

**Earnings Announcement  
for the Fourth Quarter of the Fiscal Year Ended March 2021  
held on May 7, 2021**

**Principal Questions and Answers**

(with certain details modified in an attempt to provide readers with a deeper understanding.)

[Questioner A]

Q : I would like to know the situations of orders received in the Q4 (Jan-Mar) period for system services. The orders in Q4 were recovered to the level of Q4 in the previous fiscal year. May I know the details? Do the orders include that from a BankVision (open core-banking system) customer that you obtained anew in Q4?

A : A BankVision system development project was launched in the fiscal year ending March 2022 for the new customer, the 12th customer for BankVision. Therefore, the project was not included in the amount of system services orders and net sales in Q4 of the fiscal year ended March 2021.

We know that customers in the business sectors and industries that entail human mobility are not willing to invest in ICT assets. However, we have resumed orders from logistics and distribution customers and other customers of a broad range of sectors, and most of their orders are related to digital transformation (DX). Therefore, we have confidence about orders having recovered in Q4.

We continued to be in a changeover period from a large project to another large project, and we suffered from new projects hardly being launched in the fiscal year ended March 2021, due to the COVID-19 pandemic. We would like to surely resume orders related to these projects in the fiscal year ending March 2022.

Q : When I see your operating income plan for the fiscal year ending March 2024 described in your new Management Policy, I presume that your planned value will not be achieved if operating income does not achieve a double-digit (%) growth in this fiscal year and thereafter. However, you expect that operating income will only have a year-over-year increase of slightly less than 6% in the fiscal year ending March 2022. Do you foresee any increases in costs?

A : We plan to have an increase of approx. ¥2.0 billion in SG&A expenses for the fiscal year ending March 2022. The increase is composed of approx. ¥1.0 billion for general expenses including costs about a change in our corporate brand, and approx. ¥1.0 billion for intensified R&D and internal IT investment focus.

Q : Your new Management Policy describes that outsourcing net sales will be increased to ¥100.0 billion in the fiscal year ending March 2024. Your actual net sales were approx. ¥60.0 billion in the fiscal year ended March 2021. Your plan says that outsourcing net sales will be increased by ¥40.0 billion, and other businesses will be flat and even slightly less. May I

have details of the ¥40.0 billion increase in outsourcing net sales? Also, I would like to know your assumptions about your other businesses.

A : We have already received many orders for outsourcing projects, BankVision projects and large-scale outsourcing projects designed for Shinkin banks. Furthermore, we will shift our conventional types of SI businesses mainly of logistics and distribution towards outsourcing businesses. This will enable us to build up our IT outsourcing businesses.

In addition, we will also increase service-type businesses such as commission-type businesses that we have been strengthening. We are confident about having created many services that are needed in society for the past three years, although we know that we are in an unpredictable situation partly due to the COVID-19 pandemic.

We would like to achieve a ¥100.0 billion of outsourcing net sales composed of IT outsourcing businesses and service-type businesses.

We have seen customers prioritizing promptness in business through cloud-computing. Also, customers indicate a growing need for the service-type businesses. Therefore, we think that conventional types of businesses other than outsourcing businesses will continue to be flat as or less than they were. Furthermore, we ourselves would like to attach importance to outsourcing businesses such as service-type business. We reflected these thoughts in the planned values.

Q : I think that your service-type businesses such as commission-type business are highly profitable. However, these are not so useful for increasing a net sales amount. Do I correctly understand that an increase of ¥40.0 billion net sales will comprise more of IT outsourcing business?

A : Commission-type business will be profitable in accordance with its pervading society. However, it is difficult to know how far and fast it can enter society. It will take time before it is truly mature. Therefore, we expect net sales to increase mainly based on IT outsourcing business. Please note that the IT outsourcing business is different from our conventional IT outsourcing business. We are transforming the business based on executing a conventional one-to-one agreement with a customer to a one-to-n, multi-tenant type of business based on executing agreements with multiple customers, such as a large-scale outsourcing service for regional financial institutions. We have already launched this new type of services. We hope to accumulate outsourcing net sales partly based on the services.

[Questioner B]

Q : You are recovering system services orders. May I ask for details? Did you receive orders recovered from which business sectors? Also, what are your prospects for this fiscal year?

A : We have seen an increase in orders received from manufacturing and logistics/distribution customers, and some financial institutions. However, our customers in service sectors such as transport and entertainment still suffer the pandemic impacts. We have not confidence about their orders at all as yet.

Some system service projects have been shifted to outsourcing services projects. We need to carefully consider the changes, as well. What is different from the Q3 situation is that we now come to receive more of DX small-to-mid-sized projects. At the same time, we are aware of some large projects taking time before launch. We will remain watchful about timings for launching the delayed projects in this period.

Q : How much do you expect system service net sales to increase in the fiscal year ending March 2022?

A : We expect approx. ¥5.0 billion increase in system services net sales and approx. ¥5.0 billion increase in outsourcing net sales including those from projects to be derived through system services. We anticipate approx.¥10.0 billion increase in the entire net sales.

Q : I would like to know actual performances of commission-type businesses in the fiscal year ended March 2021. How much do you expect the businesses to increase in the fiscal year ending March 2022 and the period of the new Management Policy?

A : Net sales of commission-type businesses were approx. ¥7.5 billion in the fiscal year ended March 2021. On the other hand, we set a target of ¥10.0 billion when we prepared previous mid-term management plan. Compared with the previous fiscal year, commission-type businesses increased, despite inbound-tourism business and shared services suffering impacts from the pandemic. Therefore, we think that commission-type business net sales will be increased in accordance with the COVID-19 pandemic fading away.

Areas about the environment as well as safety and security are now gathering keener public attention. We would like to build up net sales from energy management services and MaaS services such as dashcams (driving recorders).

It is extremely difficult to foresee our commission-type businesses. We will take on challenges with an eye towards a future after the pandemic. We do not expect that inbound-tourism related businesses will recover in the fiscal year ending March 2022. We will focus on increasing energy-management related businesses and a value card business in response to demands arising from a coronavirus hibernation after a slowdown period. We will thus increase commission-type businesses towards the target of ¥10.0 billion.

Q : May I ask why you have decided to change your company name? I remember that you bought a trademark from Unisys Corporation in US in the past. I would like to confirm that your changing name will not negatively impact business.

A : We established our long-term Purpose as well as a three-year Management Policy this time. We thought that we can renew our corporate brand at this timing. We would like to create business models that are not limited to IT services. Therefore, we created a new corporate brand in order to break our fixed concept of IT service company.

Furthermore, if we offer services predicated upon cloud computing in the future, we will provide services not only in Japan. In this regard, we felt stuck if we use the same brand as of Unisys Corporation in US. Therefore, we wished to obtain a unique corporate brand in the

world.

We continue to be the sole authorized distributor of Unisys Corporation-made computers and other products in Japan. Also, the Technical Information/Support Fee and License Fee Agreement with Unisys Corporation remains as it is. We have already obtained the right to use permanently the trademark of Unisys in Japan. Our business relationship will remain unchanged.

Q : You referred to businesses other than IT services. What specific businesses do you have in mind?

A : The businesses will be based on IT. For example, we have been providing a series of storage, pickup and delivery services of clothes subject to laundry process. This service has been enabled by combining the laundry service by Pony Cleaning and warehouses owned by Japan Post Co., Ltd. This shows how IT can be combined with a real business and implemented in society.

Also, in the field of energy management, we have conducted the certification business of non-FIT non-fossil power supply (through the issuance of renewable energy certificates, RECs). We have been involved in operating a non-fossil fuel energy value trading market. We have made these preparations for several businesses. We would like to further accelerate this flow.

[Questioner C]

Q : You have improved profitability for the past five years through your shifting focus onto service businesses. May I ask why your businesses now show a low growth?

A : We have made strategic efforts to implement various services in society. However, our businesses related to inbound-tourism and entertainment as well as sharing economy are entirely suspended, due to the pandemic. We were impacted directly in the fiscal year ended March 2021.

For example, we had expected a growth of the inbound-tourism related business. It is a platform-type business that does not increase fixed costs so much even if users increase, and thus it can bring about significant earnings. We prepared for many businesses of this type in the period of the previous mid-term management plan. However, such businesses were impacted significantly by a suspension of human mobility.

Q : Outsourcing net sales increased by ¥1.0 billion in Q4, and outsourcing gross profit increased by ¥2.0 billion. May I ask why?

A : It is ascribable to obtaining a new customer of BankVision. We could post an initial fee of extremely high profitability.

Q : Operating income is smaller by ¥2.1 billion on the basis of IFRS for the fiscal year ended March 2021, compared with operating income on the basis of Japan GAAP. May I ask why? Is the difference due to temporary factors? Or, will the difference remain in this fiscal year?

A : Operating income on the basis of IFRS for the fiscal year ended March 2021 is smaller than operating income on the basis of Japan GAAP. It is mainly due to impacts from retirement benefits costs. Part of the costs is not recognized for profit and loss statement pursuant to IFRS. This causes a decrease of approx. ¥1.0 billion in earnings. We expect that this will make similar impacts again in the fiscal year ending March 2022. Again, as in the fiscal year ended March 2021, operating income on the basis of IFRS will be smaller compared with operating income on the basis of Japan GAAP.

[Questioner D]

Q : I would like to know when you received an order from a new customer of BankVision and posted net sales. Also, I would like to know the amount.

A : As reported in an official gazette, the total order amount was ¥13.5 billion. We posted approx.¥1.0 billion out of it as orders and net sales in Q4 of the fiscal year ended March 2021. The rest ¥12.5 billion goes halves for, system services and outsourcing. We plan to post the amount of system services by phase in orders and net sales from the fiscal year ending March 2022 onwards.

Q : Did you post GIGA School related projects in Q4?

A : We posted approx. ¥5.0 billion net sales in Q4. The business is not of high profitability.

Q : Order backlogs at the end of March and to be posted as net sales in this fiscal year remain flat on a year-over-year basis. However, you plan to increase net sales in the fiscal year ending March 2022. At which timing do you expect an increase in net sales?

A : Order backlogs to be posted as net sales within the fiscal year are at the same level as the same period of the previous fiscal year. We assumed net sales of ¥320.0 billion for the previous fiscal year if the COVID-19 pandemic had not occurred. Order backlogs have been accumulated and are now at the corresponding level to the assumed net sales. We think that we can feel confident in increasing net sales in the first half on the basis of the order backlogs thus accumulated. Furthermore, we can highly likely win the bid about some projects, although these projects are not posted as orders yet. Therefore, we think that we can begin the fiscal year in significantly favorable situations than in the previous fiscal year.

Q : Your new Management Policy indicates a significant growth of outsourcing business. We saw an increase in net sales from outsourcing projects for financial institutions such as regional banks and Shinkin banks for the past few years. Do you expect financial projects to continuously drive outsourcing business net sales in the future?

A : We have seen an extreme strength of financial businesses. Furthermore, we posted orders from logistics/distribution sectors in Q4. We expect a growth to be enabled mainly in these two business areas in the future. We anticipate that outsourcing business for mail order companies as well as SaaS business for e-commerce will be accumulated in the future in the

logistics/distribution business area.

[Questioner E]

Q : The outsourcing gross margin is 35.6% in Q4. It is at a significantly high level. Do I correctly understand that this was based on posting a highly profitable BankVision project, and so it is temporarily high?

A : This gross margin level was enabled due to a special factor of posting the highly profitable project in Q4.

Q : Do you have any new development of your global business in the future?

A : We have only a small percentage of global business. However, we have been beginning to see M&A projects with overseas companies. If we deliver cloud services, our corporate brand and domain will be recognized globally. We limited our activities more or less due to utilizing the same brand as of Unisys Corporation in US. We would like to obtain our unique brand partly in order to operate business freely in the future. Thus, we decided to change our company name. We have already invested in some companies in order to operate global businesses. We would like to target the Asian region with our main focus on Singapore.

[Questioner F]

Q : You made a significant decision to change your company name. May I ask for specific details including current issues that you are aware of?

A : If we only conduct 'For Customer' business alone, we can continue to separate use of our Japan brand and global brand depending on cases through the use of Canal Globe, Ltd. as well as Netmarks Inc., our subsidiary overseas, as we have done. However, if we operate 'For Society with Customers' business, we would like to establish our brand formally, and deliver services together with customers globally.

Also, we would like to deliver a strong message that we will become a company where employees want to draw out the potential of technology and create social value without being limited to IT services. We made this decision as a result of these thoughts.

Q : What non-financial KPI numbers do you plan to improve?

A : We have not been able to describe our non-financial target numbers in our new Management Policy yet. We plan to specify our non-financial target numbers to enable the Digital Commons in an integrated report that we will publish this autumn. We would like to satisfy your expectations.

[Questioner G]

Q : You have steadily accumulated free cash flows. Your Management Policy does not indicate a

poor business forecast. Having said that, the dividend amount for the fiscal year ended March 2021 continues to be same as in the previous fiscal year. An increase in dividend amount is suspended after having continued for nine consecutive fiscal years. May I ask about your management decisions? I would like to know your thoughts on dividends.

A : Our dividend propensity target is 40% on a consolidated basis. The dividend payout ratio was 41.1% in the fiscal year ended March 2021. We think that a ¥70 dividend would be appropriate as well in the fiscal year ending March 2022. Our new Management Policy stipulates a target payout ratio of 40%, the same as in the previous mid-term management plan. We will endeavor to increase the adjusted operating margin to 10% or more, and we would like to enable the return to shareholders in the form of dividend payment. We decided the target dividend payout ratio of 40% after taking into consideration future investments needed to shift our current businesses to new businesses in light of capital policies.

(Note)

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