

Dialogue

What Should NEC Do to “Create Businesses That Contribute to the Environment”?

Due to recent significant changes in environmental policies and investment, we hosted a discussion with experts on the measures we should take now to create businesses that benefit the environment.

We received a lot of advice with respect to our activities going forward, covering such topics as the importance of strengthening supply chain risk management; global business development and disclosure; and the incorporation of a sustainable perspective for maintaining and enhancing social and natural capital in businesses. Based on these opinions, we will increase the scope and scale of our initiatives.

The Future is Now! NEC is on the Move!

Note: The following dialogue was held online.

“Supply Chain Risk Management” Will be the Key

Shimizu NEC has set a new target for 2030 with the aim of achieving zero CO₂ emissions by 2050. The emissions reduction initiatives focused on this target include not only the NEC Group but also its suppliers.



Toshiyuki Imamura
Managing Director, Head of Responsible Investment
Nomura Asset Management

Imamura In Europe, the latest trend is the advancement of discussions on **legislation that would make due diligence mandatory**. Environmental, Social, and Governance (ESG) factors will have to be managed throughout value chains. Initiatives in businesses and disclosure are important, and ESG risks should be monitored throughout value chains.

NEC's supply chain initiatives focused on climate change issues meet the current trend. Understanding and managing entire value chains is necessary. Although such due diligence activities as monitoring the status of suppliers require cost, companies must invest in these activities and, by conducting risk management and checking conditions, build strong relationships with suppliers.

Kitagawa For example, the European Union's Battery Directive requires that information on materials, CO₂ emissions, and other items is appropriately

conveyed from upstream operations through to downstream operations of battery supply chains. This directive should improve the “asymmetry of information” in supply chains, which has given upstream operations the upper hand. In this area of legal compliance, I believe that NEC's particular competence in digital technologies can make a contribution.

Shimizu In addition to its current initiatives in supply chains, NEC needs to take measures that are even more far-reaching.

Going forward, we would like to provide customers in a wide range of industries with the methods we have learned through our own challenges.

Grasp Business Opportunities Globally

Kitagawa Trends going forward are **decarbonization and dematerialization**. These fields are likely to merge and become as indispensable as the two wheels of a vehicle.

The circular economy is an inclusive concept that primarily entails a **functional economy**, which optimizes and manages the use and functions of goods and services. Until now, business has been about selling goods. From now on, it will be about **selling functions** that save resources and energy and create higher and more sustainable usage value by extending life cycle of products. Realizing these approaches will involve the use of digital technologies in all aspects of society and the economy, including prevention, maintenance, and information management. For NEC, many different business opportunities will emerge.



Kazunori Kitagawa
Head, the Japan Productivity Center's Eco Management Center

On the other hand, there are divergences between global trends and the current situation in Japan. Companies need to recognize and address the current situation on a global basis.

Imamura Investments in environmental policies in Europe and the United States, which have already been announced, are an order of magnitude larger than those of Japan. Building strong relationships with overseas suppliers will be useful in acquiring business opportunities. The European Green Deal policy on climate change requires concrete action on the part of companies, meaning they will have to make their activities visible. Being able to respond rapidly by expediting the compilation and dissemination of information is likely to earn favorable evaluations from investors.



Osamu Fujikawa
Executive Vice President and CFO
NEC

Fujikawa In the past few years, although NEC has been exploring business opportunities in relation to the circular economy—an area in which investment is moving forward in Europe and North America—the response from the Japanese market has been lukewarm. We would like to take action in areas in which NEC has not previously been involved, such as the formulation of regulations.

Sustainable Business Creation Comes from a Sense of Citizenship

Pedersen Regarding recent trends in sustainability, the biggest keywords for the 2020s are “Regeneration” and “Restoration.” These keywords appear frequently in international frameworks, policies, and corporate strategies. The actual practice of being a sustainable, or regenerative, corporation will include aiming to create products and services that increase or at least maintain social and natural capital as well as a strong emphasis on care and respect of all stakeholders, both internal and external.



Peter David Pedersen
Co-Founder, Next Leaders' Initiative for Sustainability (NELIS)

For NEC's growth businesses, a sustainable perspective is not only imperative, it may also help improve the competitiveness of the company.

Fujikawa When developing business concepts, we need to incorporate this approach and then make things visible and conduct follow-ups to determine whether we are viewing businesses from sustainable perspectives. **I would also like to devise ways of disseminating information that resonate with the market.**

Kitagawa In Europe, which is ahead of the curve, the Sustainable Development Goals are sometimes used to appeal to the empowerment to citizens politically rather than the priorities of corporations, and in such cases it consequently leads to the new business development. Sustainability is about creating businesses and services that appeal to citizens.

Imamura Plans based on backcasting, such as the European Green Deal, are already underway. At first glance, these tend to be seen as short-term responses, but from an investor's perspective, it is understood that such plans are based on backcasting. In response to the progressive developments in Europe, NEC must consider concrete plans and how it will utilize its technologies and link information dissemination and concrete action.

Pedersen The future is now. The world has already begun taking strong action steps toward 2030 and 2050. NEC should grasp these changes and incorporate such strategies as it leverages its competence in digital transformation (DX) to enable broader sustainability transformation (SX).

Shimizu The external evaluation of our environmental performance has been improving year by year, but today I have been reminded that the expectations of society and stakeholders are at a higher level. First of all, I would like to make sure that we, as members of the senior management team, properly understand and tackle the issues.



Shigeki Shimizu
Senior Vice President, CSCO, and General Manager
Sustainability Promotion Division
NEC