

Sustainability Bond Framework

NEC Capital Solutions Limited

September 2023

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Introduction

NEC Capital Solutions Limited (hereinafter “the Company”) was founded in 1978 as a sales financing company for NEC products. Since then, we have expanded the scope of our business as a financial service provider by developing a full range of financial products to address our customers’ business challenges, in addition to leases for ICT and other equipment. Additionally, we are working with our customers, which include many government agencies and local governments, to promote the development of social infrastructure.

Leveraging our unique characteristics of being a financial services company with the DNA of NEC and providing services that are unique to the Company, we are committed to practicing management based on the concept of “Creating Shared Value” (CSV), aiming for sustainable growth while increasing social value and creating economic value.

We will diversify financing methods through the use of sustainability bonds, and contribute to solving social issues by implementing business activities that address the material issues that we have identified.

1. Corporate Philosophy and Group Vision

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. Our Corporate Philosophy and Group Vision are as follows.

■ Corporate Philosophy

Helping Societies Advance Through “Capital Solutions*1”

The Company aims to be a best partner worthy of our customers’ trust, where all employees have a clear understanding of their respective mission, values, and vision based on our Corporate Philosophy.

*1 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”)

■ Group Vision 2023

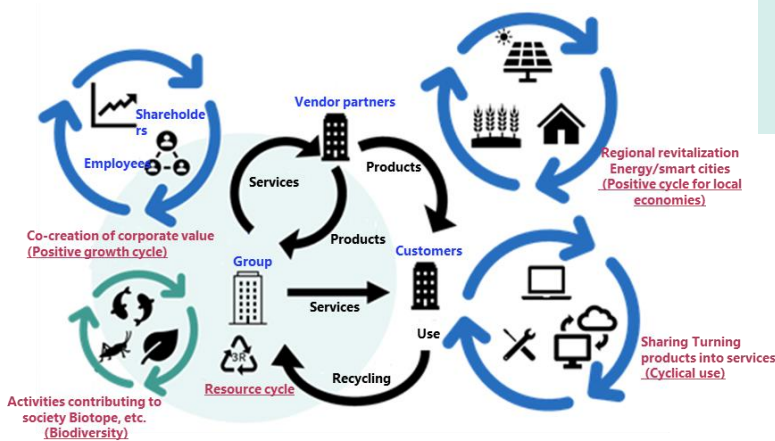
“Be a solution company leading the next-generation circular economy”

In April 2023, we formulated a new Group Vision to “Be a solution company leading the next-generation circular economy,” as our basic management policy, aiming to help societies advance, as stated in our corporate philosophy. While continuing with management based on the concept of Creating Shared Value (CSV) that we have advocated thus far, we have set the 2030 as the goal for our new Group Vision, synchronized with the SDGs, which have a high affinity with CSV management, in order to respond to the diversification of social issues such as climate change, advancements in cutting-edge technologies such as IoT, AI, robotics and other digital technologies, and the significant changes they will bring to future industries and social life.

■ Our approach to “a next-generation circular economy”

Up through this point, we have taken steps to achieve a circular economy through the introduction of eco-friendly products and resource circulation through advanced 3R processing by way of the lease business. The next-generation circular economy anticipated for 2030 and beyond not only projects a reduction in the environmental load through improved resource efficiency, but also imagines a world in which resources continue to be used in a cyclical process, and a circular economy and society that goes on from there and continues to generate new added value.

In this envisioned society, the Group will strive to achieve a “next-generation circular economy” by realizing a virtuous cycle of both environment and growth through the innovation of capital solutions that go beyond leasing, by providing services that lead to the cyclical use of products, services that contribute to the virtuous cycle of local economies and societies, and services that facilitate corporate growth that lead to a virtuous circle all while addressing the diversifying challenges faced by our customers and society.



- ◆ 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.

Source: the Company's website

■ Solution Company

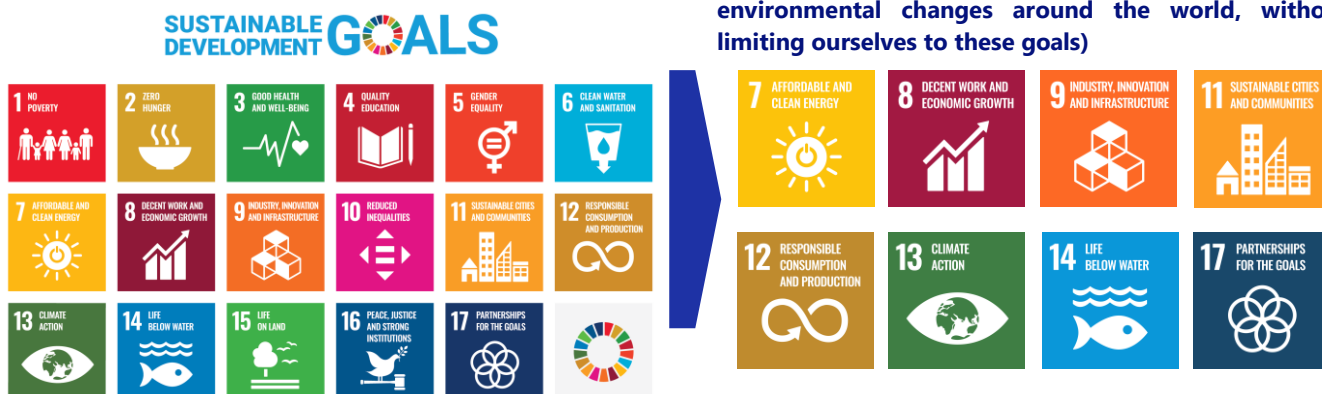
A solutions company embodies its corporate philosophy (reason for existence) and the practice of capital solutions stated in the Company's name by innovating solutions in vendor finance, ICT services, and financial products both in Japan and overseas, and the term also carries the intention of not only expanding existing businesses but also venturing into peripheral areas, initiating new businesses, and taking on the challenge of creating cyclical services. In addition to the general meaning of company, the word also includes the meaning of “a group of people or colleagues who share values.” In addition to increasing profitability by providing value-added solutions to social issues, this Group Vision is also intended to create a company that employees, who share our values, can be proud of (improve engagement).

■ Alignment with SDGs

By providing services to solve social issues through the practice of CSV management, the Group hopes to contribute to achievement of the SDGs by advancing efforts to enhance social value through its business. By leveraging our unique strengths as a financial services company in the NEC Group, we intend to contribute to

the realization of 8 of the 17 goals, particularly the 8 on the bottom right, and we intend to make contributions not limited to these goals as the global environment changes.

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

2. Medium-term Plan 2025

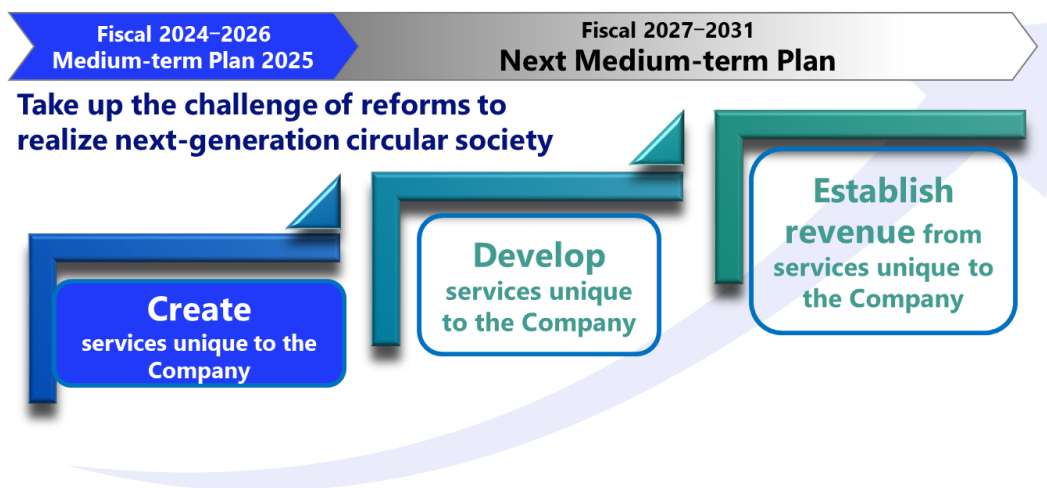
■ Overview of Medium-term Plan 2025

Group Vision 2030 has three major phases, and Medium-Term Plan 2025 has been formulated as a plan to realize the first phase.

Stage One: Create circular services unique to the Group

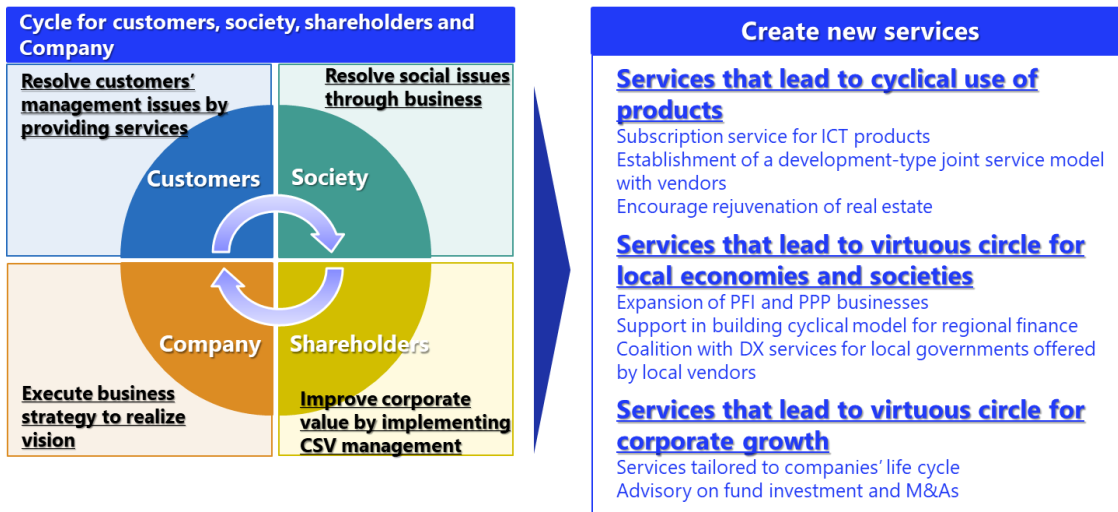
Stage Two: Develop circular services unique to the Group

Stage Three: Establish revenue from circular services unique to the Group



Source: the Company's website

Medium-Term Plan 2025, which is the first step toward realizing the new Group Vision, is a three-year period in which we will take on the challenge of transformation aimed at our vision for 2030 and the achievement of sustainable growth, and we will create circular services unique to the Company to solve customer and social issues through practicing CSV management and work toward realizing the next-generation circular economy. The aims of Medium-Term Plan 2025 from the viewpoints of customers, society, shareholders, and the company itself are defined as follows, and measures are embodied in each strategy.



Source: the Company's website

3. Identification of material issues

In conjunction with the formulation of the new Group Vision 2030, we have redefined the material issues of the Group with respect to solving social issues through our business activities and the management foundation that supports such activities, as follows.

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

Source: the Company's website

In business activity, we have identified promotion of decarbonized society and circular economy, promotion of establishment of social and ICT infrastructure, and creation of new services and businesses to resolve social issues. In management foundation, we have identified investment in human capital and pursuit of corporate governance that supports improved corporate value.

4. Set non-financial indicators

In Medium-Term Plan 2025, the following were announced as part of the non-financial targets: CO2 reductions to achieve carbon neutrality, establishment of social infrastructure, promotion of cyclical use following expansion of the ICT business, promotion of response to climate change, and promotion of activities contributing to society with natural capital in mind.

By addressing these non-financial targets, we aim to realize our new Group Vision.

Framework

The Company's Sustainability Bond Framework (hereinafter the "Framework") was formulated based on the "Sustainability Bond Guidelines (SBG) 2021," "Green Bond Principles (GBP) 2021," and "Social Bond Principles (SBP) 2021" set forth by the International Capital Market Association (ICMA), the "Green Bond Guidelines 2020" set forth by the Ministry of the Environment of Japan, and the "Social Bond Guidelines 2021" set forth by the Financial Services Agency of the Japanese Government. The Framework contains stipulations concerning the following four elements.

1. Use of funds raised
2. Processes for assessing and selecting projects
3. Management of funds raised
4. Reporting

1. Use of Funds Raised

The Company plans to allot funds raised through the issuance of sustainability bonds to the new financing or refinancing of green projects and social projects that satisfy the eligibility criteria set forth below.

Furthermore, the use of funds for refinancing shall be limited to payments for projects implemented no more than 24 months prior to the issuance of the sustainability bonds.

[Green Projects]

Classification	Eligibility Criteria
Renewable energy	<p>The installation, etc., of renewable energy power generation facilities and equipment listed below. This is subject, however, to the assumption that all projects satisfy the environmental assessment criteria. Additionally, the installation location must be in Japan, and it shall be limited to projects where it is judged there are no issues following advance surveys concerning the destruction of the natural environment, etc.</p> <ul style="list-style-type: none"> • Solar power • Wind power (including offshore and onshore) • Hydropower (small-scale hydropower generation) • Geothermal (limited to projects with negative CO₂ emissions over their life cycle)

[Social Projects]

Classification	Eligibility Criteria	Target People
Access to essential services	Development of educational ICT environments in schools Supply of PCs to elementary, junior high, and high schools, as well as universities (including both state and private schools)	Children (In particular, children unable to access educational opportunities owing to economic circumstances)
	Provision of the following healthcare facilities for senior citizens <ul style="list-style-type: none"> • Fee-paying homes for the elderly • Serviced accommodation for senior citizens 	Senior citizens
Development of basic infrastructure at reasonable prices	Provision of ICT solutions to public and medical institutions	The general public

2. Processes for Assessing and Selecting Projects

Projects receiving funds from sustainability bonds will be selected based on materiality aimed at realizing CSV management. The IR & PR Department of the Company selects the eligible projects, and assesses selected projects' conformity with the eligibility criteria. Next, the Executive Officer in charge of the Finance Department and the IR & PR Department comprehensively analyzes and considers the selected projects that fulfill the eligibility criteria after they have passed through the aforementioned process, and he or she makes the ultimate decision.

Furthermore, the Company confirms that all candidate projects have addressed the following points, in order to reduce environmental and social risk.

- The project complies with laws and regulations related to the environment, etc., as required by the national and local governments of the country where the project is being implemented, and surveys of environmental impact are conducted as necessary
- Sufficient explanations are provided to local residents when implementing the project
- Materials procurement, measures to address substances that are harmful to the environment, and waste management that align with the Company's environmental policies

3. Management of Funds Raised

The Finance Department of the Company will use management files to allot and manage funds raised, in order to ensure that the full amount of funds raised from the sustainability bonds is allotted to projects that satisfy the eligibility criteria. Once every quarter, the IR & PR Department and the Finance Department will confirm the status of the allotment of funds using the prescribed methods. In the event that there are unallotted funds, projects that satisfy the eligibility criteria will be newly selected and the funds will be reallocated.

As a means of tracking the allotment of funds, these matters will be subject to confirmation by the General Manager of the IR & PR Department and the General Manager of the Finance Department. During the period until the funds raised from sustainability bonds are allotted to projects that satisfy the eligibility criteria, the funds raised will be managed as cash or cash equivalents.

4. Reporting

(1) Allotment of Funds Reporting

Until the full amount of funds raised from sustainability bonds is allotted to projects, the Company intends to disclose the following information on our website on an annual basis.

- The amount of funds allotted for each classification
- The amount of unallotted funds, the scheduled timing of allotment, and methods of managing funds while they are unallotted
- The estimated amount (or proportion) of any funds allotted to refinancing

Furthermore, after the allotment of the full amount of funds raised, the Company will provide timely disclosure in cases when relevant assets can no longer be used on an ongoing basis, or in case of other material events, such as cases when recovery from an accident is difficult.

(2) Impact Reporting

While any of the issuance amount of sustainability bonds remains outstanding, the Company intends to disclose the following information on our website on an annual basis, as an indication of the effect on the environment and society.

[Green Projects]

Classification	Examples of Impact Reporting Indicators
Renewable energy	<ul style="list-style-type: none"> • Number of domestic renewable energy power generation facilities • Total amount of power generated per year (MWh) • Equivalent amount of CO₂ emissions reduced (estimated amount, t-CO₂)

[Social Projects]

Classification	Output	Outcome	Impact
Access to essential services (Development of educational ICT environments in schools)	Number of PCs supplied to schools (GIGA Schools, etc.)	<ul style="list-style-type: none"> • Number of schools using PCs • Number of PCs supplied (number of children and pupils able to use) 	Realization of a society where all children have equal access to educational opportunities
Access to essential services (Provision of healthcare facilities for senior citizens)	Outline of healthcare facilities for senior citizens Number of facilities and total number of rooms	<ul style="list-style-type: none"> • Number of fee-paying homes for the elderly with nursing care, etc. • Total number of rooms (number of senior citizens able to move into facilities) 	Contribute to social demand for the development and enhancement of healthcare facilities for senior citizens
Development of basic infrastructure at reasonable prices (Provision of ICT solutions to public and medical institutions)	(1) Outline of ICT systems for firefighting and number of units (2) Outline of ICT systems for hospitals and number of cases	(1) Regional population covered by the relevant systems (2) Number of patients or healthcare professionals benefiting from the relevant systems	Contribution to the shift to ICT through the development of public infrastructure and the creation of social foundations