

Approach to the Creation of Value and Initiatives

Orchestrating a brighter world

Priority Management Themes from an ESG Perspective Support NEC's Growth, Society's Development and Maximize Value

Since its foundation, NEC has conducted business with consideration for the environment and society, aiming to achieve sustainable development for society and the NEC Group. In formulating our Mid-term Management Plan 2020, we identified "materiality" comprising of new priority management themes for sustainable management from environmental, social, and governance (ESG) perspectives in order to connect our non-financial initiatives more closely with our business strategies so that they can be translated into growth not only for NEC but for society. NEC identified candidate themes making reference to global megatrends, the sustainable development goals (SDGs), and other items that the Company is observing to achieve its goal of "Orchestrating a brighter world." We then conducted dialogues with external experts in the fields of sustainable management, civil society, and medium- to long-term investment, to determine themes with a strong awareness of connecting them to our mid-term management plan. By working through a PDCA cycle for the mid-term management plan, we will check on the progress of our initiatives as we move forward.

2020 Growth Focus to Create Social Value



Engines of Change



Priority Management Themes from an ESG Perspective—Materiality

We identified nine priority management themes based on issues that have a powerful impact on both NEC and society, arranging them in three layers.

1 Sustainable Growth Enablers

We will engage on these themes to minimize risks to NEC and society, and to maximize the social value that NEC generates.

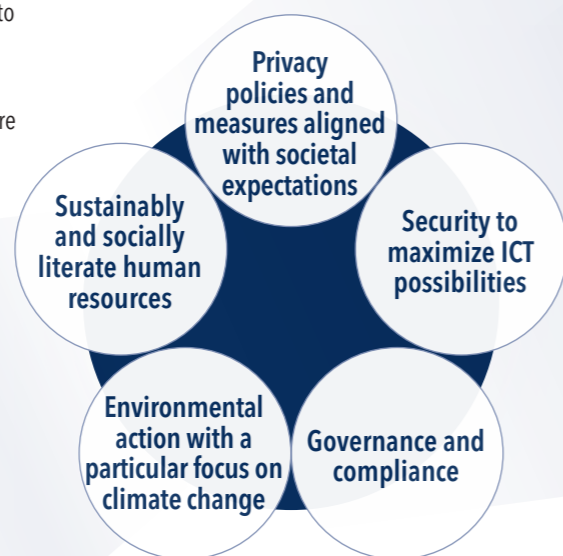
2 Engines of Change

We will engage in these themes as engines for maximizing economic value and social value as well as minimizing risks to NEC and society.

3 2020 Growth Focus to Create Social Value

The growth areas of the Mid-term Management Plan 2020 are defined as the themes that management should place priority on from ESG perspectives.

Sustainable Growth Enablers



Social Issues

Global megatrends, SDGs, etc.

Materiality Identification Process

1	Tentatively define materiality and carry out dialogues with experts	NEC tentatively identified themes making reference to ISO26000, the GRI Standard, the SDGs, and others, then carried out dialogues with experts.
2	Incorporate ESG perspectives into the Mid-term Management Plan 2020	NEC announced that it would establish priority management themes and KPIs from the ESG perspectives in the first half of fiscal 2019.
3	Set up non-financial indicators	NEC examined indicators for quantifying contributions to society as much as possible.
4	Hold dialogues with experts on our materiality and indicators	Dialogues were held on human resource development, privacy and climate change, as well as overall materiality.
5	Report materiality and indicators to the Board of Directors and define materiality	The Chief Strategy Officer (CSO) in charge of corporate strategy reported to the Board of Directors.

Confirm progress through the PDCA cycle of the Mid-term Management Plan

For further information, please refer to Sustainability Report 2018 "Priority Management Themes from an ESG Perspective—Materiality"

Vision for the Company and Non-Financial Indicators

For each of the following nine themes, NEC has established a vision for the Company and non-financial indicators for measuring progress.

Materiality	Company Vision and Initiatives	Main Non-financial Indicators and Targets
Sustainable Growth Enablers		
Governance and compliance p.39, 43	NEC trusted by society <ul style="list-style-type: none"> Ensure compliance Response on human rights issues and maintain and improve quality 	<ul style="list-style-type: none"> Indicator: Number of cases of involvement with serious cartels and/or bid-rigging Target for fiscal 2019: 0 (zero)
Environmental action with a particular focus on climate change p.51	Contribute to worldwide reduction in greenhouse gas emissions together with the efforts our customers and society are making to address climate change <ul style="list-style-type: none"> Effectively reduce CO₂ emissions associated with NEC's business activities to zero by 2050 Provide products and services that address environmental issues, primarily climate change 	<ul style="list-style-type: none"> Indicator: Rate of contribution to CO₂ emission reductions across the whole supply chain Target for fiscal 2021: 5 times
Sustainably and socially literate human resources p.50	Deliver products and services that will be accepted by society, including our customers <ul style="list-style-type: none"> Develop personnel who are capable of sensing the needs of society and discovering potential issues, and of working swiftly to solve issues Foster an organizational culture that can take on a diverse range of values and continuously create social value 	<ul style="list-style-type: none"> Indicator: Rate of employees who have a strong sense that NEC is changing to create social value by accepting a diverse range of values Target for fiscal 2019: To review the questions in the opinion survey among NEC Group employees and set a specific target number for fiscal 2021
Privacy policies and measures aligned with societal expectations p.49	Develop and provide products and services that are responsive to differences in privacy needs between different countries and regions due to cultural perspectives and are sensitive to human rights issues, such as the challenge of discrimination that could potentially be furthered through the usage of AI <ul style="list-style-type: none"> Clarify position on respect for human rights such as privacy in NEC's business activities 	<ul style="list-style-type: none"> Indicators: <ol style="list-style-type: none"> To have discussions with multi-stakeholders regarding sensitive cases from human rights or privacy perspectives Number of cases incorporated in areas such as R&D, product development and proposals for services, based on the "Human Rights by Design*" concept * Incorporation of the approach of respect for human rights (privacy, fairness, etc.) into each process in the value chain Target for fiscal 2019: <ol style="list-style-type: none"> Carry out once per quarter Set the specific target number for fiscal 2021
Security to maximize ICT possibilities Information Security Report	Provide an environment that allows customers and society to securely use ICT <ul style="list-style-type: none"> Promote efforts to minimize risks in the fields of "Information Security" and "Cyber Security" in particular 	<ul style="list-style-type: none"> Indicators and targets: <ol style="list-style-type: none"> Minimize the effects of major security incidents by ensuring that we enhance cyber security measures while also enhancing information security measures in order to prevent leakage of information Promote products and services that incorporate security measures and case studies taken from the NEC Group's own information security practices as a reference

Engines of Change

Dialogue and co-creation with our stakeholders p.15	Through dialogues with stakeholders, develop insights into the issues customers and society face and their opinions regarding NEC's activities, while developing partners with whom to engage in the co-creation of value	No indicator set
Innovation management p.17	Even if technologies demanded keep changing as society changes, provide value through technologies as needed by society in the form of products and services	No indicator set

2020 Growth Focus to Create Social Value

NEC Safer Cities	As populations rapidly concentrate in urban areas, new value is created through economic growth and the diversification of life and culture; at the same time, cities also face a wide range of social challenges, such as increasing levels of crime and terrorism. NEC will contribute to realizing safe, secure, efficient and fair cities where individuals can exhibit their potential to the full and live better lives, by utilizing cutting-edge technology such as biometric authentication, AI, and the IoT.	For example, by having a wider range of our customers use NEC products and services such as biometric authentication solutions and AI-based crime/disaster-prevention systems and providing these to a larger number of organizations, NEC will ensure that the social value we provide will be amplified in terms of both quantity and quality. For fiscal 2021, NEC will focus on expansion of our international sales and aims to increase our international sales to ¥200 billion.
NEC Value Chain Innovation	Our society faces various kinds of social issues, such as food waste, labor shortages, changes in consumption patterns, and diversifying threats. NEC will develop cutting-edge technologies and promote co-creation with customers in order to connect people, goods, and processes, reaching across the boundaries between enterprises and industries to create new value. In doing so, NEC will support a more sustainable planet, sustainable growth for companies, a society where people can live in abundance, and a brighter world for the future.	For example, NEC aims to amplify the social value we provide by developing and supplying larger numbers of services, such as promoting NEC Value Chain Innovation, which aims to optimize the demand-and-supply balance. For fiscal 2021, we have set out a goal of expanding our domestic sales to ¥85 billion in growth fields including NEC Value Chain Innovation.

NEC Initiatives for Contributing to the Achievement of the SDGs

Since information and communications technology (ICT) has the potential for responding to a variety of issues, we believe that we can contribute in various ways to all the goals outlined in the SDGs by engaging in dialogues and co-creation with customers and stakeholders.

For example, looking only at the targets among the areas defined as growth fields in the Mid-term Management Plan 2020, "NEC Safer Cities" and "NEC Value Chain Innovation," there are various SDGs initiatives to which NEC wishes to contribute on its own, namely No. 3, No. 7, No. 8, No. 9, No. 11, No. 12, No. 16 and No. 17. There are a large number of targets that could potentially be set out as goals.

Meanwhile, it has been pointed out by some external experts that narrowing down the range of SDGs to pursue brings the risk of narrowing the scope of our business expansion and the possible range of social value that could be delivered by our products and services as well.

To demonstrate NEC's approach of contributing to the SDGs on a wider basis, we have categorized the targets of materiality into the two following areas: "Targets to which NEC wishes to contribute on its own initiative and/or positively," and "Targets to which NEC is able to contribute or wishes to contribute in the future," for each of the SDGs.

Going forward, we will promote educational activities on the SDGs within the Company to ensure that the SDGs are used proactively for expanding the fields where NEC can contribute and as indicators for measuring the social value that is generated by NEC's business.

Fields that NEC Contributes to SDGs

	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17
NEC Safer Cities	1.4		3.8	4.a		6.4		8.3	9.3 9.a	10.7	11.2 11.3 11.7 11.b			14.1		16.6 16.a	17.16
NEC Value Chain Innovation		2.1 2.4 2.a 2.c	3.6				7.2 7.3	8.1 8.2 8.8	9.1 9.3 9.4		11.2	12.2 12.3	13.3				17.16
Dialog and co-creation with our stakeholders			3.8	4.3 4.4 4.a				8.1 8.2 8.3 8.8	9.1 9.4		11.2 11.3 11.b	12.8	13.3			16.6 16.7 16.a	17.16 17.17
Innovation management			3.6 3.8 3.b		5.2		7.3	8.1 8.2 8.3 8.8	9.1 9.3 9.4 9.5 9.a	10.5	11.2 11.3 11.b	12.2 12.3 12.5	13.1	15.2		16.1 16.2 16.6 16.9 16.a	17.6
Sustainably and socially literate human resources				4.3 4.4 4.5 4.a	5.1 5.5			8.3 8.5 8.7	9.2	10.2 10.3			13.3			16.5	17.16
Privacy policies and measures aligned with societal expectations					5.2			8.7	9.5							16.1 16.9 16.10	17.16
Security to maximize ICT possibilities									9.5		11.1 11.7					16.1 16.3	17.16
Environmental action with a particular focus on climate change	1.5	2.4	3.d			6.4	7.2 7.3 7.a 7.b		9.4		11.5 11.b		13.1 13.3	14.2 14.5	15.1 15.4 15.5		17.16
Governance and compliance					5.1 5.2 5.5			8.5 8.7 8.8		10.2 10.3		12.7				16.1 16.2 16.5 16.6	17.16

Figures in the table are the target numbers of the SDGs. Further information can be found on the United Nations website.

<https://www.un.org/sustainabledevelopment/>