

Corporate governance

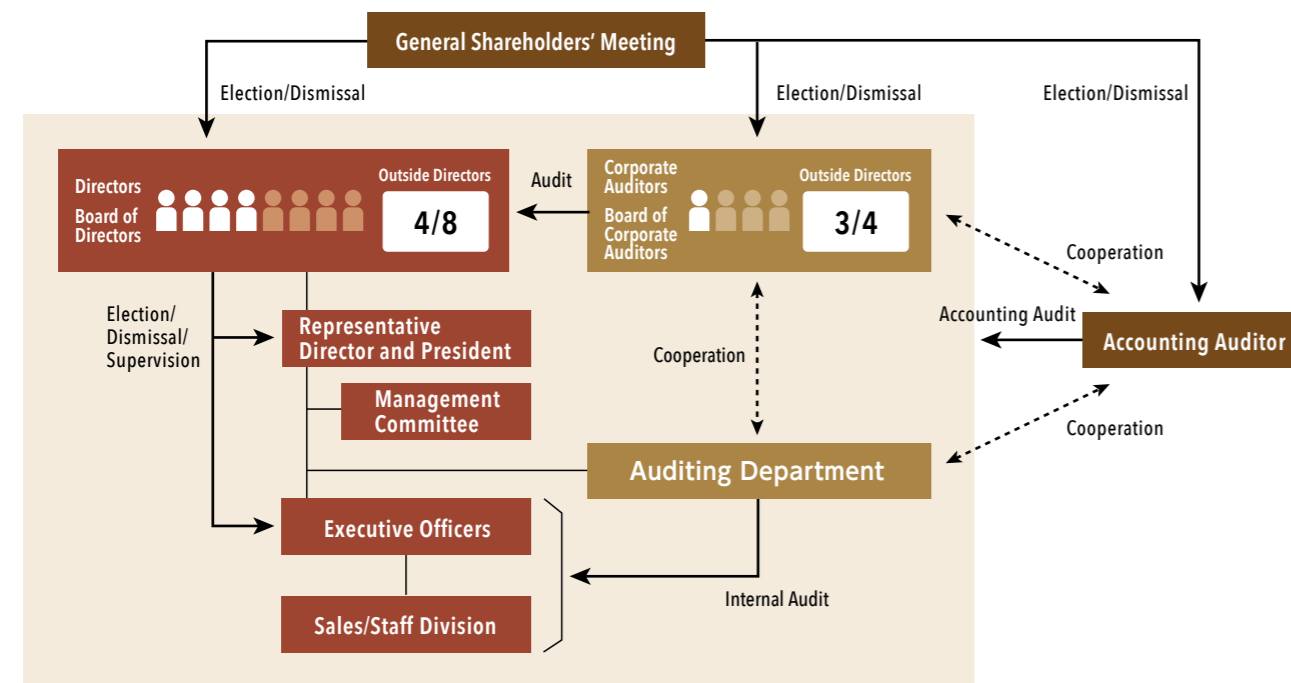
The Company's business activities are based first and foremost on legal and regulatory compliance and advancing the formulation and operation of a highly sound and transparent organizational framework.

Corporate governance system

In order for this Company to realize CSV management, we have been having many dialogues to gain the perspectives of our various stakeholders, including shareholders, members of the local community, customers, and employees, while monitoring and supervising management from a medium-term perspective, to make efforts to reform the structure of management.

History of corporate governance improvements	
June 2004	Implemented executive officer system
March 2010	Elected one independent director
July 2011	Added one independent director for a total of two
April 2012	Established Voluntary Compensation Committee

Corporate governance system schematic



Meetings of Board of Directors

Four out of NEC Capital Solutions' eight directors are outside directors. Meetings of the Board of Directors are regularly held once a month, with extraordinary meetings held when necessary. In addition to making decisions on important matters concerning issues prescribed by laws and regulations, the Articles of Incorporation, and other rules, the Board of Directors monitors the state of business execution by directors. The Board of Directors held 14 meetings in FY2017. 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 P28 and P30.



Assessments of Board of Directors effectiveness

Analysis and assessment of the effectiveness of Board of Directors are conducted once a year at the Meeting of Board of Directors to improve its function. NEC Capital Solutions conducted a questionnaire survey through an outside agency for all of Directors and Statutory Auditors in February 2018. The last assessment confirmed that the Board of Directors was sufficiently effective for the fiscal year ended March 31, 2018 based on the results aggregated from this questionnaire survey and hearing opinions from the perspectives below at the "management round-table" made up of all of the Directors and Statutory 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

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 Conference, 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.

Message from an independent director

Balanced risk taking for the Company prosperity

The corporate governance system puts in place sufficient structure as described in this report. Furthermore, the members of the Board actively attend, debate, and engage in question and answer sessions about most vital aspects of operation based on ample briefings from business executives. Taking this even further, the Company has been praised for proposing the ideal form of the Board of Directors and spearheading improvements toward that ideal to continually evolve in ongoing assessments from time to time to judge the effectiveness of the Board of Directors.

The basis of our corporate management are the Vision and CSV. I hope we will always make sure to ask ourselves whether or not the Company is pushing toward the realization of the future form outlined in the Group Vision. Each business will change together with the changes in the environment where we face uncertain risks. The Board of Directors considers the risks and balance throughout the entire Company. Certainly I hope every business be

successful, however I believe the most important thing is that we can be active on-site and get the experience connected to achieving future business or enhancing the business domain. On-site efforts are the driving force to bring the ideal form outlined in the Group Vision into reality. Change will always be expected in business whether in traditional operations or new fields. The challenge is whether or not we can take risks by committing to new activities when these changes happen on-site while finding a balance through the entire Company. Strengthening human resources is essential to make this happen.

I hope people whether young or old will actively participate.



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