Material issues

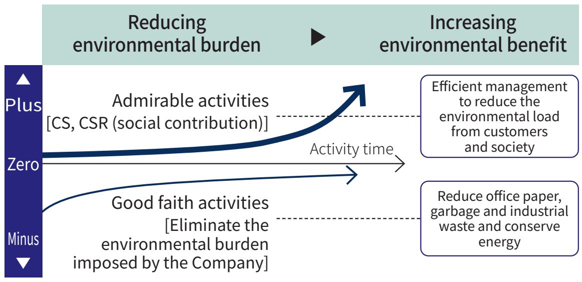
Promotion of decarbonized society and circular economy

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. In matters related to climate change, we are evolving our climate change response initiatives by practicing business activities in line with TCFD recommendations.

We responded to the Carbon Disclosure Project (CDP) Climate Change 2023 Questionnaire, and scored an A-, which is at a leadership-level.

● Conceptual diagram of environmental benefit and environmental burden



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.

Our initiatives

Expansion of collaboration in the corporate PPA sector

A PPA enables the efficient and stable procurement of renewable energy as it makes it possible for consumers to secure a certain amount of power generation without the need to install their own power generation facilities or being affected by factors such as the initial costs of installation or land issues. There are offsite PPAs, where power plants are installed in remote locations, and onsite PPAs, where power plants are installed in the consumer's premises. We are accelerating collaboration with partner companies in the corporate PPA sector.

The first project is the collaboration with Yotsuya Capital GK (now Yotsuya Energy), which is backed by a global fund managed by Octopus Energy Generation of the UK. We have agreed with Yotsuya Capital to establish a scheme for the development of an offsite corporate PPA solar power plant in the Japanese market and to expand this collaboration. Through this collaboration, we will leverage the extensive knowledge in developing corporate PPA solar power plants and the PPA structuring of Yotsuya Capital and Octopus, and further strengthen our efforts in the development and operation of PPA power plants.

The second project is a joint on-site PPA business with ShirokumaPower Co., Ltd. (formerly known as afterFIT) that specializes in green energy and operates three power businesses: power generation, transmission, and sales. ShirokumaPower has been rapidly growing in the power generation business area since its establishment in 2016, on the strength of being able to handle everything in-house from development to maintenance and management. In this joint business, a joint venture established by both companies will promote the installation of onsite PPAs, mainly the carport-type facilities of ShirokumaPower.

Information disclosure based on the Task Force on Climate-Related Financial Disclosures (TCFD) recommendations

Governance

We established the Sustainability Committee, chaired by the president, to be an organization discussing climate change and other sustainability issues. The Sustainability Committee was held three times during the current fiscal year. The main agenda items were as follows.

- Status and disclosure of climate change response initiatives
- Review of material issues and setting non-financial indicators in the Medium-term Plan 2025*
- Status and disclosure of human capital initiatives
- Matters related to the implementation of human rights due diligence

*Matters resolved by the Board of Directors

See ▶P.23 for sustainability implementation system

Strategy

In the previous fiscal year, we conducted scenario analyses from a company-wide perspective and identified risks and opportunities. In the current fiscal year, discussions were held with each executive officer to verify the disclosed scenario analysis and consider future response measures in order to make the initiatives more effective.

・Overview of scenario analysis and consideration of response measures

In the scenario analysis, we examined risks and opportunities for the 2030 and 2050 time axis 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. 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.

Risks and opportunities organized by scenario
https://www.necap.co.jp/csv/environment/pdf/scenario.pdf
(available in Japanese only)

・Setting KPIs

Based on the results of the scenario analysis indicating a high potential for increasing business opportunities, for the fiscal year ended March 31, 2024, discussions were held with each executive officer to formulate business strategies that would appropriately address the business opportunities. Going forward, we will proceed with reflecting them to our business strategies, setting KPIs, etc., and implementing highly effective climate change measures, while linking them to the growth of the Group's businesses.

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. Specifically, we will formulate and review our climate change response policies including medium- to long-term policies based on macro trends and external surveys, formulate annual measure plans including risk responses, and implement the PDCA cycles of execution, monitoring, evaluation, and verification.

When it is expected that climate-related risks will significantly impact* 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.

*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.).

See ▶P.41 for risk management

Metrics and Targets

As a medium- to long-term environmental target, we aim to achieve net carbon neutrality by the fiscal year ending March 31, 2041. In addition, in the Medium-term Plan 2025, we have set near-term targets and business-related items as non-financial indicators aimed at carbon neutrality.

・CO_2 emissions from our business activities

We have set the goal of reducing the CO_2 emissions (Scope 1, 2, the Company + RISA Partners) generated from our business activities by 20% in the fiscal year ending March 31, 2026 compared to the results of the fiscal year ended March 31, 2023. We aim to achieve net zero CO_2 emissions (Scope 1, 2) on a consolidated basis including our overseas subsidiaries by the fiscal year ending March 31, 2041. CO_2 emissions from our business activities during the current fiscal year are estimated as shown on the right.

The confirmed figures and the results of the third-party verification will be released on our website.

	FY2023/3 Results	FY2024/3 Results	FY2026/3 Target	FY2041/3 Target
CO_2 emissions from our business activities (Scope 1, 2, the Company + RISA Partners)	157t-CO_2	137t-CO_2	—	Net zero *On a consolidated basis including our overseas subsidiaries
Reduction rate (compared to FY2023/3 results)	—	13%	20%	—

・Calculation of Scope 3 emissions

We are working to refine the calculation of our Scope 3 emissions to gain understanding of our own emissions at a higher level. During the current fiscal year, we conducted third-party verification of previously disclosed figures and calculated emissions for Category 13, which had not been previously disclosed. As a result, the Group's Scope 3 emissions for the fiscal year ended March 31, 2023 were 613,439t-CO_2 (verified by a third party, excluding 51,859t-CO_2 for Category 13), which is an increase of 121,422t-CO_2 from the previously disclosed figure of 492,018t-CO_2. We will continue to consider this issue going forward.

Scope 3 emissions for the current fiscal year will be released on our website.

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

Objective	Target	FY2024/3	FY2026/3 (Target)
CO_2 reductions to achieve carbon neutrality	Scope 1+2: Reduction rate compared to FY2023/3 results	137t-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	250,000 units	700,000 units
Promotion of response to climate change	Renewable energy power generation capacity (power generators owned)	59MW	100MW

See Non-financial (non-consolidated) on ▶P.47-48 for our CO_2 emission figures

Column

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, 2024.

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)

		Physical risk			Transition risk		
Risk incident		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
	FY2023/3	Single fiscal year	37	51	Single fiscal year	—	—
		Total through 2050	1,011	1,379	Total through 2050	—	—
	FY2024/3	Single fiscal year	24	31	Single fiscal year	—	—
		Total through 2050	632	803	Total through 2050	—	—