



■ Editorial Policy and Scope

Editorial Policy

Since 2014, the Company has been issuing an “Integrated Report” (“this publication”). This publication is aimed to focus on the main points related to our management issues and medium- to long-term goals. To enhance comprehension of the Company, we invite the reader to visit our website.

Scope

Organization: NEC Capital Solutions Limited and its consolidated subsidiaries and equity-method affiliates

Period: Data represent results from April 1, 2022 to March 31, 2023 (including most recent activities)

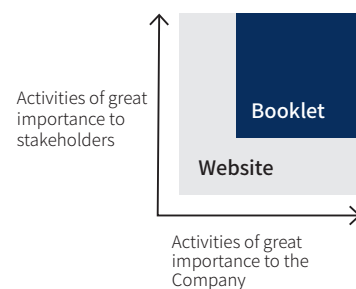
Media concept

● Booklet

The booklet contains a report that is focused on crucial information, mainly information on our material issues.

● Website

The website presents PDF files containing the booklet, as well as more detailed information (Japanese Only).



- Publication
December 2023 (Published annually)
- Contact IR & PR Department for inquiries about the report



NEC Capital Solutions Limited
**INTEGRATED
REPORT
2023**

Cover Artwork: **SKYLINE** by CHABI

We sponsor Paralymp Art, an initiative supporting artists with disabilities to enable their dreams to come true through art.

We chose four candidate pieces of artwork reminiscent of the four rings of the circular economy (page 1) taken from what we consider to be a “Next-generation circular economy” as outlined in our Group Vision 2030, “Be a solution company leading the next-generation circular economy.” Employees of our group companies in Japan then voted to select the piece above.

This artwork, which evokes the beautiful circulation of nature, represents the Group’s intent to create a next-generation circular economy.



Paralymp Art Office, SHOUGAISHA
JIRITSU SUISHIN KIKOU ASSOCIATION

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”).

Group Vision 2030

Be a solution company leading the next-generation circular economy

*Solution Company: Implementation of “Capital Solutions” that is included in both our corporate philosophy (reason for existing) and company name. “Company” means a business organization and a group of colleagues (partners) that shares the same values.

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. The Group aims to create various and “circular economy-oriented” services through the innovation of capital solutions.



[SDGs the Group can contribute to in particular]



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Takashi Nawa (Professor of Hitotsubashi University Business School, outside director of the Company)

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Koji Shibata, Executive Officer



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WEB Sustainability

<https://www.necap.co.jp/csv/report/index.html>
(available in Japanese only)

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Noboru Watanabe, Executive Officer

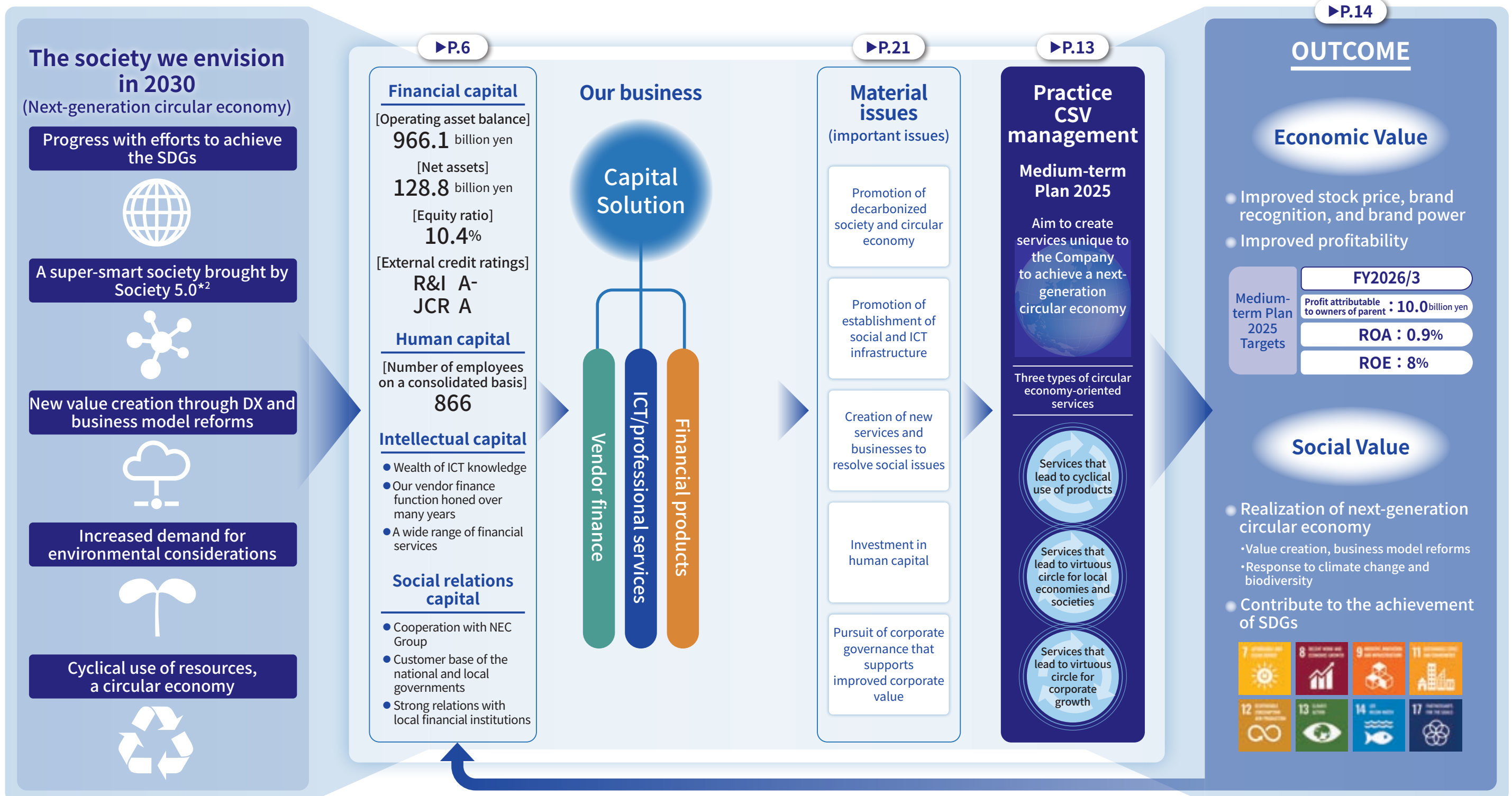


WEB Financial Information and Business Results

<https://www.necap.co.jp/english/ir/financial/index.html>

To realize the Group Vision, we will implement CSV*¹ management and resolve issues for society

Group vision . . . Be a solution company leading the next-generation circular economy

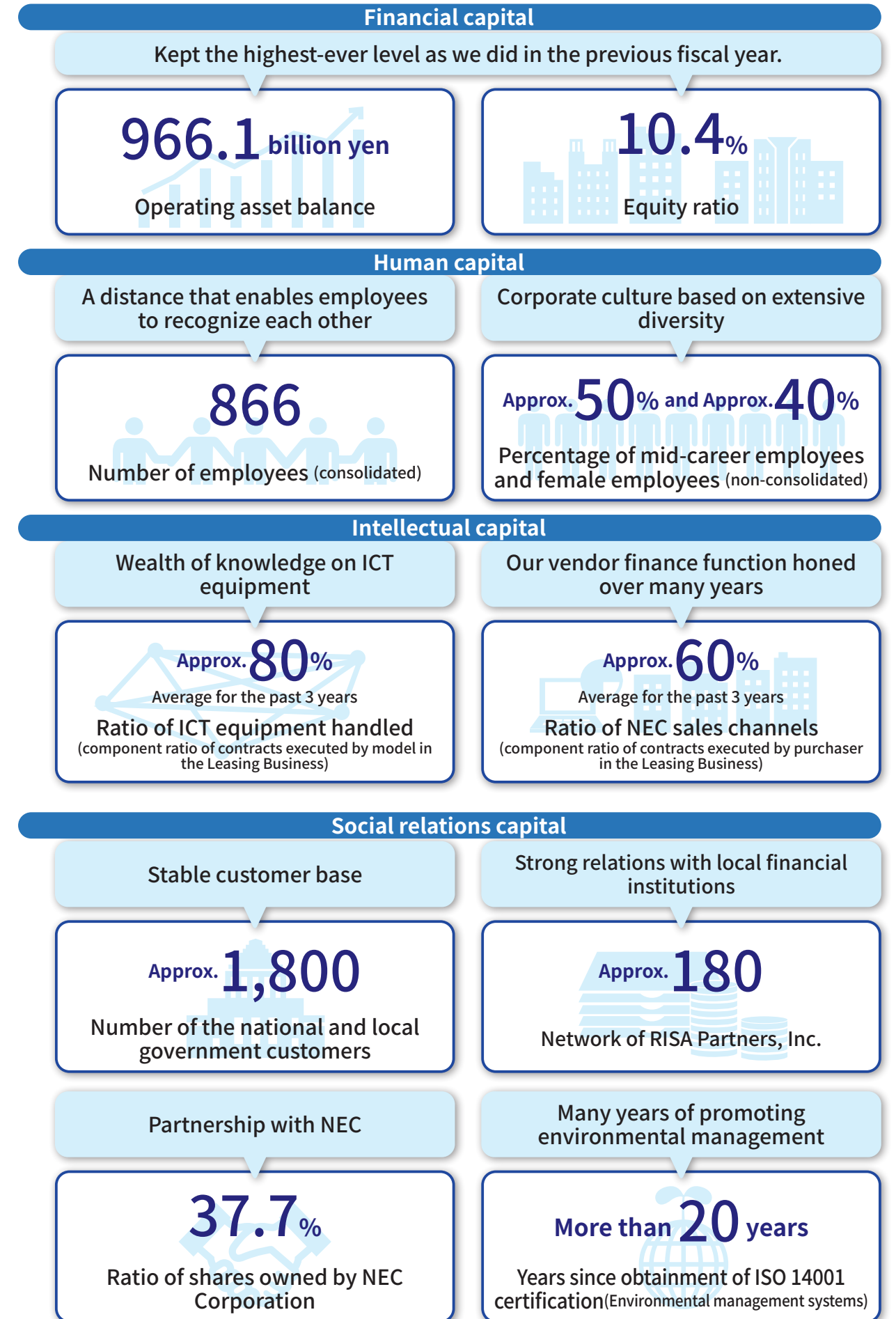
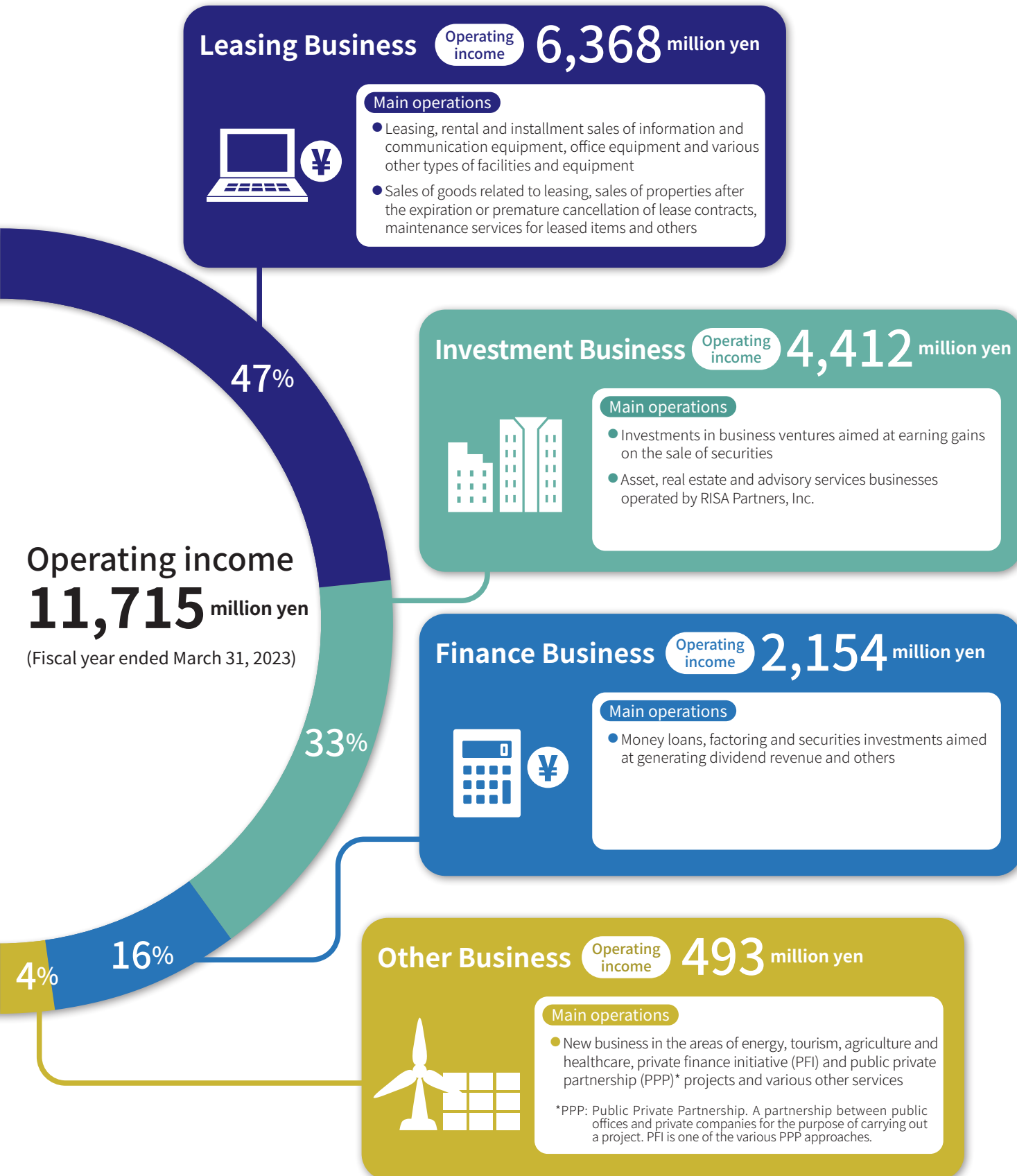


*1 CSV stands for Creating Shared Value. It is a business strategy framework that was advocated by Michael Porter, an American business scholar, in 2006. It means achieving a balance between activities to earn economic profit and the creation of social value (= solving social issues).

*2 Society 5.0: A human-centered society that balances economic development with the resolution of social problems by a system that highly integrates cyberspace and physical space. This refers to a new society following the hunting society (Society 1.0), agricultural society (Society 2.0), industrial society (Society 3.0), and information society (Society 4.0). The Cabinet Office advocates Society 5.0 as a future society that Japan should aspire to.

(As of the end of March 2023)

We provide four types of business leveraging the strengths we have nurtured over the years



In response to the changing times, we are expanding our solution services

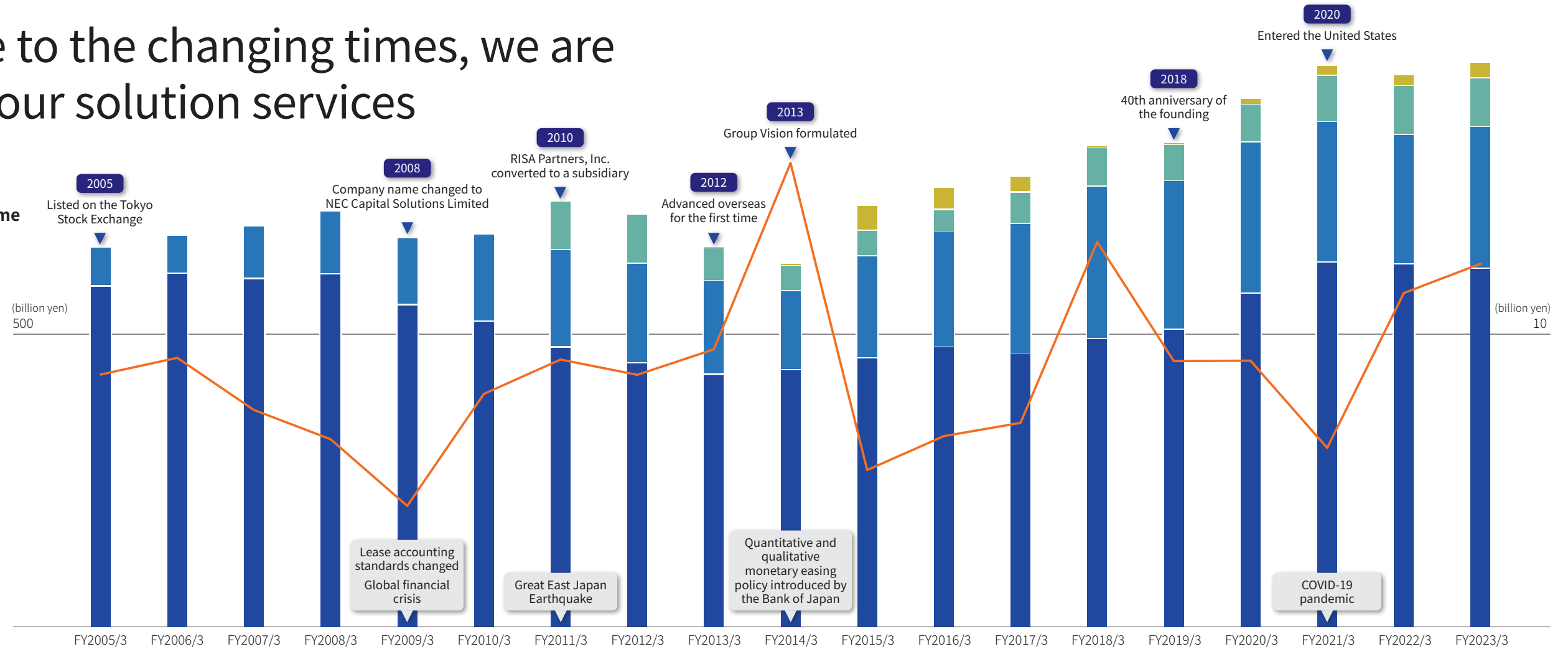
Trends in operating asset balance and ordinary income

(after listing on the Tokyo Stock Exchange in 2005)

Operating asset balance (left axis)
 ■ Leasing Business (formerly, Leasing and Installment Sales Business)
 ■ Finance Business (formerly, Loan Business)
 ■ Investment Business (formerly, RISA Business)
 ■ Other Business

— Ordinary income (right axis)

* In connection with the revision of reportable segments, the data presented was retrospectively modified for the segments after the revision for the period from the fiscal year ended March 31, 2017 to the fiscal year ended March 31, 2021.



Business topics

- Nov. 1978** Establishing a presence in the leasing sector
 Established in 1978 as a company that takes on a sales finance function for NEC products. Steadily growing our transaction volume centered on the leasing of NEC products, we settled into a role as a manufacturer affiliated leasing company.
- Circa 2003** Expanding business areas into ICT services
 Pursued our growth potential and distinctive character on the occasion of listing on the Tokyo Stock Exchange. Accumulated our ICT expertise by advancing our unique efforts, such as the diversification of products we handled and the life cycle management service of ICT equipment.
- Apr. 2008** Expanding business areas into financial services
 Expanded our efforts for financial services with the aim of shifting to higher value-added business, and changed the company name to NEC Capital Solutions. Enhanced solutions to a broad range of sophisticated finance by promoting multifaceted business activities, including the conversion of RISA Partners, Inc. into a subsidiary.
- Oct. 2013** Aiming to realize CSV management
 Developed a Group Vision in 2013 that expresses what we aspire to be in 10 years. We have been aiming to achieve CSV management that solves societal issues through our business by providing services that combine the strengths of the Group.
- Apr. 2023** Promoting CSV management in accordance with our new Group Vision
 Since formulating the Group Vision 2030 in April 2023, we have been practicing CSV management with the aim of realizing a next-generation circular economy.

Sustainability topics

- 1999** Acquiring ISO 14001 environmental management systems (EMS) certification


 JIS Q 14001 JSAE192
- 2004** Receiving prize for excellence in environmental management, the "2nd Japanese Environmental Management Grand Prize" of Mie Prefecture
- 2006** Acquiring ISO/IEC 27001 certification, an international standard for information security management system (ISMS)

 JQA-IM0333
- 2007** Launch of Waku-waku (exciting) Children's Pond Project, a biotope construction, social action program

- 2010** Election of independent director
- 2011** Business Continuity Plan (BCP) formulation
- 2012** Launch of environmental/restoration support syndicated loans (terminated in 2018)
- 2013** Top prize awarded for both "the 15th Green Purchasing Grand Award" competition and "the Minister of Environment Prize" competition
 Relocation of HQ and major group companies
- 2018** Quality Management System (QMS) ISO 9001 certification obtained

 JQA - QMA15688 Government, Public and Social System Sales Division
- 2020** Acquiring PrivacyMark
- 2022** Issuing sustainability bonds
 Acquiring certification as a DX-certified operator
 Announcing support for the Task Force on Climate-Related Financial Disclosures (TCFD)
- 2023** Recognized as a Health & Productivity Management Outstanding Organization


Developing CSV management for a next-generation circular economy

The NEC Capital Solutions Group will further deepen the CSV management it has been promoting for the past 10 years and develop it towards a new era. Here, I would like to explain our efforts to take on the challenge of creating new value based on the keyword “next-generation circular economy,” as well as our efforts to create future capital solutions.



President
Masaaki Suganuma

Please explain the next-generation circular economy set forth in “Group Vision 2030.”

We envision contributing to an advanced society that adapts to change, and have adopted the keyword “next-generation circular economy.”

To date, we have advocated for “CSV management,” in which we resolve social issues through our business and contribute to society, which leads to profit. This approach and value are the basis of our business activities, and they will remain unchanged in our new Group Vision. However, in recent years, the world has been affected by unprecedented changes such as worsening climate change, pandemics of infectious diseases, rising geopolitical risks, and the spread of financial instability, making the future uncertain. In addition, major changes in the industry and social life are expected, including the development of cutting-edge technologies such as digital technology (IoT^{*1}, AI^{*2}, robots), new value creation through DX, and business model reforms. Under such circumstances, how should we go about developing our business, and what should we aim for in order to contribute to society? We need to respond to changes autonomously while deepening our thinking.

By its nature, the leasing business is a business that contributes to the reduction of environmental burden through the reuse of resources and improved efficiency, therefore it can be said that it directly contributes to the creation of a recycling-based society. Looking ahead, we recognize that we will need to implement initiatives that create new value while further developing “circulation,” with an eye towards the post-2030 society aimed for by the SDGs. Based on this idea, we set the goals of our Group Vision for 2030, the same year as the SDGs. Moreover, we envision contributing to an advanced society that adapts to the changing times, and have adopted the keyword “next-generation circular economy.”

We create services that lead to the cyclical use of products, a virtuous circle for local economies and societies, and a virtuous circle for corporate growth. Through the provision of these services, we will lead the next-generation circular economy.

Another keyword in our new Group Vision is “Solution Company.” To resolve our customers’ management issues, we will innovate solutions for vendor finance, ICT services, and financial products in order to expand our business domains and create “circular economy-oriented” services. We use the word “Company” to mean partners and a group of colleagues who work together to achieve their goals, aim in the same direction amid social change, and move forward together.

What strengths are you going to leverage in your efforts to realize the Group Vision?

Our strengths include expertise in ICT equipment, business relationships with the national and local governments, and the sales capabilities of RISA Partners.

One of our strengths is that we have specialized knowledge regarding the handling of ICT equipment and can provide financial solutions that utilize this knowledge. Up until now, we have mainly handled hardware leasing based on close relationships with vendors and developed a business with additional services. As many ICT equipment has begun transitioning to provision via subscription or SaaS^{*3} in recent years, vendors that make upfront investments in pay-as-you-go mechanisms and system building are required to manage their businesses with greater awareness of ROIC and cash conversion cycles, and supporting these financial aspects has become a new role for the Company. Within the NEC Group, we are involved in intellectual property and ownership issues faced by operating companies and we are involved in the resolution of these issues as well. We also receive inquiries regarding the transition to subscription models from other ICT vendors.

Another one of our strengths is that we do a lot of business with the national and local governments. Through customer sharing with the NEC Group, we have received business from over 1,800 national and local governments in Japan, and this has become a strong foundation for our sales activities. Thanks to our extensive track record, we can accurately handle bidding and contract procedures that differ by the national and local government. We are also able to quickly move forward with major projects, such as the simultaneous switching of installed equipment and the mass delivery of devices used in the GIGA School Program.^{*4} Based on these strengths, we are also focusing on the PFI business. For example, we have been involved in over 20 projects in the school meal center development business.

Our other strength is the network of approximately 180 regional financial institutions nationwide held by our subsidiary, RISA Partners that conducts Investment Business, as well as their knowledge in the real estate field. We provide financial solutions in collaboration with RISA Partners, where we implement initiatives by leveraging these strengths and the company’s quick decision-making capabilities.

We aim to develop businesses that leverage the strengths listed above and advance the innovation of capital solutions in order to realize a next-generation circular economy.

Looking back on the completed previous Medium-term Plan, can you tell us about your achievements and challenges?

I believe that the new solutions we sowed have borne fruit and that our profitability has steadily increased.

The recently concluded “Mid-Term Plan 2020” (plan period: FY2021/3-FY2023/3) had “expand core areas” and “harvest new businesses” as the pillars of its business strategy, and by promoting it alongside our strategy to strengthen the management foundation that supports this strategy, we concluded a decade of initiatives to realize CSV management.

As a result, the consolidated business results for FY2023/3 achieved both the planned targets for operating income of 11.0 billion yen and ordinary income of 12.0 billion yen, and profit attributable to owners of parent exceeded the three-year cumulative target. I believe that the efforts we have made over the past few years to create new solutions are bearing fruit, and that our profitability has steadily increased. However, our profitability is still low compared to industry standards, and we will strive for further improvement in this remaining issue.

Regarding new businesses, we focused on the four domains of healthcare, energy, tourism, and agriculture. In addition to aiming to generate revenue from financial and peripheral services, we also aimed to provide services unique to us that lead to local revitalization. In the healthcare domain, initiatives combined with real estate finance yielded results, while in the energy domain, we increased assets with the expansion of renewable energy such as solar power generation. As a result, both areas generated revenue. On the other hand, the tourism domain was negatively impacted significantly by the pandemic, and the agriculture domain was also unable to generate revenue.

Going forward, we will develop initiatives over the next three years by identifying areas in which we can further

advance as a business as well as areas to focus on while making use of what we have learned.

Please tell us what you are aiming for with the newly formulated “Medium-term Plan 2025.”

We have set financial and non-financial indicators. We have clarified our attitude toward resolving environmental and social issues through our business.

As a first step towards realizing our new group vision for 2030, we have formulated and launched the “Medium-term Plan 2025” (plan period: FY2024/3-FY2026/3). This plan promotes the business strategies of “expand service business and create new cyclical services,” “accelerate growth through strategic investment in core businesses,” and “strengthen vendor finance and expand customer base,” creating pillars for revenue to realize a next-generation circular economy.

In creating cyclical services, we are considering adding new things to existing initiatives, such as increasing the value of real estate and accelerating the response to aging infrastructure through PFI and PPP businesses, in order to significantly increase “circulation.” In our core businesses such as ICT-related services, we are expecting further improvements in revenue, and to that end, we intend to take proactive steps to accelerate future growth, such as considering the expansion of HR and strategic investments in M&A, etc. on merit.

In terms of the planned indicators, financial indicators are set along with non-financial indicators, and we have set forth to resolve environmental and social issues through business activities and promote the enhancement of human capital. Our financial indicators aim to achieve “profit attributable to owners of parent of 10.0 billion yen,” “ROA of 0.9%,” and “ROE of 8%” in the consolidated business results for FY2026/3, the third year of the plan. Our non-financial indicators include five items related to environmental and social issues including “a 20%



reduction in CO₂ emissions (Scope 1 + 2) compared to FY2023/3” and “a renewable energy power generation capacity of 100MW.” They also include two items related to human capital: “employee engagement score of 34%” and a “ratio of female managers of 10%.”

The financial indicators are a huge challenge for the Company, which is in the process of strengthening its profitability, but we hope to achieve them with the strength of the entire Group, and use the strength we have developed to take our next leap forward.

Over the next three years, the trend toward decarbonization and response to SDGs is expected to accelerate, and the funds needed by the national and local governments to address aging infrastructure are expected to increase. As I mentioned earlier, we aim to achieve our goals by creating services that add new things to existing initiatives and taking hold of the above opportunities.

employee engagement, ensure diversity, and realize health management, while actively investing in human capital for HR development and workstyle reforms, including the use of DX.

Next, I would like to share my thoughts on profit distribution. Regarding the three areas of investment in human capital, investment in growth strategies, and return of profits to shareholders and investors, we will always be conscious of and implement the optimal balance according to the situation.

In terms of return of profits, we set the annual dividend for FY2023/3 at 110 yen per share (interim: 37 yen, year-end: 73 yen, dividend payout ratio: 36.9%), an increase of 36 yen year on year. As we expect to achieve growth in both revenue and income in our consolidated business results in FY2024/3, we plan to further increase the annual dividend to 130 yen (interim: 65 yen, year-end: 65 yen, dividend payout ratio: 37.3%).

As a company listed on the Prime Market, we aim to achieve a PBR of 1x or above by incorporating human capital investment and business investment into our growth strategies in the long term, and we plan to expand the return of profits as a commitment to improving business results in the short term.

Through communication with our stakeholders, we will gain an understanding of the changing times, social demands, and what society needs in a timely manner, and by using the above knowledge in our management, we will contribute to “Helping Societies Advance,” as stated in our corporate philosophy. We appreciate your continued support of the NEC Capital Solutions Group over the long term.

Please tell us your message to stakeholders.

We will grasp the needs of society in a timely manner and promote management worthy of a company listed on the Prime Market of the Tokyo Stock Exchange.

In 2015, we identified material issues concerning our business activities and management foundation, and now, in line with the formulation of our Group Vision 2030, we have re-identified them and reworded them to demonstrate their direct link to contributing to the environment and society. Of the five material issues, “investment in human capital” is an issue that I personally place particular emphasis on, as one of my missions is to “create a company in which employees can take pride.” The source of value creation in CSV management is nothing other than HR. We will work to improve

● Road map to realizing our Group Vision 2030



*1 IoT: Internet of Things, meaning that all things have communication functions and are connected to a network.

*2 AI: Artificial Intelligence. In general, it refers to technology that allows computers to perform intelligent actions such as understanding and recognizing human language and making inferences.

*3 SaaS: Software as a Service, a form of using software via the Internet.

*4 GIGA School Program: A program to equip elementary and junior high schools with ICT devices promoted by the Ministry of Education, Culture, Sports, Science and Technology.

Medium-term Plan 2025

Our new Group Vision, “Be a solution company leading the next-generation circular economy,” was established with a goal of 2030 that is in sync with the SDGs. Under the Medium-term Plan 2025, we will carry out CSV management, which we had been implementing during the 10 years under our previous Group Vision, and take up the challenge of reforms to realize a next-generation circular economy.

Review of Medium-term Plan 2020

Strategies

- Strategy(I)** Expand core areas:
 - Advance services unique to us that demonstrates its strengths
- Strategy(II)** Harvest new businesses:
 - Generate revenue from new businesses that capitalize on our strengths, including in non-financial sectors
- Strategy(III)**
 - Strengthen management foundation supporting business strategies

Profit targets

(billion yen)

	Profit attributable to owners of parent			
	FY2021/3	FY2022/3	FY2023/3	Cumulative total
Plan	4.0	5.5	7.5	17.0
Results	4.1	6.9	6.4	17.4

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 profit 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.

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.

Launch of new services is a work in progress

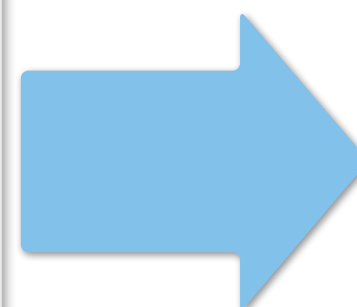
- Through the acquisition of NEC Financial Services, LLC, we entered the North American market where “as a service” type offerings are promoted.
- Efforts were made to launch a new service model with vendors and create new services, but this is still a work in progress.
- Reinforcement, including of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

Reinforcement of initiatives to improve employee engagement

- Accelerated activities aimed at improving work motivation and reinforce improvements to 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).

Reinforcement of sustainability initiatives

- Issuance of Company’s first sustainability bond.
- Sustainability Committee was established and PDCA aligned with the TCFD (Task Force on Climate-related Financial Disclosures) was begun.
- Became a supporter of TCFD recommendations.



Positioning of Medium-term Plan 2025

- The first three years, during which we will take on challenges to transform ourselves in order to realize the next-generation circular economy set forth in the Group Vision
- Aim to create new cyclical services unique to the Company to practice CSV management and achieve a next-generation circular economy

Management objectives

- 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

(billion yen)

	Results in FY2023/3	FY2024/3 Plan	FY2026/3 Plan
Profit attributable to owners of parent	6.4	7.5	10.0
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	Target FY2026/3
Environmental and social issues	CO ₂ reductions to achieve carbon neutrality	Scope1+2 Ratio of decline compared to FY2023/3	20% reduction
	Establishment of social infrastructure	Cumulative contracts over three-year period for the national and local governments	400.0 billion yen
	Promotion of cyclical use following expansion of ICT business	Total number of disposals of products whose lease has ended over three-year period	700,000 units
	Promotion of response to climate change	Renewable energy power generation capacity (power generators owned)	100MW
Human capital	Promotion of activities contributing to society with natural capital in mind	School biotope education: Total increase in number of schools over three-year period	10 schools
	Improve employee engagement	Employee engagement score	34%
	Promotion of diversity	Ratio of female managers	10%

Business Strategy(I) Expand service business and create new cyclical services

- Expand services in renewable energy power generation, warehousing, IT asset management, PFI, tourism, and other 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(II) 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*1 through system tie-ups with customers and vendors and strengthening of planning functions, expansion of rental services, BPO*2 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

Business Strategy(III) 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 FY2041/3)
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*1: PC-LCM: A one-stop IT equipment provision service from procurement through to operation and management.
 *2 BPO (Business Process Outsourcing): A management strategy that aims to improve operational efficiency and reduce costs by partially outsourcing a company’s business processes.

Special Dialogue

The role we must play in realizing a “next-generation circular economy”

With the Group Vision 2030 finally underway, we invited Mr. Takashi Nawa (outside director of the Company), a Professor at Hitotsubashi University Business School, School of International Corporate Strategy and the author of *Creating Shared Value for Management Innovation* and “*Purposism*” beyond Capitalism, to discuss the purpose of our Company aiming to create a next-generation circular economy, and the future direction of our CSV management, alongside President Suganuma and Vice President Kisaki.

(Date of dialogue: June 2023)



Professor at Hitotsubashi University Business School, School of International Corporate Strategy
NEC Capital Solutions Limited
Outside Director
Takashi Nawa

NEC Capital Solutions Limited
President
Masaaki Suganuma

NEC Capital Solutions Limited
Representative Director and Senior Executive Vice President
Masamitsu Kisaki

Review of the previous Group Vision

“I highly commend the advanced and concrete efforts that have been made toward CSV.” (Mr. Nawa)

Suganuma Under the previous Group Vision, which began in FY2014/3, we accelerated our transformation from a leasing company to a company that provides capital solutions, and promoted the realization of CSV management with an eye toward resolving social issues. Throughout this period, we were able to firmly cultivate understanding and empathy for CSV management among our employees, and were able to embark on new initiatives in fields such as renewable energy and healthcare, paving the way to the generation of revenue. I believe that this past decade has been a time in which we have been able to create a greater awareness of CSV management while connecting our capital solutions to various other social issues.

Kisaki We started CSV management 10 years ago when it was not as common as it is now, and over the past decade, we have been able to develop a system to put CSV management into practice, which now gives us a major advantage over other companies in the industry. We have also achieved a certain degree of results in expanding our business domain to improve social value, including vendor finance, ICT-related services, and financial products. In terms of numbers, we were able to steadily accumulate operating assets, achieve our three-year profit plan, and meet our targets of over 100.0 billion yen in shareholders' equity and an equity ratio of over 10%. Compared to 10

years ago, when we formulated our previous Group Vision, our revenue level has increased significantly, and I would summarize the past decade as a time in which we were able to build the foundation for our next leap forward.

Nawa I was involved as part of the team in the formulation of the previous Group Vision. Thanks to this, I have been able to serve as an outside director to this day. The Company has been emphasizing CSV as its purpose from an early stage even from the global perspective—before the adoption of the SDGs—and it can be said that the rest of the industry is now catching up. I highly commend the Company's innovative spirit, and the fact that we actually put it into practice with concrete businesses in terms of environmental and social aspects, rather than simply talking about it with fancy words. On the other hand, an important question to ask ourselves is whether all employees, including those in the back office, were able to make their own purpose while rearranging the Company's purpose to suit each organization, and whether this was possible not only in new businesses, but also in conventional businesses. I would like to raise these points as issues that will affect the success or failure of realizing our new vision.

Group Vision 2030

“Group Vision 2030 incorporates two major beliefs and commitments” (President Suganuma)

Suganuma We have recently announced our Group Vision 2030, “Be a solution company leading the next-generation

circular economy,” which describes what we aim to be in eight years' time, and this vision incorporates two major beliefs and commitments.

The first is our belief in and commitment to becoming a company that aims to create a next-generation circular economy. Leasing, which is the origin of the Company's founding, is a truly “circular economy-oriented” business that can undertake proper 3R* processing of returned equipment. The Company has been supporting environmentally friendly 3R processing since the early 2000s, and I believe that the knowledge we have accumulated regarding “circular economy-oriented” services through leasing is one of our major strengths. Going forward, it is predicted that we will enter a world where we must continue to recycle resources to maintain the global environment, such as by achieving the SDGs and preserving biodiversity. We have decided to call this a “next-generation circular economy,” and based on the above prediction, we aim to demonstrate our value and contribute to resolving social issues based on our original strengths, while using “circulation” as a keyword.

The second is our belief in and commitment to becoming a “Solution Company.” In addition to the meaning of a company that provides solutions to resolve future social issues, we also use the word “company” to mean a group of colleagues who share the same values. Based on this idea, I would like to work to improve employee

* 3R means Reduce waste emissions and Reuse and Recycle waste. It refers to a mechanism for reducing the environmental burden by making effective use of resources and cutting waste emissions.

engagement toward resolving issues for the creation of a next-generation circular economy.

I am sometimes asked about the specific form of a next-generation circular economy, but at this stage, I have purposely kept it to expressions focused on keywords. Just as the Company has autonomously sensed changes in the world and expanded additional domains centered on financial solutions, I would like for our front-line members to be able to autonomously grasp market changes and create solutions that respond to them. I would like to add that I purposely use abstract expressions to convey this sense of expectation.

Kisaki The Group Vision 2030 is the result of identifying and deriving our strengths from two perspectives: our reason for existing and long-term trends in the world.

The first topic of discussion during formulation was future megatrends. From this perspective, focusing on the high affinity between the SDGs, which are common goals for the entire world to be reached in 2030, and our own CSV management, we have decided to set the goals for this Group Vision as 2030, in line with the SDGs. The Company has predicted that society in 2030 will be a CPS (Cyber-Physical System) society in which physical space and cyberspace are highly integrated. We have been working on the specifics of our Group Vision, taking advantage of the fact that our Company is the closest to a CPS society in the industry.

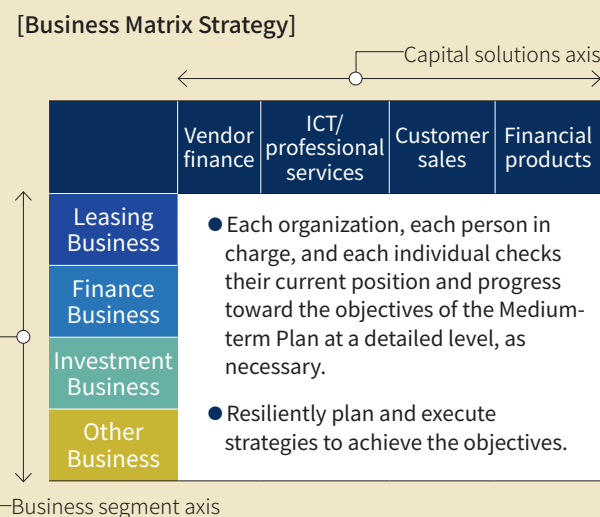
In addition, one of the key points of the Group Vision 2030 in this context was the incorporation of the idea of “Company = colleagues with shared values,” as

discussed by Suganuma. We, the management team, have incorporated anthropomorphic expressions like this based on our strong desire to align the vision of the Company with the vision of each and every employee. This sharing of values can be said to be the key to achieving our Group Vision, and we hope to link this sharing and dissemination to improving employee engagement and strengthening human capital.

Nawa The term “circular economy” is being used recently, and I believe that it represents both an old and new concept. I am very impressed by the fact that the new Group Vision reflects management’s strong will to develop the Vision into a next-generation model, as well as to further develop the Company itself while leading the next-generation circular economy. Using my own interpretation and words, I would say that the Company has upgraded to CSV management 2.0. In addition, as I mentioned at the beginning, I hope that the Company will strive to comprehensively strengthen human capital so that all employees can move forward with confidence toward the Group Vision 2030 and traditional businesses do not get left behind.



Leasing Business, Finance Business, Investment Business, and Other Business (service business), and the Company’s four capital solutions of vendor finance, ICT/professional services, customer sales and financial products. This allows each organization, each person in charge, and each individual to check their current position and progress toward the objectives of the Medium-term Plan at a detailed level, as necessary. At the same time, it also becomes possible to resiliently plan and execute strategies to achieve the goals. Over the next three years, we will use this new management approach to consistently and minutely monitor PDCA and aim to achieve our management targets for FY2026/3. Then, based on the progress and final results of the current Medium-term Plan, we will build a resilient plan for the next Medium-term Plan.



Nawa Currently, many private companies are struggling with the paradox that holding on to assets that originally generate corporate value is hindering PBR. As a company that understands the concerns of private companies and supports asset transformation (AX) from tangible to intangible assets, I see the current position of

Roadmap towards 2030

“I would like to develop resilient strategies based on a new management approach” (Vice President Kasaki)

Suganuma This is just my personal image at this point, but I hope that by the time we reach 2030 after a series of future initiatives, we will have become a company with a unique edge that people feel tempted to contact when faced with issues, for example, in the healthcare or solar power fields.

Also, we have very large assets in the national and local governments. Based on these strengths, I would like to expand our non-core services to include more by 2030, such as the operation of computer equipment. Moreover, we will provide multifaceted services related to the management of the national and local governments, such as by proactively making proposals to local governments that consider PFI and PPP due to aging infrastructure, and strive to create an environment where we can develop meaningful relationships. I believe that such developments will, in a sense, contribute to society and support the circulation of public infrastructure.

Kasaki The current Medium-term Plan for FY2024/3-2026/3 has just started, and the next Medium-term Plan for FY2027/3-2031/3 is still in the rough stages of design, but the current Medium-term Plan includes several points that will lead to the next Medium-term Plan.

Of these, the point I place the most emphasis on is the introduction of a business matrix strategy. To put it simply, this is a new combination of the four business segments of

the Company as very reliable, as we temporarily hold onto assets and accompany the companies on their paths of evolution. In other words, the Leasing Business, which is our bread-and-butter business, is a “circular economy-oriented” business that is highly suited to



asset reorganization, and we look forward to playing an even greater role in the future. Furthermore, for local governments, I believe that initiatives for PPP and PFI, which combine the power of the public and private sectors, will become our key in the future. In the tourism business and other businesses that we began working on under the previous Group Vision, we not only made investments, but also worked from the perspectives of both tourism and regional revitalization. Based on these strengths, I hope that we will become a co-creative organization that undertakes all consultations about local concerns and discusses what the Company can do and incorporate.

Towards sustainable growth in the future

Nawa As we approach the end of this discussion, I would like to express my personal opinion on our relationship with NEC. To put it bluntly, I believe that without our relationship with NEC, we would be in the same position as many other general leasing companies. NEC is a global company that is rated No. 1 in the world in the security market, and I would like for the Company to make effective use of the NEC brand to widely promote our ability to provide safety and security even in the increasingly advanced information society of the future. Moreover, regarding the CPS-related topic that Vice President Kasaki mentioned earlier, I hope that, while using financial solutions, we will proceed in such a way that one day we may be the ones guiding NEC while building a good and trustworthy relationship.

Kasaki Earlier, Professor Nawa raised the issue of the importance of instilling purpose among employees. In establishing this new vision, we formulated the trinity of our corporate philosophy, which can be described as our purpose, our vision, and our principles. Some parts of our Group Vision 2030 refer to a world that is somewhat far ahead, but by having people grasp the vision in terms of these three layers, I hope the vision will seem more relatable to employees. We are keenly aware of the fact that the management goals we have set in order to implement this new, highly ambitious vision are by no means easy. On the other hand, I believe that by accomplishing these objectives, we will dramatically increase our presence within the industry. We are striving to steadily implement all kinds of measures, including the Medium-term Plan 2025, so that we can enjoy a virtuous cycle in which we take the lead in creating new social value and linking it to our next leap forward.

Suganuma What I want to create the most through our Medium-term Plan and vision is culture. The principles mentioned by Kasaki are also included in this. As I mentioned earlier, in order for us to become a company that can autonomously respond to changes, it is essential



to have a culture that is appropriate for this. Going forward, I would like to continue to build this culture over the long term. In addition, through this process, we would like to become a company that works to communicate with employees and foster job satisfaction, which is the most important management theme.

Earlier, Professor Nawa mentioned CSV management 2.0. The Company has in fact entered a new management stage towards its vision for 2030. As Kasaki mentioned, the newly established vision is highly ambitious, but by holding dialogue sessions and other events for all employees, we are working to share how our objectives are possible based on our past performance. Please look forward to our future development, evolution, and growth.



Foundation for Value Creation Continuing to be a company that values the obvious

Representative Director
Senior Executive Vice President
Masamitsu Kasaki

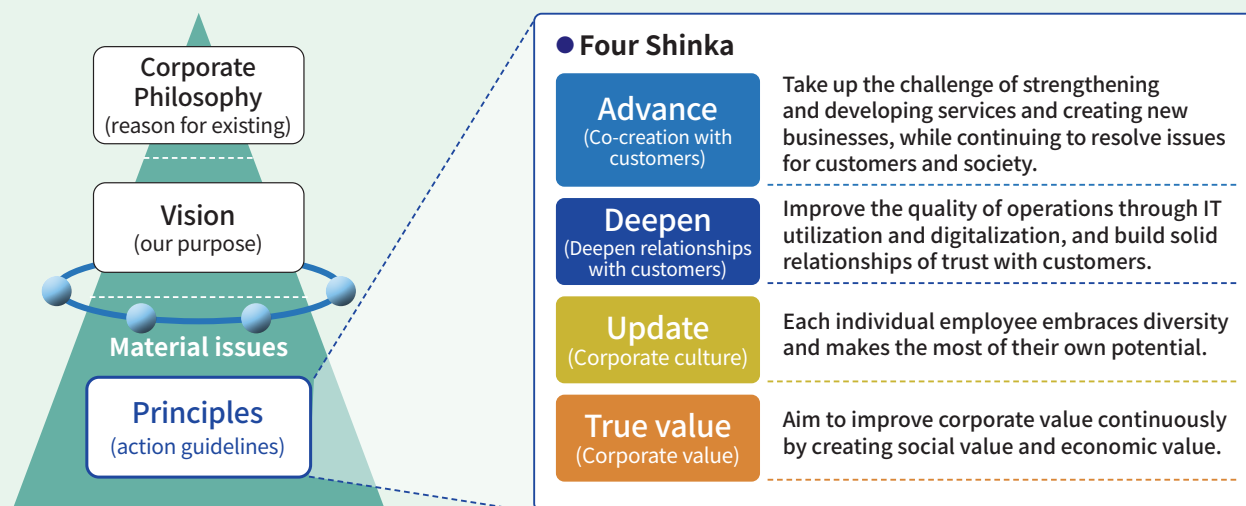
Each and every employee is a key player in our Group Vision 2030

It took approximately one year to formulate the Group Vision 2030, which was announced in April 2023. We held various discussions with a healthy sense of both danger and positivity, asking questions such as what are our strengths, what is our culture, where do we stand in the industry, and what do we want to be in the future? The biggest issue we discussed was whether the Company was generating revenues appropriate for a company listed on the Prime Market of the Tokyo Stock Exchange. In order to face and overcome these issues, we determined that our new Group Vision requires “innovation and challenges.”

Each and every employee is a key player in our Group Vision. The word “company” in the phrase “Be a solution company leading the next-generation circular economy” includes, in addition to the meaning of a corporation, the meaning of colleagues who share values. In other words,

it expresses how each and every employee contributes to society through the company. There are a number of actions a company should take to ensure that its key players can take on innovation and challenges, and fulfill their roles to the fullest. The theme here deals with understanding the Group Vision, empathizing with it, sharing its common values, and finally, putting it into action.

Because the Group Vision expresses what we want to become in a written form, it can seem abstract and difficult to visualize in a familiar way. Therefore, by formulating “Principles (action guidelines)” that clarify the actions that will lead to the realization of the Group Vision, we have enabled our employees to take on “innovation and challenges” in their daily work. These are actions that we want each individual employee to undertake, and we have summarized them in a short and easy-to-remember phrase, the Four Shinka (advance, deepen, update, true value).



Material issues that connect the vision and Principles

In addition, in formulating the Group Vision 2030, we re-identified material issues. As the previous Group Vision aimed to realize CSV management that creates both economic and social value, it had a strong focus on business strategies as important issues for the realization of CSV management. A decade has passed, and we have now entered a phase of evolving CSV management. Accordingly, we have re-identified social issues, such as a decarbonized society and human capital, as material issues from the perspective of sustainability. Material issues play an important role in connecting the Group Vision and Principles, and we incorporate the issues identified in material issues into the measures of our Medium-term Plan. Management indicators and KPIs (Key Performance Indicators) based on these material issues are linked to the performance goals of each and every employee, including directors.

Dialogue sessions for all employees

Up to this point, I have explained the underlying belief of the Group Vision, but the new Group Vision will truly begin only when all employees have understood it. To foster understanding within the Company, four directors worked to hold dialogue sessions at all our offices from May to early July 2023. These dialogue sessions allowed us to not only foster understanding of the Group Vision but also to share our values. We took time to have in-depth discussions with 20 to 30 staff from each office, and for offices located outside the headquarters area, where the four directors do not visit very often, we combined the event with a social gathering. I hope that by spending time together in this way, our ways of thinking and decision-making criteria were shared with employees, and that when faced with issues going forward, they will ask themselves, “How would Mr. Kasaki approach this?” The sharing of values cannot be achieved overnight, but we will continue working toward it, such as by monitoring the results of engagement surveys conducted once a quarter.

We would like to share with our employees the simple value of being a “company that values the obvious.” The goals for our Group Vision are set for 2030, which is the same year as the SDGs goals, and one could say that the SDGs goals and targets are all “obvious.” I want to be a company that values such “obvious” things.



Dialogue session

Carbon neutrality commitment for a next-generation circular economy

As of the current Medium-term Plan, we have included non-financial indicators in the plan to integrate our sustainability initiatives with our business strategies. In addition, we have declared our intention to become carbon neutral by the fiscal year ending March 31, 2041. Enhancing our sustainability initiatives is in line with the goals of our Group Vision 2030. In our Medium-term Plan, we have set a goal to further improve profitability, but rather than pursuing immediate profits, our aim is to improve profitability that can be sustained over the medium- to long-term. I believe that each of these things leads to the rise of values that place emphasis on the “obvious.”

We are ready to take on innovation and challenges toward the creation of the next-generation circular economy for 2030. If we can highlight the Company’s uniqueness and solidify our position within the industry, we will be able to lead the next-generation circular economy. Going forward, it is likely that movements related to natural capital, such as biodiversity, will accelerate as global issues. We would like to respond to these movements by providing our own unique “circular economy-oriented” services.

Previous material issues	
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
Management foundation	
Corporate culture transformation	<ul style="list-style-type: none"> Improve employee satisfaction
Strengthening management foundation	<ul style="list-style-type: none"> Improve operational quality Ensure compliance

New material issues	
Business activity	
Promotion of decarbonized society and circular economy	
Promotion of establishment of social and ICT infrastructure	
Creation of new services and businesses to resolve social issues	
Management foundation	
Investment in human capital	
Pursuit of corporate governance that supports improved corporate value	

Sustainability

Basic policy

We are working to practice CSV management in which our management strategy is directly linked to the Company's sustainability. Establishing our Group vision with a goal of 2030, we aim to contribute to the achievement of the SDGs by making efforts to enhance social value through our business.

Material issues and non-financial indicators

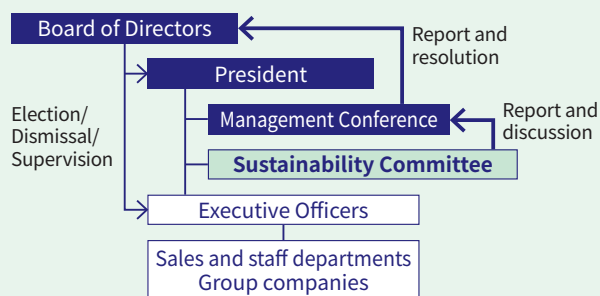
We have identified the material issues to achieve the Group vision. In establishing the new Group vision, we re-identified these material issues. We also set non-financial indicators in the Medium-term Plan 2025 to clarify the link between material issues and our business strategy.

See Medium-term Plan 2025 on **P.14** for non-financial indicators

Our material issues	
Business activities	Promotion of decarbonized society and circular economy P.22
	Promotion of establishment of social and ICT infrastructure P.25
	Creation of new services and businesses to resolve social issues P.26
Management foundation	Investment in human capital P.27
	Pursuit of corporate governance that supports improved corporate value P.32

Sustainability implementation system

We established the Sustainability Committee, chaired by the president, an organization to discuss sustainability within the Group. In principle, the Sustainability Committee holds two meetings per year. It discusses the development of policies and plans relating to sustainability as well as the state of the implementation of the PDCA cycle. Results of the discussions are reported to the Management Conference and Board of Directors, and important matters are subject to resolutions of the Board of Directors.

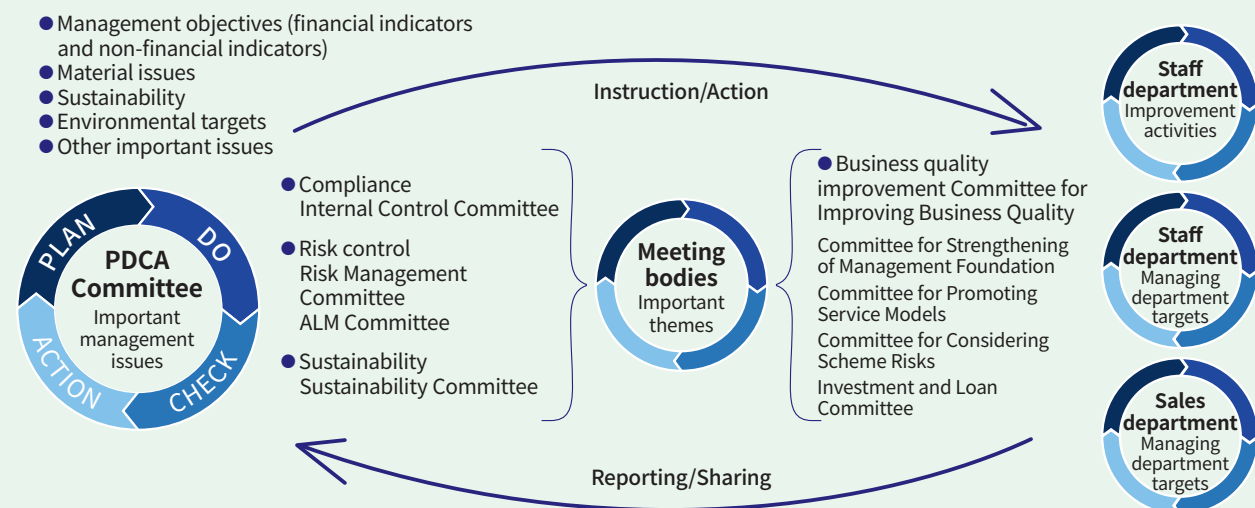


PDCA management

The Company monitors and reviews business activities under the PDCA cycle, from the management level to the employee level. The PDCA Committee continues monitoring important matters related to the management objectives, material issues and sustainability on a monthly basis. This ensures decision-makings are communicated to the employee level to make prompt actions. We have the PDCA cycle run surely at the employee level and a

variety of committees as well, thus ensuring the important management indicators and issues to be reported and shared in a timely and appropriate manner.

We also work on non-financial indicators continuously in a PDCA-based cycle by reflecting them in annual business plans and reviewing important issues and the implementation status at regular meetings. These matters are also reported to and discussed by the Sustainability Committee.



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.

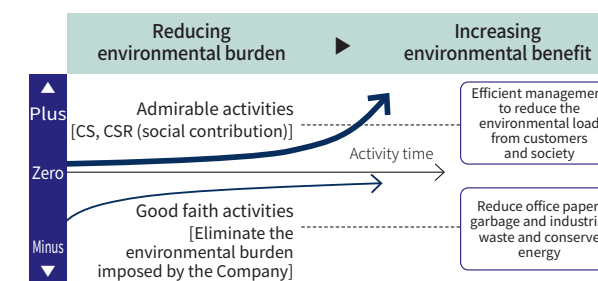
We announced our support for the Task Force on Climate-related Financial Disclosures (TCFD) in September 2022, and have since been disclosing information in accordance with the TCFD recommendations.

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

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

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.

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 (Scope 1 + 2) generated from our business activities as below.

	FY2023/3	FY2026/3 (Target)	FY2041/3 (Target)
CO ₂ emissions (t-CO ₂)	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)



Material issues (II)

Promotion of establishment of social and ICT infrastructure

Our initiatives

- ▶ Establishment of social and ICT infrastructure

Basic policy

Since being established to take on a sales finance functions for NEC products, we have grown larger while closely cooperating with NEC.

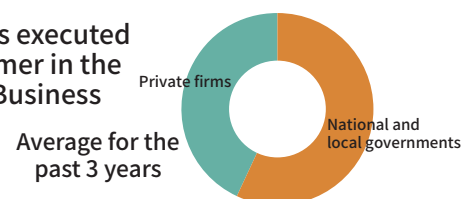
NEC offers solutions integrating ICT and a wide range of technology to the national and local governments, contributing to the enhancement of operational efficiency and quality of public services. Backed by NEC's customer base, we have business relationships with the national and local governments all over Japan, with 30 sites around the country and registrations with 1,800 municipalities nationwide as designated applicants. Contracts with public offices and municipalities account for over half of contracts executed in our leasing business. Our business supports social infrastructure itself, ranging from systems for central government offices, police departments and fire departments, to systems for local governments, such as basic resident registers and infrastructure for educational institutions.

In the spread of COVID-19, there was an urgent need to improve the ICT environment at schools. The government

thus stepped up its efforts to realize the GIGA School program ahead of schedule, with the goal of enabling all schools to provide a computer to each student. Amid the many issues and questions that arose due to the new, large-scale initiative, we supported the early realization of the GIGA School program on the financial side by utilizing our strengths, such as undertaking lifecycle management from the selection and introduction of highly reliable ICT equipment through to disposal.

In recent years, we have also been utilizing our business experience with the national and local governments to carry out the private finance initiative (PFI) business. In this business, we assist the outsourcing of public sector projects, from facility construction through to operation, to the private sector.

Contracts executed by customer in the Leasing Business



Non-financial indicators in the Medium-term Plan 2025

Objective	Description	FY2023/3	FY2026/3 (Target)
Establishment of social infrastructure	Cumulative contracts over three year period for the national and local governments	127.8 billion yen	400.0 billion yen

Our initiatives

Conclusion of a business contract related to the PFI project, the "Project for Constructing the Kasai Rinkai Aquarium (tentative name)"

On the basis of our track record of conducting business with the national and local governments, in 2011 we started PFI and PPP business promoting public-private partnerships for public facilities. We have built up a track record, mainly in projects related to local culture and school education, such as cities' cultural complexes, school meal centers, and other facilities. We are utilizing this experience to improve social infrastructure. We concluded a business contract for the Project for Constructing the Kasai Rinkai Aquarium (tentative name) in 2022, which is the second project for which we serve as representative. A special purpose company (SPC), whose tradename is Tokyo Seatelier Co., Ltd., was established through a consortium comprising the Company and 10 other companies, and will handle all aspects of the project, from design and construction to maintenance and

management of the facility. In addition to serving as the representative company of this project, we will also invest in and manage the SPC, among others. The aquarium is scheduled to open in 2028.



Architectural rendering of the Kasai Rinkai Aquarium (tentative name) (By DAIKEN SEKKEI)

Material issues (III)

Creation of new services and businesses to resolve social issues

Our initiatives

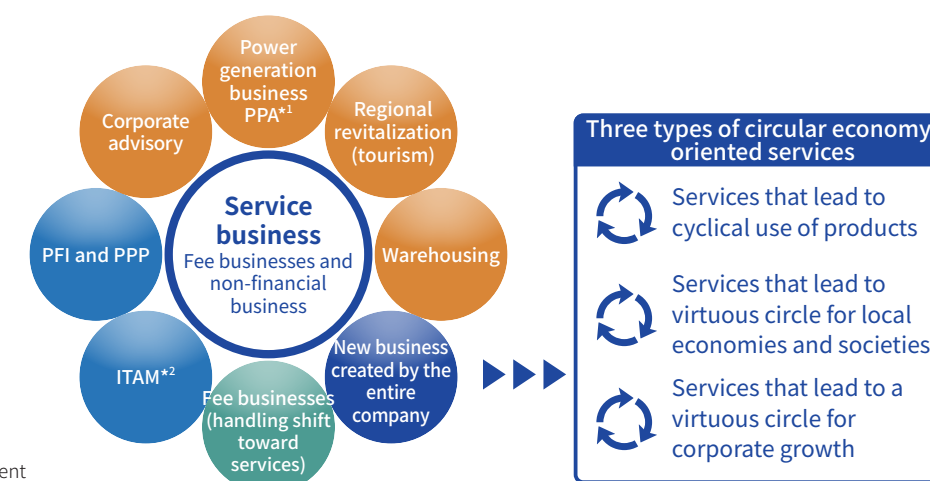
- ▶ Revitalization of local communities and economies
- ▶ Response to aging society

Basic policy

We aim to solve issues of both customers and society and realize a virtuous circle for the environment and growth by introducing innovations to capital solutions and creating new services and business. We provide services that lead to cyclical use of products; services that lead to a virtuous circle for local economies and societies; and services

that lead to a virtuous circle for corporate growth by establishing and strengthening the three solution areas of vendor financing, ICT and professional services, and financial products, thus aiming to realize a next-generation circular economy.

Overview of our service businesses



*1 PPA: Power Purchase Agreement
*2 ITAM: IT Asset Management

Our initiatives

Asset renovation fund to revitalize local communities and economies

Asset renovation fund is a fund formed in collaboration with the Organization for Promoting Urban Development, regional financial institutions and other parties. The fund is based on the community development fund support project of the Ministry of Land, Infrastructure, Transport and Tourism. It will invest in private-sector urban development projects that contribute to the realization of flexible workstyles and comfortable lifestyles that bring workplaces and residences closer together or integrate them using buildings that are 20 years old and older. The fund is managed by OHANAPANA, a wholly-

owned subsidiary of the Company. The Company has also invested in the fund. Since the establishment of the fund in 2022, we have invested in four projects.

(As of the end of July 2023)

[Projects invested in]

- Tsukuba Machinaka Design (Tsukuba City, Ibaraki Prefecture)
- Gose Machizukuri Co., Ltd. (Nara City, Nara Prefecture)
- Setouchi Ryokan (Onomichi City, Hiroshima Prefecture)
- NOTE Iga Ueno Co., Ltd. (Iga City, Mie Prefecture)

Responding to aging population through our warehousing business for a healthcare REIT

Healthcare REITs are real estate investment trusts (REITs) that specialize in investing in healthcare facilities. In order to help build infrastructure in the healthcare field, which is indispensable for an aging society, we support the growth of REIT by temporarily holding (warehousing) healthcare facilities before they are incorporated into this REIT. This initiative, which began in 2015, has been

steadily securing assets by strengthening partnerships with financial institutions, developers, and operators. With a view to realizing a decarbonized society, in recent years we have been promoting the acquisition of environmental certifications such as BELS (Building-Housing Energy-Efficiency Labeling System).

Material issues (IV)

Investment in human capital

Our initiatives

- ▶Improvements to engagement
- ▶Ensuring diversity of HR
- ▶Realizing health management
- ▶HR and organization development to achieve sustainable growth
- ▶Workstyle reforms utilizing technology

Message from an executive officer in charge of human resources

Taking on corporate culture transformation

Executive Officer **Koji Shibata**



The background of the formulation of a Medium-term Plan for the human resources department

The major themes of our Group Vision 2030 announced in April, “Be a solution company leading the next-generation circular economy,” are “improving profitability by providing added value to resolve social issues” and “creating a company that employees who share the same value can take pride in (improvements to engagement).”

I recognize that this Group Vision cannot be achieved simply through the continuation of conventional initiatives, but that it requires major challenges and innovation at both the organizational and individual levels. Moreover, it is essential for all employees to innovate their ways of thinking, their awareness, and their actions. Up until now, we had formulated “Human Resources Medium-term Plans” based on management strategies, but this time, we have formulated a “Human Resources & Corporate Culture Transformation Medium-term Plan” that incorporates corporate culture transformation with the aim of transforming corporate culture into the one conducive to ongoing challenges and innovation. Last year, we introduced 360-degree feedback to general managers for the first time, and “challenges and innovation” was listed as one of the actions that needed improvement. Moreover, in the engagement survey conducted last year, scores for a “culture of openness and mutual respect” were lower

than other companies. Accordingly, we have incorporated various measures into our Human Resources & Corporate Culture Transformation Medium-term Plan in order to bring about a “culture that is open and free, values challenges, and allows people to participate in their own unique way,” a “culture that understands and respects the diversity of human resources and ways of thinking, and thus leads to the improvement of corporate value,” as well as a “safe work environment for both the mind and body, including psychological safety” during the period of our Medium-term Plan.

The source of our value as a company that operates financial services lies in the staff who work for us. Therefore, the key to realizing the Group Vision 2030 lies in transforming our corporate culture and helping each and every employee maximize their potential.

What are the challenges to improving profitability?

As part of our management strategy, we are promoting the “introduction of innovations to capital solutions” to improve profitability. Specifically, we are expanding not only conventional business segments but also peripheral domains, and venturing to create new businesses and “circular economy-oriented” services. When creating new businesses and services, it is essential to have a culture that allows diverse human resources with varying

experience, expertise, and values to openly exchange opinions. In addition, from the perspective of challenges, we need to encourage each and every employee to take on challenges, and change our organizations and systems to promote and encourage the taking on of challenges.

Toward corporate culture transformation

As a first step, we have established five standards of behavior that should be incorporated into employees’ daily actions based on the Principles (Action Guidelines): Four Shinka (advance, deepen, update, true value) (please see page19 for details), which were formulated together with our Group Vision 2030. As of FY2024/3, we have incorporated these standards into our human resources evaluation system. The five standards of behavior are customer-oriented, self-development, taking on challenges, speed, and open communication, and they serve as a system to promote desirable actions. For example, if a subordinate tries taking on a new initiative that is different from past practices and it does not lead to success, but they still receive a positive response from their superiors and colleagues, said subordinate is more likely to try taking on other challenges again in the future. In terms of open communication, we are encouraging innovation in communication, such as by promoting training to make management more aware of psychological safety and unconscious bias. I believe that raising each individual’s

● **Behavioral evaluation items**

The actions that employees should take (Dos) are evaluated as either “Excellent” or “More” for each behavioral indicator

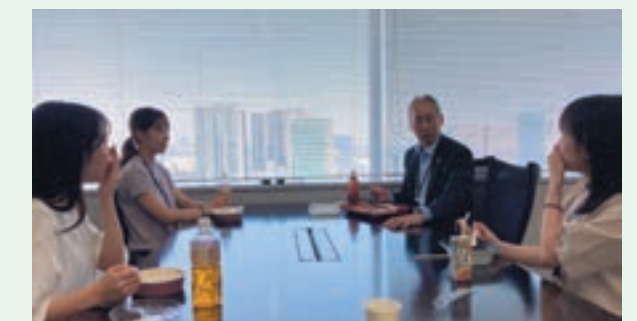
Indicator	Dos
Customer-oriented	Take anticipatory action
Self-development	Always look toward the future
Taking on challenges	Take on challenges by asking how to make things work
Speed	Take action first, and make changes as you go
Open communication	Openly exchange opinions

awareness of the standards of behavior and having them change their behavior accordingly will lead to a transformation in corporate culture.

What constitutes a company that employees can take pride in?

If a person works at a company where they can empathize with the Group Vision, contribute to resolving social issues through their daily work, and experience personal growth, then surely they will be proud to tell their family and friends about the company they work for. To realize this, we aim to be a company where all employees are recognized as important individuals and where the daily work, while demanding, is truly enjoyable. In other words, I would like for us to aim to be a company with high levels of engagement.

Improving engagement is not something that can be achieved in a single step. In addition to the engagement survey conducted once a year, we plan to measure the effectiveness of our measures and change them as necessary by conducting mini-surveys three times a year. Although we still have a lot of work to do in the future, we value our excellent culture of keeping promises to customers and seeing things through to the end, as well as trusting the colleagues who work alongside us. At the same time, we would like to work on corporate culture transformation so that all employees can play even greater roles going forward.



Efforts toward open communication (President’s luncheon put in place based on suggestions from employees)

Basic policy (human resources strategy)

Investment in human capital is one of the material issues we need to address to achieve the Group vision 2030. We are carrying out initiatives in five areas: improvements to engagement; ensuring diversity of HR; realizing health management; HR and organization development to achieve sustainable growth; and workstyle reforms utilizing technology.

Basic policy for HR development

Human resources are the greatest asset in the Group's business. By maximizing the value of our personnel, we aim to enhance our corporate value over medium- to long-term. To this end, we will develop HR, organization, and corporate culture transformation strategies that are linked to our business strategies. Based on these strategies, we will strive to be a company in which diverse personnel can maximize their potential, feel satisfied in, and can take pride in.

Based on our Group vision, the Group will take on the challenge of expanding not only our existing business, but also business in peripheral fields, as well as creating new business and "circular economy-oriented" services. To achieve these, as well as our Group vision, we aim to be a company that is chosen by diverse personnel by improving the well-being of employees that continue to take on challenges and grow.

Workplace environment improvement policy

Based on our basic policy for HR development, we will develop an in-house environment in which diverse personnel can maximize their potential and play an active role. We have set our eyes on achieving the following: a system that enables employees with various circumstances, such as needing childcare and nursing care, to exercise their potential regardless of time and place constraints; a compensation system based on employees' roles (work) regardless of their years of experience or age, and their contributions to company performance; and being a company that employees can take pride in, such as by creating an organizational culture that values unrestricted, vigorous action and encourages them to play an active role in their own way (a company and organization filled with highly engaged employees). To this end, we plan to implement a variety of measures, including the provision of IT environments and office space.

Improvements to engagement

The Company regularly conducts employee engagement surveys to monitor our reforms to be a company where employees feel satisfied in and can take pride in, as outlined in our basic policy for HR development, and make improvements under the PDCA cycle. We share the company-wide engagement score and key points for improving the engagement score among all directors. We also share the results of each division among the officers and general managers in charge to improve these scores.

In the final year of the Medium-term Plan 2025 (the fiscal year ending March 31, 2026), we will accelerate improvements in order to reach the top 25% of the companies participating in the survey (see table below).

The Company will also introduce a system that links employee engagement scores to the performance evaluations used to determine the director compensation, and our management team are also committed to improve these scores.

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

Objective	Description	FY2019/3	FY2023/3	FY2026/3 (Target)
Improve employee engagement	Employee engagement score	18%	21%	34%

*Based on a survey by Kincentric, a global HR consulting firm. The score of 34% represents the score level for the top 25th percentile of the Japanese company participants.

Ensuring diversity of HR (diversity, equity and inclusion)

We have acquired talent with expertise and experience in different areas in line with the expansion of our business into new domains. This has enabled us to create a richly diverse organization, where 47% of our employees are mid-career recruits and 37% are women (right table). From the perspective of diversity and equity and inclusion, going forward we will further promote the creation of an environment in which diverse personnel can truly play an active role, such as by utilizing female and senior personnel and promoting the employment of people with disabilities. We will promote these initiatives from both aspects of systems and corporate culture.

● Status of employee diversity (non-consolidated)

	End of 2021/3	End of 2022/3	End of 2023/3
Ratio of mid-career recruits	48%	47%	47%
Ratio of female employees	37%	38%	37%
Ratio of female managers	4.4%	5.0%	5.5%
Ratio of employees with disabilities	1.52%	2.28%	2.38%

Initiative to promote women's active engagement

To date, we have implemented various HR development measures. These include promoting the conversion of general clerical personnel into career-track positions, dispatching employees to external educational institutions, supporting the acquisition of specialized knowledge, and holding workshops aimed at exploring individuality and career ambitions. We have also taken steps to encourage women to take active roles, such as the enhancement of our support system for balancing childcare and work beyond the legal requirements, and the introduction of a mechanism that enables flexible work styles through revisions to our remote work and flextime systems.

In the fiscal year ended March 31, 2023, we held our first workshop for management, including directors, on identifying and controlling unconscious bias. Through these measures aimed at managers, we will strive to create an environment in which women can play an even more active role.

However, while the ratio of female managers in the Company has improved, diversity in decision-making remains an issue. We consider this as one of our top priority management issues, and we will work to improve both the recruitment and systematic development of human resources, aiming to achieve a 10% ratio of female managers as of the end of March 2026 (5.5% as of the end of March 2023).

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

Objective	Description	FY2026/3 (Target)
Promotion of diversity	Ratio of female managers	10%

Efforts to employ people with disabilities

In July 2021, we began operating a farm for two purposes: providing an environment where workers with disabilities can work for a long time with peace of mind and serving the local community by creating jobs for people with disabilities. This accelerates the employment of people with disabilities. In the fiscal year ended March 31, 2023, 2.38% of employees were people with disabilities (on a non-consolidated basis).

In the fiscal year ended March 31, 2023, the second year since the opening of the farm, we held an event to plant seeds and harvest crops with the interested employees from the head office site. We also carried out initiatives to enable employees at the head office to feel closer to the people with disabilities that work on the farm, such as distributing the fresh vegetables harvested there to employees at the head office, and introducing farm activities on the Company intranet.



Employees from the head office site sowing seeds

Realizing health management

As our energetic employees are the source of our business activities, we believe that the mental and physical health and safety of all our employees is of utmost importance. In promoting health management, we will make efforts to collaborate with industrial physicians, healthcare staff and health insurance associations, and work together to maintain and improve the health of our employees and their families, and the president will be in charge of promoting these efforts.

In September 2022, we announced our Commitment to Health Management both internally and externally. In March 2023, we were recognized as a Health & Productivity Management Outstanding Organization 2023 (large enterprise category) by the Ministry of Economy, Trade and Industry and the Nippon Kenko Kaigi.



HR and organization development to achieve sustainable growth

Development of next-generation leader candidates

We have been working on the systematic development of next-generation leadership candidates, ranging from senior management candidates to young talent with high potential. This has involved carrying out strategic

personnel rotations, including dispatching them to external companies and overseas subsidiaries, as well as selecting employees to be dispatched to external educational institutions. In the fiscal year ended March 31, 2023, we once again ramped up these initiatives and started the full-scale development of succession planning.

Expanding HR development systems that promote career autonomy

To promote career autonomy, in addition to the currently implemented human resources development and placement in accordance with employees' wishes based on the self-reporting system, we introduced an HR open recruitment system in the fiscal year ended March 31, 2023. We will continue to expand this system going forward. Moreover, in order to support the autonomous learning

and career development of individual employees in line with their diverse work and roles, we collaborate with external educational institutions to provide training courses that meet a wide range of needs, including training to enhance expertise, and aim to develop qualified individuals in the financial area systematically.

Transforming corporate culture and strengthening management

To realize our Group Vision 2030 and Medium-term Plan 2025, we established standards of behavior that we expect from our employees and introduced a new behavioral evaluation system based on these standards in April 2023. The standards of behavior for realizing our vision are divided into five categories: "customer-oriented," "self-development," "taking on challenges," "speed," and "open communication." By giving examples of expected behavior in each category, we will change the speech and conduct of

our employees, which will in turn transform the corporate culture.

In order to effectively implement an corporate culture of taking on challenges and innovation in the workplace, management skills as well as an open and psychologically safe workplace culture are essential. For this reason, we have been implementing measures to strengthen management skills and enhance psychological safety, and we will continue to strengthen and implement these initiatives.

Workstyle reforms utilizing technology (utilization of IT, promotion of DX)

To help every employee independently choose their own workstyle and place to work, we have provided them with notebook computers and smartphones and have established an IT environment that allows them to work flexibly at home, in a satellite office, or elsewhere. Moreover, from the perspectives of improving productivity, BCP, and environmental considerations, we have reduced or eliminated the use of paper. We have also been

promoting the electronic workflow of approval processes so that work can be carried out digitally.

Going forward, we will continue to promote company-wide DX activities centered around the Information Systems Department, such as by launching a core system as DX foundation, utilizing Robotic Process Automation (RPA), and utilizing AI. Through this, we aim to achieve high productivity. In addition, we will enhance IT and DX education to develop and secure HR.

Message from outside director



Representative Director of DDD Corporation

Takako Hagiwara

Under the new management structure, "Group Vision 2030" and "Medium-term Plan 2025" have begun to move forward. The goals of the "Medium-term Plan 2025" are to "implement CSV management and resolve issues for customers and society through business," and "create services unique to the Company to achieve a next-generation circular economy," and now is the time to take a step toward a new stage.

Under this management policy, the major management themes are "cultural employee engagement," which makes next-generation business development possible, and "improve employee engagement," which supports this.

It is encouraging to see that, in order to achieve these, initiatives related to human capital, such as the creation of

organization and the introduction of an HR management system aligned with management strategies, and the creation of a corporate culture conducive to ongoing challenges and innovation, have been widely expanded upon since last year.

To promote the dissemination of top management's commitment and values, the Company has continued to implement activities to deepen communication, such as holding dialogue sessions between employees and the president as well as other executives, and creating opportunities for regular exchanges of opinions between the president, executive officers, and other executives expected to play leadership roles in promoting innovation. I would like to see the management team and executives work together to continue deepening communication with employees, until the results of their activities have spread throughout the entire organization, and all employees are able to talk about cultural transformation initiatives as their own issues. I hope that the Company will develop into an organization that listens sincerely to the opinions of each and every employee, and where honest communication is possible regardless of position.

Material issues (V)

Pursuit of corporate governance that supports improved corporate value

Our initiatives

- ▶ Improved effectiveness of corporate governance
- ▶ Respect for human rights
- ▶ Thorough compliance
- ▶ Enhancement of risk management

Improved effectiveness of corporate governance

To practice CSV management, we have engaged in numerous dialogues from the perspectives of our stakeholders, including shareholders, members of the local community, customers and employees. At the same time, we have been monitoring and supervising management from a medium- to long-term perspective in an effort to reform the management structure.

Corporate governance system

In addition to general shareholder meetings, we have instituted a Board of Directors, a Board of Corporate Auditors and an Accounting Auditor under the Companies Act. We have also introduced an executive officer system to accelerate decision-making, and the Board of Directors supervises and monitors them.

History of corporate governance improvements

Jun. 2004	Implemented executive officer system
Mar. 2010	Elected one independent director
Jul. 2011	Added one independent director for a total of two
Apr. 2012	Established voluntary Compensation Committee
Nov. 2018	Established voluntary Election and Compensation Committee
Jun. 2021	Added one independent director for a total of three

Board of Directors

Five out of NEC Capital Solutions' nine 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 by receiving various reports, such as the amount of risk faced by the Group and the results of internal audits. In the fiscal year ended March 31, 2023, the Board of Directors held 14 meetings to discuss and pass resolutions to determine the issues, including the policy of investment and loan projects considered important to our business strategies, establish the Human Rights Policy, and set a new Group vision and Medium-term Plan. Furthermore, three of the outside directors are independent with no interests in the Group 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. We expect our outside directors to play roles of providing advice concerning all aspects of corporate management based on their deep insights and extensive experience and of being involved in decision-making at the Board of Directors to ensure its appropriateness and fairness.

Corporate auditing system

Four Corporate Auditors (three of which are outside Corporate Auditors) hold regular meetings of the Board of Corporate Auditors to discuss auditing activities based on the auditing plan and management information.

Along with attending important internal meetings that include meetings of the Board of Directors and Management Conference, Corporate Auditors hold 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 an 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.

Assessment of the effectiveness of the Board of Directors

Analysis and assessment of the effectiveness of the Board of Directors are conducted once a year at the Board of Directors meeting to improve its function. NEC Capital Solutions conducted a survey through an outside agency for all directors and Corporate Auditors in January 2023. According to the survey findings, the Board of Directors' Office separately conducted interviews with independent outside directors to obtain their opinions. Opinions were gathered at a Management Roundtable comprising all directors and Corporate Auditors in light of the findings mentioned above and from the perspectives specified below, and analyses, discussion, and assessment were conducted.

1	Supervision of the management by the Board of Directors
2	Appropriate Board composition
3	Strategic orientation of the management by the Board of Directors
4	Ensured discussion opportunities for the Board of Directors

We assessed that the Board of Directors was sufficiently effective during the fiscal year ended March 31, 2023.

As for “1. Supervision of the management by the Board of Directors” and “2. Appropriate Board composition” the Board of Directors assessed that it consists of a diverse range of officers with the necessary skill sets, shares necessary information in an appropriate manner, and functionally supervise the management. As for “3. Strategic orientation of the management by the Board of Directors” and “4. Ensured discussion opportunities for the Board of Directors” the Company held a Management Roundtable to freely exchange opinions on important management issues, and enhanced the advance briefings on proposals given to outside directors. In addition, the Board of Directors set agendas with an eye on strategies of the new Group vision and the Medium-term Plan, thereby ensuring discussions for strategic orientation of the management.

Going forward, the Company will continue to work to improve the effectiveness of the Board of Directors and increase its corporate value over the medium- to long-term by steadily following up on the Medium-term Plan with the aim of realizing our Group vision, which is to “Be a solution company leading the next-generation circular economy.”

Director compensation

At the Company, the Election and Compensation Committee, a majority of which comprises independent outside directors, discusses a policy on the determination of details about compensation for individual directors and refers it to the Board of Directors for a decision.

We design a system for directors’ compensation to suit the objectives of securing and retaining competent personnel who practice our corporate philosophy and of motivating

directors to play the roles expected of them in continuously boosting corporate value and shareholder value.

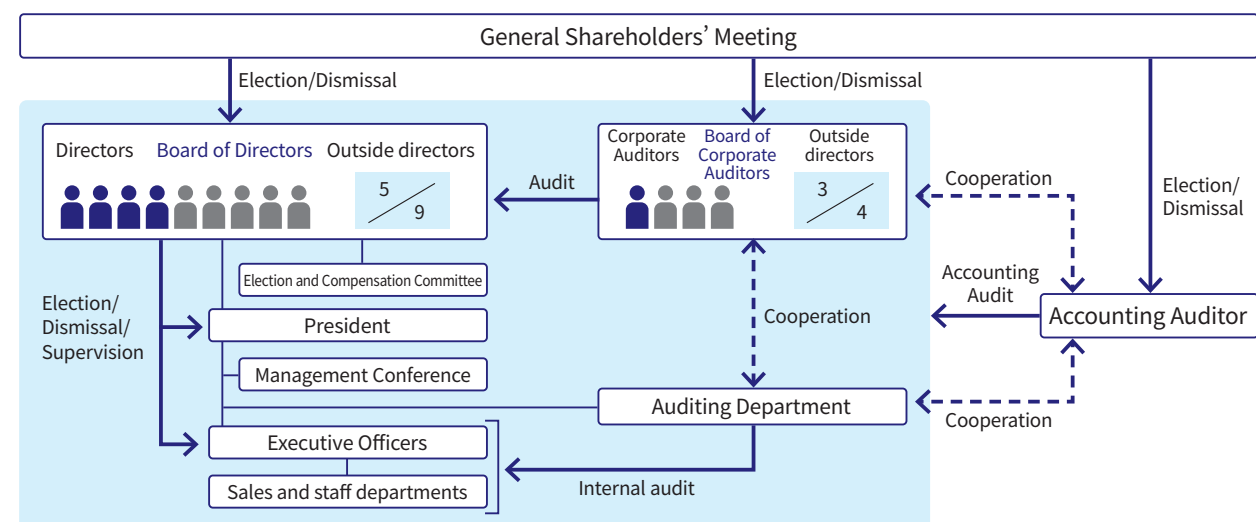
The compensation for any director playing a role of business execution comprises the supervisory compensation for their supervisory function and the executive compensation for their executive function, and the executive compensation consists of the base compensation, the performance compensation (bonus) and the share compensation. The ratio between the fixed compensation and the performance-linked compensation in the case of standard performance is roughly set at 60:40. The performance-linked compensation was determined according to the consolidated profit and the level of achievement against the personal key performance indicator (KPI) targets for resolving medium- and long-term issues in their areas of charge. This was meant to spur directors to commit to our short-, medium-, and long-term management objectives. Starting from the fiscal year ending March 31, 2024, ROA and ESG-related indicators have been newly added to evaluation factors, such as responses to environmental and social issues including initiatives for carbon neutrality and employee engagement scores. Performance-linked compensation will also be based on the extent to which these targets have been achieved. The compensation for outside directors and Corporate Auditors is composed solely of fixed compensation, and is not linked to company performance in consideration of their roles. The amount of compensation for Corporate Auditors is determined through deliberations among the Corporate Auditors.

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



Corporate governance system schematic diagram
 (as of the end of June 2023)

= Internal directors = Outside directors



Directors

Directors (as of the end of June 2023)



Representative Director and President
Masaaki Suganuma



Representative Director
Masamitsu Kisaki



Director
Takashi Arai



Director
Yuichi Tsukada



Director
Takashi Nawa*
 Outside Independent
 Professor of Hitotsubashi University Business School, School of International Corporate Strategy



Director
Takako Hagiwara*
 Outside Independent
 Representative Director of DDD Corporation



Director
Asako Yamagami*
 Outside Independent
 Partner, ITN Partners Attorney at law admitted in Japan



Director
Satoshi Okubo
 Outside
 Manager of Group Business Management and Transformation Department, Strategy Division, NEC Corporation



Director
Shigeki Fujita
 Outside
 General Manager of Public Solutions Planning Department, NEC Corporation

For their biography, please visit:
<https://www.necap.co.jp/ir/shareinfo/pdf/20230530e.pdf>



*Mr. Takashi Nawa, Ms. Takako Hagiwara, and Ms. Asako Yamagami are independent directors in accordance with the Tokyo Stock Exchange’s stipulations.

Corporate Auditors (as of the end of June 2023)



Corporate Auditor (Full-time)
Yoshiyuki Koizumi



Corporate Auditor (Full-time)
Hiroshi Komazaki
 Outside



Corporate Auditor
Tatsuya Oyama
 Outside
 General Manager, Head of Corporate Accounting & Global Finance, Corporate Accounting & Global Finance Department, Finance Division, NEC Corporation



Corporate Auditor
Shigetoshi Yokomizo
 Outside
 Senior Manager, IT Service Solution FP and A Group, IT Services FP and A Department, Finance Division, NEC Corporation

Skills matrix

We identify skills that the Board of Directors should have in light of our management philosophy and ensure that the composition of directors is well-balanced as a whole in terms of knowledge, experience and skills.

Name	Gender	Knowledge, experience and skills								
		Corporate management	CSV, ESG	Finance, accounting	Legal affairs and risk management	Human resources strategy	Financial industry	ICT	Global	Business development
Masaaki Suganuma	Male	○	○					○		○
Masamitsu Kisaki	Male	○	○	○	○			○	○	○
Takashi Arai	Male		○	○			○		○	○
Yuichi Tsukada	Male		○	○		○	○	○		○
Takashi Nawa	Male	○	○			○			○	○
Takako Hagiwara	Female	○	○			○			○	
Asako Yamagami	Female		○		○				○	
Satoshi Okubo	Male	○						○		
Shigeki Fujita	Male	○						○		

● = Outside ● = Independent director

Message from outside director



Partner, ITN Partners Attorney at law admitted in Japan

Asako Yamagami

Looking back on the past year from the perspective of corporate governance, the highlight was the formulation of the Group Vision 2030 and Medium-term Plan 2025. Based on the fact that CSV management, which the Company established ahead of the rest of the industry in the previous Group Vision formulated in 2013, has taken hold over the past decade, the Board of Directors repeatedly deliberated on the form of approaching “next-generation circular economy” and the strategic direction that should be taken to provide unique solutions that will lead to a virtuous circle for the environment and growth.

The Medium-term Plan 2025, which represents the first step toward realizing this, aims to improve profitability and accelerate the pursuit of sustainability management through the realization of a next-generation circular

economy. The Company has also set non-financial indicators, such as the promotion of DE&I and measures to achieve carbon neutrality. At the same time, regarding the policy for determining compensation for directors, the Company has clarified the standards for calculating performance compensation and added progress made on environmental and social issues as well as engagement scores to the calculation standards, thereby increasing the transparency of the process for determining compensation and making it possible to objectively evaluate the status of progress on sustainability goals. Moreover, the risk management system has been refined, and progress has been made toward the creation of an environment that supports appropriate risk-taking by the management team. With the progress in the effectiveness of the Board of Directors and timely reports by the Board of Corporate Auditors being made on the status of initiatives and issues related to the Medium-term Plan, I am committed to engage in discussions that incorporate the perspectives of a wide range of stakeholders in order to appropriately monitor the process of realization of the Group Vision.

Respect for human rights

Under our corporate philosophy of “Helping Societies Advance through ‘Capital Solutions,’” the NEC Capital Solutions Group recognizes that respect for human rights is an important issue for management. We will therefore fulfill our social responsibility by implementing initiatives to respect human rights throughout the Group.

Human Rights Policy

In December 2022, we established the NEC Capital Solutions Group’s Human Rights Policy through approval of the Board of Directors. This policy is based on the United Nations’ “Guiding Principles on Business and Human Rights*.”

This policy applies to all directors and employees of the NEC Capital Solutions Group. We will also work with our customers, business partners, and suppliers to ensure their understanding of this policy and to encourage their efforts to respect human rights. We will also continuously review this policy and our measures to respect human rights based on this policy, and update and revise it as necessary.

* Guiding Principles on Business and Human Rights: A global standard approved by the UN Human Rights Council in 2011. A set of principles that embody the UN framework on business and human rights.

Human rights education

In order to ensure that all directors and employees of the Group understand the necessity and importance of respect for human rights and execute operations properly according to the provisions of the NEC Capital Solutions Human Rights Policy, we perform human rights education and all directors and employees, including temporary workers, of the Group receive the education.

Hotline to consult and report on human rights (complaint mechanism)

The Company has put a complaint mechanism in place to address and remedy any adverse impact on human rights. We have established and operate a whistle-blowing system (hotline) for all Group employees.

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



Thorough compliance

The Company strives to ensure thorough compliance as a business operator engaged in the money lending business and type II financial instruments business. In addition to establishing a Code of Conduct, we have also prepared the necessary training and frameworks/systems as part of efforts to constantly improve the awareness of business ethics and compliance among officers and employees in our Group.

Code of Conduct

The Group established the NEC Capital Solutions Group Code of Conduct which stipulates that all directors and employees are required to comply with relevant laws and regulations in their daily business activities and to take action consistent with social ethics. The Code of Conduct

consists of seven chapters: General Provisions; Respect for Human Rights; Our Relationship with Society; Our Relationship with Customers and Business Partners; Our Relationship with Shareholders and Investors; Management of Company Assets and Information; and Operating Systems.

● Basic Position

- 1 WE will comply with all applicable laws, rules, regulations, and in-house regulations, etc., including this Code, in every aspect of our corporate activities at all times. WE will strive to ensure that all corporate activities are in compliance with normal business practices and social ethics.
- 2 WE will maintain impartial, fair, and open relationships with all the stakeholders of our company and will conduct business in a fair manner with them.
- 3 WE will not take any action pursuing our personal or a third party’s interests against our company’s legitimate interests.
- 4 WE will not carry out any actions whatsoever that may damage the NEC Capital Solutions Group’s social trust or honor.
- 5 WE will establish an effective internal control system and implement it.
- 6 WE will accurately and fairly maintain all accounting and other records in accordance with applicable laws, rules, regulations, and in-house regulations, and properly execute our duties. WE will not carry out any unlawful accounting transactions or actions that may cause losses to the NEC Capital Solutions Group.
- 7 With an awareness of our position as a member of society, WE will always act in accordance with a good social conscience based on high moral and ethical standards.

Compliance promotion system

At the quarterly Internal Control Committee, the initiatives of each group company are controlled in a cross-sectional manner.

Our regular compliance auditing consists of internal audits by the Auditing Department on the status of the Company's compliance to laws and regulations, the Articles of Incorporation and various rules.

Compliance education

In order to ensure that all directors and employees of the Group understand the necessity and importance of compliance as the basis of all our business activities and execute operations properly according to the provisions of the NEC Capital Solutions Code of Conduct, we conduct compliance training annually, and all directors and employees, including temporary workers, of the Group receive the training.

See ▶P.43-44 for change in the compliance training participation rate

Whistle-blowing system

The Company has an external whistle-blowing hotline where any employee having discovered improper activities can report anonymously. Measures are in place to ensure that whistle blowers are not treated disadvantageously. The whistle-blowing system may be used by all directors and employees of the Group, including those of overseas group companies.

Basic policy on exclusion of antisocial forces

We believe that excluding antisocial forces that threaten the order and security of civil society is an important issue for society overall. As a corporate group with social responsibilities, we established a basic policy on antisocial forces, and set up a system to realize this policy.

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



Information security

We provide the appropriate security countermeasures for our information systems, for information we obtained individually, and for information provided to us by our customers and clients. We thereby aim to maintain sound corporate activities and organizational management to be trusted by our customers and clients.

Fundamental Information Security Policy

1. Our group makes every effort to establish an information security system and control information assets appropriately.
2. Our group shall establish and implement internal rules for information security.
3. Our group shall continue to provide education necessary to ensure information security.
4. Our group makes every effort to take appropriate human, organizational, and technical measures to ensure that there will be no illegal intrusions, information leaks, falsification, loss, robbery, destruction, and interference of use, etc. in information systems and information assets.
5. In the event of an information security problem, our group makes every effort to immediately investigate the causes of the problem, minimize the damage and prevent the recurrence of such an incident.
6. Our group shall comply with laws and other social norms relating to information security.
7. Our group stipulates the following as basic policy for controlling information assets.
 - (I) We only obtain and retain the information necessary for our business operation.
 - (II) Information is disclosed only to those who need it.
 - (III) Authorization of access to information is limited to the minimum need for our business operation.
8. Our group makes every effort to continuously review and improve the above-mentioned items.

Initiatives for improving information security

In 2006, we acquired ISO/IEC 27001 certification and we strive to maintain and improve the level of information security accordingly. The Company offers information security education to all officers and employees, including temporary workers, of our Group each year. For mid-career recruits and temporary workers, we offer information security education as soon as they join us to raise their awareness.



JQA-IM0333

See ▶P.43-44 for change in the information security training participation rate

Efforts to protect personal information

To appropriately protect the personal information of customers, we established the "Personal Information Protection Policy" and handle information in accordance with this policy. In 2020, we acquired the PrivacyMark by establishing a personal information protection management system, conforming with JISQ 15001: Personal information protection management systems - requirements.

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



Enhancement of risk management

We appropriately manage the diverse risks involved in business development by identifying the risks and opportunities of various points of operations.

Approach to risk management

The objective of risk management, as we define it, is to ensure the Company's survival and improve corporate value for stakeholders.

Taking on some degree of risk is necessary in our business, but the materialization of the risks could result in losses on our financial statements and could require compensation and reparations. It invites a loss of public trust in the Company, which could have a major impact on our survival. We practice risk management by clarifying and controlling our risk tolerance, thus enhancing our relationship of trust with stakeholders.

Risk management system

We make every effort to recognize the risks that emerge in the course of business execution, assessing them according to uniform criteria. We then carry out integrative risk management and operation while maintaining management stability and striving to maximize shareholder value.

We strive to prevent and avoid risks that may significantly impact our business activities through various meeting bodies. We also have a system in place to report such risks to the Board of Directors or the Management Conference based on the degree of importance. We have established a governance system that, in the event that risks are expected to arise, enables prompt consultation with the Management Conference or Board of Directors on the policies set by the respective meeting body, enabling an immediate response. The main meeting bodies for deliberating risk management are as follows.

Main meeting bodies for deliberating risk management	Risks to manage
Risk Management Committee	Risks related to credit, and ERM (credit, market, and operation)
ALM Committee	Risks related to interest rates, funding, income and expenditure management, foreign currency, and liquidity
Internal Control Committee	Risks related to internal control and compliance
Sustainability Committee	Climate-related risks

Business Continuity Plan (BCP)

The Company has formulated BCP as one of its most important management issues and has reinforced systems for operating and improving BCP.

Our BCP Action guidelines are as follows.

BCP Action guidelines

- (I) Surely protecting the lives and safety of employees and visitors
- (II) Fulfilling social responsibilities as a financial company
- (III) Minimizing management damage

Systems for operation and improvement

- Formulation of the "Disaster Control and Business Continuity Concept"
 - ▶ Clarified guidelines to enable employees to act according to their own judgement in the event of a disaster, set specific actions to be handled by the emergency headquarters and the business continuity headquarters, etc.
- Training to foster awareness

The emergency headquarters, established in February 2020 as part of efforts to tackle the COVID-19 pandemic, has ended its activities as COVID-19 was reclassified as a Class 5 infectious disease in May 2023.

In the event of a major earthquake or a similar disaster, the above mentioned Action guidelines are followed in operations for the fast restoration of operations and the continuity of the business.

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





Review of Business Results for Fiscal Year Ended March 31, 2023 and Outlook for Fiscal Year Ending March 31, 2024

Noboru Watanabe, Executive Officer

Trends in the business environment and leasing industry

Amid increasingly uncertain business circumstances, Japan's leasing industry experienced an increase in transactions on a year-on-year basis

During the fiscal year ended March 31, 2023, the Japanese economy saw a year of progress in resuming economic activities as society moved toward a post-COVID-19 world, despite the lingering effects of COVID-19. On the other hand, the Russian invasion of Ukraine that began in February 2022 has become prolonged, triggering soaring prices of crude oil, grains, and other commodities. In response, central banks around the world began tightening their monetary policies to combat inflation. These situations aggravated the uncertainty. In December, there were movements in Japan suggesting revisions to monetary easing, such as the Bank of Japan expanding the permitted fluctuation range for long-term interest rates to 0.5% under its yield curve control. Considering these changes in the domestic and international environment, we will need to pay closer attention to the outlook for future economic activities.

In this environment, leasing transactions in the Japanese leasing industry for the fiscal year ended March 31, 2023 expanded 2.2% year on year, to 4,310.6 billion yen, according to the Japan Leasing Association's Lease Statistics published on May 29, 2023.

Business results

Revenues increased, but net profit fell below the previous fiscal year's record high

Regarding the Group's business results in the fiscal year ended March 31, 2023, revenues were mostly flat in the Leasing Business, where sales of large-scale leased assets

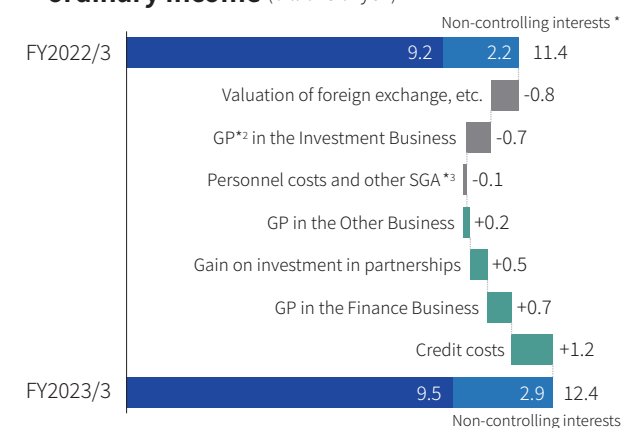
were posted in the previous fiscal year. On the other hand, growth was seen in the Finance Business, Investment Business, and Other Business, and revenues increased year on year. Moreover, operating income and ordinary income surpassed those of the previous fiscal year due mainly to improvements in credit costs. Profit attributable to owners of parent dropped compared to the previous fiscal year due to an increase in profit attributable to non-controlling interests.

Regarding factors that caused changes in ordinary income, while there were fluctuations by business, gross profit increased by 0.2 billion yen year on year. Selling, general, and administrative expenses also improved by 1.1 billion yen year on year due to a significant improvement in credit costs, despite an increase in personnel expenses caused by a rise in performance-based bonuses. Regarding credit costs, there was a significant improvement year on year due to the posting of large-scale credit costs in the fourth quarter of the previous fiscal year, but the posting of an unexpected amount in the current year's fourth quarter became a factor in the downward revision of the forecast for the period. In terms of non-operating income and expenses, valuation of foreign exchange saw a decrease in earnings of 0.8 billion yen year on year, while gain on investment in partnerships increased by 0.5 billion yen. All of these results are mainly due to the effects of the initiatives of RISA Partners, Inc. Gain on investment in partnerships is posted in non-operating income and expenses for accounting purposes, and is not included in the gross profit of the Investment Business. Foreign exchange was a factor that decreased earnings year on year, because while we posted a gain on valuation of foreign exchange in the previous fiscal year, we posted a loss on valuation of foreign exchange in the current fiscal year.

Overview of consolidated business results (billions of yen)

	FY2022/3	FY2023/3	YoY change
Revenues	249.9	258.1	+3.3%
Operating income	10.4	11.7	+12.1%
Ordinary income	11.4	12.4	+8.9%
Profit attributable to owners of parent	6.9	6.4	-7.5%
Net income per share	322.37 yen	298.14 yen	—

Main reasons for changes in consolidated ordinary income (billions of yen)



*1 Non-controlling interests: profit attributable to non-controlling interests in fund revenue, etc.

*2 GP: Gross profit

*3 SGA: Selling, general, and administrative expenses

Business results by business

Operating income in the Leasing Business and the Investment Business, which both grew in the previous fiscal year, decreased year on year

In the mainstay Leasing Business, revenues were down year on year until the third quarter due to the effects of large asset sales in the previous fiscal year, but for the full year, revenues and gross profit remained at the same level as the previous year. Meanwhile, operating income decreased year on year due to an increase in credit costs and an increase in selling, general and administrative expenses, including personnel expenses. In the Finance Business, revenues rose year on year due mainly to an increase in interest revenues. Moreover, operating income improved significantly year on year due to the posting of large-scale credit costs in the previous fiscal year. In the Investment Business, revenues rose significantly year on year due to the sale of large scale real estate for sale in the first quarter. In contrast, profits decreased year on year due to multiple exits of venture funds in the previous fiscal year, as well as the posting of credit costs in the fourth quarter. In the Other Business, which mainly includes new businesses, revenues and income rose due to the considerable advances made in efforts for healthcare, solar power, PFI, etc.

Operating asset balance reached a new high

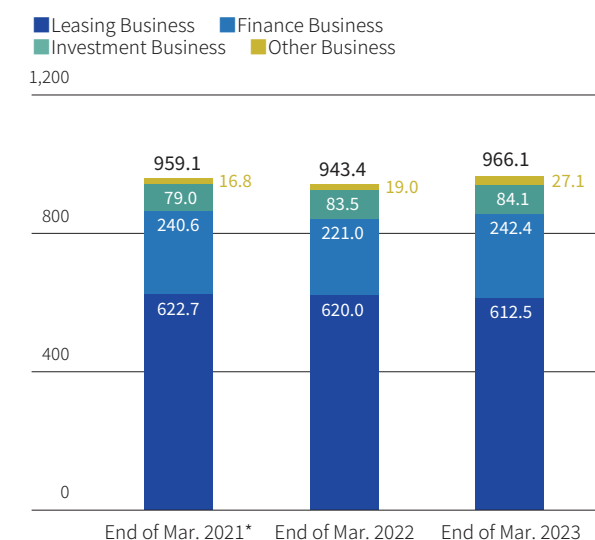
Despite large asset sales in the Leasing Business in the second quarter, the balance of operating assets was kept at a high level even in the absence of special demand, such as Windows 10 updates and GIGA school projects, thanks to steady sales activities. In the Finance Business, the balance of operating assets increased year on year due to an increase in factoring and assets such as corporate loans. In the Investment Business, the balance of operating assets rose year on year due to the acquisition of investment projects, despite the sale of large-scale real estate for sale in the first quarter. In Other Business, we steadily accumulated assets in new businesses such as healthcare and solar power. As a result of the above, operating asset balance reached a new high.

Consolidate revenue by business (billions of yen)

		FY2022/3	FY2023/3	YoY change
Leasing Business	Revenues	224.2	224.3	+0.0%
	Gross profit	16.6	16.6	+0.2%
	Operating income	7.1	6.4	-10.6%
Finance Business	Revenues	5.2	6.6	+25.9%
	Gross profit	4.1	4.8	+16.6%
	Operating income	-0.7	2.2	-
Investment Business	Revenues	16.4	22.8	+39.4%
	Gross profit	9.6	8.8	-7.7%
	Operating income	5.4	4.4	-18.2%
Other Business	Revenues	4.2	4.5	+6.8%
	Gross profit	1.5	1.7	+15.6%
	Operating income	0.3	0.5	+79.3%
Total	Revenues	249.9	258.1	+3.3%
	Gross profit	31.7	31.9	+0.7%
	Operating income	10.4	11.7	+12.1%

* Figures exclude adjustments from segment summary information.

Consolidated operating asset balance (billions of yen)



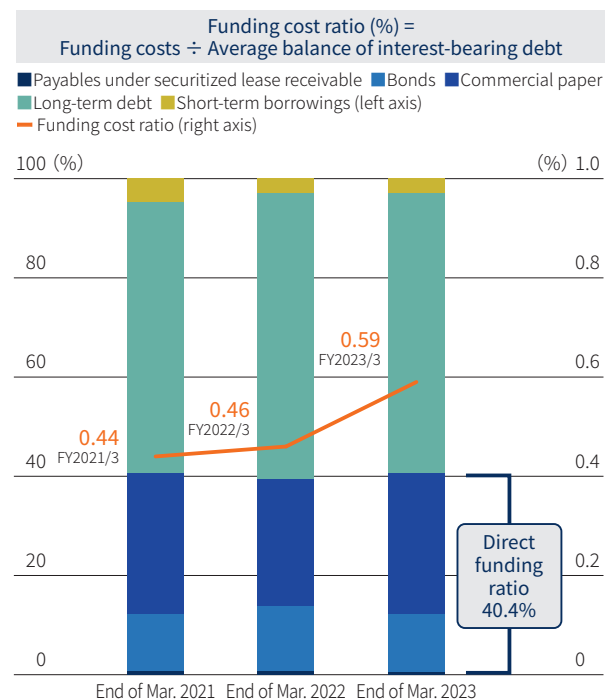
* In connection with the revision of reportable segments, the data presented was retrospectively modified for the segments after the revision.

Fund procurement

Interest-bearing debt increased year on year, and the impact of the rise in funding cost ratio on business was limited

Cost of Yen funding remained stable at a low level due to the Bank of Japan’s continuation of unprecedented monetary easing. However, it was decided at the Bank of Japan’s Monetary Policy Meeting held in December 2022 that the permissible fluctuation range for the yield curve control would be expanded. In addition, we recognize the necessity to keep a close eye on the fund-raising environment, such as the financial instability that occurred in the United States and Switzerland in March 2023. Under these circumstances, the Group’s interest-bearing debt for the fiscal year ended March 31, 2023 increased year on year, mainly centered on commercial paper. The funding cost ratio was up year on year given the increase in interest rates for foreign currency-denominated funding. However, the interest rate change has a minor impact on our financial results, given that a majority of our foreign currency-denominated assets are under floating interest rate contracts. There are no issues on capital resources and the fund liquidity, and cash flows are normal.

Consolidated interest-bearing debt composition (left axis) and funding cost ratio (right axis)



Forecast for the fiscal year ending March 31, 2024

Aiming to secure a new record high

For the fiscal year ending March 31, 2024, on a consolidated basis, we forecast revenues at 260.0 billion yen, operating income at 12.0 billion yen, ordinary income at 12.5 billion

yen and profit attributable to owners of parent at 7.5 billion yen. In addition to sustainable growth in the Leasing Business and Finance Business, we are also striving to increase revenue in the Investment Business, aiming for a new record high. Moreover, we are working to increase revenue over the medium to long term.

As mentioned at the beginning, we are aware that the business environment will remain uncertain going forward due to factors such as the prolonged Russian invasion of Ukraine and changes in the policies of central banks around the world. Although there are concerns about increases in credit costs, increases in prices of leased assets, and increases in fund procurement costs, transactions with small and medium-sized businesses, which are at an increased risk of bankruptcy due to the end of COVID-19 emergency loans, account for a low proportion of the Group’s overall business. Moreover, we believe that the impact of these concerns on our business will be limited, as the situation is such that customers are aware of the rise in prices and interest rates, and can easily gain an understanding of the shift of the costs on to lease rent, etc.

The annual dividend for the fiscal year ending March 31, 2024 is planned to be 130 yen, an increase of 20 yen from the previous fiscal year

For the fiscal year ended March 31, 2023, we increased the year-end dividend by 36 yen from the initially planned level of 74 yen. The annual dividend thus stood at 110 yen per share.

For the fiscal year ending March 31, 2024, we plan to pay an annual dividend of 130 yen per share (including an interim dividend of 65 yen), which represents an increase of 20 yen. While upholding our basic policy of maintaining a stable dividend, we have taken into account that the dividend payout ratios of other companies in the same industry have been continuously increasing and that the Group’s equity ratio has been maintained at 10%, and, in the formulation of our Medium-term Plan, decided on a profit return plan after consideration of the future outlook.

Business results for the fiscal year under review and forecasts for the next fiscal year
(billions of yen)

	FY2023/3 Results	FY2024/3 Forecast
Revenues	258.1	260.0
Operating income	11.7	12.0
Ordinary income	12.4	12.5
Profit attributable to owners of parent	6.4	7.5
Net income per share	298.14 yen	348.37 yen
Annual dividends per share	110.00 yen	130.00 yen

* Forecast is as of April 28, 2023.

Measures to realize management with an awareness of the cost of capital and stock prices

Aiming to achieve sustainable improvement in profitability and enhance PBR

To achieve sustainable growth and improve corporate value over the medium- to long-term, the Group places emphasis on management with an awareness of return on capital, which involves formulating and implementing revenue plans and capital policies based on an accurate understanding of the company’s cost of capital. To achieve this, we appropriately consider the review of our business portfolio and the allocation of management resources, including investments in human capital and systems, in conjunction with the formulation of our Medium-term Plan and annual budget, and reflect them in our business plan.

In FY2023/3, the Group reached the final year of its previous Group Vision and Mid-Term Plan 2020. Accordingly, we formulated our new Group Vision, “Be a solution company leading the next-generation circular economy,” with FY2024/3 as the first year, and we also formulated and announced our “Medium-term Plan 2025.”

When formulating the Medium-Term Plan 2025, we deemed it essential to secure a level of revenue that would sustainably exceed the cost of capital to improve market valuation, including PBR and PER. We also determined that sustainably increasing profitability would lead to further improvement in corporate value. In formulating a concrete profit plan, in addition to increasing the absolute amount of profits, we held repeated discussions on the profitability that the Company should aim for, with a focus on sustainably increasing profitability. As a result, we set an ROE target of 8% for FY2026/3, the final year of our Medium-term Plan 2025, and a target of 10.0 billion yen for profit attributable to owners of parent. In addition to improving profitability (improve ROE), we will carry out return measures in line with our profit level while drawing up growth strategies unique to the Group, such as grasping

revenue opportunities through our strengths in ICT and sound risk-taking capabilities. In doing so, we hope to capture growth expectations from the market (improve PER) and improve PBR, which is calculated using the formula ROE x PER.

Moreover, the Group has formulated and announced non-financial indicators that go alongside the financial indicators in the Medium-term Plan 2025. In addition to initiatives related to environmental and social issues, we will work to improve employee engagement by strengthening investments and initiatives related to human capital. This will lead to an improvement in profitability through the accumulation of non-financial capital.

While weighted average cost of capital (WACC) and cost of shareholders’ equity represent typical indicators used in the analysis of cost of capital, the Group uses cost of shareholders’ equity from the perspective of placing importance on investors’ expected returns, and undertakes analysis by comparing it with ROE.

[Related information]

Group Vision 2030 and Medium-term Plan 2025 (FY2024/3-2026/3)

Published on April 28, 2023

- P.14 3. Aim in Medium-term Plan 2025
- P.15 4. Management objectives (financial and non-financial)
- P.16 5. Medium-term Plan 2025 (Business Strategy 1/2)
- P.17 5. Medium-term Plan 2025 (Business Strategy 2/2)

IR-related information

Please see our website for detailed financial information.

▶ Investor Relations
<https://www.necap.co.jp/english/ir/index.html>



▶ IR Library (Financial Results, Presentation Materials *on a quarterly basis)
<https://www.necap.co.jp/english/ir/library/index.html>



▶ Annual securities report for the 53rd fiscal year (April 1, 2022 to March 2023)
<https://pdf.irpocket.com/C8793/KSWQ/QTGY/a0wi.pdf> (in Japanese)



Consolidated financial data

		(millions of yen)										(thousands of U.S. dollars)	
		2013/3	2014/3	2015/3	2016/3	2017/3	2018/3	2019/3	2020/3	2021/3	2022/3	2023/3	
For the year:	Revenues	¥229,205	¥228,263	¥213,854	¥202,637	¥215,719	¥231,432	¥204,131	¥220,717	¥221,256	¥249,908	¥258,107	\$1,932,809
	Profit before income taxes	9,315	16,478	4,425	6,032	6,608	13,456	8,986	9,093	6,089	11,423	12,444	93,184
	Profit attributable to owners of parent	4,302	5,009	2,817	3,334	3,517	6,006	6,391	5,118	4,119	6,940	6,419	48,065
At year-end:	Total assets	¥733,500	¥703,093	¥808,732	¥828,943	¥860,483	¥906,495	¥895,683	¥997,511	¥1,057,654	¥1,030,617	¥1,055,876	\$7,906,811
	Total net assets	79,569	78,497	105,927	101,027	108,822	110,990	105,999	105,249	113,885	121,740	128,815	964,619
Per share data:	Net assets	¥3,139.91	¥3,322.57	¥3,453.70	¥3,529.64	¥3,675.84	¥3,927.22	¥4,131.64	¥4,306.21	¥4,438.33	¥4,794.13	¥5,085.69	\$38.08
	Basic net income	199.77	232.63	130.81	154.85	163.35	278.93	296.81	237.66	191.29	322.37	298.143	2.23
	Cash dividends	44.00	44.00	44.00	44.00	44.00	50.00	55.00	60.00	60.00	74.00	110.00	0.82
Key indicators:	Dividend payout ratio (%)	22.0	18.9	33.6	28.4	26.9	17.9	18.5	25.2	31.4	23.0	36.9	-
	Equity ratio (%)	9.2	10.2	9.2	9.2	9.2	9.3	9.9	9.3	9.0	10.0	10.4	-
	Price earnings ratio (Times)	11.77	9.25	14.59	10.22	10.46	7.35	5.73	7.74	10.59	6.44	8.47	-
	Return on equity (%)	6.5	7.2	3.9	4.4	4.5	7.3	7.4	5.6	4.4	7.0	6.0	-
	Return on assets (%)	1.2	2.3	0.6	0.7	0.8	1.5	1.0	1.0	0.6	1.1	1.2	-
	Number of employees	629	625	666	686	725	755	767	784	811	812	866	-

The U.S. dollar amounts represent translation of Japanese yen, for convenience only, at the rate of ¥133.54 = U.S.\$1.00 in effect on March 31, 2023.

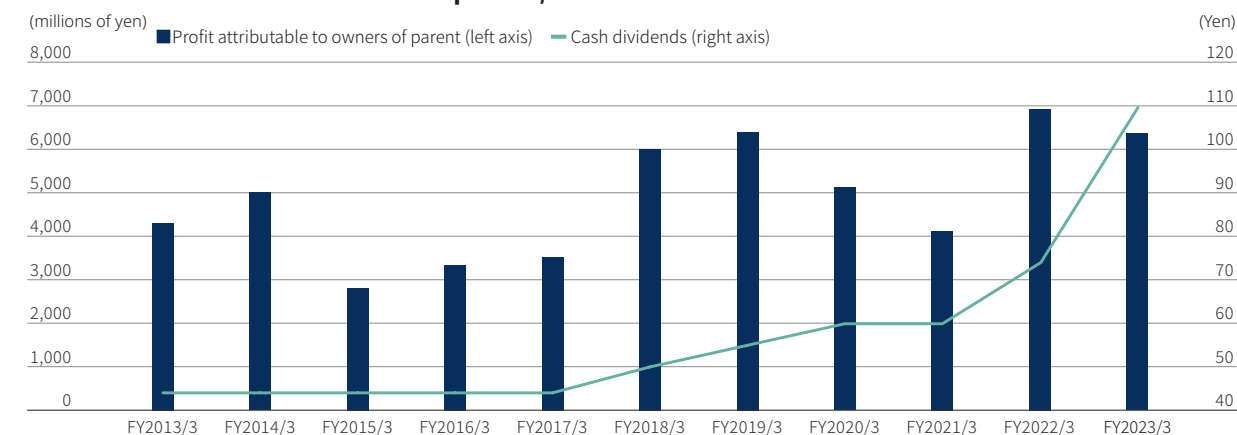
Non-financial(non-consolidated)

For the year:	2013/3	2014/3	2015/3	2016/3	2017/3	2018/3	2019/3	2020/3	2021/3	2022/3	2023/3
CO ₂ emissions (t-CO ₂)* ¹ Total(Scope1,2)	1,253	908	718	561	389	379* ²	371* ²	371* ²	349* ²	331* ²	157
Scope1	-	-	-	-	-	94* ²	83* ²	83* ²	56* ²	51* ²	50
Scope2	-	-	-	-	-	285* ²	287* ²	288* ²	294* ²	280* ²	107
Energy use volume (crude oil conversion kL)* ^{1,2}	597	421	324	269	167	163	158	157	161	160	170
Number of female managers* ³	2	3	3	5	7	4	5 (19)	7 (22)	10 (27)	11 (26)	13 (28)
Ratio of female managers(%)	1.1	1.6	1.6	2.0	2.8	1.4	2.4	3.2	4.4	5.0	5.5
Rate of return from childcare leave (%)	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	95.5	94.0
Average monthly overtime (h)* ³	-	34.8	30.5	27.0	25.5	22.9	21.1	22.1	22.0	22.9 (22.5)	23.0 (22.9)
Paid leave acquisition rate (%)* ³	-	55.9	58.1	61.1	63.9	64.7	66.6	68.7	61.2	66.5 (66.8)	70.9 (70.9)
Turnover rate (%)** ⁴	6.3	5.5	7.0	4.5	4.5	5.3	5.3	4.1	3.9	4.1	5.2
Stability of new graduates hired (%)** ⁵	100.0	-	100.0	87.5	80.0	100.0	100.0	93.3	93.8	100.0	78.6
Compliance training participation rate (%)* ¹	100	100	100	100	100	100	100	100	100	100	100
Information security training participation rate (%)* ¹	100	100	100	100	100	100	100	100	100	100	100

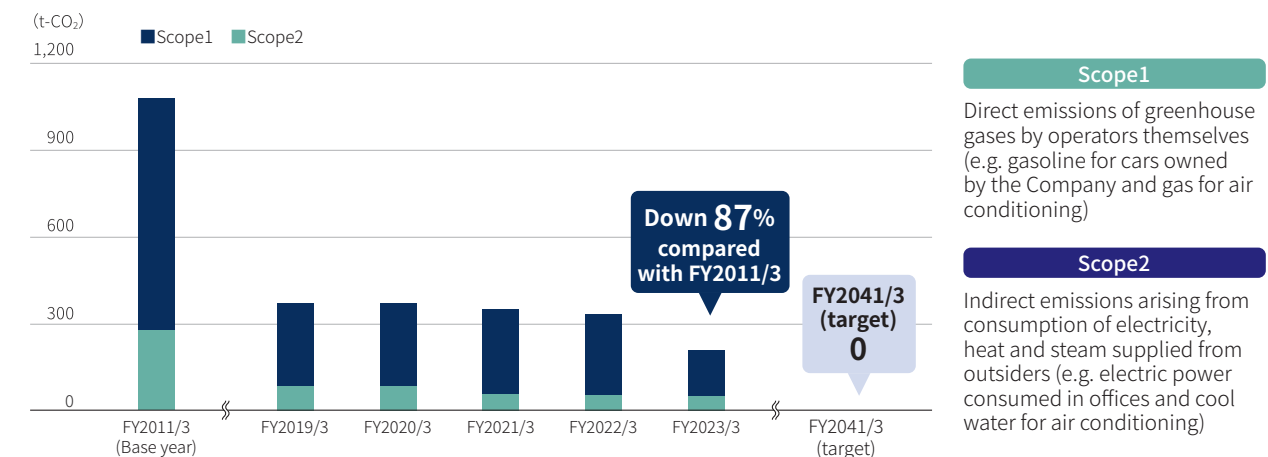
*1 Consolidated results. *2 Verified by a third party. *3 Figures in parentheses are the results on a consolidated basis. *4 Excluding retired worker

*5 Retention rate of 3 year after joining new graduate

Profit attributable to owners of parent/Cash dividends



CO₂ emissions



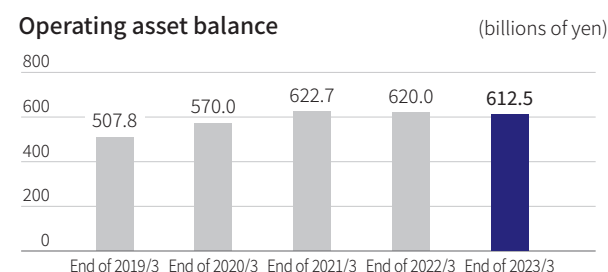
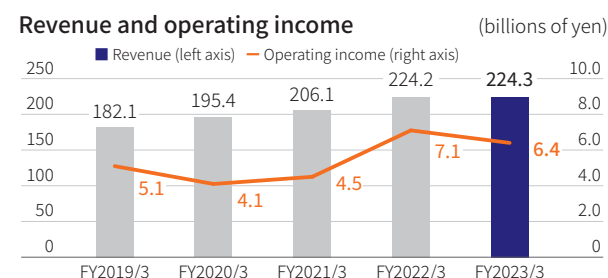
Scope 1
Direct emissions of greenhouse gases by operators themselves (e.g. gasoline for cars owned by the Company and gas for air conditioning)

Scope 2
Indirect emissions arising from consumption of electricity, heat and steam supplied from outsiders (e.g. electric power consumed in offices and cool water for air conditioning)

Segment information

Leasing Business

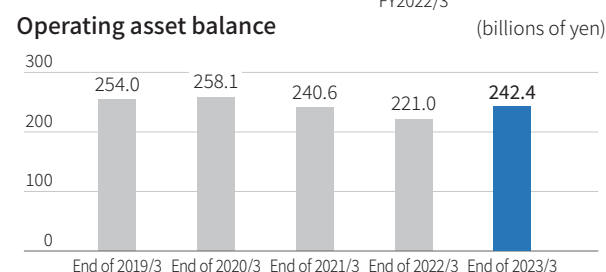
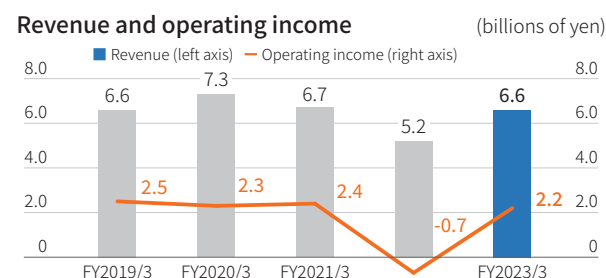
- Main operations**
- Leasing, rental and installment sales of information and communication equipment, office equipment and various other types of facilities and equipment
 - Sales of goods related to leasing, sales of properties after the expiration or premature cancellation of lease contracts, maintenance services for leased items and others



Business Overview While revenue and gross profit remained at the same level as the previous year, operating income decreased year on year due to an increase in credit costs.

Finance Business

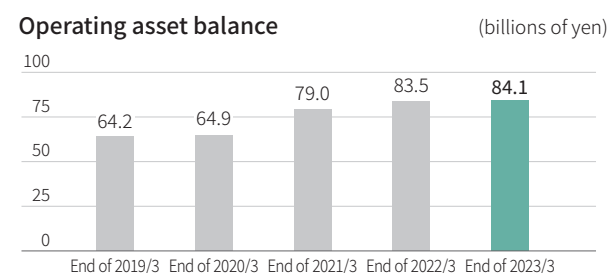
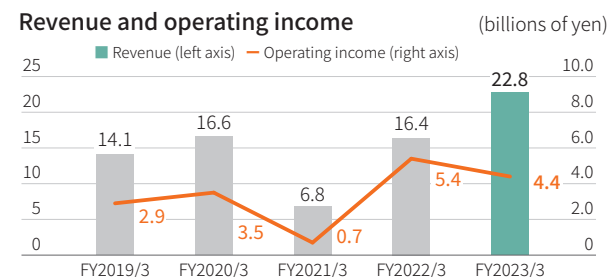
- Main operations**
- Money loans, factoring and securities investments aimed at generating dividend revenue and others



Business Overview Revenue, gross profit, and operating income all increased year on year due mainly to an increase in interest revenue in addition to lower credit costs.

Investment Business

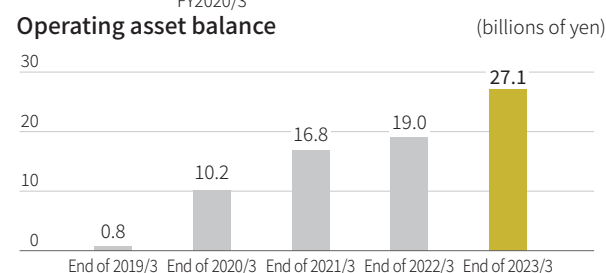
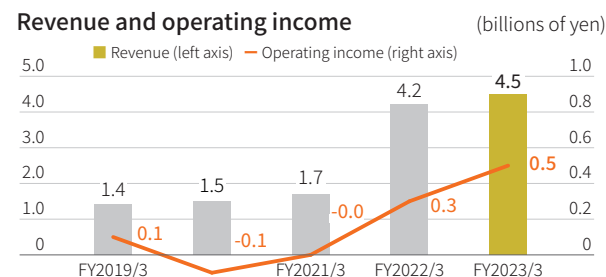
- Main operations**
- Investments in business ventures aimed at earning gains on the sale of securities
 - Asset, real estate and advisory services businesses operated by RISA Partners, Inc.



Business Overview Although revenue rose year on year due to the sale of large-scale real estate for sale, operating income fell year on year due mainly to the posting of credit costs.

Other Business

- Main operations**
- New business in the areas of energy, tourism, agriculture and healthcare, private finance initiative (PFI) and public private partnership (PPP) projects and other services



Business Overview Revenue, gross profit, and operating income rose year on year due to as the considerable advances made in efforts for healthcare, solar power, PFI, etc.

Corporate data (as of March 31, 2023)

Company name	NEC Capital Solutions Limited
Head office	Shinagawa Intercity C building, 15-3 Konan 2-chome, Minato-ku, Tokyo, 108-6219, Japan Tel. +81 (0)3 6720 8400
Start of operation	November 30, 1978
Representative	Masaaki Suganuma, President
Main business	Leasing (Leasing for Information and Communication Equipment, Office Equipment, Industrial Equipment and others), Installment Sales, Business Loans, Factoring Services Other (Business Outsourcing and Sales of Used Equipment, etc.)
Paid-in capital	3,776.88 million yen
Stock listing	Tokyo Stock Exchange, Prime Market Stock code: 8793
Closing of accounts	March 31
Number of employees	703 (consolidated 866)

Main banks	Sumitomo Mitsui Banking Corporation Sumitomo Mitsui Trust Bank, Limited MUFG Bank, Ltd. Mizuho Bank, Ltd. Development Bank of Japan Inc.
Major affiliated companies	RISA Partners, Inc. Reboot Technology Services and Capitech Limited Innovative Venture Investment Limited Partnership NEC Financial Services, LLC NEC Capital Solutions Singapore Pte. Limited NEC Capital Solutions Malaysia Sdn. Bhd. AIRA Leasing Public Company Limited, etc.
Domestic network	30 offices
Enterprise rating	<ul style="list-style-type: none"> Rating and Investment Information, Inc. (R&I) Long term A- Short term a-1 Japan Credit Rating Agency, Ltd. (JCR) Long term A Short term J-1

Share information (as of March 31, 2023)

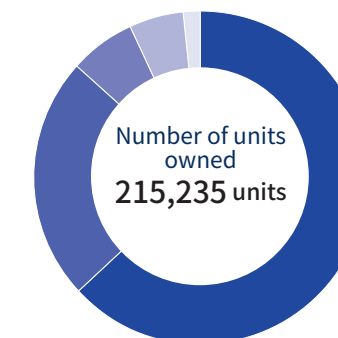
Basic information

Number of shares authorized	86,000,000 shares
Number of shares issued	21,533,400 shares
Number of shares in one unit	100 shares
Number of shareholders	27,485

Principal shareholders

Shareholders	Number of shares	Voting rights(%)
NEC Corporation	8,110,000	37.66
Sumitomo Mitsui Finance & Leasing Company, Ltd.	5,373,000	24.95
The Master Trust Bank of Japan, Ltd. (Trust Account)	897,200	4.16
BNY GCM CLIENT ACCOUNT JPRD AC ISG (FE-AC)	255,950	1.18
DFA INTL SMALL CAP VALUE PORTFOLIO	225,098	1.04
SUMITOMO LIFE INSURANCE COMPANY	200,000	0.92
Custody Bank of Japan, Ltd.	193,300	0.89
Mitsui Sumitomo Insurance Company, Limited	112,000	0.52
JPMorgan Securities Japan Co., Ltd.	110,786	0.51
SMBC Nikko Securities Inc.	93,100	0.43

Classification of shareholders (excluding those with less than 1 unit)



Shareholder Type	Number of units	Percentage
Other corporations	135,742 units	63.1%
Individuals/private and other investors	50,887 units	23.6%
Financial institutions	14,174 units	6.6%
Non-resident investors	11,312 units	5.3%
Financial services providers	3,120 units	1.4%

Disclaimer

The statements in this publication with respect to the Company's current plans, strategies and decisions are forward-looking statements, unless they are historical facts. Such forward-looking statements are based on management's assumptions and decisions in light of the information currently available and involve risks and uncertainties. Because these forward-looking statements could materially differ from actual results due to various factors, readers are advised not to place undue reliance on them.

* In connection with the revision to reportable segments, data involving retrospective modification are presented for the period from the fiscal year ended March 31, 2019 to the fiscal year ended March 31, 2021.