Approach to the Creation of Value and Initiatives

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.

**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**

- Privacy policies and measures aligned with societal expectations
- Security to maximize ICT possibilities
- Governance and compliance
- Environmentally action with a particular focus on climate change
- Sustainably and socially literate human resources
- Policies and measures aligned with societal expectations
- Governance and compliance
- Environmentally action with a particular focus on climate change
- Sustainably and socially literate human resources

**Engines of Change**

- Dialogue and co-creation with our stakeholders
- Innovation management with Global No. 1/Only 1 Technology

**2020 Growth Focus to Create Social Value**

- NEC Safer Cities
- NEC Value Chain Innovation

**Materiality Identification Process**

1. Tentatively define materiality and carry out dialogues with experts
2. Incorporate ESG perspectives into the Mid-term Management Plan 2020
3. Set up non-financial indicators
4. Hold dialogues with experts on our materiality and indicators
5. Report materiality and indicators to the Board of Directors and define materiality

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”
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, focusing 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 to 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 risks 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.

**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.

<table>
<thead>
<tr>
<th>Materiality/Mission</th>
<th>Company Vision and Initiatives</th>
<th>Main Non-Financial Indicators and Targets</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sustainable Growth Enablers</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Governance and compliance</td>
<td>NEC treated by society</td>
<td>Indicator: Number of cases of involvement with serious cartel problem in global markets</td>
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<tr>
<td></td>
<td>Environmentally conscious</td>
<td>Indicator: Rate of contribution to CO2 emissions reductions across the whole supply chain</td>
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<tr>
<td></td>
<td>Socially aware</td>
<td>Target for fiscal 2021: 5 times</td>
</tr>
<tr>
<td>Environmental action with a particular focus on climate change</td>
<td>Contribute to worldwide reduction in greenhouse gas emissions together with the efforts our customers and society are making to address climate change. We index our CO2 emissions against total NEC business activities since 2010.</td>
<td>Indicator: Rate of contribution to CO2 emissions reductions across the whole supply chain</td>
</tr>
<tr>
<td>Target for fiscal 2021: 5 times</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sustainably and socially literate human resources</td>
<td>Deliver products and services that will be accepted by society, including our customers.</td>
<td>Indicator: Rate of employees who have a strong sense that NEC is changing to create social value by accepting a diverse range of values</td>
</tr>
<tr>
<td>Target for fiscal 2021:</td>
<td></td>
<td></td>
</tr>
</tbody>
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**Privacy and measures aligned with societal expectations**

Develop and provide products and services that are responsive to differences in privacy needs between different countries and regions due to cultural perceptions and are sensitive to human rights issues, such as the challenge of discrimination that could potentially be heightened through the usage of AI. | Indicator: We believe discussions with multi-stakeholders regarding sensitive issues from human rights or privacy perspectives are indispensable in ensuring sustainable development and the rights of all individuals. |

**Security to maximize ICT possibilities**

Provide an environment that allows customers and society to securely use ICT. | Indicators: | |

**Engine of Change**

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 |

**2020 Growth Focus to Create Social Value**

| NEC Safer Cities | As a population with 1.4 billion people, NEC will contribute to building safer, more secure, and equitable living environments in metropolitan centers in regions such as Asia, Africa, and the Americas. In addition, NEC will contribute to realizing a sustainable, efficient, and fair world. | |

**NEC Value Chain Innovation**

Our society faces various kinds of social issues, such as food waste, labor shortages, and changing consumption patterns, and downsizing threats. NEC will develop cutting-edge technologies and a portfolio in partnership with customers in order to connect people, goods, and services, pushing across the boundaries between enterprises and stakeholders to create new value. In doing so, NEC will support a more sustainable lifestyle and sustainable growth for companies, a society where people can live in abundance, and a brighter world for the future. | |

**Fields that NEC Contributes to SDGs**

[key: Target for which NEC wishes to contribute on its own initiative and/or positively, Key: Target for which NEC is able to contribute or wishes to contribute in the future]