

# Group Vision 2030 and Medium-term Plan 2025 (FY2024-2026)

April 28, 2023

NEC Capital Solutions Limited

FY2024: Fiscal Year Ending March 31, 2024

# \Orchestrating a brighter world

NEC creates the social values of safety, security, fairness and efficiency to promote a more sustainable world where everyone has the chance to reach their full potential.

**1. Group vision 2030**

**2. Medium-term Plan 2025**

# 1. Group vision 2030

# 1. Corporate philosophy

## Helping Societies Advance through “Capital Solutions”\*

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

- We have developed our Group vision since 2013, which we have pursued under our corporate philosophy (reason for existing), to the stage at which we can implement CSV (Creating Shared Value) management. We redefined what we want to be, and established a new Group vision with a goal of 2030 that is in sync with the SDGs, which have a high affinity with CSV management.

## 2. Overview of Group Vision 2030

# Be a solution company leading the next-generation circular economy

### Next-generation circular economy

- The next-generation circular economy that we envision for 2030 and beyond, not only reduces adverse environmental impact through enhanced resource efficiency, but also utilizes resources in a continuous circular process, and is a circular economy that continues to generate newly added value.
- In order to resolve diversifying issues of both customers and the society, we will provide services that lead to a virtuous circle for both the environment and our growth, and strive to realize a next-generation circular economy through the practice of CSV management.

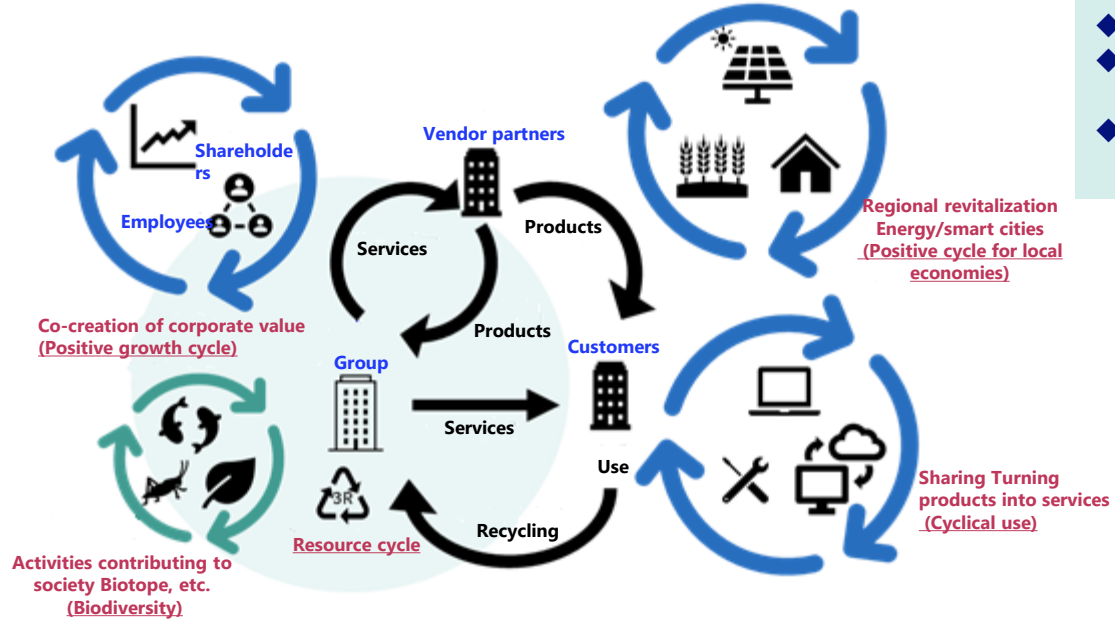
### Solution Company\*

- Implementation of “Capital Solutions” that is included in both our corporate philosophy (reason for existing) and company name.
- Innovation of solutions for vendor finance, ICT services, and financial products both domestically and overseas, expansion of not only conventional business segments but also peripheral realms, and venturing to create new business opportunities and “circular economy-oriented” services.

\* “Company” means a business organization and a group of colleagues (partners) that shares the same values.

# 3. Our approach to “a next-generation circular economy”

- Through our leasing business, we have been promoting initiatives to realize a circular economy through the introduction of environmentally friendly products and recycling of resources through advanced 3R processing.
- “A next-generation circular economy envisioned for 2030 and beyond is a world in which resources continue to be used in a cyclical process and a circular economy and society that continues to generate new added value.
- We aim to provide services that extend beyond conventional leasing and lead to a virtuous circle for the environment and growth and achieve “a next-generation circular economy”.
- Create various and “circular economy-oriented” services through the innovation of capital solutions.



- ◆ Services that lead to cyclical use of products
- ◆ Services that lead to a virtuous circle for local economies and societies
- ◆ Services that lead to a virtuous circle for corporate growth

### Current services (example)

- Leasing and rental with maintenance
- Service model (from owning to using)
- PC-LCM services
- Subscription services
- Effective use of asset (real estate-related business)
- Infrastructure sharing
- Renewable energy power generation
- Life cycle support for companies (from establishment to revitalization)
- Projects to revitalize communities, etc.

# 4. Alignment with SDGs

- SDGs are “the sustainable development goals” adopted at the UN Summit in September 2015. These 17 goals are targets shared around the world that are to be achieved by 2030.
- The world faces a wide range of problems, including environmental problems, poverty, starvation, conflicts, social disparities, and energy issues. Companies that have pledged to work on these goals engage in their own business activities to achieve them.
- The Group works to raise social value through its business and to contribute to the achievement of SDGs by providing services to resolve social issues through the implementation of CSV management.

**Of the 17 goals, the Group can contribute to the following 8 goals in particular (we will respond to environmental changes around the world, without limiting ourselves to these goals)**



Source: Website of United Nations



# 5. Identifying material issues

- Reidentifying material issues (important issues) to achieve the Group Vision 2030

Previous material issues		Material issues	Group's initiatives
Business activity	Expanding the revenue base <ul style="list-style-type: none"> <li>Strengthen the partnership with NEC</li> <li>Reinforce our base for funding</li> <li>Expand our customer base</li> <li>Expand our global business</li> <li>Create new businesses</li> </ul>	Promotion of decarbonized society and circular economy	<ul style="list-style-type: none"> <li>Response to climate change</li> <li>Reinforcement and creation of services for a circular economy</li> </ul>
		Promotion of establishment of social and ICT infrastructure	<ul style="list-style-type: none"> <li>Establishment of social and ICT infrastructure</li> </ul>
		Creation of new services and businesses to resolve social issues	<ul style="list-style-type: none"> <li>Revitalization of local communities and economies</li> <li>Response to aging society</li> </ul>
Business capability	Strengthening business capability <ul style="list-style-type: none"> <li>Improve employee satisfaction</li> </ul>	Investment in human capital	<ul style="list-style-type: none"> <li>Improvements to engagement</li> <li>Ensuring diversity of HR</li> <li>Realizing health management</li> <li>HR and organization development to achieve sustainable growth</li> <li>Workstyle reforms utilizing technology</li> </ul>
	Strengthening business capability <ul style="list-style-type: none"> <li>Improve operational quality</li> <li>Ensure compliance</li> </ul>		Pursuit of corporate governance that supports improved corporate value

## 2. Medium-term Plan 2025

# 1. Review of Medium-term Plan 2020 (1/2)

## 1 Though improving profitability remains an issue, net income reached three-year target

- We attracted higher demand during the pandemic, primarily in the Leasing business, and achieved income targets.
- An increase in assets with higher profitability and investment business initiatives contributed to revenue and profit.
- External credit ratings improved due to higher profitability and other factors. Our R&I rating was improved from "BBB+" to "A-" and our JCR rating was improved from "A-" to "A".
- Further improvements to revenue and profit are an issue, such as expanding the customer base and pursuing initiatives with high added value.

## 2 Progress made in generating revenue from new businesses differed in each area


- The energy area saw an expansion in the scope of the business, and the healthcare area succeeded in steadily securing assets for the warehousing business, resulting in revenue and profit in these two areas.
- In the tourism area, we made progress with investments and loans utilizing tourism resources as well as operation and fund businesses, but this area has yet to generate substantial amounts of revenue and profit.
- In the agriculture area, we struggled to stabilize revenue and generate revenue by pursuing the sixth industrialization (encouraging workers in agriculture, forestry and fishery sector to produce, process and sell their products) and optimizing the value chain.
- Although PFI was affected by the pandemic and high prices, progress was made in generating revenue from projects that we took part in as the representative company, among others.

# 1. Review of Medium-term Plan 2020 (2/2)

## 3 Launch of new services is a work in progress

- Through the acquisition of NEC Financial Services, LLC, we entered the North American market where “as a service” type offerings are promoted.
- Efforts were made to launch a new service model with vendors and create new services, but this is still a work in progress.
- Reinforcement, including of the organization, is necessary to create and establish new services unique to the company.

## 4 Reinforcement of initiatives to improve employee engagement

- Revamped workstyles, such as establishing a remote work environment and reworking the operation process.
- Recognized as a Health & Productivity Management Outstanding Organization 2023 (large enterprise category)
- Acquired Eruboshi Accreditation (third rank) 
- Accelerated activities aimed at improving work motivation and continued to reinforce improvements to engagement.



## 5 Reinforcement of sustainability initiatives

- Issuance of Company's first sustainability bond.
- Sustainability Committee was established and PDCA aligned with the TCFD was begun.
- Became a supporter of TCFD recommendations.



# 2. Medium-term Plan 2025 and roadmap for realization of Group vision

“Group vision 2023”

**Be a solution company leading the next-generation circular economy**

**Fiscal 2023–2025  
New Medium-term Plan**

**Fiscal 2026–2030  
Next Medium-term Plan**

**Take up the challenge of reforms to  
realize next-generation circular society**

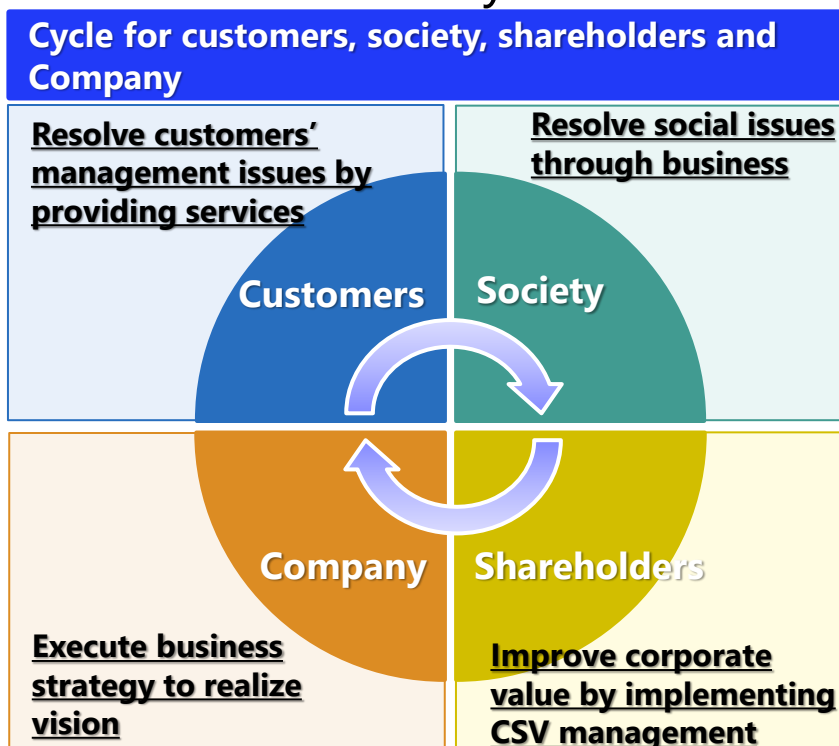
**Create  
services unique to the  
Company**

**Develop  
services unique  
to the Company**

**Establish  
revenue from  
services unique to  
the Company**

# 3. Aim in Medium-term Plan 2025

- Implement CSV management and resolve issues for customers and society through business
- Create services unique to the Company to achieve a next-generation circular economy



**Create new services**

**Services that lead to cyclical use of products**  
 Subscription service for ICT products  
 Establishment of a development-type joint service model with vendors  
 Encourage rejuvenation of real estate

**Services that lead to virtuous circle for local economies and societies**  
 Expansion of PFI and PPP businesses  
 Support in building cyclical model for regional finance  
 Coalition with DX services for local governments offered by local vendors

**Services that lead to virtuous circle for corporate growth**  
 Services tailored to companies' life cycle  
 Advisory on fund investment and M&As

# 4. Management objectives (financial and non-financial)

- Improve profitability and accelerate pursuit of sustainability management through realizing a next-generation circular economy
- Set non-financial indicators such as measures to realize carbon neutrality

## ■ Financial indicators

	Medium-term Plan 2025 Targets		
	Results in FY ended March 2023	FY ending March 2024 Medium- term Plan	FY ending March 2026 Medium- term Plan
Net income	¥6.4bn	¥7.5bn	¥10bn
ROA*	0.7%	0.7%	0.9%
ROE	6%	7%	8%

\* Consolidated net income / average balance for consolidated operating assets

## ■ Non-financial indicators(excerpts)

	Objective	Description	Forecast FY ending March 2023	Target FY ending March 2026
Environmental and social issues	CO2 reductions to achieve carbon neutrality	Scope 1+2: Rate of decline compared to FY22 forecasts	156t-CO <sub>2</sub>	20% reduction
	Establishment of social infrastructure	Cumulative contracts over three-year period for government offices and local governments	¥122bn	¥400bn
	Promotion of cyclical use following expansion of ICT business	Total number of disposals of products whose lease has ended over three-year period	200,000 units	700,000 units
	Promotion of response to climate change	Renewable energy power generation capacity (power generators owned)	43.5MW	100MW
	Promotion of activities contributing to society with natural capital in mind	School biotope education Total increase in number of schools over three-year period	3 schools	10 schools
Human capital	Improve employee engagement	Employee engagement score	21%	34%
	Promotion of diversity	Ratio of female managers	5.2%	10%

# 5. Medium-term Plan 2025 (Business Strategy 1/2)

## Business Strategy 1 Expand service business and create new cyclical services

- Expand services in renewable energy power generation, warehousing, IT asset management, and tourism businesses
- Create new services for a circular economy
  - Create services leading to cyclical use of products
  - Create services leading to virtuous circle for local economies and societies
  - Create services leading to virtuous circle for corporate growth

## Business Strategy 2 Accelerate growth through strategic investment in core businesses

- Expand scale of business through high added value for ICT-related services
  - Enhancement of services related to PC-LCM through system tie-ups with customers and vendors and strengthening of planning functions, expansion of rental services, BPO and consulting services
- Expand and refine fields for financial products in Japan and overseas
  - Expand financial product and investment targets, with a focus on investments/loans and advisory services, and increase revenue and profit



# 5. Medium-term Plan 2025 (Business Strategy 2/2)

## Business strategy 3 Strengthen vendor finance and expand customer base

- Provide capital solutions aligned with vendors and customers
- Improve profitability and create revenue opportunities by strengthening relationships with vendors
- Cultivate transactions by developing and offering solutions for customers' issues

## Strategy to strengthen management foundation

- Strengthen foundation for sales operations based on digitalization of operating process and use of digital information
- Launch core system as DX foundation and promote DX activities
- Create organization, and introduce HR management system aligned with management strategies, and create corporate culture conducive to ongoing challenges and innovation
- Improve effectiveness of corporate governance
- Implement measures to achieve carbon neutrality (bring Scope 1 + 2 on a consolidated basis effectively to zero by FY2040)

The presentation materials are solely for the purpose of providing corporate information of NEC Capital Solutions Limited and not for soliciting purchase, sale, or investment in securities issued by the Company. We ask for the discretion of investors in making investment decisions.

The presentation materials contain forward-looking statements pertaining to the Company's plans, strategies and financial targets, which are created based on currently available assumptions, data, or methods and contain a certain level of risk or uncertain factors.

Investors are advised not to place undue reliance on the forward-looking statements as they only reflect the Company's analysis and expectations. A number of important factors that could cause actual results to differ materially from such statements include (i) change in general economic conditions and laws/regulations in the Company's market, (ii) potential legal liabilities relating to the Company's business and operations, (iii) fluctuating demand for and competitive pricing pressure on the Company's services, (iv) deterioration of the global economic and financial environment, (v) downturn of domestic and international stock markets, and so forth. Risks and uncertainties also include any future events with material unforeseen impacts.

Forward-looking statements contain the most updated information as of the date of compilation. New risks and uncertainties constantly arise, and it is impossible for the Company to predict such events or how they may affect the Company.

\Orchestrating a brighter world

**NEC**