NEC Capital Solutions Limited

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Contact IR & PR Department for inquiries about the report.

INTEGRATED REPORT 2020

NEC Capital Solutions Limited

\Orchestrating a brighter world

NEC

NEC Capital Solutions Limited

INTEGRATED REPORT 2020

Year ended March 31, 2020

Corporate Philosophy

Helping Societies Advance through "Capital Solutions*"

* Capital Solutions: The Company's term referring to the provision of solutions for a wide range of issues related to customers' managerial resources ("Capital")

Group Vision

To be a global solution service company that aims to enhance social value with customers

Our goal in Medium-Term Plan 2020

We will drive innovative changes to society with finance and ICT* by capturing new needs in the COVID-19 and post-COVID-19 eras

*ICT stands for Information and Communication Technology.

Editorial Policy and Scope

■ Editorial Policy

Since fiscal 2014, the Company has been issuing an "Integrated Report" ("this publication"). This publication incorporates our "CSV Management Vision" to enable the reader to fully understand our current situation and managerial issues, as well as our future medium-term to long-term strategies, among other information.
To enhance comprehension of the Company, we invite the reader to visit our website.

■ Information for Shareholders and Investors

https://www.necap.co.jp/english/ir/index.html

- Main content
  Financial Results(PDF), Presentation Materials(PDF)

■ CSR initiatives

https://www.necap.co.jp/csv/report/index.html(Japanese Only)

- Main content
  CSR initiatives, Integrated Report back issues (PDF)

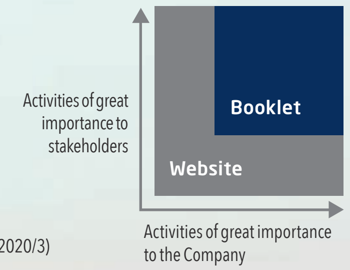
■ Scope

Organization: NEC Capital Solutions Limited and its consolidated subsidiaries and equity-method affiliates
Period: Data represent results from April 1, 2019 to March 31, 2020 (including most recent activities)

■ Media concept

- Website
  The website presents PDF files containing the booklet, as well as more detailed information.
  https://www.necap.co.jp/csv/report/index.html
- Booklet
  The booklet contains a report that is focused on crucial information, prioritizing the areas of great progress in FY2020/3*.

*Fiscal Year ended March 31, 2020 (hereafter FY 2020/3)



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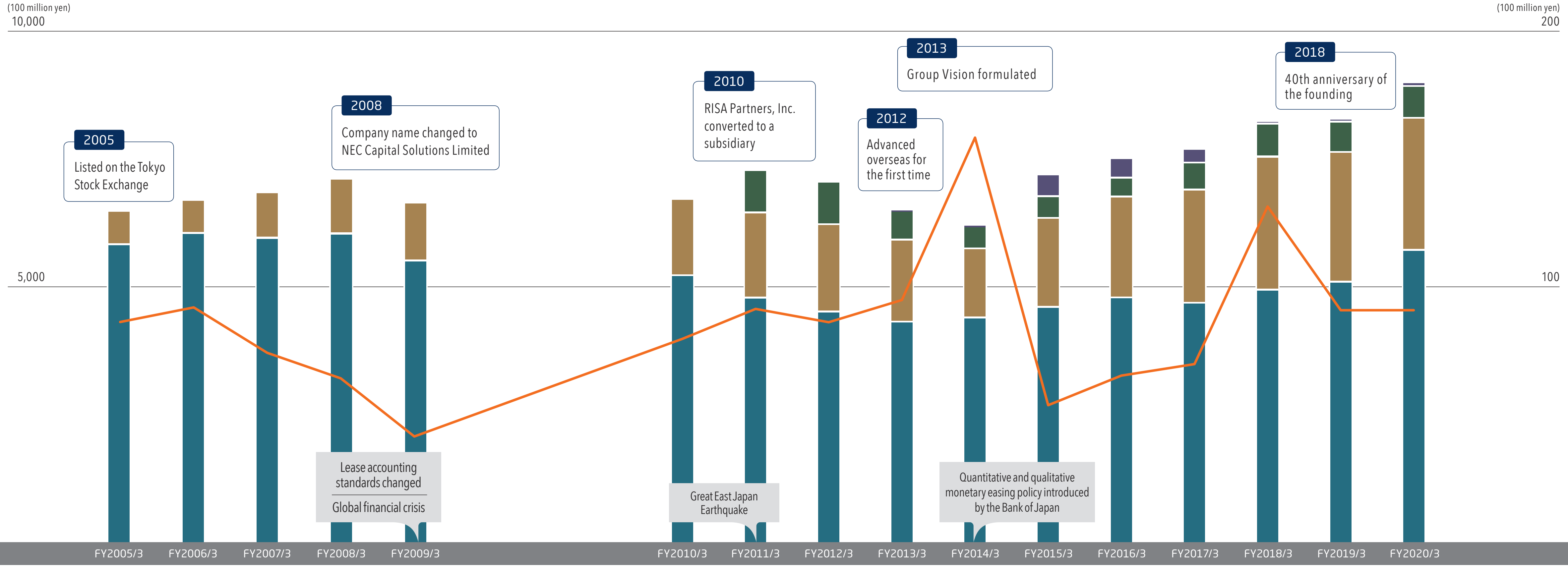
In response to the changing times, we expanded our solution services

Trends in operating asset balance and ordinary income
(after listing on the Tokyo Stock Exchange in 2005)



Listed on the Tokyo Stock Exchange

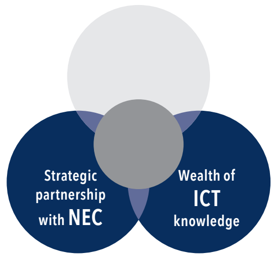
Business topics

1978.11– Establishing a presence in the leasing sector

Established in 1978 as a company that takes on a sales finance function for NEC products. Steadily growing our transaction volume centered on the leasing of NEC products, we settled into a role as a manufacturer affiliated leasing company.

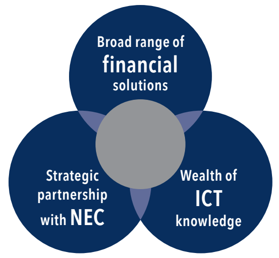
Circa 2003– Expanding business areas into ICT services

Pursued our growth potential and distinctive character on the occasion of listing on the Tokyo Stock Exchange. Accumulated our ICT expertise by advancing our unique efforts, such as the diversification of products we handled and the life cycle management service of ICT equipment.



2008.4– Expanding business areas into financial services

Expanded our efforts for financial services with the aim of shifting to higher value-added business, and changed the company name to NEC Capital Solutions. Enhanced solutions to a broad range of sophisticated finance by promoting multifaceted business activities, including the conversion of RISA Partners, Inc. into a subsidiary.



2013.10– Aiming to achieve our Group Vision

Developed a Group Vision that expresses what we aspire to be in 10 years. We aim to achieve CSV management that solves societal issues through our business by providing services that combine the three strengths of the Group.

ESG topics

1999 Acquiring ISO 14001 Environmental Management System (EMS) certification

CM001

JIS Q 14001 JSAE192

2004 Receiving prize for excellence in environmental management, the "2nd Japanese Environmental Management Grand Prize" of Mie Prefecture

2006 Acquiring ISO/IEC 27001 Information Security Management System (ISMS)

JQA-IM0333

2007 Launch of Waku-Waku (Exciting) Children's Pond Project, a biotope construction, social action program


Waku-Waku (Exciting) Children's Pond Project

2010 Election of independent directors

2011 Business Continuity Plan (BCP) formulation

2012 Launch of environmental/restoration support syndicated loans

2013 Top prize awarded for both "the 15th Green Purchasing Grand Award" competition and "the Minister of Environment Prize" competition

Relocation of HQ and group companies

2017 Acquiring Eruboshi certification (second stage)

2018 Quality Management System (QMS) ISO 9001 certification obtained

2020 Acquiring PrivacyMark

21004657

JQA-QMA15688
East Japan Public and Social System Sales Division
West Japan Public and Social System Sales Division

We provide services taking advantage of our three strengths

Established

1978

Number of employees

784

Strong cooperation created by our scale, in which our close-knit workforce enhances the strengths of the Company.

NEC's shareholding ratio

37.66%

Building a strong partnership with NEC as its equity-method affiliate.

Ratio of NEC sales channels
(Contracts executed by purchaser in the Leasing and Installment Sales Business)

Approx. 60%

Average for the past 3 years

Operating asset balance

898.3 billion yen

A new post-listing high

Three strengths

Broad range of financial solutions

Services

Strategic partnership with NEC

Wealth of ICT knowledge

Strategic partnership with NEC

Through strategic coordination, we bring together the products and services of NEC Corporation with the financial solutions of the Company to create diverse value as the NEC Group.

Wealth of ICT knowledge

In addition to leasing ICT equipment, such as personal computers, we benefit from a wealth of know-how that includes the procurement, installation, operation and management of ICT products.

Broad range of financial solutions

We provide a broad range of financial solutions, from leases to corporate financing, securitized receivables, fund composition, and equity financing.

Number of government agencies and municipality customers

Approx. 1,800

Contributing to the establishment of a social and ICT infrastructure through the provision of services to government agencies and municipalities.

ISO14001

20 years

Acquired ISO 14001 certification ahead of other companies in the industry. We advocated leasing as an industry conducive to recycling for the first time in Japan.

Number of local financial institutions in a network of RISA Partners, Inc.

Approx. 180

Taking advantage of this network, we provide solutions to revitalize local corporations.

Ratio of ICT products handled
(Contracts executed by products in the Leasing and Installment Sales Business)

Approx. 80% Average for the past 3 years

We provide high value-added services including life cycle management.

Domestic network

30 offices

We implement community-based business.

As of the end of March 2020

We aim to realize CSV* management by achieving our Group Vision

*CSV stands for Creating Shared Value. Satisfaction of both activities for economic interests and the creation of social value (solving social issues).

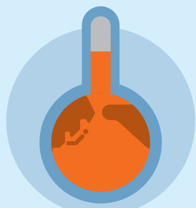
Major social issues we address

Establishing social and ICT infrastructure

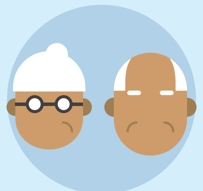
Revitalizing local communities and economies

Corporate Philosophy

Helping Societies Advance through Capital Solutions



Preventing global warming



Responding to aging population

Identifying materialities to realize CSV management

Materialities

We commit to improving profitability and enhancing the revenue base to achieve CSV management.

Expanding the revenue base

We commit to reducing operational risks and improving our capabilities for executing operations to maintain a competitive advantage in the market.

Strengthen management capability

We commit to transforming our corporate culture to have all employees, who are our biggest managerial asset, perform at their best to enhance our competitiveness.

Corporate culture transformation

Business activities

Core areas

Existing businesses taking advantage of our strengths

Three strengths

Broad range of financial solutions

Services

Strategic partnership with NEC

Wealth of ICT knowledge

New businesses

New efforts to contribute to local revitalization taking advantage of our strengths

- Energy
- Tourism
- Agriculture
- Healthcare

Realization of CSV management

Group Vision

To be a global solution service company that aims to enhance social value with customers

Social value

Four societal issues we address

- Establishing social and ICT infrastructure
- Revitalizing local communities and economies
- Preventing global warming
- Responding to aging population

Economic value

Targets for FY2023 in the Medium-Term Plan 2020

- Operating income 11.0 billion yen
- Ordinary income 12.0 billion yen
- Profit attributable to owners of parent 7.5 billion yen

Toward the final stage to realize our Group Vision and beyond that

Tomoo Imazeki President

Upon the completion of the second stage of the road map to achieve the Group Vision

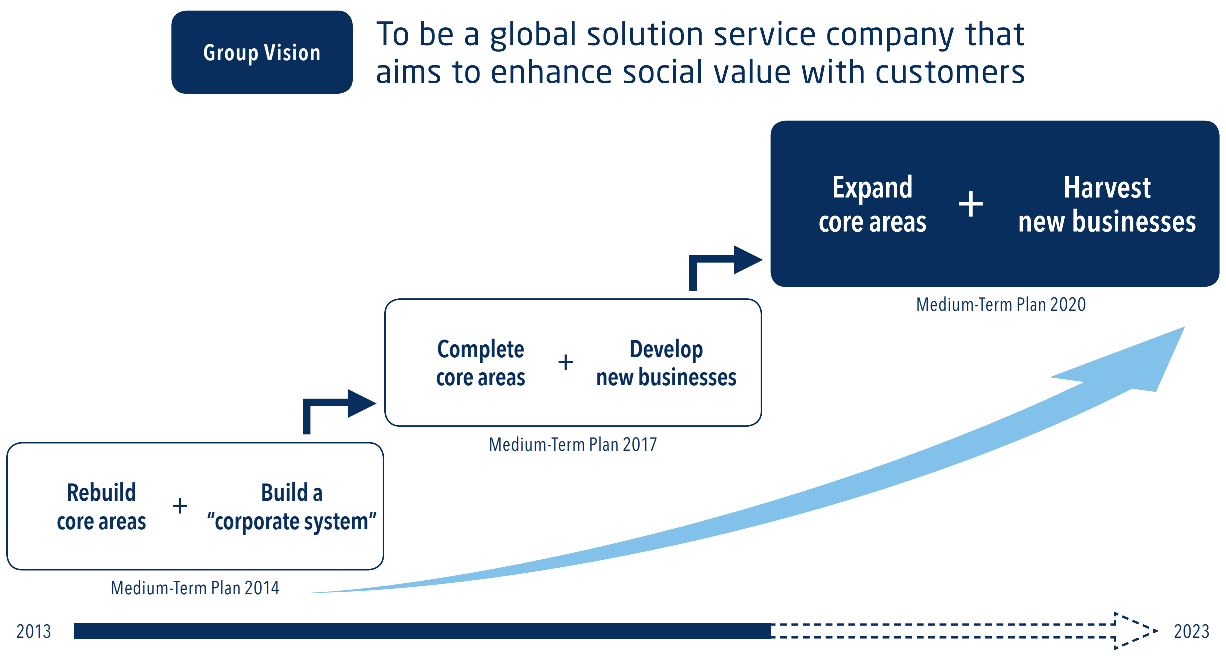
Our Group Vision, "To be a global solution service company that aims to enhance social value with customers," pursues Creating Shared Value (CSV) management in which society and business create shared value together by generating social value through our business activities, while simultaneously creating the economic value required as a company. We established the Group Vision in October 2013, thinking that in order to grow sustainably in the constantly changing business environment, it is important to carry out business with all employees becoming single-minded by setting an unwavering goal we will work toward in the medium to long term, in addition to responding to near-term changes.

The Company is advancing its initiatives by settling a road map that includes three medium-term plans to realize the Group Vision. We also aim to enhance social value and create economic value by defining the four initiatives we should work on as societal agendas to enhance the social value: establishing social and ICT infrastructure, revitalizing local communities and economies, preventing global warming, and responding to aging population. The fiscal year ended March 31, 2020(FY2020/3) was the final year of the Medium-Term Plan 2017, which was equivalent to the second stage.

Three achievements in the Medium-Term Plan 2017

In the Medium-Term Plan 2017, we steadily promoted a variety of measures with the aim of completing core areas and developing new businesses. As a result, we accomplished a three-year profit plan by a large margin, and we believe that we were able to take steps steadily toward

10-year Roadmap to realizing our Group Vision



Four social issues we will work on to realize our Group Vision and SDGs

Setting four major issues as our efforts to enhance social value, we are moving forward with efforts to realize CSV management.

Initiatives to enhance the social value of the Group	Major social issues
Establishing social and ICT infrastructure > Establishing and advancing the ICT infrastructure of customers > Establishing and advancing life and industrial infrastructure	Aging infrastructure, obsolete IT, population concentrations in urban areas, ensuring of security and safety, etc.
Revitalizing local communities and economies > Supporting the start-up and growth of customers and enhancing their asset value > Solving local issues, revitalizing local communities and building town communities	Local revitalization, strengthening of industrial competitiveness, renovation and innovation of business operations, creation of new value, etc.
Preventing global warming > Realizing a recycling-based society through leasing/rental > Disseminating power saving/energy saving devices and renewable energy	Destruction of nature, realization of a recycling-based society and a low-carbon society, resource depletion, stable energy supply, etc.
Responding to aging population > Enhancing healthcare-related equipment and facilities > Solving the successor problem and creating new employment	Enhancement of medical services, welfare and nursing care, business successor problem, the declining labor force, etc.

Sustainable Development Goals: SDGs

the realization of the Group Vision.We accomplished the following three major achievements.

The first one was to stop and reverse the decline in gross profit in the Leasing Business, which had been a long-standing challenge. The business environment for leasing underwent dramatic changes due to the revision of the lease accounting standards in Japan in April 2008. After that, operating assets in the leasing sector as a whole continued to show a declining trend for a long time, partly affected by the global financial crisis. The continued decreasing trend of operating assets means that business will taper off in the future. For this reason, we have strengthened sales activities to increase the transaction volume of finance leases and reversed the declining trend of operating assets from the bottom in FY 2014/3. While the reverse of operating assets revealed its effects gradually, we were able to create a state where the gross profit of leases including re-leases has been increasing year on year since FY2019/3. This was the first achievement of the Medium-Term Plan 2017.

The second one was the steady expansion of initiatives in the Finance Business. We have been working on corporate finance and equity finance to widen the scope of our finance services other than leases. We have steadily built up a track record under the easing monetary policy of the Bank of Japan as our achievement.

The third one was the realization of sustainable high profit in the RISA Business. With respect to RISA Partners, Inc., whose shares we acquired through a tender offer bid (TOB) in 2010 to enhance our financial functions, we have changed its corporate quality to one that will steadily generate profit by replacing the assets it owned. During the period of the Medium-Term Plan 2017, we ensured higher profit than planned in funds we operate every year chiefly by selling their investment projects.

As explained above, bottoming up the Leasing Business, our core business, expanding the Finance Business and succeeding in ensuring high profits in the RISA Business were our achievements in the Medium-Term Plan 2017.

→ For trends in the operating asset balance, please see page 3. For the situation by segment, please see page 35.

In the Medium-Term Plan 2020, we will drive social changes with "finance and ICT"

The COVID-19 pandemic, which has spread worldwide since late-January 2020, had a significant impact on business and our daily lives. The Group postponed the announcement of the Medium-Term Plan 2020 from the initially planned time in April to discover the changes in the business environment in light of the COVID-19 pandemic. While it is very difficult to predict the business environment in this situation, we announced the Medium-Term Plan 2020 in July 2020 together with our forecast for financial results that were predictable at that time. While a variety of risks are expected in the business environment under the pandemic, the New Normal, using ICT, such as digitalization, remote, online and manpower saving, and touchless application in business and our daily lives, is rapidly advancing to prevent the spread of COVID-19. The Group, which has long been working on finance and services related to ICT as a member of the NEC Group, one of the largest ICT companies in Japan. We are determined to lead social changes with finance and ICT by making sure to take advantage of this shifts in societal needs.

In the recent response of the Japanese central and local governments to the COVID-19 pandemic, the fragility of their ICT has come to light. Given that a digital agency will be newly established, there is no time to lose in sophisticating the use of ICT by local governments. During the three-year period of the Medium-Term Plan 2020, we will work to increase profits in the conventional Leasing and Finance Businesses by taking advantage of this needs without fail and achieving the management targets set in the plan by monetizing local revitalization areas, on which we have been working as new areas, such as venture funds, PFI*, energy, tourism, agriculture and healthcare.

*PFI (Private Finance Initiative): A method to construct, maintain, manage and operate public facilities by using capital and management and technical capabilities of the private sector.

Enhancing services to realize the Group Vision

As set in our Group Vision, we aim to become a solution service company. In the Medium-Term Plan 2020, we intend to focus on the creation of joint services with our partners. Competition in the financial industry is becoming increasingly fierce, because monetary easing is continuing worldwide, not only in Japan. In the Medium-Term Plan 2020, we assume that society will undergo dramatic changes through measures against the COVID-19 pandemic and digital transformation (DX), and that the trend toward services will make progress in all industries. Through its handling of ICT equipment for many years, the Group has been providing customers with ready-to-use ICT equipment by installing a variety of configurations and software in leasing and rental and providing services such as the maintenance and management of assets and information security during the lease period. Such a broad range of peripheral services of the Company will enable us to provide customers with greater benefits than purchasing the equipment. Because we believe that needs for these services will increase in the COVID-19 and post-COVID-19 era, we will focus on the creation of services that will provide higher quality, new solutions combined with finance and leasing with our partners with the value of goods themselves and the added value of services.

Aiming to become a global solution service company

In our Group Vision, we have also set a theme of "becoming a global solution service company." Since its establishment, the Group has been developing business mainly in Japan. Given that our growth as a company will be restricted, with business activities limited to Japan where continuously high GDP growth is difficult to expect due to the declining population and other factors, we have begun overseas development mainly in Asia since 2012. Currently, we are working on project financing and other business in the United States. In September 2020, we announced that we would make NEC Financial Services, LLC, which engages in sales finance for the NEC Group in the United States, our subsidiary. We will further strengthen our strategic partnership with the NEC Group overseas by consolidating the finance functions of the NEC Group in the United States to this subsidiary.

Toward the realization of the Group Vision

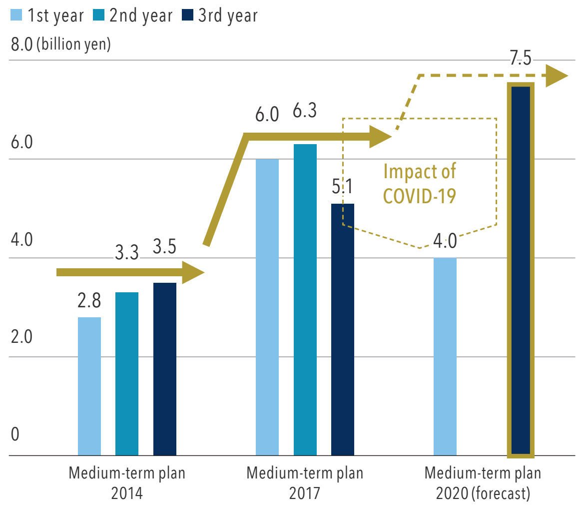
The 10-year road map we have formulated to achieve our Group Vision has entered its final stage. This phase can be described as the three-year period when we will work to build a business model for sustainable growth in the Company that provides financial services. It is not an easy path to ensure profits as a company while realizing the simultaneous enhancement of social value by solving these societal agendas with our customers, who are also our business partners. Now that society is experiencing a major paradigm shift, we believe that we will be able to build a more robust business quality with each employee advancing their efforts, while feeling and recognizing the social significance of their efforts anew. We are determined to steadily take steps to become a true solution service company with customers and employees toward the realization of the Group Vision.

Management targets in the Medium-Term Plan 2020

Numerical management targets (Billions of yen)

	FY2020/3 (Results)	FY2023/3 (Targets in the Medium-Term Plan)
Operating income	8.3	11.0
Ordinary income	9.1	12.0
Profit attributable to owners of parent	5.1	7.5
ROA	1.1%	1.3%

Trends in profit attributable to owners of parent



Medium-Term Plan 2020

Medium-Term Plan 2017 was achieved with the profit targets exceeded by a large margin as a result of progress made by a number of measures. All three strategies set in the plan also produced benefits to some degree.
We have formulated Medium-Term Plan 2020 by considering the achievements and issues of Medium-Term Plan 2017 as well as the impact of the COVID-19 pandemic.

Review of Medium-Term Plan 2017 Overview of strategies and results of major initiatives

	Summary	Results of initiatives
Strategy 1 Complete core areas: Establish services unique to us that demonstrate its strengths	• **Deepen strategic partnerships with NEC** ▷ Steadily pursue NEC-related business in new areas in addition to existing leasing and financing • **Expand the customer base in our own sales channels** ▷ Strengthen marketing effort for small and medium enterprises through vendor finance, deepening relationships with current customers and find new customers • **Ensure source for high-profit growth** ▷ Accelerate global business, strengthen specialized marketing for growth areas in diverse assets, and reinforce marketing for financial institutions	• Steadily implemented strategic sales activities for public offices and local governments • Promoted vendor finance solutions • Participated in NEC submarine cable projects as a finance arranger/financier • Strengthened partnerships with foreign capital ICT and environmental vendors • Increased core customers at corporate business departments ensured source for high-profit growth • Significantly grew the ICT rental service by capturing demand for upgrading to Windows 10 • Over-achieved the target in the Medium-Term Plan in the RISA business by generating high profits, chiefly in corporate investments • Expanded business in PFI and PPP projects, including the acquisition of projects as the representative company
Strategy 2 Develop new businesses: Establish sustainable new business models that are unique to us, including non-financial businesses	• **Establish new business models in energy, tourism, agriculture, and healthcare, and develop new businesses not limited to investment and finance** • **Develop rental businesses targeting ICT/IoT* and non-ICT commercial products**	• Participated in projects in the energy, tourism and agriculture areas, established knowledge and partnerships with business partners, and increased our presence in multiple regions ■ Energy | Promoted efforts for the renewable energy power generation business that effectively used resources in each region ■ Tourism | Promoted efforts to comprehensively increase attractiveness as a tourist site in multiple regions ■ Agriculture | Expanded efforts that would lead to stability and higher profitability of agricultural revenue ■ Healthcare | Expanded efforts for the healthcare facility warehousing business • Started a new rental service using NEC commercial products on a trial basis
Strategy 3 Strengthen corporate management supporting business strategies	• **Build a flexible/open support system for both management and marketing areas** ▷ Strengthen marketing planning functions ▷ Strengthen support system for marketing operations (legal, screening, accounting, etc.) ▷ Strengthen and advance management functions such as budget control and PDCA • **Further strengthen compliance system, improve operational quality and efficiency, and the level of risk management as business strategies are implemented** • **Strengthen management functions contributing to appropriate decision-making, starting with more advanced management accounting** ▷ Provide accounting data on businesses and sales in a timely manner • **Reform HR system to raise employee satisfaction** ▷ Reform current workstyles and overhaul the training system and evaluation system	Further strengthened internal systems and functions to support diversifying businesses • Strengthened risk management and business management functions • Strengthened compliance system, including the acquisition of the PrivacyMark certification • Enhanced the quality and efficiency of operations by using IT tools such as RPA* • Reformed HR system

*IoT: Internet of Things, referring to the connection of items featuring communication functions in a network. This enables the collection of information via the Internet, which is expected to create new business values derived from the collected data.
*RPA (Robotic Process Automation): Technology that automates administrative work with a robot. Robots doing this work for people will reduce labor costs and working hours.

Road map to realizing our Group Vision

Medium-Term Plan 2014
Rebuild core areas
+ Build a "corporate system"

Medium-Term Plan 2017
Complete core areas
+ Develop new businesses

Medium-Term Plan 2020
Expand core areas
+ Harvest new businesses

Medium-Term Plan 2020 Overview of the strategies

	Summary
Strategy 1 Expand core areas: Advance services unique to us that demonstrate its strengths	• **Establish new services with vendors** ▷ Strengthen strategic partnership with NEC Group and affiliations with vendors, and move ahead with vendor financing ▷ Collaborate with vendors to acquire new revenue opportunities, and establish shared services by proposing sales financing functions and jointly developing a service foundation • **Accelerate specialized businesses in growth areas** ▷ Provide high value-added services by strengthening ties with business partners, and strengthen earnings capacity in specialized businesses, such as the ICT service business, PFI and PPP business, venture fund business and RISA business • **Expand customer base and strengthen sales planning and promotion functions** ▷ Strengthen marketing planning functions ▷ Cultivate potential customers and expand business with existing customers by offering solutions
Strategy 2 Harvest new businesses: Generate revenue from new businesses that capitalize on our strengths, including in non-financial sectors	• **As well as acquiring revenue steadily from financial services, we aim to raise our expertise and presence and create services unique to us that will lead to community revitalization** ■ Energy | Promote local production and local consumption of energy through the spread of renewable energy, work to prevent global warming, and expand revenue from our energy business ▷ Make investments and loans for use of various renewal sources ▷ Expand investments and loans for Power Purchase Agreements (PPAs) or services ▷ Participate in regional Power Producer and Suppliers (PPSs) and related services ■ Tourism | Promote local revitalization utilizing the region's tourism resources, and expand revenue for our tourism business ▷ Make investments and loans for tourism-related facilities, infrastructure and businesses ▷ Bring in managerial compensation by launching tourism fund ▷ Participate in tourism-related operator business ■ Agriculture | Stabilize and increase agricultural revenue by encouraging processing, sales and distribution by farmers and optimization of the value chain, and increase revenue generated by our agriculture business ▷ Continue with investments in and loans to agriculture-related assets and agriculture-related companies ▷ Provide loans and investments and services to the agricultural value chain ■ Healthcare | Augment related facilities by pursuing the healthcare facility warehousing business, and expand revenue for our healthcare business
Strategy 3 Strengthen corporate management supporting business strategies	• **Establish operational flows addressing diverse work styles, and create efficient and high-quality operations** ■ Operational process ▷ Establish company-wide operational process assuming a hybrid work style combining telework and office work ▷ Establish "Three Lines of Defense in Effective Risk Management and Control," ensuring that company-wide operational reforms are pursued and operational quality improves ■ IT infrastructure ▷ Efficiently use cutting-edge ICT and advance operational processes at a faster pace ▷ Establish plan to innovate core systems ■ HR development ▷ Optimize management system, hire and train specialized human resources, appropriately assign employees, and achieve work style reforms ■ Staff functions ▷ Enhance company-wide optimal specialized functions and improve sales support capacity

Leading the rapidly accelerating digital transformation with a strong partnership

Amid great changes in society due to the spread of COVID-19, we discussed social issues we should work on and CSV management with our outside director Mr. Nagai of NEC Corporation, a principal ICT company in Japan, to search for the future direction we should take mainly in the area of government agencies.
(Date of dialogue: September 25, 2020)

Takanori Nagai
General Manager of Public Solutions Business Planning Division, NEC Corporation
Outside Director of NEC Capital Solutions Limited

Miyoshi Yanagisawa
Executive Officer of NEC Capital Solutions Limited

Tomoo Imazeki
President of NEC Capital Solutions Limited

Social contribution mindset inherited from NEC and our Group Vision

Imazeki Under the motto of "Better Products, Better Services," the NEC Group has been creating valuable products and services through innovations and contributing to its customers and society since its establishment in 1899. This mindset was continued within the Group, and in those times when the Company took on a role only as a sales finance company promoting NEC products, it was easy for our employees to be conscious of being of use to society as a member of the NEC Group. Now, as a listed company, we have broadened the range of solutions we offer as a financial services company, in addition to the leasing of ICT products. Having established a Group Vision to clarify the direction that we should take once again along with the business diversification, we strive to share an awareness of generating profits as a company by solving social issues.

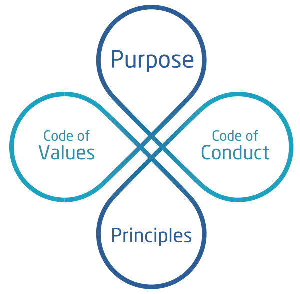
Yanagisawa I am in charge of the area of government agencies and municipalities. When we propose ICT and other systems for leasing to public offices and local governments, the employees of NEC, who propose products and solutions directly to customers, realize that they are contributing to society. On the other hand, it is difficult for our employees, who propose invisible finance, to have the same sense as NEC's employees, although it is leading to the resolution of social issues. I hope that sharing our Group Vision will lead to our employees taking pride in the fact that our business activities and their work are useful to society.

Nagai NEC established the NEC Way, which is a common set of values that form the basis for how the entire NEC Group conducts itself. As stated in the "Purpose," which represents why and how as a company we conduct business, the NEC Group aims to create the social values of safety, security, fairness and efficiency to promote a more sustainable world where everyone has the chance to reach their full potential. If each employee deepens their understanding of the NEC Way and connects it to their conduct, this will aid the further growth of the NEC Group.

Imazeki We also share the NEC Way as a member of the NEC Group. Adopting its unique Group Vision, the NEC Capital Solutions Group, which is in a different business category from NEC, is focusing on its own initiatives while driving its business forward in the same direction as that taken by the NEC Group. Our Group Vision did not use the NEC Way as the starting point, but we can say that it has consequently rephrased the NEC Way in our own words.

Nagai While the NEC Group has many consolidated subsidiaries, NEC Capital Solutions is positioned differently from other consolidated subsidiaries as a listed company. NEC has been encouraging group management that emphasizes the establishment of respective business by each Group company, because NEC believes that it will lead to the power of the entire Group, where each Group company conducts business with individual characteristics while having a common term of NEC.
NEC Capital Solutions, with financial services as the core business, is positioned specially in the NEC Group. When customers make a capital investment, such as system development, they will need to consider financing at the same time. The Company's ability to propose solutions, including financing to customers, in addition to systems, will increase the value it provides in order to differentiate itself from other companies. It is a strength and an asset of the NEC Group that NEC Capital

NEC Way



The NEC Way is a common set of values that form the basis for how the entire NEC Group conducts itself.
Within the NEC Way, the "Purpose" and "Principles" represents why and how as a company we conduct business,
whilst the "Code of Values" and "Code of Conduct" embodies the values and behaviors that all members of the NEC Group must demonstrate.
Putting the NEC Way into practice we will create social value.

Solutions, a financial company, is in the Group.

Yanagisawa There was a time when people said that when it comes to computers, NEC is the best, but today companies are chosen not by brand power but by their degree of contribution to resolving the customer's issues. Under these circumstances, what the NEC Group proposes to customers, and how, become important. Solutions that satisfy customers are needed, and the fact that we are able to help customers in their financing is one of the elements. Projects in which we can differentiate ourselves from other companies have increased by adding our strengths to NEC's proposals and as a result the partnership with NEC has further deepened.

Imazeki Even if we are a member of the NEC Group, it does not guarantee that we will be blessed with business opportunities without conditions. We will not be chosen as a business partner of NEC unless we clearly present how we can support proposals made by NEC to customers by making valuable propositions to NEC. Over the last five years, we have started to work on financing overseas. In overseas project financing for NEC, there are many large projects including submarine cable projects, and we had an opportunity to be involved in a project as an arranger of a syndicated loan, who coordinates multiple financial institutions. This is a result of our efforts to expand our sales channels as a listed company and broaden the range of our financial services beyond leasing.

I feel that a stronger relationship of trust has been fostered with NEC thanks to these accumulated efforts.

Nagai It is very important for companies in the same Group to be companies that continue to be selected through mutual friendly competition. Of course, they are based on the NEC Group's common terms of "contributing to society" and "keeping creating new technologies," and these terms will remain the same. We can create greater value in the entire Group because of these common terms.

Toward the resolution of new social issues in the COVID-19 and post-COVID-19 eras

Nagai The environment remains uncertain because of the COVID-19 pandemic. Major changes will occur going forward in terms of social paradigms and our behavior. IT investments that deal with the New Normal will probably expand rapidly based on key words such as remote, touchless and digital transformation (DX). There is also a possibility that what has been unable to be actualized amid regulations and restrictions will make great progress. I feel that the trend that what we have been nurturing will rapidly expand as a business.

Yanagisawa The direction of DX will not change, but it is clear that the timeframe has suddenly shortened with the acceleration triggered by the recent spread of the COVID-19. For example, the GIGA School program* is one of these trends. The Japanese government is advancing its efforts to develop an environment where students in schools can use one personal computer or tablet each. However, this is hardly widespread, although it has been advocated for the last several years. The government response has finally accelerated due to the COVID-19 pandemic.

What is important is not simply to disseminate goods but how to use them after they have been widespread. We have to consider how we will be involved in the next step beyond the dissemination as the NEC Group.

We have been engaging in projects related to the deployment of computers at schools for many years, and we will continue to expand business opportunities in this area by being actively involved while creating social value.

Imazeki Beyond the pursuit of shifting toward services, there is a true service company we aim to become. In the Medium-Term Plan 2020, which started in the current fiscal year, we aim to provide added value named services more broadly and deeply than ever. A company that is able to provide a variety of services as a complete package, which is useful and well-balanced, by coordinating the services of ICT and IT business operators with advanced expertise and our financing along with something extra. That is the service company we aim to become.

Yanagisawa When we consider our role as a service company, we have to form the core of a mechanism that provides diverse solutions, with technologies from manufacturers as the warp and companies playing a professional role such as maintenance, operation and services as the weft, which we weave together with finance. Of course, we will actively cooperate with and support the service business independently developed by NEC, but we should aim to take on the role of coordinating everything as an organizer in the areas that are not the core areas from the perspective of NEC.

Nagai NEC's services could also be seen as a choice from the perspective of NEC Capital Solutions. Viewed from the perspective of the overall NEC Group, the Group's ability to respond to changes will be generated when individual companies hone their strengths. The NEC Group always considers how to contribute to society. If we remain as a company that continues to be chosen by each other while continuing to hold points in common, this will lead to the development of the entire NEC Group.

Becoming a trustworthy business partner that is able to turn the age of uncertainty into an age of opportunity

Imazeki Given the rapid increase in demand for ICT for telework and non-contact systems in Japan, I expect that opportunities to provide broader menus than ever as services will increase.In the Medium-Term Plan 2020, we aim to lead innovation in society through finance and ICT. We will propose valuable solutions in cooperation with NEC and many other partners.

Nagai NEC also regards changes in social needs from the spread of COVID-19 as business opportunities, and it is reinforcing its business development capabilities to create customer value by using the latest technologies, such as digitalization and remote, online, labor-saving and contactless operations. However, the service-type business requires professional know-how because of the difficulty in its financial practices, including the collection of payments. The financial know-how that NEC Capital Solutions has been accumulating will be effectively used.

Amid the spread of COVID-19, over-concentration in Tokyo became a major issue. It is also a major theme for the revitalization of local areas for the future of Japan. They include what businesses we should make and how to energize them. I want to implement measures to enhance the vitality of local areas by mixing NEC's strength in building relationships with local governments, hospitals and companies across the country and the financial knowledge of NEC Capital Solutions.

Imazeki In local areas, there are a wealth of precious resources, such as tourism and agriculture. If we add NEC's ICT technology and our financial know-how, we should be able to link them with local revitalization and actualize value as a business that can generate a profit.

One of the strategic measures in our Medium-Term Plan is to strengthen a strategic partnership with NEC. The partners should have their respective business areas while having common terms, instead of becoming completely unified.

We should be able to make 1+1=not to 2 but 3 or 4 because we have other strengths, such as finance and ICT. To that end, I hope that we will become a pioneer and further broaden the scope of our efforts by finding new business opportunities and reinforce the strategic partnership with NEC in the future.

Nagai If all employees of the Group continue their work with the same mindset, this will bring out a real vitality, and businesses we develop on our own will be directly linked to our quality. That will lead to the enhancement of our corporate value.

Significant changes in society caused by the spread of COVID-19 serve as a strong tailwind for us, but could become a headwind in some situations. While continuing to build a partnership that is even stronger than the one between group companies, I hope that NEC and NEC Capital Solutions will continue to be able to provide ideas that will be of use to many customers, and solve social issues even amid an age of uncertainty.

*GIGA School program: A project announced by the Ministry of Education, Culture, Sports, Science and Technology in December 2019. GIGA stands for Global and Innovation Gateway for All.

Power that supports CSV management

Aiming to realize CSV management with high aspirations and strong financial services

The Group Vision formulated in October 2013 incorporates a CSV management philosophy of enhancing social value with customers. The Group aims to realize the Group Vision by raising the awareness of its employees and increasing the strength of its financial services.

Shuichi Tezuka Director

Job satisfaction leading to improvements in the quality of the social value we create

The Company will contribute to the resolution of societal issues by improving the business environment for customers through the provision of financial services. I believe that having a perspective on how finance helps society or creates social value, instead of providing finance that simply seeks to generate profit, is important for fostering job satisfaction among employees in the Company, which does not have visible products. Our employees improve the quality of our financial services. They will improve the quality of the social value we create in addition to strengthening corporate quality if they have high aspirations and a strong sense of mission.

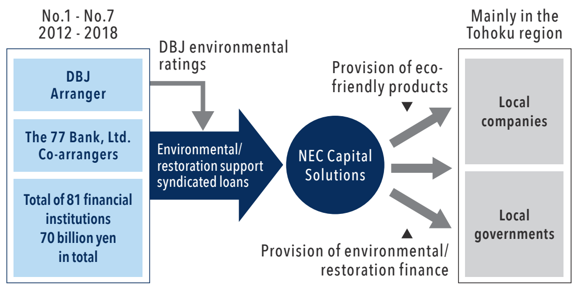
Job satisfaction and accomplishment are our appeal

The Company operates a variety of businesses with only slightly more than 600 employees on a non-consolidated basis. Our employees gain experience through discretion since they are young and are involved in projects from start to finish. In addition, because they are close to the management, they also have a managerial sense. Therefore, we are recognized as a company of a select few with a sense of speed.
Our employees also know that they have acquired skills and feel that their work is worthwhile and fulfilling. Those who have experience at other companies and joined the Company as mid-career employees also sense the charm of the Company through their work as skilled, work-ready personnel. Each employee's willingness to grow enhances the Company's value.

Creation of services unique to the Company

A little while ago, we worked on environmental/restoration support syndicated loans in 2012 to support restoration after the Great East Japan Earthquake. We raised funds in cooperation with local financial institutions in Tohoku region, in partnership with Development Bank of Japan Inc. (DBJ), and used them for the leasing of and financing for products that gave consideration to restoration support and the environment. Lately, many financial instruments try to have a positive impact on the environment and society, such as green bonds and positive impact finance, but this initiative was a precursor to these instruments and received the top prize in the Green Purchasing Awards at that time. This project is a good example of our uniqueness.

Schematic view of environmental/ restoration support syndicated loans



This initiative was proposed by young employees in charge in their 20s and 30s, and the system was established quickly, in cooperation with persons in charge at banks and persons concerned in the Company. It also gave us a push that the identification of the use of funds was relatively easy in leasing because target properties were clear and there were similar systems in the Company since we promoted environmentally conscious efforts for some time. A corporate culture that allows young employees to take on new challenges, has senior employees who are extremely supportive of younger employees, and features our comprehensive strengths, including quick management decisions, in addition to our commitment to the creation of social value, is a unique characteristic of the Company.
Our commitment to CSV management began in 2013. Since then, we have seen in our recruiting more new graduates interested in joining our Company because they agree with our CSV management, in addition to an increase in job satisfaction. While our challenge to realize CSV management is still half-way through, the fact that we are hiring many human resources with high aspirations to create social value through their work will lead to our fundamental strength in the future.

CSV is efforts to create revenue

The 10-year road map toward realizing CSV management has entered its final stage. Since 2013, when we began the initiative, we have established four societal issues of focus: establishing social and ICT infrastructure, revitalizing local communities and economies, preventing global warming, and responding to the aging population. Given that the global common goals of SDGs were proposed at the United Nations Summit in 2015, many companies are promoting their efforts to achieve SDGs and resolve societal issues. We recognize that there is no difference in our goals, yet there are differences in approaches and perspectives.
We identified the strengthening of the revenue base as one of our material issues. Even if it has social significance, we are unable to work on an initiative unless it generates revenue, otherwise it will not go beyond the bounds of charity. For the Company, as a financial services company, to continue to create social value, we must have economic rationality to work on initiatives sustainably. CSV management satisfies both social significance and revenue, after racking our brains with high aspirations. We formulated Medium-Term Plan 2020 to increase our commitment to profitability together with the high aspirations of our employees.

Our material issues

Expanding the revenue base
We commit to improving profitability and enhancing the revenue base to realize CSV management.

Specific materialities
- Strengthen the partnership with NEC
- Reinforce our base for funding
- Expand our customer base
- Expand our global business
- Develop new businesses

Strengthen management capability
We commit to reducing operational risks and improving our capabilities for executing operations to maintain a competitive advantage in the market.

Specific materialities
- Improve operational quality
- Ensure compliance

Corporate culture transformation
We commit to transforming our corporate culture to have all employees, who are our biggest managerial asset, perform at their best to enhance our competitiveness.

Specific materialities
- Improve employee satisfaction

Medium-Term Plan 2020 will enter the final stage to realize our Group Vision

We have been contributing to the establishment of social and ICT infrastructure through our services for public offices and local governments for many years.
CSV management was realized in a core business area that is our strength. In addition, we have been working on energy, tourism, agriculture and healthcare as areas for new business operations in recent years. Because we are in the middle of taking daily efforts toward profitability, we are working for commercialization and profitability by sincerely facing the issues of society and local communities, and taking advantage of our high aspirations, uniqueness and strengths.

Social changes amid the COVID-19 pandemic

COVID-19, which has been rapidly spreading since late January 2020, has greatly changed society. In addition to the transformation of work styles, the values and the form of business have also been transformed. Encountering a major transitional phase of society that was unexpected when we formulated the Group Vision in 2013, our uniqueness is being tested. To discuss business strategies and synchronize with the awareness of employees who implement the strategies, we held dialogue sessions with the president on Medium-Term Plan 2020, using online communication concurrently. The president held the sessions to facilitate the understanding of all employees about the medium-term plan through dialogues. This is possible because of the size of the Company. We will take steps toward realizing CSV management by continuing to make steady efforts.

Scene of a dialogue session with the president

For the environment and society

To practice our corporate philosophy and realize our Group Vision, we are expanding environmental activities and sustainable social contribution activities linked with our business.

Contributing to the environment and society through our business

In the Company, the environmental burden involved in its business activities is limited compared with the manufacturing and the distribution industries. Therefore, we have been promoting our environmental activities based on the concept of environmental benefit to enhance the environmental value of customers and society, in addition to reducing our environmental burden.

After establishing the Group Vision in 2013, we created a medium- and long-term environmental management plan, CSV by Eco, in 2014, in conjunction with the medium-term plan, linking environmental activities to business activities.
We will continue to conduct activities to support the realization of the NEC Capital Solutions Group Vision from an environmental standpoint in the Medium-Term Plan 2020.

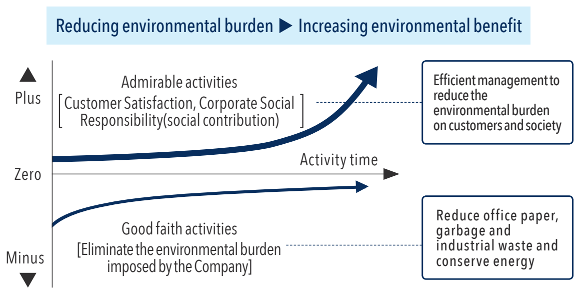
Medium- and long-term environmental management plan, CSV by Eco

Environmental targets	Plans for FY2018/3 - FY2020/3 Complete core areas + Develop new businesses	Plans for FY2021/3- FY2023/3 Expand core areas + Harvest new business
Contribute to the creation of a low-carbon, recycling-based society by developing and expanding an eco-business that embodies CSV	Build eco-business models with customers and partners	Expand initiatives for an eco-business that embodies CSV
Appropriately handle lease and rental products supporting the development of a recycling-based society and maximize value	Build a new 3R (Reduce,Reuse,Recycle) -related business model	Raise profitability of 3R-related business model
Build and expand a financial eco value chain	Build and expand a financial eco value chain	Collaboration with financial eco value chain
Create opportunities for children to be able to act independently in the future to build a society in which they coexist with nature	Strengthen ties with local governments and the NEC Group with the Waku-Waku (Exciting) Children's Pond Project	Expand large-scale projects to realize a society coexisting with nature
Improve operations continuously by evolving the PDCA cycle	Build a system capable of adapting to changes in the environment and business growth	Raise profitability by improving operations

Environmental management

The Company and RISA Partners, Inc. acquired certification under ISO 14001, international environmental management standards. Under this system, we proactively expand eco-business practices for improving environmental benefit for our customers and society by engaging in eco-business practices that have a positive effect on society by finding solutions to environmental issues.
We also certify devices and equipment that contribute to solving environmental issues as "Eco-Lease/Eco-Finance properties" based on our unique assessment criteria and proactively encourage their use in our business.

Conceptual diagram of environmental benefit and environmental burden



Contributing to local communities

We are conducting a variety of social contribution activities along with our corporate philosophy.
We conduct activities in which our employees can participate easily, such as the Waku-Waku (Exciting) Children's Pond Project which is our original activity, the End-of-lease Personal Computers Endowment Activity hosted by the Japan Leasing Association, blood donations with the Japan Red Cross Society and participation in the NEC Make-a-Difference Drive, an activity to contribute to local communities of the NEC Group.
In the fiscal year ended March 31, 2019, we began sponsoring NEC SPORTS, and Nichika Yamada of NEC Red Rockets (women's volleyball team in the V-League) belongs to the Company.

Focus: Introduction of CSV projects

Initiative to improve the information and communication technology (ICT) environment in schools

The Japanese government is expanding the GIGA School Program to improve the ICT environment for students in schools, providing one computer per person. The improvement of the ICT environment in schools is an urgent issue due to the COVID-19 pandemic, and the government is accelerating its response to realize the GIGA School Program early. The Company, with considerable experience in doing business with public offices and local governments, has engaged in projects to provide computers for public schools for many years. The value of contracts executed related to the improvement of the ICT environment in schools has been increasing significantly for the last few years. We will continue to contribute to the development of a new educational environment in the new normal, taking advantage of our experience and achievements in the past.

PC-LCM service for Fuji Yakuhin Co., Ltd.

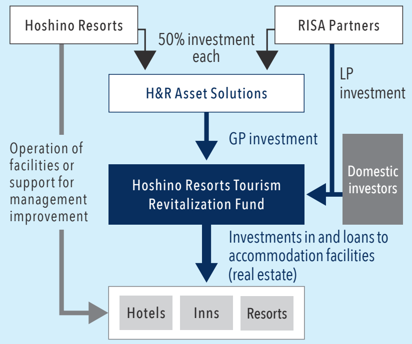
In PC-LCM service, we provide IT equipment on a one-stop basis, covering the procurement of equipment to operation and management. The challenge facing Fuji Yakuhin, which develops drug stores across Japan, was the complicated introduction and management of a wide variety of IT assets including computers and tablets. We advised the company to use our PC-LCM service to integrate procurement. Going forward, we plan to improve operational efficiency of IT asset management and strengthen the internal management system by outsourcing many operations ranging from software license management to security measures and PC-related works collectively.

Initiative to provide financing for storage cells in North America

We provide financing for a storage cell project in North America. While the use of renewable energy is expanding worldwide to prevent global warming, power generation using natural energy, such as solar power generation, has difficulty in the adjustment of supply and demand because the power generation amount is influenced by the weather. Electricity supply can be stabilized by adjusting and controlling the supply and demand balance using storage cells, allowing renewable energy to be used at ease. Going forward, we will accumulate knowledge of storage cell projects, for which the market is expected to grow, and will provide financial support to help prevent global warming.

Launching Tourism Revitalization Fund (RISA & Hoshino Resorts)

RISA Partners, Inc. has launched the Hoshino Resorts Tourism Revitalization Fund for accommodation facilities in Japan with Hoshino Resorts Inc. and has jointly established H&R Asset Solutions Co., Ltd. as a company to operate the Fund.
Hoshino Resorts and RISA Partners will aim to contribute to the rapid recovery of the tourism and lodging industry after the end of the COVID-19 coronavirus, by making effective use of the Fund to support the business continuity of quality hotels and inns in Japan that face a loss of demand due to COVID-19.



For our employees

For a financial services company that does not possess products the way a manufacturer does, the source of competitiveness is people, which is to say the employees who provide services to our customers. Therefore, we respect the individuality and human rights of our employees as we strive for personnel development that enables them to demonstrate creativity. Thus, the development of human resources is included in Medium-Term Plan 2020 to strengthen our management capabilities.

Implementing the second personnel system reform to strengthen support for strong individuals

Yoshihiro Ogawa General Manager of Human Resources & General Affairs Department

The personnel system reform in 2012 triggered major changes

The Company, which was established as a leasing company handling finance functions for NEC product sales, inherited many things from NEC, including its organizational climate and corporate culture, in addition to its products. However, along with the changing times, distinctive features are required for the Company, such as the diversification of services. Now, our leasing scope has expanded to non-NEC products, including medical equipment and industrial equipment and facilities, while keeping NEC products as a strength, and we have expanded our business into a wide range of areas, including financial services, such as investment and finance and fund operation.

If a company changes, those who work there must also change. Therefore, we renovated our personnel system in 2012, with "challenge and transformation" as the key words, to build a system that values employees who take on challenges, striving to create a supportive environment. I am confident that individual employees have achieved greater competency, boosted by this personnel system reform.

Toward the new personnel system reform to begin in 2020

Eight years since the previous personnel system reform, multifaceted business activities have progressed, and the diversification of in-house human resources has increased. In addition, given that recruitment is more difficult due to the declining birthrate, we must revise the existing system. Furthermore, there is an urgent need to change our awareness of work styles because of the current situation, including the rapid expansion of telework due to the COVID-19 pandemic. As a result, we have decided to review our personnel system for fostering strong individuals with expertise. While enhancing management, we will promote the streamlined and efficient use of in-house human resources combined with the further utilization of IT, including robotics process automation (RPA) and the resulting rebuilding of work processes, among others.

I hope our employees acquire expertise that enables them to play an active role wherever they are. I believe that it is my mission to create a flexible system for the sake of each individual, and to develop an environment where they are able to achieve their goals. I want to be a personnel officer who cultivates as many employees who are willing to grow as possible and supports them.

History of the personnel system reform

Human resources development

Based on our human resources philosophy, our human resources development enables employees to continually contribute to transformation and growth of the company through challenges and to demonstrate their capabilities in the pursuit of customer satisfaction.

Human resources philosophy

We develop, fairly evaluate and reward personnel who can lead our transformation into an ICT and financial solutions company as individuals while embodying the organization.

Seven values

1. Customers as our starting point
2. Creation of innovation
3. High ethical standards
4. Pursuit of the essence of things
5. Respect for the diversity of thought
6. Entrepreneurial spirit
7. Seeing it through

Implementing personnel development

In order to realize our human resources philosophy, all employees must acquire high levels of specialized knowledge, autonomy and the skills to respond to changes in the market environment. We work to build an abundant educational framework, while engaging in strategic personnel rotation that includes external trainees as well as precisely ordered systems operation.

In our educational measures, we focus on expanding competence of employees. To develop human resources who embody the seven values, we are fostering a climate for them to learn independently by clarifying the capabilities required for the employees and encouraging their learning and motivation through various educational measures.

Employee training

Work-style reform initiatives and work-life balance

In order to improve the productivity of business operations, we are moving forward with the establishment of an IT environment to allow our employees to work anytime and anywhere, including from home. This includes portable computer and smartphone rentals, and setting up satellite office facilities. To support our employees in achieving a work-life balance, we introduced a flexible work arrangement and a No-Overtime Day while also undertaking initiatives to prevent extended work hours. We are also enhancing our system for various categories of holidays and leave related to childcare and nursing care, while encouraging the use of time off.

Diversity

At the Company, where there are few women in management positions, we are aware that women's empowerment is a top-priority management issue and we established a Women's Empowerment Promotion Section in April 2017. Specific actions aimed at empowering women include encouragement of job changes among those eager to take on the challenge of a broad range of high-level work duties, the dispatch of employees to external educational institutions, support for acquisition of specialized expertise reflecting questionnaire results, and hosting of workshops aimed at enabling employees to seek out a sense of self and the core essence of what work means to them. Currently, we are working on these actions to increase the number of female employees who are manager candidates.

Occupational health and safety

Our Human Resources & General Affairs Department and Health Management Center have been at the forefront of various efforts related to promoting employee occupational health and safety as part of our basic policy to provide a healthy and safe workplace. These efforts include the establishment of operational environments, the promotion of health management and disaster prevention, and the elimination of motor vehicle accidents as labor health and safety issues.

Katsuyuki Murai
Corporate Auditor (Full-time)

Shuichi Tezuka
Director

Tomoo Imazeki
Representative Director and President

Katsunori Nagai
Representative Director

Norio Natsume
Director

Wataru Otoda
Corporate Auditor (Full-time)

Directors (As of June 22, 2020)

Tomoo Imazeki
Representative Director and President

June 2012	Director, Executive Officer of the Company
April 2015	Representative Director, Senior Executive Officer of the Company
June 2017	President of the Company (incumbent)

Katsunori Nagai
Representative Director

April 2019	Executive Specialist under the direction of Director, Senior Executive Officer of the Company
April 2020	Senior Executive Officer of the Company
June 2020	Director, Senior Executive Officer of the Company (incumbent)

Shuichi Tezuka
Director

June 2016	Director, Executive Officer & General Manager, Human Resources & General Affairs Department of the Company
April 2017	Director, Executive Officer of the Company
June 2017	Director, Senior Executive Officer of the Company (incumbent)

Norio Natsume
Director

September 2016	Executive Consultant of the Company
April 2017	Executive Officer of the Company
June 2017	Director, Executive Officer of the Company (incumbent)

Takashi Nawa* Outside Independent
Director

Professor at Hitotsubashi University, Graduate School of International Corporate Strategy

June 2001	Director of McKinsey & Company, Inc.
June 2010	Professor at Hitotsubashi University, Graduate School of International Corporate Strategy (incumbent)
June 2011	Director of the Company (incumbent)

Masanori Itatani* Outside Independent
Director

June 2007	Director of Nomura Holdings, Inc. (Audit Mission Director)
June 2013	Advisor to Nomura Holdings, Inc.
June 2014	Director of the Company (incumbent)

Satoshi Okubo Outside
Director

Assistant General Manager of Corporate Strategy Division and General Manager of Affiliates Business Department, Corporate Strategy Division, NEC Corporation

April 2018	Assistant General Manager of Corporate Strategy Division and General Manager of Affiliates Business Department, Corporate Strategy Division, NEC Corporation (incumbent)
June 2018	Corporate Auditor of the Company
June 2020	Director of the Company (incumbent)

Takanori Nagai Outside
Director

General Manager of Public Solutions Business Planning Division, NEC Corporation

April 2017	Assistant General Manager of Public Solutions Business Plannning Division, NEC Corporation
April 2019	General Manager of Public Solutions Business Planning Division, NEC Corporation (incumbent)
June 2020	Director of the Company (incumbent)

Corporate Auditors (As of June 22, 2020)

Wataru Otoda Outside
Corporate Auditor (Full-time)

June 2015	Executive Officer, NEC Engineering, Ltd.
April 2017	Executive Operation Specialist of Corporate Controller Division, NEC Platforms, Ltd.
June 2017	Corporate Auditor of the Company (incumbent)

Katsuyuki Murai
Corporate Auditor (Full-time)

April 2011	Executive Officer of the Company
April 2013	Senior Executive Officer of the Company
June 2020	Corporate Auditor of the Company (incumbent)

Toshiya Nihei Outside
Corporate Auditor

Department Manager of Accounting Department, Enterprise Business Planning Division, NEC Corporation

May 2014	Senior Expert of Enterprise Business Planning Division, NEC Corporation
April 2018	Department Manager of Accounting Department, Enterprise Business Planning Division, NEC Corporation (incumbent)
June 2019	Corporate Auditor of the Company (incumbent)

Takashi Nanji Outside
Corporate Auditor

Senior Manager of CCC Reform Promotion Office, Corporate Finance Division, NEC Corporation

December 2018	Senior Manager of Finance Department, NEC Corporation
February 2019	Senior Manager of CCC Reform Promotion Office, Corporate Finance Division, NEC Corporation (incumbent)
June 2020	Corporate Auditor of the Company (incumbent)

*Messrs. Takashi Nawa and Masanori Itatani are independent directors in line with the Tokyo Stock Exchange's regulations.

Messages from independent directors

Takashi Nawa

Outside Director of
NEC Capital Solutions Limited

Professor at Hitotsubashi University, Graduate School of International Corporate Strategy

Upon the formulation of the Medium-Term Plan 2020, I would like to comment on three points from the standpoint of achieving CSV management. The first point is about the acceleration of CSV in the core business.

The COVID-19 pandemic has brought about major changes in society, and non-face-to-face, non-contact and remote responses have been expanding rapidly to prevent transmission. Information and communication technology (ICT) such as sensing, security and AI, where NEC has a highly competitive edge, has been increasing in importance, which creates a business opportunity for the Company that provides financial services in the NEC Group. Amid increasing needs for a service in which all functions can be used by paying the service fee, the Company has been providing a managed service that carries out the introduction through the management of ICT equipment. I want the Company to accelerate its efforts to resolve social issues through the provision of services where the Group's financial services are incorporated in NEC's technologies by strengthening partnerships with NEC. The second point is the contribution of four new business areas to revenue. We have been acquiring knowledge and know-how in each area through community-based activities. In the Medium-Term Plan 2020, I hope that the Company will consolidate these efforts to build a mechanism to be able to contribute to revenue. The third point is how the back office should be. One of the main themes for practicing CSV is the improvement of productivity for human resources. We have an excellent opportunity to review our work styles, because the perspective is changing on how society should be. I want the Company to seek efficient ways of working, including remote work, and to allocate time for the creation of new added value. The Group Vision has also entered its final phase. I want the Company to delineate a long-term orientation by showing the ideas of new work styles and how the industry should be, with a view to the New Normal.

The new Medium-Term Plan 2020 has been formulated, and our initiatives to realize it have begun. The plan has been formulated and is to be implemented amid uncertainty about the future. I firmly believe that we will be able to expand the Company's operations further and make social contributions through our initiatives in this medium-term plan. Our initiatives for new businesses will create enormous opportunities. Further expansion of our operations through steady business development in the proven core business areas and a new approach is expected.

In this environment, it is also vital to flexibly change the content and implementation of plans as time goes on. To that end, it is essential to develop our sense to changes, to respond promptly and to demonstrate commitment. I have been observing the formulation of the plan from this perspective and the same will apply to its future implementation. My assessment is that the Company is working on the plan to fully meet expectations.

In terms of response to the New Normal, it is necessary to provide ideas and innovations as to how the Board of Directors should be and how the outside directors should be involved without remaining attached to conventions. I do not have any solid ideas at the moment, but I think that we are going through a lot of trial and error about the collection of information, how to convey messages, overall communication and how our discussions should be, although there is essentially no change in the role as an outside director. I recognize that these are also a challenge for us.

Masanori Itatani

Outside Director of
NEC Capital Solutions Limited

Previously Director at Nomura Holdings, Inc.

Corporate governance

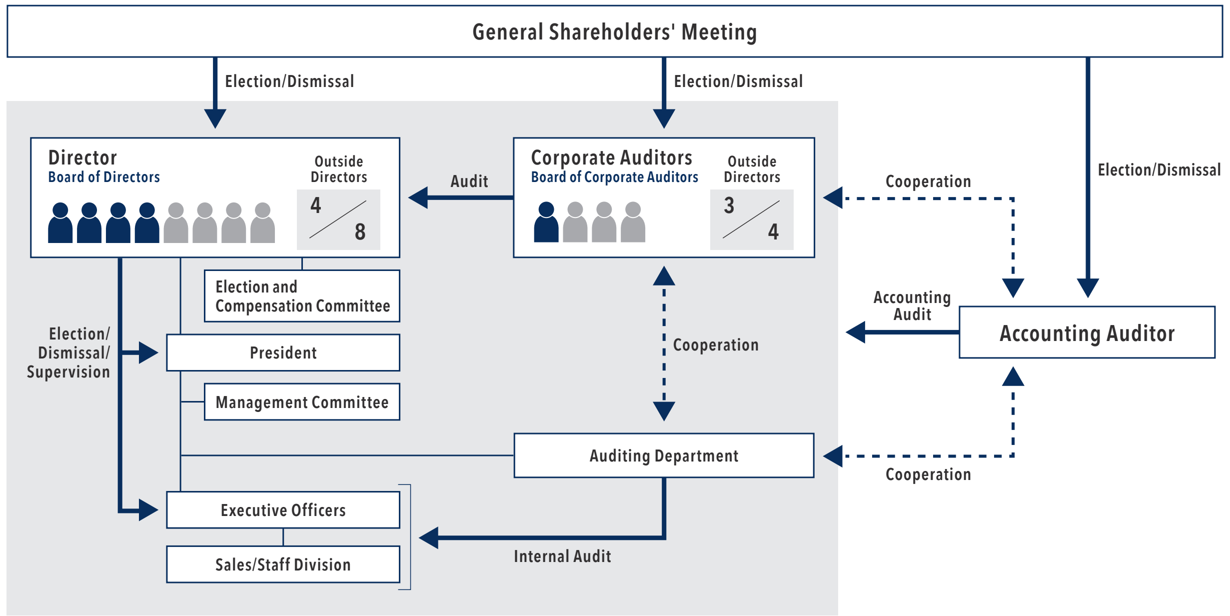
To realize CSV management, we have engaged in numerous dialogues from the perspectives of our stakeholders, including shareholders, members of the local community, customers and employees. At the same time, we have been monitoring and supervising management from a medium- to long-term perspective in an effort to reform the management structure.

Corporate governance system

In addition to general shareholder meetings, we have instituted a Board of Directors, a Board of Corporate Auditors and an Accounting Auditor under the Companies Act. We have also introduced an executive officer system to accelerate decision-making, and the Board of Directors supervises and monitors them.

History of corporate governance improvements	
Jun. 2004	Implemented Executive Officer System
Mar. 2010	Elected one independent director
Jul. 2011	Added one independent director for a total of two
Apr. 2012	Established voluntary Compensation Committee
Nov. 2018	Established voluntary Election and Compensation Committee

Corporate governance system schematic diagram (As of June 22, 2020)



Board of Directors

Four out of NEC Capital Solutions' eight directors are outside directors. Meetings of the Board of Directors are regularly held once a month, with extraordinary meetings held when necessary. In addition to making decisions on important matters concerning issues prescribed by laws and regulations, the Articles of Incorporation, and other rules, the Board of Directors monitors the state of business execution by directors. The Board of Directors held 14 meetings in FY2020/3. Two of the outside directors are independent with no interests in the Group or major shareholders, and no risk of conflicts of interest with general shareholders. Their names are submitted as independent directors in accordance with the Tokyo Stock Exchange's stipulations.
The expected role of outside directors is to provide advice concerning all aspects of the Company's management from an objective standpoint, based on their deep insights and extensive experience.

Assessments of Board of Directors' effectiveness

Analysis and assessment of the effectiveness of the Board of Directors are conducted once a year at the Board of Directors meeting to improve its function. NEC Capital Solutions conducted a survey through an outside agency for all directors and corporate auditors in February 2020. The latest assessment confirmed that the Board of Directors was sufficiently effective during FY2020/3 based on the survey results and upon hearing opinions from the perspectives included below at a Management Roundtable comprising all directors and corporate auditors.

1. The Board of Directors employs a strategic approach to management
2. Composition of the Board of Directors is appropriate
3. Oversight of management by the Board of Directors is sufficient
4. Meaningful discussions are held by the Board of Directors

Corporate auditing system

Four corporate auditors (three of which are outside corporate auditors) hold regular meetings of the Board of Corporate Auditors to discuss auditing activities based on the auditing plan and management information.
Along with attending important internal meetings that include meetings of the Board of Directors and Management Committee, corporate auditors hold conferences once a month with the President of NEC Capital Solutions to discuss important auditing issues, problems the Company needs to address, and progress made in developing an environment for auditing, in addition to gathering direct feedback from directors and employees regarding the execution of business. The Auditing Department provides specific advice and recommendations regarding the improvement of business operations through internal audits, offers guidance on the development and operation of the internal control system, and evaluates its operation.

Director compensation

Regarding director compensation, the Board of Directors establishes an Election and Compensation Committee as a voluntary advisory body comprising the majority of outside directors to deliberate on compensation policy, levels and systems. Compensation is from supervisory compensation and executive compensation. A certain percentage of executive compensation varies according to the degree of achievement of performance targets and individual KPIs to encourage commitment of directors toward the short-term, medium-term and long-term management objectives.

CSR management

We aim to establish CSV management by monitoring and reviewing our business activities and engaging in multiple dialogues with our stakeholders.

Promoting CSR management

The CSV management that we advocate in our Group Vision aims for our business activities to contribute to society.
In order to achieve this, it is necessary to promote both improvements in profits and CSR.

PDCA management

The Company monitors and reviews business activities under the PDCA cycle, from the management level to the employee level.
The PDCA Committee chaired by the president monitors management objectives and materialities on an ongoing basis every month, so that prompt decision-making leads to actions on a field level.
Because the PDCA cycle runs at the employee level as well and a variety of committees, the important management indicators and issues are reported and shared in a timely and appropriate manner.
We also work on environmental targets continuously in a PDCA-based cycle by reflecting them in annual business plans and reviewing important issues and the implementation status at regular meetings.

Dialogue with stakeholders

We place great importance on communication with a variety of stakeholders, including customers, shareholders, investors and local communities, and provide opportunities for day-to-day dialogues with all stakeholders. As we work to increase our corporate value and competitiveness, we conscientiously listen to the expectations, opinions and desires of our stakeholders provided from our discussions and properly reflect them in our business and management. Results are appropriately reported to our stakeholders to build stronger mutual trust.

→ For details, refer to "Dialogue with stakeholders" on page 15.

Briefing session for individual investors

Risk management

We appropriately manage the diverse risks involved in business development.

Approach to risk management

From our perspective, the objective of risk management is to ensure the Company's survival and improve corporate value for stakeholders.
Taking on some degree of risk is necessary in our business, but the materialization of the risks could result in losses on our financial statements and could require compensation and reparations. It invites a loss of public trust in the Company, which could have a major impact on our survival. We practice risk management by clarifying and controlling our risk tolerance, thus enhancing our relationship of trust with stakeholders.

Risk management system

The Company works to assure the sustainability and efficiency of business by appropriately managing each risk characteristic of management.
Under the risk management rules, risks are estimated and classified, and risks caused by unforeseen events are avoided and minimized. The Risk Management Committee, with the president serving as the chairman, has been established, tasked with building all risk countermeasures and management systems, supervising their implementation status and engaging in consultations. In addition, the Credit Department assesses and manages risks in the entire Group.
The Company also measures a variety of risks, including the credit risk and the interest rate risk on a uniform scale, and controls their measured amount in comparison with business strength.

Compliance

We constantly work to improve awareness of business ethics and compliance among executive officers and employees in our Group.

Code of Conduct

The Group established a Code of Conduct which stipulates that all directors and employees are required to comply with relevant laws and regulations in their daily business activities and to take action consistent with social ethics.

Basic Position

1. WE will comply with all applicable laws, rules, regulations, and in-house regulations, etc., including this Code, in every aspect of our corporate activities at all times. WE will strive to ensure that all corporate activities are in compliance with normal business practices and social ethics.
2. WE will respect the fundamental human rights of all people in every aspect of our corporate activities. Moreover, WE will not act in such a way that may offend the dignity of any individual or be prejudicial on the grounds of race, beliefs, gender, age, social position, family origin, nationality, ethnicity, religion, or physical or mental handicap.
3. WE will respect the privacy of individuals, such as customers, business partners, and our Employees.
4. WE will maintain impartial, fair, and open relationships with all the stakeholders of our company and will conduct business in a fair manner with them.
5. WE will not take any action pursuing our personal or a third party's interests against our company's legitimate interests.
6. WE will not carry out any actions whatsoever that may damage the NEC Capital Solutions Group's social trust or honor.
7. WE will establish an effective internal control system and implement it.
8. WE will accurately and fairly maintain all accounting and other records in accordance with applicable laws, rules, regulations, and in-house regulations, and properly execute our duties. WE will not carry out any unlawful accounting transactions or actions that may cause losses to the NEC Capital Solutions Group.
9. With an awareness of our position as a member of society, WE will always act in accordance with a good social conscience based on high moral and ethical standards.

Compliance education

All officers and employees of the Group understand the necessity and importance of compliance as the basis of all our business activities and receive compliance education annually according to the provisions of the NEC Capital Solutions Code of Conduct to execute operations properly. Specifically, all officers and employees, including temporary employees, of the Group receive the compliance training held every year. We also provide group seminars through external instructors by setting an individual theme such as an information security seminar.

Compliance promotion system

At the quarterly Internal Control Committee, the initiatives of each group company are controlled in a cross-sectional manner. As part of our regular compliance auditing, the Auditing Department conducts internal audits on the status of the Company's compliance to laws and regulations, the Articles of Incorporation and various rules.

Internal reporting system

The Company has an external whistle blowing helpline where any employee having discovered improper activities can report anonymously. Measures are in place to ensure that whistle blowers are not treated disadvantageously.

Basic policy on exclusion of antisocial forces

The Company believes that excluding antisocial forces that threaten the order and security of civil society is an important issue for society overall. As a company with social responsibilities, we established a basic policy on antisocial forces, and set up a system to realize this policy.

Information security

The Company provides the appropriate security countermeasures for our information systems, for unique information possessed by the Company, and for information provided to us by our customers and clients. We thereby aim to maintain sound corporate activities and organizational management to be trusted by our customers and clients.

Initiatives for improving information security

In 2006, we acquired ISO/IEC 27001 certification and we strive to maintain and improve the level of information security accordingly.

Efforts to protect personal information

To appropriately protect the personal information of customers, we established the "Personal Information Protection Policy" and handle information in accordance with this policy. In 2020, we acquired the PrivacyMark by establishing a personal information protection management system, conforming with JIS Q 15001 : Personal information protection management systems - requirements.

Financial and non-financial highlights

5-year Summary

Consolidated Financial Data

	Millions of Yen					Thousands of U.S. Dollars
	FY2020/3	FY2019/3	FY2018/3	FY2017/3	FY2016/3	FY2020/3
For the year:						
Revenues	¥ 220,717	¥ 204,131	¥ 231,432	¥ 215,719	¥ 202,637	$2,028,457
Profit before income taxes	9,093	8,986	13,456	6,608	6,032	83,561
Profit attributable to owners of parent	5,118	6,391	6,006	3,517	3,334	47,032
At year-end:						
Total assets	¥ 997,511	¥ 895,683	¥ 906,495	¥ 860,483	¥ 828,943	$9,167,456
Total net assets	105,249	105,999	110,990	108,822	101,027	967,269
	Yen					U.S. Dollars
Per share data:						
Net assets	¥ 4,306.21	¥ 4,131.64	¥ 3,927.22	¥ 3,675.84	¥ 3,529.64	$39.58
Basic net income	237.66	296.81	278.93	163.35	154.85	2.18
Cash dividends	60.00	55.00	50.00	44.00	44.00	0.55
Key indicators:						
Dividend payout ratio (%)	25.2	18.5	17.9	26.9	28.4	-
Equity ratio (%)	9.3	9.9	9.3	9.2	9.2	-
Price earnings ratio (Times)	7.74	5.73	7.35	10.46	10.22	-
Return on equity (%)	5.6	7.4	7.3	4.5	4.4	-
Return on assets (%)	1.0	1.0	1.5	0.8	0.7	-
Number of employees	784	767	755	725	686	-

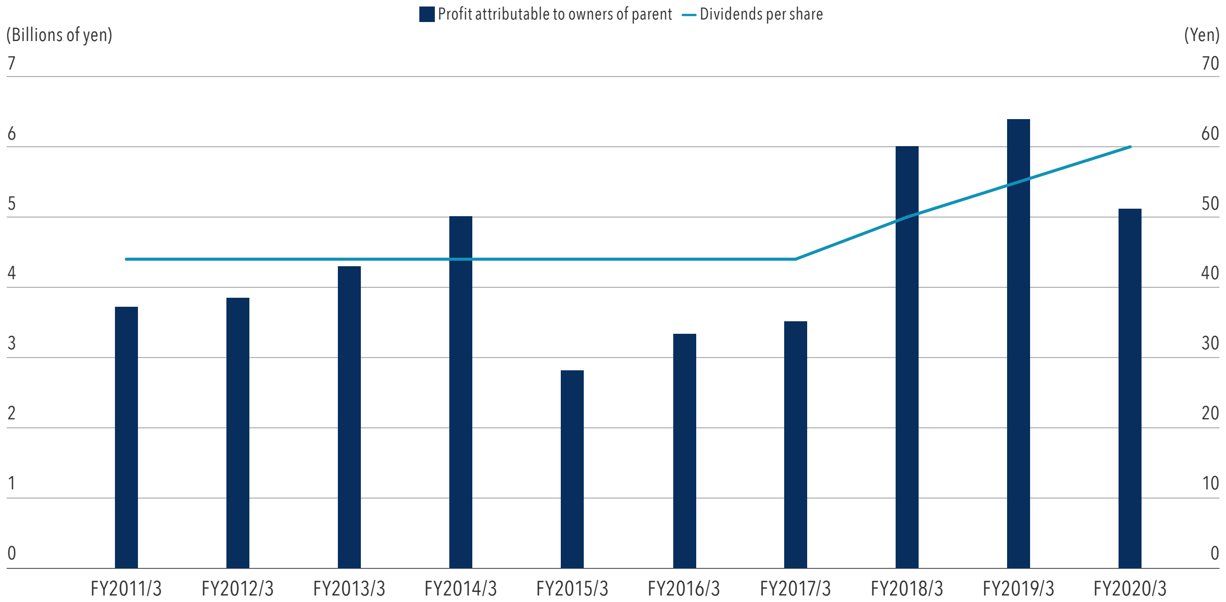
* The U.S. dollar amounts represent translation of Japanese yen, for convenience only, at the rate of¥108.81=U.S.$1.00 in effect on March 31, 2020.

Non-financial (non-consolidated)

Fiscal year	FY2020/3	FY2019/3	FY2018/3	FY2017/3	FY2016/3
CO_2 emissions (t-CO_2)*1, *2	366	371	379	389	561
Energy use volume (crude oil conversion kL)*1, *2	157	158	163	167	269
Number of female managers*3	7(22)	5(19)	4	7	5
Female employees who are manager candidates (%)	10.0	18.5	14.9	10.6	10.0
Rate of return from childcare leave (%)	100	100	100	100	100
Average monthly overtime (h)	22.1	21.1	22.9	25.5	27.0
Paid leave acquisition rate (%)	68.7	66.6	64.7	63.9	61.1
Compliance training participation rate (%)*1	100	100	100	100	100
Information security training participation rate (%)*1	100	100	100	100	100

*1 Consolidated results. *2 Figures are further elaborated due to implementing third-party verification. *3 Figures in parentheses are the results on a consolidated basis.

Profit attributable to owners of parent (consolidated)/ dividends per share



Achieved profit targets in the medium-term plan by a large margin through steady efforts

Noboru Watanabe

Executive Officer

Looking back on this fiscal year's results

The Japanese economy saw business confidence worsen sharply due to the impact of the COVID-19 pandemic starting late January 2020, bringing an end to what had been a moderate economic recovery.

Transaction volumes in the leasing industry in Japan increased 6.4% year on year in the fiscal year ended March 31, 2020. This was mainly because of a significant year-on-year increase in information and communication equipment due to replacement demand for Windows 10, demand for the introduction of unmanned POS equipment reflecting the labor shortage, and a rise in teleworking demand in response to work style reforms. The condition regarding corporate bankruptcies remained generally stable, but changes due to the impact of COVID-19 emerged toward the end of the period. Under these circumstances, revenue and ordinary income increased year on year, while operating income and profit attributable to owners of parent decreased for the fiscal year under review.

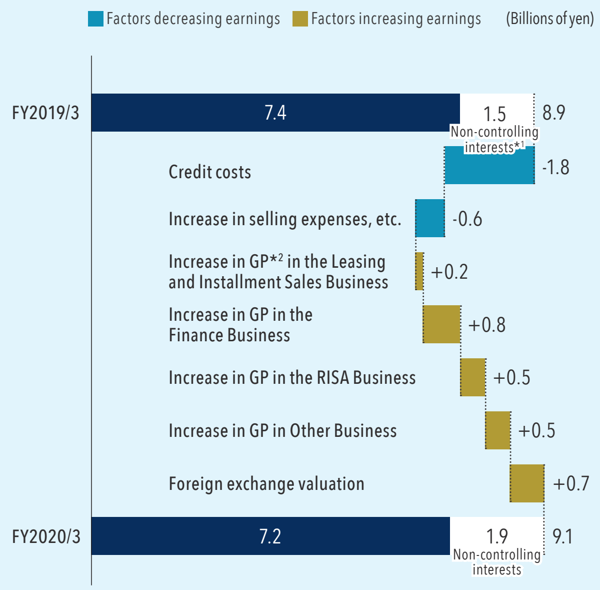
Revenue increased 8.1% year on year to 220.7 billion yen due to a rise in revenue in the RISA Business, in addition to the accumulation of operating assets in the Leasing and Installment Sales Business and the sale of large projects in the Other Business. Although operating income decreased because of the posting of credit costs partly due to the impact of the pandemic, ordinary income increased 2.2% year on year to 9.1

Overview of consolidated business results

(Billions of yen)

	FY2019/3	FY2020/3	YoY change
Revenue	204.1	220.7	+8.1%
Operating income	8.9	8.3	-7.1%
Ordinary income	8.9	9.1	+2.2%
Profit attributable to owners of parent	6.4	5.1	-19.9%
Net income per share (yen)	296.81	237.66	-

Main reasons for changes in consolidated ordinary income



*1 Non-controlling interests: profit attributable to non-controlling interests *2 GP: Gross Profit billion yen due to year-on-year growth in gross profit in all business segments and an improvement in foreign exchange valuation. Profit attributable to owners of parent decreased 19.9% year on year to 5.1 billion yen due to an increase in income taxes.

Overview by segment

In the Leasing and Installment Sales Business, revenue and gross profit increased from the previous fiscal year thanks to the success of a range of sales measures, in addition to growth in information and communication equipment, reflecting replacement demand for Windows 10. However, operating income decreased as a result of posting credit costs. The value of contracts executed, an indicator of business conditions, increased 29.9% year on year due to the acquisition of orders for multiple large projects from public offices and the success of measures to strengthen vendor financing and ICT rentals for private demand.
In the Finance Business, while revenue and gross profit increased year on year because interest and dividend income remained firm, operating income declined due to the posting of credit costs. The value of contracts executed rose 4.3% year on year due to an increase in individual factoring and corporate finance.
In the RISA Business, revenue, gross profit and operating income increased year on year due to growth in revenue from sales in fund business and dividend income. The Other Business recorded an operating loss because expenses for new businesses were frontloaded, although revenue and gross profit increased year on year thanks to revenue from large projects.

Contracts Executed by Business (Billions of yen)

	FY 2019/3	FY 2020/3	YoY change
Leasing and Installment Sales Business	183.6	238.5	+29.9%
Finance Business	466.5	486.5	+4.3%
Other Business	5.8	10.9	+87.0%
Total	655.9	735.8	+12.2%

Operating asset balance

The balance of operating assets was 898.3 billion yen, an increase of 71.5 billion yen year on year, due to growth in the operating asset balance in each segment. In the mainstay Leasing and Installment Sales Business, the balance of operating assets increased a significant 62.2 billion yen year on year due to the success of measures to strengthen ICT rentals, in addition to the firm performance of business for public offices. In the Finance Business, corporate finance grew, including transactions denominated in foreign currencies. In the RISA Business, the balance of operating assets increased from the end of the previous fiscal year due to the acquisition of real estate for sale, while the sale of securities progressed in the fund business.

Fund procurement

The environment for raising funds remained stable at low levels on the back of the negative interest rate policy by the Bank of Japan. Although the primary market for commercial paper became temporarily unstable due to the impact of the pandemic, the market environment remains stable.
The balance of interest-bearing debt for the fiscal year under review increased 99.9 billion yen year on year to 841.3 billion yen, associated with a rise in the balance of operating assets. The funding cost ratio decreased 0.06 percentage point from the previous year to 0.60% as a result of strategically increasing procurement by low-cost commercial papers. In addition, the direct funding ratio rose 5.7 percentage point from the previous year to 42.2%. There are no issues on capital resources and the fund liquidity, and cash flow were normal.
The Company acquired a corporate credit rating from two rating agencies of Rating and Investment Information, Inc. (R&I) and Japan Credit Rating Agency, Ltd. (JCR) and received "A-" ratings. In October 2020, R&I changed the rating from "BBB+" to "A-," given that the profitability of our mainstay Leasing and Installment Sales Business improved and the RISA Business contributes stably to earnings.

Outlook for FY2021

In July 2020, the Group announced its full-year consolidated results forecasts for the fiscal year ending March 31, 2021 and the Medium-Term Plan 2020 based on information and projections available to the Group, in light of the impact of the pandemic.
For the fiscal year ending March 31, 2021, the first year of the Medium-Term Plan 2020, we forecast revenue of 220.0 billion yen (down 0.3% year on year), operating income of 6.5 billion yen (down 21.6% year on year), ordinary income of 6.5 billion yen (down 28.5% year on year) and profit attributable to owners of parent of 4.0 billion yen (down 21.8% year on year). This forecast factors in a decline in revenue in the fund business affected by the COVID-19 pandemic and the posting of credit costs. Plans for the fiscal year ending March 31, 2023, the final year of the Medium-Term Plan 2020, include operating income of 11.0 billion yen, ordinary income of 12.0 billion yen and profit attributable to owners of parent of 7.5 billion yen.

→ For the Medium-Term Plan 2020, refer to "Message from the President" on page 9 and "Medium-Term Plan 2020" on page 13.

Profit return

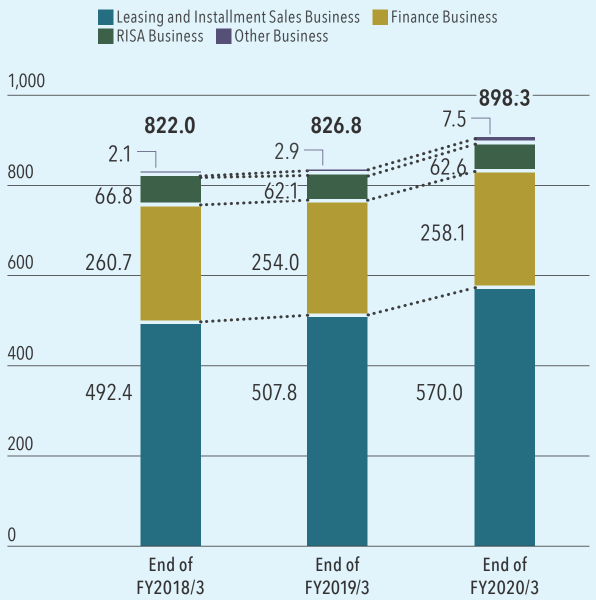
Our basic policy on shareholder returns is to maintain stable dividends, taking into consideration business prospects, dividend payout ratio levels and other factors. In the fiscal year ended March 31, 2020, we decided to pay a year-end dividend of 30 yen per share and an annual dividend of 60 yen per share. In the fiscal year ending March 31, 2021, when we anticipate the impact of COVID-19, we also plan to pay the annual dividend of 60 yen per share to maintain stable dividends.

Consolidate revenue by business (Billions of yen)

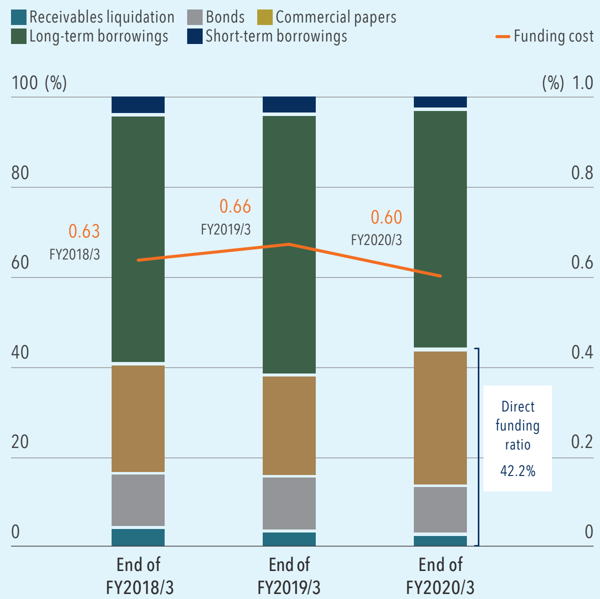
		FY 2019/3	FY 2020/3	YoY change
Leasing and Installment Sales Business	Revenue	166.8	174.9	+4.8%
	Gross profit	10.8	11.0	+2.3%
	Operating income	4.1	2.8	-30.5%
Finance Business	Revenue	6.6	7.3	+9.7%
	Gross profit	4.9	5.7	+16.9%
	Operating income	3.3	3.1	-6.5%
RISA Business	Revenue	14.1	16.2	+15.1%
	Gross profit	8.2	8.7	+5.7%
	Operating income	3.6	4.0	+11.3%
Other Business	Revenue	16.6	22.4	+34.8%
	Gross profit	1.7	2.2	+26.2%
	Operating income	-0.4	-0.1	-
Total	Revenue	204.1	220.7	+8.1%
	Gross profit	25.6	27.6	+7.8%
	Operating income	8.9	8.3	-7.1%

*Figures exclude adjustments from segment summary information.

Consolidated operating asset balance (Billions of yen)



Consolidated interest-bearing debt composition (left axis) and funding cost ratio (right axis)



Funding cost ratio (%) = Funding costs ÷ Average balance of interest-bearing debt

Business results and forecasts (Billions of yen)

	FY2020/3 Results	FY2021/3 Forecasts
Revenue	220.7	220.0
Operating income	8.3	6.5
Ordinary income	9.1	6.5
Profit attributable to owners of parent	5.1	4.0
Net income per share (yen)	237.66	185.76
Dividends (yen)	60.00	60.00

*Forecast as of July 30, 2020.

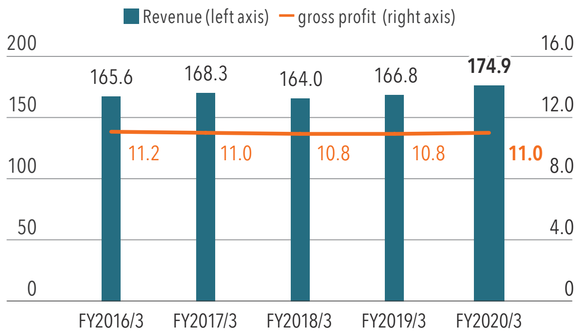
Overview of financial results

Leasing and Installment Sales Business

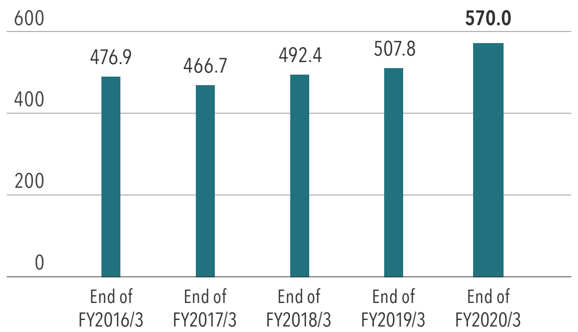
Overview of financial results

Revenue and gross profit increased year on year, associated with a rise in the balance of operating assets. Operating income decreased 30.5% year on year due to a rise in selling, general, and administrative expenses and the posting of credit costs.

Revenue and gross profit (billions of yen)



Operating asset balance (billions of yen)



Business overview

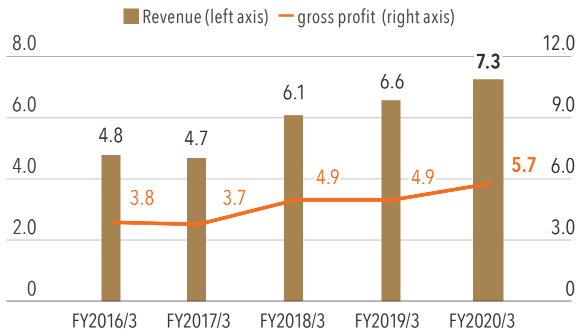
ICT products account for about 80% of the value of contracts executed, and public offices and local governments make up more than 60% of the value of contracts executed. As such, we support the development of the social infrastructure and the revitalization of local economies with ICT and financing. Leveraging the know-how we have accumulated as a manufacturer affiliated leasing company, we offer maintenance leases that include equipment maintenance services and financing programs for vendors (provision of financial services in product sales). Recently, we have been diversifying operating assets we handle, including energy equipment and buildings.

Finance Business

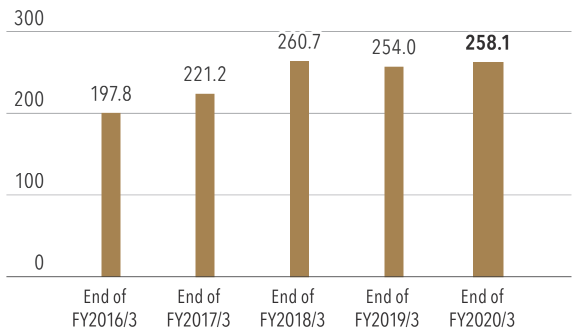
Overview of financial results

Revenue and gross profit increased year on year, associated with a rise in dividend and interest income. Operating income declined 6.5% year on year due to the posting of credit costs.

Revenue and gross profit (billions of yen)



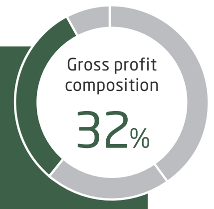
Operating asset balance (billions of yen)



Business overview

In addition to providing financing to companies and projects, we also offer a variety of receivables liquidation programs to our corporate customers and their customers. For project financing, we provide funds to a Special Purpose Company (SPC) in the form of an investment (posting it as an investment in securities and receiving repayments in the form of dividends in our accounting). Factoring, which is a service that offers early clearing of the customer's accounts receivables, includes individual factoring for corporate customers and bulk factoring for NEC Group. In the Finance Business, while revenue is small because only interest fees are recorded as revenue, the business accounts for 21% of our overall gross profit.

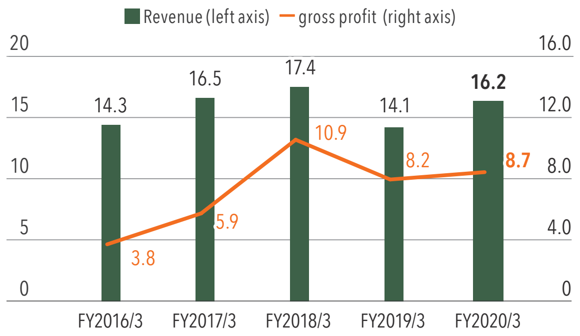
RISA Business



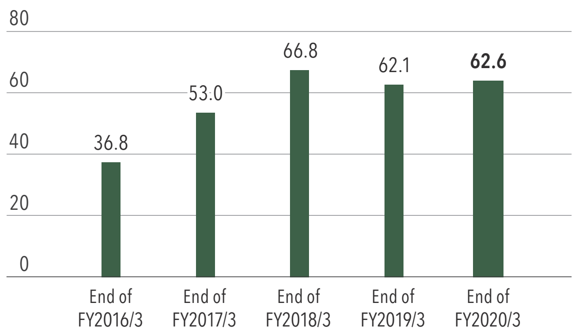
Overview of financial results

Revenue and gross profit increased year on year due to growth in sales and dividend income in the fund business. Operating income rose 11.3% year on year associated with the increase in gross profit.

Revenue and gross profit (billions of yen)



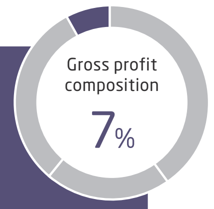
Operating asset balance (billions of yen)



Business overview

All businesses operated by RISA Partners, Inc. (hereinafter, "RISA"), which joined the Group in 2010, are classified under this segment. As optimal solutions to the management issues that local corporations face, RISA offers services that meet their needs, ranging from business growth support to improvement of capital efficiency, restoration of credit, and effective use of real estate from a financial perspective, with investment and loans, and from the standpoint of an advisor, leveraging its specialized expertise in finance and real estate. Given its history of focusing its business on financial institutions, RISA has built up a network of more than 180 local financial institutions. It has a different customer base from ours which comprises public offices and local governments, as well as business corporations.

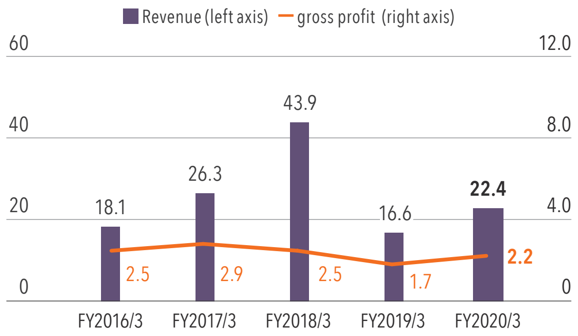
Other Business



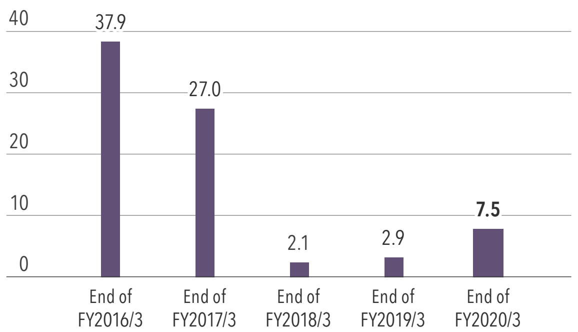
Overview of financial results

Revenue increased 34.8% year on year due to the posting of revenue from the sale of large projects. Operating loss improved from the previous fiscal year, associated with a rise in gross profit.

Revenue and gross profit (billions of yen)



Operating asset balance (billions of yen)



Business overview

This segment includes the sale of off-leased equipment, fees for the recovery of maintenance costs incidental to leasing contracts, fees for the arrangement of structured finance, streamlining for procedural efficiency in the customer's receivables management, and services as an agency for outsourcing needs. The PFI/PPP business (public-private collaborative projects that make use of private-sector funding and know-how for building through operating public facilities), the venture capital investment business, the energy business and the healthcare-related business are also included in this segment. The energy business engages in solar power generation business, the operation of new regional Power Producer and Suppliers (PPSs) and the purchase and sale of power. The healthcare-related business conducts the warehousing business for healthcare REITs.

Financial Section Contents

Operating and Financial Review

1.Business Results

In this fiscal year ended March 31, 2020, the Japanese economy had been continuously in gradual improvement under the background of strong corporate business performance and overseas steady business conditions until the third quarter of the fiscal year ended March 31, 2020, however, business confidence has sharply deteriorated due to the impact of the COVID-19, which has spread all over the world since late January 2020. In "Regional Economic Report – Sakura Report" released in April 2020 by the Bank of Japan, all nine regions across Japan revised down their economic assessments. The COVID-19 has a material impact on private consumption and corporate activities.

In the leasing industry in which the NEC Capital Solutions Group (hereafter, the "Group") operates, the total value of leasing contracts of the leasing industry for the fiscal year ended March 31, 2020 has been ¥5,298 billion, which represents an increase by 6.2% compared with the previous fiscal year (based on Lease Statistics published by the Japan Leasing Association). This reflects the increase of the total transaction volume of information and communication equipment under the background of replacement demand for Windows 10.

The Leasing and Installment Sales Business of NEC Capital Solutions Limited (hereafter, the "Company") tried to expand the transaction scale by utilizing good business relationships with government offices and local government, which are our main customers, as well as obtaining large vendor finance projects and increasing in ICT rentals that accommodated replacement demand for Windows 10. As a result, the value of contract executed and the value of contracts secured both significantly increased compared with the previous fiscal year.

In Finance Business, results exceed those in the previous fiscal year in both the contract execution volume and contract volume, due to proposing the wide range of finance scheme based on each customer's demand of funds, expanding and deepening customer bases.

In RISA Business, revenue and operating income increased compared with the previous fiscal year, which was due to sales of investment securities and dividend income in fund business.

Also, in Other Business, revenue increased compared with the previous fiscal year and operating loss was improved, due to recording gain on large-scale of sales for the fiscal year ended March 31, 2020.

As a result of the Group's initiatives, total revenues increased by 8.1% year on year, to ¥220,717 million ($2,028,457 thousand) on a consolidated basis for the fiscal year under review. Operating income decreased by 7.1%, to ¥8,293 million ($76,213 thousand), and profit attributable to owners of parent decreased by 19.9%, to ¥5,118 million ($47,032 thousand).

A description of outcomes by business segment is provided below:

(i) Leasing and Installment Sales Business
Total revenues in this segment increased by 4.8% from the previous fiscal year, to ¥174,893 million ($1,607,325 thousand). Operating income decreased by ¥1,248 million ($11,468 thousand) from the previous fiscal year, to ¥2,840 million ($26,096 thousand), due to the increase in selling, general, and administrative expenses and others.

(ii) Finance Business
Total revenues in this segment increased by 9.7% from the previous fiscal year, to ¥7,287 million ($66,968 thousand) due to dividend and interest income, etc. Operating income decreased by ¥215 million ($1,979 thousand) from the previous fiscal year, to ¥3,106 million ($28,546 thousand).

(iii) RISA Business
Total revenues in this segment increased by 15.1% from the previous fiscal year, to ¥16,169 million ($148,598 thousand), due to large-scale sales of operational investment securities by funds and dividend income in this fiscal year. Operating income increased by ¥412 million ($3,787 thousand) from the previous fiscal year to ¥4,046 million ($37,185 thousand).

(iv) Other Business
Total revenues in this segment increased by 34.8% from the previous fiscal year, to ¥22,438 million ($206,208 thousand), due to large-scale sales of leased assets in this fiscal year. Operating loss decreased by ¥224 million ($2,063 thousand) from the previous fiscal year to ¥130 million ($1,198 thousand).

2.Forecasts for Fiscal Year Ending March 31, 2021

Under "Mid-Term Plan 2017," we have aimed at "Complete core areas and develop new businesses" and have been enhancing the value of leasing and installment contracts executed by providing unique services including PFI and ICT, and expanding global businesses, and increasing continuous revenue of RISA business. Also, we have been providing environment and energy related endeavor and attempting to various assets. As a result, we have largely achieved the three-year profit planning. In addition, we have approached to start up each new business area for energy, sightseeing, agriculture and health care and establish the base which leads to profitability.

However, the Japanese economy which has been continuously gradual expansion with the background of Abenomics, is likely to be significantly revised downward in the year ending March 31, 2020 due to global spread of the COVID-19. The spread of infection will become various risk factors in the future and may affect the results of operations of the Group.

The Group Vision launched in 2013 "To be a global solution service company that aims to enhance social value with our customers" was supposed to be achieved by repeating and accumulating three times of the mid-term plan. It was planned to be announced "Mid-Term Plan 2020" with disclosing earnings release at the same time, and the direction of management would be clarified along with various strategic policies. Although there has been no change in the direction of "Mid-Term Plan 2020," "Expand core areas and harvest new businesses" which has been set forth since before, we have concluded that it is necessary to assess the business plan later based on the current trends in the business environment. Also, we have concluded the same judgement for the consolidated earnings forecast for the fiscal year ending March 31, 2021, which is the first year of "Mid-Term Plan 2020."

Based on the mentioned above, the Group has decided to postpone for the consolidated earnings forecast for the fiscal year ending March 31, 2021 and the announcement of "Mid-Term Plan 2020" for the time being. On the other hand, the forecast for annual dividends will be the same level as the previous fiscal year of ¥60 per share (including interim dividend of ¥30) based on the Company's dividend policy, which is maintaining stable dividends as the basic policy. Unannouncement matters will be announced immediately when it becomes obviously.

Meanwhile, unless otherwise specified, information concerning the future presented herein are forecasts based on our decisions, targets, certain premises or assumptions as of the last day (March 31, 2020) of the consolidated fiscal year and may differ materially from the actual results for a number of reasons.

3.Assets, Liabilities, and Net Assets

Total assets at the end of this fiscal year under review increased by ¥ 101,828 million ($935,831 thousand) year on year, to ¥997,511 million ($9,167,456 thousand). This increase mainly reflected an increase of ¥51,778 million ($475,860 thousand) in lease receivables and investment in leases, an increase of ¥22,336 million ($205,272 thousand) in cash and cash equivalents, an increase of ¥12,756 million ($117,232 thousand) in real estate for sale, and an increase of ¥9,310 million ($85,566 thousand) in installment sales.

Liabilities at the end of this fiscal year under review increased by ¥102,578 million ($942,729 thousand) year on year, to ¥892,262 million ($8,200,187 thousand). This increase mainly reflected an increase of ¥84,577 million ($777,288 thousand) in short-term borrowings and an increase of ¥74,368 million ($683,467 thousand) in long-term debt, offsetting a decrease of ¥59,017 million ($542,382 thousand) in current portion of long-term debt.

Net assets at the end of this fiscal year under review decreased by ¥750 million ($6,898 thousand) year on year, to ¥105,249 million ($967,269 thousand). This decrease mainly reflected a decrease of ¥4,510 million ($41,443 thousand) in non-controlling interests and a decrease of ¥66 million ($613 thousand) in accumulated other comprehensive income, offsetting an increase of ¥3,826 million ($35,158 thousand) in retained earnings for profit attributable to owners of parent.

4.Cash Flow Status

Cash and cash equivalents at the end of this fiscal year under review were ¥43,023 million ($395,392 thousand).
The following is a description of cash flows and significant factors:

(Cash Flows from Operating Activities)
Net cash used in operating activities was ¥69,902 million ($642,423 thousand), compared with net cash provided by operating activities of ¥5,661 million for the previous fiscal year. This was primarily attributable to increase in lease receivables and investment in leases of ¥51,778 million ($475,860 thousand).

(Cash Flows from Investing Activities)
Net cash used in investing activities was ¥3,529 million ($32,433 thousand), compared with net cash used in investing activities of ¥97 million for the previous fiscal year. This was primarily attributable to purchase of investment securities of ¥14,316 million ($131,572 thousand), offsetting proceeds from redemption of investment securities of ¥11,863 million ($109,028 thousand).

(Cash Flows from Financing Activities)
Net cash provided by financing activities was ¥95,627 million ($878,844 thousand), compared with net cash used in financing activities of ¥19,999 million for the previous fiscal year. This was primarily attributable to increase in short-term borrowings of ¥85,566 million ($786,383 thousand) and increase in long-term debt/bond of ¥184,580 million ($1,696,351 thousand), offsetting repayment of long-term debt/bond of ¥168,421 million ($1,547,843 thousand).

Consolidated Balance Sheets

NEC Capital Solutions Limited
March 31, 2020 and 2019

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
Assets	2020	2019	2020
Current assets:			
Cash and cash equivalents (Notes 12, 13)	¥ 43,023	¥ 20,687	$ 395,392
Time deposits	372	424	3,414
Lease receivables and investment in leases (Notes 11, 12, 13)	483,505	431,727	4,443,575
Accounts receivable:			
Installment sales (Note 13)	29,545	20,235	271,529
Loans (Notes 8, 13, 17)	245,934	243,683	2,260,216
Leases (Note 13)	22,608	20,202	207,773
Purchased receivables (Note 13)	10,641	12,873	97,793
Allowance for doubtful accounts	(6,068)	(4,951)	(55,763)
Operational investment securities (Notes 6, 12, 13)	14,097	18,393	129,558
Real estate for sale (Note 12)	16,496	3,740	151,605
Real estate for sale in process	500	-	4,595
Other (Note 13)	18,989	13,616	174,519
Total current assets	879,642	780,629	8,084,206
Property and equipment, net:			
Leased assets (Note 5)	55,674	54,704	511,659
Assets held for own use (Notes 5, 12)	5,200	4,843	47,787
Property and equipment, net	60,874	59,547	559,446
Intangible assets:			
Computer programs leased to customers	1,311	1,426	12,051
Goodwill	1,278	2,364	11,748
Software and other	2,075	2,120	19,071
Total intangible assets	4,664	5,910	42,870
Investments and other assets:			
Investment securities (Notes 6, 12, 13)	42,481	39,248	390,414
Net defined benefit asset (Note 10)	231	258	2,126
Deferred tax assets (Notes 9)	5,962	6,088	54,792
Other (Note 13)	6,183	6,223	56,820
Allowance for doubtful accounts	(2,526)	(2,220)	(23,218)
Total investments and other assets	52,331	49,597	480,934
Total assets	¥ 997,511	¥ 895,683	$ 9,167,456

The accompanying notes are an integral part of these statements.

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
Liabilities and net assets	2020	2019	2020
Current liabilities:			
Short-term borrowings (Notes 7, 8, 13)	¥ 293,070	¥ 208,493	$ 2,693,408
Current portion of long-term debt (Notes 7, 12, 13)	108,730	167,747	999,266
Notes and accounts payable – trade (Notes 13, 17)	16,590	20,353	152,472
Accrued income taxes (Note 13)	956	813	8,784
Deposits received (Note 13)	1,810	1,413	16,639
Allowance for bonuses	698	833	6,412
Other (Note 13)	21,711	16,239	199,530
Total current liabilities	443,565	415,891	4,076,511
Long-term liabilities:			
Long-term debt (Notes 7, 12, 13)	439,469	365,101	4,038,863
Net defined benefit liability (Note 10)	2,094	2,139	19,246
Other	7,134	6,553	65,567
Total long-term liabilities	448,697	373,793	4,123,676
Total liabilities	892,262	789,684	8,200,187
Net assets:			
Shareholders' equity			
Common stock	3,777	3,777	34,711
Authorized:86,000,000 shares Issued:21,533,400 shares			
Capital surplus (Note 16)	4,646	4,646	42,695
Retained earnings (Note 16)	83,982	80,156	771,819
Treasury stock, at cost	(1)	(1)	(8)
507 shares in 2020 and 466 shares in 2019			
Total shareholders' equity	92,404	88,578	849,217
Accumulated other comprehensive income			
Net unrealized gains on marketable securities	466	537	4,282
Deferred losses on hedging derivatives	(144)	(298)	(1,321)
Foreign currency translation adjustments	55	154	502
Remeasurements of defined benefit plans	(55)	(5)	(505)
Total accumulated other comprehensive income	322	388	2,958
Non-controlling interests	12,523	17,033	115,094
Total net assets	105,249	105,999	967,269
Total liabilities and net assets	¥ 997,511	¥ 895,683	$ 9,167,456

The accompanying notes are an integral part of these statements.

Consolidated Statements of Income and Comprehensive Income

NEC Capital Solutions Limited
Years ended March 31, 2020 and 2019

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
Consolidated Statements of Income	2020	2019	2020
Revenues:			
Leases	¥ 174,435	¥ 166,475	$ 1,603,116
Installment sales	446	362	4,098
Loans	7,287	6,644	66,968
Other	38,549	30,650	354,275
Total revenues	220,717	204,131	2,028,457
Costs:			
Leases	160,857	152,922	1,478,325
Interest expense	4,737	4,901	43,532
Other	27,541	20,719	253,115
Total costs	193,135	178,542	1,774,972
Gross profit	27,582	25,589	253,485
Selling, general, and administrative expenses	19,289	16,660	177,272
Operating income	8,293	8,929	76,213
Other income (expenses):			
Interest and dividend income	102	84	935
Interest expense	(19)	(20)	(176)
Equity in (losses) earnings of affiliates	(74)	93	(683)
Gain on sales of investment securities	15	16	135
Loss on valuation of investment securities	(27)	(8)	(244)
Foreign exchange gain (loss)	126	(538)	1,155
Loss on disposal of property and equipment	(22)	(3)	(200)
Gain on sales of shares of subsidiaries	-	4	-
Gain on reversal of asset retirement obligations	-	181	-
Loss on disaster	-	(100)	-
Other, net	699	348	6,426
Profit before income taxes	9,093	8,986	83,561
Income taxes (Note 9):			
Current	1,963	1,873	18,037
Deferred	115	(811)	1,054
	2,078	1,062	19,091
Profit	7,015	7,924	64,470
Profit attributable to non-controlling interests	1,897	1,533	17,438
Profit attributable to owners of parent	¥ 5,118	¥ 6,391	$ 47,032

The accompanying notes are an integral part of these statements.

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
Consolidated Statements of Comprehensive Income	2020	2019	2020
Profit	¥ 7,015	¥ 7,924	$ 64,470
Other comprehensive income (loss):			
Net unrealized losses on marketable securities	(45)	(348)	(412)
Deferred gains (losses) on hedging derivatives	143	(281)	1,312
Foreign currency translation adjustments	(98)	(4)	(897)
Remeasurements of defined benefit plans	(50)	(180)	(465)
Share of other comprehensive income of associates accounted for using equity method	(13)	(31)	(122)
Total other comprehensive loss	¥ (63)	¥ (844)	$ (584)
Comprehensive income	¥ 6,952	¥ 7,080	$ 63,886
Comprehensive income attributable to:			
Owners of parent	5,051	5,546	46,419
Non-controlling interests	1,901	1,534	17,467

	Yen		U.S. Dollars (Note 1)
	2020	2019	2020
Amounts per share:			
Basic net income	¥ 237.66	¥ 296.81	$ 2.18
Cash dividends applicable to the year	60.00	55.00	0.55

The accompanying notes are an integral part of these statements.

Consolidated Statements of Changes in Net Assets

NEC Capital Solutions Limited
Years ended March 31, 2020 and 2019

		Millions of Yen									
		Shareholders' Equity				Accumulated other comprehensive income					
	Number of shares issued (Thousands of shares)	Common stock	Capital surplus	Retained earnings	Treasury stock	Net unrealized gain (losses) on marketable securities	Deferred gain (losses) on hedging derivatives	Foreign currency translation adjustments	Remeasurements of defined benefit plans	Non-controlling interests	Total net assets
Balance at March 31, 2018	21,533	¥ 3,777	¥ 4,648	¥ 74,906	¥ (1)	¥ 913	¥ (11)	¥ 157	¥ 176	¥ 26,425	¥ 110,990
Profit attributable to owners of parent				6,391							6,391
Cash dividends				(1,141)							(1,141)
Purchase of treasury stock					(0)						(0)
Sales of shares of consolidated subsidiaries			(2)								(2)
Other, net						(376)	(287)	(3)	(181)	(9,392)	(10,239)
Balance at March 31, 2019	21,533	3,777	4,646	80,156	(1)	537	(298)	154	(5)	17,033	105,999
Profit attributable to owners of parent				5,118							5,118
Cash dividends				(1,292)							(1,292)
Purchase of treasury stock					(0)						(0)
Other, net						(71)	154	(99)	(50)	(4,510)	(4,576)
Balance at March 31, 2020	21,533	¥ 3,777	¥ 4,646	¥ 83,982	¥ (1)	¥ 466	¥ (144)	¥ 55	¥ (55)	¥ 12,523	¥ 105,249

	Thousands of U.S. Dollars (Note 1)									
	Shareholders' Equity				Accumulated other comprehensive income					
	Common stock	Capital surplus	Retained earnings	Treasury stock	Net unrealized gain (losses) on marketable securities	Deferred gain (losses) on hedging derivatives	Foreign currency translation adjustments	Remeasurements of defined benefit plans	Non-controlling interests	Total net assets
Balance at March 31, 2019	$ 34,711	$ 42,695	$ 736,661	$ (7)	$ 4,936	$ (2,741)	$ 1,416	$ (41)	$ 156,536	$ 974,166
Profit attributable to owners of parent			47,032							47,032
Cash dividends			(11,874)							(11,874)
Purchase of treasury stock				(1)						(1)
Other, net					(654)	1,420	(914)	(464)	(41,442)	(42,054)
Balance at March 31, 2020	$ 34,711	$ 42,695	$ 771,819	$ (8)	$ 4,282	$ (1,321)	$ 502	$ (505)	$ 115,094	$ 967,269

The accompanying notes are an integral part of these statements.

Consolidated Statements of Cash Flows

NEC Capital Solutions Limited
Years ended March 31, 2020 and 2019

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2020	2019	2020
Cash flows from operating activities:			
Profit before income taxes	¥ 9,093	¥ 8,986	$ 83,561
Adjustments to reconcile profit before income taxes to net cash provided by (used in) operating activities:			
Depreciation and amortization	13,100	10,123	120,394
Amortization of goodwill	1,101	1,131	10,115
Increase (Decrease) in allowance for doubtful accounts	1,423	(133)	13,077
(Decrease) Increase in allowance for bonuses	(132)	57	(1,213)
(Decrease) Increase in net defined benefit liability	(97)	37	(894)
Interest and dividend income	(102)	(84)	(935)
Interest expense	4,767	4,907	43,809
Foreign exchange (gain) loss	(1,231)	1,131	(11,313)
Equity in earnings (losses) of affiliated companies	74	(93)	683
Gain on sales of investment securities	(64)	(16)	(591)
Loss on valuation of investment securities	269	398	2,473
Increase in installment sales receivables	(9,310)	(1,528)	(85,566)
Increase in lease receivables and investment in leases	(51,778)	(9,006)	(475,860)
(Increase) Decrease in loans receivable	(2,613)	7,033	(24,012)
Decrease in purchased receivables	1,804	5,193	16,583
Decrease (Increase) in operational investment securities	2,934	(4,318)	26,963
(Increase) Decrease in real estate for sale	(12,130)	3,260	(111,481)
Increase in real estate for sale in process	(500)	-	(4,595)
Purchases of leased assets	(26,991)	(13,074)	(248,058)
Proceeds from sales of leased assets	10,328	2,131	94,921
Other, net	(3,420)	(2,818)	(31,418)
Subtotal	(63,475)	13,317	(583,357)
Interest and dividend income received	162	100	1,484
Interest paid	(4,793)	(4,901)	(44,047)
Income taxes paid	(1,796)	(2,855)	(16,503)
Net cash (used in) provided by operating activities	(69,902)	5,661	(642,423)
Cash flows from investing activities:			
Proceeds from redemption of securities	-	1,700	-
Purchases of assets held for own use	(1,558)	(1,652)	(14,319)
Purchases of investment securities	(14,316)	(12,777)	(131,572)
Proceeds from sales of investment securities	360	196	3,305
Proceeds from redemption of investment securities	11,863	13,444	109,028
Increase in time deposits	(53)	(424)	(487)
Other, net	175	(584)	1,612
Net cash used in investing activities	(3,529)	(97)	(32,433)
Cash flows from financing activities:			
Increase (Decrease) in short-term borrowings, net	85,566	(17,254)	786,383
Increase in long-term debt/bond	184,580	164,664	1,696,351
Repayment of long-term debt/bond	(168,421)	(155,339)	(1,547,843)
Cash dividends paid	(1,184)	(1,141)	(10,880)
Cash dividends paid to non-controlling interests	(6,577)	(15,028)	(60,445)
Proceeds from stock issuance to non-controlling interests	1,663	4,088	15,279
Other, net	(0)	11	(1)
Net cash provided by (used in) financing activities	95,627	(19,999)	878,844
Foreign currency translation adjustments on cash and cash equivalents	140	(3)	1,284
Net decrease in cash and cash equivalents	22,336	(14,438)	205,272
Cash and cash equivalents at beginning of year	20,687	35,125	190,120
Cash and cash equivalents at end of year	¥ 43,023	¥ 20,687	$ 395,392

The accompanying notes are an integral part of these statements.

Notes to Consolidated Financial Statements

NEC Capital Solutions Limited
Year ended March 31, 2020

1. Basis of Presentation

The Company maintains its books of account in accordance with the provisions set forth in the Corporation Law of Japan (the "Law"), and the Financial Instruments and Exchange Act of Japan and in conformity with accounting principles generally accepted in Japan ("Japanese GAAP"), which are different in certain respects as to the application and disclosure requirements of International Financial Reporting Standards. The accompanying consolidated financial statements have been compiled from the consolidated financial statements that were filed with the Director of the Kanto Local Finance Bureau as required by the Financial Instruments and Exchange Act of Japan. In preparing the accompanying consolidated financial statements, certain reclassifications and rearrangements have been made to the consolidated financial statements issued domestically in order to present them in a format that is more familiar to readers outside Japan. In addition, certain reclassifications of previously reported amounts have been made to conform to the current year presentation.

The translation of Japanese yen amounts into U.S. dollar amounts is included solely for convenience, as a matter of arithmetic computation only, at ¥108.81 = U.S.$1.00, the approximate rate of exchange in effect on March 31, 2020. This translation should not be construed as a representation that Japanese yen amounts have been, could have been, or could in the future be, converted into U.S. dollar amounts at this or any other rate.

2. Summary of Significant Accounting Policies

a) Consolidation

The consolidated financial statements include the accounts of the Company and its 61 consolidated subsidiaries for the fiscal year ended March 31, 2019, such as Reboot Technology Services and Capitech Limited, RISA Partners, Inc. (59 consolidated subsidiaries for the fiscal year ended March 31, 2019).

8 companies are newly included in consolidated subsidiaries since their establishment or acquisition in the fiscal year ended March 31, 2020.

6 subsidiaries were excluded from the scope of consolidation due to their liquidation.

2 companies are excluded from the scope of consolidation because they are small in scale, and their total assets, net revenues, net income (the Company's interest share) and retained earnings (the Company's interest share), etc. are not material to the Company's consolidated financial statements.

Non-consolidated subsidiaries, to which the Company has majority voting shares are excluded from consolidation because it is considered obvious that our certain consolidated subsidiaries hold the shares as an operating transaction in order to invest, develop, and earn capital gains to and from these companies, and do not control decision-making organization of these companies and it meets the requirements of ASBJ Guidance No. 22.

9 companies have been accounted for by the equity method due to their establishment and others in the fiscal year ended March 31, 2020.

Affiliated companies, to which the Company has voting shares of more than 20% to 50% are excluded from affiliated companies because it is considered obvious that our certain consolidated subsidiaries hold the shares as an operating transaction in order to invest, develop and earn capital gains to and from these companies and do not have significant influence on these companies and it meets the requirements of ASBJ Guidance No. 22.

The Company does not apply the equity method to certain non-consolidated subsidiaries and affiliates because net income (the Company's interest share) and retained earnings (the Company's interest share) of these companies are not material to the Company's consolidated financial statements even though the equity method is not applied, and these companies are not material as a whole.

The financial statements of affiliated companies used by the Company in applying the equity method, whose fiscal year-ends are different from the Group's fiscal year-end, are those as of their respective fiscal year-ends.

The fiscal year-ends of 50 consolidated subsidiaries are different from the Group's fiscal year-end, and are December 31. 2 companies were consolidated by using their financial statements as of the Group's fiscal year-end, which are prepared solely for consolidation purposes. With regard to other consolidated subsidiaries, financial statements as of their respective fiscal year end are used for consolidation and necessary adjustments are made to the consolidated financial statements to reflect any significant transactions between their fiscal year-ends and March 31.

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

b) Revenue recognition

Leases:

Revenues from finance lease contracts with customers and corresponding costs are recognized at the time the payments under the leases are due as stipulated in the lease contracts without regard to the actual collection of such payments.

Installment sales:
Installment sales and the related costs are recognized when the installment payments become due according to the installment sales contracts. Revenues from installment sales are reported net of installment sales and the related costs.

c) Allocation of interest expense
Interest expense on borrowings is allocated to operating expenses and other expenses based on the balances of the respective assets relating to operating and other activities. Interest expense classified as an operating expense is recorded net of the corresponding interest income from deposits.

d) Allowance for doubtful accounts
Allowance for doubtful accounts is recorded to provide for probable losses on bad debts based on historical experience for those receivables other than specific doubtful accounts, and based on an estimate of the uncollectible amounts after a review of the collectibility for the specific doubtful receivables.

e) Cash and cash equivalents
Cash and cash equivalents consist of cash on hand, callable cash deposits at banks and short-term investments with original maturities of three months or less which are readily convertible into cash with only an insignificant risk of any change in their value.

f) Investment securities
Available-for-sale securities
Marketable available-for-sale securities are reported at fair value, with any unrealized gain or loss, net of the applicable taxes, reported as a separate component of net assets. The cost of securities sold is determined by the moving-average method. Non-marketable available-for-sale securities are stated at cost determined by the moving-average method.

g) Investments in anonymous partnerships
Investments in anonymous partnerships are included in investment securities based on the portion of interest shares of anonymous partnerships' net assets. The gains and losses arising from anonymous partnerships are included in total revenues for anonymous partnerships held for business purposes, and in other income (expense) held for non-business purposes, with the corresponding adjustments made to investment securities in the same amount. Capital refunds from anonymous partnerships by their general partners were deducted from investment securities.

h) Real estate for sale and real estate for sale in process
Real estate for sale and real estate for sale in process are stated at cost determined by the identified method (carrying value is reduced if there is a decline in profitability of real estate).

i) Property and equipment
Property and equipment are stated at cost less accumulated depreciation.

Depreciation of assets held for own use;

The Company and its domestic consolidated subsidiaries adopted primarily the declining-balance method (however, the depreciation method for buildings (except for facilities attached to buildings) that were acquired on or after April 1, 1998, and facilities attached to buildings and structures that were acquired on or after April 1, 2016 are depreciated by the straight-line method) to assets held for own use, and overseas consolidated subsidiaries primarily adopted the straight-line method.

In addition, depreciation of machinery and equipments related to solar power generation facility is computed by the straight-line method.

The useful lives of buildings are from 3 to 18 years, furniture and fixtures are from 3 to 20 years and machinery and equipment are from 17 to 22 years.

Depreciation of property and equipment leased to customers;

Property and equipment leased to customers are depreciated over the term of the lease using the straight-line method to the residual value which is the amount to be realized at the time when the lease contract is terminated.

j) Computer software
Costs related to software purchased for internal use are amortized by the straight-line method over an estimated useful life of 5 years.

k) Accounting for derivatives
Derivatives are carried at fair value with any changes in unrealized gain or loss credited or charged to earnings, except for those that meet the criteria for deferral hedge accounting under which unrealized gain or loss is deferred as a separate component of net assets.

The Company utilizes derivative financial instruments principally in order to mitigate the risk of fluctuation in interest rates on borrowings. The Company has established entity level controls that include policies and procedures for risk assessment in accordance with the Company's rules for interest-rate swap transactions. Under these rules, the Company conducts transactions within a certain range and places limits on the applicable assets and liabilities based on the actual demand. In addition, the Company also assesses the effectiveness of the hedging and verifies the approval, reporting and monitoring of all transactions involving derivatives. The Company does not hold or issue derivative financial instruments for trading purposes.

The effectiveness of the hedge transactions is assessed by calculating the cumulative changes in cash flows of the hedging instruments and the cumulative changes in cash flows of the hedged items and then verifying that their ratio is within a fixed range.

In cases where interest rate swap contracts are used as a hedge and meet certain hedging criteria, the interest rate swaps are not recorded at fair value, instead, the net amount to be paid or received under the interest rate swap contract is added to or deducted from the interest on the assets or liabilities for which the swap contract was executed.

l) Retirement benefit plans
Employees' retirement benefits:

The Company has a defined-benefit corporate pension plan, which is essentially a defined-benefit plan with guaranteed benefits and a defined-contribution pension plan, as well as a severance indemnity plan covering virtually all employees other than directors and corporate auditors. Under the terms of these plans, eligible employees upon retirement are entitled to lump-sum severance payments or annuity pension payments based on their level of compensation upon termination and their years of service with the Company. To provide a portion of the lump-sum benefits or annuity payments, the Company participates in the NEC corporate pension fund established for NEC Group companies in accordance with the Welfare Pension Insurance Law.

Accrued retirement benefits have been provided for employees' retirement benefits, based on an estimate of the projected benefit obligation and the pension plan assets at the end of the year.

m) Allowance for bonuses
Allowance for bonuses provided for the future bonus payments to employees, is maintained at the amount accrued at the end of the fiscal year, based on the estimated future payments.

n) Goodwill
Goodwill is amortized on a straight-line basis over a period within 20 years. However, if the amount is immaterial, it is recognized as expense in the fiscal year when incurred. Goodwill related to the acquisition of RISA Partners, Inc. is amortized over 10 years.

o) Income taxes
Income taxes are calculated based on taxable income and charged to income on an accrual basis. Deferred income tax assets and liabilities are recognized for the temporary differences between the financial reporting and the tax bases of the assets and liabilities that will result in taxable or deductible amounts in the future. Calculations of deferred tax assets and liabilities are based on the enacted tax laws at the end of the year.

p) Per share data
Basic net income per share is calculated by dividing the net income available to shareholders of common stock by the weighted-average number of shares of common stock outstanding during the year.

Diluted net income per share has not been disclosed because no potentially dilutive shares were outstanding.

3. Unapplied accounting standards

"Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29 (revised 2020), March 31, 2020)
"Implementation Guidance on Accounting Standard for Revenue Recognition" (ASBJ Guidance No. 30 (revised 2020), March 31, 2020)

(1)Overview
It is a comprehensive accounting standard on revenue recognition. Revenue is recognized by applying the following five-step model.

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

(2)Effective date
Effective from the beginning of the fiscal year ending March 31, 2022.

(3)Effects of application of this accounting standard
The Company is currently in the process of determining the effects of these new standards on the consolidated financial statements at the time of preparing the consolidated financial statements.

"Accounting Standard for Fair Value Measurement" (ASBJ Statement No. 30, July 4, 2019)
"Implementation Guidance on Accounting Standard for Fair Value Measurement" (ASBJ Guidance No. 31, July 4, 2019)
"Accounting Standard for Measurement of Inventories" (ASBJ Statement No. 9, July 4, 2019)
"Accounting Standard for Financial Instruments" (ASBJ Statement No. 10 (revised 2019), July 4, 2019)
"Implementation Guidance on Disclosures about Fair Value of

Financial Instruments" (ASBJ Guidance No. 19 (revised 2020), March 31, 2020)

(1)Overview

For the purpose of improvement of comparability with the provision of international accounting standards, "Accounting Standard for Fair Value Measurement" and "Implementation Guidance on Accounting Standard for Fair Value Measurement" (hereafter, "Accounting standard for fair value measurement, etc.") have been developed and established guidance related to fair value measurement. These "Accounting standard for fair value measurement, etc." are applied to the fair value of the following items.

- Financial instruments in "Accounting Standard for Financial Instruments."
- Inventories held for trading purposes in "Accounting Standard for Measurement of Inventories."

Also, "Implementation Guidance on Disclosures about Fair Value of Financial Instruments" are revised and footnotes information related to detail of each level of fair value of financial instruments are established.

(2)Effective date

Effective from the beginning of the fiscal year ending March 31, 2022.

(3)Effects of application of this accounting standard

The Company is currently in the process of determining the effects of these new standards on the consolidated financial statements at the time of preparing the consolidated financial statements.

"Accounting Standard for Accounting Policy Disclosures, Accounting Changes and Error Corrections" (ASBJ Statement No. 24 (revised 2020), March 31, 2020)

(1)Overview

The purpose of this accounting standard is to provide the summary on principle and procedure of accounting treatment which were adopted when the related requirements of accounting standard are not apparent.

(2)Effective date

Effective from the end of the fiscal year ending March 31, 2021.

"Accounting Standard for Disclosure of Accounting Estimates" (ASBJ Statement No. 31, March 31, 2020)

(1)Overview

The purpose of this accounting standard is to disclose information for the purpose of making users of the consolidated financial statements understand the content of accounting estimates which may have significant impact on the consolidated financial statements for the next fiscal year among the amount of accounting estimates recorded in the consolidated financial statements in the current fiscal year.

(2)Effective date

Effective from the end of the fiscal year ending March 31, 2021.

4. Additional information

The COVID-19 Response Headquarters declared the state of emergency of the COVID-19 infection throughout Japan and released a roadmap for gradual easing of restrictions on going outside and requests for closure. There is a possibility of second request for restrictions on going outside and closure of business, although economic activity is gradually moving toward restarting, the impact on the real economy since the declaration of the state of emergency has been significant, and the spread of COVID-19 infection on the global scale and the related stagnation of economic activities have had a significant impact on the overall economy.

In preparing the Company's consolidated financial statements, we believe that it is necessary to make estimates based on certain assumptions for recognizing allowance for doubtful accounts because installment receivables, lease receivables and investments in leases, and loan receivables (hereinafter, operating receivables, etc.) which are held by the Group are exposed to credit risks caused by customer's non-fulfillment of a contract.

Because of the effects of the COVID-19 infection, some events occurred that the Group has been requested for short-term postpone of payment, etc., for the purpose of maintaining their liquidity. The Group makes estimates that it will take about six months to one year for the effects of stagnation in economic activities associated with the COVID-19 infection to diminish, and makes assumptions that there will be a certain impact on credit risks for operating receivables, etc. that the Group held. Under these assumptions, we make judgements and estimates of necessity to recognize allowance for doubtful accounts associated with requests for postpone of payment from customers affected by the COVID-19 infection considering the customer's most recent financial position and the impact of postpone of payment.

However, there is uncertainty in the above assumptions used in the estimate, and if the infection status of COVID-19 infection in the future and its impact on the economic environment would be change, there is a possibility that additional allowance for doubtful accounts is required as the irrecoverability of operating receivables will be increased in these circumstances in the consolidated financial statements for the next fiscal year.

5. Accumulated depreciation of property and equipment

Accumulated depreciation of property and equipment at March 31, 2020 and 2019 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2020	2019	2020
Leased assets	¥ 40,488	¥ 35,790	$ 372,095
Assets held for own use	1,762	1,806	16,190

6. Investment Securities

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

	Millions of Yen		Thousands of U.S. Dollars
	2020	2019	2020
Current:			
Non-marketable available-for-sale securities	¥ 14,097	¥ 18,393	$ 129,558
Total	¥ 14,097	¥ 18,393	$ 129,558
Non-current:			
Marketable available-for-sale securities	¥ 3,461	¥ 3,919	$ 31,809
Non-marketable available-for-sale securities	30,469	26,057	280,019
Non-consolidated subsidiaries and affiliated companies	8,551	9,272	78,586
Total	¥ 42,481	¥ 39,248	$ 390,414

The aggregate acquisition cost and fair value of available-for-sale securities with readily determinable market value at March 31, 2020 and 2019 were as follows:

	March 31, 2020			
	Acquisition cost	Unrealized gain	Unrealized loss	Fair value
	Millions of Yen			
Available-for-sale securities:				
Non-current				
Equity securities	¥ 706	¥ 375	¥ 80	¥1,001
Debt securities	2,068	23	79	2,012
Other (trust beneficiary rights, etc.)	431	17	-	448
Total	¥3,205	¥ 415	¥ 159	¥3,461

	March 31, 2019			
	Acquisition cost	Unrealized gain	Unrealized loss	Fair value
	Millions of Yen			
Available-for-sale securities:				
Non-current				
Equity securities	¥ 706	¥ 526	¥ 43	¥ 1,189
Debt securities	1,766	20	16	1,770
Other (trust beneficiary rights, etc.)	942	18	-	960
Total	¥ 3,414	¥ 564	¥ 59	¥ 3,919

	March 31, 2020			
	Acquisition cost	Unrealized gain	Unrealized loss	Fair value
	Thousands of U.S. Dollars			
Available-for-sale securities:				
Non-current				
Equity securities	$ 6,491	$ 3,446	$ 735	$ 9,202
Debt securities	19,007	208	729	18,486
Other (trust beneficiary rights, etc.)	3,960	161	-	4,121
Total	$ 29,458	$ 3,815	$ 1,464	$ 31,809

Non-marketable available-for-sale securities whose fair value were not readily determinable at March 31, 2020 and 2019 were as follows:

	Carrying value		
	Millions of Yen		Thousands of U.S. Dollars
	2020	2019	2020
Non-marketable available-for-sale securities:			
Equity securities	¥ 15,745	¥ 20,074	$ 144,699
Debt securities	0	111	0
Other (investment in partnerships, etc.)	28,821	24,264	264,878
Total	¥ 44,566	¥ 44,449	$ 409,577

Available-for-sale securities sold during the fiscal year ended March 31, 2020 and 2019 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2020	2019	2020
Other:			
Sales prices	¥ 19	¥ -	$ 175
Total gains on sales	15	-	135
Total losses on sales	-	-	-

7. Short-Term Borrowings and Long-Term Debt

Short-term borrowings at March 31, 2020 and 2019 were as follows:

	Millions of Yen		Thousands of U.S. Dollars	Weighted-average interest rate
	2020	2019	2020	2020
Short-term loans from banks	¥ 37,070	¥ 40,493	$ 340,683	2.23%
Commercial paper	256,000	168,000	2,352,725	0.01%
Total	¥293,070	¥ 208,493	$2,693,408	-

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

	Millions of Yen		Thousands of U.S. Dollars	Weighted-average interest rate
	2020	2019	2020	2020
Long-term loans, principally from banks	¥449,520	¥430,089	$4,131,233	0.53%
Payables under securitized lease receivables	8,679	12,759	79,766	0.86%
Unsecured bonds	90,000	90,000	827,130	0.30%
Total	548,199	532,848	5,038,129	-
Less current portion	108,730	167,747	999,266	-
	¥439,469	¥365,101	$4,038,863	-

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

Fiscal Year ending March 31,	Millions of Yen	Thousands of U.S. Dollars
2021	¥108,730	$ 999,266
2022	120,828	1,110,446
2023	197,482	1,814,929
2024	56,171	516,228
2025	33,740	310,085
2026 and thereafter	31,248	287,175
	¥548,199	$5,038,129

At March 31, 2020, the Company had overdraft facilities or line-of-credit agreements with 42 financial institutions that were set up in order to procure working capital efficiently. The unused committed lines of credit under such agreements at March 31, 2020, totaled ¥262,602 million ($2,413,401 thousand).

At March 31, 2019, the Company had overdraft facilities or line-of-credit agreements with 41 financial institutions that were set up in order to procure working capital efficiently. The unused committed lines of credit under such agreements at March 31, 2019, totaled ¥241,020 million.

8. Commitment

Loan commitment as lender

As of March 31, 2020 and 2019, the Company had the following balances:

	Millions of Yen		Thousands of U.S. Dollars
	2020	2019	2020
Loan commitment agreements	¥31,263	¥34,572	$287,316
The loans provided under these credit facilities	17,344	16,547	159,395
Aggregated balance of loan commitments available for customers of the Company	¥13,919	¥18,025	$127,921

Depending on the credit standing of borrower, any unused amount will not necessarily be utilized in full.

9. Income Taxes

The Company and its domestic consolidated subsidiaries are subject to Japanese national and local income taxes that, in the aggregate, resulted in a statutory tax rate of approximately 30.62% for the fiscal year ended March 31, 2020 and 2019.

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

	Millions of Yen		Thousands of U.S. Dollars
	2020	2019	2020
Deferred tax assets:			
Net operating loss carryforwards (*2)	¥ 6,686	¥ 6,809	$ 61,446
Allowance for doubtful accounts	1,988	2,187	18,271
Loss on valuation of investment securities	1,462	1,400	13,440
Tax adjustments for lease transactions	871	1,083	8,007
Net defined benefit liability	570	576	5,242
Accrued bonuses	240	286	2,208
Other	1,044	1,072	9,589
Subtotal	12,861	13,413	118,203
Valuation allowance for tax loss carryforward (*2)	(5,134)	(5,418)	(47,185)
Valuation allowance for total amount of deductible temporary differences and other	(1,611)	(1,717)	(14,806)
Valuation allowance (*1)	(6,745)	(7,135)	(61,991)
Total deferred tax assets	¥ 6,116	¥ 6,278	$ 56,212
Deferred tax liabilities:			
Net unrealized gain on marketable securities	(143)	(166)	(1,315)
Other	(72)	(73)	(662)
Total deferred tax liabilities	(215)	(239)	(1,977)
Net deferred tax assets	¥ 5,901	¥ 6,039	$ 54,235

(*1) The amount of valuation allowance decreased by ¥390 million ($3,580 thousand). The main component of this decrease is due to the decrease of valuation allowance for tax loss carryforward of the consolidated subsidiary, RISA Partners, Inc.

(*2) The amounts of tax loss carryforward and related deferred tax assets by carryforward period at March 31, 2020 are as follows:

	Millions of Yen						
	Due within 1 year	Due after 1 year through 2 years	Due after 2 years through 3 years	Due after 3 years through 4 years	Due after 4 years through 5 years	Due after 5 years	Total
Net operating loss carryforwards (a)	¥764	¥3,534	¥44	¥43	¥38	¥2,262	¥6,685
Valuation allowance	(627)	(3,123)	(44)	(43)	(38)	(1,258)	(5,133)
Deferred tax assets	137	411	-	-	-	1,004	(b)1,552

	Thousands of U.S. Dollars						
	Due within 1 year	Due after 1 year through 2 years	Due after 2 years through 3 years	Due after 3 years through 4 years	Due after 4 years through 5 years	Due after 5 years	Total
Net operating loss carryforwards (a)	$7,020	$32,483	$404	$392	$354	$20,786	$61,439
Valuation allowance	(5,762)	(28,706)	(404)	(392)	(354)	(11,559)	(47,177)
Deferred tax assets	1,258	3,777	-	-	-	9,227	(b)14,262

(a) Tax loss carryforward is the amount after multiplying the statutory tax rate.

(b) Deferred tax assets of ¥1,552 million ($14,262 thousand) are recognized for tax loss carryforward of ¥6,685 million ($61,439 thousand), which is the amount after multiplying the statutory tax rate. Deferred tax assets of¥1,552 million ($14,262 thousand) are mainly recognized for certain part of tax loss carryforward of RISA Partners, Inc. As for the above tax loss carryforward, it considered to be recoverable since future taxable income will be available.

The reconciliation between the statutory income tax rate and the effective income tax rate for the fiscal years ended March 31, 2020 and 2019 were as follows:

	2020	2019
Statutory tax rate	30.62%	30.62%
(Reconciliation)		
Amortization of goodwill	3.69%	3.85%
Adjustment related to distribution of net income of anonymous partnerships attributable to non-controlling interests	(7.80%)	(6.64%)
Valuation allowance	(4.22%)	(18.68%)
Other	0.55%	2.67%
Effective tax rate	22.84%	11.82%

10. Accrued Retirement Benefits

The Company has a defined-benefit corporate pension plan, a defined-benefit plan with guaranteed benefits and a defined-contribution pension plan, as well as a severance indemnity plan covering virtually all employees other than directors and corporate auditors. The defined-benefit corporate pension plan is a cash balance pension plan sponsored by NEC Group and established in December 2003.

Under the terms of these plans, eligible employees are entitled to lump-sum payments or annuity payments based on their level of compensation upon termination and their years of service with the Company.

Certain consolidated subsidiaries have joined in multi-employer defined-benefit corporate pension plan from the current fiscal year, however, for certain plans in which the amount of plan assets corresponding to the Company's contribution cannot be reasonably calculated, the amount is accounted for the same manner as defined-contribution plan.

Defined benefit plans at March 31, 2020 and 2019 were as follows:

(1) Reconciliation of changes in defined benefit obligations

	Millions of Yen		Thousands of U.S. Dollars
	2020	2019	2020
Defined benefit obligations at beginning of year	¥ 4,569	¥ 4,514	$ 41,988
Service cost	226	224	2,080
Interest cost	50	50	462
Actuarial gains and losses	86	(3)	786
Benefits paid	(398)	(216)	(3,657)
Defined benefit obligations at end of year	4,533	4,569	41,659

(2) Reconciliation of changes in plan assets

	Millions of Yen		Thousands of U.S. Dollars
	2020	2019	2020
Plan assets at beginning of year	¥ 2,688	¥ 2,676	$ 24,702
Expected return on plan assets	67	67	618
Actuarial gains and losses	6	(9)	57
Employer contributions	94	91	864
Benefits paid	(185)	(137)	(1,703)
Plan assets at end of year	2,670	2,688	24,538

(3) Reconciliation between defined benefit obligations (plan assets) and amounts of net defined benefit liability (asset) recognized in the consolidated balance sheet

	Millions of Yen		Thousands of U.S. Dollars
	2020	2019	2020
Defined benefit obligations (funded)	¥ 2,626	¥ 2,595	$ 24,136
Plan assets	(2,670)	(2,688)	(24,538)
Subtotal	(44)	(93)	(402)
Defined benefit obligations (unfunded)	1,907	1,974	17,522
Net liability (asset) recognized in the consolidated balance sheet	¥ 1,863	¥ 1,881	$ 17,120
Net defined benefit liability	2,094	2,139	19,246
Net defined benefit asset	(231)	(258)	(2,126)
Net liability (asset) recognized in the consolidated balance sheet	¥ 1,863	¥ 1,881	$ 17,120

(4) Retirement benefit expenses

	Millions of Yen		Thousands of U.S. Dollars
	2020	2019	2020
Service cost	¥ 226	¥ 223	$ 2,080
Interest cost	50	50	462
Expected return on plan assets	(67)	(67)	(617)
Amortization of actuarial gains and losses	7	(253)	59
Retirement benefit expenses	216	(47)	1,984

(5) Adjustment amount of defined benefit plans

	Millions of Yen		Thousands of U.S. Dollars
	2020	2019	2020
Actuarial gains and losses	¥ (73)	¥ (260)	$ (670)
Total	¥ (73)	¥ (260)	$ (670)

(6) Remeasurement of defined benefit plans

	Millions of Yen		Thousands of U.S. Dollars
	2020	2019	2020
Unrecognized actuarial gains and losses	¥ 79	¥ 6	$ 729
Total	¥ 79	¥ 6	$ 729

(7) Percentage by major category of plan assets

	2020	2019
Debt securities	65.4%	59.8%
Equity securities	20.2%	27.4%
General account	8.9%	8.8%
Short-term assets	0.3%	0.2%
Other	5.2%	3.8%
Total	100.0%	100.0%

In determining long-term expected rate of return on plan assets, the Company considers the current and projected asset allocations, as well as current and future long-term rate of returns for various categories of the plan assets.

(8) Basis for calculation of actuarial assumption (weighted-average)

	2020	2019
Discount rate	1.1%	1.1%
Long-term expected rate of return on plan assets	2.5%	2.5%

(Note) Defined benefit plans include multi-employer pension plans.

The amount to be paid by the Company to the defined contribution plans was ¥45 million ($418 thousand) for the fiscal year ended March 31, 2020 and ¥45 million for the fiscal year ended March 31, 2019.

The amount to be paid to the multi-employer pension plans, which are accounted for the same manner as the defined-contribution pension plan, were ¥286 million ($2,630 thousand) and ¥212 million for the years ended March 31, 2020 and 2019, respectively.

(1) Fund status of the multi-employer pension plans

	Millions of Yen		Thousands of U.S. Dollars
	2020	2019	2020
Plan assets	¥ 33,945	¥ 21,613	$ 311,965
Actuarial obligations for pension plan finance calculation	32,959	20,979	302,899
Net amount	¥ 986	¥ 634	$ 9,066

(2) Ratio of the Group's contribution to the total contributions of the multi-employer pension plans

For the fiscal year ended March 31, 2020
2.06% (From January 1, 2019 to December 31, 2019)
For the fiscal year ended March 31, 2019
1.83% (From January 1, 2018 to December 31, 2018)

(3) Supplementary explanation

The main factors of Net amount listed above (1) were general reserve (¥634 million ($5,831 thousand) and ¥435 million for the fiscal years ended March 31, 2020 and 2019, respectively) and Retained Earnings (¥352 million ($3,235 thousand) and ¥200 million for the fiscal years ended March 31, 2020 and 2019, respectively). In addition, ratio listed above (2) does not match the actual ratio afforded by the Group.

11. Lease Transactions

Information relating to finance leases of the Company as lessor for the fiscal year ended March 31, 2020 and 2019 is summarized as follows:

(1) Components of investment in leases

	Millions of Yen		Thousands of U.S. Dollars
	2020	2019	2020
Lease payments receivables	¥ 410,814	¥ 360,389	$3,775,518
Estimation of residual value	14,601	13,294	134,183
Unearned interest income	(17,115)	(15,459)	(157,290)
Investment in leases	¥ 408,300	¥ 358,224	$3,752,411

(2) Collecting schedule of lease payments receivables after the fiscal year-ends

	Millions of Yen		Thousands of U.S. Dollars
	2020	2019	2020
Lease receivables			
Due within 1 year	¥ 25,958	¥ 25,614	$238,565
Due after 1 year through 2 years	20,152	20,007	185,199
Due after 2 years through 3 years	13,398	14,505	123,128
Due after 3 years through 4 years	8,131	7,976	74,726
Due after 4 years through 5 years	3,747	2,969	34,438
Due after 5 years	6,555	4,807	60,245
Investment in leases			
Due within 1 year	¥134,068	¥117,718	$ 1,232,125
Due after 1 year through 2 years	104,354	90,413	959,052
Due after 2 years through 3 years	77,054	68,346	708,151
Due after 3 years through 4 years	51,748	42,265	475,583
Due after 4 years through 5 years	23,975	21,464	220,337
Due after 5 years	19,615	20,182	180,271

(3) Future lease receivables under non-cancelable operating leases

	Millions of Yen		Thousands of U.S. Dollars
	2020	2019	2020
Due within 1 year	¥ 2,247	¥ 4,018	$ 20,655
Due after 1 year	11,589	12,974	106,504
Total	¥ 13,836	¥ 16,992	$127,159

Future lease payments under non-cancelable operating leases are summarized as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2020	2019	2020
Due within 1 year	¥ 1,281	¥ 1,181	$ 11,772
Due after 1 year	10,034	10,012	92,218
Total	¥ 11,315	¥ 11,193	$ 103,990

12. Pledged Assets

Assets pledged as collateral as of March 31, 2020 and 2019 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2020	2019	2020
Cash and cash equivalents	¥ 578	¥ 53	$ 5,313
Lease receivables and investment in leases	1,385	1,420	12,731
Operational investment securities	1,941	4,792	17,837
Real estate for sale	9,379	-	86,195
Machinery and equipment	1,129	1,196	10,378
Total	¥ 14,412	¥ 7,461	$ 132,454

Liabilities secured by the assets pledged as collateral as of March 31, 2020 and 2019 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2020	2019	2020
Long-term debt	¥ 8,914	¥ 2,188	$ 81,927
Long-term debt due within a year	124	121	1,139
Other (Long-term liabilities)	-	53	-
Total	¥ 9,038	¥ 2,362	$83,066

Besides the above, the following assets which have been eliminated in consolidation are pledged as collateral.

	Millions of Yen		Thousands of U.S. Dollars
	2020	2019	2020
Investments in capital of subsidiaries and affiliates	¥ 128	¥ 128	$ 1,175
Total	¥ 128	¥ 128	$ 1,175

Assets pledged for loans of companies which were borrowed from the third parties, etc. as of March 31, 2020 and 2019 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2020	2019	2020
Accounts receivable - Loans	¥ 920	¥ 1,309	$ 8,452
Other (Current assets)	-	184	-
Investment securities	1,144	1,114	10,519
Other (Investments and other assets)	31	31	285
Total	¥ 2,095	¥ 2,638	$ 19,256

13. Financial Instruments

Year ended March 31, 2020

1. Financial instruments

(1) Policies for financial instruments

The Group provides financial services, such as leases, installment sales, and corporate loans, to a wide range of customers, including public offices, local governments, large companies, and small and medium enterprises. The Group also offers services, such as factoring, settlement and collection agency services, and securitization, meeting the financial needs of a diverse array of customers. In addition to these, the Group deal with overseas loans and investments denominated in foreign currencies, certain consolidated subsidiaries also make investments in corporate equities, loans receivable and real estate directly and indirectly through funds.

With a basic policy of maintaining the consistency of funding with its operating assets, the Group manages its funding based on the changes in operating and other assets. Specifically, taking into account the market conditions and the balance of short-term and long-term products or direct and indirect products, the Group raises funds using a range of methods, including bank borrowings as the main funding source, issuance of corporate bonds and commercial paper, and securitized receivables.

The Group's operating assets are comprised principally of those with fixed interest rates such as investment in leases. However, the Group primarily utilizes variable-rate debt obligations to raise funds. The variable-rate debt obligations expose the Group to fluctuations in cash flows as well as profit margin due to change in interest rates. Therefore, the Group strives to properly manage risks associated with fluctuations in interest rates and liquidity risks by carrying out appropriate operating assets and liabilities management (ALM).

With respect to the risks from the fluctuations of interest rates, the Group uses interest rate swaps to hedge the risks of fluctuations in both the present and future profit margin of the Group. The Group does not hold or issue derivative instruments for trading or speculative purposes.

(2) Details and the risks of financial instruments

Operating receivables mainly consist of installment sales receivable, lease receivables and investment in leases, accounts receivable, loans receivable and purchased receivables, and are exposed to the customers' credit risk.

Repayments of these operating receivables are made over a long term from the commencement to the termination of transactions. Consequently, obligations may not be fulfilled in accordance with contracts due to delinquency or bankruptcy, etc., as a result of changes in the economic environment and other factors.

Operational investment securities, securities and investment securities mainly comprise stocks, bonds, trust beneficiary rights, and investments in partnerships, excluding short-term financial assets. These securities are exposed to credit risks associated with the issuers of the securities, risks associated with fluctuations of interest rates, risks of foreign exchange, and risks associated with fluctuations in market prices.

The Group enters into derivative transactions including interest rate swap transactions for hedging the risks of interest rate and currency swap transactions for hedging the risks of foreign exchange. The Group's derivative instruments are exposed to market risks.

Moreover, because the Group borrows funds mainly based on variable rates, the Group is exposed to the risks of interest rate fluctuations. The Group manages these risks by entering into interest rate swap transactions.

The Group primarily uses pay-fixed, receive-variable interest rate swaps to effectively change variable-rate debt obligations to fixed-rate debt obligations to the extent that there are fixed rate operating assets. Therefore, market risks of the hedging derivative instruments are offset by those of the fixed rate operating assets.

To manage the fluctuations in cash flows caused by interest rate changes, the Group enters into interest rate swaps as a hedging instrument. The Group accounts for the interest rate swaps by using hedge accounting. If the criteria for hedge accounting are not met, the Group's profit or loss may be affected. The hedge accounting method, hedging instruments and hedged items, hedging policy, and assessment method of the effectiveness of hedging are discussed in Note 2. k).

The Group is exposed to liquidity risks arising from its borrowings, corporate bonds and commercial paper. That is, if the Group cannot raise funds through the markets for these instruments under certain circumstances, the Group may not be able to make payments on the relevant due dates.

(3) Risk management

(i) Credit risk management

The Group mitigates credit risks for business transactions through monitoring each customer periodically, managing due dates and outstanding balances, and monitoring the difficulty of collection caused by the deterioration of customers' financial positions in accordance with the internal rules.

a) Leases, installment sales and corporate loans

The Credit Department and the Credit Management Department as well as the relevant sales departments are responsible for the management of credit risks of leases, installment sales and corporate loans.

Moreover, at the Management Meeting and meetings of the Board of Directors held on a regular basis, the credit status is reported and examined. In connection with each credit transaction, the Company performs a customer credit evaluation based on the relevant customer's business performance, financial position, projected cash flow, and others. After the evaluation, the Company sets credit limits, internal credit ratings, collateral or guarantees, and terms and conditions of the transaction.

After the transaction has been made, the Company regularly monitors business performance, collateral and progress of repayment by each customer, and revises credit limits when necessary.

In the event of a default due to delinquency, bankruptcy, or others, the Company seeks to protect its claims in accordance with its operating manuals.

With respect to the credit risks of large borrowers, the Management Meeting examines credit limits of those borrowers. Moreover, at meeting of the Board of Directors held on a regular basis, the outstanding balances of claims, internal credit ratings, terms and conditions of the transactions are reported.

b) Securities and purchased receivables

With respect to securities that are held for operational purposes, market prices are periodically assessed for marketable securities and financial conditions of issuers are regularly monitored for the other securities.

With respect to purchased receivables, loans, operational investment securities, and investment securities held by certain consolidated subsidiaries, credit risks of customers or issuers are monitored in accordance with the internal rules and operating manuals. The results of the monitoring are periodically reported to their presidents.

c) Derivative transactions

In dealing with counterparty risks in derivative transactions, the Company's Finance Department monitors the credit risks of financial institutions to avoid losses that arise if the relevant financial institution fails to meet its obligations.

(ii) Market risk management

a) Risks of interest rate fluctuations

As part of ALM, the Group manages the risks of interest rate fluctuations, mainly by using interest rate derivatives. The Group has internal policies of risk management that stipulate risk hedging policies, hedging plan and reporting process. The Board of Directors must approve the hedging plan before the transaction is made.

The Finance Department comprehensively monitors the interest rates and terms of financial assets and liabilities on a continuous basis, and manages risks by utilizing value at risk (VaR). At least once a month, the department reports the status of transactions and current operational strategies to the President of the Company.

With respect to the operation and management of derivative transactions conducted by certain consolidated subsidiaries, the transaction policies and authorization rules are established and derivative transactions are approved through a decision-making process based on a request for approval.

b) Risks of foreign exchange

Both domestic and overseas subsidiaries manage the risks of foreign exchange on operating assets denominated in foreign currencies for each individual transaction. In addition to matching balance of foreign currency denominated assets and liabilities, they have entered into currency swap transactions in order to hedge the risks of foreign exchange. The status on the risks of foreign exchange has been reported regularly to the ALM committee.

c) Risks of price fluctuations

The Group invests in securities for the purpose of customer intimacy in addition to operational investments. The Finance Department regularly monitors market information to manage risks of these securities. This information is reported to the Management Meeting on a regular basis.

d) Derivative transactions

The Company enters into derivative transactions in accordance with its internal policies. The policies include the objectives for derivative instruments, risk management policies and procedures (including authorization, responsibilities and reporting).

In addition, the Company maintains segregation of duties between those with the authority to enter into derivative transactions (front office) and those responsible for bookkeeping (back office) by assigning different employees in the Finance Department.

e) Quantitative information about market risks

The financial instruments affected by the risks of interest rate fluctuations are installment sales receivable, lease receivables and investment in leases, loans receivable, investment securities, long-term debt, bonds and interest rate swaps of derivative transactions.

The risks of interest rate fluctuations of long-term fixed rate assets and liabilities are measured by VaR. The Company calculates VaR using a historical simulation method (holding period of one year, confidence level of 99%, and observation period of ten years) and periodically performs backtesting to confirm and verify its effectiveness.

In addition, calculation method of VaR has changed from variance-covariance method to historical simulation method in order to reflect past long-term market fluctuation to risk volume, and observation period which is a part of main preconditions has changed from one to ten years in this fiscal year.

As of March 31, 2020, the total market risk quantity (estimated amount of losses) of long-term fixed rate assets and liabilities was ¥8 million ($70 thousand).

(iii) Liquidity risk management

The Group mitigates the liquidity risks for funding (risks that the Group will be unable to repay on a repayment date) by using procedures such as follows:

- Appropriately maintain the relationship between cash flows from operating assets and those for operating liabilities on ALM
- Prepare and update the cash flow plan on a timely basis
- Seek diversification of funding sources
- Maintain an appropriate level of liquidity on hand

(4) Supplementary explanation about fair value of financial instruments

Fair values of financial instruments are based on market prices and, in cases where market prices are not available, reasonably calculated prices. Such prices have been calculated based on certain assumptions, and may differ if calculated based on different assumptions.

With respect to the notional amount of derivative transactions in Note 14 "Derivatives," they do not present the Company's exposure to market risks of such derivative transactions.

2. Fair value of financial instruments

The amounts presented in the consolidated balance sheet as of March 31, 2020, fair values and the differences were as follows.
Financial instruments, whose fair values are considered difficult to estimate, are not included in the following table.

	Millions of Yen			Thousands of U.S. Dollars		
	Amount recorded in the consolidated balance sheet	Fair Value	Difference	Amount recorded in the consolidated balance sheet	Fair Value	Difference
(1) Cash and cash equivalents	¥ 43,023	¥ 43,023	¥ -	$ 395,392	$ 395,392	$ -
(2) Lease receivables and investment in leases	483,505			4,443,575		
Allowance for doubtful accounts (*1)	(2,188)			(20,113)		
(*2)	481,317	483,562	2,245	4,423,462	4,444,097	20,635
(3) Installment sales receivable	29,545			271,529		
Allowance for doubtful accounts (*1)	(343)			(3,149)		
	29,202	29,311	109	268,380	269,379	999
(4) Loans receivable	245,934			2,260,216		
Allowance for doubtful accounts (*1)	(2,520)			(23,160)		
	243,414	244,551	1,137	2,237,056	2,247,502	10,446
(5) Accounts receivable-leases	22,608			207,773		
Allowance for doubtful accounts (*1)	(211)			(1,935)		
	22,397	22,397	-	205,838	205,838	-
(6) Purchased receivables	10,641			97,793		
Allowance for doubtful accounts (*1)	(806)			(7,406)		
	9,835	9,835	-	90,387	90,387	-
(7) Income taxes receivable(*4)	543	543	-	4,988	4,988	-
(8) Investment securities	3,461	3,461	-	31,810	31,810	-
(9) Receivables from companies in bankruptcy and reorganization (*5)	2,879			26,456		
Allowance for doubtful accounts (*1)	(2,527)			(23,218)		
	352	352	-	3,238	3,238	-
Total assets	¥ 833,544	¥ 837,035	¥ 3,491	$7,660,551	$7,692,631	$ 32,080
(10) Short-term borrowings	¥ 293,070	¥ 293,070	¥ -	$2,693,408	$2,693,408	$ -
(11) Notes and accounts payable-trade	16,590	16,590	-	152,472	152,472	-
(12) Accrued income taxes	956	956	-	8,784	8,784	-
(13) Deposits received	1,810	1,810	-	16,639	16,639	-
(14) Other payable(*6)	1,013	1,013	-	9,312	9,312	-
Current portion of long-term debt and long-term debt						
(15) Bonds						
Unsecured bonds	90,000			827,130		
	90,000	89,738	(262)	827,130	824,722	(2,408)
(16) Long-term debt						
Current portion of long-term debt	105,376			968,443		
Long-term debt	344,143			3,162,791		
	449,519	450,103	584	4,131,234	4,136,594	5,360
(17) Payables under securitized lease receivables						
Current	3,354			30,823		
Non-current	5,326			48,942		
	8,680	8,692	12	79,765	79,881	116
Total liabilities	¥ 861,638	¥ 861,972	¥ 334	$7,918,744	$7,921,812	$ 3,068
Derivatives (*3)	¥ (20)	¥ (20)	¥ -	$ (182)	$ (182)	$ -

(*1) An allowance for doubtful accounts that has been provided for installment sales receivable, lease receivables and investment in leases, loans receivable, accounts receivable-leases, purchased receivables and receivables from companies in bankruptcy and reorganization has been deducted.
(*2) The amounts presented in the consolidated balance sheet and the fair value provided for include the estimated residual value.
(*3) The amount of assets and liabilities incurred from derivative transactions is presented on a net basis. Items that fall into net liabilities are presented in ( ).
(*4) Income taxes receivable is included in current assets-other on the accompanying consolidated balance sheet.
(*5) Receivables from companies in bankruptcy and reorganization are included in investments and other assets-other on the accompanying consolidated balance sheet.
(*6) Other payable is included in current liabilities-other on the accompanying consolidated balance sheet.

Methods used for determining the fair values of financial instruments, and matters related to securities and derivative transactions are as follows:

Assets

(1) Cash and cash equivalents, (5) Accounts receivable-leases and (7) Income taxes receivable

Since these items are settled in a short period, the book values are deemed to approximate the fair values.

(2) Lease receivables and investment in leases and (3) Installment sales receivable

The present values of these items are presented as the fair values. The present values are calculated by discounting the estimated future cash flows of each contract at interest rates estimated to be applied to similar transactions.

The fair values of doubtful receivables are calculated by discounting estimated future cash flows of each contract at risk-free rates.

(4) Loans receivable

Loans receivable with variable interest rates reflect the market rate in the short term. Consequently, unless the credit conditions of debtors significantly change after the execution of loans, the book values of such loans are deemed to approximate the fair values.

With respect to short-term loans receivable with fixed interest rates, unless the credit conditions of debtors significantly change after the execution of loans, the book values are presented as the fair values because the book values are deemed to approximate the fair values. With respect to long-term loans receivable with fixed interest rates, the fair value is estimated based on the present value that is calculated by discounting the estimated future cash flows of each contract at interest rates estimated to be applied to similar transactions.

The fair values of doubtful receivables are calculated by discounting estimated future cash flows of each contract at risk-free rates.

(6) Purchased receivables

With respect to purchased receivables, the related allowance for doubtful receivables is estimated based on the amount expected to be collected through collateral and repayments. Consequently, the book value of those receivables less the estimated allowance for doubtful receivables is deemed to approximate the fair value.

(8) Investment securities

The fair values of stocks are measured at quoted market prices of the stock exchange. The fair values of bonds and certain certificates of trust beneficiary rights are based on either the prices quoted on the exchange market or prices obtained from financial institutions.

For private placement bonds and certificates of trust beneficiary rights, fair values are determined based on reasonably estimated amounts.

The fair values of partnership investments are determined based on the net asset value of the partnership after adjusting the carrying value of assets of the corresponding partnership at fair value to the extent practical.

(9) Receivables from companies in bankruptcy and reorganization

With respect to receivables from companies in bankruptcy and reorganization, allowance for bad debts is estimated based on the amount expected to be collected through collateral and guarantees. Consequently, the book values of those receivables less the estimated allowance for bad debts are deemed to approximate the fair values.

Liabilities

(10) Short-term borrowings, (11) Notes and accounts payable-trade, (12) Accrued income taxes, (13) Deposits received and (14) Other payable

Since these items are settled in a short period, the book values are deemed to approximate the fair values.

(15) Bonds

The fair values of bonds are determined based on their market prices.

(16) Long-term debt

Since long-term debt with variable rates reflect the market interest rate in a short period, the book values are deemed to approximate the fair values.

The fair values of long-term debt with fixed rates are calculated by discounting the estimated future cash flows at the refinancing rates estimated to be applied to similar transactions.

(17) Payables under securitized lease receivables

The fair values of payables under securitized lease receivables are calculated by discounting the estimated future cash flows at the refinancing rates estimated to be applied to similar transactions.

Derivative transactions

The fair values are determined based on quoted prices provided by dealers and other financial institutions.

Financial instruments whose fair values cannot be reasonably estimated as of March 31, 2020 were as follows:

	Amount presented in the consolidated balance sheet	
	Millions of Yen	Thousands of U.S. Dollars
Unlisted stocks	¥ 17,458	$ 160,448
Investments in partnerships, etc.	35,659	327,716

These instruments are not included in (8) Investment securities, because they do not have quoted market prices and their future cash flows cannot be reasonably estimated.

※1 Unlisted stocks are not included in fair value information, because they do not have quoted market prices and their fair values cannot be reasonably estimated.
※2 Certain type of investment in partnership and its partnership assets are consisted of the assets whose fair value cannot be reasonably estimated such as unlisted stock and others are not included in fair value information.

The following table shows the scheduled maturity payments of monetary claims and securities with maturity dates after March 31, 2020.

	Millions of Yen					
	Due within 1 year	Due after 1 year through 2 years	Due after 2 years through 3 years	Due after 3 years through 4 years	Due after 4 years through 5 years	Due after 5 years
Cash and cash equivalents	¥ 43,023	¥ -	¥ -	¥ -	¥ -	¥ -
Lease receivables and investment in leases (*1)(*2)	160,026	124,506	90,450	59,879	27,722	26,171
Installment sales receivables (*1)(*2)	12,621	7,769	5,132	3,229	1,210	444
Loans receivables (*2)	126,149	32,549	21,077	22,784	18,424	25,023
Accounts receivables-leases (*2)	22,608	-	-	-	-	-
Purchased receivables (*3)	712	898	623	363	2,315	1,170
Income taxes receivable	543	-	-	-	-	-
Available-for-sale securities						
Debt/bond	-	-	-	-	-	1,223
Total	¥ 365,682	¥ 165,722	¥ 117,282	¥ 86,255	¥ 49,671	¥ 54,031

	Thousands of U.S. Dollars					
	Due within 1 year	Due after 1 year through 2 years	Due after 2 years through 3 years	Due after 3 years through 4 years	Due after 4 years through 5 years	Due after 5 years
Cash and cash equivalents	$ 395,392	$ -	$ -	$ -	$ -	$ -
Lease receivables and investment in leases (*1)(*2)	1,470,690	1,144,251	831,278	550,309	254,775	240,516
Installment sales receivable (*1)(*2)	115,994	71,401	47,166	29,679	11,117	4,084
Loans receivables (*2)	1,159,350	299,133	193,709	209,391	169,327	229,981
Accounts receivable-leases (*2)	207,773	-	-	-	-	-
Purchased receivables (*3)	6,553	8,244	5,730	3,332	21,275	10,749
Income taxes receivable	4,988	-	-	-	-	-
Available-for-sale securities						
Debt/bond	-	-	-	-	-	11,235
Total	$3,360,740	$ 1,523,029	$1,077,883	$ 792,711	$ 456,494	$ 496,565

(*1) The amount of interest income is included in the maturity table above.
(*2) Receivables from companies in bankruptcy and reorganization of ¥2,879 million ($26,456 thousand) are not included in the table above, because payments are not expected to be collected on schedule.
(*3) Purchased receivables of ¥4,560 million ($41,910 thousand) are not included in the table above, because payments are not expected to be collected on schedule.

The following table shows the scheduled maturity payments of unsecured bonds, long-term debt and other interest-bearing liabilities subsequent to March 31, 2020.

	Millions of Yen					
	Due within 1 year	Due after 1 year through 2 years	Due after 2 years through 3 years	Due after 3 years through 4 years	Due after 4 years through 5 years	Due after 5 years
Short-term borrowings	¥ 293,070	¥ -	¥ -	¥ -	¥ -	¥ -
Unsecured bonds	-	20,000	30,000	20,000	10,000	10,000
Long-term debt	105,376	98,421	166,635	36,038	23,606	19,443
Payables under securitized lease receivables	3,354	2,407	847	133	134	1,805
Total	¥ 401,800	¥ 120,828	¥ 197,482	¥ 56,171	¥ 33,740	¥ 31,248

	Thousands of U.S. Dollars					
	Due within 1 year	Due after 1 year through 2 years	Due after 2 years through 3 years	Due after 3 years through 4 years	Due after 4 years through 5 years	Due after 5 years
Short-term borrowings	$ 2,693,408	$ -	$ -	$ -	$ -	$ -
Unsecured bonds	-	183,807	275,710	183,807	91,903	91,903
Long-term debt	968,443	904,516	1,531,434	331,202	216,950	178,688
Payables under securitized lease receivables	30,823	22,123	7,785	1,219	1,231	16,585
Total	$ 3,692,674	$ 1,110,446	$1,814,929	$516,228	$310,084	$ 287,176

Year ended March 31, 2019

1. Financial instruments

(1) Policies for financial instruments

The Group provides financial services, such as leases, installment sales, and corporate loans, to a wide range of customers, including public offices, local governments, large companies, and small and medium enterprises. The Group also offers services, such as factoring, settlement and collection agency services, and securitization, meeting the financial needs of a diverse array of customers. In addition to these, the Group deals with overseas loans and investments denominated in foreign currencies, certain consolidated subsidiaries also make investments in corporate equities, loans receivable and real estate directly and indirectly through funds.

With a basic policy of maintaining the consistency of funding with its operating assets, the Group manages its funding based on the changes in operating and other assets. Specifically, taking into account the market conditions and the balance of short-term and long-term products or direct and indirect products, the Group raises funds using a range of methods, including bank borrowings as the main funding source, issuance of corporate bonds and commercial paper, and securitized receivables.

The Group's operating assets are comprised principally of those with fixed interest rates such as investment in leases. However, the Group primarily utilizes variable-rate debt obligations to raise funds. The variable-rate debt obligations expose the Group to fluctuations in cash flows as well as profit margin due to change in interest rates. Therefore, the Group strives to properly manage risks associated with fluctuations in interest rates and liquidity risks by carrying out appropriate operating assets and liabilities management (ALM).

With respect to the risks from the fluctuations of interest rates, the Group uses interest rate swaps to hedge the risks of fluctuations in both the present and future profit margin of the Group. The Group does not hold or issue derivative instruments for trading or speculative purposes.

(2) Details and the risks of financial instruments

Operating receivables mainly consist of installment sales receivable, lease receivables and investment in leases, accounts receivable, loans receivable and purchased receivables, and are exposed to the customers' credit risk. Repayments of these operating receivables are made over a long term from the commencement to the termination of transactions.

Consequently, obligations may not be fulfilled in accordance with contracts due to delinquency or bankruptcy, etc., as a result of changes in the economic environment and other factors.

Operational investment securities, securities and investment securities mainly comprise stocks, bonds, trust beneficiary rights, and investments in partnerships, excluding short-term financial assets. These securities are exposed to credit risks associated with the issuers of the securities, risks associated with fluctuations of interest rates, risks of foreign exchange, and risks associated with fluctuations in market prices.

The Group enters into derivative transactions including interest rate swap transactions for hedging the risks of interest rate and currency swap transactions for hedging the risks of foreign exchange. The Group's derivative instruments are exposed to market risks.

Moreover, because the Group borrows funds mainly based on variable rates, the Group is exposed to the risks of interest rate fluctuations. The Group manages these risks by entering into interest rate swap transactions.

The Group primarily uses pay-fixed, receive-variable interest rate swaps to effectively change variable-rate debt obligations to fixed-rate debt obligations to the extent that there are fixed rate operating assets. Therefore, market risks of the hedging derivative instruments are offset by those of the fixed rate operating assets.

To manage the fluctuations in cash flows caused by interest rate changes, the Group enters into interest rate swaps as a hedging instrument. The Group accounts for the interest rate swaps by using hedge accounting. If the criteria for hedge accounting are not met, the Group's profit or loss may be affected. The hedge accounting method, hedging instruments and hedged items, hedging policy, and assessment method of the effectiveness of hedging are discussed in Note 2. k).

The Group is exposed to liquidity risks arising from its borrowings, corporate bonds and commercial paper. That is, if the Group cannot raise funds through the markets for these instruments under certain circumstances, the Group may not be able to make payments on the relevant due dates.

(3) Risk management

(i) Credit risk management

The Group mitigates credit risks for business transactions through monitoring each customer periodically, managing due dates and outstanding balances, and monitoring the difficulty of collection caused by the deterioration of customers' financial positions in accordance with the internal rules.

a) Leases, installment sales and corporate loans

The Credit Department and the Credit Management Department as well as the relevant sales departments are responsible for the management of credit risks of leases, installment sales and corporate loans.

Moreover, at the Management Meeting and meetings of the Board of Directors held on a regular basis, the credit status is reported and examined. In connection with each credit transaction, the Company performs a customer credit evaluation based on the relevant customer's business performance, financial position, projected cash flow, and others. After the evaluation, the Company sets credit limits, internal credit ratings, collateral or guarantees, and terms and conditions of the transaction.

After the transaction has been made, the Company regularly monitors business performance, collateral and progress of repayment by each customer, and revises credit limits when necessary.

In the event of a default due to delinquency, bankruptcy, or others, the Company seeks to protect its claims in accordance with its operating manuals.

With respect to the credit risks of large borrowers, the

Management Meeting examines credit limits of those borrowers. Moreover, at meeting of the Board of Directors held on a regular basis, the outstanding balances of claims, internal credit ratings, terms and conditions of the transactions are reported.

b) Securities and purchased receivables

With respect to securities that are held for operational purposes, market prices are periodically assessed for marketable securities and financial conditions of issuers are regularly monitored for the other securities.

With respect to purchased receivables, loans, operational investment securities, and investment securities held by certain consolidated subsidiaries, credit risks of customers or issuers are monitored in accordance with the internal rules and operating manuals. The results of the monitoring are periodically reported to their presidents.

c) Derivative transactions

In dealing with counterparty risks in derivative transactions, the Company's Finance Department monitors the credit risks of financial institutions to avoid losses that arise if the relevant financial institution fails to meet its obligations.

(ii) Market risk management

a) Risks of interest rate fluctuations

As part of ALM, the Group manages the risks of interest rate fluctuations, mainly by using interest rate derivatives. The Group has internal policies of risk management that stipulate risk hedging policies, hedging plan and reporting process. The Board of Directors must approve the hedging plan before the transaction is made.

The Finance Department comprehensively monitors the interest rates and terms of financial assets and liabilities on a continuous basis, and manages risks by utilizing value at risk (VaR). At least once a month, the department reports the status of transactions and current operational strategies to the President of the Company.

With respect to the operation and management of derivative transactions conducted by certain consolidated subsidiaries, the transaction policies and authorization rules are established and derivative transactions are approved through a decision-making process based on a request for approval.

b) Risks of foreign exchange

Both domestic and overseas subsidiaries manage the risks of foreign exchange on operating assets denominated in foreign currencies for each individual transaction. In addition to matching balance of foreign currency denominated assets and liabilities, they have entered into currency swap transactions in order to hedge the risks of foreign exchange. The status on the risks of foreign exchange has been reported regularly to the ALM committee.

c) Risks of price fluctuations

The Group invests in securities for the purpose of customer intimacy in addition to operational investments. The Finance Department regularly monitors market information to manage risks of these securities. This information is reported to the Management Meeting on a regular basis.

d) Derivative transactions

The Company enters into derivative transactions in accordance with its internal policies. The policies include the objectives for derivative instruments, risk management policies and procedures (including authorization, responsibilities and reporting).

In addition, the Company maintains segregation of duties between those with the authority to enter into derivative transactions (front office) and those responsible for bookkeeping (back office) by assigning different employees in the Finance Department.

e) Quantitative information about market risks

The financial instruments affected by the risks of interest rate fluctuations are installment sales receivable, lease receivables and investment in leases, loans receivable, investment securities, long-term debt, bonds and interest rate swaps of derivative transactions.

The risks of interest rate fluctuations of long-term fixed rate assets and liabilities are measured by VaR. The Company calculates VaR using a historical simulation method (holding period of one year, confidence level of 99%, and observation period of ten years) and periodically performs backtesting to confirm and verify its effectiveness.

In addition, calculation method of VaR has changed from variance-covariance method to historical simulation method in order to reflect past long-term market fluctuation to risk volume, and observation period which is a part of main preconditions has changed from one to ten years in this fiscal year.

As of March 31, 2019, the total market risk quantity (estimated amount of losses) of long-term fixed rate assets and liabilities was ¥11 million.

(iii) Liquidity risk management

The Group mitigates the liquidity risks for funding (risks that the Group will be unable to repay on a repayment date) by using procedures such as follows:

- Appropriately maintain the relationship between cash flows from operating assets and those for operating liabilities on ALM
- Prepare and update the cash flow plan on a timely basis
- Seek diversification of funding sources
- Maintain an appropriate level of liquidity on hand

(4) Supplementary explanation about fair value of financial instruments

Fair values of financial instruments are based on market prices and, in cases where market prices are not available, reasonably calculated prices. Such prices have been calculated based on certain assumptions, and may differ if calculated based on different assumptions.

With respect to the notional amount of derivative transactions in Note 14 "Derivatives," they do not present the Company's exposure to market risks of such derivative transactions.

2. Fair value of financial instruments

The amounts presented in the consolidated balance sheet as of March 31, 2019, fair values and the differences were as follows. Financial instruments, whose fair values are considered difficult to estimate, are not included in the following table.

	Millions of Yen		
	Amount recorded in the consolidated balance sheet	Fair Value	Difference
(1) Cash and cash equivalents	¥ 20,687	¥ 20,687	¥ -
(2) Lease receivables and investment in leases	431,727		
Allowance for doubtful accounts (*1)	(1,872)		
(*2)	429,855	431,485	1,630
(3) Installment sales receivable	20,235		
Allowance for doubtful accounts (*1)	(249)		
	19,986	20,047	61
(4) Loans receivable	243,683		
Allowance for doubtful accounts (*1)	(1,816)		
	241,867	242,965	1,098
(5) Accounts receivable-leases	20,202		
Allowance for doubtful accounts (*1)	(231)		
	19,971	19,971	-
(6) Purchased receivables	12,873		
Allowance for doubtful accounts (*1)	(784)		
	12,089	12,089	-
(7) Income taxes receivable(*4)	580	580	-
(8) Investment securities	3,919	3,919	-
(9) Receivables from companies in bankruptcy and reorganization (*5)	3,338		
Allowance for doubtful accounts (*1)	(2,220)		
	1,118	1,118	-
Total assets	¥ 750,072	¥ 752,861	¥ 2,789
(10) Short-term borrowings	¥ 208,493	¥ 208,493	¥ -
(11) Notes and accounts payable-trade	20,353	20,353	-
(12) Accrued income taxes	813	813	-
(13) Deposits received	1,413	1,413	-
(14) Other payable(*6)	960	960	-
Current portion of long-term debt and long-term debt			
(15) Bonds			
Current portion of bond	20,000		
Unsecured bonds	70,000		
	90,000	90,453	453
(16) Long-term debt			
Current portion of long-term debt	143,668		
Long-term debt	286,421		
	430,089	430,605	516
(17) Payables under securitized lease receivables			
Current	4,079		
Non-current	8,680		
	12,759	12,825	66
Total liabilities	¥ 764,880	¥ 765,915	¥ 1,035
Derivatives (*3)	¥ 566	¥ 566	¥ -

(*1) An allowance for doubtful accounts that has been provided for installment sales receivable, lease receivables and investment in leases, loans receivable, accounts receivable-leases, purchased receivables and receivables from companies in bankruptcy and reorganization has been deducted.
(*2) The amounts presented in the consolidated balance sheet and the fair value provided for include the estimated residual value.
(*3) The amount of assets and liabilities incurred from derivative transactions is presented on a net basis. Items that fall into net liabilities are presented in ( ).
(*4) Income taxes receivable is included in current assets-other on the accompanying consolidated balance sheet.
(*5) Receivables from companies in bankruptcy and reorganization are included in investments and other assets-other on the accompanying consolidated balance sheet.
(*6) Other payable is included in current liabilities-other on the accompanying consolidated balance sheet.

Methods used for determining the fair values of financial instruments, and matters related to securities and derivative transactions are as follows:

Assets

(1) Cash and cash equivalents, (5) Accounts receivable-leases and (7) Income taxes receivable
Since these items are settled in a short period, the book values are deemed to approximate the fair values.

(2) Lease receivables and investment in leases and (3) Installment sales receivable
The present values of these items are presented as the fair values. The present values are calculated by discounting the estimated future cash flows of each contract at interest rates estimated to be applied to similar transactions.

The fair values of doubtful receivables are calculated by discounting estimated future cash flows of each contract at risk-free rates.

(4) Loans receivable
Loans receivable with variable interest rates reflect the market rate in the short term. Consequently, unless the credit conditions of debtors significantly change after the execution of loans, the book values of such loans are deemed to approximate the fair values.

With respect to short-term loans receivable with fixed interest rates, unless the credit conditions of debtors significantly change after the execution of loans, the book values are presented as the fair values because the book values are deemed to approximate the fair values.

With respect to long-term loans receivable with fixed interest rates, the fair value is estimated based on the present value that is calculated by discounting the estimated future cash flows of each contract at interest rates estimated to be applied to similar transactions.

The fair values of doubtful receivables are calculated by discounting estimated future cash flows of each contract at risk-free rates.

(6) Purchased receivables
With respect to purchased receivables, the related allowance for doubtful receivables is estimated based on the amount expected to be collected through collateral and repayments. Consequently, the book value of those receivables less the estimated allowance for doubtful receivables is deemed to approximate the fair value.

(8) Investment securities
The fair values of stocks are measured at quoted market prices of the stock exchange. The fair values of bonds and certain certificates of trust beneficiary rights are based on either the prices quoted on the exchange market or prices obtained from financial institutions.

For private placement bonds and certificates of trust beneficiary rights, fair values are determined based on reasonably estimated amounts.

The fair values of partnership investments are determined based on the net asset value of the partnership after adjusting the carrying value of assets of the corresponding partnership at fair value to the extent practical.

(9) Receivables from companies in bankruptcy and reorganization
With respect to receivables from companies in bankruptcy and reorganization, allowance for bad debts is estimated based on the amount expected to be collected through collateral and guarantees.

Consequently, the book values of those receivables less the estimated allowance for bad debts are deemed to approximate the fair values.

Liabilities

(10) Short-term borrowings, (11) Notes and accounts payable-trade, (12) Accrued income taxes, (13) Deposits received and (14) Other payable
Since these items are settled in a short period, the book values are deemed to approximate the fair values.

(15) Bonds
The fair values of bonds are determined based on their market prices.

(16) Long-term debt
Since long-term debt with variable rates reflect the market interest rate in a short period, the book values are deemed to approximate the fair values.

The fair values of long-term debt with fixed rates are calculated by discounting the estimated future cash flows at the refinancing rates estimated to be applied to similar transactions.

(17) Payables under securitized lease receivables
The fair values of payables under securitized lease receivables are calculated by discounting the estimated future cash flows at the refinancing rates estimated to be applied to similar transactions.

Derivative transactions
The fair values are determined based on quoted prices provided by dealers and other financial institutions.

Financial instruments whose fair values cannot be reasonably estimated as of March 31, 2019 were as follows:

	Amount presented in the consolidated balance sheet
	Millions of Yen
Unlisted stocks	¥ 21,082
Investments in partnerships, etc.	32,639

These instruments are not included in (8) Investment securities, because they do not have quoted market prices and their future cash flows cannot be reasonably estimated.

※1 Unlisted stocks are not included in fair value information, because they do not have quoted market prices and their fair values cannot be reasonably estimated.
※2 Certain type of investment in partnership and its partnership assets are consisted of the assets whose fair value cannot be reasonably estimated such as unlisted stock and others are not included in fair value information.

The following table shows the scheduled maturity payments of monetary claims and securities with maturity dates after March 31, 2019.

	Millions of Yen					
	Due within 1 year	Due after 1 year through 2 years	Due after 2 years through 3 years	Due after 3 years through 4 years	Due after 4 years through 5 years	Due after 5 years
Cash and cash equivalents	¥ 20,687	¥ -	¥ -	¥ -	¥ -	¥ -
Lease receivables and investment in leases (*1)(*2)	143,332	110,420	82,851	50,241	24,434	24,989
Installment sales receivables (*1)(*2)	8,061	5,210	3,689	2,537	1,055	309
Loans receivables (*2)	115,196	42,541	29,045	17,857	14,729	24,431
Accounts receivables-leases (*2)	20,202	-	-	-	-	-
Purchased receivables (*3)	5,275	72	27	5	0	351
Income taxes receivable	580	-	-	-	-	-
Available-for-sale securities						
Debt/bond	111	-	-	-	518	1,252
Total	¥ 313,444	¥ 158,243	¥ 115,612	¥ 70,640	¥ 40,736	¥ 51,332

(*1) The amount of interest income is included in the maturity table above.
(*2) Receivables from companies in bankruptcy and reorganization of ¥3,338 million are not included in the table above, because payments are not expected to be collected on schedule.
(*3) Purchased receivables of ¥7,143 million are not included in the table above, because payments are not expected to be collected on schedule.

The following table shows the scheduled maturity payments of unsecured bonds, long-term debt and other interest-bearing liabilities subsequent to March 31, 2019.

	Millions of Yen					
	Due within 1 year	Due after 1 year through 2 years	Due after 2 years through 3 years	Due after 3 years through 4 years	Due after 4 years through 5 years	Due after 5 years
Short-term borrowings	¥ 208,493	¥ -	¥ -	¥ -	¥ -	¥ -
Unsecured bonds	20,000	-	20,000	20,000	20,000	10,000
Long-term debt	143,668	105,523	90,811	45,678	21,882	22,527
Payables under securitized lease receivables	4,079	3,354	2,407	847	133	1,939
Total	¥ 376,240	¥ 108,877	¥ 113,218	¥ 66,525	¥ 42,015	¥ 34,466

14. Derivatives

Year ended March 31, 2020

(1) Derivatives for which hedge accounting is not applied

Derivatives related to currency at March 31, 2020 were as follows:

	March 31, 2020			
	Amount of contract	Gain	Loss	Fair value
	Millions of Yen			
Interest rate currency swap transactions				
receipt Yen, payment U.S. dollar	¥ 14,478	¥ 95	¥ -	¥ 95
receipt U.S. dollar, payment Malaysian Ringgit	209	6	-	6

	March 31, 2020			
	Amount of contract	Gain	Loss	Fair value
	Thousands of U.S. Dollars			
Interest rate currency swap transactions				
receipt Yen, payment U.S. dollar	$ 133,060	$ 875	$ -	$ 875
receipt U.S. dollar, payment Malaysian Ringgit	1,921	57	-	57

The fair value is determined based on quoted prices provided by dealers and other financial institutions.

(2) Derivatives for which hedge accounting is applied

Derivatives related to currency at March 31, 2020 were as follows:

Not applicable

Interest rate related transactions at March 31, 2020 were as follows:

Interest rate swaps that are accounted for using deferral hedge accounting

	Hedged item	March 31, 2020		
		Notional amount	Notional amount expiring on April 1, 2021 or after	Fair value (*1)
		Millions of Yen		
Interest rate swap transactions pay fixed, receive variable	Borrowings	¥260,623	¥242,123	¥(121)

	Hedged item	March 31, 2020		
		Notional amount	Notional amount expiring on April 1, 2021 or after	Fair value (*1)
		Thousands of U.S. Dollars		
Interest rate swap transactions pay fixed, receive variable	Borrowings	$2,395,211	$2,225,190	$(1,114)

(*1) The fair value is determined based on quoted prices provided by dealers and other financial institutions.

Year ended March 31, 2019

(1) Derivatives for which hedge accounting is not applied

Derivatives related to currency at March 31, 2019 were as follows:

	March 31, 2019			
	Amount of contract	Gain	Loss	Fair value
	Millions of Yen			
Interest rate currency swap transactions				
receipt Yen, payment U.S. dollar	¥ 30,794	¥ 927	¥ -	¥ 927
receipt U.S. dollar, payment Malaysian Ringgit	1,565	-	(11)	(11)

The fair value is determined based on quoted prices provided by dealers and other financial institutions.

(2) Derivatives for which hedge accounting is applied

Derivatives related to currency at March 31, 2019 were as follows:

Currency swaps that are accounted for using deferral hedge accounting

	Hedged item	March 31, 2019		
		Notional amount	Notional amount expiring on April 1, 2020 or after	Fair value (*1)
		Millions of Yen		
Interest rate currency swap transactions receipt Yen, payment U.S. dollar	Foreign currency lease transactions	¥ 13,586	¥ -	¥ 20

Interest rate related transactions at March 31, 2019 were as follows:

Interest rate swaps that are accounted for using deferral hedge accounting

	Hedged item	March 31, 2019		
		Notional amount	Notional amount expiring on April 1, 2020 or after	Fair value (*1)
		Millions of Yen		
Interest rate swap transactions pay fixed, receive variable	Borrowings	¥ 179,070	¥ 107,232	¥(370)

(*1) The fair value is determined based on quoted prices provided by dealers and other financial institutions.

15. Segment Information

Years ended March 31, 2020 and 2019

(1) Overview of reportable segments

(i) Methods of identification of reportable segment

The reportable segment of the Company is a component of the Company for which discrete financial information is available and whose operating results are regularly reviewed by the management to make decisions about resources to be allocated to the segment and assess its performance.

The Company provides financial services such as leases, installment sales and corporate loans for a wide range of customers, such as public offices, local governments, large companies, and small and medium enterprises. Additionally, RISA Partners, Inc., which is one of its consolidated subsidiaries, provides investment and advisory services. The reportable segments of the Group are Leasing and Installment Sales Business, Finance Business, RISA Business and Other Business that are determined based on the nature of their respective services.

(ii) Products and services by reportable segment

Leasing and Installment Sales Business includes leasing and rental of information devices and office equipment, industrial and construction machinery, installment sales etc.

Finance Business includes loans, factoring, and investment activities of securities held to obtain operating income, etc. RISA Business includes corporate investment, loan asset investment, real estate, finance and advisory service business, etc. operated by RISA Partners, Inc.

Other Business includes sales of equipment, sales of used equipment of off-leased or terminated leasing contracts, collection of maintenance service fees, investment for venture business, health-care related business, and generation and sales of solar energy, etc.

(2) Method of calculating revenues, profit or loss, assets, liabilities, and other items by reportable segment

The accounting policies for the reportable segments presented are the same as described in Note 2 "Summary of Significant Accounting Policies."

(3) Information about revenues, profit or loss, assets, liabilities, and other items by reportable segment as of March 31, 2020 and 2019 was as follows:

2020	Reportable segments					Adjustment	Amount recorded in the consolidated financial statements
	Leasing and Installment Sales	Finance	RISA	Other	Total		
	Millions of Yen						
Revenues							
Revenues from customers	¥ 174,893	¥ 7,287	¥ 16,120	¥ 22,417	¥220,717	¥ -	¥ 220,717
Intersegment revenues	-	-	49	21	70	(70)	-
Total	¥ 174,893	¥ 7,287	¥ 16,169	¥ 22,438	¥220,787	¥ (70)	¥ 220,717
Segment income	¥ 2,840	¥ 3,106	¥ 4,046	¥ (130)	¥ 9,862	¥ (1,569)	¥ 8,293
Segment assets	594,552	258,342	74,261	24,614	951,769	45,742	997,511
Others							
Depreciation	¥ 12,429	¥ 91	¥ 57	¥ 427	¥ 13,004	¥ 96	¥ 13,100
Amortization of goodwill	-	-	1,077	24	1,101	-	1,101
Investment in affiliated companies	155	-	6,753	1,627	8,535	-	8,535
Increase in property and equipment and intangible assets	24,748	87	971	877	26,683	93	26,776

2020	Reportable segments					Adjustment	Amount recorded in the consolidated financial statements
	Leasing and Installment Sales	Finance	RISA	Other	Total		
	Thousands of U.S. Dollars						
Revenues							
Revenues from customers	$ 1,607,325	$ 66,968	$148,144	$206,020	$2,028,457	$ -	$ 2,028,457
Intersegment revenues	-	-	454	188	642	(642)	-
Total	$ 1,607,325	$ 66,968	$148,598	$206,208	$2,029,099	$ (642)	$ 2,028,457
Segment income	$ 26,096	$ 28,546	$ 37,185	$ (1,198)	$ 90,629	$ (14,416)	$ 76,213
Segment assets	5,464,134	2,374,249	682,486	226,206	8,747,075	420,381	9,167,456
Others							
Depreciation	$ 114,225	$ 831	$ 525	$ 3,926	$ 119,507	$ 887	$ 120,394
Amortization of goodwill	-	-	9,900	215	10,115	-	10,115
Investment in affiliated companies	1,427	-	62,057	14,956	78,440	-	78,440
Increase in property and equipment and intangible assets	227,446	796	8,927	8,059	245,228	850	246,078

- Adjustment of ¥(1,569) million ($(14,416) thousand) in segment income is an amount of difference between segment income and operating income on the consolidated statement of income, which is mainly general administrative expenses not attributable to each reportable segment.
- Adjustment of ¥45,742 million ($420,381 thousand) in segment assets is corporate assets not allocated to each reportable segment.
- Adjustment of ¥93 million ($850 thousand) in increase in property and equipment and intangible assets is an investment in corporate assets.
- Increase due to new consolidation is not included in increase in property and equipment and intangible assets.

2019	Reportable segments: Leasing and Installment Sales	Finance	RISA	Other	Total	Adjustment	Amount recorded in the consolidated financial statements
	Millions of Yen						
Revenues							
Revenues from customers	¥ 166,848	¥ 6,644	¥ 14,023	¥ 16,616	¥ 204,131	¥ -	¥ 204,131
Intersegment revenues	-	-	28	34	62	(62)	-
Total	¥ 166,848	¥ 6,644	¥ 14,051	¥ 16,650	¥ 204,193	¥ (62)	¥ 204,131
Segment income	¥ 4,087	¥ 3,322	¥ 3,634	¥ (355)	¥ 10,688	¥ (1,759)	¥ 8,929
Segment assets	529,657	253,366	69,205	15,867	868,095	27,588	895,683
Others							
Depreciation	¥ 9,534	¥ 89	¥ 52	¥ 343	¥ 10,018	¥ 105	¥ 10,123
Amortization of goodwill	-	-	1,077	54	1,131	-	1,131
Investment in affiliated companies	158	-	8,151	946	9,255	-	9,255
Increase in property and equipment and intangible assets	13,465	134	30	741	14,370	157	14,527

- Adjustment of ¥(1,759) million in segment income is an amount of difference between segment income and operating income on the consolidated statement of income, which is mainly general administrative expenses not attributable to each reportable segment.
- Adjustment of ¥27,588 million in segment assets is corporate assets not allocated to each reportable segment.
- Adjustment of ¥157 million in increase in property and equipment and intangible assets is an investment in corporate assets.
- Increase due to new consolidation is not included in increase in property and equipment and intangible assets.

(4) Related Information

(i) Information by geographical areas

a) Revenues

Disclosure of revenues by geographical areas is omitted because the amount of domestic revenues is more than 90% of the amount of the consolidated revenues.

b) Property and equipment

Disclosure of property and equipment by geographical areas is omitted because the amount of domestic property and equipment is more than 90% of the amount of the consolidated property and equipment.

(ii) Information by major customers

Information by major customers is not disclosed because there are no customers whose revenues are more than 10% of the amount of the consolidated revenues.

(5) Information about impairment losses of property and equipment and intangible assets by reportable segment

Not applicable

(6) Information about amortization of goodwill and unamortized balances by reportable segment at March 31, 2020 and 2019 was as follows:

2020	Reportable Segments: Leasing and Installment Sales	Finance	RISA	Other	Total	Corporate or Elimination	Total
	Millions of Yen						
Amortization for the current fiscal year	¥ -	¥ -	¥ 1,077	¥ 24	¥ 1,101	¥ -	¥ 1,101
Balance at March 31, 2020	-	-	1,146	132	1,278	-	1,278

2020	Reportable Segments: Leasing and Installment Sales	Finance	RISA	Other	Total	Corporate or Elimination	Total
	Thousands of U.S. Dollars						
Amortization for the current fiscal year	$ -	$ -	$ 9,900	$ 215	$ 10,115	$ -	$ 10,115
Balance at March 31, 2020	-	-	10,531	1,217	11,748	-	11,748

2019	Reportable Segments: Leasing and Installment Sales	Finance	RISA	Other	Total	Corporate or Elimination	Total
	Millions of Yen						
Amortization for the current fiscal year	¥ -	¥ -	¥ 1,077	¥ 54	¥ 1,131	¥ -	¥ 1,131
Balance at March 31, 2019	-	-	2,223	141	2,364	-	2,364

(7) Information about negative goodwill by reportable segment

Not applicable

16. Net Assets

Under the Law and its related regulations, the entire amount paid for new shares is required to be designated as common stock. However, a company may, by a resolution of the Board of Directors, designate an amount not exceeding one-half of the price of the new shares as additional paid-in capital, which is included in capital surplus in the accompanying consolidated balance sheets.

The Law provides that earnings in an amount equal to at least 10 percent of appropriations of retained earnings to be paid as dividends should be appropriated as a capital surplus or a legal reserve until the total of capital surplus and legal reserve equals 25 percent of stated common stock. Legal reserve is included in retained earnings in the accompanying consolidated balance sheets. In addition to transfer from capital surplus to stated common stock, either capital surplus or legal reserve may be available for dividends by resolution of the general meeting of shareholders.

Under the Law, all additional paid-in capital and all legal reserve may be transferred to other capital surplus and retained earnings, respectively, which are potentially available for dividends.

The maximum amount that the Company can distribute as dividends is calculated based on the non-consolidated financial statements of the Company in accordance with the Law.

At the meeting of the Board of Directors of the Company held on May 20, 2020, cash dividends amounting to ¥646 million ($5,937 thousand) were approved. This appropriation has not been reflected in the accompanying consolidated financial statements for the fiscal year ended March 31, 2020.

17. Related Party Transactions

Year ended March 31, 2020:

(1) Transactions with parent and major shareholder of the Company

The Company procured equipment for lease transactions from NEC Corporation that has a 37.7% ownership share in the Company at a transaction amount of ¥58,534 million ($537,943 thousand) for the year, and the outstanding balance of ¥6,678 million ($61,373 thousand) at the year-end has been included in "Notes and accounts payable – trade." The Company entered into factoring contracts with NEC Corporation at a transaction amount of ¥13,008 million ($119,549 thousand) and the outstanding balance of ¥3,532 million ($32,464 thousand) at the year-end has been included in "Accounts receivable – Loans."

(2) Transactions with subsidiaries of the Company's other affiliated companies

The Company procured equipment for lease transactions from NEC Fielding, Ltd. at a transaction amount of ¥10,480 million ($96,319 thousand) for the year, and the outstanding balance of ¥545 million ($5,008 thousand) at the year-end has been included in "Notes and accounts payable – trade."

The Company entered into factoring contracts with NEC Platforms, Ltd. at a transaction amount of ¥10,683 million ($98,177 thousand) and the outstanding balance of ¥2,539 million ($23,339 thousand) at the year-end has been included in "Accounts receivable – Loans."

Year ended March 31, 2019:

(1) Transactions with parent and major shareholder of the Company

The Company procured equipment for lease transactions from NEC Corporation that has a 37.7% ownership share in the Company at a transaction amount of ¥48,539 million for the year, and the outstanding balance of ¥8,655 million at the year-end has been included in "Notes and accounts payable – trade." The Company entered into factoring contracts with NEC Corporation at a transaction amount of ¥13,094 million and the outstanding balance of ¥4,074 million at the year-end has been included in "Accounts receivable – Loans."

(2) Transactions with subsidiaries of the Company's other affiliated companies

The Company entered into factoring contracts with NEC Platforms, Ltd. at a transaction amount of ¥10,472 million and the outstanding balance of ¥2,794 million at the year-end has been included in "Accounts receivable – Loans."

The Company entered into factoring contracts with Japan Aviation Electronics Industry, Limited at a transaction amount of ¥9,090 million and the outstanding balance of ¥2,668 million at the year-end has been included in "Accounts receivable – Loans."

Independent Auditor's Report

KPMG

Independent Auditor's Report

To the Board of Directors of
NEC Capital Solutions Limited :

Opinion

We have audited the accompanying consolidated financial statements of NEC Capital Solutions Limited ("the Company") and its consolidated subsidiaries (collectively referred to as "the Group"), which comprise the consolidated balance sheets as at March 31, 2020 and 2019, the consolidated statements of income and comprehensive income, the consolidated statements of changes in net assets and the consolidated statements of cash flows for the years then ended , and notes, comprising a summary of significant accounting policies, other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at March 31, 2020 and 2019, and its consolidated financial performance and cash flows for the years then ended in accordance with accounting principles generally accepted in Japan.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Japan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Corporate Auditors and the Board of Corporate Auditors for the Consolidated Financial Statements

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

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern in accordance with accounting principles generally accepted in Japan.

Corporate auditors and the board of corporate auditors are responsible for overseeing the directors' performance of their duties including the design, implementation and maintenance of the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with auditing standards generally accepted in Japan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

KPMG

As part of our audit in accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, while the objective of the audit is not to express an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate whether the presentation and disclosures in the consolidated financial statements are in accordance with accounting standards generally accepted in Japan, the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with corporate auditors and the board of corporate auditors regarding, among other matters, the planned scope and timing of the audit, significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide corporate auditors and the board of corporate auditors with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Convenience Translation

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2020 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 1 to the consolidated financial statements.

Interest required to be disclosed by the Certified Public Accountants Act of Japan

We do not have any interest in the Group which is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

Independent Auditor's Report

KPMG

貞廣篤典

Atsunori Sadahiro
Designated Engagement Partner
Certified Public Accountant

近藤 敬

Takashi Kondo
Designated Engagement Partner
Certified Public Accountant

秋山範之

Noriyuki Akiyama
Designated Engagement Partner
Certified Public Accountant

KPMG AZSA LLC
Tokyo Office, Japan
August 12, 2020

Corporate data (as of March 31, 2020)

Company name	NEC Capital Solutions Limited
Head office	Shinagawa Intercity C building, 15-3 Konan 2-chome, Minato-ku, Tokyo, 108-6219, Japan Tel. +81 (0)3 6720 8400 (Representative)
Established	November 30, 1978
Representative	Tomoo Imazeki, President
Main business	Leasing and installment sales of information and communication equipment, office equipment, industrial and other equipment and facilities, factoring, business financing, collection agency operations, etc.
Paid-in capital	3,776.88 million yen
Stock listing	Tokyo Stock Exchange, First Section Stock code: 8793
Closing of accounts	March 31
Employees	609 (consolidated 784)

Main banks	Sumitomo Mitsui Banking Corporation Sumitomo Mitsui Trust Bank, Limited MUFG Bank, Ltd. Mizuho Bank, Ltd. Development Bank of Japan Inc.
Major affiliated companies	RISA Partners, Inc. Reboot Technology Services and Capitech Limited Innovative Venture Investment Limited Partnership NEC Capital Solutions Singapore Pte. Limited NEC Capital Solutions Hong Kong Limited NEC Capital Solutions Malaysia Sdn. Bhd. NEC Capital Solutions (Thailand) Ltd.,etc
Domestic network	30 offices
Enterprise rating	• Rating and Investment Information, Inc. (R&I) Long term A- Short term a-1 (changed in October 2020) • Japan Credit Rating Agency, Ltd. (JCR) Long term A– Short term J–1

Share information (as of March 31, 2020)

Basic information

Number of shares authorized	86,000,000 shares
Number of shares issued	21,533,400 shares
Number of shares in one unit	100 shares
Number of shareholders	19,305

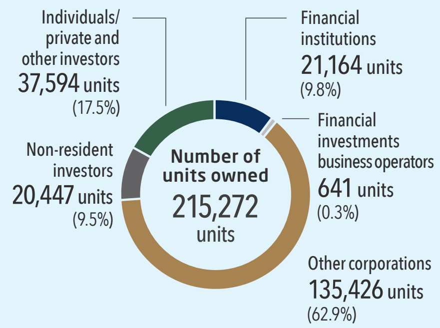
Principal shareholders

Shareholders	Number of shares	Voting rights (%)
NEC Corporation	8,110,000	37.66
Sumitomo Mitsui Finance & Leasing Company, Ltd.	5,380,000	24.98
Japan Trustee Services Bank, Ltd.*	876,500	4.07
The Master Trust Bank of Japan, Ltd. (Trust Account)	433,000	2.01
DFA INTL SMALL CAP VALUE PORTFOLIO	237,800	1.10
The Nomura Trust & Banking Co., Ltd.	228,500	1.06
Sumitomo Mitsui Trust Bank, Limited	200,000	0.92
SUMITOMO LIFE INSURANCE COMPANY	200,000	0.92
Mitsui Sumitomo Insurance Company, Limited	140,000	0.65
STATE STREET BANK AND TRUST COMPANY 505103	114,147	0.53

*Company name changed to Custody Bank of Japan, Ltd.

Classification of shareholders

(excluding those with less than 1 unit)



Disclaimer

The statements in this publication with respect to the Company's current plans, strategies and decisions are forward-looking statements, unless they are historical facts. Such forward-looking statements are based on management's assumptions and decisions in light of the information currently available and involve risks and uncertainties. Because these forward-looking statements could materially differ from actual results due to various factors, readers are advised not to place undue reliance on them.