



NEC Capital Solutions Limited

INTEGRATED REPORT 2024



- Publication
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- Contact IR & PR Department for inquiries
about the report

Cover Artwork: **Mirai wa Kitto** by sio

We sponsor Paralympic Art, an initiative supporting artists with disabilities to enable their dreams to come true through art. We chose candidate pieces of artwork reminiscent of the “Company” meaning a business organization and a group of colleagues (partners) that shares the same values (page 1) 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.

The colorful and diverse flowers represent each and every employee leveraging individual strengths within the organization to bloom into the future, which reflects the future vision of the Group.



Paralympic 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

*“Company” means a business organization and a group of colleagues (partners) that shares the same values.

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

SDGs the Group can contribute to in particular



Principles (action guidelines)





Advance (Co-creation with customers): Take up the challenge of strengthening and developing services and creating new businesses, while continuing to resolve issues for customers and society.

Deepen (Deepen relationships with customers): Improve the quality of operations through IT utilization and digitalization, and build solid relationships of trust with customers.

Update (Corporate culture): Each individual employee embraces diversity and makes the most of their own potential.

True value (Corporate value): Aim to improve corporate value continuously by creating social value and economic value.

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Editorial Policy

Among our management issues and medium- to long-term goals, the booklet contains a report that is focused on crucial information, mainly information on our material issues. To enhance comprehension of the Group, we invite the reader to visit our website.

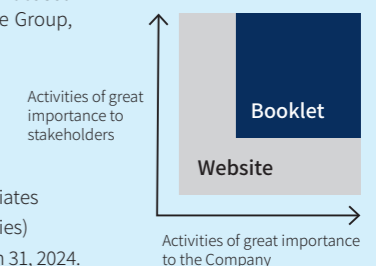
<https://www.necap.co.jp/csv/report/index.html> (available in Japanese only)

Scope

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

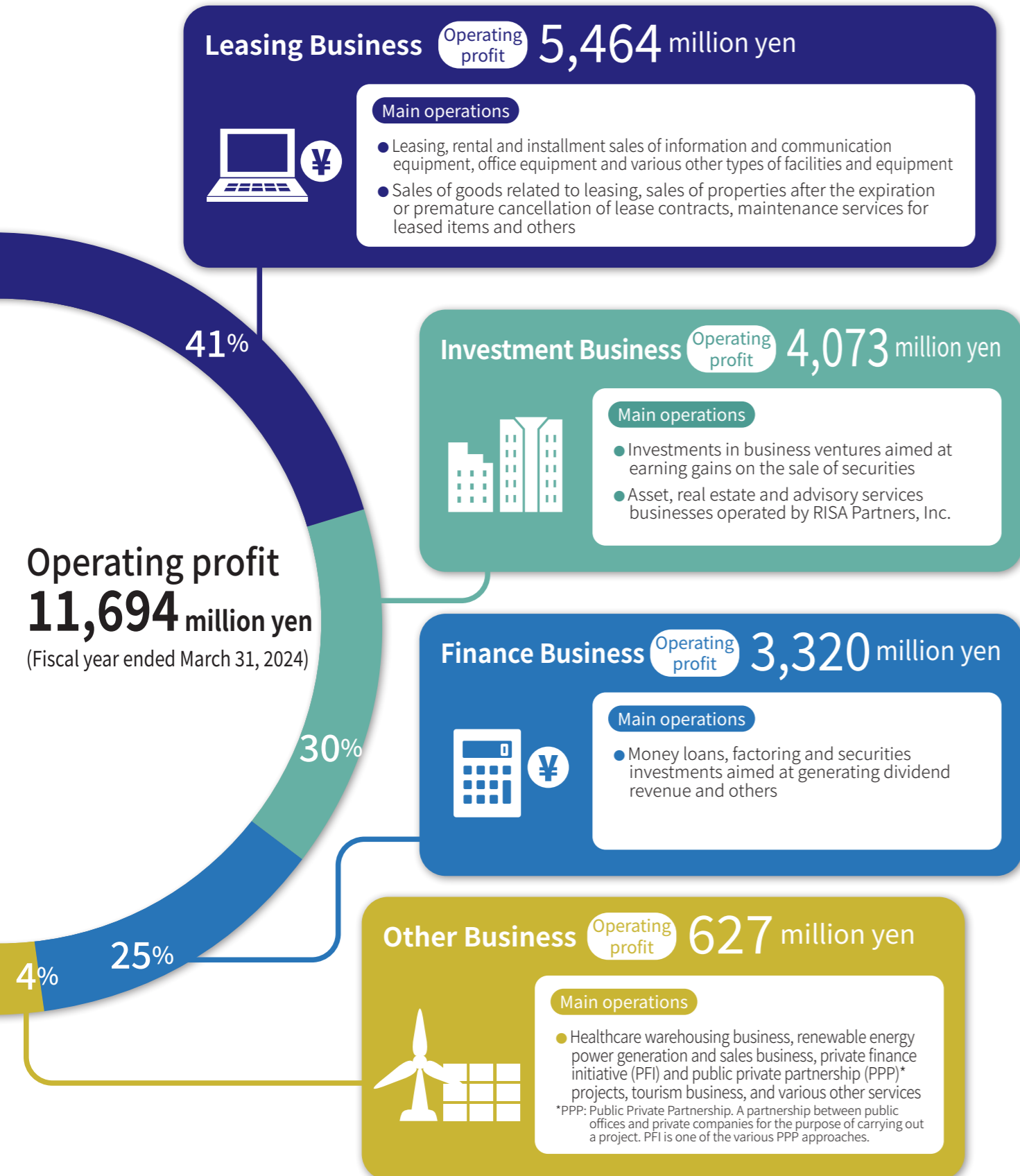
Period: Data represent results from April 1, 2023 to March 31, 2024 (including most recent activities)

Our fiscal year ends in March, so “FY2024/3” refers to the period from April 1, 2023, to March 31, 2024.



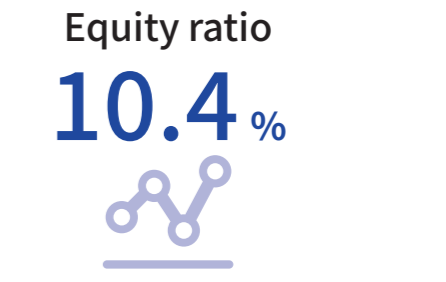
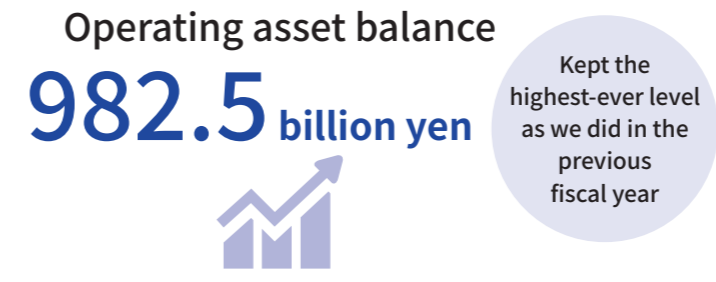
(As of the end of March 2024)

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



*The operating profit composition ratio is calculated excluding adjustments for operating profit (company-wide costs not allocated to each segment).

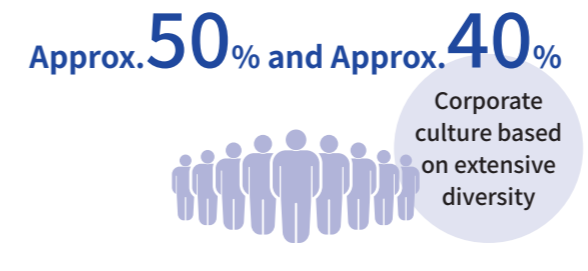
Financial capital



Human capital



Percentage of mid-career employees and female employees (non-consolidated)



Social relations capital

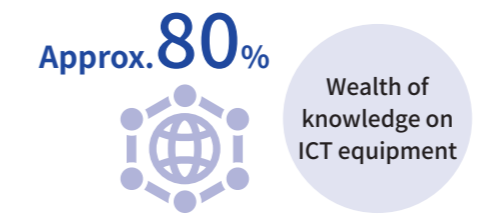


Network of RISA Partners, Inc.

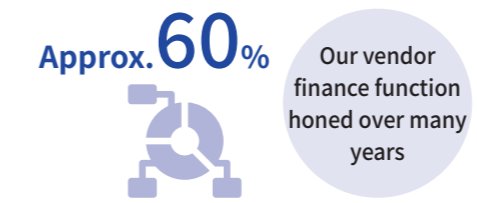


Intellectual capital

Ratio of ICT equipment handled (Average for the past 3 years)
(component ratio of contracts executed by equipment in the Leasing Business)



Ratio of NEC sales channels (Average for the past 3 years)
(component ratio of contracts executed by purchaser in the Leasing Business)



CDP* Climate Change Report 2023



*CDP: An international nonprofit organization that has a global system for the disclosure of environmental information by companies and municipalities.

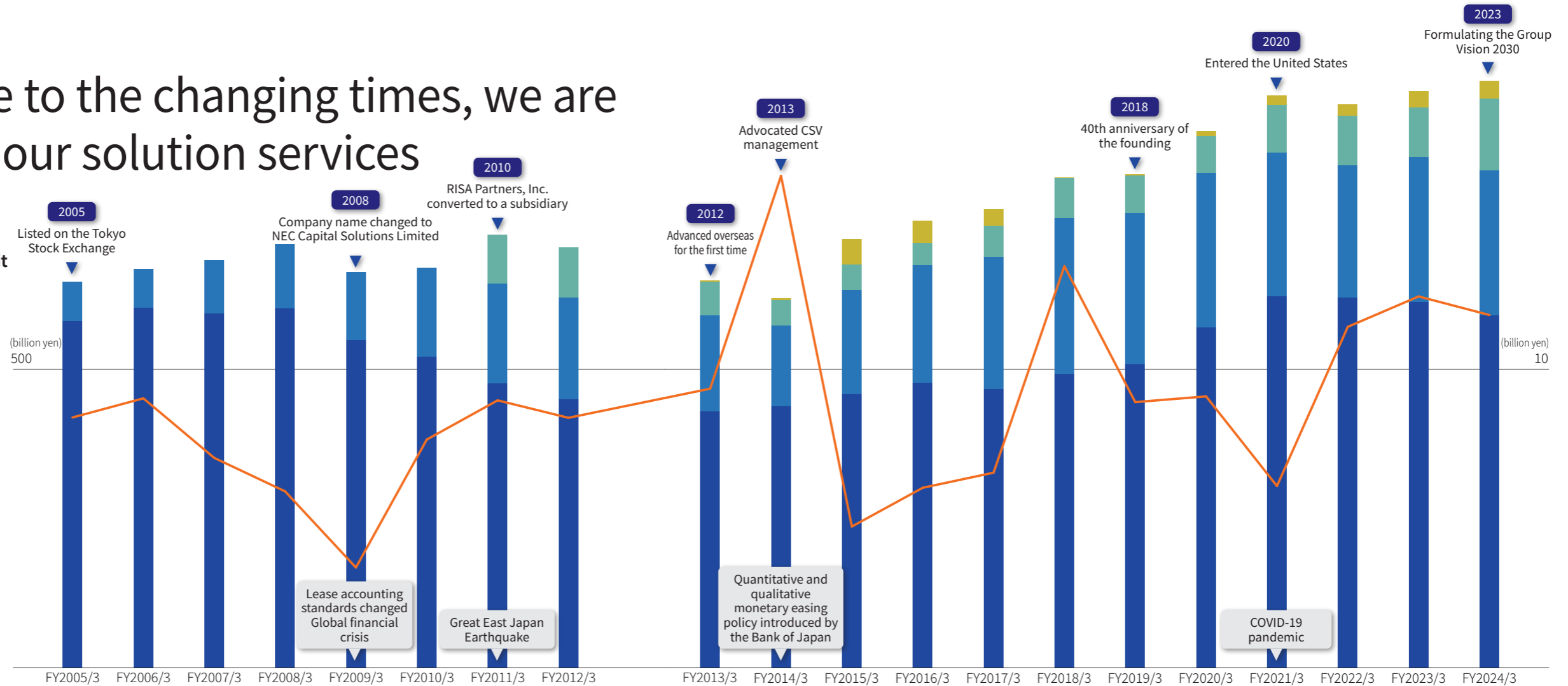
Years since obtainment of ISO 14001 certification (Environmental management systems)



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

Trends in operating asset balance and ordinary profit (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 profit (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

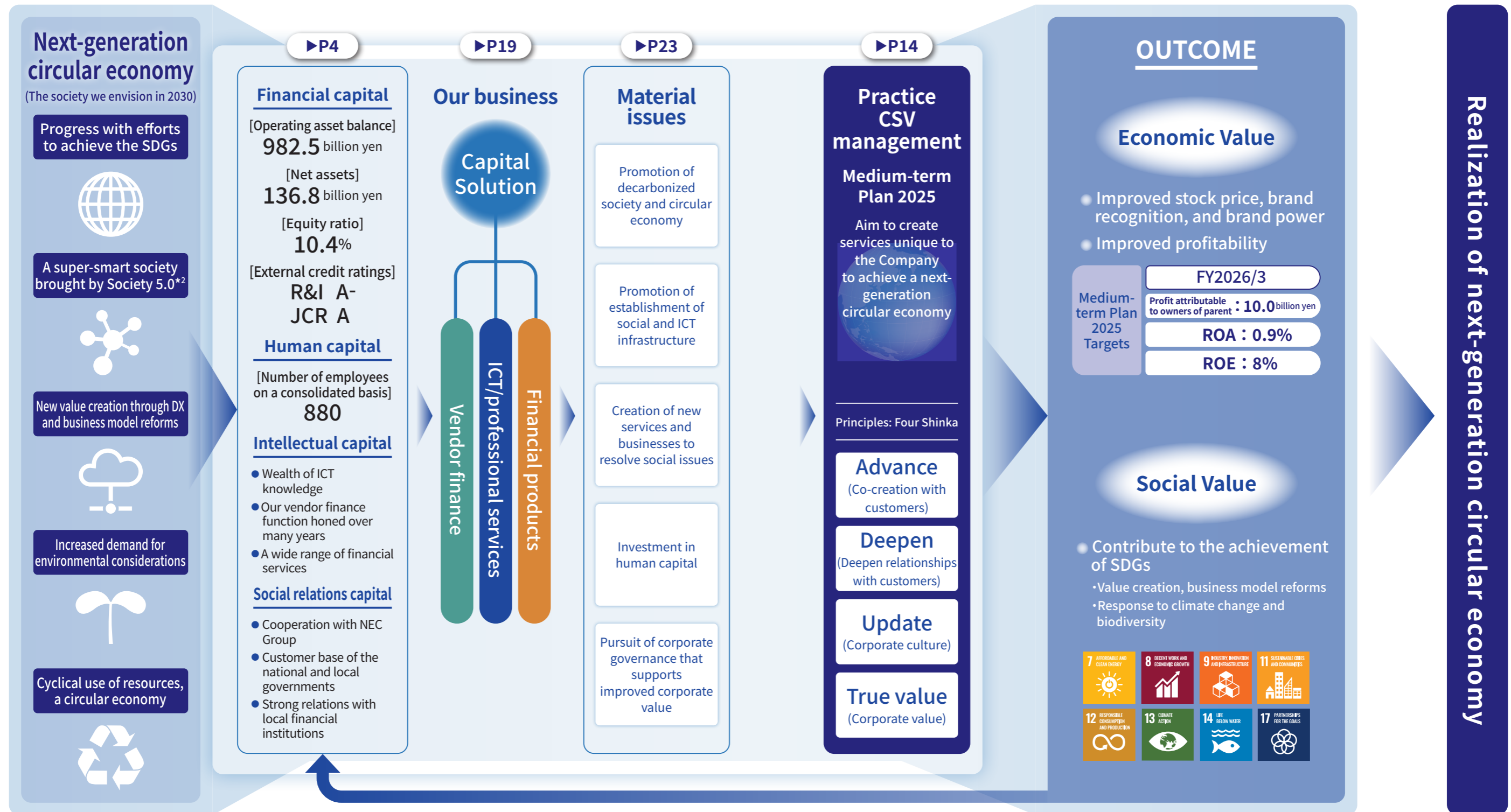
- Nov. 1978** Establishing a presence in the leasing sector
Established in 1978 as a company that takes on a sales finance function for NEC products. Steadily growing our transaction volume centered on the leasing of NEC products, we settled into a role as a manufacturer affiliated leasing company.
- 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.
Joining the SBI Shinsei Bank Group in October 2024 (planned). We will promote transformation toward realizing sustainable growth by making the most use of the SBI Group's customer base, financial ecosystem, and pioneering functions.

Sustainability topics

- 1999** Acquiring ISO 14001 environmental management systems (EMS) certification
- 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)
- 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
- 2020** Acquiring PrivacyMark
- 2022** Issuing sustainability bonds (for the first time)
Acquiring certification as a DX-certified operator (for the first time)
Announcing support for the Task Force on Climate-Related Financial Disclosures (TCFD)
- 2023** Carbon Neutrality Commitment Recognized as a Health & Productivity Management Outstanding Organization (for the first time)

Realize the Group Vision through implementing CSV^{*1} management and resolving 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.

Message from the President

Realizing solutions for a next-generation circular economy through our Medium-term Plan

We are currently implementing a three-year Medium-term Plan toward FY2026/3. This plan aims to create “circular economy-oriented” services that are unique to the Company while improving profitability and employee engagement in order to realize a next-generation circular economy. An interview was conducted to discuss the progress of these initiatives as well as future developments.



President

Masaaki Suganuma

In light of the changes in social and economic conditions, please share your thoughts on creating “circular economy-oriented” services.

We will realize the Group Vision by providing value that captures the trend toward a next-generation circular economy.

In response to recent changes in social and economic conditions, our initiatives to contribute to society through the practice of CSV management are expanding the scope of value we provide. In this context, we are reaffirming the importance of the Company’s reason for existing and mission, which are to solve social issues and support prosperity.

Over the past year, the cost environment has worsened due to the continued depreciation of the yen, soaring prices of resources and energy, and rising prices of materials and equipment. As a result, there was an increased need for companies in the financial market to improve capital efficiency. In addition, labor shortages caused by the decline in the working population have been intensifying in many industries, and coupled with efforts to curb long working hours, there has been an increase in capital investment and DX investment aimed at improving operational efficiency and reducing the number of workers required.

Initiatives to achieve carbon neutrality are now spreading across the entire industrial sector, and the use of recycled and reused products in pursuit of a circular economy has become an increasingly popular trend among companies.

We were quick to recognize this trend toward a next-generation circular economy and map out a future vision. 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. In addition, there is a growing need to provide value that comes with additional services, and this is creating new growth opportunities for us.

In our “Group Vision 2030,” which sets out what the ideal state for the Group’s business should be in 2030 and outlines the direction of medium- to long-term growth, we aim to “Be a solution company leading the next-generation circular economy.” We will strive to innovate our “capital solutions,” which provide solutions for a wide range of issues related to customers’ managerial resources, and increase our own corporate value by creating and providing “circular economy-oriented” services that the world will need going forward.

Please explain “improve profitability” and “improve employee engagement,” which are included in our management issues.

ROE of 8% is a stepping stone to further improvement. I believe it is important to create a company where employees can work happily and proudly.

Since becoming the President two years ago, I have positioned “improve profitability” and “improve employee engagement” as the two most important management issues, and I have been working continuously to achieve them.

Our profitability (capital efficiency), as seen in ROE, remained at 6.2% for FY2024/3, which is low among companies listed on the Prime Market of the Tokyo Stock Exchange. One of the reasons for this is that for many years, we focused our sales activities primarily on building up assets, which resulted in delays in improving revenue.

In recent years, the Tokyo Stock Exchange has called on listed companies to conduct “management that is conscious of cost of capital and stock price,” and there are growing expectations in the stock market for companies to undertake initiatives to improve profitability. We at the Company recognize the need to strengthen our response. Specifically, the final year target for our current “Medium-term Plan 2025” is “ROE of 8%.” However, we view this as the minimum standard and its achievement will be a stepping stone to further improve profitability.

As part of our efforts to increase profitability, we are working to improve leasing rates and generate profits by adding additional services. Moreover, we are actively working on initiatives in the financial solutions field, developing a business that takes on some degree of risk but is expected to generate higher returns than ever before. In order to advance these initiatives, enhancement of risk management will be essential, and a challenge for us going forward will be to accumulate the know-how necessary to reduce risks.

The Leasing Business is a stable source of revenue, and on top of that base revenue, the Finance Business and the Investment Business are generating profit upside. As a result, the Leasing Business currently accounts for 60% of our operating asset balance and just over 40% of our operating profit. However, going forward, we plan to transform our business portfolio with the aim of achieving a revenue structure in which operating profit is composed roughly of one-third from the Leasing Business, one-third from the Finance Business, and one-third from the Investment Business.

Regarding our other management issue, “improve employee engagement,” the engagement score for FY2024/3 based on our survey was 21%, which is not a very high level.

My policy of prioritizing employee engagement is based on my desire for employees to be proud to work for the Company and enjoy working here. Statistical data also shows a correlation between engagement and profits,

Message from the President

so if we create a workplace where employees can work happily and proudly, then we can expect secondary benefits such as contributions to business performance through improved work efficiency and the generation of better ideas. The financial business is rooted in relationships of trust between people, and it is a business in which people create value. I believe that employee engagement should also be prioritized from the perspective of human capital management, which aims to link the participation and growth of human resources to corporate value.

As one of our measures to improve the engagement score, we hold “dialogue sessions” between all employees and four members of the management team, including myself. In FY2024/3, this was held by each department. In FY2025/3, we will use these dialogue sessions to speak directly with employees gathered by position, communicate the direction aimed for by the Company and the challenges of taking on change, and receive opinions, questions, and requests to deepen mutual understanding. By continuing this initiative, we will build up our most important asset, which is “people.”



Dialogue session with the President

Please tell us about the review of the first year of the Medium-term Plan and the direction of initiatives going forward.

In this plan, we need to present concrete solutions for a next-generation circular economy.

In FY2024/3, the year we launched the “Medium-term Plan 2025,” operating profit remained roughly at the same level as the previous year, but net profit increased by 9.6% to a record high of 7.0 billion yen. Sales activities progressed smoothly, and while the operating asset balance increased by 16.4 billion yen year on year to 982.5 billion yen, this figure fell short of the initial plan due to factors such as unexpected credit costs recorded. We will continue to steadily implement initiatives based on the business strategies of the Medium-term Plan, develop new services, and enhance risk management in order to improve revenue.

This plan marks the first three years of our challenge to evolve towards a next-generation circular economy, and its main theme is the creation of “circular economy-oriented”

services. In this plan, we need to clearly show our customers, business partners, shareholders and investors, as well as our employees, who are the driving forces behind our evolution, what our specific “solutions for a next-generation circular economy” entail.

In the markets surrounding our business, there are increasing opportunities for value provision required through “circular economy-oriented” services, such as management and operation services for the introduction of renewable energy, the use of PFI to revitalize aging infrastructure and rural areas, schemes to improve capital efficiency through LBO loans*, and the recycling of assets such as refurbished PCs. Solutions that meet these needs are expected to enhance environmental and social sustainability while also bringing about higher revenue as part of our growth strategy.

Looking towards the future of 2030, our goal is to accurately identify needs through this plan and steadily develop concrete solutions that will enable us to reap the benefits of economic and social value that comes from “circular economy-oriented” services.

*LBO loan: LBO is an acronym for Leveraged Buyout. In M&As, it involves financing of the acquisition itself, as well as structuring, underwriting, and arranging.

What are the goals of the business strategies set out as the pillars of the Medium-term Plan, and what progress has been made?

The first year of the plan marked a good start. We will accelerate efforts to strengthen profitability by replacing assets and adding services.

The “Medium-term Plan 2025” promotes the three business strategies of “expand service business and create new ‘circular economy-oriented’ services,” “accelerate growth through strategic investment in core businesses,” and “strengthen vendor finance and expand customer base.”

Regarding service business, core businesses in the non-financial field, such as solar power generation and PFI projects, warehousing (temporary ownership) of healthcare facilities, and business succession support through corporate advisory services, all expanded smoothly. In addition to increasing our expertise in the business, we were able to strengthen our collaboration with partners and broaden the scope of our initiatives. Going forward, we will strengthen risk management and expand our operations in order to operate the service as a primary contractor.

Strategic investment in core businesses saw growth in ICT-related leasing with added asset management, while in terms of financial products, expansion into areas such as LBO financing and equity investment has produced positive results. Our efforts to replace assets while achieving capital gains proved successful, contributing to improved revenue. In addition, our efforts for deepening the initiatives to propose asset utilization to loan customers are proving successful. RISA Partners acquired large income-gain assets, and made progress in stabilizing revenue that is not dependent on capital gains.

In terms of vendor finance, we are expanding our volume by obtaining large-scale projects from the national and local governments, and replacing existing assets with high-quality assets. At the same time, we are working to generate revenue in new areas, such as subscription models for cloud services in collaboration with vendors, and are seeing positive results.

In FY2025/3, the second year of the plan, an increase in the number of corporate bankruptcies is expected due to the worsening cost environment, which includes rising interest rates and soaring raw material costs. In this context, we will dedicate this year to further expanding revenue while maintaining solid risk management. In particular, replacing existing assets with high-quality assets and generating revenue through additional services will be key to improving performance. We will accelerate efforts to strengthen profitability toward achieving our targets for the final year of the plan (FY2026/3), which are “profit attributable to owners of parent of 10.0 billion yen” and “ROE of 8%.”

Please tell us your message to stakeholders.

We will increase environmental and social sustainability, contribute to the creation of a prosperous future, and expand the circle of trust.

Reflecting the increase in net profit, we set the annual dividend for FY2024/3 at 130 yen per share (interim and year-end: 65 yen each, an increase of 20 yen year on year). Assuming an increase in income in FY2025/3, we plan to set the annual dividend at 150 yen per share (interim and year-end: 75 yen each, an increase of 20 yen year on year).

As a company that aims to improve profitability, we recognize that in order to develop businesses that

generate greater returns than ever before, we must retain capital in preparation for the risks involved. At the same time, it is essential to make growth investments as needed to realize solutions for a next-generation circular economy. In line with these changes to the business model, we will strive to further improve our performance going forward so that we can continue to increase the return of profits to shareholders while securing a certain amount of internal reserves.

By providing proposals and value that understand the changing times, we will contribute to the growth of our customers and business partners, including vendors, and build strong relationships of trust. Moreover, through these initiatives, we hope to increase environmental and social sustainability, contribute to the creation of a prosperous future, and expand the circle of trust.

Finally, in July 2024, we announced a change in major shareholders, etc. In October 2024, a portion of the shares held by NEC and Sumitomo Mitsui Finance and Leasing Company, Limited will be transferred to SBI Shinsei Bank, Limited, and SBI Shinsei Bank is planned to become our main shareholder. We will maintain our collaborative relationship with the NEC Group, and we believe that our new collaboration with the SBI Shinsei Bank Group will lead to medium- to long-term business growth and improved profitability. We appreciate your continued support of the NEC Capital Solutions Group over the long term.

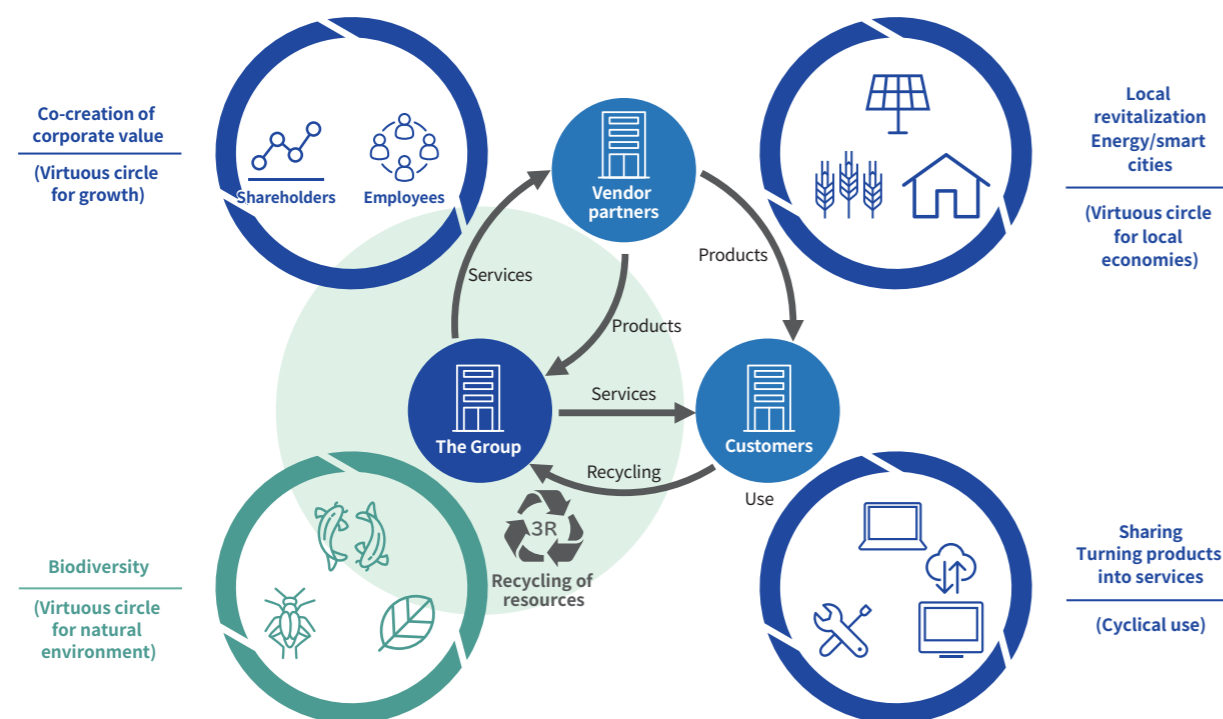
Group Vision 2030

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 “circular economy-oriented” services through the introduction of innovations to capital solutions.

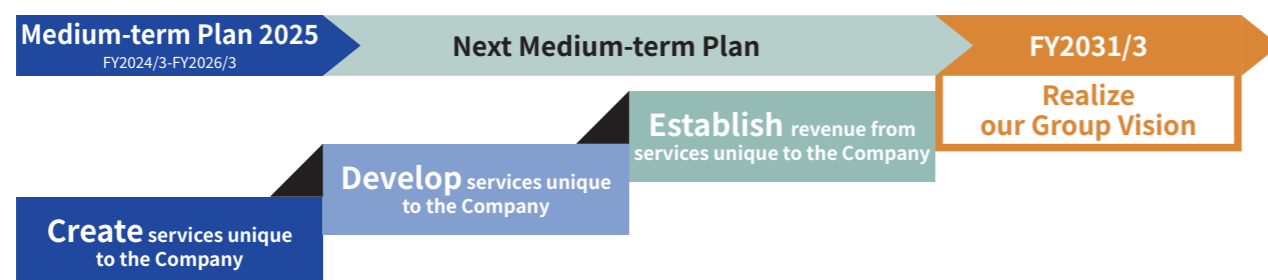
We have placed important issues identified to be necessary for achieving the Group Vision as our material issues, and have been working to address them by creating a roadmap that incorporates them into the Medium-term Plan.

See ▶P.23 for material issues

Image of the “next-generation circular economy”



Road map to realizing our Group Vision 2030



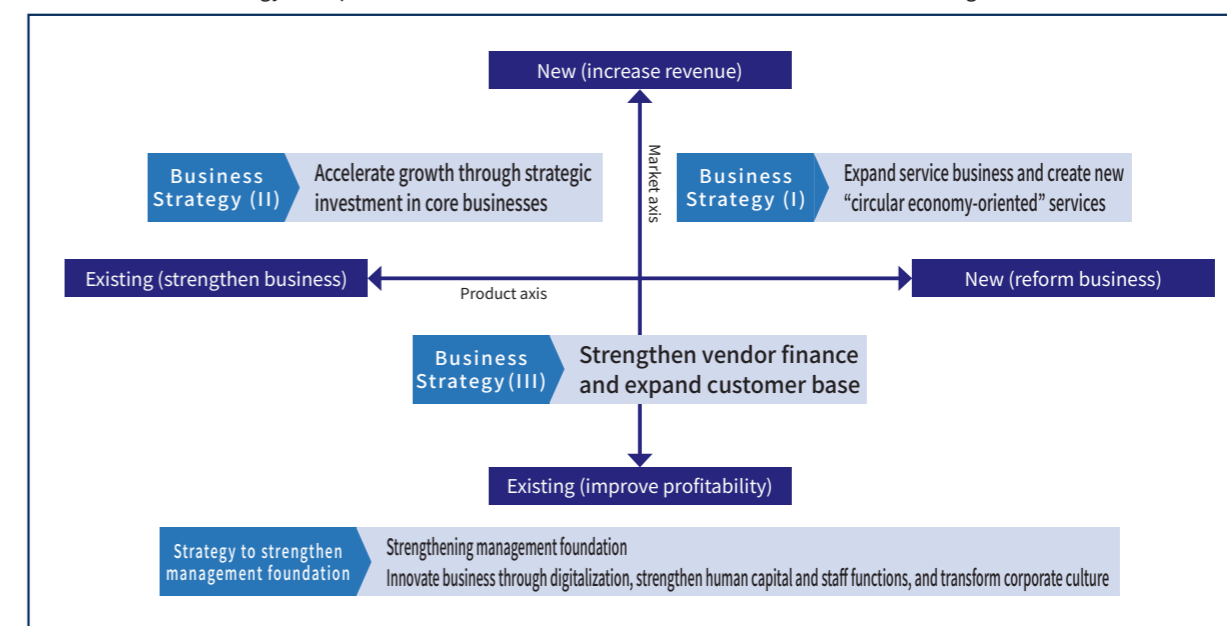
Medium-term Plan 2025

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 “circular economy-oriented” services that are unique to the Company to practice CSV management and achieve a next-generation circular economy

Strategic framework of Medium-term Plan 2025

The Medium-term Plan 2025 is aimed at improving profitability and the strategies are formulated using the four quadrant model, with market (existing and new) on one axis and product (strengthen existing businesses and create new businesses) on the other. The strategy incorporates the material issues of our business activities and management foundation.



Financial indicators

We will improve profitability and accelerate pursuit of sustainability management through realizing a next-generation circular economy.

	FY2023/3 Results	FY2024/3 Results	FY2026/3 Plan
Profit attributable to owners of parent	6.4 billion yen	7.0 billion yen	10.0 billion yen
ROA*	0.7%	0.7%	0.9%
ROE	6%	6%	8%

* Consolidated net income/average balance for consolidated operating assets

Non-financial indicators (excerpts)

These are material issue-based indicators aimed at improving corporate value over the medium- to long-term.

	Objective	Description	FY2023/3 (Actual)	FY2024/3 (Actual)	FY2026/3 (Target)
Environmental and social issues	CO ₂ reductions to achieve carbon neutrality	Scope 1+2: Rate of decline compared to FY2023	157t-CO ₂	13% reduction 137t-CO ₂	20% reduction
	Establishment of social infrastructure	Cumulative contracts for government offices and local governments	¥127.8 bn	¥148.4 bn	¥400 bn*
	Promotion of cyclical use following expansion of ICT business	Total number of disposals of products whose lease has ended	200,000 units	250,000 units	700,000 units*
	Promotion of response to climate change	Renewable energy power generation capacity (power generators owned)	43MW	59MW	100MW
Human capital	Promotion of activities contributing to society with natural capital in mind	School biotope education total increase in number of schools	3 schools	3 schools	10 schools*
	Improve employee engagement	Employee engagement score	21%	21%	34%
	Promotion of diversity	Ratio of female managers	5.5%	6.7%	10%

* over three-year period



Business Strategy (I)

Expand service business and create new “circular economy-oriented” services

We will create new services and develop new markets in order to realize the “next-generation circular economy” set forth in the Group Vision.

Corresponding material issues

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

Overview

- ▶ Expand services in renewable energy power generation, warehousing, IT asset management, PFI, tourism, and other businesses
- ▶ Create new “circular economy-oriented” services
 - 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

Progress and review of the current fiscal year

In the current fiscal year, we worked on strengthening and expanding various businesses that form the base of our service business. We strengthened cooperative relationships with partner companies, laid a foundation for business expansion, and also achieved revenue growth. Main initiatives are as follows.

- Renewable energy power generation: Expanded new initiatives and collaborations in corporate PPA*1 sector (Octopus Group, ShirokumaPower)
- Warehousing: Made progress on securing healthcare facilities through sales channel diversification, increased revenue during the fiscal year and achieved gains on sales
- PFI: The number of projects commissioned exceeded plan, acquired projects as a representative company
- Corporate advisory: Ranked in Japan M&A Review for the number of announced and completed projects involving Japanese companies
- New “circular economy-oriented” services: Reviewed specific projects to expand subscription models and additional functions in the ICT area

What are new “circular economy-oriented” services?

The Company aims 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



Three types of circular economy-oriented services

- ♻️ Services that lead to cyclical use of products
- ♻️ Services that lead to virtuous circle for local economies and societies
- ♻️ Services that lead to a virtuous circle for corporate growth

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

Our initiatives

Expansion of collaboration in the renewable energy field

The introduction and utilization of renewable energy are spreading across various locations as part of our efforts to reduce greenhouse gas emissions. The Group has placed “promotion of decarbonized society and circular economy” as one of the material issues and engages in initiatives to promote renewable energy. In addition to investments and loans to renewable power generation facilities such as solar panels, we are expanding our efforts in the power generation business. In the fiscal year ended March 31, 2024, progress was made in expanding collaborations with the U.K.’s Octopus Group and ShirokumaPower Co., Ltd.

We are also utilizing the “FIP system” which determines the purchase price of renewable energy and promoting initiatives such as long-term supply of electricity and environmental value derived from power generators we have been developing to Osaka Gas Co., Ltd.

Capital investment is vital for further utilization of renewable energy. The Company will continue supporting further utilization of renewable energy as a capital solution provider, offering services such as reducing the initial cost of capital investment in accordance with customer needs.

See ▶P.24 for a case study

Promotion of the warehousing business

In order to help build infrastructure in the field of healthcare indispensable for an aging society, we are engaged in the warehousing business for healthcare REITs. Healthcare REITs are real estate investment trusts (REITs) that specialize in investing in healthcare facilities. We have been steadily securing assets by strengthening partnerships with financial institutions, developers, and operators. Our warehousing business involves temporary possession of real estate properties before their incorporation into REITs, and it has

been supporting the growth of healthcare REITs by selling and transferring these facilities to REITs at the opportune time. With a view to realizing a decarbonized society, we have been promoting the acquisition of environmental certifications such as BELS (Building-Housing Energy-Efficiency Labeling System) in recent years. Rents from such a facility in temporary possession are recorded, and proceeds from the sale of the facility are recorded when it is sold to a healthcare REIT.

Acquisition of projects as a representative company in the PFI and PPP business

On the basis of our track record of conducting business with the national and local governments, in 2011 we started PFI and PPP business to provide public services through public-private partnerships. We have built a track record, mainly in education-related projects and cultural facilities including cultural complexes and school meal centers for municipalities. We are utilizing this experience to improve social infrastructure. Based on our extensive experience and know-how as a FA (financial advisor) and representative company, we aim to grow into a company capable of supporting proposals to national and local governments through collaboration with many private companies, and overseeing investments to be utilized for

business and overall business management. Through such efforts, we will promote the establishment of social and ICT infrastructure, which has been identified as a material issue for the Group, and create new services and businesses to solve social issues.

In FY2024/3, the number of PFI and PPP business contracts received exceeded the plan and reached a record high. Among these projects, we served as the representative company for the Kumagaya Michi no Eki (provisional name) development project ordered by Kumagaya City, Saitama Prefecture, and the Minami Park development project ordered by Okazaki City, Aichi Prefecture.



Business Strategy (II)

Accelerate growth through strategic investment in core businesses

We will increase revenue through initiatives aimed at new markets by developing and strengthening our existing Leasing Business (rental) and Finance Business.

Corresponding material issues

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

Overview

▶ Expand scale of business through high added value for ICT-related services

- Enhancement of services related to PC-LCM¹ through system tie-ups with customers and vendors and strengthening of planning functions, expansion of rental services, BPO² and consulting services

▶ Expand and refine scope 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

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.

Progress and review of the current fiscal year

In the ICT-related service business, the business on which the Company is focusing as its strength, we have worked to provide services with high added value and made steady progress. In the area of financial products, success of initiatives aimed at scope expansion and improved profitability contributed to improvements in revenue.

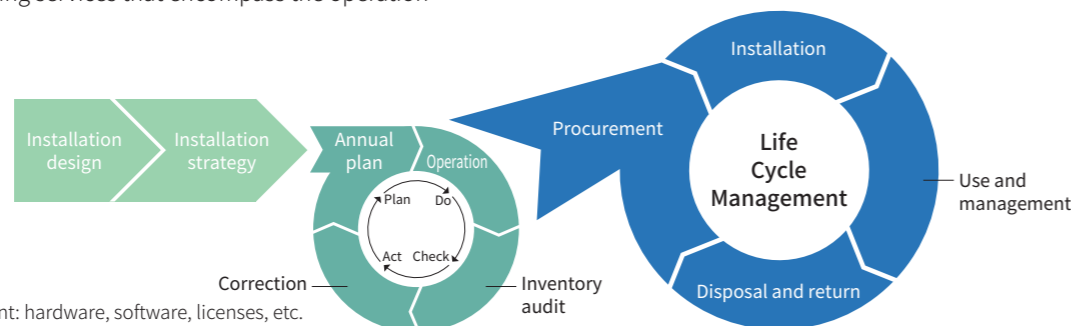
- Steadily grew ICT-related service business, increased PC-LCM service customers, and also provided value-added services such as IT asset management
- Expanded the scope of financial products, achieved progress in areas such as LBO finance and equity joint investment that resulted in revenue growth, and accelerated asset replacement aimed at improving profitability while achieving capital gains
- Acquired large income-gain assets aimed at earnings stabilization and ongoing growth investments at RISA Partners as planned

Our initiatives

ITAM (IT Asset Management Service)

ITAM is a service that analyzes the current situation to define the ideal state, and enables outsourcing from the introduction of ICT equipment* to operation management after installation. With our track record of handling a large number of ICT equipment, we have been providing services that encompass the operation

of ICT equipment for many years. ICT equipment requires maintenance and management over its life cycle after installation. We provide strong support for the information system departments of companies as a service that enables outsourcing of these functions.



* ICT equipment: hardware, software, licenses, etc.



RISA PARTNERS INC.

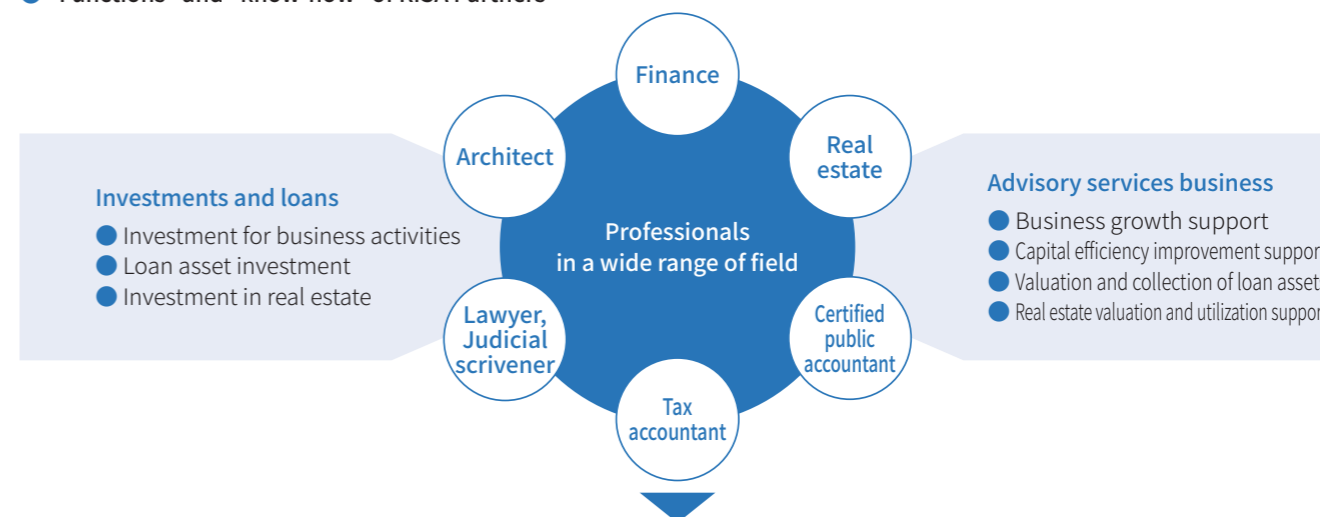
Company profile: RISA Partners

RISA Partners, Inc. (below, "RISA Partners") is a subsidiary of the Company that has primarily focused its sales activities on financial institutions. Based on this focus, it boasts a network with approximately 180 regional financial institutions nationwide and has a customer base that is distinct from that of the Company, which serves national and local governments, and business corporations. Together with financial corporations, RISA Partners provides customers with optimal solutions to management issues faced by

regional companies through financial support in the form of investment and loan, and advisory services based on expertise in areas including finance and real estate.

RISA Partners brings together professionals from a wide range of fields and is able to provide one-stop, multi-faceted functions and services to address various business challenges and needs, from business growth support and capital efficiency improvement to improvement of receivable soundness and the effective use of real estate.

● "Functions" and "know-how" of RISA Partners



Providing optimal solutions to customers by leveraging a nationwide network

■ Corporate investment initiatives

The "RISA Corporate Solutions Fund (RCSF)" is a private equity fund that aims to improve the corporate value of investees. RISA Partners establishes a fund to raise capital from external investors and manages its operation. RISA Partners leverages its solutions capabilities to capture investment opportunities without limiting itself to any particular project scale, industry, investment type, or investment target. It also conducts effective and efficient

investments on an individual project basis, without being restricted to factors such as investment majority acquisition or management execution. Since launching the first fund in 2006, RISA Partners has now expanded to five funds, and made over 40 investments totaling more than 70.0 billion yen.

■ Collaboration with Hoshino Resorts

RISA Partners, based on its extensive experience, track record, and know-how in the financial and real estate fields, including corporate revitalization and supporting corporate value improvement, established and began the management of the Hoshino Resorts Tourism Revitalization Limited Investment Partnership (hereinafter, the "Hoshino Resorts Tourism Revitalization Fund") in collaboration with Hoshino Resorts, Inc. in October 2020. The Hoshino Resorts Tourism

Revitalization Fund aims to support the business continuity of high-quality hotels and inns in Japan and contribute to the early recovery of the tourism and lodging industry following the COVID-19 pandemic. The business is making steady progress, with "KAI Akiu" and "KAI Okuhida" opening in April 2024 and September 2024 respectively. Through such initiatives, RISA Partners strives to contribute to revitalization and strengthening of local economies across Japan.



Business Strategy (III)

Strengthen vendor finance and expand customer base

By providing high value-added services based on the existing Leasing and Finance Business, we will promote the deepening of transactions with existing customers and improve profitability.

Corresponding material issues

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

Overview

- ▶ 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

Progress and review of the current fiscal year

As the shift to cloud computing and services advances and customers and vendors demand services different from those in the past, the Company has promoted the provision of services with high added value closely aligned with the issues faced by our customers. Such efforts have led to winning large-scale projects at public offices, and progress has also been made in monthly service models in collaboration with vendors including cloud services. There has been a recent increase in the number of consultations from vendors.

In addition, the sales department went through significant reorganization during the current fiscal year in order to create a structure that enables provision of diverse proposals (capital solutions) to customers. Prior to the reorganization, the customers' industry-oriented departments were separate from the product-oriented departments. These departments have now been merged, and we have seen several examples where this has led to further transactions with customers. We believe that this organizational change will contribute to the future HR development in the sales department.

What are capital solutions?

The phrase "capital solutions," as seen in our Company name, is our own expression that signifies provision of solutions to a wide range of management issues

centered on the capital (management resources) of our customers. We introduce innovations to capital solutions based on three main solution areas.



Strategy to strengthen management foundation

We will strengthen our management foundation to achieve these three business strategies.

Corresponding material issues

Investment in human capital, pursuit of corporate governance that supports improved corporate value, promotion of decarbonized society and circular economy

Overview

- ▶ Create organization, and introduce HR management system aligned with management strategies, and create corporate culture conducive to ongoing challenges and innovation ▶P.30
- ▶ Improved effectiveness of corporate governance ▶P.34
- ▶ Implement measures to achieve carbon neutrality (bring Scope 1 + 2 on a consolidated basis effectively to zero by FY2041/3) ▶P.24
- ▶ Launch core system as DX foundation and promote DX activities
- ▶ Strengthen foundation for sales operations based on digitalization of operating process and use of digital information

Progress and review of the current fiscal year

- Continued company-wide dialogue sessions aimed at disseminating the Group Vision and Medium-term Plan
- Reviewed various systems to transform working styles and corporate culture
- Recognized as a Health & Productivity Management Outstanding Organization 2024
- Acquired an "A-" score in the CDP Climate Change Report
- Strengthened systems to accelerate DX promotion

Our initiatives

Establishment of DX Promotion Section and strengthening of HR development

In the "next-generation circular economy" after 2030, we envision a super-smart society driven by Society 5.0 and a transformation to new value creation and business models through DX in order to achieve the SDGs. The Group is engaged in DX in terms of both business opportunities and internal system reform to become a solution company that can lead such a society. The Company has positioned the promotion of DX as an important management strategy, and it is promoting the development of DX human resources company-wide. The DX Promotion Section was established in April 2024 and has started activities aimed at laying the foundation for DX promotion by developing "human resources who can autonomously think about how to utilize IT and data to solve issues at hand and take action (human resources who can improve operational efficiency and create new business)."

In developing DX human resources, we aim to raise the level of basic education for all employees while developing "DX leaders" who will drive

DX company-wide and "DX promoters" who will promote DX at the employee level.

Position-specific development plan



¹ Leaders driving productivity improvement company-wide
² Promoters driving DX within their departments' businesses
³ Ability to understand IT and DX and use IT effectively in work

Sustainability Message



Foundation for Value Creation

A group that independently thinks and takes action on sustainability

Representative Director
Senior Executive Vice President

Masamitsu Kasaki

Sustainability management that delivers long-term corporate value

I firmly believe that “focusing on sustainability in management boosts long-term corporate value” and I have made this my management policy. Creating social value through business will enhance corporate value and further develop operations. Embracing sustainability in business is the most effective way to enjoy this virtuous cycle and it plays a crucial role in a company’s lasting growth.

While advancing those efforts, we revised our material issues in line with the “Group Vision 2030” that we announced in April 2023. Our new material issues tie together our Vision (our purpose) and Principles (action guidelines). We have built them into our management framework, showing everyone in the Company “what we should do” and “why we do it.” In the previous descriptions, we emphasized defining the issues in a way that would be easy to understand. In the revised text, we have taken the further step of outlining our goals

more clearly. The idea is that these material issues will resonate with each employee and be shared across the Company, driving action toward achieving the Vision.

The material issues for our business activities follow three storylines. These are: what our desired society and economy should be; our approach to using our strengths in public projects and telecommunications; and our expansion into new business models. In addition, as a material issue for strengthening our management foundation, we have included human capital and governance, aiming to enhance corporate value.

The non-financial indicators set in the “Medium-term Plan 2025” are the revised material issues that we have integrated into our management measures. We have set numerical targets for seven sustainability items. Their progress and results will add value to our Group’s business and be reflected in our financial figures over the long term. As such, the non-financial indicators should be tracked as leading indicators of future financial targets.

A year of building a framework and embedding sustainability into our business

In FY2024/3, we put in place a framework to drive initiatives led by the Sustainability Committee as a company-wide effort. As a result, we recognized that we should address themes like climate change, human capital, governance, and human rights across the entire company, rather than handling them individually within the headquarters function. With a shared sense of purpose and clear goals within the Company, we have set up a comprehensive company-wide framework. This ensures no activities are overlooked.

We can say that this was a year in which we embedded sustainability into our core business activities. Going forward, we will use our company-wide framework to roll out specific actions.

In principle, the Sustainability Committee holds two meetings per year, but also holds discussions as needed. It reviews the status of activities at monthly PDCA Committee.

We also hold ongoing “dialogue sessions” between employees and management. In FY2024/3, we engaged in extensive discussions about sustainability during these dialogue sessions in order to deepen understanding among our employees and foster a sense of ownership toward sustainability. These dialogue sessions focused on the key concept of “innovation and challenges,” highlighting the importance of taking risks that are necessary from a long-term perspective and

delivering social value more broadly. Employees have shown themselves to be motivated by “innovation and challenges,” which they see as a positive initiative. We hope this will kindle in them a greater awareness of sustainability.

In the first year of the “Medium-term Plan 2025,” our progress on non-financial indicators was good overall. We performed well in environmental and social issues, particularly around items linked to the material issue of “Promotion of establishment of social and ICT infrastructure.” In human capital, the ratio of female managers rose, but employee engagement scores were flat year on year. We think the benefits from events like dialogue sessions have yet to be seen, but we have made improvements on all key metrics. We will continue regular checks to monitor future score impacts.

Rolling out the company-wide framework and further fostering a sense of ownership

Our sustainability efforts in FY2025/3 will follow the company-wide framework to implement specific actions, as mentioned. However, we recognize that some departments need improvement, therefore we will work to further foster a sense of ownership. I believe the Company’s commitment is gradually getting across, but for it to take hold properly, sustainability must be seen as beneficial for everyone’s future. We aim to become a group in which everyone thinks about sustainability and takes action on their own initiative.

By valuing what makes sense and what seems right, we strive to contribute to society while growing our business. We want our employees to feel pleased with their efforts. That is the core of the sustainability efforts, and we want to greatly broaden that awareness.

We are strongly committed and work with a firm belief in the concept I touched on earlier, that “focusing on sustainability in management boosts long-term corporate value.” If we stay confident in the right direction and see it through, we should be able to reap future returns as a result. We hope stakeholders will continue to focus on us with these expectations in mind.

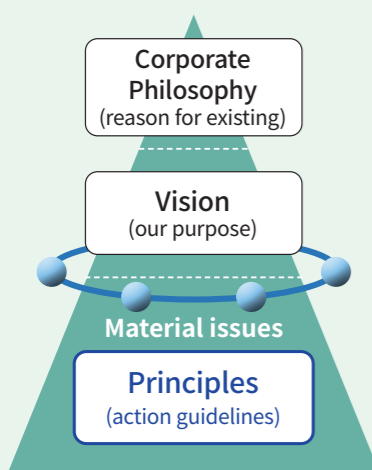


Dialogue session (Kasaki in the center, towards the back)

Medium-term Plan 2025 Non-financial indicators (excerpts)

	Objective	Description	FY2023/3 (Actual)	FY2024/3 (Actual)	FY2026/3 (Target)
Environmental and social issues	CO ₂ reductions to achieve carbon neutrality	Scope 1+2: Rate of decline compared to FY2023	157t-CO ₂	13% reduction 137t-CO ₂	20% reduction
	Establishment of social infrastructure	Cumulative contracts for government offices and local governments	¥127.8 bn	¥148.4 bn	¥400 bn*
	Promotion of cyclical use following expansion of ICT business	Total number of disposals of products whose lease has ended	200,000 units	250,000 units	700,000 units*
	Promotion of response to climate change	Renewable energy power generation capacity (power generators owned)	43MW	59MW	100MW
	Promotion of activities contributing to society with natural capital in mind	School biotope education total increase in number of schools	3 schools	3 schools	10 schools*
Human capital	Improve employee engagement	Employee engagement score	21%	21%	34%
	Promotion of diversity	Ratio of female managers	5.5%	6.7%	10%

* over three-year period



Our material issues

Business activities	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

Principles: Four Shinka

Advance (Co-creation with customers)	Deepen (Deepen relationships with customers)	Update (Corporate culture)	True value (Corporate value)
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Sustainability

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. This Integrated Report focuses on the "promotion of decarbonized society and circular economy," "investment in human capital," and "pursuit of corporate governance that supports improved corporate value," which have been identified as material issues. Please refer to our website for more details on other sustainability topics.

Basic policy

Our Group Vision, "Be a solution company leading the next-generation circular economy," verbalizes the image of each employee contributing to society through the Company. We have formulated "Principles (action guidelines)" that clarify the actions that will lead to the realization of the Group Vision, and each and every employee is practicing CSV management in their daily work.

In April 2023, in conjunction with the formulation of the Group Vision 2030, we revised our material issues by evolving issues to be addressed through our business activities and our existing CSV management, which are tied to our growth strategy aimed at realizing the Vision. The new material issues have been incorporated into the Medium-term Plan 2025, non-financial indicators have been set, and they have been linked to department targets, etc., with progress being checked monthly.

Our material issues	
	Promotion of decarbonized society and circular economy
Business activities	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

Non-Financial indicators	
Environmental and social issues	CO ₂ reductions to achieve carbon neutrality
	Establishment of social infrastructure
	Promotion of cyclical use following expansion of ICT business
	Promotion of response to climate change
Human capital	Promotion of activities contributing to society with natural capital in mind
	Improve employee engagement
	Promotion of diversity

See ▶ **P.14** for progress on non-financial indicators for the fiscal year ended March 31, 2024.

The process of identifying material issues

We closely examined existing issues, evaluated both the "priority for the Company" and the "priority for stakeholders," and further verified the mapping, including reflecting discussions with internal and external stakeholders.

We consolidated five top-priority issues based on their impact on growth strategies, deepening CSV management towards a next-generation circular economy, taking on challenges to create new value, and strengthening the foundation of corporate value. Furthermore, we identified material issues based on our initiatives in the areas such as sustainability and ESG,

which were decided on by the Management Conference and the Board of Directors after deliberations by the Sustainability Committee.

We will continue to exchange opinions with stakeholders on each theme, conduct periodic reviews in conjunction with the Group Vision and the Medium-term Plan while also considering contributions to the SDGs, changes in social conditions, market trends, and more, and make necessary adjustments as appropriate.

Revising material issues
<https://www.necap.co.jp/csv/material.html>
 (available in Japanese only)



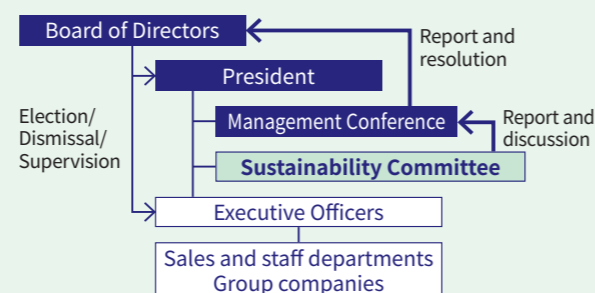
Sustainability implementation system

We established the Sustainability Committee, an organization to discuss sustainability within the Group. This committee is chaired by the president and consists of full-time directors, executive officers in charge of relevant departments, and general managers.

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.

The results of committee discussions are deliberated by the Board of Management Conference, and reported to the Board of Directors each time, and important matters are resolved by the Board of Directors and reflected in Medium-term

Plan and business strategies as appropriate. The following is a diagram of the implementation system.



Material issues

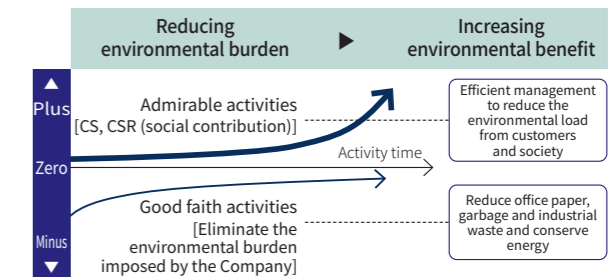
Promotion of decarbonized society and circular economy

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.

• CO₂ emissions from our business activities

We have set the goal of reducing the CO₂ 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 CO₂ emissions (Scope 1, 2) on a consolidated basis including our overseas subsidiaries by the fiscal year ending March 31, 2041. CO₂ 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-CO₂ (verified by a third party, excluding 51,859t-CO₂ for Category 13), which is an increase of 121,422t-CO₂ from the previously disclosed figure of 492,018t-CO₂. 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 CO₂ 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)

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	FY2023/3	Scenario	1.5°C	4°C	Scenario	1.5°C	4°C
		Single fiscal year	37	51	Single fiscal year	—	—
	FY2024/3	Total through 2050	1,011	1,379	Total through 2050	—	—
		Single fiscal year	24	31	Single fiscal year	—	—
FY2024/3	Total through 2050	632	803	Total through 2050	—	—	

Special Dialogue



Executive Officer
Koji Shibata

Representative Director of DDD Corporation
Outside Director of
NEC Capital Solutions Limited
Takako Hagiwara

Special Dialogue

Building a company that employees can take pride in —Second year of corporate culture transformation, challenges in the HR field—

With the launch of the Medium-term Plan 2025, which pursues “innovation and challenges,” we have formulated a “Corporate Culture Transformation & Human Resources Medium-term Plan” in line with our business strategies. Executive Officer Shibata, responsible for human resources, and Outside Director Hagiwara, who has deep and extensive knowledge in the human resources area, exchanged opinions from various perspectives on the background of the plan’s formulation and its subsequent progress.

—“Corporate Culture Transformation & Human Resources Medium-term Plan” aligned with management strategies enters its second year

Shibata When we formulated the “Corporate Culture Transformation & Human Resources Medium-term Plan” last year, the most important thing we focused on was aligning it with our management strategies. With the start of the Medium-term Plan 2025 under the new Group Vision, we formulated the plan in consultation with members of the Medium-term Plan formulation project, with a focus on how we should change our human resources measures and organizational culture in line with the plan. To date, our employees have been very sincere in their work and with customers, but at the same time, they have been cautious about changes and challenges. As the business itself undergoes a major transformation, the Company and each employee are also called upon to change. We are currently working on a variety of initiatives, including the establishment of new standards of behavior, in order to transform our corporate culture into one where each individual is able to identify future challenges and take action autonomously and proactively.

Hagiwara I believe that doing one’s job steadily and earnestly is the foundation of credibility in this industry and the core strength of the Company. When changing the corporate culture, it is important to keep this aspect unchanged, and boldly evolve the corporate culture into one that encourages people to accept new changes and try new things, not afraid of taking risks.

Shibata That’s right. Trust is truly the keyword of our Company. I believe that this is what characterizes our Company—a strong and positive sense of camaraderie, where mutual trust and respect exist not only with customers but also within the Company.

Hagiwara Our Company has hosted a number of dialogue sessions with the president and other officers and employees, and on our founding day in November of last year, we held a 45th anniversary event that brought all employees together. Do you think these kinds of activities lead to actual changes in our employees?

Shibata I strongly believe that they do. In addition to the dialogue sessions where executives repeatedly and directly communicated messages to employees, the 45th anniversary event was also a great opportunity for employees to learn about the work and achievements of their colleagues, which they may not have previously understood.

Hagiwara I also attended the event, and seeing accomplished young employees proudly explaining the Company in their own words made me truly feel the vitality of the organization.

—An organizational environment that ensures “psychological safety” toward D&I and participation by human resources

Shibata In July 2024, we held a presentation on the achievements of new employees who joined the Company last year. Something of note was that there were several cases where new employees took on challenges again for projects that their predecessors had been unsuccessful with in the past and achieved results. Their lack of experience had actually been an advantage, and I believe this might be a certain kind of strength of diversity.

Hagiwara A strong organization is one that isn’t bound by the past experiences but encourages people to challenge new and supports each other in achieving goals. At a recent social gathering, I noticed that the executives spoke fondly of the growth of their employees, and I got the sense that they held great affection for and trust in their employees. The fact that new employees are growing means that the past year has been one in which they have been able to demonstrate their abilities in an organizational environment where their “psychological safety” is guaranteed.

Shibata I agree. The executives are also fully aware of each employee’s growth over the past year and are communicating this awareness to them.

Hagiwara The point you just mentioned about “awareness” is important. I believe that executives recognizing the accomplishments of their employees

and communicating it to them in words work as the foundation for expanding D&I (Diversity & Inclusion). In that sense, it is encouraging to see various things gradually blossoming within our Company. On the other hand, an issue we’re facing is the promotion of women’s participation in the workplace. This is an initiative that will take time, but ideally we should be setting higher targets. What are your thoughts on the promotion of women’s participation in the workplace?

Shibata We are working on systematic training that involves each department. Moreover, in relation to our earlier discussion about “psychological safety,” we have conducted unconscious bias training for the second consecutive year, and are mindful of creating an environment in which people do not unconsciously assume that “women will want this” and, as a result, end up denying women’s opportunities to take on challenges and grow. The human resources department accepts consultations regarding such things as careers, childcare, and elderly care, and works to resolve possible issues by working with each workplace. One of the features of our Company is that there are few barriers between each workplace and the human resources department, which creates an environment where people can easily consult the department about specific matters.

—Steadily taking small steps that lead to improved engagement

Shibata We started measuring engagement in FY2023/3. Based on the results we received, we held officer dialogues, eliminated time and place constraints by introducing remote work and flextime systems with no core time in order to accommodate diverse work styles, and revised our regulations to accommodate LGBTQ+ people. In the FY2024/3 survey conducted a year later, there was little change in the overall score itself, but when looking at each engagement item individually, the percentage of employees who gave positive responses had increased for almost all items. This can be said to be the result of a year’s worth of initiatives, and I believe that if we continue in the current direction, we will see an improvement in the overall score.

Hagiwara When human resources measures are implemented, it usually takes time for them to spread and be understood by employees, but through proactive communication, we have been able to achieve results in a short period of time. What concerns do you have regarding our next move?

Shibata Rather than simply introducing systems and measures, I believe it is necessary to continuously implement follow-up measures that encourage change, such as implementing support measures for on-site management that will lead to higher effectiveness. At the same time, I believe it is important to encourage understanding of some essential points, such as what kind of corporate culture transformation we are aiming for and what type of company we want to become, and in doing so align everyone’s feelings in the same direction.

Hagiwara I am paying close attention to engagement, as I believe it can be used as an indicator to measure the degree of change in corporate culture. At our Company, the results of engagement are incorporated into the calculation of director compensation, and I hope that executives will continue to address this issue as one they must face directly.



—Developing and discovering professional human resources and leaders for future change and growth

Hagiwara In addition to the human resources who will bring about change mentioned at the beginning of our discussion, what do you think is the key to a human resources strategy that will lead to increased corporate value in the future?

Shibata One of the area in which our Company would like to grow going forward is the specialized area of finance, and I believe that a major challenge we face is the systematic development of financial professionals. I believe that, going forward, we will need to create a system to assign employees who want to become financial professionals to related work, as well as programs to promote the growth of employees who aspire to become financial professionals.

Hagiwara In a specialized area such as this, it may also be necessary to consider hiring experienced people from outside the Company. What are your thoughts on not only retaining existing employees, but also creating a workplace that is appealing from an outside perspective?

Shibata I feel that we need to be more conscious of creating an environment where people can grow further and become more professional by joining the Company. Currently, we are reviewing the organizational structure of the sales department and strengthening training. Specifically, we have strengthened cooperation between our financial specialist team and other sales departments, creating a system that allows many employees in charge of sales to acquire knowledge in the specialized financial area. In addition, I would like to actively promote, both inside and outside the Company, the fact that we are receiving more interesting work as our business area expands, as well as create a system that effectively synchronizes the growth of the Company and the growth of individuals.

Hagiwara Considering our Company's future transformation and growth, I think it is also important for the executives who lead it to grow and reach even greater heights, and to discover, develop and promote the human resources that will make this possible. What are your thoughts on creating a system around this idea?

Shibata We introduced succession planning in FY2023/3. In this process, current executives share the growth challenges of each future executive candidate with one another, and engage in dialogue, training, and development. The executives also meet once a year to check in on the candidates' progress and discuss whether they should be put in charge of an area they have no experience in, or whether they have grown enough to take on a larger role in the near future. We are currently developing the next generation of executives through these discussions.

Hagiwara As a member of the Election and Compensation Committee, I have had the opportunity to meet with the next generation of executives and I hope to continue communicating with them and contribute to the development of the next generation of executives.

—Going beyond the “Corporate Culture Transformation & Human Resources Medium-term Plan” to become “a company that employees can take pride in”

Hagiwara As you mentioned earlier, the simple implementation of various human resources measures is not enough to convey to employees the essential parts that should be valued. As we implement various measures, I believe that our continued contributions to society will send a strong message to all employees and foster within them a sense that this company is one they can take pride in. I also think that this will strengthen the Company's corporate culture. Currently, the foundations of our Company's corporate culture are being steadily laid, and I strongly believe that the Company will grow into one that is resilient and receptive to changes and challenges.

Shibata I believe that a company you can take pride in is one you feel on a personal level—something you sense, that makes you think, “This company does amazing work that contributes to society.” It's also a company that, when you tell your friends and family about it, they say, “That sounds like a great company.” I want to cherish the kind of company image that makes employees feel on a daily basis that they are glad to be working for the Company and that the direction they are aiming toward aligns with that of the Company. We are implementing various human resources measures to realize this, but it will take some time before we see tangible returns from changes in our human resources and corporate culture. Earlier, you mentioned the use of engagement scores as a KPI for measuring corporate culture, but it is not easy to quantify the short-term correlation between investment in human resources and increased corporate value. Therefore, we will continue to work on various measures that will lead to corporate culture transformation and the diversification and strengthening of human capital, aiming for 2030, which is the target year for our Group Vision. Our ultimate vision and desired outcome is to create a company that employees can take pride in and to improve our corporate value.



Material issues

Investment in human capital

Basic policy

Human resources are the source of our competitiveness in our business of proposing solutions to customers. We have identified “investment in human capital” as one of the material issues to realize our Group Vision, and we are working on formulating a human resources portfolio in line with our business strategy and implementing measures to fill gaps.

For investment in human capital, we are mainly carrying out initiatives in five areas: improvements to engagement; ensuring diversity of HR; HR and organization development to achieve sustainable growth; workstyle reforms utilizing technology; and realizing health management.

Basic policy for HR development

With the recognition that HR are the greatest asset, 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, we are expanding not only conventional business segments but also peripheral domains, and venturing to create new businesses and “circular economy-oriented” services. To achieve 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. In addition to conducting a main survey once a year, a mini-survey has also been conducted three times a year from FY2024/3 to gain an understanding on the situation in a timely manner and accelerate the PDCA cycle for improvements. 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 current Medium-term Plan (FY2026/3), we will accelerate improvements in order to reach the top 25% of the Japanese companies participating in the participation engagement survey. The Company also has 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.

Although the engagement score for FY2024/3 remained the same as the previous fiscal year at 21%, scores for 14 out of 17 areas improved when looking at individual factors. Improvements in the areas of the “management team,” “diversity,” and “customer orientation” were particularly notable. However, there are still areas where there are issues, and we will continue to implement measures to achieve our targets in FY2025/3, such as improving HR management.

● Non-financial indicators in the Medium-term Plan 2025
Employee engagement score (non-consolidated)

FY2023/3	FY2024/3		FY2026/3 target
21%	21%		34%

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

TOPICS Dialogue with the management team and improvement actions

The management team held 35 direct dialogue sessions with all employees between May and July 2023. These dialogue sessions aimed to promote understanding and disseminate the Group Vision 2030 and the Medium-term Plan 2025 announced in April 2023, and to provide an opportunity to exchange opinions with employees. Dialogue with the management team is ongoing, and a position-specific dialogue session started in February 2024 as a second round. In addition, based on employee suggestions, 24 dialogue sessions with 70 employees were held over the course of a year, including a “Lunch with the President” event, which employees could voluntarily apply to join. We are promoting timely actions for improvement while listening to candid opinions from employees.

In November 2023, we held a 45th-anniversary event. Although the Group has just under 900

employees, it has not been easy for all employees to gather in one place until now, with offices all around Japan. We decided to hold the event because there were many requests for communication within the Company and between departments during the dialogue sessions, against the backdrop of diversifying business activities, and because this was the first year for formulating the Group Vision. All employees gathered at two venues in Tokyo and Osaka (with some employees participating online from offices or homes), and the event fostered a sense of unity and solidified bonds toward the realization of the Vision through cross-departmental exchanges, introductions of each other’s businesses, and more.

We are promoting the creation of a culture of openness and autonomously taking on challenges to realize our Vision, including opportunities for open communication.



Dialogue session



45th-anniversary event (Tokyo venue)



Officers from the head office joined to participate at the Osaka venue

Ensuring diversity of HR

We have hired talent with expertise and experience in various fields through business expansion into new business areas. As a result, we have become a diverse organization, as shown in the table on the right. From the perspective of diversity, equity and inclusion, going forward we will further promote the creation of an environment in which diverse personnel can truly play an active role. We will promote these initiatives from both aspects of systems and corporate culture. We aim to create an environment where human resources with various circumstances, such as childcare or nursing care, can continue to actively participate in order to improve the quality of discussions and decision-making by taking

advantage of diverse values and strengths. We also aim to create a company and organization where human resources with diverse values and ways of thinking can make the most of their strengths and remain active.

● Status of employee diversity (non-consolidated)

	End of 2022/3	End of 2023/3	End of 2024/3
Ratio of mid-career recruits	47%	47%	49%
Ratio of female employees	38%	37%	39%
Ratio of female managers	5.0%	5.5%	6.7%
Ratio of employees with disabilities	2.28%	2.38%	2.53%

Women’s active engagement

While the ratio of female managers in the Company has improved as shown on the right, 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 workplace environment and the recruitment and systematic development of human

resources, aiming to achieve a 10% ratio of female managers as of the end of March 2026.

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

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

● Key initiatives for the active participation of diverse human resources

Women’s active engagement	<ul style="list-style-type: none"> Conducted unconscious bias training for all employees (to promote understanding and acceptance of diversity in the workplace) Improved the workplace environment, including workstyle reforms Expanded pipeline of candidates for female managers Formulated and implemented individual training plans for the candidate pool, dispatched to external training programs
Utilizing senior personnel	<ul style="list-style-type: none"> Reviewed the implementation of the employment extension system (to offer treatment based on the level of responsibility and results of assigned work)
Employment of people with disabilities	<ul style="list-style-type: none"> Implemented various reasonable accommodations in accordance with the situation Opened our own farm with the aim of providing an environment where employees can work comfortably over the long term, etc.
LGBTQ+ accommodation	<ul style="list-style-type: none"> Added same-sex partners to the scope of leave, allowances, etc., which were previously limited to legal marriages Conducted training, etc. for all employees (to promote understanding of diverse families and sexual minorities)

TOPICS Enhancement of flexible workstyle initiatives

In addition to continuing and actively utilizing the remote work system that was introduced during the COVID-19 pandemic, we introduced a system that allows employees to leave work in the middle of the workday and a remote work system for purposes such as nursing care during the current fiscal year. In addition, each department formulates workplace rules regarding workstyles that are shared company-wide. As workstyles diversify to including remote

work and staggered shifts, clarifying rules according to the characteristics of each department’s work has provided an opportunity for each and every employee to reflect on their workstyles and communication methods. Going forward, we will continue to periodically review systems by department to respect diverse values and workstyles and enable each and every employee to actively participate.

HR and organization development to achieve sustainable growth

We are committed to developing human resources who can continue to contribute to the Company’s transformation and growth by taking on challenges on their own and also excel in pursuing customer satisfaction, with the aim of empowering each and every employee to acquire a high level of expertise, the ability to act autonomously, and the ability to respond to changes in the market environment. Based on the Group Vision 2030, we will formulate a human resources portfolio in line with our business strategy and systematically work on human resources and organizational development to fill the gaps.

succession plan, we will organize perspectives on the selection, evaluation, and development of successors, as well as establish an annual schedule, subject to regular reviews by the Election and Compensation Committee.

Expanding HR development systems that promote career autonomy

In addition to the self-reporting system implemented up until now, we introduced an HR open recruitment system in FY2023/3, and expanded the target departments and operations in FY2024/3 to create more opportunities for career autonomy.

In addition, as an initiative to raise awareness of career autonomy, a “Career Thinking Opportunity Workshop” was held for all employees in their 30s as part of career development support measures through self-understanding, career inventory taking, and consultations with career consultants. In FY2025/3, we plan to implement this workshop for employees in their 20s and 40s.

In the training, 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.

Training-related indicators and number of qualification holders
<https://www.necap.co.jp/csv/employees.html>
 (available in Japanese only)



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 other companies and overseas subsidiaries, as well as selecting employees to be dispatched to external educational institutions. We have strengthened these initiatives, launching them as a succession plan from FY2023/3 and turning them into a full-fledged annual activity starting in FY2024/3, with the details shared with the Election and Compensation Committee. For the president’s

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 FY2024/3, to

instill this system, we held workshops for all managers to promote a deeper understanding of the system and to discuss operational issues and countermeasures, in order to lead to improvements in evaluation and development.

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

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 companywide 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 generative AI. Through this, we aim to achieve high productivity. In addition, we will enhance IT and DX education to develop and secure HR. The DX Promotion Section was established in April 2024 to plan and promote the use of generated AI and IT-related skill education.

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 March 2024, we were recognized as a Health & Productivity Management Outstanding Organization 2024 (large enterprise category) as we were in the previous fiscal year. The main initiatives that were highly evaluated included disease prevention and

health promotion measures that encourage employees to receive various health checkups and subsidize such expenses; mental health care such as stress checks, mental health training, and individual follow-up for employees working long hours; and health awareness and literacy improvement initiatives such as online health seminars for employees and their family members that are regularly held.



Health management monitoring indicators and results
<https://www.necap.co.jp/csv/employees.html>
 (available in Japanese only)



TOPICS

Nichika Yamada, a member of our Company, participated in the Paris Olympics

NEC Red Rockets Kawasaki player Nichika Yamada represented Japan in the volleyball competition at the Paris Olympics in July 2024.



Material issues

Pursuit of corporate governance that supports improved corporate value

Improved effectiveness of corporate governance

We have identified the “pursuit of corporate governance that supports improved corporate value” as one of the material issues to realize our Group Vision. In order to improve corporate value, we are particularly promoting improving effectiveness, respect for human rights, thorough compliance, and enhancement of risk management.

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.

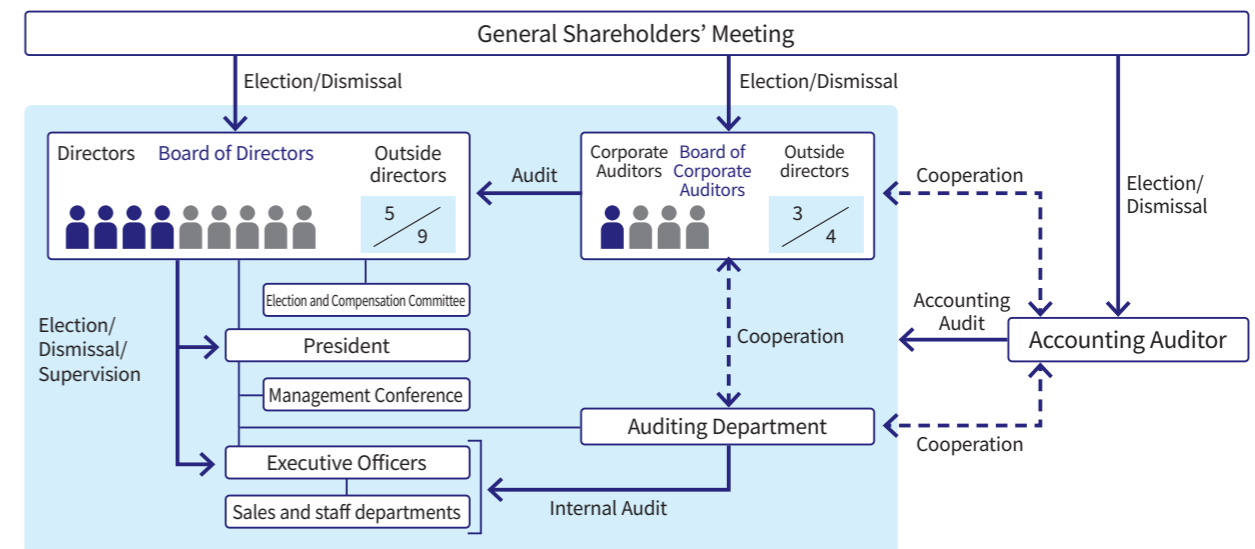
History of corporate governance improvements

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

Corporate governance system schematic diagram

(as of the end of June 2024)

Internal directors (blue icon) / Outside directors (grey icon)



Board of Directors Held 14 times/year

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. For the fiscal year ended March 31, 2024, the Board of Directors considered

and resolved on matters such as formulating a new Group Vision and Medium-term Plan, measures to realize management with an awareness of the cost of capital and stock prices, and promoting sustainability-related activities (climate change response, human capital, and respect for human rights). 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

Pursuit of corporate governance that supports improved corporate value

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 Held 11 times/year

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 2024. In March 2024, the outside agency conducted interviews with the independent outside directors through the method of individually confirming the evaluation contents of survey items. 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

As for “1. Supervision of the management by the Board of Directors” and “2. Appropriate Board composition,” the Board of Directors is composed of officers who are diverse in terms of gender, knowledge, experience, and abilities, including independent outside directors, and necessary information is shared in an appropriate manner, including

prior explanation of agenda items to outside directors, leading to the evaluation that supervision of management is functioning. In addition, the Election and Compensation Committee, which is composed of a majority of independent outside directors, was evaluated as having made progress in sharing information on the succession plan and operations such as interviewing candidates.

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 continues to hold a Management Roundtable to freely exchange opinions on important management issues. It was evaluated that the overall operation of the Board of Directors has improved, and that policies for projects that are important in terms of our business strategy, including investment and loan projects, are being decided after sufficient discussion. Moreover, outside directors also participated in general manager and branch manager meetings and the Company’s anniversary events as an opportunity to promote their understanding of our business and to facilitate communication with directors and employees at various levels within the Company.

On the other hand, the need for further enhancement in terms of devising ways to conduct more substantial discussions on medium- to long-term management issues and providing outside directors with information and training opportunities related to the business and industry is recognized, and we plan to make further efforts in these areas in the future. 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.”

See [▶P.23](#) for sustainability implementation system

Election and Compensation Committee

Held 4 times/year

The voluntary Election and Compensation Committee is positioned as an advisory body to the Board of Directors and consists of five directors. Of these directors, three are independent outside directors (two of whom are women), which is a composition that takes into consideration diversity and the protection of minority shareholders, etc. Based on the recommendations of this Committee, the Board of Directors appoints and dismisses members of senior management and nominates candidates for directors and Corporate Auditors. The Committee also deliberates on director compensation and makes recommendations to the Board of Directors.

Director compensation

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. In addition to financial indicators, non-financial ESG indicators are set as KPIs for the evaluation of performance-linked compensation.

● Compensation structure

Compensation of executive directors	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 and the share compensation. This was decided by a resolution of the Board of Directors. The details of each compensation are as follows.
	<p>Supervisory compensation Compensation for executive directors and executive officers as members of the Board of Directors is for the supervision, monitoring, and decision-making of business execution, and is set as fixed compensation for each position.</p> <p>Executive compensation Compensation for the execution of duties as an executive director consists of (I) base compensation, (II) performance compensation, and (III) share compensation. Standard amounts are set according to position, and the ratio of total executive compensation is 60% base compensation, 25% performance compensation, and 15% share compensation.</p> <p>(I) Base compensation is a fixed annual amount mainly determined according to the position and responsibility, and is reviewed as necessary in light of factors such as business performance, the level of other companies, and social conditions.</p> <p>(II) Performance compensation is comprised of a portion calculated based on consolidated profit as well as a portion calculated based on each of the results of ROA, responses to environmental and social issues, employee engagement scores, and personal KPIs. Each varies within the range of 0 to 200%, and is paid as a bonus at a certain time each year.</p> <p>(III) Share compensation is provided as restricted stock and is granted at certain times with the aim of providing incentives to sustainably enhance the Company’s corporate value and further promoting value sharing with shareholders. The content of share compensation is decided by the Board of Directors each time shares are granted, within the scope approved at the General Shareholders’ Meeting, following a process that guarantees objectivity and transparency, such as consulting with the Election and Compensation Committee.</p>
Compensation for outside directors	Compensation for outside directors who serve a supervisory function, consists solely of fixed monthly compensation, and there is no performance-linked compensation.
Compensation for Corporate Auditors	Because the responsibility of Corporate Auditors is to audit the execution of duties by directors, compensation for Corporate Auditors consists solely of fixed monthly compensation, and there is no performance-linked compensation.

● Indicators related to performance compensation for directors, reasons for selection, and method of determining the amount to be paid

Performance compensation is calculated based on results of consolidated profit, ROA, indicators for responses to environmental and social issues, employee engagement scores, and KPIs set for each area of responsibility, which are important performance evaluation indicators from the perspective of management strategy. The Election

and Compensation Committee, which is composed of a majority of independent outside directors, deliberates on the appropriateness of the above evaluation and determines the amount to be paid, reflecting the results in performance compensation.

● Evaluation ratio by position

		Representative Director	Executive Director
Financial indicators	Profit attributable to owners of parent	70%	50%
	ROA	10%	10%
Non-financial indicators	Responses to environmental and social issues	10%	10%
	Employee engagement score	10%	10%
Performance and strategic KPIs set for each area of responsibility		—	20%
Total		100%	100%

Directors

Directors (as of the end of June 2024)



Representative Director and President
Masaaki Suganuma



Representative Director
Masamitsu Kasaki



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 & Transformation Department, Corporate Strategy & Sustainability Promotion 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/english/ir/shareinfo/meeting.html>



*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 2024)



Corporate Auditor (Full-time)
Yoshiyuki Koizumi



Corporate Auditor (Full-time)
Hiroshi Komazaki
Outside



Corporate Auditor
Tatsuya Oyama
Outside
Managing Director Head of Corporate Accounting & Global Treasury Division Head of Corporate Accounting & Tax Department



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 Kasaki	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

Details of the skills are defined as follows:

Skill	Definition, supplementary information
1) Corporate management	Knowledge, experience, and ability related to management strategy planning, business operation accountable for profitability, and the development of a management foundation
2) CSV, ESG	Knowledge, experience and ability regarding management from the perspective of ESG and sustainability through promotion of CSV management
3) Finance, accounting	Knowledge, experience, and ability regarding finance and accounting
4) Legal affairs, risk management	Knowledge, experience, and ability regarding compliance with laws and regulations, ensuring corporate ethics, fair corporate activities, maintaining and enhancing corporate value, and internal control
5) Human resources strategy	Knowledge, experience, and ability regarding securing, nurturing, and utilizing diverse human resources
6) Financial industry	Knowledge, experience, and ability regarding leasing and financing
7) ICT	Knowledge, experience, and ability regarding ICT business
8) Global	Knowledge, experience, and ability regarding global business
9) Business development	Knowledge, experience, and ability regarding development of new businesses

Pursuit of corporate governance that supports improved corporate value

Message from outside director



Professor of Hitotsubashi University Business School, School of International Corporate Strategy
Takashi Nawa

The “next-generation circular economy” set forth in the Group Vision is based on the concept of “circularity,” which is at the core of our Leasing Business. It aims to create new services for the next generation. In the first year of the Medium-term Plan 2025, the Company refined its initiatives and achieved a certain level of results. Going forward, I expect that each business will scale up swiftly and enhance its capabilities. This applies not only to the sales departments creating services but also to the back offices supporting them. To achieve the Group Vision, it is crucial for each employee to work

autonomously. For that, two things are essential. The first is that each organization and employee must have a personal purpose statement, which reframes the Group Vision in their own words. The second is that the purpose itself, which often tends to be at a remove from day-to-day work, needs to be broken down into practical guiding principles. At the Company, management engages in dialogue sessions with employees to deepen understanding and establishes action guidelines aligned with the Group Vision. There are also plans to incorporate these into human resources evaluation. These efforts should accelerate the Company’s growth engine.

The main shareholder is expected to soon change from NEC to SBI Shinsei Bank. The Company should build on its NEC sales channels, a key strength, while using synergies with the SBI Shinsei Bank Group to achieve both business expansion and cost optimization. I believe that this is a good time for the Company to take its existing CSV management to the next level. This should include accelerating the circular economy through its Leasing Business and promoting projects to revitalize communities in partnership with the SBI Shinsei Bank Group.

Message from outside director

Partner, ITN Partners
Attorney at law admitted
in Japan

Asako Yamagami



FY2024/3 was the first year of the “Medium-term Plan 2025,” a three-year period for innovation and challenges. This year was positioned as the first step toward achieving the new Group Vision, to “Be a solution company leading the next-generation circular economy.” With dialogues between senior management and employees helping to spread the Group Vision, the Company has made steady progress in strengthening the management foundation supporting its business strategies,

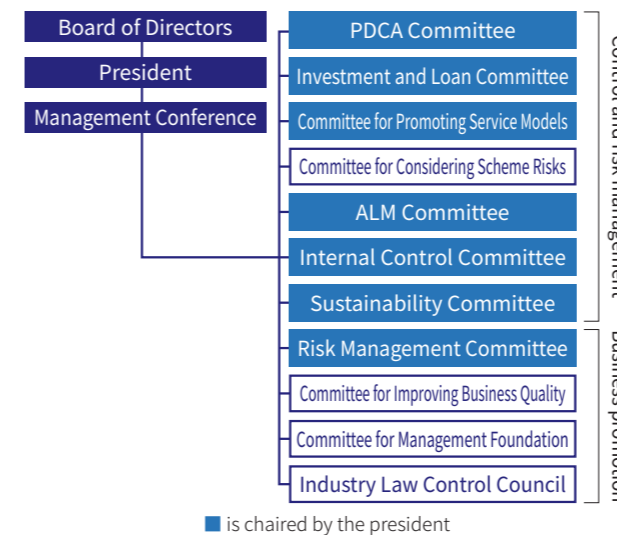
including building an organization aligned with our management strategy, fostering an autonomous compliance culture, improving the effectiveness of corporate governance, enhancing management control, bolstering staff functions, and improving sales support functions.

In July 2024, the Company began working toward a business alliance with SBI Shinsei Bank, Limited, and its subsidiary, Showa Leasing Co., Ltd., while maintaining its important partnership with the NEC Group in the financial sector. This will lead to the active expansion of each business area, broadening the customer base and revenue opportunities. In such times of change, however, it is increasingly important to further strengthen the management foundation, especially by enhancing the “three lines of defense” in management to promote efficient risk management and internal controls. In addition, at the Board of Directors, we will strive to enhance fulfilling discussions, working towards improving oversight functions that support appropriate risk-taking.

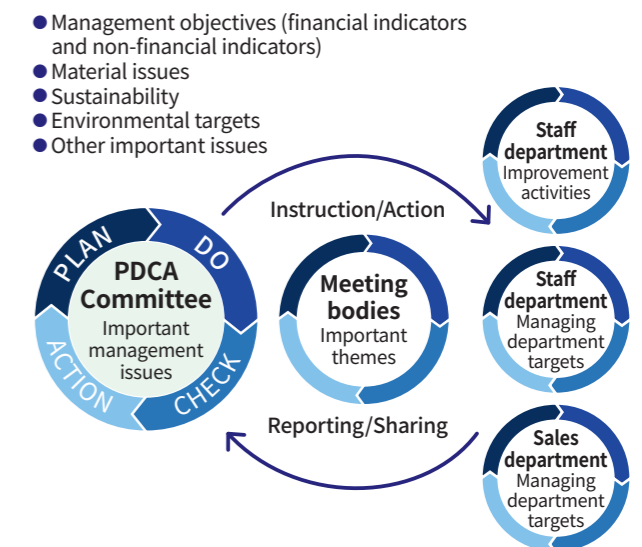
Management system supporting CSV management

PDCA management and main meeting bodies

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. Each meeting body reports each theme to the Management Conference, the president, and the Board of Directors.



Initiatives for respecting human rights

We recognize that respect for human rights is an important issue for management. By implementing Group-wide initiatives to respect human rights, we will identify and appropriately manage human rights risks, which will lead to solutions for social issues and the improvement of corporate value.

NEC Capital Solutions Group’s Human Rights Policy

We have established the NEC Capital Solutions Group’s Human Rights Policy*, and applied it to all directors and employees of the Group. We conduct human rights education, establish a complaint handling mechanism, and engage in human rights due diligence to ensure that

all directors and employees of the Group perform their duties appropriately in accordance with this policy.

Details of the NEC Capital Solutions Group’s Human Rights Policy
<https://www.necap.co.jp/csv/humanrights.html>
(available in Japanese only)



*Based on the “Guiding Principles on Business and Human Rights.” These principles embody the UN framework on business and human rights approved by the UN Human Rights Council in 2011.

Main initiatives in the fiscal year ended March 31, 2024

We confirmed risks through discussions with stakeholders related to our business activities. Based on this, we received advice from external experts and identified key human rights issues in each of our business areas. In addition, we conducted human rights training three times during the year, and we conducted surveys with directors and employees at Group companies in Japan to gain an understanding of human rights risks and analyze the results. Although the analysis did not reveal any significant

risks of serious human rights violations, potential human rights violations due to unintended use of leased property in the Leasing Business and potential risks in ICT services and financial products were recognized.

We will continue to implement human rights due diligence and work on preventing and mitigating human rights risks. Going forward, in situations where we are expected to exercise influence, we will communicate our Human Rights Policy and shared values related to human rights to our business partners including partner companies.

Enhancement of risk management

We view risk management and risk control as important elements in deciding on business development, and we distinguish between risks that should be managed as a source of income and non-income-generating risks that should be reduced.

Integrative risk management

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


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

or Board of Directors on the policies set by the respective meeting body, enabling an immediate response.

ERM risk

Of the risks that should be managed, particularly for risks related to ERM (credit, market, and operations), the Risk Management Department is the responsible department, and the Risk Management Committee chaired by the president will handle the risks. The Committee works to ensure business continuity and improve corporate value by allocating risk capital to each business segment in a manner that reflects management strategies, quantitatively measuring the relevant risks, and controlling the risk by comparing the measurement results with management capabilities. In the Medium-term Plan 2025, where we are working on improving profitability, risk management is becoming increasingly important. We are working to improve profitability by effectively using capital under appropriate risk management.

Key risk factors in our business operations
<https://www.necap.co.jp/ir/management/risk.html>
 (available in Japanese only)



See ▶ P.25 for risk management related to climate change

Improvement of information security

We are working on improving information security by building an information security system in line with the Ministry of Economy, Trade and Industry's "Cybersecurity Management Guidelines Ver. 3.0," while also making continuous improvements and implementing internal education.

Initiatives for improving information security

The Group has established a Fundamental Information Security Policy, and provides the appropriate security countermeasures for our information systems, for information we obtained individually, and for information provided to us by our customers and clients.


In addition to obtaining ISO/IEC 27001 certification in 2006 and PrivacyMark in 2020, we established a "Personal Information Protection Policy" and a personal information protection management system in compliance with JISQ 15001: Personal information protection management systems - requirements, to build a system to appropriately protect the personal information of customers.

Based on these, we conduct annual information security education to maintain and improve the level of information security, and take measures to address risks through the establishment of an information security

management system. By doing so, we aim to maintain sound corporate activities and organizational operations and gain the trust of customers, business partners, and other parties.

Please refer to the following for details of the Fundamental Information Security Policy and information security measures.

Fundamental Information Security Policy
<https://www.necap.co.jp/csv/governance/img/security202303.pdf>
 (available in Japanese only)



	FY2022/3	FY2023/3	FY2024/3
Information security training participation rate (%)*	100	100	100

*Consolidated results. The scope includes all directors and employees, including temporary workers. Mid-career recruits are offered information security training as soon as they join the Company.

Thorough compliance

We recognize that thorough compliance is one of our most important management issues because the Company is subject to various laws and regulations and supervision by regulatory authorities 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 directors 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. And 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.

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.

	FY2022/3	FY2023/3	FY2024/3
Compliance training participation rate (%)*	100	100	100


*Consolidated results

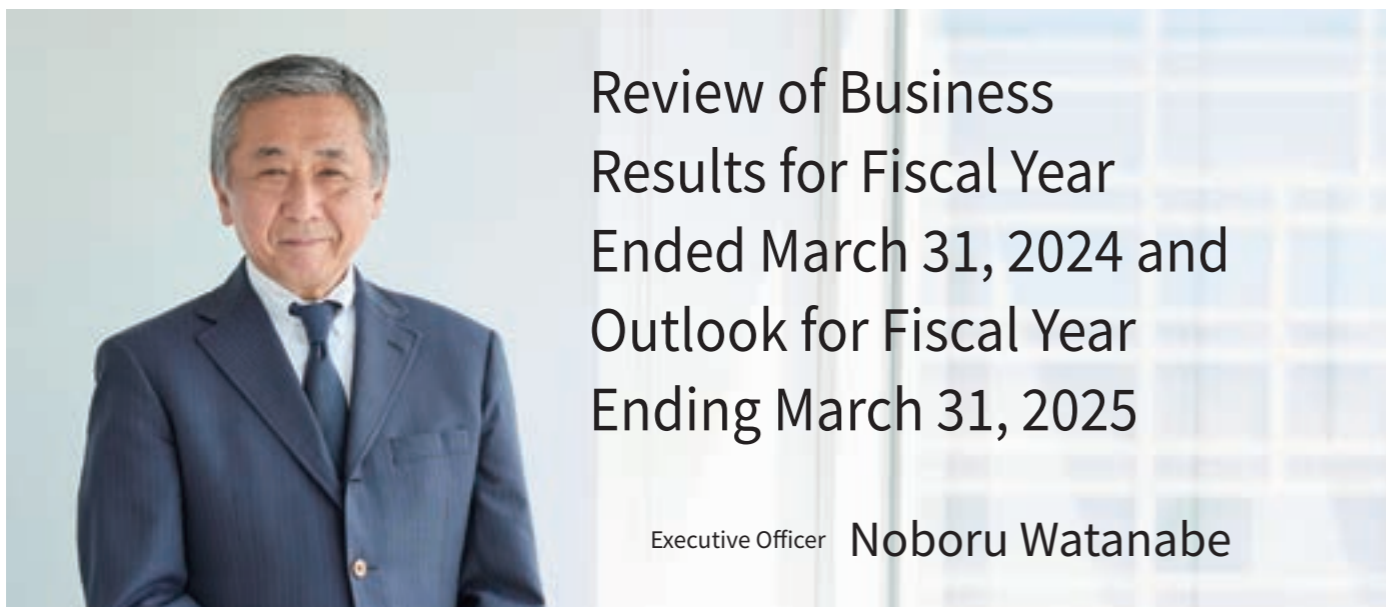
Basic policy on exclusion of antisocial forces

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.

Corporate governance (compliance)
<https://www.necap.co.jp/csv/governance/compliance.html>
 (available in Japanese only)





Review of Business Results for Fiscal Year Ended March 31, 2024 and Outlook for Fiscal Year Ending March 31, 2025

Executive Officer **Noboru Watanabe**

Trends in the business environment and leasing industry

Amid the resumption of full-scale economic activities, Japan's leasing industry experienced an increase in transactions on a year-on-year basis

The fiscal year ended March 31, 2024, was a year in which the Japanese economy made progress toward the full-scale return of economic activity having moved on from the effects of COVID-19. According to end-of-year statistical data from the Japanese Trade Union Confederation (RENGO) in March, the average wage increase exceeded 5%. In addition, with the Bank of Japan ending its negative interest rate policy and finalizing decisions to end yield curve control and the purchase of risk assets such as ETFs, further progress has been made in the normalization of economic activity. Moreover, the Nikkei Stock Average closed at a record high of beyond the 40,000-yen mark, which served to invigorate the capital markets to some extent. On the other hand, with Russia's prolonged invasion of Ukraine, the outbreak of the Israel-Palestine conflict in October 2023, and the Noto Peninsula Earthquake in Japan in January 2024, concerning events that could impact the future of our business environment are on the rise. Considering these changes in the domestic and international environment, we will need to continue paying close attention to the outlook for future economic activities.

In the Japanese leasing industry in which the Group conducts business, in FY2024/3, leasing transactions increased by 7.4% year on year to 4,629.9 billion yen (according to the Japan Leasing Association's "Lease Statistics" published on May 29, 2024), reflecting the increasing normalization of economic activities.

Business results

Net profit reached record high thanks to steady increase in gross profit

In terms of the Group's financial results in the fiscal year ended March 31, 2024, although revenues were largely on par with the previous fiscal year due to the sale of large-scale real estate for sale in the previous fiscal year, we set a record high for profit attributable to owners of parent thanks to increased revenues in the Finance Business and Other Business.

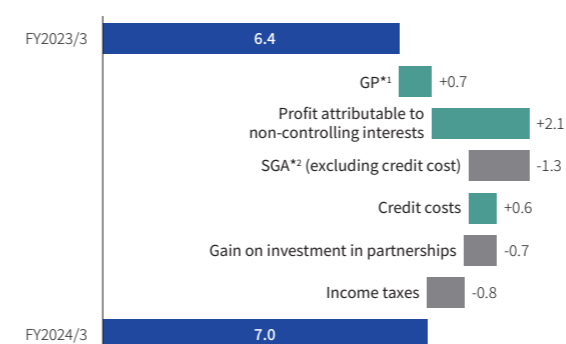
● Overview of consolidated business results (billions of yen)

	FY2023/3	FY2024/3	YoY change
Revenues	258.1	255.9	-0.9%
Operating profit	11.7	11.7	-0.2%
Ordinary profit	12.4	11.8	-5.0%
Profit attributable to owners of parent	6.4	7.0	+9.6%
Net income per share	298.14 yen	326.66 yen	—

The main changes impacting profit attributable to owners of parent from the previous fiscal year were a year-on-year increase of 2.8 billion yen in areas related to gross profit, including changes in profit from non-controlling interests, a 0.7 billion yen increase in selling, general, and administrative expenses, and a 0.6 billion yen decrease in non-operating profit and expenses. Among the areas related to gross profit, there was a year-on-year increase of 0.7 billion yen in gross profit in the Finance Business and Other Business, and a 2.1-billion-yen difference in profit attributable to non-controlling interests. As profit attributable to non-controlling interests includes profit of external investors in the funds managed by our subsidiary RISA Partners, it is deducted immediately before calculating net profit. As such, we have included profit attributable to

non-controlling interests in areas related to gross profit. Although in the previous fiscal year we deducted around 3.0 billion yen due to significant revenues from these funds, this fiscal year we deducted around 0.9 billion yen, marking a 2.1-billion-yen improvement year on year. For selling, general, and administrative expenses, while personnel expenses and other expenses increased by around 1.3 billion yen, credit costs improved by 0.6 billion yen due to a reversal in allowance for bad debts in the Investment Business, marking an overall increase of 0.7 billion yen. In terms of non-operating profit and expenses, there was a year-on-year decrease of 0.7 billion yen in gain on investment in partnerships. These are revenues from RISA Partners' Southeast Asia fund, which is recorded as non-operating profit due to certain accounting processes.

● Main factors for year-on-year changes in profit attributable to owners of parent (billions of yen)



*1 GP: Gross profit
*2 SGA: Selling, general, and administrative expenses

This fiscal year, however, we were unable to meet the annual target we set at the beginning of the year. While this was due to unexpected credit costs, we implemented recovery measures through the sale and replacement of assets and secured a reasonable level of revenue, and as a result were able to achieve record high profit. I also believe that the speed at which we implemented recovery measures to counter these unexpected events is testament to the fact that we truly have stepped up our initiatives.

Business results by business

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

In our main Leasing Business, despite impacts from the expiration of large-scale contracts in the previous fiscal year, gross profit remained largely unchanged year on year thanks to efforts to improve profitability. Although operating profit was slightly below the level of the previous fiscal year due to an increase in individual allowances, basic revenues (excluding temporary profit) are steadily improving and as such we believe we are successfully improving profitability.

In the Finance Business, gross profit improved

significantly year on year thanks to an increase in interest and equity revenues. The increase in equity revenues can be attributed to the above recovery measures, while in the fourth quarter we recorded a particular increase in gains on the sale of equity. This offset the increase in selling, general, and administrative expenses, while operating profit also improved substantially year on year. The increase in revenues from the sale of equity is not temporary. Rather, it has been made possible thanks to the skills and expertise we have accumulated in replacing assets while earning capital gains.

In the Investment Business, revenues fell significantly year on year due to the sale of large-scale real estate for sale in the previous fiscal year. In terms of profit, thanks to steady efforts across the year to increase revenues, we were largely able to align profit levels with those of the previous fiscal year. As performance can fluctuate significantly due to fund exits and recording periods, this fiscal year we moved forward with the acquisition of income-gain assets as a stable source of revenue to solidify our revenue base.

In the Other Business, thanks to revenues such as rental income from healthcare facilities, PFI commission revenue, and revenue from solar power generation, revenues, gross profit, and operating profit all exceeded the previous fiscal year. In the energy and healthcare fields which we have been tackling as new businesses, our initiatives are growing in a stable manner, and we look forward to an increase in revenue opportunities in the future. Moreover, as in the Finance Business, we are accumulating the skills and expertise to earn capital gains while replacing assets.

● Consolidated revenue by business (billions of yen)

		FY2023/3	FY2024/3	YoY change
Leasing Business	Revenues	224.3	228.4	+1.8%
	Gross profit	16.6	16.5	-0.5%
	Operating profit	6.4	5.5	-14.2%
Finance Business	Revenues	6.6	9.1	+38.7%
	Gross profit	4.8	6.5	+34.9%
	Operating profit	2.2	3.3	+54.2%
Investment Business	Revenues	22.8	13.7	-39.9%
	Gross profit	8.8	7.5	-14.8%
	Operating profit	4.4	4.1	-7.7%
Other Business	Revenues	4.5	4.7	+5.2%
	Gross profit	1.7	2.1	+23.1%
	Operating profit	0.5	0.6	+27.0%
Total	Revenues	258.1	255.9	-0.9%
	Gross profit	31.9	32.6	+2.1%
	Operating profit	11.7	11.7	-0.2%

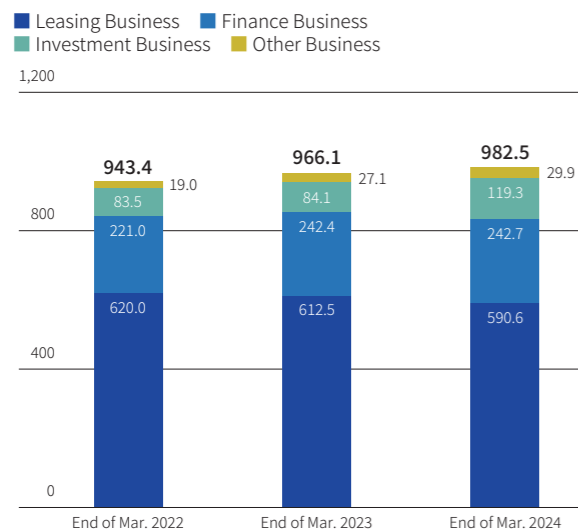
* Figures exclude adjustments from segment summary information.

Steady progress in the transition to high-quality assets

In line with our equity ratio and other factors, we believe we can appropriately manage an operating asset balance of around 1 trillion yen. As such, rather than simply increasing our operating asset balance, we will focus on replacing our current assets with high-quality assets.

The Leasing Business, which accounts for around 60% of this balance, is a stable revenue base for the Company. In our business with the public sector, although there has been a gradual decrease in assets from special demand attributed to the GIGA School Program, we have steadily increased assets through ICT and small-lot leasing as well as through overseas subsidiaries in the private sector, which in turn has helped curb the decrease. In the Finance Business, while there have been sales of securities and decreases in short-term corporate loans as we have sought to earn capital gains, we believe we have secured a level on par with the previous fiscal year and made progress with the transition to highly profitable assets. In the Investment Business, assets increased year on year thanks to RISA Partners' acquisition of income-gain assets and its progress with various initiatives. In Other Business, we steadily accumulated assets in fields such as healthcare facilities and solar power.

Consolidated operating asset balance (billions of yen)



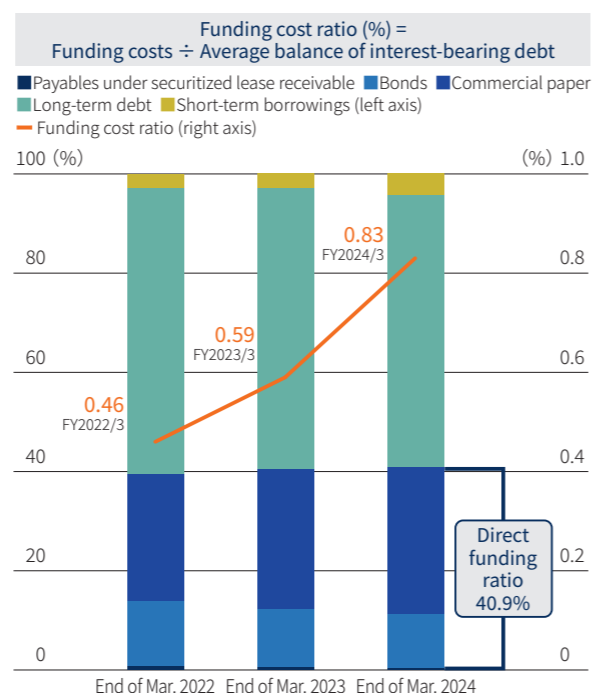
Fund procurement

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

The cost of yen funding has been stable at a low level due to the Bank of Japan's continuation of its unprecedented monetary easing policy. However, this level is now on an upward trend thanks to the Bank of Japan's easing of its yield curve control in October 2023 and early changes in policy. The funding cost ratio

this fiscal year has risen 0.24% year on year to 0.83%. This is mainly due to 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 the majority of our foreign currency-denominated assets are under floating interest rate contracts. In Japan, in addition to successively reviewing funding rates and reflecting them into new contracts, we have secured a high hedging ratio and so believe any change will have a limited impact on our financial results. 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, 2025

Aiming to secure a new record high

For the fiscal year ending March 31, 2025, on a consolidated basis, we forecast revenues at 260.0 billion yen, operating profit at 12.0 billion yen, ordinary profit at 12.5 billion yen and profit attributable to owners of parent at 8.0 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. In the Leasing Business, we are gradually improving our profitability base, and going forward we will work to further improve profitability by improving added value such as reinforcing our vendor financing. In the Finance Business, while continuing to enhance our skills and expertise, we will move forward with the transition to high-quality assets and increase revenues. In the Investment Business, with the level on par with this fiscal year as our baseline, we will aim to enhance

the value of the projects we have already invested in and to maximize returns in our businesses through RISA Partners and venture fund businesses. At RISA Partners, we will also work to increase stable profits through the combination of diverse revenues, including the further acquisition of income-gain assets. In the Other Business, we will steadily expand our initiatives in new businesses such as healthcare and solar power.

One factor that can have a significant impact on our financial results is credit cost. Although normal economic activities are returning, with the lifting of special COVID-19-induced measures, our client companies' management environments are undergoing drastic change. Profitability and risk are closely related. We will work to strengthen our capabilities as well as our risk management functions as necessary in order to improve profitability as per our Medium-term Plan.

The annual dividend is planned to be 150 yen, an increase of 20 yen from the previous fiscal year

In the fiscal year ended March 31, 2024, the annual dividend was 130 yen per share, an increase by 20 yen from the previous fiscal year as per our initial plan. Similarly, for the fiscal year ending March 31, 2025, we plan to pay an annual dividend of 150 yen per share (including an interim dividend of 75 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 Group's equity ratio has been maintained at 10%, and set the return of profits in line with the profit levels set forth in Medium-term Plan 2025.

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

	FY2024/3 Results	FY2025/3 Forecast
Revenues	255.9	260.0
Operating profit	11.7	12.0
Ordinary profit	11.8	12.5
Profit attributable to owners of parent	7.0	8.0
Net income per share	326.66 yen	371.50 yen
Annual dividends per share	130.00 yen	150.00 yen

* Forecast is as of July 31, 2024. The impact that changes in our major shareholders, etc. (announced on July 12) will have on our financial results is currently under investigation.

Financial Information and Business Results
<https://www.necap.co.jp/english/ir/financial/index.html>



Measures to realize management with an awareness of the cost of capital and stock prices (announced in August 2023)

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.

When formulating the Medium-term Plan 2025, the Group 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. It 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.

Consolidated financial data

(millions of yen) (thousands of U.S. dollars)

	2014/3	2015/3	2016/3	2017/3	2018/3	2019/3	2020/3	2021/3	2022/3	2023/3	2024/3	
For the year:												
Revenues	¥228,263	¥213,854	¥202,637	¥215,719	¥231,432	¥204,131	¥220,717	¥221,256	¥249,908	¥258,107	¥255,857	\$1,690,724
Profit before income taxes	16,478	4,425	6,032	6,608	13,456	8,986	9,093	6,089	11,423	12,444	11,825	78,139
Profit attributable to owners of parent	5,009	2,817	3,334	3,517	6,006	6,391	5,118	4,119	6,940	6,419	7,034	46,482
At year-end:												
Total assets	¥703,093	¥808,732	¥828,943	¥860,483	¥906,495	¥895,683	¥997,511	¥1,057,654	¥1,030,617	¥1,055,876	¥1,117,363	\$7,383,621
Total net assets	78,497	105,927	101,027	108,822	110,990	105,999	105,249	113,885	121,740	128,815	136,790	903,919
Per share data:												
Net assets	¥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	¥5,374.76	\$35.52
Basic net income	232.63	130.81	154.85	163.35	278.93	296.81	237.66	191.29	322.37	298.143	326.662	2.16
Cash dividends	44.00	44.00	44.00	44.00	50.00	55.00	60.00	60.00	74.00	110.00	130.00	\$0.86
Key indicators:												
Dividend payout ratio (%)	18.9	33.6	28.4	26.9	17.9	18.5	25.2	31.4	23.0	36.9	39.8	—
Equity ratio (%)	10.2	9.2	9.2	9.2	9.3	9.9	9.3	9.0	10.0	10.4	10.4	—
Price earnings ratio (Times)	9.25	14.59	10.22	10.46	7.35	5.73	7.74	10.59	6.44	8.47	11.74	—
Return on equity (%)	7.2	3.9	4.4	4.5	7.3	7.4	5.6	4.4	7.0	6.0	6.2	—
Return on assets (%)	2.3	0.6	0.7	0.8	1.5	1.0	1.0	0.6	1.1	1.2	1.1	—
Number of employees	625	666	686	725	755	767	784	811	812	866	880	—

The U.S. dollar amounts represent translation of Japanese yen, for convenience only, at the rate of ¥151.33 = U.S.\$1.00 in effect on March 31, 2024.

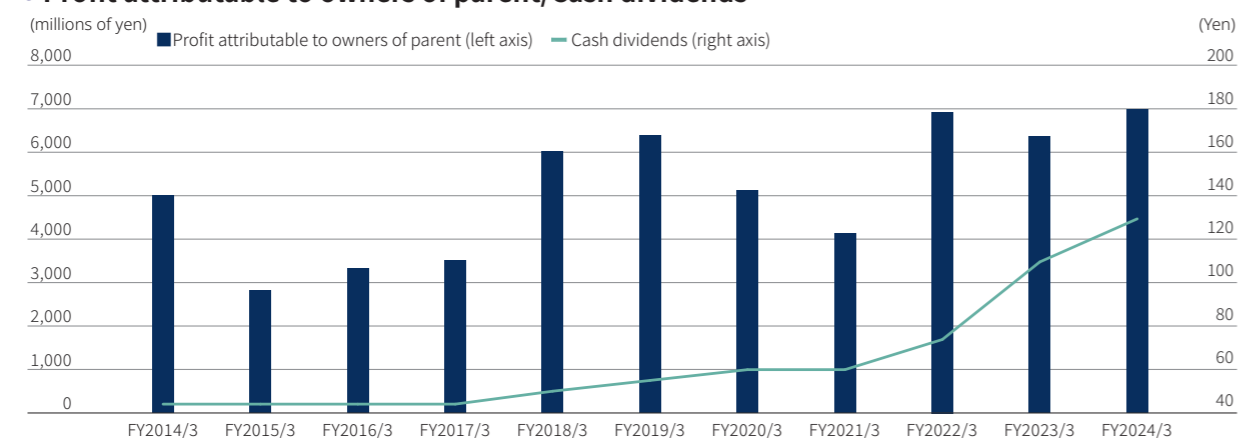
Non-financial (non-consolidated)

	2014/3	2015/3	2016/3	2017/3	2018/3	2019/3	2020/3	2021/3	2022/3	2023/3	2024/3
For the year:											
CO ₂ emissions (t-CO ₂)* ¹											
Total (Scope1,2)	908	718	561	389	379* ²	371* ²	371* ²	349* ²	331* ²	157* ²	137
Scope1	—	—	—	—	94* ²	83* ²	83* ²	56* ²	51* ²	50* ²	44
Scope2	—	—	—	—	285* ²	287* ²	288* ²	294* ²	280* ²	107* ²	93
Scope3	—	—	—	—	—	—	—	—	—	561,580* ² (613,439)* ⁶	—
Energy use volume (crude oil conversion kL)* ^{1,2}	421	324	269	167	163	158	157	161	160	170	141
Number of female managers* ³	3	3	5	7	4	5 (19)	7 (22)	10 (27)	11 (26)	13 (28)	15 (27)
Ratio of female managers(%)	1.6	1.6	2.0	2.8	1.4	2.4	3.2	4.4	5.0	5.5	6.7
Rate of return from childcare leave (%)	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	95.5	94.0	100.0
Average monthly overtime (h)* ³	34.8	30.5	27.0	25.5	22.9	21.1	22.1	22.0 (21.1)	22.9 (22.5)	23.0 (22.9)	28.1 (27.3)
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)	71.9 (72.2)
Turnover rate (%)* ⁴	5.5	7.0	4.5	4.5	5.3	5.3	4.1	3.9	4.1	5.2	5.1
Stability of new graduates hired (%)* ⁵	—	100.0	87.5	80.0	100.0	100.0	93.3	93.8	100.0	78.6	89.5
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

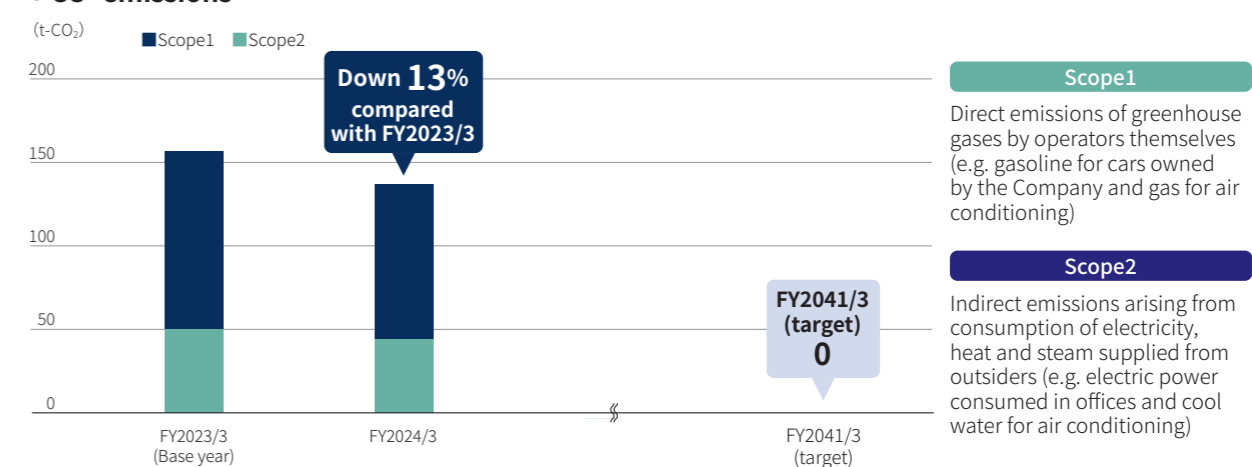
*1 Consolidated results. *2 Verified by a third party. *3 Figures in parentheses are the results on a consolidated basis. *4 Excluding retired worker.

*5 Retention rate of 3 year after joining new graduate. *6 Refinement (Add Category 13 Downstream leased assets)

Profit attributable to owners of parent/Cash dividends



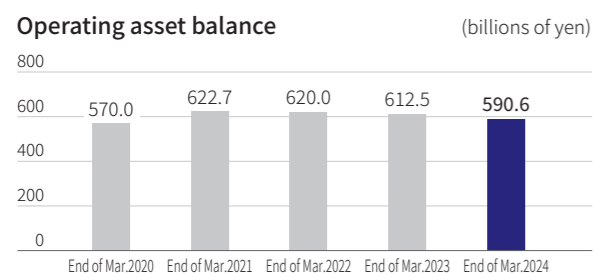
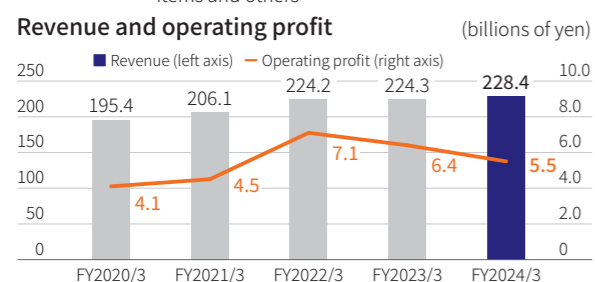
CO₂ emissions



Segment information

Leasing Business

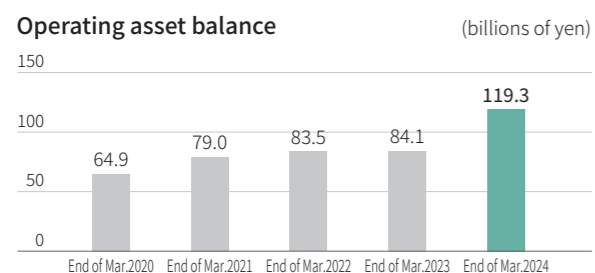
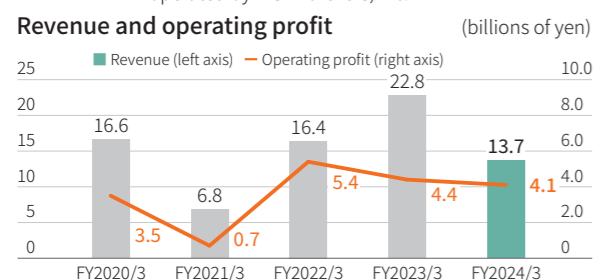
- Main operations**
- Leasing, rental and installment sales of information and communication equipment, office equipment and various other types of facilities and equipment
 - Sales of goods related to leasing, sales of properties after the expiration or premature cancellation of lease contracts, maintenance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



Business Overview Although income decreased year on year due to a large asset sale in the previous fiscal year and the recording of credit costs, basic earnings are improving.

Investment Business

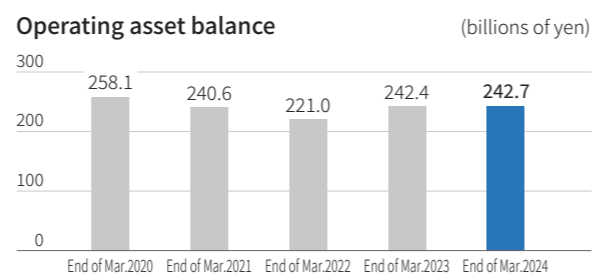
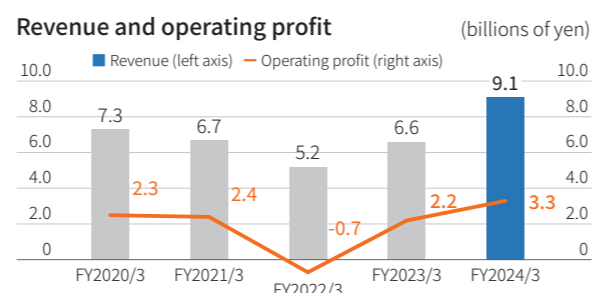
- Main operations**
- Investments in business ventures aimed at earning gains on the sale of securities
 - Asset, real estate and advisory services businesses operated by RISA Partners, Inc.



Business Overview Although revenue decreased mainly due to the large-scale real estate sales in the previous fiscal year, operating profit remained flat year on year due to the steady accumulation of income.

Finance Business

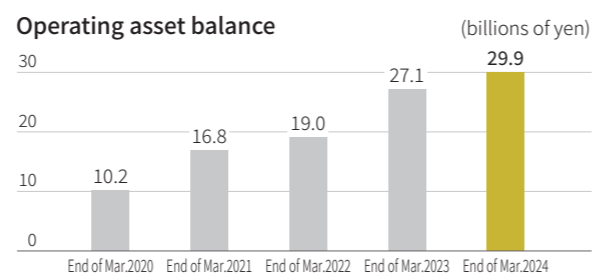
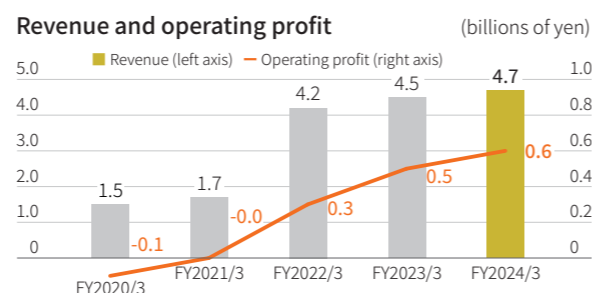
- Main operations**
- Money loans, factoring and securities investments aimed at generating dividend revenue and others



Business Overview Both revenue and income rose year on year mainly due to an increase in dividend revenue and interest income, as well as the sale of securities.

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 Both revenue and income rose year on year due to progress in commission revenues, healthcare, solar power, and other initiatives, as well as asset sales.

Corporate data (as of March 31, 2024)

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 Sukanuma, 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	3,783.44 million yen
Stock listing	Tokyo Stock Exchange, Prime Market Stock code: 8793
Closing of accounts	March 31
Number of employees	698 (consolidated 880)

Main banks	Sumitomo Mitsui Banking Corporation Sumitomo Mitsui Trust Bank, Limited MUFU 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	• 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, 2024)

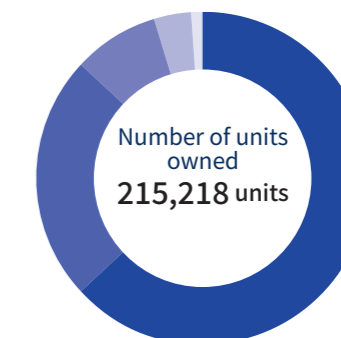
Basic information

Number of shares authorized	86,000,000 shares
Number of shares issued	21,539,071 shares
Number of shares in one unit	100 shares
Number of shareholders	28,809

Principal shareholders

Shareholders	Number of shares	Voting rights(%)
NEC Corporation	8,110,000	37.65
Sumitomo Mitsui Finance & Leasing Co., Ltd.	5,373,000	24.94
The Master Trust Bank of Japan, Ltd. (Trust Account)	1,089,600	5.05
Custody Bank of Japan, Ltd.	329,700	1.53
DFA INTL SMALL CAP VALUE PORTFOLIO	209,511	0.97
SUMITOMO LIFE INSURANCE COMPANY	200,000	0.92
Mitsui Sumitomo Insurance Company, Limited	112,000	0.52
STATE STREET BANK AND TRUST COMPANY 505223	68,764	0.31
JPMorgan Securities Japan Co., Ltd.	67,433	0.31
NEC Capital Solutions employee shareholding association	65,254	0.30

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



Other corporations	135,961 units (63.2%)
Individuals/private and other investors	51,121 units (23.8%)
Financial institutions	17,871 units (8.3%)
Non-resident investors	8,234 units (3.8%)
Financial services providers	2,031 units (0.9%)

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, 2020 to the fiscal year ended March 31, 2021.

* Excluding adjustments for operating profit (company-wide costs not allocated to each segment).