

Management That Supports Corporate Value Creation

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 the Company to negatively impact the environment or society. In addition to effective and efficient measures to mitigate these risks, NEC is taking steps to turn these risks into business opportunities. As part of this effort, 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.

Risk Management Framework

The Risk Control and Compliance Committee, chaired by the Chief Legal & Compliance Officer (CLCO) and comprising officers, is responsible for overseeing Companywide risk management. Every year, the committee selects Priority Risks, and regularly receives reports from the divisions in charge of deliberations regarding specific measures and the progress of these measures, after which the committee undertakes efforts to improve or enhance these measures if necessary. The CLCO reports matters of particular importance to the Executive Committee and the Business Progress Committee and other

entities, which are attended by the CEO.

The Priority Risks are selected as those with a particularly large impact from among a pool of important risks, which are identified in terms of the need for countermeasures and the magnitude of impact on corporate business and society.

Moreover, 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.

Major Risks & Opportunities and Related Initiatives

The following are major risks and opportunities that NEC is aware of and key initiatives aimed at addressing them. We will review these risks as necessary to facilitate a flexible response to sudden changes.

Financial

| | Risks (●) and Opportunities (○) | Initiatives (Corresponding page in this report) |
|---|--|--|
| 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 | <ul style="list-style-type: none"> ▶ I P.46 Living Harmoniously with the Earth to Secure the Future P.52 Business Overview |
| The NEC Group's Management Policies | <ul style="list-style-type: none"> ● Financial instability and fluctuations in revenue ● Company acquisitions and withdrawal from businesses ● 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 | <ul style="list-style-type: none"> ▶ I 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 |
| The 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 | <ul style="list-style-type: none"> ▶ I P.52 Business Overview |

Non-Financial

| Materiality | Risks (●) and Opportunities (○) | Initiatives |
|---|---|--|
| 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  | <p>Contribute to reducing CO₂ emissions, not only from our own business but also from customers' businesses</p> <p>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> <ul style="list-style-type: none"> ▶ I P.46 Living Harmoniously with the Earth to Secure the Future ▶ S Response to 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  | <p>Promote information security measures in a sound manner</p> <p>Provide products and services that incorporate security measures</p> <p>Develop information security professionals</p> <ul style="list-style-type: none"> ▶ I P.34 R&D and Business Development ▶ S Information Security and Cyber Security |
| AI and Human Rights | <ul style="list-style-type: none"> ● Invasion of privacy-related risks accompanying new technologies (designated as a Priority Risk and an emerging risk in fiscal 2021) ○ Strengthening competitiveness  | <p>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</p> <ul style="list-style-type: none"> ▶ I P.34 R&D and Business Development P.60 Respecting Human Rights ▶ S Respecting Human Rights, AI and Human Rights, Personal Information Protection and Privacy, Innovation Management |
| Diverse Human Resource Development and Cultural Transformation | <ul style="list-style-type: none"> ● Harassment (designated as a Priority Risk in fiscal 2021) ● Difficulty in securing and developing human resources ○ Greater organizational strength through improved employee engagement  | <p>Bolster diversity as a source of innovation, and implement workstyle reforms supporting diverse talent</p> <ul style="list-style-type: none"> ▶ I P.40 NEC, for Those Who Seek Challenge ▶ S Human Resource Development and Training, Inclusion and Diversity, Creating a Diverse Workstyle Environment |
| Corporate Governance | <ul style="list-style-type: none"> ● Inadequate accounting processes (designated as a Priority Risk in fiscal 2021) ● Management of confidential information (designated as a Priority Risk and an emerging risk in fiscal 2021) ● Group governance ○ Acquisition of trust from society  | <p>Further improvement of transparency of corporate governance</p> <ul style="list-style-type: none"> ▶ I P.6 Message from the President P.22 Mid-term Management Plan 2025 P.30 CFO Message P.64 Corporate Governance ▶ S Corporate Governance |
| Supply Chain Sustainability | <ul style="list-style-type: none"> ● Environmental and human rights risks ○ Collaboration and co-creation with suppliers  | <p>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> <ul style="list-style-type: none"> ▶ I P.62 Supply Chain Sustainability ▶ S Supply Chain Management |
| Compliance | <ul style="list-style-type: none"> ● Compliance breaches (illegal acts, fraudulent acts) ● Reputation risks ● Quality of products and services, defects ○ Acquisition of trust from society  | <p>Ensure all NEC Group members, from employees to officers, conduct themselves according to the NEC Group Code of Conduct every day</p> <ul style="list-style-type: none"> ▶ I P.58 Risks and Opportunities ▶ S Corporate Governance, Compliance and Risk Management, Respecting Human Rights, AI and Human Rights, Personal Information Protection and Privacy, Supply Chain Management, Ensuring Quality and Safety |

Note: The SDGs that are particularly impacted are listed.