Nihon Unisys, Ltd.

Corporate Governance Report

Note) This is an English translation of the Corporate Governance Report of Nihon Unisys, Ltd. prepared for reader's convenience. Should there be any inconsistency between the translation and the original Japanese text, the latter shall prevail.

Last Update:	Jun. 26, 2020
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The following is an overview of corporate governance of Nihon Unisys, Ltd. (the "Company").

I. Basic Views on Corporate Governance, Capital Structure, Corporate Profile and Other Basic Information

1. Basic Views

A mechanism of corporate governance which enables management to make prompt and sound management decisions under appropriate and effective supervision is indispensable for enabling the Nihon Unisys Group to continuously grow and increase its mid-and long-term corporate value, and the Company shall create, maintain and ceaselessly improve this mechanism.
Furthermore, the Company believes that a company`s "raison d`etre" lies in its contribution 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.

[Reasons for Non-compliance with the Principles of the Corporate Governance Code]

The Company complies with every principle of the Corporate Governance Code.

[Disclosure Based on the Principles of the Corporate Governance Code] Updated

[Principle 1-4 Cross-Shareholdings]
(1) Policy related to 'Cross-Shareholdings'
The Company may sometimes hold shares of its business partners, if they are found to contribute to the enhancement of the Company's corporate value, such as leading to the expansion of its revenue base through maintaining or strengthening relationships with such business partners.
The Company acquires such shares after adjudicating the appropriateness of acquiring them pursuant to its internal regulations. After acquiring the shares, the Company's Board of Directors reviews the appropriateness of holding such shares each year and based on that annual examination, the Company sells stocks if it has judged the significance of holding such stocks has declined.

（2） Contents Examined by the Board of Directors

The Company reviews the appropriateness of each and every listed stock that it holds at Board of Directors meetings by taking into consideration purposes for holding, consistency with its business strategies and business related profits, etc.

The Company verified the stocks that it held as of the end of March 2020 at the Board of Directors meeting convened in June 2020. The results are stated below.

- The Company reviewed if the holdings of those stocks are still meaningful and in compliance with the business strategies from a mid- to long-term perspective. It confirmed that some stocks were to be sold due to diminished significance in holding them.
- In addition, the Company reviewed the business related profits with respect to the other stocks from the perspective of capital cost, and it confirmed that holding them is economically rational.

(3) Responses to indications to sell the Company's shares by cross-shareholders

When cross-shareholders that hold the Company's shares indicate their intension to sell the Company's shares, the Company will never prevent them from selling them. It will appropriately respond to their indication of sales.

（4） Concepts on Exercising Voting Rights relating to "Cross-Shareholdings"

With respect to the voting rights related to shareholdings, the Company decides to vote for or against an individual proposal based on the content of that proposal and from the viewpoint of shareholder value of portfolio companies and consistency with its business strategy. The Company exercises voting rights for each proposal by itself.

[Principle 1-7 Procedure for Transactions between Related Parties]

1) Transactions involving conflict of interests with directors or corporate officers of the Company are checked by the departments concerned (such as the Legal Department) before being approved by the Board of Directors. The results of these transactions are reported to the Board of Directors.
2) Transactions between the Company and its *shuyokabunushi* (meaning a shareholder that holds voting rights constituting 10% or more of all shareholders' voting rights, pursuant to the definition by the Financial Instruments and Exchange Act; hereafter, the "Major Shareholder") other than the above are reported to or approved by the Board of Directors pursuant to standards put in place in advance.

[Principle 2-6 Function as a Corporate Pension Asset Owner]

- The Company together with its group company UNIADEX, Ltd., has joined the Nihon Unisys Company Pension Fund. The Company has assigned personnel appropriately skilled for operating the pension and managing the Fund to the fund secretariat.
- The Fund has been making efforts to encourage secretariat personnel to acquire expertise and enhance their skills, such as obtaining certifications approved by the Japan Association for Financial Planners.
- The Fund operates in accordance with the "Key Policies for the Management of Pension Assets" established pursuant to the Fund's provisions. The Fund makes it a rule to have registrations/cancellations of investment products examined by the 'Asset Management Committee' before having them submitted to and examined by the council, which is partly comprised of delegates appointed by the Company. Such registrations/cancellations are approved thereafter.
  The 'Asset Management Committee' is operated by the two councilors of the Fund as well as personnel from the Accounting Department/Financial Department due to their expertise in asset management.
  Furthermore, the 'Asset Management Committee' has been using an external pension consulting company to complement its expertise and reliability.
- The Fund conducts quantitative and qualitative assessments on a quarterly basis, including on its stance on acceptance of Japan's Stewardship Code in order to monitor institutions contracted to undertake asset management.

[Principle 3-1 (i) Management Philosophy, Management Strategies and Management Plan]

■ Corporate Philosophy

The Company sets out below its corporate philosophy, which is the basis for its management and rooted in the social responsibility which the Nihon Unisys Group bears as a whole.

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.

■ Mid-term Management Plan

The Company has prepared a mid-term management plan for the Nihon Unisys Group (hereafter, the "Group") for the period from fiscal year 2018 to fiscal year 2020, called the "Foresight® in sight 2020". Please find this posted on the website below:
(https://www.unisys.co.jp/com/foresight_in_sight_2020.html)
The plan is outlined below.

As 'a corporate group which solves social issues through providing value to society together with its customers and business partners', the Company aims to become a core company capable of creating a business ecosystem that connects different companies beyond the boundaries of industries and business categories and to provide a platform for digital transformations.

As our growth strategy in the medium-to-long term plan, we are continuing to direct our management resources to establishing, in the markets where medium- and long-term growth is expected with the hope of solving social issues, focal areas in which our customers and business partners can band together with us in utilizing Group assets. With the aim of further improving the added value of its customers, the Company will strengthen its relationships with them as their strategic business partner and strengthen its ability to provide platforms to support value creation through its business ecosystem. Furthermore, the Company will promote investment strategies as well as corporate culture reform and workforce reform that will support the growth strategies.

[Principle 3-1 (ii) Basic Approach to and Policy for Corporate Governance]

■ Basic Approach of Corporate Governance

The basic approach to corporate governance is as described in '1 Basic Views' of ' I. Basic Views on Corporate Governance, Capital Structure, Corporate Profile and Other Basic Information' of this report.

■ The basic policy on corporate governance is set out in 'Corporate Governance and Internal Control Principles', which can be found posted on the below website:
https://www.unisys.co.jp/invest-e/com/pdf/internal_control_rules.pdf

[Principle 3-1 (iii) Policy and Procedure for Setting Remuneration for Directors]

In principle, remuneration for Directors is based on their responsibilities, focusing on business performance and taking into account market and employee salary levels.
Remuneration for Directors consists of: a) fixed remuneration (a monthly remuneration paid 90% in cash), b) annual business performance-based bonuses based on net income attributable to parent company shareholders, and c) stock options as remuneration linked to medium-to-long-term business performance (appropriated from 10% of monthly remuneration paid).
Stock options described in c) may not be exercised while serving as a Director, etc. at the Company or one of its subsidiaries.
Non-executive directors, such as outside directors, will be paid a fixed monthly remuneration only, which is not linked to business performance.
The exact amount of remuneration will be decided by the Board of Directors after deliberation by the Nomination and Remuneration Committee, which includes one or more independent outside directors, within the amount as decided by resolution at general shareholder's meetings.

[Principle 3-1(iv) / Supplementary Principle 4-3[3] Policy and Procedure for Appointing/Dismissing Senior Management and Nominating Director/Auditor Candidates]

■Nomination of Director Candidates

For director candidates who are concurrently serving as corporate officers (hereinafter referred to as 'senior management'), the Company will select those who have the appropriate knowledge and experience with high motivation and ethical sense and carry out the Company management accurately and efficiently.

Director candidates from outside the Company are nominated, by taking diversity into consideration, from individuals who have extensive management experience and expertise and who are capable of advising on and overseeing the overall management from an external, objective and professional point of view.

For senior management and director positions, candidates are nominated by the Nomination and Remuneration Committee, which partly consists of one or more independent outside directors, pursuant to the selection standards and procedures it has established. The Board of Directors then appoints the successful candidates based on those nominations.

■Nomination of Auditor Candidates

For auditor candidates, the Company will select those who have the appropriate knowledge and experience to audit directors' execution of duties from a fair and objective perspective and who also have a high ethical sense. The candidates are nominated by the Nomination and Remuneration Committee, which partly consists of one or more independent outside directors, pursuant to the selection standards and procedures it has established. Auditor candidates are approved by the Audit & Supervisory Board and then appointed by the Board of Directors. At least one of the auditor candidates shall have the appropriate expertise in finance and accounting.

■Dismissal of Senior Management including CEO

In the event that a member of senior management, including the CEO, violates laws and regulations or the articles of incorporation, commits an act of fraud, act of tort, or act of betrayal, or it is judged that they have not sufficiently served their office or fulfilled their function, the Company will remove such member[s] from their senior management position[s] if it determines that the removal is justifiable based on deliberations by the Board of Directors.

[Principle 3-1 (v) Reasons for Appointing and Dismissing Senior Management as well as Nominating Director and Auditor Candidates]

Reasons for appointing and dismissing senior management and nominating director and auditor candidates are described in the reference documents that accompany the notice of the general shareholders' meeting (https://www.unisys.co.jp/invest-e/stock/meeting.html).

[Principle 4-1-1 Scope of Matters Delegated to Management]

The Company`s Board of Directors has the role of supervising management as a whole, including the performance by directors and corporate officers of their professional duties, as well as deliberating on and deciding key management policies and other matters important for management.

To this end the board deliberates on matters as set out in laws and regulations as well as in the Company`s Articles of Incorporation, and even matters that need consideration from various viewpoints including those of outside directors.

The Board of Directors delegates decision-making authority for matters other than those resolved or reported by it, in order to enable prompt and efficient decision-making. This delegation is implemented according to the importance of individual items and pursuant to the Company`s internal rules, such as internal rules for Executive Council.

[Principle 4-1-3 Succession Plan for Chief Executive Officer]

In order to ensure the transparency of the selection process of senior management including the Chief Executive Officer, the Nomination and Remuneration Committee, which includes an independent outside director approves a plan regarding successors to senior management ('Succession Plan') and reports it to the Board of Directors.

In the Succession Plan, integrity is an important attribute required of senior management, as are seven other crucial competencies which are: vision and-vision-building skills (foresight); acumen/ability to perceive essence (insight); determination; innovation; messaging skills (passion); implementation/accomplishment ability (execution), and receptivity to diversity and adaptability (diversity and inclusion).

Furthermore, the Company has continuously implemented a management leadership program to produce senior management candidates since the fiscal year 2018, pursuant to the Succession Plan.

[Principle 4-9 Standards for Judging Independence of Outside Directors/Auditors]
The Company`s "Standards on the Independence of Outside Directors/Auditors" are as follows.

■ Standards on the Independence of Outside Directors/Auditors
The Company deems that outside directors and outside auditors as defined by the Companies Act have independence if they satisfy the independence criteria stipulated by the Tokyo Stock Exchange and do not fall under any one of the categories below:

(1) Major shareholders holding voting rights equivalent to 10% or more of the total voting rights of the shareholders of the Company, or in the case of a corporation or organization, an executive of that corporation or organization
(2) A major client of the Company or its subsidiaries, or executive of a corporation or organization that deals with the Company or its subsidiaries as a major business partner (*1)
(3) An executive of a financial institution to which the Company owes significant borrowings (*2)
(4) A person who receives significant amounts of compensation or other economic benefit (*3) (other than their remuneration as a director) as a consultant, accountant, or lawyer for the Company or its subsidiaries, or where a corporation or organization, a person belonging thereto
(5) An executive of a corporation or organization that receive significant donations (*4) from the Company or its subsidiaries
(6) A person who served a corporation or organization falling under any of the categories (1) to (5) above as an executive within the past 3 years
(7) A spouse or relative within two degrees of kinship of a person falling under any of the categories below:
  - A person falling under any of the categories (1) to (5) above
  - A person who is a director or executive of a subsidiary of the Company

*1 Classification into the category of 'major client of the Company or its subsidiaries' is judged according to the net sales that the Company or its subsidiaries had with the client in the fiscal year immediately before: whether or not they exceed 2% of the consolidated net sales of the Company.
Classification into the category of a 'corporation or organization that deals, as their major clients, with the Company or its subsidiaries' is judged according to the net sales that the corporation or organization had with the Company or its subsidiaries in the fiscal year immediately before: whether or not they exceed 2% of the consolidated net sales of the corporation or organization that deals with the Company or its subsidiaries, or ¥10 million, whichever is higher.

*2 Classification into the category of 'significant borrowings' is judged according to the amount of those borrowings: whether or not they exceed 2% of the gross assets of the Company for the fiscal year immediately before.

*3 Classification into the category of 'significant amounts of compensation or other economic benefit' is judged according to the benefit that the person has received from the Company (other than their remuneration as a director) in the fiscal year immediately before: whether or not the person has received remuneration or other economic benefit of ¥10 million or more; or where the person belongs to a corporation or organization, whether or not that corporation or organization has received from the Company or its subsidiaries remuneration or other economic benefit that exceeds 2% of the consolidated net sales of the corporation or organization for the fiscal year immediately before or ¥10 million, whichever is higher.

*4 Classification into the category of 'significant donations' is judged according to the amount of donations that have been received from the Company or its subsidiaries: whether or not they exceed ¥10 million a year or 2% of the annual total costs of the corporation or organization of the fiscal year immediately before, whichever is higher.

[Principle 4-11-1 Balance, Diversity and Extent of Knowledge, Experience and Capabilities of the Board of Directors]
The Board of Directors is consisted of directors who have a diverse and rich experience and deep knowledge, including several outside directors. It maintains the appropriate number of directors to enable the

Board to function effectively and efficiently. The term of directorship is set at 1 year in order to secure a flexible management structure capable of responding promptly to changes in business environment, and to clarify the responsibilities of each director.

[Principle 4-11-2 Directors and Auditors Concurrently Holding Positions as Executives of other Companies]

The outside directors and outside auditors who concurrently hold the positions of executives of other listed companies are described in the annual securities report (*yuka shoken hokokusho*) (https://www.unisys.co.jp/invest-j/ir/sr.html) and the '1. Organizational Composition and Operation [Directors] and [Auditors] Relationship with the Company (2)' in the 'II Business Management Organization and Other Corporate Governance Systems regarding Decision-Making, Execution of Business, and Oversight in Management' of this report. Mr. Toshiki Sugimoto serving as director concurrently hold the position of Senior Corporate Officer at Dai Nippon Printing Co., Ltd. and Mr. Hirofumi Hashimoto serving as auditor concurrently hold the position of Managing Director at Dai Nippon Printing Co., Ltd.

[Principle 4-11-3 Evaluation of Effectiveness of the Board of Directors]

We recognize that it is crucial to strengthen governance through the Board of Directors adequately fulfilling its function in order to increase our corporate value continuously. We have implemented self-evaluation since the fiscal year 2015 in order to improve the effectiveness of the Board of Directors.

We evaluated the effectiveness of the Board of Directors in the fiscal year 2019 with the help of an external consulting company (note) in light of seeking a governance system suitable to the future of the Company that intends to accelerate a structural reform of the Group.

(Note) The external consulting company that helped us is Japan Board Review Co., Ltd. (hereinafter referred to as 'BR').

1. Evaluation Method

BR distributed to all directors who were the members of the Board of Directors and all auditors the questionnaire below, and analyzed the answers. BR also interviewed each director and auditor individually on the basis of their answers, and reported on the results to the Board of Directors. The Board of Directors comprehended and evaluated the current situations on the basis of the report, made deliberations mainly on future visions of the board, and decided on actions for the Fiscal Year 2020.

(1) Questionnaire

Respondents: all directors (9) and all auditors (5)
Response method: anonymous response (62 questions in total)
Evaluation Items:

a. Roles/functions of the Board of Directors
b. Progress of actions for the fiscal year 2019
c. Size and composition of the Board of Directors
d. Operation of the Board of Directors
e. Composition and role of the Nomination & Remuneration Committee
f. Operation of the Nomination & Remuneration Committee
g. Officer training
h. Support system for outside directors
i. Roles of auditors and expectations for auditors
j. Relationship with various stakeholders
k. The overall effectiveness of our corporate governance system and the Board of Directors
l. Self-assessment

(2) Interviews

Respondents: all directors (9) and all auditors (5)
Response method: individual interviews implemented by BR

2.Evaluation Results (excluding evaluation result regarding the progress of actions for the fiscal year 2019)

The Board of Directors deliberated on the results of questionnaire and interviews. As a result, the board confirmed that high evaluations were given generally for the evaluation items. 'Size and composition of the Board of Directors' and 'Operation of the Board of Directors' results indicated that the board is well-

balanced in light of experience and knowledge of the members, and that the board always enables open and lively discussions more on essence of business management.
On the other hand, based on the role of the Board of Directors being significantly transformed while the business environment is drastically changing, the indications below were made, such as suggesting that the composition of the Board of Directors and contents of agenda need to be further considered in light of future visions.

(1) Although the current members fulfill appropriately their roles and functions, it is desirable to ensure further diversity through measures such as appointing outside directors with experience in management of major companies from the viewpoint of further transforming business models.
(2) The Board of Directors has been spending more time on deliberations on key issues of business management as a result of improved operations of the board. However, it is desirable to deliberate more on distributions of business resources (human resources and funds, etc.) and critical risks from a mid- to long-term perspective, etc.
(3) Deliberations on the composition and operations of the Nomination and Remuneration Committee should be made in the future. Furthermore, information sharing with the Board of Directors should be promoted.

3.Actions taken in the Fiscal Year 2019 and evaluation results of them

(1) Clarify the selection criteria and procedures for outside directors
Created the selection criteria and procedures for outside directors on the basis of opinions of roles and functions as well as attribute and abilities of outside directors, which were obtained through interviewing members of the Board of Directors. We will nominate outside director candidates for the fiscal year 2020 pursuant to the criteria and procedures stated above.
(2) Review the remuneration system so that executives remuneration functions as a healthy incentive for sustainable growth.
Although we had started to revise the remuneration system, we considered that the remuneration system for executives are to be revised in conjunction with making a next mid-term management plan in order to ensure a linkage between remuneration for executives and mid- to long-term performances and suspended the revision. We will resume it in the fiscal year 2020.
(3) Review the operations of the Board of Directors and further deepen discussions on business strategies, corporate culture reforms, sustainability and other themes related to the essence of management.
The Board of Directors receives reports on the themes, and it deepens deliberations especially on diversity and business environments.

4.Actions for the Fiscal Year 2020

First of all, we have increased the number of independent outside directors of the Nomination and Remuneration Committee to two, and the Committee has come to consist of four members in total, based on the evaluation results above. We will implement the actions below in the fiscal year 2020 in order to strengthen further the governance system of the Company.

(1) Revise the remuneration system for executives drastically in order to make it function as a healthy incentive for sustainable growth of our Group.
(2) Nominate candidates for outside director pursuant to the selection criteria and procedures. Increase the number of outside directors.
(3) Reconfirm roles and operation of the Nomination and Remuneration Committee, help the Committee deepen deliberations and have the Committee report on the contents of the deliberations to the Board of Directors timely and correctly.
(4) Secure time for sharing information and discussing with outside directors/auditors in order to deepen their understandings about key business management issues such as mid- to long-term directions and strategies for our Group.

[Principle 4-14-2 Training to Directors and Auditors]

1) The Company strives to help outside directors and outside auditors understand sufficiently the nature of the Group`s business, financial situation and organizational structure as well as management issues through explanations provided to them by management and related departments on the occasion of their assuming the office and thereafter as needed.

2) The Company helps directors and auditors to sufficiently fulfill their roles and duties by providing opportunities for training given by outside expert on industry and technological trends, financial and legal strategies, and so forth.

[Principle 5-1 Constructive Dialogues with Shareholders]

1.Basic Principles

The Company's President CEO and CFO take the lead in conducting IR (investor relations) activities, so that timely and appropriate information is delivered to all shareholders and investors.

2.IR Activities

The Company has established a department dedicated to IR, and collaborate with related departments and each Group company to make appropriate disclosure of information.

3.Methods for Dialogue

The Company provides institutional investors with opportunities for dialogue, such as briefing sessions about financial results and operations, as well as facility tours and explains our business management and activities.

4.System for Sharing Opinions and Concerns Expressed by Stakeholders

The Company provides appropriate feedback to management executives and the Board of Directors concerning the opinions and concerns expressed by shareholders and investors.

5.Management of Insider Information

The Company sets a certain period of time as a silence period before making an announcement of financial results, in order to prevent any information leaking before the announcement and ensure fairness. During this period, the Company refrains from responding to questions or inquiries about or commenting on financial results. Furthermore, the Company has put in place the 'Insider Trading Management Regulations' and strives to prevent insider information from being leaked.

2. Capital Structure

Foreign Shareholding Ratio	From 20% to less than 30%

[Status of Top 10 Shareholders] Updated

Name / Company Name	Number of Shares Owned	Percentage (%)
Dai Nippon Printing Co., Ltd.	20,727,410	20.65
Japan Trustee Services Bank, Ltd. (Trust account)	8,776,500	8.74
The Master Trust Bank of Japan, Ltd. (Trust account)	7,114,500	7.08
The Norinchukin Bank	4,653,800	4.63
Mitsui & Co., Ltd.	2,448,509	2.43
GOVERNMENT OF NORWAY	1,968,900	1.96
THE BANK OF NEW YORK MELLON 140044	1,809,608	1.80
ANA HOLDINGS INC.	1,794,400	1.78
Nihon Unisys Employee Stock Ownership Plan	1,599,294	1.59
Japan Trustee Services Bank, Ltd. (Trust account 7)	1,567,100	1.56

Controlling Shareholder (except for Parent Company)	__
Parent Company	none

Supplementary Explanation	Updated

1. The [Top 10 Shareholders] table above describes the situation as of March 31, 2020. Besides the above, the Company holds 9,294,553 shares of treasury stock (8.47% of the total number of issued shares).
2. The ratios are calculated by deducting treasury shares and expressed by rounding down to two decimal places.
3. The Change Report No. 1 offered for public on September 24, 2019 states that Sumitomo Mitsui DS Asset Management Company, Limited holds the Company's shares as indicated below as of September 13, 2019. As the Company cannot confirm the number of shares held by Sumitomo Mitsui DS Asset Management Company, Limited, the number of shares referred to in this statement is not included in the table above.

Name/Company Name	Address	Number of Shares Owned (shares)	Ratio of shares owned (%)
Sumitomo Mitsui DS Asset Management Company, Limited	2-5-1 Atago, Minato-ku, Tokyo	5,908,400	5.39
Total		5,908,400	5.39

3. Corporate Attributes

Listed Stock Market and Market Section	First Section, Tokyo Stock Exchange
Fiscal Year-End	March
Type of Business	Information & Communication
Number of Employees (consolidated) as of the End of the Previous Fiscal Year	More than 1000
Sales (consolidated) as of the End of the Previous Fiscal Year	From ¥100 billion to less than ¥1 trillion
Number of Consolidated Subsidiaries as of the End of the Previous Fiscal Year	From 10 to less than 50

4. Policy on Measures to Protect Minority Shareholders in Conducting Transactions with Controlling Shareholder

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5. Other Special Circumstances which may have Material Impact on Corporate Governance Updated

Dai Nippon Printing Co., Ltd. holds 20,727,410 shares of the Company's stock (proportion of voting rights: 20.66 % as of March 31,2020). It is a Major Shareholder of the Company.
On August 9, 2012 the Company entered into a "Business Alliance Agreement" with Dai Nippon Printing Co., Ltd. which forms business alliances in the areas of cloud and new platform services business, as well as marketing and sales.

One of the Company`s eight directors concurrently serves as Senior Corporate Officer at Dai Nippon Printing Co., Ltd., and one of the Company's five auditors concurrently serves as Managing Director at Dai Nippon Printing Co., Ltd.
The Company preserves independence in carrying out its business activities and making management decisions by making its own business judgments in pursuit of an increase in corporate value and profit for the shareholders as a whole.

II. Business Management Organization and Other Corporate Governance Systems regarding Decision-making, Execution of Business, and Oversight in Management

1. Organizational Composition and Operation

Organization Form	Company with *Kansayaku* Board (Audit & Supervisory Board)

[Directors]

Maximum Number of Directors Stipulated in Articles of Incorporation	The maximum number is not stipulated.
Term of Office Stipulated in Articles of Incorporation	1 year
Chairperson of the Board	President
Number of Directors Updated	8
Election of Outside Directors	Elected
Number of Outside Directors	3
Number of Independent Directors	3

Outside Directors' Relationship with the Company (1)

Name	Attribute	Relationship with the Company*										
		a	b	c	d	e	f	g	h	i	j	k
Go Kawada	Tax Accountant											
Ayako Sonoda	From another company								○			
Chie Sato	From another company											

* Categories for "Relationship with the Company"

* "○" when the director presently falls or has recently fallen under the category;
"△" when the director fell under the category in the past

* "●" when a close relative of the director presently falls or has recently fallen under the category;
"▲"when a close relative of the director fell under the category in the past

a. Executive of the Company or its subsidiaries
b. Non-executive director or executive of a parent company of the Company
c. Executive of a fellow subsidiary company of the Company
d. A party whose major client or supplier is the Company or an executive thereof
e. Major client or supplier of the Company or an executive thereof
f. Consultant, accountant or legal professional who receives a large amount of monetary consideration or other property from the Company besides compensation as a director/*kansayaku*
g. The Major Shareholder of the Company (or an executive of the said Major Shareholder if the shareholder is a legal entity)
h. Executive of a client or supplier company of the Company (which does not correspond to any of d, e, or f) (the director himself/herself only)
i. Executive of a company, between which and the Company outside directors/*kansayaku* are mutually appointed (the director himself/herself only)
j. Executive of a company or organization that receives a donation from the Company (the director himself/herself only)

k. Others

Outside Directors' Relationship with the Company (2) Updated

Name	Designation as Independent Director	Supplementary Explanation of the Relationship	Reasons of Appointment
Go Kawada	○	—	The Company has again appointed Mr. Kawada as outside director. It expects him to give advice to the Company's management based on his abundant experience as an outside director as well as sophisticated professional knowledge and expertise in the taxation and accounting fields, and to supervise the Company's management from an outside objective and neutral perspective. Mr. Kawada is designated as independent director since he represents a superb example of independence as evidenced by the fact that he neither comes into conflict with the "Independence Criteria" stipulated in the TSE(Tokyo Stock Excgange) rules on the listing of securities, nor the "Standards on the Independence of Outside Directors/Auditors" stipulated by the Company.
Ayako Sonoda	○	The Company outsourced support services related to our promotion of ESG to the Sustainability Forum Japan (specified nonprofit corporation) where Ms. Ayako Sonoda serves as the Secretary-General, and paid a small amount of ¥2.5 million to the corporation in the fiscal year 2019.	The Company has again appointed Ms. Sonoda as outside director. It expects her to utilize her long track record of supporting many companies in the fields of CSR, SDGs and integrated management as well as her dedication to various activities promoting the employment and utilization of female workers, to give advice to the Company's management from multiple perspectives. Ms. Sonoda is designated as independent director since she represents a superb example of independence as evidenced by the fact that she neither comes into conflict with the "Independence Criteria" stipulated in the TSE rules on the listing of securities, nor the"Standards on the Independence of Outside Directors/Auditors" stipulated by the Company.
Chie Sato	○	—	The Company has again appointed Ms. Sato as outside director. Ms. Sato has abundant management experience and expertise as evidenced in her numerous books about business schools in the United States. Furthermore, she played

			an active role as management strategy consultant in the Boston Consulting Group. The Company expects her to give effective advice and support the Company to promote business model reforms from an objective and professional perspective. Ms. Sato is designated as independent director since she represents a superb example of independence as evidenced by the fact that she neither comes into conflict with the "Independence Criteria" stipulated in the TSE rules on the listing of securities, nor the "Standards on the Independence of Outside Directors/Auditors" stipulated by the Company.

Voluntary Establishment of Committee(s) Corresponding to Nomination Committee or Remuneration Committee	Established

Committee's Name, Composition, and Attributes of Chairperson Updated

	Committee Corresponding to Nomination Committee	Committee Corresponding to Remuneration Committee
Committee's Name	Nomination & Remuneration Committee	
All Committee Members	4	
Full-time Members	0	
Inside Directors	2	
Outside Directors	2	
Outside Experts	0	
Other	0	
Chairperson	outside Director	

Supplementary Explanation Updated

・In order to discuss and report matters relating to personnel and remuneration of our executives, the Company has established the Nomination and Remuneration Committee, chaired by an independent outside director, as an advisory committee of the Board of Directors, and the role of the committee is as below. In order for the Nomination and Remuneration Committee to make decisions, it is essential to have the attendance of an independent outside director member, and a resolution can only be adopted by the unanimous approval of the members in attendance, including the independent outside director member.

1) The committee examines and makes recommendations on criteria for the selection and the procedures for appointing and dismissing as well as other specific personnel proposals relating to directors, auditors, and corporate officers of the Company.
2) The committee discusses and makes recommendations on the basic policy on remuneration for directors and executive officers of the Company, the remuneration system and standards, the relevant decision-making procedures, as well as policies for deciding on a method for calculating remunerations for auditors.

・Members and a chairperson are selected from among the Company's directors by a resolution of the Board of Directors. Two independent outside directors (Go Kawada and Ayako Sonoda, Independent Outside

Directors) have been elected as members and one of them has been elected as a chairperson in order to ensure transparency, fairness, and objectivity in deciding personnel matters and remuneration, and at the same time two Representative Directors (Akiyoshi Hiraoka and Noboru Saito) who are familiar with the industry and in-house conditions and who have experience in key positions in the Company have been elected as members.
・In the fiscal year 2019, the Nomination and Remuneration Committee is composed of four members, one independent outside director (Go Kawada, Chairperson) and three Representative Directors (Akiyoshi Hiraoka, Susumu Mukai and Toshio Mukai). The Company held four meetings for the Nomination and Remuneration Committee, with Executive Assistance Office serving as the secretariat, with all members attending all meetings, discussing the election of director candidates and corporate officer candidates, the determination of bonuses for directors and corporate officers, and the granting of stock options.

[*Kansayaku (Audit & Supervisory Board Member)*]

Establishment of *Kansayaku* Board	Established
Maximum Number of *Kansayaku* Stipulated in Articles of Incorporation	The maximum number is not stipulated.
Number of *Kansayaku*	5

Cooperation among *Kansayaku*, Accounting Auditor and Internal Audit Departments

Group Internal Audit Department has been established as an independent internal organization under the immediate control of the President. The organization audits the effectiveness and efficiency of internal control for the entire Group.

The state of cooperation among auditors, the Accounting Auditor and Group Internal Audit Department are described below.

- Group Internal Audit Department, the auditors (including outside auditors; the same shall apply hereinafter) and the Accounting Auditor meet in person periodically in order to exchange their opinions. Opinions are also exchanged from time to time as necessary.
- The auditors exchange opinions with Group Internal Audit Department on audit plans prepared by the Audit & Supervisory Board.
- The Accounting Auditor holds briefing sessions on audit plans and reporting sessions on audit. It exchanges information to the auditors and Group Internal Audit Department and hears opinions from them.
- The Accounting Auditor carries out briefing sessions on site visits to regional headquarters and offices as well as subsidiaries of the Company. The Accounting Auditor exchange information and hears opinions from auditors at the sessions.
- Group Internal Audit Department is given advice by the auditors on the preparation of the audit plan.
- Audit plans prepared by Group Internal Audit Department and the results of audits are reported at meetings of the Board of Directors which outside directors and auditors attend.
- The Full-time auditors participate in review meetings held by Group Internal Audit Department. They receive reports and express their opinions.
- Group Internal Audit Department reviews and audits the state of activities by the divisions in charge of Internal Control.
- Group Internal Audit Department submits audit results at the request of the Accounting Auditor.
- The state of operation of internal control systems is reported at meetings of the Board of Directors which outside directors and auditors attend, and improved as necessary.

Appointment of Outside *Kansayaku*	Appointed
Number of Outside *Kansayaku*	3
Number of Independent *Kansayaku*	3

Outside *Kansayaku*'s Relationship with the Company (1)

Name	Attribute	Relationship with the Company*												
		a	b	c	d	e	f	g	h	i	j	k	l	m
Etsuo Uchiyama	From another company							△						
Harumi Kojo	Lawyer													
Norimitsu Yanai	Certified Public Accountant													

* Categories for "Relationship with the Company"

* "○" when the director presently falls or has recently fallen under the category;
"△" when the director fell under the category in the past

* "●" when a close relative of the director presently falls or has recently fallen under the category;
"▲"when a close relative of the director fell under the category in the past

a. Executive of the Company or its subsidiary
b. Non-executive director or accounting advisor of the Company or its subsidiaries
c. Non-executive director or executive of a parent company of the Company
d. *Kansayaku* of a parent company of the Company
e. Executive of a fellow subsidiary company of the Company
f. A party whose major client or supplier is the Company or an executive thereof
g. Major client or supplier of the Company or an executive thereof
h. Consultant, accountant or legal professional who receives a large amount of monetary consideration or other property from the Company besides compensation as a *kansayaku*
i. The Major Shareholder of the Company (or an executive of the said Major Shareholder if the shareholder is a legal entity)
j. Executive of a client or supplier company of the Company (which does not correspond to any of f, g or h) (the *kansayaku* himself/herself only)
k. Executive of a company, between which and the Company outside directors/*kansayaku* are mutually appointed (the *kansayaku* himself/herself only)
l. Executive of a company or organization that receives a donation from the Company (the *kansayaku* himself/herself only)
m. Others

Outside *Kansayaku*'s Relationship with the Company (2) Updated

Name	Designation as Independent *Kansayaku*	Supplementary Explanation of the Relationship	Reasons of Appointment
Etsuo Uchiyama	○	Eleven years have passed since Mr. Uchiyama left the Norinchukin Bank (a major business partner and a major lender for the Company) in June 2009. In addition, six years have passed since he left a group company of the Norinchukin Bank in June 2014.	Mr. Uchiyama has long-term business experience in financial institutions, considerable knowledge on finance and accounting, and a wide range of insight as a manager, and since taking office in June 2014, we have been receiving accurate audits regarding our overall management and we have appointed him again as an outside corporate auditor in the expectation that he will continue to make use of such knowledge. Mr. Uchiyama is designated as independent auditor since he comes into conflict neither with the "Independence Criteria" stipulated in the TSE rules on the listing

			of securities, nor the "Standards on the Independence of Outside Directors/Auditors" stipulated by the Company.
Harumi Kojo	○	—	The Company has appointed Ms. Kojo as outside auditor. Ms. Kojo has abundant knowledge and experience accumulated in her career as a lawyer and judge. The Company expects her to utilize her knowledge and experience in order to audit the execution of duties by directors, from an independent perspective as an outside auditor. Ms. Kojo is designated as independent auditor since she represents a superb example of independence as evidenced by the fact that she neither comes into conflict with the "Independence Criteria" stipulated in the TSE rules on the listing of securities, nor the "Standards on the Independence of Outside Directors/Auditors" stipulated by the Company.
Norimitsu Yanai	○	—	The Company has appointed Mr. Yanai as outside auditor. Mr. Yanai has professional expertise and experience in corporate accounting accumulated as a certified public accountant as well as international expertise and experience. The Company expects him to utilize his expertise and experience in order to audit the execution of duties by directors from an independent perspective as an outside auditor. Mr. Yanai is designated as independent auditor since he represents a superb example of independence as evidenced by the fact that he neither comes into conflict with the "Independence Criteria" stipulated in the TSE rules on the listing of securities, nor the "Standards on the Independence of Outside Directors/Auditors" stipulated by the Company.

[Independent Directors/*Kansayaku*]

Number of Independent Directors/*Kansayaku*	6

Matters relating to Independent Directors/*Kansayaku*	Updated

This Company has designated all outside directors/kansayaku who meet the qualifications for independent director/kansayaku as independent directors/kansayaku.

[Incentives]

Incentive Policies for Directors	Performance-linked Remuneration / Stock Options

Supplementary Explanation	Updated

・With respect to bonuses for directors (excludes Non-executive directors), in order to incentivize the directors exercising healthy entrepreneurship and clarify their responsibilities for fiscal year performance, the Company has introduced annual performance-based bonuses using profit attributable to owners of parent as an indicator since the fiscal year ending March 2017, based on Japan's Corporate Governance Code established by the Tokyo Stock Exchange.

It was resolved at the 72nd Ordinary General Meeting of Shareholders held on June 28, 2016 that the total amount of directors' bonus is limited to ¥100 million per year, with the payment standard set at 0.5% of profit attributable to owners of parent for the time being.

The total payment amount of the business performance-based bonuses and the method for determining the amount to be paid to each director is as follows.
(i) Total Payment Amount of Business Performance-based Bonuses
・The total amount is decided by multiplying profit attributable to owners of parent by a corresponding standard coefficient indicated in the table below. Note that for the time being, the standard coefficient shall not exceed 0.5% as approved at the 72nd Ordinary General Meeting of Shareholders, and at the same time the total amount shall not exceed the maximum amount of ¥100 million approved at the General Meeting of Shareholders.
Also, the performance-based bonus is positioned as an incentive compensation for performance in a single fiscal year. Therefore, the profit attributable to owners of parent is used as the indicator.
・Total payment to directors = Profit attributable to owners of parent × Standardized coefficient

Profit attributable to owners of parent	Standardized coefficient
Less than ¥5.0 billion	0%
¥5.0 billion or more and less than ¥10.0 billion	0.2%
¥10.0 billion or more and less than ¥15.0 billion	0.3%
¥15.0 billion or more and less than ¥20.0 billion	0.4%
¥20.0 billion or more	0.5%

(ii)Amount to be Paid to Each Director
・Based on the total payment amount of business performance-based bonus calculated in (i), a payment amount for each director is determined by using the formula below.
・Amount of Bonus for each director = Total amount of bonuses for directors × Points for each director ÷ Grand Total points of directors

(For the Fiscal Year ended March 2020)

Managerial Position	Points	Person(s)	Total Points
Representative Director, President	10.0	1	10.0
Representative Director, Vice President	7.0	0	0.0
Representative Director, Executive Corporate Officer	6.0	2	12.0
Director, Senior Corporate Officer	5.0	2	10.0
Grand Total	—	5	32.0

<Targets and Achievements for Business Performance-based Bonus Indicators>
As the actual result of profit attributable to owners of parent for the fiscal year ended March 2020 was ¥18.1 billion, the Company paid a total amount of ¥71 million as the bonus calculated by using standardized coefficient of 0.4%, pursuant to the above, which amount is below the maximum limit of ¥100 million as resolved at the General Meeting of Shareholders.

・In addition to the above, the Company introduced a 'Business Performance-based Compensation System' in the fiscal year ending March 31, 2013 in connection with the remuneration of directors and corporate officers (excluding Non-executive directors) of the Company and its major subsidiaries (hereinafter referred to as "Eligible Grantees"). The purpose of this System is to increase their motivation to contribute to the continued

improvement of the Company`s financial results and increase in its value by clearly linking their remuneration with its consolidated business performance and causing them to share the benefits and risks of the share price with shareholders. Consequently they have been granted Stock Options as Stock-Based Compensation.

The 'Performance-based Compensation System' for the fiscal year ending March 2019 is outlined below.

(i) Stock Options will be granted to the Eligible Grantees as part of their compensation (which is uniformly 10% of monthly remuneration paid regardless of duty position) instead of cash.

(ii) If the profit attributable to owners of parent for the target fiscal year is achieved, as planned at the beginning of the fiscal year, and also any other conditions are satisfied, the Company will grant Stock Options equivalent to 100%. The number of exercisable Stock Options will fluctuate in the range of 0% to 200% in accordance with the actual achievement rate.

It was resolved at the 76th Ordinary General Meeting of Shareholders held on June 25, 2020 that stock options would be issued as remuneration to directors of the Company (excluding non-executive directors) for the fiscal year ended March 2021. The stock options are to be issued within a year from the said General Meeting, within the limit of an annual amount of ¥60 million and with the maximum limit of 183 (or 18,300 ordinary shares of the Company to be issued upon exercise of stock options).

Since stock-based compensation is positioned as a medium-to-long-term incentive aimed at improving consolidated performance, profit attributable to owners of parent is the indicator, and an eligible grantee shall not be entitled to exercise his or her stock options while he or she holds the status of a director, auditor or corporate officer of the Company or its subsidiaries.

<Targets and Achievements of Performance-based Bonus Indicators>

In the fiscal year ending March 2020, the target amount of profit attributable to owners of parent was ¥16 billion, and the actual result was ¥18.1 billion. Therefore, the number of exercisable stock options was calculated by using a 121.2% achievement rate.

Recipients of Stock Options	Inside Directors / Corporate Officers (Shikkoyakuin) / Subsidiaries' Directors / Subsidiaries' Corporate Officers (Shikkoyakuin)

Supplementary Explanation

1 The Company granted Stock Options to directors, corporate officers and employees of the Company and its consolidated subsidiaries for the purpose of further increasing motivation across the Group to contribute to the enhancement of its financial performance, improving morale and enlarging the Company's value from fiscal year 2003 to fiscal year 2009.

2 The Company has granted Stock Options as Stock-Based Compensation in accordance with the approach set out in the 'Performance-based Compensation System' to the Eligible Grantees who assume roles which are key to the Group's performance since fiscal year 2012.

・Directors (excluding Non-executive directors) and corporate officers of the Company

・Directors (excluding Non-executive directors) and corporate officers of UNIADEX, Ltd., a consolidated subsidiary of the Company

[Director Remuneration]

Disclosure of Individual Directors' Remuneration	No Individual Disclosure

Supplementary Explanation Updated

The total amount of remuneration paid to directors during the fiscal year ending March 2020 (from April 1, 2019 to March 31, 2020) is ¥335 million.

Policy on Determining Remuneration Amounts and Calculation Methods	Adopted

Disclosure of Policy on Determining Remuneration Amounts and Calculation Methods Updated

The policy and procedure for deciding the remuneration for directors and auditors are as follows.

a. Remuneration for Directors

Directors are in principle paid according to their responsibilities, focus on business performance and taking into account market and employees' salary level.

Remuneration for directors consists of: a) fixed remuneration(a monthly remuneration paid 90% in cash), b) annual business performance-based bonuses based on net income attributable to parent company shareholders, and c) stock options as remuneration linked to medium-to-long-term business performance (appropriated from 10% of monthly remuneration paid).

Stock options described in c) may not be exercised while serving as a Director, etc. at the Company or one of its subsidiaries.

Non-executive directors, such as outside directors, will be paid a fixed monthly remuneration only, which is not linked to business performance.

The exact amount of remuneration will be decided by the Board of Directors after approval by the Nomination and Remuneration Committee, which consists of four directors including two independent outside directors, within the amount as decided by resolution at general shareholder's meetings.

- It was resolved at the 49th Ordinary General Meeting of Shareholders held on June 25, 1993 that the total monthly remuneration amount for directors is within ¥35 million per month.
- The policy and procedures of bonuses for directors and stock options as stock-based compensation are described in the 'Supplementary Explanation' for [Incentives] at '1. Organizational Composition and Operation' of 'II. Business Management Organization and Other Corporate Governance Systems regarding Decision-making, Execution of Business, and Oversight in Management'.

b. Remuneration for Auditors

Remuneration paid to Auditors are not linked to business performance in order to ensure the effectiveness of auditing from an independent perspective. Their fixed monthly remuneration is decided as a result of discussions among auditors.

It was resolved at the 62nd Ordinary General Meeting of Shareholders of June 22, 2006 that the total monthly remuneration amount for auditors is within ¥8 million per month.

[Supporting System for Outside Directors and/or *Kansayaku*]

Outside directors and outside auditors are provided in advance with materials on key matters to be discussed at meetings of the Board of Directors, and explanations are provided to them as required by the departments concerned with those matters.

[Status of persons retired from Representative director and President, etc.]

Names, etc., of Senior Corporate Adviser ("*Sohdanyaku*") and Corporate Advisers ("*Komon*") who have formerly served as Representative Director and President, etc.

Name	Title/Position	Role/Activity	Working Conditions (Full-time/Part-time, Paid/Unpaid)	Date of Retirement	Term
—	—	—	—	—	—

Total number of Senior Corporate Advisers ("*Sohdanyaku*") and Corporate Advisers ("*Komon*") who have formerly served as Representative Director and President, etc.	0 person

Others

- The Company abolished its *sohdanyaku* system and revised its *komon* system effective from the closing of the Ordinary General Meeting of Shareholders of June 27, 2018. The revised system stipulates that the Company will commission a person retired from Representative Director and President to assume an office of *komon* designed to engage in material external activities for the Company for two (2) years on the proviso that such commission is approved by the Nomination & Remuneration Committee and the Board of Directors. A *komon* is not involved in the decision-making process regarding the management of the Company.
- A *komon* is to perform part-time duties. He or she is paid the amount of remuneration as stipulated in the internal regulations of the Nomination & Remuneration Committee.
- No *komon* positions are currently held at the Company.

2. Matters on Functions of Business Execution, Auditing, Oversight, Nomination and Remuneration Decisions (Overview of Current Corporate Governance System) Updated

The Company has adopted the corporate governance system which has the Audit & Supervisory Board. It creates and maintains the following system in order to enable effective corporate governance for stakeholders such as shareholders.

a. The Board of Directors

The Board of Directors in the fiscal year ended March 2021 is composed of eight directors, including three independent outside directors, two of whom are female. The three independent outside directors occupy one third or more of the number of Board of Directors member seats and have diverse backgrounds such as having experience serving as outside directors/auditors at listed companies, accumulating actual performance in supporting the companies in various ways in the areas of SDGs and environmental management and a wealth of experience and expertise in business management both inside and out.

In principle, the Board of Directors is convened monthly to deliberate and make decisions on the basic policies of the Company's management and other important matters, as well as overseeing overall management, including the execution of duties by directors and corporate officers.

The term of directors is set for one (1) year in order to establish a flexible management system capable of responding to changes in the management environment and to clarify the management responsibilities of directors.

(Members) Akiyoshi Hiraoka (Chairperson/Representative Director, President), Noboru Saito, Koji Katsuya, Kazuo Nagai, Toshiki Sugimoto, Go Kawada, Ayako Sonoda, Chie Sato
* Go Kawada, Ayako Sonoda and Chie Sato, are independent outside directors.
(Auditors) Etsuo Uchiyama, Yuji Teranishi, Hirofumi Hashimoto, Harumi Kojo, Norimitsu Yanai
* Etsuo Uchiyama, Harumi Kojo, and Norimitsu Yanai, are independent outside auditors.

The attendance of each director at the Board of Directors meetings for the fiscal year ended March 2020 is as follows.

Name	Position	Attendance
Akiyoshi Hiraoka	Inside Director	11times／11 meetings
Susumu Mukai	Inside Director	11 times／11 meetings
Toshio Mukai	Inside Director	11 times／11 meetings
Noboru Saito	Inside Director	11 times／11 meetings
Koji Katsuya	Inside Director	11 times／11 meetings
Toshiki Sugimoto	Inside Director	11 times／11 meetings

Go Kawada	Outside Director	11 times／11 meetings
Ayako Sonoda	Outside Director	11 times／11 meetings
Chie Sato	Outside Director	11 times／11 meetings

b. The Audit & Supervisory Board

The Audit and Supervisory Board in the fiscal year ended March 2021 is composed of five Audit and Supervisory Board members. They include three independent outside auditors (including an attorney (a female) and a certified public accountant) who hold a majority.

Two of the Audit and Supervisory Board members are full-time auditors.

Auditors attend key meetings (such as those of the Board of Directors), examine the state of the Company`s performance and assets, and audit directors in their performance of their duties. They are assisted in accomplishing their duties by dedicated personnel assigned to the Auditor's Office (one dedicated member and one concurrently serving member) in order to enhance the effectiveness and smoothness of audit operations by auditors.

(Members) Etsuo Uchiyama (Chairperson/Full-time Auditor), Yuji Teranishi,
Hirofumi Hashimoto, Harumi Kojo, Norimitsu Yanai

* Etsuo Uchiyama, Harumi Kojo, and Norimitsu Yanai, are independent outside auditors.

The attendance of each auditor at the Audit & Supervisory Board meetings for the fiscal year ended March 2020 is as follows.

Name	Position	Attendance
Shinji Kuriyama	Full-time Inside Auditor	14times／14 meetings
Etsuo Uchiyama	Full-time Outside Auditor	14 times／14 meetings
Hirofumi Hashimoto	Inside Auditor	14 times／14 meetings
Harumi Kojo	Outside Auditor	13 times／14meetings
Norimitsu Yanai	Outside Auditor	14 times／14meetings

c. Accounting Auditor

The Company has appointed Deloitte Touche Tohmatsu LLC as the Accounting Auditor from which it receives an audit of its accounts.

d. Nomination & Remuneration Committee

The Company has established the 'Nomination & Remuneration Committee' as an advisory committee to the Board of Directors. The Committee reviews appointments of and remunerations for directors and auditors as well as corporate officers of the Company and reports the result to the Board of Directors. The Committee of the fiscal year ended March 2021 is composed of four directors including two independent outside directors. An adoption of resolution requires an attendance by an independent outside director member and at the same time a unanimous approval by members in attendance including the independent outside director member.

(Members) Go Kawada (Chairperson, Independent Outside Director), Akiyoshi Hiraoka, Ayako Sonoda, Noboru Saito

The attendance of members at the Nomination & Remuneration Committee of the fiscal year ended March 2020 was as follows.

Name	Position	Attendance
Go Kawada	Outside Director	4 times/4 meetings
Akiyoshi Hiraoka	Inside Director	4 times/4 meetings
Susumu Mukai	Inside Director	4 times/4 meetings
Toshio Mukai	Inside Director	4 times/4 meetings

e. System for Business Execution

- System of Corporate Officers (for *shikkoyakuin* and *gyomu-shikkoyakuin*)

  The Company has adopted a system of corporate officers (for *shikkoyakuin* and *gyomu-shikkoyakuin*), which enables the appropriate delegation of authority in order to separate supervision of management from its execution and to enable prompt business execution.

・ Executive Council
We have established the Executive Council as a body for deciding important matters of business execution. The Council is composed of members who are corporate officers concurrently serving as directors and who are appointed by the president. Auditors can attend the meetings, and full-time auditors usually attend.
(Members) Akiyoshi Hiraoka (Chairperson/Representative Director, President), Noboru Saito, Koji Katsuya, Kazuo Nagai, Hirokazu Konishi, Kazuma Umehara

・ Various Committees
Various committees have been established in order to deliberate on specific management issues relating to business execution by the directors from practical perspectives. These are the Project Review Committee, the R&D/Investment Committee, the Information Systems Investment Committee, the Compliance Committee, the Risk Management Committee - Business Continuity Project, the Information Security Committee and Life Science Research Ethics Committee.

・ Collective Decision-Making (*Ringi*) System
The Company has established and operates a system that enables key management issues to be decided based on consultation among those officers responsible, among those officers responsible and related officers, and among members of decision-making bodies (committees) and/or the Executive Council after having first obtained an expert opinion on the issues from the corporate staff heads of each relevant division.

・ Group Internal Audit Department
Group Internal Audit Department has been established as an independent internal body under the direct control of the President to assess the effectiveness and efficiency of internal controls across the Group.

Pursuant to Article 427(1) of the Companies Act of Japan, the Company has executed an agreement with the directors who are not executive directors as well as all auditors to limit their liability as set out in Article 423 (1) of the Act. The limit of liability is ¥5 million or the amount stipulated by law, whichever is higher. The limitation of liability is only recognized in cases where such directors and auditors performed their duties in good faith and without gross negligence.

3. Reasons for Adoption of Current Corporate Governance System

Updated

The Company has judged that an audit system which includes outside auditors is effective for supervising management, and thus has adopted the corporate governance system which has the Audit & Supervisory Board.

Given the drastically changing nature of the Company's industry, its Board of Directors consists of four directors (concurrently serving as corporate officers) well-versed in the state of the Company and its industry, and also four persons from outside the Company as directors (including three outside directors) who are expected to use their abundant experience of management, give advice on management as a whole from their external, objective and expert perspectives, and operate as an efficient supervisory body to management. We think this makes the Company capable of ever more objective and broad-based decision-making, and ever more effective supervision of its business execution.

III. Implementation of Measures for Shareholders and Other Stakeholders

1. Measures to Vitalize the General Shareholder Meetings and Smooth Exercise of Voting Rights

Updated

	Supplementary Explanations
Scheduling AGMs Avoiding the Peak Day	The Company holds general meetings of shareholders on days other than the day on which the largest number of companies hold their meetings. It held the general meeting of shareholders on June 25, 2020 the previous day to the day on which many other companies held their meetings.
Allowing Electronic Exercise of Voting Rights	The Company has enabled individual shareholders to exercise their voting rights by personal computer or smartphone through a designated website.
Participation in Electronic Voting Platform	The Company has participated in an electronic voting platform operated by ICJ, Inc. whereby institutional investors can exercise their voting rights, since the 63rd Ordinary General Meeting of Shareholders held in June 2007.
Providing Notice in English	The Company provides an English version of the notice for the general meeting of shareholders.
Other	The Company sends a notice of general meeting of shareholders 22 days prior to the meeting every year. However, the Company sent the notice of the 76 th general meeting of shareholders held on June 25, 2020, 16 days prior to the meeting, in the environment where it took the Company longer than usual to complete account settlement related work under the effect of the Novel Coronavirus pandemic. The Company announced the notice on its website and the website of the Tokyo Stock Exchange before sending to the shareholders. The Company has prepared visual content for general meetings of shareholders, and it sends the notice of general meeting of shareholders via e-mail. The notice for the general meeting of shareholders and notice of resolutions of meetings are disclosed on its website.

2. IR Activities

Updated

	Supplementary Explanations
Preparation and Publication of Disclosure Policy	The Company has published its Disclosure Policy on its external website https://www.unisys.co.jp/invest-j/com/dp.html.
Regular Investor Briefings for Individual Investors	Quarterly performance briefing sessions are held. The briefing sessions below were held for the fiscal year ending March 2020. (1) Briefing session for Q1 of the fiscal year ending March 2020 (conference call) Date: August 1, 2019 Number of Participants: 61 Explained by: Representative Director, Executive Corporate Officer (CFO) (2) Briefing session for Q2 of the fiscal year ending March 2020 Date: November 6, 2019 Number of Participants: 57 Explained by: Representative Director, President & CEO (3) Briefing session for Q3 of the fiscal year ending March 2020 (conference call) Date: February 4, 2020 Number of Participants: 66 Explained by: Representative Director, Executive Corporate Officer (CFO)

	(4) Briefing session for Q4 of the fiscal year ending March 2020 (conference call) Date: May18, 2020 Number of Participants: 92 Explained by: Representative Director, President & CEO
Posting of IR Materials on Website	The Company has posted consolidated financial statements, annual securities reports (*yuka shoken hokokusho*), integrated reports, fact books, results briefing materials, mid-term management plan presentation materials, notice of general meetings of shareholders, notices of resolutions, and shareholders reports (*kabunushi tsushin*).
Establishment of Department and/or Manager in Charge of IR	Name of the department responsible for investors relations: IR & Corporate Sustainability, Finance

3. Measures to Ensure Due Respect for Stakeholders

Updated

	Supplementary Explanations
Stipulation of Internal Rules for Respecting the Position of Stakeholders	The Nihon Unisys Group has set as part of its corporate philosophy that it will 'Listen sincerely to our stakeholders to improve our corporate value'. It has taken into consideration all stakeholders: shareholders, investors, customers, partners, employees and local communities, and has endeavored to have an open dialogue with them in view of creating relationships of trust.
Implementation of Environmental Activities, CSR Activities etc.	The Company would like to contribute to the reduction of environmental impact, the effective use of resources, and the creation of a sustainable society through environmental protection efforts, under our environmental activities slogan which is to 'Continuingly promote environmentally friendly business activities as a company solving social issues through socially beneficial services capable of creating a more affluent society together with customers and business partners '. The Company has performed environmentally friendly business activities by using the ICT solutions of our group companies. Our business activities include creating business models capable of reducing environmental loads and providing outsourcing services at environmentally conscious and energy-saving data centers. These business activities have enabled us to contribute to customers by helping them to improve efficiencies of their business activities and reduce environmental loads. Through our business activities, the Company has made efforts to reduce power and paper usage, promote the 3Rs (reduce, reuse and recycle), and carry out 'Green Procurement' activities to purchase system components and supplies that may enable the least possible environmental impact. The Company has obtained the international certification ISO14001 for the environmental management system (EMS) that we created for all the business facilities including those of the group companies where we perform the activities described above. The Company endorses and signed the 'Recommendations of the Task Force on Climate-related Financial Disclosures (TCFD)' in April 2020. The Company will enhance its efforts to deal with climate changes and disclosure of climate-related information pursuant to the Recommendations in the future. Thus, we will achieve accountability for the stakeholders and endeavor to enable a continuous growth and improve the corporate value. Furthermore, the Group established the corporate philosophy 'Work with all people to contribute to creating a society that is friendly to people and the environment'. The Company aims to become a sustainable company that enables a sustainable corporate growth cycle in the process of contributing to a sustainable growth of society in compliance with the corporate philosophy. The Company plays a central role that leads to the creation of business ecosystems that connect different types/categories of businesses across

	conventional boundaries, pursuant to the policy in the mid-term management plan. We will contribute to achieving the 'SDGs' and pursue mutual sustainability for society and us through our efforts to put the policy in motion. We have been promoting the efforts since the fiscal year 2017 when we specified targets for material sustainable issues which we should focus on. Our sustainability efforts are reported via our website (https://www.unisys.co.jp/csr/).
Development of Policies on Information Provision to Stakeholders	The Company promotes communication with stakeholders through IR activities pursuant to the Disclosure Policy.
Other	[Efforts to Promote Women in Our Workplace] We place promoting diversity as one of our critical business management strategies, on the basis of our belief that diverse individuals playing active roles is indispensable for creating business ecosystems. Enabling women's active participation in our workplace is above all the first step towards making the most of individual diversity. The Company has developed systems such as a maternity leave and a childcare leave system, a short working hour system, a family care leave and a Work-From-Home system, etc. that are more generous than required by the law in order that diverse employees including women may work actively with keeping balance between work and life. Furthermore, the Company has implemented finely attentive support systems for both husband and wife, such as workshops participatory for a married couple who intends to return to work after a childcare leave and individual consultations given by a supervisor before and one after childcare leave for a married couple. As a result, almost 100% of female and male workers have returned to work after childcare leave (the rate of return to work has been 95% or higher for more than 10 years at the Company.). Male workers' childcare leave ratio exceeded 20 % in the fiscal year 2019, and the average number of days for childcare leave exceeded 50 days. The corporate culture above has been promoted also by our efforts about telework and satellite offices for all employees. This has been part of our initiatives to encourage various work styles since the fiscal year 2016. In addition, the Company has been hiring more female workers in order to establish a female employee talent pipeline. As a result, the Company's newly hired female employees compose 40% or more of the entire newly hired employees for the past four years. We have been assertive for mid-career recruitment. Furthermore, the Company is working on rank-specific training for female employees (candidates for executive positions, mid-level employees, and young employees). As a result, we have steadily achieved results towards the target of 10% of female employees at managerial positions in the fiscal year 2020 from 4.8% in the fiscal year 2016. We set a new target of increasing the percentage of women taking office of corporate officer (*shikkoyakuin* or *gyomu-shikkoyakuin*) or higher positions to 20% in the fiscal year 2025, and we have been making efforts to achieve the target. The Company has two female directors and one female auditor. The first female employee took office of corporate officer in the fiscal year 2018. Furthermore, the Company has expressed our mind-set to promote women's empowerment in coordination with external stakeholders as well as our internal parties, by endorsing and signing the 'Women's Empowerment Principles (WEPs)'. The WEPs is a global initiative to proactively promote women to play active roles, established jointly by the United Nations Global Compact and the UN Women. The Company intends to promote women's active participation and diversity.

IV. Matters Related to the Internal Control System

1. Basic Views on Internal Control System and the Progress of System Development

Updated

The Company group has strived to establish, operate and continuously improve its internal control system as follows in order to smoothly and effectively achieve the four aims of internal control. These aims are: "improving the effectiveness and efficiency of business", "ensuring the reliability of financial reports", "compliance with laws and regulations on business activities", and "preservation of company assets". The intention is to improve the efficiency and transparency of management and ensure the Company's compliance with laws and regulations.

a. Improving the Effectiveness and Efficiency of Business

The Group has established a mid-term management plan and specific management targets, and strives to develop systems that will improve operational effectiveness and efficiency.

- The Group has established the business strategies and profit plans in order to achieve its mid-term management plans, and confirms and assesses the extent of progress against them at quarterly management reviews.
- Key matters on business execution are decided by the Executive Council and various committees, and authority is delegated to business divisions as appropriate in order to enable prompt business execution.
- The R&D/Investment Committee deliberates on and assesses the appropriateness of business plans about products/services and business investment such as capital participation in order to ensure the efficiency of investment pertaining thereto. Furthermore, the Project Review Committee deliberates on and assesses the appropriateness of implementation plans for material system service projects in order to ensure the profitability of service businesses.

b. Ensuring the Reliability of Financial Reports

The Company's management and employees have conducted themselves in compliance with the basic policy for appropriate financial reporting established by the Group set forth for ensuring the reliability of financial reporting.

- The Company has established a department that implements the internal control of financial reports under the supervision of the Chief Financial Officer (CFO). It helps relevant departments to put internal control measures in place, and assesses the extent to which they have been implemented and how they are being run. The results of these assessments are reported by the relevant departments to management each time an assessment is conducted, so that management can confirm their efficacy. In an event that inadequacies are found, corrections are made promptly by the relevant department.
- The Group constantly keeps in mind the fact that appropriate financial reporting is a corporate social responsibility. It strives to enhance internal control through measures such as yearly e-learning training sessions ('in order to properly understand internal control') run by the department in charge of internal control.

c. Compliance with Laws and Regulations on Business Activities

In recognition of compliance as one of the most critical issues to execution of business operation, the Group has established the 'Nihon Unisys Group Charter of Corporate Code', the 'Group Compliance Regulations', and the 'Nihon Unisys Group Code of Conduct', based on which all of the Group's employees act ethically in compliance with laws and regulations, social norms and internal regulations.

In order to insure these, the Group has established the 'Compliance Committee' to promote compliance programs under the supervision of the Chief Compliance Officer (CCO). Education and awareness activities are continually carried out in order to ensure that an awareness of compliance takes root and grows in all executives and regular employees of the Group through measures such as conducting e-learning and training seminars.

Additionally, a communication route has been set up for reporting on and asking for advice on compliance matters, and the Compliance Committee and auditors have also established their own direct route (hotline) for reporting and consultation. Strict measures have also been put in place to make sure that hotline users are not retaliated.

d. Preservation of company Assets (Risk Management)

The Nihon Unisys Group is faced with various kinds of risk in connection with its business activities. The Company has developed a risk profiling for the Group to share and centralize the management of

risks throughout the entire Group. Furthermore, it has developed preventive measures and countermeasures against the occurrence of risk events in order to safeguard its assets.

Accordingly, the Company group has established a 'Risk Management Committee' chaired by the Chief Risk Management Officer (CRMO) to unify, lead and manage risk management across the entire Group.

The Risk Management Committee has established a risk profiling in order to share and centralize the management of risks throughout the entire Group. The profiling currently has approx. 130 risk categories such as information management risks, system development risks, and disasters or accident related risks. Staff departments or committees responsible for controlling such risk items have established internal regulations to manage those risks as well as specific preventive measures and countermeasures in an event of a risk arising.

In an event of a material risk arising despite these measures, the organization where such risk arises or relevant committee promptly reports to the Risk Management Committee - Business Continuity Project. A Risk Response HQ is then established according to the severity of the risk in order to deal with the situation appropriately.

In the case of business continuity risks due to factors such as earthquakes or pandemic influenza, the Business Continuity Project Team headed by the CRMO forms a business continuity plan (BCP) and continuously reviews and improves its content while taking into account a range of viewpoints such as ensuring safety, restoring internal operations and dealing with customers.

In the event of a crisis, the CRMO (the first in line to the chief of disaster countermeasures HQ for the main office) promptly establishes a disaster countermeasures HQ and commences business continuity support activities.

Regarding the Company's systems to ensure the appropriateness of subsidiaries' business operations, the Company appropriately and effectively manages its group companies through its departments designated to manage each of such group company pursuant to its regulations for managing affiliated companies, while respecting each group company's autonomy; the Company has established such regulations in order to improve the corporate value and ensure a sustainable growth of the Group by improving the management efficiency and sharing the Company's corporate philosophy with each group company. Furthermore, the Company supervises the business operations of directors of the subsidiaries and affiliated companies by dispatching the Company's officers and employees to the subsidiaries and affiliated companies as the directors and auditors.

Systems to ensure the properness of operations of a stock company (Internal Control System) other than above were also decided by resolution of the Board of Directors pursuant to the Companies Act, and is disclosed on the Company`s external website (https://www.unisys.co.jp/invest-j/com/pdf/tousei.pdf)

2. Basic Views on Eliminating Anti-Social Forces

Updated

1. Basic Approach

The Company strongly refuses any anti-social forces and groups that threaten the order and safety of civil society.

2. Extent of Current Measures

- The Company has a policy of 'having no relationship with anti-social forces and eliminating any activities to promote them' as part of its aforementioned "System to ensure the properness of operations of a stock company (Internal Control System)" (https://www.unisys.co.jp/invest-j/com/pdf/tousei.pdf)
- The Company has an examination system that involves confirmation by the person in charge of a deal and examination of that deal by a dedicated department, in order to avoid any dealings with anti-social forces.
- The Company has included a provision on the elimination of anti-social forces in its standard agreement for the purposes of preventing dealings with anti-social forces and enabling immediate discontinuation of deals in an event where a business partner is found to be part of anti-social forces.
- In an event that a business partner is found to belong to anti-social forces, the Company shall establish a response team and promptly discontinue the relevant deal.
- The Company has made the compliance guidebook to show the specific examples of compliance issues to raise awareness of employees.

V. Other

1. Adoption of Anti-Takeover Measures

Adoption of Anti-Takeover Measures	Not Adopted

Supplementary Explanation

The Company has not adopted measures for preventing takeovers.

2. Other Matters Concerning Corporate Governance System

Updated

[Corporate Governance]
The corporate governance system of the Company is as described in the [Organizational Chart for Corporate Governance and Internal Control]

[Timely Disclosure System]
The internal system for timely disclosure of corporate information is as follows.
1. Basic Policy on Timely Disclosure of Corporate Information

The Nihon Unisys Group will make timely disclosure of facts or financial information capable of significantly impacting investment decisions by investors (hereinafter referred to as 'material facts') by appointing its Chief Financial Officer (CFO) as the "Person Responsible for Handling Information" pursuant to the regulations on timely disclosure stipulated in the rules on the listing of securities of the Tokyo Stock Exchange (hereinafter referred to as the 'Rules on Timely Disclosure'), and also establishing and operating a system of internal information management that is applicable to subsidiaries also, pursuant to the internal regulations on the management and disclosure of internal information.

Furthermore, the Company discloses proactively and fairly all other the information deemed to be effective for the better understanding of the Company.

2. Information concerning the Company
(1) Information on decisions made

- Key decision matters are decided by the Board of Directors (which holds a monthly meeting in principle) or the Executive Council, which consists of: representative directors; directors who concurrently serve as corporate officer; senior corporate officers.
- With regard to key matters that have been resolved, the Person Responsible for Handling Information and the departments concerned such as Corporate Communications and Legal Department deliberate on the necessity of disclosure pursuant to the Rules on Timely Disclosure, and if it is decided that disclosure is necessary action is promptly taken.

(2) Information concerning the occurrence of certain facts

- Where a fact that is or is presumed to be material as regarding the Company occurs or is expected to occur, the departments concerned with that fact communicate it promptly to Corporate Communications and the Legal Department.
- Where disclosures is required of the material fact which has occurred, a disclosure procedure is promptly followed by Corporate Communications and the Legal Department after first reporting to the Person Responsible For Handling Information (CFO).

(3) Information concerning the financial results

- For information concerning the financial results, the relevant departments such as Corporate Communications and Legal Department promptly follow a disclosure procedure after first reporting to and obtaining approval from the Board of Directors. Where a performance forecast is revised, disclosure is made promptly as soon as the details of the revision become clear.

3. Information concerning subsidiaries

Material information on individual subsidiaries is promptly communicated by the departments in charge to Corporate Communications and the Legal Department. If it is decided to make disclosure of that information, then Corporate Communications and Legal Department promptly do so.

* In a case where the materiality of a fact as stipulated in 2 and 3 above is in doubt, the Person Responsible for Handling Information makes a decision on the basis of discussions with the relevant departments.

* Disclosure of material matters as stipulated in the Financial Instruments and Exchange Act is made in securities reports *(yuka shoken hokokusho)* and extraordinary reports (*rinji hokokusho*) which are submitted to the Director-General of the Kanto Finance Bureau through an electronic disclosure system (EDINET: Electronic Disclosure for Investors' Network).

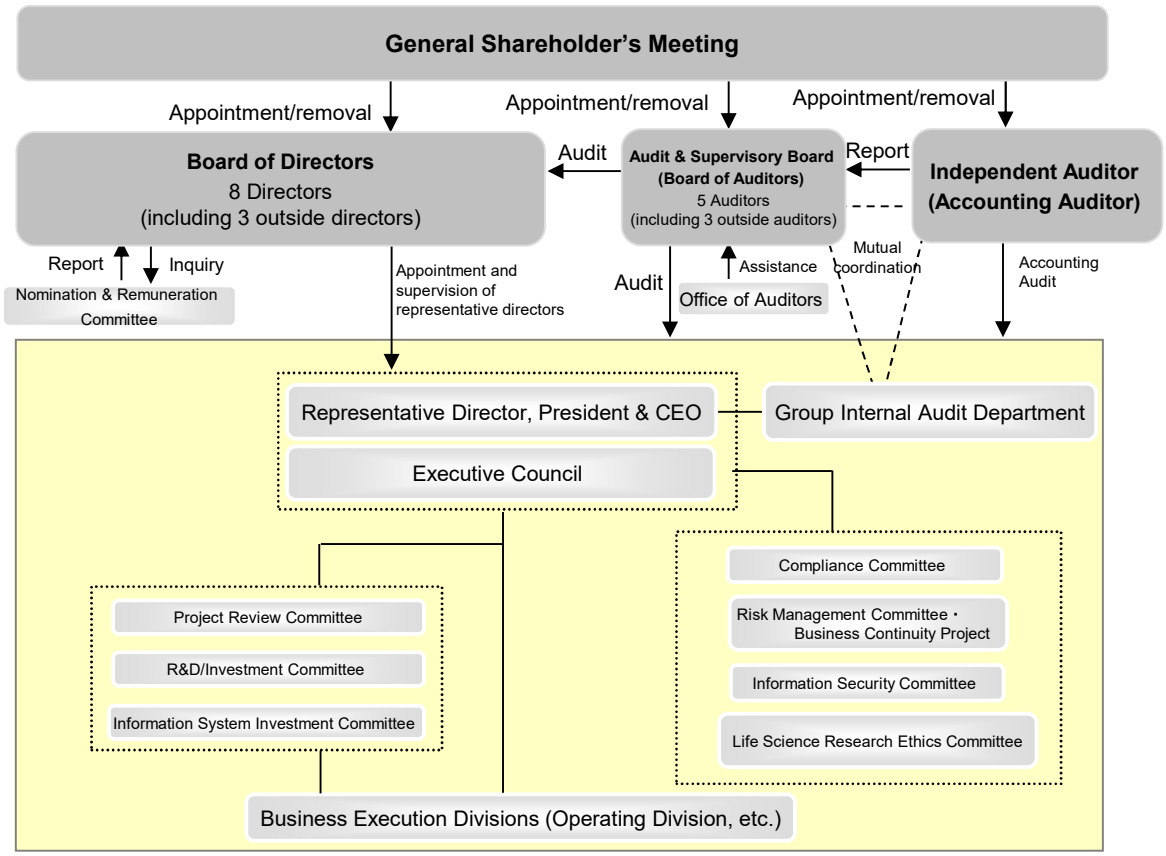
4. Procedure for Disclosing Material Facts

The Person Responsible for Handling Information and the relevant departments such as Corporate Communications and Legal Department disclose material facts promptly on the basis of their discussions.

Material facts are disclosed by Corporate Communications through TDnet (Timely Disclosure System), a system of timely disclosing and communicating information operated by the Tokyo Stock Exchange, and by posting materials to and holding press conferences at the Kabuto Club of the Tokyo Stock Exchange.

Inquiries from investors and the press about information that has been disclosed are responded to mainly by Corporate Communications.

【 Organizational Chart for Corporate Governance and Internal Control 】



【 Organizational Chart for the Timely Disclosure System 】

