Orchestrating a brighter world
What’s NEC

Foundation
1899
120th Anniversary

Number of employees*2
Approximately
110,000

Male 70.6%
Female 29.4%

R&D expenses*1
108.1 billion yen

Ratio of employees returning after childcare leave*3*4
97.3%

Number of AI researchers*2*4
Approximately
500

Ratio of male and female hires*1*4
Male 70.6%
Female 29.4%

Number of patents*2
Approximately
49,000

Technological capabilities
Global No. 1

Facial recognition*5

Fingerprint recognition*6

Iris recognition*7

Market capitalization
Approximately
1 trillion yen

Revenue*1
2,913.4 billion yen

Composition of revenue:
- Public Business: 31%
- Enterprise Business: 15%
- Network Services Business: 16%
- System Platform Business: 17%
- Global Business: 14%
- Others: 7%

Owner’s equity ratio*2
29.1%

Consolidated subsidiaries*2
327 consolidated subsidiaries
169 countries and regions

Rate of contribution to CO2 emission reductions across the whole supply chain.*1
Approximately 6 times

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NEC strives through C&C to help advance societies worldwide toward deepened mutual understanding and the fulfillment of human potential.

**Corporate Philosophy**

NEC brings together and integrates technology and expertise to create the ICT-enabled society of tomorrow. We collaborate closely with partners and customers around the world, orchestrating each project to ensure all its parts are fine-tuned to local needs. Every day, our innovative solutions for society contribute to greater safety, security, efficiency and equality, and enable people to live brighter lives.

**Formulation of Brand Statement**

NEC's Value Creation Journey

### Founded
July 17, 1899

Nippon Electric Company, Ltd. established

**NEC** established as Japan's first venture with foreign capital (joint venture with U.S. firm Western Electric Company)

Started business in import and sale of telephones and switching systems

**Founder:** Kunihiko Iwadare

**Company name:** NEC Corporation

**Network**
- 1899: Nippon Electric Company, Ltd. established
- 1977: International satellite TV broadcasts of the Tokyo Olympics
- 1982: Ultra-compact radio communications system PASOLINK secured top global market share
- 2002: The Earth Simulator, the world's fastest supercomputer system for resolving global environmental problems, is completed

**IT**
- 1954:Began research on computers
- 1957:Developed the first domestically produced fully transistorized analog computer
- 1958:Developed the first domestically produced fully transistorized NEAC-2201 computer
- 1960:Started manufacturing optical submarine relay equipment
- 1964:International satellite TV broadcasts of the Tokyo Olympics
- 1971:Fully automated postal sorting system
- 1982:Ultra-compact radio communications system PASOLINK secured top global market share
- 2002:The Earth Simulator, the world's fastest supercomputer system for resolving global environmental problems, is completed

**AI**
- 1960:Began research on artificial intelligence
- 1971:Fully automated postal sorting system
- 1984:Received an order for the U.S. for fingerprint matching system
- 2002:No. 1 in fingerprint authentication
- 2004:No. 1 in fingerprint authentication
- 2005:No. 1 in fingerprint authentication
- 2009:No. 1 in fingerprint authentication
- 2012:500,000 biometric solutions adopted in 70 countries in total

**NEC's strengths developed to date**
- Biometrics solutions adopted in 70 countries in total
- Submarine cable installation reaches over 250,000km, enough to encircle the earth six times
- Asteroid explorer “HAYABUSA” successfully returned to Earth
- Built ICT infrastructure for multiple stadiums used in the Soccer World Cup held in Brazil
- Contributed to implementation of the Individual Number System

**NEC’s Value Creation Journey**

### Founding spirit:
"Better Products, Better Service."

Create a company that provides customers with world-class products and take responsibility for them through after-sales service

"Early in the 21st century, it will become possible for people to talk to each other and see each other anytime, anywhere."

The integration of computer and communications technologies

* Renamed NEC Corporation, effective April, 1983, both expressed as NEC hereafter
Message from the President

I will transform NEC’s culture and mindset to survive in an era of dramatic change

NEC was founded in 1899 and marked its 120th anniversary on July 17, 2019. Over these 120 years, the value that customers and society have expected from us has been constantly changing. We have survived because of our efforts to engage in solving issues facing customers and society, providing better value by making use of our strong technological capabilities based on our founding spirit of “Better Products, Better Service.” NEC has demonstrated its own approach to each era, adopting the concept of “C&C (the integration of computer and communications)” in 1977, followed in 2014 by “Orchestrating a brighter world.” The common thread running through all these concepts is NEC’s constant commitment to providing better value to society.

In 2005, NEC became a signatory to the United Nations Global Compact (UNGC), a global initiative aimed at sustainable growth for society and companies. In our corporate activities we now observe the compact’s 10 principles pertaining to the fields of human rights, labor, the environment, and anti-corruption. In addition, in July 2018, we declared our agreement with the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD). Environmental issues around the world are growing increasingly severe, and the solutions will be costly. NEC will work actively to resolve these issues, considering both risks and opportunities.

Moreover, to maximize the economic and social value that we create, in 2018 we defined our materiality-priority management themes from an ESG perspective. This outlines the approach to social value creation that we have practiced since our foundation and connects our business strategies with ESG initiatives as a new declaration to our various stakeholders of our commitment to achieving the mutual growth of NEC and society. To promote the sustainable growth of society and NEC, we engage in dialogue with diverse stakeholders, including customers, and promote initiatives together with them with a view to contributing to the achievement of the Sustainable Development Goals (SDGs) set by the United Nations.

NEC Initiatives for Contributing to the Achievement of the SDGs


Takashi Niino
President and CEO
July 2019

September 1954  Born in Fukuoka Prefecture, Japan
March 1977  Graduated from the Faculty of Engineering of Kyoto University
April 1977  Joined NEC Corporation
April 2008  Senior Vice President
April 2010  Executive Vice President
June 2011  Executive Vice President and Member of the Board
April 2012  Senior Executive Vice President and Member of the Board
April 2016  President and CEO (Representative Director) (to present)
Towards Achieving the Mid-term Management Plan 2020

Now I will discuss our progress on the three themes of the Mid-term Management Plan 2020, which was formulated in January 2018 with targets for fiscal 2021. The three themes are “Reform of profit structure,” “Achievement of growth,” and “Restructuring of execution capabilities.”

Mid-term Management Targets

<table>
<thead>
<tr>
<th></th>
<th>FY2018/3 Results</th>
<th>FY2019/3 Results</th>
<th>FY2020/3 Forecasts</th>
<th>FY2021/3 Targets</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue</td>
<td>2,844.4</td>
<td>2,913.4</td>
<td>2,950.0</td>
<td>3,000.0</td>
</tr>
<tr>
<td>Operating profit</td>
<td>63.9</td>
<td>58.5</td>
<td>110.0</td>
<td>150.0</td>
</tr>
<tr>
<td>(Operating profit ratio)</td>
<td>2.2%</td>
<td>2.0%</td>
<td>3.7%</td>
<td>5.0%</td>
</tr>
<tr>
<td>Adjusted operating profit</td>
<td>72.5</td>
<td>69.9</td>
<td>125.0</td>
<td>165.0</td>
</tr>
<tr>
<td>(Adjusted operating profit ratio)</td>
<td>2.5%</td>
<td>2.4%</td>
<td>4.2%</td>
<td>5.5%</td>
</tr>
<tr>
<td>Net profit attributable to owners of the parent</td>
<td>45.9</td>
<td>40.2</td>
<td>65.0</td>
<td>90.0</td>
</tr>
<tr>
<td>Adjusted net profit</td>
<td>50.3</td>
<td>47.0</td>
<td>74.0</td>
<td>99.0</td>
</tr>
<tr>
<td>Free cash flows</td>
<td>115.8</td>
<td>-12.4</td>
<td>65.0</td>
<td>100.0</td>
</tr>
<tr>
<td>Return on equity (ROE)</td>
<td>5.3%</td>
<td>4.6%</td>
<td>–</td>
<td>4.0%</td>
</tr>
</tbody>
</table>

Note: Forecasts and targets are as of April 13, 2019

Reform of Profit Structure

First, regarding our progress on “Reform of profit structure,” NEC needs to constantly take the lead in transforming itself in order to be a company that anticipates social changes and leads the new era. In reforming our profit structure, we have been working to reduce selling, general and administrative (SG&A) expenses and to reform our business structure.

To reduce SG&A expenses, during fiscal 2019 we implemented voluntary early retirement and a reorganization of production bases. The reason for these measures is that NEC has a relatively high level of SG&A expenses compared with other companies, and we were strongly aware of the danger of missing the wave of change in the market environment and being eliminated. To build up a strong profit structure able to support continuous investment for transformation, we will continue working to reduce fixed costs and promoting improvements in our business structure to make it globally competitive.

In business structure reforms, we are promoting transformation of the wireless solutions business, the energy business, and the electrode business. In the wireless solutions business, we worked to improve profitability as our top priority by implementing structural reforms, selecting orders, and unifying models. We also aimed to reduce R&D costs through collaboration with Cereneg Networks Ltd. Through these initiatives, we aim to achieve profitability in fiscal 2020, and to continue business advancements. In the energy business, we secured orders that match the scale of a top global group, but we continued to encounter issues with profitability. Going forward, we will execute profit improvement measures and seek to form partnerships in fiscal 2020. The sale of the electrode business was also completed during fiscal 2019 as planned.

Achievement of Growth

Next, we turn to “Achievement of growth.” Under NEC Safer Cities, we acquired KMD Holding ApS (KMD), the largest IT company in Denmark. KMD has the top share in the local and central government solutions market in Denmark, which is one of the most advanced countries in terms of digital government. By incorporating KMD’s superb recurring business model and world-leading expertise in digitization of government, capitalizing on synergies with Northgate Public Services Limited (NPS), which was acquired in fiscal 2018, and expanding the value we provide through additional M&As through NPS and KMD, we will accelerate our growth towards our fiscal 2021 target for international revenue of 200 billion yen and an operating profit ratio of 5%.

At the same time, in Japan we have leveraged our major strength in facial recognition technology in a growing number of model cases, such as a solution that enables airline passengers to move through the stages from check-in to boarding using only facial recognition for authentication, and smooth authentication procedures for entry into international sports event venues. These initiatives will help to drive further growth from fiscal 2020 onward.

In the field of 5G, we are proceeding with joint development of base station equipment with Samsung Electronics Co., Ltd. aiming at realizing commercial services. We have been in discussions with Samsung Electronics with an eye to expanding our solutions beyond Japan to the global market. As we move forward, we will look to expand our business through joint proposals to global carriers.

NEC Safer Cities

<table>
<thead>
<tr>
<th>International</th>
<th>Acquisition of KMD</th>
<th>Receipt of orders through the partnership between NPS and NEC</th>
</tr>
</thead>
<tbody>
<tr>
<td>Japan</td>
<td>Adoption of facial recognition system for “One ID” check in procedures at Narita International Airport</td>
<td>Adoption of authentication systems at international sports events</td>
</tr>
</tbody>
</table>

5G

<table>
<thead>
<tr>
<th>Collaboration with Samsung Electronics</th>
<th>Agreement to provide base station equipment in Japan</th>
<th>Discussing international expansion</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rakuten</td>
<td>Selection as prime IT vendor, including OSS<em>1 and BSS</em>2</td>
<td>Finalized decision on provision of 3.7 GHz base station radio units</td>
</tr>
<tr>
<td>Co-creation trial cases</td>
<td>For sports spectates, advanced emergency transport, remote operation of construction equipment, etc.</td>
<td></td>
</tr>
</tbody>
</table>

Others

<table>
<thead>
<tr>
<th>SDN, OSS/BSS</th>
<th>Large scale order from a tier 1 European carrier</th>
</tr>
</thead>
<tbody>
<tr>
<td>Submarine cable systems</td>
<td>Record high level of orders (over 100 billion yen in FY2019)</td>
</tr>
<tr>
<td>Digital shift</td>
<td>Establishment of Digital Business Platform Unit and Cross Industry Unit</td>
</tr>
</tbody>
</table>

Note: *1: OSS: Operation Support System *2: BSS: Business Support System
Finally, with regard to “Restructuring of execution capabilities,” we have adopted a two-pronged approach of reinforcing business development capabilities and transforming NEC’s culture.

In reinforcing business development capabilities, we will break away from the closed innovation mindset, which has been an issue for us, and create new value beyond existing frameworks in order to accelerate monetization of the latest technologies. Our first step in this regard was the establishment of dotData, Inc., which develops and sells software that uses artificial intelligence (AI) to automate data analyzing processes for big data that would require a massive amount of time even for experienced data scientists. dotData is steadily achieving results, with over 20 companies now using its products on a commercial or trial basis. In addition, NEC has decided to enter into the drug development business. Together with our work using the latest technologies in the medical system business, we will drive value creation in the healthcare domain.

In our initiatives for transforming NEC’s culture, we are targeting the following measures under the Mid-term Management Plan 2020 to enable employees to maximize their capabilities and realize an organization with the capacity to carry out actions to completion: “Define management’s responsibilities and authorities more clearly,” “Encourage innovative actions and challenges,” and “Accelerate diversification of the NEC Group.”

In our initiatives towards this transformation, we started by revamping our evaluation system for executive officers and re-clarifying their responsibilities and authority. We moved to one-year mandate contracts to make executive officers more responsible for results. Another reason for the change was so that our executive officers could lead by example when we introduced a new evaluation system for employees.

To change the culture of a company such as NEC, I believe that each individual employee must accept the transformation and reflect it in their own actual conduct. To gain the acceptance of individual employees, I visited every workplace to conduct town-hall meetings with employees, shared my own thoughts about the transformation with them and listened to their opinions from the front line. I will continue to conduct this activity, following on from fiscal 2019, when we ran dozens of town-hall meetings worldwide, with over 10,000 employees participating. In the meetings, I felt that there are more issues to be dealt with on the front lines of our businesses around the world than I had originally thought, such as internally focused work hours, unclear allocation of responsibility, and lack of speed. In other words, if we attempt to change things, there are factors that impede us. Also, I thought that while many people are aware of issues, they are waiting for changes to happen around them. We must transform our culture into one that leads the way autonomously and takes action.

On the other hand, I was heartened by the many employees that I saw who had positive ambition, including young employees. We will draw on the opinions of individual employees on how we can make improvements, and promote a cultural transformation that will lead to the growth of NEC and its employees.

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<tr>
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<tr>
<td>dotData</td>
</tr>
<tr>
<td>NEC X</td>
</tr>
<tr>
<td>Healthcare</td>
</tr>
<tr>
<td><strong>Encourage innovative actions and challenges</strong></td>
</tr>
<tr>
<td><strong>Accelerate diversification of the NEC Group</strong></td>
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<table>
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<th>Enable employees to maximize their capabilities</th>
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<tbody>
<tr>
<td><strong>Introduction of new evaluation system</strong></td>
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<tr>
<td>dotData</td>
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<tr>
<td>NEC X</td>
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<tr>
<td>Healthcare</td>
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Looking back over 120 years since NEC’s foundation, NEC grew for the first 100 years by riding the waves of social change. In the last 20 years, however, the situation has reversed, with NEC finding itself under pressure from huge changes. It is possible that the next 10 years will bring even greater changes than the previous 120. NEC’s strength lies in having technologies in both IT and networks, including AI, biometric authentication, security, and wireless. By blending these technologies, NEC can create unique value in the form of safety, security, efficiency, and equality through initiatives such as NEC Safer Cities and NEC Value Chain Innovation. However, to ensure that NEC can survive sustainably over the next 50 and 100 years, we must develop the ability to respond to change. Moreover, while responding to changes in society, NEC must build new core businesses that it can use to compete globally.

To create those new core businesses, we have established the Digital Business Platform Unit as an organization tasked with concentrating NEC’s strong technologies such as AI, biometric authentication, and security, and deploying them in the market as new businesses. The reason we have included the word “digital” in the name of the unit is to express our determination that NEC itself will undergo a transformation in response to the steady changes in the world as the digital shift penetrates every part of society with increasing speed.

To create and deliver services and solutions of value to society with optimal timing, the creator must be deeply immersed in the market, understand what is needed, and then market it. In addition, rather than working top-down, each front-line individual must act and think with careful consideration. In other words, the NEC of the past will not survive. Our survival depends on transforming NEC’s culture, developing the capability to respond to changes on the front lines, and acting quickly.

I see fiscal 2020 as the year for a comprehensive turnaround – not only in our business performance, but also in transforming NEC’s culture. In fiscal 2019, we changed various systems and structures to create an environment that will enable this transformation. Fiscal 2020 is the year for transforming NEC’s culture and mindset, setting the stage for achieving growth under the Mid-term Management Plan 2020 and beyond.
NEC’s purpose is to help advance societies worldwide toward deepened mutual understanding and the fulfillment of human potential through the provision of better products and services. To realize advanced societies, NEC must build its strengths, such as technologies, and create economic and social value through the activities of each business segment. We do this by implementing ESG initiatives, which form the basis of sustainable value creation for both society and NEC, and by acting on our materiality, a selection of priority management themes from an ESG perspective. Through the creation of such value, we will realize our aspiration of orchestrating a brighter world and contribute to the achievement of the SDGs.
NEC Safer Cities

Vision

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 equal 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.

Social Value to Be Realized

The results of this investigation showed that the lower the crime rate in an area, and the more digitalized the government of an area, the higher the level of happiness tends to be among the residents.

Moving forward, we will continue to promote the realization of social value and work to spread it wider to even more regions, while giving full consideration to human rights issues such as privacy. In doing so, we will strive to expand our role in increasing the happiness of people living in these areas, aiming to achieve both social and economic value.

In our NEC Safer Cities initiative, we give top priority to privacy and human rights considerations in our business activities, including formulation of the NEC Group AI and Human Rights Principles and firm compliance with the legal systems of each country, such as the General Data Protection Regulation (GDPR). NEC ascertains the status of people, things, and all manner of movement to provide advance warning of crimes, disasters, and other events, and provide support after the events. We will support the creation of safe, secure cities.

Economic Value to Be Realized

Since fiscal 2018, we have been using business examples to highlight specific examples of the social values of safety, security, efficiency, and equality that we are providing through NEC Safer Cities in an effort to measure our progress on expanding value.

Currently, we are looking at some of our businesses in public safety and digital government (solutions for police forces and local governments) and examining ways to show the social values provided by these businesses quantitatively. In promoting our businesses in fiscal 2019, we posited that we would be able to contribute to the achievement of SDG Targets 16*1 and 11*2, as well as to increase the happiness of the communities living in the areas where we operate. Then, we referenced the statistics of the UN and other sources to consider their correlations.

In our NEC Safer Cities initiative, we aim to achieve integrated and sustainable urbanization and capacities for participating, integrated and sustainable human settlement planning and management in all countries

Inorganic

International Revenue

<table>
<thead>
<tr>
<th>FY2019</th>
<th>FY2020 (Target)</th>
<th>FY2021/3 (Forecast)</th>
<th>FY2021/3 (Target)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Approx. 50.0 billion yen</td>
<td>Approx. 75.0 billion yen</td>
<td>Approx. 175.0 billion yen</td>
<td>Approx. 200.0 billion yen</td>
</tr>
</tbody>
</table>

Initiatives for Creating Value

In our NEC Safer Cities initiative, we give top priority to privacy and human rights considerations in our business activities, including formulation of the NEC Group AI and Human Rights Principles and firm compliance with the legal systems of each country, such as the General Data Protection Regulation (GDPR).

These activities form the foundation for developing businesses predicated on our strengths in the "NEC the WISE" line up of advanced AI technologies, "Bio-IDiom" biometrics, "NEC Smart Connectivity" for providing smart connections between all manner of data, and "Cyber Security." Moreover, with a view to expanding our business, we acquired U.K.-based Northgate Public Services Limited (NPS) in fiscal 2018, and Denmark-based KMD Holding ApS (KMD) in fiscal 2019. Through these acquisitions, we obtained the two companies’ assets in terms of platforms, customer bases, business models, and cultures.

By cultivating synergies with NEC’s existing strengths and these new assets, while actively engaging in dialogue and co-creation with stakeholders, we will create social and economic value, helping to realizing cities that are safe, secure, efficient, and equal.
Expanding the Provision of Value through Synergies with Northgate Public Services Limited and KMD Holding ApS

NEC aims to expand its businesses and increase its earnings by promoting development of core technologies and solutions while acquiring new customer bases, delivery resources, core technologies, and business models through M&As and collaborative partnerships.

Northgate Public Services Limited

NPS develops software and services for the public sector, mainly in the U.K., and employs approximately 1,400 software engineers throughout the U.K. and India. NPS works closely with the British police and government organizations to deploy a common business platform across a broad client base that includes local police forces, tax collection offices, social security offices and housing authorities.

KMD Holding ApS

KMD mainly provides software and IT services in Denmark through business models that generate profit continuously on a recurring basis, such as software as a service (SaaS) offerings. Specifically, KMD has a strong customer base among central and local governments and has a wide variety of software for supporting the digitalization of Denmark, which was the top ranking country in the "UN E-Government Survey 2018," announced by the United Nations Department of Economic and Social Affairs. In addition, KMD has a successful track record of executing strategic M&A, which has broadened its service offering in a number of key verticals.

Town-Hall Meeting at KMD

In February 2019, NEC Corporation Executive Vice President Yamashina conducted a town-hall meeting with the employees of KMD.

Over 1,000 people attended the meeting, offering various opinions and questions about matters such as NEC’s technologies and business direction, differences in culture between European and Asian companies, and communication for learning NEC’s technologies.

Using Synergies to Create Business Capabilities

Masakazu Yamashina  
Executive Vice President

NEC and KMD are from different countries with different corporate cultures. Through this dialogue, I had a strong sense of the extremely positive attitude and high level of expectation among KMD employees about becoming a member of the NEC Group. Denmark is a global leader in the application of digital government, and KMD has supported the Danish government’s digitalization. We will use the knowledge that we acquire from KMD to promote the digital government business in Japan and other regions.

Dialogue Session: Social Value Created by NEC Safer Cities

In April 2019, we asked a group of external experts in the fields of sustainable management, investment, and human rights to share their opinions on the theme of what social value is created by NEC Safer Cities and how that value can be measured. The participants in the dialogue included Executive Vice President Yamashina as a representative for the business divisions, along with the CMO and the general manager of the Digital Trust Business Strategy Division, to present examples of NEC Safer Cities businesses and explain the NEC Group AI and Human Rights Principles, which were announced in 2019. The experts commented that other cultures incorporated through acquisitions help to foster understanding of diversity and social tolerance, which will become strengths for NEC. They also noted that the social value created by NEC would be of an even higher level if it incorporated the human rights concepts of keeping people safer while ensuring humaneness and livability. In addition, they said that while it was best to quantify non-financial indicators where possible, the first priority should be to present a story explaining what the Company will invest in over the medium and long term, what assets will be invested, and how they will be allocated. Using the AI and human rights principles as a starting point, we will leverage consideration for diversity and high social tolerance as strengths to expand the social value provided by NEC Safer Cities.

Example: Improving Safety and Convenience at Airports Using Biometrics

While the number of travelers is increasing rapidly around the world, the boarding procedure at airports is expected to become even more complex and time-consuming. NEC will use biometrics such as facial recognition to reduce burdensome procedures such as presenting a passport at multiple points, thereby enabling smooth boarding and arrival procedures. Furthermore, by increasing the identification accuracy in each procedure, the systems are expected to enable even better prevention of terrorist attacks and so forth. In addition, as labor shortages become a bigger challenge, automation of procedures will help to reduce labor needs, enabling operations to continue with fewer.

In Japan, Narita International Airport Corporation has decided to adopt NEC’s facial recognition system for its new One ID boarding procedure. The system will begin rolling out from spring 2020. Internationally, NEC’s systems have been introduced at a number of airports, helping to make them safer and more convenient to use.

In the future, we will look to expand the applications of biometrics beyond airports to enable provision of comfortable, smooth services in various facilities and services in towns, such as shopping payment and duty free processing, admission into sightseeing facilities, and swift, accurate healthcare services. We will contribute to the creation of new experiences and value by connecting multiple airports with one another, and expanding into additional off-airport areas.
Initiatives to Ensure Respect for Human Rights Such as Privacy Policies and Measures Aligned with Societal Expectations

Amid the rapid spread of smartphones and other mobile devices driven by advances in ICT, public interest in respect for human rights, personal information protection, and privacy considerations is also growing. Failure to consider these issues would be a serious risk for NEC as a provider of safe, secure, efficient, and equal products and services. On the other hand, by considering these issues we can provide highly reliable services and solutions to society, including our customers.

NEC therefore positions these personal information protection initiatives and “Privacy policies and measures aligned with societal expectations” as part of its “materiality,” a selection of priority management themes from an ESG perspective, and places the highest priority on respect for human rights in its business operations.

Promoting Business Operations Placing the Highest Priority on Consideration for Privacy and Respect for Human Rights

While social implementation of AI and utilization of biometrics and other data (“AI utilization”) enriches our lives, it may also lead to human rights issues such as the invasion of privacy and discrimination, depending on how it is utilized. In addition to responding to the General Data Protection Regulation (GDPR) that came into force in the EU in May 2018, NEC also seeks to maximize social value as well as to minimize the negative impact on society, by developing and providing products and services that consider privacy issues, which can be perceived differently depending on country, region or culture, and human rights issues, such as discrimination problems that may be aggravated by the use of AI.

In promoting business operations related to AI utilization, in fiscal 2019 we established the Digital Trust Business Strategy Division as an organization to create and promote strategies based on respect for human rights; and in April 2019 we formulated the NEC Group AI and Human Rights Principles (“the Principles”). The Principles will guide the NEC Group’s corporate officers and employees in recognizing respect for human rights as the highest priority in each stage of our business operations in relation to AI utilization and enable them to take action accordingly.

Internal Awareness Raising and External Cooperation and Collaboration

In business operations related to AI utilization, to raise awareness and understanding about consideration for privacy and respect for human rights, we undertook proactive initiatives to raise internal awareness and to promote external coordination and collaboration.

To raise awareness internally, we conducted an online education program, and invited external experts (specialists such as university professors and lawyers) to give lectures on themes of AI and data utilization, privacy, and human rights. We also held dialogues through panel discussions and question and answer sessions. In external cooperation and collaboration, we held dialogues on the themes of AI utilization, privacy, and human rights with external experts (specialists such as university professors, lawyers, and so forth) including a discussion on the theme of social value created by NEC Safer Cities (p. 18).

In addition, in our individual proposal activities and promotion activities, the Digital Trust Business Strategy Division played a leading role in formulating the Principles, developing them in collaboration with its internal business divisions, including the Technology, Sustainability, Risk Management, and Marketing divisions, as well as external stakeholders, such as industry experts and non-profit organizations.

Dealing with Issues throughout the Value Chain

In 2015, NEC formulated the NEC Group Human Rights Policy to guide its initiatives on issues related to consideration of privacy and respect for human rights. Under this policy, we will promote initiatives on respecting human rights across the entire value chain from procurement to sales through dialogue and consultation with stakeholders and by implementing human rights due diligence.

In fiscal 2019, a task force comprised of the Legal Division, Procurement Division, Human Resources Division, and

Initiatives to Prevent Modern Slavery

As part of its initiatives to prevent modern slavery, NEC has published a statement on measures to prevent modern slavery based on the UK Modern Slavery Act. Section 54 of the Act requires UK corporations as well as foreign commercial organizations that meet certain criteria to publish a statement on measures to prevent modern slavery within the organization and across its supply chain. With the approval of the Board of Directors, NEC Corporation published a statement on behalf of the NEC Group in fiscal 2019.

Our main initiatives in fiscal 2019 are as follows.

Initiatives within the NEC Group

Lectures were held by external experts for executives and global business management, and online training was conducted for all corporate officers and employees. Into these lectures, we incorporated the background and objectives of the UK Modern Slavery Act and NEC Corporation’s response, and took steps to deepen understanding of the act within the Company.

For further information, please refer to Sustainability Report 2019 “Personal Information Protection and Privacy,” “Respect for Human Rights,” and “Supply Chain Management.”
Sustainably and Socially Literate Human Resources

Recognizing that people are the Company’s most significant resource, NEC believes “sustainably and socially literate human resources” are important for providing true value to customers and society. We have positioned this as part of our “materiality,” a selection of priority management themes from an ESG perspective, and we are enhancing education programs for understanding social issues and promoting inclusion and diversity aimed at understanding and accepting different values and cultures. In addition, we are taking steps to reform our personnel systems and work styles in order to realize an organization that enables employees to maximize their capabilities and has the capacity to carry out actions to completion.

Programs for Developing Sustainably and Socially Literate Human Resources

Since fiscal 2017, NEC has conducted the NEC School for Social Value Creation training program led by the president of NEC Corporation with the aim of developing the next generation of leaders.

The fiscal 2019 program for candidate executives had 32 participants globally. They investigated the NEC's reason for existence and its social value creation, and considered its management concepts.

In programs for front line leaders, 94 participants were divided into 20 teams to construct business models that will create social value and to conduct actual front-line business hypothesis testing. In fiscal 2020, we have established a new program for all employees called the “Sense Program” for human resource development through experience of social issues, which will provide opportunities for a wider band of employees to learn about social issues.

Start of the Transformation Initiative “Project RISE”

To enable employees to maximize their capabilities and realize an organization with the capacity to carry out actions to completion, in 2018 we started Project RISE as an initiative for radically transforming the Group’s management, strategy, and organization, as well as employees’ values and conduct.

The Group formulated the “Code of Values” as a standard of conduct required in this era, and set up fair talent evaluation and development systems focused not only on performance, but also on values. In addition, the president conducted face-to-face dialogues with over 10,000 employees at the Group's main locations globally, at which he explained the importance of transformation as well as listening to employees explain issues they had recognized as well as their ideas for transformation.

Furthermore, we are taking proactive measures to realize smart work. These include identifying work that can be reduced at the front-line level, undertaking half-yearly activities in each organization to thoroughly eliminate waste in order to make operations more efficient, and promoting innovative work styles aimed at realizing growth of the Company and the growth and happiness of employees. In addition, over the past three months, we have collected feedback and ideas from employees, including employees’ perceptions of transformation to promote transformation in a way that reflects their feedback. We will continue to listen to feedback from various stakeholders, including employees and customers, as we accelerate our transformation going forward.

* Project RISE is a general term for the NEC Group’s internal transformation project.

Promoting Inclusion and Diversity

The NEC Group is promoting inclusion and diversity. This means we will work to build up each person’s capabilities and experience value, not only through business activities, but also through our Company systems and training programs, aiming to create a culture in which people can help one another to grow, with a view to facilitating business growth.

As part of this, even before the 1985 Equal Employment Opportunity Act came into effect, NEC Corporation was already keen to hire and promote people regardless of their gender, and the proportion of female new employees was around 30% in FY2019.

Young Employees Active on the Global Stage

“I’d like to spread NEC’s technology around the world and contribute to solving social issues”

NEC Global Relations Division Akari Saeki

In my first year after joining the Company, I was responsible for supporting the introduction of an electronic money platform in Africa and a facial recognition system at the main airport of Bangladesh. After that, I began my current role as a coordinator between international organizations such as the United Nations Industrial Development Organization (UNIDO) and the International Organization for Migration (IOM), the governments supported by them, and NEC. My work is the embodiment of SDG No. 17, “Revitalize the global partnerships for sustainable development.” Projects of international institutions involve a large number of stakeholders and require the capability to seize the initiative to drive projects forward. My division has a culture where each individual can take on challenges in various kinds of work, regardless of age, gender, or nationality. Recently, I was given the major responsibility for the presentation of collaboration between NEC and international institutions at the Japan Week held at UNIDO Headquarters.

I hope to continue working with various partners to promote NEC’s technology and solutions around the world, and to contribute to solving social issues.

Inclusion and Diversity Experience

NEC Boccia Club

Boccia is an official sport in the Paralympic Games, designed for people with severe cerebral palsy or similar functional disabilities affecting their limbs. It can be enjoyed by people of all ages and genders, regardless of disabilities.

The NEC Boccia Club was established as an in-house club in 2017 to deepen understanding of Paralympic sports and inclusion and diversity.

In fiscal 2019, the club entered the Boccia Tokyo Cup, in which Japan’s national Boccia teams, Hinotama Japan also participated.

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I hope to continue working with various partners to promote NEC’s technology and solutions around the world, and to contribute to solving social issues.

For further information, please refer to Sustainability Report 2019 “Human Resources Development and Training,” “Inclusion and Diversity,” and “Creating a Diverse Work Style Environment.”
Environmental Action with a Particular Focus on Climate Change

The diverse impacts of climate change include an increase in natural disasters caused by abnormal weather, depletion of water resources, and effects on the demand and supply balance of food. NEC believes it can use ICT to alleviate the impacts of these environmental issues and contribute to the realization of a safe, secure society with a robust ability to withstand risks.

At NEC, we have positioned “Environmental action with a particular focus on climate change” as part of its “materiality,” a selection of priority management themes from an ESG perspective. We are engaged in efforts to reduce CO2 emissions from our business activities by implementing thorough energy-saving measures and switching to renewable energy, while also developing and supplying solutions that contribute to climate change mitigation and adaptation.

Aiming to Reduce the Company’s CO2 Emissions to “Effectively Zero” by 2050

In July 2017, NEC formulated “guidelines on climate change measures from a long-term perspective up to 2050,” aiming to strengthen its sustainable management base and promote creation of a sustainable society together with customers.

**Guidelines on Climate Change Measures from a Long-Term Perspective up to 2050**

I. Building sustainable management foundation

II. Achieving sustainable society by collaboration

Low carbon society as the global target (Keeping global average temperature rise between 1.5 and less than 2 degrees)

Safe and secure society that is strong against climate change risks

Aiming for zero CO2 emissions from supply chains

Strict measures against climate change risks in supply chains

NEC’s Greenhouse Gas Emission Reduction Targets Approved by the Science Based Targets Initiative

NEC’s greenhouse gas emissions targets were approved by the Science Based Targets (SBTs) initiative as being “science-based” for achieving the 2°C target of the Paris Agreement. Toward achieving these targets, NEC set a new target of increasing its use of renewable energy in fiscal 2019 by 75 times compared to fiscal 2018, and started initiatives toward this goal.

The NEC Group’s SBTs

- **Scope 1**: Reduce greenhouse gas emissions by 33% compared to FY2018 by FY2031
- **Scope 2**: Reduce greenhouse gas emissions from products sold by 34% compared to FY2018 by FY2031

**NEC Group Environmental Management Action Plan 2020/2030**

<table>
<thead>
<tr>
<th>Fiscal 2021</th>
<th>Fiscal 2030</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Reduction in overall CO2 emissions of customers and society through provision of IT solutions</td>
<td>23 megatons</td>
</tr>
<tr>
<td>2. Improvement in product energy efficiency (compared to products in fiscal 2016)</td>
<td>30% improvement</td>
</tr>
<tr>
<td>3. Preparing for the impacts of climate change through the provision of Solutions for Society</td>
<td>Strengthening companies’ resilience against local issues and expanding contribution through business activities</td>
</tr>
<tr>
<td>4. Improvement in the emission intensity through efficiency of energy use (compared to fiscal 2013)</td>
<td>18% improvement</td>
</tr>
<tr>
<td>5. Conversion to renewable energy (compared to fiscal 2012)</td>
<td>10 times</td>
</tr>
</tbody>
</table>

Agreement with TCFD Recommendations

Climate change will have a major impact on management in terms of both risks and opportunities, and there are increasing calls for companies to disclose information related to their response to climate change. In light of this situation, in July 2018 NEC expressed support for the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD). In line with the TCFD recommendations, we will evaluate transition risks, such as changes in policies and markets, as well as physical risks due to disasters, and co-forth, and discuss countermeasures for them. In addition, we will hold ongoing discussions with business divisions aimed at expanding the value they provide by treating climate change as an opportunity. Finally, we will reflect the results of these discussions in our business plans and enhance our disclosure of information to stakeholders.
**Dialogue with Stakeholders for Improving Management from an Environmental Perspective**

NEC Corporation has been holding dialogues with stakeholders since 2016, aiming to promote understanding of its environmental initiatives and to ascertain the opinions of external experts and the ESG information that investors require with a view to improving its initiatives and information disclosure going forward.

**Dialogue with External Experts Regarding Environmental Action with a Particular Focus on Climate Change**

In March 2019, NEC conducted a dialogue with experts to find out what is needed to make environmental action with a particular focus on climate change into one of the Company’s sustainable growth enablers. The dialogue included the Senior Executive Vice President and CFO of NEC Corporation, the Senior Vice President and CSCO, who is responsible for promoting environmental management, and the person responsible for promoting global business. They talked with the external experts about sustainable management, finance, and responsible investment. The dialogue clarified issues such as treating environmental issues as management priorities and a recommendation to share best practices for contributing to environmental issues internally and disseminating information outside the company.

**Examples of Providing Environmental Value through Business**

In Indonesia, forest fires caused by burning off fields have led to atmospheric CO2 emissions and loss of forests, as well as harming the health of the public due to haze, including in surrounding countries. They also cause financial losses due to delayed flights and shipping. Reducing such damage and preventing forest fires has become an urgent priority.

NEC has been collaborating with Sumitomo Forestry Co., Ltd. since November 2017 on a private-sector technology promotion project of the Japan International Cooperation Agency (JICA). We are working with the University of Palangka Raya and the Central Kalimantan Regional Disaster Management Agency to promote the project as the “Collaboration Program with the Private Sector for Disseminating Japanese Technologies by JICA.” The project supports a total range of functions from the detection of fire outbreaks and the identification of their location to the dispatch and management of firefighting teams. In fiscal 2019, the project system was evaluated using a mock fire to verify its effectiveness. Local firefighters confirmed that they could use the system to detect the fire outbreak, dispatch firefighting teams, and grasp the progress of firefighting.

Based on the results of the implementation evaluation, we will improve the system and its operation, with a view to full-scale introduction and expansion in fiscal 2020.

**Optimizing Supply and Demand to Resolve Food Loss and Waste**

By 2050, the global population is expected to increase by 30% to over 9 billion, with demand for food set to increase by 70%. Meanwhile, 1/3 of global food production, some 1.3 billion tons, is currently disposed of without being eaten. Japan wastes 6.43 million tons of food annually, of which over half is due to business-related losses such as overproduction or unsold items in the distribution process (manufacturing, wholesale and logistics, and retail).*

NEC provides the “supply and demand optimization platform,” a system for optimizing the supply chain by using ICT, especially AI, to reduce food loss and waste. Conventional demand prediction was conducted separately by the food manufacturing and retail businesses; however, the supply and demand optimization platform not only optimizes individual processes, but also collects data over the entire value chain and uses AI to increase the accuracy of demand prediction, enabling production, inventory and orders to be optimized across the value chain.

Collaborating with the Japan Weather Association from February 2018 and the INTAGE Inc. from June 2018, NEC has started developing a business for optimizing supply and demand across the entire value chain of manufacturing, wholesale and logistics, and sales in diverse industries and sectors.

Looking ahead, we will make efficiency gains across the entire value chain by using the supply and demand optimization platform. In doing so, we will contribute to SDG 12 target 12.3* and help to reduce consumption of energy and resources.

* For further information, please refer to Sustainability Report 2019 "Environmental Management Initiatives."
Innovation Management

Technologies in demand change as society changes. However, NEC seeks to provide technologies that create social value by conducting management with an appropriate grasp of the changing times. Under the direction of our Chief Technology Officer (CTO), we have formulated a technology strategy for the next stage of growth in social value innovation. We continuously allocate approximately 4% of our revenue to R&D, concentrating our investment in proprietary No.1/Only 1 core technologies.

Moreover, we regard intellectual property as an essential business resource supporting the NEC Group’s competitiveness and stability, as well as for contributing to co-creation with our customers. We constantly strive to strengthen and protect our rights.

In addition, we will actively promote commercialization of technologies across our conventional business framework and global open innovation, working to accelerate monetization of competitive technologies.

Concentrated Investment in Strong Technology Areas

We are concentrating investment in two areas where we have many unique and competitive assets: data science, and ICT platforms.

In the area of data science, we are developing AI technologies that contribute to the creation of new value by carrying out visualization, analysis, and control/guidance of real-world data. In the area of ICT platforms, we are developing computing and network technologies that can adapt dynamically and in real-time to changes in the real world, and security technologies that allow social systems to operate securely and stably.

As part of these efforts, we are strengthening our “NEC the WISE” line up of advanced IT technologies and our comprehensive brand for biometric products and services, “Bio-ILkom,” which covers six biometrics technologies for face, iris, fingerprint and palmprint, finger vein, voice, and eye acoustic.

In April 2019, we established a new brand, “NEC Smart Connectivity,” that leverages NEC’s strengths in network technologies. In addition to technologies for visualization, analysis, and control/guidance of the real world, networks that connect a large volume of data will also play a significant role in providing value to customers going forward.

Enhancing Diversity and Developing Human Resources to Strengthen Core Technologies

We are working toward enhancing diversity and concentrating our human resources in our key business areas in order to strengthen the core technologies that contribute to solutions for society, as well as to sustain our technological capabilities.

Specifically, we have been expanding our human resources under a policy of increasing the number of data science researchers at the Central Research Laboratories to double the number in fiscal 2016. Our overseas research laboratories are actively recruiting top local talent while our research labs in Japan are stepping up recruitment of doctoral degree holders. In fiscal 2020, we are continuing with our policy of hiring applicants with PhDs at around 50% of new hires, and will be recruiting more graduates from overseas universities such as the Indian Institute of Technology and other notable institutions. As a result of these policies, 30–40% of our new recruits are now classified as “global human resources.”

Intellectual Property Strategy

NEC strives to strengthen and protect not only its patents and knowhow, but also the designs and trademarks that support its global brand.

To create and develop social value, we are not only building IP-based barriers to entry and securing competitive advantage, but also building and using our IP portfolio to strengthen and protect collaborations with customers and partners. NEC owns some 49,000 patents worldwide (including approximately 22,000 Japanese patents) as of March 2019.

Accelerating New Business Development

In July 2018, NEC announced the establishment of a new company, NEC X, in Silicon Valley, U.S.A. NEC X aims to create an ecosystem centered on the advanced technologies of NEC’s talent and research laboratories and to promote co-creation of solutions involving Silicon Valley entrepreneurs and venture capital firms. As part of its mission, it has started the NEC Accelerator Program, which will start up new businesses in as little as one year, aiming to accelerate new business development.

For further information, please refer to Sustainability Report 2019 "Innovation Management."
**Dialogue and Co-Creation with Our Stakeholders**

Values are constantly changing for our customers and society. To supply products and services that deliver real value, NEC is incorporating processes for dialogue and co-creation with stakeholders into its corporate activities at all times. Through dialogue with stakeholders, we will 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. By connecting these activities to co-creation, we aim to realize the world described by NEC’s aspiration of “Orchestrating a brighter world.” The following are examples of our initiatives in fiscal 2019.

### Contributing to Solutions for Developing Countries through Co-Creation with International Organizations

In March 2019, Yasuhiro Imanaka of NEC Corporation’s Global Relations Division represented private-sector companies as a panelist at “AODs Contribution to Achieving SDGs and Japan’s Role,” a public event held by the Ministry of Foreign Affairs and the Food and Agriculture Organization (FAO).

NEC will continue to form partnerships with international organizations such as the United Nations and engage in co-creation through business development and other initiatives, with a view to contributing to solutions for a range of issues in developing countries.

Further details can be found in Sustainability Report 2019 "Dialogue with Our Diverse Stakeholders - Case Examples."

### Sharing Global Experience with Major Players in the Era of SDGs

NEC seeks to provide the four values of safety, security, efficiency, and equality to society through its business activities. An opportunity to communicate these ideas to the next generation of young people who will strive to achieve the SDGs arose in November 2018. The Executive Specialist of the Global Relations Division at the time, Masaharu Youshikawa, was invited to give a special lesson to junior high school students.

Further details can be found in Sustainability Report 2019 “Dialogue with Our Diverse Stakeholders - Case Examples."

### Using Insight from Dialogue with Shareholders and Investors to Improve Management and Corporate Value

NEC Corporation actively engages in investor relations (IR) activities, including meetings with shareholders, quarterly financial results briefings and business briefings conducted mainly by its CEO, CFO and Investor Relations (IR) Office, a department within the Corporate Communication Division. Meanwhile, IR staff proactively relay shareholder and investor feedback to management, and periodically report to the Board of Directors.

In fiscal 2019, we held a dialogue on Materiality to exchange opinions on determining our priority management themes from an ESG perspective and our vision, which were decided in July 2018.


### Transforming into a Highly Transparent and Motivated Organization through Direct Dialogue between Top Management and Employees

NEC provides opportunities for direct dialogue between employees, who are key stakeholders, and top management.


### Using Insights from “NEC Social Entrepreneurship School” Collaboration Project with NPO to Develop Employees

In 2002, NEC and the NPO ETIC collaborated to start the “NEC Social Entrepreneurship School” as a project to nurture young entrepreneurs. The project has been evolved in developing 62 social entrepreneurship groups tackling a variety of social issues, including the SDGs. Many of the graduates from the program have established business models and are beginning to accelerate social transformation.

In fiscal 2019, NEC supported two organizations: Nihon Shogas Kikaku Kigyo Shokai (Crei land), which operates an online community for people with illnesses and disabilities, and their families, and Hihe Co., Ltd which is working to accelerate businesses on the theme of links between Japanese seniors and Southeast Asian students. Currently, NEC collaborates with alumni from NEC Social Entrepreneurship School in activities such as joint research and testing, and solutions development.

Furthermore, NEC is using the insight and expertise gained from the NEC Social Entrepreneurship School in the Group’s next generation leader development program, NEC School for Social Value Creation, as well as work study programs, and pro bono projects with social entrepreneurs.

### Contributing to Regional Revitalization through Pro Bono Initiatives Using Employees’ Professional Skills

In fiscal 2019, NEC conducted projects in collaboration with four local governments. Among these, a community creation project undertaken with Kakegawa City, Shizuoka Prefecture, we worked on in order to preserve local traditional industries and pass them on to the next generation.

In 2010, NEC became the first company in Japan to conduct pro bono activities, using the employees’ professional skills to solve social issues in collaboration with the NPO Service Grant. We have continued these activities since then as part of the NEC Group’s corporate citizenship initiative, “NEC Make a Difference Drive.”

In fiscal 2019, NEC conducted projects in collaboration with four local governments. Among these, in a community creation project undertaken with Kakegawa City, Shizuoka Prefecture, we worked on strategic measures to expand the use of traditional local textiles called Kappo in order to preserve local traditional industries and pass them on to the next generation.

NEC also has been engaged in Inubosakukrena reconstruction support activities through the NEC “FOMONI” Project since 2011. Through this project, employees conduct volunteer activities in the areas affected by the Great East Japan Earthquake. In 2015, NEC concluded a reconstruction cooperation agreement with the town of Minamisanriku and is conducting various support activities such as a monthly “Fukkou Community Market” to assist the recovery.


Message from the CFO

We will maintain a sound financial structure, improve earnings capacity and increase corporate value through appropriate capital allocation

In the fiscal year ended March 31, 2019, the first year under the Mid-term Management Plan 2020, the Company recorded one-time expenses totaling 50.0 billion yen, including 35.0 billion yen for business structure improvements to improve profitability and 15.0 billion yen for optimizing assets, such as impairment in the Global Business.

We also expanded NEC Safer Cities by acquiring KMD Holding ApS for 136.0 billion yen with a view to achieving growth. The acquisition is in line with our existing strategy, as we can expect this acquisition to contribute to earnings, and it is in a field where NEC can leverage its strengths. With this acquisition and that of Northgate Public Services Limited in the fiscal year ended March 31, 2018, we have executed the M&A investment target of 200.0 billion yen set out in the previous mid-term management plan of the fiscal year ended March 31, 2017. These two M&As have generated expenses for amortization of intangible fixed assets in terms of accounting, however, we can expect them to contribute to cash flow generation. Starting from the fiscal year ended March 31, 2019, we have decided to disclose adjusted operating profit (loss)*1 and adjusted net profit (loss)*2 to clearly show the underlying profitability of the Company including the M&As.

For future M&As, we will maintain our existing policy of using free cash flow to fund the acquisitions and continue to consider them as long as they do not impact the Company’s financial base.

Next, with regard to enhancing capital efficiency, over the past few years our improvement in CCC*3 has leveled off. Improving this situation is an important priority for us. In February 2019, we established the CCC Improvement Office specifically to tackle this issue. It will be challenging, but we will generate cash by streamlining our working capital and allocating resources to investments in fields required for our growth, including M&As, R&D, and capital expenditures. Through these efforts we will drive further improvement in our corporate value.

Approach to Capital Allocation

We are planning to pay an annual dividend of 60 yen per share in the fiscal year ending March 31, 2020, the same level as the fiscal year ended March 31, 2018. In addition, to ensure the expected profits for shareholders, we have decided to recommence payment of an interim dividend, ending a 12-year hiatus.

Cash Generation for Investment in Fields Required for Growth

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Adjustments to Operating Profit

<table>
<thead>
<tr>
<th>(Billions of yen)</th>
<th>FY2018/3 Results</th>
<th>FY2019/3 Results</th>
<th>FY2020/3 Forecasts</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating profit</td>
<td>63.9</td>
<td>58.5</td>
<td>110.0</td>
</tr>
<tr>
<td>Adjusted items</td>
<td>8.7</td>
<td>11.4</td>
<td>15.0</td>
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<tr>
<td>Amortization of intangible assets through acquisition</td>
<td>7.5</td>
<td>9.7</td>
<td></td>
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<tr>
<td>M&amp;A related expenses</td>
<td>1.2</td>
<td>1.8</td>
<td></td>
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<tr>
<td>Adjusted operating profit</td>
<td>72.5</td>
<td>69.9</td>
<td>125.0</td>
</tr>
<tr>
<td>Net profit attributable to owners of the parent</td>
<td>45.9</td>
<td>40.2</td>
<td>65.0</td>
</tr>
<tr>
<td>Adjusted items</td>
<td>4.4</td>
<td>6.7</td>
<td>9.0</td>
</tr>
<tr>
<td>Adjusted net profit</td>
<td>50.3</td>
<td>47.0</td>
<td>74.0</td>
</tr>
</tbody>
</table>

*1 “Adjusted Operating profit (loss)” = “IFRS Operating profit (loss)” - “Adjusted items”
*2 Adjustments related to operating profit, losses and non-controlling interests are excluded from IFRS net profit.
*3 Cash Conversion Cycle: Days inventory outstanding + Days sales outstanding - Days payable outstanding = Number of days from payment for raw materials until receipt of payment for products and services


<table>
<thead>
<tr>
<th>(Billions of yen)</th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
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<tr>
<td>Operating Cash Flows</td>
<td>94.1</td>
<td>87.9</td>
<td>97.9</td>
<td>92.5</td>
<td>130.0</td>
<td>64.2</td>
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<tr>
<td>Investment Cash Flows</td>
<td>-18.9</td>
<td>-18.5</td>
<td>-32.2</td>
<td>-14.2</td>
<td>-12.4</td>
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<tr>
<td>Free Cash Flows</td>
<td>75.2</td>
<td>69.4</td>
<td>65.6</td>
<td>78.3</td>
<td>115.8</td>
<td></td>
</tr>
</tbody>
</table>

Approach to Capital Allocation

We are planning to pay an annual dividend of 60 yen per share in the fiscal year ending March 31, 2020, the same level as the fiscal year ended March 31, 2018. In addition, to ensure the expected profits for shareholders, we have decided to recommence payment of an interim dividend, ending a 12-year hiatus.

NEC Corporation considers it important to increase its corporate value over the long term and to achieve capital gain. As CFO, in allocating capital I will seek a balance between growth investments, a sound financial structure, and shareholder returns. I will strive to increase our profitability over the long term while increasing corporate value.
### Performance Highlights

**Key Management Measures**

- **Measures to optimize business portfolio**
- **Measures to grow business and strengthen financial foundation**

#### Fiscal year ended March 31, 2011

1. Made NEC Electronics Corporation, a semiconductor business, currently Renesas Electronics Corporation, into an equity-method affiliate.
2. Adjusted operating profit and adjusted net profit for the fiscal years ended or year-end as of March 31.
3. Figures for adjusted operating profit and adjusted net profit have not been audited by the accounting auditors.

#### Operating Profit

<table>
<thead>
<tr>
<th>Year</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue</td>
<td>¥2,913,446</td>
<td>¥2,913,446</td>
<td>¥2,913,446</td>
<td>¥2,913,446</td>
</tr>
<tr>
<td>Adjusted operating profit</td>
<td>¥69,927*</td>
<td>¥40.00*</td>
<td>¥40.00*</td>
<td>¥40.00*</td>
</tr>
<tr>
<td>Adjusted net profit</td>
<td>¥50,395*</td>
<td>¥47,026*</td>
<td>¥47,026*</td>
<td>¥47,026*</td>
</tr>
<tr>
<td>Cash dividends</td>
<td>¥4.00</td>
<td>¥4.00</td>
<td>¥4.00</td>
<td>¥4.00</td>
</tr>
</tbody>
</table>

#### Measures to grow business and strengthen financial foundation

1. Made NEC Electronics Corporation, a semiconductor business, currently Renesas Electronics Corporation, into an equity-method affiliate.
2. Adjusted operating profit and adjusted net profit for the fiscal years ended or year-end as of March 31.
3. Figures for adjusted operating profit and adjusted net profit have not been audited by the accounting auditors.

#### Fiscal year ended March 31, 2012

- **Made the consumer PC business into an equity-method affiliate.**

#### Fiscal year ended March 31, 2013

- **Acquired the business support system business of U.S.-based Convergys Corporation.**

#### Fiscal year ended March 31, 2014

- **Discontinued all of NEC’s stakes in NEC Mobile, Ltd., currently江西移動公司, a mobile phone sales business.**

#### Fiscal year ended March 31, 2015

- **Discontinued all of NEC’s stakes in NEC BIGLOBE, Ltd., currently BIGLOBE Inc., an internet service provider in March, 2014.**

#### Fiscal year ended March 31, 2016

1. **Transferred administrative staff functions and shared IT assets from NEC to NEC Management Partner, Ltd. (Business Process Optimisation Project).**
2. **Consolidated Japan Aviation Electronics Industry, Limited.**

#### Fiscal year ended March 31, 2017

- **Acquired U.S. company Northgate Public Services Limited.**

#### Fiscal year ended March 31, 2018

- **Acquired U.S. company Motive Holding Inc.**
- **Sold of shares in electrode business**

**Notes:**
1. Net profit (loss) attributable to owners of the parent per share is calculated based on the weighted average number of shares outstanding during each period.
2. Owner’s equity = Equity attributable to owners of the parent
3. The debt-equity ratio is calculated by dividing interest-bearing debt by owner’s equity.
4. Improvement in energy efficiency of products is based on a comparison with the fiscal year ended March 31, 2006.
5. The amount reflects a share consolidation (with a ratio of 10 shares to 1 share) that took effect from March 31, 2007.
At a Glance

NEC Corporation and Consolidated Subsidiaries

Revenue, adjusted operating profit (loss), and composition of revenue are financial results for the fiscal year ended March 31, 2019 (IFRS).

<table>
<thead>
<tr>
<th>Category</th>
<th>Revenue (billion yen)</th>
<th>Adjusted operating profit (billion yen)</th>
<th>Adjusted net profit (billion yen)</th>
<th>Free cash flows (billion yen)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Public Business</strong></td>
<td>2,913.4</td>
<td>69.9</td>
<td>46.9</td>
<td>-12.4</td>
</tr>
<tr>
<td><strong>Enterprise Business</strong></td>
<td>908.0</td>
<td>35.8</td>
<td>20.1</td>
<td>-22.5</td>
</tr>
<tr>
<td><strong>Network Services Business</strong></td>
<td>52.6</td>
<td>20.7</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>System Platform Business</strong></td>
<td>409.4</td>
<td>20.1</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Global Business</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Revenue**

- **Public Business**
  - Revenue: 908.0 billion yen
  - Adjusted operating profit: 35.8 billion yen

- **Enterprise Business**
  - Revenue: 431.8 billion yen
  - Adjusted operating profit: 20.7 billion yen

- **Network Services Business**
  - Revenue: 460.3 billion yen
  - Adjusted operating profit: 20.1 billion yen

- **System Platform Business**
  - Revenue: 500.2 billion yen
  - Adjusted operating profit: 20.1 billion yen

- **Global Business**
  - Revenue: 409.4 billion yen
  - Adjusted operating profit (loss): -22.5 billion yen

**Examples of Major Customers and Main Solutions**

- **Public**
  - System Integration (Systems Implementation, Consulting)
  - Outsourcing/Cloud Services
  - Overhaul

- **Enterprise**
  - System Integration (Systems Implementation, Consulting)
  - Outsourcing/Cloud Services
  - System Equipment

- **Network**
  - Maintenance and Support
  - OSS/BSS, Services/Solutions

- **System Platform**
  - Major Products and Services
  - Maintenance and Support
  - Software
  - Hardware
  - Services

- **Global**
  - Major Products and Services
  - Maintenance and Support
  - Software
  - Services

**Major Consolidated Subsidiaries**

- NEC Nexsolutions, Ltd.
- NEC Fielding, Ltd.
- NEC Platforms, Ltd.
- NEC Energy Solutions, Inc.
- NEC Display Solutions, Ltd.
- NEC Networks & System Integration Corporation
- NEC Embedded Products, Ltd.

(Note) Figures for revenue, adjusted operating profit (loss), and composition of revenue for the fiscal year ended March 31, 2019 are restated to conform with the new segments, which have not been audited by the accounting auditors.
Public Business

Public Business Comprised of Two Areas

Public Business consists of “Public Solutions,” which is responsible for business involving regional sales functions, local governments, and medical institutions, and “Public Infrastructure,” which manages business involving government organizations and enterprises supporting national and social infrastructure. Based on the new organization established in April 2017, Public Solutions considers both local needs and required policy seeds. In this area NEC works together with regional stakeholders, such as local governments, universities, and enterprises, to accelerate the development of new regional businesses, such as smart cities and the utilization of the Social Security and Tax Number System (“My Number”), and healthcare. Based on NEC’s many years of achievements gained in supporting government agencies, the Public Infrastructure area further improves the social infrastructure we provide to support safe and comfortable lifestyles for everyone.

[OPPORTUNITIES]

- Strong track record gaining high visibility, advanced technologies, and high market share in Japan in delivering systems for governmental organizations, local governments, broadcasters, power companies, as well as in cyber security.
- Ability to propose concepts for customers’ future based on “domain knowledge,” specifically operational expertise and deep understanding of the data acquired and handled through many years of working with customers.
- Presence of vertically integrated solutions with the “NEC in the WISE” lineup of AI technologies, “Bio-IDiom” biometrics, IT and networks including security, and full-layer ICT, including sensing technology.

[STRENGTHS]

- Need for continuous investment to maintain advanced technology and reliability.
- Need for handling complex project management for large-scale projects and the issues inherent in system development using cutting-edge technology to control the impact of additional costs on operating results.

[WEAKNESSES AND COUNTERMEASURES]

- Declining tax revenues due to the falling population in Japan have created a need for solutions that increase government efficiency and performance.
- Need for a new business structure that can cope with changes in the market environment, such as the trend towards broadcasting via IP and the transformation of the viewing rating and advertising models.
- Need for constant improvement of quality and cost competitiveness in response to intensifying competition for orders, increasing the number of projects with difficult requirements in cost and quality.
- Need for a business strategy that anticipates changes in existing business fields due to the entry of new participants.

[THREATS AND COUNTERMEASURES]

- Investment into Advanced Technologies with an Eye to the Future—Taking on the Challenge of Control in the Aerospace Field

NEC has been involved many years in the development of advanced technologies aimed at resolving social issues, such as control technologies for unmanned aircraft, satellites, air traffic, satellite operation technology and electromagnetic wave monitoring technology.

Satellite Operation

In 2018, NEC Corporation initiated at space project offering comprehensive space solutions, including the development of satellites and ground systems, satellite control, mission operation, and image sales using its own earth observation satellites. This is the first instance in Japan that a manufacturer operates its own satellites. Going forward, we will contribute to solutions and services for social issues, such as assessing conditions following a disaster, as well as monitoring and managing environmental resources.

Flying Cars

Flying cars hold strong potential in commuting, moving to remote islands or into mountainous areas, emergency transportation, and carrying supplies.

NEC Corporation concluded a sponsorship agreement with CARTIVATOR Resource Management, which develop flying cars in Japan for the first time, and participated the Public-Private Conference for the Future Air Mobility Revolution established by the Ministry of Economy, Trade and Industry and the Ministry of Land, Infrastructure, Transport and Tourism. NEC Corporation will supply flying control related technologies to contribute to realizing future air traffic control.

Digital Healthcare: Contributing to the Transformation of Healthcare and Society Using AI

Kitahara Neurological Institute (KNI) and NEC are engaged in co-creation to solve issues in healthcare and society through a trial using AI. The system predicts restless patient behavior 40 minutes in advance with 71% accuracy, and detects patients at high risk of aspiration pneumonia with 87% accuracy, enabling nursing staff to focus on the identified patients and administer preventive intervention. This is expected to help avoid protracted hospitalization for the patient and reduce the workload on medical staff. In addition, the system uses speech information classification and structuring technology to effectively reduce nurses record-keeping duties by 58%. NEC will use advanced ICT, such as AI and IoT, to create systems that support healthcare and people in the future.
In this environment, under the Japanese government's Digital Transformation Agenda, NEC Corporation is aiming to contribute even further through solutions to social issues. Rapid innovation using AI and IoT (Digital transformation) is progressing beyond the conventional framework of ICT vendors. On the other hand, as the existing ICT market is contracting, our continued growth will require us to expand our business into new domains and contribute even further through solutions to social issues.

Expanding Business over the Medium- to Long Term

To support business expansions over the medium to long term, we will leverage our advanced technologies to contribute to the creation of a safe and secure society. We will focus on fields such as security ICT, including cyber-security, image analysis, and accident prediction solutions, as well as biometrics solutions used in boarding and customs procedures at airports. We are also making a significant contribution in the field of 4K and 8K satellite broadcasts, which commenced in December 2018, helping the Japan Broadcasting Corporation, key commercial TV stations, and other broadcast stations to realize next-generation broadcasts.

Supporting Key National Infrastructure and Establishing Stable Profitability

In the public infrastructure business, we support the stable running of mission critical operations in the field of national security using ICT for customers including governments, governmental agencies, broadcasters and power companies. By supporting these key national infrastructures over the long term, we will establish stable profitability. Under the Mid-term Management Plan 2020, we will generate stable operating profit and an operating profit ratio in excess of company-wide targets as an earnings base for the whole company.

Expanding Business through the Mid-term Management Plan

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Investment in Advanced Technologies to Prepare for the Future

I am responsible for the public infrastructure business, which is where many of NEC’s largest individual projects with long development lead times take place. Many of these projects involve key national infrastructure, making it important to maintain our leading position through continuous technology development and to secure resources. To achieve this, we will improve our profitability through measures such as streamlining our costs, including cost reduction, strengthening our project management capabilities, and achieving appropriate sales prices. By securing resources in this way, we will conduct continuous investment into advanced technologies.

The strengths that we have developed in this business include biometric authentication offering world-leading accuracy developed in the law enforcement and justice fields, cutting edge cyber security, and achievements in the field of space, carrying out missions in uncharted places in the harsh environment of space, such as “Hayabusa 2.” These technologies currently represent NEC throughout the world in businesses conducted across a variety of fields.

Going forward, we will continue to invest in advanced technologies to ensure our technological advantage as we reinforce our foundations in the public infrastructure field.

Preparing for the Future

The public infrastructure business, which we support the stable running of mission critical operations in the field of national security using ICT for customers including governments, governmental agencies, broadcasters and power companies. By supporting these key national infrastructures over the long term, we will establish stable profitability. Under the Mid-term Management Plan 2020, we will generate stable operating profit and an operating profit ratio in excess of company-wide targets as an earnings base for the whole company.

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Establishing Stable Profitability and Investing in Advanced Technologies to Prepare for the Future

Preparation for the Future

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Public Solutions Business

Provide Value across Industry Boundaries by Solving Social Issues

Japan is facing social issues arising from declining birthrates and an aging population, increasing social security costs, a declining work force, and reduced spending and economic power. NEC’s job is to grasp these issues and address them firmly and create sustainable social value. Using our accumulated experience, the latest AI and biometrics technologies, and co-creation, we will take the lead on these issues and provide value across industry boundaries. In this way, we will contribute to sustainable growth and achievement of the company-wide profit target under the Mid-term Management Plan 2020.

Our Environment and New Market Opportunities

The domestic market has remained active, and business model innovation using AI and IoT (Digital transformation) is progressing rapidly beyond the conventional framework of ICT vendors. On the other hand, as the existing ICT market is contracting, our continued growth will require us to expand our business into new domains and contribute even further through solutions to social issues.

Contributing to the Digital Government Action Plan

In this environment, under the Japanese government’s Digital Government Action Plan, the status of government itself has been reviewed with a view to digitalization, placing a priority on achieving appropriate sale prices. By securing resources in this way, we will establish stable profitability. Under the Mid-term Management Plan 2020, we will generate stable operating profit and an operating profit ratio in excess of company-wide targets as an earnings base for the whole company.

Digital Healthcare Using ICT

In the area of healthcare, NEC will contribute to dealing with labor shortages and curbing social security costs through measures that include the use of advanced technology to improve the quality of healthcare, such as an endoscopy diagnosis support system that uses AI, predictive simulation of health check results, and detection of advance signs of restless behavior. In this way, we will help to realize a healthy, long-living society where individually tailored, high-quality healthcare and medical services can be provided to people easily.

Renewing Social Infrastructure

In the lead up to the Olympic and Paralympic Games Tokyo 2020, we will ensure safety and security by providing public safety-related solutions such as biometrics and behavior detection and analysis, as well as providing wireless networks for administration use and urban operation centers. Furthermore, the games will serve not only to invigorate the domestic market in the short term, but also as a major turning point for the renewal of social infrastructure, much of which was installed during Japan’s high economic growth period. The new infrastructure will need to embody not only safety and security, but also place greater emphasis on the values of efficiency and equality to solve Japan’s social issues going forward. NEC will help to realize this infrastructure using advanced ICT such as AI and IoT.

The Public Solutions Business will focus on these NEC Safer Cities themes in order to build an infrastructure that supports abundant living for people.

Establishing Stable Profitability and Investing in Advanced Technologies to Prepare for the Future

I am responsible for the public infrastructure business, which is where many of NEC’s largest individual projects with long development lead times take place. Many of these projects involve key national infrastructure, making it important to maintain our leading position through continuous technology development and to secure resources. To achieve this, we will improve our profitability through measures such as streamlining our costs, including cost reduction, strengthening our project management capabilities, and achieving appropriate sales prices. By securing resources in this way, we will conduct continuous investment into advanced technologies.

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Going forward, we will continue to invest in advanced technologies to ensure our technological advantage as we reinforce our foundations in the public infrastructure field.

Expand business domain for solving social issues

Providing Value across Industry Boundaries by Solving Social Issues

Japan is facing social issues arising from declining birthrates and an aging population, increasing social security costs, a declining work force, and reduced spending and economic power. NEC’s job is to grasp these issues and address them firmly and create sustainable social value. Using our accumulated experience, the latest AI and biometrics technologies, and co-creation, we will take the lead on these issues and provide value across industry boundaries. In this way, we will contribute to sustainable growth and achievement of the company-wide profit target under the Mid-term Management Plan 2020.

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Contributing to the Digital Government Action Plan

In this environment, under the Japanese government’s Digital Government Action Plan, the status of government itself has been reviewed with a view to digitalization, placing a priority on increasing convenience for citizens and business operators. NEC will contribute to realizing the Digital Government Action Plan by creating highly convenient services from the user perspective, making use of the My Number System and biometric authentication in the area of government and in fields where government and the private sector are working together.

Digital Healthcare Using ICT

In the area of healthcare, NEC will contribute to dealing with labor shortages and curbing social security costs through measures that include the use of advanced technology to improve the quality of healthcare, such as an endoscopy diagnosis support system that uses AI, predictive simulation of health check results, and detection of advance signs of restless behavior. In this way, we will help to realize a healthy, long-living society where individually tailored, high-quality healthcare and medical services can be provided to people easily.

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The Public Solutions Business will focus on these NEC Safer Cities themes in order to build an infrastructure that supports abundant living for people.
Creating Social Value through NEC Value Chain Innovation

Kazuhiro Sakai
Executive Vice President

Initiatives in the Medium- to Long-Term

Our society faces various kinds of social issues, such as food waste, labor shortages, changes in the consumption environment, and diversifying threats. NEC’s Enterprise Business aims to realize a world where cutting-edge digital technologies are used to address these issues and new value is created through co-creation with customers, connecting people, goods, and processes, reaching across the boundaries between enterprises and industries in a process that we call NEC Value Chain Innovation (VCI). To support a more sustainable planet, sustainable growth for companies, and a society where people can live in abundance, NEC is working to promote five values: “Connected Manufacturing,” which will usher in industrial innovation from the manufacturing sector by fusing digital technology with frontline systems; “Intelligent Logistic & Mobility,” which will use intelligent ICT to make human mobility more comfortable and optimize the flow of physical goods; “Smart RetailCX,” which will drive innovation in operations and customer experience (CX) and lead the digital shift and beyond; “Digital Finance,” which will provide financial services to people and industries using the power of digital technology; and “Smart Manufacturing,” which will promote five values: “Connected Manufacturing,” which will usher in industrial innovation from the manufacturing sector by fusing digital technology with frontline systems; “Intelligent Logistic & Mobility,” which will use intelligent ICT to make human mobility more comfortable and optimize the flow of physical goods; “Smart RetailCX,” which will drive innovation in operations and customer experience (CX) and lead the digital shift and beyond; “Digital Finance,” which will provide financial services to people and industries using the power of digital technology.

Achievements toward Medium- to Long-term Targets in Fiscal 2019

For many years, the Enterprise Business has provided IT services to customers in the finance, manufacturing, logistics, retail, and service industries, and in fiscal 2019 our growth outpaced the market. As we continue to respond strongly to our base business fields, we have already started to provide social value through VCI, and we are now accumulating specific cases such as the following:

We started collaborating with INTAGE Inc. on a business for optimizing supply and demand across the entire value chain to help solve the issue of food loss and waste. By pairing NEC’s data distribution platform with INTAGE’s various data and analysis expertise, we aim to increase the accuracy of demand forecasting and make use of this to provide a product demand forecasting service.

NEC has provided a facial recognition authentication system that uses NEC’s facial recognition authentication AI engine, NeoFace, and a POS system that uses image recognition for X-Store, a convenience store opened by President Chain Store Corporation (7-Eleven Taiwan). The system offers shoppers a new convenience to customers, such as NEC’s first implementation of payment through face recognition authentication in Japan and targeted advertising signage. It also has staff-support systems to reduce the number of staff required to run the store. These include facility operation monitoring, which collects information about equipment such as refrigerators 24 hours a day to support stable operation, and ordering proposals that use AI.

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To address such issues, in 2018 we opened a labor-saving store with Seven Eleven Japan Co., Ltd., making use of NEC’s AI and IoT technologies. The store features systems to provide comfort and convenience to customers, such as NEC’s first implementation of payment by face recognition authentication in Japan and targeted advertising signage. It also has staff-support systems to reduce the number of staff required to run the store. These include facility operation monitoring, which collects information about equipment such as refrigerators 24 hours a day to support stable operation, and ordering proposals that use AI.

NEC will continue to utilize cutting-edge digital technologies such as AI and IoT to provide systems that are designed for customers’ businesses and market needs. In this way, we will contribute to service quality improvements and operational efficiency gains in the retail sector.

Revenue / Adjusted Operating Profit

[STRENGTHS]

- Reliability and achievements cultivated over many years of providing IT services to domestic clients in the manufacturing, retail, and service, and financial industries.
- Ability to integrate advanced technology and business to create value and respond flexibly to customers’ needs.
- The knowledge and expertise we have developed in manufacturing innovations at our own plants in the manufacturing industry, as well as supply chain management transformation for global corporates.

[WEAKNESSES AND COUNTERMEASURES]

- To solve social issues, we need to strengthen initiatives throughout society across the boundaries between enterprises and industries.
- Securing IT talent to work in new fields in response to market demand.

In order to achieve further growth, we need to transform to a business model that can consolidate knowledge and resources accumulated for such industry and client across the organization and make use of them.

[OPPORTUNITIES]

- Our society faces various kinds of social issues, such as global food waste and energy conservation, as well as changes in the human resources environment due to labor shortages, diversification of consumption patterns with an emphasis on CX and a shift towards cashless societies, and fraudulent transactions involving internet banking. Solutions involving use of AI, IoT, and other advanced ICT are expected to play a growing role in solving these social issues.

[THREATS AND COUNTERMEASURES]

- Although the private sector market in IT is expanding, the acceleration in adoption of cloud computing and the penetration of AI and IoT are bringing dramatic change to NEC’s business environment in terms of customers’ investment fields and competors. Amid this, we expect a decrease in existing solutions businesses in the medium-term, and we must therefore create new business models and strengthen our capability to support customers’ digital transformation.

Initiatives to Solve Labor Shortages

As labor shortages become more acute in the retail sector, there is a need to increase the efficiency of store operations. At the same time, the sector also needs to improve CX with a limited workforce and build good relationships with customers.

To help address such issues, in 2016 we opened a labor saving store with Seven Eleven Japan Co., Ltd., making use of NEC’s AI and IoT technologies. The store features systems to provide comfort and convenience to customers, such as NEC’s first implementation of payment by face recognition authentication in Japan and targeted advertising signage. It also has staff-support systems to reduce the number of staff required to run the store. These include facility operation monitoring, which collects information about equipment such as refrigerators 24 hours a day to support stable operation, and ordering proposals that use AI.

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Network Services Business

Leading Digital Transformation (DX) by Connecting Value

Atsuo Kawamura
Executive Vice President

Networks for the DX Era: The Importance of Connecting Value

In recent years, DX has been progressing in various industries to solve social issues such as environmental issues, labor shortages, and security threats. DX links the real world with the cyber world through networks, which is the key to creating new value using digital technology. As the volume of information increases and networks become increasingly complex, reliable, fast connections are extremely important for realizing DX.

In addition, high-speed, large-capacity, low-latency communications enabled by the spread of 5G will open the door for services that require detailed control, such as automated driving, remote medical care, and remote construction. NEC will lead DX by combining its strengths in networks cultivated in the telecommunications market, and high-level IT assets such as AI, security, and biometrics, with industry expertise to enable wide-ranging connectivity in the enterprise and public markets as well as the telecommunications market.

Initiatives in Fiscal 2019 and Fiscal 2020

NEC executed structural reforms in fiscal 2019, successfully shifting to a highly profitable structure. In fiscal 2020, we will continue to invest in the network services field for 5G and industry, which are key areas, while maintaining the structure we have achieved through structural reforms to expand highly profitable businesses. In particular, we will develop the globally recognized OSS/BSS of Netcracker Technology Corporation, and increase profitability by expanding the maintenance and operation services field, making use of the expertise we have developed to date.

Towards Realizing 5G

With 5G, we will execute the timely launch of advanced wireless technologies, such as miniaturization, power-saving, and beam-forming technology. In July 2019, we started shipping commercial 5G radio units to NTT DOCOMO, INC. Moreover, through a partnership with Samsung Electronics Co., Ltd., we will expand our product portfolio while also making joint proposals to global telecom carriers. Furthermore, starting with our selection as an equipment provider for Rakuten Mobile, Inc., which promotes “Open vRAN” with cloud native networks, NEC will expand our business with telecom carriers seeking to build open networks.

Co-Creation in the Field of Network Services for Industry

In the field of network services for industry, NEC provides not only applications, but a comprehensive lineup of services from consulting to operation to realize optimal networks for business operations. By utilizing our strengths in both IT and networks, we will promote customers’ DX while continuously engaging in co-creation between businesses and companies using 5G.

The Network Services Business will expand through connecting new value and contributing to DX.

Revenue / Adjusted Operating Profit

<table>
<thead>
<tr>
<th>Year</th>
<th>Revenue (Billions of yen)</th>
<th>Adjusted Operating Profit (Billions of yen)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2018</td>
<td>455.0</td>
<td>23.9</td>
</tr>
<tr>
<td>2019</td>
<td>462.5 (5.2%)</td>
<td>22.9</td>
</tr>
<tr>
<td>2020</td>
<td>460.3 (4.5%)</td>
<td>20.7</td>
</tr>
<tr>
<td>2020 (Forecast)</td>
<td>455.0</td>
<td>6.6%</td>
</tr>
</tbody>
</table>

[STRENGTHS]

- Among the best in Japan in terms of track record and accumulated expertise for delivering networks for telecom carriers and networks and IT systems for companies.
- Core technologies in the network area such as 5G, mobile, optical, IT operational & management, and IT.
- Large-scale mission-critical system integration capabilities cultivated in systems for telecom carriers.
- Formation of an ecosystem through achievement of Open vRAN initiatives and links with operators.

[OPPORTUNITIES]

- Diversification of needs and sophistication of networks, due to the advance of 5G technology.
- Increase in telecom carriers seeking open networks.
- Expansion of business opportunities due to connection of people, things, and contents with DX at companies, including operational reforms.

[WEAKNESSES AND COUNTERMEASURES]

- Capital investment by Japanese telecom carriers is in a transition period awaiting full-scale investment in 5G, and co-creation of 5G use cases with customers will drive the establishment of a market.
- In response to rising security threats, NEC will leverage its expertise and partnerships with network vendors to reduce customers’ security risks by providing comprehensive solutions from hardware to service operations, and from wireless to fixed lines.

[THREATS AND COUNTERMEASURES]

- NEC is creating various services using 5G through co-creation with telecom carriers and industry partners. As part of this initiative, we are working on safe disaster recovery through remote control of construction machinery.
- Restoration of social infrastructure is an urgent priority in disaster-affected areas. However, there is a need to ensure the safety of worksites by avoiding secondary disaster risks, such as landslides.
- Together with Obayashi Corporation and KDDI Corporation, NEC carried out field experiments involving remote control of construction machinery using 5G.
- Using 5G to transmit high-resolution images and sound data from cameras mounted on construction machinery in real time, we achieved operability equivalent to onboard operations in a remote control system.
- NEC will contribute to the realization of new 5G services through various field tests.
System Platform Business

Platforms to Support Business Innovation through Digitalization

Helping Customers to Create Value

The System Platform Business has accumulated strengths in reliability, quality, and the ability to provide maintenance, operation, and support through our nationwide service center network. We will leverage these strengths while differentiating our platform through the use of hybrid IT, AI for data analysis, including image recognition technologies such as facial recognition, and accelerators such as vector computing technology.

Initiatives Up to Fiscal 2021

The System Platform Business is expected to see a continuing demand for platforms for gathering and accumulating data and the use of this data in business.

Medium- to Long-Term Policy

As customers seek to transform their businesses through DX, there is a rising demand for utilization of conventional IT assets and the data accumulated in them, as well as hybrid IT, which makes appropriate use of the considerably more flexible public and private cloud systems in each case, and rapid, highly accurate analysis of exponentially increasing data and the use of this analysis in business.

The System Platform Business does more than simply streamline existing businesses and expanding our focus areas of weather and academia. In doing so, we will contribute to the realization of a safe, secure, highly efficient, and abundant society by promoting expansion in usage fields and applications including industrial fields such as manufacturing as well as AI and big data analysis.

With the arrival of the big data era, there are growing needs for rapid, highly accurate processing of vast quantities of data generated in various fields. SX-Aurora TSUBASA is a platform that provides high speed, high performance systems with models for a wide range of customer needs, from use in offices to data centers, by offering a vector processor previously only found in a super computer in a card format. The platform is helping to expand the range of applications for supercomputers beyond the traditional areas of weather and academia. In doing so, we will contribute to the realization of a safe, secure, highly efficient, and abundant society by promoting expansion in usage fields and applications including industrial fields such as manufacturing as well as AI and big data analysis.
Global Business

Profitable Business - Strengthening Profitability to Achieve Sustainable Growth

Akihiko Kumagai
Senior Executive Vice President

Initiatives for Medium- to Long-Term Growth

Realizing “NEC Safer Cities” based on the safety business is the main growth engine for the Global Business. While globalization and technological advances have made life more convenient, there is a growing urgency to respond to global issues such as labor shortages, rapid urbanization, and the risk of terrorism spreading due to geopolitical factors. In addition to the area of public safety, where NEC’s biometric authentication technologies have been used to provide safety and security, we will provide solutions that pursue efficiency and convenience not only for our customers, but also for their customers, such as ID solutions at airports.

Moreover, we acquired the U.K. company Northgate Public Services Limited in January 2018, and the Danish company KMD Holding A/S in February 2019, converting both into subsidiaries. Both countries’ governments and local governments are leading the advance into digitalization of asset management, fee payments, and other operations. We will use the platforms developed by these companies as a base for enhancing our own solutions, while expanding operations in the digital government field.

NEC will contribute to the realization of a safe, secure, efficient, and equal society by applying advanced AI and biometric authentication technologies and strengthening our capabilities in the field of virtualization technologies to meet the needs of the new era.

In the field of 5G networks, demand is expected to reach full scale going forward. Here, NEC will leverage its results as a leader in the adoption of this new technology in Japan while looking to expand its business by enhancing its product portfolio with its accumulated virtualization technology and collaboration with partners.

Initiatives for Strengthening Profitability

To realize growth in the Global Business, our No. 1 priority in fiscal 2020 is achieving profitability in our operations. In markets that are maturing or expected to see increased competition, such as wireless solutions, submarine cables, and displays, we will leverage our accumulated track record and technologies to maintain our business scale and strengthen profitability through partnering and business model transformation.

In the energy business, we have been focusing on the advanced U.K. and U.S. markets for energy storage systems, putting priority on expanding our track record. However, we will now prepare for further market growth, creating a profitable business structure by expanding solutions such as software and services in response to market changes such as deregulation of the electricity markets, as well as by further cost reduction.

Relevant Figures

[STRENGTHS]
- Safety business: World-leading biometric authentication technology and analytics technologies (status recognition, crowd behavior analysis, indication detection, etc.), and software platforms for the digital government field
- Service providers: Product capabilities and advanced position in solutions provided for customer, fee, and operation management systems
- Strong presence and track record in the markets for network equipment (wireless solutions), submarine cable, displays and projectors

[WEAKNESSES AND COUNTERMEASURES]
- Need to enhance structure in countries and regions to enable provision of solutions tailored to each customer, such as in the safety business
- Need to accelerate shift of business model from equipment sales to a software and services business

[OPPORTUNITIES]
- Expansion in demand for safety solutions in countries where there is growing interest in safety and security
- Increase in demand in the field of software services related to 5G for service providers and the field of 5G
- Increase in demand for energy storage systems and further diversification of related services businesses associated with the deregulation of the electricity markets and the spread of renewable energy

[THREATS AND COUNTERMEASURES]
- Aggressive approach by emerging-market vendors and others in the field of biometric authentication
- Need to strengthen profitability by through partnering and business model transformation in response to increased price competition following the maturation of the markets for products such as wireless solutions and displays

Airport ID Solutions Create a New Customer Experience

At airports, passengers are required to present their passports and boarding passes when checking in and dropping off baggage, and at each step in the boarding procedure. NEC has applied its world-leading biometric authentication technology to simplify this laborious procedure and make it seamless. The airport ID solution creates a new customer experience by reducing procedures for both travelers and airport staff and shortening waiting times. It will be provided to airports and airlines in various countries including the U.S.

We now plan to expand this business field by linking it to various services in and outside airports, such as airport lounges, aiming to increase customer value.

* NEC’s solution ranked first in performance on evaluation tasks conducted by the U.S. National Institute of Standard and Technology (NIST)
Main Locations Globally
(As of March 31, 2019)

327 consolidated subsidiaries
169 countries and regions

Regional Headquarters (RHQs)
Other global locations

Andrew Feinberg
Netcracker Technology
President and CEO

Hironobu Kurosaki
NEC Europe
President and CEO
Representative of EMEA

Stephen Callaghan
Northgate Public Services
CEO

Eva Berneke
KMD Holding
CEO

Takeshi Tsukamoto
NEC (China)
President
Representative of China/East Asia

Tetsuro Akagi
NEC Asia Pacific
CEO
Representative of APAC

Masahiro (Mark) Ikeno
NEC Corporation of America
President and CEO
Representative of North America

Masazumi Takata
NEC Latin America
President and CEO
Representative of Central and South America

APAC
(Asia Pacific)
Takeshi Tsukamoto
NEC (China)
President
Representative of China/East Asia

China/East Asia
In recognition of the fact that reliable corporate governance is essential to the continuous creation of social value and the maximization of corporate value, NEC is committed to strengthening its corporate governance practices through (1) assurance of transparent and sound management, (2) realization of prompt decision making and business execution, (3) clarification of accountability and (4) timely, appropriate and fair disclosure of information.

Main Initiatives for Strengthening Corporate Governance

1. Instituting Corporate Officer System
   NEC instituted a corporate officer system in April 2000 and works to delegate authority from the Board of Directors to corporate officers with the aim of (1) separating management supervision from business execution and expediting business execution based on prompt decision making; (2) securing even sounder management through greater discussion of matters at meetings of the Board of Directors and up to a level below, (3) clarifying accountability and (4) promptly making decisions and delivering prompt decision making.

2. Reducing the Number of Directors
   The number of Directors was reduced to streamline the Board of Directors. The aim is to ensure even sounder management through greater discussion of matters at meetings of the Board of Directors and to deliver prompt decision making.

3. Appointing Multiple Outside Directors
   NEC added an Outside Director in June 2001 for a total of two Outside Directors in order to strengthen the supervisory functions of the Board of Directors. Some members have been appointed and the number of Outside Directors has continued to increase since 2007.

4. Shortening Directors’ Terms
   In June 2004, the term of Directors was shortened from two years to one year in order to clarify their responsibility for management.

5. Establishing a Nomination and Compensation Committee
   The committee was established in 2010 to enhance transparency in nomination and remuneration of Directors.

6. Instituting the Chief Officer Position
   The Chief Officer position was instituted in July 2013 to strengthen company-wide strategies. In April 2017, NEC extended the authority delegated to the Chief Officers in order to strengthen the corporate functions and accelerate the speed of decision making.

Overview of the Corporate Governance Structure

- General Meeting of Shareholders: 13 times
  - Attendance rate of Outside Directors: 96.9%
  - Attendance rate of Outside A&SBMs: 97.4%
- Executive Committee: 11 times
- Business Progress Committee: 12 times
  - Corporate officers and general managers of business units, etc.
- Nomination and Compensation Committee: 5 times
  - Outside Directors: Kanzu Sato (Chair) Kanri Nakamura
  - Inside Directors: Nobuo Endo
- Audit & Supervisory Board (KANSAIKAI): 16 times
  - 3 A&SBMs: 97.9%
Remuneration for Directors and Audit & Supervisory Board Members (KANSAYAKU)

For the purpose of continuously improving corporate value and strengthening its competitiveness, NEC’s basic policy on the remuneration for Directors and A&SBMs is to set a level and structure appropriate for a global company which enables NEC to secure excellent human resources and serves as an incentive to improve performance of the Group. In order to ensure objectiveness and provability of the remuneration for Directors and A&SBMs, the level of the remuneration is determined on the result of the third party’s investigation regarding the remunerations of other companies whose business contexts and scale are similar to those of NEC.

### Remuneration System

#### Monthly remuneration

- **Directors**: 150 million yen/month
- **A&SBMs**: 50 million yen/month

#### Performance-based Stock Compensation

- **Directors**: 150 million yen/month
- **A&SBMs**: 50 million yen/month

#### Stock compensation

- **Directors**: 150 million yen/month
- **A&SBMs**: 50 million yen/month

### Remuneration for Directors

**A Summary of the evaluation result**

A summary of the evaluation of the effectiveness of the Board of Directors for fiscal 2019 is as follows:

- In the Board of Directors, it can be evaluated that appropriate supervision of business execution has been conducted as lively discussion was held among the Directors regarding decision making on important business execution and other important matters of medium- to long-term management strategy.
- The current governance structure (organizational design, director composition, etc.) can generally be considered appropriate; however, operation of the Board has room for improvement, such as conducting discussions with an emphasis on broad, company-wide management strategies and governance; and
- NEC will continue working to enhance the information provided to Directors prior to meetings.

### Procedure of the analysis and evaluation

In fiscal 2019, NEC conducted a questionnaire of all of the Directors and A&SBMs. In addition, individual interviews were held based on the results of the questionnaire. In the questionnaire and interviews, participants were asked mainly for their opinions regarding the kind of governance structure that the Company should aim for (organizational design, director composition, etc.) and the roles, functions, and method of operation of the Board of Directors. Based on the analysis and evaluation of these opinions, the Board of Directors deliberated on a policy and improvement plan for strengthening governance going forward.

**Future challenges**

Based on the above evaluation results, NEC will strengthen the Board of Directors’ functions through the following initiatives:

- To further deepen discussions in the Board of Directors regarding broad, company-wide management strategies and governance, NEC will revise the setting of themes for the matters brought for discussion by the Board of Directors and the annual discussion plan;
- For important and complex matters for discussion, NEC will aim to hold multiple meetings of the Board of Directors and to enhance prior explanation, etc.;
- For long-term management strategy and other such themes, NEC will combine use of the Board of Directors and other meetings to enable deeper discussion; and
- To enhance the provision of information to Outside Directors, NEC will hold worksite tours and provide guidance to newly appointed Directors, along with improving the Board of Directors materials in line with the new themes for discussion by the Board of Directors.

### Remuneration for Directors and Audit & Supervisory Board Members

<table>
<thead>
<tr>
<th>Inside Directors</th>
<th>Outside Directors</th>
<th>A&amp;SBMs</th>
</tr>
</thead>
<tbody>
<tr>
<td>Basic remuneration</td>
<td>Performance-based Stock Compensation</td>
<td>Stock compensation</td>
</tr>
<tr>
<td>Monthly</td>
<td>150 million yen/month</td>
<td>150 million yen/month</td>
</tr>
<tr>
<td>Bonus</td>
<td>48 million yen</td>
<td>48 million yen</td>
</tr>
<tr>
<td>Stock compensation</td>
<td>44 million yen</td>
<td>44 million yen</td>
</tr>
</tbody>
</table>

### Stock compensation

(a) The Performance-based Stock Compensation serves as a medium to long-term incentive to further raise Directors’ awareness for contribution to improvement in NEC’s medium- to long-term performance and its corporate value, by clarifying the link between remuneration of Directors and NEC’s performance as well as value of NEC shares.

(b) The Fixed Stock Compensation further clarifies the link between remuneration for Directors and the value of NEC shares by increasing the ratio of stock compensation in the remuneration for Directors, and encourages Directors to operate the business with a higher consciousness of NEC’s share price by sharing with shareholders not only the benefits of rising share prices but also the risks associated with falling share prices.

In these stock compensation systems, the shares are granted after three years from the beginning of the applicable period.

Notes:

1. The annual remuneration is a free-movement of shares calculated based on a standard amount before reflecting the degree of achievement of the performance targets.

2. The number of Directors and Outside Directors includes one Director who retired at the close of the 181st Ordinary General Meeting of Shareholders held on June 24, 2019.

### Amounts of Remuneration for Fiscal 2019

- **Inside Directors**: 960 million yen
- **Outside Directors and A&SBMs**: 96 million yen

### Notes

- The number of Directors and Outside Directors includes one Director who retired at the close of the 180th Ordinary General Meeting of Shareholders held on June 25, 2018.
- The number of Directors and Outside Directors includes one Director who retired at the close of the 181st Ordinary General Meeting of Shareholders held on June 24, 2019.
- The number of Directors and Outside Directors includes one Director who retired at the close of the 181st Ordinary General Meeting of Shareholders held on June 24, 2019.

For further details on the corporate governance of NEC Corporation, please visit the following URL:

Ensuring Compliance

Since its establishment in 1899, NEC has built its business based on the trust of society, including our customers. Under a sound, highly transparent governance system, every member of NEC, from executives to employees, puts compliance first, not just complying with laws and regulations, but conducting their daily business in accordance with social norms and common sense. Governance and compliance are part of NEC's materiality, a selection of priority management themes from an ESG perspective, and we will incorporate compliance into NEC's corporate culture.

Heads of Each Group Organization Take Ownership of Promoting Compliance

Previously at NEC Corporation, the corporate divisions led the implementation of compliance measures in each division. From fiscal 2019, we aim to encourage executives and employees to make a strong sense of compliance of their own responsibility and to foster a corporate culture that encourages people to practice conduct in accordance with the NEC Group Code of Conduct. Moreover, to strengthen each division's measures to address its different risks, we have adopted a policy of having the division general managers take leadership and responsibility for discussing and carrying out the optimal measures for their divisions.

As part of risk management activities, every year we identify “Priority Risks” based on the results of a risk management survey and internal audits. In fiscal 2019, we selected “risks regarding personal information protection,” “risks regarding bribery,” “risks regarding violation of competition laws,” and “risks regarding inappropriate cost accounting,” and implemented countermeasures.

Responsive Procurement

NEC has formulated the NEC Group Procurement Policy and Supply-Chain CSR Guidelines based on the ISO 26000 international social responsibility guidance and the ISO 20400 international standard. We work together with our suppliers about critical social issues and the impact of business on society, and we will continually engage in initiatives toward building a better supply chain. To ensure sustainable procurement giving adequate consideration to the entire supply chain, we communicate our requirements to suppliers based on the above policy and guidelines, confirming the status of their compliance and initiatives, and following up to ensure that appropriate remedial measures are taken as necessary. As part of this effort, in fiscal 2019, we started Supplier Visit Records (SVR), which involves the Procurement Division making an inspection of sustainable procurement requirements during its ordinary visits to suppliers and keeping records of the inspection.

A Continuous Culture of Quality since Our Founding

Maintaining and improving quality is also part of governance and compliance. The Company introduced quality control in 1946, and has made company-wide efforts to increase quality, such as the ZD (Zero Defects)*1 activities in 1965, the Company-wide quality-operation strategy to increase the "7 Qs"*2 in 1972, and SWQC*3 in 1981. Today, we are actively working on human resource development to realize safety and security. These efforts include practical education and training for improving product safety and quality, and establishing a system of awards for teams which demonstrate the significance of accomplishment and recovery in projects that have a high level of risk.

*1 Activities designed to stimulate individual employees’ autonomy and passion to eliminate defects from their work through creative thinking, reducing costs and improving quality and service.
*2 The 7 Qs: quality, productivity, and service, human behaviors, workplace environment, relationships with the local community, business results, and corporate image.
*3 Software Quality Control. This refers to general quality management activities for software.

For further information, please refer to Sustainability Report 2019: “Compliance and Risk Management,” “Promoting Fair-Commercial Transactions,” and “Ensuring Quality and Safety.”

Messages from an Outside Director and an Outside Audit & Supervisory Board Member

Visible Efforts to Make Meaningful Changes at NEC

I have been an outside director of NEC for one year now. Over this time, NEC has made tireless efforts to create more profitable businesses while continuing to hone its advanced technologies. In addition, I have felt that the Company's various initiatives, such as international M&A, are gradually bearing fruit.

Furthermore, NEC has employees with high social sensitivity who will create innovation going forward, including employees from all over the world who are supporting the NEC brand globally, and a high ratio of employees who return to work following time off to raise children. These human resources have the power to drive NEC’s transformation. With my experience in foreign diplomacy and labor administration, my role is to support these human resources so that they can realize even more of their potential.

However, in consideration of a rapid increase in investors making decisions based on a company’s sustainability in terms of environmental, social, and governance (ESG) aspects, I feel that NEC has to improve how it communicates the efforts and activities of its diverse workforce in the fields of environment and society. NEC has already been actively holding dialogues with investors globally, mainly on financial themes, and it needs to take further steps to communicate the transformation of NEC, including non-financial aspects. In particular, the Company is appointing diverse human resources to its executive division using a new remuneration plan that started from fiscal 2020, partly as a way to attract high level talent that is essential for global business success. While making use of the abilities of its human resources, I expect to see NEC undergo a clear transformation.

Governance is another growing strength of NEC, including its Board of Directors, which hosts frank and vigorous discussions. I myself will study diligently each day to contribute to solving management issues and to play my role in NEC’s steadfast governance.

Emphasizing Discipline Based on a Sense of Values

When corporate misconduct occurs, governance problems are often picked up, but in most cases the root cause that gave rise to the situation is not illuminated. This shows how difficult it is to find objective evidence for the state of mind of the people involved, which is the essential cause of the misconduct, even if the facts are investigated. As a result, rather than identifying the essential cause and tackling the issues for resolving it, companies implement measures to prevent a recurrence in form only, and sometimes apply excessive systems and rules.

However, systems and rules do not work without discipline, which is controlled by people’s state of mind. Governance also requires discipline based on a sense of values in order to function—not just systems and forms. It is of prime importance that each individual acts with discipline in fulfilling their respective roles, and that this kind of discipline is present throughout every part of the organization.

I have served as an outside Audit & Supervisory Board member for three years. Over this time, compliance and ethics issues have increasingly been discussed by the Board of Directors. Moreover, as shown by initiatives to transform NEC’s culture, there is increasing interest in the conduct of directors and employees, as well as in themes such as values and discipline. It is not easy to ensure that reforms and improvements reach each part of a large organization; however, NEC is making steady, positive efforts.

In the Audit & Supervisory Board, where I am active, we constantly recognize issues through our annual evaluation of effectiveness and by making efforts to promote reforms and improvements. As a Member of the Board, I will strive to contribute to improving NEC’s governance.

For further information, please refer to Sustainability Report 2019: “Compliance and Risk Management,” “Promoting Fair-Commercial Transactions,” “Supply Chain Management,” and “Ensuring Quality and Safety.”

Kazuyasu Yamada
Outside Audit & Supervisory Board Member (KANGARIMU)
Directors and Audit & Supervisory Board Members

As of July 1, 2019

Directors

- Nobuhiro Endo
  Chairman of the Board
  President (Representative Director) and CEO (Chief Executive Officer)
  Has been engaged in the management of NEC's global business strategy and in April 2016 was appointed as Representative Director and CEO since April 2016.

- Takashi Kumbi
  Member of the Board
  Chairman of the Board
  Special Adviser to the President of Financial Services
  Has extensive experience and deep insight into management of a bank.
  Attendance of meetings of the Board of Directors: 12 out of 12 meetings

- Kaoru Seto
  Member of the Board
  Special Adviser to the President of Yamato Holdings Co., Ltd.
  Has extensive experience and deep insight into management of logistics service company.
  Attendance of meetings of the Board of Directors: 11 out of 11 meetings

- Norihiko Ishiguro
  Senior Executive Vice President and Member of the Board
  After being engaged in the management of NEC's global business strategy, in April 2018 was appointed as Representative Director and Senior Executive Vice President and Member of the Board.

- Masatoshi Ito
  Member of the Board
  Chairman of the Board
  Applusi Co., Ltd.
  Has extensive experience and deep insight into marketing and corporate strategy.
  (Appointed in June 2019)

- Kuniharu Nakamura
  Member of the Board
  Chairman of the Board of Directors, Sansum Corporation
  Has extensive experience and deep insight into the management of the corporate departments and the NEC Group's operational reform.
  (Appointed in June 2019)

- Motoo Nishihara
  Executive Vice President
  CEO (Chief Technology Officer) and Member of the Board
  Has served as the Senior Vice President in charge of R&D and is responsible for the NEC Group's B-to-B and technology strategies.

Audit & Supervisory Board Members (KANSAI-KU-KAI)

- Hajime Kinoshita
  Audit & Supervisory Board Member (Full Time)
  Has extensive experience and deep insight into corporate management strategies.
  Attendance of meetings of the Board of Directors: 13 out of 13 meetings

- Isamu Kawashima
  Audit & Supervisory Board Member (Full Time)
  Has extensive experience and deep insight into the auditing functions of the Audit & Supervisory Board.
  Attendance of meetings of the Board of Directors: 13 out of 13 meetings

- Kazuyazu Yamada
  Audit & Supervisory Board Member
  Corporate Auditor
  Has extensive experience and deep insight into management of a logistics service company.
  Attendance of meetings of the Board of Directors: 13 out of 13 meetings

- Taeko Ishii
  Audit & Supervisory Board Member
  Attorney at Law
  Has extensive experience and deep insight into management of a legal and internal control division for many years.
  Attendance of meetings of the Board of Directors: 11 out of 11 meetings

- Nobuo Nakata
  Audit & Supervisory Board Member (KANSAI-KU-KAI)
  Corporate Auditor
  Has extensive experience and deep insight into management of a legal and internal control division for many years.
  Attendance of meetings of the Board of Directors: 12 out of 12 meetings

For further details on the Directors and Audit & Supervisory Board Members of NEC Corporation, please visit the following URLs:

Directors: https://www.nec.com/en/global/about/executives/directors.html
Audit & Supervisory Board Members: https://www.nec.com/en/global/about/executives/auditors.html

Board of Directors

The Board of Directors makes important decisions regarding the Company’s business operations, starting with deciding on its basic management policies. It also fulfills the responsibility of full supervision of business operations, and therefore requires new members based on broad knowledge, and the Board of Directors is composed with consideration given to diversity in each director as career background, specialties and gender.

11 Directors

Chairman of the Board
Non-Corporate Officer

Corporate Officer

Supervisory Board Members

(All members are also members of the Audit & Supervisory Board)

5 Audit & Supervisory Board Members

Nec appoints an Audit & Supervisory Board Member personal who have the knowledge and experience necessary for audits, such as considerable expertise in finance and accounting or experience as an attorney at law and who strengthen the auditing functions of the Audit & Supervisory Board.

For further details on the Directors and Audit & Supervisory Board Members of NEC Corporation, please visit the following URLs:

Directors: https://www.nec.com/en/global/about/executives/directors.html
Audit & Supervisory Board Members: https://www.nec.com/en/global/about/executives/auditors.html

Notes:
1. NEC has notified the Tokyo Stock Exchange of its four independent Directors and three independent Audit & Supervisory Board Members (KANSAI-KU-KAI).
2. Attendance of meetings: the number of attendance at meetings (meetings of the Board of Directors or meetings of the Audit & Supervisory Board) out of the number of meetings held in the fiscal year ended March 31, 2019.

Career background and specialties of 5 Outside Directors

- Finance
- Logistics services
- Government and diplomacy
- Food
- General trading company

Tenure of 5 Outside Directors

- 8 years
- 6 years
- 4 years
- 3 years
- 2 years
- 1 year
- New

Corporate Officer
Non-Corporate Officer
Auditor
Public Auditor

Corporate Auditor
Non-Corporate Auditor

Outside Directors: the number of independent Directors
Non-Corporate Directors
Corporate Directors

For further details on the Directors and Audit & Supervisory Board Members of NEC Corporation, please visit the following URLs:

Directors: https://www.nec.com/en/global/about/executives/directors.html
Audit & Supervisory Board Members: https://www.nec.com/en/global/about/executives/auditors.html

Career background and specialties of 5 Outside Directors

- Finance
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Tenure of 5 Outside Directors

- 8 years
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Corporate Officer
Non-Corporate Officer
Auditor
Public Auditor

Corporate Auditor
Non-Corporate Auditor

Outside Directors: the number of independent Directors
Non-Corporate Directors
Corporate Directors

For further details on the Directors and Audit & Supervisory Board Members of NEC Corporation, please visit the following URLs:

Directors: https://www.nec.com/en/global/about/executives/directors.html
Audit & Supervisory Board Members: https://www.nec.com/en/global/about/executives/auditors.html

Notes:
1. NEC has notified the Tokyo Stock Exchange of its four independent Directors and three independent Audit & Supervisory Board Members (KANSAI-KU-KAI).
2. Attendance of meetings: the number of attendance at meetings (meetings of the Board of Directors or meetings of the Audit & Supervisory Board) out of the number of meetings held in the fiscal year ended March 31, 2019.

Career background and specialties of 5 Outside Directors

- Finance
- Logistics services
- Government and diplomacy
- Food
- General trading company

Tenure of 5 Outside Directors

- 8 years
- 6 years
- 4 years
- 3 years
- 2 years
- 1 year
- New

Corporate Officer
Non-Corporate Officer
Auditor
Public Auditor

Corporate Auditor
Non-Corporate Auditor

Outside Directors: the number of independent Directors
Non-Corporate Directors
Corporate Directors

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2. Attendance of meetings: the number of attendance at meetings (meetings of the Board of Directors or meetings of the Audit & Supervisory Board) out of the number of meetings held in the fiscal year ended March 31, 2019.
NEC Corporation has introduced a chief officer system and is working to solve challenges from a company-wide perspective. In 2019, the company set the term of office for corporate officers at one year and reformed its management system, seeking to establish mission clarity and greater responsibility for results. By having corporate officers work with urgency to complete their respective missions, NEC aims to increase its execution capability.

Here, the vice presidents, chief officers, and business unit heads who are in charge of proposing and executing strategy from a company-wide perspective explain the issues in their respective areas of responsibility and their initiatives to solve them.

Cross-company Corporate Strategy Promotion Framework
(As of July 1, 2019)

**Norihiko Ishiguro**
Senior Executive Vice President, President of Global Business Unit
Creating a Suitable Environment for Growth as a Global Social Value Innovator
Systems and policies must evolve to keep pace with the progress of technology. Through negotiation and sales activities with global governments and international organizations and companies, I will work to establish a business environment that enables NEC to contribute to solutions to global issues such as Social Value Innovation and real growth. I will also work to transform our organizational culture so that NEC can maximize value for customers even more quickly.

**Takayuki Morita**
Senior Executive Vice President, CFO (Chief Financial Officer)
Working towards Adjusted Operating Profit of ¥165.0 billion in Fiscal 2021
As CFO, I will lead, continue, and strengthen our various efforts to achieve the medium-term operating profit target that NEC has proposed to the market. In particular, I will ensure that measures to improve the profitability of underperforming businesses are carried out and deliver results, while proactively pursuing alliances and partnerships to accelerate our businesses, including those in growth fields.

**Akihiko Kumagai**
Senior Executive Vice President, President of Global Business Unit
Aiming to Become a Truly Global Company
To compete in the global market, NEC needs to operate with greater speed, and face new challenges, unprecedented by failure. As a first step in this direction, I will implement a new global HR strategy. Using NEC’s global organization with its rich diversity, by focusing on global talent development and creating a winning culture, I will work on establishing an environment where NEC employees in every country around the world can fully engage in their roles with pride and motivation.

**Chikara Ishii**
Executive Vice President, CDO (Chief Digital Officer)
Creating New Value for a New Digital Era
The rapid development of digital technology such as AI and IoT is not a passing trend; rather, it will fundamentally change society. As CDO, I am working to propose for this new digital era, not only by advancing and promoting NEC’s digital transformation (DX), but also by establishing the building of an ecosystem that will continuously realize innovation by making maximum use of NEC’s technologies and assets, such as AI and biometrics. In this way, I will work to drive the creation of new value.

**Hajime Matsukura**
Executive Vice President, CIO (Chief Information Officer) and CSIO (Chief Information Security Officer)
Executing Human Resource System and Culture Reforms
My goal is to make NEC into an organization that will grow and succeed globally by focusing on securing and developing sustainably and socially fertile human resources. If employees work with enthusiasm and grow independently, the company will also grow. I am confident that preparing an environment where employees can be active and informing our corporate culture will lead to NEC’s growth, and I will spend the year advancing human resource system and culture reforms.

**Hiroshi Kodama**
Executive Vice President, CIO (Chief Information Officer) and CSIO (Chief Information Security Officer)
President of Digital Business Platform Unit
Leading the Creation of a Digitally Inclusive Society
My goal is to realize a society where individual people can flourish through the benefits of digital technology. I am therefore engaging with the three challenges that form the priority themes of NEC’s management strategy, and leading the creation of a digitally inclusive society.
1) Realize digital workplaces that observe diverse capabilities
2) Build a new digital management base that can respond flexibly to transformation
3) Implement high level cyber security countermeasures

**Motoo Nishihara**
Executive Vice President, CTO (Chief Technology Officer)
Head of Central Research Laboratories
Build a Competitive Technological Advantage to Form a Source of Business Value
Amid the acceleration in digital transformation (DX), NEC has the creative technological capability to generate significant social value and expand new businesses. On the other hand, there are also issues to be tackled, such as building up peripheral technologies, proactively in learning external technologies, and achieving commercialization speed comparable to start-ups. I will promote “eco-system type R&D” that makes flexible and dynamic use of external and human resources and enables NEC to transform by shifting its value creation speed up a gear.

**Yutaka Uekawa**
Senior Vice President, President of Cross-Industry Unit
Developing New Businesses through Public-Private Partnerships and Cross-Industry Collaboration to Realize “Society 5.0”
In 2019, we established a cross-industry unit to drive the expansion and development of new businesses through public-private partnerships and cross-industry collaboration toward the realization of “Society 5.0.” We are responsible for the phase from business verification to business development and up to initial business deployment. To begin, we will focus on business development in the fields of smart cities, mobility, industry, travel, and public security networks.

**Makoto Enomoto**
Senior Vice President, CMO (Chief Marketing Officer)
Establishing NEC’s “Power of Transformation” in the Era of Digital Transformation (DX)
NEC enjoys strong brand recognition for being reliable, and for technological capability, which is its core competence. However, our brand still yet to achieve the desired level of recognition for “transformation capability.” I will raise the level of recognition for NEC’s “transformation capability” by promoting DX internally, while building up innovative case examples of DX through co-creation with customers and partners.

**Shinobu Obata**
Senior Vice President, CEO (Chief Legal and Compliance Officer)
Raising the Integrity of the NEC Group through Compliance Activities
The NEC Group views compliance as its highest management priority. Management is constantly communicating the importance of compliance. In addition, in fiscal 2019, we have included compliance as an aspect of leadership, and we have informed our system to give each organization head ownership over promotion and penetration of compliance within their respective organizations. I will strive to thoroughly ensure compliance so that employees and directors conduct their duties with a spirit of integrity at all times.

**Osamu Fujikawa**
Senior Vice President, President of Business Innovation Unit
Tying NEC’s Strong Assets to the Creation of New Social Value
In fiscal 2019, NEC undertook a completely new initiative with the establishment of dotData Inc. and NEC X, Inc. in Silicon Valley. Furthermore, in 2019, we decided to enter the drug discovery business in the immunotherapy field, etc. Through these innovative steps, I will make a dedicated effort to build a pillar to support NEC’s new growth by creating new businesses to solve social issues based on the outstanding technologies of our laboratories and reimagining the value of these businesses.

**Shigeki Shimizu**
Senior Vice President, CSIO (Chief Supply Chain Officer)
Accelerating Growth with Sustainable Supply Chains
Supply chains also are opportunities. We will focus on increasing the efficiency of our supply chains and optimizing them from end-to-end through collaboration and coordination with all of the stakeholders involved. By building sustainable supply chains that take the environment and human rights into consideration, we will accelerate the growth of the NEC Group and increase product quality and safety.

For further details on NEC Corporation’s corporate officers, visit the following URL:
https://www.nec.com/en/global/about/executives/svp.html
## Financial Section

### Consolidated Statements of Financial Position

<table>
<thead>
<tr>
<th><strong>Millions of yen</strong></th>
<th><strong>2019</strong></th>
<th><strong>2018</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Assets</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Current assets</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and cash equivalents (Note 16)</td>
<td>¥ 346,025</td>
<td>¥ 278,314</td>
</tr>
<tr>
<td>Trade and receivables (Note 15)</td>
<td>931,231</td>
<td>734,431</td>
</tr>
<tr>
<td>Contract assets (Note 25)</td>
<td>–</td>
<td>265,725</td>
</tr>
<tr>
<td>Inventories (Note 14)</td>
<td>220,254</td>
<td>234,621</td>
</tr>
<tr>
<td>Other financial assets</td>
<td>4,550</td>
<td>5,875</td>
</tr>
<tr>
<td>Other current assets</td>
<td>112,924</td>
<td>110,199</td>
</tr>
<tr>
<td>Subtotal</td>
<td>1,084,403</td>
<td>1,029,185</td>
</tr>
<tr>
<td>Assets held for sale (Note 17)</td>
<td>23,932</td>
<td>9,071</td>
</tr>
<tr>
<td><strong>Total current assets</strong></td>
<td>1,040,335</td>
<td>1,038,236</td>
</tr>
<tr>
<td>Non-current assets</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Property, plant and equipment, net (Notes 8 and 10)</td>
<td>399,590</td>
<td>408,821</td>
</tr>
<tr>
<td>Goodwill (Notes 9 and 10)</td>
<td>102,967</td>
<td>222,721</td>
</tr>
<tr>
<td>Intangible assets (Notes 9 and 10)</td>
<td>156,248</td>
<td>171,466</td>
</tr>
<tr>
<td>Investments accounted for using the equity method (Note 12)</td>
<td>67,747</td>
<td>72,421</td>
</tr>
<tr>
<td>Other financial assets</td>
<td>245,852</td>
<td>250,409</td>
</tr>
<tr>
<td>Deferred tax assets (Note 13)</td>
<td>142,402</td>
<td>150,511</td>
</tr>
<tr>
<td>Other non-current assets (Notes 10 and 21)</td>
<td>65,210</td>
<td>36,040</td>
</tr>
<tr>
<td><strong>Total non-current assets</strong></td>
<td>1,181,016</td>
<td>1,312,403</td>
</tr>
<tr>
<td><strong>Total assets</strong></td>
<td>¥ 2,821,351</td>
<td>¥ 2,950,639</td>
</tr>
</tbody>
</table>

### Liabilities and Equity

<table>
<thead>
<tr>
<th><strong>Millions of yen</strong></th>
<th><strong>2019</strong></th>
<th><strong>2018</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Liabilities</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Current liabilities</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Trade and other payables (Note 24)</td>
<td>¥ 512,115</td>
<td>¥ 482,596</td>
</tr>
<tr>
<td>Contract liabilities (Note 25)</td>
<td>–</td>
<td>184,059</td>
</tr>
<tr>
<td>Bonds and borrowings (Notes 16 and 20)</td>
<td>139,687</td>
<td>158,678</td>
</tr>
<tr>
<td>Accrued</td>
<td>171,434</td>
<td>178,911</td>
</tr>
<tr>
<td>Other financial liabilities</td>
<td>9,835</td>
<td>16,149</td>
</tr>
<tr>
<td>Accrued income taxes</td>
<td>¥ 13,844</td>
<td>8,296</td>
</tr>
<tr>
<td>Provisions (Note 23)</td>
<td>45,621</td>
<td>58,330</td>
</tr>
<tr>
<td>Other current liabilities (Note 22)</td>
<td>158,840</td>
<td>61,142</td>
</tr>
<tr>
<td><strong>Total current liabilities</strong></td>
<td>1,051,376</td>
<td>1,054,285</td>
</tr>
<tr>
<td>Non-current liabilities</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Bonds and borrowings (Notes 16 and 20)</td>
<td>376,383</td>
<td>388,128</td>
</tr>
<tr>
<td>Defined benefit liabilities (Note 21)</td>
<td>275,326</td>
<td>241,759</td>
</tr>
<tr>
<td>Provisions (Note 23)</td>
<td>13,754</td>
<td>23,168</td>
</tr>
<tr>
<td>Other non-current liabilities (Note 22)</td>
<td>29,420</td>
<td>32,590</td>
</tr>
<tr>
<td><strong>Total non-current liabilities</strong></td>
<td>704,001</td>
<td>733,062</td>
</tr>
<tr>
<td><strong>Total liabilities</strong></td>
<td>1,755,377</td>
<td>1,787,347</td>
</tr>
<tr>
<td><strong>Equity</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Share capital (Note 18)</td>
<td>297,199</td>
<td>297,199</td>
</tr>
<tr>
<td>Share premium (Note 18)</td>
<td>138,704</td>
<td>138,824</td>
</tr>
<tr>
<td>Retained earnings (Note 18)</td>
<td>265,879</td>
<td>355,102</td>
</tr>
<tr>
<td>Treasury shares (Notes 18 and 21)</td>
<td>(3,364)</td>
<td>(3,547)</td>
</tr>
<tr>
<td><strong>Total equity</strong></td>
<td>1,040,285</td>
<td>1,060,325</td>
</tr>
<tr>
<td><strong>Total liabilities and equity</strong></td>
<td>1,040,335</td>
<td>1,038,236</td>
</tr>
</tbody>
</table>

## Consolidated Statements of Profit or Loss

<table>
<thead>
<tr>
<th><strong>Millions of yen</strong></th>
<th><strong>2019</strong></th>
<th><strong>2018</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue (Notes 6 and 24)</td>
<td>¥ 2,846,442</td>
<td>¥ 2,913,046</td>
</tr>
<tr>
<td>Cost of sales (Notes 14 and 27)</td>
<td>2,046,853</td>
<td>2,083,517</td>
</tr>
<tr>
<td>Gross profit</td>
<td>799,589</td>
<td>829,529</td>
</tr>
<tr>
<td>Selling, general and administrative expenses (Note 27)</td>
<td>729,855</td>
<td>742,336</td>
</tr>
<tr>
<td>Other operating income (loss) (Note 26)</td>
<td>(3,889)</td>
<td>(29,128)</td>
</tr>
<tr>
<td><strong>Operating profit</strong></td>
<td>¥ 65,706</td>
<td>¥ 50,405</td>
</tr>
<tr>
<td>Financial income (Notes 6 and 28)</td>
<td>¥ 15,560</td>
<td>¥ 21,989</td>
</tr>
<tr>
<td>Financial costs (Notes 26 and 28)</td>
<td>11,568</td>
<td>8,377</td>
</tr>
<tr>
<td>Share of profit of entities accounted for using the equity method (Note 6)</td>
<td>5,106</td>
<td>5,916</td>
</tr>
<tr>
<td><strong>Income before income taxes</strong></td>
<td>¥ 86,941</td>
<td>¥ 77,993</td>
</tr>
<tr>
<td>Income tax (Note 13)</td>
<td>26,384</td>
<td>25,543</td>
</tr>
<tr>
<td><strong>Net profit</strong></td>
<td>¥ 60,557</td>
<td>¥ 52,450</td>
</tr>
<tr>
<td><strong>Net profit attributable to owners of the parent</strong></td>
<td>45,870</td>
<td>40,195</td>
</tr>
<tr>
<td>Non-controlling interests</td>
<td>14,287</td>
<td>12,255</td>
</tr>
<tr>
<td><strong>Total comprehensive income attributable to owners of the parent</strong></td>
<td>¥ 60,557</td>
<td>¥ 52,450</td>
</tr>
</tbody>
</table>

**Consolidated Statements of Comprehensive Income**

<table>
<thead>
<tr>
<th><strong>Millions of yen</strong></th>
<th><strong>2019</strong></th>
<th><strong>2018</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Net profit</strong></td>
<td>¥ 60,557</td>
<td>¥ 52,450</td>
</tr>
<tr>
<td>Other comprehensive income, net of tax</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Items that will not be reclassified to profit or loss</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Equity instruments measured at fair value through other comprehensive income</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Share of other comprehensive income of associates (Notes 18 and 21)</td>
<td>(10)</td>
<td>(37)</td>
</tr>
<tr>
<td><strong>Total comprehensive income before tax</strong></td>
<td>¥ 60,547</td>
<td>¥ 52,443</td>
</tr>
<tr>
<td><strong>Total comprehensive income</strong></td>
<td>¥ 60,557</td>
<td>¥ 52,450</td>
</tr>
</tbody>
</table>

**Consolidated Statements of Cash Flows**

<table>
<thead>
<tr>
<th><strong>Millions of yen</strong></th>
<th><strong>2019</strong></th>
<th><strong>2018</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Cash flows from operating activities</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Increase (decrease) in cash and cash equivalents resulting from transfers to assets held for sale (Note 17)</td>
<td>(3,547)</td>
<td>(611)</td>
</tr>
<tr>
<td><strong>Increase (decrease) in cash and cash equivalents</strong></td>
<td>¥ 2,821,351</td>
<td>¥ 2,950,639</td>
</tr>
<tr>
<td><strong>Cash flows from investing activities</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Proceeds from sales of interests in subsidiaries to associates (Note 18)</td>
<td>3,430</td>
<td>7,090</td>
</tr>
<tr>
<td>Interest and dividends received</td>
<td>6,076</td>
<td>(8,377)</td>
</tr>
<tr>
<td>Interest paid</td>
<td>(5,764)</td>
<td>(6,309)</td>
</tr>
<tr>
<td>Income taxes paid</td>
<td>(20,702)</td>
<td>(24,461)</td>
</tr>
<tr>
<td><strong>Net cash provided by operating activities</strong></td>
<td>12,916</td>
<td>14,215</td>
</tr>
<tr>
<td><strong>Cash flows from investing activities</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Proceeds from sales of plant, property, and equipment</td>
<td>(43,235)</td>
<td>(48,129)</td>
</tr>
<tr>
<td>Proceeds from issuance of bonds (Notes 16 and 20)</td>
<td>100,000</td>
<td>64,235</td>
</tr>
<tr>
<td><strong>Net cash provided by investing activities</strong></td>
<td>56,765</td>
<td>13,024</td>
</tr>
<tr>
<td><strong>Cash flows from financing activities</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Dividends paid to non-controlling interests</td>
<td>(4,258)</td>
<td>(4,415)</td>
</tr>
<tr>
<td>Proceeds from sales of shares of subsidiaries (Note 17)</td>
<td>228</td>
<td>23,168</td>
</tr>
<tr>
<td>Proceeds from sales of interest in subsidiaries to associates (Note 18)</td>
<td>1,520</td>
<td>1,290</td>
</tr>
<tr>
<td><strong>Net cash used in financing activities</strong></td>
<td>(50,503)</td>
<td>(29,979)</td>
</tr>
<tr>
<td><strong>Net cash used in investing activities</strong></td>
<td>(611)</td>
<td>(76,497)</td>
</tr>
<tr>
<td><strong>Net cash provided by operating activities</strong></td>
<td>12,916</td>
<td>14,215</td>
</tr>
<tr>
<td><strong>Net cash provided by operating activities</strong></td>
<td>12,916</td>
<td>14,215</td>
</tr>
<tr>
<td><strong>Net cash provided by operating activities</strong></td>
<td>12,916</td>
<td>14,215</td>
</tr>
<tr>
<td><strong>Net cash provided by operating activities</strong></td>
<td>12,916</td>
<td>14,215</td>
</tr>
<tr>
<td><strong>Net cash provided by operating activities</strong></td>
<td>12,916</td>
<td>14,215</td>
</tr>
</tbody>
</table>

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**Consolidated Statements of Cash Flows**

**Income before income taxes** | ¥ 86,941 | ¥ 77,993 |
| Depreciation and amortization (Note 6) | 16,037 | 99,082 |
| Impairment losses (Notes 16 and 25) | 1,530 | 12,607 |
| Increase (decrease) in provisions | (7,450) | 15,101 |
| Financial income | (29,533) | 21,990 |
| Financial costs | 11,568 | 8,377 |
| **Net profit** | ¥ 60,557 | ¥ 52,450 |
| **Net profit attributable to owners of the parent** | 45,870 | 40,195 |
| Non-controlling interests | 14,287 | 12,255 |
| **Total comprehensive income attributable to owners of the parent** | ¥ 60,557 | ¥ 52,450 |

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**NEC Corporation Integrated Report 2019**
**Environmental Action with a Particular Focus on Climate Change**

<table>
<thead>
<tr>
<th>Period</th>
<th>2018</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Direct CO₂</td>
<td>2,769 tons</td>
<td>4,614 tons</td>
</tr>
<tr>
<td>Scope 1</td>
<td>2,769 tons</td>
<td>4,614 tons</td>
</tr>
<tr>
<td>Scope 2</td>
<td>5,300 tons</td>
<td>5,925 tons</td>
</tr>
</tbody>
</table>

**Scope 1**
- Direct CO₂ emissions from the burning of fossil fuel and biofuel.

**Scope 2**
- Indirect CO₂ emissions from the consumption of purchased electricity, heat or steam.

**Scope 3**
- CO₂ emissions from transport.

**Non-Financial Section – Achievements and Progress on ESG-Related Themes**

**Environmental**

1. **Greenhouse gas emissions**
   - **Scope 1**
     - 2018: 2,769 tons
     - 2019: 4,614 tons
   - **Scope 2**
     - 2018: 5,300 tons
     - 2019: 5,925 tons

2. **Energy usage**
   - **Fuel (Gas)**
     - 2018: 984 TJ
     - 2019: 931 TJ
   - **PFCs (perfluorocarbons)**
     - 2018: 3,592 TJ
     - 2019: 3,904 TJ
   - **SF6 (sulfur hexafluoride)**
     - 2018: 4,220 thousand tons
     - 2019: 4,712 thousand tons
   - **NF3 (nitrogen trifluoride)**
     - 2018: 5,712 thousand tons
     - 2019: 6,094 thousand tons

3. **Water usage**
   - 2018: 2,769 people
   - 2019: 5,300 people

4. **Environmental Action with a Particular Focus on Climate Change**
   - **Greenhouse gas emissions**
     - **Scope 1**
       - 2018: 2,769 tons
       - 2019: 4,614 tons
   - **Scope 2**
     - 2018: 5,300 tons
     - 2019: 5,925 tons

5. **NEC Chain of Responsibility**
   - **Direct CO₂ emissions**
     - 2018: 2,769 tons
     - 2019: 4,614 tons
   - **Scope 2**
     - 2018: 5,300 tons
     - 2019: 5,925 tons

6. **Greenhouse gas emissions**
   - **Scope 1**
     - 2018: 2,769 tons
     - 2019: 4,614 tons
   - **Scope 2**
     - 2018: 5,300 tons
     - 2019: 5,925 tons

**Social**

1. **Sustainably and Socially Literate Human Resources**
   - **Number of employees returning after childcare leave**
     - 2018: 381 people
     - 2019: 382 people
   - **Ratio of employees returning after childcare leave**
     - 2018: 3.5 times
     - 2019: 4.3 times
   - **Average age of employees**
     - 2018: 38.3 years
     - 2019: 38.4 years
   - **Average length of employment**
     - 2018: 12.2 years
     - 2019: 12.2 years

**Privacy Policies and Measures Aligned with Societal Expectations**

1. **Dialogue meetings with multiple stakeholders**
   - 2018: 121 meetings
   - 2019: 138 meetings

2. **Overall ESG**
   - 2018: approx. 49,000
   - 2019: approx. 45,000

**Governance**

1. **Governance/Compliance**
   - **Ratio of female managers**
     - 2018: 5.6%
     - 2019: 5.9%
   - **Ratio of female new employees**
     - 2018: 7.7%
     - 2019: 9.0%

2. **Security to Maximize ICT Possibilities**
   - **Number of cases of involvement with owners**
     - 2018: 109,390 people
     - 2019: 110,595 people

**Overall ESG**

1. **NEC Safer Cities**
   - **NEC Value Chain Innovation**
     - 2018: approx. 40,000
     - 2019: approx. 30,000

2. **NEC Softer Cities**
   - **NEC Value Chain Innovation**
     - 2018: approx. 40,000
     - 2019: approx. 30,000

3. **Overall ESG**
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     - 2019: 382 people

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Corporate Overview

Company Name: NEC Corporation
Address: 7-1, Shiba 5-chome, Minato-ku, Tokyo 108-8001, Japan
Established: July 17, 1899
Number of Employees (As of March 31, 2019): 110,595
Total Number of Shares Issued (As of March 31, 2019): 260,473,263 shares
Stock Exchange Listing: Tokyo (Securities Code: 6701)
Shareholder Register Administrator: Sumitomo Mitsui Trust Bank, Limited
1-4-1, Marunouchi, Chiyoda-ku, Tokyo

Classification of Shareholders (Shareholding Ratio)
(As of March 31, 2019)
- Japanese Individuals and Others: 23.92%
- Japanese Government and Local Governments: 0.00%
- Securities Companies: 2.26%
- Foreign Investors: 36.56%
- Other Corporations: 2.78%
- Financial Institutions: 32.48%

Major Shareholders (Top 10) (As of March 31, 2019)

<table>
<thead>
<tr>
<th>Name of Shareholders</th>
<th>Number of Shares Held (Thousands of Shares)</th>
<th>Shareholding Ratio (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>The Master Trust Bank of Japan, Ltd. (Trust Account)</td>
<td>18,928</td>
<td>7.28</td>
</tr>
<tr>
<td>Japan Trustee Services Bank, Ltd. (Trust Account)</td>
<td>15,688</td>
<td>6.04</td>
</tr>
<tr>
<td>NHK A/C CLIENT (OWNED BY KKR FUNDS)</td>
<td>8,972</td>
<td>3.45</td>
</tr>
<tr>
<td>Japan Trustee Services Bank, Ltd. (Trust Account No.9)</td>
<td>7,080</td>
<td>2.72</td>
</tr>
<tr>
<td>State Street Bank West Client - Treaty 505234</td>
<td>6,391</td>
<td>2.46</td>
</tr>
<tr>
<td>Sumitomo Life Insurance Company</td>
<td>5,608</td>
<td>2.16</td>
</tr>
<tr>
<td>Japan Trustee Services Bank, Ltd. (Trust Account No.5)</td>
<td>5,075</td>
<td>1.95</td>
</tr>
<tr>
<td>NEC Employee Shareholding Association</td>
<td>4,762</td>
<td>1.83</td>
</tr>
<tr>
<td>BNYMANSI AS AGENT / CLIENTS LUX UCITS NON TREATY 1</td>
<td>4,470</td>
<td>1.72</td>
</tr>
<tr>
<td>Japan Trustee Services Bank, Ltd. (Trust Account No.7)</td>
<td>4,388</td>
<td>1.69</td>
</tr>
</tbody>
</table>

Note: The shareholding ratio is calculated by excluding the number of treasury stock (638,482 shares)