\Orchestrating a brighter world

INTEGRATED REPORT 2019

year ended March 31, 2019

NEC Capital Solutions Limited

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As a financial services company of the NEC Group, we provide solutions for various kinds of issues regarding the managerial resources (capital) of our customers.

Corporate Philosophy

Helping Societies Advance through "Capital Solutions*"

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

CONTENTS

Our Business

We provide solutions to issues related to the managerial resources of our customers through our unique services founded in the three strengths which we have cultivated since our founding.

Customers

Government agencies and Municipalities

We support the build-up of social infrastructure by the public office and local government customers who represent approximately 60% of the contracts executed in our core Leasing and Installment Sales Business.

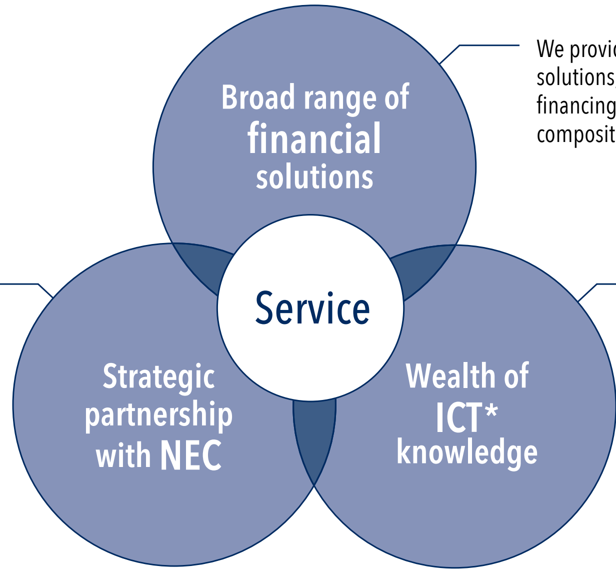
Private enterprises

Sharing a customer base with NEC has increased the number of major corporations among our customers. In recent years, we have focused effort on expanding our customer base.

Financial institutions

Our subsidiary RISA Partners, Inc., implements services primarily for financial corporations, and has a nationwide network of more than 180 regional financial institutions of Japan.

The solutions that we provide



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

Through strategic coordination, we aim to bring together the products and services of NEC Corporation with the financial solutions of our company in order to create diverse kinds of value as the NEC Group.

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

Leasing and Installment Sales Business → P19

Leasing and installment sales of information devices, office equipment, industrial and construction machinery, etc.

Finance Business → P20

Corporate loan, factoring services and investment activities of securities held to obtain operating income, etc.

RISA Business → P21

RISA Partners, Inc. invests in corporations, loan assets, and real estate as well as provides advisory services.

Other Business → P22

Purchase and sales of equipment, property sell-off of off-lease equipment or the termination or cancellation of leasing contracts, transaction fee business, venture capital investment, healthcare-related business, and generation and sales of solar energy, etc.

* ICT: Information and Communication Technology

In response to changing times, we have expanded our solution service areas.

The Company has been expanding its solution services to help solve the various management issues of our customers mainly with our leasing of NEC's ICT equipment. Through that journey, we have cultivated three strengths which we identify as our "strategic partnership with NEC," our "wealth of ICT knowledge" and our "broad range of financial solutions." We will continue to implement CSV* management to create social value to share with our customers by providing valuable services based on the three strengths.

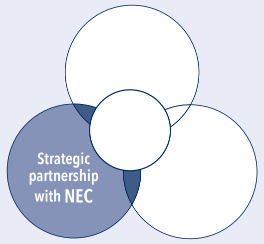
* CSV (Creating Shared Value): Realization of activities aimed both at economic value and creation of social value (i.e., solving social issues).

Business topics

Establishing a presence in the leasing sector (since Nov. 1978)

- Launch of NEC product leasing
- Start of maintenance leasing

The Company was established in 1978 to handle finance functions for NEC product sales. In undertaking the leasing of NEC products, we developed offerings that meet customers' needs by, for instance, developing maintenance leasing that combines device leasing with maintenance. By providing these products and services, we have steadily grown our transaction volume and put ourselves on firm ground as a manufacturer affiliated leasing company.

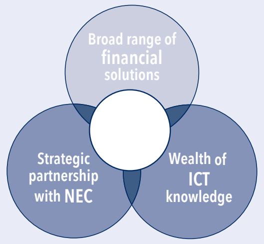


Expanding business areas into finance and ICT services (since around 2003)

- Expansion of leasing scope to non-NEC products
- Start of finance business
- Start of life-cycle management services for ICT equipment

Amid the downsizing and opening of ICT equipment, we have gradually increased our handling of items other than NEC products and ICT products. Since our listing on the Tokyo Stock Exchange in 2005, we have been subject to the demands for growth potential and distinctive character that are expected of a listed firm. In addition to diversification of the products we handle, we have responded by implementing initiatives unique to our company which make the most of our ICT expertise. These efforts have enabled us to build systems capable of withstanding the drastic changes in business environment that have resulted from changes in lease accounting standards.

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



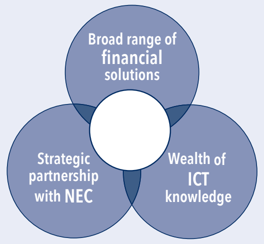
(since Apr. 2008)

- Expansion of financial services to handle equity investment, fund operation etc.
- Overseas business started

Aiming to make the change from a sales finance-centered business model to business operations oriented toward higher added value, we changed our company name in 2008 to "NEC Capital Solutions Limited." The following year, we entered into a capital and business tie-up with RISA Partners, Inc.*, as part of a new growth strategy that integrates the strengths of both companies. Even throughout the period of turmoil marked by the Lehman Shock financial crisis and the Great East Japan Earthquake disaster, we moved forward proactively with the promotion of multifaceted business activities, accumulating sophisticated finance know-how and ICT-related skills.

* RISA Partners, Inc. became a wholly-owned subsidiary of the Company in 2010.

RISA PARTNERS INC.

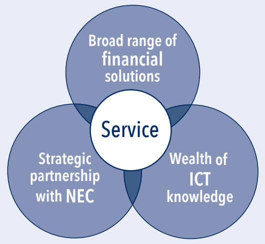


Aiming to realize our Group Vision (since Oct. 2013)

- Initiating new business development (Energy, healthcare, agriculture and tourism)

In diversifying our business operations, we formulated a Group Vision that expresses what we want to be in 10 years. By compiling our own company strengths (core areas), we were able to reaffirm that the value our company must provide consists in the services through which we integrate our three strengths. Since our aim in providing these services is to realize the CSV management that solves societal issues through our business, we are moving ahead with initiatives resting on the twin pillars of core areas and new businesses. In 2018, we celebrated the 40th anniversary of our founding.

40th anniversary book



ESG topics

1999
- Acquiring ISO 14001 Environmental Management System (EMS) certification

2004
- Awarding of prize for excellence in environmental management, the "Japanese Environmental Management Grand Prize" of Mie Prefecture

2006
- Acquiring ISO 27001 Information Security Management System (ISMS)

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

2010
- Election of independent directors

2011
- Business Continuity Plan (BCP) formulation

2012
- Launch of "environmental/restoration support syndicated loans"

2013
- Top prize awarded on both of "the 15th Green Purchasing Grand Award" competition and "the Minister of Environment Prize" competition
- Relocation of HQ together with group companies

2017
- Acquiring Eruboshi* certification (second stage)

*Eruboshi: We have been certificated as an "Eruboshi" company by the Ministry of Health, Labour and Welfare of Japan based on The Act on Promotion of Women's Participation and Advancement in the Workplace. We have received the second highest rank out of the three grades.

2018
- Quality Management System (QMS) ISO 9001 certification obtained (Public and Social System Sales Division)

Economic & social topics

1990s
- Collapse of Japan's 'bubble' economy

1999
- Introduction of zero-interest policy by Bank of Japan

2008
- Japan's revisions in leasing accounting standards
- Bankruptcy of Lehman Brothers

2011
- Great East Japan Earthquake

2013
- Introduction of quantitative and qualitative monetary easing policy by Bank of Japan

We are working to realize our Group Vision through a succession of Medium-Term Plans.

The Group formulated its Group Vision in October 2013. Our Group Vision consists in creating social value through our business activities themselves, while simultaneously creating the economic value required of a company. In this pursuit, we apply the philosophy of CSV management, in which society and industry together create shared value. Having prioritized the societal issues of establishing ICT infrastructure, revitalizing local communities and economies, preventing global warming and responding to the aging of the population, we are now acting in accordance with a ten-year road map toward realizing our Group Vision.

Corporate Philosophy

Helping Societies Advance through "Capital Solutions"

Road map

Ten-year road map to realizing our Group Vision

Year 1-3
Medium-Term Plan 2014
(2014-2016)

Rebuild core areas
+
Build "corporate system"

Year 4-6
Medium-Term Plan 2017
(2017-2019)

Complete core areas
+
Develop new businesses

Year 7-10
(2020-2023)

Expand core areas
+
Harvest new businesses

Realizing our Group Vision

What to be

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

Core areas

NEC
ICT
Financing

Our new businesses

Agriculture
Tourism
Energy
Healthcare

Major issues our company is taking on

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

We are accelerating efforts toward realizing our group vision.

Tomoo Imazeki
President

Reaching the mid-way point in our ten-year road map

We pursue a Group Vision of being a global solution service company that aims to enhance social value with customers. Our aim in this pursuit is "creating shared value," or CSV, through the mutual engagement of society and industry in business activities that create value for society as we simultaneously generate the economic value required of a company. We established this vision in October 2013 as we discerned the crucial importance of business management in which all of our members move forward in the same spirit. In order to accomplish sustainable growth in an ever-changing business environment, we determined that we must establish this unwavering medium-term and long-term direction, rather than merely reacting to the immediate changes that confront us. We look ten years ahead, depicting a clear picture of what we want to be as a company, and advancing toward realization of that vision through pursuing three medium-term plans in steps according to the road map we created. Having begun Medium-Term Plan 2017 in April of that year as the second stage of this effort, we have now reached the mid-way point in our ten-year road map.

FY*2019 to see 2nd straight year of record profits since market listing and increased dividend

Competition among banks and other financial institutions is intensifying under Bank of Japan's Quantitative and Qualitative Monetary Easing, with effects that extend to the domestic leasing market. Despite this, against a background of replacement of computers due to switch to Windows 10 and demand for capital investment to relieve labor shortages, domestic total leasing contracts for the fiscal year ended March 31, 2019 increased 2.8% from the previous year to again surpass 5 trillion yen. Our Group has been able to exceed the industry baseline through the development of robust sales capabilities underpinned by years of experience in the public offices sector, and solutions-oriented sales that support the resolution of clients' issues in areas of finances. Gross profit in our Leasing and Installment Sales Business, which had experienced a long downward trend, bottomed out during the fiscal year comparing to the previous year. In terms of operating results, for two consecutive years we have recorded the highest profits (profit attributable to owners of parent) since our listing and dividends also increased for two consecutive years.

> For the details, please see "From our Executive Officer in charge of finance" on P11.
*FY: Fiscal year ended March 31

Smooth implementation of Medium-Term Plan 2017, goals reached in two years

Looking back from the current perspective of the second year of Medium-Term Plan 2017, we can see that we have made steady progress on our journey to the realization of CSV management. The stated goals of Medium-Term Plan 2017 include completing the establishment of businesses in core areas and developing new businesses toward achieving our vision.

In pursuit of our goal, completing core areas, we are moving forward with initiatives from three broad perspectives. The first of these is deepening a strategic partnership with NEC Corporation. We believe strengthening our partnership with NEC, a company which is pursuing creation of social value, leads to growth of our CSV management. The strengthening of our relationship with NEC has steadily increased our transaction volume with the public office and local government customers which promote social infrastructure and revitalization of local economies, and with the private-sector corporate customers which promote initiatives to solve social issues. We have also begun future-oriented efforts such as starting trials of new rental services using NEC products. The second of these initiatives is expanding our customer bases in our own sales channels. Strengthening partnerships with foreign capital ICT vendors to expand our vendor finance business, and strengthening efforts with distributors to grow our small-scale leasing transaction volume have both begun to produce visible results. The third initiative is ensuring source of high profit growth. In addition to an increase in the profitability of RISA Partners, Inc., which has contributed greatly to our consolidated business results for the FY2018 and FY2019, we participated in PFI* business for the first time as the representative company, and launched the CSV Venture Fund 2 LLP. While achieving immediate high-profit growth through these efforts, we are also implementing initiatives to steadily secure sources of future profit growth.

As we work on our goal of developing new businesses toward achieving our vision, we see four social issues we need to address as area for new businesses operations: energy, healthcare, agriculture and tourism. During the span of the Medium-Term Plan 2017, we are launching businesses in these areas linked to our company's strengths, following which we are composing a road map to profitability in our Medium-Term Plan 2020. Our efforts in the area of energy during the current term include solar power generation and the start of initiatives in the field of hydroelectric power generation. In the area of healthcare, we plan to continually strengthen our warehousing business efforts for healthcare facilities REITs. In the area of agriculture, we have begun working with Mirai Kyoso Farm Akita Co., Ltd. which handles rice production, processing and sales as its primary business, on a mixed agriculture trial project involving rice cultivation and other crop farming adapted to the local climate and natural features of Akita. In the area of tourism, we are creating business opportunities and community development at Lake Akan and Hakuba Iwatake Mountain through utilizing their local tourism resources.
As a result of these initiatives, we were able to meet the three-year cumulative profit target initially set in Medium-Term Plan 2017 after just two years. Through steady implementation of each of these measures, we will continually achieve the goals set out in Medium-Term Plan 2017 while establishing pathways to profitability for our new businesses, thereby making our Group Vision a reality.

Creating a workplace where employees perform at their best

Since we are a company that provides financial services, our employees take on a critical role in the realization of our Group Vision. We believe that it is through the cumulative effect of each and every one of our employees having a keen awareness of the problems that confront society, cooperation with partners, and providing innovative solutions to customers that we can realize our Group Vision. As one strategy by which we are strengthening our management capability, we prioritize various measures to increase employee satisfaction levels, in part with initiatives to create an environment conducive to work. Elevating social value by working with customers to solve social issues while at the same time securing revenue as a company is no easy journey. We nevertheless intend to strive sincerely toward our aim of achieving our Group Vision.

*PFI: Private Finance Initiative.
PFIs are public-private collaborative projects that leverage private funds and managerial and technical capabilities for the construction, maintenance, management and operation of public facilities.

Overview of the strategies and the results of Medium-Term Plan 2017

Item	Summary	Major initiatives
Business strategies 1 Complete core areas: Establish services unique to NEC Capital Solutions that demonstrates its strengths	● **Deepen strategic partnerships with NEC** ➤ Steadily pursue NEC-related business in new areas in addition to existing leasing and financing ● **Expand customer base in own sales channels** ➤ Strengthen marketing effort for small and medium enterprises through vendor finance, deepening relationships with current customers as well as finding new customers ● **Ensure source for high profit growth** ➤ Accelerate global business, strengthen specialized marketing for growth areas in diverse assets, and reinforce marketing for financial institutions	● Increased transaction volume by strengthening the partnership with NEC ● Arranged project financing for submarine cable projects (between Hong Kong-Guam and Japan-Guam-Australia) ● Promoted horizontal expansion through the NEC Group of vendor finance programs ● Strengthened partnerships and developed avenues with environmental, construction machinery, and foreign capital vendors ● Strengthened efforts with distributors to grow our small-scale leasing transaction volume ● Secured revenue via large-scale sales of funds in the RISA business, smoothly implemented investment in the successor fund ● Expanded global business ● Formed the CSV Venture Fund 2 LLP ● Participated in a PFI project for the first time as the representative company
Business strategies 2 Develop new businesses: Establish sustainable new business models that are unique to NEC Capital Solutions, including non-financial businesses	● **Establish new business models in energy, healthcare, agriculture, and tourism and develop new businesses not limited to investment and finance** ● **Develop rental businesses targeting ICT/IoT* and non-ICT commercial products**	● Participated in capital investment in the new power company Coco Terrace TAGAWA Co., Ltd. ● Began initiatives in the area of hydroelectric power generation (participation in investment in Mirai Energy Partners Co., Ltd.) ● Participated in investment in biomass power generation ● Participated in investment to Japan H2 Mobility, LLC (JHyM) ● Strengthened our warehousing operations for healthcare facilities REITs ● Worked with Mirai Kyoso Farm Akita Co. Ltd. on a mixed agriculture trial project involving rice cultivation and onion farming ● Participated in investment in Akan Adventure Tourism Corp. and Hakuba Iwatake Community Development Co., Ltd. ● Began trials of new rental services using NEC products
Business strategies 3 Strengthen corporate management supporting business strategies	● **Build a flexible/open support system for both management and marketing areas** ➤ Strengthen marketing planning functions ➤ Strengthen support system for marketing operations (legal, screening, accounting, etc.) ➤ Strengthen and advance management functions such as budget control and PDCA ● **Further strengthen compliance system, improve operational quality and efficiency, and the level of risk management as business strategies are implemented** ● **Strengthen management functions contributing to appropriate decision-making, starting with more advanced management accounting** ➤ Provide accounting data on businesses and sales in a timely manner ● **Reform HR system to raise employee satisfaction** ➤ Reform current workstyles and overhaul the training system and evaluation system	● Organized departments specializing in product development and started proposal activities ● Strengthened compliance system including enhancements to the quality of operations ● Expanded efforts to strengthen management functions ● Implemented workstyle reform and women's empowerment promotion activities ● Acquired Eruboshi certification (second stage)

*IoT: Internet of Things, referring to the connection of items having communication functions in a network. This makes it possible to collect information via the Internet, which is expected to create new businesses value derived from the collected data.

5-Year Summary Consolidated Financial Data : Fiscal year ended March 31

Fiscal year	2019	2018	2017	2016	2015	2019*
			Millions of Yen			Thousands of U.S. Dollars
For the year:						
Revenues	**¥204,131**	¥231,432	¥215,719	¥202,637	¥213,854	**$1,839,018**
Profit before income taxes	**8,986**	13,456	6,608	6,032	4,425	**80,956**
Profit attributable to owners of parent	**6,391**	6,006	3,517	3,334	2,817	**57,578**
At year-end:						
Total assets	**¥895,683**	¥906,495	¥860,483	¥828,943	¥808,732	**$8,069,217**
Total net assets	**105,999**	110,990	108,822	101,027	105,927	**954,947**
			Yen			U.S. Dollars
Per share data:						
Net assets	**¥4,131.64**	¥3,927.22	¥3,675.84	¥3,529.64	¥3,453.70	**$37.22**
Basic net income	**296.81**	278.93	163.35	154.85	130.81	**2.67**
Cash dividends	**55.00**	50.00	44.00	44.00	44.00	**0.50**
Key indicators:						
Dividend payout ratio (%)	**18.5**	17.9	26.9	28.4	33.6	—
Equity ratio (%)	**9.9**	9.3	9.2	9.2	9.2	—
Price earnings ratio (Times)	**5.73**	7.35	10.46	10.22	14.59	—
Return on equity (%)	**7.4**	7.3	4.5	4.4	3.9	—
Return on assets (%)	**1.0**	1.5	0.8	0.7	0.6	—
Number of employees	**767**	755	725	686	666	—

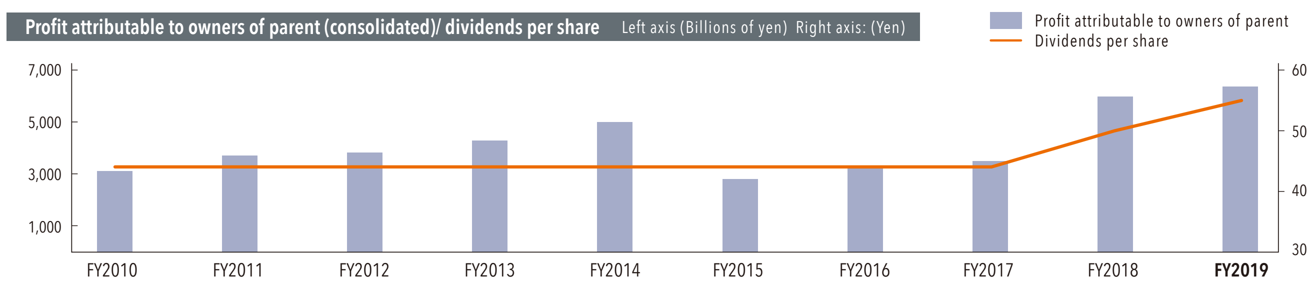
* The U.S. dollar amounts represent translation of Japanese yen, for convenience only, at the rate of ¥111.00=U.S.$1.00 in effect on March 31, 2019.

Non-financial (individual)

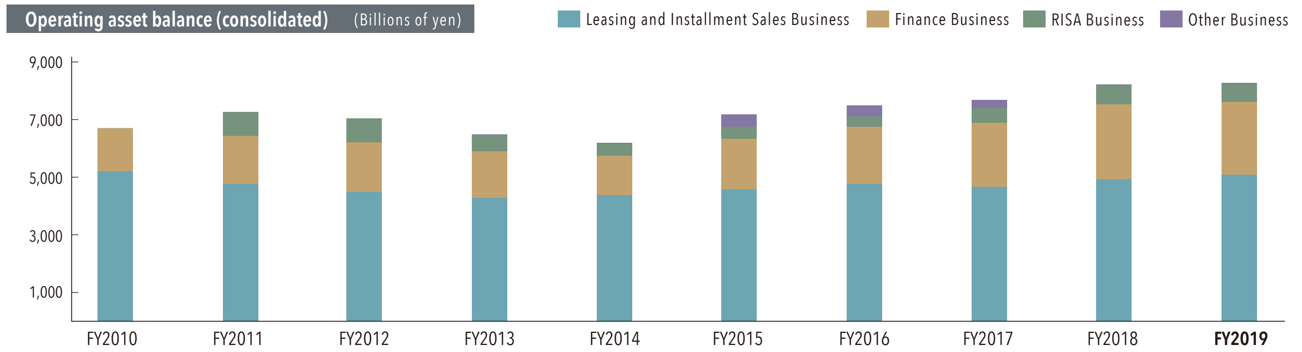
Fiscal year	2019	2018	2017	2016	2015
CO_2 emissions (t-CO_2)*1*2	**363**	379	389	561	718
Energy use volume (crude oil conversion kl)*1*2	**156**	163	167	269	324
Number of female managers	**5**	4	7	5	3
Female employees who are manager candidates (%)*3	**18.5**	14.9	10.6	10.0	—
Rate of return from childcare leave (%)	**100**	100	100	100	100
Average monthly overtime (h)	**21.1**	22.9	25.5	27.0	30.5
Leave acquisition rate (%)	**66.6**	64.7	63.9	61.1	58.1
Compliance training participation rate (%)*1	**100**	100	100	100	100
Information security training participation rate (%)	**100**	100	100	100	100

*1 Consolidated results *2 Figures are made further elaborated due to implementing third-party verification.
*3 Disclosed from March 2016 based on the Act on Promotion of Women's Participation and Advancement in the Workplace

Profit attributable to owners of parent (consolidated)/ dividends per share Left axis (Billions of yen) Right axis: (Yen)



Operating asset balance (consolidated) (Billions of yen)



Newly set record for highest profit and plans for three consecutive years of increased dividend.

Noboru Watanabe
Executive Officer

Looking back on this fiscal year's results

Intense domestic competition among banks and other financial institutions continues under Bank of Japan's Quantitative and Qualitative Monetary Easing and the domestic leasing market is also being impacted. Although the transaction volume of domestic leasing market increased 2.8% from the previous year, the business environment in which we find ourselves presents harsher conditions than ever. Amid these circumstances, business performance for the year included annual declines in revenue, operating income and ordinary income, while current net profit attributable to owners of parent company increased from the previous year. (Chart 1)
This year-on-year decrease in revenue and profit as indicated by revenue, operating income and ordinary income was the result of factors including the recording of revenues the previous year from the sale of healthcare facilities and large-scale revenue of fund business by RISA Partners, Inc., as well as the emergence of current-year foreign exchange valuation losses, and reduced reversal of allowance for doutfull accounts. However, the amount of decrease in operating income excluding net profit attributable to non-controlling interests was limited to the impact of current-year foreign exchange valuation losses and credit costs. On an actual-value basis, we maintained the previous year's level of performance. (Chart 2)
Current net profit attributable to owners of the parent reached a second consecutive annual record high since our listing on the Tokyo Stock Exchange, due to net profit attributable to non-controlling interests and income tax decrease.

Overview by segment

With the Leasing and Installment Sales Business driven forward by various marketing efforts, revenue and gross profit exceeded the previous year's levels. Meanwhile, operating income declined due to shedding of the previous term's reversal of allowance for doutfull accounts.
Gross profit from this business segment had not increased since FY2011, and signs of a turnaround in income from this core business have finally appeared. The value of contracts executed, an indicator of business conditions, exceeded the level of the previous fiscal year in of both public and private sector.
The Finance Business remained robust in terms of interest and dividend income, and reversal of allowance for doutfull accounts were recorded, resulting in increase of revenue and operating income. Despite factors such as a decrease in short-term factoring, the value of contracts executed remained in line with the previous year amid an increase in corporate finance including transactions denominated in foreign currencies.
RISA Business showed a major decrease in revenue and profit because of the previous year's revenue from a large-scale sell off of fund business, but steady increases in revenue from loan asset investment and real estate were recorded. Other Business showed business losses due to the sell-off of healthcare facilities the year before, and to impairment of operational investment securities. (Chart 3)

Operating asset balance

The balance of operating assets was 826.8 billion yen, a year on year increase of 4.8 billion yen. The Finance Business, in which individual factoring decreased, and the RISA Business, in which real estate for sale was sold off, showed declines relative to the end of the previous fiscal year. In the Leasing and Installment Sales Business, meanwhile, business for public offices was robust, driven by measures to strengthen ICT rentals, etc. The balance of operating assets reached the 500 billion yen level. This has been the case since the end of March 2010. (Chart 4)

Fund procurement

Amid the negative interest rate policy by the Bank of Japan, the capital acquisition environment remained characterized by interest rates stabilized at low levels. As a result of an expansion of foreign currency-denominated capital acquisition accompanying the deployment of business overseas, the funding cost ratio increased by 0.03 percentage point from the previous year to 0.66%. Reduction of acquisition through commercial paper resulted in a decrease of the direct funding ratio by 2.5 percentage points from previous fiscal year to 36.5%. Where capital liquidity in terms of financial resources and funding is concerned, cash flow has been normal in the absence of any large-scale liquid capital outlays.

Outlook for FY2020

Plans for FY2020, the final year of Medium-Term Plan 2017, include increases in revenue and profit, with revenue of 210 billion yen, operating income, ordinary income of 10 billion yen, and current net profit attributable to owners of the parent of 6.5 billion yen. These planned results outstrip the projections of the three-year plan of the Medium-Term Plan 2017 by a wide margin. Plans call for each business operation to increase its profitability and contribute to business performance. These factors include an anticipated recovery in the profitability of our primary Leasing and Installment Sales Business due to an ongoing increase in the balance of operating assets, initiatives to further strengthen proposal-based sales in the Finance Business and to expand overseas business, as well as the securing of continued high profits in the RISA Business. (Chart 1)

Profit return

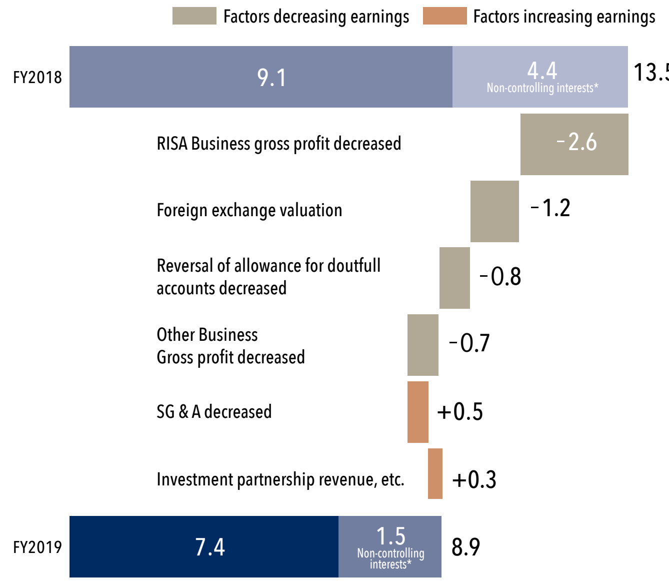
Considering business prospects, dividend payout ratio levels and other factors, we are setting the maintenance of stable dividends as our basic policy on shareholder returns. The fact that fiscal year-end dividends for FY2018 set their second consecutive record annual high (profit attributable to owners of parent) since our listing on the Tokyo Stock Exchange enabled us to revise the distribution upward from the initial plan to 30 yen per share (55 yen annual dividend). In addition, a third consecutive increase in the annual distribution to 60 yen is planned for FY2020, during which our plan's project increases in revenue and profit. (Chart 1)

Overview of consolidated business results (Billions of yen) — Chart 1

	FY2018	FY2019	YoY change	FY2020 Forecast*
Revenues	231.4	204.1	−11.8%	210.0
Operating income	12.7	8.9	−29.5%	10.0
Ordinary income	13.5	8.9	−33.9%	10.0
Profit attributable to owners of parent	6.0	6.4	+6.4%	6.5
Current net profit per share (yen)	278.93	296.81	—	301.86
Dividends per share (yen)	50.00	55.00	—	60.00

*Forecast as of April 25, 2019

Main reasons for year-on-year increase/decrease in consolidated ordinary income (Billions of yen) — Chart 2



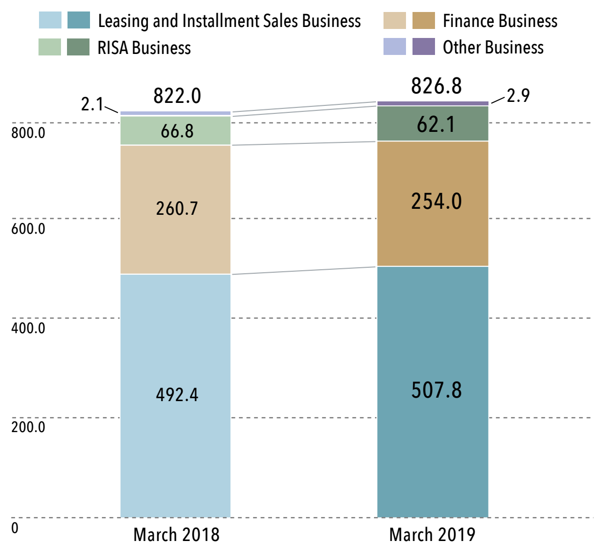
*Non-controlling interests: current net profit attributable to non-controlling interests

Consolidated revenue by business (Billions of yen) — Chart 3

		FY2018	FY2019	YoY change
Leasing and Installment Sales Business	Revenues	164.0	166.8	+1.7%
	Gross profit	10.8	10.8	+0.0%
	Operating income	4.5	4.1	−9.1%
Finance Business	Revenues	6.1	6.6	+8.4%
	Gross profit	4.9	4.9	−0.7%
	Operating income	3.1	3.3	+6.0%
RISA Business	Revenues	17.4	14.1	−19.4%
	Gross profit	10.9	8.2	−24.2%
	Operating income	6.6	3.6	−45.1%
Other Business	Revenues	43.9	16.6	−62.1%
	Gross profit	2.5	1.7	−29.4%
	Operating income	0.1	−4	—
Total	Revenues	231.4	204.1	−11.8%
	Gross profit	29.0	25.6	−11.6%
	Operating income	12.7	8.9	−29.5%

*Figures exclude "adjustments" from segment summary information.

Consolidated Operating asset balance (Billions of yen) — Chart 4



Noboru Watanabe
Executive Officer

Tomoo Imazeki
President

Keisuke Takegahara
Executive Officer, Deputy Chief Research Officer, Economic & Industrial Research Department Development Bank of Japan Inc.

Seiichiro Kodama
Moderator/ Department Manager of IR & PR Department

Putting CSV management into practice and creating new values

Having established a Group Vision "To be a global solution service company that aims to enhance social value with customers," we strive to realize that vision. Through this dialogue, we discussed the direction of management NEC Capital Solutions should take considering the value we offer, our role, and our strength.

Delving deeply into field of expertise as we take on business model transformation

Kodama Ten years have now passed since our company began advocating leasing as an industry conducive to recycling. Since then, major changes have taken place in the leasing business. Although it was initially an innovative concept, the increase in environmental consciousness has led to the incorporation not just of leasing, but also of systems for reuse and recycling. Additional changes have also come to taxation, accounting and other systems, so that the role played by leasing itself as an infrastructure supporting Japan's high rates of growth has undergone a major change. Given these circumstances, leasing has now developed beyond the framework of a recycling-based industry, which has been our emphasis. We are now eager to seek out what our company can do in terms of the new possibilities of leasing and finance functions.

Takegahara Unlike in past high-growth periods, domestic plant and equipment investment are shrinking, and as overseas production takes on central importance, it's probably fair to say that we can hardly expect soaring domestic leasing transaction volumes. In the negative interest rate, many financial institutions, including leasing companies, are in a serious situation looking for new revenue models. Virtually all leasing companies are taking on the challenge of transforming their business models, be it through overseas market entry, partnerships in other industries, or even moving into other industries themselves. As this happens, I imagine that they are thinking of specializing in their areas of expertise, and offering services that go beyond the concept of leasing.

Imazeki In the case of our group, we face the question of how to move forward while maintaining the essence of our business, which oriented toward providing services. That is, we provide the customer with the ability to choose the value of using things rather than possessing things. As I see it, the biggest issue that we face moving forward is specifically how we are going to do this.

Takegahara Considering the progress of the digital society, don't you think that your strong partnership with NEC is a great strength? For example, the "PIT Managed Service" that you have developed over the past decade or so. This service provides "use value" instead of "thing" over the entire life cycle of ICT assets. I think this is a unique business that takes advantage of your strengths.

Imazeki We offer a package that includes software installation and settings configuration, as well as operation and management including security, and then recovery and data deletion after it is no longer in use. In doing so, we see ourselves as providing an ICT asset service that has value as such. Previously, large corporations would typically manage ICT assets within their systems departments, so the need for adoption of service packages was limited. In recent years, however, personnel in charge of information systems have been required to possess more sophisticated skill levels, which has made it more difficult for large corporations to secure the specialized staff they need. This has led to a sense that demand for these kinds of services is reemerging at companies ranging in size from large to medium.

Takegahara Big data is often talked about in terms of advanced IT usage, but what is important is its analysis. Many companies are currently trying to collect big data, but there is a problem that there is no or insufficient function to analyze the collected data in-house. I can't help thinking that this situation represents a major business opportunity for NEC as well. Considering the potential for providing new added value (monetization) through the partnership with NEC, I think that your company is in an extremely advantageous position.

Imazeki Up to now, NEC itself has come as far as gathering Big Data, which they then provided to customers. But more recently, they have been seeking out ways of taking the collected Big Data and using it to produce analysis results which then can serve as the basis for solutions that can be proposed to customers. I sense possibilities in these moves by NEC in that our company's capabilities can be of use in ways different from in the past.

Watanabe We are currently producing our Medium-term Business Plan, which starts next fiscal year, and one of its core themes is the shift from "selling things" to "selling services". A major point is going to be how to respond to the trend toward services.

Imazeki Among the considerations in Next Medium-term Business Plan is the positioning of "creating services unique to our company" as the core of our initiatives to realize our Group Vision. Our partnership with NEC goes beyond Big Data as we explore what kinds of services our company can provide.

Takegahara Each of the various leasing companies is currently shifting toward a wide range of services, touting subscription, recurring and other forms of lease. But your company has already taken the lead by offering PIT managed services for more than ten years in areas of your unique strengths. Do you think that your accumulated know-how will give you an advantage in terms of horizontal expansion?

Imazeki Exactly as you point out, we're thinking of expanding into other commercial products and services, not just ICT-related PCs and network devices.

Takegahara I think it must be leasing companies like yours, which have attained a thorough understanding of the value of "things," that have the ability to properly provide services that meet labor-saving and automation needs.

Government agencies and municipalities business and RISA business

Takegahara I think the biggest strength your company has is your track record of providing government agencies and municipalities with leasing and other services, which spans the 40 years since your founding. Government administrative services essentially consist of efficiently providing things that cannot be provided through market principles. Your company has been providing back-up support for that, and has established a revenue model for it. I think the fact that your company has been continually chosen over so many years is evidence of your practical value and reliability.

Imazeki I think that the essential role of government agencies and municipalities is to resolve social issues and to increase or generate social value. Our company has elevated and maintained various facets of social value from the standpoint of finance for government administrative bodies by supporting their core systems, long-term ICT leasing programs, disaster prevention and mitigation efforts, and crime prevention. This kind of support amounts to a basis for the foundations of social infrastructure, and forms the root of our company's CSV management.

Kodama Together with the public office and local government business, I think our company's RISA business plays the same kind of role with respect to local economic revitalization.

Takegahara I was impressed to know that your subsidiary RISA Partners Inc. (RISA) provided investment capital effectively when the flow of funding when the flow of funding from capital markets for local economic revitalization became sluggish.

Watanabe RISA is involved in renovating the business operations of long-established traditional ryokan inns and hotels across the country. RISA's advantages lie in the agility with which it is able to provide this function in business fields where financial institutions cannot step in. They are renovating a number of businesses by optimizing the strengths of the investment target, bringing efficiency to management and, where necessary, remodeling or rebuilding.

Takegahara A term meaning "SDGs finance for local revitalization" has emerged amid the recent situation in which the conventional business model of local financial institutions no longer works. RISA has a track record of performance in SDGs finance supporting the build-up of local communities by reaching out to areas where major financial institutions and local financial institutions can't reach. I get the sense that there is great potential in this.

Imazeki I think there are differences between the customers served by our company and RISA in terms of grouping and stages. And yet, I feel that to a certain extent, the NEC Capital Solutions brand probably has the effect of promoting the RISA business.

Takegahara I definitely think it does. They can call it "SDGs finance for local revitalization," but some unfamiliar outsider isn't necessarily going to be able to get things done just by barging in. I think it's precisely because your company has built up solid relationships of trust over so many years with local public-sector organizations that people in these local communities are receptive to RISA.

Platform services provider that bridges communities and industry as a company and financial institution

Takegahara You're also undertaking new business launches. If you have some examples of these new initiatives, could you tell us about them?

Imazeki I'd like to tell you about our initiative with Mirai Kyouso Farm Akita. This effort is aimed at effecting local revitalization in the Hachirogata Kantaku district (Ogata-mura) of Akita Prefecture through the establishment of a high-profitability agricultural management model. This is a region with rice cultivation at its core, but where land that can't be used for rice paddies due to acreage reduction policies has been abandoned, reverting to waste for 30 to 40 years. Turning this land into rice paddies is no longer an option. So we turned to production of onions, which should be seen as a new regional specialty.
In 2018, we secured 60 hectares of crop fields, so that 2019 will be our second year. We have now begun taking on the challenge of true mixed-agriculture rice and field crop cultivation and large-scale agriculture.

Takegahara Cultivating a new local specialty product really is an initiative that leads to local economic revitalization, isn't it? Is your company providing support from the standpoint of finance?

Imazeki In addition to that kind of support, we are engaging as an entrepreneurial body, getting to know the actual conditions of the investment target and the issues they face. We want to participate thoroughly in management, so we go beyond providing capital to assign full-time personnel as well. In July of this year, we had an opportunity to observe the shipment operations for the onions that had been produced. When we did, we heard that the start of production of onions, a high-revenue crop, provided the occasion for Ogata-mura to qualify for a nationally-run irrigation channel improvement project that had been long-overdue in the local area. They described a crisis situation in which the budget was not forthcoming with rice cultivation alone, so unless some changes were made, rice cultivation itself couldn't be sustained. We were greatly pleased that we were able to contribute to the establishment of infrastructure that led to local revitalization.

Takegahara That's a very moving story. One distinctive characteristic of a leasing company is that it has facets of both a financial institution and a business firm. What's expected of you is that you can exploit that characteristic to apply your function as a platform services provider that forms a bridge between local community and industry.

Watanabe There are restrictions under the Banking Act of Japan on the initiatives of financial institutions. But neither our company nor RISA has any such restrictions. Our initiative in Akita is one in which the capabilities of RISA, as described earlier, are applied to local revitalization, and in which our company is demonstrating its distinctive character. As we move forward, I'm hoping that, through the customer base of our services for government agencies and municipalities, we can increase opportunities for us as a group to propose the kind of combined business projects we just discussed.

Imazeki In the future, as we take conventional leasing as a stable revenue base, I think it will be necessary for us to indicate as clearly as possible how all of our business operations can help resolve the social issues of local revitalization and how we will grow as a company.

Takegahara From the standpoint of regional financial institutions, it is difficult to limit operations to specific business areas and delve deeply into them. But leasing companies have the advantage of being able to determine their business domains on their own. Your company also has a foundation of strong relationships of trust with government agencies and municipalities, and the partnership with NEC brings digital advantages in areas like Big Data and IoT. And RISA can reach into areas that are beyond the reach of financial institutions. By using these factors to develop business that leads to solutions for social issues, you have produced results like those in Akita. I have clearly seen how your company has taken traditional finance leasing into a new world. It's been a very meaningful time today, asking you about the initiatives of your company and its ongoing evolution as a new leasing firm.

Supporting society together with customers Solutions for government agencies and municipalities

As a technologically sophisticated Japanese manufacturer, NEC Group does business with numerous government agencies and municipalities. Since our founding, our company has achieved growth by sharing that customer base, leasing NEC products to government agencies and municipalities. Even now, with business operations diversified, our transactions with public office and local government customers form the bedrock of our company's activities. Under our Group Vision, we take on initiatives to resolve social issues through our business operations. It is against this backdrop that we have gained experience supporting public office and local government customers that directly work to establish social infrastructure and resolve social issues.
Public offices and local governments work in an increasingly harsh environment, as they are required to address mounting social issues with limited budgets and resources. Amid these circumstances, how can we address these diverse social issues, and propose remedial measures through the services and solutions our company provides? We invited Tomoko Furuta, a leading consultant on public-sector business and President of LG Breakthrough Co., Ltd., to exchange views on this topic.

I can empathize with directly confronting with issues faced by government agencies and municipalities.

NEC Capital Solutions has been involved in business with government agencies and municipalities since its founding, and has achieved growth while establishing both social and economic value. I think it's fair to say that this truly is a company that realizes CSV management.
The sense I get in my work supporting clients as a public-sector business consultant is that companies which manage to grow through doing business with government agencies and municipalities have two factors in common. The first of these is that they have a management ethos and vision that puts resolving social issues with their own products and services before expansion of product and service sales channels. This leads, as a result, to sales channel and business expansion. The second factor is that they take a stance toward business in which they establish hypotheses for the client's issues, and provide products and services as solutions while building relationships of trust through a collaborative approach intimately involved in the client's issues. Your company has both of those factors.
Since they are exposed to drastic societal changes, local governments need "co-creation partners", which help create a future in which they can work together to solve problems. Business for government agencies and municipalities differs from private-sector business in that it takes a certain amount of time before results appear. This is precisely why there is so much competitive strength in insightful selling by posing hypotheses that take the future into account and then proposing solutions. The people in the workplace dealing with customers in person on a daily basis are the ones who have these business answers.
As we move into a future of an aging, declining population with low birthrate, local governments are arriving at a transformative period in which government administrative management has no alternative but to change. This is also a major business opportunity in which it will be possible to provide a wide range of solutions using ICT, artificial intelligence (AI), etc. As your company works on its partnership with NEC while maintaining leasing and ICT as its core business, you are in a role that is subject to ever-increasing expectations for expanding business while contributing to society.

Tomoko Furuta
President, LG Breakthrough Co, Ltd.

Pride that our persistent efforts are recognized

Since I joined the company, I've been involved in government agencies and municipalities as a matter of course. I feel flattered being told that the work I have been doing praised as "CSV".
Leasing service can be difficult to get a clear sense of who it is benefiting. Properties for lease are stamped with the seal of our company, which names us as their owner. I once happened to see that seal on a PC terminal in a small public facility in a local town I was visiting on a private matter, and I felt proud to see it even in such a place. It's a little thing, but I think other employees probably have the same kind of experience.
Transactions with government agencies and municipalities observe certain practices unique to them. The accumulation of minor operations adds up to a lot. And of course, there's no margin for error. This goes not just for the sales personnel who are in direct contact with the customer, but also for the staff who provide support from the sidelines.
When we conclude a contract for a project, the whole team shares the excitement with me. This is because I believe it's a result produced not just by the salesperson, but everyone who is involved in the project. Our company has been dealing with public office and local government customers for many years. I think this is proof that the quiet efforts made in the background by each and every employee are held in high repute. I intend to keep on applying myself so that they can get a real sense of how the work they engage in contributes to society, can feel how worthwhile their work is and can take pride in that.

Kazutake Yamamoto
General Manager of Government, Public and Social System Sales Division

Realizing dedication true to the future in CSV management

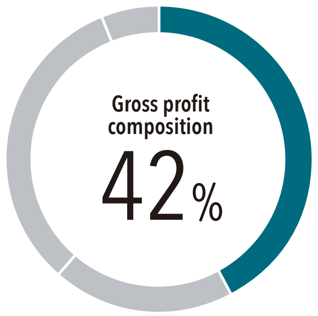
Our public office and local government projects are directly linked to social infrastructure and social issues. As noted in the Masuda Report*, municipalities in danger of extinction represent a major societal issue in Japan. To what extent can we demonstrate the value of our company against this challenge that has never been experienced before? It is our sales personnel who will grasp the key. We must discern the changes that are occurring on the scene, then evolve existing systems accordingly. We will get close to our customers so that we can think through their problems, then apply our perceptions and ideas for the future to proposed solutions that are truly needed by our customers and society. This genuinely is what Ms. Furuta meant by "co-creation partners." When a carefully thought-out proposal leads to a contract and the customer is also pleased, it gives the salesperson confidence, and also enables us to demonstrate our capabilities as an organization. I work to bring about growth through this virtuous cycle, on both the personal and organizational levels. It is precisely because these customers are government agencies and municipalities that making them happy is directly linked to solving social issues.
Working together with NEC, our company has provided many government agencies and municipalities with ICT infrastructure-based solutions. The fact that we can propose these solutions has to be because NEC Group has been providing these kinds of services. Bringing happiness to society, and growing as a person and as a company. We believe that persistent effort and ideas true to the future lead to the achievement of CSV management.

Miyoshi Yanagisawa
Executive Officer incharge of Government, Public and Social System Sales Division

*Masuda Report: Indicates content excerpted from "Continuous Growth in the 21st Century: Strategy to Stop Declining Birthrate and Vitalize Regional Localities," a report issued on May 8, 2014, by the Japan Policy Council, represented by former Minister of Internal Affairs and Communications Hiroya Masuda. It points out that across Japan, 896 local governments, or half of the country's municipalities, are threatened with extinction by 2040.

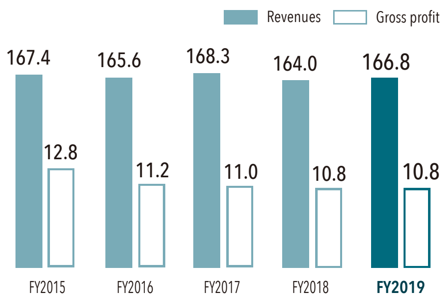
Leasing and Installment Sales Business

Leasing and installment sales of information devices and office equipment, industrial and construction machinery, etc.



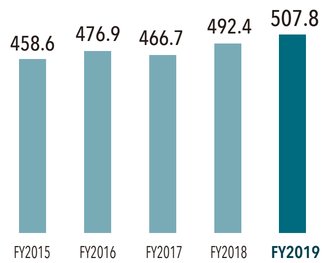
(Billions of yen)

Revenue and gross profit



(Billions of yen)

Operating asset balance

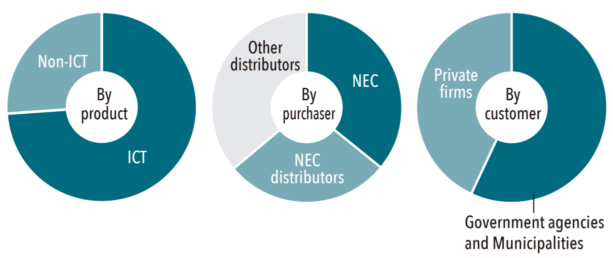


Overview and characteristics

Leasing and rental eases the burden on the customer that comes with ownership of "things", enabling them to utilize "function". The advantage to the customer is that this eliminates the need to prepare large one-time sums of capital for equipment investments, which leads to improved balance sheets. It also cuts down on the costs and labor associated with ownership, while improving business efficiency. Furthermore, since leased and rental property is returned to the leasing company, appropriate "3R" (reduce, reuse, recycle) processing becomes possible, promoting effective use of resources and reducing the environmental impact of waste.
Since our origins as a sales finance company promoting NEC products, ICT products have come to occupy a share of more than 70% of the value of leasing contracts executed by our company. By leveraging the know-how we have accumulated as a manufacturer affiliated leasing company, we offer maintenance leases that include equipment maintenance services, and vendor financing programs that provide financial services for vendors to use in product sales.

Many of our business transactions are with public offices and local governments, so that one of our distinctive characteristics as a company is that we support the financial aspects of establishing social infrastructure and revitalizing local economies.
In recent years, we have continued to diversify the operating assets we handle, including solar panels and other energy equipment, buildings, civilian aircraft, etc.

[Proportions of contracts executed]



COLUMN | Energy conservation service support to realize energy and cost savings

We provide companies that own or use factories, commercial facilities, offices, and other properties with a range of energy conservation services. When these facilities are to be modified for energy-related upgrades, we partner with service providers including energy suppliers, energy-saving firms and ESCO* companies to make proposals that include procurement of financing.

ESCO contracts offered in partnership with ESCO service providers have the distinctive characteristic of being able to offer one-stop service for facilities construction, operational management, capital procurement, cost burden leveling, energy cost-cutting, etc.

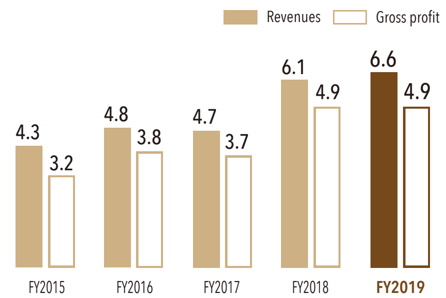
*ESCO: Energy Service Company, providing energy–saving services with effectiveness guarantees.

Finance Business

Corporate loan, factoring services and investment activities of securities held to obtain operating income, etc.

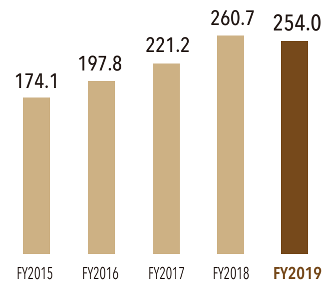
(Billions of yen)

Revenue and gross profit



(Billions of yen)

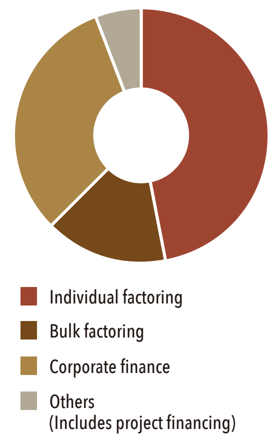
Operating asset balance



Overview and characteristics

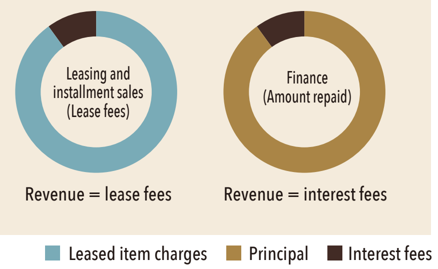
Our Finance Business includes corporate loans and factoring. Monetary loans are primarily company or project-oriented (project financing). In addition to providing financing to customers when they invest in plant and equipment, etc., we also offer various types of receivables liquidation programs or other offers to our customers and their customers.
For project financing, we offer loans to the Special Purpose Company (SPC) established for a given project, and can also provide the SPC with capital financing through investment allocation of stocks (for the latter case, included in security investments in the financial statement).
Factoring is a service that offers the advantages of efficient, timely capital procurement with early clearing of the customer's accounts receivable. We offer individual factoring for corporate customers and bulk factoring for NEC Group.

[Proportions of contracts executed]



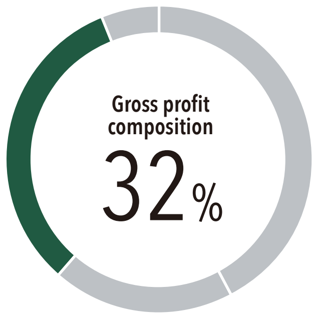
COLUMN | Differences in revenue between Leasing Business and Finance Business

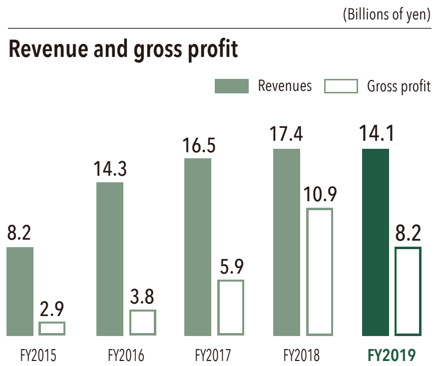
Revenue from the Finance Business has become extremely small compared to revenue from the Leasing and Installment Sales Business. This is because revenue recorded for the Leasing and Installment Sales Business includes leased property charges calculated as "lease fees" that include interest fees, etc., whereas in the Finance Business, only the interest fees are calculated into the revenue. At the gross profit stage, the Finance Business comprises 19% of the overall amount.

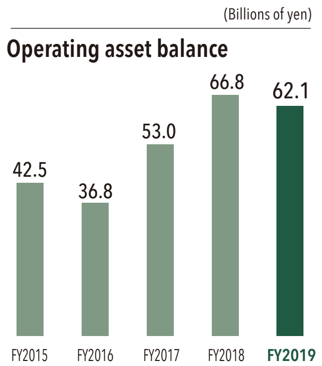


RISA Business

RISA Partners, Inc. invests in corporations, loan assets, and real estate as well as provides advisory services.







Overview and characteristics

We subsidized RISA Partners (hereafter RISA) in 2010 in order to diversify our financial services. Due to RISA's history of having implemented business mainly among financial institutions, they have built up a network of more than 180 local financial institutions. This is a different customer base from ours which comprises from public offices and local governments, as well as business corporations. Together with financial corporations, RISA offers optimal solutions to the management issues that local corporations face, providing support from the financial perspective with investment and loans, and from the standpoint of an advisor, leveraging specialized expertise in finance, real estate, etc.
RISA has gathered professionals from a wide variety specialized fields to be able to provide customers with a one-stop source of a multitude of functions and services that meet needs ranging from business growth support to improvement of capital efficiency, restoration of credit, and effective utilization of real estate.
In addition, we report our financial results in the following three categories.

	Functions and Services
Asset business	RISA Corporate Solutions Fund: Tourism Revitalization Mother Fund
Real estate	Corporate real estate support including rebuilding, effective use, shop opening, and fund concept support
Advisory	Advices related to corporate revitalization and development support

RISA's functions and expertise

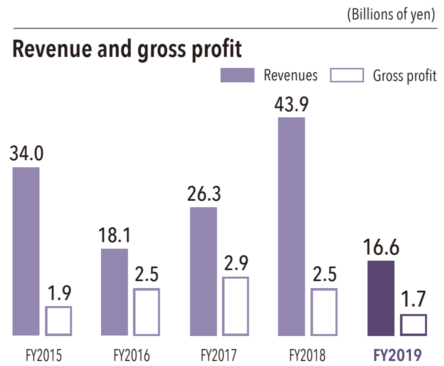
Leveraging a nationwide network to provide customers with optimal solutions

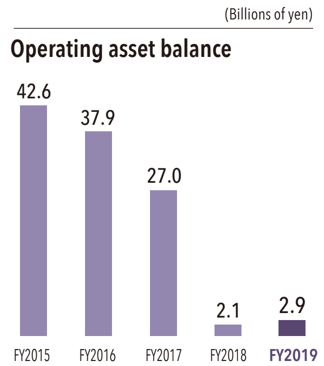
COLUMN | Enhanced business succession solutions for small to medium-sized companies

RISA has begun its business succession support business, which involves collaboration with local financial institutions to meet the growing nationwide need among small to medium-sized companies for business succession support. Small to medium-sized companies that want to solve business succession issues with local financial institutions. Local financial institutions that absorb the needs of local companies, and aim to establish themselves as main banks. By providing solutions that combine its corporate advisor function with corporate investment centering on the corporate value improvement fund it has cultivated (the RISA Corporate Solutions Fund), RISA aims to match the needs of small to medium-sized companies with those of local financial institutions.

Other Business

Purchase and sales of equipment, property sell-off of off-lease equipment or the termination or cancellation of leasing contracts, transaction fee business, venture capital investment, healthcare-related business, and generation and sales of solar energy, etc.





Overview and characteristics

In addition to the businesses noted below, this segment includes fees for recovery of maintenance costs incidental to leasing contracts, fees for arrangement of structured finance, streamlining for procedural efficiency in the customer's receivables management, and services as an agency for outsourcing needs.

Sale of used off-leased equipment

Through wholly-owned subsidiary Reboot Technology Services and Capitech Limited (CRTS), we have established a system for the purchase and sale of used ICT equipment upon the completion of leasing contracts.
CRTS sells several thousand units per month to entities in Japan and overseas after used ICT equipment is strictly inspected and the data is erased. CRTS has acquired the ISO 9001, 14001 and 27001 certifications and strives to fulfill its goal of providing the top level ICT life cycle services in Japan.

PFI / PPP business

PFI/PPP are public-private collaborative projects that make use of private-sector funding, management skills, and technical capabilities for building, managing, and operating public facilities. We have promoted PFI/PPP with a customer base of public offices and local governments that we have cultivated with our Leasing and Installment Sales Business. Our primary role has been to construct the most appropriate structures for the business, provide support for low-interest procurement of funds, and draft proposals for public offices and local governments. As of FY2019, we have been involved with 31 projects, including educational and cultural facilities.
The expansion of our business was evident in October 2018, when we became a representative contractor for the first time in our work on the "City of Tea and Uji Historical Park Maintenance and Operation Project (tentative name)" in Uji, Kyoto Prefecture.

Energy Business

In addition to solar power generation business through Special Purpose Companies (SPC), this segment handles the operation of new regional Power Producer and Suppliers (PPS) and the purchase and sale of power. Hamamatsu-Shindenryoku Ltd., a new local energy company established in 2015, uses power generation plants in the city of Hamamatsu to supply power to all elementary and junior high schools within the city under the concept of "local production and local consumption of power." The sources of power handled are not limited to solar, and have expanded to also include wind, biomass, and hydrogen. In April 2019, we became involved in a hydroelectric power generation project through capital participation in Mirai Energy Partners Co., Ltd.

Healthcare-related Business

In 2015, we established a healthcare and medical investment corporation together with Sumitomo Mitsui Banking Corporation and Ship Healthcare Holdings Inc. The investment corporation is currently listed on the J-REIT market, and support REIT operation through our warehousing business operations for the healthcare facilities.

Power that supports CSV management

We believe approaching issues from aspects of ESG such as initiatives toward environmental issues, development of human resource that can provide solutions to wide range of management issues customers face, and appropriate corporate governance are foundations to make CSV management a success. Each and every employee needs to understand the Group Vision and identify ESG challenges to realize the vision and sincerely confront those issues. Furthermore, building frameworks to heighten effectiveness is also imperative.
Here we introduce initiatives that form the foundation of CSV management.

Environment

Optimal ICT equipment lifecycle

ICT Asset Services Sales Department
Shinya Kai, Manager / Koji Matsuo, Manager / Takuyoshi Yamaguchi, Manager

Composition ratio of information and communication equipment in the leasing and installment sales business (Value of contracts executed) **74*%**

> Related information P19

Supporting customer eco-response

Vendor Finance Department 1
Yuka Shinki / Shuhei Kamada

Eco-Lease/Eco-Finance YoY change (Number of new transactions) **up129%**

> Related information P33

Social

Getting closer to each and every employee

Human Resources & General Affairs Department
Nobuhiro Morita, General Manager / Tetsuya Nakamura, Professional
Yoshihiro Ogawa, General Manager, Human Resources Group / Akane Kito, Assistant Manager

Engagement interviews implementation rate **100%**

> Related information P31

Helping build town community

PFI/PPP Promotion Department
Tetsuji Mochida, Assistant Manager / Katsuyuki Ichioka, Assistant Manager

PFI/PPP business outsourcing performance cumulative total **31 projects**

> Related information P22

Individual results* for FY2019 on a consolidated basis

Governance

— Messages from independent directors —

Let's discuss the dreams unique to the Company

Takashi Nawa
Outside Director
Professor
Hitotsubashi University
Graduate School of International Corporate Strategy

Five years have now passed since the establishment of our ten-year road map toward realizing CSV management, and we are making steady progress with the initiative. Leasing, the mainstay business in which we have made smooth progress in accumulating assets over these past five years, is a service which provides the functions of things rather than ownership of them. It is the essence of the subscription model that has gained so much attention in recent years. Even among the public offices and local governments that represent the majority of our leasing transactions, the use of leasing provides freedom from the restrictions of fiscal year budgets, making it possible to provide public services using state-of-the-art technologies and equipment. As these transactions with public offices and local governments form our Company's revenue base, we are realizing CSV management.
Achieving early profitability is something that's hoped for in establishing the new businesses we are focusing efforts on. As an independent director, I make sure to provide different perspectives that can liven up debate in Board of Directors meetings. Recently, with diversity attracting attention, the talk tends toward gender, and what's important is that differing opinions are debated actively. I want to take care to debate from a long-term perspective.
The key to achievement of our Group Vision is that each and every employee understands it as their own as they take on the effort. As we work toward CSV management, I want us to discuss the dreams within the Company, the excitement that we can achieve specifically and uniquely because of who we are as a company. This kind of thinking among employees will be the driver to our achievement of CSV management.

A key period in realizing our Vision

Masanori Itatani
Outside Director
Previously Director at Nomura Holdings, Inc.

When we look at progress on our Medium-Term Plan, we can see that initiatives toward realizing our Group Vision have produced even greater results than anticipated. However, as we move forward with further expansion of the foundation of our core businesses, we will face the need to make our lineup of newly established operations into a major pillar of our business portfolio. We must now map out a clear pathway to doing this in the work schedule of our next Medium-Term Plan, which makes this fiscal year a critical period for us.
Through our Board of Directors meetings, I want to look into whether we are sufficiently engaged in these activities. Our Company's Board of Directors has the appropriate structure and number of members to hold free and open debates, the seven of us being more or less evenly divided between internal and external members. In fact, we engage in sufficient debate from a wide range of perspectives regarding matters such as the direction our management strategy is to take. Aside from a structure reflecting all aspects of diversity, as an outside director, I take care not just to present my own thinking, but also to pose issues from different perspectives. In order for a Board of Directors to function, ties with other institutions are crucial, and we work together with the corporate auditors. And since the internal directors and those on the executive side have a firm grasp of the situation within the Company, my assessment is that their discussions mesh well with those of the Board of Directors.
Business success or failure is in the hands of our people. Our employees are crucial stakeholders in our Company. I hope that everyone will participate independently in realizing our vision.

Realizing Group Vision and our materialities

Our company is a diverse gathering of human resources with varied experience and background.
It is our Group Vision that defines the thinking which provides a common point of origin for all of our employees with diverse values. Materialities are the issues that we must address with priority in order to be the company that is depicted in our Group Vision. I would like to introduce the formation of our Group Vision and Materialities, in addition to the relevant efforts we are undertaking.

Drastically changing markets, diversifying human resources

The company changed its name to the current NEC Capital Solutions in November 2008. In April 2008, changes in lease accounting standards of Japan were formally applied. The off-balance processing that had been one of the advantages of using leases was no longer allowed for most lease transactions, and customers, primarily large corporate customers, continued to withdraw from leasing. Domestic leasing transaction volume, which had been powerful enough to approach ¥8 trillion in 2005, went into decline. By 2009, it had fallen to ¥5 trillion, partly due to the subsequent impact of the Lehman Shock financial crisis. Previously, our name had been "NEC Leasing". As the domestic market rapidly shrank and we sought ways of obtaining new revenue sources aside from leasing, we changed our name to NEC Capital Solutions. In addition to factoring and liquidation, we undertook Asset-Based Lending (ABL), which was a new technique at the time, M&A-related buyout financing as a highly specialized financial solution, and even mezzanine loans for real estate-related financing. It was during this time that we made a subsidiary of RISA Partners, Inc., with its strengths in corporate revitalization and investment business.

Shuichi Tezuka
Director

Our materialities

Expanding the revenue base

We are committed to improving profitability and expanding the revenue base to become a company desired by our stakeholders.

▶ Materialities

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

Strengthen management capability

We commit ourselves to reduce operational risks and improve operational execution to keep our competitive advantage in the market.

▶ Materialities

- Improve operational quality
- Ensure compliance

Corporate culture transformation

We commit ourselves to transform our corporate culture to have all the employees, as our biggest managerial asset, perform at their best.

▶ Materialities

- Improve employees satisfaction

A Group Vision to unify diverse values

Hiring of experienced personnel was behind the rapid business expansion accomplished in just several years. This is something that didn't only happen at that time. About 40% of our personnel are hired with experience. By adding personnel with a wide range of experience and knowledge to the existing workforce of the company, then called NEC Leasing, we were able to hone each other's skills, come up with fresh ideas, and support unique business implementation. At the same time, in order to unify diverse personnel and diverse values amid major changes in the market environment, the need emerged for an expression that would encapsulate what the company should be working for and give us a clear unifying point of origin when we were having difficulty making decisions. The result was the formulation of our Group Vision.

We incorporated into the Group Vision a CSV philosophy of enhancing social value through business operations. Although the phrase "enhancing social value" may have a high-handed ring to it, the business of leasing to government agencies and municipalities that is one of our company's distinctive characteristics truly is aimed at enhancing social value by building social infrastructure. This could be called the DNA that pulses throughout our company. Through our current advance into global business, it is flowing into further challenges as we venture into new domains of business.

The process of defining materialities

Defining priority issues — External survey analyses, as well as interviews with management and all executive officers resulted in specification of 135 issues

Compilation of issues according to the ISO26000 framework — These were consolidated into 29 issues under 7 core subjects

Evaluation of importance — While identifying the levels of importance to our company, we also tentatively identified levels of importance to stakeholders

Discussions with management — Working with management to verify the appropriateness of tentatively identified materiality importance levels

Determining materialities — Upon approval by management, KPI definition with all executive officers, and approval by the Management Committee

Dialogue with stakeholders — Holding exchanges of opinion with stakeholders on various themes

Revising materialities — Conducting revisions in light of changes in societal information and market trends, as well as dialogue

Materialities as tools for realizing our Group Vision

We established our effort to realize the Group Vision as a 10-year initiative spanning three medium-term plans. We also undertook the definition of materialities to serve as tools by which to measure progress. In general, we organized them from the standpoint of CSR using the ISO26000 framework, although we substituted the language based on our company activities in order to express them as our own Materialities. We did this in order to concretely specify actions that employees should take in our efforts to achieve CSV management that enhances social value through our business. In order to define issues, we conducted interviews with all company officers and executive officers, identifying the issues that each of them are confronting. These were compiled into 3 materialities and 29 relevant matters, with top priority assigned to 8 issues, to be addressed with the utmost urgency (see illustration on p. 26).

What we would like to draw attention to is the fact that "Improving employee satisfaction" has emerged as one of the top-priority issues. Since we are a financial services firm, our personnel are the source of our competitiveness. We took on workplace reform at the earliest possible moment, working to put in place a system by which to gather up employee opinions. I firmly believe that enabling personnel to enjoy their work raises productivity, and therefore also leads to improved business performance.

A dialogue session with the company president.

Toward resolving materialities

Materialities specified in this way have been incorporated into the departmental targets of each department and continuously monitored. Our company's Medium-Term Plans comprise three key elements: "expanding core areas," "developing new businesses" and "strengthening management capabilities." In moving forward with this strategy, we have smoothly accumulated assets through core areas of our leasing and installment businesses. Having sought out prospective new business areas for five years, we settled on the four fields of agriculture, tourism, energy and healthcare. In this way we have been advancing initiatives mindful of social issues through our work in establishing ICT infrastructure, revitalizing local communities and economies, preventing global warming and responding to the aging of the population. We have made steady progress in establishing systems to promote compliance and more efficient business operations, as we aim to achieve our Group Vision through efforts on these three key elements.

Enabling each and every employee to perform at their full potential

As expressed in the word "Solutions" in our company name, we intend to function as a company that can provide solutions to the various matters related to our customers' managerial resources. It is up to each and every one of our employees to manifest this intention, and the crucial thing in its practical application is for employees to understand our Group Vision as their own. Our company holds dialogue sessions between the president and all departments and office branches, timed to coincide with Group Vision and Medium-Term Plan formulation. These include discussions of the form that realization of our Group Vision is to take in each employee's own department.

If there are misconceptions, we correct course. If someone goes astray, we can discuss it together. And if there are problems, we work together with the appropriate department to make revisions or improvements. By regularly engaging in these efforts, I believe that we deepen our understanding, adopt a personal stake in things, and enable each and every employee to perform to the best of their ability in the position where they are. As we move toward realizing our Group Vision, I intend for us not only to execute our business strategy, but to step up our efforts with respect to the employees as well.

For our employees

To 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 undertake to provide our services to our customers. Mindful of this, we respect the individuality and human rights of each and every one of our employees as we strive for a personnel development that enables employees to demonstrate their creativity. Personnel strategy is thus included in Medium-Term Plan 2017 as one element in our strategy to strengthen our management capability.

Human resources development

Based on our human resources philosophy, we engage in human resources development that enables employees to continually contribute to societal transformation and growth through challenges they take on themselves, and to demonstrate their capabilities in the pursuit of customer satisfaction.

Human resources philosophy

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

Seven values

- Customers as our starting point
- Creation of innovation
- High ethical standards
- Pursuit of the essence of things
- Respect for diversity of thought
- The spirit of challenge
- Seeing it through

Implementing development

In order to realize our human resources philosophy, each and every one of our employees must acquire high levels of specialized knowledge, autonomy in their actions, and the skills to respond to changes in the market environment. Our Company works to build an abundant educational framework, while engaging in strategic personnel rotation that includes external training both domestically and overseas, as well as precisely ordered systems operation.

Work-style reform initiatives and work-life balance

In order to improve the productivity of business operations, we are moving forward with the establishment of an IT environment conducive to doing business any time, any place. This includes mobile PC and smartphone rentals, setting up satellite office facilities, etc. In order to support our employees in achieving a work-life balance, we have introduced a flexible work arrangement and a No-overtime Day while also undertaking an initiative to prevent extended work hours. We are also enhancing our system for the various categories of holidays and leaves related to childcare and nursing care, while working to promote the use of leave days.

Diversity

At our Company, where women in management positions are few, we are aware that women's empowerment is a top-priority management issue on which we must take initiative, and therefore established a Women's Empowerment Promotion Section in April 2017.

Specific actions aimed at empowering women include encouragement of job changes among those eager to take on the challenge of a broad range of high-level work duties, dispatch of employees to external educational institutions, support for acquisition of specialized expertise reflecting questionnaire survey results, and the hosting of workshops aimed at enabling employees to seek out a sense of self and the core essence of what work means to them.

Occupational health and safety

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

Corporate governance

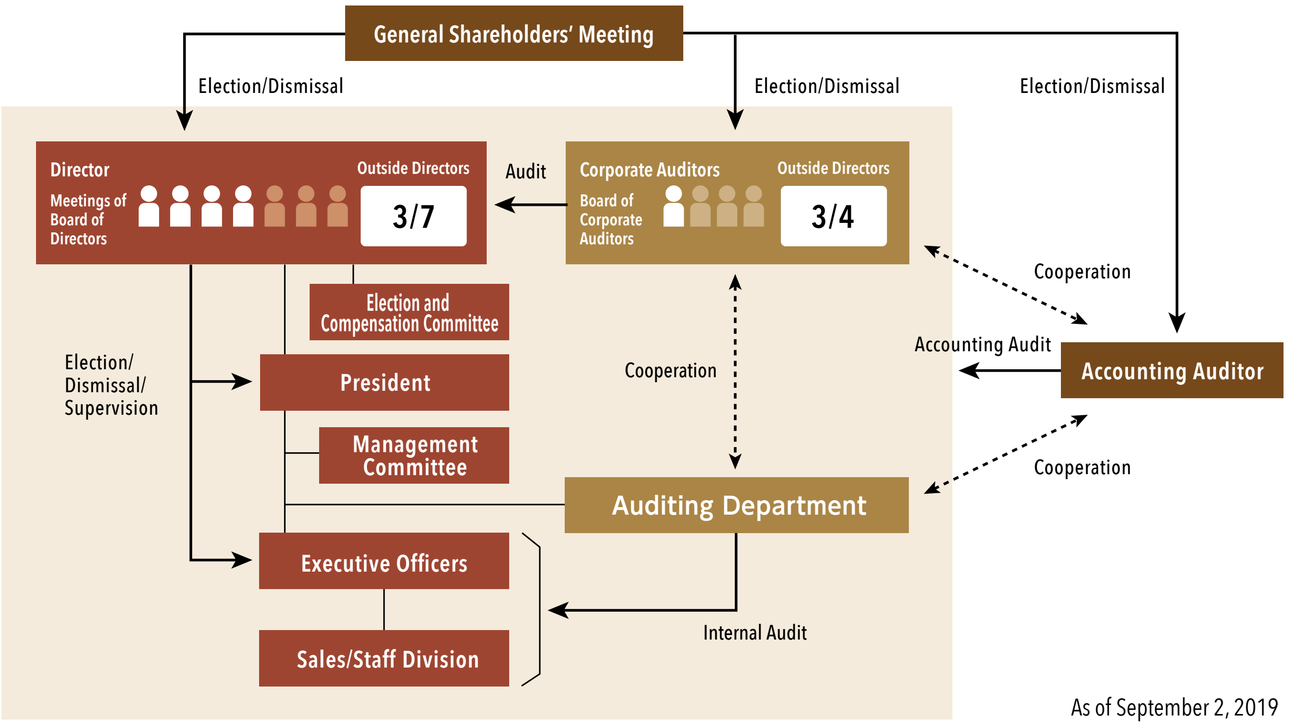
In order to realize CSV management, we have engaged in numerous dialogues from the perspectives of our stakeholders, including shareholders, members of the local community, customers and employees. At the same time, we have been monitoring and supervising management from a medium-term to long-term perspective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

Corporate governance system

In addition to general shareholder meetings, we have instituted a Board of Directors and an Accounting Auditor under the Companies Act. And we have introduced an executive officer system in order to further speed decision-making and strengthen the supervisory and monitoring functions of the Board of Directors.

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 a Voluntary Compensation Committee
Nov. 2018	Established Voluntary Election and Compensation Committee

Corporate governance system schematic



As of September 2, 2019

Meetings of Board of Directors

Three out of NEC Capital Solutions' seven 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 15 meetings in FY2019. Two of the outside directors are independent with no interests in the Company 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 insight and extensive experience.

> Messages from our independent directors can be found on P24.

Assessments of Board of Directors effectiveness

Analysis and assessment of the effectiveness of Board of Directors are conducted once a year at the Board of Directors meeting to improve its function. NEC Capital Solutions conducted a questionnaire survey through an outside agency for all directors and auditors in February 2019. The latest assessment confirmed that the Board of Directors was sufficiently effective during the FY2019 based on the results aggregated from this questionnaire survey and upon hearing opinions from the perspectives included below at a Management Roundtable comprising all directors and 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 directors) hold regular meetings of the Board of Corporate Auditors to discuss auditing activities based on auditing plan and management information.
Along with attending important internal meetings that include meetings of the Board of Directors and Management Committee, the Board of Corporate Auditors holds 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 the environment for auditing, in addition to gathering direct feedback from directors and employees regarding the execution of business.
The Auditing Department provides specific advice and recommendations regarding the improvement of business operations through internal audits, offers guidance on the development and operation of the internal control system, and evaluates its operation.

Director compensation

Regarding director compensation, the Board of Directors establishes a Nomination and Compensation Committee as a voluntary advisory body consisting of a majority of outside directors to deliberate compensation policy, levels and systems. Compensation comprises from supervisory compensation, executive compensation and monitoring compensation. Executive compensation includes a variable compensation component in order to promote commitment toward the short-term, medium-term and long-term targets among directors.

CSR management

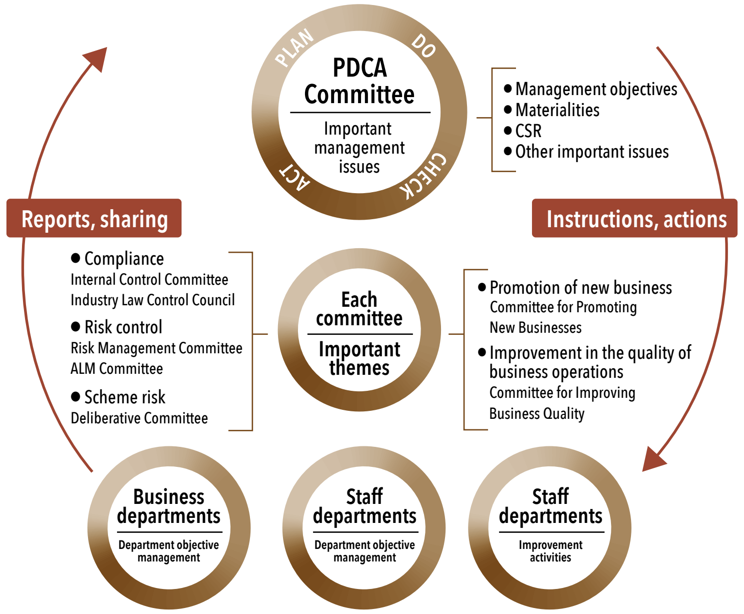
We aim to establish CSV management by monitoring and revising our business activities and engaging in multiple dialogues with our stakeholders.

Promoting CSR management

The CSV management that we advocate in our Group Vision is aimed at making our business activity itself a contribution to society.
In order to achieve this, it is necessary to promote both improvements in profits and CSR. We conduct monthly discussions concerning the progress of material policies and important issues concerning CSR in the "PDCA Committee" made up of the Representative Director and President, who works as the Chairman, and all of the executive officers.

PDCA management

Our Company operates under the PCDA cycle, from the management level to the employee level.
The prompt decision-making of the PCDA Committee affects the PDCA actions at the employee level. As the PDCA cycle decidedly runs at the employee level as well and various committees, the important management indicators and issues are reported and shared in a timely and appropriate manner.



Dialogue with stakeholders

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

> For details, please see "Dialogue with stakeholders" on P13-16.

Engagement interviews

Since 2017, we have been conducting one-on-one interviews between employees and human resources personnel in order to gain an understanding of the issues and workplace environments that employees face in the circumstances of their day-to-day work, to improve employee engagement* and organizational development, and to implement human resources policy to the fullest.

*Engagement: Feelings among employees of ardent commitment and earnest endeavor with respect to the Company and their work.

Main methods of communication	
Customers, Suppliers	Holding seminars and briefings, dialogue with stakeholders, etc.
Employee	Engagement interviews, employee opinion surveys, etc.
Shareholders, investors	Holding explanatory meetings, general shareholder meetings and one-on-one meetings, and participating in activities to establish a basis for disclosure of environmental information, questionnaire surveys for shareholders, etc.
Regional societies	Hosting of Minato Eco-Conscious Consortium (mecc) meetings, participation in various regional events, etc.
Environment	Principles for Financial Action for the 21st Century, Minato Ward environment beautification, activities with promotion councils, etc.

Risk management

We appropriately manage the diverse risks involved in business development.

Approach to risk management

In our view, the objective of risk management is to ensure the Company's survival and improve corporate value for stakeholders. Taking on some degree of risk is necessary in our business, but the materialization of such risks could result not only in losses on our financial statements, it could also 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 controlling risk-taking while also considering our risk tolerance, and thus enhance our relationship of trust with stakeholders.

Risk management system

The Company works to assure the persistence 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. A Risk Management Committee, with the President serving as the Chairman, has been established, tasked with building all risk countermeasures and management systems, supervising their implementation status, engaging in consultation, etc. The Corporate Planning Department ascertains and manages risks on a consolidated level.
Furthermore, various types of risks, such as credit risks and interest rate risks, are quantitatively measured using a unified scale, and the level of each measured risk is compared to the Company's capital and are then controlled.

Business continuity plan (BCP)

The Company has established a Business Continuity Plan (BCP) in which the basic policy is set out.
In the event of a major earthquake or other disaster, we will perform the necessary tasks for business continuity and speedy restoration in accordance with purpose-specific plan of action.

Compliance

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

Code of Conduct

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

Basic Position

1. We will always comply with relevant laws and regulations and this Code along with all other internal rules when conducting corporate activities, and strive to ensure their conformity to normal business practices and social ethics.
2. We will respect the basic human rights of all people in our corporate activities and never discriminate against them or impair their dignity based on race, beliefs, gender, age, social status, lineage, nationality, ethnicity, religion or disability.
3. We will respect the privacy of our customers, partners and employees.
4. We will maintain fair, impartial and transparent relations and conduct transactions even-handedly with all parties having an interest in the NEC Capital Solutions Group.
5. We will never conduct ourselves for personal gain or for a third party contrary to the fair benefit of the NEC Capital Solutions Group.
6. We will never act in a way damaging to the creditworthiness and honor of the NEC Capital Solutions Group.
7. We will formulate and implement a framework under which internal controls function effectively.
8. We will record financial and accounting data and all other information accurately and fairly, conduct business properly in accordance to relevant laws, regulations and internal rules, and never practice improper bookkeeping nor cause the NEC Capital Solutions Group to incur damages.
9. We are always conscious of our role as a member of society and will act with decency towards our fellow man based on an elevated sense of morality and ethics.

Compliance education

Each and every officer and employee of the Group understands the necessity and importance of compliance as the basis of all our business activities and receives compliance education each year according to the provisions of the NEC Capital Solutions Code of Conduct with the aim of executing operations properly. Specifically, all officers and employees including temporary employees of the entire Group receive the compliance training held every year. Group seminars are also conducted by external instructors on such individual themes as insider trading prevention.

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.

Policy on exclusion of antisocial forces

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

Information security

In order to provide the appropriate security countermeasures for our information systems, for unique information possessed by our Company, and for information provided to us by our customers and clients, we aim to maintain sound corporate activities and organizational management so that we will be trusted by our customers and clients.

Initiatives for improving information security

In 2006, we acquired the ISO 27001 certification, and we strive to maintain and improve the level of information security according to it. Also, we established a Privacy Policy, and we work to protect the personal information of our customers.

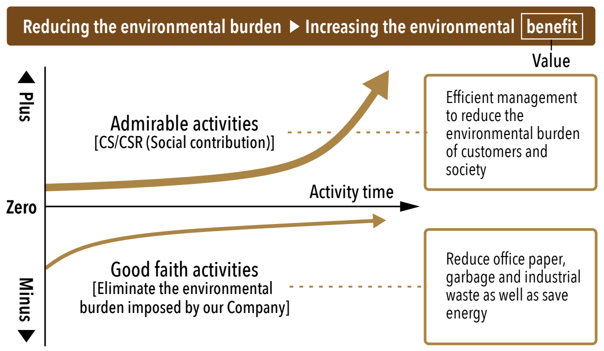
ISO/IEC 27001
JQA-IM0333

Initiatives addressing environmental issues

Our Company and RISA Partners, Inc., have acquired certification under ISO 14001, international environmental management standards. Under this system, we proactively promote eco-business practices with the aim of improving environmental benefit (value) for our customers and society by engaging in eco-business practices that have a positive effect on society overall through solutions to environmental issues.

EMS
JIS Q 14001
JSAE192

[Conceptual diagram of environmental benefit and environmental burden]



We certify "Eco-Lease/Eco-Finance" devices and equipment that contribute to solving environmental issues based on our own unique assessment criteria, and proactively promote their utilization.
As of March 2019, more than 200 items of equipment and facilities had been certified.

Tomoo Imazeki
Representative Director and President

April 1981	Joined NEC Corporation
July 2003	General Manager of Managing Planning Department, NEC Personal Products, Ltd.
May 2007	Department Manager of IR Office, Corporate Finance Division, NEC Corporation
April 2009	Executive Officer, NEC Infrontia Corporation
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)

Ryozo Aoki
Representative Director

April 1981	Joined NEC Corporation
April 2006	General Manager of Tohoku Branch Division, NEC Corporation
April 2012	Vice President under the direction of Senior Executive Officer of the Company
April 2013	Executive Officer of the Company
June	Director, Executive Officer of the Company
April 2014	Director, Senior Executive Officer of the Company
June 2017	Representative Director, Senior Executive Officer of the Company (incumbent)

Shuichi Tezuka
Director

April 1983	Joined NEC Corporation
April 2009	Chief Manager, Business Support Division, NEC Corporation
April 2011	Vice President RHR, NEC Asia Pacific Pte. Ltd.
April 2014	Senior Expert of Business Innovation Planning Department, NEC Corporation
April 2015	General Manager, Human Resources and General Affairs Division of the Company
April 2016	Executive Officer & General Manager, Human Resources and General Affairs Division of the Company
June	Director, Executive Officer & General Manager, Human Resources and General Affairs Division of the Company
April 2017	Director, Executive Officer of the Company
June	Director, Senior Executive Officer of the Company (incumbent)

Norio Natsume
Director

April 1984	Joined NEC Corporation
April 2007	Executive General Manger of New Solutions Development Department, NEC Corporation
April 2010	Executive General Manger of IT Platform Solution Division, NEC Corporation
April 2014	Executive General Manager of Business Innovation Planning Department, NEC Corporation
April 2015	Executive Specialist of Corporate Strategy Division, NEC Corporation
Sept 2016	Executive Consultant of the Company
April 2017	Executive Officer of the Company
June	Director, Executive Officer of the Company (incumbent)

Members of the Board (As of Monday, September 02, 2019)

Representative Director and President	**Tomoo Imazeki**
Representative Director	**Ryozo Aoki**
Director	**Shuichi Tezuka**
	Norio Natsume
	Takashi Nawa*1, 2 (Professor of Hitotsubashi University Graduate School of International Corporate Strategy)
	Masanori Itatani*1, 2 (Previously Director at Nomura Holdings, Inc.)
	Katsumi Fukuda*1 (Executive Planning Specialist of the Public Solutions Business Planning Division, NEC Corporation)

*1 Takashi Nawa, Masanori Itatani and Katsumi Fukuda are outside directors.
*2 Messrs. Takashi Nawa and Masanori Itatani are independent directors in line with the Tokyo Stock Exchange's regulations.

Corporate Auditors (As of Monday, June 24, 2019)

Corporate Auditors (full-time)	**Ikuo Homma**
	Wataru Otoda*3
Corporate Auditors	**Satoshi Okubo***3 (Assistant General Manager of Corporate Strategy Division and General Manager of Affiliates Business Department, Corporate Strategy Division, NEC Corporation)
	Toshiya Nihei*3 (Department Manager of Accounting Department, Enterprise Business Planning Division, NEC Corporation)

*3 Wataru Otoda, Satoshi Okubo and Toshiya Nihei are outside corporate auditors.

Executive Officers (as of April 02, 2019)

Senior Executive Officer: **Ryozo Aoki**, **Shuichi Tezuka**, **Katsuyuki Murai**

Norio Natsume
Noboru Watanabe
Takashi Arai
Tomoshige Shimura
Miyoshi Yanagisawa
Atsushi Okada
Yoshiyuki Koizumi
Soichi Takeshita
Naoto Fujita
Takashi Hayashi

Financial Section Contents

Operating and Financial Review

1. Business Results

In this fiscal year ended March 31, 2019, the Japanese economy was continuously in gradual improvement under the background of strong corporate business performances and overseas steady business conditions, as it is regarded that the longest economic expansion period in postwar has been achieved by the third quarter of the fiscal year ended March 31, 2019.

On the other hand, after the beginning of the calendar year 2019, there have been many uncertain factors in the prospects of Japanese economy, such as a clear slowdown in the Chinese economy affected by U.S.–China trade disputes, the stagnation in the European economy wavered by Brexit issue, and sharp slowdown of monetary policy normalization of the United States. Therefore, it is necessary to watch future trends carefully.

In the leasing industry in which the NEC Capital Solutions Group (the "Group") operates, the total value of leasing contracts of the leasing industry for the fiscal year ended March 31, 2019 has been ¥5,013 billion, which represents an increase by 2.8% compared with the previous fiscal year (based on Lease Statistics published by the Japan Leasing Association).

In these circumstances, the Leasing and Installment Sales Business of NEC Capital Solutions Limited (the "Company") sought to expand the transaction scale by utilizing good business relationships with government offices and local government, which are our main customers, as well as seeking demand in the private sector by expanding customer bases in private sector business and vendor finance programs which include small leasing business. As a result, the value of contracts secured and the value of contract executed both increased compared with the previous fiscal year. As a result of these business presence, revenues increased compared with the previous fiscal year, however, the operating income decreased due to the decrease in the reversal of allowance for doubtful accounts.

In the Finance Business, results remained almost the same level as the previous fiscal year in both contracts volume and the execution of contracts as a result of decreasing individual factoring, despite of activities in finance projects with extensive customers and strengthening activities in overseas cases. However, operating income increased by recognizing dividend income, interest income, and the reversal of allowance for doubtful debt.

In the RISA Business, operating income decreased due to large-scale sales of operational investment securities in the previous fiscal year, although dividend income and gain on sales of real estate for sale recognized in the current fiscal year.

In the Other Business, the Company aimed to expand business income, not only by renewable energy including solar energy, but also by various operation service menu related to ICT assets and new attempt to strengthen PFI/PPP business. However, operating losses were recorded due to the recognition of impairment loss on operational investment securities.

As a result of the Group's initiatives, total revenues decreased by 11.8% year on year, to ¥204,131 million ($1,839,018 thousand), and operating income decreased by 29.5%, to ¥8,929 million ($80,442 thousand), on a consolidated basis for the fiscal year under review. Profit attributable to owners of parent increased by 6.4%, to ¥6,391 million ($57,578 thousand), due to the decrease in income taxes and profit attributable to non-controlling interests.

A description of outcomes by business segment is provided below:

(i) Leasing and Installment Sales Business

Total revenues in this segment increased by 1.7% from the previous fiscal year, to ¥166,848 million ($1,503,132 thousand). Operating income decreased by ¥410 million ($3,687 thousand) from the previous fiscal year, to ¥4,087 million ($36,823 thousand), due to the decrease in reversal of allowance for doubtful accounts and others.

(ii) Finance Business

Total revenues in this segment increased by 8.4% from the previous fiscal year, to ¥6,644 million ($59,859 thousand) due to dividend and interest income, etc. Operating income increased by ¥190 million ($1,702 thousand) from the previous fiscal year, to ¥3,322 million ($29,923 thousand).

(iii) RISA Business

Though there were dividend income and sales of real estate for sale in this fiscal year, total revenues in this segment decreased by 19.4% from the previous fiscal year, to ¥14,051 million ($126,593 thousand), due to large-scale sales of operational investment securities by funds in the previous fiscal year. Operating income decreased by ¥2,984 million ($26,884 thousand) from the previous fiscal year to ¥3,634 million ($32,739 thousand).

(iv) Other Business

Total revenues in this segment decreased by 62.1% from the previous fiscal year, to ¥16,650 million ($149,997 thousand), due to large-scale sales of health-care related real estate for sale in the previous fiscal year. Operating income decreased by ¥493 million ($4,439 thousand) and this segment recorded operating loss of ¥355 million ($3,197 thousand), due to impairment of operational investment securities.

2. Forecasts for Fiscal Year Ending March 31, 2020

The Japanese economy in the year ending March 31, 2020 is considered that the future situation is becoming unclear due to the uncertain factors in domestic and overseas. There are some concerns as a factor of growth suppression regarding overseas, such as confusion of the market with clear slowdown of the Chinese economy and the sharp slowdown of monetary policy normalization of the United States and concerns regarding Japan, such as serious labor shortages.

Also, as for the environment surrounding leasing business, it is necessary to watch the movement of lease accounting standards in Japan in accordance with the change in global accounting standards of leases.

Given this context, in order to grow as a financial service business company within NEC group and contribute to "Development of Japan based on revitalization of local area." The Group intends to promote CSV (Creating Shared Value) management which creates common value for both business value and social value through various solution businesses. As a fundamental policy, the Group launched the Group Vision "To be a global solution service company that aims to enhance social value with our customers."

Based on the environment and policies mentioned above, we aim at "Complete core areas and develop new businesses" in the next fiscal year which is the final year of "Mid-Term Plan 2017." We enhance the value of leasing and installment contracts executed and expand business opportunities not only by providing unique services including PFI and ICT, and expanding global businesses, but also by an energy related endeavor and attempt to various assets.

Based on these actions, the Group forecasts revenue of ¥210 billion on a consolidated basis for the fiscal year ending March 31, 2020, a 2.9% increase from the current fiscal year.

Furthermore, profit attributable to owners of parent is forecasted to be ¥6.5 billion for the fiscal year ending March 31, 2020 increased by 1.7% compared with the current fiscal year, by maintaining growth of each segment including Lease and Installment Sales Business. These profit levels substantially exceed the original profit levels forecasted at the time of preparing "Mid-Term Plan 2017." It is considered that the whole plan of three-year profit planning will be achieved substantially above the level originally forecasted if this forecast would be achieved.

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, 2019) 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 the fiscal year under review decreased by ¥10,812 million ($97,405 thousand) year on year, to ¥895,683 million ($8,069,217 thousand). This decrease mainly reflected a decrease of ¥14,438 million ($130,068 thousand) in cash and cash equivalents, a decrease of ¥7,033 million ($63,362 thousand) in loan, offsetting an increase of ¥9,006 million ($81,137 thousand) in lease receivables and investment in leases.

Liabilities at the end of the fiscal year under review decreased by ¥5,821 million ($52,444 thousand) year on year, to ¥789,684 million ($7,114,270 thousand). This decrease mainly reflected a decrease of ¥16,183 million ($145,797 thousand) in short-term borrowings and a decrease of ¥4,341 million ($39,114 thousand) in long-term debt, offsetting an increase of ¥14,112 million ($127,130 thousand) in current portion of long-term debt.

Net assets at the end of the fiscal year under review decreased by ¥4,991 million ($44,961 thousand) year on year, to ¥105,999 million ($954,947 thousand). This decrease mainly reflected a decrease of ¥9,392 million ($84,616 thousand) in non-controlling interests, offsetting an increase of ¥5,250 million ($47,297 thousand) in retained earnings for profit attributable to owners of parent.

4. Cash Flow Status

Cash and cash equivalents at the end of the fiscal year under review were ¥20,687 million ($186,369 thousand).

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

(Cash Flows from Operating Activities)

Net cash provided by operating activities was ¥5,661 million ($51,001 thousand), compared with net cash used in operating activities of ¥31,596 million for the previous fiscal year. This was primarily attributable to profit before income taxes of ¥8,986 million ($80,956 thousand), depreciation and amortization of ¥10,123 million ($91,196 thousand) and decrease in loans receivable of ¥7,033 million ($63,362 thousand), offsetting purchases of leased assets of ¥13,074 million ($117,784 thousand) and increase in lease receivables and investment in leases of ¥9,006 million ($81,137 thousand).

(Cash Flows from Investing Activities)

Net cash used in investing activities was ¥97 million ($876 thousand), compared with net cash used in investing activities of ¥12,923 million for the previous fiscal year. This was primarily attributable to purchase of investment securities of ¥12,777 million ($115,110 thousand), offsetting proceeds from redemption of investment securities of ¥13,444 million ($121,116 thousand).

(Cash Flows from Financing Activities)

Net cash used in financing activities was ¥19,999 million ($180,173 thousand), compared with net cash provided by financing activities of ¥36,196 million for the previous fiscal year. This was primarily attributable to repayment of long-term debt/bond of ¥155,339 million ($1,399,455 thousand), decrease in short-term borrowings of ¥17,254 million ($155,441 thousand) and cash dividends paid to non-controlling interests of ¥15,028 million ($135,383 thousand), offsetting increase in long-term debt/bond of ¥164,664 million ($1,483,463 thousand).

Consolidated Balance Sheets

NEC Capital Solutions Limited
March 31, 2019 and 2018

Assets	Millions of Yen 2019	Millions of Yen 2018	Thousands of U.S. Dollars (Note 1) 2019
Current assets:			
Cash and cash equivalents (Notes 12, 13)	**¥20,687**	¥35,125	**$186,369**
Time deposits	**424**	—	**3,824**
Lease receivables and investment in leases (Notes 11, 12, 13)	**431,727**	422,721	**3,889,434**
Accounts receivable:			
Installment sales (Note 13)	**20,235**	18,706	**182,293**
Loans (Notes 8, 13, 17)	**243,683**	250,716	**2,195,340**
Leases (Note 13)	**20,202**	20,010	**181,996**
Purchased receivables (Note 13)	**12,873**	18,472	**115,975**
Allowance for doubtful accounts	**(4,951)**	(5,183)	**(44,602)**
Operational investment securities (Notes 6, 12, 13)	**18,393**	13,333	**165,698**
Real estate for sale (Note 12)	**3,740**	6,454	**33,694**
Securities (Notes 6, 13)	**—**	1,710	**—**
Other (Note 13)	**13,616**	12,935	**122,674**
Total current assets	**780,629**	794,999	**7,032,695**
Property and equipment, net:			
Leased assets (Note 5)	**54,704**	50,283	**492,828**
Assets held for own use (Notes 5, 12)	**4,843**	4,528	**43,629**
Property and equipment, net	**59,547**	54,811	**536,457**
Intangible assets:			
Computer programs leased to customers	**1,426**	1,092	**12,847**
Goodwill	**2,364**	3,450	**21,299**
Software and other	**2,120**	1,727	**19,101**
Total intangible assets	**5,910**	6,269	**53,247**
Investments and other assets:			
Investment securities (Notes 6, 12, 13)	**39,248**	38,055	**353,582**
Net defined benefit asset (Note 10)	**258**	253	**2,328**
Deferred tax assets (Notes 4, 9)	**6,088**	4,952	**54,851**
Other (Note 13)	**6,223**	9,277	**56,059**
Allowance for doubtful accounts	**(2,220)**	(2,121)	**(20,002)**
Total investments and other assets	**49,597**	50,416	**446,818**
Total assets	**¥895,683**	¥906,495	**$8,069,217**

The accompanying notes are an integral part of these statements.

Liabilities and net assets	Millions of Yen 2019	Millions of Yen 2018	Thousands of U.S. Dollars (Note 1) 2019
Current liabilities:			
Short-term borrowings (Notes 7, 8, 13)	**¥208,493**	¥224,676	**$1,878,315**
Current portion of long-term debt (Notes 7, 12, 13)	**167,747**	153,635	**1,511,232**
Notes and accounts payable – trade (Notes 13, 17)	**20,353**	17,580	**183,358**
Accrued income taxes (Note 13)	**813**	1,371	**7,321**
Deposits received (Note 13)	**1,413**	1,943	**12,726**
Allowance for bonuses	**833**	776	**7,502**
Other (Note 13)	**16,239**	16,426	**146,309**
Total current liabilities	**415,891**	416,407	**3,746,763**
Long-term liabilities:			
Long-term debt (Notes 7, 12, 13)	**365,101**	369,442	**3,289,195**
Net defined benefit liability (Note 10)	**2,139**	2,091	**19,272**
Other	**6,553**	7,565	**59,040**
Total long-term liabilities	**373,793**	379,098	**3,367,507**
Total liabilities	**789,684**	795,505	**7,114,270**
Net assets:			
Shareholders' equity			
Common stock	**3,777**	3,777	**34,026**
Authorized:86,000,000 shares Issued:21,533,400 shares			
Capital surplus (Note 16)	**4,646**	4,648	**41,853**
Retained earnings (Note 16)	**80,156**	74,906	**722,127**
Treasury stock, at cost	**(1)**	(1)	**(7)**
466 shares in 2019 and 430 shares in 2018			
Total shareholders' equity	**88,578**	83,330	**797,999**
Accumulated other comprehensive income			
Net unrealized gains on marketable securities	**537**	913	**4,839**
Deferred losses on hedging derivatives	**(298)**	(11)	**(2,687)**
Foreign currency translation adjustments	**154**	157	**1,388**
Remeasurements of defined benefit plans	**(5)**	176	**(40)**
Total accumulated other comprehensive income	**388**	1,235	**3,500**
Non-controlling interests	**17,033**	26,425	**153,448**
Total net assets	**105,999**	110,990	**954,947**
Total liabilities and net assets	**¥895,683**	¥906,495	**$8,069,217**

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, 2019 and 2018

Consolidated Statements of Income	Millions of Yen 2019	Millions of Yen 2018	Thousands of U.S. Dollars (Note 1) 2019
Revenues:			
Leases	**¥ 166,475**	¥ 163,676	**$ 1,499,771**
Installment sales	**362**	328	**3,258**
Loans	**6,644**	5,945	**59,859**
Other	**30,650**	61,483	**276,130**
Total revenues	**204,131**	231,432	**1,839,018**
Costs:			
Leases	**152,922**	150,347	**1,377,674**
Interest expense	**4,901**	4,598	**44,154**
Other	**20,719**	47,529	**186,660**
Total costs	**178,542**	202,474	**1,608,488**
Gross profit	**25,589**	28,958	**230,530**
Selling, general, and administrative expenses	**16,660**	16,284	**150,088**
Operating income	**8,929**	12,674	**80,442**
Other income (expenses):			
Interest and dividend income	**84**	68	**758**
Interest expense	**(20)**	(23)	**(182)**
Equity in earnings of affiliates	**93**	(69)	**841**
Gain on sales of investment securities	**16**	7	**144**
Loss on valuation of investment securities	**(8)**	(14)	**(73)**
Foreign exchange (loss) gain	**(538)**	641	**(4,850)**
Loss on disposal of property and equipment	**(3)**	(12)	**(30)**
Gain on sales of shares of subsidiaries	**4**	—	**36**
Gain on reversal of asset retirement obligations	**181**	—	**1,634**
Loss on disaster	**(100)**	—	**(901)**
Other, net	**348**	184	**3,137**
Profit before income taxes	**8,986**	13,456	**80,956**
Income taxes (Note 9):			
Current	**1,873**	2,694	**16,876**
Deferred	**(811)**	340	**(7,304)**
	1,062	3,034	**9,572**
Profit	**7,924**	10,422	**71,384**
Profit attributable to non-controlling interests	**1,533**	4,416	**13,806**
Profit attributable to owners of parent	**¥ 6,391**	¥ 6,006	**$ 57,578**

The accompanying notes are an integral part of these statements.

Consolidated Statements of Comprehensive Income	Millions of Yen 2019	Millions of Yen 2018	Thousands of U.S. Dollars (Note 1) 2019
Profit	**¥ 7,924**	¥ 10,422	**$ 71,384**
Other comprehensive income (loss):			
Net unrealized losses on marketable securities	**(348)**	(51)	**(3,133)**
Deferred (losses) gains on hedging derivatives	**(281)**	200	**(2,532)**
Foreign currency translation adjustments	**(4)**	(43)	**(34)**
Remeasurements of defined benefit plans	**(180)**	193	**(1,623)**
Share of other comprehensive income of associates accounted for using equity method	**(31)**	(29)	**(284)**
Total other comprehensive (loss) income	**¥ (844)**	¥ 270	**$ (7,606)**
Comprehensive income	**¥ 7,080**	¥ 10,692	**$ 63,778**
Comprehensive income attributable to:			
Owners of parent	**5,546**	6,360	**49,959**
Non-controlling interests	**1,534**	4,332	**13,819**

	Yen 2019	Yen 2018	U.S. Dollars (Note 1) 2019
Amounts per share:			
Basic net income	**¥ 296.81**	¥ 278.93	**$ 2.67**
Cash dividends applicable to the year	**55.00**	50.00	**0.50**

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, 2019 and 2018

		Millions of Yen									
		Shareholders' Equity				Accumulated other comprehensive income					
	Number of shares issued (Thousands of shares)	Common stock	Capital surplus	Retained earnings	Treasury stock	Net unrealized gains (losses) on marketable securities	Deferred gains (losses) on hedging derivatives	Foreign currency translation adjustments	Remeasure-ments of defined benefit plans	Non-controlling interests	Total net assets
Balance at March 31, 2017	21,533	¥ 3,777	¥ 4,648	¥ 69,847	¥ (1)	¥ 917	¥ (219)	¥ 200	¥ (17)	¥ 29,670	¥ 108,822
Profit attributable to owners of parent				6,006							6,006
Cash dividends				(947)							(947)
Purchase of treasury stock					(0)						(0)
Other, net						(4)	208	(43)	193	(3,245)	(2,891)
Balance at March 31, 2018	21,533	3,777	4,648	74,906	(1)	913	(11)	157	176	26,425	110,990
Profit attributable to owners of parent				**6,391**							**6,391**
Cash dividends				**(1,141)**							**(1,141)**
Purchase of treasury stock					**(0)**						**(0)**
Sales of shares of consolidated subsidiaries			**(2)**								**(2)**
Other, net						**(376)**	**(287)**	**(3)**	**(181)**	**(9,392)**	**(10,239)**
Balance at March 31, 2019	**21,533**	**¥ 3,777**	**¥ 4,646**	**¥ 80,156**	**¥ (1)**	**¥ 537**	**¥ (298)**	**¥ 154**	**¥ (5)**	**¥ 17,033**	**¥ 105,999**

	Thousands of U.S. Dollars (Note 1)									
	Shareholders' Equity				Accumulated other comprehensive income					
	Common stock	Capital surplus	Retained earnings	Treasury stock	Net unrealized gains (losses) on marketable securities	Deferred gains (losses) on hedging derivatives	Foreign currency translation adjustments	Remeasure-ments of defined benefit plans	Non-controlling interests	Total net assets
Balance at March 31, 2018	$ 34,026	$ 41,874	$ 674,830	$ (7)	$ 8,221	$ (99)	$ 1,417	$1,582	$ 238,063	$999,907
Profit attributable to owners of parent			**57,578**							**57,578**
Cash dividends			**(10,281)**							**(10,281)**
Purchase of treasury stock				**0**						**0**
Sales of shares of consolidated subsidiaries		**(21)**								**(21)**
Other, net					**(3,382)**	**(2,588)**	**(29)**	**(1,622)**	**(84,615)**	**(92,236)**
Balance at March 31, 2019	**$ 34,026**	**$ 41,853**	**$ 722,127**	**$ (7)**	**$ 4,839**	**$ (2,687)**	**$ 1,388**	**$ (40)**	**$ 153,448**	**$954,947**

The accompanying notes are an integral part of these statements.

Consolidated Statements of Cash Flows

NEC Capital Solutions Limited
Years ended March 31, 2019 and 2018

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2019	2018	2019
Cash flows from operating activities			
Profit before income taxes	**¥ 8,986**	¥13,456	**$ 80,956**
Adjustments to reconcile profit before income taxes to net cash provided by (used in) operating activities:			
Depreciation and amortization	**10,123**	10,477	**91,196**
Amortization of goodwill	**1,131**	1,086	**10,188**
Decrease in allowance for doubtful accounts	**(133)**	(2,177)	**(1,198)**
Increase in allowance for bonuses	**57**	104	**512**
Increase in net defined benefit liability	**37**	23	**329**
Interest and dividend income	**(84)**	(68)	**(759)**
Interest expense	**4,907**	4,626	**44,204**
Foreign exchange loss (gain)	**1,131**	(1,817)	**10,193**
Equity in earnings of affiliated companies	**(93)**	69	**(841)**
Gain on sales of investment securities	**(16)**	(93)	**(144)**
Loss on valuation of investment securities	**398**	39	**3,588**
Increase in installment sales receivables	**(1,528)**	(2,815)	**(13,769)**
Increase in lease receivables and investment in leases	**(9,006)**	(18,185)	**(81,137)**
Decrease (Increase) in loans receivable	**7,033**	(38,960)	**63,362**
Decrease in purchased receivables	**5,193**	2,254	**46,781**
Increase in operational investment securities	**(4,318)**	(2,092)	**(38,897)**
Decrease in real estate for sale	**3,260**	20,988	**29,372**
Purchases of leased assets	**(13,074)**	(9,620)	**(117,784)**
Proceeds from sales of leased assets	**2,131**	1,123	**19,199**
Other, net	**(2,818)**	(4,042)	**(25,375)**
Subtotal	**13,317**	(25,624)	**119,976**
Interest and dividend income received	**100**	126	**903**
Interest paid	**(4,901)**	(4,555)	**(44,159)**
Income taxes paid	**(2,855)**	(1,543)	**(25,719)**
Net cash provided by (used in) operating activities	**5,661**	(31,596)	**51,001**
Cash flows from investing activities:			
Proceeds from redemption of securities	**1,700**	—	**15,315**
Purchases of assets held for own use	**(1,652)**	(528)	**(14,887)**
Purchases of investment securities	**(12,777)**	(22,816)	**(115,110)**
Proceeds from sales of investment securities	**196**	2,489	**1,766**
Proceeds from redemption of investment securities	**13,444**	7,804	**121,116**
Increase in time deposits	**(424)**	—	**(3,824)**
Other, net	**(584)**	128	**(5,252)**
Net cash used in investing activities	**(97)**	(12,923)	**(876)**
Cash flows from financing activities:			
(Decrease) Increase in short-term borrowings, net	**(17,254)**	25,254	**(155,441)**
Increase in long-term debt/bond	**164,664**	138,445	**1,483,463**
Repayment of long-term debt/bond	**(155,339)**	(118,959)	**(1,399,455)**
Cash dividends paid	**(1,141)**	(948)	**(10,282)**
Cash dividends paid to non-controlling interests	**(15,028)**	(13,792)	**(135,383)**
Proceeds from stock issuance to non-controlling interests	**4,088**	6,196	**36,831**
Other, net	**11**	—	**94**
Net cash (used in) provided by financing activities	**(19,999)**	36,196	**(180,173)**
Foreign currency translation adjustments on cash and cash equivalents	**(3)**	(384)	**(20)**
Net decrease in cash and cash equivalents	**(14,438)**	(8,707)	**(130,068)**
Cash and cash equivalents at beginning of year	**35,125**	43,832	**316,437**
Cash and cash equivalents at end of year	**¥ 20,687**	¥ 35,125	**$ 186,369**

The accompanying notes are an integral part of these statements.

Notes to Consolidated Financial Statements

NEC Capital Solutions Limited
Year ended March 31, 2019

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 ¥111.00 = U.S.$1.00, the approximate rate of exchange in effect on March 31, 2019. 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 59 consolidated subsidiaries for the year ended March 31, 2019, such as Reboot Technology Services and Capitech Limited, RISA Partners, Inc. (64 consolidated subsidiaries for the year ended March 31, 2018).

9 companies are newly included in consolidated subsidiaries since their establishment or acquisition in the fiscal year ended March 31, 2019.

14 subsidiaries were excluded from the scope of consolidation due to 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.

8 companies have been accounted for by the equity method due to their establishment and others in the fiscal year ended March 31, 2019.

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 47 consolidated subsidiaries are different from the Group's fiscal year-end, and are December 31. Anonymous partnership Phoenix and 1 other company 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 (expenses) 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 equipments related to solar power generation facility is computed by the straight-line method.

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

Depreciation of property and equipment leased to customers;

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

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

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

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

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

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

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

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

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

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

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

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

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

3. Unapplied accounting standards

"Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 30, 2018)
"Implementation Guidance on Accounting Standard for Revenue Recognition" (ASBJ Guidance No. 30, March 30, 2018)

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

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

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

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

4. Change in presentation

The Group adopted "Partial Amendments to Accounting Standard for Tax Effect Accounting" (ASBJ Statement No. 28, February 16, 2018) from the beginning of the current fiscal year and changed the classification of "Deferred tax assets" to "Investments and other assets," and "Deferred tax liabilities" to "Long-term liabilities." Simultaneously, Note 9 "Income Taxes" are also changed.

As a result, in the previous fiscal year, "Deferred tax assets" of ¥3,587 million classified as "Current assets" is reclassified into "Deferred tax assets" of ¥4,952 million classified as "Investments and other assets." Also, ¥20 million included in "Other" of ¥16,426 million classified as "Current liabilities" is reclassified into "Other" of ¥7,565 million classified as "Long-term liabilities."

As for Note 9 "Income Taxes," those specified in notes 8 (excluding total amount of valuation allowance) and 9 of "Accounting Standard for Tax Effect Accounting," which are required in paragraphs 3 to 5 of ASBJ Statement No.28, are additionally included. However, this additional information corresponding to the previous fiscal year is not disclosed, in accordance with the transitional treatments prescribed in paragraph 7 of ASBJ Statement No.28.

5. Accumulated depreciation of property and equipment

Accumulated depreciation of property and equipment at March 31, 2019 and 2018 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2019	2018	2019
Leased assets	¥ 35,790	¥ 33,242	$ 322,436
Assets held for own use	1,806	1,535	16,269

6. Investment Securities

Investment securities at March 31, 2019 and 2018 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2019	2018	2019
Current:			
Marketable available–for–sale securities	¥ —	¥ 1,710	$ —
Non–marketable available–for–sale securities	18,392	13,333	165,698
Total	¥ 18,392	¥ 15,043	$ 165,698
Non-current:			
Marketable available–for–sale securities	¥ 3,919	¥ 2,987	$ 35,311
Non-marketable available–for–sale securities	26,057	25,400	234,744
Non-consolidated subsidiaries and affiliated companies	9,272	9,668	83,527
Total	¥ 39,248	¥ 38,055	$ 353,582

The aggregate acquisition cost and fair value of available–for–sale securities with readily determinable market value at March 31, 2019 and 2018 were as follows:

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

	March 31, 2018			
	Acquisition cost	Unrealized gain	Unrealized loss	Fair value
	Millions of Yen			
Available–for–sale securities:				
Current				
Debt securities	¥ 1,700	¥ 10	—	¥ 1,710
Non–current				
Equity securities	706	719	42	1,383
Debt securities	200	—	—	200
Other (trust beneficiary rights, etc.)	1,388	22	6	1,404
Total	¥ 3,994	¥ 751	¥ 48	¥ 4,697

	March 31, 2019			
	Acquisition cost	Unrealized gain	Unrealized loss	Fair value
	Thousands of U.S. Dollars			
Available–for–sale securities:				
Non–current				
Equity securities	$ 6,364	$ 4,742	$ 389	$ 10,717
Debt securities	15,914	177	143	15,948
Other (trust beneficiary rights, etc.)	8,483	163	—	8,646
Total	$ 30,761	$ 5,082	$ 532	$ 35,311

Non-marketable available–for-sale securities whose fair value was not readily determinable at March 31, 2019 and 2018 were as follows:

	Carrying value		
	Millions of Yen		Thousands of U.S. Dollars
	2019	2018	2019
Non-marketable available-for-sale securities:			
Equity securities	¥ 20,074	¥ 16,355	$ 180,847
Debt securities	111	91	1,000
Other (investment in partnerships, etc.)	24,264	22,287	218,595
Total	¥ 44,449	¥ 38,733	$ 400,442

Available–for–sale securities sold during the fiscal year ended March 31, 2019 and 2018 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2019	2018	2019
Equity securities:			
Sales prices	¥ —	¥ 8,510	$ —
Total gains on sales	—	5,758	—
Total losses on sales	—	—	—

7. Short–Term Borrowings and Long–Term Debt

Short–term borrowings at March 31, 2019 and 2018 were as follows:

	Millions of Yen		Thousands of U.S. Dollars	Weighted-average interest rate
	2019	2018	2019	2019
Short–term loans from banks	¥ 40,493	¥ 41,676	$ 364,802	3.26%
Commercial paper	168,000	183,000	1,513,513	0.01%
Total	¥ 208,493	¥ 224,676	$ 1,878,315	—

Long–term debt at March 31, 2019 and 2018 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars	Weighted-average interest rate
	2019	2018	2019	2019
Long-term loans, principally from banks	¥ 430,089	¥ 414,399	$ 3,874,676	0.56%
Payables under securitized lease receivables	12,759	18,679	114,940	0.95%
Unsecured bonds	90,000	90,000	810,811	0.41%
Total	532,848	523,078	4,800,427	—
Less current portion	167,747	153,636	1,511,232	—
	¥ 365,101	¥ 369,442	$ 3,289,195	—

The aggregate annual maturities of long-term debt subsequent to March 31, 2019 are summarized as follows:

Year ending March 31,	Millions of Yen	Thousands of U.S. Dollars
2020	¥ 167,747	$ 1,511,232
2021	108,878	980,879
2022	113,218	1,019,981
2023	66,525	599,321
2024	42,015	378,513
2025 and thereafter	34,465	310,501
	¥ 532,848	$ 4,800,427

At March 31, 2019, the Company had overdraft facilities or line-of-credit agreements with 41 financial institutions that were set up in order to procure working capital efficiently. The unused committed lines of credit under such agreements at March 31, 2019, totaled ¥241,020 million ($2,171,355 thousand).

At March 31, 2018, 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, 2018, totaled ¥219,688 million.

8. Commitment

Loan commitment as lender

As of March 31, 2019 and 2018, the Company had the following balances:

	Millions of Yen		Thousands of U.S. Dollars
	2019	2018	2019
Loan commitment agreements	¥ 34,572	¥ 30,984	$ 311,461
The loans provided under these credit facilities	16,547	12,525	149,074
Aggregated balance of loan commitments available for customers of the Company	¥ 18,025	¥ 18,459	$ 162,387

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

9. Income Taxes

The Company and its domestic consolidated subsidiaries are subject to Japanese national and local income taxes that, in the aggregate, resulted in a statutory tax rate of approximately 30.62% for the year ended March 31, 2019 and 30.86% for the year ended March 31, 2018.

The tax effects of significant temporary differences that resulted in deferred tax assets and liabilities at March 31, 2019 and 2018 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2019	2018	2019
Deferred tax assets:			
Net operating loss carryforwards (*2)	¥ 6,809	¥ 6,433	$ 61,339
Allowance for doubtful accounts	2,187	2,220	19,706
Tax adjustments for lease transactions	1,083	1,297	9,755
Loss on valuation of investment securities	1,400	914	12,614
Net defined benefit liability	576	563	5,188
Accrued bonuses	286	265	2,573
Other	1,072	1,200	9,658
Subtotal	13,413	12,892	120,833
Valuation allowance for tax loss carryforward (*2)	(5,418)	—	(48,808)
Valuation allowance for total amount of deductible temporary differences and other	(1,717)	—	(15,469)
Valuation allowance (*1)	(7,135)	(7,461)	(64,277)
Total deferred tax assets	¥ 6,278	¥ 5,431	$ 56,556
Deferred tax liabilities:			
Net unrealized gain on marketable securities	(166)	(308)	(1,499)
Other	(73)	(243)	(655)
Total deferred tax liabilities	(239)	(551)	(2,154)
Net deferred tax assets	¥ 6,039	¥ 4,880	$54,402

(*1) The amount of valuation allowance decreased by ¥326 million ($2,938 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, 2019 are as follows:

	Millions of Yen						
	Due within 1 year	Due after 1 year through 2 years	Due after 2 year through 3 years	Due after 3 year through 4 years	Due after 4 year through 5 years	Due after 5 years	Total
Net operating loss carryforwards (a)	¥ —	¥ 1,671	¥ 3,538	¥ 46	¥ 52	¥ 1,502	¥ 6,809
Valuation allowance	—	(888)	(3,166)	(46)	(52)	(1,266)	(5,418)
Deferred tax assets	—	783	372	—	—	236	(b) 1,391

	Thousands of U.S. Dollars						
	Due within 1 year	Due after 1 year through 2 years	Due after 2 year through 3 years	Due after 3 year through 4 years	Due after 4 year through 5 years	Due after 5 years	Total
Net operating loss carryforwards (a)	$ —	$15,055	$31,874	$415	$471	$13,525	$61,340
Valuation allowance	—	(7,999)	(28,520)	(415)	(471)	(11,405)	(48,810)
Deferred tax assets	—	7,056	3,354	—	—	2,120	(b) 12,530

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

(b) Deferred tax assets of ¥1,391 million ($12,530 thousand) are recognized for tax loss carryforward of ¥6,809 million ($61,340 thousand), which is the amount after multiplying the statutory tax rate. Deferred tax assets of ¥1,391 million ($12,530 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 years ended March 31, 2019 and 2018 were as follows:

	2019	2018
Statutory tax rate	30.62%	30.86%
(Reconciliation)		
Amortization of goodwill	3.85%	2.49%
Adjustment related to distribution of net income of anonymous partnerships attributable to non-controlling interests	(6.64%)	(10.53%)
Valuation allowance	(18.68%)	(3.10%)
Other	2.67%	2.82%
Effective tax rate	11.82%	22.54%

10. Accrued Retirement Benefits

The Company has a defined-benefit corporate pension plan, a defined-benefit plan with guaranteed benefits and a defined-contribution pension plan, as well as a severance indemnity plan covering virtually all employees other than directors and corporate auditors. The defined-benefit corporate pension plan is a cash balance pension plan sponsored by NEC Group and established since 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, 2019 and 2018 were as follows:

(1) Reconciliation of changes in defined benefit obligations

	Millions of Yen		Thousands of U.S. Dollars
	2019	2018	2019
Defined benefit obligations at beginning of year	¥ 4,514	¥ 4,363	$ 40,670
Service cost	224	225	2,014
Interest cost	50	48	447
Actuarial gains and losses	(3)	75	(27)
Benefits paid	(216)	(197)	(1,945)
Defined benefit obligations at end of year	4,569	4,514	41,159

(2) Reconciliation of changes in plan assets

	Millions of Yen		Thousands of U.S. Dollars
	2019	2018	2019
Plan assets at beginning of year	¥ 2,676	¥ 2,295	$ 24,112
Expected return on plan assets	67	57	603
Actuarial gains and losses	(9)	328	(85)
Employer contributions	91	90	817
Benefits paid	(137)	(94)	(1,232)
Plan assets at end of year	2,688	2,676	24,215

(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
	2019	2018	2019
Defined benefit obligations (funded)	¥ 2,595	¥ 2,610	$ 23,378
Plan assets	(2,688)	(2,677)	(24,215)
Subtotal	(93)	(67)	(837)
Defined benefit obligations (unfunded)	1,974	1,905	17,781
Net liability (asset) recognized in the consolidated balance sheet	¥ 1,881	¥ 1,838	$16,944
Net defined benefit liability	2,139	2,091	19,272
Net defined benefit asset	(258)	(253)	(2,328)
Net liability (asset) recognized in the consolidated balance sheet	¥ 1,881	¥ 1,838	$16,944

(4) Retirement benefit expenses

	Millions of Yen		Thousands of U.S. Dollars
	2019	2018	2019
Service cost	¥ 223	¥ 224	$ 2,014
Interest cost	50	48	447
Expected return on plan assets	(67)	(57)	(602)
Amortization of actuarial gains and losses	(253)	25	(2,281)
Retirement benefit expenses	(47)	240	(422)

(5) Adjustment amount of defined benefit plans

	Millions of Yen		Thousands of U.S. Dollars
	2019	2018	2019
Actuarial gains and losses	¥ (260)	¥ 278	$ (2,339)
Total	¥ (260)	¥ 278	$ (2,339)

(6) Remeasurement of defined benefit plans

	Millions of Yen		Thousands of U.S. Dollars
	2019	2018	2019
Unrecognized actuarial gains and losses	¥ 6	¥ (253)	$ 58
Total	¥ 6	¥ (253)	$ 58

(7) Percentage by major category of plan assets

	2019	2018
Debt securities	59.8%	59.3%
Equity securities	27.4%	26.3%
General account	8.8%	8.5%
Short-term assets	0.2%	2.7%
Other	3.8%	3.2%
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)

	2019	2018
Discount rate	1.1%	1.1%
Long-term expected rate of return on plan assets	2.5%	2.5%

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

The amount to be paid by the Company to the defined contribution plans was ¥45 million ($402 thousand) for the fiscal year ended March 31, 2019 and ¥43 million for the fiscal year ended March 31, 2018.

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 ¥-million and ¥212 million ($1,911 thousand) for the years ended March 31, 2018 and 2019, respectively.

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

	Millions of Yen		Thousands of U.S. Dollars
	2019	2018	2019
Plan assets	¥ 21,613	¥ —	$194,713
Actuarial obligations for pension plan finance calculation	20,979	—	188,997
Net amount	¥ 634	¥ —	$ 5,716

(2) Ratio of the Group's contribution to the total contributions of the multi-employer pension plans
For the year ended March 31, 2018
– % (From January 1, 2017 to December 31, 2017)
For the year ended March 31, 2019
1.83% (From January 1, 2018 to December 31, 2018)

(3) Supplementary explanation
The main factors of Net amount listed above (1) were general reserve (¥– million and ¥435 million ($3,918 thousand) for the years ended March 31, 2018 and 2019, respectively) and Retained Earnings (¥– million and ¥200 million ($1,797 thousand) for the years ended March 31, 2018 and 2019, respectively). In addition, ratio listed above (2) does not match the actual ratio afforded by the Group.

11. Lease Transactions

Information relating to finance leases of the Company as lessor for the year ended March 31, 2019 and 2018 is summarized as follows:

(1) Components of investment in leases

	Millions of Yen		Thousands of U.S. Dollars
	2019	2018	2019
Lease payments receivables	¥ 360,389	¥ 341,515	$ 3,246,743
Estimation of residual value	13,294	15,007	119,769
Unearned interest income	(15,459)	(16,373)	(139,272)
Investment in leases	¥ 358,224	¥ 340,149	$ 3,227,240

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

	Millions of Yen		Thousands of U.S. Dollars
	2019	2018	2019
Lease receivables			
Due within 1 year	¥ 25,614	¥ 28,915	$ 230,753
Due after 1 year through 2 years	20,007	21,056	180,243
Due after 2 years through 3 years	14,505	15,674	130,677
Due after 3 years through 4 years	7,976	10,707	71,856
Due after 4 years through 5 years	2,969	4,320	26,752
Due after 5 years	4,807	4,639	43,309
Investment in leases			
Due within 1 year	¥ 117,718	¥ 114,417	$ 1,060,523
Due after 1 year through 2 years	90,413	82,847	814,532
Due after 2 years through 3 years	68,346	63,577	615,734
Due after 3 years through 4 years	42,265	42,071	380,767
Due after 4 years through 5 years	21,464	17,929	193,372
Due after 5 years	20,182	20,674	181,816

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

	Millions of Yen		Thousands of U.S. Dollars
	2019	2018	2019
Due within 1 year	¥ 4,018	¥ 4,818	$ 36,199
Due after 1 year	12,974	13,982	116,885
Total	¥ 16,992	¥ 18,800	$153,084

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

	Millions of Yen		Thousands of U.S. Dollars
	2019	2018	2019
Due within 1 year	¥ 1,181	¥ 1,072	$ 10,638
Due after 1 year	10,012	9,898	90,201
Total	¥ 11,193	¥10,970	$100,839

12. Pledged Assets

Assets pledged as collateral as of March 31, 2019 and 2018 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2019	2018	2019
Cash and cash equivalents	¥ 53	¥ 94	$ 480
Lease receivables and investment in leases	1,420	1,452	12,790
Operational investment securities	4,792	4,828	43,167
Machinery and equipment	1,196	1,168	10,778
Total	¥ 7,461	¥ 7,542	$ 67,215

Liabilities secured by the assets pledged as collateral as of March 31, 2019 and 2018 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2019	2018	2019
Long-term debt	¥ 2,188	¥ 3,492	$ 19,706
Long-term debt due within a year	121	118	1,092
Other (Long-term liabilities)	53	53	480
Total	¥ 2,362	¥ 3,663	$ 21,278

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

	Millions of Yen		Thousands of U.S. Dollars
	2019	2018	2019
Investments in capital of subsidiaries and affiliates	¥ 128	¥ 128	$ 1,151
Total	¥ 128	¥ 128	$ 1,151

Assets pledged for loans of companies which were borrowed from the third parties, etc. as of March 31, 2019 and 2018 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2019	2018	2019
Accounts receivable - Loans	¥ 1,309	¥ 1,250	$ 11,793
Other (Current assets)	184	—	1,658
Investment securities	1,114	663	10,039
Other (Investments and other assets)	31	—	279
Total	¥ 2,638	¥ 1,913	$ 23,769

13. Financial Instruments

Year ended March 31, 2019

1. Financial instruments

(1) Policies for financial instruments

The Group provides financial services, such as leases, installment sales, and corporate loans, to a wide range of customers, including public offices, local governments, large companies, and small and medium enterprises. The Group also offers services, such as factoring, settlement and collection agency services, and securitization, meeting the financial needs of a diverse array of customers. In addition to these, the Group 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, 2019, the total market risk quantity (estimated amount of losses) of long-term fixed rate assets and liabilities was ¥11 million ($100 thousand).

(iii) Liquidity risk management

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

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

(4) Supplementary explanation about fair value of financial instruments

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

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

2. Fair value of financial instruments

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

	Millions of Yen			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	¥ 20,687	¥ 20,687	¥ —	$ 186,369	$ 186,369	$ —
(2) Lease receivables and investment in leases	431,727			3,889,434		
Allowance for doubtful accounts (*1)	(1,872)			(16,869)		
(*2)	429,855	431,485	1,630	3,872,565	3,887,254	14,689
(3) Installment sales receivable	20,235			182,293		
Allowance for doubtful accounts (*1)	(249)			(2,241)		
	19,986	20,047	61	180,052	180,603	551
(4) Loans receivable	243,683			2,195,340		
Allowance for doubtful accounts (*1)	(1,816)			(16,358)		
	241,867	242,965	1,098	2,178,982	2,188,873	9,891
(5) Accounts receivable–leases	20,202			181,996		
Allowance for doubtful accounts (*1)	(231)			(2,075)		
	19,971	19,971	—	179,921	179,921	—
(6) Purchased receivables	12,873			115,975		
Allowance for doubtful accounts (*1)	(784)			(7,059)		
	12,089	12,089	—	108,916	108,916	—
(7) Securities	—	—	—	—	—	—
(8) Income taxes receivable (*4)	580	580	—	5,229	5,229	—
(9) Investment securities	3,919	3,919	—	35,311	35,311	—
(10) Receivables from companies in bankruptcy and reorganization (*5)	3,338			30,072		
Allowance for doubtful accounts (*1)	(2,220)			(20,002)		
	1,118	1,118	—	10,070	10,070	—
Total assets	¥ 750,072	¥ 752,861	¥ 2,789	$ 6,757,415	$ 6,782,546	$ 25,131
(11) Short–term borrowings	¥ 208,493	¥ 208,493	¥ —	$ 1,878,315	$ 1,878,315	$ —
(12) Notes and accounts payable–trade	20,353	20,353	—	183,358	183,358	—
(13) Accrued income taxes	813	813	—	7,321	7,321	—
(14) Deposits received	1,413	1,413	—	12,726	12,726	—
(15) Other payable (*6)	960	960	—	8,654	8,654	—
Current portion of long–term debt and long-term debt						
(16) Bonds						
Current portion of bond	20,000			180,180		
Unsecured bonds	70,000			630,631		
	90,000	90,453	453	810,811	814,892	4,081
(17) Long–term debt						
Current portion of long–term debt	143,668			1,294,304		
Long–term debt	286,421			2,580,372		
	430,089	430,605	516	3,874,676	3,879,324	4,648
(18) Payables under securitized lease receivables						
Current	4,079			36,748		
Non–current	8,680			78,192		
	12,759	12,825	66	114,940	115,538	598
Total liabilities	¥ 764,880	¥ 765,915	¥ 1,035	$ 6,890,801	$ 6,900,128	$ 9,327
Derivatives (*3)	¥ 566	¥ 566	¥ —	$ 5,098	$ 5,098	$ —

(*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) 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.

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 the fair value to the extent practical.

(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 reflects 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

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

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

	Amount presented in the consolidated balance sheet	
	Millions of Yen	Thousands of U.S. Dollars
Unlisted stocks	¥ 21,082	$ 189,924
Investments in partnerships, etc.	32,639	294,045

These instruments are not included in (7) 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, 2019

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

	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	$ 186,369	$ —	$ —	$ —	$ —	$ —
Lease receivables and investment in leases (*1)(*2)	1,291,276	994,775	746,411	452,622	220,124	225,125
Installment sales receivable (*1)(*2)	72,622	46,939	33,233	22,860	9,509	2,785
Loans receivables (*2)	1,037,799	383,252	261,665	160,873	132,691	220,104
Accounts receivable–leases (*2)	181,996	—	—	—	—	—
Purchased receivables (*3)	47,527	644	245	44	1	3,159
Income taxes receivable	5,229	—	—	—	—	—
Available–for–sale securities						
Debt/bond	1,000	—	—	—	4,671	11,277
Total	$ 2,823,818	$ 1,425,610	$ 1,041,554	$ 636,399	$ 366,996	$ 462,450

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

(*2) Receivables from companies in bankruptcy and reorganization of ¥3,338 million ($30,072 thousand) are not included in the table above, because payments are not expected to be collected on schedule.

(*3) Purchased receivables of ¥7,143 million ($64,355 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, 2019.

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

	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	$ 1,878,315	$ —	$ —	$ —	$ —	$ —
Unsecured bonds	180,180	—	180,180	180,180	180,180	90,090
Long–term debt	1,294,304	950,664	818,114	411,509	197,138	202,947
Payables under securitized lease receivables	36,748	30,215	21,686	7,632	1,195	17,465
Total	$ 3,389,547	$ 980,879	$ 1,019,980	$ 599,321	$ 378,513	$ 310,502

Year ended March 31, 2018

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. Certain consolidated subsidiaries also make investments in corporate equities, loans receivable and real estate directly or 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, 2018, the total market risk quantity (estimated amount of losses) of long-term fixed rate assets and liabilities was ¥13 million.

(iii) Liquidity risk management

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

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

(4) Supplementary explanation about fair value of financial instruments

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

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

2. Fair value of financial instruments

The amounts presented in the consolidated balance sheet as of March 31, 2018, 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	¥ 30,577	¥ 30,577	¥ 35,125	¥ 35,125	¥ —
(2) Lease receivables and investment in leases	413,201		422,721		
Allowance for doubtful accounts (*1)	(2,885)		(2,106)		
(*2)	410,316	413,670	420,615	421,883	1,268
(3) Installment sales receivable	17,091		18,706		
Allowance for doubtful accounts (*1)	(398)		(239)		
	16,693	16,790	18,467	18,432	(35)
(4) Loans receivable	189,265		250,716		
Allowance for doubtful accounts (*1)	(2,856)		(1,760)		
	186,409	187,236	248,956	250,194	1,238
(5) Accounts receivable–leases	17,633		20,010		
Allowance for doubtful accounts (*1)	(354)		(315)		
	17,279	17,279	19,695	19,695	—
(6) Purchased receivables	17,135		18,472		
Allowance for doubtful accounts (*1)	(1,102)		(761)		
	16,033	16,033	17,711	17,711	—
(7) Securities	—	—	1,710	1,710	—
(8) Income taxes receivable (*4)	174	174	130	130	—
(9) Investment securities	6,121	6,121	2,987	2,987	—
(10) Receivables from companies in bankruptcy and reorganization (*5)	6,880		4,979		
Allowance for doubtful accounts (*1)	(2,384)		(2,121)		
	4,496	4,496	2,858	2,858	—
Total assets	¥ 688,098	¥ 692,376	¥ 768,254	¥ 770,725	¥ 2,471
(11) Short–term borrowings	¥ 131,873	¥ 131,873	¥ 224,676	¥ 224,676	¥ —
(12) Notes and accounts payable–trade	13,894	13,894	17,580	17,580	—
(13) Accrued income taxes	2,865	2,865	1,371	1,371	—
(14) Deposits received	3,738	3,738	1,943	1,943	—
(15) Other payable (*6)	1,443	1,443	883	883	—
Current portion of long–term debt and long–term debt					
(16) Bonds					
Current portion of bond	10,000		30,000		
Unsecured bonds	50,000		60,000		
	60,000	60,433	90,000	90,291	291
(17) Long–term debt					
Current portion of long–term debt	154,180		117,715		
Long–term debt	316,740		296,684		
	470,920	470,814	414,399	414,731	333
(18) Payables under securitized lease receivables					
Current	9,220		5,920		
Non–current	7,185		12,758		
	16,405	16,644	18,678	18,702	23
Total liabilities	¥ 701,138	¥ 701,704	¥ 769,530	¥ 770,177	¥ 647
Derivatives (*3)	¥ (900)	¥ (900)	¥ 1,742	¥ 1,742	¥ —

(*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) 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.

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 the fair value to the extent practical.

(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 reflects 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

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, 2018 were as follows:

	Amount presented in the consolidated balance sheet
	Millions of Yen
Unlisted stocks	¥ 17,074
Investments in partnerships, etc.	31,327

These instruments are not included in (7) 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, 2018

	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	¥ 35,125	¥ —	¥ —	¥ —	¥ —	¥ —
Lease receivables and investment in leases (*1)(*2)	143,333	103,903	79,251	52,777	22,249	25,313
Installment sales receivables (*1)(*2)	9,360	4,211	2,830	1,697	761	366
Loans receivables (*2)	145,264	32,267	26,184	14,765	10,419	21,951
Accounts receivables–leases (*2)	20,010	—	—	—	—	—
Purchased receivables (*3)	762	378	262	120	10	41
Income taxes receivable	130	—	—	—	—	—
Available–for–sale securities						
Debt/bond	1,801	—	—	—	—	200
Total	¥ 355,785	¥ 140,759	¥ 108,527	¥ 69,359	¥ 33,439	¥ 47,871

(*1) The amount of interest income is included in the maturity table above.
(*2) Receivables from companies in bankruptcy and reorganization of ¥4,979 million are not included in the table above, because payments are not expected to be collected on schedule.
(*3) Purchased receivables of ¥16,899 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, 2018.

	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	¥ 224,676	¥ —	¥ —	¥ —	¥ —	¥ —
Unsecured bonds	30,000	20,000	—	20,000	20,000	—
Long–term debt	117,715	142,754	101,793	12,954	17,764	21,419
Payables under securitized lease receivables	5,920	4,079	3,354	2,407	847	2,071
Total	¥ 378,311	¥ 166,833	¥ 105,147	¥ 35,361	¥ 38,611	¥ 23,490

14. Derivatives

Year ended March 31, 2019

(1) Derivatives for which hedge accounting is not applied

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

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

	March 31, 2019			
	Amount of contract	Gain	Loss	Fair value
	Thousands of U.S. Dollars			
Interest rate currency swap transactions				
receipt Yen, payment U.S. dollar	$ 277,423	$ 8,354	$ —	$ 8,354
receipt U.S. dollar, payment Malaysian Ringgit	14,100	—	(97)	(97)

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

(2) Derivatives for which hedge accounting is applied

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

Currency swaps that are accounted for using deferral hedge accounting

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

	Hedged item	March 31, 2019		
		Notional amount	Notional amount expiring on April 1, 2020 or after	Fair value (*1)
		Thousands of U.S. Dollars		
Interest rate currency swap transactions receipt Yen, payment U.S. dollar	Foreign currency lease transactions	$ 122,400	$ —	$ 176

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

Interest rate swaps that are accounted for using deferral hedge accounting

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

	Hedged item	March 31, 2019		
		Notional amount	Notional amount expiring on April 1, 2020 or after	Fair value (*1)
		Thousands of U.S. Dollars		
Interest rate swap transactions pay fixed, receive variable	Borrowings	$ 1,613,245	$ 966,054	$(3,335)

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

Year ended March 31, 2018

(1) Derivatives for which hedge accounting is not applied

Derivatives related to currency at March 31, 2018 were as follows:

	March 31, 2018			
	Amount of contract	Gain	Loss	Fair value
	Millions of Yen			
Interest rate currency swap transactions				
receipt Yen, payment U.S. dollar	¥ 19,599	¥ 1,865	¥ —	¥ 1,865
receipt U.S. dollar, payment Malaysian Ringgit	4,294	—	(107)	(107)

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, 2018 were as follows

Currency swaps that are accounted for using deferral hedge accounting

	Hedged item	March 31, 2018		
		Notional amount	Notional amount expiring on April 1, 2019 or after	Fair value (*1)
		Millions of Yen		
Interest rate currency swap transactions receipt Yen, payment U.S. dollar	Foreign currency lease transactions	¥ 13,005	¥ 13,005	¥ 110

Interest rate related transactions at March 31, 2018 were as follows:

Interest rate swaps that are accounted for using deferral hedge accounting

	Hedged item	March 31, 2018		
		Notional amount	Notional amount expiring on April 1, 2019 or after	Fair value (*1)
		Millions of Yen		
Interest rate swap transactions pay fixed, receive variable	Borrowings	¥ 128,639	¥ 64,492	¥ (125)

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

15. Segment Information

Years ended March 31, 2019 and 2018

(1) Overview of reportable segments

(i) Methods of identification of reportable segment

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

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

(ii) Products and services by reportable segment

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

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

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

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

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

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

(3) Information about revenues, profit or loss, assets, liabilities, and other items by reportable segment as of March 31, 2019 and 2018 was as follows:

2019	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	¥ 166,848	¥ 6,644	¥ 14,023	¥ 16,616	¥ 204,131	¥ —	¥ 204,131
Intersegment revenues	—	—	28	34	62	(62)	—
Total	¥ 166,848	¥ 6,644	¥ 14,051	¥ 16,650	¥ 204,193	¥ (62)	¥ 204,131
Segment income	¥ 4,087	¥ 3,322	¥ 3,634	¥ (355)	¥ 10,688	¥ (1,759)	¥ 8,929
Segment assets	529,657	253,366	69,205	15,867	868,095	27,588	895,683
Others							
Depreciation	¥ 9,534	¥ 89	¥ 52	¥ 343	¥ 10,018	¥ 105	¥ 10,123
Amortization of goodwill	—	—	1,077	54	1,131	—	1,131
Investment in affiliated companies	158	—	8,151	946	9,255	—	9,255
Increase in property and equipment and intangible assets	13,465	134	30	741	14,370	157	14,527

2019	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	$ 1,503,132	$ 59,859	$ 126,336	$ 149,691	$ 1,839,018	$ —	$ 1,839,018
Intersegment revenues	—	—	257	306	563	(563)	—
Total	$ 1,503,132	$ 59,859	$ 126,593	$ 149,997	$ 1,839,581	$ (563)	$ 1,839,018
Segment income	$ 36,823	$ 29,923	$ 32,739	$ (3,197)	$ 96,288	$ (15,846)	$ 80,442
Segment assets	4,771,690	2,282,574	623,470	142,943	7,820,677	248,540	8,069,217
Others							
Depreciation	$ 85,887	$ 806	$ 466	$ 3,091	$ 90,250	$ 946	$ 91,196
Amortization of goodwill	—	—	9,705	483	10,188	—	10,188
Investment in affiliated companies	1,420	—	73,429	8,526	83,375	—	83,375
Increase in property and equipment and intangible assets	121,305	1,210	272	6,671	129,458	1,417	130,875

- Adjustment of ¥(1,759) million ($(15,846) 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 ¥27,588 million ($248,540 thousand) in segment assets is corporate assets not allocated to each reportable segment.
- Adjustment of ¥157 million ($1,417 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.

2018	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	¥ 164,012	¥ 6,127	¥ 17,416	¥ 43,877	¥ 231,432	¥ —	¥ 231,432
Intersegment revenues	—	—	26	22	48	(48)	—
Total	¥ 164,012	¥ 6,127	¥ 17,442	¥ 43,899	¥ 231,480	¥ (48)	¥ 231,432
Segment income	¥ 4,497	¥ 3,132	¥ 6,618	¥ 138	¥ 14,385	¥ (1,711)	¥ 12,674
Segment assets	515,010	260,563	73,157	26,927	875,657	30,838	906,495
Others							
Depreciation	¥ 8,907	¥ 172	¥ 80	¥ 1,127	¥ 10,286	¥ 191	¥ 10,477
Amortization of goodwill	—	—	1,077	9	1,086	—	1,086
Investment in affiliated companies	99	—	7,477	717	8,293	—	8,293
Increase in property and equipment and intangible assets	11,035	71	34	78	11,218	79	11,297

- Adjustment of ¥(1,711) 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 ¥30,838 million in segment assets is corporate assets not allocated to each reportable segment.
- Adjustment of ¥79 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, 2019 and 2018 was as follows:

2019	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	¥ 54	¥ 1,131	¥ —	¥ 1,131
Balance at March 31, 2019	—	—	2,223	141	2,364	—	2,364

2019	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	$ —	$ —	$ 9,705	$ 483	$ 10,188	$ —	$ 10,188
Balance at March 31, 2019	—	—	20,029	1,270	21,299	—	21,299

2018	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	¥ 9	¥ 1,086	¥ —	¥ 1,086
Balance at March 31, 2018	—	—	3,300	150	3,450	—	3,450

(7) Information about negative goodwill by reportable segment

Not applicable.

16. Net Assets

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

The Law provides that earnings in an amount equal to at least 10% 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% of stated common stock. Legal reserve is included in retained earnings in the accompanying consolidated balance sheets. In addition to transfer from capital surplus to stated common stock, either capital surplus or legal reserve may be available for dividends by resolution of the general meeting of shareholders.

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

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

At the meeting of the Board of Directors of the Company held on May 20, 2019, cash dividends amounting to ¥646 million ($5,820 thousand) were approved. This appropriation has not been reflected in the accompanying consolidated financial statements for the year ended March 31, 2019.

17. Related Party Transactions

Year ended March 31, 2019:

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

The Company procured equipment for lease transactions from NEC Corporation that has a 37.7% ownership share in the Company at a transaction amount of ¥48,539 million ($437,291 thousand) for the year, and the outstanding balance of ¥8,655 million ($77,975 thousand) at the year-end has been included in "Notes and accounts payable-trade." The Company entered into factoring contracts with NEC Corporation at a transaction amount of ¥13,094 million ($117,966 thousand) and the outstanding balance of ¥4,074 million ($36,700 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 entered into factoring contracts with NEC Platforms, Ltd. at a transaction amount of ¥10,472 million ($94,339 thousand) and the outstanding balance of ¥2,794 million ($25,174 thousand) at the year-end has been included in "Accounts receivable – Loans."

The Company entered into factoring contracts with Japan Aviation Electronics Industry, Limited at a transaction amount of ¥9,090 million ($81,894 thousand) and the outstanding balance of ¥2,668 million ($24,033 thousand) at the year-end has been included in "Accounts receivable – Loans."

Year ended March 31, 2018:

(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 ¥71,055 million for the year, and the outstanding balance of ¥8,250 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 ¥15,313 million and the outstanding balance of ¥5,374 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 ¥9,548 million for the year, and the outstanding balance of ¥594 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 ¥12,713 million and the outstanding balance of ¥3,614 million at the year-end has been included in "Accounts receivable–Loans."

The Company entered into factoring contracts with Japan Aviation Electronics Industry, Limited at a transaction amount of ¥9,168 million and the outstanding balance of ¥3,153 million at the year-end has been included in "Accounts receivable–Loans."

18. Significant subsequent events

Issuance of domestic straight bond

The Company issued unsecured bond on July 12, 2019 based on the maximum amount of issuance of domestic unsecured straight bond resolved at the Board of Directors' meeting held on March 28, 2019.

The contents are as follows.

(1) Name	NEC Capital Solutions, Ltd. 16th unsecured straight bond (with inter-bond pari passu clause)
(2) Amount of issue	¥10,000 million ($90,090 thousand)
(3) Payment date	July 12, 2019
(4) Issue price	¥100 ($0.90) per face value of ¥100 ($0.90)
(5) Interest rate	0.270% per annum
(6) Maturity date	July 12, 2024
(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

KPMG

Independent Auditor's Report

To the Board of Directors of
NEC Capital Solutions Limited:

We have audited the accompanying consolidated financial statements of NEC Capital Solutions Limited and its consolidated subsidiaries, which comprise the consolidated balance sheets as at March 31, 2019 and 2018, and the consolidated statements of income and comprehensive income, statements of changes in net assets and statements of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of NEC Capital Solutions Limited and its consolidated subsidiaries as at March 31, 2019 and 2018, and their financial performance and cash flows for the years then ended in accordance with accounting principles generally accepted in Japan.

Convenience Translation

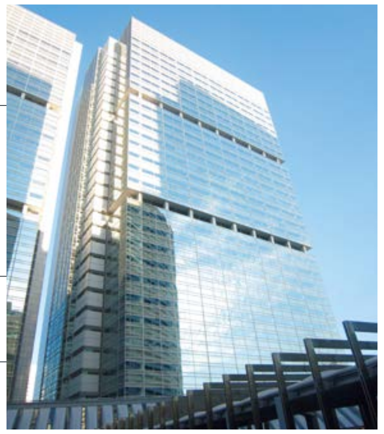
The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2019 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 1 to the consolidated financial statements.

KPMG AZSA LLC

August 9, 2019
Tokyo, Japan

KPMG AZSA LLC, a limited liability audit corporation incorporated under the Japanese Certified Public Accountants Law and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

Corporate data (as of June 30, 2019)



Company name	NEC Capital Solutions Limited
Head office	Shinagawa Intercity C building, 15-3 Konan 2-chome, Minato-ku, Tokyo, 108-6219, Japan Tel. +81 (0)3 6720 8400 (Representative)
Established	November 30, 1978
Representative	Tomoo Imazeki, President
Main business	Leasing and installment sales of information and communication equipment, office equipment, industrial and other equipment and facilities, factoring, business financing and collection agency operations, etc.
Paid-in capital	3,776.88 million yen
Stock listing	Tokyo Stock Exchange, First Section Stock code:8793
Closing of accounts	March 31
Employees (as of March 31, 2019)	596 (consolidated 767)
Main banks	Sumitomo Mitsui Banking Corporation MUFG Bank, Ltd., Development Bank of Japan Inc. Sumitomo Mitsui Trust Bank, Ltd. Mizuho Bank, Ltd.
Major affiliated Companies	see below
Domestic network	30 offices
Enterprise rating	Rating and Investment Information Inc. (R&I) Long term BBB+ Short term a−2 Japan Credit Rating Agency, Ltd. (JCR) Long term A− Short term J−1

Major affiliated Companies

	Ownership
RISA Partners, Inc.	100%
Reboot Technology Services and Capitech Limited	100%
Innovative Venture Investment Limited Partnership	–
NEC Capital Solutions Singapore Pte. Limited	100%
NEC Capital Solutions Hong Kong Limited	100%
NEC Capital Solutions Malaysia Sdn. Bhd.	100%
NEC Capital Solutions (Thailand) Ltd., etc.	49%

Share information (as of March 31, 2019)

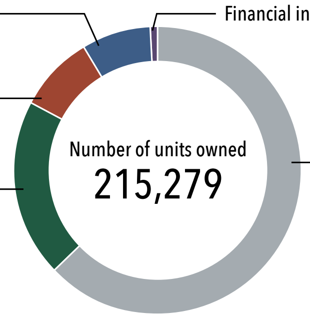
Basic information

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	20,268

Principal shareholders

Shareholders	Number of shares	Voting rights (%)
NEC Corporation	8,110,000	37.66
Sumitomo Mitsui Finance & Leasing Company, Ltd.	5,390,000	25.03
Japan Trustee Services Bank, Ltd.	948,000	4.40
ECM MF	502,100	2.33
The Master Trust Bank of Japan, Ltd. (Trust Account)	262,000	1.21
Sumitomo Mitsui Trust Bank, Limited	200,000	0.92
SUMITOMO LIFE INSURANCE COMPANY	200,000	0.92
DFA INTL SMALL CAP VALUE PORTFOLIO	185,786	0.86
Mitsui Sumitomo Insurance Company, Limited	140,000	0.65
Nomura Trust & Banking Co. (Trust Account)	92,100	0.42

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. Such forward-looking statements are based on management's assumptions and decisions in light of the information currently available. Since these forward-looking statements involve risks and uncertainties, actual results could differ materially. Therefore readers are advised not to place undue reliance on them.

Editing Policy and Scope

Editing Policy

Since fiscal 2014, the Company has been issuing an "Integrated Report" ("this publication"), combining the "Annual Report", which mainly provides shareholders and investors with financial information, with the "CSR Report", which outlines our CSR management efforts. In addition, this publication incorporates our "CSV Management Vision" so that the reader may fully understand our current state of affairs and managerial issues, as well as our future medium-term to long-term strategies, among other information.
In hopes of deepening your comprehension of the Company, we invite the reader to access our website.

Information for Shareholders and Investors

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

●Main content

Summary of Accounts (PDF), financial results briefing materials (PDF, video), Shareholder News (PDF), Securities Report (PDF), Corporate Governance Report (PDF)

CSR initiatives

https://www.necap.co.jp/csv/report/index.html

●Main content

CSR initiatives, Integrated Reports and CSR Reports (PDF)

Scope

Organization: NEC Capital Solutions Group, consolidated subsidiaries and equity-method affiliates
Applicable period: Data represent results for the period from April 1, 2018 to March 31, 2019 (including most recent activities)

Publication

October 2019 (Published annually)

Media concept

●Website

The website presents PDF files containing the booklet, as well as more detailed information.

●Booklet

The booklet contains a report that is highly focused on information of more crucial importance, prioritizing the areas of greatest progress during FY2019.