

## Material issues

# Pursuit of corporate governance that supports improved corporate value

## Improved effectiveness of corporate governance

We have identified the “pursuit of corporate governance that supports improved corporate value” as one of the material issues to realize our Group Vision. In order to improve corporate value, we are particularly promoting improving effectiveness, respect for human rights, thorough compliance, and enhancement of risk management.

### Corporate governance system

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

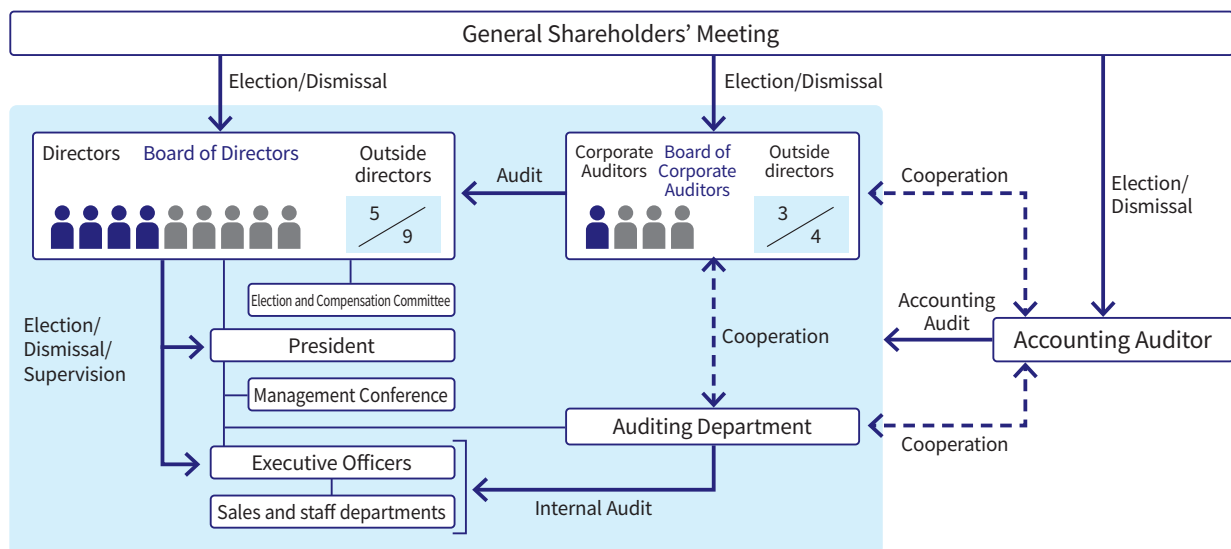
#### History of corporate governance improvements

Jun. 2004	Implemented executive officer system
Mar. 2010	Elected one independent director
Jul. 2011	Added one independent director for a total of two
Apr. 2012	Established voluntary Compensation Committee
Nov. 2018	Established voluntary Election and Compensation Committee
Jun. 2021	Added one independent director for a total of three

### Corporate governance system schematic diagram

(as of the end of June 2024)

■ = Internal directors ■ = Outside directors



### Board of Directors Held 14 times/year

Five out of NEC Capital Solutions' nine directors are outside directors. Meetings of the Board of Directors are regularly held once a month, with extraordinary meetings held when necessary. In addition to making decisions on important matters concerning issues prescribed by laws and regulations, the Articles of Incorporation, and other rules, the Board of Directors monitors the state of business execution by directors by receiving various reports, such as the amount of risk faced by the Group and the results of internal audits. For the fiscal year ended March 31, 2024, the Board of Directors considered

and resolved on matters such as formulating a new Group Vision and Medium-term Plan, measures to realize management with an awareness of the cost of capital and stock prices, and promoting sustainability-related activities (climate change response, human capital, and respect for human rights). Furthermore, three of the outside directors are independent with no interests in the Group or major shareholders, and no risk of conflicts of interest with general shareholders. Their names are submitted as independent directors in accordance with the Tokyo Stock Exchange's stipulations. We expect our outside directors to play roles of providing advice

concerning all aspects of corporate management based on their deep insights and extensive experience and of being involved in decision-making at the Board of Directors to ensure its appropriateness and fairness.

Corporate auditing system Held 11 times/year

Four Corporate Auditors (three of which are outside Corporate Auditors) hold regular meetings of the Board of Corporate Auditors to discuss auditing activities based on the auditing plan and management information. Along with attending important internal meetings that include meetings of the Board of Directors and Management Conference, Corporate Auditors hold conferences once a month with the President of NEC Capital Solutions to discuss important auditing issues, problems the Company needs to address, and progress made in developing an environment for auditing, in addition to gathering direct feedback from directors and employees regarding the execution of business.

The Auditing Department provides specific advice and recommendations regarding the improvement of business operations through internal audits, offers guidance on the development and operation of the internal control system, and evaluates its operation.

Assessment of the effectiveness of the Board of Directors

Analysis and assessment of the effectiveness of the Board of Directors are conducted once a year at the Board of Directors meeting to improve its function. NEC Capital Solutions conducted a survey through an outside agency for all directors and Corporate Auditors in January 2024. In March 2024, the outside agency conducted interviews with the independent outside directors through the method of individually confirming the evaluation contents of survey items. Opinions were gathered at a Management Roundtable comprising all directors and Corporate Auditors in light of the findings mentioned above and from the perspectives specified below, and analyses, discussion, and assessment were conducted.

1	Supervision of the management by the Board of Directors
2	Appropriate Board composition
3	Strategic orientation of the management by the Board of Directors
4	Ensured discussion opportunities for the Board of Directors

As for “1. Supervision of the management by the Board of Directors” and “2. Appropriate Board composition,” the Board of Directors is composed of officers who are diverse in terms of gender, knowledge, experience, and abilities, including independent outside directors, and necessary information is shared in an appropriate manner, including

prior explanation of agenda items to outside directors, leading to the evaluation that supervision of management is functioning. In addition, the Election and Compensation Committee, which is composed of a majority of independent outside directors, was evaluated as having made progress in sharing information on the succession plan and operations such as interviewing candidates.

As for “3. Strategic orientation of the management by the Board of Directors” and “4. Ensured discussion opportunities for the Board of Directors,” the Company continues to hold a Management Roundtable to freely exchange opinions on important management issues. It was evaluated that the overall operation of the Board of Directors has improved, and that policies for projects that are important in terms of our business strategy, including investment and loan projects, are being decided after sufficient discussion. Moreover, outside directors also participated in general manager and branch manager meetings and the Company’s anniversary events as an opportunity to promote their understanding of our business and to facilitate communication with directors and employees at various levels within the Company.

On the other hand, the need for further enhancement in terms of devising ways to conduct more substantial discussions on medium- to long-term management issues and providing outside directors with information and training opportunities related to the business and industry is recognized, and we plan to make further efforts in these areas in the future. Going forward, the Company will continue to work to improve the effectiveness of the Board of Directors and increase its corporate value over the medium- to long-term by steadily following up on the Medium-term Plan with the aim of realizing our Group Vision, which is to “Be a solution company leading the next-generation circular economy.”

See ▶P.23 for sustainability implementation system

Election and Compensation Committee

Held 4 times/year

The voluntary Election and Compensation Committee is positioned as an advisory body to the Board of Directors and consists of five directors. Of these directors, three are independent outside directors (two of whom are women), which is a composition that takes into consideration diversity and the protection of minority shareholders, etc. Based on the recommendations of this Committee, the Board of Directors appoints and dismisses members of senior management and nominates candidates for directors and Corporate Auditors. The Committee also deliberates on director compensation and makes recommendations to the Board of Directors.

Director compensation

We design a system for directors’ compensation to suit the objectives of securing and retaining competent personnel who practice our corporate philosophy and of motivating directors to play the roles expected of

them in continuously boosting corporate value and shareholder value. In addition to financial indicators, non-financial ESG indicators are set as KPIs for the evaluation of performance-linked compensation.

● Compensation structure

Compensation of executive directors	The compensation for any director playing a role of business execution comprises the supervisory compensation for their supervisory function and the executive compensation for their executive function, and the executive compensation consists of the base compensation, the performance compensation and the share compensation. This was decided by a resolution of the Board of Directors. The details of each compensation are as follows.	
	Supervisory compensation	Compensation for executive directors and executive officers as members of the Board of Directors is for the supervision, monitoring, and decision-making of business execution, and is set as fixed compensation for each position.
	Executive compensation	Compensation for the execution of duties as an executive director consists of (I) base compensation, (II) performance compensation, and (III) share compensation. Standard amounts are set according to position, and the ratio of total executive compensation is 60% base compensation, 25% performance compensation, and 15% share compensation. (I) Base compensation is a fixed annual amount mainly determined according to the position and responsibility, and is reviewed as necessary in light of factors such as business performance, the level of other companies, and social conditions. (II) Performance compensation is comprised of a portion calculated based on consolidated profit as well as a portion calculated based on each of the results of ROA, responses to environmental and social issues, employee engagement scores, and personal KPIs. Each varies within the range of 0 to 200%, and is paid as a bonus at a certain time each year. (III) Share compensation is provided as restricted stock and is granted at certain times with the aim of providing incentives to sustainably enhance the Company’s corporate value and further promoting value sharing with shareholders. The content of share compensation is decided by the Board of Directors each time shares are granted, within the scope approved at the General Shareholders’ Meeting, following a process that guarantees objectivity and transparency, such as consulting with the Election and Compensation Committee.
Compensation for outside directors	Compensation for outside directors who serve a supervisory function, consists solely of fixed monthly compensation, and there is no performance-linked compensation.	
Compensation for Corporate Auditors	Because the responsibility of Corporate Auditors is to audit the execution of duties by directors, compensation for Corporate Auditors consists solely of fixed monthly compensation, and there is no performance-linked compensation.	

• Indicators related to performance compensation for directors, reasons for selection, and method of determining the amount to be paid

Performance compensation is calculated based on results of consolidated profit, ROA, indicators for responses to environmental and social issues, employee engagement scores, and KPIs set for each area of responsibility, which are important performance evaluation indicators from the perspective of management strategy. The Election

and Compensation Committee, which is composed of a majority of independent outside directors, deliberates on the appropriateness of the above evaluation and determines the amount to be paid, reflecting the results in performance compensation.

● Evaluation ratio by position

		Representative Director	Executive Director
Financial indicators	Profit attributable to owners of parent	70%	50%
	ROA	10%	10%
Non-financial indicators	Responses to environmental and social issues	10%	10%
	Employee engagement score	10%	10%
Performance and strategic KPIs set for each area of responsibility		—	20%
Total		100%	100%

Directors

● Directors (as of the end of June 2024)



Representative Director and President  
**Masaaki Suganuma**



Representative Director  
**Masamitsu Kiski**



Director  
**Takashi Arai**



Director  
**Yuichi Tsukada**



Director  
**Takashi Nawa\***  
**Outside Independent**  
Professor of Hitotsubashi University  
Business School, School of  
International Corporate Strategy



Director  
**Takako Hagiwara\***  
**Outside Independent**  
Representative Director of DDD  
Corporation



Director  
**Asako Yamagami\***  
**Outside Independent**  
Partner, ITN Partners Attorney at  
law admitted in Japan



Director  
**Satoshi Okubo**  
**Outside**  
Manager of Group Business Management  
& Transformation Department,  
Corporate Strategy & Sustainability  
Promotion Division, NEC Corporation



Director  
**Shigeki Fujita**  
**Outside**  
General Manager of Public  
Solutions Planning Department,  
NEC Corporation

For their biography, please visit:  
<https://www.necap.co.jp/english/ir/shareinfo/meeting.html>

\*Mr. Takashi Nawa, Ms. Takako Hagiwara, and Ms. Asako Yamagami are independent directors in accordance with the Tokyo Stock Exchange's stipulations.

● Corporate Auditors (as of the end of June 2024)



Corporate Auditor (Full-time)  
**Yoshiyuki Koizumi**



Corporate Auditor (Full-time)  
**Hiroshi Komazaki**  
**Outside**



Corporate Auditor  
**Tatsuya Oyama**  
**Outside**  
Managing Director Head of Corporate  
Accounting & Global Treasury Division  
Head of Corporate Accounting & Tax  
Department



Corporate Auditor  
**Shigetoshi Yokomizo**  
**Outside**  
Senior Manager, IT Service Solution  
FP and A Group, IT Services FP and A  
Department, Finance Division, NEC  
Corporation

Skills matrix

We identify skills that the Board of Directors should have in light of our management philosophy and ensure that the composition of directors is well-balanced as a whole in terms of knowledge, experience and skills.

Name	Gender	Knowledge, experience and skills								
		Corporate management	CSV, ESG	Finance, accounting	Legal affairs and risk management	Human resources strategy	Financial industry	ICT	Global	Business development
Masaaki Suganuma	Male	○	○					○		○
Masamitsu Kiski	Male	○	○	○	○			○	○	○
Takashi Arai	Male		○	○			○		○	○
Yuichi Tsukada	Male		○	○		○	○	○		○
Takashi Nawa	<div><div></div> Male</div>	○	○			○			○	○
Takako Hagiwara	<div><div></div> Female</div>	○	○			○			○	
Asako Yamagami	<div><div></div> Female</div>		○		○				○	
Satoshi Okubo	<div><div></div> Male</div>	○						○		
Shigeki Fujita	<div><div></div> Male</div>	○						○		

= Outside     = Independent director

Details of the skills are defined as follows:

Skill	Definition, supplementary information
1) Corporate management	Knowledge, experience, and ability related to management strategy planning, business operation accountable for profitability, and the development of a management foundation
2) CSV, ESG	Knowledge, experience and ability regarding management from the perspective of ESG and sustainability through promotion of CSV management
3) Finance, accounting	Knowledge, experience, and ability regarding finance and accounting
4) Legal affairs, risk management	Knowledge, experience, and ability regarding compliance with laws and regulations, ensuring corporate ethics, fair corporate activities, maintaining and enhancing corporate value, and internal control
5) Human resources strategy	Knowledge, experience, and ability regarding securing, nurturing, and utilizing diverse human resources
6) Financial industry	Knowledge, experience, and ability regarding leasing and financing
7) ICT	Knowledge, experience, and ability regarding ICT business
8) Global	Knowledge, experience, and ability regarding global business
9) Business development	Knowledge, experience, and ability regarding development of new businesses



## Message from outside director



Professor of Hitotsubashi University Business School, School of International Corporate Strategy  
**Takashi Nawa**

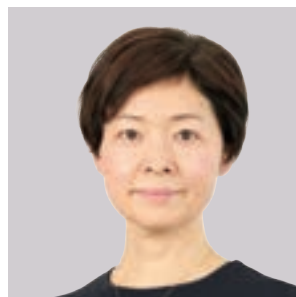
The “next-generation circular economy” set forth in the Group Vision is based on the concept of “circularity,” which is at the core of our Leasing Business. It aims to create new services for the next generation. In the first year of the Medium-term Plan 2025, the Company refined its initiatives and achieved a certain level of results. Going forward, I expect that each business will scale up swiftly and enhance its capabilities. This applies not only to the sales departments creating services but also to the back offices supporting them. To achieve the Group Vision, it is crucial for each employee to work

autonomously. For that, two things are essential. The first is that each organization and employee must have a personal purpose statement, which reframes the Group Vision in their own words. The second is that the purpose itself, which often tends to be at a remove from day-to-day work, needs to be broken down into practical guiding principles. At the Company, management engages in dialogue sessions with employees to deepen understanding and establishes action guidelines aligned with the Group Vision. There are also plans to incorporate these into human resources evaluation. These efforts should accelerate the Company’s growth engine.

The main shareholder is expected to soon change from NEC to SBI Shinsei Bank. The Company should build on its NEC sales channels, a key strength, while using synergies with the SBI Shinsei Bank Group to achieve both business expansion and cost optimization. I believe that this is a good time for the Company to take its existing CSV management to the next level. This should include accelerating the circular economy through its Leasing Business and promoting projects to revitalize communities in partnership with the SBI Shinsei Bank Group.

## Message from outside director

Partner, ITN Partners  
Attorney at law admitted in Japan  
**Asako Yamagami**



FY2024/3 was the first year of the “Medium-term Plan 2025,” a three-year period for innovation and challenges. This year was positioned as the first step toward achieving the new Group Vision, to “Be a solution company leading the next-generation circular economy.” With dialogues between senior management and employees helping to spread the Group Vision, the Company has made steady progress in strengthening the management foundation supporting its business strategies,

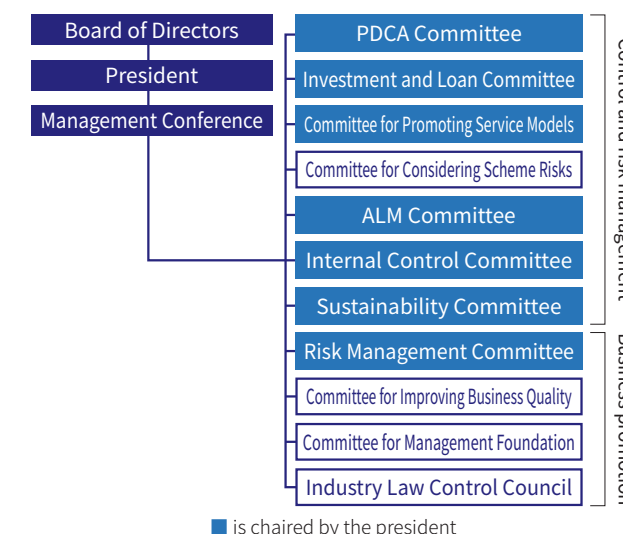
including building an organization aligned with our management strategy, fostering an autonomous compliance culture, improving the effectiveness of corporate governance, enhancing management control, bolstering staff functions, and improving sales support functions.

In July 2024, the Company began working toward a business alliance with SBI Shinsei Bank, Limited, and its subsidiary, Showa Leasing Co., Ltd., while maintaining its important partnership with the NEC Group in the financial sector. This will lead to the active expansion of each business area, broadening the customer base and revenue opportunities. In such times of change, however, it is increasingly important to further strengthen the management foundation, especially by enhancing the “three lines of defense” in management to promote efficient risk management and internal controls. In addition, at the Board of Directors, we will strive to enhance fulfilling discussions, working towards improving oversight functions that support appropriate risk-taking.

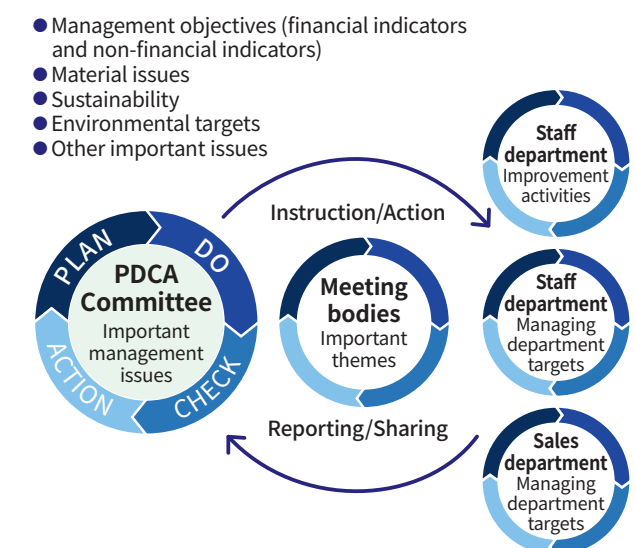
## Management system supporting CSV management

### PDCA management and main meeting bodies

The Company monitors and reviews business activities under the PDCA cycle, from the management level to the employee level. The PDCA Committee continues monitoring important matters related to the management objectives, material issues and sustainability on a monthly basis. This ensures decision-makings are communicated



to the employee level to make prompt actions. We have the PDCA cycle run surely at the employee level and a variety of committees as well, thus ensuring the important management indicators and issues to be reported and shared in a timely and appropriate manner. Each meeting body reports each theme to the Management Conference, the president, and the Board of Directors.



## Initiatives for respecting human rights

We recognize that respect for human rights is an important issue for management. By implementing Group-wide initiatives to respect human rights, we will identify and appropriately manage human rights risks, which will lead to solutions for social issues and the improvement of corporate value.

### NEC Capital Solutions Group’s Human Rights Policy

We have established the NEC Capital Solutions Group’s Human Rights Policy\*, and applied it to all directors and employees of the Group. We conduct human rights education, establish a complaint handling mechanism, and engage in human rights due diligence to ensure that

all directors and employees of the Group perform their duties appropriately in accordance with this policy.

Details of the NEC Capital Solutions Group’s Human Rights Policy  
<https://www.necap.co.jp/csv/humanrights.html>  
(available in Japanese only)



\*Based on the “Guiding Principles on Business and Human Rights.” These principles embody the UN framework on business and human rights approved by the UN Human Rights Council in 2011.

### Main initiatives in the fiscal year ended March 31, 2024

We confirmed risks through discussions with stakeholders related to our business activities. Based on this, we received advice from external experts and identified key human rights issues in each of our business areas. In addition, we conducted human rights training three times during the year, and we conducted surveys with directors and employees at Group companies in Japan to gain an understanding of human rights risks and analyze the results. Although the analysis did not reveal any significant

risks of serious human rights violations, potential human rights violations due to unintended use of leased property in the Leasing Business and potential risks in ICT services and financial products were recognized.

We will continue to implement human rights due diligence and work on preventing and mitigating human rights risks. Going forward, in situations where we are expected to exercise influence, we will communicate our Human Rights Policy and shared values related to human rights to our business partners including partner companies.

## Enhancement of risk management

We view risk management and risk control as important elements in deciding on business development, and we distinguish between risks that should be managed as a source of income and non-income-generating risks that should be reduced.

### Integrative risk management

We make every effort to recognize the risks that emerge in the course of business execution, assessing them according to uniform criteria. We then carry out integrative risk management and operation while maintaining management stability and striving to maximize shareholder value. We strive to prevent and avoid risks that may significantly impact our business activities through various meeting bodies. We also have a system in place to report such risks to the Board of Directors or the Management Conference based on the degree of importance. We have established a governance system that, in the event that risks are expected to arise, enables prompt consultation with the Management Conference

Main meeting bodies for deliberating risk management	Risks to manage
Risk Management Committee	Risks related to credit, and ERM (credit, market, and operation)
ALM Committee	Risks related to interest rates, funding, income and expenditure management, foreign currency, and liquidity
Internal Control Committee	Risks related to internal control and compliance
Sustainability Committee	Climate-related risks

or Board of Directors on the policies set by the respective meeting body, enabling an immediate response.

### ERM risk

Of the risks that should be managed, particularly for risks related to ERM (credit, market, and operations), the Risk Management Department is the responsible department, and the Risk Management Committee chaired by the president will handle the risks. The Committee works to ensure business continuity and improve corporate value by allocating risk capital to each business segment in a manner that reflects management strategies, quantitatively measuring the relevant risks, and controlling the risk by comparing the measurement results with management capabilities. In the Medium-term Plan 2025, where we are working on improving profitability, risk management is becoming increasingly important. We are working to improve profitability by effectively using capital under appropriate risk management.

Key risk factors in our business operations  
<https://www.necap.co.jp/ir/management/risk.html>  
(available in Japanese only)



See ▶P.25 for risk management related to climate change

## Improvement of information security

We are working on improving information security by building an information security system in line with the Ministry of Economy, Trade and Industry’s “Cybersecurity Management Guidelines Ver. 3.0,” while also making continuous improvements and implementing internal education.

### Initiatives for improving information security

The Group has established a Fundamental Information Security Policy, and provides the appropriate security countermeasures for our information systems, for information we obtained individually, and for information provided to us by our customers and clients.

In addition to obtaining ISO/IEC 27001 certification in 2006 and PrivacyMark in 2020, we established a “Personal Information Protection Policy” and a personal information protection management system in compliance with JISQ 15001: Personal information protection management systems - requirements, to build a system to appropriately protect the personal information of customers.

Based on these, we conduct annual information security education to maintain and improve the level of information security, and take measures to address risks through the establishment of an information security

management system. By doing so, we aim to maintain sound corporate activities and organizational operations and gain the trust of customers, business partners, and other parties.

Please refer to the following for details of the Fundamental Information Security Policy and information security measures.

Fundamental Information Security Policy  
<https://www.necap.co.jp/csv/governance/img/security202303.pdf>  
(available in Japanese only)



	FY2022/3	FY2023/3	FY2024/3
Information security training participation rate (%)*	100	100	100

\*Consolidated results. The scope includes all directors and employees, including temporary workers. Mid-career recruits are offered information security training as soon as they join the Company.

## Thorough compliance

We recognize that thorough compliance is one of our most important management issues because the Company is subject to various laws and regulations and supervision by regulatory authorities as a business operator engaged in the money lending business and type II financial instruments business. In addition to establishing a Code of Conduct, we have also prepared the necessary training and frameworks/systems as part of efforts to constantly improve the awareness of business ethics and compliance among directors and employees in our Group.

### Code of Conduct

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

Code of Conduct consists of seven chapters: General Provisions; Respect for Human Rights; Our Relationship with Society; Our Relationship with Customers and Business Partners; Our Relationship with Shareholders and Investors; Management of Company Assets and Information; and Operating Systems.

### ● Basic Position

1	WE will comply with all applicable laws, rules, regulations, and in-house regulations, etc., including this Code, in every aspect of our corporate activities at all times. WE will strive to ensure that all corporate activities are in compliance with normal business practices and social ethics.
2	WE will maintain impartial, fair, and open relationships with all the stakeholders of our company and will conduct business in a fair manner with them.
3	WE will not take any action pursuing our personal or a third party's interests against our company's legitimate interests.
4	WE will not carry out any actions whatsoever that may damage the NEC Capital Solutions Group's social trust or honor.
5	WE will establish an effective internal control system and implement it.
6	WE will accurately and fairly maintain all accounting and other records in accordance with applicable laws, rules, regulations, and in-house regulations, and properly execute our duties. WE will not carry out any unlawful accounting transactions or actions that may cause losses to the NEC Capital Solutions Group.
7	With an awareness of our position as a member of society, WE will always act in accordance with a good social conscience based on high moral and ethical standards.

### Compliance 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. And the

Company has an external whistle-blowing hotline where any employee having discovered improper activities can report anonymously. Measures are in place to ensure that whistle blowers are not treated disadvantageously. The whistle-blowing system may be used by all directors and employees of the Group, including those of overseas group companies.

### Compliance education

In order to ensure that all directors and employees of the Group understand the necessity and importance of compliance as the basis of all our business activities and execute operations properly according to the provisions of the NEC Capital Solutions Code of Conduct, we conduct compliance training annually, and all directors

and employees, including temporary workers, of the Group receive the training.

	FY2022/3	FY2023/3	FY2024/3
Compliance training participation rate (%)*	100	100	100

\*Consolidated results

### Basic policy on exclusion of antisocial forces

We believe that excluding antisocial forces that threaten the order and security of civil society is an important issue for society overall. As a corporate group with

social responsibilities, we established a basic policy on antisocial forces, and set up a system to realize this policy.

Corporate governance (compliance)  
<https://www.necap.co.jp/csv/governance/compliance.html>  
(available in Japanese only)

