NEC's Business Model

Living Harmoniously with the Earth to Secure the Future

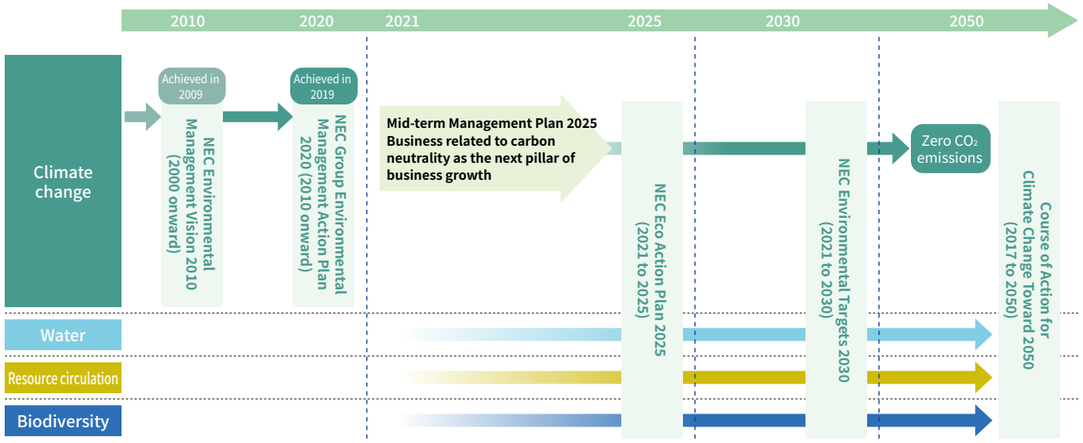
NEC promotes environmental management in order to realize a sustainable society as put forth in the NEC Way. As part of its corporate responsibility, NEC seeks to reduce the environmental impact of its activities by conserving energy at its facilities and during transport and by reducing the chemical substances it uses. To that end, we have established the NEC Environmental Policy and take close care to ensure that all actions of employees and corporate officers comply with the policy and engage in activities with consideration for the environment. We also help reduce the environment impact of our customers and society as a whole on the planet by providing environmentally friendly products and services that utilize ICT and our own unique technologies. The NEC 2030VISION, our ideal vision for the future in 2030, includes environmental initiatives, and we will demonstrate the value of NEC by improving and resolving a variety of environmental issues.

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 life cycle 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.

Environmental Initiatives for Realizing a Sustainable Society

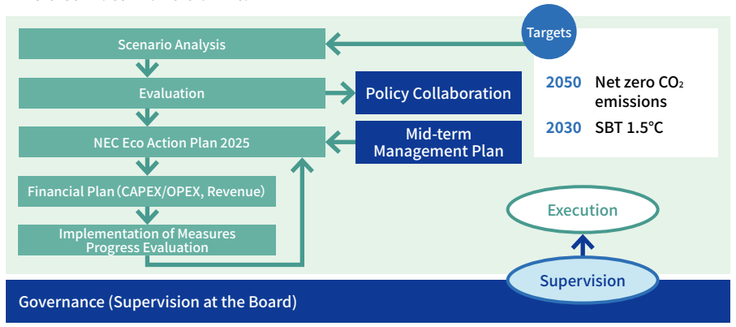


Climate Change: Reducing NEC Corporation's CO_2 Emissions to "Effectively Zero" by 2050

Climate Transition Plan

NEC has formulated a climate transition plan that combines existing guidelines and initiatives to transition to a business model aimed at carbon neutrality by 2050 in line with the goals of the Paris Agreement. The process involves a PDCA cycle that includes future forecasting via scenario analysis, clarification of business risks and opportunities, formulation of a medium- to long-term plan, and implementation and evaluation of measures. As part of this process, we will continue to report to the Board of Directors and disclose progress in line with TCFD recommendations.

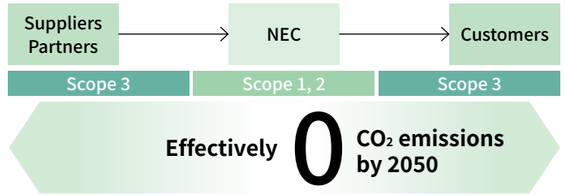
NEC's Climate Transition Plan



Long-term CO_2 Emissions Reduction Targets

In 2017, NEC formulated its Course of Action for Climate Change Toward 2050. In September 2021, NEC became signatory to Business Ambition for 1.5°C and declared that it will aim for net zero CO_2 emissions from Scope 1, 2, and 3 by 2050. This means that, in addition to its previous target for the Company's business activities (Scope 1 and 2), NEC is aiming for net zero emissions for Scope 3, which includes its entire supply chain.

"Effectively Zero" CO_2 Emissions from Supply Chains



Scope 1: Direct emissions of greenhouse gases generated from emission sources owned or controlled by businesses
Scope 2: Indirect emissions of greenhouse gases from the use of electricity, steam, and heat
Scope 3: All indirect emissions (other than Scope 1 and 2) that occur throughout a company's supply chain

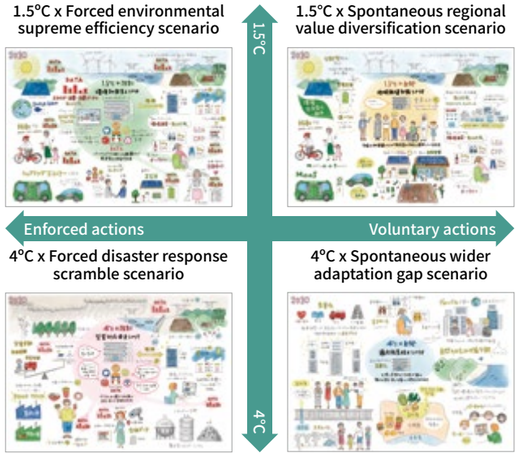
SBT 1.5°C	Recertified (with updated target) in May 2021	SCIENCE BASED TARGETS DRIVING AMBITIOUS CORPORATE CLIMATE ACTION	Scope 1 and 2: Reduce greenhouse gas (GHG) emissions by 55% by fiscal 2031 compared with fiscal 2018 level Scope 3: Reduce GHG emissions by 33% by fiscal 2031 compared with fiscal 2018 level in Category 1 (purchased goods and services), Category 3 (fuel and energy activities not included in Scope 1 and 2), and Category 11 (use of products sold)
RE100	Joined in May 2021	RE100 CLIMATE GROUP | CDP	Use only renewable electricity by 2050 at domestic and overseas bases
BA 1.5°C	Became signatory in September 2021	BUSINESS AMBITION FOR 1.5°C	Reduce GHG emissions throughout the supply chain to effectively zero by 2050

Scenario Analysis

NEC has embarked on a climate change scenario analysis that assumes a variety of risks and opportunities presented by climate change in 2030 and 2050.

In the analysis conducted in fiscal 2022, we tried to envision the impact of climate change on the future of regions and the consumers who reside in them, with an emphasis on local government. We evaluated four scenarios, with the 1.5°C and 4°C scenarios in the transition to a carbon-free society on the vertical axis, and the relationship of citizens with their governments and the state of government systems, separated by enforced actions and voluntary actions, on the horizontal axis.

For more details, please refer to the "Scenario Analysis" section on page 41 of *Sustainability Report 2022*.



Findings from the Scenario Analysis

- Each scenario uncovered risks and opportunities that affect public services from the perspectives of society, industry, and daily life, making it important for NEC to factor climate change into any of its businesses that provide value for these services.
- There are market opportunities and areas where NEC can show its strengths depending on the scenario, specifically local energy management for the 1.5°C scenario and local disaster prevention and infrastructure development for the 4°C scenario.
- Data platforms will be useful in any scenario, but the usage of collected data and the targets for the value provided will differ according to the scenario, targeting consumers in the case of voluntary actions and governments in cases of enforced actions.
- Similar scenario analysis conducted in other business areas will give departments a stronger understanding of carbon neutrality as a necessity for future business, which can then be incorporated into their understanding of business conditions and future strategies.

Evaluating the Scenario Analysis: Risks and Opportunities

Risks	Description	Countermeasures
Transition risk	Risks from carbon pricing • Assuming all of NEC's Scope 1 and Scope 2 emissions (about 210,000 tons), when SBTs are achieved in fiscal 2031, are subject to carbon pricing ($100/t-$CO_2$), costs will increase by ¥2.3 billion (assuming ¥110/$) • Assuming impact from higher costs in upstream and downstream supply chains	Increase use of renewable energy and achieve thorough gains in efficiency to realize each target for SBTs (2030 and zero CO_2 emissions [2050]) (ongoing efforts in supplier engagement and to improve energy conservation performance of products)
Physical risk	Possible 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	Risk assessment of the entire supply chain, BCP measures (installing flood gates and moving power supply equipment) with provisions for weather-related disasters, such as river flooding, and strengthening of power generation in data centers

Opportunities	Description	Creation and expansion of opportunities
Value toward transition risk countermeasures (mitigation)	Development of low-emission transport infrastructure	Logistics visualization and route optimization driven by AI and IoT; EV/PHV charging cloud
	Support for expanding renewable energy use	Virtual power plants, management of power supply and demand, commercialized resource aggregation (RA) for the supply and demand adjustment market, xEMS, etc.
	Support for reducing energy use	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.)
Value toward physical risk countermeasures (adaptation)	Preparation for increase in weather-related disasters	Pre-disaster detection using AI, IoT, image analysis, flood simulation, evacuation support, etc.
	Preparation for increase in forest fires	Forest fire monitoring and quick response systems, disaster monitoring by satellite, etc.
	Preparation for changes in areas suitable for agricultural production	Simulations that forecast effects and changes in agriculture, agriculture-oriented ICT solutions, etc.
	Preparation for the spread of infection	Infectious disease countermeasure solutions, preparation of a logistics information management platform in the event of a global infectious disease, remote work, telemedicine support, education clouds, etc.

For more details, please refer to the "Risks and Opportunities for All of NEC" section on page 44 of *Sustainability Report 2022*.

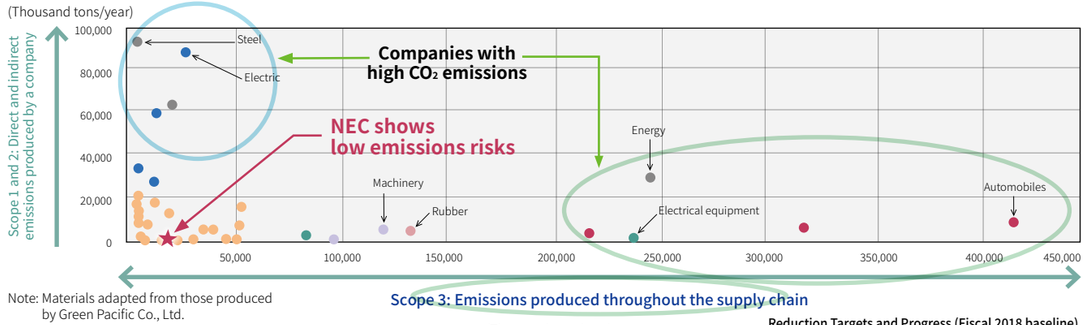
Environmental Targets of the NEC Eco Action Plan 2025

NEC has set a series of environmental targets to be achieved over the course of five years, based on the NEC 2030VISION and the Mid-term Management Plan 2025. We have selected priority activities based on the following three goals.

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

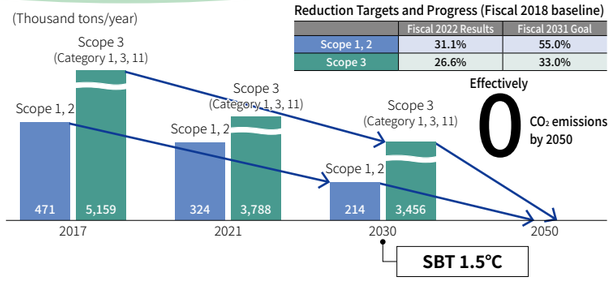
1. Reduce Own Risks and Environmental Footprint

Scope 1, 2, and 3 CO_2 Emissions by Industry



Note: Materials adapted from those produced by Green Pacific Co., Ltd.

Scope 1, 2	Scope 3	
	Category 1	Category 11
1. Undertake thorough efforts to improve efficiency 2. Expand introduction of renewable energy 3. Purchase renewable power	Boost engagement to encourage suppliers to reduce CO_2 emissions	Make products more energy efficient

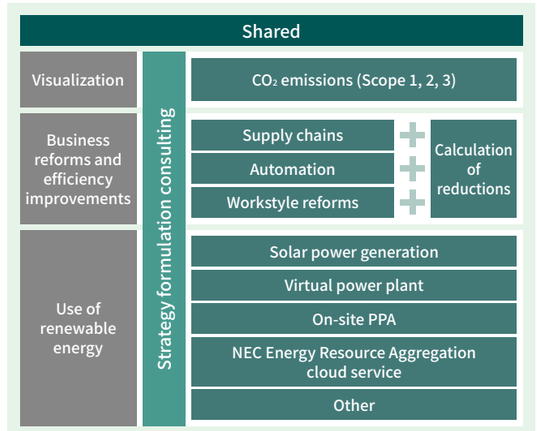


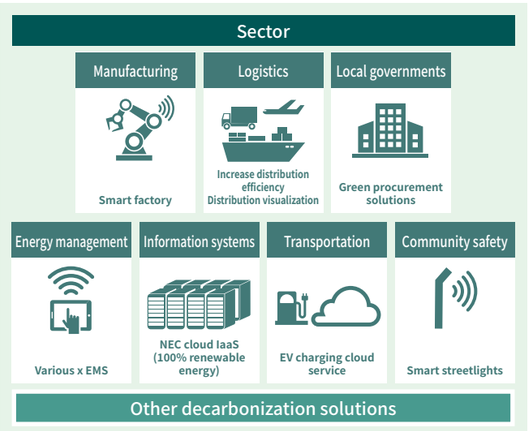
Reduction Targets and Progress (Fiscal 2018 baseline)

	Fiscal 2022 Results	Fiscal 2031 Goal
Scope 1, 2	31.1%	55.0%
Scope 3	26.6%	33.0%

2. Increase Contributions through Businesses

Utilizing NEC's Decarbonization Solutions to Support Customers' Decarbonization Efforts





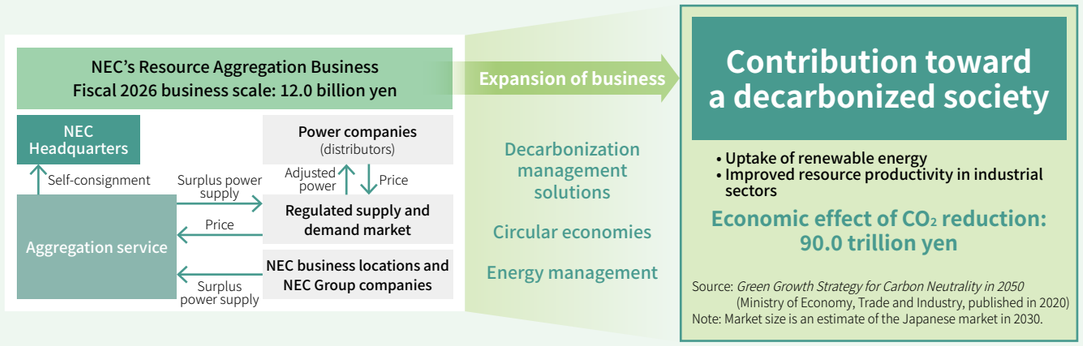
NEC's Business Model

Living Harmoniously with the Earth to Secure the Future

Growth Businesses Aimed at Creating Social Value—Business Related to Carbon Neutrality

○ NEC's Resource Aggregation Business

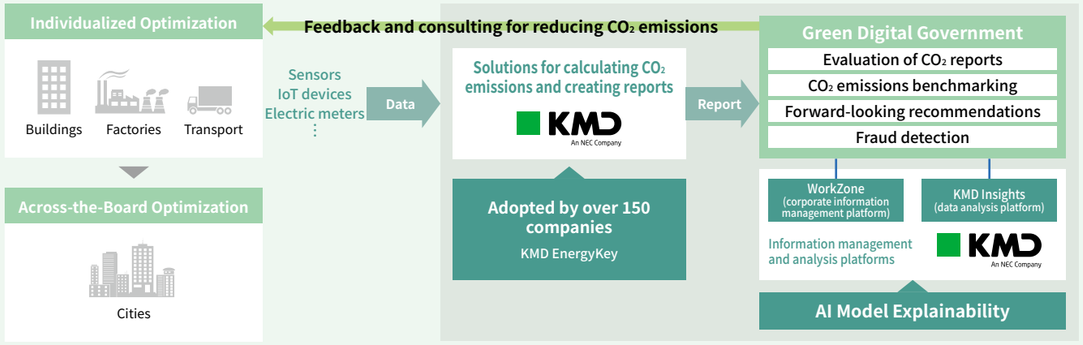
NEC operates businesses related to carbon neutrality among its growth businesses as part of its social contribution efforts. With the increased popularity of electric vehicles (EVs) and all-electric housing and other factors increasing power demand, resource aggregation businesses facilitate optimal and efficient energy use by matching companies with surplus electricity generated from renewable energy sources.



Source: *Green Growth Strategy for Carbon Neutrality in 2050* (Ministry of Economy, Trade and Industry, published in 2020)
Note: Market size is an estimate of the Japanese market in 2030.

○ Green Digital Government Business: Putting KMD's Knowledge to Work

KMD has introduced decarbonization process management to more than 150 companies at the local and national government levels, and continues to expand globally.



○ Expanding Decarbonization Solutions

Since roughly fiscal 2021, we have received many inquiries about co-creation and collaboration regarding solutions for visualizing CO_2 emissions for the purpose of decarbonization, and related projects have increasingly led to actual business.

Results for the Second Half of Fiscal 2022 (48 Companies in Total)

Business / Industry	Number of companies	Co-creation / Collaboration	Introduction of activities / Opinion exchanges	CO_2 visualization (including Scope 3)	Proposal of decarbonization solutions	Other
Manufacturing	11	●	●	○	○	
Information services	8	●	●	○	○	○
Finance	7	●	●	●	○	
Trading	6	●	●	●	○	
Retail	4	○		●		○
Telecommunications	4	●	●		●	
Local governments	4 (institutions)		●		●	
Other	4		●			●

●: Very high interest ●: High interest ○: Interest shown

Outline of Initiatives Based on TCFD Recommendations

Item	Description
Governance	• Report to the Board of Directors important issues related to the environment, including climate change • Based on environmental management rules, clarify roles, responsibilities, and authorities of organizations related to promoting environmental management
Strategy	• Set key material issues for management of climate change • Examine countermeasures and identify risks and opportunities over the short, medium, and long term caused by climate change, based on multiple scenarios • Mitigation (decarbonization) leads to business opportunities/Develop appropriate solutions and expand provision • Implement measures toward decarbonization, manage outcomes
Risk management	• Assess risks under Environment-oriented Management Implementation Framework and with Risk Control and Compliance Committee • Advance activities to address potential and materialized risks, understand results and issues, and examine future plans to reduce and prevent risks
Indicators and Achievements	Fiscal 2026 targets • Effectively zero CO_2 emissions (Scope 1, 2, 3) • Utilize 100% renewable energy (RE100) Fiscal 2031 targets • Set SBT 1.5°C targets • Reduce Scope 1 and 2 emissions by 55% (compared with fiscal 2018 level) and Scope 3 (Category 1, 3, and 11) by 33% (compared with fiscal 2018 level)

Water Risk Management and Effective Water Usage

NEC works in compliance with environmental laws and regulations to reduce water usage and environmental impact. We are also employing water risk management practices, which include addressing the issues of water outages, water pollution, and flooding.

Risk / Opportunity	Description	Risk reduction measures / Specific opportunities
Risk	Droughts and disaster-related water outages may affect business continuity and cause delay or tie-ups in production.	BCP measures have been implemented at each site to prepare for water outages.
Opportunity (economic value)	There is growing market demand for disaster prevention-related businesses to minimize damage from typhoons and other storms.	Expanded introduction of river water level prediction and other flood control support systems has begun.

Resource Circulation and Pollution Prevention

NEC strives to lessen environmental impact through initiatives aimed at resource circulation and waste reduction across every process, from production through to usage and recycling. 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.

Risk / Opportunity	Description	Risk reduction measures / Specific opportunities
Risk	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.	Utilize collection of information before the enactment of regulations to facilitate an early response.
Opportunity (economic value)	Market expansion of circular economy-related businesses continues to progress and new markets continue to open up.	Growing demand for NEC bioplastic products, and AI tools for food loss countermeasures.

Biodiversity

NEC strives to minimize the impact of business activities and employees' actions on living organisms, and to actively encourage activities that contribute to biodiversity while providing ICT solutions.

Risk / Opportunity	Description	Risk reduction measures / Specific opportunities
Risk	Alterations to the land at production sites, as well as underground and surface water usage, wastewater, and gas emissions and waste at production sites, may affect biodiversity in their respective areas.	Since NEC's business sites use organic solvents and acid/alkaline materials, we carry out measures and training to prevent leakage into wastewater, the atmosphere, and soil.
Opportunity (social value)	Efforts to protect biodiversity around bases and neighboring areas will lead to cooperation with a variety of stakeholders and improve brand value, which may create business opportunities.	Engage in activities to conserve biodiversity such as the protection of endangered species, and undertake paddy field development through local exchange.

For more details, please refer to pages 46 to 50 of *Sustainability Report 2022*.

External Evaluations Regarding the Environment

NEC was included in the CDP2021 "A List" for both Climate Change and Water Security, marking three consecutive years of inclusion. NEC was also listed on the CDP's Supplier Engagement Leaderboard, the highest rating conducted by the CDP for supplier engagement.