COMPANY RESEARCH AND ANALYSIS REPORT

NEC Capital Solutions Limited

8793

Tokyo Stock Exchange Prime Market

17-Jul.-2026

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Contents

Summary

Final profit reached a record high in FY3/26. Formulated Medium-term Plan 2028

NEC Capital Solutions Limited <8793> (hereafter, also "the Company") was established for handling sales financing for NEC <6701> that offers leasing, installment and factoring (purchasing sales credits) of information and communications equipment, including NEC products, office equipment, industrial machinery and facilities and other various types of equipment and facilities, as well as lending, and collection agent services. Up until now, it has steadily increased handling of non-ICT (Information and Communication Technology) products and expanded service areas. Furthermore, it aims to shift to high value-added businesses and pursue diversification with investments and loans, fund formation, and other financial services. In October 2024, the Company transitioned from being an NEC affiliate to becoming an affiliate of SBI Shinsei Bank <8303>. Collaboration with the SBI Shinsei Bank Group is expanding smoothly.

1. FY3/26 results

In the Company's FY3/26 results, revenues were ¥306,155mn (up 20.1% year on year (YoY)), operating income was ¥10,617mn (up 36.4%), ordinary income was ¥11,427mn (up 21.1%), and profit attributable to owners of parent was ¥9,180mn (up 38.9%), posting higher revenues and profits, with final profit reaching a record high. The achievement rates versus the initial forecasts were 103.8% for revenues, 68.5% for operating income, 71.4% for ordinary income, and 91.8% for profit attributable to owners of parent, meaning that profit metrics fell short of targets. In the leasing industry, the volume of transactions in FY2025 indicated steady growth against the backdrop of active DX investments and a recovery in capital investment demand. Benefiting from demand for large-scale projects for government offices and local governments and projects for the second phase of the GIGA School Program* (hereafter, GIGA projects) in the Leasing Business, the Company's contracts executed increased significantly by 22.6%, and new transaction volume also rose 28.9%, achieving a 5.4% increase in revenues. Additionally, in the Investment Business and Other Business, due to factors such as real estate sales income, revenues in the Investment Business grew substantially by 76.4%, and in Other Business by 621.2%. The Finance Business saw a 14.4% increase due to an increase in corporate loans. On the profit front, both operating income and ordinary income grew YoY, but fell short of initial forecasts due to delays in booking revenues for some projects, as well as the recording of valuation losses on investment securities and valuation losses on fund projects including non-controlling interests. Regarding final profit, the gap was narrowed due to an accounting rule where the portion of valuation losses recorded by subsidiaries in fund projects corresponding to non-controlling interests becomes a reversal gain for the parent company.

* An initiative announced by Japan's Ministry of Education, Culture, Sports, Science and Technology (MEXT) in December 2019 to provide ICT devices to elementary and junior high school students. The five-year period from FY2024 constitutes the second phase.

2. FY3/27 forecasts

For the FY3/27 results, the Company forecasts revenues of ¥310,000mn (up 1.3% YoY), operating income of ¥16,500mn (up 55.4%), ordinary income of ¥17,000mn (up 48.8%), and profit attributable to owners of parent of ¥10,000mn (up 8.9%). Starting in FY3/27, the Company launched Medium-term Plan 2028, changing its business segment structure from a product-based to a business-based configuration. In the Public and ICT Infrastructure Business, which takes over the majority of the Leasing Business, the Company expects to record revenues through the steady execution of GIGA projects contracted in the previous fiscal year and projects for government offices and local governments, while in the Corporate Finance Business, Global Business, and Investment Business, it will promote measures set forth in the medium-term plan to achieve its earnings forecasts. The Real Estate and Energy Business is forecast to see lower revenues and profits as it prioritizes the accumulation of investment assets following the sale of real estate for sale and other factors in the previous fiscal year. On the profit front, final profit is expected to reach a record high.

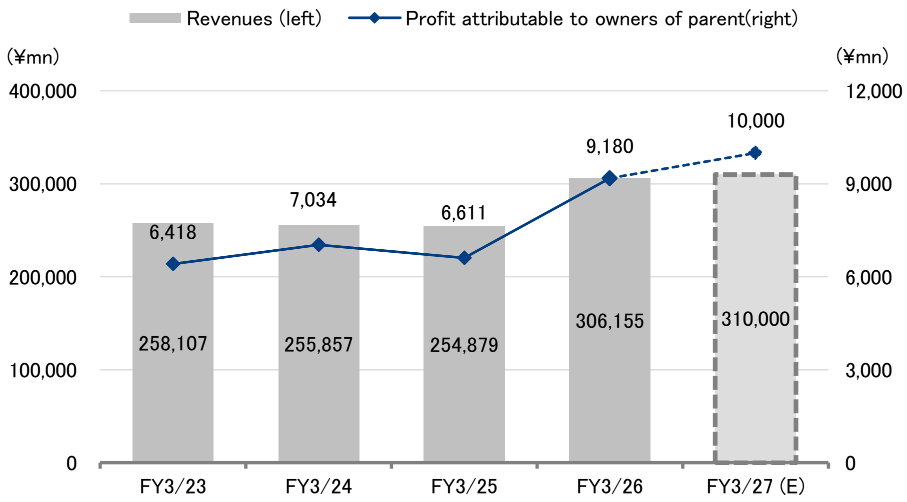
3. Formulation of Medium-term Plan 2028

The Company formulated Medium-term Plan 2028 (FY3/27–FY3/29) as a second step toward realizing a “Solution Company leading the next-generation circular economy” set forth in Group Vision 2030, and achieving “ROE of 10% or more” and “net income of ¥15.0bn” by 2030. In the previous medium-term plan, which was a “period to create circular services,” financial targets of ¥10.0bn in final profit and ROA of 0.9% were not met, but non-financial targets were generally achieved. Medium-term Plan 2028 is positioned as a stage to build a growth foundation to “develop circular services,” promoting the deepening of sustainability management, the evolution of the business foundation, and the strengthening of the management foundation to maximize corporate value. 2028 also marks the 50th anniversary of the Company’s founding, making the achievement of this plan highly significant. For financial targets, it set net income of ¥10.0bn, ROA of 0.8%, and ROE of 8.2% for FY3/27, and net income of ¥12.0bn, ROA of 1.0%, and ROE of 8.8% for FY3/29. Regarding non-financial targets, it set 14 items related to “solving social issues through business activities” and “strengthening the management foundation supporting business activities” aimed at deepening sustainability management. Regarding shareholder return, the basic policy is to maintain stable dividends. While utilizing DOE (dividend on equity ratio) as a reference indicator not swayed by single-year profit levels in addition to the dividend payout ratio, it aims to return profits commensurate with sustained growth.

Key Points

- Strong FY3/26 results with higher revenues and profits, and final profit reaching a record high
- In FY3/27, developing measures to enhance profitability in new business segments under the new medium-term plan
- Formulated Medium-term Plan 2028, aiming for a final profit of ¥12.0bn in FY3/29, its 50th anniversary

Results trends



Source: Prepared by FISCO from the Company's financial results

Company profile

Provides services that combine finance with the latest information and communications technologies (ICT)

The Company is a partner company of NEC Corporation, which possesses cutting-edge technology such as biometrics and AI. It offers leasing of information and communications equipment, including NEC products centering on ICT (information and communication technology) devices, leasing and installment sales of office equipment, industrial machinery and facilities, other various types of equipment and facilities, factoring (purchasing sales credits), lending, and collection agent services and provides its financing services offerings to help companies solve their management issues. In addition to promoting the development of public infrastructure in transactions with government offices and local governments, which has been a strength for many years, the Company has steadily increased handling of non-ICT products and, by expanding service areas with additions of investments and loans, fund formation, and other services, aims to transition to high value-added business. Additionally, it became a member of the SBI Shinsei Bank Group in 2024, and is promoting collaboration.

The Company has cultivated three strengths of "strategic relationship with NEC," "wealth of ICT knowledge," and "broad range of financial solutions." By striving to create and supply high-value-added services that integrate these elements, it has achieved sustainable growth while enhancing "social value" and generating "economic value." Through the practice of such CSV management, the Company aims to realize a "next-generation circular economy" by providing services that lead to a virtuous cycle of environment and growth. The Company started in 1978 as an entity handling sales financing for NEC products. Since its founding, it has supplied a menu of financing services centered on leases for various kinds of equipment and facilities such as ICT. It was listed on the Tokyo Stock Exchange's Second Section (TSE-2) Market in 2005 and was transferred to the First Section (TSE-1) Market in 2006. It moved to the new market category known as the Prime Market in April 2022 due to the reevaluation of new market classifications. After broadening the scope of financial solutions, it changed the company name to NEC Capital Solutions Limited in 2008. The Company formed a capital and business alliance with RISA Partners, Inc. (acquired as a wholly owned subsidiary in December 2010) in 2009 and promoted a shift to higher value-added business. It actively diversified business even during economic slowdowns from the global financial crisis and Great East Japan Earthquake.

History

Date	History
November 1978	NEC Leasing, Ltd. started operation of finance lease and installment sales transactions primarily of information related equipment (with a capitalization of ¥72mn)
March 1979	Joined the Japan Lease Association as an associated member
September 1987	Joined the Japan Lease Association as a regular member
March 1996	Outstanding value of active assets (purchase price basis) surpassed ¥1,000,000mn
December 1999	Obtained "ISO14001" certification, international standard for environmental management systems
February 2002	Changed name to NEC Leasing, Ltd.
July 2004	Capital increased to ¥1,041mn
February 2005	Listed in the Second Section of the Tokyo Stock Exchange
March 2006	Listed in the First Section of the Tokyo Stock Exchange Obtained "ISO27001" certification, international standard for Information Security Management Systems (ISMS)
October 2007	Established NL Asset Service, Ltd.
April 2008	Established Reboot Technology Services
November 2008	Changed name to NEC Capital Solutions Limited
December 2010	Acquired RISA Partners Inc.
April 2012	Changed the name of Asset Service, Ltd. to Capitech Limited Established Innovative Venture Fund Investment Limited Partnership
October 2015	Reboot Technology Services merged Capitech Limited and changed the name to Reboot Technology Services and Capitech Limited
September 2018	Obtained "ISO9001" certification, international standard for Quality Management System (Government, Public and Social System Sales Division)
April 2020	Obtained Privacy Mark certification
April 2022	Moved to the TSE Prime Market in conjunction with the Tokyo Stock Exchange's revision of its market classifications
July 2024	Established NCS RE Capital Limited
October 2024	Major shareholder changed from NEC Corporation to SBI Shinsei Bank, Limited through a share transfer Entered into a business alliance agreement with SBI Shinsei Bank and Showa Leasing Co., Ltd.
January 2025	Acquired Keystone Inc. as a subsidiary

Source: Prepared by FISCO from the Company's website and news releases

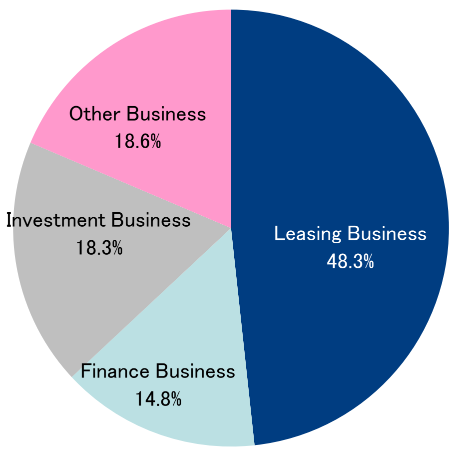
Business overview

Provides services integrating ICT equipment and financial solutions

The Company provides a broad range of financial solutions from leases to corporate loans, securitization, and fund formation and equity investments. The Company has grown while closely collaborating with NEC due to its history of being established to handle sales financing services for NEC products. In the case of transactions with government offices and local governments, which accounts for approximately 68% of the total contract value by industry in the Leasing Business (based on FY3/26 results), NEC and other vendors deliver solutions that utilize ICT technology to improve business efficiency and enhance the quality of public services. The Company supports these solutions financially with contract formats tailored to single fiscal-year budgets of government offices and local governments. Transactions with government offices and local governments are key components of its strong customer base, as seen in its roughly 30 sites around the country and registration as a designated bidder with about 1,800 local entities. The Company has accumulated knowhow on the work process and other characteristics of government offices and local governments through experience in transactions over many years, and it is leveraging those strengths in the PFI and PPP (formats for private-sector participation in provision of public services) business. The Company has strength in ICT equipment due to its history of having grown alongside NEC. In contracts executed by product type in the Leasing Business in FY3/26, ICT equipment accounted for approximately 83%. The Company has assembled operations that meet a variety of customer requests, including provision of services that integrate its experience with ICT transactions over many years and financial services such as PC-LCM* Service that provides services tailored to the lifecycle from deployment to management and operation of ICT equipment utilizing a monthly service-fee payment format. The composition of operating income (based on FY3/26 results) will be 48.3% from the Leasing Business, 14.8% from the Finance Business, 18.3% from the Investment Business and 18.6% from Other Business.

* LCM: An acronym for Life Cycle Management.

Operating income by business segment (FY3/26)



Source: Prepared by FISCO from the Company's financial results

(1) Leasing Business

Leasing, rental and installment sales of information and office equipment, industrial and civil engineering and construction equipment, and other equipment. Handles buying/selling of goods, property sales related to leasing contract completion and early terminations, leased equipment maintenance services and others.

(2) Finance Business

Finance Business handles money lending business, factoring business, and investment business for securities held for trading purposes. It loans funds to established specific purpose companies (SPC), and it also provides funds in the form of investing in SPCs.

(3) Investment Business

Invests in venture companies, etc. with the objective of receiving gains from the sale of securities. Subsidiary RISA Partners will develop business in corporate investment, credit investment, real estate, financial services and the advisory business.

(4) Other Business

The businesses in the fields of energy and real estate. In addition, it promotes PFI and PPP business with support from the customer base of government offices and local governments. It mainly participates in projects in forms such as constructing structures optimized for businesses, supporting fund raising with low interest rates, and preparing proposals for government offices and local governments.

Strengths

Strategic relationship with NEC. Collaboration with the SBI Shinsei Bank Group also progressing

The Company provides services that combine its three strengths, which are “strategic relationship with NEC,” “wealth of ICT knowledge,” and “a broad range of financial solutions.” As an important partner of NEC, it has concluded a business alliance agreement and is promoting its business. Approximately 60% of the Company’s customer base consists of government agencies and local governments, which is one of its characteristics due to its history of growing alongside NEC. The Company has extensive knowledge related to ICT as evidenced by the presence of ICT equipment as 80% or more of executed lease contract value (FY3/26 results; contracts executed by equipment type). It hence goes beyond just leasing to provision of a wide range of service utilizing broad knowhow, including procurement and installation as well as operation and management of ICT equipment. It also delivers services coordinated to LCM (lifecycle management) to meet rising needs because ICT equipment, an area with rapid technology innovation, has a higher frequency of upgrades to the latest model than other equipment. Additionally, it supports one-stop provision of peripheral businesses related to ICT products (above-mentioned PC-LCM Service) via group member Reboot Technology Services and Capitech Limited (CRTS) that handles ICT equipment kitting (set-up work for installing PCs and other products) and sales of ICT-related equipment that has finished the lease period.

Another strength is provision of a broad range of financial solutions. The Company offers financing programs designed from the standpoint of manufacturers and sales companies, such as vendor finance that supports product sales by manufacturers and sales companies offering with financial options including customer payment terms. It is bolstering its service menu as a financial services company engaged in corporate loans, securitization, fund formation, and equity investments. In addition, RISA Partners is a professional services company in "investments and loans" as capital assistance and "advisory" as advice from an expert perspective such as finance and real estate, delivering solutions from both of these aspects. FISCO sees growth opportunities from expansion of business scope considering the different customer bases of RISA Partners, which has a network with regional financial institutions, and the Company, which focuses on government offices and local governments, and corporate clients.

The Company has been involved in the venture fund business since 2012, investing in venture companies. In 2012, it established the Innovative Venture Fund Investment Limited Partnership to invest in venture companies with strengths in technology; in 2016 and 2018, it established the CSV Venture Fund and the CSV Venture Fund 2, respectively, with investments targeting venture companies in the social solutions field; and in 2022, it established the NVC1 fund, which includes new areas such as DX and responding to climate change. The Company has successfully completed multiple exits via IPO and M&A. Furthermore, while steadily accumulating knowledge and a track record in venture investments, in March 2026 it formed the Workforce Innovation Fund 1 in collaboration with the Tokyo Metropolitan Government, aiming to solve the labor shortage problem in small and medium-sized enterprises through venture investments. In July 2024, the Company entered into a basic agreement on a three-party business alliance with SBI Shinsei Bank and Showa Leasing, and in October 2024, SBI Shinsei Bank became the Company's largest shareholder. As a member of the SBI Shinsei Bank Group, it is promoting collaboration with group companies, and synergies are emerging in various fields.

Results trends

FY3/26 results saw higher revenues and profits, with final profit reaching a record high

1. FY3/26 results

In the Company's FY3/26 results, revenues were ¥306,155mn (up 20.1% YoY), operating income was ¥10,617mn (up 36.4%), ordinary income was ¥11,427mn (up 21.1%), and profit attributable to owners of parent was ¥9,180mn (up 38.9%), resulting in higher revenues and profits, with final profit reaching a record high. The achievement rates versus the initial forecasts were 103.8% against revenues of ¥295,000mn, 68.5% against operating income of ¥15,500mn, 71.4% against ordinary income of ¥16,000mn, and 91.8% against profit attributable to owners of parent of ¥10,000mn, meaning that profit metrics fell short of targets. The volume of lease transactions industry-wide in FY2025 increased 3.0% to ¥5,212.0bn*, indicating steady growth against the backdrop of active DX investments and a recovery in capital investment demand. Benefiting from demand for large-scale projects for government offices and local governments, GIGA projects, etc., the Company's Leasing Business also saw its contracts executed increase significantly by 22.6%, and new transaction volume rise by 28.9%, achieving a 5.4% increase in revenues. Additionally, in the Investment Business and Other Business, due to factors such as real estate sales income, revenues in the Investment Business grew substantially by 76.4%, and in Other Business by 621.2%. The Finance Business saw a 14.4% increase due to an increase in corporate loans.

* From leasing statistics published by the Japan Leasing Association (March 2026)

On the profit front, both operating income and ordinary income grew YoY due to factors such as higher revenues, but fell short of initial forecasts due to a combination of delays in booking revenues for some projects, valuation losses on investment securities, and the recording of valuation losses on fund projects including non-controlling interests. Regarding the breakdown of credit costs, although they decreased in the Leasing Business, provision of allowance increased in the Finance Business and Investment Business due to the expansion of corporate loans, resulting in an overall increase from ¥1.4bn to ¥2.2bn. Regarding final profit, the gap was narrowed due to an accounting rule where the portion of valuation losses recorded by subsidiaries in fund projects corresponding to non-controlling interests becomes a reversal gain for the parent company.

FY3/26 results

(¥mn)

	FY3/25 Results	FY3/26	
		Results	YoY
Revenues	254,879	306,155	20.1%
Operating income	7,782	10,617	36.4%
Ordinary income	9,437	11,427	21.1%
Profit attributable to owners of parent	6,611	9,180	38.9%

Source: Prepared by FISCO from the Company's financial results

Earnings by business

(¥mn)

		FY3/25	FY3/26	YoY
Leasing Business	Revenues	229,195	241,618	5.4%
	Gross profit	15,995	18,146	13.4%
	Operating income	4,366	6,231	42.7%
Finance Business	Revenues	7,603	8,701	14.4%
	Gross profit	4,785	5,080	6.2%
	Operating income	2,884	1,907	-33.9%
Investment Business	Revenues	13,818	24,371	76.4%
	Gross profit	6,915	8,654	25.1%
	Operating income	2,194	2,367	7.9%
Other Business	Revenues	4,378	31,578	621.2%
	Gross profit	2,055	4,791	133.2%
	Operating income	523	2,402	358.6%
Total	Revenues	254,879	306,155	20.1%
	Gross profit	29,660	36,589	23.4%
	Operating income	7,782	10,617	36.4%

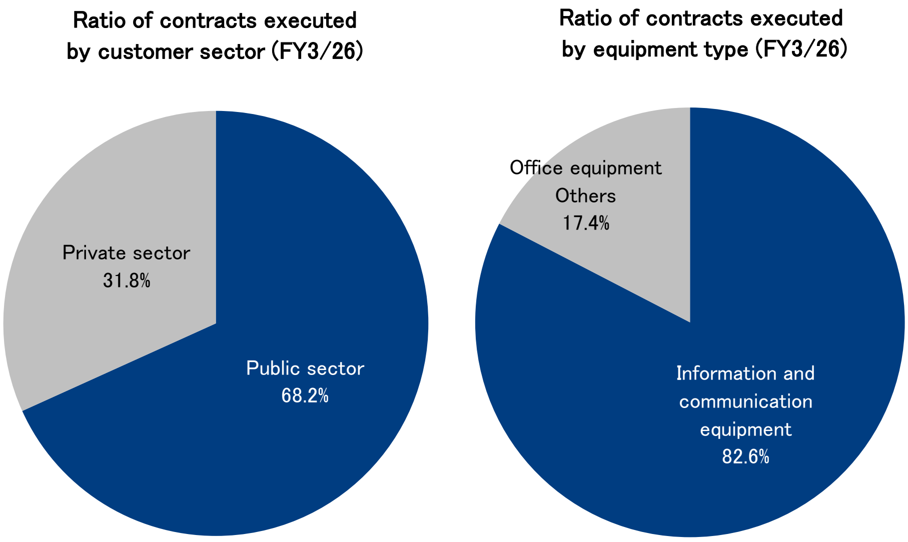
Note: Information on financial results segments excluding adjustment amounts for operating income.
Source: Prepared by FISCO from the Company's financial results and results briefing material

2. Results trends by business

In the Leasing Business, revenues came to ¥241,618mn (up 5.4% YoY), gross profit was ¥18,146mn (up 13.4%), and operating income was ¥6,231mn (up 42.7%), marking an increase in both revenues and profits. Operating income, in particular, grew significantly. On the revenue side, an increase in DX projects for government offices and local governments and the peak of orders for GIGA projects and others contributed, and the private sector also performed steadily throughout the full year. Contracts executed came to ¥311.4bn, up 22.6%. By breakdown, the core leasing business increased 25.3% to ¥300.4bn, while installment sales fell 22.7% to ¥11.0bn. New transactions totaled ¥306.7bn, up 28.9%, with the leasing business increasing 31.4% to ¥295.1bn, while installment sales declined 12.7% to ¥11.6bn. Among projects for government offices and local governments, initiatives for the second phase of the GIGA School Program exceeded the initial plan, with new transactions reaching approximately ¥75.0bn. Although the peak of orders has passed, the Company expects to continue acquiring projects in FY3/27, aiming for cumulative new transactions of over ¥90.0bn in the second phase starting from 2025. In addition, profitability is expected to improve due to improved profit margins and the fact that contracts related to insurance incidents will be separate from equipment procurement contracts. For other projects for government offices and local governments, new transactions accumulated steadily driven by PC upgrades to Windows 11, network renewals, and progress in various DX projects.

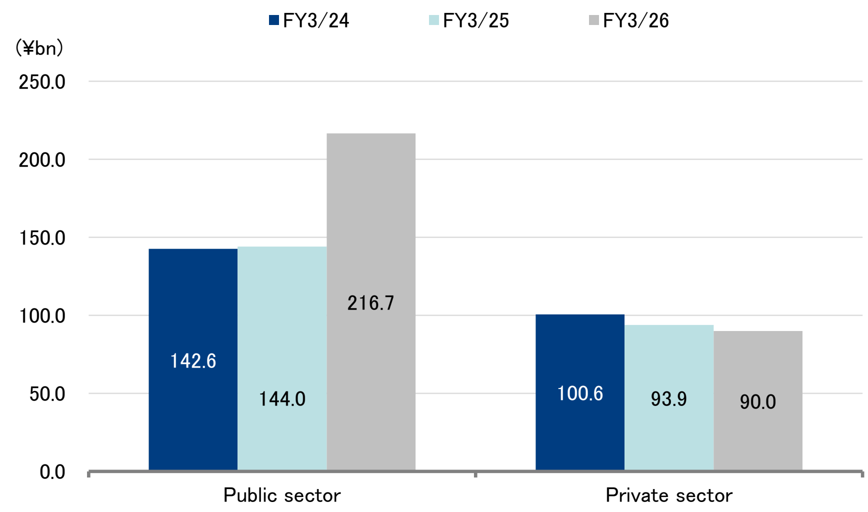
Source: Prepared by FISCO from the Company's results briefing material

By customer sector, the ratio of contracts executed in the Leasing Business was 68.2% for government offices and local governments (62.3% in the previous fiscal year) and 31.8% for the private sector—including the service, distribution, manufacturing, and other industries (37.7% in the previous fiscal year). The share for government offices and local governments increased from the previous fiscal year due to an increase in large-scale projects such as DX in addition to GIGA projects. In the private sector, the service industry performed well, up 4.0% YoY to ¥33.9bn, and distribution increased significantly by 28.0% to ¥19.7bn. On the other hand, manufacturing fell 8.0% to ¥23.7bn, and other industries fell 2.0% to ¥21.5bn. By equipment type, information and communications equipment (including computers and related devices, software, and telecommunications equipment) accounted for 82.6% of contracts executed (83.7% in the previous fiscal year), while office equipment and other equipment made up 17.4% (16.3% in the previous fiscal year), indicating a slight decrease in the ratio of information and communications equipment. However, execution volumes themselves increased, with information and communications equipment up 20.9% to ¥257.3bn, office equipment up 10.8% to ¥17.3bn, and other equipment up 43.3% to ¥36.9bn. Within information and communications equipment, the increase in computers and related devices was notable, rising 48.5% to ¥147.1bn. By new transactions by sector, orders from government offices and local governments performed strongly, rising 50.5% to ¥216.7bn. Orders from the private sector declined 4.1% to ¥90.0bn overall, though by industry they saw a slight increase excluding the decline in manufacturing.



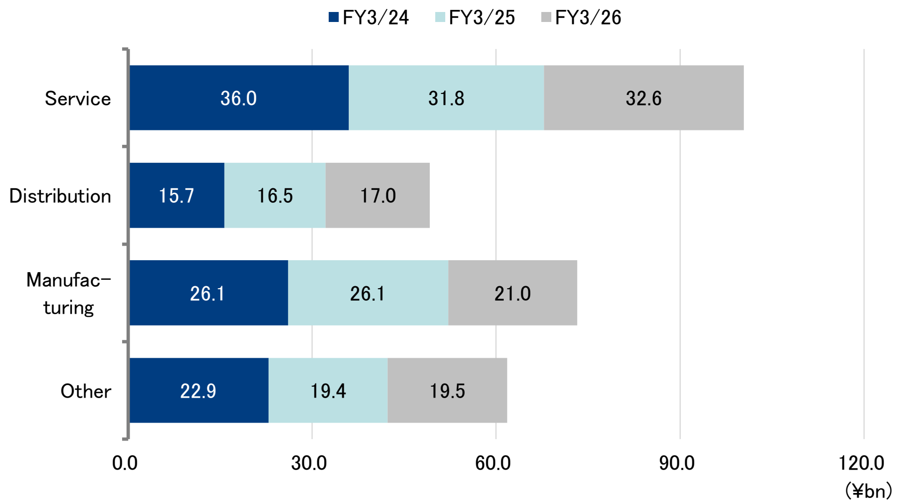
Source: Prepared by FISCO from the Company's results briefing material

New transactions in Leasing Business by sector



Source: Prepared by FISCO from the Company's results briefing material

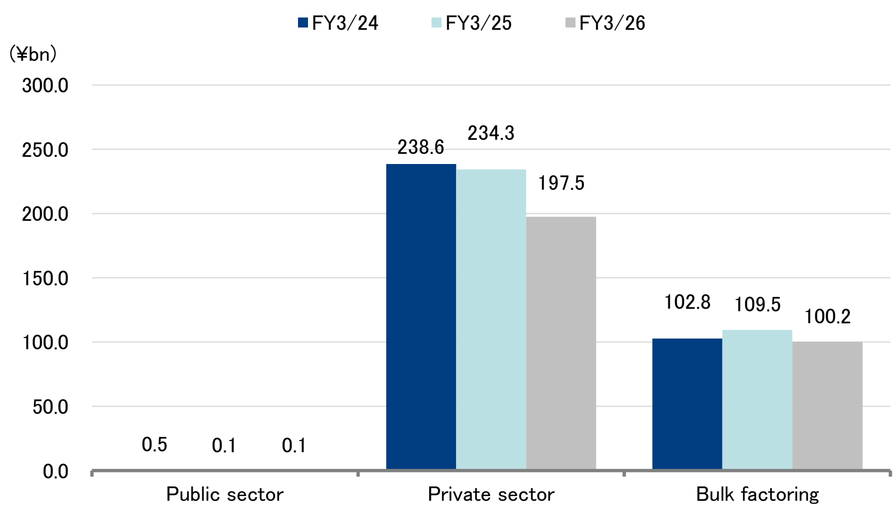
Detail of new transactions in the Leasing Business by sector (Private sector)



Source: Prepared by FISCO from the Company's results briefing material

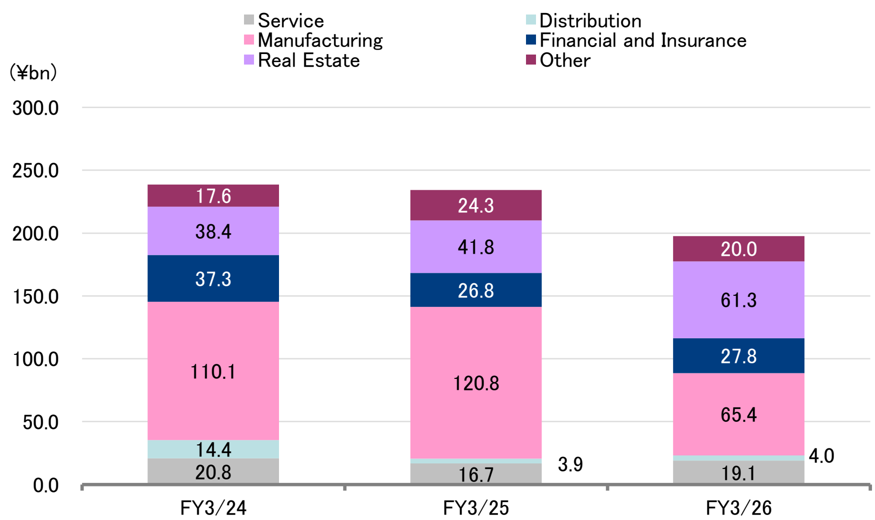
In the Finance Business, revenues were ¥8,701mn (up 14.4% YoY), gross profit was ¥5,080mn (up 6.2%), and operating income was ¥1,907mn (down 33.9%), representing an increase in revenues but a decline in operating profit. On the revenue side, increases in interest income and fee income contributed, but operating income fell due to the recording of ¥0.8bn in additional provision of allowance for doubtful accounts as credit costs. Total contracts executed declined 13.4% to ¥297.7bn. By contract type, operating loans fell 15.7% to ¥197.6bn, and bulk factoring declined 8.6% to ¥100.2bn, showing a downward trend in contracts executed. Within operating loans, corporate loans increased 24.8% to ¥114.4bn, but advances / APF / installment backs fell 2.9% to ¥15.9bn, and individual factoring dropped 47.9% to ¥58.9bn. In the Finance Business, the Company is steadily progressing with asset replacement toward high-profit assets by reducing factoring, which is short-term financing with narrow margins. For corporate loans, rather than conventional money lending, it is focusing on joint investment and loan-type LBO finance, equity finance, and others, which generate high interest and fee income.

Contracts executed in Finance Business



Source: Prepared by FISCO from the Company's results briefing material

Contracts executed in Finance Business (Private sector)



Source: Prepared by FISCO from the Company's results briefing material

In the Investment Business, revenues were ¥24,371mn (up 76.4% YoY), gross profit was ¥8,654mn (up 25.1%), and operating income was ¥2,367mn (up 7.9%), marking an increase in both revenues and profits. In the asset business, revenues increased to ¥15.8bn (¥6.6bn in the previous fiscal year) and operating income rose to ¥0.5bn (¥0.4bn in the previous fiscal year) due to factors such as an increase in purchased receivables and interest income, marking higher revenues and profits. The real estate business saw higher revenues and profits, with revenues of ¥8.0bn (¥6.6bn in the previous fiscal year) and operating income of ¥2.0bn (¥1.8bn in the previous fiscal year) from factors such as the sale of real estate for sale and the recording of rental income. In the advisory services business, revenues were on par with the previous fiscal year at ¥0.5bn (¥0.5bn in the previous fiscal year), and it posted an operating loss of ¥0.1bn (operating income of ¥0.0bn in the previous fiscal year). The increase in purchased receivables is due to RISA Partners making the former ORIX Asset Management & Loan Services Corporation (currently RISA RT Servicing Corporation) a subsidiary.

Investment Business change

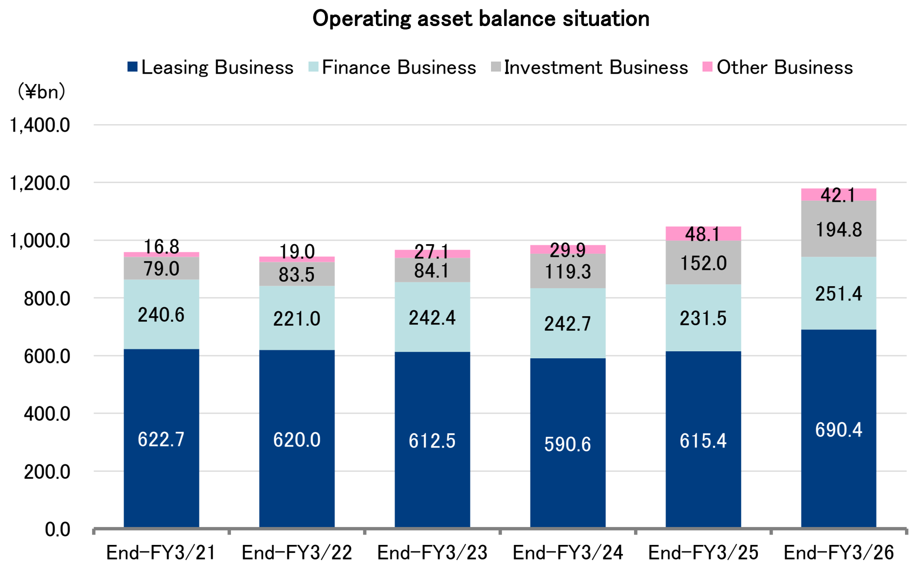
(¥mn)

		FY3/24	FY3/25	FY3/26	YoY
Asset business	Revenues	92	66	158	139.4%
	Gross profit	53	40	49	22.5%
	Operating income	33	4	5	25.0%
Real estate business	Revenues	40	66	80	21.2%
	Gross profit	17	24	33	37.5%
	Operating income	8	18	20	11.1%
Advisory services business	Revenues	5	5	5	0.0%
	Gross profit	5	5	5	0.0%
	Operating income	-0	0	-1	-
Consolidated basis total	Revenues	137	138	244	76.8%
	Gross profit	75	69	87	26.1%
	Operating income	41	22	24	9.1%

Source: Prepared by FISCO from the Company's results briefing material

3. The operating asset balance situation

As of the end of FY3/26, the balance of operating assets stood at ¥1,178.7bn, an increase of ¥131.7bn YoY. In the Leasing Business, assets rose ¥75.0bn to ¥690.4bn, driven by steady accumulation through orders for GIGA projects and large projects from government offices and local governments. In the Finance Business, assets rose ¥19.9bn to ¥251.4bn. This indicates that asset replacement is progressing. In the Investment Business, assets increased ¥42.8bn to ¥194.8bn, driven by an increase in purchased receivables, operating loans, and others. In Other Business, asset replacement progressed through the sale of real estate for sale and solar power generation facilities, but assets declined ¥6.0bn to ¥42.1bn.



Source: Prepared by FISCO from the Company's results briefing material

4. Status of business alliance with SBI Shinsei Bank Group

Since the start of the alliance in 2024, regular meetings have been held between the two companies to create synergies. Currently, collaboration is most advanced in the finance field and Other Business, where a track record is being accumulated in the structuring and execution of mezzanine loans (subordinated loans) and equity projects in real estate finance and renewable energy. While the executed amount was ¥5.8bn in FY3/25, it expanded in FY3/26 to an executed amount of ¥19.7bn (36 deals) and a gross profit scale of ¥0.5bn. Specific examples in the business fields developed by the subsidiary NCS RE Capital Limited (hereafter, NCS Capital) include a project where SBI Shinsei Bank provided a senior loan to a private placement fund formed by NCS Capital investing in new residences, and a project where, upon NCS Capital acquiring trust beneficiary rights to "Hotel Resol Akihabara" as a hotel investment business, preferential negotiation rights regarding the beneficiary rights were granted to Nippon REIT Investment Corporation <3296>, for which SBI REIT Advisors Co., Ltd. serves as the asset management company and SBI Financial Services Co., Ltd. is the main sponsor. Additionally, in renewable energy, project introductions from the SBI Shinsei Bank Group regarding investments and loans for power generation facilities, the ownership of power plants, and others are progressing.

The Company positions its cooperative relationships with the SBI Shinsei Bank Group and NEC at the core of its business strategy, and during the medium-term plan period, collaborative relationships with these companies are expected to advance extensively beyond specific business fields.

Outlook

Plans for ¥10.0bn in final profit, promoting profitability improvement measures in each business

1. FY3/27 forecasts

For the FY3/27 results, the Company forecasts revenues of ¥310,000mn (up 1.3% YoY), operating income of ¥16,500mn (up 55.4%), ordinary income of ¥17,000mn (up 48.8%), and profit attributable to owners of parent of ¥10,000mn (up 8.9%). Starting in FY3/27, the Company launched Medium-term Plan 2028, changing its business segment structure. In the Public and ICT Infrastructure Business, which takes over the majority of the Leasing Business, the Company expects to record revenues through the steady execution of GIGA projects contracted in the previous fiscal year and projects for government offices and local governments, while in the Corporate Finance Business, Global Business, and Investment Business, it will promote measures set forth in the medium-term plan to achieve its earnings forecasts. The Real Estate and Energy Business is forecast to see lower revenues and profits as it prioritizes the accumulation of investment assets following the sale of real estate for sale in the previous fiscal year. On the profit front, final profit is expected to reach a record high.

In the Public and ICT Infrastructure Business, the Company will steadily execute projects contracted in the previous fiscal year to translate them into revenues. For government offices and local governments, it will continue to actively capture project demand and accumulate new transactions. For the private sector, it will enhance the profitability of the overall business by expanding its customer base and strengthening peripheral services. Specifically, to improve profitability by strengthening the fee business, it will take on the challenge of one-stop support through LCM services and the enhancement of services related to the circular use of products. In FY3/27, it forecasts gross profit of ¥16.7bn (of which ¥9.5bn is from government offices and local governments and ¥7.2bn from the private sector and ICT; up 15.2% YoY), and an operating asset balance of ¥621.3bn (of which ¥443.2bn is from government offices and local governments and ¥178.1bn from the private sector and ICT; down 2.9%).

In the Corporate Finance Business, which takes over the domestic operations of the Leasing Business and Finance Business, the Company will respond to the needs of corporate customers by providing diverse solutions, aiming to structure highly profitable deals. Particularly in M&A-related projects, it will advance the provision of high-quality solutions through collaboration with its new subsidiary, Keystone Inc. In corporate investments and venture fund initiatives, it aims to expand orders through a dual approach of joint investments with various operating companies and funds, and independent investments by the Company. Also, by combining multiple funds, it will promote the establishment of an earnings base capable of capturing both income gains (regular profits from asset ownership) and capital gains (profits from asset sales). For FY3/27, it forecasts gross profit of ¥3.8bn (up 8.6% YoY) and an operating asset balance of ¥108.3bn (up 1.1%).

In the Real Estate and Energy Business, which takes over all operations of NCS Capital from the Finance Business and Other Business, the Company will promote the expansion of investment and loan balances and an asset turnover model through a customer issue-solving business model in the real estate field. It will focus on expanding mezzanine loans, continuing promising equity projects, and forming private placement funds. In the renewable energy field, it will work to strengthen project finance. In addition to equity projects, it will advance joint investment initiatives with partners to establish a stable earnings base in the power generation business. For FY3/27, it forecasts gross profit of ¥4.5bn (of which ¥3.5bn is from real estate and ¥1.0bn from renewable energy; down 26.2% YoY) and an operating asset balance of ¥196.8bn (of which ¥147.4bn is from real estate and ¥49.4bn from renewable energy; up 14.5%).

In the Global Business, which takes over the overseas operations of the Leasing Business and Finance Business, the Company will expand overseas and infrastructure assets by promoting its partner strategy. With the US and Asia regions as its main targets, it will promote the discovery and realization of business opportunities by utilizing the network of overseas local subsidiaries in addition to offshore transactions led by the head office. The targets for investments and loans are infrastructure assets such as data centers, aircraft, and overseas real estate, as well as the corporate domain. For FY3/27, it forecasts gross profit of ¥3.3bn (up 17.9% YoY) and an operating asset balance of ¥85.2bn (up 21.2%).

The Investment Business covers the business areas of RISA Partners. It will enhance profitability by promoting the accumulation of operating assets and strengthening portfolio management. It aims to achieve real operating assets of ¥200.0bn early by accumulating high-quality assets including income gain assets. Additionally, as it approaches its 30th anniversary in 2028, it plans to implement a rebranding as a milestone, and in conjunction with this, it will consider and execute measures to strengthen the management foundation. For FY3/27, it forecasts gross profit of ¥10.4bn (down 2.8% YoY) and an operating asset balance of ¥196.1bn (up 3.6%).

FY3/27 forecasts

(¥mn)

	FY3/26 Results	FY3/27	
		Forecast	YoY
Revenues	306,155	310,000	1.3%
Operating income	10,617	16,500	55.4%
Ordinary income	11,427	17,000	48.8%
Profit attributable to owners of parent	9,180	10,000	8.9%

Source: Prepared by FISCO from the Company's financial results

2. Formulation of Medium-term Plan 2028

(1) Group Vision 2030

The Company has established "Solution Company leading the next-generation circular economy" as its Group Vision, and four "shinka" (evolution, deepening, renewing, true value) as its principles. Regarding the business environment, the Company anticipates continued growth driven by system updates and DX in the ICT market, as well as an increase in information system investments and rising prices and interest rates in the leasing market, and an increase in solar power generation and real estate investment and loan opportunities accompanying the rise in renewable energy demand in the finance market; it views these as a good opportunity to "establish earnings from circular services unique to the Company." By continuously improving corporate value while advancing initiatives to realize a next-generation circular economy, it aims to achieve its financial targets of "ROE of 10% or more" and "net income of ¥15.0bn" in FY3/31. Following Medium-term Plan 2025 (FY3/24–FY3/26), which promoted the creation of circular services, Medium-term Plan 2028 (FY3/27–FY3/29) will "develop circular services."

(2) Review of Medium-term Plan 2025

1) Financial and non-financial targets

Results against the financial targets of "¥10.0bn in profit attributable to owners of parent and ROA of 0.9% in FY3/26" were ¥9.2bn and 0.8% respectively, falling slightly short, but the earnings base has steadily improved, such as final profit reaching a record high in FY3/26. Regarding non-financial targets, the targets were achieved with the exception of the employee engagement score.

Results of Medium-term Plan 2025 (Financial and non-financial)

(¥bn)

		FY3/23	FY3/24	FY3/25	FY3/26
Profit attributable to owners of parent	Plan	7.5	8.0	8.5	10.0
	Results	6.4	7.0	6.6	9.2
ROA	Plan	0.8%	0.8%	0.8%	0.9%
	Results	0.7%	0.7%	0.7%	0.8%
ROE	Results	6.2%	-	-	7.9%

		FY3/26		
		Target	Results	Actual
Environmental and social issues	CO_2 emissions: Scope 1+2 reduction rate vs. FY3/23	20% reduction	27% reduction	Achieved
	Three-year cumulative new transactions with government offices and local governments	¥400.0bn (cumulative)	¥492.7bn (cumulative)	Achieved
	Three-year cumulative units processed for end-of-lease items	700,000 units (cumulative)	780,000 units (cumulative)	Achieved
	Renewable energy generation capacity (owned power plants)	100 MW	110 MW	Achieved
	Three-year cumulative total schools for school biotope education	10 schools (cumulative)	11 schools (cumulative)	Achieved
Human capital	Employee engagement score	34%	24%	Not achieved
	Ratio of female managers	10%	10.9%	Achieved

Source: Prepared by FISCO from Medium-term Management Plan 2028 (FY2026–FY2028)

2) Business strategy results

Regarding the four company-wide strategies, despite falling short of profit targets in ICT/professional services and financial products, a certain level of results was achieved through the continuous promotion of execution plans.

a) Expand service business and create new cyclical services

Against the profit target of ¥2.1bn for FY3/26, the actual result was ¥4.8bn, exceeding the target. The acquisition of fees through the formation of funds investing in residences and factors such as the sale of real estate for sale boosted results. Monetization of new circular services is underway, but through collaboration with Keystone Inc., enhancements are expected to progress in the areas of business due diligence during investment and post-investment growth support.

b) Accelerate growth through strategic investment in core businesses (ICT and specialized services, financial products)

Against the profit target of ¥18.9bn for FY3/26, the actual result was ¥16.4bn, falling short of the target. In addition to expanding the provision of added value and acquiring fees in LCM services, an increase in collaborative projects with SBI Shinsei Bank (real estate and renewable energy) and measures to promote replacement with high-profit assets contributed. While financial products fell short of the target, various initiatives are progressing.

c) Strengthen vendor finance and expand customer base

Results were on par with the profit target of ¥12.1bn for FY3/26, achieving the target. Orders for GIGA School projects in the final year and other factors contributed. It promoted the expansion of business areas and its vendor base, but due to intensifying rate competition, it narrowed its focus areas through selection and concentration and reviewed some businesses. It positions the creation of new service schemes with vendors as an important issue and will advance considerations.

d) Business innovation through digitalization, strengthening of human capital/staff functions, and culture transformation

Responses related to the change in major shareholders accompanying the capital and business alliance with SBI Shinsei Bank were completed, and the sophistication of company-wide risk management advanced, including the strengthening of portfolio and risk management to accelerate growth. In addition, efforts toward culture transformation and improving employee engagement progressed, and development progressed toward the construction of the next core system scheduled to go live in FY3/28.

(3) Medium-term Plan 2028

As a second step toward realizing the vision and targets aimed for in the Group Vision, the Company formulated Medium-term Plan 2028 to build a growth foundation for the development of circular services. Targeting the three years from FY3/27–FY3/29, it aims to maximize corporate value by deepening sustainability management, evolving the business foundation, and strengthening the management foundation. 2028 also marks the 50th anniversary of the Company's founding, making the achievement of this plan highly significant.

1) Basic policy

It established the following six items as its basic policy. Three items under “Evolution of the business foundation” are “1. Expansion of earnings base for sustainable growth,” “2. Creation of synergies with group companies and partners,” and “3. Development of circular services,” and three items under “Strengthening of the management foundation” are “4. Construction of brand identity,” “5. Investment in human capital,” and “6. Promotion of DX strategy.”

2) Financial and non-financial targets, shareholder return

In setting financial targets, the Company considered an initiative policy aimed at realizing management conscious of cost of capital and stock prices. The Company recognizes its current cost of equity to be around 7%–8%. Its ROE for FY3/26 was 7.9%, roughly equal to its cost of equity, but under the medium-term plan, it aims for an ROE level that stably exceeds the cost of equity, and will work to improve PBR (price book-value ratio), PER (price earnings ratio), and ROE. As measures to improve ROE, it will advance the improvement of ROA and financial leverage measures. For the former, it will promote the expansion of net income, the expansion of the non-asset business, the liquidation of assets, the strengthening of earning power in each business area, the strengthening of portfolio management, and others. For the latter, it will strengthen balance sheet management and risk management from the perspective of optimizing capital utilization. It will promote the appropriate control of ALM (asset liability management), the diversification of funding methods, and risk management conscious of risk capital and returns. As measures to improve PER, it will reduce the cost of equity along with improving the expected growth rate through the creation of new circular services and new business initiatives, the creation of synergies through collaboration with group companies and partners, and active dialogue with investors and other parties, and various information disclosures.

Based on the above, it set financial targets of net income of ¥10.0bn, ROA of 0.8%, and ROE of 8.2% for FY3/27, and net income of ¥12.0bn, ROA of 1.0%, and ROE of 8.8% for FY3/29. Regarding non-financial targets, it set 14 items related to “solving social issues through business activities” and “strengthening the management foundation supporting business activities” aimed at deepening sustainability management. Regarding shareholder return, while keeping the maintenance of stable dividends as the basic policy, it aims to return profits commensurate with sustained growth, utilizing DOE as a reference indicator not swayed by single-year profit levels in addition to the dividend payout ratio.

Medium-term Plan 2028 targets (Financial and non-financial)

(¥bn)

	FY3/26 Results	FY3/27 Target	FY3/29 Target
Profit attributable to owners of parent	9.2	10.0	12.0
ROA	0.8%	0.8%	1.0%
ROE	7.9%	8.2%	8.8%

		FY3/29 Target
Solving social issues through business activities	CO_2 emissions: Scope 1+2 reduction rate vs. FY3/26	60% reduction
	Renewable energy generation capacity (owned power plants) (including storage capacity)	165 MW
	Number of active rental PCs and tablets	790,000 units
	New transactions with government offices and local governments	¥450.0bn (cumulative)
	New transactions for infrastructure investments and loans	¥40.0bn (cumulative)
	Healthcare and residence development initiative cases	24 cases (cumulative)
	Service provision cases such as business succession	24 cases (cumulative)
	New service launch cases (including M&A)	10 cases publicly disclosed (cumulative)
Strengthening the management foundation supporting business activities	Employee engagement score	Improvement every fiscal year
	Ratio of female managers	13.0%
	Training cost per employee (vs. FY3/26)	200%
	Indirect personnel ratio	35%
	Implementation of effectiveness evaluation of the Board of Directors	At least once a year
	Compliance training attendance rate	100%

Source: Prepared by FISCO from Medium-term Management Plan 2028 (FY2026–FY2028)

3) Business Strategy

To achieve the targets of the medium-term plan, it changed the business segments from the previous product base to a business base. As business segments have diversified, it aligned the business domains (business description / organization) with the business segments in line with the new medium-term plan. Through this, it clarifies the growth strategy of each business and links execution to target achievement.

a) Public and ICT Infrastructure Business

For government offices and local governments, it will expand leasing and strengthen PFI (Private Finance Initiative) in the PPP (Public-Private Partnership) domain. For the private sector, it will evolve services such as LCM to improve profitability. As its business strategy, for government offices and local governments, it will target schools, firefighting, local governments, and public infrastructure assets, pursuing a competitive advantage (improved profitability). It will also strengthen collaboration in the PFI business with major bases to realize a virtuous cycle for the regional economy and society. In the private sector and ICT fields, it will expand its customer base and strengthen the fee business. Furthermore, it will realize effective resource utilization and environmental impact reduction through LCM for ICT equipment and the circular use of products. For financial targets, it set gross profit of ¥17.7bn (of which ¥10.5bn is from public demand and ¥7.2bn from private sector ICT) and an operating asset balance of ¥591.5bn (of which ¥440.3bn is from public demand and ¥151.2bn from private sector ICT) for FY3/29.

b) Corporate Finance Business

It aims to expand earnings by responding to the diverse funding needs of corporate customers in fields such as corporate loans, factoring, buyout finance, and venture funds. As its business strategy, it aims to expand earnings by capturing income gains and capital gains, realizing a virtuous cycle for corporate growth through the provision of diverse investments and loans at each stage of a corporate customer (founding, growth, maturity, decline, revitalization, transformation). In the domestic finance and M&A advisory fields, it will provide diverse solutions to corporate customers to enhance the profitability of projects. In the corporate investment and venture fund fields, in addition to joint investments with operating companies and funds and independent investments by the Company, it will establish an earnings base capturing income gains and capital gains by combining multiple funds. For financial targets, it set gross profit of ¥4.3bn and an operating asset balance of ¥115.6bn for FY3/29.

c) Real Estate and Energy Business

This covers all operations of NCS Capital. In real estate, it will advance the diversification of investment and loan methods, target assets, and exit strategies, while in renewable energy, it will establish a stable business foundation through project finance and the power generation business. The business strategy is to pursue high returns by expanding investment and loan assets under appropriate risk controls. In real estate, it will promote the expansion of investment and loan balances and an asset turnover model through a customer issue-solving business model. It will also realize a virtuous cycle for the regional economy and society through a virtuous cycle of corporate growth and the development and liquidation of healthcare and rental residences. It will expand mezzanine loan transactions, continue selective equity project initiatives, and focus on the origination of private placement funds, etc. In the renewable energy field, by developing project finance and high-voltage/low-voltage solar power, and advancing the grid storage battery business, it will realize a virtuous cycle for the regional economy and society by supporting decarbonization and energy independence. For financial targets, it set gross profit of ¥5.0bn (of which ¥3.8bn is from real estate and ¥1.2bn from renewable energy) and an operating asset balance of ¥229.9bn (of which ¥164.2bn is from real estate and ¥65.7bn from renewable energy) for FY3/29.

d) Global Business

It will aim for asset expansion through partner collaboration, centered on infrastructure assets such as data centers and aircraft in the US and Asia. In its business strategy, it will accumulate high-profit assets by structuring projects in infrastructure, overseas real estate, and the corporate domain as offshore transactions led by the head office. As initiatives of its local US subsidiary, it will continue the diversification of vendors and the cultivation of Capital Market partners, while promoting the discovery and realization of business opportunities in the US market in collaboration with the head office. For financial targets, it set gross profit of ¥3.9bn and an operating asset balance of ¥115.1bn for FY3/29.

e) Investment Business

This covers all operations of RISA Partners. It will advance the strengthening of portfolio management to rebuild its earnings base and prepare a structure for sustainable growth. As its business strategy, it will work to accumulate high-profit assets, including income gain assets, aiming for the early achievement of real operating assets of ¥200.0bn. It will also consider and execute measures to strengthen the management foundation, including rebranding and initiatives related to human resources, organization, promotion, infrastructure, and incentive plans. Furthermore, it will work on the continuous retention and expansion of human resources and the utilization of digital tools including generative AI. For financial targets, it set gross profit of ¥12.6bn and an operating asset balance of ¥237.0bn for FY3/29.

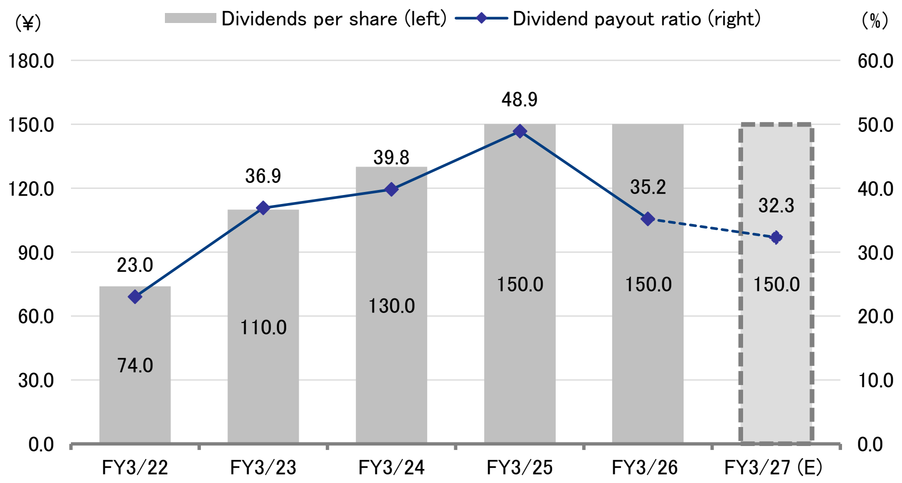
Moreover, in each business, it will aim to create new business opportunities and strengthen the competitiveness of existing businesses through collaboration with strategic partners, including the SBI Shinsei Bank Group and the NEC Group.

Shareholder return

For FY3/27, the Company forecasts an annual dividend of ¥150.0 per share, with an expected dividend payout ratio of 32.3%

The Company's dividend policy adheres to sustaining a stable dividend as the core approach and suitably adjusts the dividend based on an assessment of the fair level in consideration of market trends and fluctuations in business results while securing enough retained profits to invest in growth strategy and reinforce its financial standing. The dividend for FY3/26 is the same annual amount of ¥150.0 per share (including a ¥75.0 interim dividend) as the previous fiscal year. The dividend payout ratio is 35.2%. For FY3/27, in accordance with Medium-term Plan 2028, it forecasts the same annual dividend of ¥150.0 per share (including a ¥75.0 interim dividend) as FY3/26, planning to utilize DOE as a reference indicator in addition to the dividend payout ratio while keeping the maintenance of stable dividends as its basic policy, with the dividend payout ratio expected to be 32.3%.

Dividends per share and dividend payout ratio



Source: Prepared by FISCO from the Company's financial results

The Company also provides online catalog gifts as a shareholder benefit program. It gives benefits to shareholders who own at least 100 shares and who are registered on the shareholder register as of March 31 each year. The value differs depending on the number of owned shares and ownership period. Shareholders with 100 shares or more and fewer than 500 shares receive an online catalog gift worth roughly ¥2,000 for ownership period of less than one year and roughly ¥3,000 for period of one year or longer. Shareholders with at least 500 shares receive an online catalog gift worth roughly ¥10,000 for ownership period of less than one year and roughly ¥15,000 for period of one year or longer.

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