

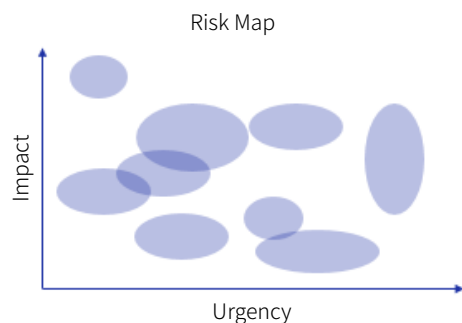
Topic: Risks and Opportunities

In addition to financial risks, NEC works to gain a proper understanding of non-financial (ESG) risks, that if realized, may cause NEC to negatively impact the environment or society. As well as effective and efficient measures to mitigate these risks, NEC is taking steps to turn these risks into new business opportunities. As part of this initiative, we intend to direct our efforts according to materiality, which is a set of priority management themes from an ESG perspective. These efforts will maximize the value provided while minimizing risk, which in turn will improve future financial performance and contribute to achieving the SDGs.

Priority Risks and Countermeasures

Every fiscal year NEC Corporation identifies Priority Risks as risks that should be taken and they are reported to the Board of Directors, which puts countermeasures in place for them. In fiscal 2022, “risks in obeying the law regarding new technologies and new fields” and “risk management systems in response to changes in risks” were selected as Priority Risks.

Concerning “risks in obeying the law regarding new technologies and new fields,” in fiscal 2022 we worked to visualize risks related to new technologies and new fields. In addition, we listed laws that would potentially be applicable and available consultation opportunities, and disseminated this information within NEC.



As for “risk management systems in response to changes in risks,” NEC adjusted its comprehensive risk management system and compiled a list of risks that NEC should be aware of. We assessed the risks from the perspective of urgency and their impact on NEC and prepared a risk map visualizing the priority of each risk.

Based on this risk map, “risks of human rights violation in the value chain” was selected as a Priority Risk to be addressed in fiscal 2023, which was then reported to the Board of Directors. Revision of the NEC Group Human Rights Policy is one of the efforts aimed at addressing this risk.

Compliance and Risk Management

Major Risks, Opportunities, and Related Initiatives

The following are major risks and opportunities that NEC recognizes, as well as the key initiatives aimed at addressing them. We will review these risks as necessary to facilitate a flexible response to any sudden changes that may occur.

Financial

	Risks (●) and Opportunities (○)	Initiatives (Corresponding page in <i>Integrated Report 2021</i>)
Trends in economic environment and financial markets	<ul style="list-style-type: none"> ● Impacts from economic trends and market fluctuations ● Fluctuations in exchange rates and interest rates ● Adverse effects of infectious diseases, man-made disasters, and natural disasters ○ Greater expectations for ICT as a solution to social issues 	P.46 Living Harmoniously with the Earth to Secure the Future P.52 Business Overview

	Risks (●) and Opportunities (○)	Initiatives (Corresponding page in <i>Integrated Report 2021</i>)
NEC Group's management policies	<ul style="list-style-type: none"> ● Financial fluctuations and fluctuations in revenue ● Failures on company acquisitions and withdrawal from businesses, etc. ● Difficulty in maintaining relationships with strategic partners ● Inability to participate in certain markets and country-related risks ○ New growth from implementing the Mid-term Management Plan 2025 	P.22 Mid-term Management Plan 2025 P.30 CFO Message P.34 R&D and Business Development P.40 NEC, for Those Who Seek Challenge P.46 Living Harmoniously with the Earth to Secure the Future
NEC Group's business activities	<ul style="list-style-type: none"> ● Dependence on the NEC Group's primary customer base ● Difficulties with respect to new businesses, intensifying competition ○ Increase in business opportunities 	P.52 Business Overview

Non-Financial

Materiality	Risks (●) and Opportunities (○)	Initiatives (Corresponding page in <i>Integrated Report 2021</i> or <i>Sustainability Report 2022</i>)
Environmental action with a particular focus on climate change	<ul style="list-style-type: none"> ● System failure from natural disasters ● Increased costs related to CO₂ emissions ○ Provision of ICT solutions 	Contribute to reducing CO ₂ emissions, not only from NEC, but also from customers' businesses and the entire supply chain Promote thorough energy conservation and increased use of renewable energy based on the NEC Eco Action Plan 2025, to achieve SBT 1.5°C P.46 Living Harmoniously with the Earth to Secure the Future P.40 Climate Change
Security to maximize ICT possibilities	<ul style="list-style-type: none"> ● Information leaks, unauthorized access, system failure ○ Development of security professionals ○ Provision and operation of robust information systems 	Promote information security measures in a sound manner Provide products and services that incorporate security measures Develop information security professionals P.34 R&D and Business Development P.69 Information Security and Cyber Security
AI and human rights	<ul style="list-style-type: none"> ● Invasion of privacy-related risks accompanying new technologies ● Risks of human rights violations in the value chain (designated as a Priority Risk in fiscal 2023) ○ Strengthening competitiveness 	Promote appropriate utilization of AI, develop advanced technology and talent, and engage with a range of stakeholders to build partnerships and collaborate with closely in accordance with the NEC Group AI and Human Rights Principles Revise and disseminate the NEC Group Human Rights Policy P.34 R&D and Business Development, P.60 Respecting Human Rights P.17 Respecting Human Rights, P.64 AI and Human Rights, P.66 Personal Information Protection and Privacy, P.77 Innovation Management
Diverse human resource development and cultural transformation	<ul style="list-style-type: none"> ● Harassment ● Risks of human rights violations in the value chain (designated as a Priority Risk in fiscal 2023) ● Difficulty in securing and developing human resources ○ Greater organizational strength through improved employee engagement 	Bolster diversity as a source of innovation and implement workstyle reforms supporting diverse talent P.40 NEC, for Those Who Seek Challenge P.56 Human Resource Development and Training, P.53 Inclusion and Diversity, P.59 Creating a Diverse Workstyle Environment
Corporate governance	<ul style="list-style-type: none"> ● Inadequate accounting processes ● Mismanagement of confidential information ● Inadequate group governance ● Risk management systems in response to changes in risks (designated as a Priority Risk in fiscal 2022) ○ Acquisition of trust from society 	Increase the transparency of corporate governance further P.6 Message from the President, P.22 Mid-term Management Plan 2025, P.30 CFO Message, P.64 Corporate Governance P.80 Corporate Governance
Supply chain sustainability	<ul style="list-style-type: none"> ● Environmental and human rights risks ● Risks of human rights violations in the value chain (designated as a Priority Risk in fiscal 2023) ○ Collaboration and co-creation with suppliers 	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 P.62 Supply Chain Sustainability P.88 Supply Chain Management
Compliance	<ul style="list-style-type: none"> ● Compliance breaches (illegal acts, fraudulent acts) ● Reputation risks ● Quality of products and services, defects ● Risks in obeying the law regarding new technologies and new fields (designated as a Priority Risk in fiscal 2022) ○ Acquisition of trust from society 	Ensure NEC Group members, from officers to employees, conduct themselves in accordance with the NEC Group Code of Conduct every day P.58 Risks and Opportunities P.80 Corporate Governance, P.81 Compliance and Risk Management, P.17 Respecting Human Rights, P.64 AI and Human Rights, P.66 Personal Information Protection and Privacy, P.88 Supply Chain Management, P.71 Ensuring Quality and Safety

[I]: NEC *Integrated Report 2021*, [S]: NEC *Sustainability Report 2022*