

Material issues (I)

Promotion of decarbonized society and circular economy

Our initiatives

- ▶ Response to climate change
- ▶ Reinforcement and creation of services for a circular economy

Basic policy

In 1999, we were certified under the ISO 14001 international environmental management standard, ahead of other companies in the leasing industry in Japan, and have since been promoting environmental management. Our business activities have a smaller environmental burden than manufacturing or other types of business. We thus place emphasis on increasing environmental benefits (values) for customers and society. Based on the concepts of “Realizing a low-carbon society through Eco-Leasing/ Eco-Financing” and “Recycling resources through leasing,” we have been actively developing business that helps solve environmental issues to positively impact all of society.

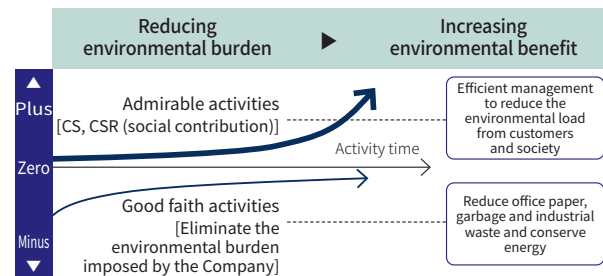
We announced our support for the Task Force on Climate-related Financial Disclosures (TCFD) in September 2022, and have since been disclosing information in accordance with the TCFD recommendations.

Based on our new Group vision, which aims to realize a next-generation circular economy, we are working on highly effective actions to promote a decarbonized society and circular economy by building a system in which our

business activities themselves are linked to activities to address climate change issues.

We responded to the Carbon Disclosure Project (CDP) Climate Change 2022 Questionnaire, and scored a B, indicating the Company is showing evidence of managing our environmental impact.

● Conceptual diagram of environmental benefit and environmental burden



For more information, please visit:
<https://www.necap.co.jp/csv/environment/index.html>
 (available in Japanese only)



Environmental Policy

We have established our Environmental Policy as an action guideline for environmental management. With an eye to realizing the Group vision 2030, we have reviewed the Policy.

Environmental Policy

- In order to contribute to the creation of a carbon-neutral, next-generation circular economy, we will engage in business that solves social issues and create economic value together with the value chain.
- We will work to improve our operational quality that contributes to sustainable business activities, as well as improve the efficiency of these operations.
- We will actively promote the creation of a society and environment that can recycle resources to enable our co-existence with nature.
- We will comply with environmental laws and regulations and other requirements to which we agree.

● Non-financial indicators in the Medium-term Plan 2025

Objective	Description	FY2023/3	FY2026/3 (Target)
CO ₂ reductions to achieve carbon neutrality	Scope 1+2: Reduction rate compared to FY2023/3	157t-CO ₂	20% reduction
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)	43MW	100MW

Carbon Neutrality Commitment

Aim for a carbon neutrality by the fiscal year ending March 31, 2041 (bring Scope 1 + 2 on a consolidated basis effectively to zero)

We have set the goal of reducing the CO₂ emissions (Scope 1 + 2, the Company and RISA Partners) generated from our business activities by 20% in the fiscal year ending March 31, 2026 compared to the fiscal year ended March 31, 2023.

We aim to achieve net zero CO₂ emissions (Scope 1 + 2) on a consolidated basis including our overseas subsidiaries by the fiscal year ending March 31, 2041.

See Non-financial (non-consolidated) on ▶P.43-44 for our CO₂ emission figures

Response to climate change (information disclosure based on the TCFD recommendations)

Governance

We established the Sustainability Committee, chaired by the president, to be an organization discussing climate change and other sustainability issues.

See Sustainability on **P.21** for sustainability implementation system

Strategy

We conducted a scenario analysis to consider the impact of climate change on our business, in order to formulate and examine strategies for the Group. In this scenario analysis, we examined risks and opportunities from both qualitative and quantitative perspectives, referring to the “4°C scenario,” which assumes no further action against climate change is taken, causing the intensity of extreme weather events to increase, and the “1.5°C scenario,” which assumes more ambitious measures to tackle climate change are taken in a bid to achieve decarbonization. A detailed analysis of risks and opportunities is posted on our website.

The scenario analysis found that, although a certain level of risk is expected in either scenario, the impact on our business is limited. In fact, we concluded that climate change is likely to increase our business opportunities, such as increased demand for Information and Communication Technology and leasing, new services and the expansion of new investment opportunities.

In response to the ever-changing global situation, we will review risks and opportunities as needed while consulting with the relevant internal divisions and management teams, and revise them to develop more effective countermeasures.

Risk management

We classify risks that may adversely impact our business activities into two types: ERM risks*1 and other risks. ERM risks are subject to control by the Risk Management Committee. Other risks are risks that may significantly

impact the Group’s business. They are subject to control by each management meeting body and the Management Conference.

See Risk Management on **P.38** for information on company-wide risk management

We believe climate-related risks are key management risks that fall into both categories. From the perspective of overall risk management, the Sustainability Committee chaired by the president manages these risks in an integrated manner.

When it is expected that climate-related risks will significantly impact*2 the Group, we will swiftly discuss a response policy. The situation will be assessed by the Management Conference and a resolution will be submitted to the Board of Directors. Decisions will be incorporated into business plans as appropriate.

*1 ERM risks comprise (1) credit risks, (2) market risks and (3) operational risks (such as administrative risks and system risks) in enterprise risk management (ERM).

*2 Significant impact refers to an impact that reaches the level of the timely disclosure standards of the Tokyo Stock Exchange (estimated amount of impact on profit, etc.)

Metrics and Targets

In April 2023, we announced the Medium-term Plan 2025 and set new medium- to long-term environmental targets, aiming to reduce the CO2 emissions (Scope1 + 2) generated from our business activities as below.

	FY2023/3	FY2026/3 (Target)	FY2041/3 (Target)
CO2 emissions (t-CO2)	157	Down 20% compared with FY2023/3	Achieve net zero on a consolidated basis including our overseas subsidiaries

For more information, please visit: <https://www.necap.co.jp/csv/environment/climatechange.html> (available in Japanese only)



Climate change risks associated with credit costs

Based on the TCFD scenario analysis for the banking sector released by the Ministry of the Environment of Japan, we created a scenario in which borrowers’ ability to repay their loans deteriorated due to the occurrence of physical and transition risks. Then, taking into account the Company’s characteristics, we calculated the increase in credit costs based on credit balance for the fiscal year ended March 31, 2023.

The impact on gain and losses from a rise in credit costs due to physical risk for the periods being analyzed was negligible.

We did not observe any additional credit costs as a result of transition risk.

Overview of our analysis scenarios (millions of Yen)

Risk incident	Physical risk		Transition risk			
	Floods		Policy changes, changes in the supply-demand balance			
Applied scenarios	◆4°C scenario IEA Stated Policies Scenario/RCP8.5 ◆1.5°C scenario IEA Net Zero Emissions by 2050/RCP2.6 Sustainable Development Scenario					
Analysis scope	Corporations		Energy, electric vehicles, steel sectors (excluding renewable energy)			
Region	Global					
Analysis period	2050					
Increase in credit costs	Scenario	1.5°C	4°C	Scenario	1.5°C	4°C
	Single fiscal year	37	51	Single fiscal year	—	—
	Total through 2050	1,011	1,379	Total through 2050	—	—

Our efforts towards reinforcement and creation of services for a circular economy

“PIT Managed Services”

ICT equipment is one of the most important infrastructures in a company. At the same time, we need to provide support tailored to the life cycle, such as procurement and introduction support, security management, contract and asset management, and operation management. With our track record of handling a large number of ICT equipment, we have been providing such services from an early stage, including the operation of ICT equipment. We analyze the current situation to define the ideal state, and provide services that enable outsourcing from the introduction of ICT equipment to operation management after installation. This allows us to provide powerful support for client companies’ IT system divisions. In the Medium-term Plan 2025, one of our business strategies is to expand scale of business through high added value for ICT related services, based on lease and rental services.



Column “Waku-waku” (exciting) Children’s Pond Project

Since 2007, we have been working in cooperation with the Asaza Fund, a nonprofit organization, on the “Waku-waku” (exciting) Children’s Pond Project, a social contribution activity that provides environmental education programs through biotope construction. As of the end of March 2023, a total of 50 elementary schools have participated in this project.

Based on the recognition that leasing, our mainstay business, is an industry conducive to recycling that can make effective use of resources, we started this project with the goal of providing children with a place to learn about the importance of nature’s cycles. The basic program consists of five sessions. Not only do we construct biotopes, but we also place value on the processes before and after construction. The curriculum consists of learning about living creatures’ homes and lifestyles, observing the surroundings of the school, designing and constructing biotopes, and observing them afterwards. We hope this series of experiences helps children to learn about the mechanisms for protecting biodiversity and gain a higher awareness of co-existing with nature. During the COVID-19 pandemic, we enhanced our activities further by introducing online classes using Zoom.

The natural environment has been gaining attention in recent years as natural capital, an important capital that supports the lives of citizens and the management foundations of companies. Against this backdrop, we have included the number of activities of the “Waku-waku” (exciting) Children’s Pond Project into the

non-financial indicators of our Medium-term Plan 2025. By continuing to promote these activities, we will strive to provide better environmental education to the children who will lead the next generation, thereby contributing to the creation of a sustainable society.



(Top) Killifish being released into the completed biotope
(Right) Setting up a bird house to attract birds to the constructed biotope

Non-financial indicators in the Medium-term Plan 2025

Objective	Description	FY2023/3	FY2026/3 (Target)
Promotion of activities contributing to society with natural capital in mind	School biotope education: The total number of schools in the three-year period	3	10

For more information, please visit: <https://www.necap.co.jp/company/biotop/index.html> (available in Japanese only)

