The NEC Way is a common set of values that form the basis for how the entire NEC Group conducts itself. Within the NEC Way, the “Purpose” and “Principles” represents why and how as a company we conduct business, whilst the “Code of Values” and “Code of Conduct” embodies the values and behaviors that all members of the NEC Group must demonstrate. 

Putting the NEC Way into practice will create social value.

Purpose

Orchestrating a brighter world

NEC creates the social values of safety, security, fairness and efficiency to promote a more sustainable world where everyone has the chance to reach their full potential.

Principles

The Founding Spirit of “Better Products, Better Services” Uncompromising Integrity and Respect for Human Rights Relentless Pursuit of Innovation

Code of Values


Code of Conduct

1. Basic Position
2. Respect for Human Rights
3. Environmental Preservation
4. Business Activities with Integrity
5. Management of the Company’s Assets and Information
Consultation and Report on Doubts and Concerns about Compliance

Reference Guidelines
- ISO 26000
- GRI Standards
- United Nations Global Compact
- International Integrated Reporting Council’s “International Integrated Reporting Framework”
- Japan’s Ministry of Economy, Trade and Industry’s “Guideline for Collaborative Value Creation”

Other Related Information
- Earnings Releases/Annual Securities Report
- Corporate Governance Report
- Sustainability Report
- Information Security Report

NEC Way

Business Strategy and Vision
- What’s NEC
- NEC’s Value Creation Journey
- Message from the President
- Value Creation Process
- Feature: DX Initiatives in Response to the New Normal
- Respecting Human Rights
- Sustainably and Socially Literate Human Resources
- Environmental Action with a Particular Focus on Climate Change
- Innovation Management

Business Activities
- Message from the CFO
- Performance Highlights
- At a Glance
- Review of Operations
- Public Solutions Business
- Public Infrastructure Business
- Enterprise Business
- Network Services Business
- Global Business

Management Foundation
- Corporate Governance
- Uncompromising Integrity and Respect for Human Rights
- Messages from an Outside Director and an Outside Audit & Supervisory Board Member
- Directors and Audit & Supervisory Board Members
- Cross-Company Corporate Strategy Promotion Framework

Corporate Data
- Financial Section
- Non-Financial Section
- Corporate Overview
What’s NEC

Establishment

1899

Longstanding relationships of trust with customers

Number of employees*3

Approximately 110,000

Market capitalization

Approximately 1.5 trillion yen

Revenue*2

3,095.2 billion yen

Composition of revenue

- Public Solutions Business: 15%
- Public Infrastructure Business: 22%
- Enterprise Business: 18%
- Network Services Business: 16%
- Global Business: 16%
- Others: 13%

Owner’s equity ratio*3

29.2%

Inclusion in the CDP Climate Change and Water A List

A List

Number of cases of serious involvement with cartels and/or bid-rigging

0 cases

R&D expenses*2

109.8 billion yen

Ratio of male and female hires*1*2

Male 73.3%
Female 26.7%

Ratio of employees returning after childcare leave*1*4

7.8%

Ratio of female managers*3

97.5%

Ratio of employees with disabilities*1*5

2.38%

Number of patents*3

Approximately 47,000

Technology capabilities

Global No. 1

Face recognition*6

Fingerprint recognition*7

Iris recognition*8

Technological capabilities

- Longstanding relationships of trust with customers
- Inclusion in the CDP Climate Change and Water A List
- Number of employees
- R&D expenses
- Number of cases of serious involvement with cartels and/or bid-rigging
- Ratio of male and female hires
- Ratio of female managers
- Ratio of employees returning after childcare leave
- Ratio of employees with disabilities
- Number of patents
- Technology capabilities

*1 For NEC Corporation on a standalone basis
*2 Actual results for the fiscal year ended March 31, 2020
*3 As of March 31, 2020
*4 Ratio of employees returning to work who started childcare leave in fiscal 2018
*5 Based on the Act on Employment Promotion etc. of Persons with Disabilities as of June 1, 2020
*6 Ranked 1st five times in benchmark testing held by the U.S. National Institute of Standards and Technology (NIST)
*7 Ranked 1st eight times in benchmark testing sponsored by NIST
*8 Ranked 1st in benchmark testing sponsored by NIST
Nippon Electric Company, Ltd. (NEC) was established in 1899 as Japan’s first joint venture with a foreign-owned company. In keeping with its founding spirit of “Better Products, Better Service,” NEC has continued to provide services using its distinctive technologies in addition to ICT equipment such as telecommunication equipment and computers.

**1899** Establishment of Nippon Electric Company

**1977** C&C Announced

The integration of computers and communications

The aspiration of enabling people throughout the world to connect anytime, anywhere, and with anyone, is aligned with the SDGs aspiration to “leave no one behind.”

As the value expected by customers and society changed from our tangible technologies and products to the intangible creation of value, we responded under Mid-term Management Plan 2015 by declaring our intention to transform into a Social Value Innovator.

To mark the 120th anniversary of its founding, in 2020 we defined our “Purpose” within the NEC Way as “NEC creates the social values of safety, security, fairness and efficiency to promote a more sustainable world where everyone has the chance to reach their full potential.”

NEC will redouble its business activities inspired by social issues, aiming to contribute to the achievement of the Sustainable Development Goals (SDGs) in 2030.

**2013** Transformation into a Social Value Innovator

**2020** NEC Way

NEC's Value Creation Journey

**Establishment of Nippon Electric Company**

The Founding Spirit of “Better Products, Better Services”

Create customer satisfaction and pleasure by consistently providing better products and services.

**C&C Announced**

The integration of computers and communications

As the value expected by customers and society changed from our tangible technologies and products to the intangible creation of value, we responded under Mid-term Management Plan 2015 by declaring our intention to transform into a Social Value Innovator.

To mark the 120th anniversary of its founding, in 2020 we defined our “Purpose” within the NEC Way as “NEC creates the social values of safety, security, fairness and efficiency to promote a more sustainable world where everyone has the chance to reach their full potential.”

NEC will redouble its business activities inspired by social issues, aiming to contribute to the achievement of the Sustainable Development Goals (SDGs) in 2030.

**NEC's strengths developed to date**

- 1954: Developed the first domestically produced personal computer
- 1958: Developed the first domestically produced flux transistor
- 1960: Developed the first domestically produced computer
- 1964: Developed the first domestically produced optical character recognition (OCR)
- 1970: Developed the first domestically produced optical character recognition (OCR)
- 1975: Developed the first domestically produced optical character recognition (OCR)
- 1980: Developed the first domestically produced optical character recognition (OCR)
- 1985: Developed the first domestically produced optical character recognition (OCR)

**NEC’s Value Creation Journey**

- 1899: Nippon Electric Company founded
- 1977: C&C announced
- 2013: Transformation into a Social Value Innovator
- 2020: NEC Way

**NEC Corporation Integrated Report 2020**

* Ranked 1st eight times in task assessment sponsored by the U.S. National Institute of Standards and Technology (NIST)
* Ranked 1st five times in task assessment sponsored by NIST
Message from the President

Let me begin by expressing my condolences to those who have lost loved ones to the COVID-19 pandemic, and my wishes for a speedy recovery to those who are currently affected by the virus. I would also like to express my heartfelt gratitude and respect to all those working at medical institutions and other medical professionals around the world who are placing themselves at risk on the front lines to provide medical care. I pray for a speedy end to the pandemic.

The COVID-19 pandemic has significantly altered our perceptions of how society and our lives should be, including lifestyles and our government and economic systems. Right now, almost everyone around the world is having to deal with this great trial, and through this shared experience we have come to see the pandemic as the problem of our age. This is the first such significant event in the recent years of globalization. I have a strong sense that NEC’s true value as a Social Value Innovator is being tested as we struggle to face up to these tremendous challenges, to overcome them, and to realize an even more sustainable society. In order to further hone the strengths that it has built up over the past 120 years, NEC will strive to achieve even greater change and evolution.

Takashi Niino
President and CEO
September 2020

Looking back on the Company’s journey to date, NEC has demonstrated its own unique approach in each era, from the founding spirit of “Better Products, Better Service,” to “C&C (the integration of computer and communications)” in 1977, followed by “Orchestrating a brighter world” in 2013. The common thread running through all these concepts is NEC’s constant commitment to providing better value to society. However, while NEC’s growth over the first 100 years of its history was driven by its ability to lead social change from the forefront, for the past 20 years NEC itself has been under pressure to change amid intensifying competition. This era has been one of great upheaval, and one that has challenged NEC’s existence.

Even as society continues to change day by day, moment by moment, we marked the 120th anniversary of our founding in April 2020 by redefining the NEC Way, which sets out NEC’s reason for existence. The NEC Way articulates NEC’s “Purpose” and “Principles” as a company as well as the expected behaviors, the Code of Values and Code of Conduct that all of the members comprising the NEC Group are expected to demonstrate.

In redefining the NEC Way, our emphasis was on clearly stating the purpose of the NEC Group’s existence. As such, we distilled the essential concepts for us as a company into two themes, our Purpose and our Principles.
The NEC Way also sets out three Principles, which we should observe in our conduct as an organization: 1) “Better products, better services,” our founding spirit under which we will pursue 2) “uncompromising integrity (high ethical standards and honesty) and respect for human rights” as the foundation for building trust with society, and the pursuit of 3) “innovation” that goes beyond technological innovation through dialogue and co-creation (Orchestrating) with our stakeholders, in order to create value that solves social issues. In addition, in 2005 NEC became a signatory to the United Nations Global Compact (UNGC), a global initiative aimed at sustainable growth for society and companies. We now promote corporate activities based on the Compact’s 10 principles pertaining to the four fields of human rights, labor, the environment, and anti-corruption.

These are the considerations that have been incorporated into the redefined NEC Way, and we believe that we can contribute to the achievement of the SDGs by putting the NEC Way into practice.

Towards Achieving the Mid-term Management Plan 2020

The Mid-term Management Plan 2020 was formulated as the first step toward a dramatic transformation for the future. In the plan, we set out three themes: “Reform of profit structure,” “Achievement of growth,” and “Restructuring of execution capabilities,” and plotted a course to set the NEC Group on a growth trajectory, envisaging fiscal 2019 as a year for “changing gears,” fiscal 2020, the fiscal year under review, as a year for “turning around,” and the final fiscal year, fiscal 2021, as the year for “taking the offensive.”

Mid-term Management Plan 2020 Targets and Results

<table>
<thead>
<tr>
<th>($Billions of yen)</th>
<th>FY2018/3 Results</th>
<th>FY2019/3 Results</th>
<th>FY2020/3 Results</th>
<th>FY2021/3 Targets</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue</td>
<td>2,844.4</td>
<td>2,913.4</td>
<td>3,095.2</td>
<td>3,030.0</td>
</tr>
<tr>
<td>Operating profit</td>
<td>63.9</td>
<td>57.8</td>
<td>127.6</td>
<td>150.0</td>
</tr>
<tr>
<td>(Operating profit ratio)</td>
<td>2.2%</td>
<td>2.0%</td>
<td>4.1%</td>
<td>5.0%</td>
</tr>
<tr>
<td>Adjusted operating profit</td>
<td>72.5</td>
<td>69.9</td>
<td>145.8</td>
<td>165.0</td>
</tr>
<tr>
<td>(Adjusted operating profit ratio)</td>
<td>2.5%</td>
<td>2.4%</td>
<td>4.7%</td>
<td>5.4%</td>
</tr>
<tr>
<td>Net profit attributable to owners of the parent</td>
<td>45.9</td>
<td>39.7</td>
<td>100.0</td>
<td>90.0</td>
</tr>
<tr>
<td>Adjusted net profit</td>
<td>50.3</td>
<td>47.0</td>
<td>111.2</td>
<td>99.0</td>
</tr>
<tr>
<td>Free cash flows*</td>
<td>115.8</td>
<td>-12.4</td>
<td>177.8</td>
<td>150.0</td>
</tr>
<tr>
<td>Return on equity (ROE)</td>
<td>5.3%</td>
<td>4.6%</td>
<td>11.3%</td>
<td>9.5%</td>
</tr>
</tbody>
</table>

* Excluding M&A portion

Note: Forecasts and targets as of July 31, 2020

Reform of the Profit Structure

First, I will talk about our progress on “Reform of profit structure.”

In efforts to reduce our selling, general and administrative (SG&A) expenses, in fiscal 2019 we implemented a voluntary early retirement plan and reorganized production bases with a view to establishing a strong profit structure able to support continuous investment for transformation.

In reforming our profit structure, in fiscal 2019 we achieved profitability in the wireless backhaul business, which had been one of our challenges, while also completing the sale of the electrode business during the same fiscal year. Furthermore, in the energy business, we have been aiming to engage in partnering that will lead to improved earnings. This was always going to require some time to achieve, but with the added impact of the COVID-19 pandemic we believe we cannot delay partnering any longer. We have now decided to stop receiving new orders at NEC Energy Solutions, and to continue only with executing our guarantee obligations, such as completion and maintenance of contracted projects.

<table>
<thead>
<tr>
<th>Reform of the Profit Structure</th>
</tr>
</thead>
<tbody>
<tr>
<td>SG&amp;A reduction</td>
</tr>
<tr>
<td>Business structure reforms</td>
</tr>
<tr>
<td></td>
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</tbody>
</table>
Achievement of Growth

With regard to “Achievement of growth,” in international business we have seen steady progress in the post-merger integration of acquired companies Northgate Public Services Limited (NPS) in the United Kingdom and KMD Holdings ApS (KMD) in Denmark. We will also work to generate greater value by initiating further M&As through NPS and KMD, in addition to the generation of synergies. In Japan, we have been taking steps to realize commercial services using 5G. As a key strategy, we have been working to strengthen the 5G business through co-creation with other companies rather than doing everything ourselves. Examples include the capital and business alliance we concluded with NTT Corporation for joint research and development and the global rollout of ICT products utilizing innovative optical and wireless technologies, and the agreement we signed with Rakuten Mobile, Inc. to jointly develop the containerized standalone 5G core network.

Restructuring of Execution Capabilities

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. In addition, we have decided to enter the drug development business. Together with our work using the latest technologies in the medical system business, we are driving value creation in the healthcare domain. In our initiatives for transforming NEC’s culture, we are targeting the following measures under 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 authority more clearly,” “encourage innovative actions and challenges,” and “accelerate diversification of the NEC Group.”

Restructuring to enable employees to maximize their capabilities (culture transformation)

<table>
<thead>
<tr>
<th>Japan</th>
<th>Focus on NEC Safer Cities and NEC Value Chain Innovation 5G</th>
</tr>
</thead>
<tbody>
<tr>
<td>International</td>
<td>NEC Safer Cities</td>
</tr>
</tbody>
</table>

By fully committing to the three themes of Mid-term Management Plan 2020 in this way, we are working toward its successful conclusion. During the fourth quarter of fiscal 2020, we encountered disruptive changes in the business environment due to the COVID-19 pandemic, but we were able to limit the impact on our financial results. As a result, in our full-year financial results, all reportable segments achieved year-on-year revenue growth, and we achieved record high profit for the first time since 1997, 23 years ago. I consider these results to be not only due to favorable market trends; they also reflect the alignment of NEC’s initiatives to date, including initiatives under Mid-term Management Plan 2020, with changes in the operating environment of our customers and their needs.

Creating Value Unique to NEC amid New Social Changes

In fiscal 2021, the final year of Mid-term Management Plan 2020, growing concerns of a potential slowdown in the overall economy due to the impact of the pandemic will be offset by new demand arising from the change to a “new normal” going forward. At NEC, we will consider the future together with society and our customers, and ensure continuity in the new environment by promoting digital transformation (DX). At the same time, I believe that we can realize a transformation for our customers that will enable them to continue creating value.

NEC will take steps to adapt to the new normal by adopting the dual perspectives of both people and society. In changes involving people, the need for movement and personal interaction is being reconsidered with a view to preventing the spread of infection, and new approaches to various social activities, such as workstyles, are being introduced in a move to create new customs and living patterns that will provide a higher level of safety and security in the activities and lifestyles of people everywhere. Moreover, in changes in society,
In addition, we are promoting remote working as part of workstyle reforms aimed at increasing productivity. Under the state of emergency declared in Japan, around 60,000 NEC Group employees engaged in remote working. We will continue to promote new workstyles like this going forward, aiming to reduce the number of employees in the office to around 30% of previous levels. In these and other ways, NEC’s business activities are already changing.

While maintaining NEC’s distinctive characteristics, in fiscal 2021 we will continue working to create a new business foundation that promotes medium- to long-term value creation such as this. To make NEC an even stronger company, we must focus on the future and engage in businesses that are one step ahead. NEC has clear strengths accumulated over 120 years, with a foundation in networks and IT, and extending to AI and security technologies. We will strive to combine these strengths to create businesses that bear NEC’s distinctive qualities of maximizing economic and social value as a Social Value Innovator. This is the key to our growth going forward.

To create new businesses with a medium- to long-term view, we have also made a full-scale entry into the drug discovery business focused on advanced immunotherapy using AI. However, with the recent COVID-19 pandemic, we have been applying the AI prediction technology that we use for development of individualized cancer vaccines to the task of genome analysis for the design of a vaccine for COVID-19, and have published analysis results. In contributing to society, our analysis of immunity data from individual optimization using AI will increase the range of treatment options, thereby offering hope, even for those affected by cancer or COVID-19.

While working to realize the DX of society and customers, NEC is also taking steps to create value through its own DX. To introduce two specific initiatives, the first is a trial of a multimodal biometric authentication system that integrates facial recognition technology with iris recognition technology at the gates of NEC’s head office building. The trial test, which includes the 110,000 employees of the NEC Group, confirmed that the system can accurately identify people even when they are wearing a mask or sunglasses. We aim to offer the system for use in various applications; for example in cases where both hands are being used to carry something, or in situations that require identification in a hygienic way that avoids the use of indirect contact via a panel or card.

The second initiative is the NEC Smart Store, which has opened in the NEC head office. This store uses biometric identification to identify a customer entering the store, then automatically tallies their purchases without using a cash register. By reducing the number of people in stores, it is possible not only to avoid crowding around the register, but also to reduce the burden of register duty and risk of infection to store staff.

In fiscal 2020, the 120th anniversary of our founding, we redefined the NEC Way and took steps toward getting NEC back on a path to growth. Then, at the end of the fiscal year, the world was suddenly enveloped in the COVID-19 pandemic and the management environment we faced was radically different from the one we envisaged when we formulated Mid-term Management Plan 2020 three years earlier. However, the expectations and demand for DX that NEC is working on have definitely grown dramatically to a point beyond comparison with previous levels. To achieve new growth, I strongly feel that NEC must seize this moment to demonstrate its true value and meet expectations. To achieve sustainable growth over the next 100 years, NEC will increase its presence as a Social Value Innovator and demonstrate that presence to the world while supporting changes in people and society for a new era.

Within its statement of Purpose, NEC has committed itself to creation of the social values of safety, security, fairness, and efficiency to promote a more sustainable world where everyone has the chance to reach their full potential. Guided by our principles: Better Products, Better Services, Uncompromising Integrity and Respect for Human Rights, and Relentless Pursuit of Innovation, we will invest capital in building up our strengths, including the implementation of our “materiality”—priority management themes from an ESG perspective. We will also contribute to achieving the Sustainable Development Goals (SDGs) through the creation of economic and social value.
Feature

DX Initiatives in Response to the New Normal

The global COVID-19 pandemic has had a huge impact on our lives and economic activity. Even now, local and national governments all over the world are engaged in crisis management, while medical professionals are making every effort to treat and prevent infections. Consumers are leading their own lives and corporations are conducting their business activities under numerous restrictions.

The status, values and behavior patterns of society have already changed, and new values are going to be created, forming a “new normal.” We must accept the new world and change our own behavior.

Since its foundation, the NEC Group has constantly acted as a Social Value Innovator, seeking through its actions to promote human safety and security, social fairness, and economic efficiency. In response to the current crisis, we will aspire to realize the “more sustainable world where everyone has the chance to reach their full potential” cited in the NEC Group’s Purpose, as we create new social value that corresponds to the new normal through digital transformation (DX), which is now more important than ever.

Changes under the New Normal

Changes under the new normal are sparking a digital shift that is accelerating through the whole of society. Society and companies are being called upon to act with greater speed to realize DX that responds to these changes.

The NEC Group has cultivated end-to-end capabilities over many years. These include network technologies such as local 5G, which is essential for realizing DX, as well as cutting-edge core technologies such as world-class biometrics technologies and various unique AI technologies. Through these technologies, we are providing solutions such as NEC Safer Cities, which realizes DX in the social and lifestyle domain, and NEC Value Chain Innovation, which brings DX to enterprise and industry, and we have already established a considerable track record.

NEC is grasping the social issues and the changes required to respond to the new normal quickly and accurately, and providing the solutions for them. In this way, we will accelerate DX and create social value in the new normal.

To achieve these aims and to support an increasingly sophisticated digital society going forward, we will further refine the research, development, and implementation of the core technologies we have cultivated over many years and provide customers with end-to-end solutions such as NEC Safer Cities and NEC Value Chain Innovation.

With this in mind, NEC will gather all of the capabilities of the Group, integrating real and digital, making every effort to treat and prevent infections. Consumers are leading their own lives and corporations are conducting their business activities under numerous restrictions.

NEC Safer Cities


NEC’s Strengths Enabling the Realization of DX

<table>
<thead>
<tr>
<th>Solutions provided</th>
</tr>
</thead>
<tbody>
<tr>
<td>NEC Safer Cities</td>
</tr>
<tr>
<td>NEC Value Chain Innovation</td>
</tr>
</tbody>
</table>

Initiatives for further Acceleration of DX

NEC is grasping the social issues and the changes required to respond to the new normal quickly and accurately, and providing the solutions for them. In this way, we will accelerate DX and create social value in the new normal.

To achieve these aims and to support an increasingly sophisticated digital society going forward, we will further refine the research, development, and implementation of the core technologies we have cultivated over many years and provide customers with end-to-end solutions such as NEC Safer Cities and NEC Value Chain Innovation.

With this in mind, NEC will gather all of the capabilities of the Group, as well as focusing its efforts on the development and strengthening of human resources specializing in digital technologies.
**DX for Society and Daily Life—NEC Safer Cities**

**NEC I:Delight - Providing a Unified Customer Experience across Multiple Touchpoints through a Biometric IX, Such as Face and Iris Recognition**

NEC I:Delight revolutionizes the customer experience by streamlining physical and digital identities into a trusted ecosystem, creating a unified experience. With contactless solutions that make touchpoints touchless, NEC I:Delight shapes personalized experiences that are safe, secure, and hygienic, while being seamlessly enjoyable. Each individual exercises autonomous control over their own personal ID and data, while connecting to multiple corporate and local government services to access them. [https://www.nec.com/en/global/about/vision/case/05.html](https://www.nec.com/en/global/about/vision/case/05.html)

**Start of Trials for Next-Generation Online Medical Care at Saiseikai Central Hospital and Saiseikai Kumamoto Hospital**

At Saiseikai Central Hospital, NEC is conducting trials of an operating system that provides integrated online medical services, from medical treatment, billing, and prescription issuance. The system makes use of existing electronic medical records, ordinary medical information, and online medical information in centrally managing medical examinations through a video telemedicine system. At Saiseikai Kumamoto Hospital, which is a core regional hospital, NEC will conduct a trial with other relevant medical institutions of a system that links patient electronic medical records and uses a video telemedicine system to conduct conferences on admission preparation, hospital transfer, discharge, and on-line follow up.

**Providing a Safe, Secure Online Education System in Denmark**

With educational institutions around the world in a state of disarray over their inability to provide lessons due to COVID-19, Group company KMD is providing the latest educational materials through its online education support system, MyEducation. Conventionally, educators are considered to be a face-to-face activity, but MyEducation offers a completely new concept to protect and support people’s fundamental right to education using digital technology.

Furthermore, MyEducation is also used to create communities between schools and families, teachers and students, supporting the children of Denmark.

**DX for Enterprise and Industry—NEC Value Chain Innovation**

**Demand and Supply Optimization Platform**

**Reducing Food Loss with AI-Powered Demand Forecasting**

The Supply and Demand Optimization Platform enables food manufacturers to optimize inventory and production, food wholesalers and distributors to optimize inventory and enhance resource efficiency, and food retailers to optimize order planning. The platform contributes to reducing food loss by optimizing demand and supply across the entire food value chain and resolving various issues including excessive production, waste of expired food, surpluses, inventory, and unsold products. [https://www.nec.com/en/global/solutions/optimization/index.html](https://www.nec.com/en/global/solutions/optimization/index.html)

**NEC SMART STORE**

**Providing a Quick, Comfortable Shopping Experience Touching Only Products from Store Entry through to Completion of Payment**

At a one-stop Smart Store that opened in the NEC head office building, customers simply pick out the products they wish to purchase and then payment is processed as they walk out of the store, without the need to queue at the checkout. Automated payment eliminates the need to search for money and reduce the time and inconvenience associated with the checkout process.

**Comprehensive Logistics Visualization Platform to Enable Real-Time Tracking of Containers in Transit**

DIMEC® of India and NEC established a joint venture that provides logistics visualization services. The service works by affixing RFID tags to containers when they are unloaded or loaded at ports in Mumbai, reading the data through RFID readers, and updating the data to the cloud. This enables operators to gather accurate positional information about containers in real time by linking with other systems such as port container management information systems.

This has resulted in shorter transport lead times, reduced rejections, and more accurate production plans, while also helping to reduce the use of fossil fuels by reducing inefficient transportation.

**Networks Supporting the Realization of DX**

**Konica Minolta and NEC Strengthen Cooperation to Promote DX by Utilizing Local 5G**

NEC will collaborate as a partner to promote DX utilizing 5G in the fields of imaging and IoT technologies, working style, healthcare, and manufacturing. As a first step, NEC will establish local 5G verification environments in the brand new full package building of Konica Minolta Inc.’s development base, Innokwan Garden OSAKA Center. Konica Minolta will combine its imaging and IoT technology with a variety of assets, including office equipment and medical equipment, as well as NEC’s 5G and AI technologies. Through these efforts, they will increase the value added to industrial optical systems, medical equipment, and office equipment, thereby contributing to the achievement of Society 5.0 and SDGs.

**Rakuten Mobile, Inc.**

**Supporting a Fully Virtualized Cloud Native Mobile Network**

NEC is supporting Rakuten Mobile’s construction of the world’s first highly secure, fully virtualized cloud-native mobile network by providing OSS (Business Support System) and OSS (Operation Support System) solutions and 5G radio equipment compatible with open virtualized RAN (vRAN) technology. NEC and Rakuten Mobile are also jointly developing a containerized software-defined 5G core network based on NEC products for the Rakuten Communications Platform (RCP). Through this project, NEC will assist Rakuten Mobile’s agile roll-out of mobile carrier services.

**Increased Capacity of Optical Submarine Cable**

As society worldwide adopts various digital technologies, large volumes of data are being handled across national borders. Large-capacity optical transmission technology using submarine cables is core infrastructure supporting the handling of large volumes of data. NEC has supported increased in optical submarine cable capacity by compensating for signal distortion using AI analysis results. We are now focusing our technologies to achieve even greater capacities by applying optical AI processing, which is expected to enable the achievement of high speed, low power consumption, and low latency simultaneously in submarine cables for the first time.

**Launch of Digital Office Project to Realize New Workstyles through DX**

NEC has launched the Digital Office Project for realizing new workstyles for the new normal era through DX. Focusing on the type of offices required for the new normal era, we have launched trials of various systems within NEC’s head office building, such as a guided entry system that uses advanced IO (Dometric and image analysis), as well as a automatic store that can recognize customers’ wear and clothing. We aim to begin promoting solutions one by one during fiscal 2021.

**Realizing Diverse Workstyles through Telework**

NEC respects diverse workstyles as a means of realizing both the growth of the Company and personal growth and happiness. As part of this approach, we have introduced telework. Over 80% of NEC employees carried out telework under the state of emergency that was declared in Japan, preventing infection among employees and their families while enabling business continuity.

Looking ahead, we will continue to place top priority on personal safety and peace of mind, while appropriately combining onsite and remote workstyles to increase employees’ quality of life and achieve further growth in our business.

**Initiatives for the Future**

**Drug Development Using Cutting-edge AI**

NEC is focusing on realizing advanced immunotherapy targeting cancer, infectious diseases, and autoimmune diseases through a new type of drug development method that requires advanced AI analysis. In January 2020, we initiated clinical trials of individualized cancer vaccines in Europe and the U.S., and in April 2020, we used the AI technology applied to cancer vaccine development to perform the genome analysis needed to design a vaccine for COVID-19 and published the results. [https://www.nec.com/en/global/solutions/ci-drug/index.html](https://www.nec.com/en/global/solutions/ci-drug/index.html)
Respecting Human Rights

In the Principles of the NEC Way, NEC has committed itself to “Uncompromising Integrity and Respect for Human Rights,” while the NEC Group Code of Conduct clearly requires that human rights be respected in all situations.

In addition, NEC has specified “Privacy policies and measures aligned with societal expectations” as a theme in its “materiality”-priority management themes from an ESG perspective. As such, in addition to compliance with laws and regulations, NEC also plans to develop and supply products and services that meet the range of privacy needs arising from cultural differences in various countries and regions and that are sensitive to human rights issues such as discrimination. Through such means, NEC will strive not only to minimize adverse impacts on society but also to maximize social value.

In fiscal 2020, we created a list of human rights issues to consider in management decision making or business activities by referring to the human rights risk data of an international NPO, Business for Social Responsibility (BSR), focusing on the latest risk examples in the ICT industry and the inherent challenges for the industry that are expected going forward. Within this list, we identified the potential risks shown below.

Based on the list, discussions were held between representatives from international NPOs and international institutions, legal experts, NEC Corporation officers, and responsible managers of relevant divisions. As a result, we identified “new technologies and human rights (AI and human rights)” and “labor issues in supply chains” as issues to be carefully monitored, and we are promoting related initiatives. Furthermore, in response to the COVID-19 pandemic, we will also treat increased vigilance regarding employee health and safety as an important issue going forward.

For further information, please refer to Sustainability Report 2020 "Respecting Human Rights.”

Increasing the Effectiveness of Activities for Solving Human Rights Issues

We held a dialogue with experts to hear their opinions and advice regarding initiatives for respecting human rights in the supply chain and points to bear in mind. The experts agreed with NEC Corporation’s concept for procurement activities that incorporate “collaborating” with suppliers to solve issues and “co-creating” to create social value through business. They also commented that addressing human rights issues would also lead to collaboration and co-creation. Moreover, with regard to issues such as the difficulty of identifying issues facing workers through audits and the delay in establishing a legal framework for increasing individual business owners in the ICT field, the experts suggested that improvements could be made through dialogue and engagement, and that it was important to explore approaches for dealing with owners.

The international community is calling for greater transparency, and as such, in July 2020, we revised our existing CSR Procurement Guidelines and renamed them the Guidelines for Responsible Business Conduct in Supply Chains. We have also distributed a declaration to over 7,000 suppliers as of August 2020, seeking their compliance with the guidelines. Through these Statements of Agreement, we will further promote responsible procurement activities, including respect for human rights.

For further information, please refer to Sustainability Report 2020 "Strengthening Initiatives to Respect Human Rights in Procurement Activities.”

Potential Risks That NEC Should Address

General issues
Access to aid and climate change

Issues related to customers and local communities
Privacy and data protection, right to life and safety, non-discrimination and freedom of movement, speech, expression, and assembly, children’s rights

Issues related to the supply chain
Supplier labor standards, forced labor and modern slavery, child labor, procurement of materials from conflict zones and high risk areas, environmental impact, and fair business practices and anti-corruption

Issues related to employees
Working environment, health and safety, right to collective bargaining and freedom of association, non-discrimination and equal opportunity, privacy and information security, youth employment

Initiatives to Promote Business Operations in Relation to AI Utilization with Respect for Human Rights

In April 2019, NEC formulated the “NEC Group AI and Human Rights Principles” (“Companywide principles”) to guide our employees to recognize respect for human rights as the highest priority in our business operations in relation to social implementation of AI and utilization of biometrics and other data (“AI utilization”). Since then, we have promoted initiatives to incorporate this way of thinking into relevant businesses.

In addition to the above, NEC has established the Digital Trust Advisory Council. Our aim is to incorporate diverse opinions from external experts who have specialized knowledge, and use those opinions to strengthen our ability to deal with new issues arising from AI utilization. In fiscal 2020, we held the Advisory Council twice in Japan, and consulted with external experts (a lawyer, a member of an NPO, an academic, and a consumer) on the impacts to be grasped and measures to deal with them, as well as our initiatives to promote business operations with respect for human rights based on Companywide principles in light of global trends related to biometrics authentication.

Photograph from left:
Techno-i Nakamura
Assistant General Manager, Purchasing Division, NEC Corporation
Kaoru Kikuchi
General Manager, Purchasing Division, NEC Corporation
Shigeki Shimizu
Senior Vice President and CSCO, NEC Corporation

For further information, please refer to Sustainability Report 2020 "AI and Human Rights.”

Strengthening Initiatives to Respect Human Rights in Procurement Activities

For further information, please refer to Sustainability Report 2020 "Strengthening Initiatives to Respect Human Rights in Procurement Activities.”
Sustainably and Socially Literate Human Resources

NEC Corporation is streamlining skill maps by job category and position. By clearly showing employees which skills are required for each position, they can find positions close to their own envisaged careers, or check the role, responsibilities, and required skills of a position. By evaluating the status of their skills with a skill assessment, they can continuously develop their capabilities with the support of their supervisors.

NEC is also acquiring and developing top-level human resources. In 2015, we introduced the post of research fellow, which has no upper limit on compensation. In 2019, we introduced the Selective Compensation Program for Professional Researchers, with no upper limit on compensation for non-managerial employees.

For employees, in fiscal 2019 we introduced a system of nine blocks and multifaceted evaluation to give a fair evaluation of both performance and behavior. We are also aiming to achieve better performance management and support for team member growth by ensuring one-on-one meetings between supervisors and their team members.

NEC Corporation has extended internal job postings, previously introduced NEC Growth Careers (NGC) as an internal job posting system. By constantly presenting and providing positions within the organization so that they can continue to compete successfully in the global arena.

The NEC School for Social Value Creation was established in fiscal 2017 as a training program for nurturing the next generation of leaders.

This executive-level program provides opportunities for participants to engage in dialogue with various stakeholders and gain practical experience at domestic and international sites. Based on this dialogue and experience, the participants create business ideas and business models for realizing social value. At training programs for frontline leaders, participants study and create business ideas and business models for realizing social value. At training programs for frontline leaders, participants study and create business ideas and business models for realizing social value.

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Listening to the Next Generation of Leaders

I want to bridge the business divisions and research labs to create synergies.

I am currently in charge of the quantum computer project, while also working in the AI Analytics Division. My aim is to merge AI and quantum computing, and to start up a business.

In my first winter in this job, I spent a week at NEC Laboratories America, where I had discussions with researchers working at the cutting edge of machine learning. I reflected the results of these discussions in our development work, so it was a very valuable experience. I began working concurrently in the research lab in my third year, and also joined the quantum computer project, which led to my involvement in various departments in NEC as well as ventures and meetings in Japan and abroad.

I hope that the integration of AI and quantum computers contributes to the realization of social values such as safety, security, fairness and efficiency that NEC seeks to provide.
Promoting Inclusion and Diversity

To promote the cultivation of “socially literate human resources,” it is important to create a culture in which employees can understand, respect, and empathize with diverse values and perspectives. NEC Corporation is promoting inclusion and diversity (I&D) from various perspectives, including promotion of global recruitment of human resources, promotion of women’s career advancement and active participation in the workplace, promotion of employment of people with disabilities, and promotion of understanding of LGBT (lesbian, gay, bisexual, and transgender) people.

Goals of I&D

To transform the organization structure and culture into one that transforms individual differences into strengths, responds with agility to change, and continues to compete strongly and win.

Promotion of Global Recruitment of Human Resources

To achieve global business expansion, we are working to recruit various non-Japanese individuals in our research, technology, sales, and corporate administration departments. Through these efforts, we strive to increase the quality of our workforce and promote diversity in each department. We are also working proactively to recruit employees of subsidiaries outside of Japan to work at NEC Headquarters and to facilitate interactions with these personnel and develop high-level human resources. We also make efforts to create a comfortable working environment for employees who need to make religious observances. For example, in March 2020, we opened a prayer room in the Head Office building.

Promoting Employment of People with Disabilities

Guided by the principle of “do what you can do on your own, and help other things for you cannot,” we have been proactively developing skills and improving conditions for people with disabilities. In January 2020, NEC become a signatory to The Valuable 500 initiative for promoting active participation of people with disabilities in the workplace, which was launched at the World Economic Forum annual meeting in Davos. By supporting people with disabilities through employment and contributing to society through support for parasports, we will provide safety, security, fairness, and efficiency. In doing so, we aim to enable people with disabilities to enjoy a rich range of social activities.

Promoting Women’s Career Advancement and Active Participation in the Workplace

We have been working to increase women’s career awareness through various measures. These include a seminar for employees returning from childcare leave and discussions and study sessions hosted by the voluntary association of female members of NEC’s management. In fiscal 2020, we selected promising female employees from a wide range of ranks to begin career development through training assignments at other companies, assessments and coaching from in-house career coaches, group mentoring, and female networking, among other activities.

Promotion of Understanding of LGBT People

In fiscal 2020, sessions were held for all officers, including the President, designed to foster understanding of LGBT, with lectures provided by the people involved. In addition, a group of members primarily from the People and Organization Development Division started activities as LGBT allies* with a public face, who provide direct responses to inquiries and consultation requests from LGBT people. In October 2019, we revised internal regulations to make provision for LGBT employees. We added “a person who is a de facto marriage partner or in a partner relationship” to the definition of “spouse” in order to give de facto marriage partners, including same-sex marriage partners, equal treatment to legally married couples.

* Ally: A supporter who understands the situation of LGBT individuals

Autonomous Design of Working Time and Location

From October 2019, NEC Corporation abolished core time and introduced a flex time system without core time (super flex), aiming to transition to a style of working that is devised by the members of each team in line with the business and the situation of the members, rather than following a uniform style presented by the Company. By combining this system with telework, we encourage individual employees to design their work hours and locations autonomously, aiming to enable individuals and teams to achieve better productivity.

Furthermore, in July 2020 we published the Work Style Design Book to serve as a reference for individuals and teams when thinking about their future careers as they continue to adopt these new workstyles going forward.

NEC aims to continue growing as a company that is the preferred choice of society, and as an attractive company where every employee can palpably feel a sense of personal growth and happiness from working there.

Response to the COVID-19 Pandemic

As the impact of the COVID-19 pandemic becomes prolonged, causing significant changes in social activity, NEC considers its top priority to be ensuring the personal safety and security of its employees and their families. NEC Corporation and its consolidated subsidiaries in Japan and abroad have implemented countermeasures to prevent infection. These include rigorously implementing temperature checks of all employees each morning, enforcing handwashing and mouth rinsing, staggering shifts and encouraging teleworking, utilizing web conferencing, and ensuring that people do not come to work when feeling unwell. We are also promoting telework even further by encouraging work at home whenever possible.

At NEC Corporation, we have been promoting telework since 2018 by creating work systems and environments that enable all employees to work from home. Therefore, we have been able to continue our operations without major disruption even under the current circumstances.

At the front lines of research and development, it was common for researchers to go abroad to engage in face-to-face discussion. Now, the use of common communication tools has enabled many researchers in related fields to participate in simultaneous, dynamic discussions. Moreover, the new research style is helping to accelerate the development of solutions through efficient sharing of daily research results and rapid progress through discussion and analysis, enabling them to reach agreement more quickly.
Environmental Action with a Particular Focus on Climate Change

The TCFD recommends we evaluate the issues related to climate change-induced risks and opportunities, such as transition risks arising from changes in regulations and markets, and physical risks associated with disasters and weather phenomena. As NEC has had the experience of having to suspend plant operations in Thailand due to flooding in the past, we are strengthening our response initiatives through our business activities. For further details on our disclosure of information based on the TCFD recommendations, please refer to our Sustainability Report 2020 “Feature: Response to Climate Change and the TCFD.”

<table>
<thead>
<tr>
<th>Overview of Risks</th>
<th>Time Frame</th>
<th>Summary</th>
<th>Main Initiatives</th>
</tr>
</thead>
<tbody>
<tr>
<td>Physical risk (acute/chronic)</td>
<td>Short term</td>
<td>Increase in business expenditures for the impact of abnormal weather and countermeasures</td>
<td>Reseal data center disaster countermeasures based on actual records of disaster damage in Japan, and strengthen countermeasures such as capital expenditure if necessary.</td>
</tr>
<tr>
<td>Transition risk (Market)</td>
<td>Medium term</td>
<td>Decrease in earnings caused by declining demand for products and services due to an increase in concerns among stakeholders</td>
<td>Acquire SBT designation and promote initiatives to expand renewable energy to achieve them. Periodically survey major customers’ climate change countermeasures.</td>
</tr>
<tr>
<td>Transition risk (government policy and laws)</td>
<td>Medium term</td>
<td>If NEC fails to achieve goals due to an increase in greenhouse gas emissions pricing due to the introduction of carbon pricing, it will incur expenses</td>
<td>Discuss and decide on countermeasures to minimize risk in the Business Strategy Council. Expand efficient use of energy and introduction of renewable energy towards achieving the SBT goals.</td>
</tr>
</tbody>
</table>

Risks and Opportunities

To date, NEC’s environmental management initiatives have focused on using ICT to reduce the amount of CO2 emissions from customers and society. However, we have now expanded our efforts to incorporate a wider range of issues in preparation for the various impacts of climate change. We are thereby providing value with our climate change countermeasures from the perspectives of both “mitigation” and “adaptation.” In fiscal 2018, we began assessing the impact of climate change in terms of both risks and opportunities, in line with the recommendations of the TCFD. Subsequently, in fiscal 2019, we positioned “environmental actions with a particular focus on climate change” as one of our nine “materiality”-priority management themes for ensuring the sustainable growth of NEC. We are broadening our activities through coordination among our business divisions to promote future business expansion.

Aiming to Reduce NEC Corporation’s CO2 Emissions to “Effectively Zero” by 2050

In July 2017, we formulated our climate change countermeasure guidelines up to 2050 in order to strengthen NEC’s sustainable management base and promote creation of a sustainable society together with our customers. In accordance with these guidelines, we aim to reduce CO2 emissions associated with NEC’s business activities (Scope 1 and Scope 2) to effectively zero by 2050.

Course of Action for Climate Change Towards 2050

The NEC Group’s SBTs

In December 2017, NEC committed to making science-based targets (SBTs) for its greenhouse gas emission reduction targets, aiming to achieve the so-called 2°C target of the Paris Agreement. Subsequently, these targets were designated as SBTs by the Science Based Targets Initiative on October 31, 2018. In fiscal 2020, our targets were categorized under the new standard, “well below 2°C.”

Scope 1 + 2*1 Reduce greenhouse gas emissions by 33% compared with FY2018 by FY2031

Scope 3*2 Reduce greenhouse gas emissions from products sold by 34% compared with FY2018 by FY2031

*1 Total of Scope 1 (direct greenhouse gas emissions from sources that are owned or controlled by the Company) and Scope 2 (indirect greenhouse gas emissions from consumption of purchased electricity, heat or steam)

*2 Scope 3 (other indirect emissions covering corporate upstream and downstream processes not included in Scope 1 + Scope 2)
Since 2016, we have continued to engage with our stakeholders and to hold dialogues with external professionals. We explain our environmental activities to gain their understanding. Also, we learn from experts' insights and their information on ESG investors' needs in order to improve our initiatives and information disclosure.

In March 2020, we held discussions with external professionals with expertise in sustainable management, information disclosure, and responsible investment, to address the question: What is necessary to make “environmental action with a particular focus on climate change” into a core driver of sustainable growth? The dialogue session was attended by the Executive Vice President and CDO of NEC Corporation, the Senior Vice President and CSO of NEC Corporation, the Senior Vice President and CSCO of NEC Corporation, the General Manager of the Environmental Promotion Division and Corporate Communications Division.

Going forward, we will further enhance our activities by taking into consideration the opinions of those experts, who advised us to “visualize” targets for environment-related activities, present a “long-term vision” for the future, focus on other environmental issues outside of climate change, such as circular economies, and that they expected NEC to show leadership in creating new markets.

For further details, please refer to our Sustainability Report 2020 "Environmental Action with a Particular Focus on Climate Change".

Example of Climate Change Countermeasures: Disaster Prevention Initiatives at Smart City Takamatsu

NEC has been promoting the Smart City Takamatsu project in collaboration with Takamatsu City since fiscal 2018. Within the project’s framework for leveraging ICT, IoT, and other advanced technologies for urban development, we are also pursuing initiatives for rapid information sharing to support disaster prevention across wide areas. Under this initiative, various disaster prevention data that had existed separately are collected and aggregated, then converted into a standardized form of unified data so that wide area disaster prevention information can be integrated and displayed on the Takamatsu City Dashboard. This leads to faster information sharing among disaster response personnel and multiple local governments by helping them to quickly gain a comprehensive understanding of circumstances.

Furthermore, we are also directing our attention to flood control support measures. Recent torrential rainfall has caused flooding of small and medium-sized rivers in urban areas, resulting in heavy damage. To address this, we are conducting research on river water level prediction using AI, which is expected to contribute to ensuring earlier evacuations of residents in affected areas in the future.

Example of Resource Recycling: Development Support for AI-based Analysis Technology for Microplastics

The problem posed by plastic waste has grown into a global environmental issue. In some cases, the failure to properly dispose of plastic waste results in the plastic being carried away by the wind and rainwater into rivers, and eventually into the oceans. The plastic that has entered the oceans is exposed to ultraviolet rays and other elements that in due course break it down into small particles of 5 mm or less called microplastics. These microplastics continue to exist in the oceans for a considerably long time without decomposing.

With our ICT solutions, NEC is supporting the Japan Agency for Marine-Earth Science and Technology (JAMSTEC) in the development of microplastics-related technologies. Specifically, we are building a system for automatically measuring the size and classifying the shape of fine microplastics through observation with a fluorescence microscope and by utilizing AI. In the future, it is expected that such analytical technology will become established and see widespread deployment, and advancements in the elucidation of the actual situation of marine microplastics will lead to assessments of specific environmental pollution risks, reviews of emissions regulations, and actions in other areas.

For further details, please refer to our Sustainability Report 2020 "Environmental Action with a Particular Focus on Climate Change".
With regard to strengthening our technologies, under the direction of our Chief Technology Officer (CTO), we have formulated a technology strategy for the next stage of growth. We will continuously allocate approximately 4% of our revenue to RD&D and make concentrated investments in NEC’s proprietary core technologies.

NEC has been and will remain passionate about innovation, and will continue to innovate in society by making full use of cutting-edge technologies, extensive knowledge, diverse experiences, and original ideas. As a major part of this, we focus on explaining our initiatives to strengthen our technological capabilities and to pursue innovation through commercialization as the keys for continued provision of value to society.

Aggressive Push to Commercialize Technologies

We are actively promoting a transition into new business models that transcend existing business frameworks and the development of business from NEC’s core technologies.

Inspired by social issues and key core technologies, we will formulate hypotheses about issues, undertaking “business exploration” to promote development of business models through practical field testing and “business development” to implement new business models and realize high social value and sustainable growth. Among these activities, we not only establish business within NEC, but also promote business development activities through various schemes that include spin-outs and carve-outs.

In May 2019, we announced our full-scale entry into the drug development business with a focus on advanced immunotherapies, such as for the treatment of cancer, where we can leverage the strengths of our “NEC the WISE” brand. As a first step, we developed an investigational drug jointly with Transgene SA (head office: Strasbourg, France) and became the first Japanese company to begin clinical trials in Europe and the U.S. for personalized neoantigen* vaccines for head and neck cancer and ovarian cancer.

The 18st Ordinary General Meeting of Shareholders, held in June 2019, approved an amendment to the Articles of Incorporation, establishing a new objective: “To manufacture, sell or otherwise dispose of, medicines, quasi-medicines, reagents, and other chemical products, and to provide medical support services and medical testing services” (Article 2 (5)). We will expand the social solution business by further promoting the medical system business and the drug development business using cutting-edge technologies.

Concentrated Investment in No.1/Only 1 Core Technologies

As part of these efforts, we will continue to strengthen “NEC the WISE” as a cutting-edge AI technology brand, along with our “Bio-IDiom” brand for biometric authentication products.

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.

At NEC Corporation, because intellectual property is regarded as an essential business resource supporting our Group’s competitiveness and stability, as well as for contributing to co-creation with our customers, we strive to strengthen and protect not only our patents and knowhow but also the designs and trademarks that support our global brand.

Contributing to the Improvement of Lifestyle Habits of India’s Bihar Residents

In February 2020, the Government of Bihar (Republic of India), NEC Corporation, and NEC Technologies India Private Limited concluded a memorandum of understanding (MOU) on collaboration in the area of preventive healthcare services. This collaboration is aimed at promoting the health and wellness of citizens in the state of Bihar, India. The three parties will collaborate to offer periodic, home-visit health check, and encourage citizens to change their lifestyle habits.

For the first part of this project, a pilot trial was conducted in February 2020. In this pilot, community healthcare workers known as Accredited Social Health Activists (ASHA), who are appointed by the Government of Bihar, provided complimentary door-to-door health checks for approximately 4,200 citizens in the state and offered advice for improving lifestyle habits. Citizens with the need to make considerable improvements to their lifestyle habits are arranged for consultation with an Auxiliary Nurse Midwife, a village-level health worker, for further examination of blood pressure and blood glucose levels.

NEC developed and provided a health application capable of showing each citizen’s health status and providing advice according to the data recorded by ASHA workers. NEC also provided android tablet devices, measuring equipment and training for the ASHAs. Furthermore, we analyzed the collected data from various perspectives and provided the analysis to the Bihar state government in the form of a health status dashboard, which was extremely well-received.

Going forward, while continuing to promote job creation and vocational training for ASHA workers, we aim to contribute to the creation of social and economic value by also providing solutions that will allow the state government to use medical examination data for decision making to prevent an increase in social welfare costs.

Tackling Social Issues

MOU signing ceremony

*Neoantigen: Newly generated cancer antigens associated with genetic mutations in cancer cells. Neoantigens are not expressed in normal cells, but are found only in cancer cells, many of which vary from patient to patient.
Message from the CFO

Optimizing short-term profit and maximizing long-term profit to grow and enhance corporate value through appropriate capital allocation

Takayuki Morita
Senior Executive Vice President
CFO (Chief Financial Officer) and Member of the Board (Representative Director)

We are currently making steady progress toward achieving our targets under Mid-term Management Plan 2020. An important issue is capital allocation.

With regard to the cash we generate, it is important to think about long-term business results when considering its allocation. Focusing excessively on short-term profit may lead to reduced opportunities for investment in development as well as expenses for sales expansion based on a shortsighted outlook, which is not advisable. Since my appointment as CFO, I have promoted the view within the Company that in conducting management, short-term profit is to be optimized and long-term profit is to be maximized.

I will explain our initiatives to generate cash and our approach to capital allocation, also touching on the impact of the COVID-19 pandemic.

Improving profitability and increasing asset efficiency are both important for generating cash to fund the abovementioned capital allocation. Another way to generate cash is to monetize assets.

Improving Profitability

We are strengthening our profit structure so that we can continue making the investments needed to survive amid global competition. In fiscal 2019, we carried out structural reforms that reduced fixed expenses, the effect of which was reflected in our profit levels for fiscal 2020.

In terms of business portfolio reform, we decided to deconsolidate NEC Display Solutions Ltd. and convert it to a joint venture in an agreement with Sharp Corporation in March 2020. Then, in June 2020, we decided to stop accepting new orders in our global energy business. By continuing to focus on our core businesses, we will increase profitability.

Unprofitable projects weigh down on profits. Currently, we are making improvements in this area with the aim of reducing the losses from these projects from a level of more than 10.0 billion yen to less than half of that. Projects may become unprofitable if they are investments in new domains or in novel projects, or if risks have materialized due to inappropriate project management.

By conducting more stringent checks from a legal standpoint, we have managed to reduce the level of unprofitable projects to a certain extent. We can improve further by strengthening early detection of risks in the upstream stages of the projects.

Increasing Asset Efficiency

In an effort to increase asset efficiency, we are promoting companywide CCC improvement measures such as implementing prepayment negotiations, ensuring appropriate cycle times and optimizing inventory levels. In fiscal 2020, we conducted a pilot project in four divisions and managed to introduce improvement measures worth over 10.0 billion yen. From fiscal 2021, we will build a cross-divisional team of several hundred people to expand these activities companywide.

Monetizing Assets

In April 2020, we decided, in principle, to eliminate cross-shareholdings. The method and timing of the sale of these shareholdings has been the subject of careful consideration. I aim to complete the sale of shares totaling at least 50.0 billion yen over the coming year or so. Cross-shareholdings will be held only when the Board of Directors has accepted the rationality of the shareholdings, having clarified their strategic value and considered the return from a capital cost perspective.

In addition to cross-shareholdings, we are also actively monetizing available-for-sale assets.

Message from the CFO

Cash Generation

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Message from the CFO

We are making good progress with Mid-term Management Plan 2020, and steadily executing measures aimed at achieving the final-year target of an operating profit ratio of 5%. In our next mid-term management plan, we will target an even higher operating profit ratio.

To do so, I believe it will be important to allocate capital appropriately, seeking a balance between a sound financial structure, shareholder returns, and growth investments.

Ensuring a Sound Financial Structure

With regard to ensuring a sound financial structure, I believe that our balance sheet is sufficiently stable. Taking our D/E ratio and net debt/EBITDA ratio as indicators of soundness, we will allocate capital to increasing financial soundness in parallel with making growth investments with a view to raising our credit rating.

Shareholder Returns

Turning to shareholder returns, our target for the dividend payout ratio is around 30% of the average profit over the past five years. Our policy is to realize stable dividend payments to meet shareholder expectations. At the moment, we don’t plan to conduct any share buybacks. Given NEC’s current business environment, we believe that we can create greater corporate value by making growth investments such as M&As, and that increasing corporate value will result in a better return to shareholders.

Review of Fiscal 2020 and Financial Management in Fiscal 2021

I have explained NEC’s basic policy for capital allocation and the generation of cash to fund it. Now I will review our financial results for fiscal 2020 while explaining our initiatives for achieving our targets for fiscal 2021, the final year of Mid-term Management Plan 2020.

In fiscal 2020, we achieved tremendous year-on-year gains in both revenue and operating profit as we reaped the benefits of a series of structural reforms conducted in fiscal 2019, and each segment made improvements. Looking back over the past two years, we made advance payments for expense and structural reforms once we were sufficiently sure of achieving our internal targets. These payments totaled 15.0 billion yen in fiscal 2019 and 27.0 billion yen in fiscal 2020. We are now carrying out measures related to proposed investments for fiscal 2021 onward, improvements to the profit structure, and optimizing our assets.

Net profit totaled 100.0 billion yen, its highest level in 23 years, mainly due to improved operating profit and tax effects from completing procedures related to previously liquidated corporations. As a result, the year-end dividend increased from the initial forecast of 30 yen per share by 10 yen to 40 yen, for an annual dividend of 70 yen per share.

Free cash flow improved by 190.3 billion yen year on year, resulting in positive cash flow of 177.8 billion yen. This partly reflects special factors, such as an increase of around 36.0 billion yen due to changes in IFRS 16 (Leases). However, other factors included an improvement of 75.9 billion yen in adjusted operating profit (loss) and an improvement of about 36.0 billion yen in working capital due to enhanced asset efficiency. In particular, we attribute the improvement in the balance of operating income and expenditure to the gradual emergence of effects from the aforementioned CCC improvement measures.
Performance Highlights

NEC Corporation and Consolidated Subsidiaries
For the fiscal years ended March 31

* Figures for adjusted operating profit and adjusted net profit have not been audited by the accounting auditors.

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</tr>
</thead>
<tbody>
<tr>
<td>Revenue (billion yen)</td>
<td>3,115.4</td>
<td>3,096.8</td>
<td>3,071.6</td>
<td>3,043.1</td>
<td>2,935.5</td>
<td>2,824.8</td>
<td>2,665.0</td>
<td>2,844.4</td>
<td>2,913.4</td>
<td>3,095.2</td>
</tr>
</tbody>
</table>

Operating profit

<table>
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</tr>
</thead>
<tbody>
<tr>
<td>Operating profit</td>
<td>57.8</td>
<td>73.7</td>
<td>114.6</td>
<td>106.2</td>
<td>128.1</td>
<td>91.4</td>
<td>41.8</td>
<td>63.9</td>
<td>58.5</td>
<td>127.6</td>
</tr>
</tbody>
</table>

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

Fiscal year ended March 31, 2012

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

Fiscal year ended March 31, 2013

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

Fiscal year ended March 31, 2014

1. Divested all of NEC's stakes in NEC Mobile, Ltd., currently NRX Mobility Co., Ltd., a mobile phone sales business

Fiscal year ended March 31, 2015

1. Transferred administrative staffs and shared IT assets from NEC to NEC Management Partner, Ltd. (Business Process Optimization Project)

Fiscal year ended March 31, 2017

1. Consolidated Japan Aviation Electronics Industry, Limited

Fiscal year ended March 31, 2018

1. Acquired UK company Netplay British Public Limited

Fiscal year ended March 31, 2019

1. Established denDenCo, Inc. in the U.S.
2. Established NECX, Inc. in the U.S.
3. Acquired Danish company RWD Holdings ApS
4. Sale of shares in electrode business

Fiscal year ended March 31, 2020 (The fiscal year under review)

1. Sold shares of nippon aviation co., Ltd.
2. Decided to convert nec display solutions ltd. into a joint venture

Notes:
1. Net profit (loss) attributable to owners of the parent per share is calculated 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 amounts reflect a share consolidation (with a ratio of 10 shares to 1 share) that took effect on October 1, 2017.
At a Glance
NEC Corporation and Consolidated Subsidiaries

Revenue, adjusted operating profit/(loss), adjusted net income, free cash flow, and composition of revenue are financial results for the fiscal year ended March 31, 2020 (IFRS).

<table>
<thead>
<tr>
<th>Public Solutions Business</th>
<th>Public Infrastructure Business</th>
<th>Enterprise Business</th>
<th>Network Services Business</th>
<th>Global Business</th>
<th>Others</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue</td>
<td>478.4 billion yen</td>
<td>678.8 billion yen</td>
<td>549.8 billion yen</td>
<td>482.7 billion yen</td>
<td>493.1 billion yen</td>
</tr>
<tr>
<td>Adjusted operating profit</td>
<td>34.2 billion yen</td>
<td>64.2 billion yen</td>
<td>52.1 billion yen</td>
<td>30.6 billion yen</td>
<td>24.4 billion yen</td>
</tr>
</tbody>
</table>

Major Products and Services
- Systems Integration (Systems Implementation, Consulting)
- Maintenance and Support
- Outsourcing/Cloud Services
- System Equipment

Examples of Major Customers and Main Solutions
- Healthcare: Electric Medical Record, Regional Healthcare Information Network
- Regional Industries: Backbone Service

Major Consolidated Subsidiaries
- NEC Nexsolutions, Ltd.

Examples of Major Customers and Main Solutions
- Manufacturing: Global SCM, Product Lifecycle Management, Production Management, Sales Management
- Retail and Services: Retail Systems for Stores and Head Offices, Logistics Management
- Finance: Banking, Business Branch Systems, Insurance and Securities Infrastructure, Insurance and Securities Channels

Global Business
Revenue 493.1 billion yen
Adjusted operating profit (loss) -3.2 billion yen
Adjusted net profit 111.2 billion yen
Free cash flows 177.8 billion yen

At a Glance
At a Glance
NEC Corporation and Consolidated Subsidiaries
Revenue, adjusted operating profit/(loss), adjusted net income, free cash flow, and composition of revenue are financial results for the fiscal year ended March 31, 2020 (IFRS).

Adjusted operating profit 145.8 billion yen
Adjusted net profit 111.2 billion yen
Free cash flows 177.8 billion yen

Composition of revenue
- Public Solutions Business 15%
- Public Infrastructure Business 22%
- Enterprise Business 18%
- Network Services Business 16%
- Global Business 16%
- Others 13%

(Notes) Figures for revenue, adjusted operating profit/(loss), and composition of revenue for the fiscal year ended March 31, 2020 are restated to conform with the new segments, which have not been audited by the accounting auditors.
Review of Operations

Public Solutions Business

Expand Business Domain for Solving Social Issues

Chikara Nakamata
Executive Vice President

Solving Social Issues by Providing Value beyond the Conventional Scope of an ICT Vendor

Japan is facing social issues arising from declining birthrates and an aging population, increasing social security costs, a declining workforce, and a slump in consumption. NEC’s task is to grasp these issues and address them firmly, thus contributing to realizing a sustainable society. Using our accumulated expertise, AI and biometrics technologies, and co-creation, we will provide value beyond the conventional scope of an ICT vendor. In this way, we will contribute to realizing sustainable growth and achieving the companywide profit targets.

Business Environment and New Market Opportunities

Business model reforms driven by AI and IOT (DX) are developing on a scale that far exceeds the traditional scope of ICT vendors. Meanwhile, the traditional ICT market is contracting, and we need to expand our business into new domains inspired by social issues for our sustainable growth.

In Japan, the COVID-19 pandemic has exposed and drawn attention to issues with the systems of national and local governments, as well as medical institutions and small-to-medium sized enterprises (SMES), as well as delays in their digitalization. We view this as an opportunity for us to contribute to the development of safe, secure, fair, and efficient social infrastructure using advanced ICT such as AI, IOT, and biometrics.

Providing Social Infrastructure to Realize Advanced Local Communities

Countermeasures against COVID-19 have helped to increase awareness of the concepts of remote, touchless, and resilience in every area of society. We will also accelerate our response to DX in the public business domain.

Contributing to the Realization of Digital Government

In order to contribute to the realization of digital government in Japan, we will accelerate the creation of services that offer users true convenience, using national infrastructure such as the Social Security and Tax Number System (“My Number”) and advanced technologies such as AI and biometrics.

Digital Healthcare Using ICT

In the area of healthcare, we will use advanced ICT to contribute to solutions for critical issues, such as ensuring safety and security on the frontlines of medical care and overcoming labor shortages. These technologies include image diagnostic support using AI and remote/touchless solutions that help to prevent infections from occurring and spreading inside hospitals. In this way, we aim to realize a healthy, living society where people can live vibrant lives.

Helping to Create Resilient Cities

To address diseases such as COVID-19 as well as natural disasters that occur each year, we will contribute to the creation of resilient cities by utilizing advanced technologies in our Social Infrastructure Business, which includes disaster prevention, fire service, transportation, and electricity.

Toward Realizing a Safe and Secure Olympic and Paralympic Games Tokyo 2020

For the Olympic and Paralympic Games Tokyo 2020 (Tokyo 2020 Games), we aim to make sure that the event runs safely, securely, and smoothly by providing advanced public safety products that utilize biometrics and behavior detection and analysis, along with private network radio systems. The Tokyo 2020 Games have been postponed for one year due to the impact of COVID-19, and providing a safe and secure environment is the highest priority for running the event. Given the situation, NEC will continue to utilize advanced technologies to ensure that the Tokyo 2020 Games are safe, secure, and successful.

STRENGTHS

- Strong track record, high credibility, advanced technologies, and high market share in Japan for systems and cyber security in governmental organizations, local governments, and power companies.
- Ability to propose customers’ future concepts based on “domain knowledge,” specifically operational expertise and deep knowledge of data through longtime deals.
- Provision of vertically integrated solutions for full-layer I/F with the “NEC the WISE” group of AI technologies, “Bio-Defense” biometrics, IOT, networks, and sensing technologies including security.

OPPORTUNITIES

- Acceleration of digitalization in government services and the medical field due to lifestyle and business style changes caused by the COVID-19 pandemic.
- Even greater expectation for safe and secure running of the Tokyo 2020 Games, despite their postponement due to the COVID-19 pandemic.
- System generation change and innovation in the Social Infrastructure Business (electric power, roads, etc.).
- Expansion in demand for strengthening of systems and monitoring services for cyber security.

WEAKNESSES

- There is a high proportion of large-scale projects in Japan, with fewer projects that provide regular income streams, such as in services, meaning that demand volatility can have a significant impact.
- Countermeasures: Transform the business model to focus on capturing service projects, thereby raising the ratio of regular income projects.
- Additional costs result from the complexity of project management for large-scale projects and the issues inherent in system development using cutting edge technology. These costs can have an impact on business results.
- Countermeasures: Further accelerate measures such as enhancement of risk management and visualization and standardization of development. Minimize additional costs.

THREATS

- Intensifying competition for orders, increasing number of projects with difficult requirements in cost and delivery.
- Countermeasures: Rigorously differentiate products in terms of functionality and performance while constantly improving cost competitiveness and quality.
- Possibility that digitalization may prompt an increase in market entries from other companies and other industries.
- Countermeasures: Execute business strategies that anticipate changes in existing business fields.
- Deterioration of the economic environment due to the COVID-19 pandemic and curbs on ICT investment due to downturn in customers’ performance.
- Countermeasures: Focus on developing and providing solutions needed for the new normal.

Review of Operations

Public Solutions Business
Public Infrastructure Business

Supporting Key Public Infrastructure and Continuing to Advance toward the Future

Contributing to Achievement of the Mid-term Management Plan 2020 by Stable Earnings

In the Public Infrastructure Business Unit, we support the stable running of mission critical operations for governments, governmental agencies including national security, and broadcasters using ICT. By supporting these key national infrastructure entities, we will maintain stable earnings. However, as our businesses have an inherent tendency to take up the challenge of world-leading or industry-leading technologies, unprofitable projects can result. To minimize this possibility, we will further strengthen the risk evaluation process in fiscal 2021 to ensure stable profits, and contribute to achieving our companywide targets under the Mid-term Management Plan 2020.

Continuous Investment to Contribute to Realizing a Sustainable Society

Continuous technology development is essential to the ongoing provision of new value that supports key national infrastructure. The technologies that we have cultivated include biometric authentication - developed in the law enforcement and justice fields and offering world-leading accuracy, cutting-edge cyber-security technologies - developed through our efforts in the field of national security, and space-related technologies - developed for use in carrying out missions in uncharted places in the harsh environment of space (used in Hayabusa 2). These Public Infrastructure Business Unit technologies are currently applied in projects in various fields, representing NEC. We will cooperate with the Research and Development Unit to promote technology development that secures a competitive advantage in technology for the future, and contributes to the realization of a sustainable society by supporting key social infrastructure.

Towards Mid- to Long-term Business Growth

The Japanese Government’s Digital Government Action Plan is a sign of accelerating transformation in government agencies, which are our customers, as well as the broadcasting and media sectors. In addition to digitalization, we will also venture into the development of systems related to society overall, helping to increase productivity of Japan by proposing future concepts for customers’ operations. Our strengths in this area are the customer expertise, various technologies, and assets that we have accumulated over many years. With these strengths, we have been providing digital education materials through the NEC Education Cloud, digitalizing year-end tax adjustment procedures, and so on. Looking ahead, we will continue to try out new ideas and challenges as we work to transform the structure of social systems and create new social value with our customers.

Finally, in April 2020 we announced that we had received an order for an Earth observation satellite system for Vietnam. This is also a practical example of our materiality, NEC Corporation’s nine priority management themes, one of which is “Environmental action with a particular focus on climate change.” We will continue to provide social value through practical implementation of our materiality based on the SDGs.

Noritaka Taguma
Executive Vice President

Review of Operations

<table>
<thead>
<tr>
<th>2019</th>
<th>2020</th>
<th>2021 (Forecast)</th>
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</thead>
<tbody>
<tr>
<td>Revenue (Billions of yen)</td>
<td>658.8</td>
<td>678.8</td>
</tr>
<tr>
<td>Adjusted Operating Profit (Billions of yen)</td>
<td>50.8</td>
<td>64.2</td>
</tr>
<tr>
<td>Adjusted Operating Profit Ratio</td>
<td>7.7%</td>
<td>9.5%</td>
</tr>
</tbody>
</table>

STRENGTHS

- Strong track record, high credibility and advanced technologies for systems and cyber security in governmental organizations and broadcasters.
- Ability to propose solutions to customers’ issues and future concepts based on expertise and knowledge of data through long time deals.
- Provision of vertically integrated solutions with the "NEC the WISE" lineup of AI technologies, "Bio-IDiom" biometrics, IT and networks and sensing technologies including security.

WEAKNESSES

- Susceptibility to volatility of demand due to fewer projects that provide regular income.
  > Countermeasures: Attempt to promote recurring and subscription-based businesses.
- Need for continuous investment to develop advanced technology and maintain quality.
  > Countermeasures: Increase ability to recover long-term investments.

OPPORTUNITIES

- Expansion in ICT demand due to the Digital Government Action Plan, such as the Government Cloud and Giga School concepts.
- System generation change in the Social Infrastructure Business (broadcasting, law enforcement, etc.).
- Expansion in demand for strengthening of systems and monitoring services for cyber security countermesures.

THREATS

- New business trend represented by IP broadcasting and transformation of the viewer rating and advertising models.
  > Countermeasures: Regularly revise business plans looking 5 and 10 years ahead.
- Contraction of the existing ICT market.
  > Countermeasures: Acquire strengths through investment in new themes and expand new business domains by proposing digital transformation to customers.
Enterprise Business

Accelerating Digital Transformation through NEC Value Chain Innovation

Solving Social Issues with VCI

Society and corporations face various kinds of social issues, such as food waste, labor shortages, changes in the consumption environment, and diversifying threats in both real and cyber-space, not to mention adapting to the new normal that has been brought on by the COVID-19 pandemic. To solve these social issues, we will utilize cutting-edge digital technologies and promote co-creation with customers in order to connect people, goods, and processes, reaching across the boundaries between enterprises and industries to provide NEC Value Chain Innovation (VCI) that will create new value.

Expanding Offerings to Convert to a Service-Type Business Model

The digital shift in the Japanese IT market is accelerating, and we expect the imminent arrival of an era where digital technology is used by the majority of businesses. Looking ahead to this change, we will respond quickly by establishing offerings for customers of all business fields. Then, we will strengthen the value provided by VCI through co-creation.

We also recognize that service-type businesses such as subscription businesses are going to become mainstream, and customer demand is increasing. We will allocate resources to SE, including service staff, and promote the development of service provision-type human resources, converting our business model to handle service provision-type business and transforming our organization into one that can support new business structures.

Capturing Demand in the New Normal and Accelerating VCI Business Development

Since the formulation of the Mid-term Management Plan 2020, we have steadily implemented initiatives to maintain our existing business domains, while concentrating investment in transformation for growth, conducting cost structure reforms, and setting up for the VCI business. These initiatives have produced steady growth in revenue and operating profit, and our business structure has also been transformed in line with the digital shift of the market.

In fiscal 2021, we will continue to invest in expanding offerings needed for accelerating proposal- and co-creation-type businesses for relevant markets, as we move to capture new demand for the new normal, such as remote, online, touchless, automation, and transparency/trust. In addition, by strengthening our coordination with the companywide DX strategy, we will increase the speed of our market response and bolster our competitiveness.

Moreover, in our existing business domains, we will strive to strengthen management and secure profits, while shifting human resources into digital domains, while keeping an eye on market changes.

We will respond to new demand from society and customers in the new normal, with a primary focus on VCI, and move forward together with customers and business partners, combining our capabilities with theirs as a company that solves social issues.

STRENGTHS

- Reliability and achievements cultivated over many years of providing IT services to domestic clients in the manufacturing, retail and service, and financial industries.
- Integration of advanced technologies and business to create customer value through modernization and VCI.

WEAKNESSES

- Need to supplement know-how assets to swiftly realize solutions for social issues
  - Countermeasures: Strengthen co-creation with external partners across company and industry boundaries.
- Need to secure digitally capable human resources to respond to new domains.
  - Countermeasures: Strengthen human resource shift and recruitment in response to market changes.

OPPORTUNITIES

- ICT expected to play a wider role in solving various social issues, such as food waste and labor shortages.
- Expansion in new business opportunities arising from changes in workstyles and lifestyles.

THREATS

- Change in customers’ fields of investment due to acceleration of digitalization.
  - Countermeasures: Create new business models and strengthen DX support capabilities.
- Intensifying competition due to market entry of companies from other industries and internationally, etc.
  - Countermeasures: Increase market response speed and value provision by strengthening internal collaboration and co-creation with external partners.
Network Services Business

Accelerating Digital Transformation by Providing “Connection Value”

Initiatives of the Network Services Business in the Digitalization Era

The digital shift in workstyles and lifestyles is advancing rapidly, driven by the arrival of the 5G/IoT era. The industrial world is also stepping up the pace of digital transformation (DX) aimed at using AI, IoT and cloud computing to streamline management and capture new business. In this environment, connecting people, things and contexts with data securely and flexibly is more important than ever, and demand for this is growing.

NEC will lead DX by maximizing the “connection value” it has cultivated through its telecommunications-related businesses since its foundation. By providing the ability to connect widely throughout society, we will contribute to the realization of new business creation, a safe and secure society, and better lifestyles.

Further Development of the Network Services Business

For 5G and beyond, networks will need to be flexible enough to handle a diverse range of services and multiple frequencies. The key to achieving this is shifting to open and virtualized systems. We are actively promoting the provision of equipment capable of supporting this shift, and in July 2019 we started shipping 5G radio units, the 5G core network and BSS/OSS.

Providing Innovative Forms of Connection to Support DX

All of society is currently undergoing a huge digital shift. We are promoting global development, aiming to build a globally competitive eco system centered on the shift to open systems. In the 5G domain, we will provide integrated telecommunications infrastructure such as mobile systems, optical systems, and network management systems. In addition, as security becomes more important, NEC will promote secure networks that use its original security technologies to enable management of everything from supply chains to network equipment.

As one of these initiatives, in June 2020 NEC and NTT Corporation announced an alliance for joint research and development of advanced technologies and products, primarily optical and wireless products. Going forward, the two companies will contribute to enhancing the industrial competitiveness of Japan and further ensuring safe and reliable communication infrastructure, playing leading roles in working with numerous communication equipment vendors. Furthermore, the two companies will jointly develop cutting-edge technologies and globally competitive products that originate in Japan by utilizing both companies’ strengths. The collaboration will also encompass the formation of an optimal sales framework that will facilitate the roll-out of such technologies and products to the global market.

Meanwhile, for industrial customers we will provide a wide range of solutions, from management of a vast amount of data and IDs to solutions that change data into value by linking the real world with the cyber world. Moreover, through co-creation activities with diverse customers we will create new businesses and services that utilize local SG, reforming industrial processes through automation and autonomicization, and a shift to remote operations, thereby helping customers to optimize their business processes.

Through these initiatives, we will provide connections that support DX and contribute to social transformation.

Review of Operations Network Services Business

Revenue

<table>
<thead>
<tr>
<th>Year</th>
<th>2019</th>
<th>2020</th>
<th>2021 (Forecast)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Adjusted Operating Profit/Operating Profit Ratio</td>
<td>480.0</td>
<td>306.0</td>
<td>32.0</td>
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</tbody>
</table>

Adjusted Operating Profit/Operating Profit Ratio

<table>
<thead>
<tr>
<th>Year</th>
<th>2019</th>
<th>2020</th>
<th>2021 (Forecast)</th>
</tr>
</thead>
<tbody>
<tr>
<td>14.8</td>
<td>6.7%</td>
<td>6.3%</td>
<td>6.7%</td>
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</table>

STRENGTHS

- One of the best track records in Japan and accumulated expertise in delivering networks and IT systems for telecom carriers and companies.
- Large-scale mission critical system construction capabilities cultivated in projects for telecom carriers and core technologies in the network domain, such as 5G.
- Promotion of the shift to open systems such as O-RAN and promotion of cloud native networks using the network virtualization footprint.
- Securing safety through end-to-end security, including secure development and supply chains.

WEAKNESSES

- Low price competitiveness in the commodity domain.
- Insufficient assets in business development for industry, such as industrial devices for construction machinery, devices, and business operation apps.
- Countermeasures: Expand assets through partnerships with customers and vendors (for all three of the above weaknesses).
- Insufficient global track record/footprint.
- Countermeasures: Shift to open systems, and creation of products that can compete globally based on eco systems.

OPPORTUNITIES

- Diversification and sophistication of needs for networks due to 5G, increase in telecom carriers seeking to shift to open systems.
- Increased expectations of domestic vendors for 5G as a core infrastructure, earlier 5G investment by telecom carriers supported by government policy.
- Expansion of business opportunities due to connection of people, things and contexts with digital transformation at companies, including operational reforms.
- Growth in demand for network infrastructure associated with the increase in services delivered via networks in the new normal.

THREATS

- Resistance to shift to open systems among global mega vendors.
- Countermeasures: Expand market for shift to open systems and develop track record in this market in partnership with a leading carrier.
- Delay in start of local 5G market, market entry by competing mega vendors and new vendors.
- Countermeasures: Drive the market by creating best use cases among existing customer base and developing them laterally to move to the local 5G utilization phase.
Global Business

Transformation into a True Global Company—Business Model Transformation to Realize Profitable Growth

Akihiko Kumagai
Senior Executive Vice President

Our Vision for the Medium to Long Term

Realizing NEC Safer Cities based on the safety business is one of the growth drivers for the Global Business. While technological advances have made life more convenient, there is growing urgency to respond to global issues such as labor shortages, rapid urbanization, the risk of increased terrorism due to geopolitical factors, and the risk of pandemics such as COVID-19. In addition to the area of public safety, where NEC’s biometric authentication technologies have been used to provide safety and security, we will also expand our business in the field of digital government, where we aim to achieve fairness and efficiency by using asset management and payment platforms provided by our subsidiaries Northgate Public Services Limited in the U.K. and KMD Holding ApS in Denmark.

Another growth driver is the business for service providers such as telecom carriers. Investment in 5G is going to accelerate worldwide going forward. NEC will leverage its track record as a leader in adopting this new technology in Japan. At the same time, NEC will expand its businesses by becoming a market disrupter that provides customers with new value, using its accumulated virtualization technology and strengths in open eco systems from collaboration with partners as a point of differentiation. Furthermore, with the shift to 5G technology in networks, investment will expand in the software and services fields, such as customer, fee, and operation management systems to increase their operational efficiency, flexibility and rapid response to new services based on digital transformation (DX). In addition to the strong competitive advantages of customer, fee, and operational management solutions offered by Netcracker Technology Corporation, we will offer new solutions that incorporate advanced virtualization technologies to meet the needs of the new era. Furthermore, we will contribute to bolstering networks by providing solutions such as submarine cables to handle the expanding volume of data traffic.

Toward Achieving the Mid-term Management Plan 2020

To realize growth in the Global Business, our No. 1 priority in fiscal 2020 is achieving profitability in our operations. By integrating the display business with Sharp Corporation, we aim to achieve growth and improve our earnings structure over the medium to long term. We also set about structural reforms in the energy business. Looking ahead, we aim to improve earnings in the safety business through business model reforms and to realize organic growth in the Service Provider and Submarine Cable Business to achieve our plan for fiscal 2021.

We will combine NEC’s assets and leverage its strengths while taking steps to maintain our business scale and strengthen profitability through partnering and business model transformation, particularly in markets that are maturing or expecting to see intensifying increased competition.

In Closing

NEC will contribute to the realization of a safe, secure, fair, and efficient society by applying advanced AI and biometric authentication technologies and strengthening its capabilities through M&As and partnership activities, while always placing top priority on respecting human rights and observing the laws and regulations of each country. Furthermore, we will respond to the paradigm shift in government, economy, society and technology caused by the COVID-19 pandemic by contributing to the new normal of society through our safety and service provider businesses.
Corporate Governance

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 Corporation 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.

**Overview of the Corporate Governance Structure**

**General Meeting of Shareholders**

- **Executive Directors**
- **Outside Directors**
- **Corporate Auditors**

**Board of Directors**

- **Report**
- **Board of Directors and Compensation Committee**

**Audit & Supervisory Board (KANSAYAKU)**

- **Chairman of the Board**
- **Outside Directors (5) (including 4 independent)**
- **Outside A&SBMs (2) (All independent directors)**

**Nomination and Compensation Committee**

- **Nomination related**
- **Compensation related**

**Main Initiatives for Strengthening Corporate Governance**

- **2012** 
  - Role of Outside Directors: 45.5%
- **2001** 
  - Established Compensation Committee
- **2010** 
  - Established Nominating and Compensation Committees**: Enhanced transparency of nomination and remuneration of Directors, etc.

**Management and Supervision**

- **Purpose, Activities, and Number of Meetings**
  - **Board of Directors**
  - **Nomination and Compensation Committee**
  - **Audit & Supervisory Board (KANSAYAKU)**

**Corporate Officers**

- **Chief Officers**
- **Corporate Auditors**

**NEC Corporation 2020 Integrated Report**

For further information, please refer to Integrated Report 2020 page 59, "Directors and Audit & Supervisory Board Members."
Evaluation of the Effectiveness of the Board of Directors

NEC Corporation has conducted an analysis and evaluation of the effectiveness of the Board of Directors once a year to improve the function of the Board of Directors since fiscal 2016.

Procedure of the analysis and evaluation
In fiscal 2020, NEC Corporation conducted a questionnaire of all the Directors and A&SBMs, and conducted individual interviews based on the results. In the questionnaire and interviews, participants were asked mainly for their opinions regarding issues concerning the role, function, and operation method of the Board of Directors and points for improvement with a view to the kind of governance structure that NEC Corporation should aim for. In fiscal 2020 particularly, the process focused on asking for opinions based on the results of the effectiveness evaluation undertaken in the previous fiscal year. Participants were asked about the appropriateness of the themes of matters brought for discussion and the sufficiency of discussion based on perspectives that should be emphasized in the Board of Directors’ deliberations in order to ensure high quality, in depth discussion in matters brought for discussion and the sufficiency of discussion based on perspectives that should be emphasized in the Board of Directors’ deliberations in order to ensure high quality, in depth discussion.

Initiatives going forward
NEC Corporation will conduct the following initiatives to make discussions more effective based on the clarified role expected of Outside Directors by results of the effectiveness evaluation:

- To further deepen discussions from a broad, companywide perspective, NEC Corporation will continue to consider how to set discussion themes and to report on medium- to long-term strategy, collateral risk, and group-wide synergies, and governance; and
- Regarding Business-unit reporting, NEC Corporation abolished reports that were uniformly implemented by all Business units, and set important themes that should be discussed in the perspective of group strategies by the President so that discussions can be conducted based on knowledge of the specialized field of each Outside Director.

Evaluation of the effectiveness of the Nomination and Compensation Committee
In the questionnaire and individual interviews about the effectiveness of the Board of Directors, NEC Corporation asked for opinions from Directors and A&SBMs to clarify challenges and improvements for the Nomination and Compensation Committee.

In summary, the results show that the composition of the Nomination and Compensation Committee can generally be evaluated as appropriate. However, some responses pointed out improvement in the operation with regard to securing discussion time appropriate to the themes for discussion by the Nomination and Compensation Committee, and using prior explanations to make its meetings more efficient. Going forward, NEC Corporation will work to improve the guidance in accordance with the priorities of the responses pointed out.

Evaluation of the effectiveness of the Audit & Supervisory Board
NEC Corporation conducts an evaluation of the effectiveness of the A&SBMs and the Audit & Supervisory Board every year with a view to improving the effectiveness of A&SBMs’ audits. In fiscal 2020, the A&SBMs each conducted a self-evaluation by answering a questionnaire regarding their audit activities and the operation of the Audit & Supervisory Board, then all of the A&SBMs held a discussion based on the results of the questionnaire. The Audit & Supervisory Board will then make improvements regarding the challenges and initiatives recognized in this evaluation process by reflecting them appropriately in audit plans and so forth.

A summary of the evaluation of the effectiveness of the A&SBMs and the Audit & Supervisory Board, challenges, and the direction of initiatives going forward are as follows:

- At meetings of the Audit & Supervisory Board, the A&SBMs resolve and discuss statutory matters, as well as sharing information through reports on the status of audits by each A&SBM, hearing reports on audit results and activity status from the Accounting Auditor, Internal Auditing Division, and the Internal Control Division, and exchanging opinions with the CEO regarding management issues. Moreover, the Audit & Supervisory Board provides regular audit activity reports to the Board of Directors and management executives including the CEO, as well as communicating items that have been noticed in the audits and recommendations, and exchanging opinions.

Remuneration for Directors and Audit & Supervisory Board Members (KANSAYAKU)

For the purpose of continuously improving corporate value and strengthening its competitiveness, NEC Corporation’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 us to secure excellent human resources and serve as an incentive to improve performance of the NEC Group. In order to ensure objectiveness and properness 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 contents and scale are similar to those of NEC Corporation.

Remuneration System

<table>
<thead>
<tr>
<th>Directors</th>
<th>Inside</th>
<th>Executive</th>
<th>Non-executive</th>
<th>A&amp;SBMs</th>
</tr>
</thead>
<tbody>
<tr>
<td>Basic remuneration</td>
<td>$2</td>
<td>$3</td>
<td>$1</td>
<td>$3</td>
</tr>
<tr>
<td>Bonuses</td>
<td>$1</td>
<td>$2</td>
<td>$0</td>
<td>$5</td>
</tr>
</tbody>
</table>

The ratio of performance-based stock compensation and other remuneration for Executive Directors is set at 1:1 in order to serve as an incentive to improve performance. The ratio of basic remuneration + Bonuses : Stock compensation = 5:3:2.

The A&SBMs receive regular reports from the Directors, executive officers, and employees of NEC Corporation and its subsidiaries in accordance with the audit plan, and indicate beforehand items that they particularly wish to have reported as part of efforts to enhance the exchange of opinions when the reports are received. Furthermore, to help strengthen the structure for irregular audits, the A&SBMs and the Audit & Supervisory Board within the executive side, the A&SBMs and the Audit & Supervisory Board will continue to actively communicate their intentions to the executive side.

The A&SBMs work to improve and strengthen the quality of audits for the NEC Group overall by holding regular information exchange meetings and training sessions for the A&SBMs of subsidiaries. They will further strengthen connections with the A&SBMs of subsidiaries to help them perform effective and efficient A&SBM audits with limited resources.

The Audit & Supervisory Board receives regular (and irregular as needed) reports on audit results and so forth from the Accounting Auditor and the Internal Auditing Division. In addition, the A&SBMs, Accounting Auditor, and Internal Auditing Division hold regular meetings to share information and to exchange opinions on set themes such as use of digital technology in audits. The A&SBMs will continue to strengthen their cooperation with the Accounting Auditor and the Internal Auditing Division.

Corporate Governance
(a) The performance indicators for this component are the NEC Group’s consolidated revenue, operating income and free cash flows in the applicable fiscal year. These indicators were selected reflecting the importance concerning the NEC Group’s management strategies and suitability in determining the achievement percentage.

(b) The performance indicators for this component are budget indicators and mid-term plan indicators. Budget indicators are consolidated revenue, operating income, free cash flows, etc. in the applicable fiscal year in the business units overseen by each Director. These indicators were selected because they allow the appropriate evaluation of the achievement level of performance targets for each fiscal year in individual business units overseen by relevant Directors.

Mid-term plan indicators are used to evaluate activities for accomplishing the goals set in the mid-term management plan. The indicators are fiscal year performance targets set for individual Directors based on a discussion between each Director and the President, and the President evaluates their achievement level by interviewing the Director. To ensure that evaluations are done properly, evaluation results are reported to the Nomination and Compensation Committee.

For Directors who oversee operations other than business units, indicators for the business unit-performance-based component are the NEC Group’s consolidated revenue, operating income, free cash flows, etc.

(c) Stock compensation. The performance-based stock compensation serves as a medium- to long-term incentive to further raise Directors’ awareness for contribution to improvement in NEC Group’s medium- and 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.

Indicators for performance-based stock compensation are the NEC Group’s consolidated revenue, adjusted operating profit and adjusted net profit attributable to owners of the parent in the applicable fiscal year. The indicators were selected by considering their importance concerning the NEC Group’s medium- to long-term management strategies as well as for reinforcing the commitment and activities of Directors to contribute to maximizing corporate value from a medium- to long-term perspective and giving back to shareholders.
Uncompromising Integrity and Respect for Human Rights

NEC subscribes to “Uncompromising Integrity and Respect for Human Rights” as one of the Principles of the NEC Way. Furthermore, NEC aims to establish compliance within its corporate culture by ensuring that each officer and employee treats compliance as his or her own responsibility and practices conduct in accordance with the NEC Group Code of Conduct.

In addition, our risk management activities include properly understanding risks that have an impact on our business and taking preventive measures efficiently and effectively, including against compliance violations. In fiscal 2020, we selected the four risks listed below as “Priority Risks” and devised measures to address them. For fiscal 2021, we identified the following risks: “risks regarding inadequate accounting processes at subsidiaries abroad,” “risks regarding management of confidential information,” “risks regarding privacy infringement related to new technologies,” and “risks regarding harassment.” We are taking countermeasures against them.

Risks Regarding Labor Management

At NEC, the workers union and management cooperate to implement flexible working styles, prevent overwork, and promote time off from work, while observing the relevant legal systems in each country. In April 2019, NEC Corporation and affiliated companies in Japan renewed their work hours management systems and took other steps to properly grasp work hours and rigorously manage overtime work in line with the revision of the Labor Standards Act. We have put systems in place to enable early identification of potential risks and implementation of countermeasures as needed to prevent any incidents arising due to working hours.

For further information, please refer to Sustainability Report 2020 “Creating a Diverse Work Style Environment.”

Risks Regarding Human Rights Issues Arising from New Technology

Since the formulation of the Companywide principles, we have promoted initiatives to incorporate this way of thinking into relevant businesses. Moreover, we hold web training and study sessions, along with discussions with experts, so that we can act appropriately with respect for human rights in business operations.

For further information, please refer to Sustainability Report 2020 “AI and Human Rights.”

Risks Regarding Bribery

NEC Corporation has created an “anti-Bribery Manual for Business Divisions, etc.” that stipulates the roles of general managers and specific methods for preventing bribery. These roles and methods include bribery risk assessment regarding the division’s business and operations and due diligence regarding third parties employed in the Company’s business activities. In fiscal 2020, we revised the manual and added a section that stresses the importance of continued monitoring due to the possibility of risks related to retained parties or partners changing with the passage of time.

For further information, please refer to Sustainability Report 2020 “Promoting Fair Commercial Transactions.”

Risks Regarding Information Security

As information threats continue to evolve daily, information security, along with cybersecurity, has become one of NEC’s “materialities”—priority management themes from an ESG perspective, in our sophisticated IT-based society.

To protect information assets, NEC is taking the following approach: implementing anti-cyber attack measures, providing secure products, systems and services, and promoting information security in collaboration with business partners.

For further information, please refer to Sustainability Report 2020 “Information Security and Cyber Security.”

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

How Societal Changes and NEC’s Reforms Affect the Future Outlook

The rapid spread of COVID-19 has had a major impact on the global economy, making it difficult to predict Japan’s future. People’s values and lifestyles are expected to change markedly. And in this context, the impact on NEC is a concern, but rather than focusing on the negative side, it is important to see this change as a tailwind and an opportunity for NEC to make significant contributions to society.

This is possible because NEC has continuously reinvented its corporate culture through many years of business structure and personnel reforms, and is endowed with a history of 120 years of steadily refining, diversifying, and cultivating technology.

I believe another important factor is NEC’s adeptness in drawing on the valuable competencies of external experts, as evidenced by its recruitment of excellent managerial executives and the increase in the number and quality of outside directors. An external perspective is an indispensable and extremely important component in strengthening NEC Corporation through stronger governance, which is the foundation of management. Moreover, a succession plan should be formulated from a long-term perspective, to look ahead to the president for the next generation and beyond. On this matter, all the outside directors are continuing to meet with executive officers to evaluate each person’s abilities, insights, personality, ethics, and other qualities.

I believe such efforts indicate a bright outlook for NEC’s growth and social contributions going forward.

Auditing Practices Evolving to Change with the Times

One year has passed since I was appointed to serve as an outside corporate auditor of NEC. Compared to other companies, NEC’s business content is elaborate as it involves the leveraging of its cutting-edge technologies and the Company itself is a complex organization consisting of a large number of business divisions and domestic and overseas Group subsidiaries. As such, it is difficult to tackle the task at hand with the approach of ordinary audits, so auditing methods have been refined through various resourceful initiatives. One of those is the close cooperation between three teams: the corporate auditors, audit firms, and internal audit departments.

In the exchange of views between audit firms and internal audit departments, one topic of keen interest has been the state of audits since the outbreak of COVID-19 began to spread. The execution of working remotely from a place set up for the purpose of daily work activities turned out to be more efficient than expected. On the other hand, discussions and ideas have tended to focus only on pinpoint issues. Also, it is easy for team members to overlook the careless mistakes of others in the process of working remotely, so we need to perform audits with that in mind. Furthermore, considering the limited opportunities for conducting actual inspections by visiting business divisions and subsidiaries and the increase in conducting hearings remotely, we are exploring the use of digital auditing to supplement conventional methods, which are based on experience and intuition cultivated from a broad inventory of knowledge and human relationships. As an example of a customary digital audit, risks of accounting fraud and unprofitable projects can be systematically identified at an early stage through the analysis of financial data. Digital auditing is already being introduced, but in order to further promote and improve such audits, it is necessary to improve the accuracy of risk identification according to the characteristics of each company’s operations and the location of risks. The importance of determining sampling risk in dangerous areas based on experience and intuition remains unchanged, but it is expected that by combining this with methods using IT systems to comprehensively identify risk locations, the accuracy of auditing will undoubtedly improve in the future. I therefore expect to see increasing adoption of digital auditing going forward.

As an Outside Audit & Supervisory Board Member, I intend to do my best to contribute further to improving NEC’s governance. Thank you for your support and understanding.

Kaoru Seto
Outside Director

Nobuo Nakata
Outside Audit & Supervisory Board Member (KANSAYAKU)
Directors

Nobuhiro Endo
Chairman of the Board

Mr. Endo assumed the position of President (Representative Director) in April 2016 and as Chairman of the Board (Representative Director) from April 2016. Since June 2019, he has served as Chairman of the Board (Non-executive Director).

Kaoru Seto
Member of the Board
Special Advisor, Toshiba Holdings Co., Ltd.

Mr. Seto has extensive experience and deep insight as a manager of logistics service companies.

Takayuki Morita
Senior Executive Vice President, CIO (Chief Information Officer) and Member of the Board (Representative Director)

After being engaged in the management of NEC’s corporate strategy and the NEC Group’s management strategies, Mr. Morita has been engaged in the management of NEC as President (Representative Director) and CEO since April 2016.

Noriko Ikii
Member of the Board
President, Japan Institute for Women’s Empowerment & Diversity Management

Mr. Ikii has extensive experience and deep insight in the fields of administration and diplomacy.

Norihiro Ishiguro
Senior Executive Vice President, Senior Officer for Business Development and Industry

Mr. Ishiguro has been in charge of its global business strategy and in April 2019, he took up the additional responsibility of M&A and global business.

Kuniharu Nakamura
Member of the Board
Chairman of the Board, Sumitomo Corporation

Mr. Nakamura has extensive experience and deep insights, including as the manager of a general trading company.

Jun Ohta
Member of the Board
President and Group CEO, NEC Corporation

Mr. Ohta has extensive experience and deep insight, including with global business as the Group CEO of NEC Corporation.

Hajime Kinoshita
Audit & Supervisory Board Member (Full-time)

Mr. Kinoshita has extensive experience in the areas of legal and internal control supervision for many years.

Isamu Kawashima
Audit & Supervisory Board Member (Full-time)

Mr. Kawashima is responsible for accounting and financial affairs of the Company for many years.

Notes: 1. NEC has listed the Tokyo Stock Exchange of its four independent Directors and three independent Audit & Supervisory Board Members (NGBSMs).

Independent Directors: Mr. Tsunekazu Nakahara, Ms. Mihoko Tsurusaki, Mr. Kunihito Koitani, Mr. Takeshi Kusuma

Audit & Supervisory Board Members (NGBSMs): Mr. Takahiro Komine, Mr. Tetsuya Nakajima, Mr. Isamu Kawashima

2. Attendance at meetings: The number of attendance at the meetings of the Board of Directors or meetings of the Audit & Supervisory Board is out of the number of the meetings held in the fiscal year ended March 31, 2020.

3. Directors whose attendance is not listed attended all of the Board of Directors meetings held during the term of office, and NGBSMs whose attendance is not listed attended all of the Board of Directors meetings and all of the Audit & Supervisory Board meetings held during their term of office.

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

NEC Corporation has introduced a chief officer system and is working to solve challenges from a companywide perspective. Since 2019, the term of office for corporate officers has been set at one year and we have been reforming our management system, seeking to establish mission clarity and greater responsibility for results. By having corporate officers work with a sense of urgency to complete their respective missions, we aim to increase NEC’s execution capability.

Here, the vice presidents, chief officers, and business unit heads who are in charge of proposing and executing strategy from a companywide 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, 2020)

**Norihiko Ishiguro**
Senior Executive Vice President
Creating an Optimal Environment for Growth as a Global Social Value Innovator
Through negotiation and sales activities with governments around the world and international organizations and various companies, I am working to accelerate implementation of ICT policies and initiatives. In addition to contributing to the realization of Society 5.0 and achievement of the SDGs, I also intend to work to establish an environment that enables NEC to provide solutions for global and domestic issues. I am a Social Value Innovator and to realize growth of the NEC Group, I am working on the optimization of the NEC Group’s corporate governance, management systems, and the introduction of a competitive compensation system. Building an environment where we can treat customers even more fairly than we do as well as increasing employee satisfaction.

**Akihiko Komagai**
Senior Vice President, Platform Unit
Responding Quickly and Effectively to a Wide Variety of Country-Specific Needs is the Key to a Successful Global Business
Since 2019, the term of office for corporate officers has been set at one year and we have been reforming our management system, seeking to establish mission clarity and greater responsibility for results. By having corporate officers work with a sense of urgency to complete their respective missions, we aim to increase NEC’s execution capability. NEC Corporation has introduced a chief officer system and is working to solve challenges from a companywide perspective. In the final year of Mid-term Management Plan 2020, I will further accelerate reforms with regard to our corporate culture and our culture for innovation. In addition, I will continue to execute outstanding digital technology to foster the digitalization of society brought about by the spread of COVID-19. In order to realize transformation, we will strive to enhance NEC’s corporate value by promoting the NEC Way to our business and contributing to society, in a manner that leads to a change in the mindset of all employees and leaders in all parts of the world.

**Chikara Ishii**
Executive Vice President, CIO (Chief Digital Officer)
Creating New Social Value through Digital Transformation (DX)
I am continually meeting the social needs of the day, and I believe NEC can contribute to solving them by fostering digital business strategies. In addition, the NEKO Way of responding to the ever-changing social and market environments will be promoted to leadership positions, regardless of gender or nationality. By doing so, we will be able to effectively respond to the ever changing social and market environments.

**Hajime Matsukura**
Executive Vice President, CHRO (Chief Human Resources Officer)
Encouraging NEC People in Line with the NEC Way and Concentrating Our Abilities
In the final year of Mid-term Management Plan 2020, I will further accelerate reforms with regard to our corporate culture and our culture for innovation. In addition, I will continue to execute outstanding digital technology to foster the digitalization of society brought about by the spread of COVID-19. In order to realize transformation, we will strive to enhance NEC’s corporate value by promoting the NEC Way to our business and contributing to society, in a manner that leads to a change in the mindset of all employees and leaders in all parts of the world.

**Hiroshi Kodama**
Executive Vice President, CIO (Chief Information Officer) and CISO (Chief Information Security Officer)
President of Digital Business Platform Unit
Leading the Creation of a Digitically Inclusive Society
My goal is to realize a society where individuals can flourish due to the benefits of digitalization. I intend to lead as broad the creation of a digitally inclusive society by supporting both NEC’s investments and its promotion of value to society through ICT.

**Mot motif Isihara**
Executive Vice President, CIO (Chief Technology Officer)
Head of Research & Development Unit
Enhancing Capabilities for Commercializing NEC Technologies Strengths through the Newly Formed R&D Unit
In April 2020, we established a research and development unit to create new businesses driven by NEC’s technology strengths. This enables NEC to streamline the division of NEC’s competitive advantage, which is an important competitive advantage of NEC. Large-scale projects will be assigned to people who can make a significant contribution. Through the newly formed R&D Unit, I intend to further accelerate NEC’s transformations into a Social Value Innovator.

**Tomoyasu Nishimura**
Executive Vice President, System Platform Business
Providing Excellent Platform Products to Support Customers’ Business Transformation
In order to achieve the NEC Corporation’s business transformation, the software startup and stable operation of services are indispensable, along with cutting edge digital technologies that we can provide under an optimal SDGs and what we call the NEC Way that transcends companies and organizations. By combining NEC Corporation’s established digital technologies with our social expertise in delivering highly reliable and high-quality development, production, maintenance, operation, and support services, and integrating Knowhow strengths and the NEC Way to all areas, we will provide solutions that can respond rapidly to the advanced needs of our customers.

**Yutaka Ukegawa**
Senior Vice President, President of Cross-Industry Unit
Developing New Businesses through Public-Private Partnerships and Cross-Industry Collaboration to Realize Society 5.0
With regard to the launch of new businesses through public private partnerships and cross-industry collaboration for the realization of Society 5.0, as the officer responsible for the phase from business verification to business development and initial business deployment, I intend to promote collaborations firmly and swiftly. I am working to unite all units in the NEC Group and drive change by questioning the status quo, or people who can accurately capture the true needs of specific markets, to drive change by questioning the status quo, or people who can accurately capture the true needs of specific markets, to drive change by questioning the status quo, or people who can accurately capture the true needs of specific markets, to drive change by questioning the status quo, or people who can accurately capture the true needs of specific markets, to drive change by questioning the status quo, or people who can accurately capture the true needs of specific markets.

**Makoto Enomoto**
Senior Vice President, CMO (Chief Marketing Officer)
Presenting a New Digital Marketing Format in the Face of the New Normal
As society faces a new normal, the way we build and maintain relationships with our customers will change dramatically. In the era of melt-to-business (the digital and contact industries), the digital side is expected to increase in weight. I will work to engineer a new skill in creating and promoting measures from real to digital, and present new forms of digital marketing to our customers.

**Shinobu Obata**
Senior Vice President, CISO (Chief Legal and Compliance Officer)
Increasing the NEC Group’s Integrity through Deeper Penetration of the Code of Conduct
The NEC Group established the Code of Conduct as one of the four elements constituting the NEC Way to prescribe the behavior of all employees. In addition, each company's own Code of Conduct includes its own principles of how all employees should behave. It is my intention to promote permeation of the Code of Conduct within the NEC Group and strive to encourage every member of our organization not only to adhere to the rules of compliance, but also to contribute to society as a good citizen of the corporate world with high ethical standards and integrity.

**Osamu Fujikawa**
Senior Vice President, President of Business Innovation Unit
Gaining Insight into Future Social Issues and Harnessing NEC’s Strong Assets to Develop Core Businesses for the Medium to Long Term
In 2019, in accordance with the Company’s medium-term management strategy, NEC entered the drug discovery business with the goal of promoting society’s unique technological strengths. I am in charge of research and development of business assets and innovation and I will work to develop new businesses using advanced technologies.

**Shigeki Shimizu**
Senior Vice President, CISO (Chief Supply Chain Officer)
Achieving Sustainable Growth with Sustainable Supply Chains
This year marks a year in which the supply chains become a central concern within the context of the NEC Way. I see this as an opportunity to deepen our collaboration and co-creation with stakeholders to address supply chain risks related to climate change. In addition to supply chain risks, I will work to strengthen our sustainable supply chains, for which we are attentive to the progress of the environment and human rights, improve quality and safety, and realize the continuous growth of the NEC Group.

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

<table>
<thead>
<tr>
<th></th>
<th>2020</th>
<th>2019</th>
<th>Change</th>
<th>2020 Total</th>
<th>2019 Total</th>
<th>Change %</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Assets</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Millions of yen</td>
<td>Millions of yen</td>
<td>Millions of yen</td>
<td>Millions of yen</td>
<td>Millions of yen</td>
<td>Millions of yen</td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>278,314</td>
<td>241,464</td>
<td>36,850</td>
<td>¥ 278,314</td>
<td>¥ 241,464</td>
<td>¥ 36,850</td>
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<tr>
<td>Total current assets</td>
<td>1,368,236</td>
<td>1,492,887</td>
<td>(124,651)</td>
<td>¥ 1,368,236</td>
<td>¥ 1,492,887</td>
<td>(124,651)</td>
</tr>
<tr>
<td>Total non-current assets</td>
<td>1,903,541</td>
<td>1,916,347</td>
<td>(12,806)</td>
<td>¥ 1,903,541</td>
<td>¥ 1,916,347</td>
<td>(12,806)</td>
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<tr>
<td><strong>Total assets</strong></td>
<td>3,271,777</td>
<td>3,409,234</td>
<td>(137,457)</td>
<td>¥ 3,271,777</td>
<td>¥ 3,409,234</td>
<td>(137,457)</td>
</tr>
</tbody>
</table>

### Consolidated Statements of Profit or Loss

<table>
<thead>
<tr>
<th></th>
<th>2020</th>
<th>2019</th>
<th>Change</th>
<th>2020 Total</th>
<th>2019 Total</th>
<th>Change %</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Revenue</strong> (Notes 6 and 26)</td>
<td>¥ 7,971,446</td>
<td>¥ 6,055,134</td>
<td>¥ 1,916,312</td>
<td>¥ 7,971,446</td>
<td>¥ 6,055,134</td>
<td>¥ 1,916,312</td>
</tr>
<tr>
<td><strong>Cost of sales</strong> (Notes 14 and 26)</td>
<td>2,083,517</td>
<td>2,027,675</td>
<td>55,842</td>
<td>2,083,517</td>
<td>2,027,675</td>
<td>55,842</td>
</tr>
<tr>
<td><strong>Gross profit</strong></td>
<td>5,887,929</td>
<td>4,027,459</td>
<td>1,860,470</td>
<td>¥ 5,887,929</td>
<td>¥ 4,027,459</td>
<td>¥ 1,860,470</td>
</tr>
<tr>
<td><strong>Selling, and general administrative expenses</strong> (Notes 27)</td>
<td>743,021</td>
<td>572,690</td>
<td>170,331</td>
<td>743,021</td>
<td>572,690</td>
<td>170,331</td>
</tr>
<tr>
<td><strong>Other operating expenses</strong> (Note 27)</td>
<td>(29,126)</td>
<td>(2,760)</td>
<td>(26,366)</td>
<td>(29,126)</td>
<td>(2,760)</td>
<td>(26,366)</td>
</tr>
<tr>
<td><strong>Operating profit</strong> (Note 6)</td>
<td>5,134,778</td>
<td>3,958,712</td>
<td>1,176,066</td>
<td>¥ 5,134,778</td>
<td>¥ 3,958,712</td>
<td>¥ 1,176,066</td>
</tr>
<tr>
<td><strong>Finance income</strong> (Notes 6 and 29)</td>
<td>23,989</td>
<td>8,477</td>
<td>15,512</td>
<td>23,989</td>
<td>8,477</td>
<td>15,512</td>
</tr>
<tr>
<td><strong>Finance costs</strong> (Notes 6 and 29)</td>
<td>(8,377)</td>
<td>(14,544)</td>
<td>6,167</td>
<td>(8,377)</td>
<td>(14,544)</td>
<td>6,167</td>
</tr>
<tr>
<td><strong>Share of profit or losses of entities accounted for using the equity method (Notes 6 and 12)</strong></td>
<td>9,316</td>
<td>3,347</td>
<td>5,969</td>
<td>9,316</td>
<td>3,347</td>
<td>5,969</td>
</tr>
<tr>
<td><strong>Income from income taxes</strong> (Note 13)</td>
<td>77,209</td>
<td>72,509</td>
<td>4,717</td>
<td>77,209</td>
<td>72,509</td>
<td>4,717</td>
</tr>
<tr>
<td><strong>Net profit</strong></td>
<td>51,790</td>
<td>51,790</td>
<td>0</td>
<td>¥ 51,790</td>
<td>¥ 51,790</td>
<td>0</td>
</tr>
</tbody>
</table>

### Consolidated Statements of Comprehensive Income

<table>
<thead>
<tr>
<th></th>
<th>2020</th>
<th>2019</th>
<th>Change</th>
<th>2020 Total</th>
<th>2019 Total</th>
<th>Change %</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Net profit</strong></td>
<td>51,790</td>
<td>51,790</td>
<td>0</td>
<td>¥ 51,790</td>
<td>¥ 51,790</td>
<td>0</td>
</tr>
<tr>
<td><strong>Other comprehensive income, net of tax</strong> (Notes 6 and 26)</td>
<td>¥ 2,913,446</td>
<td>¥ 2,913,446</td>
<td>0</td>
<td>¥ 2,913,446</td>
<td>¥ 2,913,446</td>
<td>0</td>
</tr>
<tr>
<td><strong>Items that will not be reclassified to profit or loss</strong></td>
<td>¥ 2,913,446</td>
<td>¥ 2,913,446</td>
<td>0</td>
<td>¥ 2,913,446</td>
<td>¥ 2,913,446</td>
<td>0</td>
</tr>
<tr>
<td><strong>Revaluations of property, plant and equipment (Note 22)</strong></td>
<td>(40,348)</td>
<td>(40,348)</td>
<td>0</td>
<td>(40,348)</td>
<td>(40,348)</td>
<td>0</td>
</tr>
<tr>
<td><strong>Dividends paid (Note 20)</strong></td>
<td>(15,586)</td>
<td>(15,586)</td>
<td>0</td>
<td>(15,586)</td>
<td>(15,586)</td>
<td>0</td>
</tr>
<tr>
<td><strong>Other comprehensive income of entities accounted for using the equity method (Notes 6 and 12)</strong></td>
<td>5,969</td>
<td>5,969</td>
<td>0</td>
<td>5,969</td>
<td>5,969</td>
<td>0</td>
</tr>
<tr>
<td><strong>Total items that will not be reclassified to profit or loss</strong></td>
<td>77,209</td>
<td>72,509</td>
<td>4,717</td>
<td>¥ 77,209</td>
<td>¥ 72,509</td>
<td>¥ 4,717</td>
</tr>
<tr>
<td><strong>Items that may be reclassified to profit or loss</strong></td>
<td>¥ 74,318</td>
<td>¥ 74,318</td>
<td>0</td>
<td>¥ 74,318</td>
<td>¥ 74,318</td>
<td>0</td>
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<td>0</td>
<td>5,969</td>
<td>5,969</td>
<td>0</td>
</tr>
<tr>
<td><strong>Total items that may be reclassified to profit or loss</strong></td>
<td>28,484</td>
<td>26,767</td>
<td>1,717</td>
<td>¥ 28,484</td>
<td>¥ 26,767</td>
<td>¥ 1,717</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>¥ 28,484</td>
<td>¥ 26,767</td>
<td>¥ 1,717</td>
<td>¥ 28,484</td>
<td>¥ 26,767</td>
<td>¥ 1,717</td>
</tr>
<tr>
<td><strong>Earnings per share attributable to owners of the parent</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Basic earnings per share (JPY) (Note 30)</td>
<td>743.01</td>
<td>385.01</td>
<td>358.00</td>
<td>743.01</td>
<td>385.01</td>
<td>358.00</td>
</tr>
<tr>
<td>Diluted earnings per share (JPY) (Note 30)</td>
<td>743.05</td>
<td>385.01</td>
<td>358.04</td>
<td>743.05</td>
<td>385.01</td>
<td>358.04</td>
</tr>
</tbody>
</table>

### Financial Section

**Consolidated Statements of Cash Flows**

<table>
<thead>
<tr>
<th></th>
<th>2020</th>
<th>2019</th>
<th>Change</th>
<th>2020 Total</th>
<th>2019 Total</th>
<th>Change %</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Cash and cash equivalents, at the end of the year</strong></td>
<td>¥ 166,360</td>
<td>¥ 216,597</td>
<td>(50,237)</td>
<td>¥ 166,360</td>
<td>¥ 216,597</td>
<td>(50,237)</td>
</tr>
<tr>
<td><strong>Net cash provided by operating activities</strong></td>
<td>28,484</td>
<td>26,767</td>
<td>1,717</td>
<td>¥ 28,484</td>
<td>¥ 26,767</td>
<td>¥ 1,717</td>
</tr>
<tr>
<td><strong>Cash flows from investing activities</strong></td>
<td>28,484</td>
<td>26,767</td>
<td>1,717</td>
<td>¥ 28,484</td>
<td>¥ 26,767</td>
<td>¥ 1,717</td>
</tr>
<tr>
<td><strong>Acquisitions of intangible assets (Note 15)</strong></td>
<td>48,979</td>
<td>72,825</td>
<td>(23,846)</td>
<td>48,979</td>
<td>72,825</td>
<td>(23,846)</td>
</tr>
<tr>
<td><strong>Proceeds from sale of property, plant and equipment</strong></td>
<td>4,283</td>
<td>6,903</td>
<td>(2,620)</td>
<td>4,283</td>
<td>6,903</td>
<td>(2,620)</td>
</tr>
<tr>
<td><strong>Sale of investments in associates or joint ventures (Note 18)</strong></td>
<td>364,828</td>
<td>18,803</td>
<td>346,025</td>
<td>364,828</td>
<td>18,803</td>
<td>346,025</td>
</tr>
<tr>
<td><strong>Proceeds from issuance of bonds (Note 21)</strong></td>
<td>50,011</td>
<td>57,975</td>
<td>(7,964)</td>
<td>50,011</td>
<td>57,975</td>
<td>(7,964)</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>539,008</td>
<td>98,730</td>
<td>440,278</td>
<td>¥ 539,008</td>
<td>¥ 98,730</td>
<td>¥ 440,278</td>
</tr>
</tbody>
</table>

**NEC Corporation Integrated Report 2020**
Non-Financial Section – Achievements and Progress on ESG-Related Themes

We have compiled a list of non-financial indicators for measuring our progress on Priority Management Themes from an ESG Perspective. Materiality for the years ended at or prior to March 31, 2020 and 2019, but items that do not have footnote apply to NEC Corporation alone.

E Environment field

Environmental Action with a Particular Focus on Climate Change

<table>
<thead>
<tr>
<th>Comprehension income</th>
<th>₳397,199</th>
<th>₳330,498</th>
<th>₳28,211</th>
<th>₳14,277</th>
</tr>
</thead>
<tbody>
<tr>
<td>Non-controlling interests</td>
<td>₳21,072</td>
<td>₳7,406</td>
<td>₳12,361</td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>₳21,072</td>
<td>₳7,406</td>
<td>₳12,361</td>
<td></td>
</tr>
</tbody>
</table>

Note: The cumulative impact of changes in accounting policies is due to the application of IFRS 9, "Financial Instruments (2014)" and IFRS 15, "Revenue from Contracts with Customers."

Social field

Sustainability and Socially Literate Human Resources

<table>
<thead>
<tr>
<th>Change in interests in subsidiaries (Note 11)</th>
<th>—</th>
</tr>
</thead>
<tbody>
<tr>
<td>Non-controlling interests</td>
<td>₳64,619</td>
</tr>
<tr>
<td>Other comprehensive income (Note 19)</td>
<td>—</td>
</tr>
<tr>
<td>Purchase of treasury shares (Note 19)</td>
<td>—</td>
</tr>
<tr>
<td>Disposal of treasury shares (Note 19)</td>
<td>—</td>
</tr>
<tr>
<td>Cash dividends (Note 20)</td>
<td>(₽15,591)</td>
</tr>
<tr>
<td>Put option, written over shares held by a non-controlling interest shareholder</td>
<td>—</td>
</tr>
<tr>
<td>Change in interests in subsidiaries (Note 11)</td>
<td>—</td>
</tr>
<tr>
<td>Total transactions with owners</td>
<td>₳120</td>
</tr>
</tbody>
</table>

Equity attributable to owners of the parent

<table>
<thead>
<tr>
<th>Share capital</th>
<th>₳397,199</th>
</tr>
</thead>
<tbody>
<tr>
<td>Share premium</td>
<td>₳138,704</td>
</tr>
<tr>
<td>Retained earnings</td>
<td>₳265,879</td>
</tr>
<tr>
<td>Treasury shares</td>
<td>(₽1,334)</td>
</tr>
<tr>
<td>Total</td>
<td>₳21,072</td>
</tr>
<tr>
<td>Non-controlling interests</td>
<td>₳7,406</td>
</tr>
<tr>
<td>Total equity</td>
<td>₳12,361</td>
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</tbody>
</table>

As of March 31, 2019

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<th>₳397,199</th>
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Non-Financial Section – Achievements and Progress on ESG-Related Themes

Environmental Action with a Particular Focus on Climate Change

<table>
<thead>
<tr>
<th>Ratio of renewable energy*1</th>
<th>2019</th>
<th>2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ratio of employees who feel that the Company's solutions (Each year) are making a significant contribution to CO2 emission reductions</td>
<td>22%</td>
<td>25%</td>
</tr>
<tr>
<td>Number of employees by region (Total)</td>
<td>110,315 people</td>
<td>25,582 people</td>
</tr>
<tr>
<td>Asia Pacific</td>
<td>110,315 people</td>
<td>25,582 people</td>
</tr>
<tr>
<td>Middle East</td>
<td>1,279 people</td>
<td>1,279 people</td>
</tr>
<tr>
<td>Total</td>
<td>1,280 people</td>
<td>1,280 people</td>
</tr>
</tbody>
</table>

Social field

Sustainability and Socially Literate Human Resources

| Number of people utilizing childcare leave | 10,505 people | 4,782 people |
| Number of people utilizing nursing care leave | 10,505 people | 4,782 people |
| Ratio of employees returning after childcare leave*1 | 97.3% |
| Average length of employment*2 | 19.4 years |
| Number of people utilizing childcare leave | 10,505 people |
| Number of people utilizing nursing care leave | 10,505 people |
| Ratio of employees returning after childcare leave*1 | 97.3% |
| Average length of employment*2 | 19.4 years |

Governance field

Goverance/Compliance

| Number of cases of involvement with serious ethical and/or fiduciary | 0 |
| Number of sessions of Board meetings | 0 |

Security to Maximize EIT Possibilities

| We will prevent minimization of prevention of significant value, using minimization of the effects of serious security incidents and the promotion of reference cases as an indicator. |

S Overall ESG

Innovation Management

<table>
<thead>
<tr>
<th>NEC Safe Cities</th>
</tr>
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<tbody>
<tr>
<td>NEC Value Chain Innovation</td>
</tr>
<tr>
<td>We will study promoting model case analysis as a non-financial indicator for measuring progress.</td>
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</table>

Privacy Policies and Measures Aligned with Societal Expectations

| We are disseminating the NEC Group Act and Human Rights Principles internally and promoting their incorporation into business activities. |

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The information contained in Integrated Report 2020 is also available on NEC’s website.

**NEC home page**
https://www.nec.com

**Sustainability**

The forward-looking statements are made based on information currently available to NEC and certain assumptions considered reasonable as of the date of this material. These determinations and assumptions are inherently subjective and imprecise. These forward-looking statements are not guarantees of future performance, and actual operating results may differ significantly due to a number of factors.

The factors that may influence the operating results include, but are not limited to, the following:

- foreign currency exchange and interest rate risks;
- changes in the markets in which the NEC Group operates;
- intense competition in the markets in which the NEC Group operates;
- potential inability to keep pace with rapid technological advancements in the NEC Group’s industry and to commercialize new technologies;
- potential failure of the NEC Group’s growth strategies due to major technologies;
- potential failure of internal controls;
- potential failure to procure components, equipment or other raw materials;
- potential failure to process computer programs, equipment or other raw materials;
- difficulties protecting the NEC Group’s intellectual property rights;
- potential inability to obtain certain intellectual property licenses;
- difficulties obtaining additional financing to meet the NEC Group’s funding needs;
- potential deterioration in the NEC Group’s relationships with strategic partners or problems relating to joint ventures;
- fluctuations in the NEC Group’s revenue and profitability from period to period;
- potential inability to achieve the goals in the NEC Group’s medium-term management plan;
- potential inability to achieve the benefits expected from acquisitions, business combinations and reorganizations;
- the NEC Group’s customers may encounter financial difficulties;
- adverse economic conditions in Japan or internationally;
- changes in the markets in which the NEC Group operates;
- potential changes in effective tax rates or deferred tax assets, or adverse tax examinations;
- information security and data protection concerns and restrictions;
- potential failure of the NEC Group to comply with information and data security requirements; and
- difficulties protecting the NEC Group’s intellectual property rights.

Cautionary Statement with Respect to Forward-Looking Statements

This material contains forward-looking statements regarding estimations, forecasts, targets and plans in relation to the results of operations, financial conditions and other overall management of the NEC Group (the "forward-looking statements"). The forward-looking statements are made based on information currently available to NEC and certain assumptions considered reasonable as of the date of this material. These determinations and assumptions are inherently subjective and imprecise. These forward-looking statements are not guarantees of future performance, and actual operating results may differ significantly due to a number of factors.

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This material contains forward-looking statements regarding estimations, forecasts, targets and plans in relation to the results of operations, financial conditions and other overall management of the NEC Group (the "forward-looking statements"). The forward-looking statements are made based on information currently available to NEC and certain assumptions considered reasonable as of the date of this material. These determinations and assumptions are inherently subjective and imprecise. These forward-looking statements are not guarantees of future performance, and actual operating results may differ significantly due to a number of factors.

The factors that may influence the operating results include, but are not limited to, the following:

- foreign currency exchange and interest rate risks;
- changes in the markets in which the NEC Group operates;
- intense competition in the markets in which the NEC Group operates;
- potential inability to keep pace with rapid technological advancements in the NEC Group’s industry and to commercialize new technologies;
- potential failure of the NEC Group’s growth strategies due to major technologies;
- potential failure of internal controls;
- potential failure to procure components, equipment or other raw materials;
- potential failure to process computer programs, equipment or other raw materials;
- difficulties protecting the NEC Group’s intellectual property rights; and
- information security and data protection concerns and restrictions;
- potential changes in effective tax rates or deferred tax assets, or adverse tax examinations;
- potential failure of the NEC Group to comply with information and data security requirements; and
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