Foresight in sight

Nihon Unisys Group

Integrated Report 2015

For the Year Ended March 31, 2015

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The Nihon Unisys Group: History of Value Creation

1950 | 1960 | 1970 | 1980

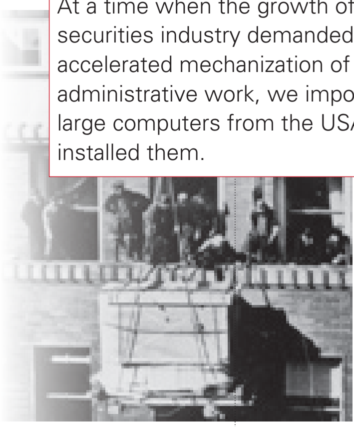
We contributed to the formation of Japan's current information society by delivering the first commercial computers

We contributed to the pro
by providing business sol
various industries

Main achievements >

1955
Installed Japan's first commercial computers at the Tokyo Stock Exchange, Inc. and Nomura Securities Co., Ltd.

At a time when the growth of the securities industry demanded the accelerated mechanization of administrative work, we imported large computers from the USA and installed them.



1967
Introduced Japan's first online banking processing

We introduced many of the services that are now considered to be daily essentials, including the ability to make deposits and withdrawals from any branch, automated salary payment bank transfer, automatic utilities payments, and automatic tellers.

1977
Developed the software "FAST" for financial institutions

This software was developed for regional financial institutions such as shinkin banks, credit associations, and agricultural cooperatives. "FAST" made it possible to reduce development costs and speed up the development of new programs.

Changes in business infrastructure in response to the changing times >

> Mainframe centralized processing systems

Nihon Unisys Group Corporate Philosophy

Our Mission

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

Our Vision

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

Our Values

1. Pursuit of High Quality and High Technology
   Always have the latest knowledge that is useful for society while improving our skills
2. Respect for Individuals and Importance of Teamwork
   Identify each other's good points, encourage each other to improve those good points and harness the strengths of each person
3. Attractive Company for Society, Customers, Shareholders and Employees
   Listen sincerely to our stakeholders to improve our corporate value

Nihon Unisys Group Charter of Corporate Behavior

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

1. Act with coexistence of people and the environment as the highest priority
2. Always act according to the principles of social responsibility
3. Sincerely work on the core subjects and issues of social responsibility

* Principles of social responsibility
The seven key principles of ISO26000: Accountability, transparency, ethical behavior, respect for stakeholder interests, respect for the rule of law, respect for international norms of behavior, and respect for human rights.

* Core subjects and issues of social responsibility
The seven core subjects of ISO26000: Organizational governance, human rights, labor practices, the environment, fair operating practices, consumer issues, community involvement and development, and relevant issues related to each of the core subjects.

1990

gress of society
utions to support

2000

2010

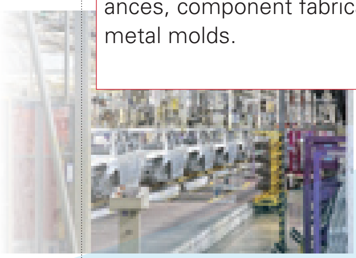
We contributed to the growth of customers and society by always seizing technological advances and creating systems that could be used to offer new services

2015

And then…

1991
Launched the integrated CAD / CAM system "CADCEUS®"

Our CADCEUS was the first domestically-produced 3D CAD / CAM system, used for various manufacturing businesses including automobiles, electric appliances, component fabrication, and metal molds.



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

BankVision was a large-scale, mission-critical system which was designed as an open system to enable rapid system development for the provision of new banking products and services.

› Business Ecosystems

› Solutions

› Cloud-based information system

› Distributed processing systems by client servers

Our Change in Position to Create New Values

Our Vision for the Mid-term Management Plan — Our Vision towards 2020

Mobilize services based on interconnected
Build our future through ICT advances.

The era of new reform has arrived.
We have created and integrated numerous solutions together with customers of various industries on the basis of our ICT experience and expertise.
We will integrate services using our knowledge to start and develop ICT businesses and proactively envisage new forms of cooperation in business in the more inter-connected world that the "Internet of Things" has made possible.
The Nihon Unisys Group will take the initiative in creating unparalleled bases for delivering innovative services until they become the norm.

2015

Providing new schemes that connect various types of industries in the growing area of the digital economy

Changing to a new position

Business Ecosystems

Creating new value (business ecosystems)* by interconnecting various customers, users, services and vendors

Strengths of the Nihon Unisys Group

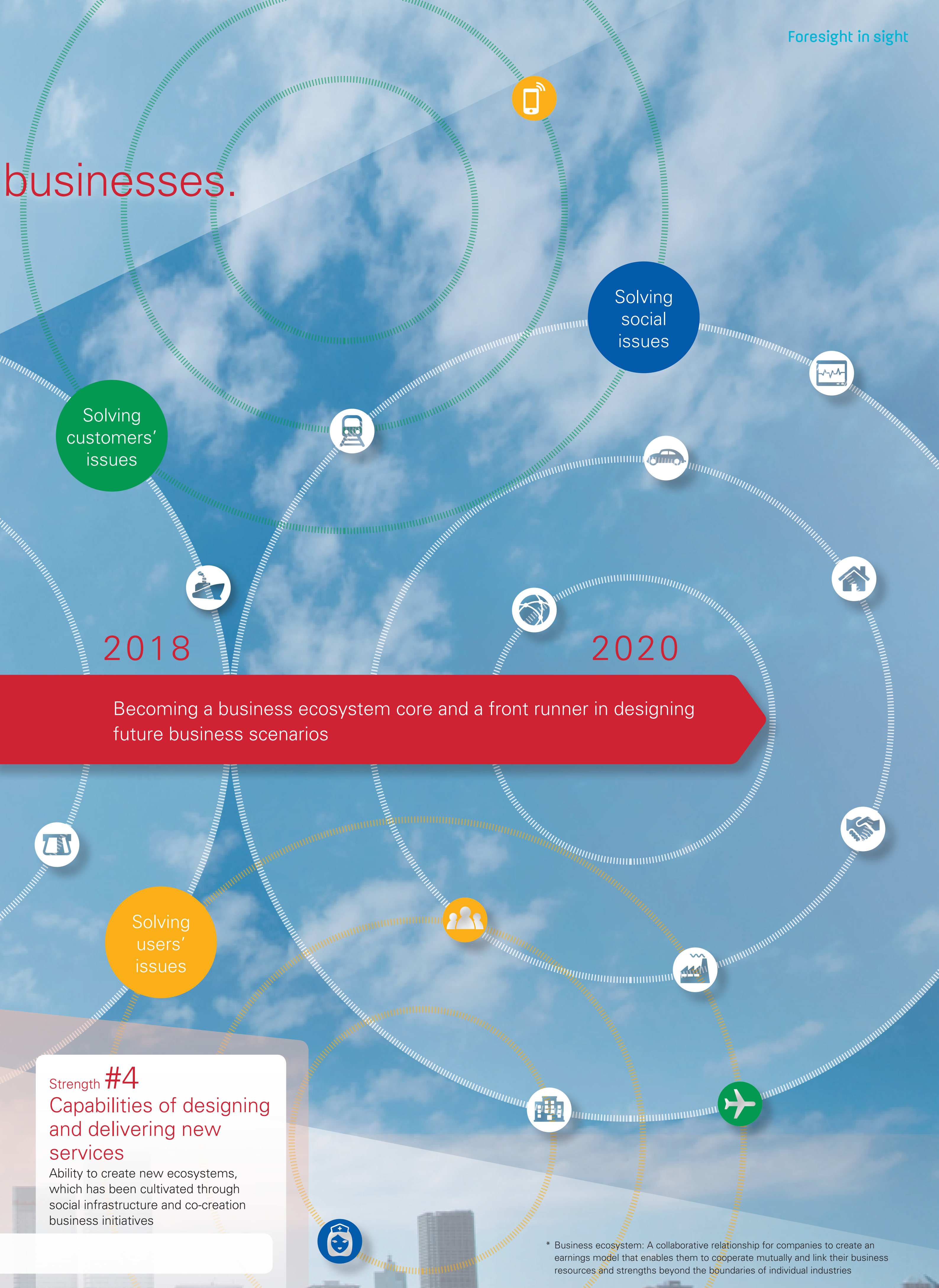
Strength #1
Collaborative relationship with the customers of various industries
Stable customer base across a range of sectors including finance, manufacturing, distribution and the public sector

Strength #2
Capabilities of enabling successful system implementation
Ability to build and run a large-scale system

Strength #3
Capabilities of enabling one-stop support that is free from vendor lock-in
Ability to deal with the whole process from upstream consultation to the development, introduction, operation, and maintenance of the system

Technology and human resources

businesses.



Strength #4

Capabilities of designing and delivering new services

Ability to create new ecosystems, which has been cultivated through social infrastructure and co-creation business initiatives

* Business ecosystem: A collaborative relationship for companies to create an earnings model that enables them to cooperate mutually and link their business resources and strengths beyond the boundaries of individual industries

Financial and Non-Financial Highlights (As of March 31, 2015)

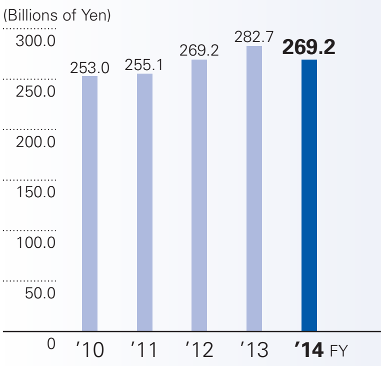
(Millions of yen)

Consolidated financial data	FY2010	FY2011	FY2012	FY2013	**FY2014**
Net sales	252,990	255,123	269,170	282,691	**269,155**
Operating income	6,527	7,310	8,311	9,575	**10,925**
Net income (loss)	2,575	(12,499)	1,251	6,305	**7,246**
Total assets	207,282	190,084	197,780	202,468	**199,772**
Total equity	76,770	63,223	67,917	76,017	**81,976**
Net interest-bearing debt	48,507	46,907	40,858	38,473	**33,666**
Cash flows from operating activities	21,708	13,430	18,448	11,889	**18,037**
Cash flows from investing activities	(11,168)	(10,642)	(11,443)	(8,289)	**(10,548)**
Free cash flows	10,540	2,789	7,005	3,600	**7,489**
Cash flows from financing activities	(5,587)	(5,948)	(8,985)	(151)	**(12,887)**
Cash and cash equivalents, end of year	30,414	27,255	25,274	28,724	**23,326**
Operating margin	2.6%	2.9%	3.1%	3.4%	**4.1%**
Return on equity (ROE)	3.4%	—	1.9%	8.9%	**9.7%**
Net debt / equity ratio (times)	0.64	0.76	0.61	0.51	**0.42**
Equity ratio	36.4%	32.6%	33.6%	36.9%	**40.6%**
Price earnings ratio (times)	20.1	—	61.7	15.0	**14.8**
Basic net income (loss) per share (yen)	27.12	(132.99)	13.31	67.08	**77.07**
Net asset per share (yen)	803.52	658.90	707.57	795.61	**861.53**
Cash dividends per share (yen)	10.00	5.00	10.00	15.00	**20.00**
Dividend payout ratio	36.9%	—	75.1%	22.4%	**26.0%**

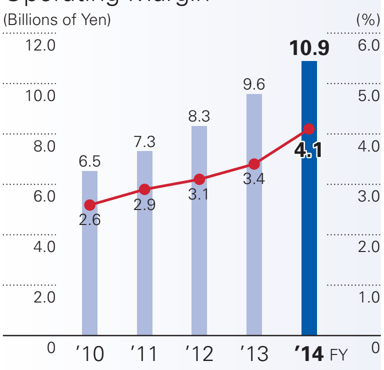
Non-financial data		Scope of data collection	FY2011	FY2012	FY2013	**FY2014**
Number of employees (consolidated)		Consolidated Group	9,157	8,820	8,486	**8,246**
Number of employees	Men	Nihon Unisys (non-consolidated)	3,677	3,526	3,068	**2,924**
	Women		681	686	633	**607**
	Total		4,358	4,212	3,701	**3,531**
Average years of service	Men	Nihon Unisys (non-consolidated)	18.2	18.5	19.0	**19.4**
	Women		14.7	15.3	16.5	**16.7**
	Total		17.7	18.0	18.5	**18.9**
Average age (years)	Men	Nihon Unisys (non-consolidated)	43.3	43.4	43.9	**44.3**
	Women		38.6	39.2	40.1	**41.0**
	Total		42.6	42.7	43.3	**43.7**
Women in management rate (%)*1		Nihon Unisys (non-consolidated)	—	2.8	2.3	**2.9**
Paid leave utilization rate (%)		Consolidated Group*5	64.4	62.2	60.7	**63.4**
Disabled employment rate (%)		Consolidated Group*5	1.66	1.76	1.78	**1.74**
CO_2 emissions (t)*2		Consolidated Group*6	16,509	17,417	18,855	**21,804**
CO_2 emissions intensity (t / m^2)*3		Nihon Unisys (non-consolidated)	0.1193	0.1708	0.1595	**0.1940**
Energy usage (kl)*4		Consolidated Group*6	10,026	9,830	11,120	**10,521**
Energy use intensity (kl / m^2)*3		Nihon Unisys (non-consolidated)	0.0889	0.0904	0.0938	**0.0899**
Waste output (t)		Consolidated Group*7	1,231	790	512	**628**

*1 As of April 1
*2 The emission factors released by the energy supply companies (electricity, gas) for the applicable sites (buildings) are used as the emission factors used in the calculation of CO_2 emissions (for fuels such as heavy fuel oil, the emission factors published by the Ministry of the Environment are used)
*3 Intensity: Yield per unit area at business locations
*4 Energy usage: Crude oil equivalent
*5 Nihon Unisys, Ltd. and UNIADEX, Ltd. Nihon Unisys on a non-consolidated basis for up to FY2013.
*6 Consolidated subsidiaries stated on page 59 (excluding G&U System Service, Ltd.), Nihon Unisys Accounting Co., Ltd., the health insurance society, and the corporate pension fund
*7 Nihon Unisys Headquarters Building, the Tokyo Bay Development Center, Hokkaido Regional Office, and Kansai Regional Headquarters. Nihon Unisys Headquarters Building and the Tokyo Bay Development Center for up to FY2013.

Net Sales

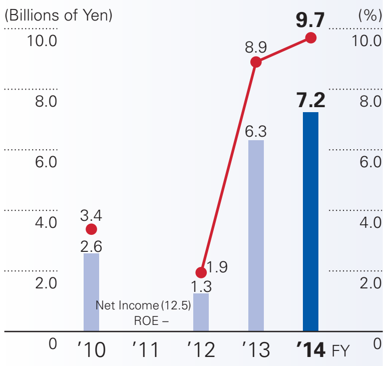


Operating Income / Operating Margin



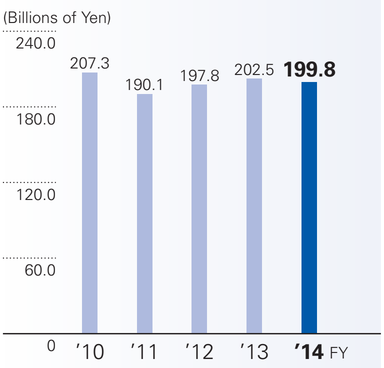
■ Operating Income (left axis)
— Operating Margin (right axis)

Net Income (loss) / ROE

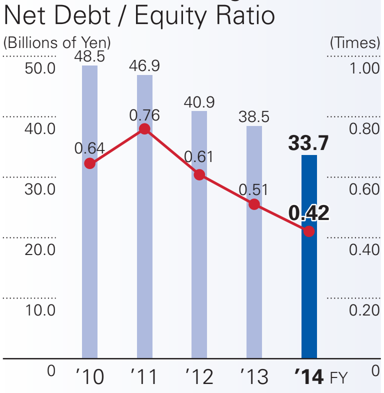


■ Net Income (left axis)
— Return on Equity (right axis)

Total Assets

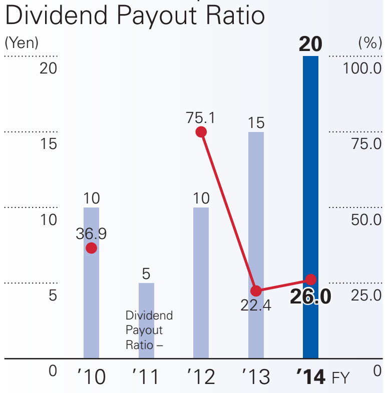


Net Interest-Bearing Debt / Net Debt / Equity Ratio



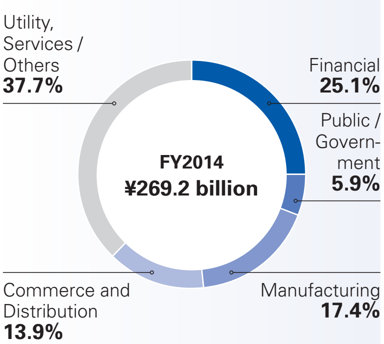
■ Net Interest-Bearing Debt (left axis)
— Net Debt / Equity Ratio (right axis)

Cash Dividends per Share / Dividend Payout Ratio

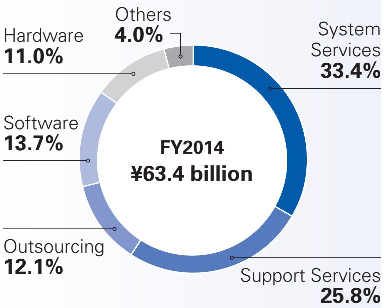


■ Cash Dividends per Share (left axis)
— Dividend Payout Ratio (right axis)

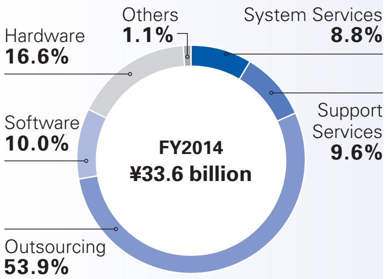
Net Sales By Customer Market



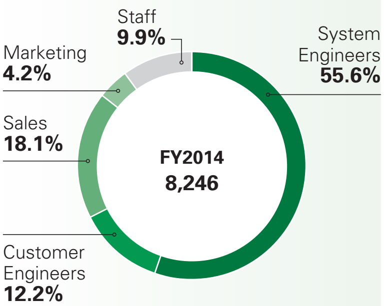
Gross Profit By Segment



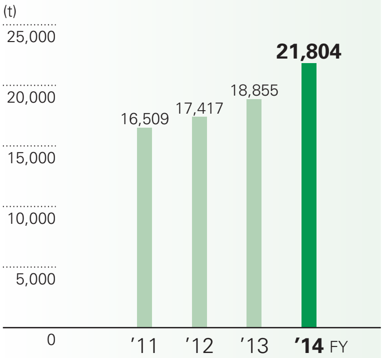
Operating Assets By Segment



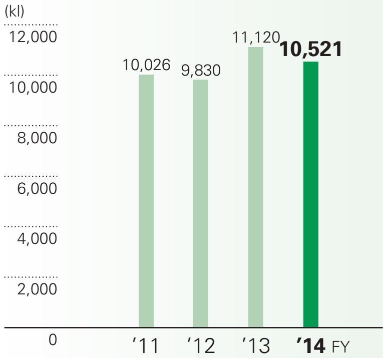
Personnel Composition Structure



CO_2 Emissions



Energy Usage



Taking on the challenges of sustainable with the aim of further increasing our

Review of the Previous Mid-term Management Plan

Through the previous Mid-term Management Plan from FY2012, the Nihon Unisys Group has been promoting the strategies of "expanding core businesses" and "taking on the challenge of new businesses."

In terms of the results of "expanding core businesses," in addition to a total of nine banks using our "BankVision®" next-generation open core-banking system for regional banks by January 2015, we also ensured stable operation of customers' mission-critical systems in many fields such as financial, power generation, manufacturing, distribution and services. Such system architecture and the related maintenance, support services and product sales, have become the Group's stable revenue base.

However, looking at the market, the shift to the use of cloud computing at many companies has accelerated in recent years. In response to this trend, we aim to enhance services such as outsourcing in which we operate the customer's ICT environment and infrastructure services such as cloud federation services enabling collaboration between multiple clouds. However, even in these areas, the competitive environment has intensified, making further reforms aimed at improving profitability necessary.

On the other hand, in regard to "taking on the challenge of new businesses" we have steadily been expanding our track record in this three-year period. Specific examples include the "value card" gift card mall business in cooperation with EC businesses, the "Accident-free program DR" that raises awareness on safe driving, and the battery-charging infrastructure system service "smart oasis®." In the future, we will continue to focus on enhancing new services that go beyond industry boundaries, and the recognition of making new businesses highly profitable early on will be a major challenge.

Initial Plan (Published in December, 2011)		Results of Mid-term Management Plan (2012→14)		
		FY2012	FY2013	FY2014
Net Sales	**¥280.0 billion**	¥269.2 billion	¥282.7 billion	¥269.2 billion
Operating Margin	**5.0%**	3.1%	3.4%	4.1%
Net Income	**¥8.0 billion**	¥1.3 billion	¥6.3 billion	¥7.2 billion
ROE	**8.8%**	2%	9%	10%
Net D / E Ratio	**0.5 or less**	0.61	0.51	0.42

growth and reform corporate value.

Business Performance and Progress in Strengthening Financial Position

Although we achieved sales of ¥280 billion, which was listed as our guideline, ahead of schedule in FY2013, earnings declined in FY2014 due to a decline in product sales.

On the other hand, although they did not meet our plan, operating income and net income increased consecutively for three years due to improved profitability in system services and cost structure reform by reducing fixed costs. Therefore, results are in a steady recovery phase. ROE also improved to 10% in FY2014.

In addition, FY2014 net D / E ratio was 0.42, achieving the guideline of 0.5 or less, and the strengthening of our financial position has been proceeding smoothly.

Aspiration behind the New Mid-term Management Plan

In Japan, the environment that companies find themselves in has changed significantly as we are facing a number of issues such as an aging and declining population. In addition, in a variety of industries, it has become necessary to create a "business ecosystem" connecting industries and business categories beyond existing frameworks to gain a competitive advantage.

I believe that these changes are a chance to continue taking advantage of the strengths that the Group has developed over many years. These strengths include our track record in providing services to customers in a

Shigeru Kurokawa
President & CEO

wide range of industries; our track record with the Japan Unisys Users Association[*1], which has been supporting activities between companies that go beyond industry business categories; the technical capabilities that we have developed in our core business; and the "capabilities of designing and delivering new services" that we developed under our previous Mid-term Management Plan. By exhibiting these strengths, we will create new business ecosystems with our customers in a variety of industries and business categories. As a result, we aim to build a new position towards 2020, increasing the user value of the services provided while continuing to improve corporate value and accelerating our contribution of values to society.

Strategy of Aspiring for Growth

To realize our aims, from FY2015 we started a new Mid-term Management Plan, featuring "two challenges and one reform" as our growth strategy.

One of the "two challenges" is Digital Innovation. We will expand operation of a platform to accelerate and optimize start-up of customers' digital marketing business such as "global brand prepaid" settlement related business and settlement-linked marketing "evolved CLO (Card Linked Offer).[*2]"

Another "challenge" is Life Innovation. We will create new services that can help to resolve social issues by connecting services. For example, enabling household and health management for the elderly using prepaid card settlement in cooperation with organizations such as regional medical institutions, financial institutions and retailers. Through these two challenges, we will aim for sales of ¥40 billion in FY2017.

*1 Japan Unisys Users Association: Members of this Association are users of Nihon Unisys Group's products. The Association organizes a range of activities aimed at building ties between firms in different industries and sectors and helping member firms enhance their capabilities. There are currently approximately 580 member firms.

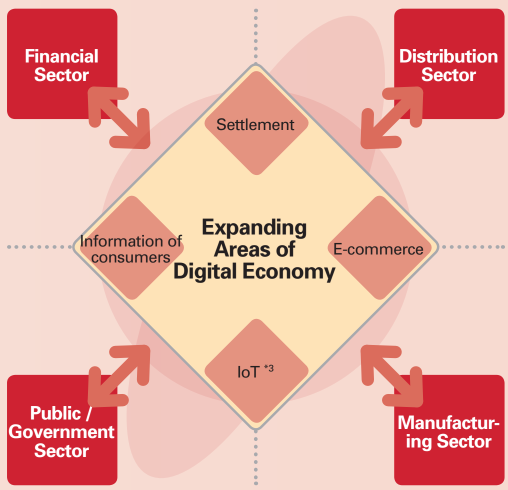
*2 CLO: Service using "big data" such as cardholder's attributes and payments history to select particular customers to offer privileges such as coupons or cash-back offers when the card is used. Demand has been expanding in recent years.

External Environment

1. Changes in the social environment
Expansion of the digitized area
Emergence of markets by consumers
Major changes in the social environment

2. Changes in the management and indirect and direct workforces
Changes in the business models and business types through globalization and cooperation among different industries

3. Changes in the information system
Prevalence of cloud-computing and licensed use of services without owning IT assets
Rapid growth of 3rd Platform
Need for new business bases



*3 Internet of Things: Interconnection of various things within the internet infrastructure

On the other hand, the "one reform" is the strengthening of core business areas, as a Business ICT Platform, to quickly and optimally provide application assets and intellectual property to customers' businesses that are evolving at a rapidly increasing speed. To that end, we will revamp our service system, strengthen our response to the IoT (Internet of Things) and cloud first with the objective of sales of ¥280 billion in this area in FY2017.

Through these "two challenges and one reform" we will create a "business ecosystem" together with customers and partners that connects different industries.

In order to realize these growth strategies, we believe that it is essential to take advantage of both our business and technology intellectual properties across industries. Therefore, we reformed the organizational structure in April 2015. The sales departments and systems departments that had been split by industry were reorganized. The sales departments were integrated as the business innovation department, and the systems departments were integrated as the business services department. We also formed the incubation department with the function of business creation.

Uniting Company-wide to Improve Corporate Value

The biggest asset of the Group is human resources. Our human resources are our true wealth. To realize the growth strategy and medium- to long-term corporate value improvement so that each employee is able to demonstrate their ability, we have set corporate culture and human resources reform as one of the key strategies in the new Mid-term Management Plan.

While performing thorough personnel evaluations that emphasize the performance of individuals as we have done since the previous Mid-term Management plan, we asked each employee for their own personal declaration regarding the spirit of challenge and transformation in the aim of fostering a culture that promotes innovation. In addition, in the human resources development, we emphasize that employees do their own learning, and provide a variety of places to support this, and we will discover leaders who will drive future growth.

As a foundation to support corporate value, we will also continue to take steps to strengthen corporate social responsibility, corporate governance and internal controls.

In conclusion, under our vision for the Mid-term Management Plan towards 2020[*4], and with an eye to the future beyond, the Group will tackle the challenge of solving customers' and society's problems with ground-breaking new services utilizing ICT. We will continue to respond to the expectations of various stakeholders starting with our customers, and are committed to long-term corporate value improvement in the future.

*4 Our Vision for the Mid-term Management Plan towards 2020: See P.3-4

President & CEO 

Strategic Policies

Challenge 1 Digital Innovation	Providing services and platforms that will help companies operate digital businesses in the fastest and optimum manner beyond the boundaries of individual industries.
Challenge 2 Life Innovation	Creating service businesses that will serve our society better and operating them as part of our business portfolio. Short- to Mid- Term: creation of business ecosystems Mid- to Long-Term: promotion of services businesses through the next-generation technologies
Reform Business ICT Platforms	Promoting the industrialization of services[*5] in order to accelerate our service delivery, and revising the service portfolio to include the capabilities of combining the services of our company and others and providing them in the fastest and optimum manner.
Reform of Corporate Culture / Strengthning of Human Resources Capabilities	Reforming the corporate culture to foster innovation and encouraging employees to create new business models.
Investment Strategies	Focusing on the investments in the categories of Challenges and Reform as well as Strengthening of Human Resources Capabilities.

*5 Industrialization of services: Efficient provision of services through automation, standardization and componentization

New Mid-term Management Plan

Business Strategy > Message from the CMO

We are accelerating the creation of business ecosystems and creating / expanding business in our growth-strategy areas of "Digital Innovation" and "Life Innovation."

Akiyoshi Hiraoka
Representative Director, Executive Corporate Officer
Chief Marketing Officer

In our Mid-term Management Plan, The Nihon Unisys Group declared our commitment to reforming our business model. This commitment is driven by a growing movement to replace existing business systems and frameworks with new frameworks created by the emerging power of technological advances and the easing of regulations. To be a part of this emerging power, it will be essential for many companies to create new "business ecosystem" made up of alliances among businesses in different industrial sectors. Client requests such as "we want to create a business ecosystem quickly" or "we want to join a business ecosystem now" will increase. In this backdrop, our Mid-term Management Plan aims to create new business value by creating business ecosystems together with our clients, taking advantage of our experience in ICT area.

One of the key areas in the creation of the business ecosystems is electronic payment services as part of the "Digital Innovation" area outlined in our medium-term management strategy. We already have proven achievements in marketing support of prepaid cards in convenience stores. Going forward, we will build a one-stop platform to provide various services related to international brand prepaid and debit-card operations, including issuance, transaction processing, and membership management, in collaboration with Dai Nippon Printing Co., Ltd. We have already started the co-development of a platform for payment and settlement for "international brand prepaid cards" and provision of the platform to card companies, and are also pursuing overseas expansion of the prepaid card introduction and support business.

Accelerating the creation of business ecosystems through the promotion of an "open & closed strategy"

To enlarge our business ecosystems, we will continue to add various services onto a single platform. Specifically, the sales promotion structure tailored to the purchasing behavior of each consumer will operate on the same platform as electronic payment services. We are also looking at the possibility of adding additional services

such as charging infrastructure for electric vehicles, which require the existing series of services (reservations, authentication, and payment) on the same platform.

It is essential to promote an "open & closed strategy" to realize rapid and significant growth of our business ecosystems. "Open" refers to the proactive opening of interfaces for participating companies and other vendors to utilize their business resources, while "closed" refers to the setting of clear boundaries between open and closed areas by creating core areas in the business ecosystem to be protected as our business strengths. We will outline an example from the "Life Innovation" area of our growth strategy outlined in the medium-term management plan, regarding the services of the (electric) charging infrastructure. Although it is necessary for our platform to be "open" to a wide range of companies in different industries, such as charging stand manufacturers and installers, card issuers, and information service providers, the communication technology used in the charging infrastructure services that we were the first to develop can be called a "closed" area.

Going forward, we will determine the borders between open and closed areas so as to connect our business to prosperous services and technologies across the world as quickly as possible. We will develop many new business proposals spanning the borders of various industries, aiming for profitability and the achievement of the guidelines in our Mid-term Management Plan.

Promoting the creation of a structure that will produce "reform-minded leaders"

To realize the position-shift necessary for the creation of business ecosystems, it is necessary for each employee to think of themselves as an integral part of the process and to create new business services within their own work. In addition, we also need to produce more than 300 "reform-minded leaders" who will drive reforms and challenges to create business by leading the project to create business ecosystems on a company-wide basis.

To this end, we have been working on hands-on / experience-based human resource development since 2010, which has resulted in some internal intellectual properties and networks between participants. We are planning to send human resources to an external "seed accelerator program" that has been created to support small groups of entrepreneurs with financing and know-how. The program will require a great deal of discipline, as each participant is expected to produce visible results. However, the company itself will act as a mentor to produce reform leaders by making our intellectual properties and internal networks available for participants as needed.

To accelerate these reform initiatives, we, senior executives, are also determined to take the lead in turning our attention to different areas and industries, seeking innovative services and technologies in a proactive manner, discovering seeds to develop into business ecosystems, as well as achieving innovation in management.

New Mid-term Management Plan
Technological Strategy > Message from the CSO

We will develop new technologies to meet new market needs through the reform and innovation of Business ICT Platforms.

For the Nihon Unisys Group to implement its growth strategy as outlined in the Group's Mid-term Management Plan, in terms of technology, the Group needs to be able to respond promptly to major changes in market needs regarding system development. Future needs in system development will expand in the area of Systems of Engagement (SoE) in addition to the continuous expansion in the area of Systems of Record (SoR) focusing on mission-critical and business systems.

SoE can be called a customer contact system that employs various data for marketing. For example, it may involve a direct marketing system that uses consumers' location information and purchasing behavior acquired via smartphones. The increased popularity of such systems can be accounted for by changes in the external environment, including the rapid digitalization of various data, expanded information storage capacity and communications infrastructures, and the augmentation of cloud services.

Changes in system construction and service provision in accordance with the expansion of SoE business

In the expanding SoE business, speed will be more important than anything else in system construction. It is necessary to adopt repetitive design and development methods in which only the characteristic, minimally required functions are developed and implemented at first, and then other functions are added and amended according to customers' feedback. In addition, from the customers' point of view, we must be a partner that suggests and pursues specific service ideas across existing industry and category boundaries.

We will develop and expand various cloud-based services. For example, the SoR business includes moving our established technology into the cloud. We completed the move of our project management methods into the cloud in FY2014, and our application platforms for Java and .NET will be next. In the SoE business, we will offer various tools and services via the cloud to support the development of businesses involving mobile devices such as smartphones. We will also provide platforms to manipulate big data and open data.

As for IoT services, we will develop a versatile access platform and quickly deliver results to customers with various IoT service needs. With regard to the development and operation of this platform, UNIADEX, Ltd., one of our group companies, is in charge of operations monitoring and operation control of the device layer, such as sensors, and the network layer that transmits and receives data. Nihon Unisys is engaging in big data processing, machine learning projections, and security enhancement of the whole system so as to optimize the strengths of both companies by working in collaboration.

Implementation of bold and practical organization reform to meet market needs

Nihon Unisys has placed a sales team and a system team in each division in each customer's market area, to efficiently increase the number of orders by creating a structure that allows us to operate as a team in response to business opportunities. However, as market

needs have greatly changed and service creation across the borders of industries and business categories has been accelerated, we have recognized the necessity of transforming our approach into a structure that will allow us to devote human resources to quickly launching new systems and services.

From April 2015, we reorganized our existing organizational structure by market area; the sales and system divisions were changed to business innovation and business service divisions respectively. The engineers working for the USOL regional development companies that we acquired in April 2015 have also been integrated into the new business service division. We will accelerate our service provision with "industrialized services" such as componentization, standardization, and automation of our existing application assets and intellectual property through this organizational reform.

Susumu Mukai
Representative Director, Senior Corporate Officer
Chief Service Officer

Developing new skills and techniques to meet SoE business needs

In designing and structuring large-scale, mission-critical systems in the SoR business, which has been our core business area, it has been a common practice for our in-house system engineers to play a leading role in requirement definition, logical design, and project management, then for partners to take over after the system design phase. As SoE needs grow in the future, we will need new knowledge and skills to implement trial-and-error adjustment in a short time to meet customer expectations.

We have held Ideathon and Hackathon events in the company since FY2013 as a part of our human resource development projects to respond to the rapidly growing needs in the SoE business. In these events, we call for employees who have ideas about the predetermined theme and divide them into groups. Each group then creates, demonstrates, and presents an actually functional program in just 1-2 days. These events require an innovative mindset as well as knowledge and skills to swiftly combine previously published services in a limited time as if they were industrial components, as only 1-2 days are given to transform an idea into a complete service.

We hope that our aspiring engineers will improve their skills and techniques so that they will be able to precisely and quickly provide systems that meet customer expectations through our various educational programs including these learning opportunities.

New Mid-term Management Plan
Financial Strategy > Message from the CFO

We will transform our business operations to focus on capital efficiency with the aim of mid- to long-term corporate value improvement.

Toshio Mukai
Representative Director, Senior Corporate Officer
Chief Financial Officer

Investment Strategy to Support the Implementation of the Mid-term Management Plan

In the Mid-term Management Plan (2012→2014), we took steps to strengthen our financial base and improved our equity ratio, ROE, and net D / E ratio. In the three years of the new Mid-term Management Plan, we will continue to develop the financial strategy to support the corporate growth strategy while maintaining financial discipline.

In the future, in order to continue creating new value by developing business ecosystems, the Nihon Unisys Group must focus our investment based on an "open & closed strategy" on initiatives that contribute to the creation of new values.

Specifically, we will invest heavily in research and development and infrastructure building in challenging areas such as electronic payments in the area of Digital Innovation and service platforms in the marketing field, as well as solution-oriented investment in the Life Innovation field. At the same time, we will maintain investment in hardware and software for infrastructure architecture etc. in the area of Business ICT Platforms. The total amount of capital investment will increase from approximately ¥30 billion in the previous three year Mid-term Management Plan to approximately ¥40 billion, and similarly research and development expenses are planned to increase from approximately ¥15 billion to nearly ¥20 billion.

ROE Target and Shareholder Return Policy

Up until now, we have run our business placing our main emphasis on income statement such as revenue and operating margin while also considering the balance sheet and cash flow of items such as investment. In this Mid-term Management Plan, we wish to convert to operating the business being conscious of a good balance of the income statement, balance sheet and cash flow, placing

Investment Strategies

Area of Investment	Investment in Technology and Solutions	Investment in Outsourcing Business / Capital Investment	Business Investment	
Challenge 1 **Digital Innovation**	■ Enhancement of marketing services	■ Creation and provision of service platforms	■ Investments in digital business	Increase in the investments ↗
Challenge 2 **Life Innovation**	■ Further investments in the research of social issues and technologies ■ Enhancement of regional solution services	—	■ Further investments in the businesses that will be created through the use of next-generation technologies	Mid- to Long-Term Investments ↗
Reform **Business ICT Platform**	■ Further investments in the technologies such as cloud, IoT and Big Data as well as the new methods of development	■ Further investments in the businesses of SaaS solution and outsourcing that will become our future strength	—	Selection and concentration →
Investments in Workforce Development	■ Investments in the efforts by all employees for creating new business models and also in skills development	—	—	Increase in the investments ↗

emphasis on capital efficiency.

ROE was 10% in FY2014. As we change to a high value-added business model based on a growth strategy, we shall stably achieve the level of 11-13%, and further in FY2020 we hope to achieve a level of 15% or more.

We aim to thoroughly instill in our staff good judgment regarding which risks should be taken and which should not, and for each division to take responsibility not only for profit and loss, but the balance sheet and cash flow, allowing for autonomous business operations and investment decisions.

The management team will continue to strictly monitor the operation and judgment of each of these divisions. ROE should continue to improve for the whole Group as a result of these efforts.

In addition, up until now we have placed strengthening the financial base as the top priority and set the dividend payout ratio at 20%. However, due to the fact that the financial structure has improved under the previous three-year Mid-term Management Plan, and considering the balance of investment needed for growth and internal reserves, we will aim for approximately 30% dividend payout ratio and increase the shareholder return.

Guidelines on figures

	FY2014	FY2017	FY2020
Net Sales	¥269.2 billion	¥320.0 billion	¥350.0 billion
Operating Income	¥10.9 billion	¥17.0 billion	—
Operating Margin	4.1%	5.3%	8–9%

Capital efficiency and shareholder return

ROE

Stable realization of 11–13%

(Target 15% or more in FY2020)

Dividend payout ratio

Strengthen the shareholders return to approximately 30%

Toward the Realization of Medium- and Long-term Corporate Value Improvement

Through discussions with shareholders and other stakeholders, we have received many suggestions. Building on these suggestions, we have been working to improve the quality of our management. In order to achieve the new Mid-term Management Plan and realize our vision towards 2020, in the future we must takes steps to tackle the challenges that go with transforming our business structure, such as reforming our business culture, training human resources and focusing on capital efficiency. Aiming for sustainable growth and mid-to long- term improvement in corporate value, I would like to see even more opportunities for discussion and the incorporation of third party viewpoints from outside the organization in addition to the implementation of necessary measures.

Best Practices: An Initiative for Growth Strategies

Introduction of the ninth new mission-critical system centered on the next-generation open core banking system BankVision®

Implementation of "Next U's Vision® project," a new business platform for regional financial institutions

Nihon Unisys and Hokkoku Bank, Ltd. jointly developed a new mission-critical system for Hokkoku Bank, with Nihon Unisys' next generation open core-banking system "BankVision" at the core, and it began running sequentially from January 4, 2015.

"BankVision," the first Windows®-based full banking system in the world, has been adopted by 10 regional banks as a mission-critical open system, which is more than any other domestic IT vendor. Hokkoku Bank has become the ninth bank to begin using the system. At the same time, in regards to sales office systems, regional banks renewed their systems to the "BANK_FIT-NE®" system that was deployed and operated for the first time and by installing the communication function of "MIDMOST®," the same open middle software that is used by "BankVision." Therefore, we were able to realize a system configuration in the office terminals without going through the communication server, thereby eliminating an obstacle. We will strengthen our sales structure further in the future and aim to receive new orders from regional banks.

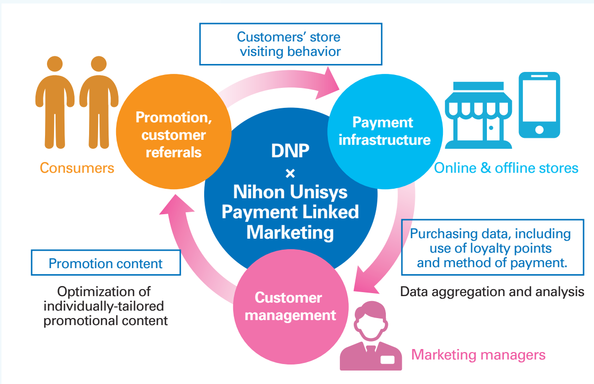
In addition to our business of providing core-banking systems and various kinds of information systems to regional financial institution customers, as we have done the past, we are also progressing with the creation (and co-creation) of new businesses beyond the boundaries of industries and business categories, activation of the regional economy and efforts to support regional social infrastructure through our "Next U's Vision Project." In the future, along with the regional financial institutions, we will continue to plan and build "new business platforms that will connect with society, collect information, create business and support growth."

Payment linked marketing initiatives

"International brand* prepaid" payment platform service

Evolved CLO (Card Linked Offer) platform service

"Payment linked marketing" is a business platform that seamlessly links (1) "payment infrastructure" in the store, (2) "customer management" in the back office, and (3) "sales promotions and customer referrals" to induce consumers to come to the shop from their home or the town (see right). By analyzing a combination of consumer information and payment information (shopping behavior information), the system can provide appropriate content at the right time and in a suitable way, realizing efficient promotion and customer referrals.



As part of the payment infrastructure, Nihon Unisys is working with Dai Nippon Printing Co., Ltd. to jointly develop the platform required for the introduction and operation of payment services for international brand prepaid and began offering cloud services for card-issuing companies. International brand prepaid cards that can be used in international brand merchants all over the world. As no approval process such as that required for a credit card is needed, this service can be freely used by anyone. It is the first system in Japan to provide a one-stop service from card manufacturing and issuance, payment management and BPO (Business Process Outsourcing) to marketing.

In addition, we will develop in collaboration with Dai Nippon Printing a platform offering a variety of CLO services linked to payment, such as credit cards, prepaid cards and point cards. By using this platform service, CRM (Customer Relationship Management), which was traditionally difficult for manufacturers to realize due to low customer contact, can be easily realized.

* International brands: International payment card brands such as VISA, MasterCard and JCB

Next-generation unified infrastructure "CoreCenter® "

Helping customers to improve business efficiency and gain competitive advantage with induction-type solutions

Nihon Unisys Group provided a series of solutions called "CoreCenter" based on "CoreCenter BASE," which brings together various shared business functions upon which services for various business types such as retail, direct marketing and leasing are built. Customers can choose which functions they require and apply appropriate parameter settings, making it possible to quickly complete system deployment, and also enabling customers to respond promptly to sudden changes in their business environment. The short development period also keeps system deployment costs down.

Commercial operation of "CoreCenter for Retail" by its first user began in February 2012, followed by "CoreCenter for DM", for direct marketing firms in March 2015, and "CoreCenter for Lease (Lease Vision®)", for a leasing companies in April 2015.

Providing service infrastructure for energy to support a sustainable society

With the electric vehicle charging infrastructure system service "smart oasis®", we have added functions aimed at enhancing convenience for users, as well as providing the "Nationwide EV / PHV Charging Map." With the impact of government demonstration experiment projects and various subsidies, the number of customers asking to be connected to the service is expanding.

In addition, we have been making effective use of JAXA satellite data with our "satellite data utilization for energy management system (EMS) services," for which we have built a system that will analyze 'big data' acquired from Earth observation satellite sensors and ground sensors, and will predict the power generation level of renewable energy sources in different climatic conditions.

In addition, with the liberalization of retail electric power sector scheduled for April 2016, we will offer the cloud service "Enability series," a customer and billing calculation system for power retailers.

Providing the cloud-based childcare support service, "ChiReaff Space ™," for nurseries nationwide

Against the background of women's social advancement and long waiting lists for places in daycare centers, a new system for the purpose of expansion of childcare has been enacted in April 2015 by the Cabinet Office. While the industry is undergoing significant changes, ensuring sufficient nursery personnel working in childcare, an environment needs to be created in which parents can leave their children with peace of mind.

With the development of our "ChiReaff Space" childcare support service, we have brought about improvements in the work environment of nursery teachers and increased the amount of time in which nursery teachers are actually in contact with the children, thereby improving the overall quality of childcare provision and helping to ensure the peace of mind of parents and guardians. We began marketing this service to childcare facilities throughout Japan starting on July 6, 2015 and we aim to have this system adopted by at least 1,000 childcare facilities over the next five years.

Supporting Foundation for Corporate Value Improvement

The Nihon Unisys Group will forge ahead with unparalleled service infrastructure and continue to implement innovative services that will become the new standards in the future. Therefore, in the Mid-term Management Plan, we will endeavor to change our business model and aim to improve corporate value in the medium- to long-term.

"Reform of corporate culture and strengthening of human resources capabilities" and "our initiatives for corporate social responsibility" will become the foundation to support improved corporate value. We will also work to strengthen our "corporate governance and internal control system" as the most important foundation supporting these efforts.

Environment

Reform of Corporate Culture / Strengthening of Human Resources Capabilities

Please refer to p. 20 for details.

Our Initiatives for Corporate Social Responsibility

Please refer to p. 21–22 for details.

Corporate Governance and Internal Control System

Please refer to p. 23–26 for details.

Social Governance

Reform of Corporate Culture and Strengthening of Human Resources Capabilities

Each and every employee must work on reforming the corporate culture and human resources, to enable the generation of innovative services through new ideas and perspectives.

Reform of corporate culture

Solving the problems not only of customers, but of users and society as well, is positioned as an important viewpoint among the growth strategies outlined in our new Mid-term Management Plan. In order for our employees to "challenge" various issues with foresight and insight, it is necessary to "reform" our corporate culture to allow us to build on existing practices in order to try new approaches. To realize such a culture, it is essential that all executive team members and employees share the same values and that the working environment accommodates diverse ways of working.

We carry forward the initiative for corporate culture reform using the cycle of "communication" of ideas to employees, "support" for reform activities by employees, and "evaluation" of progress. Our existing initiatives stipulate that executive team members will visit offices all over Japan from January 2015 onward to discuss the targets for each office, which will be published across the company, and we have already established our new corporate statement to reflect the 2020 goal of the Nihon Unisys Group, "Foresight in sight." Going forward, we will develop "Unilympic," a company-wide reform activity for all employees, foster reform leaders properly positioned in each office, and evaluate the progress of our reform initiatives company-wide.

In addition, we will promote diversity measures, making adjustments to relevant systems to support the realization of different workstyles that enable individual employees to realize their full potential.

Strengthening of human resources capabilities

To carry reforms and challenges forward, we need to pursue human resource development by taking the idea that "innovation always happens on site" as a premise and recognizing the necessity of "helping all employees to demonstrate their greatest potential on site." It is also important for employees to focus on their thought processes and gain skills in order to create innovation on site, and for the company to provide them with opportunities to demonstrate their skills and abilities.

First of all, in our "reform-minded leaders program," leaders from the program will endeavor to establish a cycle of fostering the next leaders. Then, we will renew our existing career development program in order to develop various skills in the areas to be enhanced in the next generation, such as business development, service design, new technology application and management, according to each person's mid-term career design.

We employ these programs to strengthen employees' innovation skills via actual experience while also working on practical business creation such as the "Ideathon" or "Hackathon," in a form that is open to everyone in the company. We will provide young employees with opportunities to discuss corporate culture reform as a task force, and by linking the results of such discussions with new policies their perspectives will be enhanced.

The regular implementation of these programs and revision as necessary will promote the development of employees with the ability to innovatively challenge issues.

Goals of our reform initiatives

Through these initiatives for reform of corporate culture and strengthening of human resources capabilities, we aim to transform our business structure by making it a more "robust" and "active" structure that will allow us to grasp new business opportunities without delay. This will improve the efficiency and profitability of our business model while continuing to value our existing customer base and respect our established business models.

Our business activities in the Mid-term Management Plan will put "Creating Shared Value (CSV)" into practice to solve the problems of customers, users, and society. For this purpose, all employees have pledged to "challenge themselves to engage in reform." In addition to employees who are involved with new business or technological development, all company employees should work on reform for their own sake to realize the transformation of our business structure.

Koji Katsuya

Corporate Officer, CIO,
General Manager of Corporate Planning

Our Initiatives for Corporate Social Responsibility

We will continue to contribute to the realization of a sustainable society through our business activities, cooperating with stakeholders, in response to the expectations and demands of society.

Responding to the expectations and demands of society

We consider Nihon Unisys Group's CSR to be the realization of our corporate philosophy: "Work with all people to contribute to creating a society that is friendly to people and the environment."

We continue to strive to gain the trust of all our stakeholders through our contributions to resolving social problems and providing values to society, and through our initiatives in response to society's call for corporate social responsibility according to the ISO26000 standards.

In particular, we always endeavor to listen sincerely to the voices of our stakeholders and promote our CSR activities based on the PDCA cycle in accordance with ISO26000. Taking into account the Group's business strategy and issues of particular importance to society as a whole, such as socially responsible investment (SRI), priority initiative themes and goals are established at "CSR practitioners meetings" attended by employees in charge of each area of our CSR activities, and are discussed and confirmed by the "CSR committee," which also regularly reviews our CSR initiatives and goals and promote transparency and information disclosure.

Progress of our CSR priority initiatives in FY2014

Core Subjects of ISO26000	Priority initiative themes	Our main activities in FY2014	Evaluation	Issues and future countermeasures
Organizational governance	Penetration of CSR	• Establishment of PDCA cycle for CSR using ISO26000 • CSR education for all employees through the implementation of structured e-learning (average participation rate: 96.4%)	Above the goal	• Expansion of internal and external communication and strengthening penetration
	Stakeholders Communication	• Continuous communication with customers, stockholders and investors, employees and local communities • First publication of the integrated report • Implementing consultation with third-party outside experts • Improvement of CSR information disclosure in terms of both quality and quantity	Above the goal	• Quality improvement regarding external communication
Human rights	Respect for human rights	• Understanding of human rights issues being discussed internationally	Below the goal	• Cross-sectoral approach is needed to deal with a wide range of issues
Labor practices	Promotion of diversity	• Amendment of the evaluation system for employees taking childcare leave and implementation of workshop for employees taking childcare leave • Opening discussion about quantitative targets for the promotion of female employees	Below the goal	• Promotion of appointment and recruitment of a diverse staff, presenting the goals of our group
The environment	Environmental management	• Promotion of the reduction of environmental burden through business activities • Promotion of employees' awareness-raising activities regarding environmental issues and activities • Expansion of information disclosure (environmental accounting)	Achieved the goal	• Consideration of the promotion of activities to reduce environmental burden, in collaboration with business divisions
Fair operating practices	Promotion of CSR via supply chain management for subcontractors	• Implementation of briefing for subcontractors, sharing CSR information to be implemented along the entire value chain • Revising our procurement guidelines by adding a request that our partners cooperate with our CSR initiatives and our response to the conflict mineral issue.	Above the goal	• Continuous approach toward subcontractors
Attention to customers	Quality improvement of IT systems development and maintenance & operational projects	• Expansion of information disclosure on the quality assurance system and initiatives on websites	Achieved the goal	• Further expansion of information disclosure for quality improvement
Community involvement and development	Social contribution activities	• Continue the promotion of social contribution activities by employees (581 participants)	Achieved the goal	• Increase in participating employees • Reaffirmation of the relevance of current activities and business

Topic 1 › Reduction of environmental burden through business activities

Nihon Unisys Group has been working on the reduction of the environmental burden of our business activities, as a beneficial aspect of environmental management, and established environmental activity themes in conjunction with the Mid-term Management Plan for each division in FY2012.

In FY2014, 98% of divisions achieved the goals of their activities themes regarding the promotion of energy savings by environmental solutions for society and our customers, and power-saving and energy-saving measures by business operations improvement within our company.

Our main activities in FY2014

Activity themes	Activities
Proposal, sales, and development of social infrastructure leading to a power-saving and energy-saving society	● Sales of "smart oasis®" charging infrastructure system service ● Promotion of new energy business
Proposal, sales, and development of services leading to power-saving and energy-saving for customers and society	● Provision of cloud services ● Promotion of big data business ● Sales of "Green procurement Meister" chemical substance management system
Proposal, sales, and development of products leading to power-saving and energy-saving for customers and society	● Sales of power-saving servers and network equipment ● Sales and construction of wireless LAN systems
Power-saving and energy-saving activities in the company by improvement of operational efficiency and quality, and power-saving activities	● Internal power saving ● Improving operational efficiency ● Proper treatment of industrial waste
Internal power-saving and energy-saving activities by the transformation of work style	● Promotion of paperless operation ● Change of internal training system

Topic 2 › Promotion of CSR through the value chain

The Nihon Unisys Group aims to establish a sustainable value chain in collaboration with our business partners, including the suppliers and subcontractors in system design, development, operation and maintenance, for mutual sustainable growth.

Briefing for subcontractors

For subcontractors, we hold regular briefings to provide information on new and amended regulations and changes to our procurement rules according to relevant regulations and to request their compliance with both new and existing rules. In FY2014, we explained our policies and initiatives for the CSR of our group and asked for collaboration to meet our goals. We also continuously provide information after the briefings via our website for subcontractors.

We implement fair and transparent procurement, complying with both domestic and international laws, regulations, and social norms, by setting up a "Procurement Code of Conduct" in our procurement activities for both hardware and software products. We also promote the procurement of products and services with lower environmental impact from suppliers who actively promote environmental protection, according to "Nihon Unisys Green Procurement Guidelines." We amended our procurement code of conduct in August 2014 to include "avoiding the use of conflict minerals," in order to source hardware products that don't use conflict minerals that fund activities in conflict-affected regions.

In FY2015, we will review our suppliers on their approaches towards green procurement, their responses to antisocial forces, and the discontinued use of conflict minerals.

Corporate Governance and Internal Control System

The establishment of an effective corporate governance and internal control system is essential for sustainable growth and long-term improvements in corporate value, and accordingly the Company works to strengthen such structures.

Corporate Governance

Basic policy

The Nihon Unisys Group believes that building relationships of trust with all stakeholders is of the highest importance and includes "striving to increase corporate value through listening sincerely to stakeholders" as part of its corporate philosophy. As such, we are working to bolster corporate governance and reinforce the transparency and soundness of management.

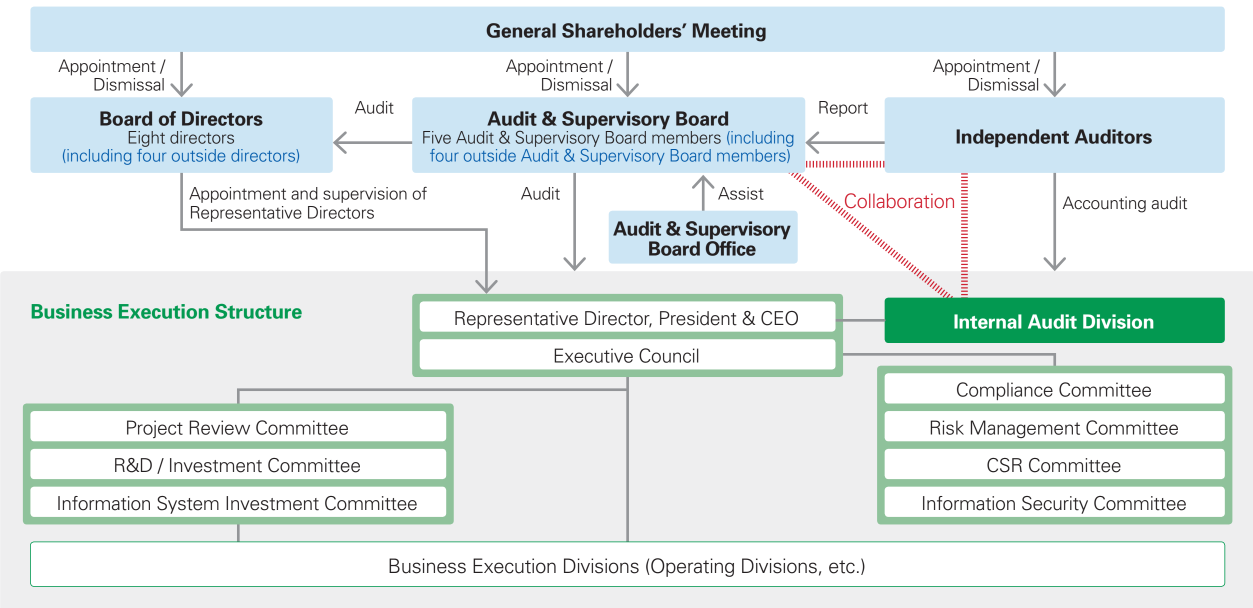
Furthermore, out of respect for the spirit and intent of the Corporate Governance Code, we will fundamentally comply with and be accountable for all of the principles of the code, including ensuring the rights and equality of shareholders, properly cooperating with stakeholders other than shareholders, ensuring proper information disclosure and transparency, implementing the duties of the Board of Directors, etc., and engaging in dialog with shareholders.

We also make efforts to increase the Company's value by utilizing the Corporate Governance Code in coordination with Board of Directors, Audit & Supervisory Board and related departments.

Governance and Business Execution Structure

Nihon Unisys has an Auditor & Supervisory Board. In addition, Nihon Unisys has established and maintains the following structure to achieve effective and efficient management.

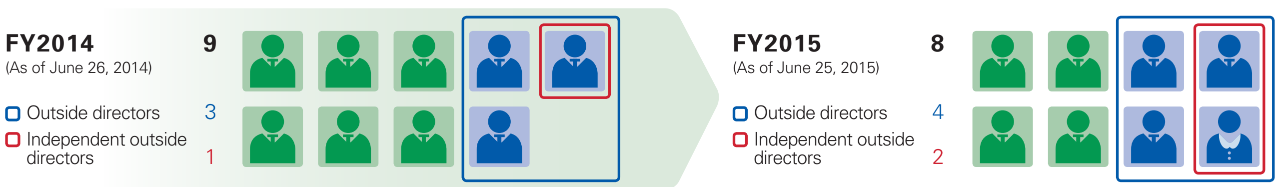
As of June 25, 2015



Board of Directors

The Board of Directors, which is composed of eight directors including four outside directors, is held every month as a general rule. The Board of Directors decides and reports on key corporate issues. The term of office of directors is one year. This term was decided on with the goal of securing a flexible management structure that can promptly respond to the changing business environment and clarifying the responsibilities of the directors.

The number of independent outside director was increased to two (compared to one in the previous fiscal year) from FY2015 so that half the members of the Board of Directors are outside directors, which makes the membership structure of the Board of Directors more diverse.



Audit Structure

The Company has five Audit & Supervisory Board members (including four outside Audit & Supervisory Board members), three of whom are engaged as standing Audit & Supervisory Board members. Based on the Audit & Supervisory Board audit standards, the audit policy, and the audit plan developed by the Audit & Supervisory Board, Audit & Supervisory Board members attend meetings of the Board of Directors and other important meetings, and also review the status of both operations and assets, thereby monitoring the business execution of the directors.

In addition, Audit & Supervisory Board members, the Internal Audit Division, and Independent Auditors regularly hold the Triple Audit Liaison Committee to exchange opinions and enable collaboration, including the exchange of opinions as necessary.

Meetings of the Board of Directors and Audit & Supervisory Board and Attendance by Outside Directors and Audit & Supervisory Board Members (FY2014)

		Board of Directors	Audit & Supervisory Board
Number of meetings		12	12
Attendance	Outside directors	91%	—
	Outside Audit & Supervisory Board members	90%	90%

Compensation of Directors and Audit & Supervisory Board Members

Policy for Deciding on the Compensation of Directors

Compensation for directors includes basic compensation (monthly salaries), bonuses and stock options.

Monthly salaries for directors emphasize a link with performance, and are determined by the Board of Directors based on the responsibilities of each individual director with consideration taken for generally accepted payment levels and the balance with employee salaries.

Bonuses are calculated based on the Company's consolidated net income for the given fiscal year. In addition, stock options were continued as a part of compensation for directors (excluding outside directors) for the purpose of increasing the motivation of directors to pursue ongoing improvements in the Company's performance and corporate value.

Policy for Deciding on the Compensation of Audit & Supervisory Board Members

For Audit & Supervisory Board members, compensation is not linked to performance, but rather paid as a fixed monthly salary determined through discussion with Audit & Supervisory Board members. This system is employed to ensure that Audit & Supervisory Board members are able to effectively conduct their auditing duties from an independent standpoint.

Total Compensation Paid to Directors and Audit & Supervisory Board Members and Number of Recipients (FY2014)

Classification	Total Compensation Paid (Millions of Yen)	Compensation Paid by Type (Millions of Yen)			Recipients (People)
		Basic Compensation	Stock Options	Bonuses	
Directors (Excluding outside directors)	253	253	0	–	7
Audit & Supervisory Board members (Excluding outside Audit & Supervisory Board members)	28	28	N / A	N / A	1
Outside directors and Audit & Supervisory Board members	77	77	N / A	N / A	9

The following measures will be instituted in FY2015 as part of systems for linking compensation to performance.

1. A portion of compensation for each applicable individual (10% regardless of position) will be provided in the form of stock acquisition rights, rather than in the form of monetary payments.
2. The number of exercisable stock acquisition rights will be determined based on the Company's consolidated net income for FY2015 as well as other factors. Performance exactly in line with initial forecasts and fulfilling other conditions will be indexed to 100%, and the number of exercisable subscription rights to shares will be adjusted within a range from 0% to 200% based on actual performance.

Business Execution Structure

The Company has adopted the corporate officer system in order to separate management oversight from business execution and with the aim of achieving prompt performance of operations.

The Executive Council composed of representative directors and directors that concurrently serve as corporate officers has been established as a body to make efficient decisions regarding important business execution-related matters. To deal with issues that require decisions, we have developed a system of approval in which either corporate officers responsible for the division in question, decision-making bodies (committees), or members of the Executive Council collectively make decisions while considering expert opinion presented by corporate staff managers from related divisions.

We have established various committees (Compliance Committee, CSR Committee, Risk Management Committee, Information Security Committee, R&D / Investment Committee, Project Review Committee, Information System Investment Committee, etc.) to offer a practical perspective to the deliberation of specific management issues related to the business execution of the directors.

The Internal Audit Division has been established as an internal body under the direct control of the President & CEO to assess the effectiveness and efficiency of internal controls across the Group.

Internal Control System

The Nihon Unisys Group has identified the goals of its internal control systems as improving operational effectiveness and efficiency, ensuring the reliability of financial reports, guaranteeing stringent legal compliance in business activities and maintaining asset portfolios. To accomplish these goals, the Group maintains and operates internal control systems as required while also working to continuously improve these systems as described below.

Improving Operational Effectiveness and Efficiency

The Group has established a Mid-Term Management Plan and specific management targets, and is endeavoring to develop systems that will improve operational effectiveness and efficiency.

Ensuring the Reliability of Financial Reports

To ensure the reliability of financial reporting, the Company has established a basic policy for appropriate financial reporting and is working to foster a sincere corporate culture that observes rules.

Compliance

In recognition of compliance as one of the most critical issues, the Group has established the Nihon Unisys Group Charter of Corporate Behavior and the Group Compliance Basic Regulations, based on which all of the Group's employees conduct ethical behavior in compliance with laws and regulations, social norms and in-house regulations.

Risk Management

The Group has established a Risk Management Committee chaired by the Chief Risk Management Officer (CRMO) to provide supervision and guidance on risk management for the entire Group.

The Risk Management Committee has developed a common risk classification system for the Group to share and centralize the management of risks throughout the entire Group.

Messages from Outside Directors (Independent)

Go Kawada
Outside Director
(Independent)

This marks the third year since I assumed the position of outside director at Nihon Unisys. Currently, the Group is formulating a new Mid-term Management Plan based on a long-term view and we are undergoing a period of reform in order to achieve this plan.

While various reforms will be implemented, the main initiatives will include the establishment of a management structure that is conscious of speed in the integration of Group companies, thorough risk management including the withdrawal from unprofitable businesses, and the strengthening of human resource development. Under this Mid-term Management Plan, we aim for the development of 300 reform leaders capable of independently achieving challenges and reforms, and we have strengthened and developed human resources development systems in order to achieve these goals through initiatives such as organization-wide projects, "ideathons," and "hackathons" among young employees.

We hope that such initiatives will significantly contribute to improving long-term corporate value. As an independent director, I believe my role is to encourage lively debate by fully utilizing my own experience and specialized knowledge based on an independent and external perspective. Going forward, I plan to exchange information with directors and Audit & Supervisory Board Members including other independent directors as I work even harder with the hope of contributing to the further development of the Nihon Unisys Group.

Ayako Sonoda
Outside Director
(Independent)

The new Mid-term Management Plan is a growth strategy based on the concept of truly creating shared values (CSV) with society by establishing sustainable new business models in the process of digital economy innovation to respond to social needs and issues. When taking on challenges in the field of Life Innovation in particular, open innovation is essential for creating services that enrich society and establishing new business models. To create innovations based on original and unique ideas, it is necessary to improve diversity and actively leverage collaboration with people and organizations outside of the company in pursuit of knowledge. Although people tend to overemphasize the ratio of female employees when considering diversity, the essence of diversity is allowing diverse human resources to perform to the best of their ability, which does not only include female staff members. It is important to create workplaces that allow individuals with differing areas of specialization and expertise to maximize their performance and collaborate together to deepen our knowledge.

As I assume this position as outside director, I hope that I can be useful in the mutual recognition of diverse values and foreseeing the future of society. I will do my utmost to create value by leveraging non-financial strengths, which is my area of expertise.

Directors, Audit & Supervisory Board Members, and Corporate Officers

Directors

Shigeru Kurokawa
Representative Director, President & CEO

Akiyoshi Hiraoka
Representative Director, Executive Corporate Officer

Susumu Mukai
Representative Director, Senior Corporate Officer

Toshio Mukai
Representative Director, Senior Corporate Officer

Go Kawada
Outside Director (Independent)

Advisor, Yamada & Partners Certified Public Tax Accountants' Co.

Supervising management by leveraging a wealth of experience and specialized insight regarding taxation and accounting

Kazuhiko Takada
Outside Director

Corporate Officer, in charge of SI Business Development Division, Advanced Business Center, and Information System Division, Dai Nippon Printing Co.,Ltd.

Providing advice and supervising management overall by leveraging a wealth of business experience

Takeshi Yamada
Outside Director

IT Solutions Business Division Manager, IT & Communication Business Unit, Mitsui & Co., Ltd.

Providing general advice and supervising management by leveraging many years of business experience in the field of the information industry

Ayako Sonoda
Outside Director (Independent)

President, Cre-en Inc.

Providing advice from a multi-faceted perspective by leveraging experience in the fields of CSR and environmental management and experience in activities promoting the active use of female staff members

Outside Audit & Supervisory Board members

* Standing Corporate Auditor

Kazuhiro Hara
Audit & Supervisory Board member*

Akihiro Imura
Outside Audit & Supervisory Board member*

Monitoring the execution duties of directors by leveraging a wealth of business experience and insight regarding internal audits

Etsuo Uchiyama
Outside Audit & Supervisory Board member*

Monitoring the execution duties of directors by leveraging past managerial experience and insight regarding taxation and accounting

Shigemi Furuya
Outside Audit & Supervisory Board member

Senior Corporate Officer, Dai Nippon Printing Co., Ltd. (responsible for administration, related business departments, and overseas business supervision)

Monitoring the execution of duties by directors by leveraging specialized expertize mainly related to finance and accounting

Masao Noda
Outside Audit & Supervisory Board member

Representative Partner, Noda Law Office

Monitoring the execution duties of directors by leveraging the perspective of an expert with experience primarily pertaining to law

Corporate Officers

Yoshinori Ijichi
Senior Corporate Officer

Kazuhiro Iwata
Senior Corporate Officer

Masayuki Okada
Superior Corporate Officer

Michihiko Tsunoda
Superior Corporate Officer

Corporate Officer

Minoru Tasaki
Kouichi Ishiyama
Hirokazu Konishi
Hiroki Hyodo
Keiji Matsuo
Noboru Saito
Shinobu Sasao
Kazuo Nagai
Yasuhide Hatta
Koji Katsuya
Hirofumi Hashimoto
Kazuo Sato

Overview and Analysis of the Results for FY2014

Financial Highlights

- Net sales fell 4.8% year-on-year, to ¥269,155 million, reflecting a decrease in product sales, among other factors.
- Operating income rose 14.1% year-on-year, to ¥10,925 million, due to factors including an improvement in service profits.
- Net income increased 14.9%, to ¥7,246 million, partly due to the contribution made by the gain on sales of securities.

During FY2014, the Japanese economy continued to gradually improve, with signs of improvement in corporate earnings among other encouraging developments. In the domestic information services market, there was a gradual increase in software investment and a full-fledged recovery is expected to continue. However, we recognize that the Group continues to face a harsh operating environment as there are concerns over Japan's economy suffering downward pressure from factors such as uncertain global conditions as well as intensified competition in the industry.

Analysis of Results of Operations

Net Sales

Consolidated net sales fell 4.8% year-on-year to ¥269,155 million due to a decrease in sales of hardware, system services, and support services, despite strong outsourcing sales.

Financial results for each segment are as follows.

System Services

The System Services segment consists of contracted software development, system-related services, and consulting. Net sales in this segment fell 2.9%, to ¥83,404 million, and segment profit increased 31.0%, to ¥21,215 million.

Support Services

The Support Services segment consists of support services for software, maintenance services for hardware, and installation services, etc. Net sales in this segment fell 4.2%, to ¥55,246 million, and segment profit decreased 11.0%, to ¥16,331 million.

Outsourcing

The Outsourcing segment consists of the contracted administration of information systems and other services. Net sales in this segment rose 9.4%, to ¥38,646 million, and segment profit increased 7.5%, to ¥7,668 million.

Software

The Software segment consists of the provision of software under a user license agreement. Net sales in this segment fell 1.9%, to ¥30,728 million, and segment profit declined 9.4%, to ¥8,692 million.

Hardware

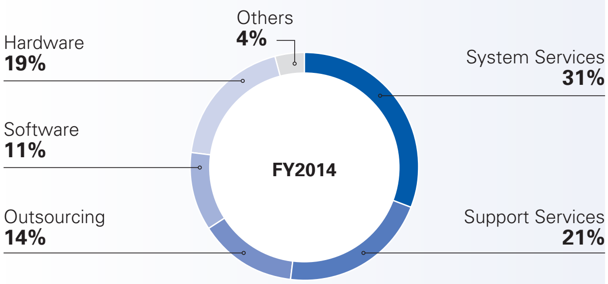
The Hardware segment consists of the provision of hardware under a sales or lease contract. Net sales in this segment declined 18.8%, to ¥51,337 million, and segment profit decreased 29.7%, to ¥6,985 million.

Others

The Other segment comprises businesses such as equipment installation not included in reportable segments. Net sales in this segment rose 5.4%, to ¥9,794 million, and segment profit increased 5.6%, to ¥2,551 million.

Note: Segment profit has been adjusted based on operating income as recorded on the Company's consolidated statement of income. The total of all above segment profit figures is ¥63,442 million. By deducting the reconciliations amount of ¥52,517 million, which includes research and development costs, amortization of goodwill, and selling, general and administrative expenses not allocated to specific segments, the operating income figure of ¥10,925 million will be reached. The figures above do not include consumption tax, etc.

Composition of Net Sales by Segment



Net Sales by Segment (Millions of Yen)

	FY2013	FY2014	Change
System Services	85,861	83,404	–2.9%
Support Services	57,666	55,246	–4.2%
Outsourcing	35,336	38,646	+9.4%
Software	31,338	30,728	–1.9%
Hardware	63,197	51,337	–18.8%
Others	9,293	9,794	+5.4%
Total	282,691	269,155	–4.8%

Operating Income

Gross profit decreased ¥168 million (0.3%) year-on-year, to ¥63,442 million, due to lower net sales.

Selling, general and administrative expenses fell ¥1,519 million (2.8%), to ¥52,517 million as a result of a ¥306 million decrease in selling expenses and a ¥1,213 million decreases in general and administrative expenses achieved through efforts to control costs such as employee compensation and R&D costs.

As a result of the above, operating income increased ¥1,350 million (14.1%), to ¥10,925 million.

Net Income

Net income amounted to ¥7,246 million, up 14.9%, due to factors including the recording of a special retirement expenses of ¥1,401 million. Because net income was ¥6,305 million in the previous fiscal year due to the posting of a ¥1,605 million loss on impairment of long-lived assets for outsourcing, among other factors, net income increased by ¥941 million this year.

Analysis of Financial Condition

Analysis of the Balance Sheet

At the end of FY2014, total assets amounted to ¥199,772 million, representing a year-on-year decrease of ¥2,696 million. Total current assets were down ¥5,788 million as the ¥1,292 million increase in prepaid expenses was outweighed by decreases of ¥5,397 million in cash and cash equivalents and ¥3,868 million in inventories. Total non-current assets increased ¥3,092 million due to a ¥1,822 million increase (net) in machinery and equipment and a ¥1,752 million increase in investment securities, which offset a ¥3,056 million decrease in deferred tax assets.

Total liabilities decreased ¥8,654 million, to ¥117,796 million due to factors including the redemption of bonds.

Total equity increased ¥5,959 million, to ¥81,976 million, due to factors including an increase in defined retirement benefit plans. The equity ratio improved 3.7 percentage points, to 40.6%.

Analysis of Cash Flows

Cash and cash equivalents at the end of FY2014 decreased ¥5,397 million, to ¥23,326 million. This was because net cash provided by operating activities was used for investment in computers for sales activities and software for outsourcing purposes along with the redemption of bonds.

● Cash Flows from Operating Activities

Net cash provided by operating activities in FY2014 totaled ¥18,037 million (an increase of ¥6,148 million from the previous fiscal year). One factor behind this result was proceeds of ¥11,226 million in the form of income before income taxes and minority interests (up ¥3,067 million from the previous fiscal year). Major factors increasing cash included the non-cash item of depreciation and amortization of ¥9,747 million (which had the effect of decreasing cash by ¥436 million from the previous fiscal year) and a decrease in inventories of ¥3,868 million (which had the effect of increasing cash by ¥8,820 million from the previous fiscal year). These items offset major factors decreasing cash, including decrease in allowance for loss on contract development of ¥1,584 million (which had the effect of decreasing cash by ¥3,098 million from the previous fiscal year).

● Cash Flows from Investing Activities

Net cash used in investing activities was ¥10,548 million (up ¥2,259 million compared with the previous fiscal year).This mainly reflected the fact that the Company used ¥5,258 million (up ¥2,226 million compared with the previous fiscal year) for payments for purchases of property, plant and equipment, such as computers for sales activities, and ¥7,721 million (up ¥2,265 million compared with the previous fiscal year) for payment for purchases of soft ware, mainly consisting of investments in software for outsourcing purposes.

● Cash Flows from Financing Activities

Net cash used in financing activities was ¥12,887 million (up ¥12,735 million from the previous fiscal year). This was largely due to outflow in the form of increase of repayments of long-term debt of ¥13,940 million (up ¥11,650 million from the previous fiscal year).

Working Capital Requirements

The Nihon Unisys Group requires sufficient working capital to pay for outsourced systems and support services as well as to procure computers and software for sales purposes and to purchase computers and software for leasing and outsourcing purposes. Working capital is also required to meet operating expenses such as manufacturing costs and selling, general and administrative expenses. Operating costs consist primarily of personnel costs, sales support costs, and research and development costs. The main components of sales support costs and research and development costs expenditure are personnel costs for system engineers involved in sales support and research and development. For the working capital required these purpose, we appropriate net cash provided by operating activities.

To ensure reliable, flexible access to funds and to improve our financial efficiency, the Group has established commitment lines with four banks. As of March 31, 2015, the total available balance ("unused balance of the commitment lines") was ¥11,500 million.

Dividend Policy

In accordance with a basic policy of providing dividends in line with performance, the Company will seek to continue delivering stable shareholder returns based on the understanding that the increase of corporate value is the most important means of repaying shareholders. Decisions about the specific dividend amount will be made with due consideration for securing internal reserves for business development and with comprehensive consideration of the business environment.

The Company's articles of incorporation stipulate that an interim dividend can be provided based on a resolution by the Board of Directors with September 30 as the base date, and accordingly the basic policy is to provide dividends from surpluses two times per year, consisting of an interim dividend in addition to the year-end dividend upon resolution at the shareholders' meeting.

For FY2014, in consideration of the business results for the fiscal year under review, the Company paid annual dividends of ¥20.00 per share consisting of an interim dividend of ¥10.00 per share and a year-end dividend of ¥10.00 per share, an increase in the annual dividend of ¥5.00 per share from the previous fiscal year.

FY2015 Outlook

We plan to post consolidated net sales of ¥280,000 million in FY2015, representing a year-on-year increase of 4.0%.

In terms of profits, through increased net sales as well as boosted profitability in the System Services segment, we forecast a 14.4% year-on-year increase in operating income, to ¥12,500 million, and a 17.3% increase in profit attributable to owners of parent to ¥8,500 million.

Because the Company expects to record increased income for FY2015, the Company plans to pay increased annual dividends of ¥30.00 per share, consisting of an interim dividend of ¥15.00 per share and a year-end dividend of ¥15.00 per share.

Consolidated Performance Forecasts for FY2015 (Millions of Yen)

	FY2014	FY2015 (Forecast)	Change
Net Sales	269,155	280,000	+4.0%
Operating Income	10,925	12,500	+14.4%
Profit Attributable to Owners of Parent	7,246	8,500	+17.3%

Risks in Business Operations

Risks related to the Group's businesses and finances described in this report that have the possibility of having a material effect on the decisions of investors are as follows.

Note that forward-looking statements contained in this document are based on the understanding of the Group as of the end of the fiscal year under review.

(1) Impact from Economic Trends and the Market Environment

The business results and financial conditions of the Group may be affected by a number of factors including reluctance to invest in information systems, unexpectedly intense price competition, and delayed response to technological advancement due to economic trends and shifts in the information service market. They may also be affected by a worsening of the business environment as a result of changes in regulations and systems such as laws, taxation, and accounting systems or changes in social infrastructure such as power and communications.

(2) Project Management Risks

The Group is engaged in many different system development projects. However, intensified competition has meant that customers are continually demanding more sophisticated systems, resulting in projects becoming increasingly complex. Accordingly, if a problem arises in a development project, there is a risk that the problem would require greater-than-expected costs and time to resolve, which could lead to a cost overrun. To avoid such a risk, the Group has instituted a thorough and multifaceted system for assessing risk in the Project Review Committee at both the proposal and implementation stage. It is also working to implement effective measures for preventing cost overruns and detecting problems at an early stage by enhancing the project management system, increasing productivity by systematizing and standardizing the system development method, and implementing the Andon system, which detects problems in a project at an early stage, as well as implementing a cycle of improvement that includes the review of problems to ascertain their true causes and implement fundamental countermeasures.

(3) System Failure Risks

The systems and services provided by the Group have a significant effect on important administrative systems of customers and on social infrastructure. In the event of a major failure due to a system malfunctioning, an operational mistake, etc., involving these systems and services, the business results of the Group could be affected by such factors as a decline in society's trust in the Group, a decline in the Group's brand image, and the payment of compensation for damages that have occurred.

Accordingly, the Group determines quality standards, such as the categorization of systems in use by their degree of social importance, problem occurrence rates, and the number of days needed to complete the response to a problem, and establishes systems to respond to problems. In addition, in regard to the occurrence of problems, the Group is working to provide information to related in-house departments through a problem reporting system and to rapidly implement responses to problems. The Group is also working to raise the quality of systems in use by implementing evaluation and improvement activities through periodic system maintenance.

(4) Risks Associated with Investment Decisions

The Group makes large investments with the aim of providing new products and services to strengthen its competitiveness and expand its businesses. When such investments are made, the Project Review Committee, the R&D / Investment Committee and above them the Executive Council carefully determine the appropriateness of business plans and other factors. However, there is no guarantee that an adequate return on investment will always be achieved. If the Group is unable to achieve an adequate return, then its business results may be affected.

(5) Information Control Risks

The Group has many opportunities to access customers' confidential personal and / or corporate information, as well as information on the Group itself, through business activities related to the development and provision of information systems. We therefore consider information control to be a top priority in order to hold information in strict confidence, and take all possible measures for appropriate management of information as a member of the ICT industry. To cope with the small possibility of an information leak in an emergency case that is beyond conventional imagination, the Group has insurance contracts to address the situation up to a certain extent. However, in the case that damage repair expenses are higher than the overall amount of contract coverage, or in the case that the leak has resulted in severe damage to the Group's reputation, there is the possibility that the business results and financial conditions of the Group would be severely affected.

(6) Risks Associated with Retention of Skilled Engineers

The shortage of skilled engineers in the information service industry is a significant issue. If we are unable to recruit high-caliber engineers to meet our needs, this could have a material impact on the Group's ability to secure technological advantages. The Company is working to address this issue by creating an environment in which Group personnel can acquire high-level skills. To this end, we have instituted a wide range of personnel development measures, including career planning and other support systems as well as programs to enhance employee abilities.

(7) Intellectual Property Rights Risks

The Group applies intellectual property rights to a large number of computer programs for its business operations. Thus, any failure in the acquisition or maintenance of licenses as scheduled could affect the Group's business activities. In addition, there is a possibility that the Group may be one of the parties concerned with intellectual property rights litigation on computer programs and, as a result, any incurred expenses could affect the Group's business results.

(8) Risks Associated with Key Supplier Relations

We procure hardware from suppliers in Japan and overseas such as Unisys Corporation, and provide them to customers. For this reason, changes to product specifications or the suspension of the supply of products due factors such as unforeseen changes in the business strategy or deterioration in the business conditions of supplier companies could affect the Group's business results.

In addition, we handle the import, sales, and maintenance services of Unisys Corporation-made computers and other products in Japan, while Unisys Corporation grants us the use of its trademarks, technical information, and assistance. The trading relationship with Unisys Corporation has been secure, but if the relationship became unbalanced and could not be sustained, this would have a material impact on the Group's business results.

(9) Exchange Rate Fluctuation Risks

The Group imports and sells Unisys Corporation-made computers and other foreign-made products. Thus, the Group's procurements in foreign currency denominations could be exposed to fluctuations in foreign exchange rates. To avoid such risks, the Group takes risk-hedging measures through forward exchange contracts. The Group's purchase of foreign-currency denominations totaled ¥17,255 million for the fiscal year under review.

(10) Compliance Risk

The Group's business activities are exposed to the risk of lawsuits and legal action by third parties, and depending on the outcomes of such events it could result in having to pay unexpectedly large amounts of damage compensation and ultimately affect the Group's business results. For this reason, the Group has established the Nihon Unisys Group Action Guidelines and the Group Compliance Basic Regulations, based on which all of the Group's employees conduct ethical behavior in compliance with laws and regulations, social norms, and in-house regulations.

(11) Natural Disaster Risks

The occurrence of a natural disaster, such as an earthquake or infectious disease outbreak, could cause damage to or otherwise result in the loss of social infrastructure of one or more of the Group's major business bases. Such a disaster could also impact many of our suppliers or employees or result in a situation in which the Group must restrict its business activities to ensure the safety or maintain the well-being of such suppliers or employees. Were such a disaster to occur, the Group may have to incur significant expenses to respond to the damages, which could greatly impact service provision or other business activities and ultimately affect the Group's business results. Therefore, in preparation for such an occurrence or a situation where such an occurrence is anticipated, the Group is striving to establish a structure based on which its operations could be maintained.

Consolidated Financial Statements

Consolidated Balance Sheet

Nihon Unisys, Ltd. and Consolidated Subsidiaries
March 31, 2015

ASSETS	Millions of Yen 2015	Millions of Yen 2014	Thousands of U.S. Dollars (Note 1) 2015
Current Assets:			
Cash and cash equivalents (Notes 3 and 15)	**¥23,326**	¥28,724	**$194,108**
Accounts receivable—trade (Notes 5 and 15)	**68,121**	67,958	**566,872**
Inventories (Note 6)	**9,901**	13,769	**82,392**
Deferred tax assets (Note 9)	**5,919**	6,291	**49,255**
Other	**15,451**	11,716	**128,576**
Allowance for doubtful accounts	**(144)**	(97)	**(1,198)**
Total current assets	**122,574**	128,361	**1,020,005**
Property, Plant and Equipment:			
Land	**619**	619	**5,151**
Buildings and structures (Note 7)	**12,193**	12,127	**101,465**
Machinery and equipment (Note 7)	**39,821**	44,934	**331,372**
Other	**1,581**	1,714	**13,156**
Total	**54,214**	59,394	**451,144**
Accumulated depreciation	**(40,103)**	(47,239)	**(333,719)**
Net property, plant and equipment	**14,111**	12,155	**117,425**
Investments and Other Assets:			
Investment securities (Notes 4 and 15)	**16,434**	14,738	**136,756**
Investments in associated companies	**1,591**	1,534	**13,240**
Goodwill	**1,798**	1,935	**14,962**
Software (Note 7)	**19,076**	18,815	**158,742**
Lease deposits	**7,865**	7,889	**65,449**
Asset for retirement benefits (Note 10)	**7,177**	7,124	**59,724**
Deferred tax assets (Note 9)	**1,033**	4,090	**8,596**
Other	**8,113**	5,827	**67,512**
Total investments and other assets	**63,087**	61,952	**524,981**
Total	**¥199,772**	¥202,468	**$1,662,411**

See notes to consolidated financial statements.

LIABILITIES AND EQUITY	Millions of Yen 2015	Millions of Yen 2014	Thousands of U.S. Dollars (Note 1) 2015
Current Liabilities:			
Short-term bank loans (Notes 8 and 15)	**¥4,000**	¥750	**$33,286**
Current portion of long-term debt (Notes 8 and 15)	**15,115**	13,940	**125,780**
Accounts payable—trade (Note 15)	**25,231**	24,435	**209,961**
Accounts payable—other	**2,323**	1,844	**19,331**
Income taxes payable (Note 9)	**383**	541	**3,187**
Accrued expenses	**7,692**	7,686	**64,009**
Advances received	**12,214**	12,764	**101,639**
Allowance for loss on contract development	**1,688**	3,272	**14,047**
Other (Note 14)	**9,002**	6,036	**74,911**
Total current liabilities	**77,648**	71,268	**646,151**
Long-Term Liabilities:			
Long-term debt (Notes 8 and 15)	**21,655**	36,770	**180,203**
Convertible bonds (Notes 8 and 15)	**15,088**	15,163	**125,555**
Long-term accounts payable—other	**143**	48	**1,190**
Liability for retirement benefits (Note 10)	**881**	1,158	**7,331**
Deferred tax liabilities (Note 9)	**66**	33	**549**
Asset retirement obligations	**1,335**	1,308	**11,109**
Other (Note 14)	**980**	703	**8,156**
Total long-term liabilities	**40,148**	55,183	**334,093**
Commitments and Contingent Liabilities (Notes 14 and 17)			
Equity (Notes 11 and 12):			
Common stock—authorized, 300,000,000 shares; issued, 109,663,524 shares in 2015 and 2014	**5,483**	5,483	**45,627**
Capital surplus	**15,282**	15,282	**127,170**
Stock acquisition rights	**367**	661	**3,054**
Retained earnings	**68,032**	68,268	**566,131**
Treasury stock—at cost 15,623,600 shares in 2015 and 15,651,708 shares in 2014	**(19,283)**	(19,318)	**(160,464)**
Deposit for subscriptions to treasury shares	**3**		**25**
Accumulated other comprehensive income:			
Net unrealized gain on available-for-sale securities	**5,511**	3,437	**45,860**
Deferred loss on derivatives under hedge accounting	**(11)**	(21)	**(92)**
Defined retirement benefit plans	**6,004**	1,666	**49,963**
Total	**81,388**	75,458	**677,274**
Minority interests	**588**	559	**4,893**
Total equity	**81,976**	76,017	**682,167**
Total	**¥199,772**	¥202,468	**$1,662,411**

Consolidated Statement of Income

Nihon Unisys, Ltd. and Consolidated Subsidiaries
Year Ended March 31, 2015

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2015	2014	**2015**
Net sales	**¥269,155**	¥282,691	**$2,239,785**
Cost of sales (Note 10)	**205,713**	219,080	**1,711,850**
Gross profit	**63,442**	63,611	**527,935**
Selling, general and administrative expenses (Notes 10 and 13)	**52,517**	54,036	**437,022**
Operating income	**10,925**	9,575	**90,913**
Other income (expenses):			
Interest and dividend income	**496**	421	**4,127**
Interest expense	**(401)**	(518)	**(3,337)**
Gain on sales of investment securities (Note 4)	**1,249**	325	**10,394**
Loss on impairment of investment securities	**(22)**	(577)	**(183)**
Foreign exchange gain	**77**	262	**641**
Loss on impairment of long-lived assets (Note 7)	**(111)**	(1,605)	**(924)**
Equity in earnings of associated companies	**54**	44	**449**
Loss on sales and retirement of noncurrent assets	**(124)**	(95)	**(1,032)**
Gain on reversal of subscription rights to shares	**290**	266	**2,413**
Gain on revision of retirement benefit plan	**152**		**1,265**
Special retirement expenses	**(1,401)**		**(11,658)**
Other—net	**42**	60	**350**
Other expenses—net	**301**	(1,417)	**2,505**
Income before income taxes and minority interests	**11,226**	8,158	**93,418**
Income taxes (Note 9):			
Current	**480**	887	**3,995**
Deferred	**3,443**	942	**28,651**
Total income taxes	**3,923**	1,829	**32,646**
Net income before minority interests	**7,303**	6,329	**60,772**
Minority interests in net gain	**57**	24	**474**
Net income	**¥7,246**	¥6,305	**$60,298**
Per Share Amounts (Notes 2.t and 19):	*Yen*		***U.S. Dollars***
Basic net income	**¥77.07**	¥67.08	**$0.64**
Diluted net income	**66.72**	59.49	**0.56**
Cash dividends applicable to the year	**20.00**	15.00	**0.17**

See notes to consolidated financial statements.

Consolidated Statement of Comprehensive Income

Nihon Unisys, Ltd. and Consolidated Subsidiaries
Year Ended March 31, 2015

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2015	2014	**2015**
Net income before minority interests	**¥7,303**	¥6,329	**$60,772**
Other comprehensive income (Note 18):			
Unrealized gain on available-for-sale securities	**2,074**	1,480	**17,259**
Deferred gain (loss) on derivatives under hedge accounting	**10**	(7)	**83**
Remeasurements of defined benefit plans, net of tax	**4,339**		**36,107**
Total other comprehensive income	**6,423**	1,473	**53,449**
Comprehensive income	**¥13,726**	¥7,802	**$114,221**
Total comprehensive income attributable to (Note 18):			
Owners of the parent	**¥13,669**	¥7,778	**$113,747**
Minority interests	**57**	24	**474**

See notes to consolidated financial statements.

Consolidated Statement of Changes in Equity

Nihon Unisys, Ltd. and Consolidated Subsidiaries
Year Ended March 31, 2015

	Thousands	*Millions of Japanese Yen*					
	Outstanding number of shares of common stock	Common stock	Capital surplus	Stock acquisition rights	Retained earnings	Treasury stock -at cost	Deposit for subscriptions to treasury shares
Balance, April 1, 2013	93,991	¥5,483	¥15,282	¥858	¥63,141	¥(19,344)	
Net income					6,305		
Cash dividends					(1,175)		
Net changes in items	21			(197)	(3)	26	
Net changes during the year	21			(197)	5,127	26	
Balance, March 31, 2014	94,012	5,483	15,282	661	68,268	(19,318)	
Cumulative effect of accounting change					(5,833)		
Balance, April 1, 2014 (as restated)	94,012	5,483	15,282	661	62,435	(19,318)	
Net income					7,246		
Cash dividends					(1,645)		
Purchase of treasury stock	(1)					(1)	
Disposal of treasury stock	29				(4)	36	
Deposit for subscriptions to treasury shares							3
Net changes in items				(294)			
Net changes during the year	28			(294)	5,597	35	3
Balance, March 31, 2015	94,040	¥5,483	¥15,282	¥367	¥68,032	¥(19,283)	¥3

	Millions of Japanese Yen					
	Accumulated other comprehensive income					
	Net unrealized gain (loss) on available-for-sale securities	Deferred gain (loss) on derivatives under hedge accounting	Defined retirement benefit plans	Total	Minority interests	Total equity
Balance, April 1, 2013	¥1,958	(¥14)		¥67,364	¥553	¥67,917
Net income				6,305		6,305
Cash dividends				(1,175)	(18)	(1,193)
Net changes in items	1,479	(7)	1,666	2,964	24	2,988
Net changes during the year	1,479	(7)	1,666	8,094	6	8,100
Balance, March 31, 2014	3,437	(21)	1,666	75,458	559	76,017
Cumulative effect of accounting change				(5,833)		(5,833)
Balance, April 1, 2014 (as restated)	3,437	(21)	1,666	69,625	559	70,184
Net income				7,246		7,246
Cash dividends				(1,645)	(28)	(1,673)
Purchase of treasury stock				(1)		(1)
Disposal of treasury stock				32		32
Deposit for subscriptions to treasury shares				3		3
Net changes in items	2,074	10	4,338	6,128	57	6,185
Net changes during the year	2,074	10	4,338	11,763	29	11,792
Balance, March 31, 2015	¥5,511	¥(11)	¥6,004	¥81,388	¥588	¥81,976

	Thousands	*Thousands of U.S. Dollars (Note 1)*					
	Outstanding number of shares of common stock	Common stock	Capital surplus	Stock acquisition rights	Retained earnings	Treasury stock -at cost	Deposit for subscriptions to treasury shares
Balance, March 31, 2014	94,012	$45,627	$127,170	$5,501	$568,095	$(160,756)	
Cumulative effect of accounting change					$(48,539)		
Balance, April 1, 2014 (as restated)	94,012	$45,627	$127,170	$5,501	$519,556	$(160,756)	
Net income					60,298		
Cash dividends					(13,689)		
Purchase of treasury stock	(1)					(8)	
Disposal of treasury stock	29				(34)	300	
Deposit for subscriptions to treasury shares							25
Net changes in items				(2,447)			
Net changes during the year	28			(2,447)	46,575	292	25
Balance, March 31, 2015	94,040	$45,627	$127,170	$3,054	$566,131	$(160,464)	$25

	Thousands of U.S. Dollars (Note 1)					
	Accumulated other comprehensive income					
	Net unrealized gain (loss) on available-for-sale securities	Deferred gain (loss) on derivatives under hedge accounting	Defined retirement benefit plans	Total	Minority interests	Total equity
Balance, March 31, 2014	$28,601	$(175)	$13,864	$627,927	$4,652	$632,579
Cumulative effect of accounting change				($48,539)		($48,539)
Balance, April 1, 2014 (as restated)	$28,601	$(175)	$13,864	$579,388	$4,652	$584,040
Net income				60,298		60,298
Cash dividends				(13,689)	(233)	(13,922)
Purchase of treasury stock				(8)		(8)
Disposal of treasury stock				266		266
Deposit for subscriptions to treasury shares				25		25
Net changes in items	17,259	83	36,099	50,994	474	51,468
Net changes during the year	17,259	83	36,099	97,886	241	98,127
Balance, March 31, 2015	$45,860	$(92)	$49,963	$677,274	$4,893	$682,167

Consolidated Statements of Cash Flows

Nihon Unisys, Ltd. and Consolidated Subsidiaries
Thousands of Year Ended March 31, 2015

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2015	2014	**2015**
Operating Activities:			
Income before income taxes and minority interests	**¥11,226**	¥8,158	**$93,418**
Adjustments for:			
Income taxes paid	**(1,107)**	(555)	**(9,212)**
Loss on impairment of long-lived assets	**111**	1,605	**924**
Depreciation and amortization	**9,747**	10,183	**81,110**
Amortization of goodwill	**137**	138	**1,140**
Gain on sales of investment securities	**(1,249)**	(237)	**(10,394)**
Loss on impairment of investment securities	**22**	577	**183**
(Increase) decrease in accounts receivable—trade	**(163)**	1,232	**(1,356)**
Decrease (increase) in inventories	**3,868**	(4,952)	**32,188**
Decrease in interest and dividends receivable	**3**	1	**25**
Increase in asset for retirement benefits	**(6,551)**	(5,601)	**(54,514)**
Increase in defined retirement benefit plans	**4,339**	1,666	**36,107**
Increase (decrease) in accounts payable—trade	**796**	(1,083)	**6,624**
Decrease in interest payable	**(85)**	(64)	**(707)**
Increase in accrued expenses	**13**	361	**108**
Increase (decrease) in deposit received	**503**	(551)	**4,185**
(Decrease) increase in liability for retirement benefits	**(2,243)**	114	**(18,665)**
(Decrease) increase in allowance for loss on contract development	**(1,584)**	1,514	**(13,181)**
Decrease in other allowance	**(238)**	(254)	**(1,981)**
Other—net	**492**	(363)	**4,094**
Total adjustments	**6,811**	3,731	**56,678**
Net cash provided by operating activities	**18,037**	11,889	**150,096**
Investing Activities:			
Proceeds from sales of property, plant and equipment	**243**	54	**2,022**
Payments for purchases of property, plant and equipment	**(5,258)**	(3,031)	**(43,755)**
Payments for purchases of software	**(7,721)**	(5,455)	**(64,251)**
Proceeds from sales of investment securities	**2,630**	780	**21,886**
Payments for purchases of investment securities	**(457)**	(700)	**(3,803)**
Proceeds from redemption of investment securities	**100**		**832**
Other—net	**(85)**	63	**(707)**
Net cash used in investing activities	**(10,548)**	(8,289)	**(87,776)**
Financing Activities:			
Net increase in short-term bank loans	**3,250**	450	**27,045**
Proceeds from long-term debt		1,150	
Repayments of long-term debt	**(13,940)**	(2,290)	**(116,003)**
Proceeds from issuance of convertible bonds		15,225	
Repayments of other debt	**(550)**	(485)	**(4,577)**
Net decrease in commercial paper		(13,000)	
Purchase of treasury shares	**(1)**	(1)	**(8)**
Proceeds from sale of treasury stock			
Cash dividends	**(1,646)**	(1,175)	**(13,697)**
Cash dividends to minority interests	**(28)**	(18)	**(233)**
Other—net	**28**	(7)	**233**
Net cash used in financing activities	**(12,887)**	(151)	**(107,240)**
Net (decrease) increase in Cash and Cash Equivalents	**(5,398)**	3,449	**(44,920)**
Cash and Cash Equivalents, Beginning of Year	**28,724**	25,275	**239,028**
Cash and Cash Equivalents, End of Year	**¥23,326**	¥28,724	**$194,108**

See notes to consolidated financial statements.

Notes to Consolidated Financial Statements

Nihon Unisys, Ltd. and Consolidated Subsidiaries
Year Ended March 31, 2015

1. Basis of presenting consolidated financial statements

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

In preparing these consolidated financial statements, certain reclassifications and rearrangements have been made to the consolidated financial statements issued domestically in order to present them in a form which is more familiar to readers outside Japan. In addition, certain reclassifications have been made in the 2014 financial statements to conform them to the classifications used in 2015.

The consolidated financial statements are stated in Japanese yen, the currency of the country in which Nihon Unisys, Ltd. (the "Company") is incorporated and operates. The translations of Japanese yen amounts into U.S. dollar amounts are included solely for the convenience of readers outside Japan and have been made at the rate of ¥120.17 to $1, the approximate rate of exchange at March 31, 2015. Such translations should not be construed as representations that the Japanese yen amounts could be converted into U.S. dollars at that or any other rate.

2. Summary of significant accounting policies

(a) Consolidation – The consolidated financial statements as of March 31, 2015 include the accounts of the Company and its 18 (the same as of March 31, 2014) significant subsidiaries and one (the same as of March 31, 2014) associated company accounted for by the equity method (collectively, the "Group").

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

Investments in the remaining 8 (6 as of March 31, 2014) unconsolidated subsidiaries and 10 (9 as of March 31, 2014) associated companies are stated at cost. If the consolidation or equity method of accounting had been applied to the investments in these companies, the effect on the accompanying consolidated financial statements would not be material.

The excess cost of an acquisition over the fair value of subsidiaries' net assets acquired is amortized on a straight-line basis over 20 years.

All significant intercompany balances and transactions have been eliminated in consolidation. All material unrealized profit included in assets resulting from transactions within the Group is eliminated.

(b) Cash equivalents – Cash equivalents are short-term investments that are readily convertible into cash and that are exposed to insignificant risk of changes in value.

Cash equivalents include time deposits, certificates of deposit, commercial paper and bond funds, all of which mature or become due within three months of the date of acquisition.

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

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

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

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

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

Held-to-maturity debt securities, for which there is a positive intent and ability to hold to maturity, are reported at amortized cost.

(e) Allowance for doubtful accounts – The allowance for doubtful accounts is stated at amounts considered to be appropriate based on the Group's past credit loss experience and on evaluation of potential losses in the receivables outstanding.

(f) ***Property, plant and equipment*** – Property, plant and equipment are stated at cost. Depreciation of rental and outsourcing computers included in machinery and equipment is mainly computed by the straight-line method over useful life, principally five years with no residual value.

Depreciation of buildings and structures and other machinery and equipment is mainly computed by the straight-line method.

Useful lives range from 6 to 50 years for buildings and structures. The useful lives for lease assets are the periods of the respective leases. Machinery and equipment held for lease are depreciated by the straight-line method over the respective lease periods.

(g) ***Software*** – Software development costs, incurred through the completion of a Beta version of specific software for sale to the market, are charged to income as incurred. Costs incurred subsequent to the completion of the Beta version are capitalized as software.

Software for sale to the market is amortized at the greater of either the amount to be amortized in proportion of the actual sales of the software during the current year to the estimated total sales over the estimated salable years of the software or the amount to be amortized by the straight-line method over the estimated salable years, principally over three years.

Software for internal use is amortized by the straight-line method over the estimated useful lives, principally over five years. Software held for leasing is depreciated by the straight-line method over the respective lease periods.

(h) ***Long-lived assets*** – The Group reviews its long-lived assets for impairment whenever events or changes in circumstance indicate the carrying amount of an asset or asset group may not be recoverable. An impairment loss is recognized if the carrying amount of an asset or asset group exceeds the sum of the undiscounted future cash flows expected to result from the continued use and eventual disposition of the asset or asset group. The impairment loss would be measured as the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the higher of the discounted cash flows from the continued use and eventual disposition of the asset or the net selling price at disposition.

(i) ***Allowance for loss on contract development*** - The allowance for loss on contract development is provided for an estimated amount of probable losses to be incurred in future years on the software development contracts that cost ¥50 million ($416 thousand) or more.

(j) ***Retirement and Pension Plans*** – The Company and certain subsidiaries have defined benefit corporate pension plans (cash balance plans) and defined contribution pension plans covering substantially all of their employees. Other consolidated subsidiaries have defined benefit pension plans, defined contribution pension plans, and severance lump-sum payment plans. In addition, some of the consolidated subsidiaries have implemented a defined contribution pension plan in the fiscal year ended March 31, 2015, by which part of the defined benefit pension plan was terminated.

Actuarial gains and losses are recognized using the straight-line method over the average of the estimated remaining service period (mainly 10 years for the fiscal years ended March 31, 2015 and 2014) starting in the following year. Prior service cost is amortized in expenses using the straight-line method over the average of the estimated remaining service period (10 years for the fiscal years ended March 31, 2015 and 2014).

The Company and a certain subsidiary participate in the New Career Support Program (the “NCSP”) to assist certain employees in retiring before their mandatory retirement age. The Company and the certain subsidiary provide for the estimated future payments to be paid under the NCSP and include this amount as a liability for retirement benefits.

In May 2012, the ASBJ issued ASBJ Statement No. 26, "Accounting Standard for Retirement Benefits" and ASBJ Guidance No. 25, "Guidance on Accounting Standard for Retirement Benefits," which replaced the accounting standard for retirement benefits that had been issued by the Business Accounting Council in 1998 with an effective date of April 1, 2000, and the other related practical guidance, and were followed by partial amendments from time to time through 2009.

(1) Under the revised accounting standard, actuarial gains and losses and past service costs that are yet to be recognized in profit or loss are recognized within equity (accumulated other comprehensive income), after adjusting for tax effects, and any resulting deficit or surplus is recognized as a liability (liability for retirement benefits) or asset (asset for retirement benefits).

(2) The revised accounting standard does not change how to recognize actuarial gains and losses and past service costs in profit or loss. Those amounts are recognized in profit or loss over a certain period no longer than the expected average remaining service period of the employees. However, actuarial gains and losses and past service costs that arose in the current period and have not yet been recognized in profit or loss are included in other comprehensive income, and actuarial gains and losses and past service costs that were recognized in other comprehensive income in prior periods and then recognized in profit or loss in the current period shall be treated as reclassification adjustments.

(3) The revised accounting standard also made certain amendments relating to the method of attributing expected benefit to preiods, the discount rate, and expected future salary increases.

This accounting standard and the guidance for (1) and (2) above are effective for the beginning of annual periods beginning on or after April 1, 2013, and for (3) above are effective for the beginning of annual periods beginning on or after April 1, 2014, or for the beginning of annual periods beginning on or after April 1, 2015, subject to certain disclosure in March 2015, all with earlier application being permitted form the beginning of annual periods beginning on or after April 1, 2013. However, no retrospective application of this accounting standard to consolidated financial statement in prior periods is required.

The company applied the revised accounting standard and guidance for retirement benefits for (1) and (2) above, effective March 31,2014, and for (3) above, effective April 1, 2014.

With respect to (3) above, the company changed the method of attributing the expected benefit to periods form a straight-line basis to a benefit formula basis, the method of determining the discount rate from using the period which approximates the expected average remaining service period to using a single weighted average discount rate reflecting the estimated timing and amount of benefit payment, and recorded the effect of (3) above as of April 1, 2014, in retained earnings.

As a result, liability for retirement benefits as of April 1, 2014, increased by ¥8,566 million ($71,282 thousand), retained earnings as of April 1, 2014, decreased by ¥5,833 million ($48,539 thousand), and operating income and income before income taxes and minority interests for the year ended March 31, 2015, increased by ¥373 million ($3,104 thousand). In addition, basic net increased by ¥2.65 ($0.02) and ¥2.31 ($0.02), respectively.

(k) ***Asset Retirement Obligations*** – In March 2008, the ASBJ issued, ASBJ Statement No. 18, "Accounting Standard for Asset Retirement Obligations" and ASBJ Guidance No. 21, "Guidance on Accounting Standard for Asset Retirement Obligations." Under this accounting standard, an asset retirement obligation is defined as a legal obligation imposed either by law or contract that results from the acquisition, construction, development and the normal operation of a tangible fixed asset and is associated with the retirement of such tangible fixed asset. The asset retirement obligation is recognized as the sum of the discounted cash flows required for the future asset retirement and is recorded in the period in which the obligation is incurred if a reasonable estimate can be made. If a reasonable estimate of the asset retirement obligation cannot be made in the period the asset retirement obligation is incurred, the liability should be recognized when a reasonable estimate of the asset retirement obligation can be made. Upon initial recognition of a liability for an asset retirement obligation, an asset retirement cost is capitalized by increasing the carrying amount of the related fixed asset by the amount of the liability. The asset retirement cost is subsequently allocated to expense through depreciation over the remaining useful life of the asset. Over time, the liability is accreted to its present value each period. Any subsequent revisions to the timing or the amount of the original estimate of undiscounted cash flows are reflected as an adjustment to the carrying amount of the liability and the capitalized amount of the related asset retirement cost.

(l) ***Stock options*** – ASBJ Statement No. 8, "Accounting Standard for Stock Options" and related guidance are applicable to stock options granted on and after May 1, 2006.

This standard requires companies to measure the cost of employee stock options based on the fair value at the date of grant and recognize compensation expense over the vesting period as consideration for receiving goods or services. The standard also requires companies to account for stock options granted to nonemployees based on the fair value of either the stock option or the goods or services received. In the consolidated balance sheet, stock options are presented as stock acquisition rights as a separate component of equity until exercised.

The Group has applied the accounting standard for stock options to those granted on and after May 1, 2006.

(m) ***Construction contracts*** – For software development contracts that cost ¥50 million ($416 thousand) or more for the fiscal years ended March 31, 2015 and 2014, the percentage-of-completion method is adopted only if the percentage of completion can be reasonably determined. For other contracts, the completed-contract method is applied.

The percentage of completion is evaluated by Earned Value Management ("EVM"). EVM divides deliverables defined on the contract, such as software and related documents, by work phase. EVM defines percentages of completion as the ratio of earned value of work phase completed during the fiscal year divided by the entire work phase.

(n) ***Research and development costs*** – Research and development costs are charged to income as incurred.

(o) ***Leases*** – In March 2007, the ASBJ issued ASBJ Statement No. 13, "Accounting Standard for Lease Transactions," which revised the previous accounting standard for lease transactions issued in June 1993. The revised accounting standard for lease transactions was effective for fiscal years beginning on or after April 1, 2008.

Under the previous accounting standard, finance leases that were deemed to transfer ownership of the leased property to the lessee were to be capitalized. However, other finance leases were permitted to be accounted for as operating lease transactions if certain "as if capitalized" information was disclosed in the notes to the lessee's financial statements. The revised accounting standard requires that all finance lease transactions should be capitalized to recognize lease assets and lease obligations in the balance sheet. In addition, the revised accounting standard permits leases which existed at the transition date and which do not transfer ownership of the leased property to the lessee to be accounted for as operating lease transactions.

The Group applied the revised accounting standard effective April 1, 2008. In addition, the Group accounted for leases which existed at the transition date and which do not transfer ownership of the leased property to the lessee as operating lease transactions.

The adoption of this standard had no effect on the Company's consolidated statement of income.

All other leases are accounted for as operating leases.

(p) Income taxes – The provision for income taxes is computed based on the pretax income included in the consolidated statement of income. The asset and liability approach is used to recognize deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts and the tax bases of assets and liabilities. Deferred taxes are measured by applying currently enacted tax laws to the temporary differences.

The Company and certain of its subsidiaries have applied the consolidated taxation system from the year ended March 31, 2013.

(q) Appropriations of retained earnings – Appropriations of retained earnings are reflected in the financial statements for the following year upon shareholders' approval.

(r) Foreign currency transactions – All short-term and long-term monetary receivables and payables denominated in foreign currencies are translated into Japanese yen at the exchange rates at the balance sheet date. The foreign exchange gains and losses from translation are recognized in the statement of income to the extent that they are not hedged by forward exchange contracts.

(s) Derivatives and hedge accounting – The Company and certain subsidiaries use a variety of derivative financial instruments, including foreign currency forward contracts and interest rate swaps, as a means of hedging exposure to foreign currency and interest rate risks. The Company and certain subsidiaries do not enter into derivatives for trading or speculative purposes.

Derivative financial instruments are classified and accounted for as follows:
(1) All derivatives are recognized as either assets or liabilities and measured at fair value, and gains or losses on trade, except for derivatives which qualify for hedge accounting, are recognized in the consolidated statement of income.
(2) For derivatives used for hedging purposes, if derivatives qualify for hedge accounting because of high correlation and effectiveness between the hedging instruments and the hedged items, gains or losses on derivatives are deferred until maturity of the hedged transactions.

Foreign currency forward contracts are utilized to hedge foreign currency exposures in procurement of merchandise from overseas suppliers. Trade payables denominated in foreign currencies are translated at the contracted rates if the forward contracts qualify for hedge accounting.

Interest rate swaps are utilized to hedge interest rate exposures on certain liabilities. The interest rate swaps which qualify for hedge accounting are measured at market value at the balance sheet date and the unrealized gains or losses are deferred until maturity as other liabilities or assets. However, in cases where interest rate swaps qualify for hedge accounting and meet specific matching criteria, the net amount to be paid or received under the interest rate swap contracts are added to or deducted from the interest on the assets or liabilities for which the swap contract was executed.

(t) Per-share information – Basic net income per share is computed by dividing net income available to common shareholders by the weighted-average number of common shares outstanding for the period.

Diluted net income per share reflects the potential dilution that could occur if securities were exercised or converted into common stock. Diluted net income per share of common stock assumes full exercise of outstanding warrants.

Cash dividends per share presented in the accompanying consolidated statement of income are dividends applicable to the respective years, including dividends to be paid after the end of the year.

(u) Accounting Changes and Error Corrections – In December 2009, the ASBJ issued ASBJ Statement No. 24, "Accounting Standard for Accounting Changes and Error Corrections" and ASBJ Guidance No. 24, "Guidance on Accounting Standard for Accounting Changes and Error Corrections." Accounting treatments under this standard and guidance are as follows:
(1) *Changes in Accounting Policies* – When a new accounting policy is applied following revision of an accounting standard, the new policy is applied retrospectively unless the revised accounting standard includes specific transitional provisions, in which case the entity shall comply with the specific transitional provisions.
(2) *Changes in Presentation* – When the presentation of financial statements is changed, prior-period financial statements are reclassified in accordance with the new presentation.
(3) *Changes in Accounting Estimates* – A change in an accounting estimate is accounted for in the period of the change if the change affects that period only and is accounted for prospectively if the change affects both the period of the change and future periods.
(4) *Corrections of Prior-Period Errors* – When an error in prior-period financial statements is discovered, those statements are restated.

This accounting standard and the guidance are applicable to accounting changes and corrections of prior-period errors which are made from the beginning of the fiscal year that begins on or after April 1, 2013.

(v) New Accounting Pronouncements

Accounting Standards for Business Combinations and Consolidated Financial – In September 2013, the ASBJ issued revised ASBJ Statement No. 21, "Accounting Standard for Business Combinations," revised ASBJ Guidance No. 10, "Guidance on Accounting Standards for Business Combinations and Business Divestitures," and revised ASBJ Statement No. 22, "Accounting Standard for Consolidated Financial Statement."

Major changes are as follows:

(1) *Transactions with noncontrolling interest* - A parent's ownership interest in its subsidiary might change if the parent purchases or sells ownership interests in its subsidiary. The carrying amount of minority interest is adjusted to reflect the change in the parent's ownership interest in its subsidiary while the parent retains its controlling interest in its subsidiary. Under the current accounting standard, any difference between the fair value of consideration received or paid and the amount by which the minority interest is adjusted is accounted for as an adjustment of goodwill or as profit or loss in the consolidated statement of income. Under the revised accounting standard, such difference shall be accounted for as capital surplus as long as the parent retains control over its subsidiary.

(2) *Presentation of the consolidated balance sheet* - In the consolidated balance sheet, "minority interest" under the current accounting standard will be changed to "noncontrolling interest" under the revised accounting standard.

(3) *Presentation of consolidated statement of income* - In the consolidated statement of income, "income before minority interest" under the current accounting standard will be changed to "net income" under the revised accounting standard, and "net income" under the current accounting standard will be changed to "net income attributable to owners of the parent" under the revised accounting standard.

(4) *Provisional accounting treatments for a business combination* - If the initial accounting for a business combination is incomplete by the end of the reporting period in which the business combination occurs, an acquirer shall report in its financial statements provisional amounts for the items for which the accounting is incomplete. Under the current accounting standard guidance, the impact of adjustments to provisional amounts recorded in a business combination on profit or loss is recognized as profit or loss in the year in which the measurement is completed. Under the revised accounting standard guidance, during the measurement period, which shall not exceed one year from the acquisition, the acquirer shall retrospectively adjust the provisional amounts recognized at the aquisition date to reflect new information obtained about facts and circumstances that existed as of the acquisition date and that would have affected the measurement of the amounts recognized as of the date. Such adjustments shall be recognized as if the accounting for the business combination had been complete at the acquisition date.

(5) *Acquisition-related costs* - Acquisition-related costs are costs, such as advisory fees or professional fees, which an acquirer incurs to effect a business combination. Under the current accounting standard, the acquirer accounts for acquisition-related costs by including them in the acquisition costs of investment. Under the revised accounting standard, acquisition-related costs shall be accounted for as expenses in the periods in which the costs are incurred.

The above accounting standards and guidance for (1) transactions with noncontrolling interest, (2) presentation of the consolidated balance sheet, (3) presentation of the consolidated statement of income, and (5) acquisition-related costs are effective for the beginning of annual periods beginning on or after April 1, 2015. Earlier application is permitted from the beginning of annual periods beginning on or April 1, 2014, except for (2) presentation of the consolidated balance sheet and (3) presentation of the consolidated statement of income. In the case of earlier application, all accounting standards and guidance above, except for (2) presentation of the consolidated balance sheet and (3) presentation of the consolidated statement of income, should be applied simultaneously.

Either retrospective or prospective application of the revised accounting standards and guidance for (1) transactions with noncontrolling interest and (5) acquisition-related costs is permitted. In retrospective application of the revised standards and guidance, the accumulated effects of retrospective adjustment for all (1) transactions with noncontrolling interest and (5) acquisition-related costs which occurred in the past shall be reflected as adjustments to the beginning balance of capital surplus and retained earnings for the year of the first-time application. In prospective application, the new standards and guidance shall be applied prospectively from the beginning of the year of the first-time application.

The revised accounting standards and guidance for (2) presentation of the consolidated balance sheet and (3) presentation of the consolidated statement of income shall be applied to all periods presented in financial statements containing the first-time application of the revised standards and guidance.

The revised standards and guidance for (4) provisional accounting treatments for a business combination are effective for a business combination which occurs on or after the beginning of annual periods beginning on or after April 1, 2015. Earlier application is permitted for a business combination which occurs on or after the beggining of annual periods beginning on or after April 1, 2014.

The Company expects to apply the revised accounting standards and guidance for (1), (2), (3) and (5) above from April 1, 2015, and for (4) above for a business combination which will occur on or after April 1, 2015. In addition, the revised accounting standards and guidance for (1) transactions with noncontrolling interest and (5) acquisition-related costs were applied retrospectively. The effects of the application of the revised accounting standards and guidance for 2015 were as follows:
(i) Consolidated balance sheet as of April 1, 2015 - "goodwill" decreased by ¥794 million ($6,607 thousand), "capital surplus" decreased by ¥1,081 million ($8,995 thousand), and "retained earnings" increased by ¥287 million ($2,388 thousand).
(ii) Consolidated statement of changes in equity as of April 1, 2015 - "capital surplus" decreased by ¥1,081 million ($8,995 thousand) and "retained earnings" increased by ¥287 million ($2,388 thousand).
The Company is in the process of determining the impact on the consolidated statement of income and consolidated statement of cash flows, and measuring the effects of applying the revised accounting standards and guidance in future applicable periods.

(W) Changes in Presentation – Reclassifications have been made to prior periods to conform to the current year presentation;

(1) ***Consolidated Balance Sheet*** - "Short-term bank loans" which had been previously included in the "other" among Current Liabilities was separately disclosed as the amount was deemed material.

(2) ***Consolidated statements of Cash Flows*** - "Increase in defined retirement benefit plans" which had been previously included in the "other-net" among Operating Activities was separately disclosed as the amount was deemed material.

3. Cash equivalents

Cash equivalents at March 31, 2015 and 2014 consisted of the following:

	Millions of Yen		*Thousands of U.S. Dollars*
	2015	2014	**2015**
Cash and time deposits	**¥23,326**	¥28,724	**$194,108**
Total	**¥23,326**	¥28,724	**$194,108**

4. Investment securities

Investment securities as of March 31, 2015 and 2014 consisted of the following:

	Millions of Yen		*Thousands of U.S. Dollars*
	2015	2014	**2015**
Current:			
Trust fund investments and other	**¥76**		**$632**
Total	**¥76**		**$632**
Noncurrent:			
Equity securities	**¥15,812**	¥14,156	**$131,580**
Debt securities		100	
Trust fund investments and other	**622**	482	**5,176**
Total	**¥16,434**	¥14,738	**$136,756**

The costs and aggregate fair values of investment securities at March 31, 2015 and 2014, were as follows:

	Millions of Yen			
March 31, 2015	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Available-for-sale securities:				
Equity securities	**¥6,635**	**¥7,926**		**¥14,561**
Other	**236**	**31**		**267**
Total	**¥6,871**	**¥7,957**		**¥14,828**
Held-to-maturity securities	**¥300**		**¥(2)**	**¥298**
March 31, 2014				
Available-for-sale securities:				
Equity securities	¥7,752	¥5,189	¥(64)	¥12,877
Other	343		(24)	319
Total	¥8,095	¥5,189	¥(88)	¥13,196

	Thousands of U.S. Dollars			
March 31, 2015	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Available-for-sale securities:				
Equity securities	**$55,213**	**$65,957**		**$121,170**
Other	**1,964**	**258**		**2,222**
Total	**$57,177**	**$66,215**		**$123,392**
Held-to-maturity securities	**$2,496**		**$(16)**	**$2,480**

Information regarding available-for-sale securities which were sold during the years ended March 31, 2015 and 2014, was as follows:

	Millions of Yen		
March 31, 2015	Proceeds	Realized Gains	Realized Losses
Available-for-sale securities:			
Equity securities	**¥2,424**	**¥1,249**	
Other	**206**		
Total	**¥2,630**	**¥1,249**	
March 31, 2014			
Available-for-sale securities:			
Equity securities	¥780	¥237	
Other			
Total	¥780	¥237	

March 31, 2015	*Thousands of U.S. Dollars* Proceeds	Realized Gains	Realized Losses
Available-for-sale securities:			
Equity securities	**$20,171**	**$10,394**	
Other	**1,714**		
Total	**$21,885**	**$10,394**	

Impairment losses on available-for-sale equity securities for the years ended March 31, 2015 and 2014, were ¥22 million ($183 thousand) and ¥577 million, respectively.

5. Accounts receivable—trade

Costs and estimated earnings recognized with respect to construction contracts which were accounted for by the percentage-of-completion method at March 31, 2015 and 2014, were as follows:

	Millions of Yen		*Thousands of U.S. Dollars*
	2015	2014	**2015**
Costs and estimated earnings	**¥4,883**	¥6,740	**$40,634**
Amount billed	**1,055**	878	**8,779**
Total	**¥3,828**	¥5,862	**$31,855**

6. Inventories

Inventories at March 31, 2015 and 2014, consisted of the following:

	Millions of Yen		*Thousands of U.S. Dollars*
	2015	2014	**2015**
Work in process	**¥2,875**	¥2,909	**$23,924**
Merchandise and finished products	**6,676**	10,489	**55,555**
Supplies	**350**	371	**2,913**
Total	**¥9,901**	¥13,769	**$82,392**

7. Long-lived assets

The Group reviewed its long-lived assets for impairment as of March 31, 2015. As a result, the Group recognized an impairment loss of ¥91 million ($757 thousand) for the asset groups used to provide internal use assets, and ¥19 million ($158 thousand) for the asset groups used to provide application services, due to continuous operating losses of those units and the carrying amounts of the relevant assets were written down to the recoverable amount.

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

Loss on impairment of long-lived assets for the year ended March 31, 2015, consisted of the following:

	Millions of Yen	*Thousands of U.S. Dollars*
Internal use assets:	**2015**	**2015**
Software	**¥91**	**$757**
Total	**¥91**	**$757**
Application services:		
Software	**¥19**	**$158**
Total	**¥19**	**$158**

The Group reviewed its long-lived assets for impairment as of March 31, 2014. As a result, the Group recognized an impairment loss of ¥8 million for the asset groups used to provide application services, and ¥1,597 million for the asset groups used to provide outsourcing, due to continuous operating losses of those units and the carrying amounts of the relevant assets being written down to the recoverable amounts.

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

Loss on impairment of long-lived assets for the year ended March 31, 2014, consisted of the following:

	Millions of Yen
	2014
Application services:	
Software	¥8
Total	¥8
Outsourcing:	
Machinery and equipment	¥19
Software	1,578
Total	¥1,597

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

Short-term bank loans of ¥4,000 million ($33,286 thousand) bore interest at a rate of approximately 0.41% at March 31, 2015.

Long-term debt at March 31, 2015 and 2014, consisted of the following:

	Millions of Yen		*Thousands of U.S. Dollars*
	2015	2014	**2015**
1.39% unsecured bonds due 2015		¥10,000	
Unsecured loans from banks and insurance companies, 0.48% to 1.19%, due serially to 2019	**¥36,770**	40,710	**$305,983**
Euro Yen zero coupon convertible bonds due 2016	**15,088**	15,163	**125,556**
Total	**51,858**	65,873	**431,539**
Less current portion	**(15,115)**	(13,940)	**(125,780)**
Long-term debt, less current portion	**¥36,743**	¥51,933	**$305,759**

The annual maturities of long-term debt as of March 31, 2015, for the next five years were as follows:

Year Ending March 31,	*Millions of Yen*	*Thousands of U.S. Dollars*
2016	**¥15,115**	**$125,780**
2017	**31,103**	**258,825**
2018	**5,640**	**46,934**
2019		
2020		
Total	**¥51,858**	**$431,539**

As is customary in Japan, collateral must be provided under certain circumstances, if requested by a lending bank, and such bank has the right to offset cash deposited with it against any debts or obligations that become due and, in the case of default or certain other specified events, against all debts payable to the bank. The Group has never received such a request.

The issue price of the convertible bonds due in June 2016 is 101.5% of the face value of the bonds. The conversion price was ¥1,114 per share at June 20, 2013. If all the outstanding convertible bonds had been exercised at March 31, 2015, 13,465 thousand shares of common stock would have been issued.
The conversion price of the convertible bonds is subject to adjustments to reflect stock splits and certain other events. In the 71st Ordinary General Meeting of Shareholders held on June 25, 2015, dividend for FY2015 has been determined to ¥20 per share. As a result, the conversion price was adjusted to ¥1,112.1. Each stock acquisition right may be exercised at any time during the period from July 4, 2013 to June 6, 2016.

9. Income taxes

The Group is subject to Japanese national and local income taxes which resulted in a normal effective statutory tax rate of approximately 35.6% for the year ended March 31, 2015 and 38.0% for the year ended March 31, 2014.

The tax effects of significant temporary differences and tax loss carryforwards which resulted in deferred tax assets and liabilities at March 31, 2015 and 2014, were as follows:

	Millions of Yen		*Thousands of U.S. Dollars*
	2015	2014	**2015**
Current assets:			
Deferred tax assets:			
Accrued bonuses	**¥1,945**	¥1,957	**$16,185**
Inventory valuation	**1,062**	1,260	**8,837**
Tax loss carryforwards	**957**	372	**7,964**
Allowance for loss on contract development	**558**	1,180	**4,643**
Accrued business and office taxes	**140**	180	**1,165**
Unrealized profit of inventories	**61**	158	**508**
Others	**1,430**	1,796	**11,900**
Total	**6,153**	6,903	**51,202**
Less valuation allowance	**(222)**	(604)	**(1,847)**
Total	**¥5,931**	¥6,299	**$49,355**

Deferred tax liabilities:			
Deferred gain on derivatives under hedge accounting	**¥(5)**	¥(3)	**$(42)**
Others	**(7)**	(5)	**(58)**
Total	**¥(12)**	¥(8)	**$(100)**
Net current deferred tax assets	**¥5,919**	¥6,291	**$49,255**

Net current deferred tax assets at March 31, 2015, included in the consolidated balance sheet were as follows:

	Millions of Yen	Thousands of U.S. Dollars
Deferred tax assets—current	**¥5,931**	**$49,355**
Deferred tax liabilities—current	**(12)**	**(100)**
Net deferred tax assets—current	**¥5,919**	**$49,255**

	Millions of Yen		Thousands of U.S. Dollars
	2015	2014	**2015**
Noncurrent assets:			
Deferred tax assets:			
Tax loss carryforwards	**¥8,623**	¥9,313	**$71,757**
Loss on impairment of long-lived assets	**2,470**	3,984	**20,554**
Depreciation expense	**2,327**	3,665	**19,364**
Liability for retirement benefits	**191**	367	**1,589**
Deferred gain on derivatives under hedge accounting	**8**	9	**67**
Others	**2,328**	3,386	**19,373**
Total	**15,947**	20,724	**132,704**
Less valuation allowance	**(10,064)**	(12,164)	**(83,748)**
Total	**¥5,883**	¥8,560	**$48,956**
Deferred tax liabilities:			
Asset for retirement benefits	**¥(2,455)**	¥(2,542)	**$(20,429)**
Net unrealized gain on available-for-sale securities	**(2,329)**	(1,667)	**(19,381)**
Others	**(132)**	(294)	**(1,099)**
Total	**¥(4,916)**	¥(4,503)	**$(40,909)**
Net noncurrent deferred tax assets	**¥967**	¥4,057	**$8,047**

Net noncurrent deferred tax assets at March 31, 2015, included in the consolidated balance sheet were as follows:

	Millions of Yen	Thousands of U.S. Dollars
Deferred tax assets—noncurrent	**¥5,883**	**$48,956**
Deferred tax liabilities—noncurrent	**(4,916)**	**(40,909)**
Net deferred tax assets—noncurrent	**¥967**	**$8,047**

A reconciliation between the normal effective statutory tax rates and the actual effective tax rates reflected in the accompanying consolidated statements of income for the years ended March 31, 2015 and 2014, was as follows:

	2015	2014
Normal effective statutory tax rate	**35.6%**	38.0%
Increase (decrease) in valuation allowance	**(20.8)**	(31.9)
Effect of change of tax rate	**16.2**	3.3
Expenses not deductible for income tax purposes	**1.7**	3.0
Amortization of goodwill	**0.4**	0.6
Amount of per capita local tax	**1.0**	0.6
Equity in earnings of associated companies	**(0.2)**	(0.2)
Nontaxable items	**(1.7)**	(1.9)
Effect of difference between effective tax rate and actual effective tax rate	**2.4**	6.3
Effect of application of consolidated taxation system	**(0.2)**	5.7
Other—net	**0.5**	(1.1)
Actual effective tax rat	**34.9%**	22.4%

At March 31, 2015, the Company and certain consolidated subsidiaries have tax loss carryforwards aggregating approximately ¥27,717 million ($230,648 thousand), which are available to be offset against taxable income in future years. These tax loss carryforwards, if not utilized, will expire as follows:

Year Ending March 31,	Millions of Yen	Thousands of U.S. Dollars
2018	**¥1,191**	**$9,911**
2019	**6,614**	**55,039**
2020	**10,939**	**91,029**
2021	**5,487**	**45,660**
2024	**3,485**	**29,001**
Total	**¥27,716**	**$230,640**

New tax reform laws enacted in 2015 in Japan changed the normal effective statutory tax rate for the fiscal year beginning on or after April 1, 2015, to approximately 33.1% from 35.6% and for the fiscal year beginning on or after April 1, 2016, to approximately 32.3%.
In addition, Deduction of net operating loss carryforward will be limited for the fiscal year beginning on or after April 1, 2015, to 65% from 80% of earnings prior to adjustment for tax loss carryforwards and for the fiscal year beginning on or after April 1, 2017, to 50%.

The effect of these changes was to decrease deferred tax assets, net of deferred tax liabilities, by ¥1,269 million ($10,560 thousand) and increase accumulated other comprehensive income for unrealized gain on available-for-sale securities by ¥262 million ($2,180 thousand) and defined retirement benefit plan by ¥286 million ($2,380 thousand) in the consolidated balance sheet as of March 31, 2015, and to increase income taxes—deferred in the consolidated statement of income for the year then ended by ¥1,817 million ($15,120 thousand).

10. Retirement and Pension Plan

The Company and certain subsidiaries have defined benefit corporate pension plans (cash balance plans) and defined contribution pension plans covering substantially all of their employees.

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

Some consolidated subsidiaries participate in a multi-employer plan for which the Company cannot reasonably calculate the amount of plan assets corresponding to the contributions made by the Company. Therefore, it is account for using the same method as a defined contribution plan.

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

Some consolidated subsidiaries shifted part of the defined benefit pension plan to a defined contribution pension plan in the fiscal year ended March 31, 2015.

Changes in the liability for retirement benefit obligations for the years ended March 31, 2015 and 2014, were as follows:

	Millions of Yen		*Thousands of U.S. Dollars*
	2015	2014	**2015**
Retirement benefit obligation, beginning of year (as previously reported)	**¥96,751**	¥98,082	**$805,118**
Cumulative effect of accounting change	**¥8,566**		**$71,282**
Retirement benefit obligation, beginning of year (as restated)	**¥105,317**	98,082	**$876,400**
Service cost	**2,307**	2,129	**19,198**
Interest cost	**1,243**	1,914	**10,344**
Actuarial gains	**(237)**	(32)	**(1,972)**
Payments for retirement benefit	**(5,258)**	(5,342)	**(43,755)**
Decrese in relation to the shift of pension plan to defined contribution pension plan	**(1,177)**		**(9,795)**
Retirement benefit obligation, end of year	**¥102,195**	¥96,751	**$850,420**

Changes in the pension assets for the years ended March 31, 2015 and 2014, were as follows:

	Millions of Yen		*Thousands of U.S. Dollars*
	2015	2014	**2015**
Pension assets, beginning of year	**¥102,856**	¥94,944	**$855,921**
Expected return on assets	**1,542**	1,428	**12,832**
Actuarial gains	**6,210**	7,488	**51,677**
Contributions from the employer	**4,134**	4,318	**34,401**
Payments for retirement benefit	**(5,102)**	(5,322)	**(42,457)**
Decrese in relation to the shift of pension plan to defined contribution pension plan	**(821)**		**(6,832)**
Pension assets, end of year	**¥108,819**	¥102,856	**$905,542**

Assets related to retirement benefits and debt retirement benefits that have been recorded in the consolidated balance sheet and year-end balance of pension assets and retirement benefit obligations for the years ended March 31, 2015 and 2014, were as follows:

	Millions of Yen		*Thousands of U.S. Dollars*
	2015	2014	**2015**
Funded defined benefit obligation	**¥(101,642)**	¥(96,103)	**$(845,818)**
Plan assets	**108,819**	102,856	**905,542**
total	**7,177**	6,753	**59,724**
Unfunded defined benefit obligation	**(553)**	(648)	**(4,602)**
Net asset arising from defined benefit obligation	**¥6,624**	¥6,105	**$55,122**
Liability for retirement benefits	**¥(553)**	¥(1,019)	**$(4,602)**
Asset for retirement benefits	**7,177**	7,124	**59,724**
Net asset arising from defined benefit obligation	**¥6,624**	¥6,105	**$55,122**

The components of net periodic benefit costs for the years ended March 31, 2015 and 2014, were set forth as follows:

	Millions of Yen		*Thousands of U.S. Dollars*
	2015	2014	**2015**
Service cost *1	**¥2,307**	¥2,129	**$19,198**
Interest cost	**1,243**	1,914	**10,344**
Expected return on assets	**(1,541)**	(1,428)	**(12,824)**
Cost of actuarial gains and losses	**(145)**	(24)	**(1,207)**
Prior service cost		(1,201)	
Retirement benefit cost of defined benefit plans	**¥1,864**	¥1,390	**$15,511**
Other *2	**¥1,085**	¥1,063	**$9,029**
Gain on revision of retirement benefit plan *3	**¥(152)**		

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

*2 "Other" means the sum of (i) the amount of contribution required for the defined contribution pension plan, (ii) payment by the retirement prepaid system to prepaid retired employees, and (iii) the amount of contribution that is required for a multi-employer plan.
In addition, contributions to defined contribution pension plans in the year ended March 31, 2015 was ¥847 million ($7,048 thousand) (¥809 million in the fiscal year ended March 31, 2014), and contributions to multi-employer plan to be accounted for as well as to a defined contribution pension plan were ¥91 million ($757 thousand) (¥103 million in the fiscal year ended March 31, 2014).

*3 Profits arising since some of the consolidated subsidiaries revised their retirement benefit plans, have been recorded in extraordinary income as retirement benefit plan amendment gains.

*4 In addition to the above, the Company recorded a special retirement expenses of ¥1,401million ($11,658 thousand) in other expenses for the fiscal year ended March 31, 2015 (¥286 million in Selling, general and administrative expenses for the fiscal year ended March 31, 2014), due to a significant increase in number of employees who applied to the New Carrer Support Program (the "NCSP") which is special in nature, such as in terms of the paid amount and application period, compared with the "ordinary" NCSP.

Amounts recognized in other comprehensive income (before income tax effect) in respect of defined retirement benefit plans for the years ended March 31, 2015 and 2014, were as follows:

	Millions of Yen		*Thousands of U.S. Dollars*
	2015	2014	**2015**
Actuarial losses	**¥6,298**		**$52,409**

Amounts recognized in accumulated other comprehensive income (before income tax effect) in respect of defined retirement benefit plans as of March 31, 2015 and 2014, were as follows:

	Millions of Yen		*Thousands of U.S. Dollars*
	2015	2014	**2015**
Unrecognized actuarial gains	**¥(8,889)**	¥(2,591)	**$(73,970)**

Breakdown of pension assets:

	2015	2014
Bonds	**55 %**	34 %
Life insurance	**11**	9
Stocks	**10**	21
Real estate	**4**	6
Cash and cash equivalents	**3**	18
Other	**17**	12
Total	**100 %**	100 %

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

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

Assumptions of major actuarial:

	2015	2014
Discount rate	**mainly 1.2%**	mainly 2.0%
Expected rate of return on plan assets	**mainly 1.5%**	mainly 1.5%
Expected salary increase rate	**mainly 3.4% (average)**	mainly 3.4% (average)

The liability for retirement benefits at March 31, 2015 and 2014, included the following liabilities:

	Millions of Yen		*Thousands of U.S. Dollars*
	2015	2014	**2015**
Allowance for the "NCSP"	**¥549**	¥259	**$4,569**
Current portion	**(220)**	(119)	**(1,831)**
Net noncurrent portion	**¥329**	¥140	**$2,738**

Total charges relating to allowance for the NCSP for the years ended March 31, 2015 and 2014 were as follows:

	Millions of Yen		*Thousands of U.S. Dollars*
	2015	2014	**2015**
Allowance for the NCSP	**¥380**	¥112	**$3,162**

11. Equity

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

(1) Dividends

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

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

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

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

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

(3) Treasury stock and treasury stock acquisition rights

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

12. Stock options

The Company's granted stock options as of March 31, 2015, were as follows:

Stock Option	Persons Granted	Number of Options Granted	Date of Grant	Exercise Price	Exercise Period
2007 Stock Option	8 directors; 352 employees; 30 subsidiaries' directors; 250 subsidiaries' employees	746,300 shares	November 15, 2007	¥1,712 $14.25	From November 1, 2009 to October 31, 2014
2008 Stock Option	8 directors; 395 employees; 23 subsidiaries' directors; 265 subsidiaries' employees	963,600 shares	August 15, 2008	¥1,791 $14.90	From July 1, 2010 to June 30, 2015
2009 Stock Option	7 directors; 424 employees; 21 subsidiaries' directors; 256 subsidiaries' employees	991,900 shares	August 7, 2009	¥864 $7.19	From July 1, 2011 to June 30, 2016
2012 Stock Option	6 directors; 16 employees; 4 subsidiaries' directors; 10 subsidiaries' employees	200,600 shares	July 17, 2012	¥1 $0.01	From July 1, 2013 to June 30, 2043
2013 Stock Option	6 directors; 16 employees; 4 subsidiaries' directors; 9 subsidiaries' employees	261,200 shares	July 12, 2013	¥1 $0.01	From July 1, 2014 to June 30, 2044
2014 Stock Option	6 directors; 18 employees; 4 subsidiaries' directors; 12 subsidiaries' employees	268,800 shares	July 14, 2014	¥1 $0.01	From July 1, 2015 to June 30, 2045

The Company's stock option activity was as follows:

	2006 Stock Option (Shares)	2007 Stock Option (Shares)	2008 Stock Option (Shares)	2009 Stock Option (Shares)	2012 Stock Option (Shares)	2013 Stock Option (Shares)	2014 Stock Option (Shares)
For the year ended March 31, 2014							
Nonvested							
March 31, 2013—Outstanding							
Granted						261,200	
Canceled							
Vested						261,200	
March 31, 2014—Outstanding							
Vested							
March 31, 2013—Outstanding	490,600	706,100	458,200	468,000	19,400		
Vested						261,200	
Exercised				21,000	900		
Canceled	490,600	3,200	4,300	2,000		153,900	
March 31, 2014—Outstanding		702,900	453,900	445,000	18,500	107,300	
For the year ended March 31, 2015							
Nonvested							
March 31, 2014—Outstanding							268,800
Granted							
Canceled							
Vested							268,800
March 31, 2015—Outstanding							
Vested							
March 31, 2014—Outstanding		702,900	453,900	445,000	18,500	107,300	
Vested							268,800
Exercised				29,000			
Canceled		702,900	6,300	2,700			268,800
March 31, 2015—Outstanding			447,600	413,300	18,500	107,300	
Exercise price		¥1,712	¥1,791	¥864	¥1	¥1	¥1
		$14.25	$14.90	$7.19	$0.01	$0.01	$0.01
Average stock price at exercise				¥1,091			
				$9.08			
Fair value price at grant date		¥396	¥397	¥215	¥553	¥706	¥819
		$3.30	$3.30	$1.79	$4.60	$5.88	$6.82

The Assumptions Used to Measure the Fair Value of the 2015 Stock Option	
Estimate method:	Black-Scholes option pricing model
Volatility of stock price:	34.959 %
Estimated remaining outstanding period:	2.41 years
Estimated dividend:	¥15 per share
Risk free interest rate:	0.065 %

13. Research and development costs

Research and development costs charged to income were ¥4,337 million ($36,091 thousand) and ¥4,660 million for the years ended March 31, 2015 and 2014, respectively.

14. Leases

The minimum rental commitments under noncancellable operating leases at March 31, 2015 and 2014 were as follows:

	Millions of Yen		*Thousands of U.S. Dollars*
	2015	2014	**2015**
Due within one year	**¥483**	¥565	**$4,019**
Due after one year	**1,870**	99	**15,561**
Total	**¥2,353**	¥664	**$19,580**

Due to the immaterial amounts of lease transactions in the consolidated financial statements, "as if capitalized" information for the fiscal years ended March 31, 2015 and 2014, is omitted.

15. Financial Instruments and Related Disclosures

On March 10, 2008, the ASBJ revised ASBJ Statement No. 10, "Accounting Standard for Financial Instruments" and issued ASBJ Guidance No. 19, "Guidance on Accounting Standard for Financial Instruments and Related Disclosures." This accounting standard and the guidance are applicable to financial instruments and related disclosures at the end of the fiscal years ending on or after March 31, 2010, with early adoption permitted from the beginning of the fiscal years ending before March 31, 2010. The Group applied the revised accounting standard and the new guidance effective March 31, 2010.

(1) Policy for financial instruments

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

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

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

(3) Risk management for financial instruments

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

Market risk management (foreign exchange risk and interest rate risk)
With respect to the risk of market price fluctuations of investment securities, the Group monitors market values and/or financial position of issuers, which are the Group's customers and suppliers, on a regular basis to determine whether to continue to hold such securities, taking into consideration the relation with those customers and suppliers of the Group.
Currency exchange risk of foreign currency trade payables is hedged principally by forward foreign currency contracts. Interest rate swaps are used to manage exposure to market risks from changes in interest rates for certain bank loans.
Execution and custody of derivative transactions by the corporate treasury department have been approved by the directors concerned based on internal guidelines. The transaction data has been reported to the directors concerned and corporate auditors on a monthly basis.

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

(4) Fair values of financial instruments

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

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

(a) Fair values of financial instruments
Fair values of financial instruments as of March 31, 2015 and 2014 were as follows:

	Millions of Yen		
March 31, 2015	Carrying Amount	Fair Value	Unrealized Gain (Loss)
Cash and cash equivalents	**¥23,326**	**¥23,326**	
Accounts receivable—trade	**68,121**	**68,121**	
Investment securities	**15,128**	**15,126**	**¥2**
Total	**¥106,575**	**¥106,573**	**¥2**
Short-term bank loans	**¥4,000**	**¥4,000**	
Current portion of long-term debt	**15,115**	**15,187**	**¥(72)**
Accounts payable—trade	**25,231**	**25,231**	
Convertible bonds	**15,088**	**16,863**	**(1,775)**
Long-term debt	**21,655**	**21,748**	**(93)**
Total	**¥81,089**	**¥83,029**	**¥(1,940)**
Derivatives *	**¥12**	**¥12**	
March 31, 2014			
Cash and cash equivalents	¥28,724	¥28,724	
Accounts receivable—trade	67,958	67,958	
Investment securities	13,196	13,196	
Total	¥109,878	¥109,878	
Short-term bank loans	¥750	¥750	
Current portion of long-term debt	13,940	14,027	¥(87)
Accounts payable—trade	24,435	24,435	
Convertible bonds	15,163	17,004	(1,841)
Long-term debt	36,770	37,017	(247)
Total	¥91,058	¥93,233	¥(2,175)
Derivatives *	¥26	¥26	

March 31, 2015	Thousands of U.S. Dollars Carrying Amount	Fair Value	Unrealized Gain (Loss)
Cash and cash equivalents	**$194,108**	**$194,108**	
Accounts receivable—trade	**566,872**	**566,872**	
Investment securities	**125,888**	**125,871**	**$17**
Total	**$886,868**	**$886,851**	**$17**
Short-term bank loans	**$33,286**	**$33,286**	
Current portion of long-term debt	**125,780**	**126,379**	**$(599)**
Accounts payable—trade	**209,961**	**209,961**	
Convertible bonds	**125,555**	**140,326**	**(14,771)**
Long-term debt	**180,203**	**180,977**	**(774)**
Total	**$674,785**	**$690,929**	**$(16,144)**
Derivatives *	**$100**	**$100**	

* Assets and liabilities from derivative transactions are netted, with net liabilities presented in parentheses.

Cash and cash equivalents
The carrying values of cash and cash equivalents approximate fair value because of their short maturities.

Accounts receivable—trade
The carrying values of accounts receivable—trade approximate fair value because of their short maturities.

Investment securities
The fair values of investment securities are measured at the quoted market price of the stock exchange for the equity instruments and at the quoted price obtained from the financial institution for certain debt instruments. The fair values of mutual funds are measured at the market price.
Fair value information for investment securities by classification is included in Note 4.

Accounts payable—trade, short-term bank loans, and commercial paper
The carrying values of accounts payable—trade, short-term bank loans, and commercial paper approximate fair value because of their short maturities.

Long-term debt
The fair values of long-term debt are determined by discounting the cash flows related to the debt at the assumed borrowing rate applied if the debt of the same interest and principal were newly financed. Interest rate swaps which qualify for hedge accounting and which meet specific matching criteria are not remeasured at market value, but the differential paid or received under the swap agreements is recognized and included in interest expense or income. The fair values of items (i.e., floating rate loans from banks and insurance companies) hedged by such interest rate swaps are determined by discounting the total cash flows of those hedged items and hedging instruments at the rationally estimated rate applied if the debt of the same interest and principal were financed.

Derivatives
Fair value information for derivatives is included in Note 16.

(b) Financial instruments whose fair value cannot be reliably determined

	Carrying Amount Millions of Yen 2015	2014	Thousands of U.S. Dollars 2015
Investments in unconsolidated subsidiaries and associated companies	**¥1,591**	¥1,534	**$13,240**
Investments in equity instruments that do not have a quoted market price in an active market	**¥1,251**	¥1,279	**$10,410**
Other	**¥130**	¥263	**$1,082**

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

	Millions of Yen			
March 31, 2015	Due in 1 year or less	Due after 1 year through 5 years	Due after 5 years through 10 years	Due after 10 years
Cash and cash equivalents	**¥23,326**			
Accounts receivable—trade	**68,121**			
Investment securities				
Available-for-sale securities:				
(1) Debt securities				
(2) Other	**76**	**¥54**		
Held-to-maturity securities:		**300**		
Total	**¥91,523**	**¥354**		
March 31, 2014				
Cash and cash equivalents	¥28,724			
Accounts receivable—trade	67,958			
Investment securities				
Available-for-sale securities:				
(1) Debt securities			¥100	
(2) Other		¥163		
Total	¥96,682	¥163	¥100	

	Thousands of U.S. Dollars			
March 31, 2015	Due in 1 year or less	Due after 1 year through 5 years	Due after 5 years through 10 years	Due after 10 years
Cash and cash equivalents	**$194,108**			
Accounts receivable—trade	**566,872**			
Investment securities				
Available-for-sale securities:				
(1) Debt securities				
(2) Other	**632**	**$449**		
Held-to-maturity securities:		**2,496**		
Total	**$761,612**	**$2,945**		

* Please see Note 8 for annual maturities of long-term debt.

16. Derivatives

The Company and certain subsidiaries enter into foreign currency forward contracts to hedge foreign exchange risk associated with certain liabilities denominated in foreign currencies. The Company also enters into interest rate swap contracts to manage its interest rate exposures on certain liabilities.

All derivative transactions are entered into to hedge interest and foreign currency exposures incorporated within the Company's and certain subsidiaries' business. Accordingly, market risk in these derivatives is basically offset by opposite movements in the value of hedged liabilities.

Because the counterparties to these derivatives are limited to major international financial institutions and credible general trading companies, the Company and certain subsidiaries do not anticipate any losses arising from credit risk.

Derivative transactions entered into by the Company and certain subsidiaries have been made in accordance with internal policies which regulate the authorization and credit limit amounts.

No derivative transactions to which hedge accounting is not applied existed at March 31, 2015 and 2014.

Derivative transactions to which hedge accounting is applied at March 31, 2015 and 2014, were as follows:

		Millions of Yen		
March 31, 2015	Hedged Item	Contract Amount	Contract amount due after one year	Fair Value
Foreign currency forward contracts:				
Buying U.S. Dollars:				
- Deferral hedge	Payables	**¥2,117**		**¥14**
- Forward contracts applied for designated transactions	Payables	**1,832**		
Interest rate swaps:				
- Hedge accounting	Long-term debt	**3,000**	**¥3,000**	**(27)**
- Fixed-rate payment and floating-rate receipt	Long-term debt	**12,650**	**7,650**	
March 31, 2014				
Foreign currency forward contracts:				
Buying U.S. Dollars:				
- Deferral hedge	Payables	¥1,432		¥9
- Forward contracts applied for designated transactions	Payables	1,545		
Interest rate swaps:				
- Hedge accounting	Long-term debt	3,000	¥3,000	(35)
- Fixed-rate payment and floating-rate receipt	Long-term debt	13,150	12,650	

		Thousands of U.S. Dollars		
March 31, 2015	Hedged Item	Contract Amount	Contract amount due after one year	Fair Value
Foreign currency forward contracts:				
Buying U.S. Dollars:				
- Deferral hedge	Payables	**$17,617**		**$117**
- Forward contracts applied for designated transactions	Payables	**15,245**		
Interest rate swaps:				
- Hedge accounting	Long-term debt	**24,965**	**$24,965**	**(225)**
- Fixed-rate payment and floating-rate receipt	Long-term debt	**105,268**	**63,660**	

* The fair values of derivative transactions are measured at the quoted price obtained from the financial institutions.

* Payables denominated in foreign currencies covered by a forward exchange contract are translated at the contracted rates if the forward contracts qualify for hedge accounting.
The above interest rate swaps which qualify for hedge accounting and which meet specific matching criteria are not remeasured at market value, but the differential paid or received under the swap agreements is recognized and included in interest expense or income. In addition, the fair values of such interest rate swaps are included in those of the hedged items (i.e., long-term debt).

17. Contingent liabilities

At March 31, 2015, the Group had the following contingent liabilities:

	Millions of Yen		*Thousands of U.S. Dollars*
	2015	2014	**2015**
Guarantees of bank loans to employees for housing	**¥519**	¥660	**$4,319**

18. Comprehensive income

The components of other comprehensive income for the years ended March 31, 2015 and 2014, were as follows:

	Millions of Yen		*Thousands of U.S. Dollars*
	2015	2014	**2015**
Unrealized gain (loss) on available-for-sale securities:			
Gains (losses) arising during the year	**¥4,042**	¥1,401	**$33,635**
Reclassification adjustments to profit or loss	**(1,180)**	655	**(9,819)**
Amount before income tax effect	**2,862**	2,056	**23,816**
Income tax effect	**(788)**	(576)	**(6,557)**
Total	**¥2,074**	¥1,480	**$17,259**
Deferred gain (loss) on derivatives under hedge accounting:			
Gains (losses) arising during the year	**¥5**	¥3	**$41**
Reclassification adjustments to profit or loss	**9**	(17)	**75**
Amount before income tax effect	**14**	(14)	**116**
Income tax effect	**(4)**	7	**(33)**
Total	**¥10**	¥(7)	**$83**
Deferred gain (loss) on defined benefit plans:			
Gains (losses) arising during the year	**¥6,447**		**$53,649**
Reclassification adjustments to profit or loss	**(149)**		**(1,240)**
Amount before income tax effect	**6,298**		**52,409**
Income tax effect	**(1,959)**		**(16,302)**
Total	**¥4,339**		**$36,107**
Total other comprehensive income	**¥6,423**	¥1,473	**$53,449**

19. Net income per share

A reconciliation of the differences between basic and diluted net income (loss) per share ("EPS") for the years ended March 31, 2015 and 2014, is as follows:

	Net Income	Weighted-average shares	EPS	
For the year ended March 31, 2015	*Millions of Yen*	*Thousands of shares*	*Yen*	*U.S. Dollars*
Basic EPS				
Net income available to common shareholders	¥7,246	94,018	¥77.07	$0.64
Effect of dilutive securities:				
Convertible bonds	(48)	13,465		
Warrants		389		
Diluted EPS—Net income for computation	¥7,198	107,872	¥66.72	$0.56

	Net Income	Weighted-average shares	EPS
For the year ended March 31, 2014	*Millions of Yen*	*Thousands of shares*	*Yen*
Basic EPS			
Net income available to common shareholders	¥6,305	93,993	¥67.08
Effect of dilutive securities:			
Convertible bonds	(39)	11,221	
Warrants		129	
Diluted EPS—Net income for computation	¥6,266	105,343	¥59.49

20. Related-party transactions

There were no transactions with related-parties for the years ended March 31, 2015 and 2014.

21. Segment information

For the years ended March 31, 2015 and 2014

Under ASBJ Statement No. 17, "Accounting Standard for Segment Information Disclosures" and issued ASBJ Guidance No. 20, "Guidance on Accounting Standard for Segment Information Disclosures," an entity is required to report financial and descriptive information about its reportable segments. Reportable segments are operating segments or aggregations of operating segments that meet specified criteria. Operating segments are components of an entity about which separate financial information is available and such information is evaluated regularly by the chief operating decision maker in deciding how to allocate resources and in assessing performance. Generally, segment information is required to be reported on the same basis as is used internally for evaluating operating segment performance and deciding how to allocate resources to operating segments.

(1) Description of reportable segments

The Group's reportable segments are those for which separate financial information is available and regular evaluation by the Company's management is being performed in order to decide how resources are allocated among the Group. Therefore, the Group consists of six segments – system services, support services, outsourcing, software, and hardware. The "System Services" segment consists of contracted software development, system-related services, and consulting. The "Support Services" segment consists of support services for software, support services for hardware, and installation services. The "Outsourcing" segment consists of contracted administration of information systems and others. The "Software" segment consists of providing software under a software license agreement. The "Hardware" segment consists of providing hardware under a sales contract or a lease contract.

On March 1, 2014 UNIADEX, Ltd., a consolidated subsidiary of the Company merged integrate NETMARKS INC., as a mechanism reform. As a result, from the year ended March 31, 2015, the Group changed the reporting segments, and abolished the previous "Netmarks services" segment. In addition, the segment information for the March 2014 period, based on the reporting segment after the change, included what was reclassified.

(2) Methods of measurement for the amounts of sales, profit (loss), assets and other items for each reportable segment

The accounting policies of each reportable segment are consistent with those disclosed in Note 2, "Summary of significant accounting policies."

(3) Information about sales, profit (loss), assets and other items is as follows:

Millions of Yen

2015

	Reportable segment									
	System Services	Support Services	Out-sourcing	Software	Hardware	Total	Other [1]	Total	Reconcil-iations [2]	Consol-idated [3]
Sales	**¥83,404**	**¥55,246**	**¥38,646**	**¥30,728**	**¥51,337**	**¥259,361**	**¥9,794**	**¥269,155**		**¥269,155**
Segment profit	**21,215**	**16,331**	**7,668**	**8,692**	**6,985**	**60,891**	**2,551**	**63,442**	**¥(52,517)**	**10,925**
Segment assets	**2,970**	**3,230**	**18,118**	**3,373**	**5,562**	**33,253**	**372**	**33,625**	**166,147**	**199,772**
Other:										
Depreciation	**174**	**346**	**4,333**	**1,805**	**828**	**7,486**	**127**	**7,613**	**2,134**	**9,747**
Increase in property, plant and equipment and intangible assets	**200**	**338**	**7,842**	**1,555**	**673**	**10,608**	**97**	**10,705**	**3,546**	**14,251**
Loss on impairment of long-lived assets			**19**			**19**		**19**	**91**	**110**
Goodwill:										
Amortization									**137**	**137**
Balance									**1,798**	**1,798**

1) The "Other" category, which is not included in a specific reportable segments, consists of installation and other businesses.
2) Reconciliation of segment profit of ¥(52,517) million consists of selling, general and administrative expenses of ¥(48,043) million not allocable to the reportable segments, research and development costs of ¥(4,337) million and amortization of goodwill of ¥(137) million.
Reconciliation of segment assets of ¥166,147 million consists of corporate assets not allocable to the reportable segments.
Reconciliation of depreciation expense of ¥2,134 million consists of depreciation expense of corporate assets not allocable to the reportable segments.
Reconciliation of increase in property, plant and equipment and intangible assets of ¥3,546 million consists of increase in corporate assets not allocable to the reportable segments.
3) Segment profit is reconciled to operating income in the consolidated statement of income.

Millions of Yen

2014

	Reportable segment									
	System Services	Support Services	Out-sourcing	Software	Hardware	Total	Other [1]	Total	Reconcil-iations [2]	Consol-idated [3]
Sales	¥85,861	¥57,666	¥35,336	¥31,338	¥63,197	¥273,398	¥9,293	¥282,691		¥282,691
Segment profit	16,194	18,346	7,130	9,589	9,935	61,194	2,417	63,611	¥(54,036)	9,575
Segment assets	2,632	3,030	16,325	5,018	9,036	36,041	368	36,409	166,059	202,468
Other:										
Depreciation	210	738	4,401	1,847	925	8,121	118	8,239	1,944	10,183
Increase in property, plant and equipment and intangible assets	240	368	3,651	1,884	406	6,549	92	6,641	1,931	8,572
Loss on impairment of long-lived assets			1,605			1,605		1,605		1,605
Goodwill:										
Amortization									137	137
Balance									1,935	1,935

1) The "Other" category, which is not included in a specific reportable segments, consists of installation and other businesses.
2) Reconciliation of segment profit of ¥(54,036) million consists of selling, general and administrative expenses of ¥(49,240) million not allocable to the reportable segments, research and development costs of ¥(4,660) million and amortization of goodwill of ¥(137) million.
Reconciliation of segment assets of ¥166,059 million consists of corporate assets not allocable to the reportable segments.
Reconciliation of depreciation expense of ¥1,944 million consists of depreciation expense of corporate assets not allocable to the reportable segments.
Reconciliation of increase in property, plant and equipment and intangible assets of ¥1,931 million consists of increase in corporate assets not allocable to the reportable segments.
3) Segment profit is reconciled to operating income in the consolidated statement of income.

	Thousands of U.S. Dollars									
	2015									
	Reportable segment									
	System Services	Support Services	Out-sourcing	Software	Hardware	Total	Other [1]	Total	Reconcil-iations [2]	Consol-idated [3]
Sales	$694,051	$459,732	$321,594	$255,704	$427,203	$2,158,284	$81,501	$2,239,785		$2,239,785
Segment profit	176,542	135,899	63,810	72,331	58,126	506,708	21,228	527,936	$(437,023)	90,913
Segment assets	24,715	26,879	150,769	28,069	46,284	276,716	3,096	279,812	1,382,600	1,662,412
Other:										
Depreciation	1,448	2,879	36,058	15,020	6,890	62,295	1,057	63,352	17,758	81,110
Increase in property, plant and equipment and intangible assets	1,664	2,813	65,258	12,940	5,600	88,275	807	89,082	29,508	118,590
Loss on impairment of long-lived assets			158			158		158	757	915
Goodwill:										
Amortization									1,140	1,140
Balance									14,962	14,962

1) The "Other" category, which is not included in a specific reportable segments, consists of installation and other businesses.
2) Reconciliation of segment profit of $(437,023) million consists of selling, general and administrative expenses of $(399,792) million not allocable to the reportable segments, research and development costs of $(36,091) million and amortization of goodwill of $(1,140) million.
Reconciliation of segment assets of $1,382,600 million consists of corporate assets not allocable to the reportable segments.
Reconciliation of depreciation expense of $17,758 million consists of depreciation expense of corporate assets not allocable to the reportable segments.
Reconciliation of increase in property, plant and equipment and intangible assets of $29,508 million consists of increase in corporate assets not allocable to the reportable segments.
3) Segment profit is reconciled to operating income in the consolidated statement of income.

Information about industry segments, geographical segments and sales to foreign customers of the Group for the years ended March 31, 2015 and 2014, is as follows:

(1) Industry segments
Industry segment information is not presented because the Group operates in a single segment of the industry that provides computers, software and other related products, as well as various kinds of related services.

(2) Geographical segments
Geographical segment information is not presented because the Japanese portion of our consolidated net sales contributed to more than 90% of total net sales.

(3) Sales to foreign customers
Information on sales to foreign customers is not presented because the amount contributed to an insignificant percentage of consolidated net sales.

Deloitte.

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of Nihon Unisys, Ltd.:

We have audited the accompanying consolidated balance sheet of Nihon Unisys, Ltd. and its consolidated subsidiaries as of March 31, 2015, and the related consolidated statements of income, comprehensive income, changes in equity, and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information, all expressed in Japanese yen.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Nihon Unisys, Ltd. and its consolidated subsidiaries as of March 31, 2015, and the consolidated results of their operations and their cash flows for the year then ended in accordance with accounting principles generally accepted in Japan.

Convenience Translation

Our audit also comprehended the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made in accordance with the basis stated in Note 1 to the consolidated financial statements. Such U.S. dollar amounts are presented solely for the convenience of readers outside Japan.

Deloitte Touche Tohmatsu LLC

June 25, 2015

Member of
Deloitte Touche Tohmatsu Limited

Corporate Data

(As of March 31, 2015)

Company name	Nihon Unisys, Ltd.
Established	March 29, 1958
Paid-in capital	¥5,483 million
Description of business	Services business including cloud computing and outsourcing; computer and network system sales / rentals; software development and sales; system related services
Number of employees:	8,246 (consolidated)
Independent auditor:	Deloitte Touche Tohmatsu LLC
Business offices	Headquarters: 1-1-1 Toyosu, Koto-ku, Tokyo 135-8560, Japan Regional Headquarters: Kansai (Osaka), Chubu (Nagoya), Kyushu (Fukuoka) Regional Offices: Hokkaido (Sapporo), Tohoku (Sendai), Niigata (Niigata), Hokuriku (Kanazawa), Shizuoka (Shizuoka), Chugoku (Hiroshima)

Group companies

Business process	Ownership	Company name	Capital Stock (millions of yen)	Net sales FY2014 (millions of yen)	Number of employees (people)
		Nihon Unisys, Ltd.	5,483	163,570	3,531
Consulting	100%	Cambridge Technology Partners, Ltd.	10	1,519	85
System services	100%	USOL Tokyo Co., Ltd. (and six other companies) and USOL VIETNAM Co., Ltd.*	–	13,641	853
System services	100%	UEL Corporation	100	4,252	184
System services	69%	International Systems Development Co., Ltd.	40	2,075	134
System services	51%	G&U System Service, Ltd.	50	1,477	65
System services	100%	AFAS Inc.	100	773	43
Network & support services	100%	UNIADEX, Ltd.	750	117,539	3,000
Network & support services	94%	S&I Co., Ltd.	490	9,341	158
Outsourcing	100%	A-tas, Ltd.	50	2,394	79
Outsourcing	75%	TRADE ViSION, Ltd.	200	567	3
Group shared services	100%	Nihon Unisys Business, Ltd.	20	1,644	111

*Nihon Unisys, Ltd. absorbed the seven domestic regional development companies of USOL on April 1, 2015.

Group companies other than the above (non-consolidated companies): UEL (Thailand) Co., Ltd., Netmarks Information Technology (Shanghai) Co., Ltd., UNIAID Co., Ltd., Beijing Unity Information Technology Co., Ltd., Nihon Unisys Accounting Co., Ltd. and NUL System Services Corporation

Editorial Policy

The Nihon Unisys Group has started the new Mid-term Management Plan with the aim of achieving its mid-term vision of "Mobilize services based on interconnected businesses. Build our future through ICT advances." for 2020.

This report aims to communicate the Group's medium to long-term growth and improvements in corporate value to a wide range of stakeholders including shareholders and investors, and it has been edited as an integrated report that introduces an overview of how value is created for the Group through the combination of both financial information and non-financial information.

Tools for the disclosure of financial and non-financial information

The Integrated Report 2015 is available as either a booklet or as a PDF from our website. A broader range of detailed information is also available on our website. In addition, we release various information disclosure tools at the request of stakeholders.

Website

Overall corporate activities

Corporate website
http://www.unisys.co.jp/welcome-e.html

Financial information

Website: IR information
http://www.unisys.co.jp/invest-e/

Non-financial information

Website: CSR
http://www.unisys.co.jp/csr/
(Available only in Japanese)

Integrated Report 2015 (PDF)

Booklet

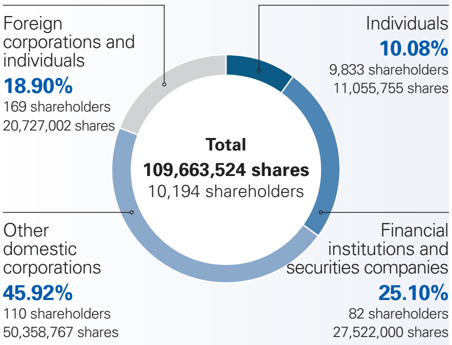
Integrated Report 2015

Stock Information

(As of March 31, 2015)

Number of shares issued	109,663,524 shares
Number of shareholders	10,194

Classification of shareholders



Principal shareholders

Name	Number of shares held (Thousands of shares)	Holding ratio (%)
Dai Nippon Printing Co., Ltd.	20,727	18.90
Mitsui & Co., Ltd.	9,798	8.93
Japan Trustee Services Bank, Ltd. (trust account)	5,861	5.34
The Master Trust Bank of Japan, Ltd. (trust account)	5,003	4.56
The Norinchukin Bank	4,653	4.24
CMBL S.A. RE MUTUAL FUNDS	3,110	2.83
Nihon Unisys Employees' Shareholding Society	2,616	2.38
Japan Trustee Services Bank, Ltd. (trust account 9)	2,380	2.17
CBNY-GOVERNMENT OF NORWAY	2,117	1.93
GOLDMAN SACHS INTERNATIONAL	1,959	1.78

Note: Number of shares is rounded down to the nearest thousand shares.
Nihon Unisys, Ltd., retains 15,622,346 treasury shares (holding ratio: 14.24%).

Stock Information

Scope of the report

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

Period of the report

In this report, fiscal year (FY) refers to the period beginning April 1 and ending March 31. In principle, the report covers FY2014 (April 1, 2014 to March 31, 2015), and activities during past fiscal years and conditions following FY2014 are also reported as necessary.

Notes concerning forward-looking statements

The statements contained in this report, which refer to the Group's current plans and projections, other than historical facts, represent forward-looking statements made based on judgments and assumptions in accordance with the information currently available. Please note that actual results may differ from the forecasts due to fluctuations in risks and uncertainties and changes in economic developments.

Guidelines that served as a reference

- International Integrated Reporting Framework from the International Integrated Reporting Council
- GRI Sustainability Reporting Guidelines Version 3.1
- ISO26000 / JIS Z 26000

Issued

- October 2015
  (Previous issues: Corporate Report issued in October 2014,
  Annual Report issued in September 2014)
- The next issue is scheduled for September 2016.

Corporate statement

Foresight in sight

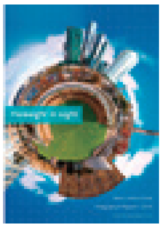
This corporate statement is a common way of thinking among all members of the Nihon Unisys Group, and serves as a slogan to achieve the vision of the Mid-Term Management Plan of "Mobilize services based on interconnected businesses. Build our future through ICT advances."

"Foresight" consists of foreseeing and understanding industry changes, customer needs, and future social issues in advance, and "in sight" has the double meaning of being able to see and understand things combined with meaning of "insight." This repetition of the sound "sight" makes it a memorable statement with a strong impact.

Using this foresight to foresee the next generation and gain a deep understanding of the problems of customers and society as fast as possible with our experience and insight that goes beyond conventional knowledge, we are dedicated to combining our ICT assets, wisdom, and ideas to provide the best types of solutions and services to customers, and also provide new business models and business ecosystems. It is our strong desire to leverage strengths including our DNA as a pioneer in mainframe computing, deep understanding of and relationships of trust with customers built upon a customer-first (U&U) spirit, and multi-vendor support in order to strengthen our potential as a strategic partner for customers and to create completely new businesses with our foresight and imagination.

Cover photo

This expresses the Nihon Unisys Group's stance of embracing future challenges through the creation of new worlds by looking at everything from a broad perspective with a point of view that is always different.



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URL: http://www.unisys.co.jp/welcome-e.html
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Status of SRI Index inclusion (As of March 31, 2015)

MS-SRI Morningstar Socially Responsible Investment Index

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