Information Disclosure Policy

Basic Policy
Aiming to be a "Social Value Innovator," NEC Corporation considers communication with stakeholders to be a critical initiative because communication provides an opportunity for us not only to recognize our obligation to carry out our social responsibility but also to understand the fundamental issues of our customers and society. Our commitment to promoting dialogue and co-creation with stakeholders is embedded in the concept of "Orchestrating" stated in our Purpose, "Orchestrating a brighter world."

We use our sustainability website and sustainability reports (PDF) as tools to enable this communication, disclosing the sustainability initiatives and their results as viewed from environmental, social, and governance (ESG). NEC's integrated report also presents the essence of the sustainability reports, mainly with a focus on "materiality," as well as the essence of our securities report, which discloses our financial activities.

Scope of This Report
In principle, the content relates to NEC Corporation in certain sections, but also includes subsidiary companies and affiliates in other sections. "NEC" refers to NEC Corporation and its subsidiary companies, unless otherwise noted.

When referring to fiscal years, "fiscal 2021" refers to the fiscal year ended March 31, 2021.

Disclosure Format
• Sustainability Website and Sustainability Report (PDF)
NEC regularly discloses the latest information on its sustainability activities via its sustainability website. Furthermore, it emphasizes detailed coverage of information to ensure conformance with international reporting initiatives such as GRI, while addressing the needs of sustainability professionals such as ESG research institutions, the news media, universities, and NPOs/NGOs.

The sustainability report (English) posted on the sustainability website is published each year in PDF format. The previous sustainability report in English was published in September 2020.

• NEC Integrated Report
NEC Integrated Report explains our management strategies, which are aimed at promoting the sustainable growth of NEC and society as a whole, from both financial and non-financial perspectives. NEC has published integrated annual reports containing both financial and non-financial information since fiscal 2014. In July 2018, NEC changed the name of the report to "Integrated Report," having defined its materiality.

Reference Guidelines
With the aim of achieving conformance with international reporting initiatives, NEC reports on its sustainability activities with reference to the following guidelines:
• Global Reporting Initiative (GRI)’s Sustainability Reporting Guidelines Standards
• United Nations Global Compact (UNGC)
• International Organizaion for Standardization (ISO) 26000
• Japan’s Ministry of Economy, Trade and Industry (METI)’s “Guidance for Collaborative Value Creation”
• Sustainability Accounting Standards Board (SASB)

Third-party Assurance
Achievements marked with ☑ have received third-party guarantees or verification.
Message from the President and CEO

Seize the Future Together

Although we are more than halfway through 2021, COVID-19 is still wreaking havoc around the world. I would like to express my heartfelt condolences to those who have lost loved ones and extend my thoughts and prayers to the COVID-19 patients and their families who have suffered as a result of this disease. I would also like to say that I am sincerely thankful to all those around the world who have been working over a long period to provide treatment and prevent the spread of infection.

The COVID-19 pandemic has drastically changed aspects of our daily lives that we took for granted, and it has unexpectedly revealed vulnerabilities in society. At the same time, the crisis has reminded us of the important role technology plays in keeping society running as well as the potential of digital technologies.

In this highly uncertain time, what should NEC do to remain a company that society needs? Our answer is that we must present society with a farsighted vision of the future and then lead the way toward its realization while earning the support and endorsement of our stakeholders. For precisely this reason, in the Mid-term Management Plan 2025, announced in May 2021, we set forth the NEC 2030VISION to provide an outline of a society we want to realize by 2030.

Aimed at realizing the NEC 2030VISION, the Mid-term Management Plan 2025 calls on the NEC Group to focus on the key business areas of Digital Government/Digital Finance, Global 5G, and Core DX (Digital Transformation). Under the plan, we will also foster future growth drivers by developing businesses in fields that are becoming increasingly important from the viewpoint of sustainability—including Health Care/Life Science and Carbon Neutrality. As part of its financial strategy in the new plan, NEC is also committed to reinforcing non-financial measurement methodologies to underpin sustainable growth of the Company and society, with an aim to be continually included in environmental, social, and governance (ESG) indices. This is not only to demonstrate our commitment to ESG initiatives but also to enhance our corporate value.

NEC’s Purpose is to create the social values of safety, security, fairness, and efficiency to promote a more sustainable world where everyone has the chance to reach their full potential. To fulfill this Purpose, NEC will connect digital technologies and human hopes to implement a vision of a brighter future world, while mitigating negative social impact by promoting activities based on the United Nations Global Compact (UNGC)’s* 10 principles pertaining to the four fields of human rights, labour, the environment, and anti-corruption. In this way, we will contribute to the creation of a sustainable society and the achievement of the Sustainable Development Goals (SDGs).

* A global initiative for the sustainable growth of society and companies. In 2005, NEC became a signatory to the UNGC.

September 2021

Takayuki Morita
President and CEO
What is NEC

Establishment
Longstanding relationships of trust with customers
1899

NEC Way
Purpose
NEC creates the social values of safety, security, fairness and efficiency to promote a more sustainable world where everyone has the chance to reach their full potential.

Number of cases of serious involvement with cartels and/or bid-rigging
0 cases

Average age of employees*1*2
Male 44.2 years old
Female 41.5 years old

Ratio of male and female hires*1*3
Male 71.2%
Female 28.8%

Number of employees*2
Approximately 110,000

Revenue*3
2,994.0 billion yen

Consolidated subsidiaries*2
300 consolidated subsidiaries

Ratio of female managers*2
9.2%

Ratio of female employees returning after childcare leave*1*4
98.5%

Ratio of employees with disabilities*1*5
2.37%

Number of patents*2
Approximately 46,000

Technological capabilities
Global No. 1

CDP (Climate Change, Water Security, and Supplier Engagement)

A List

R&D expenses*3
114.6 billion yen

Face recognition*6

Fingerprint recognition*7

Iris recognition*8

*1 For NEC Corporation on a standalone basis
*2 As of March 31, 2021
*3 Actual results for fiscal 2021
*4 Ratio of employees returning to work who started childcare leave in fiscal 2019
*5 Based on the Act on for Promotion of Employment of Persons with Disabilities as of June 1, 2021
*6 Ranked 1st six times in benchmark testing held by the U.S. National Institute of Standards and Technology (NIST)
*7 Ranked 1st eight times in benchmark testing sponsored by the NIST
Management for Sustainability

5–7  Management for Sustainability
8–10 Priority Management Themes from an ESG Perspective—Materiality
11–14 ESG-related Objectives, Achievements and Progress, and Degree of Completion
15  Dialogue and Co-creation with Our Stakeholders
16  Advancing Sustainability through Purpose-driven Management
17–20 Respecting Human Rights
21–24 Innovation Management
25  Dialogue and Co-creation with Our Diverse Stakeholders
Management for Sustainability

NEC aims at realizing a sustainable society where everyone has the chance to reach their full potential. Our management approach entails conducting dialogues and co-creation with many different stakeholders while advancing business activities that help address social issues. Moreover, we not only fulfill our responsibility to comply rigorously with laws, regulations, and sound corporate ethics but also proactively lower risks attendant on activities that have potentially negative effects on society or the environment.

NEC is promoting management for sustainability in accordance with the following basic principles: “contribute to solving social issues through our business activities,” “strengthen risk management and enforce compliance,” and “promote communication with stakeholders” based on the United Nations Global Compact (UNGC). In 2005, we became a signatory to the UNGC, which calls for corporate activities based on 10 principles pertaining to the four fields of human rights, labour, the environment, and anti-corruption. Revised in 2020, the NEC Way defines our Purpose and Principles as a company while advocating a Code of Conduct* and a Code of Values for everyone at NEC—from executives through to employees. Achieving fulfillment of the NEC Way is our basic management policy for sustainability.

Our Journey toward Sustainability Management

NEC’s story starts in 1899, when the Company was born as Japan’s first joint venture with a foreign company. Founder Kunihiko Iwadare created the motto, “Better Products, Better Services,” to express his goal of creating a company that provides customers with world-class products and takes responsibility for them through after-sales services by providing telecommunications equipment such as telephones and switching systems.

Later, in the 1950s, the Company began working on the development of computers. In 1977 at the INTELCOM 77 international communications expo held in the U.S. city of Atlanta, then-chairman of NEC Koji Kobayashi presented a new concept, “C&C,” referring to the integration of computers and communications.

At this time, President Kobayashi talked about NEC’s vision for C&C, as follows:

**Vision for C&C**

“If I am asked about my vision for communications in the future, I can see a world where any and all individuals are able to communicate with each other at any time, at any place on the earth, in the early days of the next century. Assuming that this comes true, all technology, communications, computers and televisions will be, and should be, integrated. And, therefore, it is important to help developing countries to be able to participate in such a world telecommunications system.”

This vision has been technologically realized today in our age of widespread computers, mobile phones, and the internet. The ambition to enable people around the world to be able to connect anytime, anywhere, and with anyone aligns with the aspiration of the Sustainable Development Goals (SDGs) adopted by 193 United Nations member countries in 2015 to “leave no one behind.” The issue is now being addressed throughout the world.

As the value expected of NEC by customers and society changed from our tangible technologies and products to the intangible creation of value, in 2013 we responded under the Mid-term Management Plan 2015 by declaring our intention to transform into a Social Value Innovator, creating value for society. The following year, in 2014, we announced our brand statement, “Orchestrating a brighter world.” In 2019, we marked our 120th anniversary by reorganizing the structure of the NEC Way, now over 10 years old. On this occasion, we reflected the changes and demands of society and reformed it to guide the actions of each individual, from executives to employees. Announced in April 2020 following a resolution by the Board of Directors, the NEC Way presents the connections between the Company’s Purpose, its Principles, and each individual in a clear, simple way.

* Formal name: The NEC Group Code of Conduct

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**1899**

**Establishment of Nippon Electric Company**

*The Founding Spirit of “Better Products, Better Services”*

Create customer satisfaction and pleasure by consistently providing better products and services.

*Founder: Kunihiko Iwadare*

**1977**

**C&C Announced**

*The Integration of Computers and Communications*

The aspiration of enabling people throughout the world to connect anytime, anywhere, and with anyone, is aligned with the SDGs’ aspiration to “leave no one behind.”

*Announcement of C&C at INTELCOM 77*

**2013**

**Transformation into a Social Value Innovator**

*Orchestrating a brighter world*

As the value expected by customers and society changed from our tangible technologies and products to the intangible creation of value, we responded under the Mid-term Management Plan 2015 by declaring our intention to transform into a Social Value Innovator.

**2020**

**NEC Way**

To mark the 120th anniversary of its founding, we defined our “Purpose” within the NEC Way as “NEC creates the social values of safety, security, fairness and efficiency to promote a more sustainable world where everyone has the chance to reach their full potential.” NEC will redouble its business activities inspired by social issues, aiming to contribute to the achievement of the Sustainable Development Goals (SDGs) in 2030.
NEC Way

A common set of values that forms the basis for how the entire NEC Group conducts itself, the NEC Way comprises four components.

At workshops designed to install the NEC Way, each executive and employee of the NEC Group compares their values with those of the NEC Way, confirms where they overlap or resonate, and uses this combination of values to work in their own particular way.

Every year on July 17, the anniversary of our foundation, we hold NEC Way Day events, which give all the NEC Group employees an opportunity to think about the NEC Way, review their duties, and set goals for the future.

As a result, the recognition rate of the NEC Way among NEC Corporation employees was 99% as of January 2021. Going forward, we will extend the reach of the NEC Way to include abroad subsidiaries, thereby heightening recognition of it throughout the NEC Group.

Purpose

NEC way

NEC creates the social values of safety, security, fairness and efficiency to promote a more sustainable world where everyone has the chance to reach their full potential.

The NEC Group’s purpose is to collaborate with various stakeholders to create the social values of safety, security, fairness and efficiency, while striving to enable people to live and live abundantly. In doing so, we will aim to realize a sustainable society that enables each individual to achieve their full potential and also overcomes global environmental issues such as climate change.

This approach is aligned with the aspiration of the SDGs to “leave no one behind.” Furthermore, ICT could potentially help in addressing many different issues. For this reason, we believe that we can contribute significantly to all of the targets set out in the SDGs by drawing on our leading-edge technologies in such fields as biometrics, AI, and 5G and our competence in R&D and implementation as we engage in dialogue and co-creation with a range of stakeholders.

NEC actions to achieve the SDGs

Principles

The NEC Group acts in line with the following three principles.

• The Founding Spirit of “Better Products, Better Services”
  The NEC Group will not stop at achieving its best at a certain point in time, but rather continue indefinitely to pursue improvements to provide better products and services for customers and society.

• Uncompromising Integrity and Respect for Human Rights
  This expresses the NEC Group’s spirit of uncompromising integrity (high sense of ethical standards, including compliance) throughout the overall organization in order to remain trusted by society as a Social Value Innovator, and its commitment to respecting human rights.

• Relentless Pursuit of Innovation
  The pursuit of innovation is the driving power behind the NEC Group’s activities. This innovation goes beyond technology development. It involves working with various stakeholders to pursue improvement in the Company and society, from yesterday to today, and on to tomorrow.

Code of Values and Code of Conduct

NEC has set out the Code of Values, which stimulates the active and autonomous behavior that everyone from officers to employees should take individually to create social value.

In addition, the NEC Group Code of Conduct is a set of specific guidelines to be observed that summarize the concept of integrity presented in the Principles. Every one of these guidelines must be upheld in order to achieve NEC’s purpose.

NEC 2030VISION

In preparing the Mid-term Management Plan 2025, which begins from fiscal 2022, the year ending March 31, 2022, we formulated a vision of the kind of society that people will want to live in approximately 10 years from now, which we call the NEC 2030VISION. Our vision comprises three layers: the environment; serving as a base for society’s endeavors; society, underpinning people’s lifestyles; and daily life that gives each individual a sense of well-being.

Based on NEC 2030VISION, we will not only improve financial performance but also achieve business management and business creation that produces positive social and environmental impacts.

NEC 2030VISION

Life

Bringing people together and filling each day with inspiration

Society

Nurturing prosperous cities with inclusive and harmonious societies

Creating sustainable societies by shaping new industries and workstyles

Sharing hopes that transcend time, space, and generational boundaries

Environment

Living harmoniously with the earth to secure the future

Our Approach to Sustainability and ESG under the Mid-term Management Plan 2025

NEC’s Mid-term Management Plan 2025 calls on the Company to realize its Purpose by implementing business and financial strategies and reforming corporate culture.

With respect to business strategies, in the areas of life and the environment set out in the NEC 2030VISION, we aim to help realize the kind of society that consumers of 2030 are likely to want by creating and developing healthcare and life science businesses as well as businesses related to carbon neutrality.

As for financial strategies, we will advance non-financial initiatives, which will become financial initiatives in the future, centered on priority management themes from an environmental, social, and governance (ESG) perspective—materiality. By disclosing the details of these initiatives in a timely and appropriate manner, we aim to be continuously included in ESG indices, which are used for ESG investment and other purposes. This is our aim because we believe that inclusion in ESG indices is a sign that we are earning trust from society and capital markets.

Code of Values

Code of Conduct
In the area of corporate culture reform, NEC will advance such initiatives as diverse human resource development and cultural transformation—one of its materiality tasks—and step up workstyle reform with the aim of raising the Company's employee engagement score to 50.0% by fiscal 2026.

NEC capitalized on the preparation of its Mid-term Management Plan 2025 as an opportunity to revise its value creation process in the context of management that promotes sustainability. With reference to the International Integrated Reporting Framework of the International Integrated Reporting Council (IIRC) and value co-creation guidance, NEC arranged the following factors as presented in the chart below.

NEC’s Value Creation Process

**Capital**
- Financial
  - Operating cash flow: 1.3 trillion yen* (the fiscal years ending March 31, 2022 to 2026)
- Manufacturing
  - Business process / IT establishment
  - Create a Transformation Office
- Intellectual
  - R&D expenditure: Approximately 4.0% of revenue
- Human
  - Consolidated number of employees (As of March 31, 2021): 114,714
- Social and relationship
  - Maintain and develop deep domain knowledge based on long-term customer relationships
  - Generate global synergies through M&A
- Natural
  - Expansion of renewable energy installations
  - Purchase of renewable power

**Strategy**

- NEC’s Growth Model
  - "Maximizing long-term profit" and "Optimizing short-term profit"
- Non-financial measurement methodologies to underpin sustainable growth

**Culture**

- Transformation of people and culture
- Establishment of business infrastructure
- Creation of shared vision for a brighter future with customers

**Investors**

- Balance business growth and improvement of financial soundness

**Customers**

- Provide safe & secure social infrastructure and services by leveraging strengths in technology

**Suppliers**

- Create sustainable social value through collaboration and co-creation with suppliers

**Employees**

- Transformation to a company that pursues innovation and brings together diverse human resources: "Employer of Choice"
- Contribution to climate change measures (Decarbonization)

**Orchestrating a brighter world**

NEC creates the social values of safety, security, fairness and efficiency to promote a more sustainable world where everyone has the chance to reach their full potential.

NEC 2030VISION

- Life
- Society
- Environment

**NEC’s Management Implementation Framework for Sustainability**

NEC’s sustainability management is promoted by corporate divisions such as the Corporate Strategy, IR, Human Resources and General Affairs, Human Resource Organization Development, Compliance, Management Information Systems, Environment, Customer Service, Quality Assurance, Procurement, and Communications divisions, as well as laboratories, business divisions, and Group companies around the world. We also undertake initiatives in coordination with business partners.

In April 2021, we established the Sustainability Promotion Division as a dedicated organization for the advancement of sustainability. NEC has established this new division because, in an era of increasing uncertainty, the effect of ESG initiatives on corporate finances will become even greater and because a trend of calling on corporations to make more-concrete commitments to a sustainable society is gathering momentum worldwide.

Key matters for promoting sustainability management are discussed as necessary by corporate officers and managers of related divisions, and matters approved by the Board member in charge of sustainability promotion are reported and discussed periodically within the Board of Directors. Further, Companywide organizational development and human resource development, based on practical implementation of the NEC Way, and priority management themes from an ESG perspective—materiality—are clearly stated in job descriptions of all in-house directors. These factors have also been incorporated into the key performance indicators used to evaluate officers. In such ways, we are advancing initiatives.

**NEC’s Management Implementation Framework for Sustainability**

**Business Partners (Supply Chain)**
- NEC Group companies
- Corporate staff and business units (BU)

**Sustainable Development Goals**
- **Life**
- **Society**
- **Environment**
- **NEC 2030VISION**

**Board of Directors**
NEC considers “materiality” as priority management themes from an ESG perspective that we need to adopt to reinforce non-financial (ESG/future financial) evaluation methodologies to underpin the sustainable growth of the Company and society.

In the financial strategies of the Mid-term Management Plan 2025, we aim to continue to be included in the ESG indices used for ESG investment by reinforcing our non-financial initiatives focusing on “materiality” and disclosing information with a high degree of transparency. We believe that this inclusion in ESG indices will lead to the fostering of employees’ engagement in the Company and increase their motivation, in addition to earning the trust of society and capital markets.

In defining our materiality, we referred to ISO 26000, the GRI Standards, the UN Global Compact, the SDGs, and the SASB Materiality Map, among others, along with holding dialogues with experts in various fields and representative stakeholders.

Based on the materiality defined in fiscal 2019 after the formulation of the Mid-term Management Plan 2020, we reviewed the materiality set out in the Mid-term Management Plan 2025 in light of changes to the demand from the business environment and society, through workshops held for managers of growth businesses under the Mid-term Management Plan 2025 and dialogues with external experts.

**“Materiality” in the Mid-term Management Plan 2025**

<table>
<thead>
<tr>
<th><strong>Key Themes (Materiality)</strong></th>
<th><strong>Main Initiatives</strong></th>
<th><strong>FY2026 KPI</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>E</strong> Climate change (Decarbonization)</td>
<td>Accelerated implementation of climate change strategy toward achievement of SBT*1 1.5℃ by 2030</td>
<td><strong>1.33% reduction*2 (compared with FY2018)</strong></td>
</tr>
<tr>
<td><strong>S</strong> Security</td>
<td>Development of human resources in advanced security to handle social infrastructure</td>
<td><strong>1. Doubling of internationally certified personnel</strong></td>
</tr>
<tr>
<td>Diverse human rights</td>
<td>Development of human resources in advanced security to handle social infrastructure</td>
<td><strong>2. Integrated initiatives based on the AI and Human Rights Principles</strong></td>
</tr>
<tr>
<td><strong>G</strong> Corporate governance</td>
<td>Strengthening of transparency of corporate governance</td>
<td>*<em>2. Suppliers agreeing to procurement guidelines: 75%<em>3</em></em></td>
</tr>
<tr>
<td>Supply chain sustainability</td>
<td>Strengthening of collaboration with suppliers from a human rights/ environmental perspective</td>
<td><strong>1. No of serious compliance incidents</strong></td>
</tr>
</tbody>
</table>

*1 Science Based Targets (SBT): Corporate CO2 emissions reduction targets that are in scientific demand from the business environment and society, through work-out in the Mid-term Management Plan 2025 in light of changes to the materiality set representative stakeholders.

*2 Scope 1, 2

*3 Ratio based on procurement amount.

NEC’s Science Based Targets

The implementation of materiality themes is clearly stated in the job description of internal directors and related officers, and is also incorporated into the performance evaluation KPI of officers to enhance effectiveness. Moreover, through ESG research, direct dialogues, and other methods, we utilize the evaluation and feedback of various stakeholders to make improvements in our initiatives.

**Results of materiality initiatives for fiscal 2021**

- “ESG-Related Objectives, Achievements and Progress, and Degree of Completion.”

**Definition Process**

In formulating the Mid-term Management Plan 2025, we reviewed the materiality which we have been working on continuously since fiscal 2019, based on the following criteria.

1. Non-financial (ESG/future financial) management foundation themes that have a significant positive or negative impact on society and the environment, as well as on the Company
2. Themes where progress can be measured or visualized from a social or environmental perspective

As a result, we have decided to exclude the two businesses in “2020 Growth Focus to Create Social Value” and continue to work on the four themes of “Sustainable Growth Enablers.” Furthermore, at a workshop held for managers of growth businesses under the Mid-term Management Plan 2025 to examine the social and environmental value created by their businesses, it was confirmed that “corporate governance,” “supply chain sustainability,” and “compliance” are also essential themes for promoting businesses with high social and public value, gaining the trust of society. Accordingly, the seven themes were reported to the Board of Directors as materiality for the Mid-term Management Plan 2025.

**“Materiality” we worked on in fiscal 2021**

- 2020 Growth Focus to Create Social Value
  - **NEC Safer Cities**
  - **NEC Value Chain Innovation**

<table>
<thead>
<tr>
<th>Sustainable Growth Enablers</th>
<th>Enablers</th>
<th>ESG Perspective</th>
<th>Impact on Sustainable Growth</th>
</tr>
</thead>
<tbody>
<tr>
<td>Environmental action with a positive deviation from climate change</td>
<td>Environmental action with a positive deviation from climate change</td>
<td>Global Environment</td>
<td>Extensive impact on Sustainable Growth</td>
</tr>
<tr>
<td>Privacy policies and measures aligned with stakeholders’ expectations</td>
<td>Privacy policies and measures aligned with stakeholders’ expectations</td>
<td>Social</td>
<td>Moderate impact on Sustainable Growth</td>
</tr>
<tr>
<td>Security to protect ICT infrastructure</td>
<td>Security to protect ICT infrastructure</td>
<td>Social</td>
<td>Moderate impact on Sustainable Growth</td>
</tr>
<tr>
<td>Sustainability and socially responsible human resources</td>
<td>Sustainability and socially responsible human resources</td>
<td>Social</td>
<td>Extensive impact on Sustainable Growth</td>
</tr>
</tbody>
</table>

**Workshop held for managers of growth businesses under the Mid-term Management Plan 2025 to examine the social and environmental value created by their businesses**

We held a workshop for the managers, and other related employees, of growth businesses, such as Digital Government/Digital Finance, Global 5G, and Core DX (digital transformation, such as digital ID initiatives), under the Mid-term Management Plan 2025. The purpose of this workshop was to discuss the social and environmental value of our business and materiality themes from an ESG perspective that we should focus on. The facilitator was Mr. Peter D. Pedersen, who has been advising us on sustainability promotion at NEC on an ongoing basis.

Participants commented that the social and environmental value they take pride in providing when promoting their business is digital trust and digital inclusion, which is also linked to the SDGs principle “leave no one behind.” Additionally, they have been rethinking their contribution to the environment in light of recent circumstances and have found that there are many areas where digital technology can contribute to environmental issues. They stated that they would like to incorporate an environmental perspective into future business promotion.

**Workshop for examining social and environmental value created by businesses**

**Dialogue and Co-creation with Our Stakeholders**

Mr. Peter D. Pedersen’s Profile

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*NEC’s Science Based Targets*
Environmental Action with a Particular Focus on Climate Change (Decarbonization)

The negative effects that are brought about by climate change cover a range of different circumstances, such as an increasing number of natural disasters caused by abnormal weather conditions, depletion of water resources, effects on the supply of and demand for food, etc.

NEC has set out a goal of reducing the Company’s CO2 emissions to zero by 2050, and reducing CO2 emissions from the whole supply chain by cooperating with suppliers and partners. Based on these efforts, NEC is contributing to reductions in greenhouse gases on a global scale.

By offering energy-saving products and services, solutions aimed at preparing for the risks of natural disasters such as floods and landslides, and products and services to cope with environmental issues caused by climate change, NEC will contribute to the efforts our customers and society are making to address climate change.

Mid-term Management Plan 2025: Main Initiatives
Accelerate environmental management toward achievement of SBT 1.5°C by 2030 and contribute to CO2 reduction by not just implementing DX at our own businesses but also at customer businesses.

In October 2018, we received “SBT well below 2°C” approval for our target of a 33% reduction in CO2 emissions by fiscal 2031 (compared with fiscal 2018: sum of absolute values for Scope 1 and 2). Furthermore, in May 2021 we raised the target level for Scope 1 and 2 and were certified at “SBT 1.5°C,” with the aim of reinforcing the reduction target of 55% by fiscal 2031.

In fiscal 2022, NEC will promote thorough energy conservation and increased use of renewable energy, based on the NEC Eco Action Plan 2025, to achieve “SBT 1.5°C.”

NEC Eco Action Plan 2025

KPI to Be Achieved by Fiscal 2026

The KPI for this initiative is to reduce CO2 emissions by 33.6% in Scope 1 and 2 compared to the results for fiscal 2018.

Response to Climate Change

Security to Maximize ICT Possibilities

NEC is making efforts to minimize risks in the fields of information security and cyber security in particular, ensuring that our customers are able to securely experience the benefits offered by ICT. Furthermore, we are also reinforcing the development of human resources who will promote these efforts.

Mid-term Management Plan 2025: Main Initiatives
Minimize the effects of major security incidents by ensuring that we enhance cyber security measures while also strengthening information security, and provide products and services that incorporate security measures and case studies taken from the NEC Group’s own information security practices as a reference to realize a secure information society.

Additionally, reinforce the development of information security professionals to protect the information assets entrusted to us by our customers and business partners as well as the Group’s own information assets.

KPI to Be Achieved by Fiscal 2026

We aim to double the number of CISSP*5 certification holders, which we use as an indicator to confirm that we are developing personnel with advanced security capabilities in supporting social infrastructure and ensuring qualified personnel appropriately conduct “security by design.”

Information Security and Cyber Security

Provision and Utilization of AI with Respect for Human Rights as the Highest Priority (AI and Human Rights)

The Principles of the NEC Way stipulate “Uncompromising Integrity and Respect for Human Rights,” while the NEC Group Code of Conduct, in governing the individual conduct of everyone from officers to employees, clearly requires that human rights be respected in all situations. Furthermore, the NEC Group Human Rights Policy states that the Group will promote initiatives to respect human rights throughout the value chain.

Moreover, we are also responding to growing concerns about adverse impacts on human rights, including violations of privacy and discrimination that have accompanied the use of AI and the IoT to enrich human life. In 2019, we announced the “NEC Group AI and Human Rights Principles.” These principles stipulate that all individuals from officers to employees are to recognize respect for human rights as the highest priority in each and every stage of the NEC Group’s business operations in relation to AI utilization, such as social implementation of AI and utilization of biometrics, and to take action accordingly.

Mid-term Management Plan 2025: Main Initiatives
In accordance with the NEC Group AI and Human Rights Principles, we are committed to the following three initiatives:

1. Ensure that all products and services are implemented and utilized by NEC, customers, and partners appropriately
2. Continue to develop advanced technology and talent to further promote AI utilization, with respect for human rights as the highest priority
3. Engage with a range of stakeholders to build partnerships and collaborate with closely

KPI to Be Achieved by Fiscal 2026

We aim to apply the NEC AI and Human Rights Principles in our business activities.

Respecting Human Rights
AI and Human Rights
Personal Information Protection and Privacy
Innovation Management
**Diverse Human Resource Development and Cultural Transformation**

Based on the NEC Way and the Human Resources (HR) Policy, we have set forth the transformation of people and culture in the Mid-term Management Plan 2025.

### Mid-term Management Plan 2025: Main Initiatives

We will bolster diversity as a source of innovation and implement work-style reforms supporting diverse talent.

### KPIs to Be Achieved by Fiscal 2026

By transforming our culture and how we work, including transformation of people and culture, we aim to achieve a 50%*6 employee engagement score (compared to 25% in fiscal 2021).

In addition, we set out the following targets on a non-consolidated basis for active participation of diverse talent.

<table>
<thead>
<tr>
<th>Percentage of officers ranked executive officer or higher who are female or non-Japanese (excluding Audit &amp; Supervisory Board Members)</th>
<th>20%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ratio of female managers</td>
<td>20%</td>
</tr>
</tbody>
</table>

*6 Based on the Kincentric Survey of a 50% score, which is a Tier 1 level and in the Global top 25 Percentile

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**Corporate Governance**

In order to continuously create social value and maximize corporate value, NEC Corporation is promoting corporate governance practices based on the following basic policies:

1. Assurance of transparent and sound management
2. Realization of prompt decision-making and business execution
3. Clarification of accountability
4. Timely, appropriate, and fair disclosure of information

### Mid-term Management Plan 2025: Main Initiatives

Further improvement of transparency of corporate governance

### KPI to Be Achieved by Fiscal 2026

Promote timely and appropriate initiatives to enhance transparency

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**Supply Chain Sustainability**

NEC endeavors to work not only within itself but also through collaboration and co-creation with suppliers to conduct business while giving full attention to its impacts on the environment and society as a whole.

### Mid-term Management Plan 2025: Main Initiatives

We will continue to promote activities to ensure that all suppliers are aware of the “Guidelines for Responsible Business Conduct in Supply Chains” and agree to uphold its contents.

### KPI to Be Achieved by Fiscal 2026

In fiscal 2021, business partners who signed the “Guidelines for Responsible Business Conduct in Supply Chains” agreement accounted for 68% of the total procurement amount. We aim to increase this percentage to 75%.

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**Compliance**

The NEC Principle of “Uncompromising Integrity and Respect for Human Rights” expresses the NEC Group’s spirit of uncompromising integrity in order to remain trusted by society as a Social Value Innovator and its commitment to respecting human rights. Additionally, we recognize that implementing compliance above all else as a Social Value Innovator is an essential initiative for gaining the trust of society.

### Mid-term Management Plan 2025: Main Initiatives

Have everyone, from employees to officers, sign the Statement of Agreement for the NEC Group Code of Conduct. Each individual recognizes compliance as a personal matter and practices actions based on this code every day.

### KPI to Be Achieved by Fiscal 2026

We will build on daily practices and continue to aim for zero cases of serious involvement with cartels and/or bid-rigging.

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<table>
<thead>
<tr>
<th>Human Resource Development and Training</th>
</tr>
</thead>
<tbody>
<tr>
<td>Inclusion and Diversity</td>
</tr>
<tr>
<td>Creating a Diverse Workstyle Environment</td>
</tr>
</tbody>
</table>

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<table>
<thead>
<tr>
<th>Environment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Corporate Governance</td>
</tr>
<tr>
<td>Compliance</td>
</tr>
<tr>
<td>Management for Sustainability</td>
</tr>
<tr>
<td>Governance</td>
</tr>
<tr>
<td>Appendices and Data Collection</td>
</tr>
</tbody>
</table>

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10
### ESG-related Objectives, Achievements and Progress, and Degree of Completion

- **Major non-financial indicators related to "materiality"**
- Listed in accordance with the contents page of the report
- 2020 medium-term goals refer to the period from FY2019 to FY2021.

<table>
<thead>
<tr>
<th>Sustainability Management</th>
<th>2020 Medium-term Goals</th>
<th>FY2021 Goals</th>
<th>FY2021 Achievements and Progress</th>
<th>Degree of Completion</th>
<th>2025 Medium-term Goals</th>
<th>FY2022 Goals</th>
</tr>
</thead>
<tbody>
<tr>
<td>Priority Management Themes from an ESG Perspective—Materiality</td>
<td>2020 Medium-term Goals</td>
<td>FY2021 Goals</td>
<td>FY2021 Achievements and Progress</td>
<td>Degree of Completion</td>
<td>2025 Medium-term Goals</td>
<td>FY2022 Goals</td>
</tr>
<tr>
<td>Respecting Human Rights</td>
<td>P.17</td>
<td>Promote understanding of officers and employees on global human rights issues</td>
<td>• For officers: Hold unconscious bias training on the theme of promoting women's active participation</td>
<td>• Conducted unconscious bias training for officers and general managers to improve management capabilities over a diverse set of human resources</td>
<td>☐</td>
<td>☐</td>
</tr>
<tr>
<td>Formulate Companywide framework pertaining to the implementation of human rights due diligence</td>
<td>• For employees: Hold online training on &quot;Companies and Human Rights,&quot; aiming for a 90% completion rate</td>
<td>• Conducted online training for employees entitled &quot;Utilizing Visual Content That Incorporates Diversity&quot;</td>
<td>• Held online training on &quot;Companies and Human Rights&quot; for employees with a 90% completion rate</td>
<td>☐</td>
<td>☐</td>
<td>☐</td>
</tr>
<tr>
<td>Environment</td>
<td>2020 Medium-term Goals</td>
<td>Indicators</td>
<td>FY2021 Achievements and Progress</td>
<td>Degree of Completion</td>
<td>FY2026 Goals</td>
<td>FY2022 Goals</td>
</tr>
<tr>
<td>Response to Climate Change</td>
<td>P.39</td>
<td>Reduce CO2 emissions in society as a whole with IT solutions</td>
<td>23 megatons</td>
<td>26.55 megatons</td>
<td>☐</td>
<td>—</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Rate of contribution to CO2 emissions reductions across the whole supply chain</td>
<td>5.0 times</td>
<td>7.7 times</td>
<td>☐</td>
<td>—</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Scope 3 Category 1 Rate of CO2 emissions reduction from purchased goods and services (compared with FY2018)</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Scope 3 Category 11 Percentage of improved energy efficiency for sold products (compared with FY2014 products)</td>
<td>65.0%</td>
<td>65.0%</td>
<td>☐</td>
<td>90.0%</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Reduction rate of CO2 emissions (absolute value) due to efficiency improvement (compared with FY2018)</td>
<td>-8.0%</td>
<td>-18.0%</td>
<td>☐</td>
<td>-33.6%</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Expand use of renewable energy (Amount of electric power used from renewable energy)</td>
<td>28,600 MWh</td>
<td>63,381 MWh</td>
<td>☐</td>
<td>78,000 MWh</td>
</tr>
</tbody>
</table>

- ☐: Achieved
- ☐: Achievement rate of 80% or more
- ☐: Achievement rate of 50% or more
- ×: No progress
- —: Not evaluated in the fiscal year under review

**Notes:**
- M: Major non-financial goals related to materiality for FY2021
- M: Major non-financial goals related to materiality under the Mid-term Management Plan 2025
- For details, please refer to pages 8-10.
<table>
<thead>
<tr>
<th>Social</th>
<th>2020 Medium-term Goals</th>
<th>FY2021 Goals</th>
<th>FY2021 Achievements and Progress</th>
<th>Degree of Completion</th>
<th>2025 Medium-term Goals</th>
<th>FY2022 Goals</th>
</tr>
</thead>
<tbody>
<tr>
<td>Inclusion and Diversity</td>
<td>PS3</td>
<td>Promotion of women’s active participation (Ratio of female managers in department manager or higher positions: 5% by FY2021)</td>
<td>• Ratio of female managers in department manager or higher positions: Continue to reach 5% (as of April 1, 2021)</td>
<td>• Ratio of female managers in department manager or higher positions: 5.5% (as of April 1, 2021)</td>
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<td></td>
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<td></td>
<td>• Continue monitoring the ratio of female managers, identify issues and discuss and implement measures</td>
<td>• Continued efforts to monitor KPI related to the ratio of women in managerial positions and to build a pipeline for promoting women to leadership roles</td>
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<td></td>
<td></td>
<td>Employment of people with disabilities (Ratio of people with disabilities employed: 2.3% as of April 2021)</td>
<td>• Study and carry out measures for continuing to achieve the statutory employment rate of 2.3%</td>
<td>• Ratio of people with disabilities employed: 2.38% (as of June 1, 2020)</td>
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<td></td>
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<td></td>
<td>• Increase awareness through internal and external communications and actively participate in events</td>
<td>• Exhibited at “RAINBOW CROSSING 2020,” one of the largest career conferences in Japan, notable for promoting I&amp;D, including LGBTQ initiatives</td>
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<tr>
<td></td>
<td></td>
<td>Support for sexual minorities (LGBTQ)</td>
<td>• Encourage use of systems</td>
<td>• Posted information on using LGBTQ-related systems on the Company personnel online portal in addition to an explanation of these systems and posting job locations during orientations for new and mid-career hires</td>
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<tr>
<td></td>
<td></td>
<td></td>
<td>• Acquire PRIDE*1 designation</td>
<td>• Awarded the “Gold” PRIDE designation, the highest designation granted by the voluntary organization “work with Pride”</td>
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<tr>
<td></td>
<td></td>
<td>Human Resource Development and Training</td>
<td>PS8</td>
<td>Develop sustainable and socially literate human resources</td>
<td>• Achieve a 30% rate of “Strongly agree” or “Agree” responses to realizing a true sense of change regarding matters not achieved in FY2020</td>
<td>• The combined rate of “Strongly agree” or “Agree” responses was 29%, compared with 25.3% in FY2020. Although the results were slightly below target, the number of respondents increased by a factor of 1.5</td>
</tr>
<tr>
<td></td>
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<td></td>
<td>• Carry out a new management practical support program based on the HR Policy and Code of Values</td>
<td>• Management training conducted for 20% of managers</td>
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<td></td>
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<td></td>
<td>• Further educate affiliated companies (15 companies) regarding the approach to evaluation and training reforms, and continue to conduct training, expand evaluation, development, and reform at local and international subsidiaries</td>
<td>• Evaluation and training reforms and system development are underway for affiliated companies (35 companies) and international subsidiaries</td>
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<td></td>
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<td></td>
<td>• Increase awareness of the NEC Way</td>
<td>• New targets were established for spreading awareness and enhancing understanding of, and gaining agreement with, the NEC Way in conjunction with the revision of the NEC Way in FY2021, which is positioned as a common value system and launching point for action for the NEC Group, as well as the means for achieving social value creation targets. As a result, awareness was rated at 98% (Top 1<em>2), understanding and agreement were rated at 94% (Top 2</em>2), and implementation was rated at 88% (Top 3*2).</td>
<td></td>
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<td></td>
<td>Enhance the training of next-generation business leaders, including international personnel</td>
<td>• Strengthen talent management for next-generation leaders</td>
<td>• Expanded talent management globally and identified high-potential human resources in the global market</td>
<td></td>
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<tr>
<td></td>
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<td></td>
<td>• Strengthen succession planning to ensure appointment of the best, diverse personnel to key positions from within Japan and internationally</td>
<td>• Appointed diverse human resources from the global market to key positions – Acquired one global CTO from outside the Company – Acquired Indian CEO from the local market (NEC Technologies India)</td>
<td></td>
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<tr>
<td></td>
<td></td>
<td>Enhance the training of advanced professional human resources</td>
<td>Define the roles and skills of personnel responsible for digital transformation (DX) and establish a development system</td>
<td>• Established the roles and skills for human resources involved in DX</td>
<td></td>
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<tr>
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<td></td>
<td>• Established a human resource development system that creates a new social value by increasing worker competency and helping employees realize the significance of their role – Completed 149 training sessions focusing on thought and behavior patterns – Completed 17,438 training sessions focusing on digital technology</td>
<td></td>
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<tr>
<td></td>
<td></td>
<td>Creating a Diverse Workstyle Environment</td>
<td>P61</td>
<td>Reduce total work hours</td>
<td>Further promote autonomous design of workstyles and fully leverage effects of flexible systems to reduce overtime</td>
<td></td>
</tr>
</tbody>
</table>

*1 A designation by the voluntary organization “work with Pride” that evaluates initiatives for sexual minorities such as LGBTQ

*2 Based on the number of “Strongly agree” and “Agree” responses

*3 Based on the number of “Strongly agree,” “Agree,” and “Somewhat agree” responses
<table>
<thead>
<tr>
<th>Social</th>
<th>2020 Medium-term Goals</th>
<th>FY2021 Goals</th>
<th>FY2021 Achievements and Progress</th>
<th>Degree of Completion</th>
<th>2025 Medium-term Goals</th>
<th>FY2022 Goals</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Creating a Diverse Workstyle Environment</strong>&lt;br&gt;P61</td>
<td>Deploy workstyle reforms intended to improve productivity&lt;br&gt;In line with the changing work environment, such as the rapid spread of telework, study workstyles that will increase productivity and promote these practices in the workplace</td>
<td>• Improved pulse survey score on the level of degree of “Smart Work implementation” from 48 points in October 2018 to 65 in October 2020&lt;br&gt;• Implemented several initiatives to improve productivity amid the COVID-19 pandemic, such as utilizing IT to automate tasks and increase efficiency and switching to remote work for software engineering (SE) projects traditionally conducted on-site, while trying to apply this method to non-SE projects</td>
<td></td>
<td></td>
<td>Establish conditions that provide the optimal place and the optimal time in striving to elicit optimum performance&lt;br&gt;• Provide the experience necessary for employees to facilitate their own growth&lt;br&gt;• Implement office reforms that foster trust and co-creation&lt;br&gt;• Provide a workplace that allows for seamless execution of duties that overcome time and space restrictions&lt;br&gt;• Foster a work culture that encourages a diverse range of human resources to provide value</td>
<td></td>
</tr>
<tr>
<td><strong>Health and Safety</strong>&lt;br&gt;P64</td>
<td>Complete enforcement of occupational health and safety (OH&amp;S) management appropriate to diverse work environments&lt;br&gt;• Achieve rate of 0% or higher for the Health Checkup Forecast Simulation&lt;br&gt;• Maintain “Health and Productivity Management Organization” designation</td>
<td>• Achieved 90% awareness of the Company’s cafeteria-style welfare benefits system that was introduced in April 2020&lt;br&gt;• Two-thirds of employees made use of points under the welfare benefits system, thanks to updates to the user guide based on employee feedback and videos explaining how to use the system&lt;br&gt;• Achieved completion rate of Companywide online health and safety education of 90.9%&lt;br&gt;• Raise health and safety levels by reinforcing management, promoting efforts within businesses, and raising awareness&lt;br&gt;• Utilize health data (regular health checks results, stress check results, etc.) strategically to clarify organizational issues and build a cycle for implementing and evaluating measures</td>
<td></td>
<td></td>
<td>Maintain OH&amp;S levels in a diverse work environment&lt;br&gt;• Raise the completion rate of Companywide online health and safety education (90% or higher)&lt;br&gt;• Stay ahead of danger by conducting proactive risk assessments of safe construction processes</td>
<td></td>
</tr>
<tr>
<td><strong>AI and Human Rights</strong>&lt;br&gt;P68</td>
<td>Promote business operations with respect for human rights in relation to social implementation of AI&lt;br&gt;• Maintain “Health and Productivity Management Organization” designation</td>
<td>• Grasp trends relating to technology evolution and changes in systems and social acceptability, and improve and strengthen initiatives for respecting human rights based on Companywide principles&lt;br&gt;• Maintained a timely understanding of trends related to human rights and privacy, which was reflected in the “checking process”&lt;br&gt;• Incorporated checking process into the planning stage&lt;br&gt;• Continue dialogue with a range of stakeholders&lt;br&gt;• Continued to acquire knowledge from experts through the Digital Trust Advisory Council&lt;br&gt;• Understand changes in Japanese and international laws and regulations, and trends in social acceptability, and respond with suitable human rights initiatives</td>
<td></td>
<td></td>
<td>Promote business activities that respect human rights as AI becomes a part of society&lt;br&gt;• Implement AI governance in accordance with the NEC Group AI and Human Rights Principles&lt;br&gt;• Maintain dialogues with a variety of stakeholders</td>
<td></td>
</tr>
<tr>
<td><strong>Personal Information Protection and Privacy</strong>&lt;br&gt;P59</td>
<td></td>
<td>• Formulate the NEC Group Basic Rules on Personal Information Protection&lt;br&gt;• Conform with legislation of regulations regarding transfer of personal information outside of each country and region&lt;br&gt;• Formulate “Data Privacy Guidelines” for the data privacy alliance system and rules for each international consolidated subsidiary&lt;br&gt;• Created “Data Privacy Guidelines” for data privacy protection management when handling personal information&lt;br&gt;• Established procedures for the handling of personal information&lt;br&gt;• Deepen risk management pertaining to the handling of personal information, based on the risk ownership of general managers</td>
<td></td>
<td></td>
<td>Strengthen governance in the fields of data privacy and compliance at consolidated subsidiaries in Japan and internationally&lt;br&gt;• Develop a system and rules in keeping with the degree of risk that each international consolidated subsidiary faces in regards to handling of personal information&lt;br&gt;• Maintain dialogues with a variety of stakeholders</td>
<td></td>
</tr>
<tr>
<td><strong>Information Security and Cyber Security</strong>&lt;br&gt;P72</td>
<td></td>
<td>• Conducted inspections and audits of management systems for important information, extended systems to Group companies&lt;br&gt;• Identify and address issues in areas such as congestion detection and emergency, and upgrade their functions&lt;br&gt;• Established a regional Chief Information Security Officer (CISSO) at each Regional Headquarters (RHQ) and enhanced supervision at each location&lt;br&gt;• Improve the awareness and reinforce personal information protection management system&lt;br&gt;• Improve the awareness and reinforce personal information protection management system&lt;br&gt;• Strengthen measures against cyber attacks&lt;br&gt;• Respond to national threats&lt;br&gt;• Establish a zero-trust platform&lt;br&gt;• Talent management and deployment of (double number of CISSP-certified employees)&lt;br&gt;• Supply chain security management&lt;br&gt;• Establish a Safe System Integration process</td>
<td></td>
<td></td>
<td>Establish and operate a zero-trust platform&lt;br&gt;• Talent management and deployment of (double number of CISSP-certified employees)&lt;br&gt;• Strengthen personal information protection management&lt;br&gt;• Implement a one-stop cyber security system, appointed security managers in each business division, and expanded and strengthened UBS/middleware fortification tools&lt;br&gt;• Reform processes to include built-in security as part of business proposals&lt;br&gt;• Release vulnerability dashboard</td>
<td></td>
</tr>
</tbody>
</table>
### Information Security and Cyber Security

<table>
<thead>
<tr>
<th>FY2021 Goals</th>
<th>FY2021 Achievements and Progress</th>
<th>Degree of Completion</th>
<th>FY2022 Goals</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Improve security in cooperation with business partners</td>
<td>• Apply security measures in accordance with business partners' work environments and outsourcing details, and promote improvements based on inspection results</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Restrict orders from companies with an inadequate security level and implemented follow-up improvement process via document inspections and on-site inspection</td>
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</tr>
<tr>
<td></td>
<td>• Ensure that everyone is well aware of guidelines on secure development and implementation</td>
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<tr>
<td></td>
<td>• Held a briefing session titled “Business Partner Guidelines for Secure Development and Operations” and made a strong request for security to deployed working group members</td>
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</tr>
</tbody>
</table>

### Customer Satisfaction Initiatives

<table>
<thead>
<tr>
<th>FY2021 Goals</th>
<th>FY2021 Achievements and Progress</th>
<th>Degree of Completion</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Continue to perform improvement activities based on the voice of the customer (VoC) and promote activities matched to the characteristics of each business area</td>
<td>• Continued to make improvements based on the VoC and in keeping with the characteristics of each business area</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Achieve a result for the Customer Satisfaction Survey higher than the industry average (e.g., an average of “Total satisfaction”) in market surveys conducted by NEC Corporation</td>
<td></td>
</tr>
</tbody>
</table>

### Cooperation with Local Communities

<table>
<thead>
<tr>
<th>FY2021 Goals</th>
<th>FY2021 Achievements and Progress</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Create opportunities for new business creation from corporate citizenship activities</td>
<td>Shifting the focus of the NEC Volunteer Support Service database, allowing it to include employess who previously could not participate (young or local employees, Group company employees, etc.) at a faster rate, increasing registrations with the database by 1,248, in FY2021, from 1,685 in FY2020</td>
</tr>
<tr>
<td></td>
<td>Utilize corporate citizenship as a stepping stone for social value creation</td>
</tr>
</tbody>
</table>

### Compliance and Risk Management

<table>
<thead>
<tr>
<th>FY2021 Goals</th>
<th>FY2021 Achievements and Progress</th>
<th>Degree of Completion</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Ensure compliance</td>
<td>• Number of cases of serious involvement with cartel and/or bid-rigging: 0</td>
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<tr>
<td></td>
<td>• Raise the completion rate of web-based compliance training (completion rate at NEC Corporation: 99% or higher)</td>
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<tr>
<td></td>
<td>• Increased the number of reports submitted to the Compliance Hotline: 80 cases or more</td>
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<tr>
<td></td>
<td>• Establish and implement effective measures for Priority Risks</td>
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<tr>
<td></td>
<td>• Conduct appropriate risk management</td>
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<tr>
<td></td>
<td>• Utilize in-house information sharing system during disasters, which has been greatly overhauled</td>
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</tr>
<tr>
<td></td>
<td>• Boosted efforts to incorporate human rights concerns and privacy</td>
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</tbody>
</table>

### Business Continuity

<table>
<thead>
<tr>
<th>FY2021 Goals</th>
<th>FY2021 Achievements and Progress</th>
</tr>
</thead>
<tbody>
<tr>
<td>Preserve business continuity and function</td>
<td>Utilize the in-house information sharing system during disasters, which has been greatly overhauled</td>
</tr>
<tr>
<td></td>
<td>Utilized new overhauled system during FY2021</td>
</tr>
<tr>
<td></td>
<td>Increase the number of employees able to act autonomously when a risk event occurs</td>
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<td></td>
<td>Enhance completeness and efficiency of business continuity plan (BCP) activities</td>
</tr>
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</table>

### Supply Chain Management

<table>
<thead>
<tr>
<th>FY2021 Goals</th>
<th>FY2021 Achievements and Progress</th>
</tr>
</thead>
<tbody>
<tr>
<td>Establish a new guideline for the new guideline “Declaration Concerning Responsible Business Conduct in Supply Chains”</td>
<td>Make effort to disseminate the guidelines to all new and existing suppliers</td>
</tr>
<tr>
<td></td>
<td>Closely informed all existing business partners and business partners opening new accounts with new companies</td>
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<tr>
<td></td>
<td>Create and published Japanese, English, and Chinese versions of the guidelines</td>
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<tr>
<td></td>
<td>Utilize 72% of consolidated procurement funds with companies that submitted declarations by the end of FY2026</td>
</tr>
</tbody>
</table>
Dialogue and Co-creation with Our Stakeholders

To explore how NEC can incorporate non-financial (ESG) initiatives and management, and how its business activities impact society, we invited outside experts in their respective fields to participate in a dialogue on the following themes.

Peter David Pedersen
- Co-Founder, Next Leaders’ Initiative for Sustainability (NELIS)
- Professor, Graduate School of Leadership and Innovation, Shienkan University
- Chair, Transagent Co., Ltd.

Masaru Arai
- Masaru Arai is chair of the Japan Sustainable Investment Forum (JSIF)
- and a senior engagement consultant at Federated Hermes EOS
- A member of the FTSE Russell ESG Advisory Committee and the FTSE Russell Sustainable Investment Advisory Committee.

Kazunori Kitagawa
- Kazunori Kitagawa is head of the Japan Productivity Center’s Eco Management Center.

Toshiyuki Imamura
- Toshiyuki Imamura joined Nomura Asset Management Co., Ltd. (NAM) in 1994
- and is now a managing director and head of the Responsible Investment Department at NAM.

Yukiko Furuya
- Yukiko Furuya is the Executive Director of CSD Network Japan.
- She is also a Consumer Affairs Advisor and holds a PhD in general policy.

Asako Nagai
- Managing Director at Business for Social Responsibility (BSR)

Daisuke Takahashi
- Partner, Shinwa Sohgo Law Offices and Master of Law (U.S., France, Germany and Italy)

Ryusuke Tanaka
- Programme Officer, ILO Office for Japan

Ryusuke Tanaka is the Programme Officer at the International Labour Organization, Office for Japan. In that capacity, he assumes the role of contact point for tripartite constituents in Japan and has engaged in activities related to international labour standards particularly in the context of business and human rights. He is also in charge of projects concerning global supply chains and CSR/RBC. Member of the Working Group on the National Action Plan on Business and Human Rights, Japan Ministry of Foreign Affairs. Previously, Ryusuke was an attorney at law practicing labour/employment law in domestic and international law firms. He studied Law at the New York University School of Law (LL.M), and Keio University (LL.B. in Political Science).
NEC Needs Unique Indicators to Manage the Progress of Purpose-driven Management

**Shimizu**

First of all, with reference to NEC’s activities in the past three years, I'd like to hear your opinions about the significance of managing the progress of Purpose-driven management, not only from a financial viewpoint but also regarding the social and environmental impacts. Also, how should we shape our management so that it incorporates non-financial ESG perspectives?

**Arai**

I think it's important to ensure that employees thoroughly understand NEC's direction. To this end, I believe the purpose is essential. NEC should explain its purpose to employees and then have them identify what they can do in front-line operations and set goals accordingly. Progress toward these goals should be measured so that they are achieved. In this way, the purpose will become embedded in day-to-day operations.

**Matsukura**

To realize the new mid-term management plan, I would like to keep it up to date with the changes in society and the market, as well as instil an understanding of the plan among employees. These are essential measures. In particular, I think it’s important to communicate the purpose and vision, presenting the goals that have been set and the initiatives that are being taken as well as showing the degree of achievement each year would make NEC’s direction more readily understandable to investors.

**Furuya**

NEC’s movement in the direction of Purpose-driven Management and management of progress based on impact is laudable. For example, how about establishing as indicators initiatives unique to NEC’s core business that are not found in other companies, such as contributions to the environment and society through the use of digital technology and initiatives for data governance and privacy governance? And, rather than setting out a vision of the future with its own businesses as a starting point, I would like to see NEC set goals that reflect the current global situation, in other words, goals for achieving a circular economy and carbon neutrality. I would then like NEC to establish indicators that show how businesses should pursue and contribute to these goals. I think that coming up with innovative ways of presenting indicators will help investors and citizens see the distinctive nature of NEC’s initiatives.

**Furuya**

(Note: The following dialogue was held online.)

NEC is proceeding with careful and deliberate consideration of human rights issues, including AI and human rights. The policy of seeking equality of outcomes, which means that those in vulnerable positions are not left behind, is distinctive and progressive. Until now, risks have been viewed from the perspective of privacy. Going forward, however, risks will emerge in different regards, such as the labour conditions and human rights of workers.

For this reason, it is important to create a system that flags new risks, too. New ways of thinking about human rights are emerging. So that it can move forward and address these new ideas, NEC needs to enhance in-house knowledge.

**Matsukura**

Issues such as AI and human rights are at the very center of ESG materiality for NEC. Given that Japan tends to lag behind on innovative action in these areas, I would recommend that NEC partners with progressive global research institutions in order to quickly incorporate global trends. This will be key to being seen as a progressive and trustworthy company by investors and other stakeholders.

**Shimizu**

During the process of considering the NEC 2030VISION, executives, business managers, and junior employees discussed what value linking the Purpose to our businesses would have and what kind of impact this would have on society.

That is a good initiative. Therefore, I hope you continue such discussions and include even more employees in them.

The junction between the Purpose, the NEC 2030VISION, and the new mid-term management plan is a value creation field, and an innovation journey will connect them. By analyzing mega-trends and thinking about what society will need in the future while considering the kind of contributions ICT can make, NEC will increase the possibilities for value creation.

Creating Systems for the Detection of New Global Trends

**Matsukura**

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**Shimizu**

In April 2021, NEC established the Sustainability Promotion Division as an addition to NEC’s corporate planning functions because the implementation of Purpose-driven Management has increased the importance of further integrating sustainability initiatives into business management. We will use the insights received during today’s discussion as guidelines for the activities of the new division. At the same time, we would like to deepen in-house discussions and provide social and environmental value that resonates with both our employees and with our external stakeholders.

**Furuya**

(Note: The following dialogue was held online.)

NEC’s initiatives.
Respecting Human Rights

Policy

As a company that operates businesses globally, NEC is committed to reducing and preventing any negative impacts its corporate activities may have on the human rights of its stakeholders. Also, by making use of ICT, including social implementation of AI and utilization of biometrics and other data (hereinafter referred to as “AI utilization”), we believe that we can provide the social values of safety, security, fairness, and efficiency.

The NEC Way’s Principles, which express the behavior that we value as a company, stipulate “Uncompromising Integrity and Respect for Human Rights,” while the NEC Group Code of Conduct governs the individual conduct of everyone from executives to employees by clearly requiring respect for human rights in all situations.

In addition, NEC has specified “Provision and Utilization of AI with Respect for Human Rights as the Highest Priority (AI and Human Rights)” as a priority management theme from an ESG perspective—materiality. As such, in addition to compliance with laws and regulations, NEC also plans to develop and supply products and services that are responsive to the different privacy needs of various countries and regions due to cultural perspectives and that are sensitive to human rights issues, such as discrimination. Through these means, NEC will strive not only to minimize adverse impacts on society but also to maximize social value.

NEC upholds the United Nations’ International Bill of Human Rights,*1 the International Labour Organization (ILO) Declaration on Fundamental Principles and Rights at Work, and the 10 principles of the UN Global Compact (UNGC)*2. The Company also seeks to improve its initiatives across all Group companies for respecting human rights by taking into account trends in international standards and laws, such as the UN’s Guiding Principles on Business and Human Rights (UNGPs), the Sustainable Development Goals (SDGs), the EU General Data Protection Regulation (GDPR), and modern slavery acts. In cases where local domestic laws and regulations are not compatible with internationally recognized human rights, we seek resolutions that enable international human rights principles to be respected.

In promoting respect for human rights, we have set out the policy below, which is based on the NEC Way. Moreover, we share the NEC Way’s philosophy with our business partners and require them to pursue corporate activities in a manner consistent with respect for human rights as defined by our “Guidelines for Responsible Business Conduct in Supply Chains.”

*1 This refers collectively to the Universal Declaration of Human Rights, and the International Covenant on Economic, Social and Cultural Rights, and the International Covenant on Civil and Political Rights that were adopted by the UN General Assembly.
*2 NEC has been a member since 2006. The 10 principles of the UNGC are based on global agreements such as the Universal Declaration of Human Rights and the ILO Declaration on Fundamental Principles and Rights at Work and cover the protection, maintenance, and respect of human rights, the eradication of forced labour, and the prohibition of child labour.

NF NEC Group Human Rights Policy

In 2015, NEC declared that it would advance initiatives to promote respect for human rights across its entire value chain through dialogue and consultation with its stakeholders and by implementing human rights due diligence.*3

Respect for the Rights of Children


*3 The process that includes the assessment of risks and identification of issues caused by the Company’s business operations that have negative impacts on human rights, the response to these identified issues (their integration into management), the monitoring of the results, and the reporting of initiatives.

*4 Established by UNICEF, the UNGC, and Save the Children in 2012.

NEC Group AI and Human Rights Principles

In 2019, we announced guidelines that call for respect for human rights as the highest priority in each and every stage of our business operations in relation to social implementation of AI utilization and which enable the implementation of action accordingly.

NEC Privacy Policy

NEC implements and upholds stipulations stating that personal information must be handled in conformance with Japan’s “Act on the Protection of Personal Information” and “JIS Q 15001 (Personal information protection management systems–requirements),” the Japanese industrial standard for safe and appropriate management of personal information handled by corporations and other organizations in the course of their operations.

NEC Group AI and Human Rights Principles

Promotion Framework

Human Rights Promotion Committee

In 1997, NEC established the Corporate Human Rights Promotion Committee and the Business Unit Human Rights Promotion Committee, which are chaired by the chief human resources officer. The committees discuss, establish, and implement basic activities and promote in-house training for human rights awareness, such as elimination of discrimination and prevention of harassment. These activities are also being promoted throughout the NEC Group by establishing similar frameworks mainly at Japanese consolidated subsidiaries.
● Promoting Human Rights Due Diligence

We promote human rights due diligence in accordance with the UNGPs, with the Sustainability Promotion Division serving as the secretariat. The secretariat sets activity targets and KPIs, manages progress, conducts transparent disclosure, and submits timely reports to the Board of Directors.

NEC’s senior executives are appointed to Board of Directors at the head offices of international subsidiaries, and it is confirmed that human resource and employment policies are being complied with as important matters relating to business management. In addition, through reporting lines from the human resources manager of each local subsidiary to the human resources manager of the head office, policies and other important matters are communicated. The status of each company is reported, and improvements are made as appropriate.

For example, NEC Europe Ltd. regularly has a third party check whether the human resources and labour management, procurement, and other operational processes of subsidiaries and business partners in the Europe, the Middle East, and Africa (EMEA) region comply with international standards. The results are then reported to NEC Europe’s Board of Directors, and corrective actions are taken as necessary.

Further, NEC Europe has confirmed that the human rights-related policies of Group companies in the EMEA region cover the following items.

- Freedom of workers to terminate employment
- Freedom of movement
- Freedom of association
- Prohibition of any threat of violence, harassment, and intimidation
- Prohibition of the use of worker-paid recruitment fees
- Prohibition of compulsory overtime
- Prohibition of child labour
- Prohibition of discrimination
- Prohibition of the confiscation of workers’ original identification documents
- Provision of access to remedy, compensation, and justice for victims of modern slavery

● Complaints-handling Mechanism

NEC has established a complaints-handling mechanism to enable it to respond swiftly and sincerely and make improvements to any human rights violations. This mechanism is for a wide range of stakeholders, including NEC Group employees, as well as irregular employees, business partners, customers, and local communities.

Human Rights Hotline (for employees)

In Japan, the Human Rights Hotline has been set up at the Human Resources Division of each business site and area and within each business unit, to provide consultation desks for consultations about human rights to employees, including temporary workers, through telephone and/or email. In April 2020, we also added a consultation desk for consultations in English so that non-Japanese employees can readily consult with us. With respect to each consultation desk, a system has been set in place to protect the privacy and avoid any disadvantageous treatment of employees who may use the hotline.

If a human rights violation is confirmed as a result of a consultation with the Human Rights Hotline, the Human Resources Division and related divisions work together to resolve the issue and to prevent any further violation.

We are advancing the development of a culture conducive to speaking out.

As part of these efforts, in October 2020 we also established a consultation desk that facilitates anonymous consultations via a third-party organization.

Compliance Hotline (for business partners)

NEC receives inquiries and consultations on human rights from suppliers through the Compliance Hotline.

Customer Communications Center (for customers and local residents)

NEC receives inquiries and consultations on human rights from customers and residents of local communities through the Customer Communications Center.

NEC Customer Communications Center

● Measures and Main Fiscal 2021 Activities

● Human Rights Impact Evaluation

To heighten the effectiveness of its human rights due diligence, the Company revises its human rights impact evaluation as required. In fiscal 2019, we worked with Ernst & Young ShinNihon LLC to conduct a quantitative human rights impact evaluation of the main businesses of NEC Corporation and its consolidated subsidiaries in conformance with the UNGPs.

In fiscal 2020, based on the results of the aforementioned evaluation, the Company utilized the human rights risk data of the international NPO Business for Social Responsibility (BSR) to compile a list of NEC’s human rights issues. From this list, the following particularly conspicuous human rights issues were identified and reported to the Board of Directors in fiscal 2021.

- New technology and human rights (AI and human rights)
- Labour in supply chains
- Employee safety and health

In fiscal 2021, from a third-party standpoint and with a focus on business divisions, BSR confirmed the specific details of the business activities and management systems of 22 divisions as well as the issues they face in frontline operations and updated the list of human rights issues to better reflect actual situations.

● List of Human Rights Issues

- General issues: Access to aid and climate change
- Issues related to customers and local communities: Privacy and data protection, right to life and safety, non-discrimination and freedom of movement, speech, expression, and assembly, children’s rights, and product quality and safety
- Issues related to the supply chain: Supplier labour standards, forced labour and modern slavery, child labour, procurement of materials from conflict zones and high-risk areas, risks of business partners related to geopolitics, conflicts, and human rights governance, environmental impact, fair business practices, and anti-corruption
- Issues related to employees: Working environment, health and safety, non-discrimination and equal opportunity, privacy and information security, diversity, and equity and inclusion
In addition, we held dialogues among external stakeholders (international NPOs, international institutions, and legal experts), NEC Corporation officers, and managers of relevant divisions.

Working toward Robust and Resilient Human Rights Due Diligence throughout Supply Chains

### Human Rights Due Diligence Initiatives throughout Value Chains
We check human rights-focused measures in procurement activities and at the planning stages of products and services. Also, we ensure that business managers are informed about our guide on human rights-related considerations. Further, we have established a consultation desk that is managed by a department specializing in biometrics and image analysis. In export control, we confirm the intended use of products and services prior to transactions as well as checking customers with reference to the sanctions lists of the United Nations and countries. The sanctions lists of countries include organizations and individuals that are subject to human rights-related sanctions, such as those set forth in the U.S. Department of the Treasury’s Office of Foreign Assets Control sanctions list.

Further, the Company has established a system whereby, if an inquiry is received in relation to a transaction involving an organization or a customer on the sanctions list of a country, the Company or its international subsidiaries immediately consult with the Export Control Division at the head office.

### Initiatives across the NEC Group’s Supply Chain
- Guidelines for Responsible Business Conduct in Supply Chains
- Supply Chain Management

### AI and Human Rights Initiatives
- NEC Group AI and Human Rights Principles
- AI and Human Rights

### Initiatives on Personal Information Protection and Privacy
- NEC Privacy Policy
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- AI and Human Rights

### Initiatives on Personal Information Protection and Privacy
- NEC Privacy Policy
- Personal Information Protection and Privacy

#### Responding to the Modern Slavery Acts
With approval from the Board of Directors, since fiscal 2019 NEC Corporation and NEC Europe have published a declarative statement to the effect that they will report on measures in relation to the United Kingdom’s Modern Slavery Act 2015, which is aimed at preventing slave labour and human trafficking.

Further, in fiscal 2021, based on the approval of the Board of Directors, NEC Australia Pty Ltd also published a declarative statement of its intention to comply with Australia’s Modern Slavery Act 2018.

- NEC Group Statement for Modern Slavery Acts
- Supply Chain Management

#### Raising the Awareness of Officers and Employees
NEC provides awareness-raising activities including training with all officers and employees responsible for respecting human rights, in order to deepen their awareness on respecting human rights and promote their understanding of global trends on human rights issues. The Group conducted the activities below in fiscal 2021.

**Awareness-raising Activities at NEC Corporation**

**Training to raise human rights awareness**
Every year, we conduct training on the theme of “Human Rights and Business” for employees. In fiscal 2021, in addition to this training, we conducted web training on harassment prevention in accordance with the June revision of the Labour Measures Comprehensive Promotion Act (commonly known as the “Power Harassment Prevention Act”).

- NEC Group Statement for Modern Slavery Acts
- Supply Chain Management

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**Number of People Completing Human Rights Awareness-raising Training**

<table>
<thead>
<tr>
<th></th>
<th>FY2019</th>
<th>FY2020</th>
<th>FY2021</th>
</tr>
</thead>
<tbody>
<tr>
<td>Companywide training¹</td>
<td>20,936</td>
<td>21,150</td>
<td>20,592</td>
</tr>
<tr>
<td>New employees</td>
<td>441</td>
<td>537</td>
<td>614‡</td>
</tr>
</tbody>
</table>

**Scope:** NEC Corporation

¹ Web training for all employees (“Human Rights and Business”) is held every year (attendance required), in principle. This training includes explanations of the NEC Group Human Rights Policy.

² In fiscal 2020, we conducted Companywide web training on Human Rights Issues in the AI and Biometrics Business and Key Points Relating to Compliance in Practice.

³ We began conducting this training online in fiscal 2021.

**Inclusion and Diversity**

For newly appointed department managers
We held training on ways to deal with incidences of bullying and harassment and related issues in the workplace.

For recruitment interviewers
We ensured that everyone had a clear understanding of points to be observed when introducing example cases and answering questions in order to maintain fair hiring decisions and equal opportunity in the workplace. The course was attended by approximately 800 people.

For managers
We conducted a program that deepens understanding of harassment risk from the viewpoint of compliance in relation to labour.

### Awareness-raising Activities at NEC Group Companies
- We held training on “Harassment and Human Rights” for newly appointed corporate officers of NEC Corporation and its affiliates in Japan, and 61 people attended.

#### Supply Chain Management “Internal Training and Awareness Raising”
- For the managers of the consultation desks of the Human Rights Hotline who work at NEC Corporation and its affiliates in Japan, we held a “Seminar on Companies and the Latest Trends in Human Rights,” which was conducted by Mr. Ryusuke Tanaka, an ILO Programme Officer.

- Mr. Ryusuke Tanaka’s Profile

#### Dialogue and Co-creation with Our Stakeholders
- Via internal newsletters and its intranet, NEC Europe shares human rights-related information on such matters as activities, know-how, and good examples of initiatives.

### Participation in Initiatives
NEC Corporation and NEC Europe participate in the Working Group on Human Rights Due Diligence run by the UNGC Local Network.

In fiscal 2020, we also became a member of BSR, which has a strong record of supporting responses to human rights issues in the global ICT industry. We acquire information on the latest trends and examples from...
seminars and study sessions, which inform our activities to improve and enhance initiatives on global human rights issues.

**Status of Grievances**

A total of 23 inquiries and consultations in Japanese and English were received by our Human Rights Hotline in 2021. These included issues involving harassment (14 regarding power harassment and four regarding sexual harassment) and other matters (five grievances). Of these issues, there were zero reports regarding forced labour or human trafficking.

Our Compliance Hotline enables employees to submit human rights-related reports in Japanese, English, Spanish, Portuguese, or Chinese to a third-party body.

Internationally, we have established basically the same systems as in Japan. In EMEA, we operate an operational grievance mechanism for all regional subsidiaries to file grievances both internally and externally. Suppliers’ concerns on potential human rights breaches can be reported either to an internal responsible business contact line or via an external 24/7 confidential reporting line.

In fiscal 2021, with respect to reports concerning human rights, after taking appropriate measures based on international standards, we had a third party investigate, and we then confirmed resolution.
Innovation Management

NEC has adopted “Relentless Pursuit of Innovation” as one of its Principles. The word “Innovation” here denotes more than technological innovation; it refers to the creation of social value through contributing to solutions for social issues. NEC provides value to society not only by managing innovation across entire value chains but also by strengthening technological capabilities and commercializing and rolling out products and services.

Policy

Under the direction of our Chief Technology Officer (CTO), we have formulated a technology strategy for the next stage of growth in social value innovation. We will continuously allocate approximately 4% of our revenue to R&D and make concentrated investments in NEC’s proprietary No. 1/Only 1 core technologies.

Further, we are promoting “ecosystem-oriented R&D” that encourages a fusion of inbound and outbound types of open innovation. We try to attract customers, start-ups, and venture capital companies by exposing our technologies at an early phase to incorporate complementary technologies and funds from them in order to accelerate our R&D activities.

In addition, we will actively promote packaging of common technologies based on R&D results, commercialization of technologies across our conventional business framework, and global open innovation, working to accelerate monetization of competitive technologies.

Ecosystem-enabled R&D Centered on NEC’s Latest Technologies

Expose NEC’s technologies externally at an early phase, taking in complementary technologies from start-ups and funds from customers/venture capital to accelerate R&D. Open innovation of an Inbound/Outbound fusion type.

Strategy

We will engage in the following strategies for NEC’s initiatives in technology development and business development, including intellectual property.

● Technology Development Strategy

At NEC Corporation, the CTO is responsible for overall technology development, optimizing development investment Companywide, drawing up an open innovation strategy, and formulating open innovation strategies and process design.

R&D is a source of technological development. NEC’s basic approach to R&D is to deliver value to society as quickly as possible by identifying the best solutions it should create for social issues presented in the SDGs and other guidelines, then efficiently and rapidly aligning the necessary technology assets to realize them. These technology assets include NEC’s No. 1/Only 1 core technologies that have been refined to a high level based on technology trends, as well as outstanding technologies actively incorporated from outside through open innovation.

We have set our investment in R&D at approximately 4% of revenue. To ensure that these investments are used effectively and efficiently, we are investing also in collaborations with external research institutions, in addition to concentrated investments in key business areas. In fiscal 2021, R&D expenses were 3.8% of revenue.

R&D Expenses

<table>
<thead>
<tr>
<th>(Billions  yen)</th>
<th>FY2016</th>
<th>FY2017</th>
<th>FY2018</th>
<th>FY2019</th>
<th>FY2020</th>
<th>FY2021 (Forecast)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ratio to revenue</td>
<td>4.1%</td>
<td>3.8%</td>
<td>3.7%</td>
<td>3.5%</td>
<td>3.8%</td>
<td>4.5%</td>
</tr>
</tbody>
</table>

Scope: The NEC Group

Advancing Social Value Innovation

- Utilizing cutting-edge technologies
- Creating market-ready products
- Realizing solutions for social issues
Concentrated Investment in Strong Technology Areas

We are concentrating investment in two areas of technology: data science and ICT platforms. NEC Corporation has many unique and competitive technology assets in these two areas, and we believe that continuously building strength in these areas will improve our competitive edge in delivering solutions for society.

In the data science field, we are working on AI and advanced real-world recognition that harmoniously assist humans in making complex decisions. At the same time, by predicting the future of increasingly multifaceted, fluid social systems, we are contributing to the DX of social systems as a whole. Further, we will move forward with R&D on common data infrastructure that ensures the secure, sustainable distribution of data.

In the ICT platform field, our R&D is focusing on creating innovative network technologies and sensor and computing technologies that have the remote capabilities and immediacy, robustness, and dynamism needed for further introducing DX in the computing and networking areas as well as the security area.

Moreover, as part of our concentrated investment in strong technology areas, we will continue to strengthen “NEC the WISE” as a cutting-edge AI technology brand, along with our Bio-IDiom brand for biometric authentication products.

“NEC the WISE” expresses our determination to address prominent and complex social issues by combining the many AI technologies of which NEC is proud.

The brand name “NEC the WISE” was derived from likening the many AI technologies that NEC boasts to “wise people.” The name expresses our hope that humans will be able to work seamlessly with various AI technologies, or “wise people,” and use the resulting next-level insights to help resolve increasingly complex social issues.

NEC has six biometric authentication technologies. In addition to world-leading face recognition, fingerprint and palmprint recognition, and iris recognition, we offer finger vein recognition, voice recognition, and ear acoustic recognition. All of our biometric authentication products are marketed under the Bio-IDiom brand. Moreover, one of NEC’s advantages is multimodal authentication—combining multiple biometric authentication technologies to achieve higher accuracy and greater convenience in personal authentication.

We take pride in our ability to provide completely new social value and user experiences by combining these AI, video analytic, and biometric authentication technologies. NEC will continue to invest intensively in world-leading biometric authentication and AI technologies.

Trustworthy AI That Works in Tandem with People to Maximize Their Capabilities “NEC the WISE” Solutions and Services

Biometric Authentication: Products & Solutions

Standardization Strategy

To increase business opportunities, NEC strategically engages in standardization activities that help make society more receptive to advanced technologies such as AI. In addition, we are reinforcing businesses by strengthening and utilizing standardization-related patents.

 Intellectual Property Strategy

At NEC Corporation, because intellectual property is regarded as an essential business resource supporting our Group’s competitiveness and stability, as well as for contributing to co-creation with our customers, we strive to strengthen and protect not only our patents and know-how but also the designs and trademarks that support our global brand.

To create and develop social value, we are not only building intellectual property-based barriers to entry and securing competitive advantage but also building and using our intellectual property portfolio to strengthen and protect collaborations with customers and partners.

We own some 46,000 patents worldwide (including approximately 21,000 Japanese patents) as of March 2021.

Business Development Strategy

We are promoting a transition into new business models that transcend existing business frameworks and the development of business from NEC’s core technologies.

We will realize significant social value and sustained growth through business development that establishes and implements new business models by taking social issues, in-house core technologies, or leading-edge business models as starting points, formulating hypotheses on issues, and then verifying the hypotheses through practical field testing.

Among these activities, NEC not only establishes businesses in-house but also promotes business development activities through various schemes, including joint ventures, spin-outs, and carve-outs.

Business Models Driven by Social Issues

NEC will collaborate with internal and external stakeholders to gain insights into such long-term megatrends as the SDGs. We will then apply future casting to generate hypotheses on the business fields that we should tackle, a process that we refer to as “Designs of the Future.” Lastly, we will reconfigure in-house assets and incorporate external assets in an endeavor to create businesses of the future.

Business Models Driven by In-house Core Technologies

In fields where new business models have yet to be established, NEC will use technologies that offer it opportunities to realize its core competence. Based on such technologies, and by adopting approaches to business development that are unconstrained by conventional in-house practices, we will rapidly create new businesses that have significant social value and which will become future mainstays.

Introduction of Leading-edge Business Models

Focusing on issues for which our existing portfolio does not provide customers with sufficient value, we will augment our portfolio by incorporating leading-edge business models created by venture companies. Furthermore, we will use these new business models to drive reform in our own business models.

In October 2020, NEC and Vista Equity Partners (Vista) jointly established SaaSpresto Ltd., which is developing a software as a service (SaaS) business for Japan’s market. Vista’s private equity portfolio includes more than 60 software companies, mainly in the United States, which provide SaaS technology products and solutions to more than 200 million users worldwide.

SaaSpresto was established as one of NEC’s DX initiatives. Aiming to help even more customers accelerate their DX, we are using the SaaS format to roll out the wide range of proven, high-quality cloud computing services—both industry-specific (vertical) and non-industry-specific (horizontal)—offered by Vista’s companies. In addition, we will help solve customers’ future issues by drawing on expertise in the United States and many other countries to provide services in anticipation of customer needs that have yet to become apparent in Japan.

NEC and Vista Equity Partners establish a joint venture and strategic partnership to aid digital transformation of businesses in Japan.
Social Value Design® from the Perspective of Individuals and Society

To create new social value, we need to illustrate what society should be in the future, for example, by creating a city vision from the corporate, government, and community points of view. To address these needs, it is imperative to find ways to increase the value of systems and services from a social perspective in addition to individual points of view. NEC has incorporated this way of thinking based on “Social Value Design” into the planning and development of new products and services and is thereby creating innovation.

Implementation Framework

NEC has created a CTO position to establish a Companywide perspective in its effort to optimize development investment Companywide, and link its corporate strategy with the planning of collaboration strategies with others. The CTO has overseen the establishment of a technology development promotion framework for examining and promoting technology development strategies in cooperation with business units and the Central Research Laboratories.

NEC is accelerating value creation and new business development. As part of these efforts, in April 2021 we integrated the R&D Unit and the Business Innovation Unit to establish the Global Innovation Unit. By integrating the R&D and engineering capabilities of the former R&D Unit with the business development capabilities of the former Business Innovation Unit, we are further accelerating the commercialization of technologies and promoting the creation of synergies through the lateral deployment of core infrastructure technologies.

In addition, NEC is accelerating R&D by deploying technologies outside the Company earlier and involving external partners. For example, NEC has established NEC X, Inc., which uses the Company’s personnel and technologies as the basis for advancing commercialization through open innovation in the Silicon Valley ecosystem. Other initiatives include our formation of a consortium of six companies from different industries to establish BIRD INITIATIVE, Inc., which is increasing the pace of new business creation through R&D based on co-creation.

Also, through collaboration with other units, the Global Innovation Unit is accelerating the establishment of businesses that capitalize on our core technologies to create social value.

Formation of a consortium of six companies from different industries to establish BIRD INITIATIVE, Inc., which is increasing the pace of new business creation through R&D based on co-creation

The Global Innovation Unit—Forming Unprecedented New Combinations That Drive Social Change—

The Global Innovation Unit is uniting R&D and business development activities to develop innovative businesses. By thinking outside the box and combining diverse expertise in new ways, the unit is creating new social value globally.

Also, our ongoing efforts to offer this new social value is advancing social implementation of trailblazing technologies and fostering a shared vision of the future.

R&D Bases Tasked with Creating Social Value Globally

With a view to leveraging the merits of a global network of bases to create No. 1/Only 1 technologies and formulating social solutions both for developed and emerging countries, we have established R&D bases in Japan, North America, Europe, China, India, Israel, and Singapore, as shown in the chart below.

Intellectual Property Management Division: Strengthening NEC’s Intellectual Property Capability

With our sights set on global business expansion, we have established intellectual property centers in North America, Europe, and China, which focus efforts on building our intellectual property portfolio. Moreover, for its social solutions businesses, NEC is implementing Groupwide projects focused on strategic patents to acquire strong, utilizable patents. With these patents as a core, we will establish a comprehensive IP portfolio that encompasses all of our businesses. In terms of strengthening and protecting our global brand, we are ensuring the proper communication of our corporate brand statement and the protection of rights.

Human Resource Development and Training

In promoting innovation management, we consider human resources to be the source of innovation.

NEC is working to attract leading researchers by providing ample opportunities for active roles and remuneration. In 2015, we introduced the post of research fellow, which has no upper limit on compensation. In 2019, we introduced the Selective Compensation Program for Professional Researchers, with no upper limit on compensation for non-managerial employees, in our effort to acquire and develop top-level R&D talent.
In addition, as our focus shifts from manufacturing to the creation of intangible value, we are actively working to develop personnel who can use NEC Corporation’s core technologies to create new businesses.

In April 2020, certain personnel with high levels of expert knowledge and ability in certain fields outside of technology and research, and who contribute to the Company’s business by demonstrating the ability to make an impact in and outside the Company, were appointed to a new officer class professional position—“corporate executive.”

Developing Human Resources Who Can Use Core Technologies to Create Social Value

To create social solutions businesses, we need to cultivate and strengthen researchers who not only have specific core technology expertise but also possess broad and diverse domain knowledge as well as a business mindset. To broaden our scope on the creation of new value, we are working on strengthening the development of global human resources, bolstering efforts to hire domain specialists, and developing leaders who are equipped with the business acumen to drive business forward. Aiming to strengthen our human resources tasked with tackling advanced global issues, we are implementing measures to raise the percentage of researchers with global business experience to 70%.

In the creation of social solutions businesses, it is also necessary to have not only specialist knowledge of specific technologies but also wide-ranging knowledge of the social issue domains where these technologies will provide value to society. We are therefore also strengthening and accelerating our mid-career recruitment programs.

We are also endeavoring to accelerate the realization of social solutions businesses by strengthening the ability of our in-house human resources to promote business development through the exchange of personnel between our business and research divisions. In particular, in AI technologies and security technologies we conduct training of human resources by top engineers and nurture project leaders and technology architects through personnel exchange in order to strengthen business development capabilities. By integrating technological and social viewpoints through the introduction of the new Global Innovation Unit in fiscal 2022, we have adopted an organizational structure that facilitates and expedites business incubation.

At the same time, NEC is working to develop human resources who will lead the commercialization of core technologies. In fiscal 2018, we established the role of “business designer” to create new businesses and support their acceleration. We also established the Business Designer HRM (Human Resource Management) Promotion Committee made up of general managers of divisions responsible for business development of the Global Innovation Unit and each business unit. The committee defines the skill set of a business designer and establishes training systems, as well as formulating measures for rotation and expert specialist qualifications. By implementing and improving these measures, NEC Corporation will develop human resources who will bolster its business development capabilities.

Human Resource Development Aimed at Strengthening Core Technologies and Enhancing Diversity

To reinforce our researchers in key areas, we have been working at the Central Research Laboratories to further bolster the research teams working in the fields of data science, security, biometrics, and networks. Our international research laboratories are actively recruiting top local talent while our research labs in Japan are continuing to step up recruitment of doctoral degree holders.

In fiscal 2022, we will continue with our policy of hiring applicants with PhDs at around 30% of new hires, and we will be recruiting more graduates from leading international graduate schools such as the Indian Institute of Technology. As a result of these policies, 20%–30% of our new recruits have comprised “global human resources” over the past few years.

We are also instituting organizational reforms that will facilitate major innovations by engaging in multifaceted and mutually respectful discussions with specialists in a wide range of fields, regardless of their gender or nationality.

For example, for Japanese researchers, we are promoting a shift to global human resources by using training programs inside and outside NEC, such as assignment to U.S. graduate schools to undertake research and work-study programs and training abroad in emerging countries in cooperation with NPOs. We are also strengthening recruitment not only in information science but also in the physical sciences, which provide excellent training in the proper processing and use of data. Likewise, we are also strengthening recruitment of diverse talent in the humanities, law, and other fields to realize solutions to issues based on cooperation between humans and AI.

Open Innovation

To expand the scope of value for social value creation, we are actively promoting open innovation with research institutions around the world, as well as commercialization partners, start-ups, and others. By promoting collaboration with external partners and specialist institutions, we envisage the development of the technologies needed for new businesses that are difficult for NEC Corporation to develop alone, as well as our vision for the future, and then backcast from there to study the key business areas in the next generation.

NEC releases “WISE VISION Endoscopy” in Europe and Japan

NEC and D-Wave Begin Joint Quantum Product Development, Marketing and Sales

NEC, NICT, and ZenmuTech use quantum cryptography to encrypt, transmit, and back up electronic medical records

Measures and Main Fiscal 2021 Activities

Major Research Achievements for No. 1/Only 1 Core Technologies

NEC face recognition engine provides highly accurate results even when face masks are worn

NEC develops touchless, multimodal biometric authentication terminal with the world’s highest level of precision

NEC publishes design blueprints for SARS-CoV-2 vaccines using its Artificial Intelligence technology

Results of Intellectual Property Activities

NEC participates in various patent pools and is building a system to provide its patents to industries in a form that is easier to use.

For details of the results of NEC’s intellectual property activities, please refer to the following.

NEC Receives the Top 100 Global Innovator Award for a 10th Consecutive Year from Clarivate Analytics (Formerly Thomson Reuters) (Clarivate Analytics website)
Dialogue and Co-creation with Our Diverse Stakeholders

Values are constantly changing for our customers and society. To supply products and services that deliver real value, NEC needs to incorporate processes for dialogue and co-creation with stakeholders into its corporate activities.

Our commitment to promoting dialogue and co-creation with stakeholders is embedded in the concept of "Orchestrating" stated in our Purpose, "Orchestrating a brighter world" within the NEC Way. The following are examples of the main dialogue and co-creation that we conducted in fiscal 2021.

<table>
<thead>
<tr>
<th>Themes and Objectives</th>
<th>Communication Method</th>
<th>Reference</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Themes and Objectives</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Customers</td>
<td>• Contribution to resolving social issues through business activities</td>
<td>• CS activities</td>
</tr>
<tr>
<td></td>
<td>• CS activities aligned to customer characteristics</td>
<td>• Advertising, PR</td>
</tr>
<tr>
<td></td>
<td>• Disclosure of appropriate information about products and services</td>
<td>• Holding of NEC Visionary Week</td>
</tr>
<tr>
<td>Shareholders and investors</td>
<td>• Timely, appropriate provision of information</td>
<td>• Financial results presentation meeting (quarterly)</td>
</tr>
<tr>
<td></td>
<td>• Promotion of understanding of the Company, acquisition of feedback from capital markets</td>
<td>• IR events</td>
</tr>
<tr>
<td></td>
<td>• ESG activity reports and exchanges of opinions</td>
<td>• IR tools (integrated report, business report, etc.)</td>
</tr>
<tr>
<td>Business partners</td>
<td>• Strengthening of partnerships</td>
<td>• Partner exchange meetings</td>
</tr>
<tr>
<td></td>
<td>• Construction of better supply chains</td>
<td>• Document reviews</td>
</tr>
<tr>
<td></td>
<td>• Fair procurement activities</td>
<td>• Declaration of commitment to Guidelines for Responsible Business Conduct in Supply Chains</td>
</tr>
<tr>
<td>Employees</td>
<td>• Understanding the status of employee engagement</td>
<td>• One NEC Survey (annual)</td>
</tr>
<tr>
<td></td>
<td>• Exchange of opinions between employees and management</td>
<td>• Holding of the NEC Way Day</td>
</tr>
<tr>
<td></td>
<td>• Human resource development and evaluation</td>
<td>• One-on-one meetings between supervisors and team members</td>
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<tr>
<td></td>
<td>• Promoting appropriate treatment and occupational health and safety</td>
<td>• Labour-management councils</td>
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<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>United Nations and International Institutions, National and Local Governments</td>
<td>• Sustainable growth of society and companies</td>
<td>• Participation in global initiatives for strengthening sustainability</td>
</tr>
<tr>
<td></td>
<td>• Sustainable development of international society and contribution to the SDGs</td>
<td>• UN Global Compact, joined international NGO BSR, joined RE100, participated in various working groups</td>
</tr>
<tr>
<td></td>
<td>• Compliance with laws and regulations</td>
<td>• Public-private sector collaboration projects</td>
</tr>
<tr>
<td>NPOs and NGOs, Civil Society</td>
<td>• Understanding feedback from society</td>
<td>• Stakeholder dialogue</td>
</tr>
<tr>
<td></td>
<td>• Co-existence with local communities</td>
<td>• NEC Social Entrepreneurship School</td>
</tr>
<tr>
<td></td>
<td>• Development of young social entrepreneurs</td>
<td></td>
</tr>
<tr>
<td>Students</td>
<td>• Understanding feedback from society</td>
<td>• Consultation</td>
</tr>
<tr>
<td></td>
<td>• Supporting the learning of the next generation</td>
<td>• e-Net-Caravan</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Website</td>
</tr>
</tbody>
</table>

* Efforts to inspect sustainable procurement requirements and accumulate records during daily visits to procurement partners
Environment

27 What Should NEC Do to “Create Businesses That Contribute to the Environment”? Dialogue
28 Achievement of Fiscal 2021 Targets
29–33 Medium- to Long-term Targets
34–38 NEC Environmental Policy and Environmental Management
39–43 Response to Climate Change
44 Water Risk Management and Effective Water Usage
45–49 Resource Circulation and Pollution Prevention Initiatives
50 Initiatives for Biodiversity
51 Overview of Environmental Impact
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

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

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.

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.

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.

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

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

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 the 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.

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.

Investments in environmental policies in Europe and the United States, which have already been announced, are in contrast to 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

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.

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 resonates 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).

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

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.
Achievement of Fiscal 2021 Targets

NEC Group Environmental Management Action Plan 2020/2030

We are moving forward with initiatives aimed at realizing the NEC Group Environmental Management Action Plan 2020/2030. Formulated in July 2016, the plan sets long-term targets for environment-oriented business management and has climate change countermeasures at its core. Thanks to its concerted efforts, the Group was able to achieve all targets set for the milestone year of fiscal 2021.

The Group contributed to a 26.55 million-ton reduction in CO₂ emissions in society as a whole through increased provision of IT solutions, including the iStorage HS8 series, the UNIVERGE PF series, and the ULTRAFOX logistics solution. In addition, we achieved a 65.0% improvement in the overall energy efficiency of our products thanks to improvements in such products as mobile infrastructure equipment and internet provider network equipment. As for climate change readiness, with preparations for weather-related disasters proceeding throughout society, we were able to provide 23.60 million tons of value in terms of CO₂* emissions by providing more emergency communication and safety confirmation systems.

Also, we successfully reduced our own CO₂ emissions intensity by accelerating our measures through the acquisition of Science Based Targets certification, which resulted in a rise in the use of renewable energy that significantly surpassed our target.

* Based on the upward trend in greenhouse gas (CO₂, etc.) emissions and the upward trend in the effect of climate change (natural disasters, health hazards, etc.), a correlation is found for each risk, and the magnitude of damage and costs that could potentially be mitigated by the use of ICT is converted into an amount of contribution to the reduction of CO₂ emissions.

Progress of NEC Group Environmental Management Action Plan 2020/2030

Goals of Climate Change Countermeasures up until Fiscal 2021

The 2020 Climate Change Countermeasure Goals

In July 2014, NEC quantified the social value of its contribution to climate change countermeasures and set a target of contributing to a five-fold reduction in CO₂ emissions relative to the total CO₂ emissions of the Group’s supply chains by fiscal 2021. To this end, in fiscal 2021 we not only reduced the environmental footprint (total CO₂ emissions) throughout our supply chains (Scope 1, 2 and 3) but also contributed to mitigation of (reduction of greenhouse gas emissions) and adaptation to (preparation for the impact of) climate change (global warming) through the provision of Solutions for Society in the form of advanced ICT-enabled social infrastructure.

In fiscal 2021, we surpassed our goal by contributing to a 7.7-fold reduction in CO₂ emissions relative to our Scope 1, 2, and 3 CO₂ emissions. We believe that this achievement resulted from our inclusion of concrete targets in the NEC Group Environmental Management Action Plan 2020/2030 and our stepped up efforts to provide solutions that help both in mitigating and adapting to climate change.
Medium- to Long-term Targets

Course of Action for Climate Change Toward 2050

Globally, NEC is forging ahead with Solutions for Society that create social value in the form of safety, security, fairness, and efficiency. To support these efforts, in July 2017 we formulated guidelines for climate change countermeasures based on a long-term perspective that extends forward to 2050. We have established these guidelines based on the belief that in realizing a sustainable society, preparation for worldwide decarbonization and the regional effects of climate change will become increasingly important. Specifically, regarding both mitigation of and adaptation to climate change, we have set out the following four points to show how we will advance the establishment of a sustainable management base and co-creation that helps realizing a sustainable society.

• Aiming for zero CO₂ emissions from supply chains
• Strict countermeasures against climate change risks in supply chains
• Realizing a low-carbon society as a goal for the planet
• Realizing a safe, secure society that is resilient to climate change risks

The aforementioned points summarize a commitment to strengthening our management base to make it more sustainable and to co-creating a sustainable society with our customers as we move toward 2050.

With regard to “aiming for zero CO₂ emissions from supply chains,” NEC has declared that it will reduce CO₂ emissions from its business activities (Scope 1 and 2) to effectively zero by 2050 by reducing energy consumption through the use of the latest, most advanced energy-saving technologies and by increasing the introduction of renewable energy.

Course of Action for Climate Change Toward 2050

II. Achieving sustainable society by collaboration

<table>
<thead>
<tr>
<th>&quot;Mitigation&quot; of climate change</th>
<th>&quot;Adaptation&quot; to climate change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Realizing a low-carbon society as a goal for the planet (Keeping global average temperature rise between 1.5°C and less than 2°C)</td>
<td>Realizing a safe, secure society that is resilient to climate change risks</td>
</tr>
<tr>
<td>Aiming for zero CO₂ emissions from supply chains</td>
<td>Strict countermeasures against climate change risks in supply chains</td>
</tr>
</tbody>
</table>

I. Building sustainable management foundation
NEC Environmental Targets 2030

We have established the NEC Environmental Targets 2030 as targets to be reached through environment-oriented business management by 2030. We established these new targets after taking into account external trends and the fact that we reached the milestone-year targets of fiscal 2021, which were set under the NEC Group Environmental Management Action Plan 2020/2030; achieved the 2020 Climate Change Countermeasure Goals; and revised the NEC Way.

NEC Environmental Targets 2030 calls on the Company both to continuously reduce (minimize) its own environmental footprint and risks and to increase (maximize) its contribution through businesses. In response to growing social expectations with respect to climate change countermeasures such as the pursuit of carbon neutrality, we have increased the stringency of our Science Based Targets for climate change countermeasures from the “well below 2°C” goal to an alignment with the “1.5°C” goal, and we are redoubling efforts to reduce environmental footprint and risks throughout our supply chains. Further, NEC will increase environmental contributions through its businesses by providing value not only in the area of climate change countermeasures (mitigation and adaptation), which has been the focus of initiatives, but also in relation to a broader range of environmental issues, including the realization of a circular economy, water and food safety, and protection of biodiversity.

Aiming to achieve NEC Environmental Targets 2030, NEC has backcasted from the targets to prepare the NEC Eco Action Plan 2025, a five-year action plan that the whole NEC Group is advancing.

*1 Keeping the rise in global temperatures versus pre-industrial levels well below 2°C

### NEC Environmental Targets 2030

#### Continued reduction of NEC’s environmental impact and risks (minimization)

NEC will continue to be oriented toward a sustainable society by reducing environmental load across the entire supply chain and by vigorously implementing environmental risk and compliance measures.

<table>
<thead>
<tr>
<th>Major KPIs</th>
<th>SBT*2 1.5°C</th>
<th>RE100*3</th>
<th>Reduction of CO₂ emissions in the supply chain</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Reduce emissions by 55% compared with FY2018</td>
<td></td>
<td>33% compared with FY2018</td>
</tr>
</tbody>
</table>

#### Expand contributions from business activities (maximization)

NEC will utilize ICT innovation to help realize a decarbonized society, to implement measures to protect against global warming, and to resolve issues related to food and water safety, etc.

<table>
<thead>
<tr>
<th>Major KPI</th>
<th>Sales from environmental contribution-related business, expansion of environmental value</th>
</tr>
</thead>
</table>

*2 Science Based Targets (SBT): Corporate CO₂ emissions reduction targets that are in scientific agreement with the global target of the Paris Agreement.
*3 An international initiative that aims for companies to use 100% renewable energy for their businesses
NEC’s SBTs

Worldwide, Science Based Targets (SBTs) are being set with the aim of achieving the Paris Agreement. In 2017, NEC committed to the use of such targets for its greenhouse gas emissions reductions. Subsequently, our targets were certified as SBTs by the Science Based Targets Initiative in 2018 and aligned with the “well below 2°C” goal of the new standard in 2019.

Furthermore, to accelerate decarbonization, NEC increased the stringency of its Scope 1 and 2 targets from the “well below 2°C” level to the “1.5°C” level in May 2021. Consequently, our 2030 greenhouse gas emissions reduction target has risen from 33% to 55%. Having aligned our targets with the “1.5°C” level, we will progress steadily toward the realization of effectively zero greenhouse gas emissions by 2050.

In addition, aiming to reduce greenhouse gas emissions from our supply chains, we have set targets in Scope 3, Category 1 (purchased goods and services), Scope 3, Category 3 (fuel- and energy-related activities not included in Scope 1 or Scope 2), and Scope 3, Category 11 (use of sold products). In partnership with our suppliers and customers, we will reduce greenhouse gas emissions.

NEC Eco Action Plan 2025

The NEC Eco Action Plan 2025 is a five-year plan designed to enable the achievement of the Course of Action for Climate Change Toward 2050 and NEC Environmental Targets 2030.

Priority Activities

We selected 11 priority activities based on the following three goals.

1. Reduce own risks and footprints
2. Increase contributions through businesses
3. Build foundations to promote environmental management

RE100

In May 2021, NEC joined RE100, which aims for a significant increase in the use of renewable energy globally. An initiative run based on a partnership between the international NGOs The Climate Group and CDP, RE100 comprises companies that aim to use only electricity derived from renewable energy.
1. Reduce own risks and footprints
We have set CO2 emissions reduction targets with the aim of steadily moving toward achievement of SBTs and RE100. Also, we will continue reducing our environmental footprints and risks in relation to water and waste.

<table>
<thead>
<tr>
<th>Themes</th>
<th>Indicator</th>
<th>FY2026 Targets</th>
</tr>
</thead>
<tbody>
<tr>
<td>Reduction of CO2 emissions</td>
<td>In-house</td>
<td></td>
</tr>
<tr>
<td>Reduction of emissions</td>
<td>Reduce total emissions (absolute value) (SBT)</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Reduction rate of energy-derived CO2 emissions (absolute value)</td>
<td>– 33.6%</td>
</tr>
<tr>
<td></td>
<td>compared with FY2018</td>
<td></td>
</tr>
<tr>
<td>Supply chain</td>
<td>Expand use of renewable energy</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Amount of electric power used from renewable energy</td>
<td>78,000 MWh</td>
</tr>
<tr>
<td>Reduce Category 1 emissions</td>
<td>Reduce Category 1 emissions (SBT)</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Reduction rate of energy-derived CO2 emissions from purchased goods and</td>
<td></td>
</tr>
<tr>
<td></td>
<td>services (compared with FY2018)</td>
<td>– 6.0%</td>
</tr>
<tr>
<td></td>
<td>Improvement rate of product energy efficiency</td>
<td>90.0%</td>
</tr>
<tr>
<td></td>
<td>(compared with FY2014 products)</td>
<td></td>
</tr>
<tr>
<td>Reduce water usage</td>
<td>Reduction rate (compared with FY2019)</td>
<td>– 3.5%</td>
</tr>
<tr>
<td>Reduce waste emissions</td>
<td>Reduction rate (compared with FY2019)</td>
<td>– 4.8%</td>
</tr>
</tbody>
</table>

2. Increase contributions through businesses
We aim to create a virtuous cycle of business growth and increased contribution by increasing the sales (green revenue) of businesses that benefit the environment. To this end, we are clarifying the environmental value of existing businesses and creating solutions that are focused on environmental issues.

<table>
<thead>
<tr>
<th>Themes</th>
<th>FY2026 Targets</th>
</tr>
</thead>
<tbody>
<tr>
<td>Create a system to expand environmental value (reducing CO2 emissions</td>
<td>Determine businesses that contribute to environmental value and set FY2031</td>
</tr>
<tr>
<td>(reducing CO2 emissions by promoting DX among customers, etc.) and</td>
<td>targets.</td>
</tr>
<tr>
<td>sales from environmental contribution-related business (green</td>
<td></td>
</tr>
<tr>
<td>revenue, etc.)</td>
<td></td>
</tr>
<tr>
<td>Manage environmental business assets and encourage eco appeal</td>
<td>Update environmental business assets</td>
</tr>
<tr>
<td></td>
<td>on an annual basis</td>
</tr>
<tr>
<td>Create new environmental solutions and create new themes for R&amp;D</td>
<td>Hold environmental business study workshops</td>
</tr>
</tbody>
</table>

3. Build foundations to promote environmental management
To raise the environmental awareness of each of our employees, we will ensure they receive environmental education.

<table>
<thead>
<tr>
<th>Theme</th>
<th>Indicator</th>
<th>FY2026 Target</th>
</tr>
</thead>
<tbody>
<tr>
<td>Increase environmental</td>
<td>Environmental education</td>
<td>Japan</td>
</tr>
<tr>
<td>awareness among all employees</td>
<td>class attendance rate</td>
<td>95% or more</td>
</tr>
<tr>
<td></td>
<td></td>
<td>International</td>
</tr>
</tbody>
</table>
Management Items

In addition to priority activities, we are tackling the following management tasks.

<table>
<thead>
<tr>
<th>Areas</th>
<th>Themes</th>
<th>Management Contents</th>
<th>Targets</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>1 Reduction rate of energy usage (consumption intensity)</td>
<td>Achieve 1% decrease year on year</td>
</tr>
<tr>
<td></td>
<td></td>
<td>2 Reduction rate of energy usage intensity from logistics</td>
<td>Achieve 1% decrease year on year</td>
</tr>
<tr>
<td></td>
<td></td>
<td>3 Zero emissions</td>
<td>Continue to meet target</td>
</tr>
<tr>
<td></td>
<td>Preventing global warming</td>
<td>4 Amount of paper purchased (copy paper, EDP paper)</td>
<td>Maintain or reduce levels from FY2006 (by subsidiary)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>5 Reuse of collected used products</td>
<td>Achieve reuse rate of 90% or more</td>
</tr>
<tr>
<td></td>
<td>Promoting effective use of resources</td>
<td>6 NOx and SOx emissions</td>
<td>Reduce by 1% or more compared with FY2018</td>
</tr>
<tr>
<td></td>
<td></td>
<td>7 BOD and COD emissions</td>
<td>Reduce by 1% or more compared with FY2018</td>
</tr>
<tr>
<td></td>
<td>Preventing pollution (air and water quality)</td>
<td>8 Amount of chemical substances purchased</td>
<td>Reduce by 1% or more compared with FY2018</td>
</tr>
<tr>
<td></td>
<td>Reducing chemical substance usage</td>
<td>9 VOC emissions</td>
<td>Reduce by 1% or more compared with FY2018</td>
</tr>
<tr>
<td></td>
<td>Legal compliance (for notification, reporting, and emissions)</td>
<td>10 Chemical substance balance management</td>
<td>Achieve 100% implementation rate</td>
</tr>
<tr>
<td></td>
<td>Compliance with RoHS rules</td>
<td>11 Chemical substance purchasing regulations</td>
<td>Achieve 100% implementation rate</td>
</tr>
<tr>
<td>Risk countermeasures</td>
<td></td>
<td>12 Conformance status of all products</td>
<td>Achieve 100% compliance</td>
</tr>
<tr>
<td></td>
<td>Environmental assessments</td>
<td>13 Preliminary evaluation of chemical substances and new waste/assessment of manufacturing methods</td>
<td>Achieve 100% implementation rate</td>
</tr>
<tr>
<td></td>
<td></td>
<td>14 Environmental assessments when constructing or removing factories and buildings</td>
<td>Achieve 100% implementation rate</td>
</tr>
<tr>
<td></td>
<td>Hardware products</td>
<td>15 Percentage of devices that do not use brominated flame retardant in their plastic casing</td>
<td>Achieve rate of 95% or more</td>
</tr>
<tr>
<td></td>
<td>Software products</td>
<td>16 Percentage of devices that use eco-plastics in their plastic casing</td>
<td>—</td>
</tr>
<tr>
<td></td>
<td></td>
<td>17 Continued acquisition of Eco Symbol Star certification</td>
<td>Achieve 100% implementation rate</td>
</tr>
<tr>
<td></td>
<td></td>
<td>18 Implementation rate of environmental assessments</td>
<td>Achieve 100% implementation rate</td>
</tr>
<tr>
<td></td>
<td></td>
<td>19 Implementation rate for products subject to environmental impact evaluation</td>
<td>Achieve 100% implementation rate</td>
</tr>
<tr>
<td></td>
<td>Hardware and software</td>
<td>20 Applications for Eco Symbol Star certification</td>
<td>—</td>
</tr>
<tr>
<td></td>
<td></td>
<td>21 Promotion of proposals with eco-related appeal</td>
<td>—</td>
</tr>
<tr>
<td></td>
<td>Environmental communication</td>
<td>22 Number of publicity campaigns/activities</td>
<td>—</td>
</tr>
<tr>
<td></td>
<td>Promoting contribution to local communities</td>
<td>23 Number of local community activities</td>
<td>—</td>
</tr>
<tr>
<td></td>
<td>Biodiversity</td>
<td>24 Number of conservation measures carried out in cooperation with experts and local NPOs</td>
<td>Conduct 10 or more activities per year</td>
</tr>
</tbody>
</table>
NEC Environmental Policy and Environmental Management

Approach to the Environment and Structure

As part of its corporate social responsibility activities, NEC seeks to reduce environmental impacts in its own business activities. At the same time, the Company conducts environment-oriented management that helps reduce the environmental footprint of society as a whole through the provision of products and services. Also, to promote environment-oriented management Group-wide—including NEC on a nonconsolidated basis, affiliated companies in Japan and international, production bases, and research facilities—the Company has, established the NEC Environmental Policy, which sets out action guidelines. Moreover, we rigorously ensure that all actions of employees and corporate officers comply with this policy. Further, we require all business partners, contractors, and other stakeholders engaged in our supply chains to behave in a manner consistent with relevant guidelines and agreements.

Environmental Management System

- **Environmental Audit and ISO 14001 Inspection**
  NEC has established a Group-wide environmental management system based on ISO 14001.
  Each Group company conducts in-house environmental audits while the Environmental Promotion Division conducts audits of environment-oriented management. The latter audits are conducted by specialized auditors, including certified ISO 14001 auditors. Audits of environment-oriented management focus in particular on the relationship between each division’s operations and the environmental strategy, progress of environmentally considerate product development, environmental impact reduction, risk management, and monitoring of overall environmental activities such as ISO 14001 conformance, including examination of the effectiveness of the internal environmental audits.
  The results of these audits are verified through ISO 14001 audits undertaken by an external investigative body, which uses net audits*1 and alternative audits.*2

NEC Environmental Policy

NEC views the operation of business in harmony with the environment as one of its top priority issues and is committed to reducing the environmental impact of the entire global supply chain and contributing to a sustainable society.

1. We will create social value focused on delivering ICT solutions and services leveraging advanced technologies to contribute to their adaptation, and we will contribute to the reduction of the environmental burden on customers and the global environment and to the mitigation of the impacts of climate change.
2. We will assess the environmental impact throughout the entire lifecycle of ICT solutions and service development with considerations for reducing environmental burden.
3. We will comply with environmental laws and regulations associated with our business activities, honor agreements with stakeholders, and strive to conserve energy, save resources, and prevent environmental pollution caused by chemical substances and waste along the entire supply chain.
4. We will prioritize the procurement of environmentally friendly hardware, software, and services.
5. We will disclose environmental information regarding our business activities, ICT solutions and services to our stakeholders.
6. We will raise the environmental awareness of each and every one of our employees worldwide and contribute to the conservation of the global environment through the promotion of climate change action, resource circulation, and biodiversity.
7. We will strive to improve an environmental management system with environmental targets and conduct periodic reviews to realize continual improvement.

ISO 14001 Certification

As of April 2021, NEC and 38 Japanese and International affiliated companies operate environment management systems and have acquired certification.

ISO 14001:2015 Certification (as of April 2021)

<table>
<thead>
<tr>
<th>Category</th>
<th>Manufacturing</th>
<th>Non-manufacturing</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Japan</td>
<td>9</td>
<td>21</td>
<td>30</td>
</tr>
<tr>
<td>International</td>
<td>2</td>
<td>6</td>
<td>8</td>
</tr>
<tr>
<td>Total</td>
<td>11</td>
<td>27</td>
<td>38</td>
</tr>
</tbody>
</table>

*1 Via the internet, an investigative body accesses NEC’s documents and management systems to conduct a digital audit of regulations and records.
*2 An alternative system that is a recognized part of the ISO inspection system for auditing the internal environment. This internal environment auditing system consists of high-quality auditors, auditing systems, and evaluation tools.

Further, due to the discontinuation of the international standards for net audit and alternative audit systems, beginning from fiscal 2022 NEC plans to receive new integrated certification for the Group.

Our Environmental Audit System (fiscal 2021)

The auditing agency conducts an electronic audit of regulations and various records by accessing NEC’s document management system via the internet.

A witnessed audit of environmental management.

An audit directly conducted by the auditing organization.

External Audits (ISO 14001 Audits)

Net-based Verification Audit

Witnessed Audits

Verification Audits
ESG strategies and measures that are aimed at creating social value and environmental value that the Group provides through its businesses.

Framework for Climate Change Countermeasures
In relation to climate change, the Environmental Management Promotion Council conducts deliberations on and formulates the NEC Environmental Policy and targets. The council comprises managers responsible for promoting environmental measures in each business division. The executive officer responsible for environment-related matters confirms the council’s proposals and reports them to the Business Strategy Council, an organization that is further up the organizational hierarchy and which provides approval at the corporate level. Risks related to climate change are also shared at the Environmental Management Promotion Council. The executive officer responsible for environment-related matters confirms those risks that could have a significant impact on businesses and, as necessary, reports to the Risk Control and Compliance Committee in accordance with the risk management process.

Risks and opportunities that could significantly affect businesses are also reported to the Board of Directors, as necessary. When such reports are received, the Board of Directors conducts deliberations and then provides instructions on measures, thereby realizing supervision that ensures that NEC advances appropriate climate change countermeasures.

In fiscal 2021, the Business Strategy Council deliberated on reformulating targets to reflect a “1.5°C” SBT, joining RE100, and preparing a plan for the increased use of renewable energy in accordance with said new targets.

These matters were then reported to and discussed by the Board of Directors, which approved a concrete promotion plan that included investment.

In addition, as part of our climate change countermeasures, we are advancing Group-wide measures to reduce our in-house CO2 emissions by addressing specific aspects of the issue through three special committees: the NEC Group Energy-saving Discussion Working Group, the Energy-Saving Promotion Staff Conference, and the Global Warming Logistics Liaison Conference. By reporting and submitting proposals to the Environmental Management Promotion Council, these special committees facilitate the Group-wide pursuit of energy-saving initiatives. To ensure all employees are fully informed of matters determined by the council, its directives and reports are issued through the committees of each business division and business site.

Environmental Training
Aiming to realize the Purpose of the NEC Way, we heighten employees’ environmental awareness through environmental education that targets specific business divisions and employee ranks.

Environmental Training for All Employees (Web-based Training)
Annually, NEC conducts environment-related web-based training for all employees. In fiscal 2021, we held environment-related seminars in five languages and in 40 countries and regions. Employee participation was 98.0% in Japan, surpassing our 95.0% target, and 86.0% international, exceeding our target of 80.0%.

Training of Environmental Auditors
Auditor training is provided every year to NEC environmental auditors in groups on law revisions, audit policy, and other matters. In fiscal 2021, to prevent the spread of COVID-19, we adopted a self-study format and conducted the program based on the use of special equipment.

Environment Month
June of each year is designated as “Environment Month,” with the intention of ensuring environmental awareness among all employees and encouraging them to take individual action on the environment. In fiscal 2021, under the theme of the environment around us, we held online lectures on food loss, film screenings, dialogues on the environment, and a traditional Japanese poetry competition themed on the environment.
Environmental Risks

● Risk Management and Systems
Recognizing the impact that such environmental risks as climate change and pollution by hazardous substances could have on its businesses, NEC conducts risk reduction and prevention activities through assessment, inspection, and education.

We classify risk countermeasures under three risk categories: plant-related risks, product-related risks, and sales and maintenance-related risks. In the first category, countermeasures for plant-related risks cover risks related to leaks of hazardous substances, soil contamination, and groundwater contamination caused by natural disasters or equipment failure. To help prevent such environmental accidents, we conduct prior environmental risk assessments as well as education and training. In the second category, countermeasures for product-related risks are focused on risks such as the inclusion in products of substances regulated by the Restriction of Hazardous Substances (RoHS) Directive and violations of labeling regulations. To address such risks, we conduct product assessments to ensure strict compliance with guidelines and use in-house systems to implement centralized management of information. As for the third category, countermeasures for sales and maintenance-related risks are aimed at mitigating such risks as violations of the Waste Management and Public Cleansing Act due to inadequate consignment of waste treatment. Our countermeasures include efforts to ensure compliance by issuing guidelines on waste and regularly conducting education for sales department personnel. In conjunction with these efforts, we have established the Environmental Escalation Manual for Emergencies to strengthen our governance of environmental risks.

Our risk management system includes the Risk Control and Compliance Committee. If a risk is identified that may have a significant effect on businesses, the Risk Control and Compliance Committee delib-erates on countermeasures. The committee fulfills a supervisory function for specific risk measures by checking the results of activities, problems, and future plans and by issuing directives on where measures should focus. Further, reports are submitted to the Executive Committee and the Board of Directors, as necessary.

- Risk Management for Waste
- Risk Management for Chemical Substances
- Risk Management for Supply Chains

● Legal Violations, Accidents, and Complaints
Since fiscal 1999, NEC has used its website to disclose any fines or penalties levied on the Company in relation to the environment. As in the previous fiscal year, in fiscal 2021 NEC was not subject to any fines or penalties related to the environment inside or outside the Company. In fiscal 2021, there were no accidents that affected the areas beyond the perimeters of our sites, there were 12 environmental accidents that were contained within our sites, and no complaints were received.

- Risk Management for Waste
- Risk Management for Chemical Substances
- Risk Management for Supply Chains

● Prevention Activities: Group-wide Dissemination of Information on Near-misses
Since the latent causes of environmental accidents are present in minor accidents, we thoroughly investigate their causes and implement technological countermeasures even for minor incidents at the near-miss level. NEC’s findings are then passed on to affiliated companies in Japan and internationally, and corrective measures are checked. In this way, we advance accident prevention.

- Risk Management for Waste
- Risk Management for Chemical Substances
- Risk Management for Supply Chains

● Soil
Among the substances covered by the Soil Contamination Countermeasures Act, NEC completely discontinued the use of the VOCs trichloroethylene and tetrachloroethylene in 1998 and 1,1,1-trichloroethane in 1993. Further, as far as possible NEC has continued to conduct independent soil surveys at all NEC Group companies.

In fiscal 2021, in response to the introduction of more-stringent reference values to the ordinances of the Soil Contamination Countermeasures Act, we conducted an independent survey of the soil and groundwater at our former Ichinoseki Plant in Ichinoseki, Iwate Prefecture.

The survey found one type of specified hazardous substance at levels exceeding the legal limit, and we reported the results to the administrative agency with jurisdiction.

Going forward, we will continue to comply with the Soil Contamination Countermeasures Act, related ordinances, and the directives of the administrative agency with jurisdiction.

- Risk Management for Waste
- Risk Management for Chemical Substances
- Risk Management for Supply Chains

Risks and Opportunities of Environmental Issues
NEC identifies the business risks and opportunities associated with environmental issues and evaluates these risks and opportunities based on likelihood of occurrence and potential impact.

Risks and Opportunities of Climate Change
- Responding to the risks and opportunities of climate change

Risks and Opportunities Other than Those Associated with Climate Change

<table>
<thead>
<tr>
<th>Type</th>
<th>Risk / Opportunity</th>
<th>Description</th>
<th>Risk Reduction Measures / Specific Opportunities</th>
</tr>
</thead>
<tbody>
<tr>
<td>Resource Circulation</td>
<td>Risk</td>
<td>Tighter relevant regulations at home and abroad require time and resources to appropriately address. If the response is delayed, it may affect NEC’s competitiveness and reputation.</td>
<td>Utilize collection of information prior to the enactment of regulations to facilitate an early response.</td>
</tr>
<tr>
<td>Resource Circulation</td>
<td>Opportunity (economic value)</td>
<td>Market expansion of circular economy-related businesses continues to progress and new markets continue to open up.</td>
<td>Growing demand for NEC bioplastic products, and AI tools for food loss countermeasures</td>
</tr>
<tr>
<td>Water</td>
<td>Risk</td>
<td>Droughts and disaster-related water outages may affect business continuity and cause delays or tie-ups in production.</td>
<td>BCP measures have been implemented at each site to prepare for water outages</td>
</tr>
<tr>
<td>Water</td>
<td>Opportunity (economic value)</td>
<td>There is growing market demand for disaster prevention-related businesses to minimize damage from typhoons and other storms.</td>
<td>Expanded introduction of near water level prediction and other flood control support systems</td>
</tr>
<tr>
<td>Biodiversity</td>
<td>Risk</td>
<td>Wastewater and gas emissions from production sites may affect biodiversity in their respective areas.</td>
<td>Since NEC’s business sites use organic solvents and acid/alkaline materials, we carry out measures and training to prevent leakage into water systems, the atmosphere, and soil</td>
</tr>
<tr>
<td>Biodiversity</td>
<td>Opportunity (social value)</td>
<td>Efforts to protect biodiversity around bases and neighboring areas will lead to collaboration with a variety of stakeholders and improve brand value.</td>
<td>Engage in activities to conserve biodiversity such as the protection of endangered species, and paddy field development through local exchange</td>
</tr>
</tbody>
</table>
Development of Environmentally Friendly Products

NEC reduces the environmental footprint of products over their entire life cycles, from procurement through to customer use and disposal of products. In these activities, we have added to our long-standing emphasis on quality, cost, and delivery an emphasis on compliance and ecology—including resource circulation, global warming prevention, and environmental awareness.

Our Framework for Developing Eco Products

Environmentally friendly products, software, and services that meet NEC’s environmental standards are certified and registered at three levels.

- Eco Products are products that have been confirmed as meeting all of the Eco Product standards—which are basic requirements—in product assessments conducted by each business division during new product development.

- Eco Symbol products are Eco Products that meet the Eco Symbol standards, which require products to be even more environmentally advanced and environmentally friendly.

- The Eco Symbol Star is assigned to Eco Symbol products that are regarded as leading environmental products which conform to stringent standards, such as 50% reduction in CO₂ emissions compared with that of conventional products.

In fiscal 2021, four items, comprising one hardware product and three software products and services, were certified as Eco Symbol Star products.

Products conforming to the aforementioned standards are affixed with the Eco Symbol Star mark in product catalogs and on websites.

Examples of Eco Symbol StarRegistrations in Fiscal 2021

NEC IoT Sensor Data Visualization Service

—Making on-site information visible to support the creation of safe, reliable work environments—

The NEC IoT Sensor Data Visualization Service is an adaptation solution that promises to mitigate risk associated with heat waves,* one of the risks posed by climate change according to the United Nations Intergovernmental Panel on Climate Change (IPCC). Over the past decade, the number of extremely hot days has increased, and rising temperatures due to climate change are one of the causes of heat stroke. Particularly in work environments that are prone to high temperatures and high humidity, management of workers’ health is required. Until now, managers have maintained safety by periodically checking the temperature and humidity of work sites, but this takes a considerable amount of time and effort.

Our new service supports the collection of data on work environments’ temperature, humidity, illumination, and air pressure. Without changing networks or other on-site environments, the service automatically collects the on-site data needed to create a safe, reliable work environment and visualizes the data through cloud computing, thereby allowing customers to receive real-time alerts remotely. By prompting appropriate measures in response to situations—such as the adjustment of temperatures and humidity at work sites or rehydration—the service’s alerts are expected to prevent or reduce the risk of health hazards and illness caused by heat waves.

What is more, the collected data can be utilized to help manage work environments and improve the work efficiency of managers.

* A fuller description of this type of risk is the risk of death or illness due to heat waves, particularly among vulnerable groups in urban areas.

Eco Symbol Star Products (Hardware)
Eco Symbol Star Products (Software and Services)

Eco Symbol System

- Eco Symbol Star
  Creation of environmental top-runner products
  - Must be environmental top-runner products
  - Must meet the Eco Symbol Star standards

- Eco Symbol
  Raising the level of environmental performance of products
  - Must meet the environmental standards
    (Eco Products and Eco Symbol standards)
  - Must be environmentally superior
  - Must assure transparency

- Eco Products
  Basic environmental requirements
  - Undergoing product assessment
  - Must meet the Eco Product standards

NEC IoT Sensor Data Visualization Service

Multiple sensors
- Temperature
- Humidity
- UV
- Acceleration
- Illuminance
- Geomagnetism
- Barometric pressure
- Edge computer
- Cloud

Check while on the go

Visualize

Alert notification
Environmental Initiatives in Supply Chains

NEC aims to reduce the environmental footprint of its products throughout their life cycles. As activities across entire supply chains are essential to these efforts, we are working in close collaboration with our suppliers to promote green procurement.

Green Procurement Policies
NEC is making a Companywide effort to promote “green procurement,” which involves giving priority to the procurement of items that are environmentally friendly. More specifically, we favor environmentally conscious suppliers, low-impact manufacturing processes, and low-impact parts and materials. Our objectives are to expand the green product market with a view to building a recycling-oriented society, to promote the development of recycling-oriented products for such a society, and to raise awareness among designers and developers.

Aiming to make all of our products environmentally friendly, since fiscal 2007 we have been promoting procurement from suppliers certified as “green.”

NEC Green Procurement Guidelines
To promote green procurement, we have established the NEC Green Procurement Guidelines. These guidelines set out essential requirements and requests.

With regard to the “essential requirements” for suppliers, purchased products that are incorporated in or shipped together with NEC’s products must satisfy requirements (1) to (4), while other purchased products such as software, services, pharmaceuticals, gases, and supplies must satisfy requirement (1).

Essential Requirements
1. Creation of environmental management systems:
   - Create environmental management systems within factories that develop and manufacture products and at offices that market products.
2. Do not use banned substances in the manufacturing process.
3. Respond to the survey of chemical substances contained in the procurement product.
4. Products must not contain banned substances or conditionally banned substances.

Environmental Risk Management in Supply Chains
In fiscal 2021, throughout its supply chains, NEC identified and assessed risks by conducting a survey of 748 suppliers in relation to sustainable procurement.

In the survey, 30 questions were asked about the environment, including the establishment and operation of environmental management systems, proper management of chemical substances, and efforts to control and reduce environmental impacts, such as CO2 emissions, water consumption, and waste generation.

As a result, we found that approximately 1% of our suppliers were potentially at risk. For those suppliers, we have started a process to assess the actual situation and take corrective measures, and we will continue to promote activities to reduce environmental impact risks.
Response to Climate Change

Our Approach

As the world shifts course dramatically and heads toward realization of carbon neutrality by 2050, ICT companies are expected to fulfill an increasingly large number of roles and responsibilities. NEC will reduce the environmental footprint of its products and services while helping customers decarbonize through the use of ICT.

NEC has positioned climate change (decarbonization) as one of the Company’s priority management themes from an ESG perspective—materiality.

Based on the NEC Environmental Policy and the Course of Action for Climate Change Towards 2050, we have extended the climate change countermeasures of our environment-oriented business management beyond the use of ICT in reducing the CO₂ emissions of customers and society to encompass preparations for the range of impacts from climate change. As a result, our climate change countermeasures are providing value both in terms of mitigation and adaptation.

In March 2021, NEC announced NEC Environmental Targets 2030. Setting these additional climate change-related targets will help us to step up business-based strategic activities as well as activities aimed at reducing our environmental footprint.

Disclosure in Line with the TCFD

In 2018, NEC announced its endorsement of the Task Force on Climate-related Financial Disclosures (TCFD). Pursuant with the TCFD’s recommendations, we are disclosing climate-related risks and opportunities while projecting and managing their financial effect on our businesses going forward.

Scenario Analysis

To enhance its resilience in the face of an uncertain future, NEC uses multiple scenarios to forecast possible future societies and consider countermeasures. As we use a significant amount of electricity at our business sites, we believe the 2°C scenario, in which carbon prices would be expected to increase, is important. In addition, we conduct analysis based on a 4°C scenario, in which significant climate change is envisioned.

In developing the scenarios, we referred to the IPCC’s Representative Concentration Pathway (RCP) 2.6 and RCP 8.5, respective Nationally Determined Contributions, the World Energy Outlook, Shared Socioeconomic Pathway (SSP) 1, SSP 3, and ICT technology trends and forecasts. Our scenario analysis envisions 2030 and 2050 and covers the entire extent of supply chains.

The 2°C Scenario

In this scenario, there are more weather disasters, and business continuity risk increases. NEC conducts most of its business in Japan. According to a climate change impact assessment report released by the Ministry of the Environment in December 2020, the likelihood of severe risk materializing is high with respect to increased flooding due to heavy rainfall. In the 4°C scenario, society sees this risk rise. In such a society, the operational stability of the data centers supporting our customers’ businesses would become more important than ever. NEC has been strengthening its BCP measures through such efforts as building data centers in locations with low risk of natural disasters and ensuring that, in the event of an emergency, data centers can operate for 72 hours using only in-house power generation. We have been strengthening our BCP measures, and we will continue taking countermeasures in anticipation of increasingly severe weather disasters.

On the other hand, as society must adapt to climate change, demand for ICT-enabled adaptation solutions will increase. For example, areas in higher latitudes may become suitable for crops, and farmers may need to grow new crops. For example, CropScope, an ICT platform developed by NEC in collaboration with the major food processor KAGOME CO., LTD., can support farmers’ implementation of such adaptation measures. Specifically, sensors collect data on crop growth, weather, and the soil environment, which can be shared among stakeholders to generate new insights. Moreover, AI analysis can suggest the best way to manage each field. NEC’s ICT solutions for visualization, analysis, and responses will also contribute greatly to society’s adaptation measures in the areas of disaster prevention and mitigation in relation to increasingly severe rainfall and flooding, infrastructure maintenance, and heat stroke prevention.

The 4°C Scenario

In this scenario, carbon pricing is introduced worldwide to curb green-house gas emissions, and costs arising from the CO₂ emissions of our business activities increase. The World Energy Outlook 2019 estimates that the carbon price will reach $100 per ton of CO₂ in 2030. If it achieves the SBT of a 55% reduction in CO₂ emissions versus the fiscal 2018 level, NEC will record Scope 1 and 2 CO₂ emissions of approximately 210,000 tons per year in fiscal 2031. If carbon pricing were applied to these residual emissions, NEC would incur a cost of ¥2.3 billion per year, assuming a foreign exchange rate of US$1.00=¥110. To minimize this transition risk, in 2021 NEC joined the RE100 and is increasing its use of renewable energy.

In addition, the 2°C scenario assumes a rigorously decarbonized society in which advanced, ICT-enabled measures to reduce CO₂ emissions are in place. For example, logistics optimization solutions can help reduce CO₂ emissions by shortening transportation lead times and reducing inventories. In Japan and international, NEC provides services that make logistics visible through the use of the IoT, radio-frequency identification (RFID), AI, cloud computing, and other technologies. In India, NEC has established NICDC Logistics Data Services as a joint venture with National Industrial Corridor Development Corporation Limited. The new company provides the Logistics Data Bank service, which allows users to check the exact location of in-transit containers in real time, thereby remedying the problem of not knowing when containers will arrive. Through improvements in transport efficiency and the accuracy of production plans, this service contributed to a year-on-year reduction in annual CO₂ emissions of approximately 170,000 tons in fiscal 2018. Since then, we have broadened the scope of the service, and as of 2021 more than 95% of containers in circulation are visible. As society moves toward decarbonization, demand for this type of NEC service is set to become even greater.
Introduction of Internal Carbon Pricing
With the aim of improving energy efficiency and promoting the introduction of low-carbon facilities and equipment, we have set an internal carbon price. This price allows us to convert the CO2 reduction that would result from a given capital investment into a monetary value, which we can then use as a reference when making investment decisions.

Furthermore, the aforementioned carbon pricing mechanism will drive our decarbonization activities going forward and reduce the risk associated with potential increases in carbon taxes and emissions trading in a carbon-free society of the future.

Risks and Opportunities
NEC categorizes the short-, medium-, and long-term impacts of climate change on its businesses as either risks or opportunities.

In studying risks or opportunities, we began by mapping out the positions of existing businesses in relation to climate change.

<table>
<thead>
<tr>
<th>Risks</th>
<th>Description</th>
<th>Countermeasures</th>
</tr>
</thead>
<tbody>
<tr>
<td>Migration risk</td>
<td>Impact of carbon pricing on profit (Carbon tax: US$40-80/CO2 in FY2021, projected to be US$50-100/CO2 in 2030)</td>
<td>Thorough efforts to improve efficiency and expansion of renewable energy in order to reach the SBTs by 2030 and achieve zero CO2 emissions by 2050</td>
</tr>
<tr>
<td>Physical risk</td>
<td>Disruption of the supply chain due to weather-related disasters (floods, landslides, water shortages, etc.), long-term outages of lifelines such as electricity, gas, and water</td>
<td>Risk assessment of the entire supply chain, BCP measures with provisions for weather-related disasters, and strengthening of power generators in data centers</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Opportunities</th>
<th>Description</th>
<th>Countermeasures</th>
</tr>
</thead>
<tbody>
<tr>
<td>Value toward migration risk countermeasures</td>
<td>Development of low-emission transport infrastructure</td>
<td>Logistics visualization and route optimization driven by AI and IoT; EV/PHV charging cloud</td>
</tr>
<tr>
<td>Support for expanding renewable energy use</td>
<td>Virtual power plants, management of power supply and demand, commercialized resource aggregation (RA) for the supply and demand adjustment market, eEMS, etc.</td>
<td></td>
</tr>
<tr>
<td>Support for reducing energy waste</td>
<td>Process reforms using DX initiatives (work automation, smart factories, supply and demand optimization), products, and technologies that help save Data Center energy (phase change cooling, new refrigerants, etc.)</td>
<td></td>
</tr>
<tr>
<td>Value toward physical risk countermeasures</td>
<td>Preparation for increase in weather-related disasters</td>
<td>Pre-disaster detection using AI, IoT, image analysis, flood simulation, evacuation support, etc.</td>
</tr>
<tr>
<td>Preparation for increase in forest fires</td>
<td>Forest fire monitoring and quick response systems, disaster monitoring by satellite, etc.</td>
<td></td>
</tr>
<tr>
<td>Preparation for changes in areas suitable for agricultural production</td>
<td>Simulations that forecast effects and changes in agriculture, agriculture-oriented ICT solutions, etc.</td>
<td></td>
</tr>
<tr>
<td>Preparation for the spread of infectious diseases</td>
<td>Infectious disease countermeasures using NeoFace, preparation of a logistics information management platform in the event of a global infectious disease, remote work, telemedicine support, etc.</td>
<td></td>
</tr>
</tbody>
</table>

Helping with Mitigation
Our ICT solutions reduce the overall CO2 emissions of customers by enabling their operations to become paperless and by improving the efficiency of work, the movement of people, and the movement and storage of goods. As customers and society move forward with measures to lower CO2 emissions, the opportunities for NEC’s ICT solutions to make a contribution will increase.

Helping Companies Achieve Net Zero through the Resource Aggregation Business
With the aim of achieving carbon neutrality, efforts to make renewable energy humanity’s mainstay source of electricity are proceeding on a global scale. In Japan, with the increased introduction of solar power and wind power, which have large fluctuations in power output, maintaining a balance between demand and supply in power grids is becoming more challenging. To address this problem, in April 2021 a reserve capacity market was established, which facilitates reserve capacity trading and thereby helps maintain a balance between supply and demand through absorption and augmentation in response to fluctuations in the supply of power from renewable energy. In the past, reserve capacity was supplied by aging thermal power plants with low operating rates. Since the opening of the market, however, storage batteries, private power generators, and other distributed power sources that can respond to fluctuations with a high degree of flexibility have also been able to supply their reserve capacity. As the reserve capacity supplied by distributed power sources can replace the reserve capacity supplied by aging thermal power plants, distributed power sources will play a major role in establishing renewable energy as society’s mainstay power source.

By using new energy management technology that enables the integration and remote control of such distributed power sources as the power generation facilities and storage batteries of companies, NEC...
realizes virtual power plants that are an aggregation of all distributed power sources and function just as if they were actual power plants. In this way, we are helping to stabilize the power grid and make renewable energy the mainstay power source. Since 2019, NEC has been offering the NEC Energy Resource Aggregation Cloud Service, which is enabled by NEC’s IoT technology. This service uses ICT to forecast demand and control and optimize multiple energy facilities, such as solar power generation installations, storage batteries, and electric vehicles (EVs). By remotely controlling consumers’ storage batteries and energy management systems in light of the supply–demand balance and using demand response*2 to curb demand, the service helps stabilize the power grid. As these types of control also eliminate the unevenness and waste in solar power generation, they pave the way to zero emissions for individual companies. With its sights set on decarbonizing society as a whole, NEC will use the aforementioned technologies to become a resource aggregator that controls distributed power sources within the Group and at customers’ sites and participates in the power trading market.

*2 Curbing consumers’ use of power by changing power consumption patterns through the pricing of power or the payment of incentives when the market experiences price hikes or when grid reliability is low

### Helping with Adaptation

The social infrastructure business, on which NEC is focusing its efforts, can help society adapt to the range of impacts stemming from climate change, including disasters, water shortages, food shortages, and health hazards.

#### IoT-based River Water Level Monitoring System

According to the United Nations IPCC, climate change is expected to increase the risk of flood damage in large cities and the risk of infrastructure shutdowns due to extreme weather events. In Japan, damage caused by the flooding of small rivers during typhoons and torrential rain is becoming a problem. Consequently, there is a need to monitor river levels in real time and provide information to residents.

In response to this risk, NEC is developing the IoT-based River Water Level Monitoring System, which can help keep communities safe by using low-power wide-area (LPWA) technology to collect real-time data on changes in the water level of rivers and by making the collected data visible via the internet. The system’s dirt-proof, non-contact remote sensors do not require separate power supplies and are easy to install. The sensors update data on river water levels hourly in normal times and every 10 minutes during heavy rain. This data is sent to a cloud server using LPWA technology and made available to the public through a website. Municipal authorities can use the information to establish local disaster prevention plans and emergency responses. In addition, residents can access information on rivers in real time, enabling them to prepare early and heightening their awareness of disaster prevention. As of March 2021, we have already begun conducting proving tests of the system in the regions of more than five municipal authorities in Japan.

### Our Aggregation Service

#### Power companies (transmission and distribution operators)
- Adjusted power
- Compensation
- Supply and demand adjustment market (opening in FY 2022)

#### NEC business sites
- Self-consignments
- Surplus power

#### NEC Group companies
- Aggregation services

#### Residents
- Provides real-time information on rivers
- Raises awareness of disaster risk and induces early action

#### Local government
- Quantification and data visualization
  - for city planning and river management
  - for local disaster management planning
  - as information for emergency response preparedness

#### General rivers, waterways
- Provides measurements for a wide range of water level information
In the developing countries of Africa and other continents, cell phones are rapidly spreading and becoming an indispensable means of communication in daily life. With cell phones being used for internet communication that enables remittance services, remote medical services in rural areas, and education for children, providing stable mobile communication infrastructure is essential for the comfort and richness of life in developing countries.

However, since most of the base stations of mobile communications carriers are located at off-grid sites, the stable operation of communication equipment is usually realized by running generators producing electricity around the clock (24 hours 365 days). These generators run on diesel, and continuously transporting diesel from cities to rural areas—sometimes far from hundreds of kilometers—is extremely costly and labor intensive. Moreover, from an environmental viewpoint, using and transporting a petroleum-based fuel emits a great deal of CO2.

To address such social and environmental issues, NEC XON Holdings (Proprietary) Limited, an NEC Group company based in South Africa, has developed a Hybrid Energy Storage System.

Combining storage batteries, control systems, solar panels, and diesel generators, the system has IoT-enabled sensors that allow data to be collected from base stations. With reference to data on past load power usage and decades of weather data, AI-based data analysis technology is used to predict the power generation of the solar panels. These predictions are then used for suggestions on how best to combine base stations’ power sources. As well as reducing the use of diesel and lowering CO2 emissions, the system will facilitate the stable operation of base station communications equipment for mobile communications carriers. What is more, surplus power can be used through mini-grids by residents of nearby communities.

Our hybrid energy storage system can also be used in combination with the power grids, even in "bad grid" areas with power grids that are unstable and have frequent power outages, which is a common issue in developing countries. When power grid outages occur, the system has an automatic control function that switches over to the storage batteries or starts up the generator if the storage batteries are empty. Also, we provide the system in an outdoor-use cabinet with an anti-theft design. The aforementioned features allow flexible rollouts of the system that cater to the particular conditions in each developing country.

For example, in a trial in Kenya the system demonstrated that it can significantly reduce CO2 emissions. Compared with levels before its trial introduction, the system achieved decreases of 80% in diesel consumption and 90% in diesel generator operating time.

Since 2018, we have introduced the system to South Africa, Nigeria, Kenya, Tanzania, Ethiopia, and the Democratic Republic of Congo, and the development and usage of the system is evolving constantly to meet the needs of customers and consumers.

In 2021, the system was registered with the United Nations Industrial Development Organization’s Sustainable Technology Promotion Platform and certified as a solution contributing to SDGs 8 and 9.
Indicators and Performance

Overall Greenhouse Gas Emissions from Our Supply Chains

In NEC’s case, greenhouse gas emissions from supply chains (Scope 3) are much larger than those from the Company itself (Scope 1 and 2). With this in mind, we are promoting the reduction of greenhouse gas emissions from our supply chains as a whole.

In fiscal 2021, our supply chains emitted 6,485,000 tons of greenhouse gas in total. Included in this amount, our Scope 1 and 2 greenhouse gas emissions decreased 46,000 tons year on year. This reduction was attributable to our greater use of renewable energy, the disposal of Group companies, and an increase in telework.

Greenhouse Gas Emissions, Scope 1 to 3

Breakdown of Scope 3 Greenhouse Gas Emissions

<table>
<thead>
<tr>
<th>Category</th>
<th>Emissions</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 Purchased goods and services</td>
<td>3,445</td>
</tr>
<tr>
<td>2 Capital goods</td>
<td>147</td>
</tr>
<tr>
<td>3 Fuel- and energy-related activities not included in scope 1 or scope 2</td>
<td>53</td>
</tr>
<tr>
<td>4 Upstream transportation and distribution</td>
<td>83</td>
</tr>
<tr>
<td>5 Waste generated in operations</td>
<td>6</td>
</tr>
<tr>
<td>6 Business travel</td>
<td>15</td>
</tr>
<tr>
<td>7 Employee commuting</td>
<td>1.2</td>
</tr>
<tr>
<td>8 Upstream leased assets</td>
<td>6</td>
</tr>
<tr>
<td>9 Downstream transportation and distribution</td>
<td>0.01</td>
</tr>
<tr>
<td>10 Processing of sold products</td>
<td>0.2</td>
</tr>
<tr>
<td>11 Use of sold products</td>
<td>2,389</td>
</tr>
<tr>
<td>12 End-of-life treatment of sold products</td>
<td>0.3</td>
</tr>
<tr>
<td>13 Downstream leased assets</td>
<td>-</td>
</tr>
<tr>
<td>14 Franchises</td>
<td>-</td>
</tr>
<tr>
<td>15 Investments</td>
<td>-</td>
</tr>
<tr>
<td>Total</td>
<td>6,158</td>
</tr>
</tbody>
</table>
Water Risk Management and Effective Water Usage

Our Approach

Water is an essential resource for all of humankind. However, there is a concern that growing demands from population growth coupled with climate change will bring a greater risk of worldwide water shortages.

Based on our Environmental Policy, we comply with environmental laws and regulations and promote reducing our water usage and environmental impact. We are also employing water risk management practices, which includes addressing the issues of water shortages, water pollution, and flooding.

The Environmental Management Promotion Council meets every quarter to discuss NEC’s water management system during which time it assesses the Company’s progress toward reaching its water reduction targets and reports its findings to the executive officer in charge of the environment. When necessary, the results of activities for meeting these targets are reported to the Business Strategy Council and announced to the public.

Floods and other risks could have an adverse effect on business if they affect certain facilities. In such cases, the division overseeing the supply chain predicts the impact of these risks and formulates countermeasures. These countermeasures are reported to and discussed with the Business Strategy Council and the Board of Directors when necessary, after which the division implements and supervises their execution.

Response to Water Risk

Surveying Risks and Implementing Countermeasures

NEC evaluates and confirms how water risks such as water shortages, water pollution, and flooding caused by climate change affect the Group’s production sites and supply chain. Put specifically, the Group identifies the water risks that exist at its Japanese and international production sites based on its in-house water risk management questionnaire and the Aqueduct water risk evaluation tool provided by the World Resources Institute (WRI).

The first surveying stage of this process utilizes Aqueduct to gain an understanding of risks in three categories: physical risks related to water volume, quality, and damage from storms and floods; regulatory risks from water-related tax revisions and policies; and reputation risks stemming from ESG-related conduct.

In the second survey, we take the results from the first survey and compare them with how supervisors perceive water risks at their respective production sites. From that point, we perform a detailed 11-items survey that includes items based on past experiences where floods, water shortages, and other water-related issues and damage made it physically difficult to utilize water; preventive measures used to mitigate these risks; and previous countermeasures implemented when such floods or water shortages occurred.

In fiscal 2021, after a survey of 26 locations was conducted that focused on production sites, it was determined that the main water risks were inundation due to storm-related overflows of rivers and the resulting water outages. Inundation countermeasures are being implemented at sites that were determined to be prone to such risks. These include hard measures to counteract flooding, such as installing waterproof doors and moving power equipment. We also implement countermeasures against water outages, such as installing water tanks and equipment for converting well water to drinking water, in addition to keeping a stockpile of drinking water.

Moreover, at business sites, production sites, and research laboratories, we collect water volume monitoring and sampling data at discharge outlets to quickly identify any change in environmental status. We have also set in-house standards that are stricter than national and local regulations and implement countermeasures to water risks.

Since water risks in the supply chain include business partners, we conduct environmental risk survey on their water usage and wastewater production. This allows us to grasp the situation and engage in activities to correct or improve any problems that arise.

NEC’s water usage and the amount and quality of wastewater produced bear a negligible impact on the ecosystems and habitats. Furthermore, there were no violations and incidents involving water in conjunction with the Environmental Act in fiscal 2021.

Examples of Water Usage Reduction Initiatives

Water Usage and Consumption Intensity

NEC uses municipal supply water, aquifer water, water for factories, and recycled water and keeps track of water usage and wastewater production at all of its locations.

We have set an annual goal to reduce water usage at all our locations by 0.52% every year, using fiscal 2019 as our baseline, and we have continuously implemented and improved water-saving measures such as increased recycling of cooling water. As a result, NEC reduced water usage by 17% year on year, thereby achieving its goal.

Prevention of Water Pollution and Wastewater

NEC manages its wastewater with stricter standards than national and local governments to ensure its wastewater production does not exceed region-specific legal limits.

We have also set Companywide absolute value targets for reducing biochemical oxygen demand (BOD) and chemical oxygen demand (COD) and will continue working in fiscal 2021 to meet these targets.

We are also working to reduce the amount of chemical substances used during water treatment in order to reduce the impact of chemical trade-offs. Specifically, we prevent inputting more chemical substances than necessary by constantly monitoring water quality.

Reducing Water Usage by Introducing Steam Condensate Recovery Equipment

The NEC head office building uses steam for air conditioning (heating and humidification). The installation of a steam condensate recovery system (hot well tank) enables condensate generated in the steam supply process to be reused as boiler water. As a result, we were able to reduce water usage by 1,670 m³ in fiscal 2021.

Water Usage by Introducing a Wastewater Reuse System

At the NEC head office building, handwashing water in each restroom, wastewater from the hot water supply room, cooling tower blow water, and rainwater are treated using the sludge method and the activated carbon filtration method, and are reused as gray water for toilet flushing water (wastewater from toilets and urinals). As a result, we were able to reduce our annual water usage by 5,650 m³ in fiscal 2021.

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Resource Circulation and Pollution Prevention Initiatives

Our Approach

To help realize a sustainable society, NEC strives for effective use of limited resources and is committed to activities based on our Environmental Policy, which affect every process from production to use. This includes initiatives to promote resource circulation and efforts to lessen environmental impact through waste reduction or other methods. In particular, we are working to collect and recycle hardware products that have been used by customers, since many resources are used in their production.

Resource Circulation and Pollution Prevention Initiatives

- **Total Waste Emissions**
  In order to reduce its environmental impact, NEC conducts activities with an annual goal of reducing its total waste emissions by 0.7% per year, compared with fiscal 2019. In fiscal 2021, NEC reduced total waste emissions by 7% year on year, thereby achieving its goal. This is due to efforts such as enhanced waste segregations, conversions to sellable materials, paper reduction by digitalization, and the reuse of cushioning materials.

- **Waste with High Environmental Impact**
  NEC engages in the sale and manufacture of information equipment such as servers, routers, and wireless communication equipment. These products are made using a wide variety of chemical substances, and if these substances are not disposed of properly after use, they will have a major impact on the environment. Therefore, in 2001 NEC became a certified processor of industrial waste, a first for the electronics industry, and since then the Company has become committed to collecting and recycling its products. Moreover, when procuring parts necessary for the manufacture of our products, we are mindful, starting from the product design stage, of selecting parts that will be easy to recycle and will not cause environmental damage.

  Recovery of used information equipment totaled 1,922 tons in fiscal 2021. The recycling rate\(^*\) was 98% of that in the previous fiscal year, and the resource-reuse rate\(^*\) was 91% of that in the previous fiscal year, maintaining our high standards. Going forward, we will continue to recycle limited resources to make effective use.

  \(^*1\) Recycling rate: The ratio of the weight of reused, material-recycled, and thermal-recycled items to the total weight of the collected IT devices
  \(^*2\) Resource-reuse rate: The ratio of the weight of materials that can be used as recycled products (parts reuse) or resources (material recycling) to the total weight of the collected IT devices (defined by the Law for the Promotion of Effective Utilization of Resources)
NEC’s Local Resource Circulation Services

NEC aims to promote local resource circulation and community building with the goal of creating circular economies. This service is intended to encourage the circulation of resources and energy within local communities by generating visual data on resident participation and recovery of resources, such as food waste collected at local garbage collection points.

Residents can record their recycling activities by simply holding a special IC card at a check-in terminal whenever they visit a garbage collection point. Upon recording their activities, residents receive “gratitude feedback” based on the nudge theory*3 of behavioral economics, a process supervised by Professor Akira Goto of Meiji University. We expect that this feedback will increase residents’ motivation to continue recording their activities.

*3 "Nudging" is a means of encouraging people to perform desirable actions of their own accord through methods and frameworks drawn from behavioral science.

Verification Trials of ICT for Generating Visual Data on Food Waste Sorting

Verification trials were conducted jointly by NEC Group company NEC Solution Innovators, Ltd., Amita Corporation, and Rias Engineering, aimed at raising awareness of residents’ participation in the separation and collection of food waste. These experimental trials received the “Best Nudge Award” in the Best Nudge Award Contest in 2019, hosted by the Ministry of the Environment.

Issues to be resolved

We would like to increase the effectiveness of the biogas facility established by Amita Corporation, to be a base for the local circulation of resources and energy. Therefore, it is necessary to increase the amount of waste collected in order to raise the level of food waste sorting with the cooperation of local residents.

Initiatives

• Efficient monitoring of participation in food waste sorting
• Provide positive feedback for participation (a message of gratitude as feedback for disposal and separation)

Results

• Both the amount of waste collected and the level of waste sorting increased in areas where the system was introduced.
• Efficient tracking of participation in food waste separation and the use of nudge methodology based on “gratitude research” encouraged a change in behavior toward separating waste.

Recycling Home Gateway Devices

NEC provides rentals of home gateway devices, including Wi-Fi routers and security devices. To reduce waste when rental devices are returned, we are actively engaged in effective resource reuse.

The Kakegawa Plant of NEC’s affiliate NEC Platforms, Ltd. is involved in recycling the Wi-Fi routers it has produced back into finished products. Routers that have exceeded their useful life are collected from customers and the plastics used in the cases are disassembled, crushed, and pelletized, and then remolded into Wi-Fi router cases to turn them back into finished products.

This initiative is highly regarded outside the company, which has received awards including the Resource Circulation Technology and Systems award.
Shifting to Circular Society with NEC’s Digital Technology

To make the shift to a circular society, it is necessary to understand the condition, location, and usage of resources and products throughout their entire life cycles. It is therefore necessary to create a mechanism that will facilitate the sharing and co-creation of data with stakeholders in the value chain regarding resources, equipment, and products. It is also important to promote a shift away from a business model focused on selling products to one focused on providing services. Since we utilize digital technology to maintain a constant connection with customers, we are able to visualize the operational status, consumption, and usage of our devices, which makes it possible to set up a system for device and resource circulation that includes product recovery.

Another part of the shift toward a circular society, aside from the spread of digital technology, is the ongoing fusion of this technology with biotechnology, which involves materials and other elements, and with physical technology, which includes manufacturing equipment, logistics, and 3D printing. We need to devise a company system that will help bring about a circular society in the future, and it is important that this system takes advantage of these three evolving technologies and verifies their effectiveness.

NEC will integrate these technologies and incorporate a series of visualization, analysis, and response processes centered on digital technology into various business activities throughout the value chain. We believe that these efforts will drive the shift toward a circular—and sustainable—society.

### Visualization

**The First Step toward a Circular Society**

With NEC’s object recognition, video analysis, acoustic analysis, and other forms of advanced AI technology, it is possible to automatically identify resources and products, confirm the operating status of equipment and products, and see people’s movements. With AI, we promote efficiency and optimization at a variety of sites while also working to visualize the entire supply chain by aggregating all the data generated from these individual sites. During this process, it is also important to have a system that allows stakeholders in the supply chain to share this data with a guarantee of safety and trust. As a result, NEC leverages its proprietary and secure high-speed blockchain as well as its secure computing technology to enable data sharing and distribution without harming the interests of its stakeholders.

### Analysis

**Integrated Analysis Leading to Total Optimization**

Integrated analysis powered by AI and machine learning brings to light previously hidden causal relationships and helps realize optimal Companywide process design. With the knowledge gained from this AI-driven analysis, we can create collaborative ties that go beyond companies and value chains, optimize processes, and engage in exchanges of equipment, resources, or other assets.

### Response

**Implementing Real-world Solutions for the Elimination of Waste**

To make a successful shift to a circular society, we need to be able to reflect the solutions derived by AI-driven analysis in real time, in the real world. A major key to this effort is tying this analysis to physical technology. NEC is developing controlled AI that allows people and machines to work together to perform complex tasks safely and efficiently.

In addition, the transition to a circular society requires the development of renewable materials, product design that incorporates these materials, and biotechnology that encourages both the recycling of these materials and the shift to renewable energy. NEC has been engaged in bioplastic R&D for several years and uses bioplastics in its products. We are also making full use of AI, including machine learning, to accelerate the development of new materials.

In many ways, the shift to a circular society is a full-blown effort in technological integration. NEC will work to realize a circular society through full use of its ever-improving and powerful digital technology, its range of know-how and environmental technology, cultivated as part of the manufacturing industry, and through co-creation with its various technological and business partners.
Chemical Substances

Our Approach
NEC carefully examines the environmental impact and safety of chemical substances in all phases of its operations, from introduction and use to disposal. NEC takes all possible measures to reduce consumption and to replace harmful substances with safer ones.

Volume of Chemical Substances Used
To reduce the volume of chemical substances used, we have set a goal of reducing the amount of chemical substances purchased by 1% compared to fiscal 2013 amounts. In fiscal 2021, we used 0.2 thousand tons of chemical substances, thereby achieving our target.

Preliminary Evaluation of Chemical Substances
NEC has been conducting preliminary evaluations to examine environmental and safety aspects carefully when using a new chemical substance for the first time. These preliminary evaluations are a series of strict examinations of physical properties, toxicity levels, handling methods, emergency response measures, recycling methods, environmental impact, and other items related to chemical substances. Only substances that have passed these examinations are allowed to be purchased.

Safety data sheets (SDS) are obtained from manufacturers or prepared independently for all chemical substances used. These are used for reference when making judgments about safety countermeasures to apply when using the chemical substances. Manufacturing assessments are also carried out in all manufacturing processes to evaluate environmental and safety aspects of the chemical substances and production facilities.

Conformance to the PRTR Act (Act on Confirmation, etc. of Release Amounts of Specific Chemical Substances in the Environment and Promotion of Improvements to the Management Thereof)
The balance of inputs and outputs of substances used by the NEC Group among the chemical substances that are subject to the PRTR Act (Class I Designated Chemical Substances: 462 substances) is summarized in the following illustration.

For chemical substances released into the atmosphere and public water bodies (including discharges into sewage systems), NEC has set its own voluntary standards, which are more stringent than the levels required by law, and ensures that these standards are strictly met.

Reduction in Use of Strictly Regulated Chemical Substances
Ozone-depleting substances
The use of all specific chlorofluorocarbons as a cleaning agent in manufacturing processes was discontinued in 1993. By the end of fiscal 2011, efforts to totally discontinue the use of specific chlorofluorocarbons for refrigerant in air conditioners and specific halons used in fire extinguishers achieved a reduction of 96%, almost completely abolishing them from use.

Strict Control of Equipment and Parts Containing PCBs
At present, NEC strictly controls disposed-of devices (equipment and parts, including fluorescent light stabilizers) containing polychlorinated biphenyls (PCBs) at its three plants and five Group companies under stringent double and triple measures for preventing leakage.

The Law Concerning Special Measures for Promotion of Proper Treatment of PCB Waste was revised in 2016, changing the processing period set in the basic plan for the disposal of PCBs.

In compliance with the change, NEC is revising its disposal plans to ensure that the waste is processed within the set deadline.

Amount of PCBs held by NEC (as of March 31, 2021)
High concentration: 32,908 kg
Low concentration: 72,205 kg

Scope: NEC Corporation

Note: Applicable to chemicals subject to the PRTR Act
Figures in parentheses refer to year-on-year difference.
NEC strives to comply with both Japanese and international regulations regarding chemical substances. To ensure that we are in compliance with global regulations such as the Restriction of Hazardous Substances (RoHS) Directive and Registration, Evaluation, Authorisation and Restriction on Chemicals (REACH) regulations in the European Union (EU) and the Toxic Substances Control Act (TSCA) in the United States, we promote the exchange of information on chemical content throughout the supply chain as well as the enhancement of NEC’s internal information management system.

Our approach toward the exchange of information on chemical content is not to introduce individual rules but to employ the common use of chemSHERPA, a scheme for the sharing and exchange of information on the chemicals contained in new products in supply chains compliant with international standard IEC 62474. Such an approach improves the work efficiency of those giving and receiving information while allowing both to respond more quickly.

NEC has built a compliance structure using chemSHERPA-CI and chemSHERPA-AI, operated by JAMP.

*_1 Sheet for entering information on the chemical substances contained in a material or prescription to ensure compliance with laws and regulations
*_2 Sheet for entering information on the chemical substances contained in the formed articles to ensure compliance with laws and regulations
*_3 JAMP: Joint Article Management Promotion–consortium

Risk Management for Chemical Substances Contained in Products

Complying with the EU RoHS Directive

The EU RoHS Directive bans, in principle, the inclusion of 10 substances, including lead, mercury, and cadmium, in electrical and electronic products. NEC requests its suppliers to comply with the EU RoHS Directive in products that they supply, and conducts surveys to determine whether purchased parts and materials contain any of the banned substances. These efforts ensure that NEC branded products comply with the EU RoHS Directive, in principle.

Progress of replacement initiatives

The NEC Group is moving forward to replace chemical substances in compliance with the restrictions put forth by the EU RoHS Directive. Hexavalent chromium plating in the treatment of steel sheets and plates is being substituted by trivalent chromium plating, organic film, nickel plating, and stainless steel.

Pigments and paints have been changed to materials that do not contain lead, cadmium, or hexavalent chromium.

Lead solder has been replaced with lead-free solder.

Procurement of parts and materials containing polybrominated diphenyl ether (PBDE) and polybrominated biphenyl (PBB) has been banned since 1997, and other flame retardants are used instead.

NEC had already prohibited the inclusion of four phthalic acid compounds in purchased products one year before the enforcement of a law banning them, and has made progress in replacing them.

Management of exceptions

The EU RoHS Directive includes exceptions where the inclusion of prohibited substances is permitted under certain conditions. These can be used within a legally allowed period, but they must be replaced at an appropriate time.

NEC manages risks using an internal system called CHEMSIS, which centrally manages information on chemical substances contained in purchased products collected with chemSHERPA-AI, and then automatically determines whether contained substances exceed threshold values and the time limit on exemptions. At the same time, we ask suppliers to comply with the end of exemption periods six months in advance.

Confirmation by analysis

For purchased products that are deemed to be high risk, we obtain analysis data from the supplier, and when necessary, conduct our own individual analysis to confirm that prohibited substances are not contained in the products. The NEC Group has introduced fluorescent X-ray analysis systems in its production plants to create a system for confirming that certain prohibited substances, such as lead, cadmium, mercury, and hexavalent chromium, are not contained in the products.

Complying with EU REACH Regulations

The EU REACH regulations identify restricted substances that may not be included in products and Substances of Very High Concern (SVHCs), which may be included but require provision of information to product recipients if they exceed a certain threshold value.

NEC uses chemSHERPA-AI to request provision of the above chemical substance information from its suppliers and manages the response information obtained centrally on its internal green procurement support system, CHEMSIS, to control the presence of restricted substances and SVHCs in excess of threshold values. NEC then shares this information with sellers in the EU.

Complying with Other Global Regulations

In addition to the EU RoHS Directive and EU REACH regulations, NEC’s business divisions all work together with local subsidiaries and relevant industry organizations in Japan and international to comply with regulations on chemical substances contained in products applicable to each respective country, including China and the United States.
Initiatives for Biodiversity

Our Approach

Biodiversity is an important foundation for a sustainable society. At NEC, our environmental policies stipulate that individual employees should increase their environmental awareness and contribute to preserving biodiversity. We strive to minimize the impact of business activities and employees’ lives on living organisms, and to actively encourage employees’ activities that contribute to biodiversity and the provision of ICT solutions.

Initiatives for Biodiversity

Biodiversity Conservation Efforts at NEC Abiko Plant

The NEC Abiko Plant has a spring area on its premises, known as Yotsuike, which is thought to derive from the Tone River. Since 2009, NEC has cooperated with the Teganuma Aquatic Organism Research Association to promote conservation activities in this area, aimed at the protection of the Oomonosashi Tombo (Copera tokyoensis) species of dragonfly. Yotsuike is a habitat for this dragonfly, which is designated as an endangered species IB class (EN) by the Ministry of the Environment.

In fiscal 2021, fewer conservation activities were conducted in comparison with other years as a result of COVID-19. However, efforts to remove crayfish and other invasive species proved effective, as were efforts to establish an artificial dragonfly pond as a habitat for the Oomonosashi Tombo, which features several areas where the dragonfly can be observed.

Since our conservation efforts to protect the Oomonosashi Tombo dragonfly involve the elimination of invasive alien species, the Ministry of the Environment sponsored an on-site visit from a working group that specializes in measures for dealing with invasive species. During the visit, we exchanged opinions with the experts on the subject as well as discussed our initiatives and methods for effective removal of the alien species.

In addition, we also made effective use of the large volume of freshwater mussels discovered upon draining the Yotsuike in 2012, by using them to conduct preservation activities for an endangered species of IA type (CR) Cyprinid (Acheilognathus typus) in the aforementioned artificial pond at our business site. By providing a place for the Cyprinids to lay their eggs, the freshwater mussels played an important role in the Cyprinids’ survival. In fiscal 2021, we will move some of the mussels to Yotsuike and observe the effects of the change in habitat.

We will also hold an annual “Biodiversity Dialogue” to review the above activities, go over results, and discuss future efforts with the Teganuma Aquatic Organism Research Association, the city of Abiko, and experts in the field.

Removal of invasive species from Yotsuike

Activities in Biodiversity Working Groups

NEC participated in biodiversity preservation activities as a member of a biodiversity working group made up of four organizations* from the electrical and electronics industry. The working group has supported corporate biodiversity initiatives with the publication of “Let’s Try Biodiversity! (LTB)—First Corporate Activities in Biodiversity” and “Let’s Try Biodiversity Pick Up!—Reducing Plastic Waste in the Ocean Starting on Land,” which summarizes approaches to the marine plastic waste issue.

* Four organizations from the electrical and electronics industry:
  The Japan Electrical Manufacturers’ Association (JEMA),
  Japan Electronics and Information Technology Industries Association (JEITA),
  Communications and Information Network Association of Japan (CIAJ), and
  Japan Business Machine and Information System Industries Association (JBMIA)
Overview of Environmental Impact

Energy usage 7,137 TJ
- Electricity 6,594 TJ
- Gas 357 TJ
- Fuels and oil 66 TJ
- Heating 20 TJ
- Renewable energy* 632 TJ
Renewable energy introduced through certificate or credit (out of the above figure)

Water 2,117 thousand m³
- Municipal supply water 913 thousand m³
- Ground water 1,001 thousand m³
- Industrial water 203 thousand m³
- Recycled water 4 thousand m³

Volume of chemical substances used* 0.2 thousand tons

Market

Input
- Raw materials 48 kilotons

Resource Collection

Suppliers

NEC

Logistics

Customers

Waste

Collecting products 1.9 kilotons
- PC 0.2 kilotons
- Mainframes 0.1 kilotons
- Servers 0.1 kilotons
- Printers 0.4 kilotons
- Other 1.2 kilotons
Product recovery and recycling rate 98%
Product recovery and resource reuse-rate 91%

Greenhouse gas emissions (Scope 3) 6,158 kilotons

Collected products

- General waste 1.8 kilotons
- Industrial waste 0.6 kilotons
- Mixed construction waste 0.9 kilotons
- Metal waste 0.6 kilotons
- Rubble 0.4 kilotons
- Other 0.7 kilotons
- Specially controlled industrial waste 5.8 kilotons
- International waste 1.5 kilotons

Total waste 35.9 kilotons

Scope 3 Category 9: Downstream transportation and distribution 0.01 kilotons

- General waste 0.2 kilotons
- Use of sold products and services 2.389 kilotons
- End-of-life treatment of sold products 0.3 kilotons

Greenhouse gas emissions (Scope 3) 6,158 kilotons

Recycled amount

- General waste recycling amount / Recycling rate 1.8 kilotons /96.6%
- Material recycling amount / Recycling rate 1.1 kilotons /59.0%
- Thermal recycling amount / Recycling rate 0.7 kilotons /37.6%
- Industrial waste recycling amount / Recycling rate 25.9 kilotons /79.5%
- Material recycling amount / Recycling rate 20.5 kilotons /63.1%
- Thermal recycling amount / Recycling rate 5.3 kilotons /16.4%

Greenhouse Gases

Resources

Water

Chemical Substances

*1 Renewable energy is not included in total energy consumption.
*2 Discarded plastic, wood chips, sludge, etc.
*3 Substances subject to the PRTR Act

Wastewater 1,683 thousand m³
- Sewage 1,334 thousand m³
- Public water 349 thousand m³
- BOD 43 t

Scope 3 Category 2: Capital goods 147 kilotons
Scope 3 Category 5: Waste generated in operations 6 kilotons
Scope 3 Category 6: Business travel 15 kilotons
Scope 3 Category 7: Employee commuting 12 kilotons
Scope 3 Category 8: Upstream leased assets 6 kilotons

Atmosphere
- NOx 11.5 t
- SOx 0.01 t
- VOC 0.82 t
- HAP 0.33 t
- POPs 0.1 t
- PM 0.1 t

Chemical substances released/transported* 223 t
- Volume consumed 186 t
- Recycled 6 t
- Released into atmosphere 28 t
- Transported as waste 3 t

Landfill disposal amount 2.4 kilotons

- Scope 3 Category 1: Purchased goods and services 3,440 kilotons
- Scope 3 Category 3: Upstream transportation and distribution 53 kilotons
- Scope 4 Category 3: Upstream fuel used in processing, and energy-related activities 83 kilotons

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Social

53–57  Inclusion and Diversity
58–60  Human Resources Development and Training
61–63  Creating a Diverse Workstyle Environment
64–67  Health and Safety
68   AI and Human Rights
69–71  Personal Information Protection and Privacy
72–74  Information Security and Cyber Security
75–77  Ensuring Quality and Safety
78   CS (Customer Satisfaction) Initiatives
79–80  Cooperation with Local Communities
Inclusion and Diversity

Policy

In today’s world, where rapid change has made the future difficult to predict, we at NEC believe that in order to continue providing value to society, we must facilitate innovation and always be changing. The fact is, however, that it is difficult to create new value and make appropriate decisions in a homogeneous culture.

NEC believes that hiring employees of various backgrounds under the principle of equal employment opportunities enables the organization to take on challenges and grow by receiving new input, and that this can lead to new ideas and generate innovation.

For this reason, it is important to create a culture in which employees can understand, respect, and empathize with diverse values and perspectives.

With regard to respecting and empathizing with those who have different values, the NEC Group Code of Conduct strictly prohibits people at NEC from acting with prejudice on the grounds of race, belief, age, social position, family origin, nationality, ethnicity, religion, gender, sexual orientation, and gender identity, as well as physical or mental disability, and strictly prohibits actions that belittle individuals, including bullying, harassment, child labour, and forced labour. Furthermore, the NEC Group Human Rights Policy sets out and advocates detailed policies for our initiatives on human rights based on the NEC Way and explicitly states that in all types of corporate activities we must respect the individuality of each person and not act in any way that may harm their dignity.

It is one of NEC’s management strategies to firmly establish a culture that is truly based on inclusion and diversity (I&D) in this way. We believe that this is a source of competitive advantage, and we are promoting initiatives on the following points.

- Set out diverse human resources as one of NEC’s priority management themes from an ESG perspective—materiality—and develop employees who lead teams that are able to understand and accept different values and cultures and thrash out various ideas to create social value and drive innovation
- Understand unconscious bias correctly and provide equal employment and career opportunities through management, regardless of age, nationality, gender, sexual orientation, and gender identity, as well as physical or mental disability

NEC’s ultimate goal is to “transform its organizational structure and culture into one that transforms individual differences into strengths, responds with agility to change, and continues to compete strongly and win.”

Implementation Framework

The Diversity Promotion Group was established within the Human Resource Development Division (at the time) in 2013 as a dedicated organization for promoting diversity within NEC. To further promote inclusion, which was conventionally a part of promoting diversity, in 2019 the Inclusion and Diversity Team was set up within the People and Organization Development Division.

The team is now working on various measures, such as providing support and promoting understanding for women’s career advancement and active participation, employment of people with disabilities, and sexual minorities (LGBTQ*1), while building cooperation with related departments. The team is also engaged in measures related to smooth onboarding*2 of non-Japanese employees and mid-career hires. In this way, we are fostering our in-house culture by proposing and implementing measures to enable these kinds of diverse internal human resources to make full use of their individuality and uniqueness to work and participate at their full potential.

Moreover, we have established the NEC Group I&D Promotion Meeting, which is chaired by the Chief Human Resources Officer (CHRO) and comprises officers in charge of diversity at each company. At the meeting, we carry out measures and share best practices for NEC Group companies.

 Measures and Main Fiscal 2021 Activities

Promotion of Global Recruitment of Human Resources

To achieve global business expansion, NEC is working to recruit non-Japanese individuals in its research, technology, sales, and corporate administration departments. Through these efforts, we strive to increase the global competence of our workforce and promote diversity in each department. We are also working proactively to recruit employees of international subsidiaries to work at NEC Head office and to facilitate interactions with these personnel and develop human resources. We are also devoting energy to recruiting international students who newly graduated in Japan. In addition, we are hiring research personnel directly from universities abroad, such as the Indian Institute of Technology and the University of Pennsylvania. In fiscal 2021, we welcomed 11 international students joining as new hires.

NEC Corporation has established a system that enables international students, Japanese students enrolled in universities abroad, and other students studying abroad to join the Company in October instead of April. In March 2020, we opened a prayer room in the Head Office building for employees who need to make religious observances.

Human Resource Development and Training

*1 LGBTQ stands for lesbian, gay, bisexual, transgender, and questioning or queer and is a collective term for sexual minorities.
*2 Onboarding means providing people who have newly joined an organization or service with a basic introduction to it and assistance in becoming accustomed to a new environment.
Promoting Women’s Career Advancement and Active Participation in the Workplace

NEC Corporation was already keen to hire and promote people regardless of their gender even before the 1985 Equal Employment Opportunity Act came into effect.

As a global company, we believe it is preferable to have more female employees participating in management decision-making and leadership positions, and we are conducting initiatives aimed at the following three targets:

- Actively hire women for all job types and employee ranks
- Foster readiness and awareness
- Steadily implement promotion through talent management

With the aim of reaching the targets, we will take the following measures.

<table>
<thead>
<tr>
<th>Targets by April 1, 2026</th>
<th>As of April 1, 2021</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Ratio of female employees: 30% by fiscal 2026</td>
<td>19.6%</td>
</tr>
<tr>
<td>2. Ratio of female managers: 20% by fiscal 2026</td>
<td>7.2%</td>
</tr>
<tr>
<td>3. Percentage of officers ranked executive officer or higher who are female or non-Japanese: 20% by fiscal 2026</td>
<td>3.6%</td>
</tr>
</tbody>
</table>

With the aim of improving the gender balance among our corporate officers, we joined the 30% Club Japan in October 2020. Established in the United Kingdom in 2010 to help sustain corporate growth, the 30% Club is a global initiative that aims to increase the percentage of women in key corporate decision-making bodies, including boards of directors.

Members of the 30% Club Japan believe that a healthy gender balance in corporate decision-making bodies, such as boards of directors and senior management teams, will help strengthen corporate governance, promote sustainable growth, and improve global competitiveness and, ultimately, contribute to the building of a sustainable Japanese society. These goals also represent important themes for NEC and coincide with its aim of realizing a sustainable society—a goal the Company pursues based on the Purpose of the NEC Way.

In fiscal 2020, we revamped our talent management program for developing the next generation of human resources. Under this program, we select promising female employees from a wide range of ranks and foster them through training assignments at other companies, assessments and coaching provided by in-house career coaches, group mentoring, and networking for female employees, among other activities.

Our main measures aimed at increasing the ratio of female managers are as follows.

- Developing and implementing a systematic development program for female managers ranked department head or higher with the aims of encouraging their further contribution as leaders who epitomize our Code of Values and producing corporate officers in-house
- Holding roundtable discussions among the Chief Human Resources Officer (CHRO) and female managers ranked department head or higher
- Implementing a group mentoring program for female section heads, conducted by corporate officers and managers ranked department head or higher
- Implementing a program for talent identification and development at the assistant manager level

Joining the 30% Club Japan

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In fiscal 2020, we started implementing unconscious bias training for corporate officers and business division managers, aiming to strengthen our management ability with regard to diverse human resources.

In fiscal 2021, we conducted online training to deepen understanding of unconscious bias and the importance of diversity-driven management as well as to enhance managers’ ability to demonstrate leadership in an era of transformation.

In addition, targeting employees involved in advertising operations and media content, we held an online seminar on using visual content that incorporates diversity, which was conducted by an outside expert. Approximately 300 employees participated in the seminar and furthered their understanding of unconscious bias toward gender and other attributes, trends in visual content, and key points to consider when selecting visual content. The seminar proved to be a meaningful opportunity for employees to extend their knowledge, with more than 90% of participants stating that the seminar had been understandable and useful in response to a questionnaire conducted after the seminar.
Seminar for Employees Returning from Childcare Leave
This seminar was started in fiscal 2015. Its aim is to enable employees on childcare leave who are due to return to work soon to enrich their careers while balancing the demands of work and childcare. Since fiscal 2020, NEC has extended the seminar’s target group to include employees of the Group companies in Japan.

In fiscal 2021, we held the seminar online over two days, and 133 people from eight companies participated in it. Participants learned about measures and systems including Company trends and work–life support systems. In addition, they received a message from their companies encouraging them to design their own workstyle and build their careers, even with the time restrictions imposed by childcare. They also participated in group work where they visualized their work–life balance after returning to work, and a roundtable discussion with senior employees. The ratio of male employees taking childcare leave has also been increasing recently, and many men were observed taking part in the seminar. As a result of these efforts, NEC Corporation has achieved a return rate of nearly 100%.

Career Development for Women in Sales
At NEC Corporation, the ratio of women in sales positions has been increasing each year, mainly among young employees, and Company-wide development of female sales personnel and future leaders is considered to be an extremely important theme.

In fiscal 2021, 49 junior female sales personnel from different industries participated in an online networking event, which has been held by five companies, including NEC, since fiscal 2018. Interacting with female sales personnel from other industries gave participants insight into the careers, even with the time restrictions imposed by childcare. They also participated in group work where they visualized their work–life balance after returning to work, and a roundtable discussion with senior employees. The ratio of male employees taking childcare leave has also been increasing recently, and many men were observed taking part in the seminar. As a result of these efforts, NEC Corporation has achieved a return rate of nearly 100%.

Diversity Promotion Activities Conducted by Female Managers
Since 2014, a voluntary association of NEC’s female managers, Scarlet Elegance in NEC (SELENE), has been holding events for female employees. These include discussions with invited corporate officers, members of the senior management team, and outside lecturers as well as study sessions.

Promoting Employment of People with Disabilities
NEC currently employs 387 people with disabilities, which is the total for NEC Corporation, NEC Friendly Staff, Ltd., and NEC Management Partner, Ltd., as of June 1, 2021. These employees work based on the principle of “doing on your own the things you can do and helping each other with the things that cannot be done alone.”

To promote a barrier-free recruitment process, we have established an employment liaison service for people with disabilities. In this process, we use Zoom as an online tool and explain our “reasonable accommodation”*3 measures for each person. Also, we provide support that caters to the disability of each person. For example, before prospective employees join us, existing employees accompany them in an examination of assigned workplaces and other frequented locations to confirm that they are barrier free.

As part of our recruitment drive targeting 2022 graduates, we held online seminars. Further, to help them understand the work they would engage in and the support they would receive upon joining us and to envision working for us with peace of mind, we explained our business lines, hosted informal gatherings attended by NEC employees with disabilities, and circulated an email newsletter. Also, as a representative of the corporate viewpoint we participated in an episode of an NHK Educational TV show on living with hearing difficulties, which focused on giving support and advice related to the problems faced by job seekers with hearing difficulties.

Using a sign language interpreter, we address students’ questions and doubts and further understanding of the employment of people with disabilities, thereby helping alleviate the anxieties of students with disabilities who are job hunting.

In addition, the NEC Group Inclusion & Diversity Promotion Meeting monitors the NEC Group’s progress in employing people with disabilities.

Signatory to The Valuable 500
NEC has agreed with and become a signatory to The Valuable 500 initiative for promoting active participation of people with disabilities in the workplace, which was launched at the World Economic Forum Annual Meeting in Davos, in January 2019. In addition to continuously promoting initiatives to create environments that allow employees with disabilities to demonstrate their full potential, we will also strive to realize safety, security, fairness, and efficiency to enable a rich range of social activities by supporting people with disabilities through employment and contributing to society through support for parasports.

NEC Joins The Valuable 500

Special Subsidiary Company: NEC Friendly Staff
In March 2003, NEC Corporation established NEC Friendly Staff, Ltd., as a special subsidiary company for employing people with disabilities, including people with intellectual or mental disabilities. The subsidiary’s head office is located at the NEC Fuchu Plant, and employees work at offices in Tamachi, Abiko, and Tamagawa. As of June 1, 2021, the company employs 133 people with disabilities.

The company’s employees support the Group’s businesses in many ways. As well as providing long-established services, such as cleaning services and services for the conversion of business-related documents into electronic format, the subsidiary’s employees are helping other Group companies adapt to telecommuting and other workstyle changes by assuming more tasks on a consignment basis. For example, the subsidiary provides support for the launch of online training, checks postal mail sent to employees working from home and forwards it, and performs various types of dispatching.

These services improve the work efficiency of NEC’s other employees as well as helping to strengthen the management of compliance. Going forward, NEC will continue expanding the work of the special subsidiary company by having it provide an even wider range of administrative support services.

Assisting the Self-development of NEC Group Employees with Hearing Difficulties
Since fiscal 2016, we have been holding study sessions to deepen knowledge of NEC among NEC Group employees with hearing difficulties.

*3 Measures to improve conditions that are barriers for disabled workers so that they can exercise their abilities effectively
In fiscal 2021, the COVID-19 pandemic made it difficult to hold study sessions where employees with hearing difficulties meet directly.

For this reason, with the aim of realizing “new normal” workstyles premised on telecommuting, we organized an exchange of opinions focused on the innovative techniques and measures that we could introduce for online meetings and discussions. Also, we are holding study sessions on the use of actual online communication tools to enhance communication.

**Supporting Diverse Workstyles for Seniors**

NEC Corporation has implemented systems that enable employees to choose their career support programs themselves in order to meet the diverse needs of employees seeking to start a new career outside of the Company or those approaching retirement age. These programs are designed to support proactive life planning initiatives by providing financial and time benefits to employees choosing to plan and prepare for new careers outside of the Company.

In addition, NEC provides a system that enables employees who wish to work beyond the age of 60 to extend their employment to a maximum age of 65. This system is offered with the intent of giving highly motivated and skilled personnel the opportunity to continue being active in the workplace. Since fiscal 2016, NEC has also operated a personnel recruiting system for those extending their employment that works to match the needs of individuals and hiring organizations, based on type of work, job description, employment terms, and other conditions.

Further, beginning from fiscal 2022, NEC will launch an initiative for dispatching and arranging the placement of highly experienced personnel. Under this initiative, we will send project managers and other personnel with skills and qualifications based on advanced technical expertise or long experience to workplaces inside and outside the NEC Group. Thus, we will develop opportunities for senior personnel to make long-term contributions to society in ways suited to their lifestyles.

**LGBTQ Initiatives**

In creating a workplace environment where every individual can fully express themselves without fear of discrimination, we believe that having a correct understanding of LGBTQ issues and increasing the number of “allies” are top priorities. Also, to provide LGBTQ employees with equal opportunities to use our systems, since fiscal 2020 we have been implementing the following initiatives.

- Training for managers on understanding LGBTQ issues and training for members of the Human Resources Division, who may serve as primary contact points, on responding appropriately so that LGBTQ employees feel safe and at ease when seeking advice
- Establishment of a community of allies as “visible mentors” who help LGBTQ employees feel safe and at ease
- Participation since 2016 in RAINBOW CROSSING TOKYO, a career forum themed on promoting LGBTQ-related initiatives and other forms of diversity

*4 Someone who understands the situation of, and strongly supports, LGBTQ individuals

**Launch of an Ally Community and the Promotion of Understanding among Employees**

Since fiscal 2020, a group of eight employees, primarily from the People and Organization Development Division, have been acting as visible LGBTQ allies and responding directly to inquiries and consultation requests from LGBTQ employees. Further, as part of our emphasis on respect for diversity, our Human Rights and Business web–based training for all employees heightens awareness of the importance of harassment prevention and outing prevention. Through such initiatives, we are increasing the supporters of LGBTQ employees and giving them greater peace of mind.

**Revision of Internal Regulations**

In October 2019, we revised 14 internal regulations, such as adding “a person who is a de facto marriage partner or in a partner relationship” to the definition of “spouse” in order to give de facto marriage partners, including same-sex marriage partners, equal treatment to legally married couples.

**Participation in RAINBOW CROSSING 2020 as a Sponsor**

In 2020, for the fifth consecutive year, we exhibited at RAINBOW CROSSING, one of the largest career conferences in Japan that is focused on promoting I&D, including LGBTQ initiatives. Last year’s conference was held online, and university students with a high level of interest in this theme participated from all over Japan. Through the conference, we provided participating students with an understanding of our I&D initiatives. Also, at an online networking event, our LGBTQ allies and promoters of I&D took the platform as role models and spoke directly with participating students.

**Toward Fair Recruitment Activities**

In fiscal 2019, we added the following items about LGBTQ issues in interview manuals. Since then, we have been promoting awareness so that recruiters can carry out interviews appropriately. We also abolished the field for stating gender on the entry form.

1. Absolutely do not conduct interviews that discriminate or violate human dignity from the perspective of human rights.
2. Even if a person comes out as LGBTQ, for example during an interview, do not ask questions only concerning LGBTQ.
3. Judge a candidate only by the person’s capabilities and suitability for the job.

**Inclusion of Mid-career Hires**

Since fiscal 2021, we have been providing web-based training on interviewing to employees responsible for conducting interviews with prospective mid-career hires. Designed to improve the interviewing skills of employees by deepening their understanding of the entire process from recruitment strategies through to actual interviewing methods, our program uses role playing and other types of interactive training. The program also helps participants understand the importance of conducting interviews in a manner that ascertains suitability, eliminates bias, and recruits diverse personnel.

Aside from roughly 600 new graduate hires, we hired approximately 400 personnel mid-career in fiscal 2021. Given the increasing number of mid-career hires, we are facilitating onboarding so that they find their feet and begin contributing soon after joining us. For example, when mid-career hires join NEC, it holds online orientations. Also, we distribute onboarding manuals to departments to which mid-career hires are assigned.

**Rated “Gold” in the PRIDE Index 2020**

We have received a “Gold” rating—the highest rating—in PRIDE Index 2020, which is formulated by the voluntary organization work with Pride and reflects evaluations of initiatives for LGBTQ individuals and other sexual minorities at companies and organizations.

We met all of the indicator’s evaluation criteria with respect to a declaration of conduct, a community of concerned parties, awareness-raising activities, human resource systems and programs, and social contributions and liaison activities. Specifically, the following initiatives were well received.

- Participation since 2016 in RAINBOW CROSSING TOKYO, a career forum themed on promoting LGBTQ-related initiatives and other forms of diversity
- Establishment of a community of allies as “visible mentors” who help LGBTQ employees feel safe and at ease
In addition, about three months after joining the Company, mid-career hires participate in an online roundtable, which gives them an opportunity to participate in a discussion with the CHRO or the general manager of the People and Organization Development Division. The roundtable also helps employees build networks with those who joined the Company around the same time as them.

Mid-career hires have diverse approaches and perspectives based on their experience working at other companies outside NEC. At the roundtable discussion, they discuss questions about their current duties and proposals for improvements, among other topics. By acting as a catalyst for discussion about stopping long-embedded work practices and activities that have lost their original purpose but have persisted, mid-career hires help to accelerate cultural transformation.

Initiatives in the Local Community

NEC continues to promote awareness and understanding of I&D within local communities and address issues through the following corporate citizenship activities.

- NEC has supported wheelchair tennis for more than 30 years, and NEC employees have participated in volunteer activities, such as by serving as linespersons in national competitions since 1991.
- As an initiative to respond to the rights of children set out in the Children’s Rights and Business Principles developed by Save the Children (NGO), the UNGC, and UNICEF, NEC has implemented e-Net Caravan, which offers awareness raising and guidance for elementary school students (third and fourth grade) through to high school students as well as other guardians and educational professionals to teach them how to use the internet safely and securely. Nationwide, 300 of our employees currently participate in this initiative as certified instructors.
- Every winter, NEC Corporation India Private Limited conducts a Gift the Warmth Drive. In fiscal 2021, the 12th year of the program, the subsidiary distributed 1,000 sets of thermal underwear and sweaters to senior citizens in straitened circumstances. Since 2015, through the local community we have been contributing to the health of the women at a residential facility for widows, called Radhakund Aashram, by distributing nutritious food such as fruit and milk and conducting health check-ups twice a week year-round. Further, in cooperation with the NGO Krish, at two rural schools we support the education of underprivileged girls so that they acquire the knowledge, skills, and self-confidence that will help them avoid economic and social insecurity.

Wheelchair Tennis

e-Net Caravan

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Human Resource Development and Training

Policy

Viewing people as its greatest management resource, NEC has been investing in them by transforming systems and improving environments in ways that maximize the capabilities of the Company’s personnel and organization. To be an employer of choice that is always the preferred option not only of markets and customers but also of workers, we have been reforming our workplace environment and culture. The aim of these efforts is to ensure that each employee has a range of opportunities to take on challenges and grow and receives fair evaluations. Moreover, we are creating an atmosphere in which proactive employees can shine. The aforementioned reform initiatives are based on our Human Resources (HR) Policy “NEC, for Those Who Seek Challenge,” established in 2019.

The foundation of the reforms is the NEC Way, which outlines the NEC Group’s Purpose and Code of Values. We have defined our Purpose as the creation of the social values of safety, security, fairness, and efficiency to promote a more sustainable world where everyone has the chance to reach their full potential. With our sights set on realizing this Purpose, we are developing our organizational climate and culture while fostering personnel who have the passion and ambition to create new businesses, the capabilities to take on challenges beyond organizational boundaries, and the perseverance to accomplish initiatives.

Through these reform efforts, we hope to raise the employee engagement score to 50% by fiscal 2026.*

* Based on a survey conducted by the global human resource consulting company Kincentric, a 50% score is in Tier 1, which approximately corresponds to the top 25th percentile of companies globally.

Implementation Framework

With a view to realizing our HR Policy, we are rapidly responding to change and accelerating the establishment of systems that enable the timely assignment of personnel to suitable positions.

Structure of the NEC Way

The NEC Way clearly indicates not only NEC’s Purpose and principles as a company but also our values and the way in which each one of us as representatives of NEC should conduct ourselves.

Human Resource for Driving Transformation

We are reorganizing the roles of the Human Resources Division, which spearheads the human resource strategies that support business strategies. We have prepared a human resource model and defined the roles and responsibilities of each human resource business partner, shared service, and center of excellence. The center of excellence function plays a leading role in formulating human resource strategies and establishing optimal programs, systems, and policies and works with human resource business partners to implement measures for human resource development and training throughout the Company.

Training System for Heightening Expertise

We are conducting human resource development to strengthen the expertise of our workforce. These efforts are based on the Human Resource Management Committee—a cross-organizational body that plans, implements, and follows up on measures for specific job types, thereby contributing to the improvement of professional skills in the NEC Group.

Human Resource Foundations for One NEC

To realize the HR Policy, the NEC Group must unify its human resource foundations in-house, including those in Japan and abroad. Since 2019, the Company has unified human resource evaluations by conducting performance development at NEC Group companies as well as at NEC. Performance development encourages growth and changes in behavior by providing feedback that uses a system of nine blocks based on performance and the Code of Values, goal management, and one-on-one meetings between supervisors and their team members. Further, in fiscal 2021 we partially introduced a new human resource information system. Plans call for the full introduction of the system to NEC and NEC Group companies beginning from fiscal 2022 and fiscal 2023, respectively.

HR Policy “NEC, for Those Who Seek Challenge”
Measures and Main Fiscal 2021 Activities

**Talent Acquisition**

Initiatives to Acquire Diverse Talents to Supplement the En Masse Hiring of New Graduates as Regular Employees

We have introduced a system that entails hiring new graduates for specific jobs. Rather than paying talented new employees starting salaries based on their academic background, the new system provides remuneration based on the roles the new employees assume.

Further, targeting leading young researchers, including new graduates, NEC has introduced a Selective Compensation Program for Professional Researchers, which takes market value into account and sets no upper limit on compensation.

Increase in Mid-career Hiring (400 People in Fiscal 2021) and Introduction of Referral Recruitment

To realize timely assignment of personnel to appropriate positions, we are making bold changes to the way we utilize human resources. One such change is our increased utilization of external human resources. Specifically, we are hiring more mid-career personnel, who enable us to implement businesses strategies immediately. In fiscal 2021, to supplement our use of recruitment agencies, we launched a referral recruitment system that uses the personal networks of NEC employees. Five people joined NEC through this system in the same fiscal year.

**Develop Talents**

Next-generation Leadership Development

Human resource discovery

We have clarified the target profiles of next-generation leaders as well as the capabilities they are likely to need and compiled a list of approximately 1,000 promising personnel from our operations worldwide. Our aim is to accelerate the achievement of business results and maximize the effectiveness of training. To these ends, we hold Talent Talks, in which corporate officers discuss promising personnel, and People & Organization Discussions, which focus on reflecting business strategy in organizational design and personnel assignment. Furthermore, we assign promising personnel to “hot” positions that simultaneously meet business and training needs.

Global human resource development

We have developed a global leadership program to ensure that we assign the most globally competent personnel to leadership positions. With respect to our Senior Leader Program, 15 people from nine regions and countries participated, while 21 people from 10 regions and countries participated in the Rising Leader Program.

Training program involving corporate officers

We have begun group mentoring conducted by corporate officers who are not only from Japan but from a range of other backgrounds. Eight corporate officer mentors conducted the program, in which 48 mentees participated.

Development of Line Managers

We believe that the role of line managers is important in realizing our HR Policy, “NEC, for Those Who Seek Challenge.” Accordingly, we have launched management training focused on optimizing performance by maximizing both team cohesion as well as the initiative, creativity, passion, and autonomous behavior of each employee. In fiscal 2021, 20% of the managers belonging to the rank targeted by this program participated. Approximately 70% of responses to a questionnaire of participants and their superiors and subordinates conducted after the training indicated changes in the participants’ behavior.

Development of Personnel Conversant with Digital Technologies

In partnership with Keio University, we have developed a training program aimed at fostering personnel who are conversant with digital technologies. The program focuses on the concepts and behavior patterns needed for DX as well as the methodology and techniques of value creation. Further, the program includes project-based training in which trainees incorporate the knowledge they have acquired into activities aimed at generating ideas for new businesses. In fiscal 2021, 85 people participated in the program.

Provision of Diverse Learning Opportunities through LinkedIn Learning

NEC has introduced LinkedIn Learning, an online-video service providing all NEC employees with a range of learning opportunities that can be availed of at any time or location and tailored to the needs of individual employees.

Social Issue Experience Human Resource Development Programs (SENSE)

SENSE is a group of leadership development programs that cultivates leadership skills by providing personnel with opportunities to visit areas that have social issues and experience them with all five senses. In fiscal 2021, 40 employees participated in the programs.

**Utilize Talents**

Establishment of NEC Life Career

In October 2020, NEC established NEC Life Career, Ltd., which specializes in services that help employees take the initiative in developing their own careers. This type of career development provides a foundation that allows each employee view changes in the business environment positively and grow and mature as a professional. The new company will accelerate the strengthening of various measures related to developing the careers and skills of employees and accelerate the timely assignment of personnel to suitable positions, which is aimed at increasing the Group’s ability to implement business strategies.

My Career Design and Career Design Workshop

We are enhancing the My Career Design group of programs, which help employees take greater ownership of and realize their career plans. Moreover, based on the career design concept, in December 2020 we introduced a new career training program, the Career Design Workshop. We have completely overhauled the previous career training program, which was generation-based and began when employees reached the age of 30. Aiming to offer employees career development support, opportunities, and options at an earlier stage, we reorganized the program so that it encompasses employees in all generations—from those in their 20s through to those in their 50s.

Introduction of an AI-enabled Recommendation Service to the NEC Growth Careers (Employee and Position Matching) System

In the past, our system for matching employees and positions entailed employees reading job descriptions of published vacancies and then applying for positions that interested them. Alternatively, the personnel manager of a department with a vacancy would search published resumes and contact personnel who met the position’s requirements. In fiscal 2021, NEC began using its AI capabilities to generate job candidate recommendations. Specifically, we use machine learning to match the content of resumes with that of published vacancies. As well as giving
employees more opportunities to take on challenges and grow and discover potential they did not know they had, the new service helps the personnel managers of departments with vacant positions efficiently select, secure, and assign the most suitable personnel.

● Developing Talents in Key Focus Areas
At NEC, we are developing human resources in our key business areas, in order to strengthen the core technologies that contribute to solutions for society, as well as to sustain these technologies and solutions into the future.

Developing of Information Security Professionals
NEC puts serious effort into developing cyber security professionals. For instance, NEC’s system integration service not only incorporates security from the implementation phase but utilizes the “security by design” practice in the early system requirements design phase.

Recognizing the importance of incorporating security from the early design phase—an approach known as “security by design”—since fiscal 2020, we have been fostering specialists who implement security by design and assist the security managers of business divisions. These specialists play a pivotal role in efforts to oversee all processes related to system development and implement appropriate security without fail—enabling us to deliver safe and secure systems to our customers.

Further, we use a dedicated virtual environment that simulates an e-commerce website and thereby provides a location where system engineers can practice taking practical security measures and acquire skills that increase the robustness of systems at their construction phase.

In fiscal 2021, we introduced remote services, which allowed our engineers to strengthen the security technologies that underpin our clients’ systems even during the COVID-19 pandemic.

Also, we are developing highly skilled cyber security personnel. In fiscal 2021, we launched the NEC Cyber Security Analyst Program, which is a more practical version of the NEC Chief Information Security Officer Aide Training Program. With the aim of enhancing the capabilities of our leading cyber security professionals even further, personnel well versed in cyber security technologies undergo an intensive six-month program to acquire the technical skills needed in the provision of advanced cyber security services, such as the work performed by the Computer Security Incident Response Team (CSRT) and risk hunting.

We are also focusing efforts on widening our pool of cyber security human resources. To raise the overall level of security skills across our workforce, we offer web-based training on the basic cyber security knowledge required by sales personnel and system engineers. In addition, since fiscal 2016 NEC has been holding the NEC Security Skill Challenge, an in-house “capture the flag” competition for all employees. Accounting for more than 5,000 voluntary participants to date, the competition is helping to broaden the base of the Group’s cyber security workforce.

Moreover, we strongly encourage employees to acquire public security qualifications, such as the internationally recognized CISSP qualification and the Registered Information Security Specialist national qualification. This way, we have prepared a framework so that cyber security professionals can provide customers with system integration and services.

● Initiatives Aimed at Heightening Motivation with Respect to Career Development
NEC Corporation has prepared retirement allowances and defined contribution pension plans as retirement benefit and pension programs. These respond to changes in lifestyle and employment type at different ages, while also providing motivation for people to develop their careers with a long-term perspective.

Outcomes

● Initiative Outcomes Revealed by the One NEC Survey
Our annual One NEC Survey of NEC Group employees showed the following improvements in human resource-related scores versus those of fiscal 2020.
Creating a Diverse Workstyle Environment

Policy

To realize corporate growth and personal growth and happiness in accordance with its HR Policy, NEC develops and fairly evaluates personnel, who drive the growth of its businesses. We also promote the creation of productive, comfortable working environments.

Aiming to realize fair assessments, NEC has established a system that evaluates employees based on their contribution to businesses, regardless of such attributes as age or gender. We pay appropriate wages and bonuses according to employees’ roles and results based on various laws and regulations, labour agreements, and internal regulations. In addition, we have introduced medium- to long-term incentives, including defined contribution pension plans, an employee shareholding association, and a corporate pension. Further, bearing in mind the import of laws pertaining to equal pay for equal work, we have enabled fixed-term contract employees and other non-regular employees to use some of the systems established for regular employees.

In addition to these systems, we are bringing about a friendly work environment through discussions and by cooperating with the workers union and management on issues covering the personnel system, benefits, and wages. We are promoting flexible workstyles and continuing business operations amid the COVID-19 pandemic.

In particular, we have childcare and nursing care systems that exceed statutory minimums and have led other companies in the establishment of a teleworking system, which we introduced as early as 2000.

Further Promotion of Teleworking

For more than 80% of our employees were teleworking by the end of March 2020, we were able to transition smoothly to a teleworking-based workstyle and continue our business operations when Japan’s government issued a state of emergency declaration in May 2020. While giving first priority to the safety and peace of mind of employees and their families, we advanced a hybrid workstyle that optimally combines remote and on-site work.

We utilized IT to design environments for particular jobs and duties and to further increase efficiency and productivity in teleworking-based workstyles. In recognition of these efforts, in fiscal 2021 we received the Telework Promotion Award—Chairperson’s Special Award from the Japan Telework Association, following on from the Chairperson’s Award received from the association in the same award category in the previous fiscal year.

Introduction of Super Flex

From October 2019, NEC Corporation abolished core time and introduced a flextime system without core time (super flex), aiming to transition to a style of working that is devised by the workplace in line with the business and the situation of the workplace members, rather than following a uniform style presented by the Company. By combining this system with telework, we encourage individual employees to design their work hours and locations autonomously. We expect this to enable individuals and teams to achieve better productivity.

Promoting Dress Code-free Style

In October 2019, NEC Corporation started to encourage employees to autonomously design their working time and space, and to adopt a dress code-free style of making their own choices on the most appropriate clothing to wear for each day’s workstyle throughout the year. As a company that provides cutting-edge ICT, we expect this casual attire approach to promote free thinking and a flat environment with open communication that encourages collaboration between employees.
Evaluations That Promote Personal Growth

NEC has previously introduced a system for personnel evaluation and development based on two-way dialogue between managers and their team members. One-on-one meetings between supervisors and their team members help align the goals of individual employees in their roles with the goals of the organization. Further, supervisors prepare and implement development plans, taking into consideration training that heightens the capabilities, capacities, and skills needed to reach these goals as well as each employee’s career aspirations. We then provide feedback on degrees of achievement and growth to enable further individual growth and career development.

In fiscal 2019, the Group adopted the Code of Values as a shared standard of conduct. Since then, in one-on-one meetings, supervisors have been providing feedback and coaching that, while focused on results, places greater emphasis than before on conduct. To facilitate this, we reiterated the importance of conduct evaluation to management and conducted training to strengthen coaching and feedback.

In cases other than employee preference, where it is necessary for work, workplaces and work types may be changed or employees may be transferred or sent on assignment. However, in these cases, the labour agreement stipulates that the labour union must be notified at least seven days in advance.

The average annual salary of employees is 8,294,708 yen, with no difference by age or gender. In addition, the average length of service is 18.9 years. (Both figures are as of March 31, 2021.)

Work-Life Balance

At NEC, the workers union and management cooperate to implement flexible workstyles, prevent overwork, and promote time off from work, while observing the relevant legal systems in each country.

In addition, following workers union and management deliberations, in fiscal 2017 NEC Corporation and affiliated companies in Japan strengthened their initiatives to prevent excessive work by revising the standard for overtime requiring a health check from 80 to 70 hours a month. We also created systems that enable employees to have consultations with an industrial physician of their own volition, even if they have not exceeded the standard. The status of these efforts is confirmed by workers union–management committees in each business unit and office to shorten work hours through workstyle reforms and ensure employee health while also promoting time off from work.

In 2018, we established the “Guideline for Balancing Treatment and Work” for employees. The guideline indicates that employees can make use of systems such as short-time work or short-day work* to enable them to receive medical treatment or recover from cancer and other intractable diseases. This provides a system that enables employees to continue working with peace of mind.

Furthermore, in April 2019 NEC Corporation and affiliated companies in Japan renewed their work-hour management systems and took other steps to properly ascertain work hours and rigorously manage overtime in line with the revision of the Labor Standards Act. We have put systems in place to enable early identification of potential risks and implementation of countermeasures as needed to prevent any incidents arising due to work hours.

As a result of these initiatives, average overtime was 19.9 hours per month, a slight increase from the 19.0 hours of the previous fiscal year. We will strive to reduce overtime by further encouraging employees to autonomously design their own working times and spaces.

* One day a week is predetermined as a non-work day, on which employees are allowed time off from work.

Introduction of Independent-type Benefits and Welfare System

In April 2020, NEC Corporation launched a new “cafeteria-style” benefits and welfare system called “Will be.” It allows employees to select and design their own benefits rather than benefits and welfare prepared by the company based on an assumed model life plan. Under this benefits and welfare system, employees are granted a certain number of points, and they can select various benefits and welfare services within the scope of their points, according to their needs. There are a wide range of options to meet employees’ various needs, such as self-investment for growth, health improvement services, assistance for use of childcare and nursing care services, purchase of time-saving home appliances, and so forth. In fiscal 2021, aiming to promote the growth and well-being of each employee by increasing their awareness and utilization of these benefits, we issued a Quick Manual and distributed a video that explains the “cafeteria-style” benefits and welfare system in three minutes. As of January 31, 2021, approximately 19,000 employees had logged on to our benefits and welfare service application website.

NEC Corporation has offered childcare and nursing care leave systems ahead of other companies and before such systems were mandated by law. The new benefits and welfare system also includes an allocation of childcare and nursing care points for employees engaged in childcare and nursing care, separate from the basic points, as part of the Company’s ongoing efforts to support employees balancing work with childcare or nursing care.

Revision of the NEC Pension Plan

Until recently, the NEC pension plan entailed accumulation through the combined use of a defined benefit pension plan and a defined contribution pension plan. However, to reflect changes in the environment, such as employment mobility and career diversification, we integrated the two plans into a single defined contribution pension plan in October 2020.

While the previous defined contribution pension plan was premised on long-term employment, the revised pension plan allows employees to pursue asset formation without any fear of limiting the range of career options open to them.

Moreover, before revising the pension system, to establish a defined contribution pension plan management system trusted by employees and to offer educational opportunities that encourage employees to pursue asset formation autonomously, we established the NEC Group Defined Contribution Pension Committee. Also, we have monitored products and provided investment education to employees on an ongoing basis.

In recognition of these efforts, NEC received the DC Excellent Company Award at the 9th Japan DC Forum in fiscal 2021.

Support for Childcare

NEC Corporation supports employees who are balancing work with childcare by providing systems such as childcare leave and reduced work hours for childcare. In addition to the aforementioned benefits and welfare system, we conduct management training on supporting work–life balance and skills improvement training for employees on childcare leave. These initiatives enabled NEC Corporation to acquire the “Kurumin” Next-generation Support Certification Mark in 2007, 2012, and 2015. We implemented a series of measures, even including measures that are not incorporated in the action plan, and further improved the work–life balance of our employees. Through these measures, NEC Corporation acquired the “Platinum Kurumin” certification in 2018.
Nursing Care Support
NEC Corporation supports employees who are balancing work with nursing care by providing systems such as nursing care leave and reduced work hours for nursing care.

The number of employees with family members who require nursing care is expected to increase going forward. We have therefore been working at expanding our care support system with the aim of supporting workers who have to balance their caregiving and work responsibilities.

NEC Corporation has established the following systems:

1. A “Nursing Care Relocation Expense Subsidies” system, under which NEC will provide subsidies for relocation expenses incurred by employees who have to move to live with or nearby their parents so that they can provide nursing care.

2. A “Care Environment Maintenance Funding” system whereby financial support is made available when an employee has to incur major expenditures, such as making structural modifications to the family home or moving to a long-term care facility as a result of a care review of a parent with a high level of nursing requirements.

3. A “Nursing Care Support Website” where detailed information is provided and opinions and thoughts are shared to help reduce any feelings of isolation or frustration of caregivers.

Number of People Utilizing Childcare and Nursing Care Leave

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<tr>
<th></th>
<th>FY2019</th>
<th>FY2020</th>
<th>FY2021</th>
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<tbody>
<tr>
<td><strong>Childcare leave</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Men</td>
<td>33</td>
<td>40</td>
<td>67</td>
</tr>
<tr>
<td>Women</td>
<td>348</td>
<td>314</td>
<td>307</td>
</tr>
<tr>
<td>Total</td>
<td>$381</td>
<td>$354</td>
<td>$374</td>
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<th></th>
<th>FY2019</th>
<th>FY2020</th>
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<tr>
<td>Reduced working hours for childcare</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Men</td>
<td>21</td>
<td>14</td>
<td>5</td>
</tr>
<tr>
<td>Women</td>
<td>624</td>
<td>767</td>
<td>760</td>
</tr>
<tr>
<td>Total</td>
<td>$845</td>
<td>$781</td>
<td>$765</td>
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<th></th>
<th>FY2019</th>
<th>FY2020</th>
<th>FY2021</th>
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<tbody>
<tr>
<td>Nursing care leave</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Men</td>
<td>9</td>
<td>7</td>
<td>8</td>
</tr>
<tr>
<td>Women</td>
<td>15</td>
<td>8</td>
<td>4</td>
</tr>
<tr>
<td>Total</td>
<td>$24</td>
<td>$15</td>
<td>$12</td>
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<th>FY2019</th>
<th>FY2020</th>
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<tbody>
<tr>
<td>Reduced working hours for nursing care</td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Men</td>
<td>4</td>
<td>10</td>
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<tr>
<td>Women</td>
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<td>15</td>
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<tr>
<td>Total</td>
<td>$23</td>
<td>$26</td>
<td>$20</td>
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In fiscal 2021, the number of people using reduced work hours for childcare leave and taking nursing care leave decreased. This reflects the uptake of telework and super flex, which enabled employees to balance their work without using systems such as reduced work hours for childcare, or nursing care leave.

● Initiatives to Design and Grow Your Own Career
In the current era of “100-year lives,” attitudes to work are changing dramatically. As changes in industrial structures and the business environment gather pace, the key to competitiveness for both companies and employees is to have core competencies—strengths and expertise—and to proactively upgrade them in step with changes. In such an era, each person must achieve career “ownership” by independently examining their values, expertise, and strengths; envisioning what they want to be; and taking concrete action to achieve the goal, without being bound by the existing frameworks of their job or the company.

To enable each employee to grow and be happy by pursuing a career in line with their values, NEC provides an environment where employees can think about and act on career plans. We have put in place systems that support and encourage the efforts of employees to take the initiative in improving their skills and in pursuing challenging professional roles. Specifically, in fiscal 2021 we renewed and reorganized a set of training programs and systems aimed at self-starting career development and relaunched our career training curriculum under a new banner: My Career Design. Moreover, with the aim of strengthening our ability to support employees’ career ownership, we established NEC Life Career, Ltd., in 2020.
Health and Safety

Policy

NEC Corporation has established a basic philosophy as part of its “Companywide Occupational Health & Safety (OH&S) Policy Action Guidelines,” stating that “NEC should maintain and enhance a comfortable and supportive workplace to ensure the health and safety of all who work at its business sites.” We offer various programs for safety and health focusing on preventive management.

Safety

On the basis of its Companywide OH&S Policy Action Guidelines, NEC Corporation has established the following action guidelines to maintain and enhance a comfortable and supportive workplace and to ensure the health and safety of its employees including dispatched workers.

Companywide OH&S Policy Action Guidelines

1. Improve occupational health and safety management systems by continuously and efficiently implementing occupational health and safety activities.
2. Promote the identification of sources of danger, as well as risk assessment and risk management, with the aim of reducing labour accidents to zero.
3. Comply with laws and regulations, and other rules and decisions regarding occupational health and safety.
4. Strive to make the occupational health and safety obligations known to ensure understanding and fulfillment of these obligations.
5. Actively provide disclosure of information regarding occupational health and safety activities.
6. Endeavor to enhance the mental and physical health of workers and develop a comfortable workplace.
7. Ensure the appropriateness and effectiveness of these policies and the occupational health and safety management systems through regular reviews.

Health

In fiscal 2020, NEC established the NEC Group Health Declaration. Rather than simply focusing on the prevention of illness among employees, the declaration calls for efforts to improve the health of employees so that they work with mental and physical vitality and achieve self-actualization. In this way, the Group aims to create even more social value.

To achieve this aspiration, we are conducting various health promotion activities under the health slogan “Better Condition, Better Life.” These are based on the three axes of literacy, practice, and technology, and seek to reform health awareness, change behavior, and support people in maintaining their changes.

NEC Group Health Declaration

Better Condition, Better Life
—Better Individual Lives Make a Richer Society—

We will create an environment in which employees can work with enthusiasm toward their dreams, and a culture in which employees and members of their family can look after their own physical condition and take care of their health. Harnessing the health and vitality of all our employees, we will contribute to the realization of a richer society.

In recognition of such initiatives, NEC received certification as a Health and Productivity Management Organization (White 500). Through health and productivity management, beginning from fiscal 2022 we will heighten job satisfaction and our employee engagement score and become an employer of choice, which is a goal of the Mid-term Management Plan 2025.

Implementation Framework

The Human Resources and General Affairs Division establishes targets and key measures for the fiscal year in accordance with NEC’s Companywide OH&S Policy Action Guidelines and the NEC Group Health Declaration. To realize these targets and measures, the division prepares and implements specific measures for each in-house geographical area, business site, and consolidated subsidiary in Japan. Particularly with regard to health and productivity management, the Human Resources and General Affairs Division, the Health Care Center, and the NEC Health Insurance Association act as a health promotion team for the Company and its consolidated subsidiaries in Japan. As well as conducting independent health-related activities, the organizations work in close collaboration and pool their data and expertise to advance initiatives.

Further, to help us achieve the goals of the Mid-term Management Plan 2025, we set KPIs in consultation with the CHRO and based on the World Health Organization’s definition of health as “a state of complete physical, mental, and social well-being.” Consequently, the KPIs now focus on social health along with our existing emphasis on physical and mental health. Under the direction of the CEO, the CHRO oversees activities related to OH&S throughout the Company, including risk management, and reports on these activities to the Board of Directors.

The NEC Group’s Health and Productivity Management Implementation Framework

The NEC Group’s Health and Productivity Management Implementation Framework includes the NEC Corporation and its domestic consolidated subsidiaries’ human resources and general affairs departments, the CHRO, and the NEC Group’s Health and Productivity Management Promotions Team.

Occupational Health and Safety Management in Construction and Installation Work

Ensuring Quality and Safety
At each region and business site, health and safety committees meet each month to take action on ensuring health and safety at business sites and promoting comfortable workplace environments. Committee members include health and safety commissioners and labor union representatives selected by each division, as well as employee representatives, and industrial physicians and healthcare nurses from the Health Care Center. They share information on the status of labor accidents and the promotion of various measures, as well as discussing new health and safety countermeasures and health-related measures, among others.

Furthermore, labor union members also participate in a monthly worksite inspection conducted by an industrial physician, exchanging opinions with workplace representatives and gathering opinions. When new risks arise regarding health and disasters, the information is quickly gathered and discussed by the committee.

These initiatives are overseen by the Human Resources and General Affairs Division, with its internal organization, the Regional Affairs Department, handling routine matters by acting in the role of the promotion office. The Regional Affairs Department posts the discussions and deliberations of the health and safety committee on the intranet, and shares information within each region, while performing the function of a regional center in accordance with the OH&S management systems. It also receives inquiries from a wide range of employees and organizations as the internal contact desk.

Meanwhile, important matters such as a major disaster or pandemic are handled by the Business Strategy Committee attended by corporate management, such as the president or directors. The committee decides on important themes each year, reviews the flow for countermeasures, and conducts exercises. (Our response to the pandemic is described in the section on “Business Continuity.”)

Furthermore, we provide a channel for exchanging information with subsidiaries abroad to share safety confirmation information during disasters and take steps to ensure workplace safety.

### Measures and Main Fiscal 2021 Activities

#### Occupational Health and Safety

NEC Corporation conducts OH&S activities from two standpoints that address “Companywide issues” as well as “specific issues reflecting unique conditions faced by individual Group companies and business sites.”

In our initiatives on Companywide issues, we formulated the “Companywide OH&S Policy” in fiscal 2011, and in fiscal 2013, we formulated the “Occupational Health and Safety Management Regulations” as part of efforts to enhance the quality of our health and safety activities.

In fiscal 2020, we conducted a web-based training in “Companywide Occupational Health and Safety Training” as an initiative to increase OH&S awareness among all NEC Corporation employees.

### Companywide OH&S Training Participants (Percentage)

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<th>FY2020</th>
<th>FY2021</th>
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<tr>
<td></td>
<td>16,668 (89%)</td>
<td>18,380 (90.9%)</td>
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**Scope:** NEC Corporation

Furthermore, to address specific issues reflecting unique conditions faced by individual Group companies and business sites, NEC has been conducting initiatives based on the OH&S management systems. Until fiscal 2021, NEC’s four main business sites and six NEC Group companies conducted activities based on OHSAS 18001. In fiscal 2021, however, the NEC Group established OH&S management systems and began implementing such activities under the new systems. Also, we conduct a range of different training programs for employees engaged in occupational health and safety activities.

### Employees Completing the Basic Lifesaving Workshop

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<th>FY2020</th>
<th>FY2021</th>
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<td>142</td>
<td>109</td>
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**Scope:** NEC Corporation

#### Health Promotion

The NEC Group has set out three axes for its initiatives: Literacy, Practice, and Technology. We are conducting a range of initiatives such as introducing the NEC Health Checkup Forecast Simulation, holding regular awareness-raising events, and promoting smoking cessation. Reflecting a favorable evaluation of these initiatives, NEC received certification as a Health and Productivity Management Organization (White 500).

#### Health Checkups

We provide blood tests for all employees of NEC Corporation and 24 affiliated companies in Japan, including all items on the regular health examination, with the goal of identifying lifestyle diseases at an early stage and responding quickly. This enables us to implement comprehensive countermeasures against lifestyle diseases right through from joining the Company to retirement.

#### NEC Health Checkup Forecast Simulation

From July 2019, approximately 60,000 NEC Group employees have been offered an online service that enables them to simulate for themselves their future health risks and what would happen if they improved their current lifestyle. The service uses software called NEC Health Checkup Forecast Simulation,*1 which is based on heterogeneous mixture learning technology,*2 one of NEC the WISE’s group of advanced AI technologies.

The service explains the significance of the figures in the health checkup results using a video, while offering proposals for highly effective lifestyle improvements based on AI analysis and a visualized forecast of the impact of implementing them. By using this service, we can foster employees’ awareness to improve their health autonomously and support them in changing their behavior. In fiscal 2021, we enhanced the capabilities of the service through such measures as making the software usable in English and adding liver function-related test values to the list of items included in the forecast. In response to a questionnaire, 74% of employees said that using the simulation had motivated them to improve their lifestyles.

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*1 NEC Health Checkup Forecast Simulation is developed by NEC Solution Innovators, Ltd., an NEC Group company.

*2 Heterogeneous mixture learning technology is an analysis technology that can automatically identify highly accurate regularities within highly heterogeneous and diverse data to achieve highly accurate results even in complex forecasts that are difficult to perform manually.

*3 NEC the WISE is the name for NEC’s group of advanced AI technologies.
Health Promotion Events
We regularly hold such events as exercise seminars conducted by professional trainers and lectures on diet and sleep conducted by experts. The events are intended to provide an opportunity for employees to think for themselves about their own health, and take steps to maintain and improve their mental and physical condition, and to support them in making health activity a regular part of their lives.

In fiscal 2021, as a COVID-19 countermeasure, we held the aforementioned events online. As well as incorporating into seminars such topics as how to address telework-related health issues, we invited industrial physicians to conduct seminars aimed at improving cancer literacy. As a result, employees from business sites nationwide were able to attend events, with the number of participants doubling year on year. Post-event questionnaires showed that most participants were highly satisfied with the events and willing to improve lifestyle habits.

Smoking Cessation
NEC is supporting employees who seek to quit smoking, since there is no room for medical doubt that smoking is harmful to health and runs counter to health promotion. In July 2019, we announced the Company’s policy of strongly promoting a total ban on smoking during work hours (including outside the Company).

NEC Corporation has been phasing out smoking areas and extending non-smoking hours, and has also provided counseling as needed for those who wish to quit smoking.

In addition, NEC has instituted an “NEC No Tobacco Day” in conjunction with the World Health Organization’s “World No Tobacco Day,” to promote smoking cessation.

Moreover, NEC provides lung age measurement by health professionals and consultation on smoking cessation by pharmacists at the health management center of each business site, distributes nicotine gum or patches (“No Smoking for Only a Half Day” program), and undertakes other activities.

As a result, at NEC Corporation and 24 affiliated companies in Japan, industrial physicians to conduct seminars on themes ranging from cancer prevention through to treatment and support for employees receiving treatment.

Mental Healthcare Initiatives
We position mental healthcare as a key healthcare priority, and we are creating a healthy workplace by maintaining the mental health of our employees.

• Web-based training
  Completion rate: 98.5% (Target: NEC Corporation and 17 consolidated subsidiaries in Japan)
• Mental health training for managers
• Stress checks
• Mental Health Support Program
• Return-to-work support program
• Consultation desks (In-house/External)

Health Support for Young Employees
NEC Corporation and 24 affiliated companies in Japan are implementing the following initiatives designed mainly to foster a self-care mindset.

<table>
<thead>
<tr>
<th>Newly hired employees</th>
<th>A talk given by an industrial physician soon after joining the Company and ‘freshers’ interview’ health guidance provided by health nurses and clinical nurses after assignment</th>
</tr>
</thead>
<tbody>
<tr>
<td>27-year olds</td>
<td>All interviewed</td>
</tr>
<tr>
<td>30-year olds</td>
<td>“Health College 30” (Participatory group training)</td>
</tr>
</tbody>
</table>

Initiatives for Preventing Lifestyle-Related Diseases
At NEC Corporation and 24 affiliated companies in Japan, industrial physicians and healthcare professionals provide healthcare guidance not only to employees whose overall health checkup result indicates a need for treatment but also for those who require lifestyle improvement. For employees whose specific diagnostic results indicate metabolic conditions or potential metabolic conditions, we provide support with health guidance for those aged 30 and over in addition to those in the legally mandated age bracket of 40 and over. As a result, by the end of fiscal 2020 the percentage of NEC Group employees with metabolic conditions or potential metabolic conditions had decreased significantly from the level of 33.1% at the end of fiscal 2009. During this period, the number of such employees fell by 23.9%.

With respect to dental and oral hygiene, employees can avail themselves of free dental checkups, which are provided based on a contract with the NEC Health Insurance Association.

As general measures to raise health awareness with the aims of further enabling self-treatment and encouraging health promotion activities among employees and their families, the NEC Health Insurance Association operates the health portal HAPPYLTH (a points-based health program) and has posted 15 online videos themed on sleep, diet, and exercise.

Measures against Cancer
In collaboration with the NEC Health Insurance Association, we have established an environment that allows employees to receive the same screening tests as they would at an external medical institution for a lower self-coverage cost, and to take the examinations during work hours. In fiscal 2021, efforts to raise awareness in relation to cancer included inviting industrial physicians to conduct 10 seminars on themes ranging from cancer prevention through to treatment and support for employees receiving treatment.

Supporting Employees Receiving Treatment While Working
To improve the working environment to allow people to work with peace of mind while receiving treatment for cancer or other intractable diseases, in May 2018 we formulated guidelines covering the Company’s position, direction, points for employees and supervisors to be aware of, and so forth. Depending on the situation, we will support individual employees receiving treatment by coordinating with them, their workplaces, the Health Care Center, and the Human Resources and General Affairs Division.

Communication of Various Health-related Information
Each month we provide monthly “Health News” information that can be accessed by employees and their families, the NEC Health Insurance Association, enabling self-treatment and encouraging health promotion activities among employees and their families, the NEC Health Insurance Association.

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on menopause to promote understanding among the coworkers of employees who are undergoing this transition.

Results and Medium-term Targets as of March 31, 2021

<table>
<thead>
<tr>
<th>Results for FY2021</th>
<th>Targets for FY2026</th>
</tr>
</thead>
<tbody>
<tr>
<td>Employees absent for mental health reasons*4</td>
<td>0.96%</td>
</tr>
<tr>
<td>Percentage of smokers*5</td>
<td>18.10%</td>
</tr>
<tr>
<td>Obesity percentage (BMI≧25) Men (Aged 20–69)*5</td>
<td>35.60%</td>
</tr>
<tr>
<td>Obesity percentage (BMI≧25) Women (Aged 20–69)*5</td>
<td>25.30%</td>
</tr>
<tr>
<td>Percentage who have had cancer screening*6</td>
<td>33.80%</td>
</tr>
</tbody>
</table>

*4 Scope: NEC Corporation
*5 Scope: NEC Corporation and consolidated subsidiaries in Japan
*6 Scope: NEC Corporation and 27 companies belonging to the NEC Health Insurance Association

Countermeasures for Transmissible Diseases

At NEC, we have established a consultation window on transmissible diseases at the Healthcare Center, and we also provide financial assistance for seasonal influenza vaccinations.

When employees are sent on assignment abroad, we make them aware of the need to be careful and receive vaccinations for transmissible diseases that are commonly seen in the local area, including transmissible diseases that require notification such as tuberculosis and malaria. We also take the necessary countermeasures prior to the posting. In addition, we pay careful attention to employees’ health management after their return to Japan.

Our measures in response to COVID-19 are included in the “Business Continuity” section.

Response to COVID-19

Business Continuity

Labour Accidents and Disasters

Labour accidents at NEC Corporation are mostly minor, such as tripping on stairs at train stations or falling on the street during business trips or sales calls. There have been no major accidents.

When a labour accident has occurred, the person responsible for labour accidents checks on the status of people affected by the accident, determines the causes, and implements measures to prevent a recurrence as needed. Even for minor labour accidents such as tripping or falling, the details and countermeasures are shared throughout the Company via the OH&S Committee, the intranet, and other means.

We strive to prevent labour accidents that could be caused by natural disasters, for example, calling on employees to remain at home or to return home early if a typhoon or heavy snowfall is forecast.

Looking ahead, in order to raise awareness concerning OH&S, we intend to continue conducting OH&S Committee activities, daily workplace inspections, and cross-checking, while aiming to reduce the number of labour accidents and disasters.

As shown in the graph below, the frequency rate in 2020 remained low at 0.0300 compared to the nationwide manufacturing sector average rate of 1.21.

The severity rate has remained low at 0.0000, where the average rate for the manufacturing sector nationwide is 0.07.

![Graph showing Labour Accidents and Disasters](image-url)
AI and Human Rights

Policy

NEC has formulated the “NEC Group AI and Human Rights Principles” (hereinafter referred to as the “Companywide principles”) to guide our employees to recognize respect for privacy and human rights as the highest priority in our business operations in relation to social implementation of AI and utilization of biometrics and other data (hereafter referred to as “AI utilization”).

In addition to facilitating compliance with relevant laws and regulations around the globe, the Companywide principles will guide our employees to recognize respect for human rights as the highest priority in each and every stage of our business operations in relation to AI utilization and enable them to take action accordingly.

In accordance with the Companywide principles, the NEC Group is committed to the three following initiatives:

1. Ensure that all products and services are implemented and utilized by NEC employees, customers, and partners appropriately
2. Continue to develop advanced technology and talent to further promote AI utilization with respect for human rights as the highest priority
3. Engage with a range of stakeholders to build partnerships and collaborate with closely

Furthermore, based on Companywide principles, NEC defined “Provision and Utilization of AI with Respect for Human Rights (AI and Human Rights)” as one of our “materiality” management priority themes from an ESG perspective—materiality.

Implementation Framework

We have established the Digital Trust Business Strategy Division to create and promote Companywide strategies to incorporate the notion of respect for human rights into business operations in relation to AI utilization. The division is promoting business operations with respect for human rights through ways such as establishment of internal systems and conducting training for employees to incorporate the Companywide principles into our business operations, as well as strengthening its links with relevant divisions such as the research and business divisions.

Measures and Main Fiscal 2021 Activities

In AI utilization, we conducted the following initiatives in fiscal 2021 to promote business operations with respect for human rights.

1. Web-based Training
   All employees attend yearly web-based training where they learn about Companywide principles and points to be aware of when considering human rights and privacy related to AI utilization. In fiscal 2021, we increased the number of affiliated companies in Japan that attended the training from 12 companies, in fiscal 2020, to 27 companies. The completion rate for training also increased to 96%.

2. Internal Lectures
   We held internal lectures where employees involved in the AI business learn about the social acceptability of AI and awareness of the issue. We invited experts as lecturers to explain the latest trends in laws and policies related to AI and cases in Japan and abroad that received social criticism (scoring issues, etc.), to increase comprehension of issues that arise from improper use of AI.

3. Continue Dialogue with a Range of Stakeholders
   NEC established the Digital Trust Advisory Council in the previous fiscal year, which we continued to hold in fiscal 2020. Our aim is to incorporate diverse opinions from external experts, who have specialized knowledge on legal systems, human rights and privacy, and ethics, and utilize them to strengthen our ability to deal with new issues arising from AI utilization.

   We consulted with experts from a variety of perspectives and obtained valuable opinions on issues that have been actively debated in Japan and abroad, such as how to use technology in a way that balances public health with human rights and privacy, as well as on matters to be aware of when using advanced technology we are researching and developing.

   Digital Trust Advisory Council held online

NEC Group AI and Human Rights Principles

Priority Management Themes from an ESG Perspective—Materiality

1. Passenger Screening Technology at Airports
2. Training for Employees

We conducted training for employees of NEC Corporation and affiliated companies in Japan so that they can act appropriately with respect for human rights in business operations, in accordance with the Companywide principles.
Personal Information Protection and Privacy

Policy

With the rapid spread of smartphones and other electronic information devices and the progress in new, AI-enabled services and innovations, concern with respect to the protection of personal information and privacy has markedly increased. Concern is particularly pronounced among the public in Europe, where the Charter of Fundamental Rights of the European Union (EU) has established protection of personal information as a fundamental right. The EU’s General Data Protection Regulation (GDPR), which became effective in May 2018, stipulates methods of protection and management of personal information to protect and establish personal information and privacy rights.

Failure to consider these issues would be a serious risk for NEC as it seeks to provide social values such as safety, security, fairness, and efficiency through its services and solutions. On the other hand, by providing services and solutions that consider these issues we believe we can provide highly reliable value to society, including our customers.

The NEC Group Code of Conduct stipulates respect for human rights and privacy and the management of personal information, and NEC has positioned “Provision and Utilization of AI with Respect for Human Rights (AI and Human Rights),” including personal information protection initiatives, as a priority management theme from an ESG perspective—materiality.

We have studied the trends related to this framework of new laws and regulations, and we are addressing these problems regarding personal information protection or privacy by following the policies described below.

Personal Information Protection

Personal information refers to personally identifiable information, which includes numbers and other identifiers, and we recognize that appropriately protecting personal numbers and other personal information received from shareholders, investors, business partners, employees, and others is one of our social responsibilities. We have implemented and maintain the NEC Privacy Policy, which stipulates that personal information must be handled in conformance with Japan’s Act on the Protection of Personal Information and JIS Q 15001 (Personal information protection management systems—requirements), the Japanese industrial standard for safe and appropriate management of personal information handled by corporations and other organizations in the course of their operations. In the event that the Company’s policy should change, we will promptly give notice on the Company’s public website and to all of our employees, in accordance with JIS Q 15001.

In cooperation with its consolidated subsidiaries throughout the world, NEC Corporation has built a system for promoting privacy protection and a personal information protection management system in compliance with the Act on the Protection of Personal Information and JIS Q 15001.

Our personal information protection management system includes the establishment of data protection standards (personal data safety management measures and so on). Further, we conclude agreements with those whom we share data requiring compliance with these standards. Also, we have established escalation rules and emergency response procedures to be followed in the event of incidents such as personal information leaks.

Privacy

NEC Corporation acquired “PrivacyMark” certification in October 2005 and subsequently renewed it in October 2019. The PrivacyMark is conferred on companies that comply with JIS Q 15001 and are recognized by a third-party organization as having systems in place to ensure appropriate protection measures for personal information.

As of the end of March 2021, NEC Corporation and its 30 affiliated companies have obtained this certification. In principle, we forbid acquiring information that could have an economic impact such as bank account or credit card numbers, sensitive information such as birthplace, or highly private information such as mobile telephone numbers without the person’s consent.

The GDPR is one example of the global trend toward the establishment of privacy protection laws, and the roles and responsibilities required of companies have been increasing. NEC Corporation aims to maximize social value as well as to minimize the negative impact on society by developing and providing products and services that consider privacy issues, which can be perceived differently depending on country, region or culture, and human rights issues such as discrimination that may be exacerbated by leveraging AI.

To clarify our stance, in April 2019, we formulated and announced the “NEC Group AI and Human Rights Principles.” The Companywide principles will guide our employees to recognize respect for human rights as the highest priority in each and every stage of our business operations in relation to AI utilization and enable them to take action accordingly.

In addition, the NEC Group Code of Conduct also stipulates that business activities aimed at resolving social issues by using ICT must not give rise to human rights issues, including invasion of privacy.

Respecting Human Rights

AI and Human Rights

NEC Privacy Policy

NEC Group AI and Human Rights Principles
Implementation Framework

At NEC Corporation, the head of the division responsible for protecting personal information serves as the Personal Information Protection Administrator, the person in charge of implementing the personal information protection management system. Further, we have added the role of protecting specific information with respect to the Social Security and Tax Number System to the duties of the Personal Information Protection Administrator.

The Customer Information Security Office of the Compliance Division plays a central part in promoting the protection of personal information within the NEC Group under the leadership of the head of the Personal Information Protection Promotion Bureau appointed by the Personal Information Protection Administrator.

In addition, we conduct regular audits of privacy protection in conformance with JIS Q 15001, with the General Manager of the Corporate Auditing Bureau serving as Chief Personal Information Protection Auditor.

The general managers are responsible for managing personal information protection in their respective divisions. Each appoints a division personal information protection manager, who is responsible for carrying out personal information protection management for the division, and a personal information protection professional, who possesses expert insight regarding protection of personal information. The manager operates a personal information protection management system by inspecting personal information, including human rights and privacy issues, and through personal information handling in each division and improving handling rules based on the inspection results. The person responsible for handling personal information for each project ensures that persons who handle personal information undertake thorough personal information protection measures.

Consolidated Subsidiary Management Framework

At our consolidated subsidiaries in Japan, we have built systems to comply with the Act on the Protection of Personal Information and the so-called My Number Act, which is designed to centrally manage information related to social security and tax by assigning a number to individual citizens of Japan. At our consolidated subsidiaries abroad, we naturally comply with the laws in each country, and we have appointed a Personal Data Administrator at each of our major subsidiaries to promote protection of personal information.

Emergency Response to Information Leaks

NEC maintains systems pursuant to JIS Q 15001 for responding swiftly if an incident occurs involving the loss, outflow or leak, etc., of personal information. If an incident should occur, the response is coordinated quickly and systematically based on standardized procedures. Specifically, if an incident occurs related to personal information or an event takes place for which the occurrence of such an incident is a possibility, the discoverer or the employee involved in the incident contacts their manager and the NEC Group contact window for information security incidents. The person at that contact window then coordinates the necessary response with the related divisions that make up the Personal Information Protection Promotion Bureau and relevant divisions in accordance with applicable laws, ordinances, ministry guidelines, and other regulations, taking into account the risk for infringing on the rights and interests of the persons involved. These responses may include promptly notifying the people concerned, making a public announcement, and taking corrective measures appropriate to the incident.

Response to Requests from National Governments for Personal Information Provision

If NEC Corporation’s business divisions are requested by the governments or law enforcement agencies of countries to provide personal information that the Company holds, the general manager of the division receives the request reports to and consults with the Personal Information Protection Administrator as necessary. In such cases, the Personal Information Protection Administrator reports to and consults with the executive officer in charge of personal information protection and management. Premised upon respect for the human rights of the person in question, appropriate measures are taken pursuant to the applicable laws.

In providing personal information in accordance with a request from a country’s government or law enforcement agency, in principle, the Company obtains prior consent from the person in question and keeps a record of the provision. However, in some cases, pursuant to the laws and regulations of the country in question, consent is not obtained or a record is not kept of the provision. In the unlikely event that the provision of personal information to the government or law enforcement agency of a country leads to an infringement of the human rights of the subject of said personal information, appropriate measures shall be taken pursuant to the applicable laws and regulations.

Further, given the legislative intent of the laws and regulations in each country, NEC does not publicly announce the number of requests for the provision of personal information that it receives from governments.

Measures and Main Fiscal 2021 Activities

Training for Personal Information Protection

NEC Corporation conducts the following training for each management level in the organization.

Training for All Officers and Employees of NEC Corporation

Web-based training on information security, including the protection of human rights and privacy in relation to the protection and handling of personal information, is held online once a year for officers and employees of NEC Corporation. In fiscal 2021, the completion rate was 98%.

Education for Personal Information Protection Professionals (for the Company)

For the personal information protection professionals of all business divisions, the Company prepared a textbook on risk management in the handling of personal information—including the protection of human rights and privacy in relation to the handling of personal information—and conducted education through classroom lectures (16 lectures). At the same time, the Company conducted practical education based on the assignment submission method (three times).

Training for Newly Hired Employees and Transferred Employees of NEC Corporation and Its Consolidated Subsidiaries in Japan

In fiscal 2021, we created a textbook on personal information protection as introductory training material and used it in the training of newly hired and transferred employees. Apart from this training, when there is a request from a business division, or when it is otherwise deemed necessary by the Personal Information Protection Promotion Bureau, awareness training is conducted as appropriate at divisions or consolidated subsidiaries in Japan.
Management of Personal Information

Initiatives at NEC Corporation

NEC Corporation runs the Personal Identifiable Information Control System, a ledger-based system to manage personal information and make its management more transparent.

Furthermore, we have documented standard procedures and operate a personal information protection management system. Also, as necessary, operational rules are created at the division level and by type of personal information and are rigorously enforced.

In addition, in order to raise awareness of personal information protection and information security in general, the Basic Rules for Handling Customer-related Work and Trade Secrets have been established, and NEC Corporation rigorously informs all employees about these rules.

As a result of these efforts, there were no incidents involving the loss, outflow or leak, etc., of personal information at NEC in fiscal 2021. There were also no complaints from the Ministry of Economy, Trade and Industry, which oversees the industrial area where NEC operates, the Personal Information Protection Commission, or from any other third-party institutions about customer privacy breach or other issues.

Initiatives for Customers and Business Partners

With respect to their contractors that handle personal information, NEC Corporation and its consolidated subsidiaries in Japan establish data protection standards (personal data safety management measures and so on), conclude agreements with contractors with which data is shared requiring compliance with these standards, and require contractors to conduct privacy management equivalent to that of the NEC Group. Moreover, we request the contractors engaged in work for NEC Corporation or its consolidated subsidiaries in Japan to submit a pledge on the Basic Rules for Customer-Related Work and to have their employees take a regular online test to verify their knowledge. These steps help ensure rigorous management of personal information.

As a result of these efforts, in fiscal 2021 there were no incidents involving the loss, outflow or leak, etc., of personal information. An “My Number” is Specific Personal Information that must be handled carefully, and we are doing so with security ensured. We are carrying out initiatives to deploy technical measures to ensure secure operations by controlling access, blocking unauthorized external access, and preventing information leaks, etc., while maintaining sufficient privacy protection levels in each system.

Personal Information Management Initiatives Abroad

Recently, countries around the world, such as in Europe, are making rigorous laws and regulations regarding personal information. In this situation, NEC is ensuring proper information management globally as it pursues worldwide development of personal information-related businesses, such as AI, big data, IoT, and face recognition. We appoint Personal Data Administrators at our consolidated subsidiaries abroad to create a global management framework. At the same time, we are creating personal information management ledgers at every company and ensuring that everyone understands the procedures for managing them and the common information security rules that need to be observed. With regard to the GDPR, our consolidated subsidiaries in Japan and Europe have formulated personal information management rules based on the regulations and have concluded transfer agreements throughout the entire Group to ensure that cross-border transfer of personal information of European employees and others is conducted legally. Further, with respect to the California Consumer Privacy Act (CCPA), which was enforced in January 2020, we support consolidated subsidiaries to which said act is applicable by providing required information and by other means. In other areas, we have confirmed the legal and regulatory situation in relevant countries, such as Brazil’s Lei Geral de Proteção de Dados (LGPD) (Brazilian General Data Protection Law) and Thailand’s Privacy Data Protection Act (PDPA), and we are making the necessary preparations to comply with them.

NEC Corporation appropriately manages personal information by executing plan do check act (PDCA) cycles on an autonomous basis through various inspection activities.

Also, NEC Corporation and its consolidated subsidiaries in Japan conduct regular internal audits based on internal audit check items stipulated in JIS Q 15001. Further, for operations related to the handling of My Numbers, we use security control measure check sheets prepared based on Japan’s security control regulations and self-check sheets during re-entrustment in order to monitor divisions and subcontractors handling My Numbers.

Verification of the Operation of Information Security Measures

At NEC Corporation, implementation of information security measures by individual employees is verified once a year, and if there are cases of noncompliance, improvement plans are formulated and carried out at the organization level.

Verification of Status of Personal Information Management

At NEC Corporation, control forms registered in the Personal Identifiable Information Control System are reviewed at least once a year to validate the status of management of the various types of personal information handled by each organization. Further, once a year the general managers of business divisions organize management reviews for the verification of personal information management in business divisions, take corrective action as required, and maintain an appropriate management situation.

Verification of Operations during Emergencies

Operation of the above information security measures is thoroughly reviewed and readjusted as the need arises, in the event of an incident involving the loss, outflow or leak, etc., of personal information.
Information Security and Cyber Security

Policy

As information threats continue to evolve daily, information security has become an essential management priority in our sophisticated IT-based society.

We recognize that it is our duty to protect the information assets entrusted to us by our customers and business partners as well as our own information assets in order to provide better products and services and contribute to the development of society. Based on this concept, NEC has positioned security, correctly referring to both information security and cyber security, as one of the critical subjects of “materiality”, its priority management them from an ESG perspective—materiality, and has established its “Information Security Statement” as the basis for driving our efforts.

NEC has evaluated risks from various perspectives including the need of countermeasures as well as the possible damage both to corporate business and society, and has selected priority risks that will have huge impact and need to be addressed. With these risks in mind, we are deploying measures to counter cyber attacks which are becoming increasingly sophisticated, while complying with US National Institute of Standards and Technology (NIST) Cybersecurity Framework Version 1.1 and the Cybersecurity Management Guidelines Version 2.0 by Japan’s Ministry of Economy, Trade and Industry (METI).

In addition, almost 100% of our business divisions in which information security is particularly important, such as healthcare, finance, government, and cloud computing services, have obtained Information Security Management System (ISMS) certification.

Based on our information security implementation framework (see the figure at right) as well as on our Purpose that shows why as a company we conduct business, NEC is working to realize a secure information society and provide value to our customers.

To protect information assets, NEC is taking the following approach:

- Implementing cyber attack measures,
- Providing secure products, systems, and services
- Promoting information security in collaboration with business partners

At the same time, we have positioned information security management, information security infrastructure, and information security personnel as the three pillars of the information security governance framework within the NEC Group, thereby maintaining and improving our comprehensive and multilayered information security.

 NEC Information Security Statement
 NEC Information Security Report
 Priority Management Themes from an ESG Perspective—Materiality
Measures and Main Fiscal 2021 Activities

**Measures against Cyber Attacks**

As cyber attacks grow increasingly complex and sophisticated, the NEC Group focuses on the protection of information assets entrusted by customers and business partners as well as its own. To this end, we have implemented total cyber security management by conducting uniform and advanced measures worldwide based on cyber security analysis, and established an incident response framework with our Computer Security Incident Response Team (CSIRT).

Every year, NEC plans and proposes measures based on cyber security analysis, and implements the measures with approval from the CISO. In particular, given that NEC creates and provides social solutions for countries worldwide, a single information security incident caused by a cyber attack or any other factor could diminish the social trust of the entire NEC Group and materially affect its business management. For this reason, we view a comprehensive and global approach to cyber security risks as essential for our business continuity.

We are strengthening our global measures against increasingly sophisticated cyber attacks based on a multilayered defense approach. In fiscal 2021, our measures focused on the following tasks.

**Cyber Risk Assessments by Red Team**

The NEC Group’s Red Team conducts cyber risk assessments to increase the cyber resilience and accountability of the Group. The team creates assessment scenarios from attackers’ point of view, conducts pseudo attacks on key systems within organizations to identify lacks and insufficient points in their existing cyber security measures, and takes actions for improvement.

* Red Team is a team of experts that launches a cyber attack similar to actual threats to a company or organization, assesses the organization’s resilience against the attack, identifies risks involved in terms of policies, CSIRT operations and technologies, and proposes possible improvements and additional measures.

**Overview of Global Measures against Cyber Attacks**

<table>
<thead>
<tr>
<th>Cyber Kill Chain (attack process)</th>
<th>1</th>
<th>2</th>
<th>3</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Entry/ exit measures</strong>&lt;br&gt;Security measures for gateways and cloud services</td>
<td><strong>Use of threat intelligence</strong>&lt;br&gt;PC investigation and vulnerability measures</td>
<td><strong>Personal measures</strong>&lt;br&gt;Enhancement of the SOC and CSIRT organization structures</td>
<td></td>
</tr>
<tr>
<td>Unknown attack detection and response (Web/email)</td>
<td>Measures for email security</td>
<td>Employee education/Training/Drills</td>
<td></td>
</tr>
<tr>
<td>Integrated log/packet management</td>
<td>NW (SD-WAN<em>2, NDR</em>3)</td>
<td>Enhancement of the SOC and CSIRT organization structures</td>
<td></td>
</tr>
<tr>
<td>Cloud security measures</td>
<td>PC investigation and vulnerability measures</td>
<td>Improvement of security governance</td>
<td></td>
</tr>
<tr>
<td>Measures for email security</td>
<td>Risk assessment by Red Team</td>
<td>(strengthening critical information management, improving security level of the entire NEC Group worldwide as well as local Group companies)</td>
<td></td>
</tr>
<tr>
<td>File encryption</td>
<td>Use of threat intelligence/ Automation/ Raising efficiency</td>
<td></td>
<td></td>
</tr>
<tr>
<td>EDR</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Using Threat Intelligence**

NEC uses threat intelligence to identify threats including their early signs and emerging trends. This framework enables us to reduce risks, take rapid response, and minimize the damage of advanced threats that cannot be blocked by conventional measures.

**Advanced EDR**

NEC has implemented endpoint detection and response (EDR) technologies in all of its Group companies to ensure early detection of threats that break into the intranet as well as efficient incident response. We also use the Global Cyber Attack Protection System (GCAPS) to address vulnerabilities of PCs and servers. Combining EDR and GCAPS with threat intelligence allows us to detect and respond to sophisticated threats that could not be addressed previously.

**Critical Information Management**

To minimize the impact of information leaks, we have defined “critical information” as information that would have huge impact on our business management and performance if it should be stolen or exposed externally. For critical information, we conduct stringent management and countermeasures including security assessments in all the organizations and internal audits by the Corporate Auditing Bureau.

**Enhancement of Security and Governance Structure**

To strengthen our ability of emergency response and daily operation monitoring, we have revised and enhanced our operation processes as well as the overall structure of our security operation center (SOC) and CSIRT framework.

In addition, we have assigned a regional CISO at each of our global operation sites. To enhance security governance, these regional CISOs are in charge of security management for their respective regions and take responsibility for the results of their management.

*2 SD-WAN : Software-Defined Wide Area Network
*3 NDR : Network Detection and Response
Providing Secure Products, Systems, and Services

Following the concept of security by design (SBD), which ensures security from the planning and design stages, NEC implements the Secure Development and Operations initiative from the planning to operation phases for the products, systems, and services it provides to its customers. Ensuring security at the early stage of system development brings various benefits such as cost reduction, on-time delivery, and excellent maintainability of the developed system.

At each phase, checkpoints are used to ensure that required security tasks have been carried out. Nonetheless, issues remain in relation to the incorporation of security into the development process. These include omissions due to the unique security settings used by each manager and mistakes in settings caused by human error.

To address such issues, NEC has developed tools that automate secure development. For example, we have established an operating system and middleware fortification tool that automatically applies secure settings to servers. Also, we have introduced technologies that realize homogeneous security throughout entire environments used for cloud computing construction, which has been rapidly increasing in recent years. Specifically, we are advancing an initiative for using technology that describes cloud computing environments in code form, known as “infrastructure as code,” and then distributing and utilizing templates for secure cloud computing environments themselves.

In fiscal 2021, we also created a prototype baseline for privacy evaluation by referring to privacy-related laws and guidelines, such as the NIST Privacy Framework, ISO 29100, and ISO 29134. We are verifying the effectiveness of this baseline with a view to establishing a method for comprehensively inspecting cyber risks and other risks related to business continuity, such as insufficient consideration of privacy.

Information Security in Collaboration with Business Partners

NEC conducts its business activities in collaboration with business partners. In these collaborations, we believe it is important to ensure that the technology capabilities and information security level of the business partners meet our required standards. To this end, NEC categorizes its business partners by information security level based on the implementation status of their information security measures. In selecting business partners for a project appropriately, we check the information security level to outsource tasks, thus reducing risks of information security incidents occurring at business partners.

NEC requires its business partners to take appropriate information security measures in the following seven critical areas: 1) contract management; 2) subcontracting management; 3) staff management; 4) information management; 5) introduction of technological measures; 6) secure development and operations; and 7) assessments. In fiscal 2021, we held information security briefings (data disclosure method) for business partners and provided information about risks and countermeasures against cyber attacks, to minimize the risk of information leaks.

To protect customers’ information, NEC works together with its business partners to increase their information security levels by ensuring that information security measures are implemented throughout their organizations and that assessments and improvement actions are carried out.

### Secure Development and Implementation Based on the SBD Concept

<table>
<thead>
<tr>
<th>Tasks with security in mind</th>
<th>Development and operations environment security</th>
<th>Security-conscious tasks</th>
</tr>
</thead>
<tbody>
<tr>
<td>Threat analysis: cyber attacks, internal frauds, etc.</td>
<td>Secure design: two-factor authentication, privilege management, robust encryption schemes, integrated log management, etc.</td>
<td>Ensuring the security measures as NEC’s development standard throughout development to operation</td>
</tr>
<tr>
<td>Security measure formulation and agreement: monitoring, data protection, malware protection, etc.</td>
<td>Secure coding: SQL injection, prevention, etc.</td>
<td></td>
</tr>
<tr>
<td>Hardening: suspension of unnecessary ports, services, accounts, etc.</td>
<td>Vulnerability assessment: source code analysis, Web AP assessment, platform assessment, etc.</td>
<td></td>
</tr>
<tr>
<td>Vulnerability management: vulnerability &amp; patch information collection, vulnerability patching, workaround implementation, etc.</td>
<td>Development and operations environment security: room entry/exit management, monitoring cameras, server access, configuration management, human security, etc.</td>
<td></td>
</tr>
</tbody>
</table>

### Information Security Countermeasures for Business Partners

<table>
<thead>
<tr>
<th>1. Contract management</th>
<th>Prohibit subcontracting in principle, require nondisclosure agreements, and protect personal information, etc.</th>
</tr>
</thead>
<tbody>
<tr>
<td>2. Subcontracting management</td>
<td>If subcontracting is necessary to fulfill business needs, prior approval is mandatory.</td>
</tr>
<tr>
<td>3. Staff management</td>
<td>Ensure compliance with Basic Rules for Customer-related Work</td>
</tr>
<tr>
<td>4. Information management</td>
<td>Enforce Confidential Information Management Guidelines</td>
</tr>
<tr>
<td>5. Introduction of technical measures</td>
<td>Introduce required and recommended measures</td>
</tr>
<tr>
<td>6. Secure development and operations</td>
<td>Provide customers secure products, systems, and services</td>
</tr>
<tr>
<td>7. Assessments</td>
<td>Assess the implementation status of NEC Group’s information security standards (web-based self-assessments or on-site assessments)</td>
</tr>
</tbody>
</table>
Ensuring Quality and Safety

Policy

When it was founded in 1899, NEC promised its customers to provide “Better Products, Better Services,” meaning world-class products and responsible after-sales services.

This was the founding spirit of NEC at a time when it had yet to earn society’s trust. We were committed to gaining the trust of customers by having our employees understand and practice “Better Products, Better Services,” in order to build a strong foundation for the Company within society.

To realize this aspiration, NEC Corporation introduced quality control in 1946, and has made Companywide efforts to increase quality, such as the ZD (Zero Defects) activities*1 in 1965, the quality operation strategy to increase the 7 Qs*2 in 1972, and SWQC*3 in 1981.

Today, our founding spirit of “Better Products, Better Services” has been carried on as one of the Principles in our NEC Way. We hope that all of our employees will be confident in NEC’s quality policy by continuing to raise the quality of their own work, the products they create, and the services they provide. Also, we hope to see “NEC Quality” become the preferred and trusted choice of our customers.

In line with this thinking, we have defined our “Quality and Safety Philosophy” and “Action Guidelines” as follows to enforce our initiatives.

*1 Activities designed to stimulate each employee’s autonomy and passion to eliminate defects from their work through creative thinking, cost reductions, and improvements in quality and service.
*2 An initiative to achieve Companywide improvement in the 7 Qs denoting quality in 1) management, 2) products and services, 3) human behavior, 4) workplace environment, 5) relationships with the local community, 6) business results, and 7) corporate image.
*3 Software Quality Control. This refers to general quality management activities for software.

Quality and Safety Philosophy

NEC strives to continue improving quality and safety based on the Principles in our NEC Way, including the founding spirit of “Better Products, Better Services.”

Action Guidelines

1. Quality management
   1. Think and act from the standpoint of new value for customers and society.
   2. Maintain and enhance the NEC brand.
   3. Ensure that each member of NEC recognizes the importance of quality and strives to deliver better quality.
   4. Strive to ensure product and service quality, and comply with related laws and regulations.
   5. Make sincere efforts to address product and service quality problems.

2. Safety management
   1. Ensure that each member of NEC recognizes the importance of product and service safety.
   2. Strive to ensure product and service safety, and comply with related laws and regulations.
   3. Make sincere efforts to address product and service safety problems.

Quality & Safety Implementation Framework

One of the most important management issues is how to ensure quality and safety and deal with related risks in products, systems, and services.

NEC is working to clarify a range of actions for this system by defining Companywide rules and standards, and to improve quality and safety. This effort is headed by the Environment and Total Quality Management Division and the Environmental Management Division, the Environment and Total Quality Management divisions set up in business units (BUs) and consolidated subsidiaries, and the quality/safety management officers appointed in each of the business divisions and consolidated subsidiaries under the business units. Specifically, we have set up the Quality and Safety Action Policy, and we are conducting activities such as complying with quality and safety laws and regulations, improving safe, reliable technologies, standardizing key components, sharing expertise, and taking steps to prevent defects and recurring issues.

In regard to risk management related to quality and safety, we have built a Companywide framework and ensure that it is implemented completely. If a customer’s system or critical social system were to experience serious trouble, or a major product incident or infringement of technology laws and regulations were to occur, the matter would be rapidly escalated to management and an emergency troubleshooting meeting would be held. The business division in charge and the specialist staff division confer and reach a swift decision on how customers are to be treated, the response of those in authority, and whatever other PR measures might be appropriate. The consultations are rapid and decisions are made concerning the most appropriate overall policy.

Ensuring the Soundness of Construction Work

As a Social Value Innovator, NEC garners trust and helps make society more convenient by ensuring the health and safety of workers and by installing NEC-developed products and systems safely and in compliance with relevant laws and regulations.

With a strong awareness of the priority of OH&S in all work, personnel engaged in construction work, all NEC employees, and related workers deliver outstanding technology to build a rich, safe society that offers peace of mind. Moreover, we constantly evolve how we achieve installation that is safe and compliant with relevant laws and regulations in these ways, NEC ensures the soundness of construction work.

Throughout the Company, construction work is stringently managed to ensure compliance with the Construction Industry Act, the Industrial Safety and Health Act, and other laws. Also, our philosophy is to advance OH&S and ensure that we provide customers with social value by establishing a compliance and OH&S culture at construction sites. With this in mind, we have set out the following action guidelines.
1. We shall ensure that each person checks and endeavors to improve the soundness of construction work.
2. We shall advance compliance with laws and regulations, conduct education and personnel development, implement awareness-raising activities, and ensure Companywide understanding of the importance of occupational health and safety.
3. We shall maintain and improve the occupational health and safety management system and move forward through a plan–do–check–act (PDCA) cycle.
4. We shall preempt legal, safety, and quality issues by conducting monitoring and correction in relation to compliance with laws and regulations and occupational health and safety activities.
5. We shall preempt legal, safety, and quality issues by implementing risk assessments.
6. We shall increase motivation with respect to occupational health and safety through safety conventions and other measures.
7. We shall respond sincerely to legal, safety, and quality issues that arise.
8. We shall collect information on potential and actual legal, safety, and quality issues and endeavor to preempt issues or prevent their recurrence.

**System for Compliance and OH&S in Construction Work**

**Measures and Main Fiscal 2021 Activities**

- **Compliance with Relevant Acts and Regulations**
  To visualize the technical laws and regulations with which NEC products must comply, NEC developed a “map of technology laws and regulations” to make it easier to identify what kind of laws and regulations are applied to which divisions’ products. By using this map, we strive to comply with those technical laws and regulations by precisely conforming with various countries’ domestic laws and regulations, including Japan’s Electrical Appliance and Material Safety Act, Radio Act, and Telecommunications Business Act.

  NEC is enforcing compliance with relevant acts and internal rules for indications and labels for the quality and safety of products and services. If violations are found or suspected, NEC will properly address the problem by following the direction of the relevant ministries and agencies.

  In fiscal 2021, there were no regulatory violations subject to fines or punishments with regard to the quality and safety of our products and services.

- **Ensuring Product Safety**
  NEC provides safe, secure products to customers by ensuring that its designs for ICT and multimedia equipment comply with the international standards IEC 60950-1 (JIS C 6950-1)/IEC 62368-1 (JIS C 62368-1), as a matter of course. In addition, we have established our own Group safety standard to reinforce these standards and we also perform risk assessments to ensure product safety.

  If product safety issues arise, we provide information on the NEC website and swiftly notify our customers.

- **Guidelines to Quality Assurance for Machine Learning-based Artificial Intelligence**
  The past few years have seen the proliferation of systems and services that use artificial intelligence (AI). However, the specifications of AI engines and the processes that produce their analysis results can be difficult for humans to interpret, and traditional software quality assurance guidelines alone may not be sufficient.

  Accordingly, in April 2019 NEC addressed this issue by formulating Guidelines to Quality Assurance for Machine Learning-based Artificial Intelligence, which are designed to ensure the quality of AI systems that cannot be covered by traditional software quality assurances alone. We have applied these guidelines to the development of important AI systems.

- **NEC Ethical Review Committee for the Life Sciences**
  NEC Corporation is carrying out R&D for commercialization in the life science field. When acquiring people or information and data related to people for trial experiments and research, we follow the guidelines set out by the Ministry of Education, Culture, Sports, Science and Technology, and hold deliberations in the NEC Ethical Review Committee for the Life Sciences, made up of external experts, concerning ethical appropriateness with respect to the objectives of research and the human rights and dignity of research subjects.

- **Initiatives to Ensure Transparency in Relationships with Medical Institutions**
  NEC ensures the transparency and soundness of its relationships with medical institutions with a view to gaining widespread understanding of the medical device industry’s contribution to the development of life sciences as well as the high ethical standards that the Company adheres to in conducting corporate activities.
Initiatives in the Medical and Healthcare Fields

Aiming to establish commercial businesses in the medical and healthcare fields, we are establishing a management system and moving forward with activities for quality management systems and compliance with relevant laws and regulations.

In April 2019, we received a first-class marketing license for medical devices and established a management system.

With respect to compliance with relevant laws and regulations, for the Pharmaceuticals and Medical Devices Act*4 we have prepared guidelines on compliant advertisement and a checklist for determining which items are covered by the act. Moreover, we have incorporated the guidelines and checklist into the processes of related business entities.

As for quality management systems, we have begun establishing and managing processes pursuant to the Quality Management System Ordinance and ISO 13485:2016. In tandem with these efforts, we are steadily establishing compliance with respective countries’ medical device-related laws, such as Japan’s Pharmaceuticals and Medical Devices Act and the European Union’s Medical Devices Directive.

*4 Act on Securing Quality, Efficacy and Safety of Products Including Pharmaceuticals and Medical Devices

Developing Personnel Who Realize Safety and Security

In improving product safety and quality, enhancing training and employee skills is extremely important. Therefore, NEC conducts training programs for specific jobs and fields of specialization with the aims of improving practical design and construction skills and providing basic and specialist knowledge on quality and safety management standards as well as technical standards. For example, through our “Safety Review Workshops,” which is a specialized program on product safety, we use actual devices to provide practical training on the incorporation of safety into designs. Thanks to this program, we have fostered numerous specialists in safety technology.

Project Management Award

NEC holds an annual presentation of outstanding cases and presents a project management award to the organization or group that demonstrated the best project support, or project team that tackled a difficult project and achieved a particularly outstanding result.

The intent of this award is to raise awareness of the importance of project management among all NEC Group employees and to demonstrate the significance of accomplishment and recovery in those projects that have a high level of risk. NEC also recognizes that the increasing awareness of award-winning cases throughout the Group helps to prevent risks from materializing in new projects through the horizontal spread of risk management practices.

Increasing Awareness of Quality through “Quality Month” Activities

In November, which we have designated “Quality Month,” members of the senior management team and experts from inside and outside the Company conduct seminars and dialogues aimed at ensuring that employees are always highly conscious of quality and safety as they work. In fiscal 2021, we raised employees’ awareness of quality issues through discussions on such themes as how to think about quality going forward given the anticipated changes in businesses and technologies and how to perform effective quality audits remotely during the COVID-19 pandemic.
CS (Customer Satisfaction) Initiatives

**Policy**

All of our employees are working to develop a corporate culture of creating products and services that are more valuable to our customers. This means that every one of us at NEC understands, considers, and quickly responds to what our customers expect in order to make NEC a company that is trusted and chosen by customers.

This attitude is also reflected in the use of the word “Better,” not “Best,” in our founding spirit, “Better Products, Better Services.” It embodies our desire to “continuously make improvements to achieve our very best in providing better products for customers and society.”

The spirit of “Better Products, Better Services” is still one of our Principles today, even though our business has changed since the time of our founding. It has been passed down through generations as the NEC Group’s DNA.

Based on this way of thinking, in 1992 NEC formulated its “Customer Satisfaction Management (CSM) concept.” The CSM concept consists of “Significance,” “Activity System,” “Goal,” and “CS Action Plan.”

**CSM Concept**

In our advertising and PR activities, we observe laws and regulations and have prepared various guidelines, such as the “NEC Group Advertising Activity Guidelines” and the “NEC Group Website Guidelines,” detailing caution points for design, accessibility, and production. We are also making an effort to employ fair and appropriate language and expressions, disseminating our “Social Media Policy” outside the Company since before the spread of social media. If there is a violation or potential violation in our advertising and PR activities, we deal with it appropriately according to the guidance of the relevant government agency. In fiscal 2021, there were no incidents of non-compliance concerning marketing communication.

**NEC Group Social Media Policy**

**Implementation Framework**

NEC continuously seeks customer feedback from various points of contact and promptly reflects it in business management. As part of these efforts, we currently conduct a biannual CS survey, the NEC Group Customer Questionnaire.

The results of this survey together with the details of market surveys are reported to the president and other members of the senior management team. Furthermore, we share the findings with specific businesses operating in related fields and proceed through PDCA cycles aimed at improving CS.

To facilitate communication with customers, various types of contact desks have been provided for individual and corporate customers and for each type of product. Through these, we consult with customers and listen to their feedback and requests. Moreover, the NEC Customer Communication Center (“CCC”) has been established as a general contact desk in Japan to provide consultation on NEC products, systems, and services.

We also provide an inquiry form on the NEC global website to enable customers abroad to consult with us by email.

**Measures and Main Fiscal 2021 Activities**

- **Advancing Activities Based on Customer Feedback**
  NEC views CS activities as an integral part of efforts to deliver value to customers and ensures CS activities match the characteristics of each business field. In fiscal 2021, we proactively reflected customer feedback by taking lateral in-house measures to tackle areas where there is a need for improvement throughout the Group.

- **Aiming to Remain the First Choice of Customers**
  To create lasting relationships with our existing customers, in fiscal 2021 we began “Customer Success” activities, which entail viewing data acquired when customers use and operate our products and solutions as customer feedback and then taking steps to heighten their effectiveness and convenience accordingly.

- **Training Employees to Focus on and Realize CS**
  NEC cultivates a CS-oriented mindset that leads employees to notice and address issues and thereby make improvements independently.

  Specifically, we conduct a series of training programs designed to foster CS awareness and enable employees to use it as a driver of their actions. Our common program on the basics of CS is themed on working with customers in mind. In a subsequent program, employees learn ways of putting a CS-oriented mindset into practice in day-to-day activities. In addition, we provide a program that uses case studies to focus on creating value for customers and heightening their satisfaction.

  In fiscal 2021, due to the impact of the COVID-19 pandemic, we conducted the aforementioned training programs online rather than through periodic group training at our business sites. The interactivity and face-to-face communication made possible by the online format helped us give participants the sense of being present at an on-site seminar. While maintaining the quality of previous group training, we were able to give even more employees nationwide the opportunity to participate in the seminars. In this way, we continued to proactively develop a corporate culture geared toward the enhancement of CS.
Cooperation with Local Communities

Policy

Within its statement of Purpose, NEC has committed itself to the creation of the social values of safety, security, fairness and efficiency to promote a more sustainable world where everyone has the chance to reach their full potential.

Guided by this concept, each member of NEC, from directors to employees, acts as a good corporate citizen by carrying out “NEC Make-a-Difference Drive” corporate citizenship activities aimed at resolving social issues over the medium to long term.

Through these activities, we work with local communities, NPOs and NGOs, local governments, universities, etc., to promote three universal themes: “Personnel Development,” “Environmental Preservation,” and “Regional Contribution Activities and Disaster Aid.” NEC recognizes sustainable local communities are what enables business activities to be carried out in those communities. As members of communities, we want to support them in achieving the necessary solutions.

This thinking is also connected to “coexistence with local communities” in the NEC Group Code of Conduct. In addition, NEC has positioned the NEC Make-a-Difference Drive as a key plank in its efforts to promote diverse human resource development and cultural transformation, which is one of the Company’s priority management themes from an ESG perspective—materiality. Through the NEC Make-a-Difference Drive, officers and employees engage in dialogue and co-creation with various stakeholders, such as local communities and the social sector. This provides them with situations and opportunities to experience social issues that merit NEC’s attention as a Social Value Innovator.

We believe that through these situations and opportunities, employees acquire a mindset for volunteerism and co-creation, enabling them as highly socially literate personnel to sensitively grasp the true nature of issues facing customers and society, so they can create businesses inspired by social issues.

The social contribution programs and collaborating NPOs under the NEC Make-a-Difference Drive are selected based on the following policies and guidelines.

Basic Policy of Social Contribution Program Creation

Guidelines for Coordination with NPOs

Furthermore, we have established an evaluation system for social contribution programs, and we regularly confirm their social impact and promote program improvements and revisions.

Social Contribution Program Assessment System

Implementation Framework

NEC’s corporate citizen activities are conducted under three main implementation frameworks:

- Social contribution programs planned and executed under the initiative of the Internal Excitement Promotion Office of the NEC Corporate Communications Division and the Social Contribution Promotion departments of NEC Group companies;
- Activities for contributing to local communities planned and participated in by NEC Group employees around the world;
- Various grants by foundations

Corporate Citizenship Activities

In fiscal 2021, total corporate citizenship activity expenses for the NEC Group were approximately 336 million yen. We were involved in various regions around the world following three main themes in five areas, including “Academia, Research, and Education” and “Arts, Culture, and Sports.” Corporate citizenship activity expenses included the following: 1) financial assistance, 2) charitable donations of products quoted on a unit price basis, and 3) public use of NEC facilities (converted into monetary amounts based on the unit price of using equivalent external facilities to quantify the cost of using NEC facilities for socially beneficial purposes).

Activity Expenses

<table>
<thead>
<tr>
<th>Activity Expenses</th>
<th>Unit: Million yen</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY2018</td>
<td>FY2019</td>
</tr>
<tr>
<td>523</td>
<td>613</td>
</tr>
</tbody>
</table>

Fiscal 2021 Activity Expenses Breakdown

<table>
<thead>
<tr>
<th>Activities</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Academia, Research and Education</td>
<td>48.2%</td>
</tr>
<tr>
<td>Arts, Culture and Sports</td>
<td>16.1%</td>
</tr>
<tr>
<td>Social Welfare</td>
<td>7.5%</td>
</tr>
<tr>
<td>Disaster Prevention / Town Planning and Crime, and Prevention</td>
<td>8.3%</td>
</tr>
<tr>
<td>Others</td>
<td>13.0%</td>
</tr>
</tbody>
</table>

Note: The fields of activity used in the above expenses breakdown correspond to the fields of activity used in surveys of social contribution activities conducted by the Japan Business Federation.
Activities, including conducting charity activities and providing support for the frontline medical personnel combating COVID-19.

NEC has made donations to the Japanese Red Cross Society, MSF (Médecins Sans Frontières) Japan, and the Japan Committee for UNICEF by fundraising online and granting “cafe terrarium points” through the Company’s “cafe terrarium-style” benefits and welfare system, which was introduced for NEC employees in April 2020. In addition, the Kakegawa Plant of NEC Platforms, Ltd., took advantage of its manufacturing technologies and know-how to manufacture 1,000 medical face shields, which the company donated to the city of Kakegawa in Shizuoka Prefecture in May 2020. Also, in April 2020 NEC Fielding, Ltd., donated to the Japan Business Federation 15,000 N95 masks, 1,000 pieces of protective clothing, and 1,500 goggles, items that the company had in its inventories for use in on-site work.

In May 2020, NEC Europe Ltd. organized a charity event in which employees posted videos and photos of various challenges they had taken on with their families at home to help mitigate the COVID-19 pandemic. In conjunction with these efforts of employees, crowdfunding was used to raise funds for charity.

In April 2020, NEC Corporation of America donated 100 boxes of food to the local police department, Irving Police Department, in support of its efforts to implement COVID-19 countermeasures. Subsequently, the company continued donating food and masks to local food banks and NPOs.

The company also donated US$100,000 to the NPOs United Way of Metropolitan Dallas and made donations to the University of Texas at Dallas, Texas State University, and medical institutions through NEC’s U.S. foundation.

In fiscal 2021, as part of efforts to develop pro bono activities in the US, NEC launched pro bono activities in collaboration with Dallas, Texas State University, and medical institutions through NEC’s U.S. foundation.

Helping Disaster-hit Regions

To mark the 10th anniversary of the Great East Japan Earthquake, NEC held an online event for NEC Group employees entitled “3.11 Special Event: Fukushima Now 2021.”

The event featured a video message for employees from the governor of Fukushima Prefecture, Masao Uchibori, and a talk by Yasuhiro Sato, head of the Fukushima Prefecture reconstruction and comprehensive planning section, about the current situation and issues in Fukushima Prefecture from the viewpoint of those on the ground.

The approximately 250 employees who participated from all over Japan were able to further their understanding of the regional issues arising from the earthquake and nuclear power plant accident, the impact of the COVID-19 pandemic, and the array of possibilities available to Fukushima Prefecture going forward.

Also, employees spent 1,325,900 yen on a total of 275 items, including sweets and meal accompaniments, at the "Support Fukushima from Home Marché," an online sales event exclusively for NEC Group employees that was held to coincide with the special event through the cooperation of Nihonbashi Fukushimakan MIDETTE of Chuo Ward, Tokyo.

NEC Social Entrepreneurship School

In fiscal 2003, we began the NEC Social Entrepreneurship School, a project for nurturing young social entrepreneurs that we launched in cooperation with the NPO ETIC. By fiscal 2020, 64 groups had graduated from the school. The project has been called a gateway for the success of social innovators because of the large number of celebrated young social innovators that it has produced.

In December 2020 and January 2021, the NEC Social Entrepreneurship School invited young social entrepreneurs (alumni and current participants) to take part in a special program, involving a dialogue with NEC employees and social entrepreneurs. The program aims to help participants to identify various social issues and learn more deeply about the spirit of social entrepreneurship by speaking directly with active entrepreneurs who are leading social transformation. At the program were 200 employees who are either currently engaged in solving social issues or intending to begin tackling them.

The 10 social entrepreneurs below explained global social issues that they are tackling before discussing the potential for using ICT to resolving them. We continued examining the use of ICT after the dialogues.

Participating Social Entrepreneurs

First Dialogue (December 2020)

Kumihiko Ono (graduated from the school in fiscal 2010), SAMA NO TOCHU Co., Ltd.
Katamori Kuwata (graduated from the school in fiscal 2012), i local, Inc.
Junpei Asano (graduated from the school in fiscal 2018), SHINMIRAI INC.
Sakiko Muto (graduated from the school in fiscal 2020), tsunagari Music Lab.
Koki Ozora (graduated from the school in fiscal 2021), BashoChat org, NPO

Second Dialogue (January 2021)

Tomochiro Kitake (graduated from the school in fiscal 2010), TOWN KITCHEN Co., Ltd.
Kaito Miwa (graduated from the school in fiscal 2015), e-Education, NPO
Ryo Yamamoto (graduated from the school in fiscal 2017), R% inc.
Yoshihiko Ito (graduated from the school in fiscal 2020), Ocean’s Love, NPO
Yu Shinagawa (graduated from the school in fiscal 2021), An-Nahal Inc.

Supporting Local Communities through Pro Bono Activities

In fiscal 2011, NEC became the first Japanese company to launch pro bono activities, whereby the Company uses the professional skills of its employees to help solve problems faced by NPOs and social entrepreneurs. In fiscal 2021, as part of efforts to develop pro bono activities in local communities, we began collaborating with Kawasaki, a city in which we have business sites and where we are engaged in a variety of co-creation initiatives with the local community.

The NEC Tamagawa Pro Bono Club, which comprises more than 100 employee volunteers, led our collaborative efforts with the city of Kawasaki, the Kawasaki City Council of Social Welfare, and the Kawasaki City Citizen Activity Center to help lessen the impact of the COVID-19 pandemic on the local community. These efforts included holding seminars for civic action groups on how to operate and manage online meetings; producing a video that promotes Nakahara Panji Taiso exercises, which can be done at home; and supporting the operation and management of Tsunagaru Marché, which livestreams civic activities that are challenging to implement during the COVID-19 pandemic.

Moreover, in fiscal 2021 we launched online pro bono activities globally. Helte Co., Ltd.—whose founder graduated in fiscal 2019 from the NEC Social Entrepreneurship School—has begun an initiative aimed at utilizing a communication app to facilitate international exchanges between Japanese citizens and Asian students who are studying Japanese with a view to working in Japan. More than 120 NEC Group employees have participated in the initiative on a pro bono basis.

The purpose of the initiative is to increase opportunities for Asian students whose Japanese-language schools have been temporarily closed or whose visits to Japan have been postponed due to the pandemic to learn Japanese and deepen their understanding of Japan. In addition, the participation of NEC Group employees is intended to help improve the system and other aspects of the initiative.

Supporting COVID-19 Countermeasures

In Japan and abroad, the NEC Group has conducted a range of support activities, including conducting charity activities and providing support for the frontline medical personnel combating COVID-19.

NEC has made donations to the Japanese Red Cross Society, MSF (Médecins Sans Frontières) Japan, and the Japan Committee for UNICEF by fundraising online and granting “cafe terrarium points” through the Company’s “cafe terrarium-style” benefits and welfare system, which was introduced for NEC employees in April 2020. In addition, the Kakegawa Plant of NEC Platforms, Ltd., took advantage of its manufacturing technologies and know-how to manufacture 1,000 medical face shields, which the company donated to the city of Kakegawa in Shizuoka Prefecture in May 2020. Also, in April 2020 NEC Fielding, Ltd., donated to the Japan Business Federation 15,000 N95 masks, 1,000 pieces of protective clothing, and 1,500 goggles, items that the company had in its inventories for use in on-site work.

In May 2020, NEC Europe Ltd. organized a charity event in which employees posted videos and photos of various challenges they had taken on with their families at home to help mitigate the COVID-19 pandemic. In conjunction with these efforts of employees, crowdfunding was used to raise funds for charity.

In April 2020, NEC Corporation of America donated 100 boxes of food to the local police department, Irving Police Department, in support of its efforts to implement COVID-19 countermeasures. Subsequently, the company continued donating food and masks to local food banks and NPOs. The company also donated US$100,000 to the NPOs United Way of Metropolitan Dallas and made donations to the University of Texas at Dallas, Texas State University, and medical institutions through NEC’s U.S. foundation.

Helping Disaster-hit Regions

To mark the 10th anniversary of the Great East Japan Earthquake, NEC held an online event for NEC Group employees entitled “3.11 Special Event: Fukushima Now 2021.”

The event featured a video message for employees from the governor of Fukushima Prefecture, Masao Uchibori, and a talk by Yasuhiro Sato, head of the Fukushima Prefecture reconstruction and comprehensive planning section, about the current situation and issues in Fukushima Prefecture from the viewpoint of those on the ground.

The approximately 250 employees who participated from all over Japan were able to further their understanding of the regional issues arising from the earthquake and nuclear power plant accident, the impact of the COVID-19 pandemic, and the array of possibilities available to Fukushima Prefecture going forward.

Also, employees spent 1,325,900 yen on a total of 275 items, including sweets and meal accompaniments, at the "Support Fukushima from Home Marché," an online sales event exclusively for NEC Group employees that was held to coincide with the special event through the cooperation of Nihonbashi Fukushimakan MIDETTE of Chuo Ward, Tokyo.
Governance

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Dialogue
Corporate Governance

Policy

In recognition of the fact that reliable corporate governance is essential to the continuous creation of social values and the maximization of corporate values, NEC Corporation (the “Company”) is committed to strengthening its corporate governance practices through:

1. Assurance of transparent and sound management;
2. Realization of prompt decision making and business execution;
3. Clarification of accountability; and
4. Timely, appropriate and fair disclosure of information.

Corporate Governance System

An overview of the Company’s corporate governance system is as follows:

1. The Company has adopted the company with the Audit & Supervisory Board Members (KANSAYAKU) (the “A&SBMs”). The Company considers that the audit by A&SBMs and advice from Outside Directors in making decisions of the material business executions are effective for the sound management of the Company.
2. The Company has introduced a corporate officer system to expedite business execution based on prompt decision making and separate management supervision from business execution. This has involved delegating substantial authority for business execution from the Board of Directors to corporate officers.
3. The Company has established the Nomination and Compensation Committee to enhance transparency of nomination of Directors and the A&SBMs and remuneration of Directors and corporate officers.

Board of Directors
To fulfill its responsibilities with various viewpoints based on broad knowledge, the Board of Directors is comprised with consideration given to diversity in such factors as career background, specialist field, internationality and gender.

Nomination and Compensation Committee
The majority of the members of the Nomination and Compensation Committee are Outside Directors. The chairperson is appointed among such Outside Directors.

Audit & Supervisory Board (KANSAYAKU-KAI)
The Company appoints as A&SBMs the personnel who have the knowledge and experience necessary for audits, such as considerable expertise in finance and accounting or experience as an attorney at law, and strengthen the auditing functions of the A&SBMs.

Main Committees in Business Execution
The Company has the Executive Committee, which is comprised of corporate officers, and the Business Progress Committee, which is comprised of corporate officers, general managers of business units, and other members.

Corporate Governance Guidelines
Corporate Governance Report
Corporate Governance
Directors and Audit & Supervisory Board Members (KANSAYAKU-KAI)
Compliance and Risk Management

Policy

As a company engaged in the social solutions business, NEC believes earning and sustaining the trust of customers and society are by far the most important considerations. In its Principles, NEC subscribes to “Uncompromising Integrity and Respect for Human Rights,” and conducts continuous Companywide activities involving everyone from officers to employees with management firmly based on compliance. In addition, our risk management activities include properly understanding risks that have an impact on our business, and taking preventive measures efficiently and effectively, including against compliance violations.

NEC Corporation received notification of a violation of the Antimonopoly Act from the Japan Fair Trade Commission in July 2016 regarding a deal concerning telecommunications equipment for electrical power security systems with Tokyo Electric Power Co., Inc. (currently Tokyo Electric Power Company Holdings, Inc.). A further notification relating to a violation of the same act was received in February 2017 regarding (i) transactions for wireless digital emergency firefighting equipment and (ii) a deal concerning telecommunications equipment for electrical power security systems with Chubu Electric Power Co., Inc.

In order to keep these events fresh in mind and use them as a basis for reflection, we established NEC Compliance Day on November 18, being the date on which we received an on-site inspection by the Japan Fair Trade Commission, as an annual event for further underscoring the importance of compliance.

Compliance

NEC considers compliance to not only mean compliance with the law, but also in the broad sense to include compliance with socially accepted norms and common sense.

In line with the key concepts of “awareness” and “information sharing,” our basic approach to implementing compliance is to foster awareness so that irregularities are clearly recognized as “being not in conformance.” In addition, we encourage consultation with and reporting to managers, related departments, or the Compliance Hotline, and sharing information with a view to resolving those issues and improving our practices systematically as an organization.

Furthermore, NEC aims to establish compliance within its corporate culture by ensuring that each officer and employee treats compliance as their own responsibility and practices conduct in accordance with the NEC Group Code of Conduct. Moreover, the Code has been translated into Japanese, English, Chinese, Portuguese, and Spanish. By promoting the Code at consolidated subsidiaries abroad, we are creating a corporate culture in Japan and abroad that gives first priority to compliance. Also, we recognize that the Code should be revised regularly.

In order to realize effective compliance measures, the general managers of every NEC Corporation division have taken leadership and responsibility for discussing and implementing the optimal measures for their divisions with support from the corporate divisions. Further, identifying compliance as one of NEC’s priority management themes from an ESG perspective—materiality—the Mid-term Management Plan 2025 sets as a goal zero cases of serious involvement with cartels or bid-rigging.

Risk Management

Moreover, as part of our risk management activities, we manage risk in order to avoid oversights and overlap of measures, under NEC’s “Rules of Basic Risk Management.”

Every year, we identify risks whose materialization would have a particularly large impact on NEC Corporation’s business and sales targets. Among these, we select certain risks that require priority measures as “Priority Risks” for Companywide management. We then formulate, implement, and assess measures to address those risks. In addition, each of our business units and subsidiaries are also conducting specific activities to manage particular risks in their unit or company.

NEC Group Code of Conduct

Priority Management Themes from an ESG Perspective—Materiality

Periodic Rotation and Reengagement of Accounting Auditors

Pursuant with regulations such as those that are based on the Certified Public Accountants Act and which concern accounting auditors, the Company manages operations based on the following rules.

• Engagement partners may not be engaged for more than seven accounting periods in duties that entail conducting audits of the Company. Lead engagement partners may not be engaged for more than five accounting periods in duties that entail conducting audits of the Company.

• For two accounting periods after being replaced, engagement partners may not be engaged in duties that entail conducting audits of the Company. For five accounting periods after being replaced, lead engagement partners may not be engaged in duties that entail conducting audits of the Company.

Implementation Framework

NEC Corporation enforces and implements compliance with top management and conducts activities led by the Risk Control and Compliance Committee, the Compliance Division, and the Corporate Auditing Bureau. The meeting bodies and management structure are as follows:

1. Board of Directors

Given its oversight role with respect to business execution, the Board of Directors receives reports related to material misconduct and reports on the measures taken for the Priority Risks. In addition, the Board regularly confirms the effectiveness of risk management, including prevention of corruption and fraud and the operational status of internal control systems.

2. Executive Committee

The Executive Committee discusses important NEC management issues such as policies and strategies, including Priority Risks and other important risks related to management and strategies.

3. Audit & Supervisory Board Members (KANSAYAKU)

The Audit & Supervisory Board Members audit the performance of duties within NEC Corporation by regularly discussing reports of audit results.
received from the Corporate Auditing Bureau, or reports on the status of operations of the Compliance Hotline, the internal reporting system pertaining to business ethics and violations of laws and regulations.

4. Chief Legal & Compliance Officer (CLCO)

The CLCO chairs the Risk Control and Compliance Committee and oversees Companywide compliance promotion activities.

5. Risk Control and Compliance Committee

The Risk Control and Compliance Committee, whose members are officers, investigates the underlying causes of serious compliance breaches, studies related to prevention of recurrence and preventive measures, and deliberates on policies for risk management activities and policies for selection of and countermeasures to the Priority Risks. The committee executes a supervisory function in Companywide risk control by, for example, regularly receiving reports from the divisions in charge of deliberations and progress status related to specific Priority Risk measures, validating the activity results and issues and future activity plans and providing direction for improving and enhancing measures as needed.

The committee is chaired by the CLCO, who reports on important matters within the proceedings and results of the committee meetings to the Executive Committee and the Business Progress Committee and other meetings, which are attended by the CEO.

6. Compliance Division

The Compliance Division formulates and implements various initiatives designed to enforce compliance, including instilling knowledge of the NEC Group Code of Conduct. In addition, the division provides the necessary support, coordination and guidance to ensure that risk management in the business and corporate staff divisions is implemented systematically and effectively.

For example, the division enhances the risk control function for the entire NEC Group by continuously supporting risk control activities in each division including subsidiaries. This is accomplished by collecting external information, investigating using a risk management survey, and exchanging information with subsidiaries worldwide.

In addition, the division regularly receives and discusses reports on audit results from the Corporate Auditing Bureau and receives status reports on the operations of the Compliance Hotline, the internal reporting system pertaining to business ethics and violations of laws and regulations.

7. Corporate Auditing Bureau

The Corporate Auditing Bureau functions as an internal auditing department directly under the supervision of the president and is composed of members who are experts in internal audits. The bureau carries out audits aimed at ensuring that NEC is operating lawfully, properly, and efficiently, as well as in pointing out problems and making proposals for improvement.

8. Compliance Promotion at Consolidated Subsidiaries

The presidents of our consolidated subsidiaries in Japan take ownership of proposing and implementing compliance measures with guidance and support from the Compliance Division, corporate divisions, units, and business units responsible for each subsidiary.

In regard to consolidated subsidiaries abroad, the five Regional Headquarters (RHQ), including the subsidiaries under them worldwide, further strengthen compliance.

NEC has also established channels for reporting compliance-related issues regularly, and as the need arises, from the consolidated subsidiaries in Japan and abroad to Headquarters in Japan.

Compliance Implementation Framework

- Audit & Supervisory Board Members (KANSAYAKU)
- Corporate Auditing Bureau
- Board of Directors
  - CLCO
  - Executive Committee
  - Risk Control and Compliance Committee
  - Corporate staff divisions
  - Units and business units
- Subsidiaries

Measures and Main Fiscal 2021 Activities

- Compliance

For the second consecutive fiscal year, in fiscal 2021 there were no cases of serious involvement with cartels and/or bid-rigging in the NEC Group, thanks to implementation of the following measures.

Conducting Various Initiatives for NEC Compliance Day

To establish compliance as part of NEC’s corporate culture, we conduct various activities to spread information and raise awareness for NEC Compliance Day.

First, officers including the President and CLCO and all department managers (approximately 130 people), and the presidents of consolidated subsidiaries in Japan and abroad communicate messages to underscores the importance of compliance to all employees. In addition, each employee of NEC Corporation makes a “Compliance Action Declaration” to show their own initiatives to make compliance part of the corporate culture.

At NEC Business Ethics, an annual corporate ethics forum for NEC Corporation and its consolidated subsidiaries in Japan, lectures are given by NEC’s President and an external lecturer with expertise in compliance, and the Compliance Excellent Award is presented. The award is presented to divisions that have taken ownership for thoroughly implementing compliance. By introducing their specific initiatives, the award helps to improve the level of activities among all divisions.

Furthermore, NEC held online lectures to encourage employees to recollect and reflect on three Antimonopoly Act violations caused by the Company in the past. We also, we organized dialogues so that the personnel of different divisions could share ideas and think together about measures for creating an open atmosphere in workplaces.

An online portal for NEC Compliance Day was set up on our intranet to enable employees to browse activities and information related to the event at any time.

Education and Awareness-raising Activities throughout the World

NEC Corporation and its subsidiaries in Japan conduct web-based training regarding compliance for all officers and employees once a year (completion rates in the training period—NEC Corporation: 99.0%; consolidated subsidiaries in Japan: 98.5%—and those unable to take the course within the period are committed to taking it in the next round).
Also, NEC Corporation is deploying training content for consolidated subsidiaries abroad translated into multiple languages (Japanese, English, Spanish, Portuguese, and Chinese). We collected from officers and employees pledges to follow the NEC Group Code of Conduct and other internal policies. Furthermore, NEC Corporation emphasizes the importance of conduct that complies with the NEC Group Code of Conduct using the opportunities of training and education for new employees, and stratified education programs for new corporate officers and new department managers.

Compliance Hotline
(Whistleblowing System for Employees and Business Partners)
The Compliance Hotline is NEC’s whistleblowing system for preventing corruption, fraud, and other compliance matters in general. We have also established an additional contact point for the hotline at a third-party agency as an additional contact point in order to enhance convenience and to address a broader range of risks at an early stage. This contact point receives whistleblower reports from not only employees of NEC Corporation but also its subsidiaries in Japan and business partners. The identity of whistleblowers who contact the hotline and the nature of their reports are guaranteed confidentiality by the personnel in charge. Whistleblowers will never suffer retaliation for having made a report.

NEC and its consolidated subsidiaries in Japan have taken steps to ensure the protection of confidentiality and prevention of retaliation by establishing the Compliance Hotline Regulations as internal regulations. This is made known to employees through training programs and other means.

In fiscal 2021, the number of reported cases was 76, down 14 from the previous fiscal year. The reported cases included ethical behavior violations, fraud or violations against the NEC Group Code of Conduct or company rules, and other possible violations. These cases have been appropriately handled.

Examples of the measures taken are as follows.
(1) In a report of harassment, the facts were confirmed and the offender was given guidance and transferred, giving consideration to the whistleblower’s wishes.
(2) In response to reports on the effects of COVID-19 pandemic, including reports in relation to teleworking, the facts were confirmed, and such measures as the issuance of reminders were implemented.

For NEC’s consolidated subsidiaries abroad, Regional Headquarters (RHQ) also set up whistleblowing systems operated by third parties in each region, which are available for local officers and employees to use in the native local language (English, Spanish, Portuguese, and Chinese). The consulted/reported cases and their handling by consolidated subsidiaries abroad are shared with NEC Corporation.

The status of Compliance Hotline implementation and operation (including the internal reporting systems of NEC Corporation subsidiaries) is regularly reported by the Corporate Auditing Bureau to the Board of Directors and the Audit & Supervisory Board Members.

Survey on Compliance Promotion Initiatives
We conducted a survey of all officers and employees in conjunction with web-based training regarding compliance in order to evaluate the status of their initiatives on compliance promotion and their awareness of compliance. Furthermore, in a survey conducted after NEC Compliance Day, we asked division employees to evaluate the messages delivered by their division’s department managers. The results of the surveys were posted as feedback on the intranet portal, and will be useful for proposing and implementing measures to further enforce compliance going forward.

Exchanges of Opinion with Business Divisions
To further increase each division general manager’s ownership of ensuring compliance, in fiscal 2021 the Compliance Division held a face-to-face exchange of opinions with approximately 70 business divisions and subsidiaries. Through active discussions on the latest compliance-related topics, the Compliance Division was able to understand the situations of each division and subsidiary, and they all are working together to improve compliance activities Companywide.

● Risk Management
Selecting Priority Risks and Countermeasures
NEC Corporation annually identifies “important risks,” selected from the perspectives of the need for additional countermeasures and the magnitude of the impact on corporate business and society. These are based on the result of risk assessment for each division, which was obtained through a questionnaire-based risk management survey, and findings in the internal audit by the Corporate Auditing Bureau, among others. Important risks that are evaluated as having a particularly large impact are selected as Priority Risks and reported to the Board of Directors, which puts countermeasures in place for them.

In fiscal 2021, the Priority Risks that we selected were “risks related to harassment,” “risks accompanying inadequate establishment of accounting processes at international subsidiaries,” “risks related to the management of confidential information,” and “invasion of privacy-related risks accompanying new technologies.” The respective divisions responsible for each of the risks are taking the necessary countermeasures.

Response to Emerging Risks
NEC minimizes emerging risks—namely, risks that could arise in the near future and have a long-term effect on corporate management—by predicting their potential impact on businesses and taking countermeasures accordingly.

Examples of Countermeasures for Emerging Risks

1. Risks Regarding Privacy Infringement Related to New Technologies
NEC has businesses engaged in the social implementation of AI and the utilization of biometrics and other data—activities exemplified by face recognition systems. Such businesses risk being significantly affected by inadequate establishment of measures aimed at respecting privacy and other human rights or by failure to comply with principles and legal systems with due consideration for ethics and social acceptability.

To reduce the aforementioned risk, we have set out the NEC Group AI and Human Rights Principles and established and strengthened in-house systems. As well as ensuring that our employees are fully aware of these principles and systems, we manage operations in line with these measures.

AI and Human Rights

2. Risks Regarding Management of Confidential Information
In addition to its own information assets, NEC possesses information assets entrusted to it by customers and business partners. Consequently, we have security-related risk in the form of the loss of social trust and the significant impact on related businesses that would result from a leakage of information, which could occur due to
such factors as a cyber attack made possible by inappropriate management of information.

Aiming to mitigate such risk, we have built an integrated information security promotion framework, which connects the Information Security Strategy Committee with other in-house bodies. Based on this framework, we take an array of different measures that account for security-related risk on a comprehensive, global basis. Further, the NEC Group Code of Conduct includes stipulations on the appropriate management of confidential information and personal information. Also, we are further developing systems and capabilities for the protection of personal information to strengthen information management measures.

Information Security and Cyber Security
Personal Information Protection and Privacy

Participation in Activities of External Organizations

Business Ethics Research Center (BERC)

NEC Corporation has been a BERC member since its establishment in 1997. BERC collects worldwide information relating to business ethics, undertakes research on ethics, offers consulting on business activities, and educates businesspersons while promoting ethics. We have utilized information on examples of initiatives in other companies obtained through BERC in the enforcement and planning of measures to promote compliance.

Business Ethics Research Center (BERC)
Basic Approach to Tax Matters

Basic Approach

In its Group Code of Conduct, NEC promises that:

- We will comply with international rules, applicable laws and regulations, this Code of Conduct, and in-house policies and guidelines in every aspect of the Company’s activities at all times, and also understand the cultures and customs of countries and regions, and act in good faith in accordance with a good social conscience based on high ethical standards; and

- We will keep all financial records, accounting records, and all other records accurately and fairly. We will not perform accounting processing in an improper manner or any other act that may cause any loss or damage to the Company.

Likewise, we follow the above basic approach also in relation to tax matters and are striving to optimize them from a medium- to long-term perspective.

In addition, on its intranet, NEC provides details about basic rules for corporate taxes and other matters as well as a summary of tax reforms and the “Outline of the Tax Reform.”

Relationship with Tax Authorities

NEC endeavors to reduce tax uncertainties by prior consultation with tax authorities and responding in good faith to related information-disclosure requests made by tax authorities.

Transparency

NEC complies with the Financial Instruments and Exchange Act and all applicable laws, rules, and regulations, in preparing and disclosing its Annual Securities Report. Tax-related disclosures required by applicable laws are also included in the Annual Securities Report.

Starting from the fiscal year ended March 31, 2017, NEC has disclosed its consolidated financial results in accordance with International Financial Reporting Standards (IFRS). By adopting IFRS, NEC intends to disclose more internationally comparable financial information to capital markets and to further enhance transparency of its financial information.

The intent of the generally accepted rules and guidance regarding international taxes, such as the Action Plan on Base Erosion and Profit Shifting (BEPS), NEC pays taxes in a timely and appropriate manner based on tax rules and treaties for each country, by reflecting its business results, and does not carry out activities aimed at fraudulent avoidance of taxes.

OECD: Organisation for Economic Co-operation and Development
Promoting Fair Commercial Transactions

Policy

In its Principles, NEC subscribes to “Uncompromising Integrity and Respect for Human Rights,” and we believe it is important to put these into action while treating compliance as the highest priority at all times.

Recent years have seen stronger enforcement of laws and regulations regarding competition and anti-corruption around the world. We ensure fair commercial transactions by taking active measures to prevent corruption and fraud and the violation of antimonopoly laws. These measures include setting as a goal zero cases of serious involvement with cartels and/or bid-rigging as a KPI for materiality.

The Company has established the NEC Group Competition Policy, formulating basic considerations on compliance with Japanese and international competition laws to reduce the risk of violations. Furthermore, NEC has distributed a portable and business card-sized “NEC Group Competition Policy Card” to all corporate officers and employees of NEC Corporation and its consolidated subsidiaries in Japan to make the policy further well known.

NEC Corporation and certain consolidated subsidiaries in Japan have established “Rules for Prevention of Cartels, Bid Rigging, and Bid Obstruction.” They clarify prohibited conduct under competition laws with regard to customers such as governmental agencies among others, and their vertically related consultants, distributors, and lease companies. NEC is working to further reduce the risk of being suspected or implicated in cartels, bid-rigging, and bid obstruction.

With regard to anti-corruption, NEC has also established a Basic Anti-bribery Policy, with the intention of instituting a system to prevent corruption and stipulating basic rules for compliance by corporate officers and employees. Compliance with the rules will ensure that bribes are neither offered nor received in Japan and abroad in connection with the business activities of NEC.

In fiscal 2017, NEC Corporation received notifications of three violations of the Antimonopoly Act from the Japan Fair Trade Commission. In order to keep these events fresh in mind and use them as a basis for reflection, we established NEC Compliance Day on November 18, being the date on which we received an on-site inspection by the Japan Fair Trade Commission. In order to promote fair commercial transactions, we consider the commitment of management executives to be the most important element in promoting fair commercial transactions. For this reason, on NEC Compliance Day, the management executives issue a message to all employees to help reaffirm the importance of compliance every year, including promoting fair commercial transactions.

NEC Corporation was also subject to an investigation from the World Bank, on suspicion of violating the World Bank’s procurement guidelines in relation to the planned financing of a tender project in Hanoi, Vietnam, and ultimately reached a settlement agreement with the World Bank in July 2018. On the advice of the World Bank, the Company conducted measures to strengthen its compliance programs, such as revising the NEC Group Code of Conduct and regulations and manuals related to preventing anti-corruption. The World Bank lifted its sanctions on January 19, 2020.

NEC will keep past incidents and facts in mind and proactively promote fair commercial transactions.

NEC Group Competition Policy (English translation)

Implementation Framework

Competition Law Compliance

It takes effort to comply with competition laws on various fronts, including sales, technology transactions, and materials procurement. NEC Corporation promotes compliance with competition laws through cooperation and coordination among the multiple divisions involved in each of these areas, with the Compliance Division and the Legal Division serving as co-supervising divisions.

Prevention of Corruption

NEC Corporation is working to prevent corruption in all its forms.

The Compliance Division and the Legal Division act as co-supervising divisions in NEC’s efforts to enforce the Anti-bribery Policy and to provide related instruction, support, direction, and training for the internal divisions of NEC Corporation and its consolidated subsidiaries in Japan.

Measures and Main Fiscal 2021 Activities

Continuous Training and Raising Awareness

Raising awareness through continuous training programs is crucial to increasing employees’ awareness of fair commercial transactions. NEC Corporation conducts annual web-based training and stratified training programs on compliance. In addition, we also used NEC Compliance Day as an opportunity to remind employees about the impact of the three incidents of Antimonopoly Act violations caused by NEC Corporation, and will strive to prevent the memory of these incidents from fading. We provide the business divisions with topics related to fair business transactions through exchanging opinions with business divisions listed in the section on “Compliance and Risk Management.” We also raise awareness through the quarterly “Compliance News” newsletter published by the Compliance Division. In addition, for business divisions that face high risks related to antimonopoly laws, we provide face-to-face training for each division with support from the Compliance Division.

Compliance and Risk Management

Establishing and Revising Rules

In initiatives to prevent violations of competition laws, as noted above in “Policy,” we established “Rules for Prevention of Cartels, Bid-Rigging, and Bid Obstruction.” These rules clarify prohibited conduct under competition laws with regard to customers such as governmental agencies and so forth, and their vertically related consultants, distributors, and lease companies. Moreover, NEC Corporation is working to ensure that it
does not become suspected or implicated in cartels, bid-rigging, and bid obstruction.

We have also implemented email monitoring utilizing AI for early detection of signs of competition law violations.

As an initiative for preventing corruption, in fiscal 2021 we conducted an internal audit regarding corrupt areas, including bribery, covering seven consolidated subsidiaries in Japan and seven abroad.

For bribery prevention, NEC Corporation has created an “Anti-Bribery Manual for Business Divisions, Etc.”, which stipulates the roles of general managers and specific methods for preventing bribery. These roles and methods include bribery risk assessment regarding the division’s business and operations, including procedures if risk is deemed to be high and due diligence regarding retained parties or partners employed in the Company’s business activities. The manual stresses the importance of evaluating bribery risk through communication with retained parties or partners and collecting information on due diligence as well as the importance of continued monitoring due to the possibility of risks related to retained parties or partners changing with the passage of time.

Furthermore, as the world’s nations work on strengthening their anti-bribery laws, NEC has also developed a “Guideline for Provision of Gifts, Hospitality and Travel Expenses,” which describes cautions and measures that consolidated subsidiaries abroad should follow when they provide gifts, hospitality, and travel expenses.

As a result of the implementation of these systems and initiatives, there were no major incidents within NEC related to either violations of competition laws or bribery that warranted a public announcement in fiscal 2021.
Business Continuity

Policy

NEC has prepared a business continuity plan (BCP) and is promoting business continuity management so that the Company can fulfill its social responsibilities by continuing to stably supply customers with products and services even when risks actualize in the form of earthquakes, typhoons, and other natural disasters; global pandemics; wars; or terrorist attacks. Our goal is to be able to continue NEC Corporation’s business as far as possible, and to recover operations quickly if they are interrupted.

Our Basic Disaster Response Policies
1. Ensure the safety of employees and visitors.
2. Rapidly recover and establish a business environment that enables NEC to fulfill its social responsibilities, including the maintenance and recovery of backbone systems, such as communications, public infrastructure, traffic, defense, and finance.
3. Minimize management damage caused by operation disruption.

Implementation Framework

NEC Corporation will continue business proactively and flexibly through the following three functions. The status of activity will be reported regularly to the Board of Directors.

1. Business Continuity and Disaster Recovery Headquarters
   This function is headed by the president and comprises corporate divisions such as the Human Resources and General Affairs Division.
   The Headquarters maintains top management’s decision-making function and prepares an environment for recovering operations.

2. Business Unit BCP teams
   These teams are formed in each business unit. They conduct activities for recovery of business. (customer response, gathering information of damage to operations, recovery, logistics, and securing materials, etc.)

3. Workplace BCP teams (Bases)
   These teams are formed at the workplace and base level. They secure the safety of the workplace, confirm the safety of employees, quickly recover worksite infrastructure, support employees’ lives, assist those who wish to return home, and coordinate with the community.

   In addition, internationally we have formulated BCPs in response to each country’s risk under the global system of five Regional Headquarters (RHQ), along with information escalation rules in the case of emergencies.

   By conducting these drills and training programs every year, we are increasing readiness so that in the event of a large-scale disaster we will be able to minimize damage and swiftly resume business operations.

Measures and Main Fiscal 2021 Activities

- **Response to COVID-19**
  In response to the COVID-19 pandemic in 2020, NEC rigorously ensured that all Group employees adopted behavior that prevents infection and its spread and issued in-house guidelines on measures to prevent infection. These measures included rigorously implementing temperature checks of all employees each morning, enforcing handwashing and mouth rinsing, staggering shifts and encouraging teleworking, utilizing web conferencing, and ensuring that people did not come to work when feeling unwell. Furthermore, we rigorously applied reporting rules when employees were feeling unwell and quickly developed systems and measures for infection prevention as a company.

  Following the state of emergency declaration by the Japanese government in April 2020, the employees of NEC and affiliated companies in Japan worked from home whenever possible, and the companies promoted the use of telework even further. Even now, we continue to promote telework and are conducting our operations with minimum attendance at the office.

  Meanwhile, in production plants and certain development projects that can only continue functioning if personnel are on-site, we are rigorously ensuring that personnel avoid the “3Cs” (Closed spaces, Crowded places, and Close-contact settings) and take appropriate countermeasures. (Spacing out usage, etc.)

The COVID-19 is expected to have a prolonged impact. NEC will continue fulfilling its responsibilities in accordance with society’s expectations while giving first priority to employees’ lives and safety through the aforementioned countermeasures to the spread of infection.

- **Initiatives for Raising Awareness of Disaster Preparedness (Disaster Prevention Survey)**
  To develop employees’ ability to act proactively during a disaster, since fiscal 2020 NEC and affiliated companies in Japan have been conducting the “Disaster Prevention Survey,” which surveys employees’ awareness of disaster preparedness. Enabling the creation and calculation of an indicator by scoring the responses to each survey question, fiscal 2021’s survey revealed that 37.7% of employees felt able to think and act for themselves in a disaster, a significant increase of 21.9 percentage points year on year.

  The survey results are disclosed to all employees, and issues are identified for each indicator. These will be used in proposing and executing disaster countermeasures going forward.

- **Exercises and Training on Disaster Prevention and Business Continuity**
  NEC and affiliated companies in Japan conducted drills to confirm disaster response procedures at workplaces, which had relatively few employees in attendance because most employees were teleworking as a COVID-19 countermeasure. Also, we conducted a program entitled “Training 10 Years on from the Great East Japan Earthquake” with the aims of encouraging employees to recall the major earthquake disaster, gain new insights, and make disaster prevention a personal matter that becomes a regular part of daily work. To these ends, the program comprised discussions that included corporate officers and which were stratified by employee rank, web-based training, and field work for employees.

  By conducting these drills and training programs every year, we are increasing readiness so that in the event of a large-scale disaster we will be able to minimize damage and swiftly resume business operations.
Enhancing the Degree of Completion of BCPs
Since 2016, NEC has introduced systems for visualizing the business continuity status for each company and division by using indices such as "organizational state in regular times and at the time of disaster," "leadership," "disaster prevention and business continuity plan," "support status," "effective operation," and "evaluation and improvement."

We will use these results to refine the system to cement a business continuity mindset as part of our organizational culture and make improvements across the entire NEC Group to enable each division and employee to think and act autonomously during disasters.

Responding to the Risk of Storm and Flood Damage
NEC Corporation has constructed a system in which the Company's internal disaster information sharing system automatically receives disaster information from the Japan Meteorological Agency and displays the range of impact on a map. This allows us to understand at a glance information regarding the Company's sites, customers, suppliers, and others located within that range.

Further, we prepared for storm and flood damage by using the latest hazard maps to evaluate storm and flood damage risk at each business site. Based on these evaluations, while taking into account the balance between the impact of a disaster and cost, we are steadily establishing periphery flood barriers at facilities that would require considerable time to restore.

ISO 22301 Certification Acquisition
NEC has acquired ISO 22301 certification, mainly in its system maintenance divisions and datacenter operation divisions. ISO 22301 is an international standard for Business Continuity Management Systems (BCMS). Moreover, divisions that have not acquired ISO 22301 certification are complying with the international standard as far as possible and have put in place efficient and effective countermeasures to prepare for potential threats to business continuity, including earthquakes, floods, typhoons, and other natural disasters; system faults; pandemics; power outages; and fires.

Social Contribution Using Emergency Food Supplies
Since fiscal 2011, NEC has provided and sold emergency food supplies that have come within six months of their expiry date at its in-house cafeterias and stores. Part of the proceeds from these sales is used to support employee participation in community contribution activities to support the school feeding programs run by the United Nations World Food Programme. This activity is designed to value food and to contribute to society by reducing the negative environmental impact of food disposal. NEC will continue the activity going forward.
Supply Chain Management

Basic Policy Concerning Sustainable Procurement

Corporations are required to conduct procurement activities that strongly emphasize sustainability throughout the entire global supply chain.

NEC endeavors to work not only within itself, but also through collaboration and co-creation with suppliers to conduct business while giving full attention to its impacts on the environment and society as a whole. We believe this will make us worthy of the trust given by society and ensure us to contribute to sustainable social value creation. Based on this belief, as we learn together about critical social issues and the impact of business on society, we will continuously engage in initiatives toward building a better supply chain. In May 2021, we newly designated “supply chain sustainability” as our materiality and will further reinforce initiatives, such as those relating to human rights and environmental due diligence.

Policy

NEC formulated the NEC Group Procurement Policy based on its concepts of sustainable management and on the ISO 26000 and ISO 20400 international guidance standards for social responsibility and sustainable procurement. We are developing the policy in internal control pertaining to sustainable procurement and among suppliers. NEC has established “Basic Rules for Procurement,” and ensures that all employees remain in compliance with these Rules. To strengthen this effort, NEC also devised “Basic Rules for Customer-Related Work” requiring our suppliers, including upstream business partners, to implement responsible business conduct and identify the following six priority risks:

- Human rights
- Occupational health and safety
- Fair trade
- Environment
- Information security
- Product quality and safety

With regard to human rights, the NEC Group Procurement Policy clearly rejects slavery and human trafficking, and the Guidelines for Responsible Business Conduct in Supply Chains prohibit forced labour and child labour, while respecting workers’ right to organize. The policy and guidelines also require appropriate wages and management of work hours.

With regard to the environment, we have formulated the Green Procurement Guidelines, which call for a combined effort between NEC and its suppliers to realize environmental management. At the same time, we have also set out the “Environmental Specifications Pertaining to Procurement Restrictions for the Inclusion of Chemical Substances in Products,” which require to comply with industry regulations on chemicals in products.

With regard to information security, NEC sets out security measures to be observed by outsourcing in “Basic Rules for Customer-Related Work” and has them make a pledge to observe them in order to ensure thorough implementation of countermeasures.

Based on this policy and guidelines, NEC will work to deepen mutual understanding with suppliers and promote procurement activities in close collaboration with them, while evaluating them comprehensively in terms of QCD*: and sustainability, and continuing in efforts to nurture partnerships from a long-term perspective.

NEC endeavors to gain a deeper understanding of global social issues, the latest initiative examples, and so forth by conducting stakeholder engagement with international initiatives, civil society (NGO/NPO) and academia, to utilize in drawing up and promoting procurement measures, as well as improvement of individual measures, based on the policy.

*1 Quality, Cost, and Delivery

Dissemination

NEC conducts self-assessments in order to assess the status of supplier compliance with requirements and initiatives relating to the fields of human rights, occupational health and safety, the environment, fair trade, and information security.

* NEC Group Procurement Policy
* Guidelines for Responsible Business Conduct in Supply Chains
* Green Procurement Guidelines
* Environmental Specifications Pertaining to Procurement Restrictions for the Inclusion of Chemical Substances in Products
* Information Security and Cyber Security

We implement various measures to counter the above six priority risks at each stage of basic contracts, dissemination, document check, and on-site assessment. Furthermore, in addition to these measures, we have also developed a mechanism for handling supplier complaints and carry out education and awareness-raising activities for NEC employees.

Basic Contracts

NEC ensures implementation and compliance with these initiatives by suppliers by entering into basic contracts and obtaining declarations that demonstrate their commitment to responsible business conduct in supply chains. These declarations were newly formulated in response to the Guidelines for Responsible Business Conduct in Supply Chains.

As an indicator for the materiality “supply chain sustainability,” we aim to acquire declarations from suppliers accounting for 75% of the total procurement amount by the end of fiscal 2026.

Document Check

NEC presents the NEC Group Procurement Policy, the Guidelines for Responsible Business Conduct in Supply Chains, and various other guidelines to its suppliers. We also hold exchange meetings with strategic supply chain partners and Sustainability/Information Security Sessions, where we explain our policies and guidelines directly to suppliers and ensure dissemination of the latest measures.
On-site Assessment
When the Procurement Division makes an inspection of sustainable procurement requirements during its ordinary visits to suppliers, we assess sustainable procurement requirements related to human rights, OH&S, and the environment. In fiscal 2019, we started the “Supplier Visit Record” (SVR) initiative to compile records of these inspections.

With regard to information security, NEC visits its suppliers annually to conduct an on-site assessment.

For both kinds of on-site assessment, NEC shares the items that require improvement with its suppliers and supports them in implementing improvement measures.

Establishment of Complaints-handling Mechanism
The Compliance Hotline, a point of contact for compliance consultation and reporting, has been made available also to suppliers since 2003. By providing an independent channel, we have established a mechanism for transaction-related complaints and consultation by suppliers that is considerate of the privacy of whistleblowers.

Education and Awareness-raising Activities
In accordance with internal procurement regulations, NEC Corporation and its subsidiaries conduct regular training for procurement personnel, as well as timely training on individual topics to address new laws and regulations and emerging risks, in order to maintain appropriate business operations.

The graph on the right represents the procurement amount by region and percentage by region.

Japan accounts for 73% of the total procurement amount. Asia accounts for 12%, North America 12%, EMEA (Europe, the Middle East, and Africa) 2%, and Central and South America 1%.

Sustainable procurement activities of the entire NEC Group are under the responsibility of the Chief Supply Chain Officer (CSCO). Decisions are made by the Procurement Steering Committee chaired by the general manager of the Purchasing Division.

In the course of ensuring compliance with purchasing related laws and regulations, NEC has appointed compliance promoters who specialize in purchasing-related laws and regulations at NEC Corporation and its major consolidated subsidiaries in Japan. These compliance promoters rigorously enforce legal compliance within their divisions and their companies. Compliance promoter conferences are held twice a year, during which they share recent information needed for promoting compliance, such as trends in reinforcement of control by competent authorities, training programs for procurement personnel, and online training materials.

International subsidiaries conduct activities under the Global SCM Leaders Session, which meets annually, as the decision-making body. In North America, Latin America, EMEA, China and East Asia, and APAC, Regional Headquarters and major local subsidiaries directly controlled by Headquarters promote sustainable procurement in accordance with the culture and business practices of each country, as well as with the basic policies and guidelines mandated by the Headquarters in Japan.

In Companywide activities, we participate in the Supply Chain Working Group of Global Compact Network Japan’s continuing discussions regarding the goals of sustainable procurement with various members from companies in different industries, NGOs, and so forth. We also conduct activities aimed at generating output that will contribute to improvement of CSR practices in corporations.

Measures and Main Fiscal 2021 Activities
In fiscal 2021, we implemented the following initiatives while we prioritized ensuring the health and safety of both our own employees and the employees of our suppliers during COVID-19.

Activities Based on Policy
Basic Contracts
In July 2020, we revised the CSR Procurement Guidelines under the title “Guidelines for Responsible Business Conduct in Supply Chains” to reflect changes in society’s demands, and began to acquire signed agreement of “Declarations of Responsible Business Conduct in Supply Chains” to require our suppliers to implement and comply with these guidelines. We have obtained declarations from over 7,000 suppliers in Japan and abroad, including existing suppliers (accounting for 68% of the total procurement amount), as we make it mandatory to acquire declarations at the start of new transactions.

Dissemination
In addition to the existing English and Japanese versions of the Guidelines for Responsible Business Conduct in Supply Chains, which NEC disseminates among suppliers, we have also created a Chinese version. Furthermore, we explained and disseminated policies and guidelines regarding sustainable procurement to suppliers at events including the Sustainability/Information Security Sessions (1,436 companies participated), which was held in May 2020, and the exchange meeting with strategic supply chain partners (181 companies participated), which was held remotely in January 2021.
Document Check

Document checks are implemented through two inspections: sustainable procurement self-check sheets (human rights, the environment, OH&S, and fair trade) and information security check-sheets, which utilize a special system.

In the sustainable procurement self-check sheets, we expanded inspection themes to a total of four by adding OH&S and fair trade to the existing themes of human rights and the environment, as well as expanding the number of questions from 69 to 151. We received responses from 696 companies, mainly critical suppliers, and evaluated the status of each supplier on a five-point scale of A, B, C, D, and Z for each theme in light of the following evaluation criteria: “score rate” and “critical points”:

- Score rate between 80% and 100% Implemented outstanding initiatives
- Score rate between 60% and 80% Implemented standard initiatives
- Score rate between 50% and 60% Implemented initiatives but only for some issues
- Score rate below 50% Initiatives themselves are insufficient
- Unable to clear critical points Risks expected

We issued a feedback sheet to all of the suppliers who responded, indicating their score for each inspection theme and comparison to the average score for each product type, and shared the evaluation results with them.

Furthermore, in this survey 36 suppliers received Z ratings, which determined the existence of potential risks. (Main causes of risks: environmental management system that is a mandatory requirement for suppliers in hardware transactions is incomplete; appropriate management of chemical substances included in products is insufficient; etc.)

We will implement support for suppliers who received Z ratings aimed at correcting these issues during the first half of fiscal 2022 through supplier engagement, such as understanding the conditions and providing correcional guidance.

NEC conducted document checks on 1,456 companies with the information security check sheet. Information security is a priority issue for us as a system integrator of information systems that serve as critical social infrastructures. In our collaborations with business partners, we believe it is important to ensure that the technology capabilities and information security level of the business partners meet our required standards. To this end, NEC categorizes its suppliers by information security level according to the implementation status of their information security measures based on the results of document checks. We then select suppliers for a project appropriately in accordance with the required information security level for the project when outsourcing tasks.

Information Security and Cyber Security

On-site Assessment

Despite a decrease in the frequency of visits to suppliers due to the COVID-19, we performed SVR assessments of primarily critical suppliers in areas that present high risks in terms of human rights, OH&S, and the environment. We collected data on 55 on-site assessments, to confirm that there were no issues.

For information security in particular, it is important to disseminate instructions and requirements even to employees of suppliers. Incidents may occur if these are not followed by workers on the front line, therefore during on-site assessment, NEC representatives visit supplier operation sites to conduct interviews, check supporting documents, and carry out inspections. Suppliers are selected for on-site assessment based on comprehensive criteria that include not only the scale of transactions but also the criticality of handled information, the level of confidentiality, and results of self-assessment. In fiscal 2021, we carried out remote on-site assessments at 38 companies due to COVID-19. We did not observe any major deficiencies during the on-site assessments; however, we gave improvement guidance to suppliers who required improvement on minor issues (main areas for improvement: regulation of private possessions, designation of confidential labeling, management of disposal and return of confidential items, and cyber security measures).

Establishment of Complaints-handling Mechanism

In fiscal 2021, we confirmed the facts and responded appropriately to four reports to the Compliance Hotline regarding procurement.

As part of efforts to eliminate compliance violations by NEC employees, starting in fiscal 2018, a “Request for Cooperation toward Thorough Compliance” has been issued to solicit cooperation of suppliers in handling complaints of violations. This initiative will be continued to further enhance the effectiveness of the Compliance Hotline.

Compliance Hotline (Whistleblowing system for employees and business partners)

Internal Training and Awareness Raising

In addition to regularly implementing various training programs for procurement personnel, we invited an outside instructor to hold a special online sustainable procurement lecture in July 2020 for about 600 procurement personnel in Japan and other parts of Asia.

Furthermore, we held awareness-raising online training for all NEC employees regarding the importance of sustainable procurement in November 2020.

Addressing the Issue of Conflict Minerals

The NEC Group has formulated the NEC Group’s Responsible Mineral Procurement Policy. We sought the understanding and cooperation of our suppliers on the issue of conflict minerals and conducted conflict mineral surveys from supplier to smelter. We also established a response structure drawing on a liaison between our internal sales and business units so that we can swiftly respond to requests from customers based on the conflict minerals survey.

The NEC Group’s Responsible Mineral Procurement Policy

Note: Included within Guidelines for Responsible Business Conduct in Supply Chains

FORM SD/Conflict Minerals Report

NEC continues to collaborate with industry as a member of the Responsible Mineral Trade Working Group led by the Japan Electronics and Information Technology Industries Association (JEITA). NEC participates in the Working Group’s Education and PR Team. In this capacity, we acted as a key presenter in a joint briefing for suppliers and worked to promote their understanding of conflict-mineral issues.
Dialogue for Strengthening Initiatives on Respecting Human Rights
NEC received a third-party impact assessment on human rights risks throughout its value chain. The results of the assessment were used as the basis for a dialogue between an NGO on working to resolve human rights issues, other international organizations, and legal specialists in March 2021.

Working toward Robust and Resilient Human Rights Due Diligence throughout Supply Chains

Green Procurement Initiatives
NEC has established a green certification system based on the Green Procurement Guidelines that cover the procurement of not only hardware but also software and services, and has been promoting procurement from green certified suppliers since fiscal 2007.

Regarding countermeasures for inclusion of chemical substances in procurement products, NEC continuously conducts surveys of the chemical substances incorporated into procurement products to comply with chemical substances regulations around the world, notably the EU RoHS Directive and the EU REACH regulations Regulation.

In measures against climate change, from fiscal 2013 we have been ascertaining CO2 emissions related to procurement products. We disclose CO2 emissions data for the entire supply chain, including procurement products, after third-party validation, and are utilizing our supplier engagement activities to reduce CO2 emissions.

Specifically, NEC used the CDP Supply Chain Program run by the environmental NGO CDP, which we joined in 2019, to expand the number of companies we surveyed from 25 to 73, mainly suppliers providing hardware, in order to understand suppliers’ initiatives on climate change and conduct feedback on the evaluation results.

Environmental Specifications Pertaining to Procurement
Restrictions for the Inclusion of Chemical Substances in Products

Scope 3

NEC Awarded the Highest Rating for Supplier Engagement by the CDP
NEC has been acknowledged on the Supplier Engagement Leaderboard, the highest rating in the Supplier Engagement Rating* conducted by the CDP, an environmental NGO.
NEC has received an A List rating for Climate Change and Water Security, which makes a total of three categories in 2020. We recognize that our various efforts to aim for zero CO2 emissions from supply chains under NEC’s long-term environmental goal, Course of Action for Climate Change Toward 2050, have been highly evaluated. Going forward, we will promote climate change action throughout the entire supply chain through cooperation and co-creation with suppliers.

* The Supplier Engagement Rating examines a company’s initiatives for climate change and reduction of greenhouse gas emissions across the entire supply chain and gives a rating based on these efforts.

Strategic Supply Chain Partners Meeting
NEC holds exchange meetings with strategic supply chain partners each year for its main strategically important suppliers. We require these suppliers to understand and cooperate with the NEC Group’s sustainable procurement activities centered mainly on human rights, OH&S, the environment, and information security. The meeting in January 2021 was held online as a preventive measure against the spread of COVID-19, and 385 members of the management at 181 suppliers from around the world participated.

At this meeting, the supplier who significantly contributed to implementing sustainability initiatives received a Sustainability Award.
Supplier Engagement in Fiscal 2021

Aiming to realize sustainable supply chains, NEC is advancing engagement with business partners in accordance with its basic philosophy of emphasizing collaboration and co-creation.

In this dialogue, we asked experts to review our efforts over the past year and provide us with their opinions on responses to emerging challenges and geopolitical risks, such as COVID-19, as well as the guidelines currently being formulated in Europe that would make due diligence with respect to environmental and human rights risks mandatory.

Note: The following dialogue was held online.

**Dialogue**

**Working toward Robust and Resilient Human Rights Due Diligence throughout Supply Chains**

**Shimizu**

In fiscal 2021 (ended March 31, 2021), we revised our Guidelines for Responsible Business Conduct in Supply Chains and began asking our business partners to provide signed declarations pledging compliance to the guidelines. Also, as a measure to strengthen engagement and promote awareness among business partners’ senior management teams of the importance of sustainability, we have introduced the Sustainability Award, which commends business partners that are proactively taking measures to ensure continuous improvement in the areas of environmental and social performance.

*Your activities have become more concrete in the past year. The revised guidelines, which are particularly notable as they refer to important international standards and instruments, including the ILO Tripartite Declaration of Principles Concerning Multinational Enterprises and Social Policy (ILO MNE Declaration), and in accordance with such standards and instruments, moreover, the guidelines indicate specific ways of operationalizing labour rights due diligence. As an industry-leading company, NEC has a major role to play in ensuring that responsible business conduct penetrates as far as the small and medium-sized businesses that comprise supply chains. The award for business partners seems effective not only because a positive attitude among business partners advances with the recognition of those giving the award but also because the recognition enables adaptation to fluctuations in production demand. In Japan, those belonging to vulnerable groups face the risk of poverty due to inadequate social security. Therefore, companies need to give special consideration to such groups as non-standard form workers and single mothers. Health and safety is another of the most important issues. While efforts to prevent infection are the first priority, measures are also needed to identify and prevent telecommuting-related risks, including unfair treatment and excessive stress.

**Shimizu**

In realizing sustainable supply chains, it is important not only to encourage business partners but also to ensure that each member of NEC’s procurement team takes measures based on an understanding of their significance. To this end, we conducted web-based training and invited an outside instructor to hold a seminar for about 600 procurement personnel in Japan and other parts of Asia. Now that NEC has a system in place that enables us to implement a plan-do-check-act cycle for initiatives, I would like to confirm whether measures are being taken where risks are high and further advance initiatives for new areas.

**Shigeki Shimizu**

Senior Vice President, CEO, and General Manager, Sustainability Promotion Division, NEC

**Response to COVID-19**

**Tanaka**

During COVID-19, two of the main issues raised by various stakeholders have been business continuity and employment security. Business continuity and employment security require supply chain resilience, which stems from the fact that business continuity and management that enable adaptation to fluctuations in production demand. In Japan, those belonging to vulnerable groups face the risk of poverty due to inadequate social security. Therefore, companies need to give special consideration to such groups as non-standard form workers and single mothers. Health and safety is another of the most important issues. While efforts to prevent infection are the first priority, measures are also needed to identify and prevent telecommuting-related risks, including unfair treatment and excessive stress.

**Toshiyuki Nakamura**

Assistant Manager, Purchasing Division, NEC

**Nakamura**

With 80.0% of the personnel of the head office and sales units working from home, at an early stage we encouraged our business partners to develop and secure environments that enabled telecommuting so that employees and business partners could work in a manner that they feel is fair. In cases where coming to the office is absolutely necessary, we take thorough infection prevention measures and conduct health management measures. We have been examining our business partners’ activities in the light of the principles that NEC has explored as a result of the ILO MNE Declaration. I would like NEC to consider giving priority to examining how the principles are being implemented in light of the ILO MNE Declaration.

**Okimoto**

We are exploring new ways of communicating with our business partners. With existing business partners with whom we have established a level of trust, we are able to continue engagement through online communication; however, we need to be creative in how we communicate with new business partners.

**Kazuhito Okimoto**

General Manager, Purchasing Division, NEC

**Shigeki Shimizu**

Senior Vice President, CEO, and General Manager, Sustainability Promotion Division, NEC

**Kazuhito Okimoto**

General Manager, Purchasing Division, NEC

**Initiatives for Human Rights Due Diligence Pursuant to International Standards**

Given that the European Union’s legislation for making human rights and environmental due diligence mandatory is likely to be enacted, beginning preparations now is advisable. As due diligence in conformity with the United Nations Guiding Principles on Business and Human Rights is anticipated, I think expanding and extending existing initiatives so that they accord with these guiding principles is important. As for governance, companies will probably be required to institutionalize the type of dialogue we are currently having by, for example, establishing a system that comprises members of the senior management team and external partners.

The due diligence legislation is likely to require companies to assess and address the impact of their businesses and supply chains not only on human rights but also on the environment. This is because climate change and extreme weather affects the vulnerable members of local communities. Further, the legislation is expected to emphasize whistleblowing mechanisms that play a complementary role to supply chain due diligence. In relation to human rights due diligence, I would like NEC to consider giving priority to examining areas where human rights impacts are potentially high. Rather than targeting all business partners from the outset, NEC should begin with those that have a high level of risk. Then, by demonstrating the progress that it has made, NEC will be able to explain more clearly that it is performing due diligence.

**Daisuke Takahashi**

Partner, Shimura Solghosh Law Offices

**Takahashi**

I recommend corporate disclosure focused more on specific human rights issues, in the way that some leading ICT companies are doing. Investors and civil society are paying more attention to sector-specific vulnerabilities and risks, such as recruitment fees charged to migrant workers in the ICT sector. I think it would be good to strengthen disclosure on sector-specific issues as well.

To advance human rights in a manner that is compliant with international due diligence standards going forward, we want to check and correct potential risks while sharing our aspirations with business partners. Moreover, by disclosing the progress of these efforts we want to ensure transparency.

**Asako Nagai**

Managing Director, BSR (Business for Social Responsibility)

**Nagai**

The international situation has become unstable, and problems are occurring in various countries. What I would like to recommend is for NEC to monitor its own business activities in light of external information, which could come from NGO peers. In the long term, it is important to develop a system that enables NEC to provide sufficiently clear evidence and documents of the process by which NEC has conducted dialogues with governments and other stakeholders as well as the protection that it has provided for workers.

I would like to thank all of you for providing us with your insights and frankly sharing your feelings about NEC today. There are many issues that need to be addressed, but we will continue monitoring social trends and paying heed to the opinions of stakeholders as we move forward with our initiatives. I would be grateful if you could continue providing us with valuable advice.

**Ryusuke Tanaka**

Programme Officer, ILO Office for Japan

**Tanaka**

With 80.0% of the personnel of the head office and sales units working from home, at an early stage we encouraged our business partners to develop and secure environments that enabled telecommuting so that employees and business partners could work in a manner that they feel is fair. In cases where coming to the office is absolutely necessary, we take thorough infection prevention measures and conduct health management measures. We have been examining our business partners’ activities in the light of the principles that NEC has explored as a result of the ILO MNE Declaration. I would like NEC to consider giving priority to examining how the principles are being implemented in light of the ILO MNE Declaration.
Appendices and Data Collection

98–103 Data Collection
104–105 Third-party Assurance
106–107 External Ratings and Evaluation
108–109 Global Reporting Initiative (GRI) Index
110 Global Compact Index
111 ISO 26000 Index
112 SASB Index
データ集 Data Collection

ガバナンス Governance

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※ 各年6月30日現在
As of June 30 of each year

コーポレート・ガバナンス Corporate Governance

リスク・コンプライアンス Risk / Compliance

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コア・ガバナンスとリスク・マネジメント Compliance and Risk Management

情報セキュリティ・コンプライアンス Information Security

サプライチェーン・マネジメント Supply Chain Management

社会 Social

社会 Social

人権尊重 Respecting Human Rights

*2020年度はオンラインで実施
Training in 2020 was held online.
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<td>4,739 (4.3%)</td>
<td>4,614 (4.2%)</td>
<td>4,782 (4.2%)</td>
<td>4,706 (4.1%)</td>
</tr>
<tr>
<td>北米</td>
<td>North America</td>
<td>2,710 (2.5%)</td>
<td>2,769 (2.5%)</td>
<td>2,734 (2.4%)</td>
<td>2,348 (2.0%)</td>
</tr>
<tr>
<td>中南米</td>
<td>Latin America</td>
<td>4,678 (4.3%)</td>
<td>4,944 (4.4%)</td>
<td>4,323 (3.8%)</td>
<td>5,418 (4.7%)</td>
</tr>
<tr>
<td>男女別従業員数 (比率)</td>
<td>Number of employees by gender (ratio)</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>合計</td>
<td>Total</td>
<td>21,010</td>
<td>20,252</td>
<td>20,125</td>
<td>20,589*3</td>
</tr>
<tr>
<td>男性</td>
<td>Male</td>
<td>17,390 (82.9%)</td>
<td>16,643 (82.6%)</td>
<td>16,381 (81.6%)</td>
<td>16,551 (80.4%)</td>
</tr>
<tr>
<td>女性</td>
<td>Female</td>
<td>3,620 (17.1%)</td>
<td>3,609 (17.4%)</td>
<td>3,744 (18.4%)</td>
<td>4,038 (19.6%)</td>
</tr>
<tr>
<td>外国籍従業員数</td>
<td>Number of employees with non-Japanese citizenship</td>
<td>267</td>
<td>268</td>
<td>290</td>
<td>251</td>
</tr>
<tr>
<td>連結管理職数 (比率)</td>
<td>Number of managers (ratio)</td>
<td>合計</td>
<td>Total</td>
<td>2017年度 FY2018</td>
<td>2018年度 FY2019</td>
</tr>
<tr>
<td>合計</td>
<td>Total</td>
<td>6,467</td>
<td>6,099</td>
<td>6,138</td>
<td>7,534</td>
</tr>
<tr>
<td>男性</td>
<td>Male</td>
<td>6,095</td>
<td>5,740</td>
<td>5,743</td>
<td>6,992</td>
</tr>
<tr>
<td>女性</td>
<td>Female</td>
<td>372 (5.8%)</td>
<td>359 (5.9%)</td>
<td>395 (6.4%)</td>
<td>542 (7.2%)</td>
</tr>
<tr>
<td>部長級以上の女性数 (比率)</td>
<td>Number of female department heads or higher (Ratio to total personnel in department, heads or higher positions)</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>8.3%</td>
</tr>
<tr>
<td>(各年4月1日現在) (As of April 1 of each fiscal year)</td>
<td></td>
<td>95 (4.3%)</td>
<td>102 (4.8%)</td>
<td>116 (5.4%)</td>
<td>140 (5.5%)</td>
</tr>
<tr>
<td>結合管理職数 (比率)</td>
<td>Consolidated number and ratio of female managers*4</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>2,121 (7.8%)</td>
</tr>
<tr>
<td>(As of March 31 of each year)</td>
<td></td>
<td>2,105 (7.8%)</td>
<td>2,435 (9.2%)</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

*3 従業員には、取締役および執行役員数を含まない　Corporate officers have not been included in the number of employees.
障がい者雇用 Hiring of People with Disabilities

<table>
<thead>
<tr>
<th>年度</th>
<th>2018年</th>
<th>2019年</th>
<th>2020年</th>
<th>2021年</th>
</tr>
</thead>
<tbody>
<tr>
<td>単独障がい者雇用数 (比率)</td>
<td>2.22%</td>
<td>2.33%</td>
<td>2.38%</td>
<td>2.37%</td>
</tr>
<tr>
<td>连结障がい者雇用率 (%)</td>
<td>2.14%</td>
<td>1.99%*</td>
<td>2.18%*</td>
<td>2.27%*</td>
</tr>
</tbody>
</table>

※ 各年6月1日現在。障害者雇用促進法に基づく
Based on figures collected as of June 1 of each year under the Act for Promotion of Employment of Persons with Disabilities

** 各年6月1日現在。
* 前年度に育児休職を開始した従業員が復職した割合
** 前年度に介護休職を開始した従業員が復職した割合

従業員データ Employee Data

<table>
<thead>
<tr>
<th>年度</th>
<th>2018年</th>
<th>2019年</th>
<th>2020年</th>
<th>2021年</th>
</tr>
</thead>
<tbody>
<tr>
<td>従業員平均年齢 (歳)</td>
<td>43.4</td>
<td>43.8</td>
<td>44.2</td>
<td>44.2</td>
</tr>
<tr>
<td>年齢層別従業員数</td>
<td>合計</td>
<td>21,010</td>
<td>20,252</td>
<td>20,125</td>
</tr>
<tr>
<td>18-30歳未満</td>
<td>2,057</td>
<td>2,146</td>
<td>2,202</td>
<td>2,527</td>
</tr>
<tr>
<td>30-50歳未満</td>
<td>11,708</td>
<td>10,654</td>
<td>9,847</td>
<td>9,473</td>
</tr>
<tr>
<td>50歳以上</td>
<td>7,245</td>
<td>7,452</td>
<td>8,076</td>
<td>8,589</td>
</tr>
<tr>
<td>従業員平均勤続年数 (年)</td>
<td>19.0</td>
<td>19.2</td>
<td>19.4</td>
<td>19.2</td>
</tr>
<tr>
<td>従業員月平均残業時間 (時間)</td>
<td>16.3</td>
<td>16.2</td>
<td>19.0</td>
<td>19.9</td>
</tr>
</tbody>
</table>

ワーク・ライフ・バランス Healthy Work-life Balance

<table>
<thead>
<tr>
<th>年度</th>
<th>2017年度</th>
<th>2018年度</th>
<th>2019年度</th>
<th>2020年度</th>
</tr>
</thead>
<tbody>
<tr>
<td>介護休職取得者数</td>
<td>合計</td>
<td>32</td>
<td>24</td>
<td>15</td>
</tr>
<tr>
<td>介護短時間勤務者数</td>
<td>合計</td>
<td>16.3</td>
<td>16.2</td>
<td>19.0</td>
</tr>
</tbody>
</table>
### 給与 Salary

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>平均年間給与 (百万円)</td>
<td>7.89</td>
<td>7.99</td>
<td>8.15</td>
<td>8.29</td>
</tr>
</tbody>
</table>

### 人材育成 Human Resource Development

<table>
<thead>
<tr>
<th>年度</th>
<th>2017年度</th>
<th>2018年度</th>
<th>2019年度</th>
<th>2020年度</th>
<th>2021年度</th>
</tr>
</thead>
<tbody>
<tr>
<td>従業員一人当たり研修日数 (日)</td>
<td>&lt;日本電気株式会社&gt;</td>
<td>5.7</td>
<td>5.7</td>
<td>5.8</td>
<td>5.1</td>
</tr>
<tr>
<td>正社員一人当たり研修費用 (円)</td>
<td>&lt;日本電気株式会社&gt;</td>
<td>—</td>
<td>125,844</td>
<td>133,712</td>
<td>107,825</td>
</tr>
<tr>
<td>連結 (NECグループ全体)</td>
<td>81,662</td>
<td>89,564</td>
<td>73,759</td>
<td></td>
<td></td>
</tr>
<tr>
<td>連結 (NECグループ全体)</td>
<td>57,299</td>
<td>62,564</td>
<td>50,839</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

### 人材開発・育成 Human Resources Development and Training

<table>
<thead>
<tr>
<th>年度</th>
<th>2017年度</th>
<th>2018年度</th>
<th>2019年度</th>
<th>2020年度</th>
<th>2021年度</th>
</tr>
</thead>
<tbody>
<tr>
<td>従業員エンゲージメント指数 (%)</td>
<td>&lt;日本電気株式会社&gt;</td>
<td>—</td>
<td>14%*9</td>
<td>20%</td>
<td>25%</td>
</tr>
<tr>
<td>従業員サービス回答率 (%)</td>
<td>&lt;日本電気株式会社&gt;</td>
<td>81%</td>
<td>84%*10</td>
<td>87%*10</td>
<td>86%*10</td>
</tr>
<tr>
<td>連結 (NECグループ全体)</td>
<td>72%*10</td>
<td>75%*11</td>
<td>80%*11</td>
<td></td>
<td></td>
</tr>
<tr>
<td>会社が社会価値を創造する方向に変革している実感している従業員の割合 (%)</td>
<td>&lt;日本電気株式会社&gt;</td>
<td>—</td>
<td>23%</td>
<td>25%</td>
<td>29%</td>
</tr>
</tbody>
</table>

*9 2018年度は国内連結 The figure for fiscal 2019 is the consolidated figure for Japan.
*10 対象:23社 Scope: 23 companies
*11 対象:48社 Scope: 48 companies
*12 対象:21社 Scope: 21 companies
*13 対象:43社 Scope: 43 companies
*14 対象:21社 Scope: 21 companies
*15 対象:52社 Scope: 52 companies

### イノベーション・マネジメント Innovation Management

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>研究開発費用 (十億円)</td>
<td>&lt;日本電気株式会社&gt;</td>
<td>108.1</td>
<td>108.1</td>
<td>109.8</td>
</tr>
<tr>
<td>特許件数</td>
<td>&lt;日本電気株式会社&gt;</td>
<td>約51,000</td>
<td>約49,000</td>
<td>約47,000</td>
</tr>
</tbody>
</table>

### 安全・健康 Health and Safety

<table>
<thead>
<tr>
<th>年度</th>
<th>2017年</th>
<th>2018年</th>
<th>2019年</th>
<th>2020年</th>
</tr>
</thead>
<tbody>
<tr>
<td>労働災害*16</td>
<td>Frequency rate</td>
<td>日本電気株式会社 Non-consolidated</td>
<td>0.3717*16</td>
<td>0.1904*16</td>
</tr>
<tr>
<td>国内連結子会社 Consolidated subsidiaries in Japan</td>
<td>—</td>
<td>0.0800</td>
<td>0.0800</td>
<td>0.0600</td>
</tr>
<tr>
<td>連結 (NECグループ全体)</td>
<td>Severity rate</td>
<td>日日本電気株式会社 Non-consolidated</td>
<td>0.0019*15</td>
<td>0.0071*15</td>
</tr>
<tr>
<td>国内連結子会社 Consolidated subsidiaries in Japan</td>
<td>—</td>
<td>0.0000</td>
<td>0.0100</td>
<td>0.0000</td>
</tr>
</tbody>
</table>

*16 2017年、2018年、2019年の日本電気株式会社の数値は、各年4月1日から始まる会計年度で算出
The figures in 2017, 2018, and 2019 of non-consolidated are those of each fiscal year started from April.

### 社会貢献活動 Social Contribution Activities

<table>
<thead>
<tr>
<th>年度</th>
<th>2017年度</th>
<th>2018年度</th>
<th>2019年度</th>
<th>2020年度</th>
</tr>
</thead>
<tbody>
<tr>
<td>合計</td>
<td>523</td>
<td>613</td>
<td>493</td>
<td>336</td>
</tr>
<tr>
<td>金銭支出（政治寄付含む） Cash contributions including political donations</td>
<td>472</td>
<td>588</td>
<td>467</td>
<td>320</td>
</tr>
<tr>
<td>福祉関連・施設寄付 Use of Company premises/ Contributions of products and equipment</td>
<td>28</td>
<td>13</td>
<td>10</td>
<td>10</td>
</tr>
<tr>
<td>ルポ報告 Volunteer hours and others</td>
<td>23</td>
<td>12</td>
<td>16</td>
<td>5</td>
</tr>
<tr>
<td>政治寄付（百円万円） Political donations*17 (Million yen)</td>
<td>15</td>
<td>15</td>
<td>15</td>
<td>15</td>
</tr>
</tbody>
</table>

*17 関連法規遵守と透明性の確保のみならず、その必要性や妥当性を十分に考慮したうえで、政治団体への寄付を行っています。
The donations are made to political organizations, giving due consideration to necessity and appropriateness, as well as complying with relevant laws and ensuring transparency.
環境


table

<table>
<thead>
<tr>
<th>再資源化量 (千t)</th>
<th>水使用量 (千m³)</th>
<th>合計</th>
<th>純水</th>
<th>マリンwaters</th>
<th>その他</th>
<th>地下水</th>
<th>工業用水</th>
<th>再利用水</th>
<th>再資源化量 (千t)</th>
<th>合計</th>
<th>純水</th>
<th>マリンwaters</th>
<th>その他</th>
<th>地下水</th>
<th>工業用水</th>
<th>再利用水</th>
</tr>
</thead>
<tbody>
<tr>
<td>フェノール類</td>
<td>27.9</td>
<td>22.5</td>
<td>13.8</td>
<td>11.5</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>ベンゼン類</td>
<td>0.8</td>
<td>0.4</td>
<td>0.1</td>
<td>0.1</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>VOC大気排出量</td>
<td>0.248</td>
<td>0.35</td>
<td>0.68</td>
<td>0.82</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>VOC排出量</td>
<td>4.0</td>
<td>3.5</td>
<td>0.3</td>
<td>0.2</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

電力エネルギーホスプ | 合計 | 2017年度 | 2018年度 | 2019年度 | 2020年度 | 2021年度 |
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>電気</td>
<td>5,685</td>
<td>5,722</td>
<td>5,737</td>
<td>6,948</td>
<td>6,971</td>
<td>6,971</td>
</tr>
<tr>
<td>フュール(pet)</td>
<td>994</td>
<td>936</td>
<td>938</td>
<td>936</td>
<td>936</td>
<td>936</td>
</tr>
<tr>
<td>フュール(heavy oil and aerosols, etc.)</td>
<td>100</td>
<td>82</td>
<td>82</td>
<td>78</td>
<td>80</td>
<td>80</td>
</tr>
<tr>
<td>熱(蒸汽/暖房/冷房)</td>
<td>19</td>
<td>21</td>
<td>19</td>
<td>20</td>
<td>20</td>
<td>20</td>
</tr>
<tr>
<td>再生可能エネルギー</td>
<td>323</td>
<td>426</td>
<td>528</td>
<td>632</td>
<td>632</td>
<td>632</td>
</tr>
</tbody>
</table>

温室効果ガス削減量 (％) | 制度 | 2020年度 | 2021年度 |
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>統計</td>
<td>1.110</td>
<td>1.062</td>
<td>1.293</td>
</tr>
<tr>
<td>システム</td>
<td>0.825</td>
<td>0.798</td>
<td>1.001</td>
</tr>
<tr>
<td>地下水</td>
<td>0.306</td>
<td>0.259</td>
<td>0.293</td>
</tr>
<tr>
<td>工業用水</td>
<td>0.10</td>
<td>0.7</td>
<td>4</td>
</tr>
</tbody>
</table>

ITソリューションの提供によるCO2排出削減量

製品のエネルギー効率改善 (%) | 合計 | 2020年度 | 2021年度 |
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>35</td>
<td>74</td>
<td>71</td>
<td>65</td>
</tr>
</tbody>
</table>

温室効果ガス排出量 (千t) 合計 | スコープ1 | 2017年度 | 2018年度 | 2019年度 | 2020年度 | 2021年度 |
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>燃料 (石油、ガス、電気)</td>
<td>5,272</td>
<td>5,737</td>
<td>6,948</td>
<td>6,971</td>
<td>6,971</td>
<td>6,971</td>
</tr>
<tr>
<td>再生可能エネルギー</td>
<td>323</td>
<td>426</td>
<td>528</td>
<td>632</td>
<td>632</td>
<td>632</td>
</tr>
<tr>
<td>再資源化量 (千t)</td>
<td>21.4</td>
<td>23.9</td>
<td>25.1</td>
<td>25.1</td>
<td>25.1</td>
<td>25.1</td>
</tr>
</tbody>
</table>

水使用量 (千m³) 合計 | スコープ1 | 2017年度 | 2018年度 | 2019年度 | 2020年度 | 2021年度 |
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>グリーンハウスガス</td>
<td>2,422</td>
<td>2,477</td>
<td>2,365</td>
<td>2,365</td>
<td>2,365</td>
<td>2,365</td>
</tr>
<tr>
<td>スコープ3</td>
<td>7,606</td>
<td>7,585</td>
<td>6,996</td>
<td>6,996</td>
<td>6,996</td>
<td>6,996</td>
</tr>
</tbody>
</table>

注解および計算方法詳細

日本電気 (株) およびNECグループ会社87社 (国内39社、 海外48社) を対象としています。
### Data Collection Scope: 87 companies comprising NEC Group companies (39 in Japan and 48 abroad)

<table>
<thead>
<tr>
<th>No.</th>
<th>Company Name (Japan)</th>
<th>No.</th>
<th>Company Name (Japan)</th>
<th>No.</th>
<th>Company Name (Abroad)</th>
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<td>1</td>
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<td>JN System Partners Co., Ltd.</td>
<td>26</td>
<td>NEC Hong Kong Limited</td>
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<td>ABeam Consulting Ltd.</td>
<td>23</td>
<td>NEC Networks &amp; System Integration Corporation</td>
<td>27</td>
<td>NEC Taiwan Ltd. (台湾恩益禧股份有限公司)</td>
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<td>3</td>
<td>OCC Corporation</td>
<td>24</td>
<td>NEC Magnus Communications, Ltd.</td>
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<td>NEC Asia Pacific Pte. Ltd.</td>
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<td>4</td>
<td>NEC Nexsolutions, Ltd.</td>
<td>25</td>
<td>NEC Solution Innovators, Ltd.</td>
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<td>NEC Corporation of Malaysia Sdn. Bhd.</td>
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<td>SHIMIZU SYNTEC Corporation</td>
<td>26</td>
<td>NEC Communication Systems, Ltd.</td>
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<td>NEC Corporation (Thailand) Ltd.</td>
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<td>6</td>
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<td>Infosec Corporation</td>
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<tr>
<td>7</td>
<td>Bestcom Solutions Inc.</td>
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<td>NEC Embedded Products, Ltd.</td>
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<td>NEC Philippines, Inc.</td>
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<td>8</td>
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<td>NEC Embedded Technology, Ltd.</td>
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<td>NEC Vietnam Company Limited</td>
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<td>Kis Co., Ltd.</td>
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<td>NEC Fielding, Ltd.</td>
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<td>10</td>
<td>NECL Space Technologies, Ltd.</td>
<td>31</td>
<td>NEC Platforms, Ltd.</td>
<td>35</td>
<td>NEC Australia Pty Ltd</td>
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<td>11</td>
<td>NECL Network and Sensor Systems, Ltd.</td>
<td>32</td>
<td>NEC Patent Service, Ltd.</td>
<td>36</td>
<td>NEC New Zealand Limited</td>
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<tr>
<td>12</td>
<td>NECL Aerospace Systems, Ltd.</td>
<td>33</td>
<td>NEC Friendly Staff, Ltd.</td>
<td>37</td>
<td>NetCracker Technology Corporation</td>
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<tr>
<td>13</td>
<td>Cyber Defense Institute, Inc.</td>
<td>34</td>
<td>NEC Management Partner, Ltd.</td>
<td>38</td>
<td>KMD Holding ApS</td>
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<tr>
<td>14</td>
<td>Japan Aviation Electronics Industry, Limited</td>
<td>35</td>
<td>NEC Livex, Ltd.</td>
<td>39</td>
<td>台湾航空電子股份有限公司 (JAE Taiwan, Ltd.)</td>
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<tr>
<td>15</td>
<td>Jae Hiroasaki, Ltd.</td>
<td>36</td>
<td>Institute for International Socio-Economic Studies</td>
<td>40</td>
<td>JAE Oregon, Inc.</td>
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<tr>
<td>16</td>
<td>Jae Yamagata, Ltd.</td>
<td>37</td>
<td>TAKASAGO, Ltd.</td>
<td>41</td>
<td>JAE Tijuana, S.A. de C.V.</td>
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<td>Jae Fiji, Ltd.</td>
<td>38</td>
<td>NEC Telecommunication &amp; Information Technology Ltd.</td>
<td>42</td>
<td>JAE Philippines, Inc.</td>
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<td>18</td>
<td>Jae Shinshu, Ltd.</td>
<td>39</td>
<td>NEC Europe Ltd.</td>
<td>43</td>
<td>航空電子（無錫）有限公司 (JAE Wuxi Co., Ltd.)</td>
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<tr>
<td>19</td>
<td>NEC Facilities, Ltd.</td>
<td>39*</td>
<td>NEC Display Solutions, Ltd.</td>
<td>44</td>
<td>航空電子（吳江）有限公司 (JAE Wujiang Co., Ltd.)</td>
</tr>
<tr>
<td>20</td>
<td>Forward Integration System Service Co., Ltd.</td>
<td>39*</td>
<td>NEC Display Solutions, Ltd.</td>
<td>45</td>
<td>日電卓越軟件科技 (北京) 有限公司 (NEC Advanced Software Technology (Beijing) Co., Ltd.)</td>
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<tr>
<td>21</td>
<td>Liviance-NET Ltd.</td>
<td></td>
<td></td>
<td>46</td>
<td>NEC 軟件 (清遠) 有限公司 (NEC Soft (Jinan) Co., Ltd.)</td>
</tr>
<tr>
<td>22</td>
<td>JN System Partners Co., Ltd.</td>
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<td></td>
<td>47</td>
<td>日電平台科技 (蘇州) 有限公司 (NEC Platform Technologies (Suzhou) Co., Ltd.)</td>
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<tr>
<td>23</td>
<td>NEC Networks &amp; System Integration Corporation</td>
<td></td>
<td></td>
<td>48</td>
<td>NEC Platforms Thai Co., Ltd.</td>
</tr>
</tbody>
</table>

* Only data within the scope of consolidation (indicated by the names of companies within the scope of consolidation)
Third-party Assurance

NEC Sustainability Report 2021 has been assured by a third party for the items listed in the following assurance statement.

ASSURANCE STATEMENT

SGS Japan’s Report on Sustainability Activities in the NEC Corporation Sustainability Report 2021

NATURE AND SCOPE OF THE ASSURANCE

SGS Japan Inc. was commissioned and by NEC Corporation (hereinafter referred to as “The Organization”) to conduct an assurance engagement in accordance with the NEC Sustainability Report Assurance Methodology, which is a third-party assurance engagement on the items in the assurance statement.

The scope of the assurance is the information contained in the NEC Sustainability Report 2021 (hereinafter referred to as “The Report”), relating to the content based on the assurance methodology.

The assurance of the content is performed exclusively by the assurance parties, which are SGS Japan Inc., and not by NEC Corporation.

The assurance engagement covers the following items:

1. The accuracy of the data contained in the assurance report.
2. The completeness of the information contained in the assurance report.

The assurance engagement is governed by the following standards:

1. AA1000 Accountability Principles (2005)

The assurance report is based on these standards.

The assurance report is intended to provide assurance to users of the assurance report.

The assurance report is intended to be used by the assurance report’s intended users.

For one on behalf of SGS Japan Inc.

[Signature]

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THE DETAILS OF THE SCOPE OF ASSURANCE

The details of the scope of assurance are as follows:

<table>
<thead>
<tr>
<th>The scope</th>
<th>The boundary and period</th>
<th>The assertion</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Ratio of employees with disabilities</td>
<td>NEC Corporation</td>
<td>1 June 2020</td>
</tr>
<tr>
<td>2. Number and ratio of female managers</td>
<td>NEC Corporation</td>
<td>1 May 2021</td>
</tr>
<tr>
<td>3. Average age of Employees</td>
<td>NEC Corporation</td>
<td>31 March 2021</td>
</tr>
<tr>
<td>4. Average years of employment</td>
<td>NEC Corporation</td>
<td>31 March 2021</td>
</tr>
<tr>
<td>5. Number of people utilizing childcare leave</td>
<td>NEC Corporation</td>
<td>1 April 2020–31 March 2021</td>
</tr>
<tr>
<td>6. Number of people utilizing nursing care leave</td>
<td>NEC Corporation</td>
<td>1 April 2020–31 March 2021</td>
</tr>
<tr>
<td>7. Frequency and severity rate of labor accidents and illnesses</td>
<td>NEC Corporation</td>
<td>1 January 2020–31 December 2020</td>
</tr>
<tr>
<td></td>
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<td></td>
</tr>
</tbody>
</table>
The environmental data presented in the NEC Sustainability Report 2021 has received the following third-party verification reports.

**Greenhouse Gas Emissions Verification Report**

**Independent Verification Report**

1. Objectives and Scope
The verification was conducted by the Japan Quality Assurance Organization (JQA) to verify the greenhouse gas emissions data presented in the NEC Sustainability Report 2021. The verification was performed in accordance with JQA's Verification Standards for Greenhouse Gas Emissions.

2. Verification Procedure
The verification procedure involved the following steps:

   a. Data Collection: JQA collected data from various sources, including internal records and external data providers.
   b. Data Review: The collected data was reviewed for accuracy and completeness.
   c. Emission Calculation: JQA calculated the greenhouse gas emissions using appropriate methodologies.
   d. Verification: The calculated emissions were verified against the criteria set by JQA.

3. Verification Findings
The verification process identified some areas for improvement in the data collection and reporting processes.

4. Conclusion
JQA concluded that the greenhouse gas emissions data presented in the NEC Sustainability Report 2021 was verified and meets the criteria set by JQA.

**JQA Verification Report**

**Independent Verification Report**

1. Objectives and Scope
The verification was conducted by JQA to verify the greenhouse gas emissions data presented in the NEC Sustainability Report 2021. The verification was performed in accordance with JQA's Verification Standards for Greenhouse Gas Emissions.

2. Verification Procedure
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   a. Data Collection: JQA collected data from various sources, including internal records and external data providers.
   b. Data Review: The collected data was reviewed for accuracy and completeness.
   c. Emission Calculation: JQA calculated the greenhouse gas emissions using appropriate methodologies.
   d. Verification: The calculated emissions were verified against the criteria set by JQA.

3. Verification Findings
The verification process identified some areas for improvement in the data collection and reporting processes.

4. Conclusion
JQA concluded that the greenhouse gas emissions data presented in the NEC Sustainability Report 2021 was verified and meets the criteria set by JQA.
External Ratings and Evaluation  As of June 2021

NEC is included in world-renowned Environmental, Social, and Governance (ESG) indices.

**Dow Jones Sustainability Indices (DJSI)**
In 2020 NEC was included in the DJSI World Index and the DJSI Asia Pacific Index.

**Euronext Vigeo World 120**
NEC has been included in this index continuously since 2012.

**ISS ESG Corporate Rating**
NEC was rated “Prime” in March 2018 in the “Electronics Devices & Appliances” industry sector. (The name of the index was changed from the “oekom Corporate Rating.”)

**FTSE4Good Index Series**
NEC has been included in this index continuously since 2002.

**STOXX Global ESG Leaders Index**
NEC has been included in this index continuously since 2014.

**MSCI ESG Leaders Indexes**
NEC has been included in this index continuously since 2015. (The name of the indexes was changed from MSCI Global Sustainability Indexes in 2017.)
CDP (Climate Change, Water Security, and Supplier Engagement)

NEC has been included in the “A List” for both Climate Change and Water Security in 2019 and 2020 consecutively. Furthermore, NEC has been listed on the “Leaderboard” of the Supplier Engagement Rating on climate issues in 2020.

EcoVadis

Since 2012 NEC has been awarded the “Gold” sustainability ranking in the top 5% companies, and in 2020 we awarded the “Platinum,” that is newly set and places NEC among the top 1% of companies assessed worldwide.

NEC Corporation has received external evaluations of its working environment.

“L-boshi” Certification

Certification recognizing companies for outstanding compliance with the Act on Promotion of Women’s Participation and Advancement in the Workplace. By meeting all five criteria for certification, namely recruitment, continued employment, working hours, percentage of women in managerial positions, and diversity of career courses, NEC Corporation became the first company in April 2016 to receive the “3-star” mark, the highest level under the “L-boshi” certification program.

Certified Health and Productivity Management Organization Recognition Program

The program recognizes companies and organizations for outstanding health and productivity management. Certified organizations are divided into large enterprises and small and medium-sized enterprises. NEC Corporation has been certified as a health and productivity management company from 2018 to 2021, and certified as a health and productivity management “White 500” company in 2018, 2019, and 2021.

Other External Evaluations

Main awards, Accreditation in Corporate Citizen Activities Environmental Ratings by External Organizations (Latest Rating/Ranking)

RE100

NEC is a member of RE100, a collaborative initiative committed to the goal of having businesses change over to renewable energy for 100% of their electricity needs.

NEC Awarded “Gold” in Pride Index 2020

NEC was awarded the highest rating of “Gold” in Pride Index 2020, a rating for companies’ and organizations’ initiatives related to sexual minorities, including the LGBTQ community, formulated by the NPO work with Pride. We met the evaluation criteria in all indices: Policy (Action Declaration), Representation (LGBTQ Network), Inspiration (Raising Awareness), Development (Human Resource Management Policy and Programs), and Engagement/Empowerment (Social Responsibility).
# Global Compact Index

This table compares NEC’s sustainability activities with the Ten Principles of the Global Compact advocated by the United Nations.

<table>
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<tr>
<th>The Ten Principles</th>
<th>Corresponding page on NEC website</th>
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<tbody>
<tr>
<td><strong>Human Rights</strong></td>
<td></td>
</tr>
<tr>
<td>Principle 1</td>
<td>Businesses should support and respect the protection of internationally proclaimed human rights.</td>
</tr>
<tr>
<td>Principle 2</td>
<td>Businesses should make sure that they are not complicit in human rights abuses.</td>
</tr>
<tr>
<td><strong>Labour</strong></td>
<td></td>
</tr>
<tr>
<td>Principle 3</td>
<td>Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining.</td>
</tr>
<tr>
<td>Principle 4</td>
<td>Businesses should uphold the elimination of all forms of forced and compulsory labour.</td>
</tr>
<tr>
<td>Principle 5</td>
<td>Businesses should uphold the effective abolition of child labour.</td>
</tr>
<tr>
<td>Principle 6</td>
<td>Businesses should uphold the elimination of discrimination in respect of employment and occupation.</td>
</tr>
<tr>
<td><strong>Environment</strong></td>
<td></td>
</tr>
<tr>
<td>Principle 7</td>
<td>Businesses should support a precautionary approach to environmental challenges.</td>
</tr>
<tr>
<td>Principle 8</td>
<td>Businesses should undertake initiatives to promote greater environmental responsibility.</td>
</tr>
<tr>
<td>Principle 9</td>
<td>Businesses should encourage the development and diffusion of environmentally friendly technologies.</td>
</tr>
<tr>
<td><strong>Anti-corruption</strong></td>
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</tr>
<tr>
<td>Principle 10</td>
<td>Businesses should work against corruption in all its forms, including extortion and bribery.</td>
</tr>
<tr>
<td></td>
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<tr>
<td>ISO 26000 Core Subjects</td>
<td>Issues</td>
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## SASB Index

### SUSTAINABILITY DISCLOSURE TOPICS & ACCOUNTING METRICS

**Sustainability Disclosure Topics & Accounting Metrics**

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<td>TC-SI-130a.1</td>
<td>Overview of Environmental Impact Data Collection “Environment”</td>
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<td>TC-SI-130a.3</td>
<td>Response to Climate Change</td>
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<td>TC-SI-220a.1</td>
<td>CS (Customer Satisfaction) Initiatives</td>
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<td>TC-SI-220a.2</td>
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<td>TC-SI-220a.3</td>
<td>Personal Information Protection and Privacy</td>
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<td>TC-SI-230a.2</td>
<td>Information Security and Cyber Security Personal Information Protection and Privacy</td>
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<td>Priority Management Themes from an ESG Perspective — Materiality Inclusion and Diversity Human Resources Development and Training Data Collection</td>
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### ACTIVITY METRIC

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<td>TC-SI-000.B</td>
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<td>TC-SI-000.C</td>
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