

NEC Capital Solutions Limited
**INTEGRATED
REPORT 2021**

Fiscal Year ended March 31, 2021 (FY2021)

NEC Capital Solutions Limited
<https://www.necap.co.jp/english/>

Publication

December 2021 (Published annually)

Contact IR & PR Department for inquiries about the report.



Corporate
Philosophy

Helping Societies Advance
through "Capital Solutions"^{*1}

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^{*2} by capturing new needs
in the COVID-19 and post-COVID-19 eras

Editorial Policy and Scope

■ Editorial Policy

Since FY2014/3, the Company has been issuing an "Integrated Report" ("this publication"). This publication is aimed at enabling the reader to fully understand our "CSV Management Vision"^{*3} along with our current situation, managerial issues, and our future medium-term to long-term strategies. 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)

■ Sustainability initiatives

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

- Main content
- Sustainability 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, 2020 to March 31, 2021 (including most recent activities)

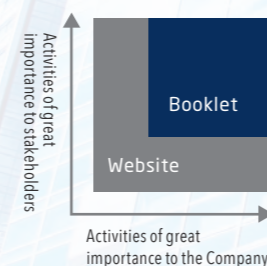
■ Media concept

● Website

The website presents PDF files containing the booklet, as well as more detailed information (Japanese Only).

● Booklet

The booklet contains a report that is focused on crucial information, prioritizing the areas of great progress in FY2021/3^{*4}.



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

*2 ICT stands for Information and Communication Technology.

*3 CSV stands for Creating Shared Value. It means achieving a balance between the creation of social value (= solving social issues) and activities to earn economic profit. It is a business strategy framework that was advocated by Michael Porter, an American business scholar, in 2006. We formulated our Group Vision in 2013 based on the idea of CSV.

*4 Fiscal Year ended March 31, 2021 (hereafter FY2021/3).

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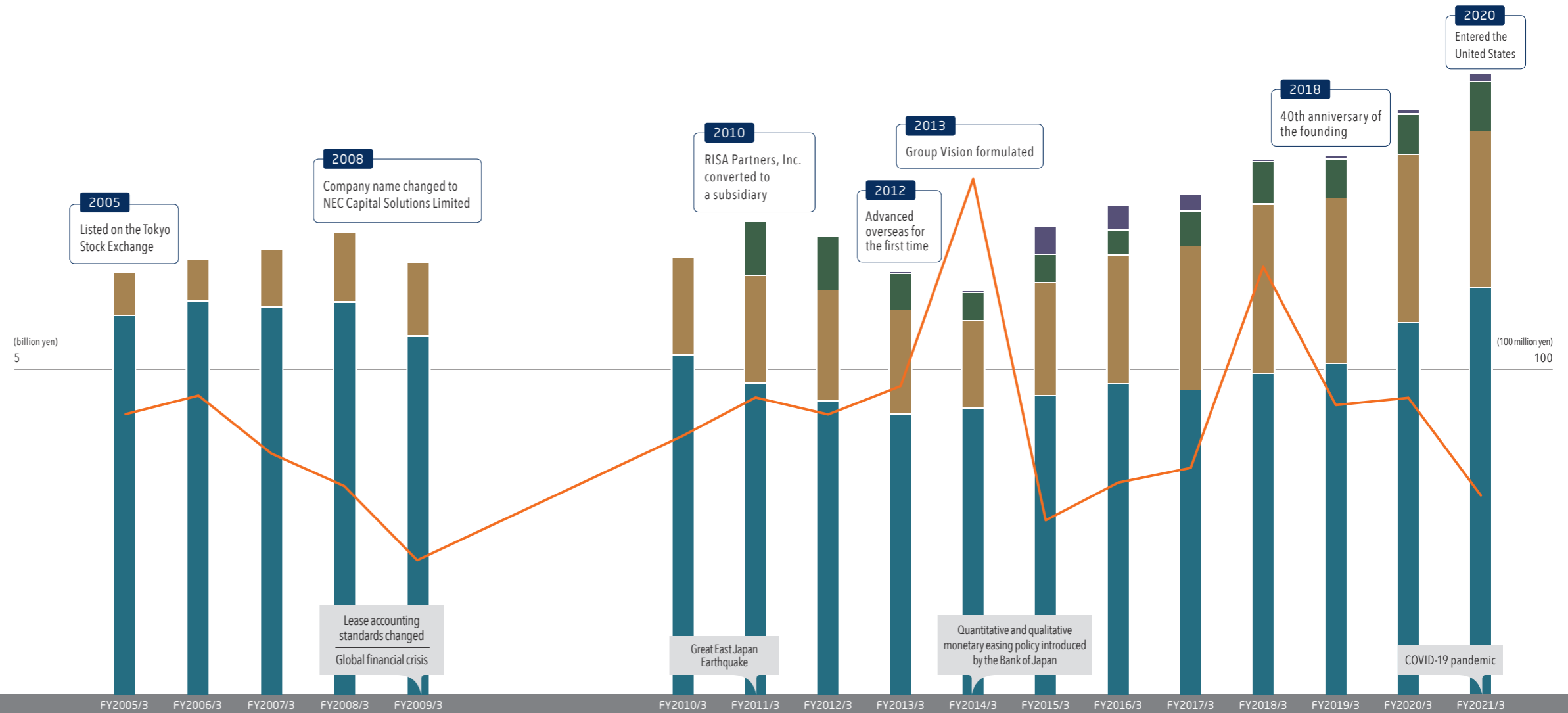
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In response to the changing times, we are expanding our solution services

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

Operating asset balance (left axis)
 ■ Leasing and Installment Sales Business ■ Finance Business
 ■ RISA Business ■ Other Business
 — Ordinary income (right axis)



* Company named NEC Leasing, Ltd. at the time of listing.

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



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)

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



2017 Acquiring Eruboshi certification (2nd stage)

2018 Quality Management System (QMS) ISO 9001 certification obtained

2020 Acquiring PrivacyMark



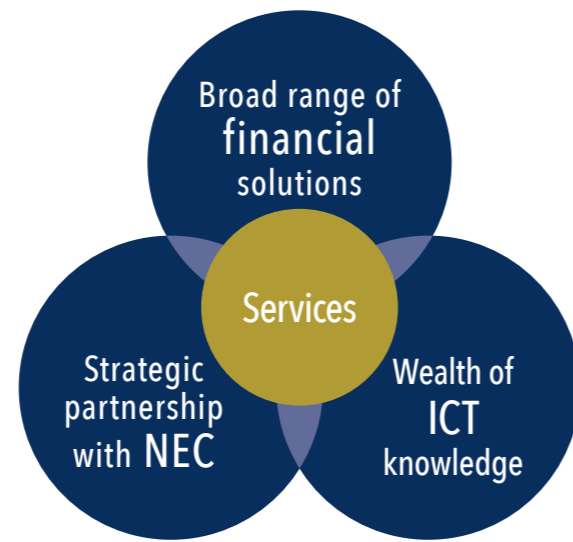
2021 Acquiring Eruboshi certification (3rd stage)



East Japan Government, Public and Social System Sales Division
 West Japan Government, Public and Social System Sales Division

We provide services taking advantage of our three strengths

Three strengths



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.

Established
1978

We celebrated 40th anniversary of the founding in 2018.

Number of employees
811

Strong cooperation created by 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
(component ratio of contracts executed by purchaser in the Leasing and Installment Sales Business)

Approx. 60%
Average for the past 3 years

Operating asset balance
953.8 billion yen

A new post-listing high

ISO 14001 Certification
(Environmental Management System)

More than 20 years

Acquired ISO 14001 certification ahead of other companies in the industry in Japan. 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 the network, we provide solutions to revitalize local corporations.

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.

Ratio of ICT products handled
(component ratio of contracts executed by model in the Leasing and Installment Sales Business)

Approx. 80%
Average for the past 3 years

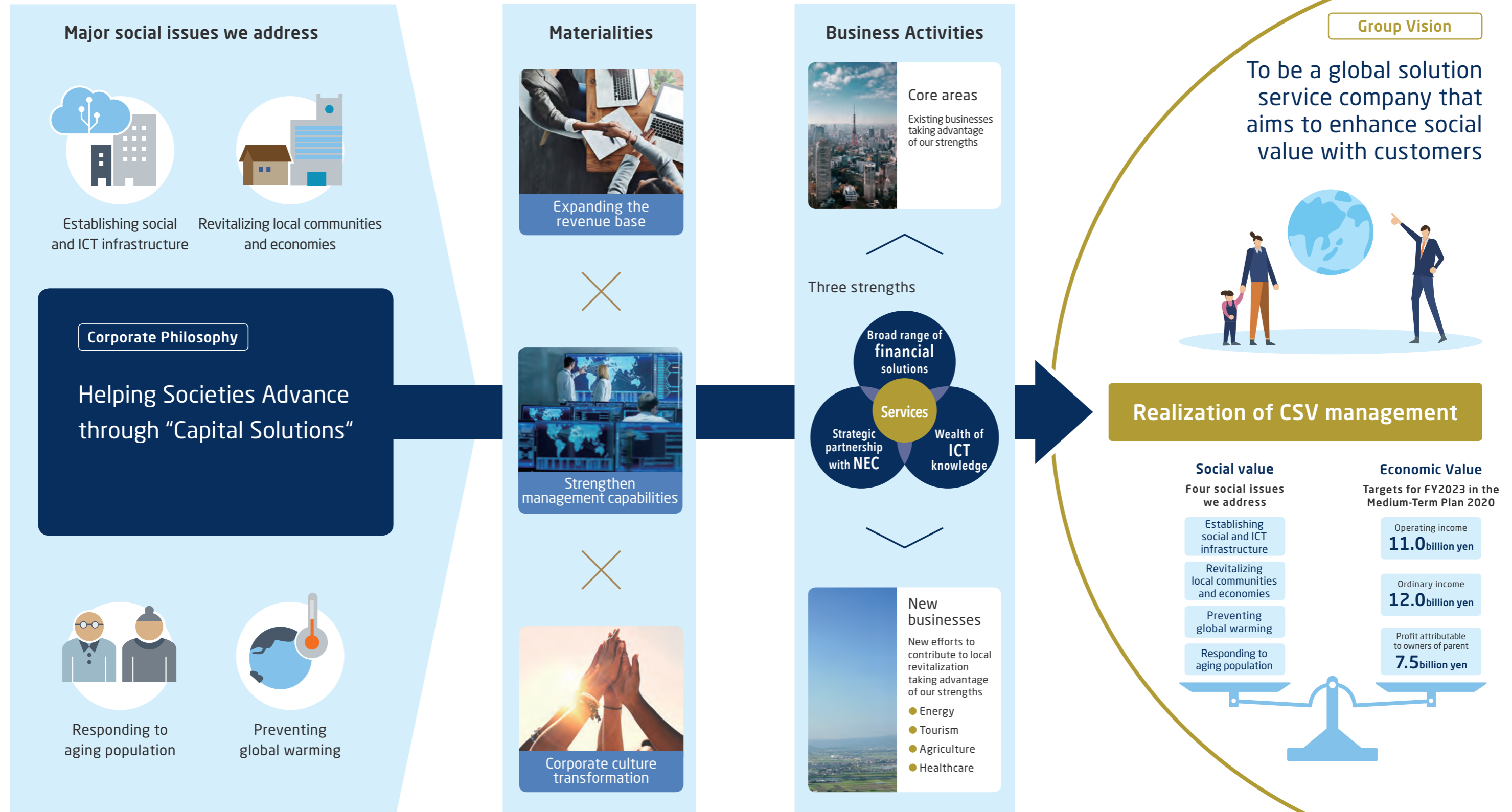
We provide high value-added services including life cycle management.

Domestic network
30 offices

We implement community-based business.

As of the end of March 2021

We aim to realize CSV management by achieving our Group Vision



Even with the remained uncertainty, steadily advancing initiatives for the realization of our Group Vision

President Tomoo Imazeki



We have set our Group Vision based on the idea of Creating Shared Value (CSV) management. We aim to realize CSV management with our accumulated initiatives through three medium-term plans. To achieve our goal, enhance social value and create economic value, we have established the following agenda to work on the resolution of issues faced by society through business: establishing social and ICT infrastructure, revitalizing local communities and economies, preventing global warming, and responding to aging population. We believe that these initiatives will lead to the achievement of the UN's Sustainable Development Goals (SDGs).*

10-Year Road map to realizing our Group Vision



*The SDGs, which were adopted by the United Nations General Assembly, consist of 17 goals and 169 targets related to poverty, equality, education, the environment, and other issues faced by society. Every country and region, including both developed and emerging countries, aims to achieve these goals and targets to create a world where no one will be left behind by 2030.

Medium-Term Plan 2020 began for the realization of CSV management

We began Medium-Term Plan 2020 amid an unprecedented environment created by the COVID-19 pandemic, but we believe that we are able to take steady steps toward the realization of CSV management. In Medium-Term Plan 2020, we have set "expand core areas" and "harvest new businesses" as pillars of our strategies.

In our core areas we were able to steadily work toward the realization of CSV management

To expand core areas, we are implementing three major initiatives to advance services unique to us that demonstrate our strength. One of these major initiatives is to establish new services with vendors. In the North American market, in November 2020, we acquired NEC Financial Services, LLC (hereinafter, "NECFs") in the United States, which is ahead of other markets in the shift toward services. This enables us to establish a system for acquiring new business opportunities in North America. In Japan, we have been able to grow and expand gross profit more definitely in the Leasing and Installment Sales Business by accumulating operating assets in the business, with the significant growth of initiatives for GIGA School Program¹ and projects related to firefighting that has been achieved through the strengthening of our cooperation with the NEC Group and other achievements. There has also been steady progress in our activities for the establishment of new services, including a new initiative with a foreign capital ICT vendor and the launch of a new service model for ICT equipment for medical and other fields. The second initiative is the acceleration of specialized businesses in growth areas. Recently, we exited an investment project that we had held in the venture funding business through an IPO, something we have been working on since 2012. Most of the venture funding investments that we are engaged in are beyond their investment implementation phase and moving gradually toward their investment recovery phase. This was the third time our fund had exited an investment, and the first time we did this

through an IPO. The exit through the IPO was affected by the COVID-19 pandemic, which caused the IPO's schedule to be postponed. However, we were able to exit the position, which I believe is an achievement. Profit from RISA Business decreased due in part to the presence of gain on sales of major operational investment securities and real estate for sale in the previous fiscal year. However, we were able to increase assets by surely acquiring domestic and overseas investment projects. Also, in the PFI/PPP² business, the implementation of projects was postponed, plans were revised, and the COVID-19 pandemic impacted other aspects of the business. Our goal is to catch up in these projects from 2021 onwards.

The third initiative is the expansion of the customer base and the expansion of the sales planning and promotion functions. We enhanced the functions of the Business Promotion Division, which has a company-wide role, and improved profitability through cross-selling activities.

In new businesses, we have advanced new initiatives leading to the revitalization of local economies.

To harvest new businesses, which is the second pillar of our strategy, we are advancing initiatives aimed at generating revenue from new businesses that are unique to us, including non-financial businesses. Regarding the four domains where we advance new business initiatives (energy, tourism, agriculture, and healthcare), we will acquire revenue steadily from financial services while also improving our expertise and enhancing our presence, with the goal of creating services unique to us that will lead to the revitalization of local communities and economies.

In the fiscal year ended March 31, 2021, in the energy domain we continued existing initiatives in fields such as solar power generation, biomass energy, and hydropower. At the same time, we launched a new power purchase agreement (PPA) service and signed an agreement with NEC Platforms, Ltd. In the tourism domain, we continued initiatives for the revitalization of local communities and economies, but these initiatives' contribution to revenue was limited due to the COVID-19 pandemic. In the domain of agriculture, Mirai Kyouso Farm Akita Co. Ltd., whose main businesses are the production, processing, and sale of rice, is

¹ GIGA School Program: A government program announced by the Ministry of Education, Culture, Sports, Science and Technology in December 2019. Its goal is to equip elementary and junior high schools with ICT devices.
² PPP: Public Private Partnerships, which are partnerships involving a public office and a private business operator for the joint implementation of a project. It is a method that includes consignment to the private sector, in which a private business operator participates, from the planning phase, in a project that had previously be operated publicly, such as water utilities, city gas and transportation, and is entrusted to the private business operator for investments in and operations of equipment while the equipment remains the property of the public office. PFI (Private Finance Initiative) is a method of conducting a PPP.

working on the mixed farming of rice and dry-field crops, including specialty crops, that are suitable for the climate of Akita. We have also continued initiatives for the development of the value chain and the improvement of profitability through the cultivation of cherry tomatoes in Kagoshima, the domestic production of bananas in Yamanashi and other activities. In the healthcare domain, there was steady progress in initiatives in the warehousing business* for healthcare facility REITs, resulting in the acquisition of new facilities. This has enabled us to acquire revenue.

Taking advantage of our base in North America to promote global business and the shift toward services

In our Group Vision, we have set a theme of becoming a global solution service company, and under this theme we have been operating overseas businesses mainly in Southeast Asia. NECFS, which we have made our subsidiary, is our core company engaging in sales finance among the NEC Group's businesses in the United States. It has the experience and knowledge it has cultivated in the U.S. market over many years. Through NECFS, we provide various financing services to the NEC Group, play an important role supporting the Group's expansion in the U.S. market in the medium and long terms, and aim to acquire new business opportunities in the United States.

Accelerating efforts to realize CSV management during the COVID-19 pandemic and toward the post-pandemic era

The COVID-19 pandemic, which has spread worldwide since late-January 2020, had a significant impact on business and

our daily lives, and the impact is expected remain. Irreversible changes are occurring throughout society due to the destruction of existing rules and a paradigm shift caused by new ideas during the COVID-19 pandemic and about the post-COVID-19 era. Against this background, we expect to face an array of risks in our business activities while new social needs may develop and become opportunities for creating new social value. I believe that the expertise we have cultivated to date as the financial services company of the NEC Group will enable us to significantly contribute to solutions to social issues. We will steadily move forward based on the belief that by steadily tapping into opportunities and individually developing specific services we can become a true service company, which is our Group Vision.

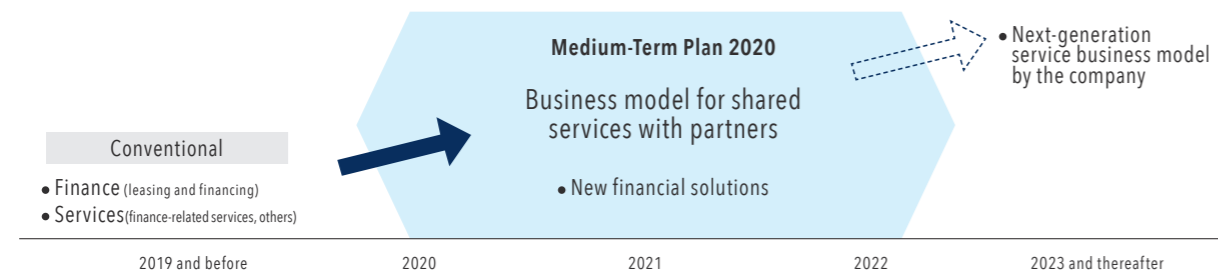
At the Ordinary General Shareholders' Meeting held in June 2021 we increased the number of independent directors by one, to further reinforce our governance system. Thus, we have started with a new nine-officer management team that includes three independent directors. Two of these independent directors are women, which has enabled us to secure diversity which will enhance the functions of the Board of Directors. In this new system, we will continue to work in the business environment created by the COVID-19 pandemic while anticipating the post-COVID-19 era and achieve steady growth by striving to resolve social issues, aiming to drive innovative changes to society with finance and ICT, which is our goal in Medium-Term Plan 2020.

* Warehousing business: The investment corporation's acquisition of a (real estate) property from a third party in a real estate investment trust (REIT), which takes place at the right time after the sponsor company has possessed the property for a certain period. The warehousing business is a collective term for the series of steps from the acquisition and temporary possession of a real estate property by the fund established by the sponsor company or the sponsor company itself, to the investment corporation's securing of an opportunity for preferential acquisition. We are a sponsor company.

Our goal in Medium-Term Plan 2020

Accurately identify business opportunities as chances in "with COVID-19" and "post COVID-19" societies, and lead innovation in society through finance and ICT

Contributing to the development of infrastructure and the revitalization of local communities and economies through leading-edge ICT/DX*



* DX: Digital transformation

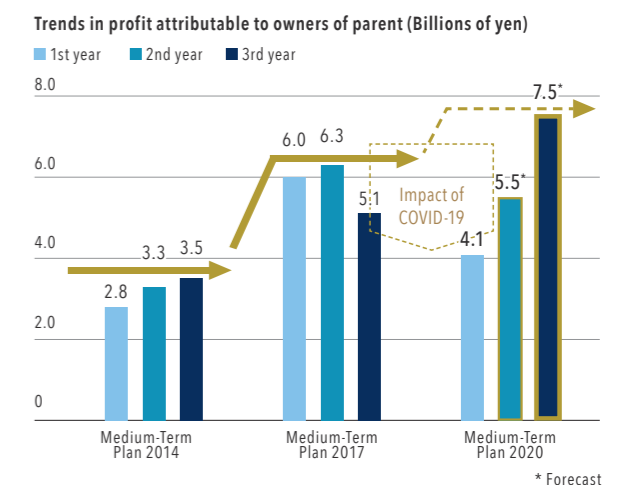
Summary of Strategies in the Medium-Term Plan 2020 (Announced in July 2020)

	Summary	Results of initiatives
Strategy 1 Expand core areas: Advance services unique to us that demonstrates its strengths	<ul style="list-style-type: none"> ● 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 	<ul style="list-style-type: none"> ▶ Acquired NECFS in the United States, which is ahead of other markets in the shift toward services, thus acquiring new business opportunities in North America ▶ Achieved the significant growth of initiatives for GIGA School Programs and projects related to firefighting by strengthening cooperation with the NEC Group ▶ Launched a new initiative with a foreign capital ICT vendor ▶ Made steady progress in activities for the establishment of new service models for the medical field and ICT equipment
	<ul style="list-style-type: none"> ● 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 	<ul style="list-style-type: none"> ▶ Steadily tapped into teleworking-related demand and acquired contracts in PC rental services and others that exceeded the special demand related to the Windows 10 update in the previous fiscal year ▶ Exited an investment through an IPO in the venture fund business
	<ul style="list-style-type: none"> ● 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 	<ul style="list-style-type: none"> ▶ Improved profitability by collecting information about customer needs, market trends and other trends and increasing cross-selling activities ▶ Made progress in activities to deepen and expand the customer base and achieved a 20% increase from two years ago in new transactions in the private sector in the leasing/installment sales business
Strategy 2 Harvest new businesses: Generate revenue from new businesses that capitalize on our strengths, including in non-financial sectors	<ul style="list-style-type: none"> ● As well as acquiring revenue steadily from financial services, we 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 ■ Tourism: Promote local revitalization utilizing the region's tourism resources, and expand revenue for our tourism 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 ■ Healthcare: Augment related facilities by pursuing the healthcare facility warehousing business, and expand revenue for our healthcare business 	<ul style="list-style-type: none"> ▶ In energy, we signed an agreement with NEC Platforms, Ltd. to launch the PPA service* ▶ Initiatives to revitalize local communities made progress in Awaji Island and Nagasaki City in tourism and in Inashiki City and other areas in agriculture, but their contribution to revenue was limited due in part to the COVID-19 pandemic ▶ In the healthcare domain, warehousing business made steady progress, resulting in the acquisition of five properties in the fiscal year under review, which will contribute to revenue
	<ul style="list-style-type: none"> ● 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 leading-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 	<ul style="list-style-type: none"> ▶ Improved teleworking environment and new workstyles for all employees, toward a sophisticated work environment during the COVID-19 pandemic ▶ Retained high ratings in ESG-related assessment loan programs, etc. Highest ranking for 17 consecutive years in the DBJ Environmentally Rated Loan Program ▶ Obtained an AAA rating in the SMBC ESG/SDGs (positive impact finance) assessment loan
Strategy 3 Strengthen corporate management supporting business strategies		

*PPA: Power Purchase Agreement, which are concluded between a power producer and consumer (user of electricity)

Management targets in the Medium-Term Plan 2020

Numerical management targets (Billions of yen)	FY2021/3	FY2022/3	FY2023/3
	(Results)	(Forecasts)	(Targets in the Medium-Term Plan)
Operating income	6.0	10.0	11.0
Ordinary income	6.1	10.0	12.0
Profit attributable to owners of parent	4.1	5.5	7.5
Return on assets (ROA)	0.7%	1.0%	1.3%





Toward the final phase of the initiatives for the realization of the Group Vision

In June 2021, we welcomed three new directors. We exchanged opinions about our future direction with new independent outside directors Ms. Takako Hagiwara and Ms. Asako Yamagami, and new full-time director Mr. Takashi Arai.

Imazeki I started my career at NEC Corporation and have worked for NEC Group companies before joining the Company. Mr. Nagai and Mr. Tezuka also have similar backgrounds. This year, we are joined by our new full-time director, Mr. Arai, who previously worked for the Development Bank of Japan, Inc., and by Ms. Hagiwara and Ms. Yamagami. I am confident that we have made further progress in promoting diversity of the Board of Directors. Now that we are in the final stage for realization of the Group Vision, we must reaffirm the steady implementation of

related initiatives. Today, we would like to exchange opinions about our future direction toward the final stage for achieving the Group Vision.

Business cooperation and collaboration with NEC

Yamagami Let me start by asking you about the Company's relationship with NEC. In what way do the two companies

cooperate specifically considering responsibilities as listed companies on one hand and comprehensive optimization of the NEC Group on the other hand?

Imazeki Our growth has been accompanied by a close relationship with NEC, and we have cultivated our own strengths along the way. As NEC and the Company operate in different business areas and are both independent listed companies, we strive to develop our own strength and build a win-win business relationship with NEC. For example, we have transactions with many government agencies and municipalities.

This is one of our strengths that we have cultivated through our close relationship with NEC. Another strength is our broad experience in handling various ICT equipment. Due to the lowered prices of ICT equipment these days, customers can afford to obtain ICT equipment without using leasing companies. However, managing these equipment entails significant cost and effort related to security measures, license management as well as asset management. In order to respond to such needs, we have developed unique services to provide comprehensive ICT lifecycle management using the ICT expertise we have accumulated in growing with NEC. This is an example of our strengths that have been embodied in the unique services we provide.

Hagiwara I would like to ask about the relationship between the Company and NEC, and between the Company and the NEC Group from a different perspective. From my experience at a manufacturing company, I consider that the unifying effect generated by a group's brand and the corporate culture shared among group companies vary from group to group.

Imazeki The NEC Group believes the creation of good products and services important. If the conditions or quality do not measure up to this policy, a product or service will not be chosen, even if it is from a Group company. In this sense, NEC and the Company are continuing by competing with each other. We have been growing with the Leasing Business as our core business. The leasing market was forced to downsize due to the 2008 revision of the lease accounting standards in Japan, and global financial crisis which also took place in 2008. To continue growing in these difficult circumstances, we strengthened the Finance Business in our own way, broadening the range of our financial services. This enabled us to propose effective financial services to NEC and cooperate with them. They requested our cooperation when the Financial Solution Department was established in the Finance Division of NEC in 2014. Behind the establishment of the new organization was NEC's intent to strategically use financial services in its businesses.

We believe this is one of the achievements from our experimentation to develop our abilities as a financial service

provider, while our core business remains the Leasing Business.

Global expansion

Imazeki The initiatives we have taken that leverage cooperation and collaboration with NEC include overseas expansion. We have established local subsidiaries in Asia. In 2020, we made NEC's financial company in the United States our subsidiary. We would like to accumulate know-how through working on the conversion of NEC's solutions into services in the North American market, which is ahead of other markets in the progress of the shift toward services.

Yamagami I understand the Company and NEC have built a good relationship with an appropriate distance and constructive sense of tension. As to the Company's business in the United States, I look forward to the future development considering its market size. As to the business in Asian countries, it is quite difficult to determine at this point what the economic conditions will be like. So, it would be even more important for the Company to learn local customer's situations and needs by using the local networks. While it is difficult to visit these countries because of the pandemic, holding online meetings and seeing each other's faces even through a display screen would help to enhance information exchange and mutual understanding between the Company and the overseas entities.

Diversity initiatives

Tezuka We have been able to rapidly expand our services while achieving overseas expansion. This was enabled by recruiting experienced mid-career employees. About half of our employees joined us as mid-career workers. In this sense, we have made progress in diversity and inclusion.

Hagiwara The average duration of service with the Company, 13.2 years, is an indicator of the large number of mid-career employees and the high rate of retention of those employees. As the company continues to develop, it is important to secure and develop human resources who are able to respond to the changes. In this regard, I understand that the Company has been successful in bringing in diverse human resources and achieving growth. I also heard that you are committed to fostering strong individuals with expertise, which is your human resource development policy. I think this approach is becoming increasingly important. Young people joining companies have a desire for personal growth. I hope that the Company continues to give opportunities to such people and have them stay with the Company.

Nagai Since I became a director in 2020, I have been having one-on-one meetings with employees working in the divisions that I am in charge of, out of my desire for remembering their faces. The size of the Company enables me to talk with every employee. In the meetings, I always ask them what they want to do. While it is difficult to make all of their wishes come true, I hope that my interview with each one of them will help build an open corporate culture, leading to better working environment and job satisfaction.

Hagiwara That is a very good initiative. People are happy if someone is interested in them as a person, especially when that someone is an executive. Taking interest in each employee and expressing one's thoughts with words – I think these two actions are important and are effective means of making diversity a strength of an organization. Something may be initiated when you express a dream or wish in words. I think that it will also lead to personal growth and the revitalization of an organization.

Ensuring the Group Vision takes root

Imazeki The Group Vision unites diverse human resources and their values. The initiatives for realizing the Group Vision have entered their final stage. We have occasionally created opportunities to explain the Group Vision. For example, every time we formulate a mid-term plan, the president holds a dialogue session with all departments to explain the plan. However, an awareness survey conducted in 2020 found that employees understanding of the Group Vision and their recognition of some parts of it varies. We have therefore again strengthened our measures to ensure that it takes root.

Tezuka The CSV concept, which is the basis of the Group Vision, is an abstract idea that cannot be understood easily. We need to continuously work to ensure the vision becomes entrenched by providing familiar, specific examples of the vision.

Nagai We have been engaged in public office and local



Scene of a dialogue session with the president

government projects for many years. For example, we financially support the GIGA School Program and fire departments' command systems. These services exactly lead to solutions to social issues, public security and safety. Employees who are directly involved in projects have opportunities to resolve social issues through dialogue with customers. However, people in indirect departments and back-office sections do not have these experiences. We need to create opportunities to stop and think while working on daily operations.

Hagiwara The effect of the president's direct speech to employees is immeasurable. This initiative should be continued. I believe that, through this, our employees can feel your passions, let alone your ideas.

Yamagami I believe that employees gain insights about various social issues through their own lives. If there are opportunities for them to contribute by sharing their insights and discussing new business opportunities in a casual way, it should create a feel of excitement that all employees, if not at the front line of business, can participating in realizing our Group Vision. I think that talking about the philosophy and vision is useful for raising awareness for compliance as well as contributing to the growth of the Company. It should be noted that wide use of teleworking has reduced opportunities to communicate face to face, and increased the opportunities to engage in misconduct. In addition to basic compliance measures such as eliminating opportunities for misconduct by putting multiple people in charge of a single job and regularly replacing the people in charge, talking with employees about the philosophy and vision helps to create a sound organizational culture and reduce incentives to engage in misconduct and prevent the rationalization of misconduct.

Arai I worked for a government-affiliated financial institution before I joined the Company. While dealing with the aftermath of the bursting of the bubble economy, I felt strongly that financial activities without principles quickly get out of control. I feel that, in addition to unifying behavioral principles and differentiation from competitors, penetration of our Group Vision is highly important for our compliance and our solid axis as a financial institution. While the focus of businesses shifts from goods to services, I believe that having a solid axis prevents us from making wrong decisions. To leap forward as a financial service company, we would like to make our Group Vision fully understood by employees and take root in the company through accumulation of trial and errors.

Women's empowerment

Tezuka Leasing business takes extremely long period from the start to the end of the contract and paper works are troublesome and complicated. In addition, we are required to appropriately operate a money lending business in accordance with the Money Lending Business Act, which does not tolerate clerical errors. Therefore, we position our employees in charge of clerical works as the source of our competitiveness. These clerical tasks are handled mainly by female employees. When it comes to women's active participation, people tend to be interested only in the percentage of managers that are women. We help our female employees earn promotions to higher positions but also we improve the workplace environment and revise programs to enable them to work with a sense of fulfillment.



A workshop with the theme of establishing unique work styles

Yamagami It is wonderful that the Company considers its female employees, who mainly engage in clerical tasks, as the source of its competitiveness, and therefore, devises creative measures to develop conducive and satisfying working environment for them. These initiatives might not directly reflect on the percentage of female managers. However, I got the impression that the Company's down-to-earth approach for women's empowerment shows that its human resources policy is in the right direction and appropriately connected to the Company's vision.

Hagiwara One of the challenges that I always face in women's empowerment is the difficulty of conveying the Company's message to employees whose main duties are clerical tasks. This is because, such employees tend to feel that the management's expectations derived from strategies and policies are not targeted to them, and, in many cases, the management's efforts to express the management's expectations to them are insufficient. Therefore, it is important to express repeatedly such expectations to them through

verbal communication, as well as to adopt a new personnel system to promote women's empowerment and to accumulate record of achievements in recruiting, development, promotion, and evaluation. Employees' values and work styles vary, especially among female employees. Some of them have the goal of being promoted to higher positions while others want to fully demonstrate their capabilities in their current positions. The important point is that every employee should be proud of their job and the company should provide them with appropriate opportunities for personal growth. Being more conscious of the fact that female employees have chosen to do their job will enable them to take pride in their jobs and lead to the development of strong individuals.

Closing remarks

Arai Having listened to your opinions, I am afraid that I may have glamorized the Company too much. It made me think again about how we should enable our human resources to develop from the perspective of a financial company and how I should share information with the people working on the front lines and ensure the information is deeply absorbed internally as a full-time director.

Yamagami It is very meaningful for the Company to continue to pursue its ideal. Through today's discussion, I reaffirmed the potentials for growth as the Company is always looking ahead to the future and considering survival strategies amid the changing environment with a sound sense of urgency. I would think that this is why the Company could appropriately respond to the changes, and will continue to do so in the future.

Hagiwara Today, I was able to talk with you in a relaxed atmosphere. I used to have the impression that the world of finance is logical and cool. However, I feel warmth from the Company. I think this is because the Company has continued to try changing itself by always looking ahead and maintaining an unwavering grand vision. This is the Company's culture. The warmth of NEC Capital Solutions may be difficult to feel when you are inside the company, but it has a unique, highly valuable corporate culture. It is important to continue nurturing this culture together with employees.

Imazeki Today, we heard many suggestions, including suggestions about what we need to do and what we must value to advance our initiatives. I was also able to reaffirm the importance of talking to employees in my own words as the president. I would like to leverage the insight that I gained today to proceed steadily with the measures for the realization of the Group Vision together with all the other directors.

Message from the Officer in Charge

Sustainability Woven into the Group Vision

We interviewed Director Shuichi Tezuka and asked about our initiatives for the realization of CSV management, mainly from the perspective of sustainability.



Director
Shuichi Tezuka

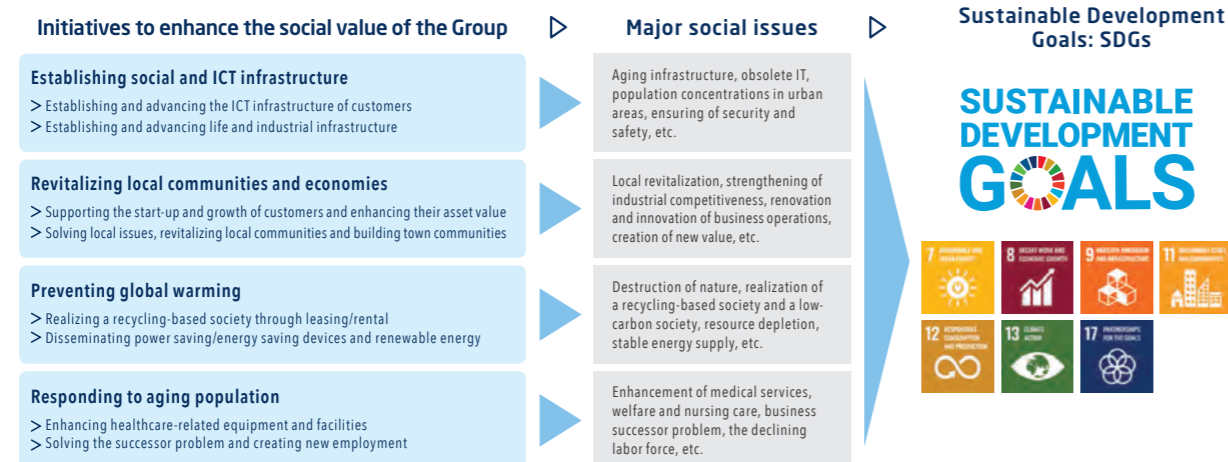
Q Could you tell us about the initiatives for achieving the SDGs?

Given that the global common goals of SDGs were set at the United Nations Summit in 2015, many companies are promoting their efforts to achieve SDGs. Since 2013, we have been committed to realizing CSV management, through which we address social issues through our businesses based on a 10-year road map. We have established four societal issues of focus: establishing social and ICT infrastructure, revitalizing local communities and economies, preventing global warming, and responding to aging population. When we formulated our Group Vision in 2013 we examined and extracted these social issues to address based on our strengths and past initiatives. So you could call them our version of the SDGs. Currently, we have confirmed how these four initiatives are related to the UN's SDGs and are advancing them internally. We believe that our goals are the same, even if we differ in how we express them.

Q Our material issues are exactly our business strategies, and I feel they are distinctive.

We listed expanding the revenue base as our first material issue. Generally, the term "material issues" is used in the context of sustainability. Our goal is the realization of CSV management because we believe that realizing CSV management will lead us to sustainability. Accordingly, the key issues to address to realize CSV management are the material issues for us. To continue to create value for society, economic rationality is required. We believe that by gaining revenue we are able to sustainably create value for society at a larger scale, and the accumulation of these activities leads to solutions for social issues. Our second material issue, strengthen management capability, is an initiative for gaining a foothold for realizing CSV management. We have been engaged in initiatives such as the improvement of operational processes and the reinforcement of IT infrastructure and systems for

Advancing initiatives for the realization of CSV management from four perspectives



supporting marketing efforts. In 2020, however, we continued through a process of trial and error due in part to the first state of emergency declared in Japan (April 2020). It was necessary to both prevent COVID-19 infections and to protect our business continuity, so that we can prevent the suspension of our financial services, which would greatly affect our customers. We established an emergency headquarters, which was the center of continuous initiatives including the consolidation of information and the identification of problems. To prevent the spread of COVID-19, we prohibited the holding of in-person meetings and training sessions, as well as business trips and other activities in principle, and worked to create a teleworking environment. While we had already set priorities and been making progress in the development of our teleworking environment, we accelerated activities, which enabled us to organize the working environment for all of our employees. We were able to reinforce our Business Continuity Plan (BCP) by promoting teleworking, which has become a social necessity due to the COVID-19 pandemic.

operational processes, including the introduction of paperless internal procedures and changes to the methods for managing attendance. While organizing the system infrastructure and the institutional aspects of the company, we believe that we are able to improve our business operation through reviewing the operation itself. Going forward, not only from a perspective for COVID-19 prevention, we will continue to work on the promotion of work style reform in real terms from other perspectives.

Q Won't the acceleration of teleworking lead to poorer communication between employees?

We have slightly more than 600 employees on a non-consolidated basis and 30 business locations in Japan. Before the COVID-19 pandemic, for meetings between people from the head office and those from branches, we used video conferencing systems, with which our conference rooms are equipped. Due to the currently organized teleworking environment, the online meeting system which each employee participates in meetings from their own devices has been used on a daily basis. For example, every time that we announce our financial results, our president holds a briefing session for Group employees. Previously, the head office employees gathered in a conference room for the briefing while employees in other branches attended via a video conferencing system equipped in each conference room. Currently, all employees attend these meetings online, regardless of where they work. This has led to employees more proactively asking questions than before using the chat and other functions. The same is true for training sessions. Group training, which was provided at the head

Q Our third material issue is a corporate culture transformation.

Because we do not have visible products, the source of our competitiveness is our employees. Therefore, we are working on work style reforms to enable our employees to demonstrate their capabilities to the full. In 2020, in response to the COVID-19 pandemic, we fully established the teleworking environment that I mentioned earlier. In addition to the development of infrastructure, it became necessary to revise institutional aspects of our company to establish and facilitate teleworking. We revised internal

Our materialities

Expanding the revenue base	We commit to improving profitability and enhancing the revenue base to realize CSV management.	Specific materialities <ul style="list-style-type: none"> Strengthen the partnership with NEC Reinforce our base for funding Expand our customer base Expand our global business Develop new business
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 <ul style="list-style-type: none"> 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, play an active role to enhance our competitiveness.	Specific materialities <ul style="list-style-type: none"> Improve employee satisfaction

Message from the Officer in Charge

office, was not easy for employees from other locations to attend because they had to travel to the head office. Employees can attend online training sessions without stress, which has led to internal study sessions and similar events being held more proactively than before. Tapping into this advantage, the Women's Empowerment Promotion Section occasionally holds an event named Share Cafe. It is an opportunity for female employees to gather, interact with each other, and discuss specific themes. Because the number of employees at some locations is small, this online event that they can freely attend to interact with people from other business locations has been well-received. We would like to continue to fully leverage our online communication systems to energize internal communication.

Q Are there any initiatives that are being enhanced for the realization of CSV management?

Since the final phase of the Medium-Term Plan 2017 (April 2017 to March 2020), we have been strengthening measures to ensure the Group Vision is understood and takes root. After establishing the Group Vision in 2013, we spent three years working to enable it to take root and for employees to

understand it. We have continued these activities by incorporating the Vision into our medium-term plans. The Group Vision is finally entering its final phase, so we would like to ensure that it has taken root and that employees understand it, which will lead to our next group vision. At present, we are increasing the information we provide internally. At the same time, each department is proactively increasing the opportunities for holding internal study sessions and discussions about the Group Vision and CSV.

The strength of our employees is an essential part of improving the services we provide. About half of our employees joined us as mid-career employees. These diverse human resources and their diverse values are unified through the Group Vision. Employees are working in different conditions and different domains to achieve a common vision and thereby reinforce our business structure. I also believe that our passion for solving social issues will lead to the increase of the social value that we create. To fulfill our mission, we are working to ensure the Group Vision, which unifies the employees and increases their sense of their mission, is understood by them and that it takes root. We are continuing to provide services that lead to solutions to social issues, which is the realization of CSV management.

Our employee Nichika Yamada participated in the Tokyo Olympics

We believe that corporate support of sports develops a sense of unity among the employees and increases their sense of belonging to the company. Therefore, in the FY2019/3 we began to co-sponsor the NEC Red Rockets, a women's volleyball team, and the NEC Green Rockets Tokatsu, a men's rugby football team. Each of the athletes belongs to a workplace in the NEC Group, and the entire NEC Group supports these teams. Nichika Yamada of the NEC Red Rockets belongs to the Company. She competed in the Tokyo Olympics as a member of Japan's national team. Just before the Tokyo Olympics, we held an online meeting to report to our employees that she had been selected as a member of the national team, one of the ways we have shown our company-wide support for her. In the Tokyo Olympics, the

Japan's women's volleyball team did not qualify for the quarterfinals. However, all of us will continue to support Nichika Yamada as she grows and develops in her career as an athlete.



Nichika Yamada

CSV projects

We believe it is our mission to promote businesses that help increase the value provided to our customers and society, toward the realization of our Group Vision. We aim to both increase the value provided to society and create economic value through the provision of services that help solve customer issues.

Leveraging our strengths to support the early realization of the GIGA School Program

The COVID-19 pandemic has increased the urgent need to develop the ICT environments of schools. The Japanese government is therefore accelerating its measures for the early realization of the GIGA School Program, including the provision of each child or student at a school with one device. The government has announced that it has become available at more than 96% of schools in FY2021/3.

With considerable experience in doing business with public offices and local governments, we have engaged in the provision of computers for public schools for many years. To acquire projects related to the GIGA School Program, we supported customers and vendors, who had many issues and questions about the new initiative, and worked together with them to address their issues. We leveraged our strengths to implement our own unique initiatives. For example, we undertook the lifecycle management of ICT devices, from the selection of reliable devices to the

introduction and disposal of the devices. We operate our businesses toward the realization of CSV management by positioning the establishment of social and ICT infrastructure as one social issues that we should address. We will continue to contribute to the development of educational environments by taking advantage of our experience and achievements in the past.



The first on-site solar energy service (PPA service) project begins operations

In February 2021, we signed a PPA service contract with NEC Platforms, Ltd.'s Kofu Plant and the PPA service began operating in August. Through this service, our solar power generation system is installed on the roof of the customer's facility and the power it generates is sold directly to the customer to recover the investment. This enables customers to increase their use of renewable energy at a low initial equipment investment cost and limited maintenance labor, among other benefits. In this first project, we installed solar panels on the roofs of six plant buildings and other facilities of the Kofu Plant, with an estimated total power output of 1,158 kW and estimated annual power generation capacity of 1,396 MWh. This will enable the plant to replace approximately 14% of the electricity it uses (compared with power consumed in FY2018/3) with electricity from renewable energy sources and reduce approx. 653 t-CO₂ emissions, which is equivalent to the annual emissions of approx. 233 general households.*

We have been accumulating expertise in the energy field by engaging in the leasing of renewable energy equipment, related investments and loans, the establishment and operation of new regional Power Producer and Suppliers (PPSs), and more. With the establishment of this new PPA service, we will advance initiatives in the energy field, aiming to contribute to decarbonization, and eventually, to the control of global warming.

*Calculated assuming annual CO₂ emissions of 2.8 tons per household, based on the results of FY2020/3 statistical survey on CO₂ emissions in the household sector conducted by the Ministry of the Environment in Japan.

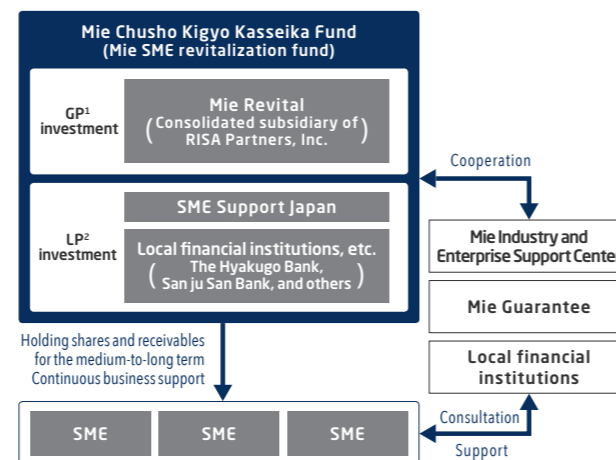


CSV projects

Mie SME revitalization fund created, aimed at regional revitalization

In June 2021, RISA Partners, Inc. created a joint public-private fund for the revitalization of small-and-medium sized enterprises (SMEs) jointly with the Organization for Small & Medium Enterprises and Regional Innovation, JAPAN (SME Support Japan), local financial institutions in Mie Prefecture, and Mie Guarantee, to support local SMEs. The goal of this fund is to support the revitalization of SMEs in Mie Prefecture whose business environment has been affected by the COVID-19 pandemic and other events. RISA Partners, Inc.'s network includes approximately 180 local financial institutions across Japan, with which it has been working on business tie-ups, corporate revitalization, and support for growth companies. The company has also been engaged in the establishment and operation of funds for the revitalization of local SMEs, in which SME Support Japan invests, across the country. This fund is the 19th joint public-private fund for the revitalization of SMEs and the third such fund in Mie Prefecture. Taking advantage of the expertise it has developed in corporate revitalization,

support for growth companies, as well as its wealth of human resources, the company will work to revitalize companies and local communities in Mie Prefecture.



1 GP: General partner. An unlimited liability partner, who bears all liability for the operations of the union.
2 LP: Limited partner. A fund investor and a limited liability partner whose liability is limited to the amount that they invested.

Provision of financial support for firefighting command and control systems for the realization of a safe and secure society

Firefighting command and control systems are used to receive emergency calls for ambulance and firefighting services, to dispatch fire engines, and for other activities. They are large systems consisting mainly of devices for communicating orders, large display panels, control devices, servers (for dispatch, map retrieval, etc.), PCs, and power supply units. While national and local governments want to update these systems so that they are high specification to ensure the safety and security of residents, the budgets of the national and local governments have been shrinking. We have been engaged in the updating of firefighting command and control systems all over Japan through the lease of these systems in our efforts to equalize the cost of introduction and provide other aspects of convenience. In FY 2021/3, we signed contracts with the Chiba Pref. N.W. Emergency Call Center in Matsudo City and local governments

including Kamagaya City and Abiko City. Under the contracts, we helped them introduce firefighting command and control systems. Through our financial support for resident services and social infrastructure, we aim to build a safe and secure society.



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

We have been promoting our environmental activities based on the concept of environmental benefit (achievement) to enhance the environmental value of customers and society through business, 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. Under the Medium-Term Plan 2020, we are engaged in activities to support the realization of our Group Vision, including the environmental aspects of it.

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

Environmental targets	Plans for FY2021/3 - FY2023/3 Expand core areas + Harvest new businesses
Contribute to the creation of a low-carbon, recycling-based society by developing and expanding an eco-business that embodies CSV	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	Raise profitability of 3R-related business model
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	Expand large-scale projects to realize a society coexisting with nature
Improve operations continuously by evolving the PDCA cycle*	Raise profitability by improving operations

*PDCA cycle: Plan-Do-Check-Act cycle in business activities

Tackling climate change

We have set the medium-term climate change target of reducing CO₂ emissions by 71% (from the FY2011/3 level) by the FY2031/3. Hereafter, we will consider the long-term targets to be achieved by 2050.

CO₂ emissions and target

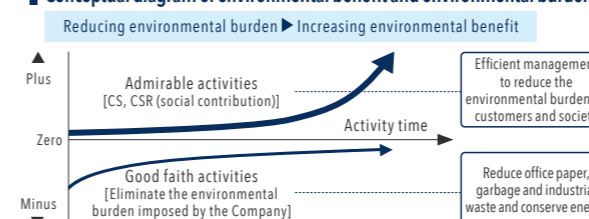
Fiscal year	2011/3	2014/3	2021/3	2031/3 (target)
CO ₂ emissions (t-CO ₂)	1,080	908	349* (Down 66% from the FY2011/3 level) (Down 60% from the FY2014/3 level)	314

*Before third-party verification

Environmental management

The Company and RISA Partners, Inc. hold certification under ISO 14001, international environmental management standards. Under this system, we proactively expand eco-business practices for improving environmental benefit (value) 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 FY2021/3, we raised matching funds and provided financial support to the people affected by the July 2020 floods and to healthcare workers struggling during the COVID-19 pandemic.

In FY 2019/3, we began co-sponsoring the NEC Red Rockets, a women's volleyball team, and the NEC Green Rockets Tokatsu, a men's rugby football team.

Related article → P19 Our employee Nichika Yamada participated in the Tokyo Olympics

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.

Human resource strategy

We employ diverse human resources and work to plan measures and establish systems with the goals of enabling every employee to envision their career and grow into strong individuals with expertise and to create workplaces which enable every employee to fully demonstrate their capabilities in good health and with job satisfaction.

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 as well as appropriate operation of systems. To develop human resources who embody the seven values, we encourage employees to learn independently by clarifying the capabilities required for the employees, facilitate discovery, and increase their motivation. We also review related systems as needed to help each individual learn independently and develop their careers in accordance with their duties and roles.

*Engagement refers to people's motivation to contribute to organizations or tasks and to work independently.

Work-style reform and work-life balance

To enable every employee to choose their own work-style and place to work, we have provided PCs and smartphones to all employees and have established an IT environment which enables them to work flexibly, either at home or in satellite offices, depending on circumstances. To support our employees in their achievement of a healthy work-life balance, we have introduced flexible work arrangements and no-overtime days. In addition, we introduced a system that enables to check hours worked objectively 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.

Promotion of diversity

As we expand our business to new areas, we have employed human resources with expertise and careers in diverse fields. As of March 31, 2021, about 50% of the Company's employees joined as mid-career and the male-to-female ratio is 6:4 with 41% of new employees being women. We have created an organizational culture with rich diversity by recruiting work-ready human resources with expertise in DX, globalization, local revitalization, fund investing, and more. Only a small number of our employees in management positions are women, which leads us to be keenly aware that women's empowerment is a top-priority management issue. The Women's Empowerment Promotion Section works together with the Human Resources & General Affairs Department to take specific actions to empower women. We have also established a system to ensure that the employees who continue to work after the mandatory retirement age are assigned roles based on their experience, desires, and motivation and treated in accordance with their roles and achievements.

Improvement of employee engagement*

We conduct engagement surveys and the members of the Human Resources General Affairs Department interview all employees regularly to collect opinions as we work to solve issues including the issues faced by individuals. Based on results of the surveys, each division works on initiatives independently to resolve the issues it faces.

Management system



Directors (As of June 29, 2021)

Representative Director and President Tomoo Imazeki 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)	Representative Director Katsunori Nagai 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)	Director Shuichi Tezuka 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)	Director Takashi Arai April 1988 Joined The Japan Development Bank (currently Development Bank of Japan Inc.) April 2014 Specialist under the direction of Senior Executive Officer of the Company and Executive Director of RISA Partners, Inc. April 2017 Executive Officer of the Company and Executive Director of RISA Partners, Inc. (incumbent) June 2021 Director of the Company (incumbent)
Director Takashi Nawa* Professor of Graduate School of International Corporate Strategy, Hitotsubashi University 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)	Director Takako Hagiwara* Representative Director of DDD Corporation February 2015 Director and Chief Health Officer of Green House Co., Ltd July 2020 Representative Director of DDD Corporation (incumbent) June 2021 Director of the Company (incumbent)	Director Asako Yamagami* ITN Partners, partner and attorney at law admitted in Japan July 2012 Partner of Natori Law Office (currently ITN Partners) (incumbent) January 2016 Director, Office of International Affairs of Japan Federation of Bar Associations June 2021 Director of the Company (incumbent)	Director Satoshi Okubo Assistant General Manager of Corporate Strategy Division and General Manager of Affiliates Business Department, Corporate Strategy Division, NEC Corporation June 2020 Director of the Company (incumbent)
			Director Takanori Nagai General Manager of Public Solutions Business Planning Division, NEC Corporation June 2020 Director of the Company (incumbent)

Corporate Auditors (As of June 29, 2021)

Corporate Auditor (Full-time) Wataru Otoda June 2017 Corporate Auditor of the Company (incumbent)	Corporate Auditor (Full-time) Katsuyuki Murai June 2020 Corporate Auditor of the Company (incumbent)	Corporate Auditor Toshiya Nihei Department Manager of Accounting Department, Enterprise Business Planning Division, NEC Corporation June 2019 Corporate Auditor of the Company (incumbent)	Corporate Auditor Takashi Nanji Senior Manager of CCC Reform Promotion Office, Corporate Finance Division, NEC Corporation June 2020 Corporate Auditor of the Company (incumbent)
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*Mr. Takashi Nawa, Ms. Takako Hagiwara, and Ms. Asako Yamagami are independent directors in accordance with the Tokyo Stock Exchange's stipulations.

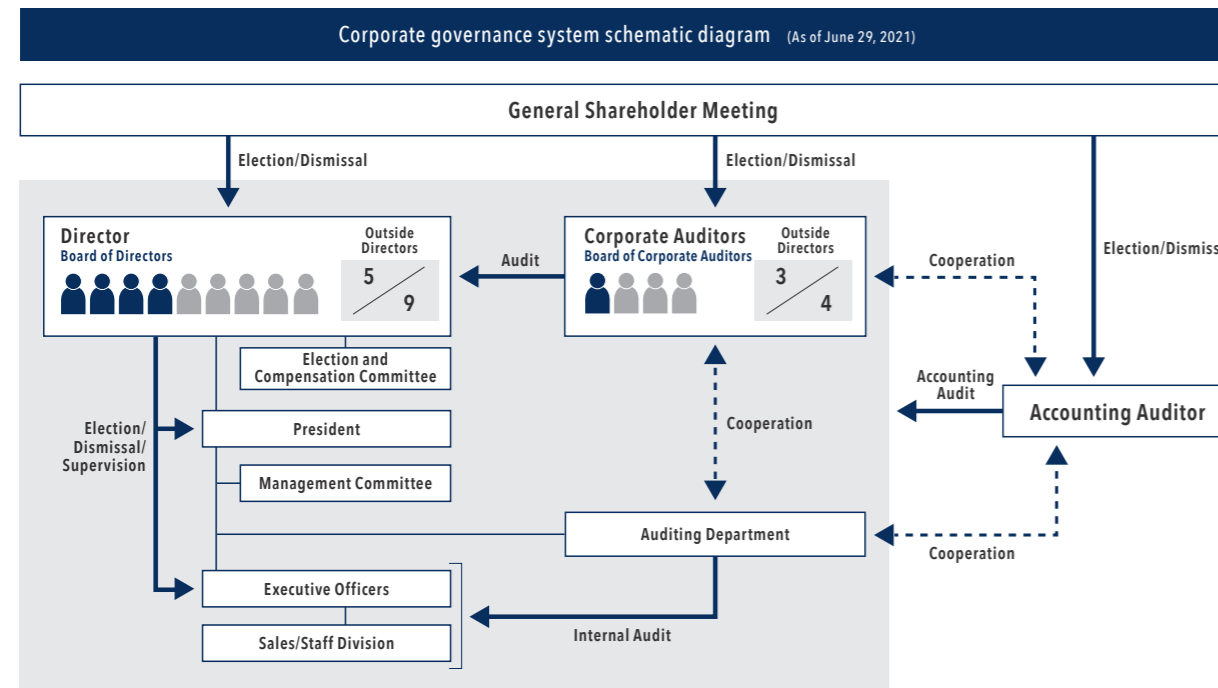
Corporate governance

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
Jun. 2021	Added one independent director for a total of three



Board of Directors

Five out of NEC Capital Solutions' nine 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 FY2021/3. Three 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.

Assessment of the effectiveness of the Board of Directors

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 2021. The latest assessment confirmed that the Board of Directors was sufficiently effective during FY2021/3 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, an Election and Compensation Committee as a non-statutory advisory body for the Board of Directors, comprising the majority of independent outside directors has been established to deliberate on compensation policy, levels, and systems. Compensation consists of supervisory compensation and executive compensation. A certain percentage of executive compensation is a performance-linked compensation. It varies according to the degree of achievement of individual KPIs* that are targets leading to the improvement of the Company's performance and solutions to medium-and long-term issues in areas that they are in charge of, to encourage commitment of directors toward the short-term, medium-and long-term management objectives.

*KPI: Key Performance Indicator

Messages from independent directors



Outside Director of NEC Capital Solutions Limited

Takashi Nawa

Professor at Hitotsubashi University, Graduate School of International Corporate Strategy

Looking back at a year dominated by the COVID-19 pandemic, I would like to speak from the perspectives of business performance, work styles, and the Group Vision.

Regarding business results, the Company steadily secured its transaction volume amid restrictions on sales activities and also kept credit costs at a certain level. The Company has accumulated high-quality assets by advancing CSV initiatives, which proved advantageous in this adverse environment. I request that, going forward, the Company should strive to increase revenue in addition to retaining its underlying strength. I hope that the Company will continue to operate closely following the trends in capital investment toward the post-COVID-19 era and work with NEC, which is shifting its business to services, in the promotion of business models. In new businesses, I hope that we persist in outcomes that lead to profit. In work style reforms, the Company quickly organized its teleworking environment, realizing hybrid work-styles which permit people to work both at home and in the office. This prompt, flexible response to the situation should be an indication of the excellent crisis management capabilities of the Company, whose strengths lie in information and communication technology (ICT).

The Group Vision is coming close to realization, and activities to enable employees to understand CSV and to ensure it takes root in the Group will be increasingly important. When all employees understand the relationship between the core business and social issues, it will deepen their sense of involvement in the businesses that are useful to society. Through this, their motivation is increased and will accelerate efforts to realize CSV. These initiatives cannot be achieved in a short time, but I place my hope in our continuous activities.

Recently, we have seen many companies actively working on the SDGs. The Company has been working to realize CSV management and address social issues including the SDGs in a step-by-step manner since even before the SDGs has drawn attention in society. Instead of makeshift measures to achieve the SDGs, the Company has incorporated social issues into its core business, aiming to make them revenue generating and expand the scale of solutions. Through continued initiatives toward our CSV management, I hope that the Company will eventually go beyond the current SDGs and find an 18th goal, so to speak, to better society.



Outside Director of NEC Capital Solutions Limited
(As of March 31, 2021)

Masanori Itatani

Previously Director at Nomura Holdings, Inc.

Medium-Term Plan 2020 covers the period for jumping, which followed the company's hopping and stepping toward its goals that it has laid out on its road map, and during it the Company has achieved its intended goals amid an uncertain, harsh business environment. Initiatives for expanding core areas have remained the Company's strength. While harvest new businesses is a very difficult challenge, I expect the Company will continue to accelerate its efforts to achieve this goal within the scope that ensures that overall risk is controlled. The same is true for the local operations in the United States that the Company has launched.

Responses to the new normal created by the COVID-19 pandemic, the market, competitors, and other factors will change remarkably. While the mid-term plan is of course based on a medium- to long-term perspective, it is imperative that we appropriately change the plan to respond to these changes. The Company's management infrastructure has improved steadily over the last few years. The Company is steadily working to strengthen corporate management supporting business strategies, one of the strategies laid out in the Mid-Term Plan. This strategy has enabled the smooth execution of business during the COVID-19 pandemic. The same is true for risk management and other efforts. Procedures are being taken, monitoring is being conducted, and reports are timely being submitted to the Board of Directors and other management bodies.

The Board of Directors is the keystone of corporate governance, and they are sufficiently discussing matters from diverse perspectives. New directors have joined the Company, which has increased its diversity. I hope that this will enhance the functionality of the Board of Directors.

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 sound 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.

Compliance promotion system

At the quarterly Internal Control Committee, the initiatives of each group company are controlled in a cross-sectional manner. Our regular compliance auditing consists of internal audits by the Auditing Department 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. The internal reporting system may be used by all officers and employees of the Group, including those of overseas group companies.

Basic policy on exclusion of antisocial forces

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

Information Security

We provide the appropriate security countermeasures for our information systems, for information we obtained individually, 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.

CSR management

We aim to promote 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. We believe that, to achieve this, it is necessary to promote both improvements in profits and CSR.

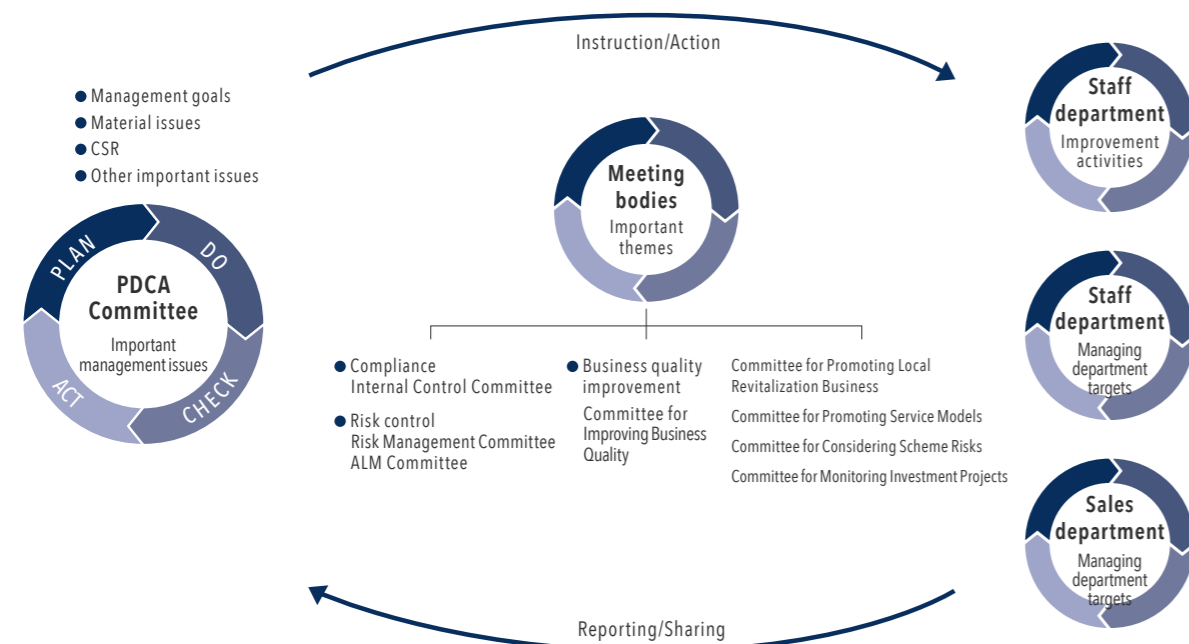
PDCA management

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, materialities, and important CSR-related issues on an ongoing basis every month, to enable prompt decision-making to lead to actions in the field. We have the PDCA cycle run surely at the employee level and a variety of committees as well, thus ensuring the important management indicators and issues to be 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.

Major methods for dialogue	
Customers and business partners	Seminars and workshops
Employees	Engagement interviews, employee awareness surveys, employee representative committees, etc.
Shareholders and investors	Company information briefings, General Shareholders' Meetings, questionnaire surveys, etc.
Local communities	Participation in the MInato Eco-Conscious Consortium (mecc) and events organized by local communities, etc.
The Environment	Endorsing the 21st Century Financial Behavior Principles, etc.
International community	Activities of the Global Compact Network Japan



Risk management

We appropriately manage the diverse risks involved in business development by identifying the risks and opportunities of various points of operations.

Approach to risk management

The objective of risk management, as we define it, 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 risk countermeasures and management systems, supervising their implementation status and engaging in consultations. In addition, the Risk Management Section of the Credit Department assesses and manages risks related to operations, including consolidated credit risks, market risks, and operational risks. The Company also measures a variety of risks, including the credit risk, market risk, and operational risk on a uniform scale, and controls their measured risk amount in comparison with business strength.

Formulation of BCP

The Company has formulated Business Continuity Plan (BCP) as one of its most important management issues and has reinforced systems for operating and improving BCP.

- 1 Surely protecting the lives and safety of employees and visitors
- 2 Fulfilling social responsibilities as a financial company
- 3 Minimizing management damage

The emergency headquarters established guidelines for controlling COVID-19 infections in January 2020. The Company has since been acting to ensure the continuity of business

while at the same time working to control infections. Specific actions include having employees work from home, the installation of partitions between all office desks, the promotion of non-face-to-face communication including online communication, and the promotion of digitalization including electronic approval. The Guidelines for the Prevention of COVID-19 Infections in Workplaces, etc. have also been created, and actions following these guidelines are being taken. In the event of a major earthquake or a similar disaster, the following action guidelines are followed in operations for the fast restoration of operations and the continuity of the business.

Objectives	Action guidelines
Ensure employee safety	Confirm the safety of employees and take measures while ensuring employee safety is the top priority. Strive to prevent secondary disasters as well.
Secure the confidence of business partners	Establish systems needed to continue operations and begin recovery efforts immediately after a disaster occurs to minimize the impact on business partners.
Maintain employment	Begin recovery efforts immediately after a disaster to ensure business continuity and maintain the scale of business.

For the certain implementation of the above action guidelines in the event of a disaster, the Company has formulated its new Disaster Control and Business Continuity Concept that clarifies the guidelines that enable employees to act. Emergency headquarters will be established as necessary for initial responses to and fast recovery from disasters. When business continuity activities are necessary, the Company will establish a business continuity headquarters and implement activities following the BCP. Further, following the Disaster Control and Business Continuity Concept, specific actions for the operation of each headquarters have been specified in the emergency response guide, preparations are made to enable actions to be taken following the above action guidelines. At the time of headquarters member selection, the BCP initiatives and roles of each employee are told to selected employees, and the priority operations to be continued and the people in charge of their implementation are selected to ensure the Company's ability to continue its businesses following a disaster.

Consolidated financial data and non-financial highlights

5-Year Summary

Consolidated Financial Data

	Millions of Yen					Thousands of U.S. Dollars
	FY2021/3	FY2020/3	FY2019/3	FY2018/3	FY2017/3	FY2021/3
For the year:						
Revenues	¥ 221,256	¥ 220,717	¥ 204,131	¥ 231,432	¥ 215,719	\$ 1,998,518
Profit before income taxes	6,089	9,093	8,986	13,456	6,608	55,003
Profit attributable to owners of parent	4,119	5,118	6,391	6,006	3,517	37,205
At year-end:						
Total assets	¥ 1,057,654	¥ 997,511	¥ 895,683	¥ 906,495	¥ 860,483	\$ 9,553,370
Total net assets	113,885	105,249	105,999	110,990	108,822	1,028,680
Per share data:						
	Yen					U.S. Dollars
Net assets	¥ 4,438.33	¥ 4,306.21	¥ 4,131.64	¥ 3,927.22	¥ 3,675.84	\$ 40.09
Basic net income	191.29	237.66	296.81	278.93	163.35	1.73
Cash dividends	60.00	60.00	55.00	50.00	44.00	0.54
Key indicators:						
Dividend payout ratio (%)	31.4	25.2	18.5	17.9	26.9	-
Equity ratio (%)	9.0	9.3	9.9	9.3	9.2	-
Price earnings ratio (Times)	10.59	7.74	5.73	7.35	10.46	-
Return on equity (%)	4.4	5.6	7.4	7.3	4.5	-
Return on assets (%)	0.6	1.0	1.0	1.5	0.8	-
Number of employees	811	784	767	755	725	-

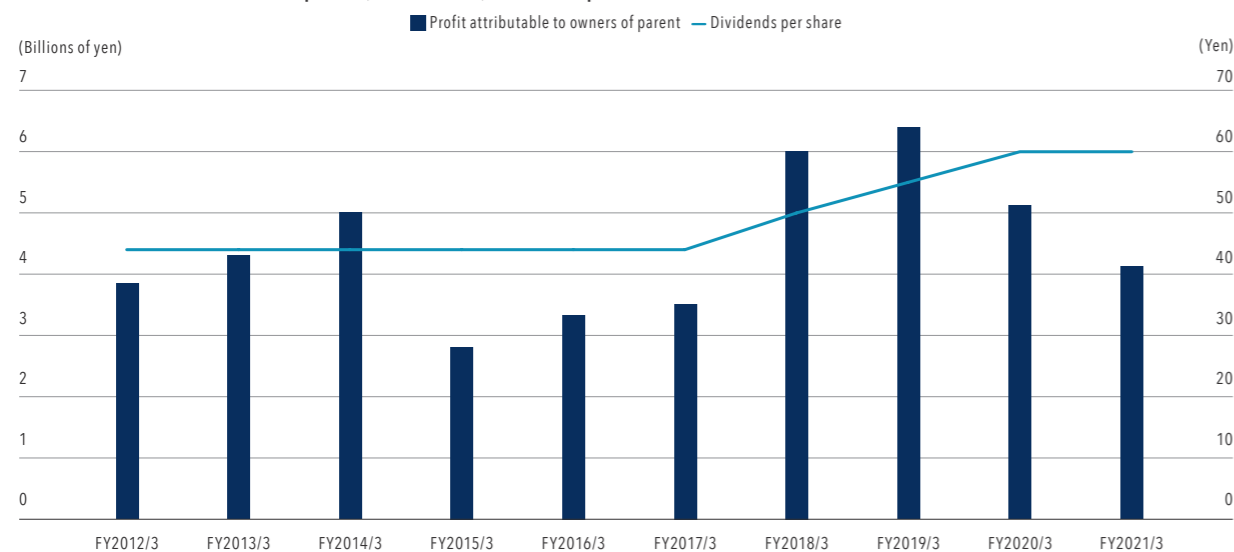
* The U.S. dollar amounts represent translation of Japanese yen, for convenience only, at the rate of ¥110.71=U.S.\$1.00 in effect on March 31, 2021.

Non-financial (non-consolidated)

	FY2021/3	FY2020/3	FY2019/3	FY2018/3	FY2017/3
CO ₂ emissions (t-CO ₂) ^{1,2}	349	371	371	379	389
Energy use volume (crude oil conversion kl) ^{1,2}	160	157	158	163	167
Number of female managers ³	10 (27)	7 (22)	5 (19)	4	7
Female employees who are manager candidates (%)	12.5	16.9	18.5	14.9	10.6
Rate of return from childcare leave (%)	100	100	100	100	100
Average monthly overtime (h)	22.0	22.1	21.1	22.9	25.5
Paid leave acquisition rate (%)	61.2	68.7	66.6	64.7	63.9
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



Executive Officer
Noboru Watanabe

Looking back on the business results for fiscal year ended March 31, 2021

The leasing industry in Japan saw a significant year-on-year decline in transaction volume amid the uncertainty attributed to the COVID-19 pandemic

In the FY2021/3, a recovery trend began to be visible in the Japanese economy attributable to many measures the government has implemented to control COVID-19 since the first state of emergency was lifted in May 2020. However, the uncertainty of the future increased rapidly when another state of emergency was declared in January 2021 in response to the third wave of COVID-19 infections. In these circumstances, transaction volumes in the leasing industry in Japan decreased 14.1% year-on-year in the FY2021/3 due

to companies restraining in capital investment during the pandemic, in addition to the reaction to the replacement demand for the shift to Windows 10 in information and communication equipment in the previous fiscal year.

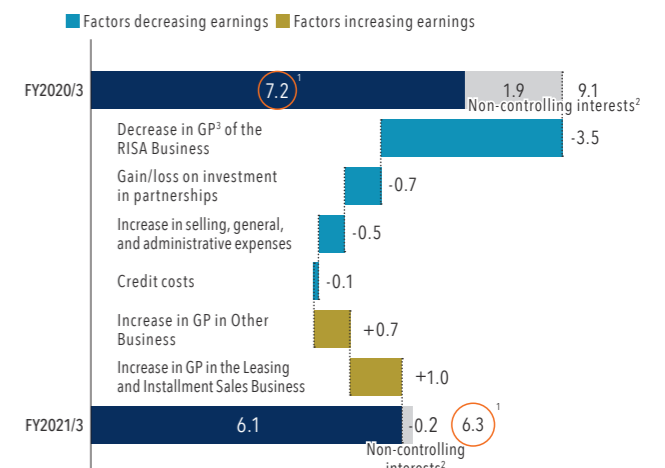
While we secured revenue at the same level as the previous fiscal year, profits decreased due to the posting of large projects in the RISA Business in the previous fiscal year

In this business environment, in the FY2021/3, we secured revenue at the same level as the previous fiscal year due to the growth in the Leasing and Installment Sales Business, offsetting a year-on-year decline in the RISA Business. Gross

Overview of consolidated business results (Billions of yen)

	FY2020/3	FY2021/3	YoY change
Revenues	220.7	221.3	+0.2%
Operating income	8.3	6.0	-28.1%
Ordinary income	9.1	6.1	-33.0%
Profit attributable to owners of parent	5.1	4.1	-19.5%
Net income per share	237.66yen	191.29yen	-

Main reasons for changes in consolidated ordinary income (Billions of yen)



1: Actual value excluding profit attributable to non-controlling interests
2 Non-controlling interests: profit attributable to non-controlling interests in fund revenue, etc.
3 GP: Gross profit

profit decreased year-on-year due in part to gain on sales of the major operational investment securities and real estate for sale in the RISA Business in the previous fiscal year. As a result of the decline in gross profit, operating income, ordinary income, and profit attributable to owners of parent also decreased year-on-year.

The Leasing and Installment Sales Business, our core business, tapped into ICT demand during the COVID-19 pandemic

By segment, in the Leasing and Installment Sales Business, revenue increased 10.1% year-on-year, gross profit 9.3%, and operating income increased significantly, 25.3% year-on-year, reflecting growth in the operating asset balance. The balance of operating assets recovered to the 600.0 billion yen mark for the first time since March 31, 2008. This is attributed in part to the fact that we made NEC Financial Services, LLC in the United States our consolidated subsidiary, and that we surely incorporated projects regarding school PCs related to the GIGA School Program and demand related to teleworking during the COVID-19 pandemic.

In the Finance Business, while revenue decreased year-on-year due in part to a decrease in interest income, gross profit was on par with the level of the previous fiscal year, partly reflecting a decline in funding costs. Operating income declined due in part to the posting of provisions for allowance of doubtful accounts. Regarding operating asset balance, corporate finance mainly decreased. This is because customer demand for funding declined due to the stagnation of business activities and various financial support measures for business continuity.

In the RISA Business, both revenue and operating income

declined year-on-year due in part to gain on sales of the major operational investment securities and real estate for sale in the previous fiscal year. In the fiscal year under review, an operating loss was posted in the first nine months due in part to posting of advance costs for real estate business, but operating income was regained for the full year because revenues from the sale of real estate etc., were posted in the fourth quarter. The balance of operating assets increased year-on-year primarily due to the acquisition of operational investment securities. The fiscal year under review marks the passing of ten years since we made RISA Partners, Inc. a consolidated subsidiary. We replaced its assets while strengthening risk control, and as a result, the company has been able to secure high revenue, steadily achieving the plans that we make at the beginning of each fiscal year.

In Other Business, while revenue fell due to major sales in the previous fiscal year, both gross profit and operating income increased year-on-year due in part to asset sales that generated high revenue, healthcare rental revenue, and an increase in revenue from sales of solar power electricity. The balance of operating assets increased year-on-year due in part to the acquisition of healthcare facilities.

The balance of interest-bearing debt increased due to a rise in the balance of operating assets

Yen funding has remained at a stable low level due to the Bank of Japan's continuation of new dimension of monetary easing. Although the primary market for commercial paper was temporarily unstable from March to the end of April in 2020 due to the COVID-19 pandemic, the market environment has remained stable thereafter.

In addition, it was also possible to stably procure foreign currency funds throughout the fiscal year partly because FRB maintained its monetary easing policy. In this environment, our balance of interest-bearing debt as of the end of the fiscal year under review increased from the level of the previous year as a result of an increase in the balance of operating assets. The direct funding ratio declined year-on-year primarily due to our response for the increase of operating asset balance, for which borrowings were used. The funding cost ratio decreased year-on-year due to the decline in market rates for foreign currency. There are no issues on capital resources and the fund liquidity, and cash flow were normal.

The effect of the COVID-19 pandemic on the Company's businesses was limited

While the COVID-19 pandemic has continued with the emergence of variants of the virus even since the state of emergency was lifted in March 2021, there is concern that our businesses could be affected by an increase in credit costs and procurement fund costs, greater exchange rate fluctuations, and other factors. While there is a concern about a decline in the transaction volume of new leases and financing on the sales front, we believe that there are negative but also positive factors, such as the growth of demand for ICT equipment during the COVID-19 pandemic and an increase in demand for securing cash on hand. Due to measures to control COVID-19 infections, which we have been taking since last year to strengthen corporate management, progress has been made in the building of ICT infrastructure and internal systems that enable the Company to maintain its sustainable corporate activities. Therefore, we believe that even if some of our employees

become infected, the effect on our business performance will be limited. There is concern about the unexpected impact of the spread of new COVID-19 variants and other events. We will therefore continue to improve our crisis management skills to ensure the continuity of our business activities.

In FY 2022/3, we aim to increase revenue and profits, focusing on growth of the Leasing and Installment Sales Business

For the FY2022/3, we forecast ordinary income to increase 64.2% year-on-year, to 10.0 billion yen, and profit attributable to owners of parent to increase 33.5% year-on-year, to 5.5 billion yen, reflecting our efforts to generate revenues from new businesses in addition to the sustainable growth of the Leasing and Installment Sales Business and an increase in the revenue of the RISA Business. While future uncertainty has yet to be eliminated due to the COVID-19 pandemic, we will strive to achieve the targets above by steadily developing our businesses in accordance with the policies of the Medium-Term Plan 2020.

In FY 2022/3, we plan to increase the amount of the annual dividend by 4 yen, to 64 yen

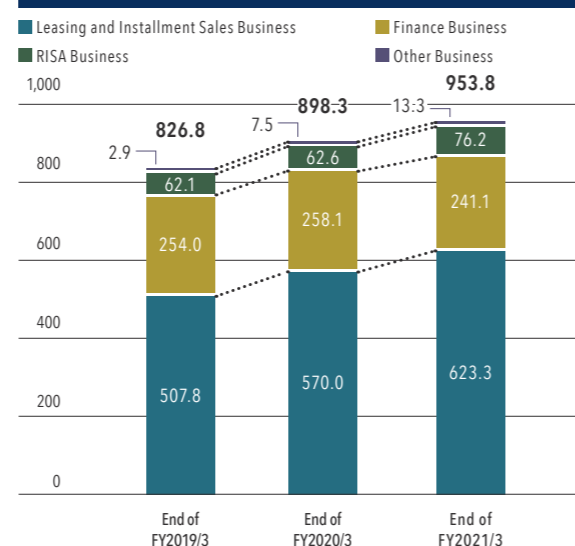
In the FY2021/3, we decided to pay an annual dividend of 60 yen per share (including an interim dividend of 30 yen) as initially planned. In the fiscal year ending March 31, 2022, based on our basic policy of maintaining stable dividends, we plan to increase the amount of the annual dividend by 4 yen, to 64 yen (including an interim dividend of 32 yen), reflecting a forecast increase in profits.

Consolidate revenue by business (Billions of yen)

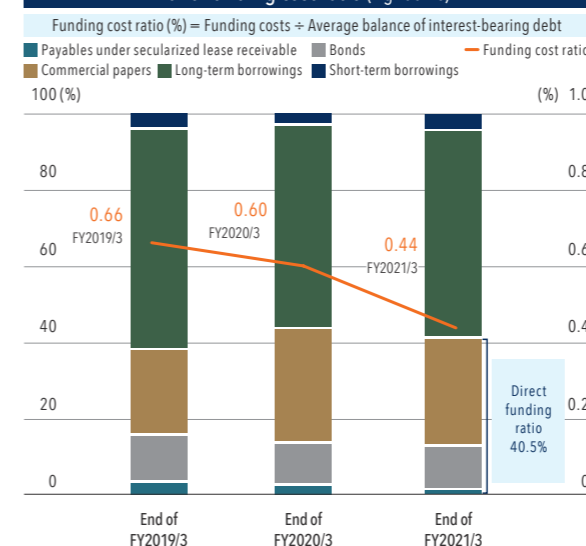
		FY2020/3	FY2021/3	YoY change
Leasing and Installment Sales Business	Revenues	174.9	192.6	+10.1%
	Gross profit	11.0	12.0	+9.3%
	Operating income	2.8	3.6	+25.3%
Finance Business	Revenues	7.3	6.6	-9.2%
	Gross profit	5.7	5.7	-0.1%
	Operating income	3.1	2.7	-13.8%
RISA Business	Revenues	16.2	6.8	-57.9%
	Gross profit	8.7	5.2	-40.2%
	Operating income	4.0	1.0	-76.4%
Other Business	Revenues	22.4	15.3	-31.8%
	Gross profit	2.2	2.9	+32.5%
	Operating income	-0.1	0.4	-
Total	Revenues	220.7	221.3	+0.2%
	Gross profit	27.6	25.8	-6.4%
	Operating income	8.3	6.0	-28.1%

*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)



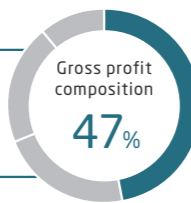
Business results and forecasts (Billions of yen)

	FY2021/3 Results	FY2022/3 Forecasts
Revenues	221.3	230.0
Operating income	6.0	10.0
Ordinary income	6.1	10.0
Profit attributable to owners of parent	4.1	5.5
Net income per share	191.29yen	255.42yen
Dividends	60.00yen	64.00yen

*Forecast is as of July 29, 2021.

Business segments

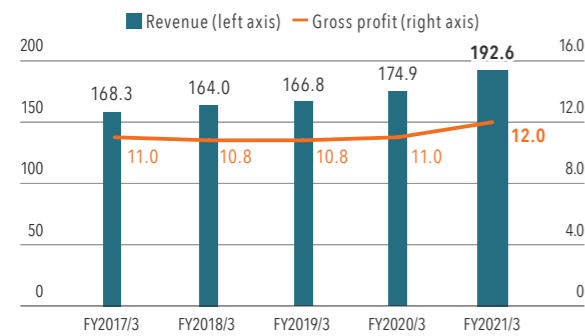
Leasing and Installment Sales Business



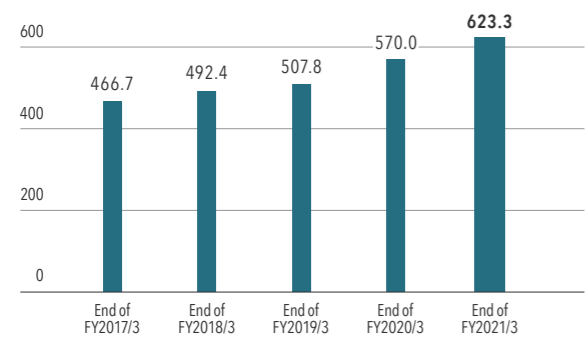
Main operations

Leasing and renting information and communication equipment, office equipment and industrial, civil-engineering and construction machinery, installment sales operations, and more

Revenue and gross profit (billions of yen)



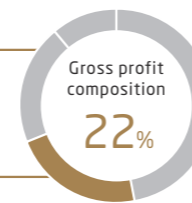
Operating asset balance (billions of yen)



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.

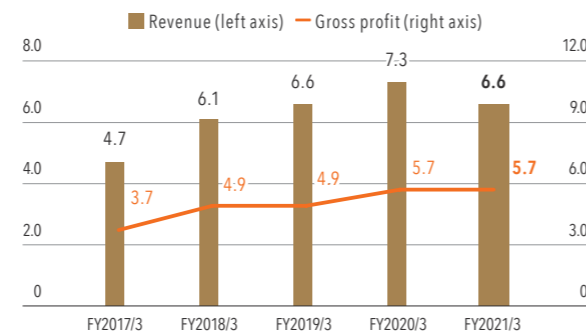
Finance Business



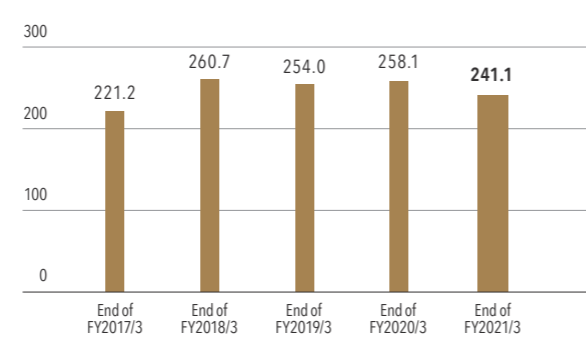
Main operations

Money-lending operations, factoring operations, operations for investing in securities which are held for the purpose of generating operational revenue, and more

Revenue and gross profit (billions of yen)



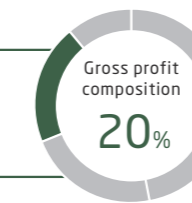
Operating asset balance (billions of yen)



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 22% of our overall gross profit.

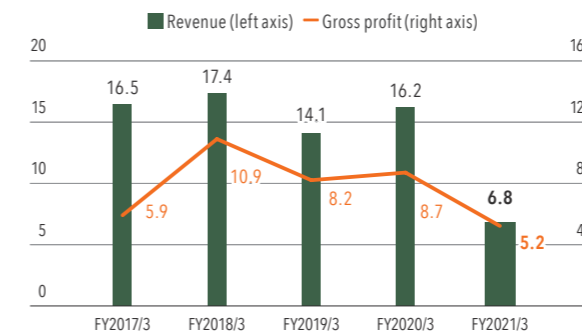
RISA Business



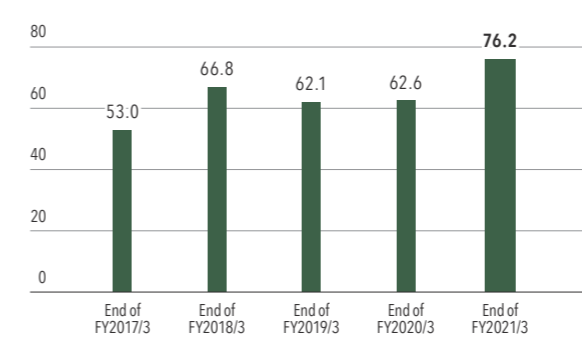
Main operations

Corporate investment, loan asset investment, real estate business, finance, and advisory services business operations, which are conducted by RISA Partners, Inc.

Revenue and gross profit (billions of yen)



Operating asset balance (billions of yen)



Business Overview

All businesses operated by RISA Partners, Inc., which joined the Group in 2010, are classified under this segment. As optimal solutions to the management issues that local corporations face, RISA Partners, Inc. 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 Partners, Inc. 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.

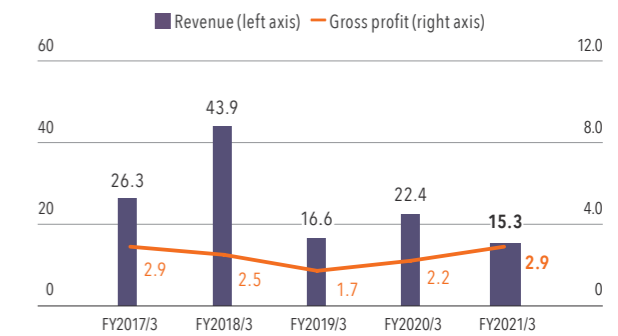
Other Business



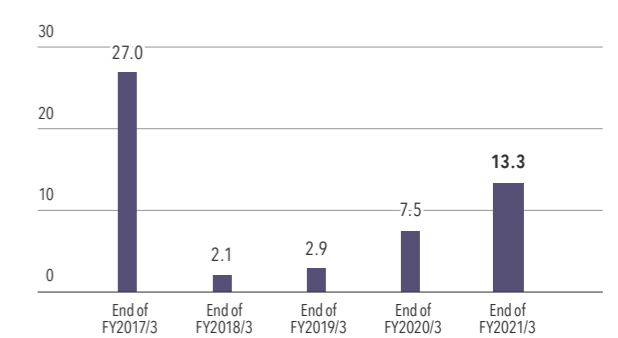
Main operations

Sale of goods, sale of properties whose lease contracts have been expired or canceled, business on commission, investment in venture firms, healthcare-related operations, solar power generation and sale of electricity, and more

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.

Business segments will be changed in FY2022/3.

Financial
Section
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39	Consolidated Balance Sheets	43	Consolidated Statements of Cash Flows
41	Consolidated Statements of Income and Comprehensive Income	44	Notes to Consolidated Financial Statements

Operating and Financial Review

1. Business Results

In this fiscal year ended March 31, 2021, although the Japanese economy began to show signs of recovery supported by a series of measures towards COVID-19 infections implemented by the government after lifting the state of emergency in May 2020, the government declared a state of emergency again in response to the third wave of COVID-19 resurgence, which drastically caused an increasing sense of uncertainty about the future. Although the launch of COVID-19 vaccines began and ICT infrastructure development towards the "New Normal" stepped forward, they have not yet restrained the resurgence of COVID-19 due to the spread of virus variants inside and outside Japan. The Company considers necessary to continuously monitor the outlook for the economic activities in the future.

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, 2021 has been ¥4,591 billion, which represents a decrease by 13.9% compared with the previous fiscal year (based on Lease Statistics published by the Japan Leasing Association).

In the Leasing and Installment Sales Business of NEC Capital Solutions Limited (hereafter, the "Company"), the contract execution volume and contract volume increased by 0.3% and 4.6%, respectively, compared with the previous fiscal year. This was mainly because the Company steadily satisfied demand for products related to GIGA school programs and work-from-home in response to the COVID-19 pandemic as well as succeeded in making NEC Financial Services, LLC, which operates its business in the US, become a consolidated subsidiary in the fiscal year ended March 31, 2021 despite the fact that the Company obtained large vendor finance projects and increased in ICT rentals that accommodated replacement demand for Windows 10 in the previous fiscal year.

In the Finance Business, both the contract execution volume and contract volume fell below those in the previous fiscal year due to a decline in individual factoring transactions which mainly comprise short-term loans. This was mainly attributable to a decrease of factoring-related receivable balance affected by a decline in customers' accounts receivables and other receivables, and a decline in the number of large-scale projects.

In the RISA Business, revenue and operating income decreased compared with the previous fiscal year, which was due to large-scale sales of operational investment securities and gain on sales of real

estates for sale recognized in the previous fiscal year. And also, operating losses were recorded in the nine months ended December 31, 2020, due to recognition of upfront expenses for real estate businesses in the current fiscal year. However, operating profit was recorded in the current fiscal year due to recognition of gain on sales of real estates in the fourth quarter of the year ended March 31, 2021.

In the Other Business, although revenue decreased compared with the previous fiscal year, which was due to recognition of gain on large-scale projects for the previous fiscal year, gross profit and operating income exceeded those in the previous fiscal year mainly due to recognition of gain on high-return sales projects and an increase in revenue from healthcare-related leasing and revenue from solar power generation business.

As a result of the Group's initiatives, total revenues increased by 0.2% year on year, to ¥221,256 million (\$1,998,518 thousand) on a consolidated basis for the fiscal year under review. Operating income decreased by 28.1%, to ¥5,966 million (\$53,884 thousand), and profit attributable to owners of parent decreased by 19.5%, to ¥4,119 million (\$37,205 thousand).

A description of outcomes by business segment is provided below:

(i) Leasing and Installment Sales Business

Total revenues in this segment increased by 10.1% from the previous fiscal year, to ¥192,573 million (\$1,739,439 thousand). Operating income increased by ¥717 million (\$6,481 thousand) from the previous fiscal year, to ¥3,557 million (\$32,129 thousand), due to the increase in total revenues and others.

(ii) Finance Business

Total revenues in this segment decreased by 9.2% from the previous fiscal year, to ¥6,617 million (\$59,770 thousand) due to the decrease in interest income, etc. Operating income decreased by ¥429 million (\$3,871 thousand) from the previous fiscal year, to ¥2,678 million (\$24,185 thousand).

(iii) RISA Business

Total revenues in this segment decreased by 57.9% from the previous fiscal year, to ¥6,802 million (\$61,433 thousand), due to large-scale sales of operational investment securities by funds and real estate for sale in the previous fiscal year. Operating income decreased by ¥3,091 million (\$27,915 thousand) from the previous fiscal year to ¥955 million (\$8,631 thousand).

(iv) Other Business

Total revenues in this segment decreased by 31.8% from the previous fiscal year, to ¥15,312 million (\$138,312 thousand), due to large-scale sales of leased assets in the previous fiscal year. Operating income increased by ¥528 million (\$4,772 thousand) from the previous fiscal year to ¥398 million (\$3,594 thousand).

2. Forecasts for Fiscal Year Ending March 31, 2022

The Japanese economy is anticipated to be continuously impacted by the COVID-19 in the year ending March 31, 2022. Although the launch of COVID-19 vaccines began and ICT infrastructure development towards the "New Normal" stepped forward, a sense of uncertainty about the future persists based on concerns over the resurgence of the COVID-19 due to virus variants inside and outside Japan.

Based on these conditions, the Company will follow the policies set out in the "Mid-Term Plan 2020", which was announced in July 2020, to carry out its operations in the fiscal year ending March 31, 2022. The COVID-19, which has spread all over the world since late January 2020, has been significantly affecting the way of doing business and people's daily life and such situation is anticipated to continue. While the society as a whole is facing irreversible changes caused by a destruction of existing rules and paradigm shifts in existing concepts, a variety of risks may arise in the Company's business activities. On the other hand, it may become an opportunity for the Company to create new social values as well. The Company believes that the know-how it has been accumulating as a financial service company of the NEC Group may become greatly helpful in resolving social issues arising from coexistence with COVID-19 and post COVID-19 such as non-contact, non-face-to-face, and avoidance of the Three Cs. The Company is aimed to become a "corporation to lead social changes with finance and ICT" mentioned in "Mid-Term Plan 2020" based on the business environment of coexistence with COVID-19 and post COVID-19 and achieve steady growth while resolving social issues.

Based on the policies mentioned above, the Group intends to achieve sustainable growth in the Leasing and Installment Sales Business, expand earnings in the RISA Business and monetize new businesses as well, and forecasts operating income of ¥10.0 billion and profit attributable to owners of the parent of ¥5.5 billion on a consolidated basis in the fiscal year ending March 31, 2022, a 64.2% and 33.5% increase compared with the current fiscal year, respectively.

The forecast for annual dividends will be ¥64 per share (including interim dividend of ¥32), an increase of ¥4 per share compared with the current fiscal year, taking into consideration for the increase of profit forecast, based on the Company's dividend policy, which is maintaining stable dividends as the basic policy.

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, 2021) 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 ¥60,143 million (\$543,246 thousand) year on year, to ¥1,057,654 million (\$9,553,370 thousand). This increase mainly reflected an increase of ¥46,467 million (\$419,714 thousand) in lease receivables and investment in leases, an increase of ¥9,368 million (\$84,617 thousand) in operational investment securities, an increase of ¥6,734 million (\$60,825 thousand) in real estate for sale, offsetting a decrease of ¥11,793 million (\$106,519 thousand) in accounts receivable - loans.

Liabilities at the end of this fiscal year under review increased by ¥51,506 million (\$465,235 thousand) year on year, to ¥943,769 million (\$8,524,690 thousand). This increase mainly reflected an increase of ¥15,861 million (\$143,264 thousand) in current portion of long-term debt and an increase of ¥24,825 million (\$224,234 thousand) in long-term debt, offsetting a decrease of ¥1,610 million (\$14,540 thousand) in short-term borrowings.

Net assets at the end of this fiscal year under review increased by ¥8,636 million (\$78,011 thousand) year on year, to ¥113,885 million (\$1,028,680 thousand). This increase mainly reflected an increase of ¥5,792 million (\$52,316 thousand) in non-controlling interests and an increase of ¥2,829 million (\$25,558 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 ¥38,828 million (\$350,719 thousand).

The following is a description of cash flows and significant factors:

Cash Flows from Operating Activities

Net cash used in operating activities was ¥28,766 million (\$259,830 thousand), compared with net cash used in operating activities of ¥69,902 million for the previous fiscal year. This was primarily attributable to increase in lease receivables and investment in leases of ¥34,801 million (\$314,340 thousand).

Cash Flows from Investing Activities

Net cash used in investing activities was ¥6,705 million (\$60,561 thousand), compared with net cash used in investing activities of ¥3,529 million for the previous fiscal year. This was primarily attributable to purchase of investment securities of ¥13,667 million (\$123,451 thousand) and purchase of shares of subsidiaries resulting in change in scope of consolidation of ¥3,535 million (\$31,929 thousand), offsetting proceeds from redemption of investment securities of ¥9,434 million (\$85,217 thousand).

Cash Flows from Financing Activities

Net cash provided by financing activities was ¥30,956 million (\$279,617 thousand), compared with net cash provided by financing activities of ¥95,627 million for the previous fiscal year. This was primarily attributable to increase in long-term debt/bond of ¥150,563 million (\$1,359,975 thousand), offsetting repayment of long-term debt/bond of ¥111,109 million (\$1,003,601 thousand).

Consolidated Balance Sheets

NEC Capital Solutions Limited
March 31, 2021 and 2020

Assets	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2021	2020	2021
Current assets:			
Cash and cash equivalents (Notes 13, 14)	¥ 38,828	¥ 43,023	\$ 350,719
Time deposits	260	372	2,351
Lease receivables and investment in leases (Notes 12, 13, 14)	529,972	483,505	4,787,029
Accounts receivable:			
Installment sales (Note 14)	31,129	29,545	281,173
Loans (Notes 9, 14, 20)	234,141	245,934	2,114,907
Leases (Note 14)	24,672	22,608	222,852
Purchased receivables (Note 14)	7,613	10,641	68,768
Allowance for doubtful accounts	(8,009)	(6,068)	(72,342)
Operational investment securities (Notes 7, 13, 14)	23,465	14,097	211,952
Real estate for sale (Note 13)	23,230	16,496	209,828
Real estate for sale in process	-	500	-
Other (Note 14)	19,060	18,989	172,154
Total current assets	924,361	879,642	8,349,391
Property and equipment, net:			
Leased assets (Note 6)	60,952	55,674	550,554
Assets held for own use (Notes 6, 13)	5,748	5,200	51,919
Property and equipment, net	66,700	60,874	602,473
Intangible assets:			
Computer programs leased to customers	1,217	1,311	10,989
Goodwill	1,726	1,278	15,591
Software and other	2,071	2,075	18,705
Total intangible assets	5,014	4,664	45,285
Investments and other assets:			
Investment securities (Notes 7, 13, 14)	46,806	42,481	422,782
Net defined benefit asset (Note 11)	332	231	3,001
Deferred tax assets (Note 10)	9,913	5,962	89,537
Other (Note 14)	7,493	6,183	67,679
Allowance for doubtful accounts	(2,965)	(2,526)	(26,778)
Total investments and other assets	61,579	52,331	556,221
Total assets	¥ 1,057,654	¥ 997,511	\$ 9,553,370

The accompanying notes are an integral part of these statements.

Liabilities and net assets	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2021	2020	2021
Current liabilities:			
Short-term borrowings (Notes 8, 9, 14)	¥ 291,460	¥ 293,070	\$ 2,632,644
Current portion of long-term debt (Notes 8, 13, 14)	124,591	108,730	1,125,380
Notes and accounts payable – trade (Notes 14, 20)	21,572	16,590	194,853
Accrued income taxes (Note 14)	4,724	956	42,671
Deposits received (Note 14)	3,971	1,810	35,872
Allowance for bonuses	618	698	5,585
Other (Note 14)	21,256	21,711	191,991
Total current liabilities	468,192	443,565	4,228,996
Long-term liabilities:			
Long-term debt (Notes 8, 13, 14)	464,294	439,469	4,193,783
Net defined benefit liability (Note 11)	2,050	2,094	18,514
Other	9,233	7,134	83,397
Total long-term liabilities	475,577	448,697	4,295,694
Total liabilities	943,769	892,262	8,524,690
Net assets:			
Shareholders' equity			
Common stock	3,777	3,777	34,115
Authorized:86,000,000 shares Issued:21,533,400 shares			
Capital surplus (Note 19)	4,646	4,646	41,963
Retained earnings (Note 19)	86,811	83,982	784,132
Treasury stock, at cost	(1)	(1)	(9)
541 shares in 2021 and 507 shares in 2020			
Total shareholders' equity	95,233	92,404	860,201
Accumulated other comprehensive income			
Net unrealized gains on marketable securities	518	466	4,677
Deferred losses on hedging derivatives	(263)	(144)	(2,376)
Foreign currency translation adjustments	(51)	55	(464)
Remeasurements of defined benefit plans	133	(55)	1,207
Total accumulated other comprehensive income	337	322	3,044
Non-controlling interests	18,315	12,523	165,435
Total net assets	113,885	105,249	1,028,680
Total liabilities and net assets	¥ 1,057,654	¥ 997,511	\$ 9,553,370

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, 2021 and 2020

Consolidated Statements of Income	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2021	2020	2021
Revenues:			
Leases	¥ 192,033	¥ 174,435	\$ 1,734,562
Installment sales	528	446	4,765
Loans	6,617	7,287	59,770
Other	22,078	38,549	199,421
Total revenues	221,256	220,717	1,998,518
Costs:			
Leases	178,090	160,857	1,608,619
Interest expense	3,787	4,737	34,204
Other	13,551	27,541	122,404
Total costs	195,428	193,135	1,765,227
Gross profit	25,828	27,582	233,291
Selling, general, and administrative expenses	19,862	19,289	179,407
Operating income	5,966	8,293	53,884
Other income (expenses):			
Interest and dividend income	67	102	604
Interest expense	(19)	(19)	(174)
Equity in earnings (losses) of affiliates	11	(74)	96
Gain on sales of investment securities	-	15	-
Loss on valuation of investment securities	(57)	(27)	(517)
Foreign exchange gain	191	126	1,729
Loss on disposal of property and equipment	(14)	(22)	(128)
Other, net	(56)	699	(491)
Profit before income taxes	6,089	9,093	55,003
Income taxes (Note 10):			
Current	6,027	1,963	54,443
Deferred	(3,889)	115	(35,131)
	2,138	2,078	19,312
Profit	3,951	7,015	35,691
Profit attributable to non-controlling interests	(168)	1,897	(1,514)
Profit attributable to owners of parent	¥ 4,119	¥ 5,118	\$ 37,205

The accompanying notes are an integral part of these statements.

Consolidated Statements of Comprehensive Income	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2021	2020	2021
Profit	¥ 3,951	¥ 7,015	\$ 35,691
Other comprehensive income (loss):			
Net unrealized gains (losses) on marketable securities	145	(45)	1,309
Deferred (losses) gains on hedging derivatives	(135)	143	(1,216)
Foreign currency translation adjustments	(109)	(98)	(984)
Remeasurements of defined benefit plans	189	(50)	1,704
Share of other comprehensive income of associates accounted for using equity method	(80)	(13)	(721)
Total other comprehensive income (loss)	¥ 10	¥ (63)	\$ 92
Comprehensive income	¥ 3,961	¥ 6,952	\$ 35,783
Comprehensive income attributable to:			
Owners of parent	4,134	5,051	37,342
Non-controlling interests	(173)	1,901	(1,559)

Amounts per share:	Yen		U.S. Dollars (Note 1)
	2021	2020	2021
Basic net income	¥ 191.29	¥ 237.66	\$ 1.73
Cash dividends applicable to the year	60.00	60.00	0.54

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, 2021 and 2020

	Number of shares issued (Thousands of shares)	Millions of Yen									
		Shareholders' Equity				Accumulated other comprehensive income				Non-controlling interests	Total net assets
		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		
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
Profit attributable to owners of parent				4,119							4,119
Cash dividends				(1,292)							(1,292)
Change of scope of equity method				2							2
Purchase of treasury stock					(0)						(0)
Other, net						52	(119)	(106)	188	5,792	5,807
Balance at March 31, 2021	21,533	¥ 3,777	¥ 4,646	¥ 86,811	¥ (1)	¥ 518	¥ (263)	¥ (51)	¥ 133	¥ 18,315	¥ 113,885

	Thousands of U.S. Dollars (Note 1)									
	Shareholders' Equity				Accumulated other comprehensive income				Non-controlling interests	Total net assets
	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		
Balance at March 31, 2020	\$ 34,115	\$ 41,963	\$ 758,574	\$ (8)	\$ 4,209	\$ (1,298)	\$ 493	\$ (497)	\$ 113,118	\$ 950,669
Profit attributable to owners of parent			37,205							37,205
Cash dividends			(11,670)							(11,670)
Change of scope of equity method			23							23
Purchase of treasury stock				(1)						(1)
Other, net					468	(1,078)	(957)	1,704	52,317	52,454
Balance at March 31, 2021	\$ 34,115	\$ 41,963	\$ 784,132	\$ (9)	\$ 4,677	\$ (2,376)	\$ (464)	\$ 1,207	\$ 165,435	\$ 1,028,680

The accompanying notes are an integral part of these statements.

Consolidated Statements of Cash Flows

NEC Capital Solutions Limited
Years ended March 31, 2021 and 2020

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2021	2020	2021
Cash flows from operating activities:			
Profit before income taxes	¥ 6,089	¥ 9,093	\$ 55,003
Adjustments to reconcile profit before income taxes to net cash provided by (used in) operating activities:			
Depreciation and amortization	14,698	13,100	132,761
Amortization of goodwill	1,131	1,101	10,214
Increase in allowance for doubtful accounts	1,945	1,423	17,571
Decrease in allowance for bonuses	(79)	(132)	(717)
Increase (Decrease) in net defined benefit liability	47	(97)	427
Interest and dividend income	(67)	(102)	(604)
Interest expense	3,811	4,767	34,426
Foreign exchange loss (gain)	55	(1,231)	496
Equity in (earnings) losses of affiliated companies	(11)	74	(96)
Gain on sales of investment securities	(553)	(64)	(4,996)
Loss on valuation of investment securities	60	269	541
Increase in installment sales receivables	(1,584)	(9,310)	(14,305)
Increase in lease receivables and investment in leases	(34,801)	(51,778)	(314,340)
Decrease (Increase) in loans receivable	11,910	(2,613)	107,583
Decrease in purchased receivables	3,028	1,804	27,347
(Increase) Decrease in operational investment securities	(9,355)	2,934	(84,500)
Increase in real estate for sale	(6,325)	(12,130)	(57,134)
Increase in real estate for sale in process	(102)	(500)	(927)
Purchases of leased assets	(19,565)	(26,991)	(176,728)
Proceeds from sales of leased assets	4,300	10,328	38,845
Other, net	1,979	(3,420)	17,871
Subtotal	(23,389)	(63,475)	(211,262)
Interest and dividend income received	150	162	1,350
Interest paid	(3,664)	(4,793)	(33,092)
Income taxes paid	(1,863)	(1,796)	(16,826)
Net cash used in operating activities	(28,766)	(69,902)	(259,830)
Cash flows from investing activities:			
Purchases of assets held for own use	(765)	(1,558)	(6,912)
Purchases of investment securities	(13,667)	(14,316)	(123,451)
Proceeds from sales of investment securities	1,501	360	13,561
Proceeds from redemption of investment securities	9,434	11,863	85,217
Increase in time deposits	(111)	(53)	(1,005)
Purchase of shares of subsidiaries resulting in change in scope of consolidation (Note 17)	(3,535)	-	(31,929)
Other, net	438	175	3,958
Net cash used in investing activities	(6,705)	(3,529)	(60,561)
Cash flows from financing activities:			
(Decrease) Increase in short-term borrowings, net	(13,172)	85,566	(118,975)
Increase in long-term debt/bond	150,563	184,580	1,359,975
Repayment of long-term debt/bond	(111,109)	(168,421)	(1,003,601)
Cash dividends paid	(1,400)	(1,184)	(12,647)
Cash dividends paid to non-controlling interests	(1,111)	(6,577)	(10,035)
Proceeds from stock issuance to non-controlling interests	7,185	1,663	64,901
Other, net	(0)	(0)	(1)
Net cash provided by financing activities	30,956	95,627	279,617
Foreign currency translation adjustments on cash and cash equivalents	1,035	140	9,347
Net (decrease) increase in cash and cash equivalents	(3,480)	22,336	(31,427)
Cash and cash equivalents at beginning of year	43,023	20,687	388,606
Decrease in cash and cash equivalents resulting from exclusion of subsidiaries from consolidation	(715)	-	(6,460)
Cash and cash equivalents at end of year	¥ 38,828	¥ 43,023	\$ 350,719

The accompanying notes are an integral part of these statements.

Notes to Consolidated Financial Statements

NEC Capital Solutions Limited
Year ended March 31, 2021

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 ¥110.71 = U.S.\$1.00, the approximate rate of exchange in effect on March 31, 2021. 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 66 consolidated subsidiaries for the fiscal year ended March 31, 2021, such as Reboot Technology Services and Capitech Limited, RISA Partners, Inc. (61 consolidated subsidiaries for the fiscal year ended March 31, 2020).

6 companies are newly included in consolidated subsidiaries since their establishment or acquisition in the fiscal year ended March 31, 2021.

Grus LLC, which was a consolidated subsidiary in the fiscal year ended March 31, 2020, was excluded from the scope of consolidation in the fiscal year ended March 31, 2021, due to application of equity method since their liquidation.

4 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.

6 companies have been accounted for by the equity method due to acquisition in the fiscal year ended March 31, 2021.

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 52 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

Real estate for sale is 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 equipment related to solar power generation facility is computed by the straight-line method.

The useful lives of buildings are from 2 to 27 years, furniture and fixtures are from 3 to 20 years and machinery and equipment are from 7 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 3 to 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.

Of the above hedging relationships, the Company has applied the exception set out in the "Practical Solution on the Treatment of Hedge Accounting for Financial Instruments that Reference LIBOR" (PITF No.40, September 29, 2020) to all of those hedging relationships that are within the scope of the Practical Solution.

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.

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. Significant Accounting Estimates

Allowance for doubtful accounts

(1) Amount recorded in the consolidated financial statements as of March 31, 2021

¥10,974 million (\$99,120 thousand)

(2) Information on the nature of the significant accounting estimates for identified items

The Company's operating receivables mainly consist of installment sales receivables, lease receivables and investments in leases, accounts receivable - leases, and accounts receivable - loans, and are exposed to credit risks caused by customers' non-fulfillment of a contracts. The Company determines borrower categories based on the degree of customers' credit risks and categorizes the receivables into general receivables, doubtful receivables, and receivables from companies in bankruptcy and reorganization in order to prepare for bad debt losses of operating receivables. Allowance for doubtful accounts is recorded for uncollectable amounts that are determined based on historical write-off ratio of bad debt losses for general receivables and based on the individual assessment of collectability considering each customer's financial position and operating results in addition to an estimate of collectable amounts through credit protection measures for doubtful receivables and receivables from companies in bankruptcy and reorganization.

The Company determines the borrower categories based on the predetermined criteria taking into consideration quantitative factor including customers' repayment status including delinquency in payment and other financial indicators, as well as qualitative factor including future outlook of business performance. The determination of borrower categories also includes judgement for estimates of the potential impact that may affect customers' financial position and cash flow management due to the stagnation in economic activities caused by COVID-19 pandemic and the likelihood of recoverability.

Although the Company recorded allowance for doubtful accounts based on the information available as of March 31, 2021, there is a possibility that additional allowance for doubtful accounts would be necessary during the next fiscal year in case of unforeseen events such as customers' delinquency in payment or bankruptcy due to deterioration of their operating results and financial position, affected by changes in economic and other conditions and prolonged COVID-19 pandemic considering that the Company's operating receivable collection period tends to be of medium-term and long-term.

4. 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 2021), March 26, 2021)

(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 effects of these new standards on the consolidated financial statements are expected to be insignificant.

"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.

5. Change in presentation

The Company adopted ASBJ Statement No. 31 "Accounting Standard for Disclosure of Accounting Estimates" (March 31, 2020) to the consolidated financial statements from the fiscal year ended March 31, 2021, and therefore significant accounting estimates are disclosed in the note to the consolidated financial statements.

The note does not include information for the fiscal year ended March 31, 2020 in accordance with the transitional provision set out in paragraph 11 of the Accounting Standard.

6. Accumulated depreciation of property and equipment

Accumulated depreciation of property and equipment at March 31, 2021 and 2020 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2021	2020	2021
Leased assets	¥ 43,578	¥ 40,488	\$393,622
Assets held for own use	2,221	1,762	20,060

7. Investment Securities

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

	Millions of Yen		Thousands of U.S. Dollars
	2021	2020	2021
Current:			
Marketable available-for-sale securities	¥ 406	¥ -	\$ 3,669
Non-marketable available-for-sale securities	23,059	14,097	208,283
Total	¥ 23,465	¥ 14,097	\$ 211,952
Non-current:			
Marketable available-for-sale securities	¥ 3,818	¥ 3,461	\$ 34,486
Non-marketable available-for-sale securities	31,867	30,469	287,840
Non-consolidated subsidiaries and affiliated companies	11,121	8,551	100,456
Total	¥ 46,806	¥ 42,481	\$ 422,782

The aggregate acquisition cost and fair value of available-for-sale securities with readily determinable market value at March 31, 2021 and 2020 were as follows:

	March 31, 2021			
	Acquisition cost	Unrealized gain	Unrealized loss	Fair value
	Millions of Yen			
Available-for-sale securities:				
Current				
Equity securities	¥ 211	¥ 210	¥ 15	¥ 406
Non-current				
Equity securities	706	384	80	1,010
Debt securities	2,246	41	30	2,257
Other (trust beneficiary rights, etc.)	429	122	-	551
Total	¥ 3,592	¥ 757	¥ 125	¥ 4,224

	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, 2021			
	Acquisition cost	Unrealized gain	Unrealized loss	Fair value
	Thousands of U.S. Dollars			
Available-for-sale securities:				
Current				
Equity securities	\$ 1,908	\$ 1,895	\$ 134	\$ 3,669
Non-current				
Equity securities	6,380	3,471	719	9,132
Debt securities	20,288	367	273	20,382
Other (trust beneficiary rights, etc.)	3,872	1,100	-	4,972
Total	\$ 32,448	\$ 6,833	\$ 1,126	\$ 38,155

Non-marketable available-for-sale securities whose fair value were not readily determinable at March 31, 2021 and 2020 were as follows:

	Carrying value		
	Millions of Yen		Thousands of U.S. Dollars
	2021	2020	2021
Non-marketable available-for-sale securities:			
Equity securities	¥ 24,602	¥ 15,745	\$222,218
Debt securities	30	0	273
Other (investment in partnerships, etc.)	30,294	28,821	273,632
Total	¥ 54,926	¥ 44,566	\$496,123

Available-for-sale securities sold during the fiscal year ended March 31, 2021 and 2020 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2021	2020	2021
Equity securities:			
Sales prices	¥ 465	¥ -	\$ 4,204
Total gains on sales	324	-	2,922
Total losses on sales	-	-	-
Other:			
Sales prices	¥ -	¥ 19	\$ -
Total gains on sales	-	15	-
Total losses on sales	-	-	-

8. Short-Term Borrowings and Long-Term Debt

Short-term borrowings at March 31, 2021 and 2020 were as follows:

	Millions of Yen		Thousands of U.S. Dollars	Weighted-average interest rate
	2021	2020	2021	2021
Short-term loans from banks	¥ 41,460	¥ 37,070	\$ 374,492	0.99%
Commercial paper	250,000	256,000	2,258,152	0.00%
Total	¥ 291,460	¥ 293,070	\$ 2,632,644	-

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

	Millions of Yen		Thousands of U.S. Dollars	Weighted-average interest rate
	2021	2020	2021	2021
Long-term loans, principally from banks	¥ 481,982	¥ 449,520	\$4,353,552	0.41%
Payables under securitized lease receivables	6,903	8,679	62,350	0.55%
Unsecured bonds	100,000	90,000	903,261	0.35%
Total	588,885	548,199	5,319,163	-
Less current portion	124,591	108,730	1,125,380	-
	¥ 464,294	¥ 439,469	\$4,193,783	-

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

Fiscal Year ending March 31,	Millions of Yen	Thousands of U.S. Dollars
2022	¥ 124,591	\$1,125,380
2023	202,555	1,829,596
2024	160,955	1,453,844
2025	37,911	342,435
2026	24,447	220,824
2027 and thereafter	38,426	347,084
	¥ 588,885	\$5,319,163

At March 31, 2021, 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, 2021, totaled ¥297,470 million (\$2,686,928 thousand).

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.

9. Commitment

Loan commitment as lender

As of March 31, 2021 and 2020, the Company had the following balances:

	Millions of Yen		Thousands of U.S. Dollars
	2021	2020	2021
Loan commitment agreements	¥ 28,322	¥ 31,263	\$255,823
The loans provided under these credit facilities	14,411	17,344	130,168
Aggregated balance of loan commitments available for customers of the Company	¥ 13,911	¥ 13,919	\$125,655

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

10. 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, 2021 and 2020.

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

	Millions of Yen		Thousands of U.S. Dollars
	2021	2020	2021
Deferred tax assets:			
Net operating loss carryforwards (*2)	¥ 5,092	¥ 6,686	\$ 45,998
Tax adjustments for lease transactions	3,886	871	35,100
Allowance for doubtful accounts	2,653	1,988	23,967
Loss on valuation of investment securities	1,715	1,462	15,495
Net defined benefit liability	526	570	4,750
Accrued bonuses	212	240	1,919
Other	1,490	1,044	13,445
Subtotal	15,574	12,861	140,674
Valuation allowance for tax loss carryforward (*2)	(3,396)	(5,134)	(30,673)
Valuation allowance for total amount of deductible temporary differences and other	(1,835)	(1,611)	(16,580)
Valuation allowance (*1)	(5,231)	(6,745)	(47,253)
Total deferred tax assets	¥ 10,343	¥ 6,116	\$ 93,421
Deferred tax liabilities:			
Net unrealized gain on marketable securities	(220)	(143)	(1,987)
Other	(440)	(72)	(3,969)
Total deferred tax liabilities	(660)	(215)	(5,956)
Net deferred tax assets	¥ 9,683	¥ 5,901	\$ 87,465

(*1) The amount of valuation allowance decreased by ¥1,514 million (\$13,674 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, 2021 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)	¥3,597	¥82	¥36	¥9	¥1,193	¥175	¥5,092
Valuation allowance	(3,176)	(23)	(9)	(9)	(8)	(171)	(3,396)
Deferred tax assets	421	59	27	0	1,185	4	(b)1,696

	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)	\$32,487	\$738	\$331	\$82	\$10,783	\$1,577	\$45,998
Valuation allowance	(28,687)	(204)	(84)	(82)	(74)	(1,542)	(30,673)
Deferred tax assets	3,800	534	247	0	10,709	35	(b)15,325

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

(b) Deferred tax assets of ¥1,696 million (\$15,325 thousand) are recognized for tax loss carryforward of ¥5,092 million (\$45,998 thousand), which is the amount after multiplying the statutory tax rate. Deferred tax assets of ¥1,696 million (\$15,325 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, 2021 and 2020 were as follows:

	2021	2020
Statutory tax rate	30.62%	30.62%
(Reconciliation)		
Amortization of goodwill	5.64%	3.69%
Adjustment related to distribution of net income of anonymous partnerships attributable to non-controlling interests	0.61%	(7.80%)
Valuation allowance	(10.98%)	(4.22%)
Different tax rates applied by consolidated subsidiaries	2.15%	4.46%
Aggregation of income earned by foreign subsidiaries	1.23%	0.18%
Inhabitant tax on per capita basis etc.	0.74%	0.52%
Equity in earnings of affiliates	0.28%	0.42%
Other	4.82%	(5.03%)
Effective tax rate	35.11%	22.84%

11. 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, 2021 and 2020 were as follows:

(1) Reconciliation of changes in defined benefit obligations

	Millions of Yen		Thousands of U.S. Dollars
	2021	2020	2021
Defined benefit obligations at beginning of year	¥ 4,533	¥ 4,569	\$40,944
Service cost	228	226	2,059
Interest cost	50	50	450
Actuarial gains and losses	60	86	546
Benefits paid	(213)	(398)	(1,926)
Defined benefit obligations at end of year	4,658	4,533	42,073

(2) Reconciliation of changes in plan assets

	Millions of Yen		Thousands of U.S. Dollars
	2021	2020	2021
Plan assets at beginning of year	¥ 2,670	¥ 2,688	\$24,117
Expected return on plan assets	67	67	603
Actuarial gains and losses	253	6	2,286
Employer contributions	96	94	870
Benefits paid	(146)	(185)	(1,316)
Plan assets at end of year	2,940	2,670	26,560

(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
	2021	2020	2021
Defined benefit obligations (funded)	¥ 2,650	¥ 2,626	\$23,941
Plan assets	(2,940)	(2,670)	(26,560)
Subtotal	(290)	(44)	(2,619)
Defined benefit obligations (unfunded)	2,008	1,907	18,133
Net liability (asset) recognized in the consolidated balance sheet	¥ 1,718	¥ 1,863	\$15,514
Net defined benefit liability	2,050	2,094	18,514
Net defined benefit asset	(332)	(231)	(3,000)
Net liability (asset) recognized in the consolidated balance sheet	¥ 1,718	¥ 1,863	\$15,514

(4) Retirement benefit expenses

	Millions of Yen		Thousands of U.S. Dollars
	2021	2020	2021
Service cost	¥ 228	¥ 226	\$2,059
Interest cost	50	50	450
Expected return on plan assets	(67)	(67)	(603)
Amortization of actuarial gains and losses	79	7	716
Retirement benefit expenses	290	216	2,622

(5) Adjustment amount of defined benefit plans

	Millions of Yen		Thousands of U.S. Dollars
	2021	2020	2021
Actuarial gains and losses	¥ 272	¥ (73)	\$2,456
Total	¥ 272	¥ (73)	\$2,456

(6) Remeasurement of defined benefit plans

	Millions of Yen		Thousands of U.S. Dollars
	2021	2020	2021
Unrecognized actuarial gains and losses	¥ (193)	¥ 79	\$(1,740)
Total	¥ (193)	¥ 79	\$(1,740)

(7) Percentage by major category of plan assets

	2021	2020
Debt securities	61.5%	65.4%
Equity securities	26.3%	20.2%
General account	8.2%	8.9%
Short-term assets	-	0.3%
Other	4.0%	5.2%
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)

	2021	2020
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 ¥59 million (\$537 thousand) for the fiscal year ended March 31, 2021 and ¥45 million for the fiscal year ended March 31, 2020.

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 ¥256 million (\$2,309 thousand) and ¥286 million for the years ended March 31, 2021 and 2020, respectively.

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

	Millions of Yen		Thousands of U.S. Dollars
	2021	2020	2021
Plan assets	¥ 50,275	¥ 33,945	\$ 454,111
Actuarial obligations for pension plan finance calculation	49,085	32,959	443,364
Net amount	¥ 1,190	¥ 986	\$ 10,747

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

For the fiscal year ended March 31, 2021

1.71% (From January 1, 2020 to December 31, 2020)

For the fiscal year ended March 31, 2020

2.06% (From January 1, 2019 to December 31, 2019)

(3) Supplementary explanation

The main factors of Net amount listed above (1) were general reserve (¥986 million (\$8,910 thousand) and ¥634 million for the fiscal years ended March 31, 2021 and 2020, respectively) and Retained Earnings (¥203 million (\$1,837 thousand) and ¥352 million for the fiscal years ended March 31, 2021 and 2020, respectively). In addition, ratio listed above (2) does not match the actual ratio afforded by the Group.

12. Lease Transactions

Information relating to finance leases of the Company as lessor for the fiscal year ended March 31, 2021 and 2020 is summarized as follows:

(1) Components of investment in leases

	Millions of Yen		Thousands of U.S. Dollars
	2021	2020	2021
Lease payments receivables	¥ 453,250	¥ 410,814	\$4,094,026
Estimation of residual value	15,979	14,601	144,332
Unearned interest income	(20,617)	(17,115)	(186,223)
Investment in leases	¥ 448,612	¥ 408,300	\$4,052,135

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

	Millions of Yen		Thousands of U.S. Dollars
	2021	2020	2021
Lease receivables			
Due within 1 year	¥ 27,352	¥ 25,958	\$ 247,060
Due after 1 year through 2 years	20,389	20,152	184,168
Due after 2 years through 3 years	14,858	13,398	134,210
Due after 3 years through 4 years	10,093	8,131	91,169
Due after 4 years through 5 years	4,775	3,747	43,134
Due after 5 years	6,830	6,555	61,695
Investment in leases			
Due within 1 year	¥ 149,172	¥ 134,068	\$1,347,411
Due after 1 year through 2 years	113,891	104,354	1,028,735
Due after 2 years through 3 years	86,621	77,054	782,410
Due after 3 years through 4 years	54,886	51,748	495,762
Due after 4 years through 5 years	25,881	23,975	233,776
Due after 5 years	22,799	19,615	205,931

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

	Millions of Yen		Thousands of U.S. Dollars
	2021	2020	2021
Due within 1 year	¥ 2,760	¥ 2,247	\$ 24,930
Due after 1 year	16,192	11,589	146,258
Total	¥ 18,952	¥ 13,836	\$ 171,188

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

	Millions of Yen		Thousands of U.S. Dollars
	2021	2020	2021
Due within 1 year	¥ 1,393	¥ 1,281	\$ 12,579
Due after 1 year	11,715	10,034	105,817
Total	¥ 13,108	¥ 11,315	\$ 118,396

13. Pledged Assets

Assets pledged as collateral as of March 31, 2021 and 2020 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2021	2020	2021
Cash and cash equivalents	¥ -	¥ 578	\$ -
Lease receivables and investment in leases	1,349	1,385	12,185
Operational investment securities	-	1,941	-
Real estate for sale	9,353	9,379	84,483
Leased assets	610	-	5,515
Machinery and equipment	1,057	1,129	9,546
Total	¥ 12,369	¥ 14,412	\$ 111,729

Liabilities secured by the assets pledged as collateral as of March 31, 2021 and 2020 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2021	2020	2021
Short-term borrowings	¥ 30	¥ -	\$ 271
Long-term debt due within a year	205	124	1,851
Long-term debt	8,695	8,914	78,541
Total	¥ 8,930	¥ 9,038	\$ 80,663

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

	Millions of Yen		Thousands of U.S. Dollars
	2021	2020	2021
Investments in capital of subsidiaries and affiliates	¥ 128	¥ 128	\$ 1,154
Total	¥ 128	¥ 128	\$ 1,154

Assets pledged for loans of companies which were borrowed from the third parties, etc. as of March 31, 2021 and 2020 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2021	2020	2021
Accounts receivable - Loans	¥ 962	¥ 920	\$ 8,684
Operational investment securities	7,717	-	69,704
Investment securities	762	1,144	6,886
Other (Investments and other assets)	31	31	280
Total	¥ 9,472	¥ 2,095	\$ 85,554

14. Financial Instruments

Year ended March 31, 2021

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, 2021, the total market risk quantity (estimated amount of losses) of long-term fixed rate assets and liabilities was ¥5 million (\$46 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 15 "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, 2021, 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	¥ 38,828	¥ 38,828	¥ -	\$ 350,719	\$ 350,719	\$ -
(2) Lease receivables and investment in leases	529,972			4,787,029		
Allowance for doubtful accounts (*1)	(2,640)			(23,846)		
	527,332	530,705	3,373	4,763,183	4,793,651	30,468
(3) Installment sales receivable	31,129			281,173		
Allowance for doubtful accounts (*1)	(224)			(2,026)		
	30,905	30,996	91	279,147	279,975	828
(4) Loans receivable	234,141			2,114,907		
Allowance for doubtful accounts (*1)	(3,786)			(34,200)		
	230,355	230,957	602	2,080,707	2,086,143	5,436
(5) Accounts receivable-leases	24,672			222,852		
Allowance for doubtful accounts (*1)	(324)			(2,924)		
	24,348	24,348	-	219,928	219,928	-
(6) Purchased receivables	7,613			68,767		
Allowance for doubtful accounts (*1)	(994)			(8,984)		
	6,619	6,619	-	59,783	59,783	-
(7) Operational investment securities	406	406	-	3,669	3,669	-
(8) Income taxes receivable(*4)	176	176	-	1,592	1,592	-
(9) Investment securities	3,818	3,818	-	34,486	34,486	-
(10) Receivables from companies in bankruptcy and reorganization (*5)	3,825			34,550		
Allowance for doubtful accounts (*1)	(2,965)			(26,778)		
	860	860	-	7,772	7,772	-
Total assets	¥ 863,647	¥ 867,713	¥ 4,066	\$ 7,800,986	\$ 7,837,718	\$ 36,732
(11) Short-term borrowings	¥ 291,460	¥ 291,460	¥ -	\$ 2,632,644	\$ 2,632,644	\$ -
(12) Notes and accounts payable-trade	21,572	21,572	-	194,852	194,852	-
(13) Accrued income taxes	4,724	4,724	-	42,671	42,671	-
(14) Deposits received	3,971	3,971	-	35,872	35,872	-
(15) Other payable(*6)	639	639	-	5,775	5,775	-
Current portion of long-term debt and long-term debt						
(16) Bonds						
Current portion of bonds	20,000			180,652		
Unsecured bonds	80,000			722,609		
	100,000	100,012	12	903,261	903,369	108
(17) Long-term debt						
Current portion of long-term debt	101,896			920,389		
Long-term debt	380,086			3,433,164		
	481,982	482,354	372	4,353,553	4,356,919	3,366
(18) Payables under securitized lease receivables						
Current	2,695			24,340		
Non-current	4,208			38,010		
	6,903	6,907	4	62,350	62,393	43
Total liabilities	¥ 911,251	¥ 911,639	¥ 388	\$ 8,230,978	\$ 8,234,495	\$ 3,517
Derivatives (*3)	¥ (1,330)	¥ (1,330)	¥ -	\$ (12,011)	\$ (12,011)	\$ -

(*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 (8) 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.

(7) Operational investment securities and (9) 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.

Fair values private placement bonds and certificates of trust beneficiary rights 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.

For notes regarding securities classified by holding purpose, please refer to Note 7 "Investment Securities."

(10) 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

(11) Short-term borrowings, (12) Notes and accounts payable-trade, (13) Accrued income taxes, (14) Deposits received and (15) Other payable

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

(16) Bonds

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

(17) 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.

(18) 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

Please refer to Note 15 "Derivatives."

Financial instruments whose fair values cannot be reasonably estimated as of March 31, 2021 were as follows:

	Amount presented in the consolidated balance sheet	
	Millions of Yen	Thousands of U.S. Dollars
Unlisted stocks	¥26,859	\$242,611
Investments in partnerships, etc.	39,188	353,969

These instruments are not included in (7) Operational investment securities and (9) 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, 2021

	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	¥ 38,828	¥ -	¥ -	¥ -	¥ -	¥ -
Lease receivables and investment in leases (*1)(*2)	176,524	134,281	101,479	64,979	30,657	29,629
Installment sales receivables (*1)(*2)	12,735	7,540	5,699	3,338	1,663	1,081
Loans receivables (*2)	129,656	32,712	21,129	21,527	10,030	19,166
Accounts receivable-leases (*2)	24,672	-	-	-	-	-
Purchased receivables (*3)	654	638	437	1,054	158	1,383
Income taxes receivable	176	-	-	-	-	-
Available-for-sale securities	-	-	-	-	-	-
Debt/bond	-	-	-	-	-	2,246
Total	¥ 383,245	¥ 175,171	¥ 128,744	¥ 90,898	¥ 42,508	¥ 53,505

	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	\$ 350,719	\$ -	\$ -	\$ -	\$ -	\$ -
Lease receivables and investment in leases (*1)(*2)	1,594,471	1,212,904	916,620	586,931	276,911	267,625
Installment sales receivable (*1)(*2)	115,026	68,105	51,478	30,152	15,019	9,770
Loans receivables (*2)	1,171,136	295,475	190,850	194,441	90,597	173,119
Accounts receivable-leases (*2)	222,852	-	-	-	-	-
Purchased receivables (*3)	5,908	5,764	3,948	9,525	1,427	12,486
Income taxes receivable	1,592	-	-	-	-	-
Available-for-sale securities	-	-	-	-	-	-
Debt/bond	-	-	-	-	-	20,289
Total	\$ 3,461,704	\$ 1,582,248	\$ 1,162,896	\$ 821,049	\$ 383,954	\$ 483,289

(*1) The amount of interest income is included in the maturity table above.

(*2) Receivables from companies in bankruptcy and reorganization of ¥3,825 million (\$34,550 thousand) are not included in the table above, because payments are not expected to be collected on schedule.

(*3) Purchased receivables of ¥3,289 million (\$29,710 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, 2021.

	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	¥ 291,460	¥ -	¥ -	¥ -	¥ -	¥ -
Unsecured bonds	20,000	30,000	20,000	10,000	-	20,000
Long-term debt	101,896	171,418	140,529	27,481	24,026	16,632
Payables under securitized lease receivables	2,695	1,137	426	430	421	1,794
Total	¥ 416,051	¥ 202,555	¥ 160,955	¥ 37,911	¥ 24,447	¥ 38,426

	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	\$2,632,644	\$ -	\$ -	\$ -	\$ -	\$ -
Unsecured bonds	180,652	270,978	180,652	90,326	-	180,652
Long-term debt	920,389	1,548,345	1,269,347	248,227	217,023	150,223
Payables under securitized lease receivables	24,339	10,273	3,845	3,882	3,801	16,209
Total	\$ 3,758,024	\$ 1,829,596	\$ 1,453,844	\$ 342,435	\$ 220,824	\$ 347,084

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.

(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

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		
	Amount recorded in the consolidated balance sheet	Fair Value	Difference
(1) Cash and cash equivalents	¥ 43,023	¥ 43,023	¥ -
(2) Lease receivables and investment in leases	483,505		
Allowance for doubtful accounts (*1)	(2,188)		
	(*2)	483,562	2,245
(3) Installment sales receivable	29,545		
Allowance for doubtful accounts (*1)	(343)		
		29,311	109
(4) Loans receivable	245,934		
Allowance for doubtful accounts (*1)	(2,520)		
	243,414	244,551	1,137
(5) Accounts receivable-leases	22,608		
Allowance for doubtful accounts (*1)	(211)		
	22,397	22,397	-
(6) Purchased receivables	10,641		
Allowance for doubtful accounts (*1)	(806)		
	9,835	9,835	-
(7) Income taxes receivable(*4)	543	543	-
(8) Investment securities	3,461	3,461	-
(9) Receivables from companies in bankruptcy and reorganization (*5)	2,879		
Allowance for doubtful accounts (*1)	(2,527)		
	352	352	-
Total assets	¥ 833,544	¥ 837,035	¥ 3,491
(10) Short-term borrowings	¥ 293,070	¥ 293,070	¥ -
(11) Notes and accounts payable-trade	16,590	16,590	-
(12) Accrued income taxes	956	956	-
(13) Deposits received	1,810	1,810	-
(14) Other payable(*6)	1,013	1,013	-
(15) Bonds			
Unsecured bonds	90,000		
	90,000	89,738	(262)
(16) Long-term debt			
Current portion of long-term debt	105,376		
Long-term debt	344,143		
	449,519	450,103	584
(17) Payables under securitized lease receivables			
Current	3,354		
Non-current	5,326		
	8,680	8,692	12
Total liabilities	¥ 861,638	¥ 861,972	¥ 334
Derivatives (*3)	¥ (20)	¥ (20)	¥ -

(*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
Unlisted stocks	¥ 17,458
Investments in partnerships, etc.	35,659

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

(*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 are not included in the table above, because payments are not expected to be collected on schedule.

(*3) Purchased receivables of ¥4,560 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, 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

15. Derivatives

Year ended March 31, 2021

(1) Derivatives for which hedge accounting is not applied

Derivatives related to currency at March 31, 2021 were as follows:

	March 31, 2021			
	Amount of contract	Gain	Loss	Fair value
	Millions of Yen			
Interest rate currency swap transactions				
receipt Yen, payment U.S. dollar	¥ 27,577	¥ -	¥ 1,031	¥ 1,031

	March 31, 2021			
	Amount of contract	Gain	Loss	Fair value
	Thousands of U.S. Dollars			
Interest rate currency swap transactions				
receipt Yen, payment U.S. dollar	\$249,092	\$ -	\$9,310	\$9,310

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, 2021 were as follows:

Not applicable

Interest rate related transactions at March 31, 2021 were as follows:

Interest rate swaps that are accounted for using deferral hedge accounting

	Hedged item	March 31, 2021		
		Notional amount	Notional amount expiring on April 1, 2022 or after	Fair value (*1)
		Millions of Yen		
Interest rate swap transactions				
pay fixed, receive variable	Borrowings	¥ 312,666	¥ 275,166	¥ (299)

	Hedged item	March 31, 2021		
		Notional amount	Notional amount expiring on April 1, 2022 or after	Fair value (*1)
		Thousands of U.S. Dollars		
Interest rate swap transactions				
pay fixed, receive variable	Borrowings	\$2,824,192	\$2,485,469	\$(2,700)

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

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

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)

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

16. Business Combinations

The year ended March 31, 2021

Business combination by purchase

(Acquisition of membership interest of NEC Financial Services, LLC)

The Company entered into an agreement to acquire all membership interest (hereafter, "this acquisition of interest") of NEC Financial Services, LLC (hereafter, "NECFs"), which provide leasing and financial services in the US, and included NECFS in the scope of consolidation upon the completion of the acquisition of such interest on November 30, 2020.

As the recognition of identifiable assets and liabilities, and the measurement of their fair value at the acquisition date were not completed as of March 31, 2021, the allocation of the consideration transferred was not completed. Accordingly, the Company recorded the provisional amount relating to the transaction calculated based on the all the reasonable information available at the time of preparing the consolidated financial statements for the current fiscal year.

(1) Overview of business combination

(i) Name of the acquired company and business description

Name of the acquired company: NEC Financial Services, LLC
Business description: Leasing and financial services in the US

(ii) Main reason for business combination

The Company has offered its services that bring together three strengths that it has built up since its founding in 1978: a strategic partnership with NEC, broad range of financial solutions, and a wealth of ICT knowledge. The Company, from its inception, has positioned the business expansion with the NEC Group as its core strategy. In Japan, the Company aims to strengthen its strategic partnership with the NEC Group through initiatives in the leasing/finance and ICT-related service business in both the public and private sectors, while overseas, the Company will strive to expand its business base and strengthen ties with business partners to promote collaborative projects with the NEC Group.

Since its establishment in 1986, NECFS has been a core part of the sales finance arm of the NEC Group's US business, and has come to provide leasing and financing services for a number of products to companies outside of the NEC Group. As a result, NECFS has acquired many years of experience in and knowledge of the US market. The Company aims to provide financial services through NECFS to the NEC Group's businesses and to assume an important role in supporting the NEC Group's development of the US market in the medium to long term.

The Company has collaborated with NECFS on many projects, including project finance initiatives in the US. This acquisition of

interest will further strengthen its strategic partnership with the NEC Group overseas.

(iii) Date of business combination

November 30, 2020

(iv) Legal method for business combination

Acquisition of membership interest in exchange for consideration in cash

(v) Percentage of voting rights acquired

100%

(vi) Main reason for deciding the acquiring company

The Company acquires membership interest in exchange for consideration in cash

(2) Period of the acquired company's financial results included in the consolidated financial statements

From December 1, 2021 to March 31, 2021

(3) Details of the acquisition cost of the acquired company and consideration transferred by types

Consideration for acquisition	Cash	\$25 million
Acquisition cost		\$25 million

(4) Nature and amounts of the major acquisition-related costs

Advisory fees, etc. ¥208 million (\$1,879 thousand)

(5) Amount of goodwill recognized, reason for recognizing goodwill, amortization method and amortization period

(i) Amount of goodwill recognized

\$12 million

As the recognition of identifiable assets and liabilities, and measurement of their fair value at the acquisition date were not completed as of March 31, 2021, the allocation of the consideration transferred was not completed. Accordingly, the amount above is calculated provisionally.

(ii) Reason for recognizing goodwill

Goodwill arises from anticipated excess earning power from the future business development.

(iii) Amortization method and period

Straight-line amortization over 10 years

(6) Assets acquired and liabilities assumed as of the date of the business combination

	Millions of U.S. Dollars
Current assets	\$106
Non-current assets	7
Goodwill	12
Total assets	\$125
Current liabilities	99
Non-current liabilities	1
Total liabilities	\$100

(7) Estimated impact on the consolidated financial results if the business combination had been completed at the beginning of the fiscal year (unaudited)

Revenues	¥994 million (\$8,975 thousand)
Operating income	¥262 million (\$2,364 thousand)
Profit before income taxes	¥254 million (\$2,297 thousand)
Profit attributable to owners of parent	¥251 million (\$2,267 thousand)
Net income per share	¥11.66 (\$0.11)

The approximate amount of impact is the difference between the revenue and profit and loss amount calculated under the assumption that the business combination would have completed at the beginning of the current fiscal year and the revenue and profit and loss information of the acquiring company in its consolidated statements of income.

17. Breakdown of assets and liabilities of a newly consolidated subsidiary as a result of acquisition of shares

The following table represents the breakdown of assets acquired and liabilities assumed upon acquisition as well as a reconciliation of acquisition costs and expenditure for acquisition of shares of NEC Financial Services, LLC, and other 2 companies which were newly consolidated following the acquisition of shares in the fiscal year ended March 31, 2021.

	Millions of Yen	Thousands of U.S. Dollars
Current assets	¥ 11,925	\$107,713
Non-current assets	1,451	13,106
Goodwill	1,579	14,258
Current liabilities	(11,008)	(99,428)
Non-current liabilities	(80)	(724)
Acquisition costs of shares	3,867	34,925
Cash and cash equivalents	(332)	(2,996)
Net: purchase of investments in subsidiaries resulting in change in scope of consolidation	¥ 3,535	\$31,929

18. Segment Information

Years ended March 31, 2021 and 2020

(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

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

The Finance Business includes loans, factoring, and investment activities of securities held to obtain operating income, etc.

The RISA Business includes corporate investment, loan asset investment, real estate, finance and advisory service business, etc. operated by RISA Partners, Inc.

The 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, 2021 and 2020 was as follows:

2021	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	¥ 192,573	¥ 6,617	¥ 6,775	¥ 15,291	¥ 221,256	¥ -	¥ 221,256
Intersegment revenues	-	-	27	21	48	(48)	-
Total	¥ 192,573	¥ 6,617	¥ 6,802	¥ 15,312	¥ 221,304	¥ (48)	¥ 221,256
Segment income							
Segment income	¥ 3,557	¥ 2,678	¥ 955	¥ 398	¥ 7,588	¥ (1,622)	¥ 5,966
Segment assets	652,106	239,207	87,652	32,276	1,011,241	46,413	1,057,654
Others							
Depreciation	¥ 13,840	¥ 88	¥ 103	¥ 570	¥ 14,601	¥ 97	¥ 14,698
Amortization of goodwill	45	-	1,077	9	1,131	-	1,131
Investment in affiliated companies	1,474	-	8,246	1,454	11,174	-	11,174
Increase in property and equipment and intangible assets	18,860	85	19	755	19,719	94	19,813

2021	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	\$ 1,739,439	\$ 59,770	\$ 61,192	\$ 138,117	\$ 1,998,518	\$ -	\$ 1,998,518
Intersegment revenues	-	-	241	195	436	(436)	-
Total	\$ 1,739,439	\$ 59,770	\$ 61,433	\$ 138,312	\$ 1,998,954	\$ (436)	\$ 1,998,518
Segment income							
Segment income	\$ 32,129	\$ 24,185	\$ 8,631	\$ 3,594	\$ 68,539	\$(14,655)	\$ 53,884
Segment assets	5,890,218	2,160,663	791,724	291,531	9,134,136	419,234	9,553,370
Others							
Depreciation	\$ 125,005	\$ 797	\$ 933	\$ 5,150	\$ 131,885	\$ 876	\$ 132,761
Amortization of goodwill	406	-	9,730	78	10,214	-	10,214
Investment in affiliated companies	13,314	-	74,478	13,134	100,926	-	100,926
Increase in property and equipment and intangible assets	170,358	768	170	6,823	178,119	845	178,964

- Adjustment of ¥(1,622) million (\$14,655) 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 ¥46,413 million (\$419,234 thousand) in segment assets is corporate assets not allocated to each reportable segment.
- Adjustment of ¥94 million (\$845 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.

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							
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

- Adjustment of ¥(1,569) 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 ¥45,742 million in segment assets is corporate assets not allocated to each reportable segment.
- Adjustment of ¥93 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:

2021	Reportable segments					Corporate or Elimination	Total
	Leasing and Installment Sales	Finance	RISA	Other	Total		
Millions of Yen							
Amortization for the current fiscal year	¥ 45	¥ -	¥ 1,077	¥ 9	¥ 1,131	¥ -	¥ 1,131
Balance at March 31, 2021	1,303	-	69	354	1,726	-	1,726

2021	Reportable segments					Corporate or Elimination	Total
	Leasing and Installment Sales	Finance	RISA	Other	Total		
Thousands of U.S. Dollars							
Amortization for the current fiscal year	\$406	\$-	\$9,730	\$78	\$10,214	\$-	\$10,214
Balance at March 31, 2021	11,770	-	621	3,200	15,591	-	15,591

2020	Reportable segments					Corporate or Elimination	Total
	Leasing and Installment Sales	Finance	RISA	Other	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

(7) Information about negative goodwill by reportable segment

Not applicable

19. 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 28, 2021, cash dividends amounting to ¥646 million

(\$5,835 thousand) were approved. This appropriation has not been reflected in the accompanying consolidated financial statements for the fiscal year ended March 31, 2021.

20. Related Party Transactions**Year ended March 31, 2021:****(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 ¥49,198 million (\$444,388 thousand) for the year, and the outstanding balance of ¥4,423 million (\$39,949 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 ¥26,787 million (\$241,959 thousand) and the outstanding balance of ¥8,868 million (\$80,098 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 ¥14,873 million (\$134,339 thousand) for the year, and the outstanding balance of ¥1,350 million (\$12,196 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 ¥20,998 million (\$189,670 thousand) and the outstanding balance of ¥8,922 million (\$80,592 thousand) at the year-end has been included in "Accounts receivable – Loans."

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 for the year, and the outstanding balance of ¥6,678 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 ¥13,008 million and the outstanding balance of ¥3,532 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 procured equipment for lease transactions from NEC Fielding, Ltd. at a transaction amount of ¥10,480 million for the year, and the outstanding balance of ¥545 million 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 and the outstanding balance of ¥2,539 million at the year-end has been included in "Accounts receivable – Loans."

21. Significant subsequent events**(1) Liquidation of a significant subsidiary**

At the Board of Directors meeting held on May 28, 2021, the Company decided to liquidate its subsidiary, NEC Capital Solutions Hong Kong Limited, after considering the changes in economic conditions and market environment surrounding Hong Kong.

(i) Subsidiary's name, business, and shareholding ratio

Subsidiary's name	NEC Capital Solutions Hong Kong Limited
Location	Kowloon, Hong Kong
Representative's name and title	Atsushi Okada, President
Capital	HK\$ 32 million
Main business	Leasing and finance in Hong Kong
Shareholding ratio	100% held by the Company

(ii) Timing of the liquidation

The liquidation is expected to complete upon the completion of all the procedures required by the Law in Hong Kong.

(iii) Financial position of the subsidiary (as of May 31, 2021)

Total assets	¥ 342 million
Total liabilities	¥ 24 million

(iv) Impact of the liquidation on profit and loss

The impact of the liquidation of this subsidiary on the Company's consolidated financial statements is expected to be insignificant.

(v) Impact of the liquidation on operating and other activities

The impact of the liquidation of this subsidiary on the Company's operating and other activities is expected to be insignificant.

(2) Issuance of domestic straight bond

The Company issued unsecured bond on July 16, 2021 based on the maximum amount of issuance of domestic unsecured straight bond resolved at the Board of Directors' meeting held on March 30, 2021.

The contents are as follows.

(1) Name	NEC Capital Solutions, Ltd. 19th unsecured straight bond (with inter-bond pari passu clause)
(2) Amount of issue	¥10,000 million (\$90,326 thousand)
(3) Payment date	July 16, 2021
(4) Issue price	¥100 (\$0.90) per face value of ¥100 (\$0.90)
(5) Interest rate	0.180% per annum
(6) Maturity date	July 16, 2026
(7) Method of redemption	Redemption on maturity (The issuer may at any time purchase or cancel the Bonds from but excluding the payment date.)
(8) Use of proceeds	Equipment funds (including lease asset purchase funds)

Independent Auditor's Report



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, 2021 and 2020, the consolidated statements of income and comprehensive income, changes in net assets and cash flows for the years then ended and notes, comprising a summary of significant accounting policies and 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, 2021 and 2020, and its consolidated financial performance and its consolidated 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.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Determination of the borrower categories for operating receivables related to the Leasing and Installment Sales Business and the Finance Business	
The key audit matter	How the matter was addressed in our audit
The Group reported installment sales receivable of ¥31,129 million, lease receivables and investment in leases of ¥529,972 million, accounts receivable -leases of ¥24,672 million, accounts receivable -loans of ¥234,141 million, purchased receivables of ¥7,613 million, receivables from companies in bankruptcy and reorganization of ¥3,825 million, and allowance for doubtful accounts for the balances of these receivables of ¥10,974 million in the consolidated balance sheet as of March 31, 2021. These were mainly related to the Leasing and Installment Sales Business and the Finance Business of the Company.	<p>The primary procedures we performed to assess the appropriateness of the determination of the borrower categories for operating receivables related to the Leasing and Installment Sales Business and the Finance Business of the Company included the following:</p> <p>(1) Internal control testing</p> <p>We tested the design and operating effectiveness of certain of the Company's internal controls relevant to the process of recognizing allowance for doubtful accounts, with a particular focus on the following:</p> <ul style="list-style-type: none"> whether the repayment status (including

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As described in Note 3 "Significant Accounting Estimates" to the consolidated financial statements, the Company determines borrower categories for its customers based on the degree of credit risks and categorizes the receivables into general receivables, doubtful receivables and receivables from companies in bankruptcy and reorganization based on the borrower categories. Allowance for doubtful accounts is recorded to provide for probable losses based on historical write-off ratio of bad debt losses for general receivables, and based on an estimate of the uncollectible amounts after reviewing the collectibility of specific receivables by considering the financial position and business performance of the borrower, as well as the amount expected to be collected through credit protection measures for doubtful receivables and receivables from companies in bankruptcy and reorganization.

Judgements on the borrower categories are determined based on a predetermined criteria for recognizing allowances for each borrower category, taking into consideration quantitative factors such as repayment status (including delinquency information) and financial indicators, as well as qualitative factors such as future outlook of business performance. However, the determination of the borrower categories based on qualitative factors involves subjective judgment by management. In addition, the determination of the borrower categories based on the qualitative factors involves a high degree of uncertainty, as it includes estimates of whether or not the effect of the stagnation in economic activities caused by COVID-19 pandemic on the customers' financial position and cash flow management is temporary, and thus the borrowers categories may change due to deterioration in the economic environment.

We, therefore, determined that our assessment of the appropriateness of the determination of the borrower categories for operating receivables related to the Leasing and Installment Sales Business and the Finance Business was of most significance in our audit of the consolidated financial statements for the current fiscal year, and accordingly, a key audit matter.

delinquency information), which was the basis for determining the borrower categories, was accurately identified; and

- whether the judgment of the borrower categories were appropriately determined by considering quantitative factors such as financial indicators and qualitative factors such as future outlook of business performances.

(2) Assessment as to whether the borrower categories were appropriately determined

In order to assess whether the borrower categories were appropriately determined, we:

- assessed whether the criteria for recognizing allowances for each borrower category were in accordance with accounting principles generally accepted in Japan; and
- selected borrowers, determined by borrower categories that may have a significantly affect on profit or loss, such as large borrowers and borrowers with repayment status concerns, from among the borrowers of operating receivables related to the Leasing and Installment Sales Business and the Finance Business of the Company based on certain criteria, and performed the following procedures:
 - inspection of records and documents related to the results of financial information analysis performed by the Company and determination of the borrower categories based on the qualitative factors;
 - inquiry of personnel in the departments responsible for credit; and
 - assessment of the appropriateness of the determination of the borrower categories based on the qualitative factors, by considering whether or not the effect of the stagnation in economic activities caused by COVID-19 pandemic on the customers' financial position and cash flow management was temporary, through inspection of materials and inquiries.

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 with regard to 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.

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.

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

Convenience Translation

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2021 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.

Atsunori Sadahiro
Designated Engagement Partner
Certified Public Accountant

Takashi Kondo
Designated Engagement Partner
Certified Public Accountant

Noriyuki Akiyama
Designated Engagement Partner
Certified Public Accountant

KPMG AZSA LLC
Tokyo Office, Japan
August 12, 2021

Corporate data (as of March 31, 2021)

Company name	NEC Capital Solutions Limited	Main banks	Sumitomo Mitsui Banking Corporation Sumitomo Mitsui Trust Bank, Limited MUFG Bank, Ltd. Mizuho Bank, Ltd. Development Bank of Japan Inc.
Head office	Shinagawa Intercity C building, 15-3 Konan 2-chome, Minato-ku, Tokyo, 108-6219, Japan Tel. +81 (0)3 6720 8400	Major affiliated companies	RISA Partners, Inc. Reboot Technology Services and Capitech Limited Innovative Venture Investment Limited Partnership NEC Financial Services, LLC NEC Capital Solutions Singapore Pte. Limited NEC Capital Solutions Malaysia Sdn. Bhd. AIRA Leasing Public Company Limited etc.
Operational Started	November 30, 1978	Domestic network	30 offices
Representative	Tomoo Imazeki, President	Enterprise rating	<ul style="list-style-type: none"> Rating and Investment Information, Inc. (R&I) Long term A- Short term a-1 Japan Credit Rating Agency, Ltd. (JCR) Long term A- Short term J-1
Main business	Leasing (Leasing for Information and Communication Equipment, Office Equipment, Industrial Equipment and others) Installment Sales, Business Loans, Factoring Services Other (Business Outsourcing and Sales of Used Equipment, etc.)		
Paid-in capital	3,776.88 million yen		
Stock listing	Tokyo Stock Exchange, First Section Stock code: 8793		
Closing of accounts	March 31		
Number of employees	632 (consolidated 811)		

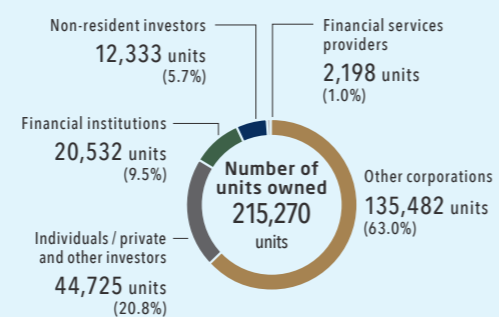
Share information (as of March 31, 2021)

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	22,925

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
Custody Bank of Japan, Ltd.	700,400	3.25
The Master Trust Bank of Japan, Ltd. (Trust Account)	605,600	2.81
Sumitomo Mitsui Trust Bank, Limited	200,000	0.92
SUMITOMO LIFE INSURANCE COMPANY	200,000	0.92
The Nomura Trust & Banking Co., Ltd. (Trust Account)	177,900	0.82
DFA INTL SMALL CAP VALUE PORTFOLIO	177,800	0.82
Mitsui Sumitomo Insurance Company, Limited	140,000	0.65
GOLDMAN SACHS BANK EUROPE SE	138,300	0.64

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.