars</i>		
	Proceeds	Realized Gains	Realized Losses
Available-for-sale securities:			
Equity securities	<b>\$14,100</b>	<b>\$5,411</b>	<b>\$(72)</b>
Other			
<b>Total</b>	<b>\$14,100</b>	<b>\$5,411</b>	<b>\$(72)</b>

Impairment losses on available-for-sale equity securities for the years ended March 31, 2021 and 2020, were ¥1,028 million (\$9,286 thousand) and ¥1,199 million, respectively.

#### 6. Accounts receivable—trade

Costs and estimated earnings recognized with respect to construction contracts accounted for by the percentage-of-completion method at March 31, 2021 and 2020, were as follows:

	<i>Millions of Yen</i>		<i>Thousands of U.S. Dollars</i>
	2021	2020	2021
	Costs and estimated earnings	<b>¥3,810</b>	¥3,841
Amount billed	<b>(669)</b>	(88)	<b>(6,043)</b>
<b>Total</b>	<b>¥3,140</b>	¥3,753	<b>\$28,362</b>

## 7. Inventories

Inventories at March 31, 2021 and 2020, consisted of the following:

	<i>Millions of Yen</i>		<i>Thousands of U.S. Dollars</i>
	<b>2021</b>	2020	<b>2021</b>
Work in process	<b>¥1,686</b>	¥1,844	<b>\$15,229</b>
Merchandise and finished products	<b>6,054</b>	7,443	<b>54,683</b>
Supplies	<b>56</b>	77	<b>506</b>
Total	<b>¥7,796</b>	¥9,364	<b>\$70,418</b>

## 8. Long-lived assets

The Group reviewed its long-lived assets for impairment as of March 31, 2021 and 2020. 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, 2021 and 2020. 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.

In calculating the value in use, the Group determines estimates of future cash flows or a discount rate reflecting a risk that actual future cash flows will deviate from the estimates, and uses a discount rate reflecting a risk specific to the applicable asset group as well as a risk of time value of money.

Loss on impairment of long-lived assets for the years ended March 31, 2021 and 2020, consisted of the following:

	<i>Millions of Yen</i>		<i>Thousands of U.S. Dollars</i>
	<b>2021</b>	2020	<b>2021</b>
Internal use assets:			
Software	<b>¥4</b>	¥51	<b>\$36</b>
Total	<b>¥4</b>	¥51	<b>\$36</b>

	<i>Millions of Yen</i>		<i>Thousands of U.S. Dollars</i>
	<b>2021</b>	2020	<b>2021</b>
Application services:			
Software	<b>¥455</b>	¥234	<b>\$4,110</b>
Other	<b>7</b>		<b>63</b>
Total	<b>¥462</b>	¥234	<b>\$4,173</b>

## 9. Long-term debt

Long-term debt at March 31, 2021 and 2020, consisted of the following:

	<i>Millions of Yen</i>		<i>Thousands of U.S. Dollars</i>
	<b>2021</b>	2020	<b>2021</b>
Unsecured loans from banks and insurance companies, 0.27% to 0.36%, due serially to 2026	<b>¥21,330</b>	¥21,335	<b>\$192,666</b>
Total	<b>21,330</b>	21,335	<b>192,666</b>
Less current portion	<b>(4,317)</b>	(5,618)	<b>(38,994)</b>
Long-term debt less current portion	<b>¥17,013</b>	¥15,718	<b>\$153,672</b>

The annual maturities of long-term debt subsequent to March 31, 2021 are as follows:

<u>Year Ending March 31</u>	<i>Millions of Yen</i>	<i>Thousands of U.S. Dollars</i>
2022	<b>¥4,317</b>	<b>\$38,994</b>
2023	<b>6,275</b>	<b>56,680</b>
2024	<b>2,300</b>	<b>20,775</b>
2025	<b>3,875</b>	<b>35,001</b>
2026	<b>2,963</b>	<b>26,764</b>
2027		
2028	<b>1,600</b>	<b>14,452</b>
Total	<b>¥21,330</b>	<b>\$192,666</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.

## 10. 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, 2021 and 2020.

The Group recognizes deferred tax assets, taking into account the collectability; that is, whether future deductible temporary differences and tax loss carryforwards may decrease future tax liabilities. The Group evaluates the collectability of deferred tax assets by considering the reversal of deferred tax liabilities as scheduled, forecasted future taxable income and tax planning. Based on the past taxable income and forecasted future taxable income during periods in which future deductible temporary differences are applied, the Group believes it probable to collect the deferred tax assets recognized; however, the amounts recognized as deferred tax assets may be changed when the assumptions for the forecasts change.

The tax effects of significant temporary differences and tax loss carryforwards which resulted in deferred tax assets and liabilities at March 31, 2021 and 2020, were as follows:

	<i>Millions of Yen</i>		<i>Thousands of U.S. Dollars</i>
	<b>2021</b>	<b>2020</b>	<b>2021</b>
Current assets:			
Deferred tax assets:			
Accrued bonuses	<b>¥3,043</b>	¥2,954	<b>\$27,486</b>
Depreciation expense	<b>1,717</b>	1,715	<b>15,509</b>
Loss on impairment of long-lived assets	<b>1,122</b>	1,271	<b>10,135</b>
Inventory valuation	<b>1,024</b>	1,067	<b>9,249</b>
Tax loss carryforwards	<b>312</b>	499	<b>2,818</b>
Revenue recognized for tax purposes	<b>78</b>	158	<b>705</b>
Accrued business and office taxes	<b>365</b>	387	<b>3,297</b>
Asset retirement obligations	<b>370</b>	354	<b>3,342</b>
Liability for retirement benefits	<b>235</b>	218	<b>2,123</b>
Allowance for loss on contract development	<b>101</b>	223	<b>912</b>
Allowance for doubtful accounts	<b>103</b>	95	<b>930</b>
Unrealized profit of inventories	<b>91</b>	77	<b>822</b>
Other	<b>1,515</b>	1,396	<b>13,684</b>
Total	<b>10,076</b>	10,414	<b>91,012</b>
Less valuation allowance	<b>(3,142)</b>	(2,948)	<b>(28,380)</b>
Total	<b>¥6,934</b>	¥7,466	<b>\$62,632</b>
Deferred tax liabilities:			
Unrealized gain (loss) on available-for-sale securities	<b>¥(3,299)</b>	¥(2,111)	<b>\$(29,799)</b>
Asset for retirement benefits	<b>(2,777)</b>	(1,333)	<b>(25,084)</b>
Other	<b>(227)</b>	(226)	<b>(2,050)</b>
Total	<b>¥(6,303)</b>	¥(3,670)	<b>\$(56,933)</b>
Net current deferred tax assets	<b>¥631</b>	¥3,796	<b>\$5,699</b>

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>2021</b>	<b>2020</b>	<b>2021</b>
Deferred tax assets under "Investments and Other Assets"	<b>¥960</b>	<b>¥3,819</b>	<b>\$8,671</b>
Deferred tax liabilities included in "Other" under "Long-Term Liabilities"	<b>329</b>	<b>23</b>	<b>2,972</b>

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, 2021 and 2020, was as follows:

	2021	2020
Normal effective statutory tax rate	30.6%	30.6%
Expenses not deductible for income tax purposes	0.3	0.6
Nontaxable items	(0.5)	(0.2)
Increase or decrease in valuation allowance	0.4	(4.4)
Effect of difference between effective tax rate and future effective tax rate	0.1	0.1
Amount of per capita local tax	0.4	0.5
Amortization of goodwill	0.3	0.3
Equity in losses of associated companies	0.5	0.3
Adjustment to gain on sale of investments in associated companies	0.8	
Other—net	0.2	(0.3)
Actual effective tax rate	<u>33.1%</u>	<u>27.5%</u>

The Company omitted the disclosure of tax loss carryforwards due to immateriality in amount at March 31, 2021 and 2020.

### 11. 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.

Actuarial calculation is applied to determine an amount of retirement benefit obligations under defined benefit corporate pension plans. Assumptions for actuarial calculation include discount rate and expected salary increase rate. These assumptions are determined based on a comprehensive assessment of all available information, including market trends in interest rate fluctuations. The assumptions used in actuarial calculation may be affected by future uncertain economic environment or changes in social conditions, and there is a risk that, depending on those assumptions, the balance of retirement benefit obligations and plan assets may be significantly adjusted in the future.

Changes in the liability for retirement benefit obligations for the years ended March 31, 2021 and 2020, were as follows:

	<i>Millions of Yen</i>		<i>Thousands of U.S. Dollars</i>
	2021	2020	2021
Retirement benefit obligation, beginning of year (as previously reported)	¥104,845	¥103,454	\$947,024
Service cost	1,627	2,119	14,696
Interest cost	484	477	4,372
Actuarial losses	3,217	3,382	29,058
Payments for retirement benefit	(4,730)	(4,587)	(42,724)
Retirement benefit obligation, end of year	<u>¥105,443</u>	<u>¥104,845</u>	<u>\$952,426</u>

Changes in the pension assets for the years ended March 31, 2021 and 2020, were as follows:

	<i>Millions of Yen</i>		<i>Thousands of U.S. Dollars</i>
	2021	2020	2021
Pension assets, beginning of year	¥108,551	¥109,927	\$980,499
Expected return on assets	1,103	1,118	9,963
Actuarial gains (losses)	6,082	(1,233)	54,936
Contributions from the employer	2,784	3,291	25,147
Payments for retirement benefit	(4,705)	(4,552)	(42,498)
Pension assets, end of year	<u>¥113,815</u>	<u>¥108,551</u>	<u>\$1,028,047</u>

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, 2021 and 2020, were as follows:

	<i>Millions of Yen</i>		<i>Thousands of U.S. Dollars</i>
	<b>2021</b>	2020	<b>2021</b>
Funded defined benefit obligation	¥(104,740)	¥(104,193)	\$(946,075)
Plan assets	113,815	108,551	1,028,046
Total	9,075	4,358	81,971
Unfunded defined benefit obligation	(703)	(652)	(6,350)
Net asset (liabilities) arising from defined benefit obligation	¥8,372	¥3,706	\$75,621
Liability for retirement benefits	¥(703)	¥(652)	\$(6,350)
Asset for retirement benefits	9,075	4,358	81,971
Net asset (liabilities) arising from defined benefit obligation	¥8,372	¥3,706	\$75,621

The liability for retirement benefits on the consolidated balance sheets at March 31, 2021 and 2020, included the following liabilities:

	<i>Millions of Yen</i>		<i>Thousands of U.S. Dollars</i>
	<b>2021</b>	2020	<b>2021</b>
Allowance for the "NCSP"		¥39	
Current portion		(39)	
Net noncurrent portion			

Total charges relating to allowance for the NCSP for the years ended March 31, 2021 and 2020, were as follows:

	<i>Millions of Yen</i>		<i>Thousands of U.S. Dollars</i>
	<b>2021</b>	2020	<b>2021</b>
Allowance for the "NCSP"	¥23	¥57	\$208

The components of net periodic benefit costs for the years ended March 31, 2021 and 2020, were set forth as follows:

	<i>Millions of Yen</i>		<i>Thousands of U.S. Dollars</i>
	<b>2021</b>	2020	<b>2021</b>
Service cost *1	¥1,627	¥2,119	\$14,696
Interest cost	484	477	4,372
Expected return on assets	(1,103)	(1,118)	(9,963)
Cost of actuarial gains and losses	(494)	(1,751)	(4,462)
Retirement benefit cost of defined benefit plans	¥514	¥(273)	\$4,643
Other *2	¥1,810	¥1,112	\$16,349

\*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, 2021 and 2020, were ¥1,589 million (\$14,353 thousand) and ¥971 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, 2021 and 2020, were ¥11 million (\$99 thousand) and ¥11 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, 2021 and 2020, were as follows:

	<i>Millions of Yen</i>		<i>Thousands of U.S. Dollars</i>
	<b>2021</b>	2020	<b>2021</b>
Actuarial gains (losses)	¥2,371	¥(6,366)	\$21,416

Amounts recognized in accumulated other comprehensive income (before income tax effect) in respect of defined retirement benefit plans as of March 31, 2021 and 2020, were as follows:

	<i>Millions of Yen</i>		<i>Thousands of U.S. Dollars</i>
	<b>2021</b>	2020	<b>2021</b>
Unrecognized actuarial losses	¥849	¥(1,522)	\$7,669

Breakdown of pension assets:

	2021	2020
Bonds	44%	46%
Life insurance	14	14
Stocks	10	9
Cash and cash equivalents	4	6
Other	28	25
Total	100%	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:

	2021	2020
Discount rate	mainly 0.45%	mainly 0.45%
Expected rate of return on plan assets	mainly 1.0%	mainly 1.0%
Expected salary increase rate	mainly 3.5% (average)	mainly 3.4% (average)

## 12. 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.

## 13. Stock options

The Company's granted stock options as of March 31, 2021, 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

Stock Option	Persons Granted	Number of Options Granted	Date of Grant	Exercise Price	Exercise Period
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
2020 Stock Option	4 directors; 8 employees; 3 subsidiaries' directors; 5 subsidiaries' employees	37,600 shares	July 10, 2020	¥1 \$0.01	From July 1, 2021 to June 30, 2051

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)	2020 Stock Option (Shares)
<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	<u>12,300</u>	<u>73,500</u>	<u>76,700</u>	<u>77,600</u>	<u>47,700</u>	<u>32,200</u>	<u>22,600</u>	
<b>For the year ended March 31, 2021</b>								
<u>Nonvested</u>								
March 31, 2020—Outstanding								
Granted								37,600
Canceled								
Vested								37,600
March 31, 2021—Outstanding								
<u>Vested</u>								
March 31, 2020—Outstanding	12,300	73,500	76,700	77,600	47,700	32,200	22,600	
Vested								37,600
Exercised	1,900	7,300	9,400	4,600	2,900			
Canceled *1								18,800
March 31, 2021—Outstanding	<u>10,400</u>	<u>66,200</u>	<u>67,300</u>	<u>73,000</u>	<u>44,800</u>	<u>32,200</u>	<u>22,600</u>	<u>18,800</u>
Exercise price	¥1 \$0.01	¥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	¥3,657 \$33.03	¥3,298 \$29.79	¥3,593 \$32.45	¥4,015 \$36.27	¥4,015 \$36.27			
Fair value price at grant date	¥553 \$5.00	¥706 \$6.38	¥1,256 \$11.34	¥1,174 \$10.60	¥1,728 \$15.61	¥2,572 \$23.23	¥3,539 \$31.97	¥2,973 \$26.85

\*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 2020 Stock Option**

Estimate method:	Black-Scholes option pricing model
Volatility of stock price:	35.498%
Estimated remaining outstanding period:	4.20 years
Estimated dividend:	¥70 (\$0.63) per share
Risk-free interest rate:	(0.137)%

#### 14. Research and development costs

Research and development costs charged to income were ¥4,952 million (\$44,729 thousand) and ¥4,513 million for the years ended March 31, 2021 and 2020, respectively.

#### 15. Leases

The minimum rental commitments under noncancellable operating leases at March 31, 2021 and 2020 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2021	2020	2021
Due within one year	¥4,939	¥613	\$44,612
Due after one year	18,877	2,457	170,509
Total	¥23,816	¥3,070	\$215,121

#### 16. 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 17 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 17 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, 2021 and 2020, were shown below. The financial instruments whose fair value is extremely difficult to determine are not included in the following tables.



<i>Millions of Yen</i>			
<b>March 31, 2021</b>	Carrying Amount	Fair Value	Unrealized Gain (Loss)
Cash and cash equivalents	¥45,833	¥45,833	
Accounts receivable—trade	72,430	72,430	
Investment securities	18,533	18,533	
<b>Total</b>	<b>¥136,796</b>	<b>¥136,796</b>	
Accounts payable—trade	¥25,294	¥25,294	
Long-term debt *1	21,330	21,341	¥11
<b>Total</b>	<b>¥46,624</b>	<b>¥46,635</b>	<b>¥11</b>
Derivatives *2	¥0	¥0	
<i>Millions of Yen</i>			
March 31, 2020	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	
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	
<i>Thousands of U.S. Dollars</i>			
<b>March 31, 2021</b>	Carrying Amount	Fair Value	Unrealized Gain (Loss)
Cash and cash equivalents	\$413,992	\$413,992	
Accounts receivable—trade	654,232	654,232	
Investment securities	167,401	167,401	
<b>Total</b>	<b>\$1,235,625</b>	<b>\$1,235,625</b>	
Accounts payable—trade	\$228,471	\$228,471	
Long-term debt *1	192,666	192,765	\$99
<b>Total</b>	<b>\$421,136</b>	<b>\$421,236</b>	<b>\$99</b>
Derivatives *2	\$0	\$0	

\*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 5.

Accounts payable—trade

The carrying value of accounts payable—trade approximates 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 17.

(b) Carrying amount of financial instruments whose fair value cannot be reliably determined

	<i>Millions of Yen</i>		<i>Thousands of</i>
	<b>2021</b>	2020	<b>2021</b>
Investments in unconsolidated subsidiaries and associated companies	<b>¥2,090</b>	¥2,676	<b>\$18,878</b>
Investments in equity instruments that do not have a quoted market price in an active market	<b>¥2,210</b>	¥2,618	<b>\$19,962</b>
Other	<b>¥4,172</b>	¥3,322	<b>\$37,684</b>

(5) Maturity analysis for financial assets and securities with contractual maturities

	<i>Millions of Yen</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, 2021</b>				
Cash and cash equivalents	<b>¥45,833</b>			
Accounts receivable—trade	<b>72,430</b>			
Investment securities				
Available-for-sale securities:				
Other	<b>1</b>		<b>¥3,171</b>	<b>¥1,000</b>
<b>Total</b>	<b>¥118,264</b>		<b>¥3,171</b>	<b>¥1,000</b>
	<i>Millions of Yen</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	¥33,287			
Accounts receivable—trade	70,841			
Investment securities				
Available-for-sale securities:				
Other		¥1	¥2,598	¥724
<b>Total</b>	<b>¥104,128</b>	<b>¥1</b>	<b>¥2,598</b>	<b>¥724</b>
	<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, 2021</b>				
Cash and cash equivalents	<b>\$413,992</b>			
Accounts receivable—trade	<b>654,232</b>			
Investment securities				
Available-for-sale securities:				
Other	<b>9</b>		<b>\$28,642</b>	<b>\$9,033</b>
<b>Total</b>	<b>\$1,068,232</b>		<b>\$28,642</b>	<b>\$9,033</b>

\*Please see Note 9 for annual maturities of long-term debt.

### 17. 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, 2021 and 2020.

Derivative transactions to which hedge accounting is applied at March 31, 2021 and 2020, were as follows:

<i>Millions of Yen</i>				
	Hedged Item	Contract Amount	Contract Amount Due after One Year	Fair Value
<b>March 31, 2021</b>				
Foreign currency forward contracts:				
Buying U.S. Dollars:				
- Deferral hedge	Payables	¥18		¥0
- Forward contracts applied for designated transactions	Payables	367		(*) <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, 2020</b>				
Foreign currency forward contracts:				
Buying U.S. Dollars:				
- Deferral hedge	Payables	¥126		¥2
- Forward contracts applied for designated transactions	Payables	374		(*) <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>				
	Hedged Item	Contract Amount	Contract Amount Due after One Year	Fair Value
<b>March 31, 2021</b>				
Foreign currency forward contracts:				
Buying U.S. Dollars:				
- Deferral hedge	Payables	\$163		\$0
- Forward contracts applied for designated transactions	Payables	3,315		(*) <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, 2021 and 2020, the Company held ¥1,000 million (\$9,033 thousand) and ¥1,687 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.

## 18. Comprehensive income

The components of other comprehensive income for the years ended March 31, 2021 and 2020, were as follows:

	<i>Millions of Yen</i>		<i>Thousands of U.S. Dollars</i>
	<b>2021</b>	2020	<b>2021</b>
Unrealized gain (loss) on available-for-sale securities:			
Gains (losses) arising during the year	¥3,905	¥(3,135)	\$35,272
Reclassification adjustments to profit or loss	(1)	738	(9)
Amount before income tax effect	<u>3,904</u>	<u>(2,397)</u>	<u>35,263</u>
Income tax effect	(1,190)	721	(10,739)
Total	<u>¥2,715</u>	<u>¥(1,676)</u>	<u>\$24,524</u>
Deferred gain (loss) on derivatives under hedge accounting:			
(Losses) gains arising during the year	¥(2)	¥1	\$(18)
Reclassification adjustments to profit or loss			
Amount before income tax effect	(2)	1	(18)
Income tax effect	1	(0)	9
Total	<u>¥(1)</u>	<u>¥1</u>	<u>\$(9)</u>
Foreign currency translation adjustment:			
(Losses) gains arising during the year	¥(26)	¥10	\$(235)
Reclassification adjustments to profit or loss			
Amount before income tax effect	(26)	10	(235)
Income tax effect			
Total	<u>¥(26)</u>	<u>¥10</u>	<u>\$(235)</u>
Deferred gain (loss) on defined benefit plans:			
Gains (losses) arising during the year	¥2,865	¥(4,615)	\$25,878
Reclassification adjustments to profit or loss	(494)	(1,751)	(4,462)
Amount before income tax effect	<u>2,371</u>	<u>(6,366)</u>	<u>21,416</u>
Income tax effect	(725)	1,948	(6,548)
Total	<u>¥1,646</u>	<u>¥(4,418)</u>	<u>\$14,868</u>
Share of other comprehensive income in associated companies accounted for using equity method:			
Losses arising during the year	¥(1)	¥(9)	\$(9)
Reclassification adjustments to profit or loss	(0)		(0)
Total	<u>¥(1)</u>	<u>¥(9)</u>	<u>\$(9)</u>
Total other comprehensive income (loss)	<u>¥4,333</u>	<u>¥(6,092)</u>	<u>\$39,139</u>

## 19. 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, 2021 and 2020, is as follows:

	Net Income	Weighted- average shares	EPS	
	Millions of Yen	Thousands of shares	Yen	U.S. Dollars
<b>For the year ended March 31, 2021</b>				
Basic EPS				
Net income available to common shareholders	¥17,077	100,375	¥170.13	\$1.54
Effect of dilutive securities:				
Convertible bonds				
Warrants		364		
Diluted EPS—Net income for computation	¥17,077	100,739	¥169.52	\$1.53
<b>For the year ended March 31, 2020</b>				
Basic EPS				
Net income available to common shareholders	¥18,182	100,353	¥181.19	
Effect of dilutive securities:				
Convertible bonds				
Warrants		365		
Diluted EPS—Net income for computation	¥18,182	100,718	¥180.53	

## 20. Related-party transactions

There were no significant transactions with related parties for the years ended March 31, 2021 and 2020.

## 21. Segment information

### For the years ended March 31, 2021 and 2020

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>								
		<b>2021</b>								
		Reportable segments								
	System Services	Support Services	Out-sourcing	Software	Hardware	Total	Other (1)	Total	Reconciliations (2)	Consolidated (3)
Sales	¥93,572	¥53,038	¥60,595	¥33,287	¥57,647	¥298,139	¥11,547	¥309,686		¥309,686
Segment profit	29,131	16,338	17,391	7,031	8,733	78,624	2,456	81,080	¥(54,355)	26,725
Segment assets	1,676	965	20,886	3,977	3,275	30,779	214	30,993	200,988	231,981
Other:										
Depreciation	228	143	6,468	1,667	259	8,765	33	8,798	1,801	10,599
Increase in property, plant and equipment and intangible assets	289	106	7,745	1,728	202	10,070	21	10,091	1,948	12,039
Loss on impairment of long-lived assets			462			462		462	4	466
Goodwill:										
Amortization									400	400
Balance									1,473	1,473

(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 ¥(54,355) million consists of selling, general and administrative expenses of ¥(49,003) million not allocable to the reportable segments, research and development costs of ¥(4,952) million, and amortization of goodwill of ¥(400) million.

Reconciliation of segment assets of ¥200,988 million consists of corporate assets not allocable to the reportable segments.

Reconciliation of depreciation expense of ¥1,801 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 ¥1,948 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>								
		<b>2020</b>								
		Reportable segments								
	System Services	Support Services	Out-sourcing	Software	Hardware	Total	Other (1)	Total	Reconciliations (2)	Consolidated (3)
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			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>Thousands of U.S. Dollars</i>										
<b>2021</b>										
	Reportable segments						Other (1)	Total	Reconcili- ations (2)	Consoli- dated (3)
	System Services	Support Services	Out- sourcing	Software	Hardware	Total				
Sales	\$845,199	\$479,071	\$547,331	\$300,668	\$520,704	\$2,692,973	\$104,300	\$2,797,272		\$2,797,272
Segment profit	263,129	147,575	157,086	63,508	78,882	710,180	22,183	732,363	\$(490,967)	241,396
Segment assets	15,139	8,716	188,655	35,923	29,582	278,015	1,932	279,947	1,815,446	2,095,393
Other:										
Depreciation	2,059	1,292	58,423	15,057	2,340	79,171	298	79,469	16,268	95,737
Increase in property, plant and equipment and intangible assets	2,610	957	69,958	15,608	1,825	90,958	190	91,148	17,596	108,744
Loss on impairment of long-lived assets			4,173			4,173		4,173	36	4,209
Goodwill:										
Amortization									3,613	3,613
Balance									13,305	13,305

(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 \$(490,967) million consists of selling, general and administrative expenses of \$(442,625) million not allocable to the reportable segments, research and development costs of \$(44,729) million, and amortization of goodwill of \$(3,613) million.

Reconciliation of segment assets of \$1,815,446 million consists of corporate assets not allocable to the reportable segments.

Reconciliation of depreciation expense of \$16,268 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 \$17,596 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, 2021 and 2020, 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.

**22. Subsequent events**

At the general shareholders' meeting held on June 25, 2021, the Company's shareholders approved the following appropriation of retained earnings:

**Appropriations of retained earnings**

	<i>Millions of Yen</i>	<i>Thousands of U.S. Dollars</i>
Cash dividends, ¥35.0 (\$0.31) per share	<b>¥3,514</b>	<b>\$31,741</b>



## 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, 2021, 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, 2021, 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.

### Key Audit Matter

A key audit matter is a matter that, in our professional judgment, was of most significance in our audit of the consolidated financial statements of the current period. The matter was addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on the matter.

Estimates of total costs for software development contracts	
Key Audit Matter Description	How the Key Audit Matter Was Addressed in the Audit
<p>As stated in "(m) Construction contracts" under Note 2 "Summary of significant accounting policies" to the consolidated financial statements, the Group primarily applies the percentage-of-completion method to recognize revenue related to software development contracts which are included in the "System Services" segment. Also, as stated in "(i) Allowance for loss on contract development" under Note 2 "Summary of significant accounting policies" to the consolidated financial statements, when software development contracts are expected to incur future losses, the Group records provisions for such losses based on the estimated loss. For the year ended March 31, 2021, the "System Services" segment recorded revenues of ¥93,572 million, out of which some of the revenue related to software development contracts that were recognized by the percentage-of-completion method. Allowance for loss on development contracts at the end of the year amounted to ¥328 million.</p> <p>The percentage-of-completion method is an accounting method by which revenue related to software development contracts is recognized based on the stage of completion of the contract if the outcome of a development contract can be reliably estimated, and the percentage of completion is calculated in proportion to the stage of completion against the entire projected contract completion amount. When it is probable that the total development costs will exceed total revenue, an allowance for loss on contract development is provided for at an estimated amount of probable losses to be incurred after deducting the amount already recorded.</p> <p>Determination of the stage of completion for the recognition of revenue and loss on contract development can be particularly affected by estimated total costs. Therefore, if estimated total costs for the completion of the contract are inaccurate, related revenue and allowance for loss on contract development may also be inaccurate.</p> <p>Software development contracts within the "System Services" segment include some unique projects which need to satisfy diverse customer requests and the level of quality required by the system and involve a high degree of estimation uncertainty in estimating the total cost.</p> <p>Total costs estimated at the beginning of the project are reviewed and updated as the project progresses. The calculation of working hours in particular need to be reviewed and updated by taking into account various factors comprehensively, including development scope, development duration, productivity, and development risk measures and these estimates are significantly influenced by management judgments.</p> <p>We therefore determined that the estimate of the total cost for software development contracts, which involves uncertainty and is significantly influenced by management judgements, was a key audit matter.</p>	<p>Our procedures to evaluate the reasonableness of estimated total costs for software development contracts within the "System Services" segment included the following, among others.</p> <ul style="list-style-type: none"> <li>• We tested the design and operating effectiveness of controls related to the process of estimating the total cost, specifically focusing on: <ul style="list-style-type: none"> <li>➢ The reasonable estimation of total costs including the projection of contract completion hours taking into account uncertainties involved in the specific contracts; and</li> <li>➢ Controls over the process to reflect any changes in circumstances that may arise subsequent to the commencement of development in the estimated total cost in a timely manner.</li> </ul> </li> <li>• We selected a sample of software development projects considering the contract amount, the development scope, and the state of development delays and performed the following procedures to evaluate the reasonableness of the estimated total costs for these projects. <ul style="list-style-type: none"> <li>➢ Read the contracts and related meeting materials, inquired of the relevant responsible manager to gain an understanding of the assumptions used in estimating total costs and evaluated judgments made by management.</li> <li>➢ Compared the latest estimate of total costs to the initial estimated total costs and compared a ratio of the actual costs incurred against the estimated costs to the percentage of completion to evaluate the accuracy of estimated total costs.</li> <li>➢ Tested whether the agreements with customers in the development contracts and the progress of projects are appropriately reflected in the estimated total costs.</li> </ul> </li> </ul>

## **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.

From the matters communicated with Audit & Supervisory Board members and the Audit & Supervisory Board, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

#### **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, 2021

## Materiality (FY2017-2020)

With the goal of becoming 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 to achieve targets for these materiality issues. As a result, we were able to achieve almost all the target items as of FY2020. Starting in FY2021, we revised materiality to respond to the newly formulated long-term vision and further promote sustainability management. P.24-27

Materiality	Vision	KPI	Target	FY2020 results	
<b>Resolving social issues with business ecosystem</b>	A Group that continues to take on the challenge of creating a new affluent society by creating business ecosystems in collaboration with partners in different sectors and with different business models and resolving social issues that cannot be solved by a single company	Numerical targets in Mid-Term Management Plan (FY2018–FY2020) Priority area sales	60.0 billion yen	68.4 billion yen	Increased number of DX related projects in a wide range of sectors, such as retail and financial institutions Steadily expanded the energy management-related business and other businesses
<b>Building resilient social infrastructure using ICT</b>	A Group that makes use of ICT assets and can provide ICT services that are trustworthy and sustainable social infrastructure in order to create a resilient society	Online uptime rate	At least 99.990%	99.996%	Continually achieved targets since FY2018
		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 at least once per year at each data center.
		Number of serious security incidents	0	0	Zero incidences since FY2017
		Security e-learning participation rate by all Group employees	100%	100%	100% course participation rate since FY2017
<b>Sustainable provision of safe and secure products and services throughout the value chain</b>	A Group that not only adheres to various domestic and overseas laws, rules, and social norms, builds trust with customers and suppliers, and provides safe and secure products and services throughout the value chain but also contributes to the creation of a sustainable society, such as giving consideration to human rights and lessening environment burden	Compliance e-learning participation rate by all Group employees	100%	100%	100% course participation rate since FY2018
		Percentage of responses to compliance surveys given to all Group employees	100%	98.30%	
		Suppliers' understanding of the Nihon Unisys Group Procurement and Transaction Guidelines (hardware, software, services, system services, system engineering services)	100%	100%	No. of companies surveyed in FY2020: 1,284
<b>Promotion of diversity</b>	A Group that generates innovation and works to solve a wide range of issues faced by society by accepting various differences, such as sensitivity, values, and work styles based on sex, age, nationality, and other attributes and having diverse human resources actively contribute by actively leveraging those differences	Ratio of management positions held by women (non-consolidated)	At least 10%	10.5%	This ratio has steadily increased from 4.9% in FY2016 (when materiality was set) and the target was achieved
		Ratio of employees with disabilities	At least 2.3%	2.6%	Started to employ people at the outside farm from August 2020 as one effort to increase diversity at venues where people with disabilities work
<b>Implementation of health management</b>	A Group that increases and expands productivity and creativity through happy employees who are mentally and physically healthy	Paid leave utilization rate	At least 80%	81.1%	
		Ratio of employees who worked zero overtime (5 hours or less) for at least one month in a year	100%	100%	The goal was to review the manner in which employees work while targeting a change in consciousness toward varied and flexible workstyles. 100% course participation rate since FY2018
		Number of employees with high stress levels	Under 80% the FY2016 level	78.2%	

## ESG Data

### E Environment\*<sup>1</sup>

#### Materiality

- Contribute to the environment through the use of digital technology and reduce the environmental burden of business activities in order to achieve a zero-emissions society
- Sustainably procure and provide safe and secure products and services throughout an entire value chain

	(FY)	2016	2017	2018	2019	2020
Energy consumption (kl)		9,411	7,927	7,613	7,855	7,425
Greenhouse gas emissions						
Direct greenhouse gas emissions Scope 1 (t-CO <sub>2</sub> )* <sup>2</sup>		0	0	0	0	218
Indirect greenhouse gas emissions Scope 2 (t-CO <sub>2</sub> )		18,464	15,100	14,107	14,358	13,475
Scope 1 + Scope 2 emissions total (t-CO <sub>2</sub> )		18,464	15,100	14,107	14,358	13,692
Energy consumption intensity (kl/m <sup>2</sup> )		0.0681	0.0623	0.0618	0.0657	0.0633
Greenhouse gas emissions intensity (t/m <sup>2</sup> )		0.1336	0.1186	0.1145	0.1201	0.1167
Recycling rate (%) <sup>*3</sup>		58.9	68.8	78.5	76.7	74.9
Percentage of energy purchased that is renewable energy (%)		—	—	—	—	0
Water use (million m <sup>3</sup> ) <sup>*3</sup>		—	—	—	—	0.013

#### Scope of calculation

\*1 Nihon Unisys and 7 other companies and 2 organizations (main bases in Japan) in FY2016. Nihon Unisys and 10 other companies and 2 organizations (main bases in Japan) from FY2017-FY2019. Nihon Unisys and 12 other companies and 2 organizations (main bases in Japan) in FY2020

\*2 Portion from the use of company cars, etc. has been included in the scope since FY2020.

\*3 Head office

### S Social

#### Materiality

- Develop and strengthen human resource to create a new future and promote diversity & inclusion
- Sustainably procure and provide safe and secure products and services throughout an entire value chain

	(FY)	2016	2017	2018	2019	2020
Consolidated number of employees (people)		7,988	7,817	7,740	7,830	7,913
Consolidated number of employees by region (people)						
Japan		7,799	7,620	7,525	7,523	7,615
Asia		189	197	215	304	293
Americas		0	0	0	3	5
Europe		0	0	0	0	0
Paid leave utilization rate (%) <sup>*4</sup>		78.1	85.6	87.3	86.2	81.1
Ratio of employees with disabilities (%) <sup>*5</sup>		1.99	2.04	2.33	2.31	2.59
Ratio of management positions held by women (%) <sup>*4</sup>		4.4	5.2	5.0	5.5	7.5
Ratio of female employees (%)		16.0	16.6	17.6	18.5	19.5
Employee turnover rate (%) <sup>*4</sup>		2.07	2.48	2.57	2.81	2.34
Average monthly overtime hours worked per employee (hours/month) <sup>*4</sup>		16.5	16.1	15.9	15.5	14.9
Annual training hours per employee (hours) <sup>*4</sup>		60.6	63.8	62.7	62.9	56.1
Weighted average score of work style related items in the engagement survey <sup>*6</sup>		—	—	—	3.35	3.37
Suppliers' understanding of the Nihon Unisys Group Procurement and Transaction Guidelines <sup>*4</sup>		—	78.6	93.8	99.8	100
Online uptime rate <sup>*4</sup>		—	—	99.992	99.997	99.996

#### Scope of calculation

\*4 Nihon Unisys and UNIADDEX

\*5 Nihon Unisys and UNIADDEX for FY2019 and before. Nihon Unisys and six other companies for FY2020.

\*6 The reference score for new materiality KPI was 3.36, the average score of FY2019 and FY2020. [P.26-27](#)

## G Governance

### Materiality

● Further improve corporate governance and integrity

	(FY)	2016	2017	2018	2019	2020
Board of Directors ratio of independent outside directors (%)		22.2	33.3	33.3	37.5	44.4
Audit & Supervisory Board ratio of independent outside auditors (%)		—	60.0	60.0	60.0	60.0
Dividend payout ratio (%)		36.3	33.6	38.8	38.6	41.1
Return on equity (ROE) (%)		11.4	12.4	13.1	15.5	13.4
Number of major security incidents*7		—	0	0	0	0

Scope of calculation

\*7 Nihon Unisys and its wholly owned consolidated subsidiaries in Japan

### 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

- FY2020 Diversity Management Selection 100 Prime
  - FY2019 Advanced Corporation Awards for the Promotion of Active Participation of Women, Minister of State for Gender Equality Award
  - FY2020 Nadeshiko Brand (Semi-Nadeshiko)
  - Platinum Kurumin certification
  - Eruboshi certification
  - Ikumen Company Award 2018 Grand Prize, Work-Life Balance Support Category
  - PRIDE Index 2020 Silver rating
  - Award of Excellence, Working Women Empowerment Awards
  - 2021 Certified Health & Productivity Management Outstanding Organization Recognition Program White 500
  - Top Hundred Telework Pioneer Award from the Minister for Internal Affairs and Communications
- etc.

### Inclusion in ESG Indexes

**2021** CONSTITUENT MSCI JAPAN ESG SELECT LEADERS INDEX

MSCI Japan ESG Select Leaders Index

**2021** CONSTITUENT MSCI JAPAN EMPOWERING WOMEN INDEX (WIN)

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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Term	Explanation
<b>Business Ecosystems</b>	Business Ecosystems are systems in which multiple companies and organizations form partnerships to create businesses that solve social issues, and coexist and co-prosper beyond the boundaries of industries and business sectors by utilizing their respective technologies and strengths.
<b>Chronology</b>	Chronology is the chronological arrangement of information. It is also a method of organizing information by writing it down on a whiteboard or the like in chronological order. It has been used by the Self-Defense Forces and other organizations for a long time, and has become a well-established method of managing information in emergencies.
<b>Core-banking system</b>	Core-banking system refers to the system that performs core business processing such as deposits, loans, and exchange among the business systems of financial institutions.
<b>CVC (corporate venture capital)</b>	CVC (corporate venture capital) is an investment by a business company in a venture company, etc. for the purpose of acquiring ideas and technologies that contribute to the creation of new businesses, or an organization that engages in such investment activities.
<b>Digital Commons</b>	Digital Commons are communities where it is possible to create both social and economic value in solving social issues by using digital technology to make it possible to widely use 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.
<b>DX (digital transformation)</b>	Digital transformation refers to not only transforming products, services, and businesses based on the needs of customers and society but also transforming operations themselves, the organization, processes, and corporate culture and climate and establishing a competitive advantage by using data and digital technology to respond to rapid changes in the business environment.
<b>Intrapersonal diversity</b>	Intrapersonal diversity is the idea that having a diversity of experiences in one person has the same effect as diversity.
<b>Japan Unisys Users Association</b>	Japan Unisys Users Association is an association of users of Nihon Unisys Group services. Launched in 1953, the association is an IT-related user association with the longest history in Japan. Information on the research activities by association members and Nihon Unisys Group employees that provide support as advisors, is broadly released to the public, not only association members, through regular presentations and the association magazine.
<b>MaaS (Mobility as a Service)</b>	MaaS (Mobility as a Service) is a new concept of mobility that seamlessly connects all modes of transportation other than the private car as a single service by utilizing information and communication technology, regardless of the operator. As the shift from "ownership" to "use" of cars continues, the trend toward mobility as a service is accelerating.
<b>Man-month business</b>	The man-month is a unit that indicates the amount of work done by a system engineer, and the number of hours a person works in a month is defined as one man-month. A man-month business refers to a form of service in which the contract fee is estimated by multiplying the total number of man-months expected in a project by a set man-month unit price.
<b>Open API (application programming interface)</b>	An API (application programming interface) refers to a set of instructions and functions that can be used when developing software for a specific platform, and is an interface that enables the use of external services. Open APIs enable secure data linkage between, for example, banks and external businesses.
<b>Open innovation</b>	Open innovation refers to the creation of innovative business models, products, and services by combining technologies, ideas, and resources not only from within a company but also from outside companies and organizations.
<b>PoC (proof of concept)</b>	PoC (proof of concept) is a verification aimed at demonstrating the usefulness and feasibility of a service idea or concept.
<b>Public cloud</b>	A public cloud is a service that provides a cloud computing environment, including servers, storage, databases, and software, to an unspecified number of users, including companies and individuals, via the Internet.
<b>SaaS (Software as a Service)</b>	SaaS (Software as a Service) is a form of software distribution in which only the functions of the software that the user needs are made available as a service.
<b>Security incident</b>	Security incident is an incident or accident that poses a security threat. It includes malware infection, unauthorized access, and leakage of confidential information.
<b>System integrator System integration</b>	System integrator is a business entity that undertakes the construction, operation, and maintenance of information systems for companies and other entities. Such IT services are called system integration.
<b>Vendor free</b>	Vendor free refers to the ability to provide services that optimally combine products from a variety of manufacturers, without having to stick to a specific manufacturer.
<b>Zero emission</b>	Zero emission refers to reducing to zero the amount of waste generated from production activities that undergoes final disposal. In a broader sense, it refers to a resource-recycling social system that does not produce any waste by effectively using waste as raw materials.





# Statement of Responsibility



Since 2015, the Nihon Unisys Group has issued the Integrated Report in order to further deepen understanding of the Group's initiatives related to generating medium- and long-term growth and improving corporate value among all stakeholders.

In order to transform itself into a social value creating company, the Group newly set a Purpose in May 2021 and released Vision 2030 and Management Policies (2021-2023) in order to achieve that purpose. With the purpose, we announced that the Group's long-term role in society is to create a sustainable society. To do that, we revised our materiality, key management issues, based on the idea that it is important to promote management that stresses sustainability.

In the Nihon Unisys Group Integrated Report 2021, we review various topics including results and issues related to the previous mid-term management plan "Foresight in sight 2020" and indicate the Group's stance toward creating new value for customers and society centered on that new Purpose, Vision 2030, and Management Policies (2021-2023).

We also provide a detailed explanation that links the Group's ESG-related initiatives to the new materiality. In addition to expressing our agreement with the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD), we became a member of RE100 and work to properly disclose ESG information. For the 2021 integrated report, we worked to further enhance information disclosure, which involved providing the results of climate change scenario analysis for environment related initiatives and the director and auditor skill matrix for corporate governance related initiatives.

In order to communicate the Group's value creation in easy-to-understand terms, numerous related in-house departments work together on creating this report, which is issued after being debated in and gaining the approval of the Sustainability Committee and Executive Council. As the corporate officer in charge of the Finance Department, the department in charge of creating the integrated report, I affirm that a proper process was used to create the report.

I hope that stakeholders read over this report and candidly inform us of their requests and opinions. After changing the name of the company to BIPROGY Inc. in April 2022, we will further expand the integrated report, which will be useful for dialogue with stakeholders. I hope for your continued staunch support.

**Kazuma Umehara**

Senior Corporate Officer and CFO



(As of March 31, 2021)

## 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>	¥5,483.17 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>	7,913 (consolidated)		

## Overview of the Nihon Unisys Group

Business Process	Company Name
	Nihon Unisys, Ltd.
Marketing, 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 Canal Ventures Collaboration Fund 2 Investment Limited Partnership Emellience Partners, Inc. Air Trust Corp.
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., NUL System Services Corporation, NUL Accessibility, Ltd., and Tech Viewing, Ltd.

## Tools for the Disclosure of Financial and Non-Financial Information

Integrated Report 2021 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.



- Integrated Report (PDF) <https://www.unisys.co.jp/invest-e/ir/ar.html>
- Investor Relations <https://www.unisys.co.jp/invest-e/>
- Sustainability Information (Japanese only) <https://www.unisys.co.jp/csr/>
- Corporate Homepage <https://www.unisys.co.jp/e/>



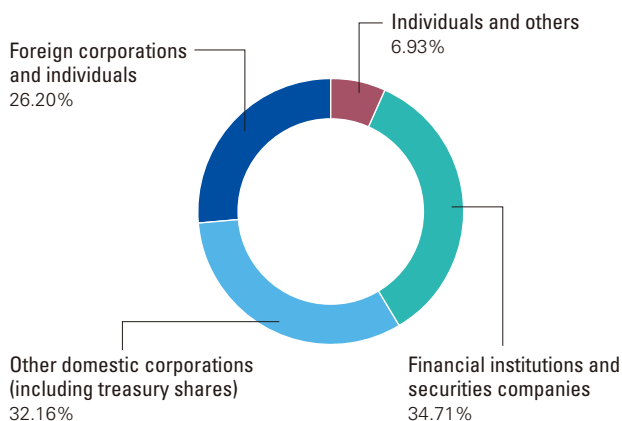
Integrated Report



## Stock Information

Number of shares issued	109,663,524 shares
Number of shareholders	12,829 shareholders

### Classification of Shareholders



### Principal Shareholders

Name	Number of shares held (Thousands of shares)	Holding ratio (%)
Dai Nippon Printing Co., Ltd.	20,727	20.64
Custody Bank of Japan, Ltd. (Trust Account)	10,339	10.29
The Master Trust Bank of Japan, Ltd. (Trust Account)	8,562	8.52
The Norinchukin Bank	4,653	4.63
Mitsui & Co., Ltd.	2,448	2.43
THE BANK OF NEW YORK MELLON 140044	1,923	1.91
ANA HOLDINGS INC.	1,794	1.78
Custody Bank of Japan, Ltd. (Trust Account 7)	1,724	1.71
Nihon Unisys Employee Stock Ownership Plan	1,531	1.52
The Master Trust Bank of Japan, Ltd. (Retirement Benefit Trust Account, Mitsubishi Electric Corporation Account)	1,271	1.26

(Notes)

- Number of shares less than one thousand has been omitted.
- The Company retains 9,268,680 treasury shares without voting rights. Thus, they are excluded from the major shareholder list above.
- The ratios are calculated by deducting treasury shares and expressed by rounding down to two decimal places.

### External Evaluations



FY2020 New Diversity Management Selection 100 Prime (Ministry of Economy, Trade and Industry)



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



FY2020 Nadeshiko Brand (Semi-Nadeshiko) (Ministry of Economy, Trade and Industry; Tokyo Stock Exchange)



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 2020 Silver rating (work with Pride)

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



2021 Certified Health & Productivity Management Outstanding Organization Recognition Program White 500 (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)

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