

# Sustainability Bond Framework

NEC Capital Solutions Limited

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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.

We are pushing forward to realize management based on the concept of CSV (Creating Shared Value), which seeks to increase “social value” and create “economic value” while achieving sustainable growth, by providing services that only we are capable of offering, through the use of our unique characteristics based on the combination of being a financial services company and having the “NEC” DNA. Now, through the formulation of this Sustainability Bond Framework, we will diversify our means of raising funds, while also contributing to solving social issues, such as establishing social and ICT infrastructure, revitalizing local communities and economies, preventing global warming, and responding to the aging population.

## 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.

### ■ Group Vision

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

We formulated our Group Vision in October 2013. This Group Vision represents a common direction that the NEC Capital Solutions Group will aim at over the next 10 years, and puts into words our vision for the Company. We understand that the external and internal environments surrounding the Company are constantly changing, but we hope this Group Vision will act as a linchpin for the Company as we engage in unshakeable business development, capable of withstanding any changes.

In this Group Vision, we have set forth our direction, in which we will target management based on the concept of CSV, i.e., the creation of social value through our businesses themselves, as well as the creation of economic value required of us as a company. In recent years, companies have become required to create social value that contributes to achieving a more abundant society if they are to continue existing on a stable basis. At NEC Capital Solutions, we also place the idea of management based on the concept of CSV at the core of our actions as we clarify the vision we want to achieve in 10 years and aim for sustainable growth.

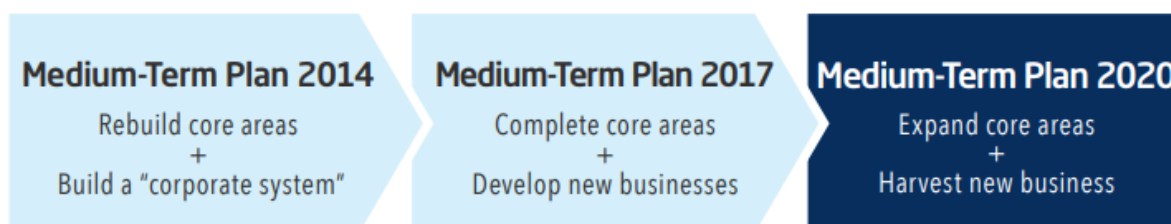
\*1 Capital Solutions: The Company’s term referring to the provision of solutions for a wide range of issues related to customers’ managerial resources (“Capital”).

## 2. Medium-Term Plan 2020

### ■ Summary of Strategies in the Medium-Term Plan 2020

The NEC Capital Solutions Group positions its strengths as its “strategic partnership with NEC,” “broad range of financial solutions,” and “wealth of ICT knowledge,” centered on the “services” DNA of the Company, which was founded as the sales financing company of NEC. Over the three years starting in fiscal 2020, we have further evolved the initiatives we implemented over the course of two medium-term plans, the “Medium-Term Plan 2014” and the “Medium-Term Plan 2017,” and we are working to “Expand core areas” and “Harvest new business” as we look to realize our Group Vision. Our “Medium-Term Plan 2020” consists of these two business strategies, as well as the strategy of strengthening our corporate management to support these business strategies.

10-year Roadmap to realizing our Group Vision



### Summary of Strategies in the Medium-Term Plan 2020

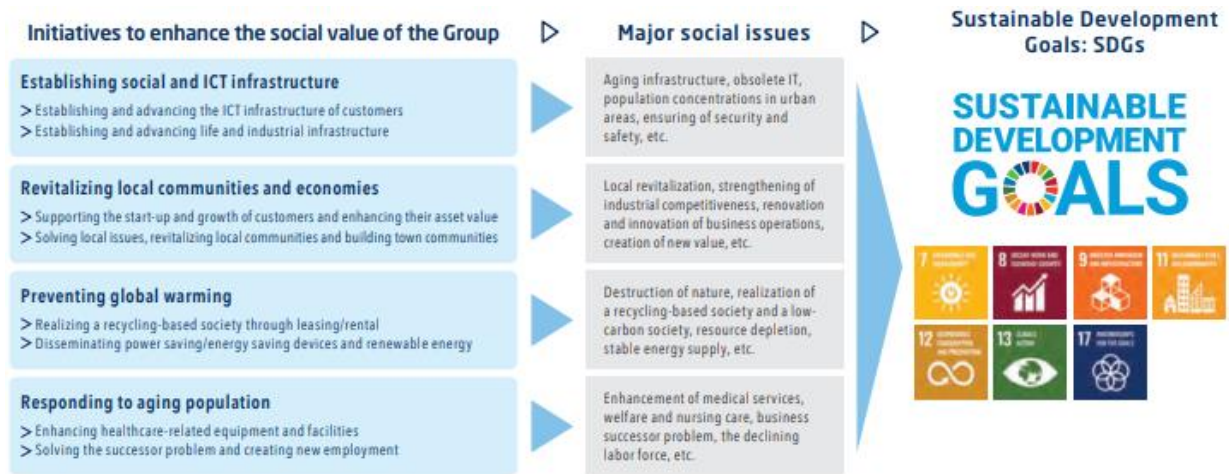
Summary	
<b>Strategy 1</b> Expand core areas: Advance services unique to us that demonstrates its strengths	<ul style="list-style-type: none"> <li>● <b>Establish new services with vendors</b> <ul style="list-style-type: none"> <li>➢ Strengthen strategic partnership with NEC Group and affiliations with vendors, and move ahead with vendor financing</li> <li>➢ Collaborate with vendors to acquire new revenue opportunities, and establish shared services by proposing sales financing functions and jointly developing a service foundation</li> </ul> </li> </ul>
	<ul style="list-style-type: none"> <li>● <b>Accelerate specialized businesses in growth areas</b> <ul style="list-style-type: none"> <li>➢ Provide high value-added services by strengthening ties with business partners, and strengthen earnings capacity in specialized businesses, such as the ICT service business, PFI and PPP business, venture fund business and RISA business</li> </ul> </li> </ul>
	<ul style="list-style-type: none"> <li>● <b>Expand customer base and strengthen sales planning and promotion functions</b> <ul style="list-style-type: none"> <li>➢ Strengthen marketing planning functions</li> <li>➢ Cultivate potential customers and expand business with existing customers by offering solutions</li> </ul> </li> </ul>
<b>Strategy 2</b> Harvest new businesses: Generate revenue from new businesses that capitalize on our strengths, including in non-financial sectors	<ul style="list-style-type: none"> <li>● <b>As well as acquiring revenue steadily from financial services, we raise our expertise and presence and create services unique to us that will lead to community revitalization.</b> <ul style="list-style-type: none"> <li>■ Energy: Promote local production and local consumption of energy through the spread of renewable energy, work to prevent global warming, and expand revenue from our energy business</li> <li>■ Tourism: Promote local revitalization utilizing the region’s tourism resources, and expand revenue for our tourism business</li> <li>■ Agriculture: Stabilize and increase agricultural revenue by encouraging processing, sales and distribution by farmers and optimization of the value chain, and increase revenue generated by our agriculture business</li> <li>■ Healthcare: Augment related facilities by pursuing the healthcare facility warehousing business, and expand revenue for our healthcare business</li> </ul> </li> </ul>
<b>Strategy 3</b> Strengthen corporate management supporting business strategies	<ul style="list-style-type: none"> <li>● <b>Establish operational flows addressing diverse work styles, and create efficient and high-quality operations</b> <ul style="list-style-type: none"> <li>■ Operational process               <ul style="list-style-type: none"> <li>➢ Establish company-wide operational process assuming a hybrid work style combining telework and office work</li> <li>➢ Establish “Three Lines of Defense in Effective Risk Management and Control,” ensuring that company-wide operational reforms are pursued and operational quality improves</li> </ul> </li> <li>■ IT infrastructure               <ul style="list-style-type: none"> <li>➢ Efficiently use leading-edge ICT and advance operational processes at a faster pace</li> <li>➢ Establish plan to innovate core systems</li> </ul> </li> <li>■ HR development               <ul style="list-style-type: none"> <li>➢ Optimize management system, hire and train specialized human resources, appropriately assign employees, and achieve work style reforms</li> </ul> </li> <li>■ Staff functions               <ul style="list-style-type: none"> <li>➢ Enhance company-wide optimal specialized functions and improve sales support capacity</li> </ul> </li> </ul> </li> </ul>

Source: the Company’s website

### 3. Advancing initiatives for the realization of CSV management from four perspectives

As part of our aim to realize CSV management, we have arranged initiatives aimed at enhancing social value that are highly compatible with our businesses. Our initiatives to enhance social value mainly fall into the following four categories: “Establishing social and ICT infrastructure,” “Revitalizing local communities and economies,” “Preventing global warming,” and “Responding to the aging population.”

Advancing initiatives for the realization of CSV management from four perspectives



Source: the Company’s website

## 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"> <li>• Solar power</li> <li>• Wind power (including offshore and onshore)</li> <li>• Hydropower (small-scale hydropower generation)</li> <li>• Geothermal (limited to projects with negative CO<sub>2</sub> emissions over their life cycle)</li> </ul>

[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"> <li>• Fee-paying homes for the elderly</li> <li>• Serviced accommodation for senior citizens</li> </ul>	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"> <li>• Number of domestic renewable energy power generation facilities</li> <li>• Total amount of power generated per year (MWh)</li> <li>• Equivalent amount of CO<sub>2</sub> emissions reduced (estimated amount, t-CO<sub>2</sub>)</li> </ul>

[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"> <li>• Number of schools using PCs</li> <li>• Number of PCs supplied (number of children and pupils able to use)</li> </ul>	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"> <li>• Number of fee-paying homes for the elderly with nursing care, etc.</li> <li>• Total number of rooms (number of senior citizens able to move into facilities)</li> </ul>	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)	<ol style="list-style-type: none"> <li>(1) Outline of ICT systems for firefighting and number of units</li> <li>(2) Outline of ICT systems for hospitals and number of cases</li> </ol>	<ol style="list-style-type: none"> <li>(1) Regional population covered by the relevant systems</li> <li>(2) Number of patients or healthcare professionals benefiting from the relevant systems</li> </ol>	Contribution to the shift to ICT through the development of public infrastructure and the creation of social foundations