

Material issues

Promotion of decarbonized society and circular economy

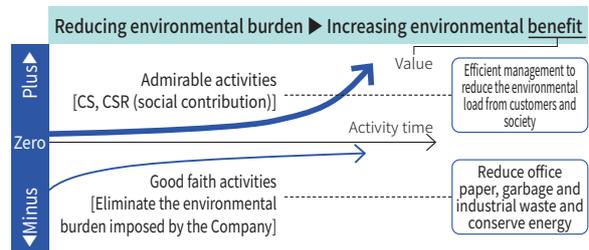
In 1999, we were certified under the ISO 14001 international environmental management standard, ahead of other companies in the leasing industry in Japan, and have since been promoting environmental management. Our business activities have a smaller environmental burden than manufacturing or other types 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. We are taking steps to disclose climate change-related information in line with the TCFD recommendations.

CDP score of “A-” for second consecutive year

As part of our initiatives, we began responding to the Carbon Disclosure Project (CDP) Climate Change Questionnaire in 2022, and scored an “A-,” which is at a leadership-level, for 2023 and 2024 consecutively.

● 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.

Column

Non-financial indicator

Expansion of NCS RE Capital's renewable energy business

Strengthening initiatives to realize a decarbonized society from PPA* to storage batteries

As a strategic subsidiary of the NEC Capital Solutions Group, NCS RE Capital Limited is working to provide services that create a virtuous cycle between the environment and the economy through investments and loans in renewable energy-related businesses and support for the installation of solar power generation equipment.

In 2024, NCS RE Capital launched an on-site PPA* business in collaboration with ShirokumaPower Co., Ltd. and established NaF LLC. As their first project, solar power generation equipment was installed in the parking lot and premises of Yorozu Oita Corporation, and is expected to generate approximately 1.3 million kWh of power and reduce approximately 400 tons of CO₂ each year. The Joyful Honda Chiba Newtown store will also be equipped with one of Japan's largest solar carports, with plans to increase the store's electricity self-sufficiency rate to 20%. Joint venture partner ShirokumaPower is a power company specializing in renewable energy, with an extensive track record in the PPA* field. Its strengths lie in its ability to handle all processes from power generation to transmission and sales in-house.



Solar carport installed at Joyful Honda Chiba Newtown store

In 2025, NCS RE Capital built a new storage battery facility in Omuta City, Fukuoka Prefecture, making a full-fledged entry into the energy storage business. By contributing to the stable supply of renewable energy and reducing the loss of revenue from power sales due to output restrictions, we will further strengthen our initiatives aimed at realizing a decarbonized society.

* PPA (Power Purchase Agreement): An initiative in which a company installs a solar power generation system on its own unused land, rooftop, or other such space, and purchases the electricity generated there under a long-term contract.

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

Governance

We established the Sustainability Committee, an organization to discuss sustainability within the Group. The Sustainability Committee was held three times during the current fiscal year. The main agenda items were as follows.

- Confirmation of progress towards non-financial indicators and material issues
- Status of climate change response initiatives
- Status of human capital initiatives
- Status of human rights initiatives (implementation of human rights due diligence, etc.)
- Establishment of the “NEC Capital Solutions Group’s Sustainable Investment and Loans Policy”

* A matter resolved by the Board of Directors

See ▶P.27 for sustainability implementation system

See ▶P.45 for sustainable investment and loans policy

Strategy

We conduct scenario analyses from a company-wide perspective, identify risks and opportunities, and reflect them in our business strategies.

• 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.

Please see our website for further details on our analysis.

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



Based on the results of the scenario analysis indicating a high potential for increasing business opportunities, in the previous fiscal year, discussions were held with each executive officer to formulate business strategies that would appropriately address the business opportunities.

During the current fiscal year, we reflected the results in our business strategies, set internal KPIs, etc. Going forward, we will continue to proceed with reflecting them to our business strategies, reviewing 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. 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.44 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 to “CO₂ reductions to achieve carbon neutrality,” the Medium-term Plan 2025 also includes “Promotion of cyclical use following expansion of ICT business,” “Promotion of response to climate change,” etc. as part of our non-financial indicators.

• Medium- to long-term environmental target (achieving net carbon neutrality by the fiscal year ending March 31, 2041)

As medium- to long-term environmental target, 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, and by 50% in the fiscal year ending March 31, 2031, 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.

• Scope 1, 2 emissions

	FY2023/3 Results	FY2024/3 Results	FY2025/3 Results	FY2026/3 Target	FY2031/3 Target	FY2041/3 Target
CO ₂ emissions from our business activities (Scope 1, 2, the Company + RISA Partners)	157t-CO ₂	137t-CO ₂	130t-CO ₂	—	—	Net zero * On a consolidated basis including our overseas subsidiaries
Reduction rate (compared to FY2023/3 results)	—	13%	17%	20%	50%	—

• Calculation of Scope 3 emissions

During the previous fiscal year, we underwent third-party verification of previously disclosed figures and calculated emissions for Category 13.

For Category 13, calculations for the previous fiscal year were limited to a portion of information and communication equipment, and the results were then expanded to cover all sales by estimate.

For the fiscal year ended March 31, 2024, we did not perform expanded estimates, but instead limited our calculations to construction machinery, for which we

were able to determine 100% of the units in operation in the fiscal year ended March 31, 2024 and which has higher CO₂ emissions per unit than information and communication equipment. We also underwent third-party verification for all calculated categories.

As a result, Scope 3 emissions of the Group for the previous fiscal year were 620,181t-CO₂ (verified by a third party). We will continue to work on refining the calculation of our Scope 3 emissions as an issue to consider. Scope 3 emissions for the current fiscal year will be released on our website separately.

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

Objective	Target	FY2025/3 (Actual)	FY2026/3 (Target)
CO ₂ reductions to achieve carbon neutrality	Scope 1+2: Reduction rate compared to FY2023/3 results	17% reduction	20% reduction
Promotion of cyclical use following expansion of ICT business	Total number of disposals of products whose lease has ended	590,000 units (cumulative)	700,000 units (cumulative)*
Promotion of response to climate change	Renewable energy power generation capacity (power generators owned)	90MW (cumulative)	100MW (cumulative)*

*Three-year cumulative total

See Non-financial (non-consolidated) on ▶P.47-48 for our CO₂ emission details

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 impact on credit costs based on credit balance for the fiscal year ended March 31, 2025. As a result, as with the previous year, the impact on gain and losses from a rise in credit costs due to physical risk for the periods being analyzed was negligible, and 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	◆ 1.5°C scenario IEA Net Zero Emissions by 2050/RCP2.6/Sustainable Development Scenario						
Analysis scope	Corporations			Energy, electric vehicles, steel sectors (excluding renewable energy)			
Region	Global						
Analysis period	2050						
Increase in credit costs	Scenario	1.5°C	4°C	Scenario	1.5°C	4°C	
	FY2023/3	Single fiscal year	37	51	Single fiscal year	—	—
	FY2024/3	Single fiscal year	24	31	Single fiscal year	—	—
	FY2025/3	Single fiscal year	23	29	Single fiscal year	—	—
	Total through 2050		574	728	Total through 2050	—	—